

(Convenience translation of consolidated financial statements and audit report  
originally issued in Turkish – See Note 2.1)

# **Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Financial statements together with report of  
independent auditors December 31, 2015**

## **Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

### **Contents**

	<b><u>Page</u></b>
Independent auditors' report	1 - 2
Statement of financial position	3 - 4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 - 49

Convenience translation of independent auditors' report originally issued in Turkish

### **Independent auditors' report**

To the shareholders of  
Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

### **Report for the financial statements**

We have audited the accompanying statement of financial position of Alkim Kağıt Sanayi ve Ticaret A.Ş. ("the Company") as at 31 December 2015 and the related statement of comprehensive income, statement of changes in shareholders' 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 management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error and/or fraud.

### **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 Markets Board of Turkey and standards on auditing issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

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 taken into consideration. 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 qualified audit opinion

### **Basis for Qualified Opinion**

As explained in Note 7 of the accompanying financial statements, the Company had trade receivables composed of cheques and account receivables amounting TL 30.780.137 which main part of it was overdue from a client as of December 31, 2014. The Company initiated legal execution proceeding in December 31, 2014 since the client was unable to make payments on time for the receivables overdue amounting at TL 20.953.798 and recognized allowance for it in its financial statements. The Company had trade receivables amounting TL 9.826.339 from that client as of December 31, 2014. Since the Company did not recognize additional allowance for the remaining doubtful receivables, we have issued a qualified opinion in our audit report dated February 27, 2015 on the financial statements as of December 31, 2014.

The Company recognized allowance for the doubtful receivables which caused the qualified opinion as explained above, since they were not collected on due dates in the current year. Accordingly, the accumulated losses as of December 31, 2015 and the net income for the year ended December 31, 2015 was reported less amounting to TL 7.861.071 (net off deferred tax impact).

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “basis for qualified opinion” section above, the accompanying financial statements present fairly, in all material respects, the financial position of Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi as of 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

### **Reports on other responsibilities arising from regulatory requirements**

- 1) Auditors’ report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code (“TCC”) 6102 is submitted to the Board of Directors of the Company on 26 February 2016.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company’s bookkeeping activities for the period 1 January – 31 December 2015 and financial statements are not in compliance with the code and provisions of the Company’s articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors of the Company submitted to us the necessary explanations and provided required documents within the context of audit.

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

Cem Uçarlar, SMMM  
Partner

February 26, 2016  
Istanbul, Turkey

(Convenience translation of financial statements and footnotes originally issued in Turkish)

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Statement of financial position  
as at December 31, 2015  
(Currency –Turkish Lira (TL) unless otherwise indicated)**

		<b>Current period</b>	Prior period
		<b>Audited</b>	<b>Audited</b>
	<b>Notes</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Assets</b>			
<b>Current assets</b>		<b>110.024.150</b>	<b>70.255.802</b>
Cash and cash equivalents	4	<b>48.446.014</b>	9.916.787
Trade receivables			
- Receivables from related parties	20	<b>2.185</b>	-
- Other trade receivables	7	<b>21.537.760</b>	20.476.864
Other receivables			
-Other receivables	8	<b>106.514</b>	195.923
Inventories	9	<b>25.536.341</b>	28.053.345
Current income tax assets	29	<b>27.683</b>	1.256.948
Prepaid expenses	13	<b>1.519.377</b>	1.023.393
Other current assets	14	<b>12.848.276</b>	9.332.542
<b>Non-current assets</b>		<b>37.270.394</b>	<b>45.165.306</b>
Investment in associates accounted by equity method	10	<b>322.528</b>	254.586
Property, plant and equipment, net	11	<b>36.005.523</b>	43.382.148
Intangible assets, net	12	<b>19.614</b>	7.990
Deferred tax assets	29	-	635.271
Prepaid expenses	13	<b>922.729</b>	885.311
<b>Total assets</b>		<b>147.294.544</b>	<b>115.421.108</b>

The accompanying policies and explanatory notes on pages 8 through 49 form an integral part of the financial statements.

(Convenience translation of financial statements and footnotes originally issued in Turkish)

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Statement of financial position**

**at December 31, 2015**

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

		<b>Current period</b>	<b>Prior period</b>
		<b>Audited</b>	<b>Audited</b>
	<b>Notes</b>	<b>December 31,</b>	<b>December 31,</b>
		<b>2015</b>	<b>2014</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
		<b>39.752.772</b>	<b>21.035.820</b>
Short-term financial borrowings	5	<b>24.360.410</b>	5.347.546
Current portion of long term financial borrowings	5	<b>3.556.116</b>	5.154.685
Other financial liabilities	6	-	2.020.319
Trade payables			
- Trade payables from related parties	20	<b>954.571</b>	885.841
- Other trade payables	7	<b>9.163.156</b>	5.783.109
Liabilities of employee benefits	17	<b>1.152.469</b>	1.141.188
Deferred income	18	<b>498.246</b>	641.892
Current income tax payable			
- Other short term provisions	16	<b>35.423</b>	-
Other short term liabilities	19	<b>32.381</b>	61.240
<b>Non-current liabilities</b>			
		<b>9.421.629</b>	<b>5.799.840</b>
Long-term financial borrowings	5	<b>5.233.680</b>	2.522.333
Long-term provisions			
- Long-term provisions for employee benefits	16	<b>3.981.324</b>	3.277.507
Deferred tax liability	29	<b>206.625</b>	-
<b>Equity</b>			
		<b>98.120.143</b>	<b>88.585.448</b>
Paid-in share capital	21	<b>52.500.000</b>	52.500.000
Inflation adjustment on paid-in share capital	21	<b>32.414.361</b>	32.414.361
Restricted reserves	21	<b>5.296.522</b>	5.296.522
Other comprehensive income/(expense) not to be reclassified to profit or loss			
-Actuarial loss arising from defined benefit plans	21	<b>(1.002.622)</b>	(416.592)
(Accumulated losses)/ retained earnings		<b>(1.208.843)</b>	5.704.133
Net profit /(loss) for the year		<b>10.120.725</b>	(6.912.976)
<b>Total liabilities and equity</b>			
		<b>147.294.544</b>	<b>115.421.108</b>

The accompanying policies and explanatory notes on pages 8 through 49 form an integral part of the financial statements.

(Convenience translation of financial statements and footnotes originally issued in Turkish)

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Statement of profit or loss and other comprehensive income  
for the year ended December 31, 2015  
(Currency –Turkish Lira (TL) unless otherwise indicated)**

		<b>Current period</b>	<b>Prior period</b>
		<b>Audited</b>	<b>Audited</b>
		<b>January 1 –</b>	<b>January 1 –</b>
		<b>December 31</b>	<b>December 31</b>
		<b>2015</b>	<b>2014</b>
Revenue	23	<b>150.437.558</b>	126.098.205
Cost of sales (-)	23	<b>(129.929.865)</b>	(110.216.828)
<b>Gross profit</b>		<b>20.507.693</b>	15.881.377
General and administrative expenses (-)	24	<b>(4.251.299)</b>	(4.460.101)
Selling, marketing and distribution expenses (-)	24	<b>(4.761.824)</b>	(3.619.003)
Research and development expenses (-)	24	<b>(63.880)</b>	(59.992)
Other operating income	26	<b>9.891.395</b>	5.788.349
Other operating expense (-)	26	<b>(14.636.702)</b>	(22.289.081)
<b>Operating profit/(loss)</b>		<b>6.685.383</b>	(8.758.451)
Income from investment activities	27	<b>8.585.394</b>	2.154.660
Profit from investmenst accounted under equity method	10	<b>67.942</b>	40.147
<b>Operating profit/(loss) before financial expenses</b>		<b>15.338.719</b>	(6.563.644)
Financial income	28	<b>1.924.129</b>	1.453.609
Financial expense (-)	28	<b>(6.153.718)</b>	(3.866.409)
<b>Profit/(loss) before taxation</b>		<b>11.109.130</b>	(8.976.444)
Tax income/(expense)			
- Deferred tax (expense)/income	29	<b>(988.405)</b>	2.063.468
<b>Profit/(loss) for the period</b>		<b>10.120.725</b>	(6.912.976)
<b>Other comprehensive income/(loss)</b>			
<b>Actuarial gain/(loss) arising from defined benefit plans</b>			
- Tax effect of other comprehensive income / (loss) not to be reclassified to profit or loss	16	<b>(732.538)</b>	(87.389)
- Deferred tax impact	29	<b>146.508</b>	17.478
<b>Other comprehensive loss</b>		<b>(586.030)</b>	(69.911)
<b>Total comprehensive income /(loss)</b>		<b>9.534.695</b>	(6.982.887)
<b>Earnings/(loss) per share</b>	22	<b>0,0019</b>	(0,0013)

The accompanying policies and explanatory notes on pages 8 through 49 form an integral part of the financial statements.

