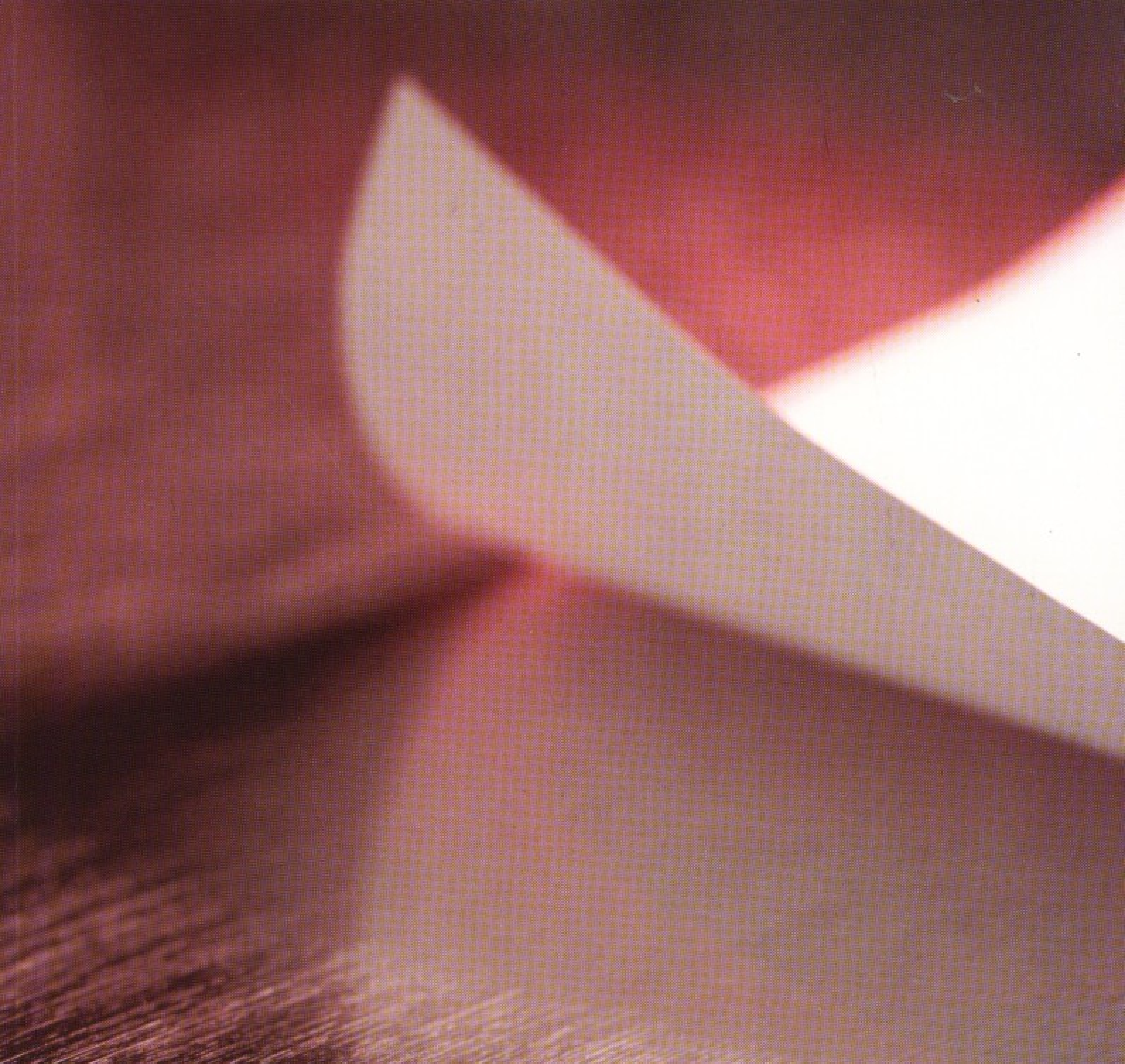

ALKİM KAĞIT A.Ş.

2007

ANNUAL REPORT

Dear Partners,

Welcome to our Ordinary General Board meeting related to our activities in 2007.

The Activities of Alkim Kagit Company for the year 2007, as it will be explained subsequently during the Board discussions in detail and as it will be seen in depth in our annual activity report, are exceptionally successful.

We mention with pride and pleasure that, Alkim Kağıt has broken sales and production records in the year of 2007 in the paper sector which has suffered distress for a considerable time due to the instability of the market prices of the cellulose, the basic raw material; as well as the paper-product itself.

Our efficiency in production has much more increased this year in virtue of the efforts and devoted Works of our managers and all workers. And the quality of our product-paper has risen to the top rank undeniably not only in our country but also in Europe.

Our sales figures and tonnage has reflected these positive and successful results in concrete.
68090 tonnes of paper in total have been sold and 90.397.791 YTL of revenue has been acquired.

Together with our all staff and workers who have the biggest share in this development, we believe our achievements will keep on increasing in 2008 too.

As the Board of Directors, we submit our respect and amity to our shareholders, our investors and to all Alkim community.

Board of Directors
Alkim Kağıt A.Ş.

I- INTRODUCTION

I-1. PERIOD OF THE REPORT : 01.01.2007- 31.12.2007

I-2. TITLE OF THE COMPANY : ALKİM KAĞIT SANAYİ VE TİCARET A.Ş.

I-3. BOARD OF DIRECTORS

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

Title	Name / Last Name	Begining of the Period	End of the Period
Chairman of the Board of Directors	M. REHA KORA	27.03.2007	27.03.2008
Vice Chairman of the Board of Directors	H. ARKIN KORA	27.03.2007	27.03.2008
Vice Chairman of the Board of Directors	FERİT KORA	27.03.2007	27.03.2008
Vice Chairman of the Board of Directors	A. HALUK KORA	27.03.2007	27.03.2008
Member of the Board of Directors (Executive general manager)	NİHAT ERKAN	27.03.2007	27.03.2008
Member of the Board of Directors	ÖZAY KORA	27.03.2007	27.03.2008
Member of the Board of Directors	MİTHAT KORA	27.03.2007	27.03.2008
Member of the Board of Directors	KADRİ ÖNEL	27.03.2007	27.03.2008
Member of the Board of Directors	M.FARUK YÜKSEL	27.03.2007	27.03.2008

Supervisor	M.YÜKSEL KADIOĞLU	27.03.2007	27.03.2008

b) Limit of authority:

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

1.4. Amendments on Articles of Association within the term:

I-4.1. No amendment of articles has been made within the period.

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

1.5.1 Capital Position

The capital of the company is 52.500.000 YTL.. No capital increase in 2007.The shares corresponding to 20 % of the capital are being traded in the Istanbul Stock Exchange.

