27 March 2013

Dear Shareholders and Investors,

Welcome to the General Assembly Meeting under which 2012 activities of our company shall be discussed. I hereby salute you all most sincerely.

2012 was marked with problems in paper industry in the world and especially in Europe. In that regard, our country was exposed to challenges arising from low-quality paper import especially from the Far East.

It became inevitable to reduce staff to some extent in order to cope with the economic problems faced in 2012 and implement savings measures to the maximum level on all related areas.

To sum up our activities in 2012:

Our Company undertook 80.673 tons of gross production in different basis weights (60 gr/m² - 220 gr/m²) in the course of the year. A turnover of TRY 122,716,725.00 was acquired through sales of totally 70.380 tons of paper. 2012 company profit is TRY 8,597,033.00 in pre-taxation period whereas the net period profit is TRY 6,768,621.00 after all the taxes are deduced.

In addition to the material achievements which are depicted in figures, another significant issue that should be underlined is that Alkim Kağıt was able to adopt a highly respectable position in paper industry. Alkim Kağıt has become a well-known brand not only in Turkey but also in various locations including the Balkans, Turkic Republics, and the Middle East thanks to its high-quality production, significant tonnages, and timely delivery and shipping operations.

We hereby express our deepest gratitude to all the company employees including our General Manager and Senior Officers for their contributions to our achievement.

Sincerely yours,

On behalf of Board of Directors of Alkim Kağıt:

M. Reha KORA
Mechanical Engineer, MSc
Chairman of Board of Directors

1) GENERAL INFORMATION

a) Accounting year of the report **:** 01.01.2012 – 31.12.2012

b) General Information on the Company

Business name of the Company	**:** ALKİM KAĞIT SANAYİ VE TİCARET A.Ş.
Trade registration number	**:** Merkez – 90072 – K – 7834
Headquarters	**:** Kemalpaşa Organize Sanayi Bölgesi, Kırovası Mevkii Kemalpaşa İZMİR
Contact information	**:** Phone: 0.232.877 06 06 Fax 0.232.877 06 05
Website	**:** www.alkimkagit.com.tr

c) **Organization, Share Capital and Partnership Structure**

The share capital of our Company is TL 52.500.000. There was no capital increase in 2012. Shares equivalent to 45% of the capital is traded at Istanbul Stock Exchange.

The group shares and numbers are as follows; each of the shares representing the capital of the Company is worth 1 Kr.;

GROUP A	TO NAME	375.000	Share	0,01%
GROUP B	TO NAME	300.000	Share	0,01%
GROUP C	TO NAME	313.800	Share	0,01%
GROUP D	TO NAME	11.200	Share	0,00%
GROUP E	TO NAME	119.000.000	Share	2,27%
GROUP F	TO HOLDER	5.130.000.000	Share	97,71%
	TOTAL	**5.250.000.000**	**Share**	

ç) Privileges

i. Privileges regarding the election of the Board of Directors

Among the members of the board of directors, three are elected by the shareholders of Group A, two are elected by the shareholders of Group B, are elected by the shareholders of Group C, one is elected by the shareholders of Group E and one is elected by the shareholders of Group F.

ii. Privileges regarding the election of Auditors

One among the auditors is chosen by the shareholders of Group F.

iii. Privileges regarding the right to vote

In the general assembly meetings, shareholders from Groups A, B, C, D and E have a right to vote of 100 per share, and shareholders from Group F have a right to vote of 1 per share.

iiii. Privileges regarding abolition and liquidation

When the board of liquidation promotes, a liquidation board of 3 persons, consisting of one person elected by the shareholders of Group A, B and E is constituted.

d) Information regarding the Board of Directors, duties, committees, senior executives and number of personnel:

Name – Last Name	**Title**	**Start Date**	**End Date**
M. REHA KORA	Chairman	10.04.2012	10.04.2013
A. HALUK KORA	Vice Chairman	10.04.2012	10.04.2013
FERİT KORA	Vice Chairman of Board	10.04.2012	10.04.2013
ARKIN KORA	Member	10.04.2012	10.04.2013
TÜLAY ÖNEL	Member	10.04.2012	10.04.2013
ÖZAY KORA	Member	10.04.2012	10.04.2013
KERİM OYGUR	Member	10.04.2012	10.04.2013
HAKKI PINAR KILIÇ	Independent Member	10.04.2012	10.04.2013
NAMIK KEMAL MARMARA	Independent Member	10.04.2012	10.04.2013
M.YÜKSEL KADIOĞLU	Auditor	10.04.2012	10.04.2013

The board of Directors shared their duties as follows: Chairman M. Reha Kora determines the general strategy of the Company, A. Haluk Kora assists in international relations and new projects, Ferit Kora assists the Chairman in commercial and financial issues, independent members H. Pınar Kılıç and N. Kemal Marmara assists with all other members except the audit committee in the main agreement to be implemented in accordance with the law and regulations.

Committees formed within the Board of Directors

Committee members responsible for auditing; Hakkı Pınar Kılıç (Independent Member), Namık Kemal Marmara (Independent Member)

Corporate Management Committee Members; Hakkı Pınar Kılıç (Independent Member), Chairman of the Committee, Namık Kemal Marmara (Independent Member), Vice Chairman of the Committee, Committee Members Haluk Kora, Ferit Kora and Arkın Kora.

Senior Executives

Name – Last Name	**Title**
Halil Sönmez	General Manager
Tekin Salt	Vice General Manager

Number of Personnel

	01 Jan. - 31 Dec. 2012	01 Jan. - 31 Dec. 2011
Year Beginning Executive Personnel	51	52
Year Beginning Other Personnel	141	141
Total Year Beginning	**192**	**193**
Year End Executive Personnel	50	51
Year End Other Personnel	121	141
Total Year End	**171**	**192**

e) If existing, within the scope of the permissions given by the general assembly of the Company, the operations carried out by the management and activities within the scope of noncompetition:

In 2012 activity period, within the scope of the permissions given by the general assembly of the Company, there are no operations carried out by members of the board of directors in their own name or in someone else’s name and no activities within the scope of noncompetition.

f) Detailed Information on the Sector

The segment comprises paper production. The papers produced are used in the writing and printing sector, packaging sector and for industrial sector. Main raw material is cellulose and recyclable waste paper.

Print Tab Papers:

- Offset print papers, produced of pure cellulose, formation and surface structure are suitable for writing and printing.
- Coated paper; papers of which the surface smoothness in increased by a special formulation over base paper. Suitable for printing.
- Photocopy papers, used in office automation developed in the recent years. Used in Inkjet, laser and photocopy machines.
- Gazette papers; produced using wood pulp and an appropriate amount of pure cellulose. Has high ink absorption. Used in web offset machines.

• Industrial papers, categorized as packaging papers, cleaning papers, craft papers, corrugated papers, cardboards, cigarette papers.

The first industrial paper production was started by Seka in 1934. Production capacity is 10,000 tons per year. In those days the per capita paper consumption was less than a kilogram.

Paper production developed from 1934 to 1962 and paper consumption increased to 5 kg/person. Development continued between 1963-1979 and paper consumption increased to 12,5 kg/person.

Starting from 1980, new structures in the economy and the private sector engaging more in the paper sector caused the per capita paper consumption to 69 kgs.

In 2011 in Turkey, writing paper consumption was 1,100,000 tons, while national production was 320,000. The sector imported 780,000 tons of paper.

Our place in the competition and sector:

In the last 10 years writing paper consumption increased from 341,000 tons (in 2011) to 1,150,000 tons. The increase is 338%. The development of the Turkish market and the national production failing to meet the demand increased foreign investors' interest in Turkey. Traditionally, Europe and Scandinavian countries were dominant in the market. In the recent years, Asian producers (China, South Korea, and Indonesia) indulged in great competition to have a place in the market. In this competition, national producers continue their production using their logistical advantages and by strengthening their sales channels. They can keep up the competition in terms of price and quality. Especially, the fact that Asian producers apply aggressive prices causes arguments of unfair competition. The biggest impact of the crisis was seen in terms of volume. The increasing paper consumption rates since 2001 reached its highest level in 2007 (958,000 tons/year), decreased in 2008 and 2009 (931,000 tons) and increased again to 1,150,000 tons in 2010.

Our company operates in paper production sector. The offset, glossy, photocopy and office papers we produce are used in land and abroad in printing, publishing houses, stationeries and written press. It holds 30% of the installed capacity in the sector. In terms of technology and capacity, it is one of the modern facilities of the Middle East and the Balkans.

Properties of the Production Unit:

Alkim Kağıt Sanayi ve Ticaret A.Ş. started operating within the Board of Directorsy of Alkim Alkali Kimya A.Ş. and became a legal entity on 30 June 1999. Our Company, 20% of which was publicly listed on 2 February 2000, started being traded in Istanbul Stock Exchange Market with ALKA code.

Our writing paper-glossy paper facilities, which were established with a maximum design capacity of 55,000 tons/year have reached the productivity that can compete with the big paper facilities in Europe through the investments it has made in the last 10 years.

As a result of the revision studies targeting quality and capacity increase, the annual capacity reached 80,000 tons and with the capacity increase revision investment on March 2011, the capacity increased to 90,000 tons/year.

Each stage of production in Alkim Paper Facilities are monitored by DCS (Distributed Control System) and QCS (Quality Control System). The paper produced with these systems are of high quality in accordance with international paper standards. In the facility, high-grade paper pulp offset, photocopy, glossy paper from 60 gr/m2 to220 gr/m2 is produced. Label paper, soap packaging paper, envelope paper and blueprint paper is also in the production range.

The paper produced is wrapped in requested sizes for printing and similar consumer groups. In one of the most important sections of the facility, the A3-A4 production line, the high-quality photocopy papers are on high demand in the domestic and foreign market.

The paper produced with the product storehouse supply control sistem, the products are tracked by a barcode system, from the production stage until the delivery to customer and all precautions are taken within the scope of customer satisfaction.

Alkim Kağıt produces its own electricity and steam through two cogeneration facilities with a total production of 10,7 MW.

In Alkim Kağıt facilities, waste water is treated by biological and chemical treatment. Alkim Kağıt has ISO 9001, ISO 14001 and TS 18001 certificates.

2) FINANCIAL RIGHTS GIVEN TO MEMBERS OF BOARD OF DIRECTORS AND SENIOR EXECUTIVES

Within the scope of the Turkish Commercial Code, members of the Board of Directors may be paid per diem. The expenses to be made for the members of the Board of Directors are determined at the General Assembly meeting.

Based on Article 14 of the main agreement, up to 3% of the net profit may be distributed to the members of the Board of Directors under the condition that it is accepted at the General Assembly. This amount may not exceed 10% of the paid in capital.

To the members of the executive Board of Directors, monthly payments may be made within the scope of the policy determined for senior executives.

Payments are determined for senior executives according to their position, liabilities and seniority.
Subject rights are determined annually by taking into consideration the results of the company and the realization of performance objectives.