(Convenience translation of financial statements and footnotes originally issued in Turkish)

**Alkim Kağıt Sanayi ve Ticaret A.Ş.**

**Statement of changes in equity  
for the year ended December 31, 2015  
(Currency –Turkish Lira (TL) unless otherwise indicated)**

					Other comprehensive income/(expense) not to be reclassified to profit or loss	Accumulated profit		
	Paid in share capital	Adjustments to share capital	Restricted reserves	Actuarial gain or loss arising from defined benefit plans	Retained earnings /(accumulated losses)	Net profit/(loss) for the period	Total equity	
<b>January 1, 2015</b>	<b>52.500.000</b>	<b>32.414.361</b>	<b>5.296.522</b>	<b>(416.592)</b>	<b>5.704.133</b>	<b>(6.912.976)</b>	<b>88.585.448</b>	
Transfers	-	-	-	-	(6.912.976)	6.912.976	-	
Net profit/(loss) for the period	-	-	-	-	-	10.120.725	10.120.725	
Other comprehensive loss	-	-	-	(586.030)	-	-	(586.030)	
<b>Total comprehensive income /(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(586.030)</b>	<b>-</b>	<b>10.120.725</b>	<b>9.534.695</b>	
<b>December 31, 2015</b>	<b>52.500.000</b>	<b>32.414.361</b>	<b>5.296.522</b>	<b>(1.002.622)</b>	<b>(1.208.843)</b>	<b>10.120.725</b>	<b>98.120.143</b>	
January 1, 2014	52.500.000	32.414.361	4.612.298	(346.681)	9.343.207	4.197.652	102.720.837	
Transfers	-	-	-	-	4.197.652	(4.197.652)	-	
Dividend payment (Note 21)	-	-	684.224	-	(7.836.726)	-	(7.152.502)	
Net profit/(loss) for the period	-	-	-	-	-	(6.912.976)	(6.912.976)	
Other comprehensive loss	-	-	-	(69.911)	-	-	(69.911)	
<b>Total comprehensive income /(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(69.911)</b>	<b>-</b>	<b>(6.912.976)</b>	<b>(6.982.887)</b>	
<b>December 31, 2014</b>	<b>52.500.000</b>	<b>32.414.361</b>	<b>5.296.522</b>	<b>(416.592)</b>	<b>5.704.133</b>	<b>(6.912.976)</b>	<b>88.585.448</b>	

The accompanying policies and explanatory notes on pages 8 through 49 form an integral part of the financial statements.



(Convenience translation of financial statements and footnotes originally issued in Turkish)

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Statement of cash flows  
for the year ended December 31, 2015  
(Currency –Turkish Lira (TL) unless otherwise indicated)**

		Current period	Prior period
		Audited	Audited
		January 1 – December 31, 2015	January 1 – December 31, 2014
	Notes		
<b>Cash flows from operating activities</b>			
Profit /(loss) before taxation		11.109.130	(8.976.444)
<b>Adjustments to reconcile profit/(loss) before tax to net cash generated from operating activities:</b>			
Depreciation and amortization	25	6.357.757	6.336.915
Provision of doubtful receivables	7	11.735.332	20.953.798
Provision for impairment on inventories	9	43.898	7.508
Investments valued by equity method	10	(67.942)	(40.147)
Provision for employee termination benefits	16	570.203	668.208
Provision for unused vacation rights	16	29.971	9.958
Provision for litigations	16	93.923	-
Gain on sale of property, plant and equipment	27	(8.585.394)	(2.154.660)
Interest income	28	(191.314)	(263.656)
Interest expenses	28	718.835	904.792
Unrealized foreign currency (gains) / losses		1.479.265	111.673
<b>Net cash flow used in by operating activities before changes in assets and liabilities</b>		<b>23.293.664</b>	<b>17.557.945</b>
<b>Changes in assets and liabilities:</b>			
Trade receivables (including related parties)		(13.745.377)	1.415.178
Other receivables		89.409	(105.355)
Inventories		2.831.882	(8.181.116)
Other current assets		(2.258.786)	(887.538)
Prepaid expenses		(533.402)	(105.325)
Trade payables (including related parties)		3.045.281	(3.214.501)
Deferred income		(143.646)	(582.535)
Liabilities for employee benefits		11.281	(29.942)
Other short term provisions		(28.859)	28.324
Taxes paid	29	(27.683)	(1.428.051)
Employment termination benefits paid	16	(628.895)	(612.046)
Litigations expenses paid	16	(58.500)	-
<b>Cash flows provided from operating activities, net</b>		<b>11.846.369</b>	<b>3.855.038</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets	11 - 12	(505.044)	(724.983)
Proceeds from sale of property, plant and equipment	11 - 27	9.738.906	5.874.660
<b>Cash flows provided from investing activities, net</b>		<b>9.233.862</b>	<b>5.149.677</b>
<b>Cash flows from financing activities</b>			
Repayments of financial borrowings, net		17.772.806	(12.322.518)
Interest received		170.889	312.030
Interest paid		(515.124)	(920.947)
Dividend paid	20	-	(7.152.502)
<b>Net cash provided from / (used in) financing activities</b>		<b>17.428.571</b>	<b>(20.083.937)</b>
Net increase/(decrease) in cash and cash equivalents		<b>38.508.802</b>	<b>(11.079.222)</b>
Cash and cash equivalents at beginning of the year	4	9.916.787	20.996.009
<b>Cash and cash equivalents at the end of the year</b>		<b>48.425.589</b>	<b>9.916.787</b>

The accompanying policies and explanatory notes on pages 8 through 49 form an integral part of the financial statements.

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**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”).

The Company is registered in the Turkish Capital Markets Board (“CMB”) and its shares have been traded on the Borsa İstanbul (“BİST”). As at December 31, 2015, the shares traded on BİST are 20% (2014: 20%) of the total shares.

As of December 31, 2015, the number of personnel of the Company is 167 (2014 - 168).

The address of the registered office is as follows: Organize Sanayi Bölgesi Kirovası Mevkii, Kemalpaşa / İzmir

**2. Basis of preparation of financial statements**

**2.1 Basis of preparation**

The financial statements of the Company have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, (“TAS/TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”). TAS/TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced by the POA.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for listed companies in Turkey.

The Company’s financial statements have been prepared in accordance with this decision 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. The Company has prepared the financial statements according to going concern assumption.

The Company has no activities having seasonal or periodic characteristics, which shall effect its financial statements significantly, because of its sector. Additionally, the Company does not make segment reporting according to its departments since its activities do not differ as industrial and geographical.

Approval of financial statements

The financial statements are approved for issue by the Board of Directors on February 26, 2016. The General Assembly has the power to amend the financial statements.

Convenience translation to English

As at 31 December 2015, the accounting principles described in Note 2 below (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the cease of application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**2. Basis of preparation of financial statements (continued)**

**2.2 Comparative information and restatement of prior period financial statements**

In order to provide chance to identify trend of financial performance and financial position, financial statements are prepared comparative to the prior period. . When presentation of current year financial statements is revised for more accurate presentation, prior year financial statements are reclassified accordingly, to be comparative. The reclassifications that are made at the Company's balance sheet as of December 31, 2015 and statement of comprehensive income for the period between January 1 and December 31, 2014 are as follows:

- Electricity sales amounting to TL 507.102 was reported under revenue is reclassified to other operating income.

**2.3 Amendments in Accounting Policies**

**The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the financial statements as at December 31, 2015 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2015. The effects of these standards and interpretations on the Company financial position and performance have been disclosed in the related paragraphs.

- i) **The new standards, amendments and interpretations which are effective as at January 1, 2015 are as follows:**

**TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)**

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendment did not have an impact on the consolidated financial statements of the Company.

**Annual Improvements to TAS/TFRSs**

In September 2014, POA issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle. The changes are effective for annual reporting periods beginning on or after July 1, 2014.

**Annual Improvements - 2010–2012 Cycle**

*TFRS 2 Share-based Payment:*

Definitions relating to performance and service conditions which are vesting conditions are clarified. The amendment is effective prospectively.

*TFRS 3 Business Combinations*

The amendment clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective for business combinations prospectively.

*TFRS 8 Operating Segments*

The changes are as follows: i) An entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**2. Basis of preparation of financial statements (continued)**

*TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets*

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows:  
i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

*TAS 24 Related Party Disclosures*

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. . In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is effective retrospectively.

**Annual Improvements – 2011–2013 Cycle**

*TFRS 3 Business Combinations*

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

*TFRS 13 Fair Value Measurement*

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective prospectively.

*TAS 40 Investment Property*

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively. The amendments did not have a significant impact on the consolidated financial statements of the Company / the Group.

**ii) Standards issued but not yet effective and not early adopted**

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

**TFRS 9 Financial Instruments – Classification and measurement**

As amended in December 2012 and February 2015, the new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 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. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

**TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)**

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**2. Basis of preparation of financial statements (continued)**

**TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)**

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

**TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)**

In April 2015, Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
  - In accordance with IFRS 9,
- Or
- Using the equity method defined in TAS 28

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after January 1, 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

**TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)**

In February 2015, amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted.

The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)**

In February 2015, amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**TAS 1: Disclosure Initiative (Amendments to TAS 1)**

In February 2015, amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Company.

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**2. Basis of preparation of financial statements (continued)**

**Annual Improvements to TFRSs - 2012-2014 Cycle**

In February 2015, POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report.

The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

**The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)**

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

**Annual Improvements – 2010–2012 Cycle**

*IFRS 13 Fair Value Measurement*

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

**Annual Improvements – 2011–2013 Cycle**

**IFRS 15 Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 original effective date was January 1, 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**2. Basis of preparation of financial statements (continued)**

**IFRS 9 Financial Instruments - Final standard (2014)**

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

**IFRS 16 Leases**

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

**IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)**

In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company applies this relief, it shall disclose that fact. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**IAS 7 'Statement of Cash Flows (Amendments)**

In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**2.4 Basis of consolidation**

Th financial statements reflect company and subsidiaries' accounts according to equity method as declared in "Subsidiaries" article below. The financial statements of the subsidiary consodilated according to equity method were prepared as of the financial statement date.