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

Paid in Capital (YTL)	Year	Dividend Share	Dividend Rate
11.200.000	1999	0.000003	0.33%
14.000.000	2000	(no profit distribution affected)	-
17.500.000	2001	0.000090	9.00%
17.500.000	2002	0.000165	16.50%
35.000.000	2003	(no profit distribution affected)	-
52.500.000	2004	(no profit distribution affected)	-
52.500.000	2005	(no profit distribution affected)	-
52.500.000	2006	(no profit distribution affected)	-
52.500.000	2007	-	-

1.5.2. Stocks:

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

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

1.5.3. Associate Status:

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

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

Name, Last Name	Share Amount (YTL)	Percentage in Capital %
ALKİM ALKALİ KİMYA A.Ş.	41.962.500	79,93

1.6. Securities

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

1.7. Field of Activity of the Association:

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

2. ACTIVITIES

2.A. INVESTMENTS

31 December 2007

WORK IN PROGRESS	Total Amount Projected YTL	Total Expenditures YTL	Capitalized Amount YTL	Beginning Date YTL	Completion Date YTL	Completed Ratio (%) YTL
INVESTMENT OF DCS SYSTEM	330.000,00	296.645,61	206.695,45	Ağu.04	Devam Ediyor	90%
AUTOMATIC DRYER FABRIC STRETCHER	180.000,00	174.621,39	0,00	May.07	Devam Ediyor	97%
CAUGH PULPER	50.000,00	41.920,95	0,00	Kas.07	Devam Ediyor	84%
ROLL CUTTING CONTROL SYSTEM	64.804,62	64.804,62	64.804,62	Nis.05	Şub.07	100%
DRINKABLE WATER LINE	17.387,10	17.387,10	17.387,10	Ağu.07	Eki.07	100%
DCM SCREEN-FLOTATION LİNE	32.986,30	32.986,30	32.986,30	Eyl.07	Kas.07	100%
OTHER	111.345,07	111.345,07	111.345,07	Şub.07	Ara.07	100%
TOTAL	**786.523,09**	**739.711,04**	**433.218,54**			

2.B) ACTIVITIES FOR PRODUCTION OF GOODS AND SERVICES

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

CAPACITY

Overall production in 2007: **71.596 Ton**	75.000 TON	Capacity Utilization Percentage: **% 95**
Overall production in 2006: **64.424 Ton**	75.000 TON	Capacity Utilization Percentage: **% 86**

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

	Unit	Amount by 31.12.2007	Amount by 31.12.2006
a-) Offset paper	Ton	48.120	37.865
b-) Coated Paper	Ton	4.511	8.858
c-) Photocopy paper	Ton	13.546	11.210
	TOTAL	**66.177**	**57.933**

II-B.3. Her bir ana satış grubu için ayrı ayrı olmak üzere , şirket'in yıl içinde gerçekleştirdiği mal ve hizmet satış miktarları ;

	Birimi	Amount by 31.12.2007	Amount by 31.12.2006
a-) Offset paper	Ton	49.234	37.529
b-) Coated Paper	Ton	4.986	8.647
c-) Photocopy paper	Ton	13.870	10.819
	TOPLAM	**68.090**	**56.995**

2.B.4) IMPROVEMENTS IN SELLING ACTIVITIES

Total of sales within 2007 is 68.090 TONS. 58.429 tons of these sales are domestic market (86%) sales and 9.661 tons are export sales(14%). Total of our net sales for 2007 is 90.397.791YTL.

The percentage breakdown of our sales for 2007 is consisted of 72% offset paper, 7% glossy (coated) paper, 21% photocopy paper.

SALES FIGURES FOR THE PRODUCTS :

	SALES AMOUNT TON	PERCENTAGE TO DOMESTIC SALES %	PERCENTAGE TO OVERALL SALES %	AVERAGE SALE PRICE (YTL/TON)	NET SALES AMOUNT (YTL)
OFFSET	**45,552**	**78%**	**67%**	**1,283**	**58,452,812**
COATED	**4,240**	**7%**	**6%**	**1,358**	**5,757,450**
PHOTOCOPY	**8,637**	**15%**	**13%**	**1,389**	**11,993,737**
BLOCK NOTE	**0**	**0%**	**0%**	**1,749**	**602**
TOTAL OF DOMESTIC MARKET	**58,429**	**100%**	**86%**		**76,204,600**
	SALES AMOUNT TON	**PERCENTAGE TO DOMESTIC SALES %**	**PERCENTAGE TO OVERALL SALES %**	**AVERAGE SALE PRICE (YTL/TON)**	**NET SALES AMOUNT (YTL)**
OFFSET	**3,682**	**38%**	**5%**	**1,291**	**4,752,416**
COATED	**746**	**8%**	**1%**	**1,441**	**1,074,909**
PHOTOCOPY	**5,233**	**54%**	**8%**	**1,402**	**7,338,816**
BLOCK NOTE	**0**	**0%**	**0%**	**0**	**0**
CONTINUOUS FORM	**0**	**0%**	**0%**	**0**	**0**
TOTAL OF EXPORT SALES	**9,661**	**100%**	**14%**		**13,166,141**

TOTAL TONNAGE	**68,090**	**TOTAL SALES AMOUNT**	**89,370,741**

2-C) INFORMATION ON FINANCIAL STRUCTURE:

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

BALANCE SHEETS AT
31 DECEMBER 2007 AND 2006

(Amounts expressed in New Turkish lira (YTL) unless

	Notes	31 December 2007	31 December 2006
ASSETS			
CURRENT ASSETS		**50.886.355**	**44.918.270**
Cash and cash equivalents	4	6.702.451	2.000.544
Marketable securities- net	5	-	380.359
Trade receivables- net	7	22.143.310	18.811.997
Leasing receivables- net	8	-	-
Due from related parties	9	92.000	191.897
Other receivables- net	10	2.728.180	2.894.258
Biological assets - net	11	-	-
Inventories- net	12	18.805.570	20.162.554
Receivable from construction contracts- net	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	414.844	476.661
NON-CURRENT ASSETS		**62.927.508**	**67.632.053**
Trade receivables- net	7	-	-
Leasing receivables- net	8	-	-
Due from related parties- net	9	-	-
Other receivables- net	10	-	-
Financial assets- net	16	23.007	22.864
Positive/negative goodwill- net	17	-	-
Investment property- net	18	-	-
Property, plant and equipment- net	19	62.727.094	67.335.346
Intangible assets- net	20	177.407	247.554
Deferred tax assets	14	-	26.289
Other non-current assets	15	-	-
TOTAL ASSETS		**113.813.863**	**112.550.323**

The financial statements prepared as at and for the year ended 31 December 2007 have been approved and signed by the Board of Directors on 6 March 2008.

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

	Notes	31 December 2007	31 December 2006
LIABILITIES			
CURRENT LIABILITIES		**17.280.014**	**21.444.992**
Financial liabilities- net	6	-	2.138.552
Short-term portion of long-term financial liabilities - net	6	10.594.376	13.527.226
Lease obligations- net	8	203.590	225.020
Other financial liabilities- net	10	-	-
Trade payables- net	7	5.076.991	4.371.371
Due to related parties- net	9	670.790	599.879
Advances received	21	226.813	203.505
Construction progress billing- net	13	-	-
Provisions	23	1.700	640
Deferred tax liabilities	14	-	-
Other current liabilities- net	15	505.754	378.799
NON-CURRENT LIABILITIES		**7.471.831**	**8.277.832**
Financial liabilities	6	4.650.065	6.198.048
Lease obligations- net	8	361.292	681.718
Other financial liabilities- net	10	-	-
Trade payables- net	7	-	664.064
Due to related parties- net	9	-	-
Advances received	21	-	-
Provisions	23	917.500	734.002
Deferred tax liabilities	14	1.542.974	-
Other liabilities- net	10	-	-
MINORITY INTEREST	24	**-**	**-**
SHAREHOLDERS' EQUITY		**89.062.018**	**82.827.499**
Share capital	25	**52.500.000**	**52.500.000**
Treasury share			**-**
Capital reserves	26-28	**33.120.711**	**33.120.711**
Share premiums		-	-
Profit from share cancellations		-	-
Revaluation fund		-	-
Revaluation fund for financial assets		-	-
Inflation adjustment to shareholders' equity	26-28	33.120.711	33.120.711
Profit reserves	26-28	**2.289.905**	**2.289.905**
Legal reserves	26-28	815.050	815.050
Statutory reserves		-	-
Extraordinary reserves	26-28	1.474.855	1.474.855
Special reserves		-	-
Property sales gains and investments shares to be added to capital		-	-
Cumulative translation adjustment		-	-
Net profit/ (loss) for the year		**6.234.519**	**(2.125.389)**
Accumulated losses	26-28	**(5.083.117)**	**(2.957.728)**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**113.813.863**	**112.550.323**
Provisions, Contingent assets and contingent liabilities	31		

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

STATEMENTS OF INCOME
FOR THE YEARS THEN ENDED 31 DECEMBER 2007 AND 2006
(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated).