Type and amount of payments are determined by the Board of Directors.

a) Total amount of financial benefits such as per diem, premium, indemnity, profit share:

As per diem, TL 1,500 per month is paid to the members of the Board of Directors according to the General Assembly decree in 2012.

	01 January - 31 December 2012	01 January - 31 December 2011
Per Diem for Board of Directors	186.988	122.470
Senior Executive Wages	1.252.017	1.259.819
Profit Share for Board of Directors	229.325	56.936
Other Long-Term Benefits	…..	8.065

b) Information regarding allowances, travel, accommodation, representation expenses, insurance and similar assurance:
The total amount of travel, accommodation and insurance expenses made in 2012 by the members of Board of Directors is TL 21,295.

3) RESEARCH AND DEVELOPMENT STUDIES OF THE COMPANY

For research and development activities, an expense of TL 124,890 was made, particularly for personnel expenses.

Research and development activities continued on basic research level in 2012.

These studies are experimental and theoretical studies carried out to obtain new information about the basics of facts and observable events with no apparent implementation or use. Basic research analyzes properties, structures and relations in order to formulate hypotheses, theory and laws. The outcome of the studies are reported to the General Manager in a classified manner.

4) ACTIVITIES OF THE COMPANY AND SIGNIFICANT DEVELOPMENTS REGARDING THESE ACTIVITIES

a) Investments made by the company in the related accounting period:

In the activity period 2012, TL 2,185,000 was spent on equipment and plant. A new 5,2 MW cogeneration unit operating with natural gas starting being used and QCS (Quality Control System) was upgraded. Our first Turbine investment was revised. The statement regarding the completed and continuing investments is as follows:

ONGOING AND COMPLETED INVESTMENTS	AMOUNT IN THE BEGINNING OF PERIOD	AMOUNT WITHIN THE PERIOD	TOTAL AMOUNT ACTIVATED	BEGIN DATE	END DATE	COMPLETION LEVEL
TURBINE-2 INVESTMENT	2.604.994	805.687	3.410.681	June 11	Apr.12	100%
MESUREX (QCS) INVESTMENT	354.762	8.978	363.740	Nov.11	Feb.12	100%
TURBINE-1 INVESTMENT REVISION	0	526.255	526.255	Jan.12	Feb.12	100%
WINDER AND DRIVE UNIT	0	260.898	0	Feb.12	Ongoing	30%
TOTAL	**2.959.756**	**1.601.817**	**4.300.675**			

b) Internal control and internal auditing activities of the company and the opinion of Board of Directors in this regard:

Internal audit is an inalienable duty of the Board of Directors according to Articles 366 and 375 of the Turkish Commercial Code(TCC). Sub clause 2 in Article 366 of the TCC suggests that Board of Directors may form committees and commissions in which members of Board of Directors may take part, for the purpose of monitoring activities, preparing reports, implementing the decisions or internal audit. In this context, the internal audit system of our company, through its Audit Committee, monitors the effectiveness and sufficiency of its internal audit and internal control functions, giving opinion to Board of Directors on the accuracy and accountability of financial statements to be announced, selects the independent auditing firm and regularly monitoring its activities. The Audit Unit, assisting the Audit Committee periodically carries out the internal check of Accounting, Finance and Financial planning and informs the Board of Directors. According to the outcome of this internal check, Board of Directors takes the necessary precautions through the General Manager.

Our Board of Directors revises the efficiency of its risk management and internal control systems at least once a year.
Information about the internal control system, its functioning and efficiency is provided in the activity report.

c) Direct and Indirect shareholding and share rates of the Company:
Alkim Sigorta Aracılık Hiz. Ltd. Şti. was founded on 04.11.2002 with a partnership of 50% Alkim Alkali Kimya A.Ş. and 5%0 Alkim Kağıt San. and Tic. A.Ş. and with a total capital of TL 20,000. It raised its capital to TL 80,000 with the decree of the Board of Directors in 2008. The capital increase was approved on 24.10.2008 and was published in the Commercial Registry Gazette with date 31.10.2008 and number.

Alkim Sigorta was established with the purpose of providing the right and sufficient insurance to the group's economical values with high potential.

Alkim Sigorta Aracılık Hiz. Ltd. Şti's portfolio size is TL 263,21 million on the basis of insurance cost and TL 2,392,350 on the basis of gross Premium, which gives the Company the status of "Big Corporate Agency" in the insurance segment.

ç) Acquisitions of the Company's own shares:

The Company has made no acquisitions of its own shares in 2012 or previously.

d) Notes regarding the private and public audit within the related period:

No private or public audit was made in 2012.

e) Cases against the Company which may affect the Company's financial status and activities and their possible outcome:
None.

f) Administrative and legal sanctions imposed on the members of the Company's managing Board of Directors due to implementations against the provisions of the regulations:

No administrative and legal sanctions were imposed on the members of the Company's managing Board of Directors due to implementations against the provisions of the regulations.

g) Evaluation as to whether the goals set in the previous periods were accomplished, the general assembly decisions were implemented and the reasons if the goals were not accomplished or decisions take were not implemented:

The Company reached the goals it had set in investment, production, sales and financing by the end of the year. The integrated point of view the Company implemented in these four areas was a determinant in the positive outcome of these. The Company consequently realized the production by using maximum capacity and reflected this performance on sales and sale income. The Company ended the year in a strong financial profile, especially in working capital. Data related to this performance are given in Part 5 of this report.

ğ) If an extraordinary general assembly meeting was held during the year, date of the meeting, decisions taken in the meeting and operations carried out in this regard:

No extraordinary general assembly meeting was held in 2012.

h) Donations and grants and expenses made within the framework of social responsibility projects:

As stated in the main agreement, the Company may donate to schools of the Ministry of Education, Educational Institutions, Universities, associations of public welfare, Foundations and similar persons and institutions and report to the General Assembly about these donations.

In this regard, donations in cash were made to various schools of the Ministry of Education, clothing and paper were donated to a university, and cash was donated to various associations of public welfare and foundations. The total amount of these donations is TL 40,021,45.

ı) If part of an enterprise system, all legal operations made by the company in the previous activity year with the flagship company, with a subsidiary of the flagship company or with the instruction of

the flagship company in favor of the flagship company or a subsidiary; or all other measures taken or avoided in favor of the flagship company or of a subsidiary of the flagship company in the previous activity year:

The conclusion part of the report prepared by our Company's management for the year 2012 is as follows:

This report, prepared within the scope of Article 199, Sub clause 1 of the Turkish Commercial Code 6102, is prepared based on accuracy, transparency and accountability and reflects the actual situation.

With the referral of our Main Associate Alkim Alkali Kimya A.Ş. which was our holding company in the legal procedures announced in the activity year 2012, no benefits were provided to Alkim Alkali Kimya A.Ş. or to Alkim Sigortacılık Hizmetleri Ltd.Şti or to a third company. No measures were taken or no measures were avoided for the benefit of our Main Partner or Subsidiary. No damage was done to our company as a result of legal proceedings and therefore no equalization was done during the year.

i) If part of an enterprise system, according to the circumstances and conditions at the time the legal operation mentioned in Clause (ı), was made or the measure was taken or the measure was avoided, whether an appropriate counteract was taken or the measure taken or measure avoided caused any damage to the company and whether the damage was equilibrated, if any:

No damage was done to our company in 2012 as a result of legal proceedings with the enterprise system; therefore no equalization was done during the year.

5) FINANCIAL STATUS

a) Analysis and evaluation of the management regarding financial status and activity results, realization rate of planned activities, the Company's status in relation to strategical objectives determined:

With the capacity increase in 2011, the actual production capacity of our company reached 90,000 tons and to 100,000 tons/year depending on the type of production and weight in grams. In 2012, production was planned by taking into consideration the domestic and foreign market conditions. Production was made in high quality under productivity conditions and delivered to customers. In 2012, 71,891 tons of paper was produced and 70,380 tons of it were sold.

b) Company's sales, productivity, income generation capacity, profitability, and liability/equity rate and information regarding other subjects which can give an idea about the outcome of the Company's activities and prospective expectations:

Gross production rate and capacity use rate is as follows:

2012 production: 80.673 Tons	**Capacity: 90.000 TONs**	**Capacity Use Rate : %90**
2011 production: 77.237 Tons	**Capacity. 90.000 TONs**	**Capacity Use Rate: %86**

Rate of production of goods and services of the Company, separated according to each main production group:

PRODUCTION	**Unit**	**Amount in 31.12.2012**	**Amount in 31.12.2011**
Offset paper	Tons	55.177	62.520
Coated paper	Tons	505	808
Photocopy paper	Tons	16.209	9.071
	TOTAL	**71.891**	**72.399**

The production amount increased by 11% in 2011 in comparison to 2010, after the capacity increase. This increased was retained in 2012.

Rate of production of goods and services of the Company, separated according to each main production group:

SALE	Unit	Amount in 31.12.2012	Amount in 31.12.2011
Offset paper	Tons	53.946	62.293
Coated paper	Tons	455	856
Photocopy paper	Tons	15.979	9.080
	TOTAL	**70.380**	**72.229**

With the capacity increase in 2011, the sale amount increased by 12% in comparison to 2010. The increase in sale amount was retained in 2012.

Distribution of Sales

Total gross amount of sales from the production in 2011 70,824 TONS (2011: 72,235 TONS). 66,556 tons of this sale, 94% is domestic sale (2011: 69,042 TONS, 96%), 4.,268 tons, 6% is export sale (2011: 3,193 TONS, 4%). Total gross amount of sales from the production in 2012 is TL 121,964,981 TL (2011: TL 121,555,098).

77% of the sale in 2012 comprises of offset paper (2011: 86%), 23% is copying paper (2011: 12%) (2011: Glossy paper sale: 2%). Distribution in 2012 is as follows:

	AMOUNT OF SALE IN TONS	IN DOMESTIC MARKET	IN GENERAL SALE	AVERAGE SALE PRICE (TL/TONS)	AMOUNT OF SALE (TL)
OFFSET	51.680	78%	73%	1.680	86.814.964
COATED	276	0%	0%	2.434	672.771
PHOTOCOPY	14.599	22%	21%	1.854	27.064.476
OTHER	0	0%	0%	0	50
TOTAL OF DOMESTIC MARKET	**66.556**	**100%**	**94%**		**114.552.260**

	AMOUNT OF SALE IN TONS	IN EXPORTS	IN GENERAL SALE	AVERAGE SALE PRICE (TL/TONS)	AMOUNT OF SALE (TL)
OFFSET	2.710	63%	4%	1.770	4.798.287
COATED	178	4%	0%	2.277	406.316
PHOTOCOPY	1.380	32%	2%	1.600	2.208.118
OTHER	0	0%	0%	0	0
TOTAL OF EXPORTS	**4.268**	**100%**	**6%**		**7.412.721**

TOTAL TONNAGE	**70.824**	**TOTAL AMOUNT OF SALE**	**121.964.981**

In the financial statement prepared in accordance with the Communiqué of the Capital Market Board Sequence: XI No: 29 “Communiqué for Principles Regarding Financial Reporting in the Capital Market, the profitability of 2011 and 2012 is as follows:

	2012	2011
Profit for the Financial Year	8.597.033,01	15.168.266,56
Payable Taxes (-)	1.828.412,07	2.993.065,00
Net Profit for the Financial Year	6.768.620,94	12.175.201,56

As well as the high performance in production and quality in the segment it operates, our Company was affected by the global crisis on minimum level, which indirectly affected Turkey in the last three years. Our Company continued its successful performance in 2012, carrying its strong financial structure to the year 2013. The competitiveness of our company increased significantly as a result of the investments made in machinery and equipment which aimed a capacity increase in the previous year.