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**2. Basis of preparation of financial statements (continued)**

**Subsidiaries**

Investments in subsidiaries were recognized according to equity method. These are the organizations that the company generally has 20% and 50% vote right or, important impact on subsidiary operations. Unrealized gains arising from transactions between company and subsidiary were restated on scale of share of the company on subsidiary and unrealized losses were restated if the transaction would have not been indicated the impairment of the transferred asset. As long as the Company has not been under liability with subsidiary about mentioned situation or not been made any commitment, investment in subsidiary with book value of zero or, important effect of the company ended then, equity method would not be carried on. Booked value of the investment at date important effect ended has revealed as cost value after mentioned date.

Subsidiaries of the company and shareholdings as of December 31, 2014 and 2013 were as follows:

	<b>Share (%)</b>	
	<b>December 31, 2015</b>	December 31, 2014
Alkim Sigorta Aracılık Hiz. Ltd. Şti. ("Alkim Sigorta")	<b>50.00</b>	50.00

**2.5 Summary of important accounting policies**

**2.5.1 Revenue recognition**

Revenues are recognized on an accrual basis at the time deliveries or acceptances are made, the amount of the 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 consideration received or receivable. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes. (Note 23).

Interest income is recognized by using the effective interest rate and rent income is recognized in the period on accrual basis. When impairment provision is recognized for receivable the Company discounts carried value of the related receivable according to estimated cash flow in the future by using original effective interest rate and recognized related discount as interest income. Dividend is recognized when collection right is available.

**2.5.2 Inventories**

Inventories consist of cellulose stocks, work in process and finished goods as bobbin or different size, chemicals, consumable stocks 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 estimated costs of completion and estimated costs necessary to make the sale. The cost of inventories consist of cost of inventories purchased, cost of conversion and other cost related to conversion of inventories to current condition and position. Method to determine the cost for all inventories is carried out according to moving weighted average method. (Note 9)

**2.5.3 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.



**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**2. Basis of preparation of financial statements (continued)**

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

	<b><u>Rates (%)</u></b>
Land improvements	2-13
Buildings	2-4
Machinery and equipment	4-25
Motor vehicles	10-15
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.

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.

**2.5.4 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 5 – 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.

**2.5.5 Impairment on 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.

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**2. Basis of preparation of financial statements (continued)**

**2.5.6 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 28).

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.

**2.5.7 Trade payables**

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

**2.5.8 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.

**2.5.9 Foreign currency transactions**

Foreign currency transactions (all currencies other than TL) are translated by applying the exchange rate of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. The non-monetary items that are carried at historical cost are not retranslated at the balance sheet date.

**2.5.10 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 22).

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.

**2.5.11 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 31).

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.

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**2. Basis of preparation of financial statements (continued)**

**2.5.12 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 15, 16).

**2.5.13 Related parties**

- 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).

**2.5.14 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to 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.

**2.5.15 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 29). 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 29).

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**2. Basis of preparation of financial statements (continued)**

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 29).

**2.5.16 Employee benefits**

**a) Defined benefit plans**

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The Company has reflected a liability using the "Projected Unit Credit Method". The employee termination benefits are discounted to the present value of the estimated future cash outflows using the interest rate.(Note16). All actuarial gains and losses calculated are reflected in the comprehensive income statement.

**b) Defined contribution plans**

The Company pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

**2.5.17 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.

**2.5.18 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.

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).

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**2. Basis of preparation of financial statements (continued)**

**2.5.19 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.

**2.5.20 Offsetting**

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

**2.5.21 Accounting policies, changes in accounting estimates and errors**

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

**2.6 Critical accounting estimates and judgements**

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)

The Company has no deferred tax assets consisting of unused financial losses deducted from future profits and other deductible temporary differences. Partially or completely recoverable amount of deferred tax assets have been estimated other current conditions. Profit projections in future, losses occurring in current period, expiration dates of unused losses and other tax assets and tax planning strategies which can be used when required are taken into consideration ( Note 29).

Retirement pay liability is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates). As of December 31, 2015 and 2014, retirement pay liability amounts to TL 3.632.005 and TL 2.958.159, 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.(Note 7)
- d) Tangible and intangible assets are depreciated based on their expected useful lives. Useful lives settled by management were explained in Note 2.5.3 and Note 2.5.4.(Note 11 and 12)
- e) Impairment of inventories calculated just for finished goods and evaluated according to physical conditions and technical staff opinions. Slow moving inventories are still considered to be reproduction and taking into account the losses that occur during the reproduction process.(Note 9)
- f) The Company make provision for possibility of losing litigation and liabilities in case of loss are evaluated by Company with getting management legal counsel and expert opinions. By this way, Company management determines litigation amount of provision based on best estimates.(Note 26)

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**3. Segment reporting**

None (Please refer to Note 2.4.16).

**4. Cash and cash equivalents**

	<b>December 31, 2015</b>	December 31, 2014
Cash on hand	<b>33.738</b>	47.811
Banks		
- TL denominated time deposits	<b>5.763.169</b>	-
- TL denominated demand deposits	<b>452.702</b>	236.810
- Foreign currency denominated time deposits	<b>41.440.556</b>	8.821.246
- Foreign currency denominated demand deposits	<b>729.849</b>	277.693
Other current assets (*)	<b>26.000</b>	533.227
	<b>48.446.014</b>	9.916.787
Less: interest accrual	<b>(20.425)</b>	-
<b>Total cash and cash equivalents base for cash flow statement</b>	<b>48.425.589</b>	9.916.787

(\*) Credit card receivables with maturity less than 3 months.

As of December 31, 2015, time deposit effective interest rate is 6,0 % -13,35 % for TL (December 31,2014: None), for USD 1,45 %- 2,90 % (December 31,2014– USD 0,2 % ) , maturity dates are 4 and 32 days. (December 31 2014 – 1 day).

The details of the foreign currency denominated demand deposits are disclosed in Note 30. 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.

There is no blockage on the cash and cash equivalents as of December 31, 2015 and 2014.

**5. Financial liabilities**

	<b>December 31, 2015</b>	December 31, 2014
Short-term bank borrowings	<b>24.360.410</b>	5.347.546
Short-term portion of long-term bank borrowings	<b>3.556.116</b>	5.154.685
<b>Short-term financial liabilities</b>	<b>27.916.526</b>	10.502.231
Long-term bank borrowings	<b>5.233.680</b>	2.522.333
<b>Long-term financial liabilities</b>	<b>5.233.680</b>	2.522.333
<b>Total financial liabilities</b>	<b>33.150.206</b>	13.024.564

(Convenience translation of financial statements and footnotes originally issued in Turkish)

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**5. Financial liabilities (continued)**

**a) Bank borrowings:**

	<b>December 31, 2015</b>		<b>December 31, 2014</b>	
	<b>Effective weighted average interest rate p.a. (%)</b>	<b>Amount</b>	<b>Effective weighted average interest rate p.a. (%)</b>	<b>Amount</b>
<b>Short-term bank borrowings:</b>				
TL bank borrowings	-	<b>5.445</b>	-	-
USD bank borrowings	<b>Libor+0,30- 2,00</b>	<b>24.354.965</b>	2,25	5.347.546
		<b>24.360.410</b>		5.347.546
<b>Short-term portion of long-term bank borrowings :</b>				
USD bank borrowings	<b>3,50</b>	<b>3.556.116</b>	Libor+0,30	5.154.685
		<b>3.556.116</b>		5.154.685
<b>Long-term bank borrowings:</b>				
USD bank borrowings	<b>3,50</b>	<b>5.233.680</b>	Libor+0,30	2.522.333
		<b>5.233.680</b>		2.522.333

The redemption schedules of long-term bank borrowings at December 31, 2015 and 2014 are as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
2016	-	2.522.333
2017	<b>3.489.120</b>	-
2018	<b>1.744.560</b>	-
	<b>5.233.680</b>	2.522.333

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(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, 2015 and 2014 are as follows:

	<b>up to 3 months</b>	<b>3 months – 1 year</b>	<b>1 year-5 years</b>	<b>Total</b>
<b>December 31, 2015</b>				
Financial liabilities with floating interest rate	<b>5.008.288</b>	<b>19.346.677</b>	-	<b>24.354.965</b>
Financial liabilities with fixed interest rate	<b>5.445</b>	<b>3.556.116</b>	<b>5.233.680</b>	<b>8.795.241</b>
	<b>5.013.733</b>	<b>22.902.793</b>	<b>5.233.680</b>	<b>33.150.206</b>
<b>December 31, 2014</b>				
Financial liabilities with floating interest rate	2.676.973	5.737.878	2.522.333	10.937.184
Financial liabilities with fixed interest rate	2.087.380	-	-	2.087.380
	4.764.353	5.737.878	2.522.333	13.024.564

The floating interest rates of the USD denominated GSM bank borrowings vary between Libor+0,30% p.a. with six month contractual reprising dates (2014 - Libor+0,30%) and interest rates of the USD denominated fixed rates bank borrowings vary between 3,5 %. The Company did not provide any guarantees for the mentioned bank borrowings.