	Notes	1 January- 31 December 2007	1 January - 31 December 2006
Net sales	36	90.397.791	74.082.673
Cost of sales	36	(76.944.661)	(67.598.412)
Service income- net	36	-	-
Other revenue	36	-	-
GROSS PROFIT	36	**13.453.130**	**6.484.261**
Operating expenses	37	(4.992.950)	(4.696.029)
NET OPERATING PROFIT		**8.460.180**	**1.788.232**
Other income	38	5.260.297	5.800.582
Other expenses	38	(491.550)	(1.423.528)
Financial expenses	39	(5.425.145)	(8.436.352)
OPERATING PROFIT/ (LOSS)		**7.803.782**	**(2.271.066)**
Gain/ loss on net monetary position	40	-	-
Profit/ loss attributable to minority interest	24	-	-
PROFIT / (LOSS) BEFORE TAX		**7.803.782**	**(2.271.066)**
Taxes on income	41	(1.569.263)	145.677
NET PROFIT/ (LOSS) FOR THE YEAR		**6.234.519**	**(2.125.389)**
EARNINGS/ (LOSS) PER SHARE	42	0,0012	(0,0004)

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS THEN ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated).

	Share capital	Inflation adjustment to shareholder's equity	Profit reserves	Net (loss)/ profit for the year	Retained earnings/ (Accumulated losses)	Total shareholder's equity
1 January 2006	**52.500.000**	**33.120.711**	**2.289.905**	**(3.064.089)**	**106.361**	**84.952.888**
Transfers	-	-	-	3.064.089	(3.064.089)	-
Net loss for the year	-	-	-	(2.125.389)	-	(2.125.389)
31 December 2006	**52.500.000**	**33.120.711**	**2.289.905**	**(2.125.389)**	**(2.957.728)**	**82.827.499**
Transfers	-	-	-	2.125.389	(2.125.389)	-
Net profit for the year	-	-	-	6.234.519	-	6.234.519
31 December 2007	**52.500.000**	**33.120.711**	**2.289.905**	**6.234.519**	**(5.083.117)**	**89.062.018**

The accompanying notes form an integral part of these financial statements

STATEMENTS OF CASH FLOWS
FOR THE YEARS THEN ENDED 31 DECEMBER 2007 AND 2006

(Amounts expressed in New Turkish lira (YTL) unless otherwise indicated).

	Notes	1 January- 31 December 2007	1 January- 31 December 2006
Cash flows from operating activities:			
Net profit/ (loss) before tax		7.803.782	(2.271.066)
Adjustments to reconcile net profit/ (loss) before tax to net cash provided by operating activities			
Depreciation and amortisation	19-20	5.230.830	5.100.535
Provision for employment termination benefits	23	307.744	327.805
Share from results of associates	38	(143)	987
Loss from sales of property, plant and equipment	38	31.337	455.187
Interest income	38	(421.306)	(76.167)
Interest expense	39	952.731	1.362.886
Foreign exchange (gain)/ loss on financial liabilities		(3.380.634)	672.544
		10.524.341	**5.572.711**
Changes in assets and liabilities:			
Change in marketable securities	5	380.359	(136.126)
Change in trade receivables	7	(3.331.313)	(2.999.691)
Change in due from related parties	9	99.897	(46.987)
Change in inventories	12	1.356.984	2.004.762
Change in other receivables	10	166.078	(636.603)
Change in other current assets	15	61.817	185.728
Change in short-term trade payables	7	705.620	(3.134.620)
Change in long-term trade payables	7	(664.064)	20.701
Change in due to related parties	9	70.911	(154.509)
Change in short-term advances received	21	23.308	64.246
Change in short-term provisions	23	1.060	-
Increase in other short-term liabilities	15	126.955	(85.382)
Employment termination benefits paid	23	(124.246)	(217.532)
Net cash generated from / (used in) operating activities		**9.397.707**	**436.698**
Cash flows from investing activities:			
Interest received		421.306	76.167
Purchases of property, plant and equipment and intangible assets	19-20	(904.318)	(1.867.742)
Proceeds from sales of property, plant and equipment		320.550	251.798
Net cash used in investing activities		**(162.462)**	**(1.539.777)**
Cash flows from financing activities:			
(Decrease)/ increase in financial liabilities		(3.131.467)	3.071.805
(Decrease)/ increase in lease obligations	8	(341.856)	906.738
Interest paid		(1.060.015)	(1.345.643)
Net cash (used in) / generated from financing activities		**(4.533.338)**	**2.632.900**
Net increase in cash and cash equivalents		4.701.907	1.529.821
Cash and cash equivalents at beginning of the year	4	**2.000.544**	**470.723**
Cash and cash equivalents at end of the year	4	**6.702.451**	**2.000.544**

The accompanying notes form an integral part of these financial statements

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

The Company is registered in the Turkish Capital Markets Board ("CMB") and its shares have been traded on the Istanbul Stock Exchange ("ISE"). As at 31 December 2007, the shares traded on ISE are 20% (2006: 20%) of the total shares.

The address of the registered office is as follows:

Organize Sanayi Bölgesi Kırovası Mevkii
Kemalpaşa-İzmir

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Accounting Standards

The Company maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code, communiqués issued by the CMB and Turkish tax legislation. These financial statements are based on the statutory records, which are maintained under the historical cost convention with adjustments and reclassifications for the purpose of fair presentation in accordance with CMB Communiqué XI/25 "Communiqué Regarding Accounting Standards in Capital Markets" ("Communiqué") dated 15 November 2003. Financial statements and notes to the financial statements are prepared in compliance with the formats required by the CMB announcement dated 10 December 2004.

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

2.2 Financial reporting in hyperinflationary periods

CMB declared by referring to the announcement dated 17 March 2005 that the application of inflationary accounting is not required for the companies which continue the operations in Turkey and prepare the financial statements in accordance with Communiqué; effective from 1 January 2005.

2.3 Group accounting

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

Investments in Associates

The investments in associates are recognised using the equity method. These investments are the firms that the Company has a voting right of between 20% and 50% or exercises significant influence on their operations although no controlling power exists (Note 16). The unrealised profits arising from the operations between the Company and its associate are taken into account in line with the participation ratio of the Company. Similarly, the unrealised losses are taken into account if the transactions do not imply impairment loss on the transferred assets. As long as the Company has not undertaken any commitment or liability in the mentioned manner, the equity method is not applied following the decrease of investments in associates down to zero or at the end of the Company's significant influence on the operations. The carrying value of the investments in associate as at the date of the end of significant influence is recognised at cost thereafter.