The stable management and quality of products thanks to the high technology Alkim Kağıt has, played a significant role in this result. Our Company's superior position in terms of financial structure and overall quality not only retained our reliability in the eye of our customers but also increased competitiveness.
Our Company retained this positive position in 2012 and realized a sales volume which was able to meet the demands of the market through an appropriate production plan and finished stock policy.

The rate of liquid assets of our company to short term liabilities is 1,70 by the end of 2012. This rate, even when long-term liabilities are taken into consideration is 1,19, which indicates that the company is capable of paying its short-term and long-term liabilities with its cash and receivables.

The purchasing policies, liquid asset management and the pursued secure position in the foreign exchange balance have played an important role in this result. Thanks to the strong liquidity standing of our company, it has strengthened its competitiveness by converting its flexibility in using its circulating capital into purchasing policies and sale activities. The company aims to continue this advantageous position. The rate of our company's circulating capital to its short-term liabilities is 3,06.

b) Notes and evaluations as to whether the capital of the company is overdraft or whether the company is in debt:

None.

ç) If any, measures being considered to ameliorate the financial structure of the company:

Our company aims to retain its strong financial structure and create competitive market conditions that will enable the company to use its power in a most effective way. In this sense, it plans its activities by integrating production, sale and technologic development, renovation and capacity increase. The final objective of these plans is, when implemented, to convert the company's strong financial structure and performance into competitive advantage, to retain it and to increase it.

c) Information regarding the distribution of profit share and if no distribution will be made, suggestions on how the undistributed profit will be used:

Profit Distribution Policy and Distribution Time:

The profit distribution of our Company is made within the framework of Capital Market board and its related communiqués, Corporate Management applications and the regulations of the Turkish Commercial Code in parallel with our company's long-term plans. Within this scope, our company aims to distribute the maximum profit.

None of the shares is privileged in terms of distribution.

The Board of Directors presents the decisions it has taken to the General Assembly, and the profit distribution proposal is publicly announced on the website. The GA may approve or deny the proposal. If the

Board of Directors shall propose not to distribute dividends, it has to explain the reasons and include them in the activity report.

The profit distribution may be made in cash or in bonus share, or in both.

The net profit when amounts which are requisite to be paid such as public expenses of the company and amortization and taxes payable by the legal entity of the Company are deducted from the income at the end of the financial year, are distributed after the deduction of the previous year's loss, if any, in accordance with Article 14 of the main agreement of the company.

The profit distribution date is determined at the General Assembly in accordance with the Capital market Law and Turkish Commercial Code.

Paid-in capital and dividend amounts and rates are listed below.

The calculation of Istanbul Foreign Exchange Dividend and Istanbul Foreign Exchange Dividend 25 Indexes started on 01.07.20111. Our Company is among the companies in the Istanbul Foreign Exchange Dividend index.

Paid-in Capital (TL)	Year	Wage Dividend	Dividend Rate
52,500,000	2007	(No profit distribution was made)	-
52.500.000	2008	0,000071	7.14%
52,500,000	2009	0,001462	14.62%
52,500,000	2010	0,000809	8.09%
52,500,000	2011	0,001704	17.04%

Dividend distribution in the last 3 years is as follows:

8.943.695 TL was distributed from the distributable financial year profit in 2011.
4.247.616 TL was distributed from the distributable financial year profit in 2010.
7.678.645 TL was distributed from the distributable financial year profit in 2009.

6) RISKS AND EVALUATION OF THE MANAGEMENT BOARD OF DIRECTORSY

a) **Company's risk management policy for anticipated risks, if any:**

The Company is exposed to market risk, capital risk, credit risk and liquidity risk due to currency, cash flow and interest rate. The Company has set the below-mentioned goals to manage these risks:

- Ensuring the continuation of the cash flow from the company's activities and equity by taking into consideration the currency and interest risks.
- Keeping a sufficient amount of credit resources to be used when necessary in appropriate conditions.
- Keeping the risk created by other parties at minimum and its effective monitoring

b) Information regarding the studies and reports of the risk management committee, if any:

The financial risk management policy is determined by the Corporate Management Committee and the high-level executors and the finance department. The Board of Directors makes policies and principles in general to manage the risks of currency, interest and capital, and monitors the financial and operational risks.

c) Possible risks regarding sales, productivity, income generation capacity, profitability, liability/equity rate and similar matters:

Our company aims to enlarge the market share possibilities in the segment it operates in. We see the fact that the weighted market share in the sector is in favor of imports as a potential advantage for us to enlarge our share in the market. The technology, current capacity and its strong financial structure which is capable of supporting the capacity increases is sufficient to turn this potential into an advantage.

7) OTHER SUBJECTS

No events occurred after the end of the financial year which can affect the rights of partners, debtees and other related persons or institutions.

8) FİNANSCIAL STATEMENTS AND NOTES TO FİNANSCIAL STATEMENTS

Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi
Balance Sheet as at December 31, 2012
(Currency –Turkish Lira (TL) unless otherwise indicated)

	Notes	Current period Audited December 31, 2012	Prior period Audited December 31, 2011
Assets			
Current assets		**85.555.250**	74.968.274
Cash and cash equivalents	4	**19.644.376**	24.386.884
Trade receivables		**27.844.847**	28.546.771
- Other trade receivables	7	**27.844.847**	28.546.771
Other receivables		**1.128.641**	1.442.438
- Due from related parties	25	**873**	60.035
- Other receivables	8	**1.127.768**	1.382.403
Inventories	9	**29.031.959**	15.784.177
Other current assets	15	**7.905.427**	4.808.004
Non-current assets		**58.067.370**	62.072.234
Trade receivables		**75.000**	-
- Other trade receivables	7	**75.000**	-
Investment in associates accounted by equity method	10	**162.110**	125.030
Property, plant and equipment	11	**56.839.317**	60.643.598
Intangible assets	12	**7.253**	17.937
Other non-current assets	15	**983.690**	1.285.669
Total assets		**143.622.620**	137.040.508

Liabilities

Current liabilities		**27.922.242**	20.553.699
Financial liabilities	5	**15.001.014**	9.921.559
Other financial liabilities	6	**414.406**	873.000
Trade payables		**9.847.427**	6.536.921
- Due to related parties	25	**617.926**	566.354
- Other trade payables	7	**9.229.501**	5.970.567
Current income tax payable	23	**148.870**	606.804
Other current liabilities	15	**2.510.525**	2.615.415
Non-current liabilities		**11.952.071**	10.563.430
Financial liabilities	5	**7.571.219**	6.479.139
Other financial liabilities	6	**75.000**	-
Provision for employee termination benefits	14	**2.599.028**	2.303.664
Deferred tax liabilities	23	**1.706.824**	1.780.627
Total liabilities		**39.874.313**	31.117.129
Equity		**103.748.307**	105.923.379
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	**3.995.963**	2.737.673
Prior year profits		**8.069.362**	6.096.143
Net income for the year		**6.768.621**	12.175.202
Total liabilities and equity		**143.622.620**	137.040.508

Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

Statement of comprehensive income
for the year ended December 31, 2012
(Currency –Turkish Lira (TL) unless otherwise indicated)

	Notes	**Current period Audited January 1 – December 31 2012**	Prior period Audited January 1 – December 31 2011
Net sales, net	17	**122.716.725**	122.802.988
Cost of sales	17	**(104.431.064)**	(105.693.533)
Gross profit		**18.285.661**	17.109.455
Research and development expenses	18	**(124.890)**	(91.748)
Selling, marketing and distribution expenses	18	**(4.319.243)**	(3.345.857)
General and administrative expenses	18	**(4.366.791)**	(3.121.951)
Other operating income	20	**773.408**	899.176
Other operating expenses	20	**(309.453)**	(22.667)
Operating profit		**9.938.692**	11.426.408
Share on investment in associates accounted for using equity method	10	**37.080**	26.123
Financial income	21	**1.681.997**	6.634.196
Financial expense	22	**(3.060.736)**	(2.918.460)
Income before tax		**8.597.033**	15.168.267
Taxation on income		**(1.828.412)**	(2.993.065)
- Current income tax expense	23	**(1.902.215)**	(3.192.858)
- Deferred tax income	23	**73.803**	199.793
Net income		**6.768.621**	12.175.202
Other comprehensive income / (expense) after tax	-	**-**	-
Total comprehensive income		**6.768.621**	12.175.202
Earnings per share	24	**0,0013**	0,0023

Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

Statement of changes in equity
for the year ended December 31, 2012
(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, 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
January 1, 2012	52.500.000	32.414.361	2.737.673	6.096.143	12.175.202	105.923.379
Transfers	-	-	-	**12.175.202**	**(12.175.202)**	**-**
Dividend payment (Note 25.e)	-	-	**1.258.290**	**(10.201.983)**	**-**	**(8.943.693)**
Net profit for the period	-	-	-	**-**	**6.768.621**	**6.768.621**
December 31, 2012	**52.500.000**	**32.414.361**	**3.995.963**	**8.069.362**	**6.768.621**	**103.748.307**

Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

Statement of cash flows
for the year ended December 31, 2012
(Currency –Turkish Lira (TL) unless otherwise indicated

	Notes	Current period Audited January 1 – December 31 2012	Prior period Audited January 1 – December 31, 2011
Operating activities:			
Profit before taxation on income		**8.597.033**	15.168.267
Adjustments to reconcile profit before taxation on income to net cash generated from operating activities			
Depreciation and amortization	11-12	**5.698.754**	5.483.782
Provision for employment termination benefits	14	**519.836**	719.815
(Collection of)/provision for doubtful receivables	7-20	**(102.064)**	(97.570)
Share on results of investment in associate	10	**(37.080)**	(26.123)
(Income)/loss from sales of property, plant and equipment	20	**294.382**	(193.267)
Interest income	21	**(636.452)**	(589.983)
Interest expense	22	**332.460**	385.507
Provision for labour cases	18	**97.034**	-
Operating profit before working capital changes		**14.763.903**	20.850.428
Changes in assets and liabilities			
Short-term trade receivables	7	**803.988**	(11.332.398)
Other receivables	8	**313.797**	1.113.992
Inventories	9	**(13.247.782)**	3.229.627
Other current assets	15	**(3.097.423)**	(1.123.438)
Long-term trade receivables	7	**(75.000)**	873.000
Other non-current liabilities	15	**301.979**	430.805
Trade payables	7	**3.258.934**	(3.485.818)
Other short-term liabilities	15-23	**(201.924)**	(5.705.757)
Due to related parties	25	**51.572**	124.786
Employment termination benefits paid	14	**(224.472)**	(222.155)
Taxes paid	23	**(2.360.149)**	(2.586.054)
Net cash generated from operating activities		**287.423**	2.167.018
Investing activities:			
Interest received		**642.033**	593.007
Purchases of property, plant and equipment and intangible assets	11-12	**(2.178.171)**	(9.540.690)
Proceeds from sales of property, plant and equipment	11-12	**-**	219.759
Net cash used in investing activities		**(1.536.138)**	(8.727.924)
Financing activities:			
Dividend paid	16	**(8.943.693)**	(4.304.552)
Subsidiary capital increase	10	**-**	(22.500)
Repayments of financial liabilities		**6.165.222**	9.609.484
Factored receivables	6	**(383.594)**	(1.235.000)
Interest paid		**(326.147)**	(356.437)
Net cash provided by/(used in) financing activities		**(3.488.212)**	3.690.995
Net decrease in cash and cash equivalents		**(4.736.927)**	(2.869.911)
Cash and cash equivalents at beginning of the year	4	**24.367.922**	27.237.833
Cash and cash equivalents at the end of the year	4	**19.630.995**	24.367.922

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, 2012, the shares traded on ISE are 20% (2011: 20%) of the total shares.