**6. Other financial liabilities**

As of December 31, 2015, the Company has no liabilities which are connection with its receivables factored under revocable factoring agreements. (December 31, 2014- TL 2.020.319)

**7. Trade receivables and payables**

**a) Short term other trade receivables**

	<b>December 31, 2015</b>	December 31, 2014
Cheques and notes receivables, net	<b>8.078.179</b>	15.219.231
Customer current accounts, net	<b>13.459.581</b>	3.237.314
Factored receivables	-	2.020.319
Doubtful receivables (*)	<b>32.704.995</b>	20.969.663
	<b>54.242.755</b>	41.446.527
Less: Allowance for doubtful receivables	<b>(32.704.995)</b>	(20.969.663)
	<b>21.537.760</b>	20.476.864

As of December 31, 2015, 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 11% p.a., 0,51% p.a. and 0,16% p.a., respectively (2014: 10,5% p.a., 0,13% p.a. and 0,18% p.a., respectively). Trade receivables mature within 2 months (2014: 3 months).

(\*) As at December 31, 2015, TL 32.704.995 (USD equivalent of 13.273.594) of the doubtful receivable consists of doubtful receivables which are overdue and subject to judicial follow-up. This amount belongs to Interpap Dış Ticaret ve Müessesilik A.Ş. ("Interpap") which is the client of Alkim Kağıt. Insolvency decision was taken from the related numbered files of Istanbul 13th Commercial Court of First Instance regarding the overdue cheque and current receivables of the Company at an amount of USD 13.273.594.



**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**7. Trade receivables and payables (continued)**

As of December 31, 2015 and 2014, the maturity of trade receivables is as follows:

	<b>December 31, 2015</b>	December 31, 2014
Overdue receivables (Note 30)	<b>1.569.954</b>	458.056
00-30 days	<b>4.655.207</b>	5.614.730
31-60 days	<b>9.089.968</b>	7.194.239
61-90 days	<b>4.246.397</b>	4.023.939
91-120 days	<b>1.486.237</b>	2.899.698
121 days and over	<b>489.997</b>	286.202
	<b>21.537.760</b>	20.476.864

According to past experiences and customer relationship, Group management proposes there are not collection risk on overdue receivables. Additionally, overdue trade receivables not booked provision for doubtful receivables are guaranteed with letter of guaranty amounting to TL 438.064. As of December 31, 2015 and 2014, details of overdue trade receivables aging and Loan risky analysis are provided in Note 30.

The trade receivable amounting TL 7.069.700 as of December 31, 2015 is from a unique client of Alkim Kağıt which is a Group subsidiary and overwhelmingly the maturities are consisting of the current account receivables for February 2016. (Trade receivables from the concerning client as of 31 December 2014 is TL 783.076). Besides, Alkim Kağıt acquired the almost 45 % of sales revenue for the period ending on 31 December 2015 from the sales to the concerning client (December 31, 2014 -22 %). As of December 31, 2015, a bank letter of guarantee at TL10.000.000 amount is available.

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

	<b>2015</b>	2014
<b>As of January 1,</b>	<b>20.969.663</b>	15.865
Current year charge	<b>11.735.332</b>	20.953.798
<b>As of December 31,</b>	<b>32.704.995</b>	20.969.663

The Company has accounted allowance for doubtful receivables based on its past experiences.

**b) Short term trade payables**

	<b>December 31, 2015</b>	December 31, 2014
Supplier current accounts	<b>9.213.322</b>	5.809.433
Less: unaccrued maturity differences expense	<b>(50.166)</b>	(26.324)
	<b>9.163.156</b>	5.783.109

As of December 31, 2015, the effective weighted average interest rates used in the calculation of discounted carrying value of TL, USD and EUR denominated short-term trade payables are 11 % p.a., 0,51% p.a. and 0,16% p.a., respectively (2014 –10,2% p.a., 0,13% p.a. and 0,18%p.a., respectively). Trade payables mature between 30 - 60 days (2014 – 45 days).

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**8. Other short-term receivables**

	<b>December 31, 2015</b>	December 31, 2014
Guarantees and deposits given	<b>106.514</b>	195.923
	<b>106.514</b>	195.923

**9. Inventories**

	<b>December 31, 2015</b>	December 31, 2014
Raw materials	<b>8.537.072</b>	4.954.802
Work-in-progress	<b>3.295.316</b>	3.823.475
Finished goods	<b>4.354.080</b>	3.306.574
Goods in transit	<b>5.367.489</b>	11.990.869
Other inventories (*)	<b>4.067.013</b>	4.054.841
Less: Provision for impairment on inventories (-)	<b>(84.629)</b>	(77.216)
	<b>25.536.341</b>	28.053.345

(\*) Other inventories has consists of, spare parts and consumable materials.

The movement of provision for impairment on inventories as of December 31, 2015 and 2014:

	<b>December 31, 2015</b>	December 31, 2014
Finished goods	<b>84.629</b>	77.216
	<b>84.629</b>	77.216

The movement in the provision for inventory impairment is as follows as of December 31, 2015 and 2014:

	<b>2015</b>	2014
As of January 1,	<b>77.216</b>	69.708
Current year charge	<b>43.898</b>	7.508
Provisions for no longer required	<b>(36.485)</b>	-
<b>As of December 31,</b>	<b>84.629</b>	77.216

**10. Investment in associates accounted under equity method**

**Investment in associates:**

	<b>December 31, 2015</b>		December 31, 2014	
	<b>Amount</b>	<b>Share(%)</b>	Amount	Share(%)
Alkim Sigorta	<b>322.528</b>	<b>50.00</b>	254.586	50.00
	<b>322.528</b>		254.586	

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**10. Investment in associates accounted under equity method (continued)**

The movement of investment in associate during the years is as follows:

	2015	2014
<b>As of January 1,</b>	<b>254.586</b>	214.439
Share of results of investment in associate	<b>67.942</b>	40.147
<b>As of December 31,</b>	<b>322.528</b>	254.586

The summary of the financial information about investment in associate is summarized as follows:

	December 31, 2015	December 31, 2014
Total assets	<b>2.305.561</b>	1.996.712
Total liabilities	<b>1.660.505</b>	1.487.540
Net sales	<b>405.665</b>	403.879
Net profit for the year	<b>135.884</b>	80.293

**11. Property, plant and equipment**

The movements of property, plant and equipment for the period between January 1 and December 31, 2015 were as follows:

	January 1, 2015				December 31, 2015
	Opening	Additions	Disposals	Transfers	Ending
<b>Cost:</b>					
Land	3.596.240	-	(690.219) (*)	-	2.906.021
Land improvements	1.720.369	19.556	-	-	1.739.925
Buildings	10.707.260	-	(509.750)	-	10.197.510
Machinery and equipments	96.269.700	224.570	-	-	96.494.270
Motor vehicles	722.662	57.006	(67.378)	-	712.290
Furniture and fixtures	2.681.596	175.371	(3.000)	13.625	2.867.592
Construction in progress	9.087	13.626	-	(22.713)	-
	<b>115.706.914</b>	<b>490.129</b>	<b>(1.270.347)</b>	<b>(9.088)</b>	<b>114.917.608</b>
<b>Less: Accumulated depreciation:</b>					
Land improvements	(791.596)	(87.195)	-	-	(878.791)
Buildings	(6.129.574)	(405.243)	51.084	-	(6.483.733)
Machinery and equipments	(62.561.861)	(5.985.963)	-	-	(68.547.824)
Motor vehicles	(531.108)	(81.570)	63.601	-	(549.077)
Furniture and fixtures	(2.310.627)	(144.183)	2.150	-	(2.452.660)
	<b>(72.324.766)</b>	<b>(6.704.154)</b>	<b>116.835</b>	<b>-</b>	<b>(78.912.085)</b>
<b>Net Book value</b>	<b>43.382.148</b>				<b>36.005.523</b>

(\*) The commercial land, net book value of which is TL 690.219 in Kemalpaşa/Izmir, was sold TL 8.950.000 on June 2015.

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**11. Property, plant and equipment (continued)**

The movements of property, plant and equipment for the period between January 1 and December 31, 2014 were as follows:

	January 1, 2014				December 31, 2014
	Opening	Additions	Disposals	Transfers	Ending
<b>Cost:</b>					
Land	7.316.240	-	(3.720.000) (*)	-	3.596.240
Land improvements	1.708.781	11.588	-	-	1.720.369
Buildings	10.707.260	-	-	-	10.707.260
Machinery and equipments	94.963.040	247.748	-	1.058.912	96.269.700
Motor vehicles	649.416	73.246	-	-	722.662
Furniture and fixtures	2.626.717	64.707	(9.828)	-	2.681.596
Construction in progress	756.212	311.787	-	(1.058.912)	9.087
	118.727.666	709.076	(3.729.828)	-	115.706.914
<b>Less: Accumulated depreciation:</b>					
Land improvements	(705.952)	(85.644)	-	-	(791.596)
Buildings	(5.724.331)	(405.243)	-	-	(6.129.574)
Machinery and equipments	(56.588.874)	(5.972.987)	-	-	(62.561.861)
Motor vehicles	(419.511)	(111.597)	-	-	(531.108)
Furniture and fixtures	(2.177.141)	(143.314)	9.828	-	(2.310.627)
	(65.615.809)	(6.718.785)	9.828	-	(72.324.766)
<b>Net book value</b>	<b>53.111.857</b>				<b>43.382.148</b>

(\*) The commercial land, net book value of which is TL 2.070.000 in Esenyurt/İstanbul, was sold for TL 4.164.66 on December 2014. The land, net book value of which is TL 1.650.000 in Kemalpaşa/İzmir, was sold for TL 1.710.000 by Company on January 2014.