The following table shows all the investments in associates and their participation rates as of 31 December 2007 and 2006:

	Participation Rate (%)	
	31 December 2007	**31 December 2006**
Alkim Sigorta Aracılık Hiz. Ltd. Şti. ("Alkim Sigorta")	50	50

2.4 Comparatives and Restatement of Prior Year Financial Statements

The Company has prepared its financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company has prepared its balance sheet as at 31 December 2007 on a comparative basis to 31 December 2006; and statements of income, cash flows and changes in shareholders' equity for the period of 1 January - 31 December 2007 on a comparative basis to the period of 1 January - 31 December 2006.

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

2.5 Offsetting

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

i. Revenue recognition

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

ii. Inventories

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

iii. Property, plant and equipment

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

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 deemed as negligible.

Depreciation is provided using the straight-line method based on the estimated useful lives of the assets. Land is not depreciated as it is deemed to have an indefinite life. The estimated useful lives for property, plant and equipment are as follows (Note 19):

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

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

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

iv. Intangible assets

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

v. Impairment of assets

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

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

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

vii. Financial assets

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

viii. Business combinations

None. (2006: None).

ix. Foreign currency transactions and balances

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

x. Earnings/ (losses) per share

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. 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.

xi. Subsequent events

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

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

xii. Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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 recognise contingent assets and liabilities (Note 31).

xiii. Accounting policies, changes in accounting estimates and errors

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.

xiv. Leases

Leases of property, plant and equipment are classified regarding the belonging of all the risks and rewards of ownership to lessor or lessee. According to this principle, leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases (Note 8).

Leases of property, plant and equipment excluding finance leases are classified as operating leases. Payments for assets leased out under operating leases are reflected to statement of income as expense on straight-line basis over the lease term even if the installments are not fixed. Rental income is also recognised on a straight-line basis over the lease term and reflected to statement of income as income; uncommitted to period of collections.

xv. Related parties

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

xvi. Segmented reporting

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

xvii. Construction contracts

None. (2006: None).

xviii. Discontinued operations

None. (2006: None).

xix. Government grants and incentives

None. (2006: None).

xx. Investment property

None. (2006: None).

xxi. Taxes on income

Taxation on income includes current period tax liability and deferred income taxes. Current period tax liability includes the taxes payable calculated on the taxable portion of period income with tax rates enacted on the balance sheet date and the correction adjustments related to prior period tax liabilities (Note 41).

Deferred tax assets and liabilities are provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes with the enacted tax rates as of the balance sheet date (Note 14).
Deferred tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will reverse. Deferred tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. To the extent that deferred tax assets will not be utilised, the related amounts have been deducted accordingly.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly, if current tax assets can be offset against current tax liabilities (Note 14 and 41).

xxii. Provision for employment termination benefits

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

xxiii. Pension plans

None. (2006: None).

xxiv. Agricultural operations

None. (2006: None).

xxv. 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.

xxvi. Re-purchase agreements

None. (2006: None).

xxvii. Trade receivables and impairment of receivables

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

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

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

xxviii. Share capital and dividends

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

xxix. Financial instruments and financial risk management

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

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

Market risk

i.Foreign exchange risk

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

ii.Interest risk

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

Liqudity risk

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

Credit risk

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

xxx. Fair value of financial instruments

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

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

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

Financial assets

The fair values of balances denominated in foreign currencies, which are translated to YTL using year-end exchange rates, are considered to approximate their carrying value. The fair values of cash and

cash equivalents are considered to approximate their respective carrying values due to their short-term nature. The carrying values of trade receivables and due from related parties are estimated to approximate their fair values due to their short-term nature.

Financial liabilities

Fair value of bank borrowings has been disclosed in Note 6. The fair values of other monetary liabilities including trade payables, due to related parties and other financial liabilities are considered to approximate their respective carrying values due to their short-term nature.

xxxi. Significant accounting estimates and decisions

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

Income taxes

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2007	**31 December 2006**
Cash on hand	3.251	2.670
Banks	6.699.200	1.997.874
- YTL denominated time deposits	5.992.000	1.600.000
- YTL denominated demand deposits	586.134	80.917
- Foreign currency denominated demand deposits	121.066	316.957
	6.702.451	**2.000.544**

As of 31 December 2007, maturity of YTL denominated time deposits is less than one month (2006: one month) and the effective interest rate is 18% per annum (“ p.a.”) (2006: 21% p.a.).

NOTE 5 - MARKETABLE SECURITIES

As of 31 December 2006, the details of the short-term securities classified by the Company in marketable securities, held for trading purposes, are as follows;

	31 December 2007	**31 December 2006**
Mutual funds (“B type”)	-	380.359
	-	**380.359**

NOTE 6 - FINANCIAL LIABILITIES

	31 December 2007		31 December 2006	
	Effective weighted average interest rate p.a. %	**YTL**	**Effective weighted average interest rate p.a. %**	**YTL**
a) Short-term financial liabilities:				
Short-term borrowings (Euro)	-	-	3,90	2.111.446
Short-term borrowings (YTL)			-	27.106
	-	**-**		**2.138.552**
b) Short-term portion of long-term financial liabilities:				
Short-term borrowings (USD) (*)	5,27	10.594.376	5,56	13.527.226
		10.594.376		**13.527.226**
c) Long-term financial liabilities:				
Long-term borrowings (USD) (*)	5,14	4.650.065	5,53	6.198.048
		4.650.065		**6.198.048**

(*) The interest rates of the USD denominated bank borrowings vary between Libor+ 0,1 p.a. with six-month contractual repricing dates (2006: Libor+ 0,02-0,12 p.a.).

The redemption schedule of long-term bank borrowings as of 31 December 2007 and 2006 are as follows:

	31 December 2007	31 December 2006
2008	-	6.198.048
2009	4.650.065	-
	4.650.065	**6.198.048**

Carrying value and fair value of bank borrowings are as follows:

	Carrying Value		Fair Value	
	31 December 2007	**31 December 2006**	**31 December 2007**	**31 December 2006**
Bank borrowings	15.244.441	21.863.826	15.332.207	21.950.328

Fair value of the borrowings has been calculated regarding the discounted cash flow method using yearly effective weighted average interest rates of 4,52% p.a. (2006: 5,55% p.a. and 3,90% p.a. for USD and Euro denominated bank borrowings, respectively.)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 December 2007	31 December 2006
a) Short-term trade receivables:		
Cheques and notes receivables	16.356.241	14.129.970
Customer current accounts	6.272.700	5.176.792
Deposits and guarantees given	3.008	10.311
	22.631.949	**19.317.073**
Less: Unearned financial income	(410.289)	(426.726)
Provision for doubtful receivables	(78.350)	(78.350)
	22.143.310	**18.811.997**

As of 31 December 2007, effective weighted average interest rates on YTL, USD and Euro denominated trade receivables are 15,62% p.a., 4,50% p.a. and 3,99% p.a., respectively (2006: 18,59% p.a., 5,35% p.a. and 3,71% p.a., respectively) . Trade receivables mature within two months (2006: Two months).