As of December 31, 2012, the average number of personnel of the Company is 180 (2011 - 199).

The address of the registered office is as follows:

Organize Sanayi Bölgesi Kırovası Mevkii
Kemalpaşa-İzmir

Cihat Kora, M. Reha Kora, Arkın Kora, A. Haluk Kora, Ferit Kora, Özay Kora, Tülay Önel, Mithat Kora (members of the Kora family) holding shares equivalent to 67,2831% of the share capital of Alkim Alkali Kimya A.Ş., which is a majority shareholder of the Company, notified in Istanbul Stock Exchange in 17 October 2012, that they had signed a contract with İş Yatırım Menkul Değerler A.Ş. for consultancy services for the partial or whole sale of their shares, establishment of relations with investors at home or abroad regarding this matter and evaluation of various options.

Dividend paid

As decided on the Ordinary General Meeting held on April 10, 2012, the Company distributed gross dividend from profit of 2011 and prior years amounting to TL 8.943.693. 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 4, 2013. 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.

2. Basis of presentation of financial statements (continued)

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.

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, 2012 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, 2012.

Adoption of new or revised standards and interpretations

As of December 31, 2012, 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, 2012. 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)

<u>The new standards, amendments and interpretations which are effective as at January 1, 2012 are as follows:</u>

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

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. Adoption of this amendment did not have any impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (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. Comparative disclosures are not required. The amendment affects disclosures only and will not have any impact on the financial position or performance of the Company.

<u>Standards issued but not yet effective and not early adopted</u>

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 1 July 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. The amendment affects presentation only and will have no impact on the financial position or performance of the Company.

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after 1 January 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. 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

2. Basis of presentation of financial statements (continued)

statements. Transitional requirement of this amendment is similar to IFRS 10. 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. 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. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 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 - Offsetting Financial Assets and Financial Liabilities (Amended)

New disclosures would provide users of financial statements with information that is useful in

(i) evaluating the effect or potential effect of netting arrangements on an entity's financial position and
(ii) analyzing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards.

The amendments are to be retrospectively applied for annual periods beginning on or after 1 January 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 1 January 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. The Company does not expect that these amendments will have significant impact 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 1 January 2014 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. The Company does not expect that this amendment will have any 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 1 January 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. The Company does not expect that this standard will have an impact on the financial position or performance of the Company.

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after 1 January 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. Under the new standard the Company will provide more comprehensive disclosures for interests in other entities and has no 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 1 January 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. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

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

The Interpretation is effective for annual periods beginning on or after 1 January 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. The interpretation is not applicable for the Company and will not have any impact on the financial position or performance of the Company.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after 1 January 2013. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

Improvements to IFRSs

The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after 1 January 2013. Earlier application is permitted in all cases, provided that fact is disclosed. This project has not yet been endorsed by the EU.

IAS 1 Financial Statement Presentation:
Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

IAS 16 Property, Plant and Equipment:
Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments: Presentation:
Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

IAS 34 Interim Financial Reporting:
Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. The amendment applies for annual periods beginning on or after 1 January 2014 with earlier application permitted. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

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

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.

The following table shows all the investments in associates and their participation rates of the Company as of December 31, 2012 and 2011:

		Participation rate (%)
	December 31, 2012	December 31, 2011
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).

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

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 December 31, 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.

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.

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.

2.4.10 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).

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.

2.4.13 Accounting policies, changes in accounting estimates and errors

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.

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.

2.4.20 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, 2012 and 2011, retirement pay liability amounts to TL 2.599.028 and TL 2.303.664, 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.

3. Segment reporting

None (Please refer to Note 2.4.16).

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

4. Cash and cash equivalents

	December 31, 2012	December 31, 2011
Cash on hand	**22.593**	19.296
Banks	**19.515.090**	24.367.588
- TL denominated time deposits	**10.800.450**	4.513.296
- TL denominated demand deposits	**91.719**	332.245
- Foreign currency denominated time deposits	**8.608.565**	19.461.336
- Foreign currency denominated demand deposits	**14.356**	60.711
Other current assets	**106.693**	
	19.644.376	24.386.884
Less: interest accrual	**(13.381)**	(18.962)
Total cash and cash equivalents base for cash flow statement	**19.630.995**	24.367.922

As of December 31, 2012, maturity of TL denominated time deposits is less than one month (2011 – less than one month) and the effective interest rate is 8% per annum ("p.a.") (2011 – 10,6% p.a.).

As of December 31, 2012, maturity of foreign currency denominated time deposits is less than one month (2011 – less than one month) and the effective interest rate is 2% per annum ("p.a.") (2011 – 3,7%).

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, 2012	December 31, 2011
Short-term bank borrowings	**-**	1
Short-term portion of long-term bank borrowings	**15.001.014**	9.921.558
Short-term financial liabilities	**15.001.014**	9.921.559
Long-term bank borrowings	**7.571.219**	6.479.139
Long-term financial liabilities	**7.571.219**	6.479.139
Total financial liabilities	**22.572.233**	16.400.698

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

5. Financial liabilities (continued)

a) Bank borrowings:

	December 31, 2012		December 31, 2011	
	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
				1
Short-term portion of long-term bank borrowings :				
USD bank borrowings (*)	**0,86**	**15.001.014**	0,83	9.921.558
		15.001.014		9.921.558
Long-term bank borrowings:				
USD bank borrowings (*)	**0,84**	**7.571.219**	0,86	6.479.139
		7.571.219		6.479.139

(*) The interest rates of the USD denominated GSM bank borrowings vary between Libor+0,20% p.a. with six month contractual reprising dates (2011 - 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, 2012 and 2011 are as follows:

	December 31, 2012	December 31, 2011
2013	**-**	-
2014	**7.571.219**	6.479.139
	7.571.219	6.479.139

(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, 2012 and 2011 are as follows:

	up to 3 months	**3 months – 1 year**	**Total**
- December 31, 2012:			
Financial liabilities with floating interest rate	**3.623.807**	**18.948.426**	**22.572.233**
Financial liabilities with fixed interest rate	**-**	**-**	**-**
Total	**3.623.807**	**18.948.426**	**22.572.233**
- 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

6. Other financial liabilities

As of December 31, 2012, other financial liabilities amounting to TL 489.406 (December 31, 2011 - TL 873.000) consist of the liabilities of the Company in connection with its receivables factored under revocable factoring agreements. TL 414.406 of total amount is classified as short-term other financial liabilities and remain TL 75.000 is classified as long-term other financial liabilities. (As of December 31, 2011, TL 873.000 is classified as short-term other financial liabilities).

7. Trade receivables and payables

	December 31, 2012	December 31, 2011
a) Short-term trade receivables		
Cheques and notes receivables, net	**22.968.911**	23.176.481
Customer current accounts, net	**4.464.828**	4.497.290
Factored receivables (Note 6, Note 9)	**411.108**	873.000
Doubtful receivables	**58.069**	160.133
	27.902.916	28.706.904
Less: Allowance for doubtful receivables	**(58.069)**	(160.133)
	27.844.847	28.546.771

As of December 31, 2012, 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 5,95% p.a., 0.31% p.a. and 0,26% p.a., respectively (2011: 10,19% p.a., 0,53% p.a. and 0,26% p.a., respectively). Trade receivables mature within 2 months (2011: 2 months).

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

The aging analysis of trade receivables as of December 31, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
Overdue receivables	**115.655**	42.036
0-30 days	**9.828.356**	6.752.495
31-60 days	**9.925.766**	7.950.275
61-90 days	**4.037.467**	5.277.545
91-120 days	**3.099.897**	5.045.642
121 days and over	**837.706**	3.478.778
	27.844.847	28.546.771

The aging and credit risk analysis of overdue receivables as of December 31, 2012 and 2011 are disclosed in Note 26.a.

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

	2012	2011
January 1	**160.133**	257.703
Collected in the current year (Note 20)	**(102.064)**	(97.570)
December 31	**58.069**	160.133

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, 2012	December 31, 2011
b) Long-term trade receivables		
Factored receivables (Note 6)	**75.000**	-
	75.000	-

The aging analysis of trade receivables as of December 31, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
1-2 years maturity	**75.000**	-
	75.000	-

	December 31, 2012	December 31, 2011
c) Short-term trade payables		
Supplier current accounts, net	**9.229.501**	5.970.567
	9.229.501	5.970.567

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

As of December 31, 2012, 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 5,83% p.a., 0,23% p.a. and 0,07% p.a., respectively (2011 - 11% p.a., 1,06 % p.a. and 0,44%p.a., respectively). Trade payables mature within 2 months (2011 - 2 months).