TL6.245.821 (2014 – TL 6.168.003) of the current year depreciation charge has been allocated to cost of production, TL 78.319 (2014 – TL 138.121) to general and administrative expenses, and TL 33.617 (2014 – TL 30.791) to marketing, selling and distribution expenses and TL 358.776 (2014 – TL 392.673) to stocks.

As of December 31, 2015 and 2014, there are no pledges or liens on property, plant and equipment.

As of December 31, 2015 and 2014, cost of fully depreciated items which are still in use is as follows:

	December 31, 2015	December 31, 2014
Land improvement	3.405	3.405
Buildings	115.600	74.711
Machinery and equipment	1.896.959	1.073.616
Motor vehicles	360.404	81.346
Furniture and fixtures	2.068.388	1.826.397
	<b>4.444.756</b>	<b>3.059.475</b>

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**12. Intangible assets**

The movements of intangible assets for the period between January 1 and December 31, 2015 were as follows:

	January 1, 2015		December 31, 2015	
	Opening	Additions	Transfers	Ending
Rights - software	711.296	14.915	9.088	735.299
Less: accumulated amortization	(703.306)	(12.379)	-	(715.685)
<b>Net book value</b>	<b>7.990</b>			<b>19.614</b>

The movements of intangible assets for the period between January 1, and December 31, 2014 were as follows:

	January 1, 2014		December 31, 2014	
	Opening	Additions	Transfers	Ending
Rights - software	695.389	15.907	-	711.296
Less: accumulated amortization	(692.503)	(10.803)	-	(703.306)
<b>Net book value</b>	<b>2.886</b>			<b>7.990</b>

As of December 31, 2015 and 2014, cost of fully amortized items which are still in use is as follows:

	December 31, 2015	December 31, 2014
Rights - software	663.469	655.833
	<b>663.469</b>	<b>655.833</b>

**13. Prepaid expenses**

	December 31, 2015	December 31, 2014
<b>Short term prepaid expenses</b>		
Prepaid expenses	1.054.845	925.835
Advances given for inventories	464.532	97.558
	<b>1.519.377</b>	<b>1.023.393</b>
<b>Long term prepaid expenses</b>		
Advances given for fixed assets	907.539	871.309
Prepaid expenses	15.190	14.002
	<b>922.729</b>	<b>885.311</b>
<b>Prepaid expenses</b>	<b>2.442.106</b>	<b>1.908.704</b>

**14. Other current assets:**

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

	<b>December 31, 2015</b>	December 31,2014
VAT to be transferred	<b>9.753.515</b>	8.629.255
VAT deductible	<b>3.042.174</b>	589.143
Job advances given	<b>16.334</b>	60.902
Other	<b>36.253</b>	53.242
	<b>12.848.276</b>	9.332.542

**15. Provisions, contingent assets and liabilities:**

	<b>December 31, 2015</b>	December 31, 2014
<b>a) Guarantees received:</b>		
Bank guarantee letters	<b>14.328.092</b>	4.583.663
Trade receivables protection (*)	<b>3.374.611</b>	4.372.085
Guarantee notes	<b>25.000</b>	25.000
Guarantee cheques	<b>475.216</b>	401.024
	<b>18.202.919</b>	9.381.772

(\*) 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.

	<b>December 31, 2015</b>	December 31, 2014
<b>b) Guarantees given:</b>		
Bank guarantee letters (*)	<b>18.790.060</b>	14.292.885
	<b>18.790.060</b>	14.292.885

(\*) Major part of guarantees given consist of value added tax return given to tax office, Kemalpaşa organized industry zone, Customs office, Energy Market Regulatory Authority.

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**15. Provisions, contingent assets and liabilities (continued)**

Collaterals, Pledges and Mortgages (“CPM”) positions of the Company as of December 31, 2015 and 2014 are summarized as follows;

	<b>December 31, 2015</b>	December 31, 2014
<b>A.</b> Total amount of CPM given for the Company’s own legal personality	<b>18.790.060</b>	14.292.885
<b>B.</b> Total amount of CPM given on behalf of fully consolidated companies	-	-
<b>C.</b> Total amount of CPM given for continuation of its economic activities on behalf of third parties	-	-
<b>D.</b> Total amount of other CPM	-	-
<b>i.</b> Total amount of CPM given on behalf of the majority shareholder	-	-
<b>ii.</b> Total amount of CPM given to on behalf of other group companies which are not in scope of B and C.	-	-
<b>iii.</b> Total amount of CPM given on behalf of third parties which are not in scope of C	-	-
	<b>18.790.060</b>	14.292.885
Ratio of other GPMs given by the Company to the equity of the Company	%0	%0

**c) Contingent assets:**

The personnel collateral amounting to TL 30.000.000 is received from shareholders of Interpap as indicated in Note 7. The Company management started legal process for personel guarantiy of Interpap’s shareholders due to legal process continues related with trade receivable is from Interpap as indicated in Note 7.

**16. Provisions**

**a) Other short-term provisions**

	<b>December 31, 2015</b>	December 31, 2014
Litigation provision	<b>35.423</b>	-
	<b>35.423</b>	-

Movements of the labour litigation provision of during the year are as follows:

	<b>2015</b>
<b>As of January 1,</b>	-
Current year charge	93.923
Paid during the year (-)	(58.500)
<b>As of December 31,</b>	<b>35.423</b>

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**16. Provisions (continued)**

**a) Long term employee termination benefits provision**

	<b>December 31, 2015</b>	December 31, 2014
Provision for vacation pay liability	<b>349.319</b>	319.348
Provision for employment termination benefits	<b>3.632.005</b>	2.958.159
	<b>3.981.324</b>	3.277.507

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 3.438 for each year of service as of December 31, 2014 (December 31, 2013: TL 3.254). The Company accounts for the employee termination benefits in accordance with the provisions of IAS 19 calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds.

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:  
The following actuarial assumptions have been used in the calculation of the total provision:

	<b>December 31, 2015</b>	December 31, 2014
Net discount rate (%)	<b>%4,72</b>	%3,49
Turnover rate to estimate the probability of retirement (%)	<b>%98,8</b>	98,4

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, 2016, the retirement pay liability ceiling is increased from TL 3.828 to TL 4.092.

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

	<b>2015</b>	2014
<b>As of January 1,</b>	<b>2.958.159</b>	2.814.608
Interest cost	<b>286.941</b>	273.018
Service cost	<b>283.262</b>	395.190
Actuarial losses	<b>732.538</b>	87.389
Paid during the year (-)	<b>(628.895)</b>	(612.046)
<b>As of December 31,</b>	<b>3.632.005</b>	2.958.159



**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**16. Provisions (continued)**

Total provision expense for employee termination benefits of TL 570.203 (2014: TL 668.208) for the year has been allocated to cost of production amounting to TL 447.689 (2014: TL 524.636), to marketing, selling and distribution expenses amounting to TL 71.807 (2014:TL 84.149) and to general and administrative expenses amounting to TL 59.422 (2013: TL 25.221).

As of December 31,2015 sensitivity analysis of significant assumption which using termination benefits calculation is as follows:

	Interest rate	
	1 % up	1 % down
Change in employee termination benefits	(240.751)	273.089

	Inflation rate	
	1 % up	1 % down
Change in employee termination benefits	283.994	(253.630)

Movement of provision vacation pay liability is as follows:

	2015	2014
<b>As of January 1,</b>	<b>319.348</b>	309.390
Current year charge,net	<b>29.971</b>	9.958
<b>As of December 31,</b>	<b>349.319</b>	319.348

**17. Short term liabilities for employee benefits**

	December 31, 2015	December 31, 2014
Accrued payroll	<b>615.124</b>	578.044
Withholding tax	<b>243.815</b>	247.260
Social security premiums payable	<b>265.294</b>	238.060
Other	<b>28.236</b>	77.824
	<b>1.152.469</b>	1.141.188

**18. Deferred income**

	December 31, 2015	December 31, 2014
Advances received (*)	<b>498.246</b>	641.892
	<b>498.246</b>	641.892

(\*) As of December 31, 2015 and 2014 Major part of advances received consists of cheque advances from customers.

**19. Other short term liabilities**

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

	<b>December 31, 2015</b>	December 31, 2014
Taxes and funds payable	<b>32.381</b>	61.240
	<b>32.381</b>	61.240

**20. Related party disclosures**

**a) Due to related parties short term trade payable**

	<b>December 31, 2015</b>	December 31, 2014
Alkim Sigorta (2)	<b>949.110</b>	882.786
Alkim Kimya (1)	<b>5.461</b>	3.055
	<b>954.571</b>	885.841

**b) Due to related parties short term trade receivable**

	<b>December 31, 2015</b>	December 31, 2014
Alkim Kimya (1)	<b>2.185</b>	-
	<b>2.185</b>	-

	<b>January 1 – December 31, 2015</b>	January 1 – December 31, 2014
--	--	-------------------------------------

**a) Sales of goods:**

Alkim Kimya (1)	<b>5.970</b>	83.632
Sodaş Sodyum A.Ş. (3)	<b>1.217</b>	560
	<b>7.187</b>	84.192

**b) Purchases of service:**

Alkim Kimya (1) (*)	<b>90.741</b>	11.441
Alkim Sigorta (2) (**)	<b>999.375</b>	939.844
	<b>1.090.116</b>	951.285

(1) Shareholder of the Company

(2) Subsidiary of the Company

(3) The Company partner is shareholder

(\*) Purchase of various services and accounted under general administrative expenses.

(\*\*) Purchase of insurance services and accounted under general administrative expenses.