	31 December 2007	31 December 2006
b) Short-term trade payables:		
Supplier current accounts	5.117.414	4.402.425
Less: Unincurred financial cost	(40.423)	(31.054)
	5.076.991	**4.371.371**

As of 31 December 2007, effective weighted average interest rates on YTL, USD and Euro denominated trade payables are 16,06% p.a., 4,51% p.a. and 3,09% p.a. (2006: 18,51% p.a., 5,32% p.a and 3,63% p.a.), respectively. Trade payables mature within one month (2006: One month).

c) Long-term trade payables:		
Supplier current accounts	-	701.447
Less: Unincurred financial cost	-	(37.383)
	-	**664.064**

NOTE 8 - LEASE OBLIGATIONS

	31 December 2007		31 December 2006	
	USD	**YTL** equivalent	**USD**	**YTL** equivalent
Short –term	174.800	203.590	160.089	225.020
Long-term	310.201	361.292	485.001	681.718
	485.001	**564.882**	**645.090**	**906.738**

Lease obligations are related with the purchase of gas turbine with an effective average interest rate of 8,5% p.a. (2006: 8,5% p.a.) and with the maturity on 1 September 2010.

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	31 December 2007	31 December 2006
a) Due from related parties:		
Receivables from personnel	92.000	181.499
Alkim Alkali Kimya A.Ş. ("Alkim Kimya")	-	10.398
	92.000	**191.897**
b) Due to related parties:		
Payable to personnel	362.834	240.117
Alkim Sigorta	302.670	359.762
Alkim Kimya	5.286	-
	670.790	**599.879**

	1 January - 31 December 2007	1 January - 31 December 2006
c) Service purchases:		
Alkim Sigorta	333.854	374.196
Aklim Kimya	66.396	111.335
	400.250	**485.531**
d) Service sales:		
Alkim Kimya	1.500	123
	1.500	**123**
e) Product sales:		
Alkim Kimya	46.893	84.107
	46.893	**84.107**
f) Key management compensations:		
Benefits provided to top management	**887.722**	**891.310**

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	31 December 2007	31 December 2006
Other receivables:		
Value Added Tax transferred ("VAT")	1.978.057	2.119.310
VAT receivable	696.052	611.854
Other	54.071	163.094
	2.728.180	**2.894.258**

NOTE 11 - BIOLOGICAL ASSETS

None (2006: None).

NOTE 12 - INVENTORIES

	31 December 2007	31 December 2006
Raw materials	8.449.307	4.576.204
Semi finished goods	486.831	2.132.638
Finished goods	1.653.832	4.764.033
Other inventories	323.839	180.600
Order advances given	7.891.761	8.509.079
	18.805.570	**20.162.554**

YTL 214.090 of other inventories is comprised of goods in transit as of 31 December 2007 (2006: None).

The cost of inventories recognized as expense amounted to YTL 49.564.298 (2006: YTL 43.292.901).

NOTE 13 - BALANCES RELATED TO CONSTRUCTION CONTRACTS IN PROGRESS

None (2006: None).

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

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

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

The breakdown of cumulative temporary differences and the resulting deferred tax assets/ (liabilities) provided at 31 December 2007 and 2006 using the enacted tax rates are as follows:

	Taxable temporary differences		Deferred income tax assets/ (liabilities)	
	31 December 2007	**31 December 2006**	**31 December 2007**	**31 December 2006**
Difference on property, plant and equipment and intangible assets	(14.542.260)	(13.967.241)	(2.908.452)	(2.793.448)
Carry-forward tax losses and unutilized investment tax credits	6.759.380	14.189.415	1.167.642	2.658.601
Provision for employment termination benefits (Note 23)	917.500	734.002	183.500	146.800
Other	71.680	71.680	14.336	14.336
Deferred tax assets			1.365.478	2.819.737
Deferred tax liabilities			(2.908.452)	(2.793.448)
Deferred tax (liabilities)/ assets - net			**(1.542.974)**	**26.289**

Movement for deferred tax can be analysed as follows:

	2007	2006
1 January	**26.289**	**(119.388)**
(Charged)/ credited to statement of income (Note 41)	(1.569.263)	145.677
31 December	**(1.542.974)**	**26.289**

Carry-forward tax losses accounted for as of 31 December 2007 can be utilised until 31 December 2011.

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

	31 December 2007	31 December 2006
a) Other current assets:		
Prepaid expenses	328.006	387.589
Income accrual for customer overdue charges	30.760	34.530
Other	56.078	54.542
	414.844	**476.661**

Prepaid expenses, amounting to YTL 328.006 (2006: YTL 387.589) are mainly related with the insurance premiums paid for property, plant and equipments.

b) Other current liabilities:

Taxes and funds payable	505.754	378.799
	505.754	**378.799**

NOTE 16 - FINANCIAL ASSETS

Investment in Associate

	31 December 2007		31 December 2006	
	Carrying value	**Share (%)**	**Carrying value**	**Share (%)**
Alkim Sigorta	23.007	50	22.864	50
	23.007		**22.864**	

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

	2007	2006
1 January	**22.864**	**23.851**
Share of results of associate (Note 38)	143	(987)
31 December	**23.007**	**22.864**

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

	31 December 2007	31 December 2006
Total assets	541.020	561.394
Total liabilities	495.006	515.666

In addition, net profit of Alkim Sigorta for the year ending 31 December 2007 is YTL 285 (2006: Net loss of YTL 1.973).

NOTE 17 – NEGATIVE/ POSITIVE GOODWILL

None (2006: None).

NOTE 18 - INVESTMENT PROPERTY

None (2006: None).

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2007 Opening	Additions	Disposals	Transfers	31 December 2007 Closing
Cost:					
Land	1.496.240	-	-	-	1.496.240
Land improvements	1.556.045	36.357	-	-	1.592.402
Buildings	10.084.374	101.640	-	-	10.186.014
Machinery and equipment	81.338.155	174.228	(484.967)	-	81.027.416
Motor vehicles	646.339	319.046	(205.481)	-	759.904
Furniture and fixture	1.802.368	67.017	(15.236)	-	1.854.149
Construction in progress	-	196.423	-	21.486	217.909
Advances given	21.486	-	-	(21.486)	-
	96.945.007	**894.711**	**(705.684)**	**-**	**97.134.034**
Less: Accumulated depreciation					
Land improvements	(126.174)	(76.203)	-	-	(202.377)
Buildings	(2.922.183)	(395.602)	-	-	(3.317.785)
Machinery and equipment	(25.159.323)	(4.354.729)	198.855	-	(29.315.197)
Motor vehicles	(296.755)	(102.373)	143.298	-	(255.830)
Furniture and fixture	(1.105.226)	(222.169)	11.644	-	(1.315.751)
	(29.609.661)	**(5.151.076)**	**353.797**	**-**	**(34.406.940)**
Net book value	**67.335.346**				**62.727.094**

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

YTL 4.976.021 (2006: YTL 4.609.326) of the current year depreciation charge has been allocated to cost of sales, YTL 109.405 (2006: YTL 83.395) to general and administrative expenses (Note 37), YTL 26.923 (2006: YTL 12.801) to selling and distribution expenses and YTL 118.481 (2006: YTL 395.013) to inventories.

As of 31 December 2007, the Company has no mortgage on its property, plant and equipment (2006: YTL 5.000.000) (Note 31).