The aging analysis of trade receivables as of December 31, 2012 and 2011 is as follows:

8. Other receivables

	December 31, 2012	December 31, 2011
Other short-term receivables		
Value Added Tax (“VAT”) receivables	**978.048**	1.365.594
Deposits and guarantees given	**120.992**	16.590
Other	**28.728**	219
	1.127.768	1.382.403

9. Inventories

	December 31, 2012	December 31, 2011
Raw materials	**9.012.910**	7.286.492
Work-in-progress	**4.161.819**	325.014
Finished goods	**4.419.372**	2.535.765
Other inventories	**56.293**	183.616
Goods in transit	**11.381.565**	5.453.290
	29.031.959	15.784.177

10. Investment in associates accounted by equity method

Investment in Associate:

	December 31, 2012		December 31, 2011	
	Carrying value	**Share (%)**	Carrying value	Share (%)
Alkim Sigorta	**162.110**	**50.00**	125.030	50,00
	162.110		125.030	

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

	2012	2011
January 1	**125.030**	76.407
Share of results of investment in associate	**37.080**	26.123
Capital increase in investment in associate	**-**	22.500
December 31	**162.110**	125.030

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

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

	December 31, 2012	December 31, 2011
Total assets	**1.684.649**	1.185.229
Total liabilities	**1.341.878**	935.169
Net sales	**297.429**	228.236
Net profit for the year	**74.160**	97.245

11. Property, plant and equipment

The movements of property, plant and equipment for the period between January 1 and December 31, 2012 were as follows:

	January 1, 2012 Opening	**Additions**	**Disposals**	**Transfers**	**December 31, 2012 Closing**
Cost:					
Land	**7.316.240**	**-**	**-**	**-**	**7.316.240**
Land improvements	**1.704.931**	**3.850**	**-**	**-**	**1.708.781**
Buildings	**10.699.260**	**8.000**	**-**	**-**	**10.707.260**
Machinery and equipments	**88.601.280**	**908.069**	**(452.738)**	**3.774.421**	**92.831.032**
Motor vehicles	**577.221**	**-**	**(134.641)**	**263.972**	**706.552**
Furniture and fixtures	**2.348.870**	**168.509**	**-**	**-**	**2.517.379**
Construction in progress	**3.223.728**	**1.075.562**	**-**	**(4.038.393)**	**260.897**
	114.471.530	**2.163.990**	**(587.379)**	**-**	**116.048.141**
Accumulated depreciation:					
Land improvements	**(534.372)**	**(85.871)**	**-**	**-**	**(620.243)**
Buildings	**(4.912.877)**	**(406.211)**	**-**	**-**	**(5.319.088)**
Machinery and equipments	**(46.163.282)**	**(4.918.015)**	**169.680**	**-**	**(50.911.617)**
Motor vehicles	**(319.219)**	**(128.917)**	**123.317**	**-**	**(324.819)**
Furniture and fixtures	**(1.898.182)**	**(134.875)**	**-**	**-**	**(2.033.057)**
	(53.827.932)	**(5.673.889)**	**292.997**	**-**	**(59.208.824)**
Net book value	**60.643.598**				**56.839.317**

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

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

11. Property, plant and equipment (continued)

TL 5.565.477 (2011 - TL 5.351.201) of the current year depreciation charge has been allocated to cost of production (Note 19), TL 105.843 (2011 - TL 105.798) to general and administrative expenses (Note 18), and TL 27.434 (2011 - TL 26.783) to marketing, selling and distribution expenses (Note 18).

As of December 31, 2012 and 2011, there are no pledges or liens on property, plant and equipment.

As of December 31, 2012 and 2011, cost of fully depreciated items which are still in use is as follows:

	December 31, 2012	December 31, 2011
Buildings	**74.711**	19.716
Machinery and equipment	**819.395**	750.063
Motor vehicles	**60.593**	59.664
Furniture and fixtures	**1.697.895**	1.379.852
	2.652.594	2.209.295

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

12. Intangible assets

The movements of intangible assets for the period between January 1 and December 31, 2012 were as follows:

	January 1, 2012		**December 31, 2012**
	Opening	**Additions**	**Closing**
Rights - software	**677.022**	**14.181**	**691.203**
Less: accumulated amortization	**(659.085)**	**(24.865)**	**(683.950)**
Net book value	**17.937**		**7.253**

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

	January 1, 2011		December 31, 2011
	Opening	Additions	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

As of December 31, 2012 and 2011, cost of fully amortized items which are still in use is as follows:

	December 31, 2012	December 31, 2011
Rights - software	**581.889**	523.153
	581.889	523.153

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

13. Provisions, contingent assets and liabilities

	December 31, 2012	December 31, 2011
a) Guarantees received:		
Bails	**12.000.000**	12.000.000
Mortgage	**5.250.000**	5.250.000
Bank guarantee letters	**3.727.358**	4.423.898
Trade receivables protection (*)	**5.620.563**	5.449.674
Guarantee notes	**25.000**	25.000
Guarantee cheques	**285.216**	1.102.224
	26.908.137	28.250.796

(*) 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, 2012	December 31, 2011
b) Guarantees given:		
Bank guarantee letters	**16.764.957**	15.478.268
	16.764.957	15.478.268

Collaterals, Pledges and Mortgages ("CPM") positions of the Company as of December 31, 2012 and 2011 are summarized as follows;

CPM given by the Company

	December 31, 2012	December 31, 2011
A. Total amount of CPM given for the Company's own legal personality	**16.764.957**	15.478.268
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.	**-**	-
	16.764.957	15.478.268
Ratio of other GPMs given by the Company to the equity of the Company	**%16**	%15

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

14. Employee termination benefits

	December 31, 2012	December 31, 2011
Provision for employment termination benefits	**2.599.028**	2.303.664

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 3.034 for each year of service as of December 31, 2012 (December 31, 2011: TL 2.732). 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 (%)	3,50
Turnover rate to estimate the probability of retirement (%)	98,32

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, 2013, the retirement pay liability ceiling is increased from TL 3.034 to TL 3.125. Movements of the provision for employment termination benefits during the year are as follows:

	2012	2011
January 1	**2.303.664**	1.806.004
Interest cost	**80.628**	72.963
Actuarial losses	**143.844**	149.192
Increase during the year	**295.364**	497.660
Paid during the year	**(224.472)**	(222.155)
December 31	**2.599.028**	2.303.664

Total provision expense for employee termination benefits of TL 519.836 (2011 - TL 719.815) for the year has been allocated (Note 19); to cost of production amounting to TL 351.608 (2011 - TL 600.363), to marketing, selling and distribution expenses amounting to TL 55.832 (2011 - TL 59.483) (Note 18) and to general and administrative expenses amounting to TL 112.396 (2011 - TL 59.969) (Note 18).

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

15. Other assets and liabilities

a) Other current assets:	**December 31, 2012**	December 31, 2011
VAT to be transferred	**6.837.827**	4.055.178
Prepaid expenses	**664.284**	638.753
Income accruals	**203.072**	-
Due from personnel	**127.993**	34.635
Job advances given	**62.975**	79.438
Other	**9.276**	-
	7.905.427	4.808.004

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

b) Other current liabilities:	**December 31, 2012**	December 31, 2011
Due to personnel	**1.177.249**	611.554
Taxes, funds and social security premiums payable	**823.122**	683.534
Advances received	**40.080**	1.042.038
Provisions for legal cases	**97.149**	-
Other	**372.925**	278.289
	2.510.525	2.615.415

As of December 31, 2012, advances received is amounted to TL 40.080 and TL 36.659 of total amount comprised of cash advances received from the customers (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).

c) Other non-current assets:	**December 31, 2012**	December 31, 2011
Advances given for fixed assets	**971.876**	1.285.669
Prepaid expenses	**11.814**	-
	983.690	1.285.669

16. Equity

The Company's shareholders and their shareholding percentages as of December 31, 2012 and 2011 are as follows:

	December 31, 2012		December 31, 2011	
Shareholder	**Participation (%)**	**Amount (TL)**	Participation (%)	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, 2012, the capital of the Company consist of 5,25 million shares with TL 0,01 par value each (2011 – 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

16. Equity (continued)

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, 2012, the restricted reserves of the Company amount to TL 3.995.963 (2011 - TL 2.737.673).

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.

Based on the decision of CMB dated January 27, 2011, 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.

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

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

	December 31, 2012	December 31, 2011
Legal reserves (1st and 2nd legal reserves)	**3.995.963**	2.737.673
Extraordinary reserves	**4.335.732**	2.697.279
Net profit for the year	**9.235.820**	12.069.763
	17.567.515	17.504.715

Dividend paid

As decided on the Ordinary General Meeting held on 10 April 2012, the Company distributed gross dividend from profit of 2011 and prior years amounting to TL 8.943.693. In accordance with the decision, related amount transferred to the accounts of shareholders.

17. Sales and cost of sales

	January 1 - December 31, 2012	January 1 - December 31, 2011
Domestic sales	**115.610.884**	117.268.483
Export sales	**7.412.721**	5.850.583
	123.023.605	123.119.066
Less: Discounts	**(266.317)**	(307.599)
Returns	**(40.563)**	(8.479)
Net sales	**122.716.725**	122.802.988
Cost of sales	**(104.431.064)**	(105.693.533)
Gross profit	**18.285.661**	17.109.455

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

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

	January 1 - December 31, 2012	January 1 - December 31, 2011
Research and development expenses:		
Staff cost	**124.030**	90.794
Other	**860**	954
	124.890	91.748
Marketing, selling and distribution expenses:		
Transportation	**2.242.141**	1.413.411
Staff cost	**1.094.060**	1.024.138
Taxes and funds	**34.785**	168.601
Advertising	**145.953**	74.479
Rent	**51.600**	62.584
Travel	**86.107**	45.266
Insurance	**58.301**	44.712
Commission	**43.980**	40.694
Communication	**30.486**	30.787
Employment termination benefits	**55.832**	59.483
Depreciation and amortization	**27.434**	26.783
Other	**448.564**	354.919
	4.319.243	3.345.857
General administrative expenses:		
Staff cost	**2.391.390**	2.043.563
Consultancy	**299.383**	248.095
Taxes and funds	**64.265**	191.609
Depreciation and amortization	**105.843**	105.798
Employment termination benefits	**112.396**	59.969
Communication	**12.395**	13.674
Provision for doubtful allowance	**654.858**	-
Provision for legal cases	**97.034**	-
Travel expenses	**131.379**	208.940
Other	**497.848**	250.303
	4.366.791	3.121.951
	8.810.924	6.559.556

19. Expenses by nature

	January 1 - December 31, 2012	January 1 - December 31, 2011
Raw materials	**70.998.425**	74.986.997
Energy	**12.312.392**	9.040.605
Staff cost	**10.499.063**	10.117.625
Depreciation and amortization	**5.698.754**	5.594.558
Transportation	**2.283.172**	1.445.749
Spare part	**1.824.438**	1.486.225
Maintenance and repair	**1.177.608**	559.460
Consumables	**892.491**	807.525
Doubtful receivables	**654.858**	-
Subcontract labor expense	**638.358**	400.660
Cost of merchandises	**631.730**	1.312.955
Insurance expense	**580.882**	497.233
Cost of other sales	**548.443**	219.213
Employment termination benefits	**485.763**	733.957
Consultancy	**299.383**	248.095
Other	**3.716.228**	4.802.232
	113.241.988	112.253.089

20. Other operating income/ (expense)

	January 1 - December 31, 2012	January 1 - December 31, 2011
a) Other operating income:		
Compensation income from insurance companies	**347.136**	347.130
Gain from sales of property, plant and equipment	**-**	193.267
Scrap sales income	**179.150**	152.152
Provisions no longer required	**102.064**	97.570
Other	**145.058**	109.057
	773.408	899.176