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**20. Related party disclosures (continued)**

**c) Dividend Paid:**

Alkim Kimya (1)	-	5.716.994
Public quotation	-	1.435.508
	-	<b>7.152.502</b>

The Company has decided not to pay dividends in Ordinary General Assembly meeting, held on March 25, 2015, since there were no distributable profits for the period as a result of loss for period in 2014. (The Company decided to pay dividends at a total gross amount of TL 7.152.502 (dividend per gross share: TL 0,0014) from profits of 2013 and previous years in Ordinary General Assembly held on March 27, 2015).

**f) 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:

	<b>January 1 – December 31, 2015</b>	January 1 – December 31, 2014
Short term benefits provided to key management	<b>1.809.419</b>	1.680.620
Bonus and profit-sharing	-	79.483
	<b>1.809.419</b>	<b>1.760.103</b>

**21. Equity**

The Company's shareholders and their shareholding percentages as of December 31, 2015 and 2014 are as follows:

<b>Shareholder</b>	<b>December 31, 2015</b>		<b>December 31, 2014</b>	
	<b>Participation (%)</b>	<b>Amount (TL)</b>	<b>Participation (%)</b>	<b>Amount (TL)</b>
Alkim Kimya	<b>79,93</b>	<b>41.962.500</b>	79,93	41.962.500
Listed	<b>20</b>	<b>10.500.000</b>	20,00	10.500.000
Other	<b>0,07</b>	<b>37.500</b>	0,07	37.500
<b>Total paid-in share capital</b>	<b>100</b>	<b>52.500.000</b>	100	52.500.000
Adjustment to share capital (*)		<b>32.414.361</b>		32.414.361
		<b>84.914.361</b>		<b>84.914.361</b>

(\*) 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.

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**21. Equity (continued)**

As of December 31, 2015, the capital of the Company consist of 5,25 billion shares with TL 0,01 par value each (2014: – 5.25 billion and TL 0,01 par value each).

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

The aforementioned amounts shall be classified in “Restricted Reserves” in accordance with CMB Financial Reporting Standards.

Listed companies shall distribute their profit in accordance with the Capital Market Board’s Communiqué on Dividends II-19.1 which is effective from February 1, 2014.

Companies shall distribute their profits as part of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation provisions. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their main agreements or profit distribution policies. Furthermore, dividends may be paid in instalments with same or different amounts and profit share advances may be distributed over the profit in the interim financial statements.

Companies shall distribute their profits as part of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation provisions. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their main agreements or profit distribution policies. Furthermore, dividends may be paid in instalments with same or different amounts and profit share advances may be distributed over the profit in the interim financial statements.

Earnings per share disclosed in the consolidated statements of income are determined by dividing the net income per share by the weighted average number of shares that have been outstanding during the year.

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.

As of December 31, 2015 and 2014 balances of shareholders equity items (as per Statutory Financial Statements of the Company) are as follows:

	<b>December 31, 2015</b>	December 31, 2014
Legal reserves (1st and 2nd legal reserves)	<b>5.296.522</b>	5.296.522
Extraordinary reserves	<b>2.485.725</b>	2.485.725
Accumulated loss	<b>(8.192.789)</b>	-
Net profit/(loss) for the year	<b>11.943.086</b>	(8.192.789)
	<b>11.532.544</b>	(410.542)

**Other comprehensive items**

	<b>December 31, 2015</b>	December 31, 2014
Actuarial loss arising from defined benefit plans	<b>(1.253.278)</b>	(520.740)
Tax effect	<b>250.656</b>	104.148
<b>Net</b>	<b>(1.002.622)</b>	(416.592)

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**22. Earnings per share**

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/(loss) 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.

Earnings per share is calculated by dividing net profit for the period to weighted average number of shares in issue during that period.

**Net earnings/(loss) per share:**

		<b>January 1 - December 31, 2015</b>	January 1 - December 31, 2014
Net profit/(loss) for the period	A	<b>10.120.725</b>	(6.912.976)
Weighted average number of the shares	B	<b>5.250.000.000</b>	5.250.000.000
<b>Earnings/(loss) per share (TL)</b>	<b>A/B</b>	<b>0,0019</b>	(0,0013)

**23. Revenue and cost of sales**

	<b>January 1 - December 31, 2015</b>	January 1 - December 31, 2014
Domestic sales	<b>143.753.114</b>	123.378.611
Export sales	<b>7.614.112</b>	3.165.682
<b>Gross sales</b>	<b>151.367.226</b>	126.544.293
Export sales (-)	<b>(675.331)</b>	(197.473)
Sales returns (-)	<b>(254.337)</b>	(248.615)
<b>Net sales</b>	<b>150.437.558</b>	126.098.205
Cost of sales (-)	<b>(129.929.865)</b>	(110.216.828)
<b>Gross profit</b>	<b>20.507.693</b>	15.881.377

**24. Operating expense**

	<b>January 1 - December 31, 2015</b>	January 1 - December 31, 2014
Research and development expenses	<b>63.880</b>	59.992
Marketing, selling and distribution expenses	<b>4.761.824</b>	3.619.003
General administrative expenses	<b>4.251.299</b>	4.460.101
	<b>9.077.003</b>	8.139.096

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**24. Operating expense (continued)**

	<b>January 1 - December 31, 2015</b>	January 1 - December 31, 2014
<b>Research and development expenses:</b>		
Personnel	<b>63.880</b>	59.992
	<b>63.880</b>	59.992
<b>Marketing, selling and distribution expenses:</b>		
Transportation	<b>2.743.329</b>	1.665.095
Personnel	<b>1.307.947</b>	1.348.619
Advertising	<b>242.087</b>	169.525
Travel	<b>75.731</b>	79.423
Commission	<b>36.182</b>	78.273
Rent	<b>42.300</b>	54.000
Taxes and funds	<b>49.574</b>	52.667
Depreciation and amortization	<b>33.617</b>	30.791
Communication expenses	<b>34.267</b>	24.988
Insurance	<b>40.586</b>	13.662
Other	<b>156.204</b>	101.960
	<b>4.761.824</b>	3.619.003
<b>General administrative expenses:</b>		
Personnel	<b>2.845.525</b>	2.680.903
Advocacy, litigation and enforcement cost	<b>428.694</b>	673.359
Consultancy	<b>373.020</b>	442.783
Taxes and funds	<b>207.385</b>	136.896
Travel expenses	<b>87.039</b>	115.708
Depreciation and amortization	<b>78.319</b>	138.121
Communication	<b>15.193</b>	14.808
Other	<b>216.124</b>	257.523
	<b>4.251.299</b>	4.460.101

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**25. Expenses by nature**

	<b>January 1 - December 31, 2015</b>	January 1 - December 31, 2014
Raw materials	<b>95.496.454</b>	77.422.890
Energy	<b>13.492.392</b>	12.015.590
Personnel	<b>12.050.860</b>	10.929.437
Depreciation and amortization	<b>6.357.757</b>	6.336.915
Transportation	<b>2.767.121</b>	1.702.864
Spare part	<b>1.428.356</b>	1.904.219
Consumables	<b>1.034.248</b>	1.015.583
Insurance expense	<b>896.155</b>	833.673
Maintenance and repair	<b>862.112</b>	771.829
Other cost of other sales	<b>740.225</b>	1.120.955
Subcontract labor expense	<b>581.500</b>	234.809
Consultancy	<b>373.020</b>	442.783
Advertising	<b>242.087</b>	169.525
Other	<b>2.684.581</b>	3.454.852
	<b>139.006.868</b>	118.355.924

**26. Other operating income/(expense)**

**a) Other operating income:**

	<b>January 1 - December 31, 2015</b>	January 1 - December 31, 2014
Foreign exchange gains on receivable and payables	<b>9.626.826</b>	4.509.901
Scrap sales income	<b>102.119</b>	109.441
Electricity sales income	<b>71.371</b>	507.102
Compensation income from insurance companies	<b>60.983</b>	27.214
Overdue interest income	<b>6.286</b>	543.760
Other	<b>23.810</b>	90.931
	<b>9.891.395</b>	5.788.349

**a) Other operating expense:**

	<b>January 1 - December 31, 2015</b>	January 1 - December 31, 2014
Provision expenses for doubtful receivables (*) (Note 7)	<b>11.735.332</b>	20.953.798
Foreign exchange loss on receivable and payables	<b>2.778.993</b>	1.274.249
Litigation provision expense (Note 16)	<b>93.923</b>	-
Other	<b>28.454</b>	61.034
	<b>14.636.702</b>	22.289.081

(Convenience translation of financial statements and footnotes originally issued in Turkish)

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**27. Gains and losses from investment activities**

	January 1 – December 31, 2015	January 1 – December 31, 2014
<b>Gain from investment activities</b>		
Gain on sale of tangible assets	8.585.394	2.154.660
	<b>8.585.394</b>	<b>2.154.660</b>

**28. Finance income/expenses**

	January 1 – December 31, 2015	January 1 – December 31, 2014
<b>Finance income</b>		
Foreign exchange gain	1.732.815	1.188.906
Interest income	191.314	263.656
Gain on sale of marketable securities	-	1.047
	<b>1.924.129</b>	<b>1.453.609</b>
<b>Finance expense</b>		
Foreign exchange loss	5.434.883	2.961.617
Interest expense	718.835	904.792
	<b>6.153.718</b>	<b>3.866.409</b>

**29. Taxes**

	January 1 – December 31, 2015	January 1 – December 31, 2014
Corporation taxes currently payable	-	-
Less: Prepaid income taxes	(27.683)	(1.256.948)
<b>Current income tax (assets)/liabilities</b>	<b>(27.683)</b>	<b>(1.256.948)</b>

Breakdown of taxation on income for the years ended December 31, 2015 and 2014 are as follows:

	January 1 – December 31, 2015	January 1 – December 31, 2014
Current corporation tax expense	-	-
Deferred tax income/expense	(988.405)	2.063.468
<b>Total tax income/(expense)</b>	<b>(988.405)</b>	<b>2.063.468</b>



**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**29. Taxes (continued)**

Corporation tax is payable at a rate of 20% for 2015 (2014- 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.