NOTE 20 - INTANGIBLE ASSETS

	1 January 2007 Opening	**Additions**	**31 December 2007 Closing**
Rights -Software	653.085	9.607	662.692
Less: accumulated amortization	(405.531)	(79.754)	(485.285)
Net book value	**247.554**		**177.407**

	1 January 2006 Opening	**Additions**	**31 December 2006 Closing**
Rights -Software	642.069	11.016	653.085
Less: accumulated amortization	(311.205)	(94.326)	(405.531)
Net book value	**330.864**		**247.554**

NOTE 21 - ADVANCES RECEIVED

	31 December 2007	**31 December 2006**
Order advances received	226.813	203.505
	226.813	**203.505**

NOTE 22 - PENSION PLANS

There are no pension plans other than the provision for employment termination benefits explained in Note 23 “Provisions”.

NOTE 23 - PROVISIONS

	31 December 2007	31 December 2006
a) Short-term provisions:		
Provision for goods received not billed	1.700	640
	1.700	**640**
b) Long-term provisions:		
Provision for employment termination benefits	917.500	734.002
	917.500	**734.002**

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

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

The amount payable consists of one month's salary limited to a maximum of YTL 2.030,19 for each year of service as of 31 December 2007 (31 December 2006: YTL 1.857,44).

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

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

	31 December 2007	31 December 2006
Discount rate (%)	**5,71**	**5,71**
Turnover rate to estimate the probability of retirement (%)	**98,1**	**97,9**

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of YTL 2.087,92 which is effective from 1 January 2008 (1 January 2007: YTL 1.960,69) has been taken into consideration in calculating the provision for employment termination benefits of the Company.

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

	2007	2006
1 January	**734.002**	**623.729**
Paid during the year	(124.246)	(217.532)
Interest cost	41.912	34.243
Actuarial losses	82.334	103.073
Increase during the year	183.498	190.489
31 December	**917.500**	**734.002**

Total provision for employee termination benefit of YTL 307.744 (2006: YTL 327.805) has been allocated to cost of sales amounting to YTL 231.689 (2006: YTL 286.056), to selling and distribution expenses amounting to YTL 25.061 (2006:YTL 29.670) and to general and administrative expenses amounting to YTL 50.994 (2006: YTL 12.079) (Note 37).

NOTE 24 - MINORITY INTEREST

None (2006: None).

NOTE 25 - SHARE CAPITAL/ TREASURY SHARES

The composition of the Company's paid-in share capital at 31 December 2007 and 2006 was as follows:

	31 December 2007		31 December 2007	
Shareholder:	**Participation (%)**	**Amount (YTL)**	**Participation (%)**	**Amount (YTL)**
Alkim Kimya	79,93	41.962.500	79,93	41.962.500
Public quotation	20,00	10.500.000	20,00	10.500.000
Other	0,07	37.500	0,07	37.500
	100,00	**52.500.000**	**100,00**	**52.500.000**
Inflation adjustment to share capital (*)		32.414.361		32.414.361
Total paid-in share capital		**84.914.361**		**84.914.361**

(*) Inflation adjustment to paid-in share capital represents the difference between nominal and inflationary restatement of share capital in accordance with the Communiqué.

The Company's authorized and issued capital consists of 5.250.000.000 shares of 1 Ykr each paid in full (2006: 5.250.000.000). The Company is not subject to the registered capital system.

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

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

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

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

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

Although it is mandatory to distribute dividends based on the net distributable profit calculated in accordance with CMB regulations and, in accordance with TCC regulations, it is stated that dividend distributions should not be made if there is a current year loss in either the financial statements prepared based on CMB regulations or in the statutory financial statements subject to reserves appropriated from statutory records.

In accordance with the above explanation, inflation adjustment to shareholder's equity as of 31 December 2007 and 2006 is as follows:

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

NOTE 29 - FOREIGN CURRENCY POSITION

	31 December 2007			
	USD	**Euro**	**Other**	**YTL equivalent**
Assets				
Cash and cash equivalents	13.490	61.603	1	121.066
Trade receivables	6.845.598	1.957.803	-	11.321.303
Due from related parties	10.000	455	-	12.425
				11.454.794
Liabilities				
Short-term portion of long-term financial liabilities	(9.096.228)	-	-	(10.594.376)
Lease obligations	(485.001)	-	-	(564.882)
Trade payables	(2.925.538)	(91.220)	-	(3.563.378)
Long-term financial liabilities	(3.992.500)	-	-	(4.650.065)
				(19.372.701)
Net foreign currency liability position				**(7.917.907)**

	31 December 2006			
	USD	**Euro**	**Other**	**YTL equivalent**
Assets				
Cash and cash equivalents	221.923	2.716	1	316.969
Trade receivables	2.814.597	358.418	115	4.620.126
Due from related parties	10.055	4.390	-	22.261
	3.046.575	**365.524**	**116**	**4.959.356**
Liabilities				
Short-term financial liabilities	-	(1.140.398)	-	(2.111.446)
Short-term portion of long-term financial liabilities	(9.623.809)	-	-	(13.527.226)
Lease obligations	(645.090)	-	-	(906.738)
Trade payables	(2.516.536)	(170.753)	(3.402)	(3.862.772)
Long-term financial liabilities	(4.409.539)	-	-	(6.198.048)
	(17.194.974)	**(1.311.151)**	**(3.402)**	**(26.606.230)**
Net foreign currency liability position				**(21.646.874)**

NOTE 30 - GOVERNMENT GRANTS

None (2006: None).

NOTE 31 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	31 December 2007	31 December 2006
a) Guarantees received:		
Guarantee letters	3.745.226	5.782.600
Bails	2.000.000	2.000.000
Guarantee notes	585.000	10.000
Guarantee cheques	186.352	224.896
	6.516.578	**8.017.496**
b) Guarentees given:		
Guarantee letters	7.066.973	7.810.469
Mortgages	-	5.000.000
	7.066.973	**12.810.469**

c) Contingent assets:

The Company has engaged in a lawsuit against J and A International Resources Inc. amounting to USD 124.786 related to quality problems in raw material purchased. Court does not come to a conclusion as of reporting date of financial statements dated 31 December 2007.

NOTE 32 - BUSINESS COMBINATIONS

None (2006: None).

NOTE 33 - SEGMENT REPORTING

None (2006: None).

NOTE 34 - SUBSEQUENT EVENTS

None.

NOTE 35 - DISCONTINUED OPERATIONS

None (2006: None).

NOTE 36 - OPERATING REVENUE

	1 January - 31 December 2007	1 January - 31 December 2006
Domestic sales	77.762.854	69.657.170
Export sales	13.172.386	4.819.445
	90.935.240	74.476.615
Less: Returns	(35.529)	(144.044)
Less: Discounts	(501.920)	(249.898)
Net sales	**90.397.791**	**74.082.673**
Cost of sales	(76.944.661)	(67.598.412)
Gross profit	**13.453.130**	**6.484.261**

NOTE 37 - OPERATING EXPENSES

	1 January - 31 December 2007	1 January - 31 December 2006
Research and Development Expenses:		
Staff cost	66.475	33.736
Other	4.981	859
	71.456	**34.595**
Selling and Distribution Expenses:		
Transportation	1.058.792	637.300
Staff cost	684.658	723.551
Advertisement	256.241	331.472
Commission	200.948	153.018
Rent	80.370	89.106
Taxes and funds (other than taxes on income)	69.716	123.552
Travel	60.474	66.234
Insurance	55.303	47.854
Communication	45.871	42.074
Other	190.660	119.073
	2.703.033	**2.333.234**
General Administrative Expenses:		
Staff cost	1.478.809	1.557.657
Consultancy	239.851	219.227
Depreciation and amortization	109.405	83.395
Travel	95.820	104.241
Taxes and funds (other than taxes on income)	88.741	79.800
Employment termination benefit	50.994	12.079
Communication	10.141	27.314
Rent	-	34.325
Other	144.700	210.162
	2.218.461	**2.328.200**
Total Operating Expenses	**4.992.950**	**4.696.029**