Convenience translation of financial statements and footnotes originally issued in Turkish)
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b) Other operating expense:		
Loss from sales of property, plant and equipment	**(294.382)**	-
Other	**(15.071)**	(22.667)
	(309.453)	(22.667)

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

21. Finance income

	January 1- December 31, 2012	January 1- December 31, 2011
Foreign exchange gain	**945.403**	5.931.935
Income from overdue charges	**636.452**	589.983
Interest income from sale on credit term	**100.142**	112.278
	1.681.997	6.634.196

22. Finance expense

	January 1- December 31, 2012	January 1- December 31, 2011
Interest expense	**(332.460)**	(385.507)
Foreign exchange loss	**(2.728.276)**	(2.452.139)
Interest expense on credit purchases	**-**	(80.814)
	(3.060.736)	(2.918.460)

23. Tax assets and liabilities

As of December 31, 2012 and 2011, corporation taxes currently payable are as follows:

	December 31, 2012	December 31, 2011
Corporation taxes currently payable	**1.902.215**	3.192.858
Less: Prepaid income taxes	**(1.753.345)**	(2.586.054)
Current income tax (assets)/liabilities	**148.870**	606.804

Breakdown of taxation on income for the years ended December 31, 2012 and 2011 are as follows:

	January 1 - December 31, 2012	January 1 - December 31, 2011
Current corporation tax expense	**1.902.215**	3.192.858
Deferred tax income	**(73.803)**	(199.793)
Total tax expense	**1.828.412**	2.993.065

Corporation tax is payable at a rate of 20% for 2012 (2011 - 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.

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

23. Tax assets and liabilities (continued)

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% (2011 - 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% (2011 – 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to be set off against other liabilities to the government.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

The reconciliations of the taxation on income for the years ended December 31, 2012 and 2011 are as follows:

	January 1 - December 31, 2012	January 1 - December 31, 2011
Profit before tax	**8.597.033**	15.168.267
Taxes calculated on profit before tax	**(1.719.407)**	(3.033.653)
Expenses not deductible for tax purposes	**(37.048)**	(24.215)
Income not subject to tax	**(69.914)**	15.363
Other	**(2.044)**	49.440
Taxes on income	**(1.828.413)**	(2.993.065)

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% (2011 - 20%).

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of December 31, 2012 and 2011 were as follows:

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

23. Tax assets and liabilities (continued)

	Taxable temporary differences		**Deferred income tax assets/ (liabilities)**	
	December 31, 2012	December 31, 2011	**December 31, 2012**	December 31, 2011
Difference on property, plant and equipment and intangible assets	**(12.329.239)**	(12.276.528)	**(2.465.848)**	(2.455.306)
Provision for employment termination benefits (Note 14)	**2.599.028**	2.303.664	**519.806**	460.733
Allowance for doubtful receivables	**51.400**	153.464	**10.280**	30.693
Other	**1.144.691**	916.265	**228.938**	183.253
Deferred tax liabilities – net	**(8.534.120)**	(8.903.135)	**(1.706.824)**	(1.780.627)

Movement for deferred tax liability can be analyzed as follows:

	2012	2011
January 1	**(1.780.627)**	(1.980.420)
Credited to statements of comprehensive income	**73.803**	199.793
December 31	**(1.706.824)**	(1.780.627)

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, 2012	January 1 - December 31, 2011
Net profit for the period	A	**6.768.621**	12.175.202
Weighted average number of the shares	B	**5.250.000.000**	5.250.000.000
Earnings per share (TL)	**A/B**	**0,0013**	0.0023

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

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

25. Transactions and balances with related parties

Summary of the intercompany balances as of December 31, 2012 and 2011 and significant intercompany transactions were as follows:

a) Due to related parties and due from related parties:

	December 31, 2012	December 31, 2011
Due from related parties:		
Alkim Kimya	**873**	60.035
	873	60.035

	December 31, 2012	December 31, 2011
Due to related parties:		
Alkim Sigorta	**617.926**	566.354
	617.926	566.354

As of December 31, 2012, the effective weighted average interest rates used in the calculation of discounted carrying value of TL and USD denominated due to related parties are 5,95% p.a. and 0.31% p.a., respectively (2011: 10,19% p.a., 0,53% p.a respectively). Due to related parties mature within 3 months (2011: 3 months).

	January 1 - December 31, 2012	January 1 - December 31, 2011
b) Product sales:		
Alkim Kimya	**26.317**	17.337
Sodaş	**348**	985
	26.665	18.322

	January 1 - December 31, 2012	January 1 - December 31, 2011
c) Service taken:		
Alkim Sigorta	**714.169**	700.258
Alkim Kimya	**84.017**	74.813
	798.186	775.071
d) Dividend Paid:		
Alkim Kimya	**7.148.693**	3.395.060
Other	**1.795.000**	909.492
	8.943.693	4.304.552

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

25. Transactions and balances with related parties (continued)

e) 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:

	January 1 - December 31, 2012	January 1 - December 31, 2011
Short term benefits provided to key management	**1.439.005**	1.382.289
Bonus and profit-sharing	**229.325**	56.936
Other long term benefits	**-**	8.065
	1.668.330	1.447.290

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.

26. Financial instruments and financial risk management (continued)

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, 2012 and 2011 were as follows:

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

26. Financial instruments and financial risk management (continued)

December 31, 2012:

	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)	-	**27.844.847**	**29.601**	**1.099.040**	**19.515.090**	**48.488.578**
- The part of maximum credit risk covered with guarantees	-	**-**	-	-	-	**-**
A. Net book value of financial assets not due or not impaired (3)	-	**27.729.192**	**29.601**	**1.099.040**	**19.515.090**	**48.372.923**
B. Net book value of financial assets whose conditions are renegotiated,						
C. Net book value of assets past due but not impaired	-	-	-	-	-	-
- The amount covered by guarantees.	-	**115.655**	-	-	-	**115.655**
D. Net book value of financial assets impaired	-	**(115.655)**	-	-		**(115.655)**
- Past due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	**58.069**	-	-	-	**58.069**
- The amount covered with guarantees	-	**(58.069)**	-	-	-	**(58.069)**
- 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:

	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, 2012		**Trade receivables**	
	Related parties	**Third Parties**	**Total**
1-30 days overdue	**-**	**115.655**	**115.655**
The amount covered with guarantees	**-**	**(115.655)**	**(115.655)**
	-	**-**	**-**

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)
	-	-	-

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, 2012 and 2011 are as follows:

December 31, 2012:

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	**22.572.233**	**22.629.889**	**3.862.864**	**11.087.217**	**7.679.808**
Trade payables to related parties	**617.926**	**619.131**	**619.131**	**-**	**-**
Other trade payables	**9.229.501**	**9.247.517**	**9.247.517**	**-**	**-**
Other current liabilities	**2.510.524**	**2.510.524**	**2.510.524**	**-**	**-**
	34.930.184	**35.007.061**	**16.240.036**	**11.087.217**	**7.679.808**

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

26. Financial instruments and financial risk management (continued)

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

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)

								Yabancı Para Pozisyonu Tablosu
			31 Aralık 2012					31 Aralık 2011
	TL Karşılığı	**ABD Doları**	**Euro**	**Diğer**	TL Karşılığı	ABD Doları	Euro	Diğer
1. Trade Receivables	**24.032.251**	**13.334.716**	**111.318**	**-**	21.194.737	11.028.668	148.411	-
2a. Monetary Financial Assets (Cash. Bank accounts included)	**9.266.896**	**4.978.473**	**162.496**	**3.500**	19.867.696	10.499.855	14.125	-
2b. Non-Monetary Financial Assets	**-**	**-**	**-**	**-**	-	-	-	-
3. Other	**-**	**-**	**-**	**-**	-	-	-	-
4. Current Assets (1+2+3)	**33.299.147**	**18.313.189**	**273.814**	**3.500**	41.062.433	21.528.523	162.536	-
5. Trade Receivables	**-**	**-**	**-**	**-**	-	-	-	-
6a. Monetary Financial Assets	**-**	**-**	**-**	**-**	-	-	-	-
6b. Non-Monetary Financial Assets	**-**	**-**	**-**	**-**	-	-	-	-
7. Other	**-**	**-**	**-**	**-**	-	-	-	-
8. Non-Current Assets (5+6+7)					-	-	-	-
9. Total Assets (4+8)	**33.299.147**	**18.313.189**	**273.814**	**3.500**	41.062.433	21.528.523	162.536	-
10. Trade Payables	**6.215.824**	**3.364.142**	**93.083**	**-**	4.000.130	1.702.448	320.966	-
11. Financial Liabilities	**15.001.014**	**8.415.244**	**-**	**-**	9.921.558	5.252.559	-	-
12a. Monetary Other Liabilities	**49.285**	**27.648**	**-**	**-**	932.141	493.483	-	-
12b. Non-Monetary Other Liabilites	**-**	**-**	**-**	**-**	-	-	-	-
13.Short-term Liabilities (10+11+12)	**21.266.123**	**11.807.034**	**93.083**	**-**	14.853.829	7.448.490	320.966	-
14. Trade Payables	**-**	**-**	**-**	**-**	-	-	-	-
15. Financial Liabilities	**7.571.219**	**4.247.290**	**-**	**-**	6.479.139	3.430.112	-	-
16a. Monetary Other Liabilities	**-**	**-**	**-**	**-**	-	-	-	-
16b. Non-Monetary Other Liabilities	**-**	**-**	**-**	**-**	-	-	-	-
17. Long-term Liabilities (14+15+16)	**7.571.219**	**4.247.290**	**-**	**-**	6.479.139	3.430.112	-	-
18. Total Liabilities (13+17)	**28.837.342**	**16.054.324**	**93.083**	**-**	21.332.968	10.878.602	320.966	-

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

(continued)

19. Net Asset/(Liability) Position of Off-Balance Sheet Derivative Instruments (19a-19b)	**-**	**-**	**-**	**-**	-	-	-	-
19a. Amount of Hedged Assets	**-**	**-**	**-**	**-**	-	-	-	-
19b. Amount of Hedged Liability	**-**	**-**	**-**	**-**	-	-	-	-
20. Net Foreign Asset/ (Liability) Position (9-18+19)	**4.461.805**	**2.258.865**	**180.731**	**3.500**	19.729.465	10.649.921	(158.430)	-
21. Net Foreign Currency Asset/ (Liability) Position of Monetary Items (=1+2a+5+6a-10-11-12a-14-15-16a)	**4.461.805**	**2.258.865**	**180.731**	**3.500**	19.729.465	10.649.921	(158.430)	-
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	**-**	**-**	**-**	**-**	-	-	-	-
23. Export	**7.411.957**	**4.146.232**	**-**	**-**	5.850.584	3.515.962	-	-
24. Import	**69.489.277**	**38.783.533**	**-**	**-**	72.322.659	44.810.175	-	-

26. Financial instruments and financial risk management (continued)

December 31, 2012

	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	**402.665**	**(402.665)**	-	-
2- The part hedged for USD risk (-)	-	-	-	-
3- USD effect - net (1+2)	**402.665**	**(402.665)**	-	-
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR - net	42.503	(42.503)	-	-
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR effect - net (4+5)	**42.503**	**(42.503)**	-	-
Change of Other Currencies by 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies - net	**1.013**	(1.013)	-	-
8- The part hedged for other foreign currency risk (-)			-	-
9- Other Foreign Currency effect - net (7+8)	**1.013**	**(1.013)**	-	-
Total (3+6+9)	**446.181**	**(446.181)**	-	-

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

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)	-	-

(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, 2012	December 31, 2011
Financial instruments with fixed interest rate		
Financial assets	**9.978.882**	7.476.076
Financial liabilities	**-**	1
Financial instruments with floating interest rate		
Financial assets	**27.844.847**	28.546.771
Financial liabilities	**32.419.660**	22.937.618

According to interest rate sensitivity analysis performed by the Company as of December 31, 2012, if interest rates had been 1% higher while all other variables being constant, income for the period would be TL 324.196 (2011 - TL 229.376) 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 inflows 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.