The reconciliations of the taxation on income for the years ended December 31, 2015 and 2014 are as follows:

	<b>January 1 – December 31, 2015</b>	January 1 – December 31, 2014
<b>Profit/(loss) before tax</b>	<b>11.109.130</b>	(8.976.444)
Legal tax rate	<b>%20</b>	%20
Taxes calculated on profit before tax	<b>(2.221.826)</b>	1.795.289
Expenses not deductible for tax purposes	<b>(16.694)</b>	(46.537)
The tax effect of deductible income	<b>1.249.341</b>	303.705
Other	<b>774</b>	11.011
<b>Taxes on income/(expense)</b>	<b>(988.405)</b>	2.063.468

**Deferred 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% (2014 - 20%).

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of December 31, 2015 and 2014 were as follows:

	<b>Taxable temporary differences</b>		<b>Deferred income tax assets/ (liabilities)</b>	
	<b>December 31, 2015</b>	December 31, 2014	<b>December 31, 2015</b>	December 31, 2014
Difference on property, plant and equipment and intangible assets	<b>(8.771.955)</b>	(10.107.385)	<b>(1.754.391)</b>	(2.021.477)
Provision for employment termination benefits	<b>3.632.005</b>	2.958.159	<b>726.401</b>	591.632
Provision for unused vacations	<b>349.319</b>	319.348	<b>69.864</b>	63.870
Allowance for doubtful receivables	<b>9.195</b>	9.195	<b>1.839</b>	1.839
The tax effect of current loss	<b>3.137.865</b>	9.414.560	<b>627.573</b>	1.882.912
Other	<b>610.445</b>	582.477	<b>122.089</b>	116.495
<b>Deferred tax liabilities – net</b>	<b>(1.033.126)</b>	3.176.354	<b>(206.625)</b>	635.271

The Company has recorded deferred tax asset at an amount of TL 627.573 (2014: TL 1.882.912) with respect to its carrying financial loss which can be deducted from its taxable profits in the following years since it is considered to be most likely benefited in the future.

The distribution of the concerning financial losses subject to deduction through years is as follows:

<b>Expiry date</b>	<b>December 31, 2015</b>	December 31, 2014
2019	<b>3.137.865</b>	9.414.560
	<b>3.137.865</b>	9.414.560

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**29. Taxes (continued)**

Movement for deferred tax assets/(liabilities) can be analyzed as follows:

	2015	2014
<b>January 1</b>	<b>635.272</b>	(1.445.675)
Credited to statements of comprehensive income	<b>(988.405)</b>	2.063.468
Charge to other operating income/(expense)	<b>146.508</b>	17.478
<b>December 31</b>	<b>(206.625)</b>	635.272

**30. Financial instruments and financial risk management**

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

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

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

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

**a) Credit risk:**

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are managed by collecting the Company's deposits at financially strong banks, by restricting risk from counterside (excluding related parties) through collecting collateral. The Company manages the credit risk from the direct customers by regularly updating their credit limits. The use of credit limits is regularly monitored and financial position of the customers, past experiences, reputation in the market and other factors are considered by the Management in order to evaluate the quality of the credits. Trade receivables are reviewed by the Company management through past experiences and current economic position and shown in the balance sheet as net following making provision for doubtful receivables.

Credit risk concentration occurs as a result of counterparties having similar economic features which can effect their capacity to fulfill contractual liabilities because multiple counterparties carry out activities in same sector or in the same region.

In order to prevent extensive risk concentration, it includes certain conditions towards focusing on maintaining a diversified portfolio. The identified credit (receivable) risk concentrations are controlled and managed in this direction.

The credit risk exposure in terms of financial instruments as of December 31, 2015 and 2014 were as follows:

(Convenience translation of financial statements and footnotes originally issued in Turkish)

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**30. Financial instruments and financial risk management (continued)**

**December 31, 2015:**

	Receivables					
	Trade Receivables (1)		Other Receivables		Bank deposits	Total
	Related parties	Third parties	Related parties	Third parties		
<b>Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)</b>	-	<b>21.099.696</b>	-	<b>106.514</b>	<b>48.386.276</b>	<b>69.592.486</b>
- The part of maximum credit risk covered with guarantees	-	<b>18.202.919</b>	-	-	-	<b>18.202.919</b>
A. Net book value of financial assets not due or not impaired (3)	-	<b>19.967.806</b>	-	<b>106.514</b>	<b>48.386.276</b>	<b>68.460.596</b>
B. Net book value of financial assets whose conditions are renegotiated,	-	-	-	-	-	-
C. Net book value of financial assets impaired	-	<b>1.569.954</b>	-	-	-	<b>1.569.954</b>
- The amount covered by guarantees.	-	<b>(438.064)</b>	-	-	-	<b>(438.064)</b>
D. Net book value of financial assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	<b>32.704.995</b>	-	-	-	<b>32.704.995</b>
- Impairment (-)	-	<b>(32.704.995)</b>	-	-	-	<b>(32.704.995)</b>
- 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) Company's trade receivables arise from sales of coated paper, woodfree offset paper and photocopy.  
(2) Guarantees received and other factors that increase the credit quality are taken into consideration in the determination of related amount.  
(3) Company management predict that they don't encounter a problem about the collection of related amount based on past experiences

(Convenience translation of financial statements and footnotes originally issued in Turkish)

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**30. Financial instruments and financial risk management (continued)**

December 31, 2014:

	Receivables					Total
	Trade Receivables (1)		Other Receivables		Bank deposits	
	Related parties	Third parties	Related parties	Third parties		
<b>Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)</b>	-	20.476.864	-	195.923	9.335.749	30.008.536
- The part of maximum credit risk covered with guarantees	-	8.761.218	-	-	-	8.761.218
<b>A.</b> Net book value of financial assets not due or not impaired (3)	-	10.621.466	-	195.923	9.335.749	20.153.138
<b>B.</b> Net book value of financial assets whose conditions are renegotiated,	-	9.397.342	-	-	-	9.397.342
<b>C.</b> Net book value of financial assets impaired	-	458.056	-	-	-	458.056
- The amount covered by guarantees.	-	(29.059)	-	-	-	(29.059)
<b>D.</b> Net book value of financial assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	20.969.663	-	-	-	20.969.663
- Impairment (-)	-	(20.969.663)	-	-	-	(20.969.663)
- The amount covered with guarantees	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The amount covered with guarantees	-	-	-	-	-	-
<b>E.</b> Off balance items exposed to credit risk	-	-	-	-	-	-

- (1) Company's trade receivables arise from sales of coated paper, woodfree offset paper and photocopy.  
(2) Guarantees received and other factors that increase the credit quality are taken into consideration in the determination of related amount.  
(3) Company management predict that they don't encounter a problem about the collection of related amount based on past experiences

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**30. Financial instruments and financial risk management (continued)**

	<b>December 31, 2015</b>	December 31, 2014
	<b>Trade receivables</b>	Trade receivables
	<b>Third parties</b>	Third parties
1-30 days overdue	<b>844.709</b>	458.056
1-3 months overdue	<b>516.364</b>	-
3-9 months overdue	<b>208.881</b>	-
The amount covered with guarantees	<b>(438.064)</b>	(29.059)
	<b>1.131.890</b>	428.997

**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, 2015 and 2014 are as follows:

**December 31, 2015:**

<b>Contractual maturity dates</b>	<b>Book value</b>	<b>Total cash outflows per agreement (=I+II+III)</b>	<b>Less than 3 kisa ( I )</b>	<b>3 - 12 months (II)</b>	<b>1 - 5 years(III)</b>
<b>Non-derivative financial liabilities</b>					
Bank borrowings	<b>33.150.206</b>	<b>33.853.047</b>	<b>5.013.733</b>	<b>23.411.159</b>	<b>5.428.155</b>
Trade payables to related parties	<b>954.571</b>	<b>959.081</b>	<b>959.081</b>	-	-
Other trade payables	<b>9.163.156</b>	<b>9.208.812</b>	<b>8.517.546</b>	<b>691.266</b>	-
	<b>43.267.933</b>	<b>44.020.940</b>	<b>14.490.360</b>	<b>24.102.425</b>	<b>5.428.155</b>

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**30. Financial instruments and financial risk management (continued)**

December 31, 2014:

Contractual maturity dates	Book value	Total cash outflows	Less than 3 Months (I)	3 - 12 ay months (II)	1 - 5 years(III)
		per agreement (=I+II+III)			
<b>Non-derivative financial liabilities</b>					
Bank borrowings	13.024.564	13.068.415	4.773.189	5.744.771	2.550.455
Other financial liabilities	2.020.319	2.052.273	2.052.273	-	-
Trade payables to related parties	885.841	885.841	885.841	-	-
Trade payables to related parties	5.783.109	5.809.433	3.185.067	2.624.366	-
	<b>21.713.833</b>	<b>21.815.962</b>	<b>10.896.370</b>	<b>8.369.137</b>	<b>2.550.455</b>