NOTE 38 - OTHER INCOME AND EXPENSES

	1 January - 31 December 2007	1 January - 31 December 2006
Other income:		
Foreign exchange gain	3.509.160	4.701.062
Interest income on credit sales	467.149	312.817
Interest income	421.306	76.167
Income from overdue charges	388.811	222.571
Scrap sales income	183.758	84.907
Compensation income from insurance companies	80.392	261.507
Share of results of associate	143	-
Other	209.578	141.551
	5.260.297	**5.800.582**
Other expense:		
Tax penalty	(154.455)	(358.244)
Cost of scrap sales	(152.258)	(69.191)
Loss from sales of property, plant and equipment	(31.337)	(455.187)
Share of results of associates	-	(987)
Indemnity expense	-	(449.770)
Other	(153.500)	(90.149)
	(491.550)	**(1.423.528)**
Other operating income - net	**4.768.747**	**4.377.054**

NOTE 39 - FINANCIAL EXPENSES

	1 January- 31 December 2007	1 January- 31 December 2006
Foreign exchange loss	3.859.603	6.175.385
Interest expense	952.731	1.362.886
Interest expense on credit purchases	478.728	555.544
Bank commission expense	134.083	342.537
	5.425.145	**8.436.352**

NOTE 40 - GAIN/ LOSS ON NET MONETARY POSITION

None.

NOTE 41 - TAXES ON INCOME

Taxation on income for the years then ended 31 December 2007 and 2006 are summarized as follows:

	1 January - 31 December 2007	1 January - 31 December 2006
Deferred tax income	(1.569.263)	145.677
Taxes on income	**(1.569.263)**	**145.677**

Corporation tax is payable at a rate of 20% for 2007 (2006: 20%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations having a place of business in Turkey or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10%. Addition of profit to capital is not considered as a profit distribution.

In accordance with Tax Law No. 5479 "Law Related to Changes in Income Tax Law, Law for Collection of Public Revenue, Special Consumption Tax Law and Tax Procedural Law" that was published in the Official Gazette on 8 April 2006, income and corporate taxpayers that could not offset their investment incentive allowances against 2005 taxable income, can offset their existing investment incentive allowances at 31 December 2005 against taxable income of the years 2006, 2007 and 2008. In addition to this, the capital expenditures after 1 January 2006 related to the investments that begin prior to 1 January 2006 within the scope of repealed 19th article of Income Tax Law No. 193 and the capital expenditures related to the investment certificates granted prior to 24 April 2003, can also be offset against taxable income of the years 2006, 2007 and 2008. In this respect, the corporate tax is payable at a rate of 30% for the income generated in 2007 (2006: 30%).

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

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

Turkish Corporate Income Tax Law numbered 5520 Article 13 concerning transfer pricing regulations has become effective on 1 January 2007. With Article 13 of the mentioned law, considerable amendments have been made to transfer pricing regulations by taking OECD transfer pricing guidelines as a basis. In this respect, companies should enter into transactions regarding the sale or purchase of goods and services with related parties, where the prices are set in accordance with the arm's length principle. Arm's length principle states that determination of price for sale or purchase of goods and services with related parties should be consistent with the price determined for the transactions with tird parties. In the determination of the transfer pricing method, companies are required to refer to the related law and apply the most applicable method considering the nature of the transactions. Documentation requirements are obligated for the companies in order to support the methods to be applied in the determination of the arm's length price. Moreover, the companies are obliged to prepare reports regarding the related party transactions realized within the accounting period; including detailed informational and paper file documentations.

In case of transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing will be reclassified as dividends distributed and necessary adjustments to taxes will be assessed at the party receiving the deemed dividends. In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalized and paid. It should be ensured that the original tax assessment on behalf of the entity has been finalized and that the taxes have already been paid.

After the enactment of the Transfer Pricing article effective from 1 January 2007; in order to clarify the applications, General Communique on Disguised Profit Distribution through Transfer Pricing (Serial no:1) has been published on 18 November 2007 by Ministry of Finance.

Reconciliation of the taxation on income is as follows:

	1 January - 31 December 2007	**1 January - 31 December 2006**
Profit/ (Loss) before tax	**7.803.782**	**(2.271.066)**
Taxes calculated on net profit/ (loss) before tax	(1.560.756)	454.213
Effect of changes in corporate tax rate	-	267.389
Income not subject to tax	102.287	68.202
Tax effect of unused investment tax credits	31.116	(278.699)
Expenses not deductible for tax purposes	(279.884)	(268.301)
Temporary differences not subject to deferred tax calculation	-	(157.280)
Other	137.974	60.153
Taxes on income	**(1.569.263)**	**145.677**

NOTE 42 - EARNINGS/ (LOSSES) PER SHARE

Earning/ (loss) per share stated in the income statement is calculated by dividing the net profit/ (loss) to weighted average number of shares in the current period.

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/ (losses) per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

Earning/ (loss) per share is calculated by dividing net profit/ (loss) for the period to weighted average number of shares during that period.

Net earning/ (loss) per share:

		1 January - 31 December 2007	**1 January - 31 December 2006**
Net profit/ (loss) for the year	A	6.234.519	(2.125.389)
Weighted average number of the shares	B	5.250.000.000	5.250.000.000
Earnings/ (loss) per share	**A/B 0,0012**	**(0,0004)**	

NOTE 43 - CASH FLOW STATEMENT

Cash flow statements have been presented within the financial statements (please refer to page 5)

NOTE 44 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

NOTE 45 - EXPLANATION ADDED FOR CONVENIENCE TRANSLATION INTO ENGLISH

As of 31 December 2007, the accounting principles described in Note 2 (defined as “Communique”) to the financial statements differ from International Financial Reporting Standards (‘‘IFRS’’) issued by the International Accounting Standards Board with respect to the application of inflation accounting and presentation of the basic financial statements and the notes to them. Accordingly, the financial statements are not intended to present the financial position and results of operations in accordance with IFRS

2.D RATIOS OF THE OPERATING PERIOD

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

1. ASSETS

				2007				2006			
1.1	Current Assets	/	Assets	50,886,355	/	113,813,863	44.7%	44,918,270	/	112,550,323	39.9%
1.1.1	Inventory	/	Current Assets	18,805,570	/	50,886,355	37.0%	20,162,554	/	44,918,270	44.9%
1.1.2	Receivables	/	Current Assets	22,143,310	/	50,886,355	43.5%	18,811,997	/	44,918,270	41.9%
1.2	Fixed Assets	/	Assets	62,927,508	/	113,813,863	55.3%	67,632,053	/	112,550,323	60.1%
1.2.1	Net fixed Assets	/	Current Assets	62,904,501	/	50,886,355	123.6%	67,582,900	/	44,918,270	150.5%