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.

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

26. Financial instruments and financial risk management (continued)

	December 31, 2012	December 31, 2011
Total debt	**35.493.460**	27.032.839
Less: Cash and cash equivalents (Note 4)	**(19.644.376)**	(24.386.884)
Net debt	**15.849.084**	2.645.955
Total equity	**103.748.307**	105.923.379
Debt/ equity ratio	**15%**	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 (2011 - None).

9) RATIOS OF THE OPERATING PERIOD

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

					2012				2011		
1	**LİQUIDITY RATIOS**										
a.	**Current Ratio**										
	Current Assets	/	Current Liabilities	85.555.250	/	27.922.242	**3,06**	74.968.274	/	20.553.699	**3,65**
b.	**Acid – Test Ratio (Quick Ratio**										
	Current Assets -Inventory	/	Current Liabilities	47.489.223	/	27.922.242	**1,70**	54.376.093	/	20.553.699	**2,65**
c.	**Cash Ratio (Availability Ratio**										
	Cash & Cash Equivalents	/	Current Liabilities	19.644.376	/	27.922.242	**0,70**	24.386.884	/	20.553.699	**1,19**
2	**FINANCIAL STRUCTURE ANALYSIS RATIOS**										
a.	**Financial Leverage (Debt Ratio)**										
	Total Liabilities	/	Total Assets	39.874.313	/	143.622.620	**0,28**	31.117.129	/	137.040.508	**0,23**
b.	**Equity Ratio**										
	Total Owner's Equity	/	Total Assets	103.748.307	/	143.622.620	**0,72**	105.923.379	/	137.040.508	**0,77**
c.	**Current Liability Ratio**										
	Current Liability	/	Total Assets	27.922.242	/	143.622.620	**0,19**	20.553.699	/	137.040.508	**0,15**
d.	**Long Term Debt to Total Assets**										
	Long Term Debt	/	Total Assets	11.952.071	/	143.622.620	**0,08**	10.563.430	/	137.040.508	**0,08**
e.	**Fixed Assets to Equity**										
	Fixed Assets	/	Total Owner's Equity	58.067.370	/	103.748.307	**0,56**	62.072.234	/	105.923.379	**0,59**
f.	**Fixed Assets to Long Term Sources**										
	Fixed Assets	/	Equity + Long Term Debt	58.067.370	/	115.700.378	**0,50**	62.072.234	/	116.486.809	**0,53**
3	**ACTIVITY RATIOS**										
a.	**Iventory Turnover Ratio**										
	Cost of Goods Sold	/	Average Inventory	104.431.064	/	22.408.068	**4,66**	105.693.533	/	16.874.958	**6,26**
b.	**Receivables Turnover Ratio**										
	Net Sales	/	Average Receivables	122.716.725	/	28.195.809	**4,35**	122.802.988	/	22.831.787	**5,38**
c.	**Cash Turnover Ratio**										
	Net Sales	/	Average Cash & Cash Equivalents	122.716.725	/	22.015.630	**5,57**	122.802.988	/	25.823.352	**4,76**
d.	**Net Working Capital Turnover**										
	Net Sales	/	Average Net Working Capital	122.716.725	/	56.023.792	**2,19**	122.802.988	/	49.894.542	**2,46**
e.	**Current Assets Turnover**										
	Net Sales	/	Average Current Assets	122.716.725	/	80.261.762	**1,53**	122.802.988	/	72.299.848	**1,70**
f.	**Fixed Assets Turnover**										
	Net Sales	/	Average Fixed Assets	122.716.725	/	60.069.802	**2,04**	122.802.988	/	60.684.617	**2,02**

g.	**Asset Turnover**										
	Net Sales	/	Average Total Assets	122.716.725	/	140.331.564	**0,87**	122.802.988	/	132.984.465	**0,92**
h.	**Equity Turnover**										
	Net Sales	/	Average Equity	122.716.725	/	104.835.843	**1,17**	122.802.988	/	101.988.054	**1,20**
4	**PROFITABILITY RATIOS**										
a.	**Profit to Net Sales**										
	Gross Margin	/	Net Sales	18.285.661	/	122.716.725	**0,15**	17.109.455	/	122.802.988	**0,14**
	Operating Profit	/	Net Sales	9.938.692	/	122.716.725	**0,08**	11.426.408	/	122.802.988	**0,09**
	Income Before Tax	/	Net Sales	8.597.033	/	122.716.725	**0,07**	15.168.267	/	122.802.988	**0,12**
	Net Income	/	Net Sales	6.768.621	/	122.716.725	**0,06**	12.175.202	/	122.802.988	**0,10**
b.	**Return on Investment (ROI)**										
	Net Income	/	Owner's Equity	6.768.621	/	103.748.307	**0,07**	12.175.202	/	105.923.379	**0,11**
c.	**Economik Rentability Ratio**										
	Net Income + Interest Expense	/	Total Sources	8.929.493	/	143.622.620	**0,06**	15.553.774	/	137.040.508	**0,11**

10) CHANGES IN MAIN AGREEMENT

Within the scope of the Communiqué of the Capital Market Board regarding the determination and implementation of Corporate Management Principles, the text of amendment regarding changes in Article 2, 3, 4, 6, 8, 9, 10, 12, 14, 16, 17, 18, 19, 20 and 21 of the Main Agreement, the annulment of Article 11 – Having an Inspector in Meetings – and the addition of Article 11 – Voting Electronically – and the addition of Article 22 – Dividend Advances – and Article 23 – Compliance with Articles and Corporate Management Principles, which was approved by the communiqué of CMB dated 21.03.2012 and numbered 841 and that of the Ministry of Customs and Trade dated 23.03.2012 and numbered 2177, was registered on 24.04.2012 after being discussed and approved in the General Assembly meeting.

11) THE BOARD OF DIRECTORS PROPOSAL FOR THE PROFIT DISTRIBUTION

As required for the resolution of Board of Directors dated 4.3.2013and Nr.2013/8 and special situation declaration made on the same day, the proposal for the dividend payment of net 0,08085 TL and gross 0,09511TL for the share with a par value of 1 TL will be brought in the ordinary general assembly as to be approved.

TABLE OF THE PROFIT DISTRIBUTED BY ALKİM KAĞIT SANAYİ VE TİCARET A.Ş. FOR THE YEAR 2012			
1.	**Paid-in / İssued Capital**		**52.500.000,00**
2.	**Total Legal Reserves (as per legal records)**		**1.937.280,60**
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**	**8.597.033,01**	**9.235.819,79**
4.	**Taxation on Income (-)**	**1.828.412,07**	**1.902.215,16**
5.	**Net Profit for the Period (=)**	**6.768.620,94**	**7.333.604,63**
6.	Accumulated Losses (-)		
7.	**Legal reserves of first Class (-)**	**366.680,23**	**366.680,23**
8.	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	**6.401.940,71**	**6.966.924,40**
9.	Donations granted during the year (+)	40.021,45	
10.	Net distributable profit for the period with the donations added, on which the first dividends are to be calculated.	**6.441.962,16**	
11.	First dividends to shareholders		
	- Cash	1.288.392,43	
	- Free	0,00	
	- Total	1.288.392,43	
12.	Dividends distributed to holders of preference shares	0,00	
13.	Dividends to members of the board of directors employees, and etc.	128.038,81	
14.	Dividend to holders of redeemed shares	0,00	
15.	Second dividends to shareholders	3.705.121,32	
16.	Legal reserves of second Class (-)	249.655,26	
17.	Statuory Reserves	0,00	0,00
18.	Special Reserves	0,00	0,00
19.	**EXTRAORDINARY RESERVES**	**1.030.732,89**	**1.595.716,58**
20.	**Other resources to be distributed**	**0,00**	**0,00**
	- Profits of the previous years	0,00	0,00
	- Extraordinary Reserves	0,00	0,00
	- As required for the Association or legal legislations	0,00	0,00
	Other distributable reserves	0,00	0,00

DETAILS OF PERCENTAGES OF PROFIT SHARES DISTRIBUTED (1)			
	TOTAL AMOUNT OF DIVIDENS (TL)	**ORDINARY SHARE WITH A PAR VALUE OF TL 1**	
		AMOUNT (in TL)	**Percentage (in %)**
GROSS	4.993.513,75	0,09511	9,511
NET	4.244.486,69	0,08085	8,085

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 DISTRIBUED TO THE DITRIBUTABLE PROFIT FOR THE PERIOD WITH DONATIONS ADDED (%)**
4.993.513,75	77,52

Independent auditors' report on the financial statements for the year ended December 31, 2012
(Convenience translation of independent auditors' report originally issued in Turkish)

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") which comprises the balance sheet as at December 31, 2012 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, 2012 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.

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

Metin Canoğulları, SMMM
Engagement Partner
4 Mart 2013
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. (Elected in accordance with the 347th article of the Turkish Commercial Code numbered 6762)
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, 2012-December 31, 2012 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, 2012 and the Income Statement for the period January 01, 2012 –December 31,2012 present the results of its operations.

Earnings before tax for the peroid January 01, 2012 – December 31, 2012 is 9.235.819,79 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

REPORT ON COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

1. STATEMENT OF COMPLIANCE WITH CORPORATE MANAGEMENT PRINCIPLES

In the Capital Market, regarding the Determination and Implementation of Corporate Governance Principles, the Communiqué series: IV number 56 “Communiqué Regarding the Determination and Implementation of Corporate Governance Principles”, took effect after being published in the official gazette dated 30/12/2011 and numbered 28158, after which “Communiqué regarding Amendments in the “Communiqué Regarding the Determination and Implementation of Corporate Governance Principles” series: IV, No:57 took effect after being published in the official gazette dated 11.02.2012 numbered 28201.