**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.

As of December 31, 2015 and 2014 the Company's foreign currency position summarized as below. The Company's hold foreign currency asset and liability amounts in foreign currency as follows:

	<b>December 31, 2015</b>	December 31, 2014
Assets	<b>59.678.045</b>	26.180.432
Liabilities	<b>(39.715.991)</b>	(17.810.452)
<b>Net foreign currency position</b>	<b>19.962.054</b>	8.369.980
Net off- balance sheet items derivative instruments	-	-
<b>Net foreign currency position</b>	<b>19.962.054</b>	8.369.980

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi****Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).****30. Financial instruments and financial risk management (continued)**

December 31, 2015	Yabancı para pozisyonu tablosu		
	TL Karşılığı	ABD Doları	Avro
1. Trade receivables	16.595.756	5.583.551	113.615
2a. Monetary financial assets (cash, bank accounts included)	42.175.051	14.365.899	127.380
2b. Non-monetary financial assets	-	-	-
3. Other	26.160	50	8.187
<b>4. Current Assets (1+2+3)</b>	<b>58.796.967</b>	<b>19.949.500</b>	<b>249.182</b>
5. Trade receivables	-	-	-
6a. Monetary financial assets	-	-	-
6b. Non-monetary financial assets	-	-	-
7. Other	881.078	303.026	-
<b>8. Tangible assets (5+6+7)</b>	<b>881.078</b>	<b>303.026</b>	-
<b>9. Total Asset (4+8)</b>	<b>59.678.045</b>	<b>20.252.526</b>	<b>249.182</b>
10. Trade payable	6.236.817	2.142.460	2.329
11. Financial liability	27.911.081	9.599.354	-
12a. Monetary financial liabilities	334.412	115.013	-
12b. Non-monetary financial liabilities	-	-	-
<b>13. Short term liabilities (10+11+12)</b>	<b>34.482.310</b>	<b>11.856.827</b>	<b>2.329</b>
14. Trade payables	-	-	-
15. Financial liabilities	5.233.680	1.800.000	-
16a. Other monetary liabilities	-	-	-
16b. Other non-monetary liabilities	-	-	-
<b>17. Long term liabilities (14+15+16)</b>	<b>5.233.680</b>	<b>1.800.000</b>	-
<b>18. Total Liabilities (13+17)</b>	<b>39.715.990</b>	<b>13.656.827</b>	<b>2.329</b>
<b>19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)</b>	-	-	-
<b>19a. Asset nature net foreign currency asset/(liability) position of off-balance sheet derivative instruments</b>	-	-	-
<b>19b. Liability nature net foreign currency asset/(liability) position of off-balance sheet derivative instruments</b>	-	-	-
<b>20. Net foreign currency asset/(liability) position (9-18+19)</b>	<b>19.962.055</b>	<b>6.595.699</b>	<b>246.853</b>
<b>21. Net asset/(liability) position of oforeign currency monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>19.054.817</b>	<b>6.292.623</b>	<b>238.666</b>
<b>22. Fair value of financial assets for foreign currency hedge</b>	-	-	-
<b>23. Hedged amount of foreign currency assets</b>	-	-	-
<b>24. Hedged amount of foreign currency liabilities</b>	-	-	-
<b>25. Export</b>	<b>7.772.076</b>	<b>2.673.021</b>	-
<b>26. Import</b>	<b>96.452.166</b>	<b>33.172.433</b>	-

As of December 31, 2015, the foreign exchange balances are valued with these exchange rates;  
TL 2,9076 = ABD \$ 1, TL 3,1776 = EURO 1 (December 31, 2014 – TL 2,3189 = ABD\$ 1, TL 2,8207= EURO 1).

## Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

**Notes to the financial statements**  
**for the year ended December 31, 2015 (continued)**  
(Currency –Turkish Lira (TL) unless otherwise indicated).

**30. Financial instruments and financial risk management (continued)**

December 31, 2014	Net foreign currency position			
	TL equivalent	USD	Euro	Other
1. Trade receivables	16.374.892	6.742.602	262.159	-
2a. Monetary financial assets (cash, bank accounts included)	9.098.938	3.885.641	31.384	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	3.915	50	1.347	-
<b>4. Current Assets (1+2+3)</b>	<b>25.477.745</b>	<b>10.628.293</b>	<b>294.890</b>	-
5. Trade receivables	-	-	-	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	702.687	303.026	-	-
<b>8. Tangible assets (5+6+7)</b>	<b>702.687</b>	<b>303.026</b>	-	-
<b>9. Total Asset (4+8)</b>	<b>26.180.432</b>	<b>10.931.319</b>	<b>294.890</b>	-
10. Trade payable	4.186.641	1.801.145	3.533	-
11. Financial liability	10.502.231	4.528.971	-	-
12a. Monetary financial liabilities	599.247	258.419	-	-
12b. Non-monetary financial liabilities	-	-	-	-
<b>13. Short term liabilities (10+11+12)</b>	<b>15.288.119</b>	<b>6.588.535</b>	<b>3.533</b>	-
14. Trade payables	-	-	-	-
15. Financial liabilities	2.522.333	1.087.728	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
<b>17. Long term liabilities (14+15+16)</b>	<b>2.522.333</b>	<b>1.087.728</b>	-	-
<b>18. Total Liabilities (13+17)</b>	<b>17.810.452</b>	<b>7.676.263</b>	<b>3.533</b>	-
<b>19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)</b>	-	-	-	-
<b>19a. Asset nature net foreign currency asset/(liability) position of off-balance sheet derivative instruments</b>	-	-	-	-
<b>19b. Liability nature net foreign currency asset/(liability) position of off-balance sheet derivative instruments</b>	-	-	-	-
<b>20. Net foreign currency asset/(liability) position (9-18+19)</b>	<b>8.369.980</b>	<b>3.255.056</b>	<b>291.357</b>	-
<b>21. Net asset/(liability) position of oforeign currency monetary items</b>	-	-	-	-
<b>22. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>7.663.378</b>	<b>2.951.980</b>	<b>290.010</b>	-
<b>22. Total fair value of financial instruments used for foreign currency hedging</b>	-	-	-	-
<b>23. Export</b>	<b>3.362.906</b>	<b>1.450.216</b>	-	-
<b>24. Import</b>	<b>78.686.744</b>	<b>33.932.789</b>	-	-

As of December 31, 2014, the foreign exchange balances are valued with these exchange rates;  
TL 2,3189 = ABD \$ 1, TL 2,8207 = EURO 1 (December 31, 2012 – TL 2,1343 = ABD\$ 1, TL 2,9365 = EURO 1).



**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**30. Financial instruments and financial risk management (continued)**

December 31, 2015	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
<b>Change of USD by 10% against TL:</b>				
1- Asset/ Liability denominated in USD - net	1.829.643	(1.829.643)	-	-
2- The part hedged for USD risk (-)	-	-	-	-
<b>3- USD net effect (1 +2)</b>	<b>1.829.643</b>	<b>(1.829.643)</b>	-	-
<b>Change of Euro by 10% against TL:</b>				
4- Asset/ Liability denominated in Euro – net	75.839	(75.839)	-	-
5- The part hedged for Euro risk (-)	-	-	-	-
<b>6- Euro net effect (4+5)</b>	<b>75.839</b>	<b>(75.839)</b>	-	-
<b>Total (3+6)</b>	<b>1.905.482</b>	<b>(1.905.482)</b>	-	-
<hr/>				
December 31, 2014	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
<b>Change of USD by 10% against TL:</b>				
1- Asset/ Liability denominated in USD - net	684.535	(684.535)	-	-
2- The part hedged for USD risk (-)	-	-	-	-
<b>3- USD net effect (1 +2)</b>	<b>684.535</b>	<b>(684.535)</b>	-	-
<b>Change of Euro by 10% against TL:</b>				
4- Asset/ Liability denominated in Euro – net	81.803	(81.803)	-	-
5- The part hedged for Euro risk (-)	-	-	-	-
<b>6- Euro net effect (4+5)</b>	<b>81.803</b>	<b>(81.803)</b>	-	-
<b>Total (3+6)</b>	<b>766.338</b>	<b>(766.338)</b>	-	-

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**30. 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.

	Interest rate position	
	December 31, 2015	December 31, 2014
<b>Financial instruments with fixed interest rate</b>		
Financial assets	47.203.725	8.821.246
Financial liabilities	8.789.796	2.087.380
<b>Financial instruments with variable interest rate</b>		
Financial liabilities	24.360.410	10.937.184

According to interest rate sensitivity analysis performed by the Company as of December 31, 2015, if interest rates had been 1% higher while all other variables being constant, income for the period would be TL 243.604 (2014: - TL 109.372) 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 to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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 and due to related parties payables as shown in the balance sheet) less cash and cash equivalents:

	December 31, 2015	December 31, 2014
Total debt	33.150.206	15.044.883
Less: Cash and cash equivalents (Note 4)	(48.425.589)	(9.916.787)
Net financial (asset)/debt	(15.275.383)	5.128.096
Total equity	98.120.143	88.585.448
<b>Debt/equity ratio</b>	<b>(%16)</b>	<b>%6</b>

**Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements  
for the year ended December 31, 2015 (continued)  
(Currency –Turkish Lira (TL) unless otherwise indicated).**

**30. Financial instruments and financial risk management (continued)**

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 are used in the estimations of fair value of financial instruments whose fair value can be determined:

**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.

**31. Subsequent events**

None.

**32. 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.