In Article 5 of the Communiqué series: IV number 56 “Communiqué Regarding the Determination and Implementation of Corporate Governance Principles”, the articles stock exchange companies were specified and according to some criteria in the same article, stock exchange companies were classified under 3 groups. The third group, which our company is in, is exempt from requirements in some of the articles.

With the decree dated 15.03.2012 and numbered 2012/03, our Board of Directors established the Corporate Governance Committee by determining its duties and working hours until the first general assembly. Corporate Governance Committee conveyed its study results to the Board of Directors and designated the Independent Board of Directors member candidates with the decree of Board of Directors dated 20.03.2012 and numbered 2012/05 and publicly announced it to be presented to the General Assembly. Upon the election of independent Board of Directors members with the General Assembly meeting dated 10.04.2012, the Corporate Governance Committee members were elected with the decree of the Board of Directors dated 17.04.2012 and numbered 2012/10.

Our company made the required amendments to the main agreement within the scope of compliance with this Communiqué on 10.04.2012 at the General Assembly. With these amendments and the structuring of our Board of Directors, our company fully adapted to the Communiqué.

In consequence of all regulations, our company complies with all regulations with the exception of the below-mentioned principles and the principles which are required to be complied with.

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 major 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)

Address : Kemalpaşa Organize Sanayi Bölgesi Kırovası Mevkii Kemalpaşa / İZMİR
Telephone: 0232 877 06 06
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3. Shareholders' Use of the Right to Get Information

In 2012, no shareholder filed an application to our Company to get information in writing pursuant to shareholder's rights to get information. Information and explanations available at our corporate website are updated regularly in order to help our shareholders use their right to get information.

Every shareholder may request a Special Audit as mentioned in Article 438 of TCC number 6102 even if it does not exist on the agenda of the general assembly. Besides, there is no regulation regarding the designation of a Special Auditor in the company's main agreement. In 2012, no request was made by a shareholder regarding the designation of a Special Auditor.

4. General Assembly Meetings

The call for the Ordinary Meeting of the General Assembly of Shareholders held on 10.04.2012 was published through Posta and Vatan Newspapers dated 21.03.2012 as well as through Turkish Trade Registry Gazette No. 8031of 21.03.2012. 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, 4.198.516.950 shares corresponding to a capital portion of TL 41.985.169,50 were present in person, and 1.837.500 shares corresponding to a capital portion of TL 18.375,00 were present by proxy.

In 2012, 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 explanations 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 weeks 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 highest possible number of shareholders can be accessed.
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 answered 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.

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 necessary 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.

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.

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.

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.

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 communiqués 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.

In he financial statements prepared according to the Tax Procedure Law in May 2012, gross (in cash) TL 8,943,694,58, net (in cash) TL 7,602,140,40 was paid to the shareholders as dividend. TL 229,325,50 (in cash), equivalent to 2% of the net distributable period profit share was distributed to members of the Board of Directors. The remaining amount was spared as extraordinary capital reserve. To a share with a nominal value of TL 1, gross TL 0,17036 at a rate of 17,036% and net TL 0,14480 at a rate of 14,480% was paid as dividend.

7. Transfer of Shares

Our articles of association include the following articles in relation of the transfer and sale of shares:

a) Transfer and sale of registered to name shares:

Shareholders 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 publishing 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 Communiqué, 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 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 shareholders directly and efficiently.

9. 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.

10. Activity Report

The activity report of our Board of Directors is prepared in detail, allowing the public opinion to access full and accurate information on the company's activities based on corporate governance principles.

PART III : BENEFIT OWNERS

11. 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.

12. 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.

The Beneficiaries contact the Human Resources department for decisions with important results fort he company employees. If necessary, employees' written opinions are taken and evaluated. Opinions of Customers and Suppliers which are other Beneficiaries, are taken and evaluated via Sales Managers, Customer Relations Sales Managers, Commercial Affairs Managers and Procurement Managers, all under the supervision of the General Manager.

13. 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.

14. Ethic Rules and Social Responsibility

Ethic Rules of our Company are made public on the website of our company.

Under social responsibility, our Company makes 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

15. 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: 68 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 Exchange, 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.

Members of board of directors are as follows:

Chairman of the Board of Directors	M.REHA KORA
Vice Chairman of the Board of Directors	A.HALUK KORA
Vice Chairman of the Board of Directors	FERİT KORA
Member of the Board of Directors	ARKIN KORA
Member of the Board of Directors	TÜLAY ÖNEL
Member of the Board of Directors	ÖZAY KORA
Member of the Board of Directors	KERİM OYGUR
Independent Member of the Board of Directors	HAKKI PINAR KILIÇ
Independent Member of the Board of Directors	NAMIK KEMAL MARMARA

The board of Directors shared their duties as follows: Chairman M. Reha Kora determines the general strategy of the Company, A. Haluk Kora assists in international relations and new projects, Ferit Kora assists the Chairman in commercial and financial issues, independent members H. Pınar Kılıç and N. Kemal Marmara assists with all other members except the audit committee in the main agreement to be implemented in accordance with the law and regulations.

The Board of Directors continues its duties until a circular from the management of the Company is published in accordance with the current laws and regulations.

The executive members of our Board of Directors are Ferit Kora and Arkın Kora. Others are non-executive Board of Directors members.

Corporate Governance Committee has appointed two candidates with independence criteria for Board of Directors membership. Both candidates have declared independence and notified the Board of Directors with the decree of the Corporate governance committee on 20 March 2012.

There is no restriction for Board of Directors members to perform other duties outside the Company.

The duties of our Board of Directors members are as follows:

ALKİM ALKALİ KİMYA A.Ş.	SODAŞ SODYUM A.Ş. (In the Group)	(Outside the Group)
M.REHA KORA	Chairman of Board of Directors	Chairman of Board of Directors
A.HALUK KORA	Vice Chairman of Board of Directors	----
FERİT KORA	Vice Chairman of Board of Directors	Vice Chairman of Board of Directors
ARKIN KORA	Member of Board of Directors	Member of Board of Directors
TÜLAY ÖNEL	Member of Board of Directors	----
ÖZAY KORA	Member of Board of Directors	Yönetim Kurulu Üyesi
KERİM OYGUR	Member of Board of Directors	----

Our independent members Hakkı Pınar Kılıç Works as academician in a university and Namık Kemal Marmara is a lawyer.

16. Operating basis of Board of Directors

Chairman of the Board of Directors determines the agenda of the Board of Directors after meeting with other Board of Directors members and the General Manager.

The members try to attend every meeting and give their opinion. The majority is constituted in meetings. Our Board of Directors met thirteen times in 2012. The decisions are taken by unanimious vote and each member has one voting right. There has not been contradicting or negative opinion in the meetings. The members were not given a weighted voting right or veto right.

There is no related matter to be presented to the General Assembly in the next activity year.

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

The Board of Directors of our Company elected the members of our Audit Commitee and Corporate Management Committee in a meeting held on 17 April 2012.

Committee responsible from the audit of our Company is formed by two independent members of the Board of Directors in accordance with the Corporate Management Principles.

The formation of our Audit Committee is as follows:

Namık Kemal Marmara	Independent Member of the Board of Directors
Hakkı Pınar Kılıç	Independent Member of the Board of Directors

Another committee is the Corporate Governance committee. This committee has five members. The chairman of this committee has to be an Independent member of the Board of Directors. Committee members met on 17 April 2012 and elected the chairman and vice chairman among the in dependent members of the Board of Directors. Since there are two independent members of the Board of Directors in the structure of our Board of Directors, two members from the Audit committee act as chairman and vice chairman, and two members are elected among the executive members.

The formation of our Corporate Governance Committee is as follows:

Namık Kemal Marmara	Independent member of Board of Directors	Chairman of Corporate Governance Committee
Hakkı Pınar Kılıç	Independent member of Board of Directors	Vice Chairman of Corporate Governance Committee
A. Haluk Kora	Vice Chairman of Board of Directors	Member of Corporate Governance Committee
Ferit Kora	Vice Chairman of Board of Directors	Member of Corporate Governance Committee
Arkın Kora	Member of Board of Directors	Member of Corporate Governance Committee

18. Risk Management and Internal Control Mechanism

As mentioned in Article 366 and Article 375 of the TCC, internal audit is an nonnegotiable and inalienable part of the board of directors in corporations. Article 366, clause 2 of the new Turkish Commercial Code suggests that the Board of Directors may establish committees and commissions to monitor the business, prepare reports on matters to be presented to the Board of Directors, implement its decisions, and for internal audit. In this context, our Audit Committee, comprising of independent members of Board of Directors, monitors the efficiency and sufficiency of internal audit and internal control functions, gives opinion that the financial statements to be announced are accurate and accountable, chooses the independent audit firm, and monitors its activities. The Audit Unit, which assists the Audit Committee, carries out the internal control of Accounting, Finance and Financial plans and informs the Board of Directors in these subjects. According to the results of this internal control, the Board of Directors takes the necessary measures with the General Manager.

Our Board of Directors revises the efficiency of risk management and internal control systems at least once a year. More information on the internal control system, its functioning and efficiency is available in the activity report.

19. Strategic Objectives of the Company

The strategic objectives of our Company are; producing quality products which are customer satisfaction oriented and suitable for the needs of the sector, enhancing the existing sales channels, researching new sales channels, increasing product diversity and capacity, increasing profitability, seeking suitable investment opportunities, sharing the profit of the company by maximum profit distribution, maintaining a reputable production company in its sector, country and in the world.

The Board of Directors and Management of the Company keep the company’s situation under surveillance in line with the strategic objectives. New goals in line with the changing conditions and new strategies are set in periodic meetings.

20. Financial Rights

In the regular General Assembly held on 10 April 2012, the salary policy was negotiated and it was decided that a monthly net amount of TL 1500 be paid to the members of the Board of Directors. Members of the Board of Directors receive a fixed monthly salary. This salary policy was announced on our website.

In accordance with Article 14 of the main agreement and under the condition that it is accepted unanimously at the General Assembly, up to 3% of the net profit may be distributed to the members of the Board of Directors. This amount may not exceed 10% of the paid-in capital. For the last 4 years, the members of the Board of Directors have received 2% of the net profit.

The per diem and profit share distributed to the members of the Board of Directors, as explained in the activity report, is as follows:

	01 January - 31 December 2012	01 January - 31 December 2011
Per Diem	186.988	122.470
Profit Share	229.325	56.936

No loan or credit was given to the members of Board of Directors during the activity year, and no one was vouched for.

This Activity Report was prepared based on the provisions of the Communiqué Regarding Financial Reporting in the Capital Market Series XI, Number 29, which was published in the official gazette dated 09.04.2008 and numbered 26842 by the Capital Market Board and of “Regulations Regarding the Determination of the Minimum Content of the Annual Activity Reports of Companies”, and was signed and approved by the members of the Board of Directors.

BOARD OF DIRECTOR