2. LIABILITIES

				2007				2006			
2.1	Shareholders' Equity	/	Liabilities and equity	89,062,018	/	113,813,863	78.3%	82,827,499	/	112,550,323	73.6%
2.2	Short-term Liabilities of funds	/	Liabilties and Equity	17,280,014	/	113,813,863	15.2%	21,444,992	/	112,550,323	19.1%
2.3	Long-term Liabilities of funds	/	Liabilties and equity	7,471,831	/	113,813,863	6.6%	8,277,832	/	112,550,323	7.4%
2.4	Profit for the period	/	Liabilties and equity	7,803,782	/	113,813,863	6.9%	0	/	112,550,323	0.0%
2.5	Net profit for the year	/	Liabilties and equity	6,234,519	/	113,813,863	5.5%	0	/	112,550,323	0.0%

3.ASSETS AND LIABILITIES

				2007				2006			
3.1	Short-terms Liabilities of funds	/	Current Assets	17,280,014	/	50,886,355	34.0%	21,444,992	/	44,918,270	47.7%
3.2	Current Assets	/	Share holders' equity	50,886,355	/	89,062,018	57.1%	44,918,270	/	82,827,499	54.2%

4.RATIOS OF PAYING LIABILITIES

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

		2007			2006		
Current Assets / Short Term Liabilities	=	**50.886.355 / 17.280.014**	=	**2,94**	**44.918.270 / 21.444.992**	=	**2,09**
Customers+Other Receivables / Short Term Liabilities	=	**24.871.490 / 17.280.014**	=	**1,44**	**21.706.255 / 21.444.992**	=	**1,01**

5. RATIOS OF INCOME STATEMENT

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

			2007					2006		
> Costs of Sales	/	Net sales	76,944,661	/	90,397,791	85.1%	67,598,412	/	74,082,673	91.2%
> Marketing & Sales Expenses	/	Net sales	2,703,033	/	90,397,791	3.0%	2,333,234	/	74,082,673	3.1%
> Gen.Administ. Expenses	/	Net sales	2,218,461	/	90,397,791	2.5%	2,328,200	/	74,082,673	3.1%
> Net Profit for the Year	/	Net sales	6,234,519	/	90,397,791	6.9%	0	/	74,082,673	0.0%

2.E ADMINISTRATIVE OPERATIONS

2.E.1 Top managers:

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

2.E.2 Status of Personnel and Severance Pay

The average number of our personnel per month basis during 2007 is 192.
The distribution of the personnel according to the working points and units at the end of the year is as follows:

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

	31 December 2007 Person		31 December 2006 Person	
Total employees at the beginning of the period		**193**		**218**
White collar (not a trade union member)	**52**		**57**	
Blue collar (not a trade union member)	**141**		**161**	
Total employees at the end of the period		**192**		**193**
White collar (not a trade union member)	**51**		**52**	
Blue collar (not a trade union member)	**141**		**141**	

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

2.E.4 As of the end of 2007, provision for employment termination benefits of YTL 917.500 has been allocated.

2.E.5 Rights and benefits to the personnel

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

III- PROFIT DISTRIBUTION PROPOSAL AND CONCLUSION

An article is included in the General Board agenda for the current year profit to be off-set to previous years' losses.

PRICEWATERHOUSECOOPERS

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers
BJK Plaza, Süleyman Seba Caddesi
No:48 B Blok Kat 9 Akaretler
Beşiktaş 34357 İstanbul-Turkey
www.pwc.com/tr
Telephone +90 (212) 326 6060
Facsimile +90 (212) 326 6050

INDEPENDENT AUDITOR'S REPORT
(Translation for Company's convenience – the Turkish text is authoritative)

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

1. We have audited the accompanying financial statements of Alkim Kağıt Sanayi ve Ticaret A.Ş. ("Company") which comprise the balance sheet as of 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Alkim Kağıt Sanayi ve Ticaret A.Ş. as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with financial reporting standards published by Turkish Capital Market Board.

Additional paragraph for convenience translation into English

5 As of 31 December 2007, the accounting principles described in Note 2 (defined as "Communiqué Regarding Accounting Standards in Capital Markets") to the accompanying financial statements differ from International Financial Reporting Standards (''IFRS'') issued by the International Accounting Standards Board with respect to the application of inflation accounting and presentation of the basic financial statements and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A. Ş.
a member of
PricewaterhouseCoopers

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Murat Sancar, SMMM
Partner

İstanbul, 6 March 2008

M.YÜKSEL KADIOĞLU
Yeminli Mali Müşavir
Mecidiye Mah.Cevatpaşa Sok.No:12
Koşuyolu/Kadıköy/ İSTANBUL
Tel. : (0216) 546 11 46 (Pbx)
Fax: (0216) 546 09 26

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

Audited Company's

Corporate Name Headquarter Capital Nature of Activities	: : : :	Alkim Kağıt Sanayi ve Ticaret A.Ş. Kırovası Mevkii 35170 Kemalpaşa / İZMİR 52.500.000.000.000.-TL (52.500.000 YTL) First quality print on coated paper.
Name of the Auditor and Term of Office, weather a partner or a staff	:	M.Yüksel KADIOĞLU (for 1 year) is not a partner or a staff.
Number of Board of Directors' meetings contributed	:	Contributed to the Board of Directors' meeting six times.
Scope of the audit on Partners Accounts, Books and Documents, Date of the Audit and the Conclusion	:	In accordance with Tax Legislations and Turkish Commercial Code, revision is made for the end of the 3, 6, 9 and 12. months and there are no matters to criticise.
In accordance with Turkish Commercial Code Article No.353 1st Paragraph 3rd clause, number of cash counts made and the results	:	Company's cash counted 4 times and the amounts matches to the company records.
Audit dates and results in accordance with Turkish Commercial Code Article No.353 1st Paragraph 4th clause	:	In audits made by the last day of each month, current letter of guarantees and securities' congruencies to the records tested.
Complainants and corruptions perceived and procedures	:	No complainants perceived.

We have audited the accounts and transactions of ALKİM KAĞIT SANAYI VE TİCARET A.Ş. for the period January 01, 2007-December 31, 2007 in accordance with Turkish Commercial Code, main agreement of the partnership, Generally Accepted Principles of Accounting and other legislations.

Balance Sheet referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and the Income Statement for the period January 01, 2007 –December 31,2007 present the results of its operations.

Earnings before tax for the peroid January 01, 2007 – December 31, 2007 is 6.728.367,56 YTL as can be seen in the enclosed Balance Sheet and Income Statements.

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

Auditor
M.Yüksel KADIOĞLU

CORPORATE MANAGEMENT ADAPTATION REPORT

1. DECLARATION TO APPLY THE CORPORATE MANAGEMENT PRINCIPLES

Our Company applies the corporate management principles announced by the Capital Market Board, in the period ending on 31 December 2007.

PART I - SHAREHOLDERS

2. Shareholder relations unit

A shareholders service department has been established within our Company. Mustafa Güresti, Burhanettin İpek have been assigned as responsible managers and Murat Balpinar as unit personnel. There has been no application by the shareholders in 2007 and therefore there has been no occasion in need of answer.

3. Information Acquiring Rights of the Shareholders

Our company has not received any application within 2007 in written by the shareholders with the purpose to use the right of the vote. As for using this right, it has been limited to use and exchange of the information and news available in our new designed portal. Our articles of association does not include any provision stating that assigning a private auditor is an individual right .

4. Info about General Assembly

Announcements in relation to the Ordinary General Assembly Meeting and Privileged Shareholders Ordinary General Assembly Meeting held on 27.03.2007 and have been published on Posta and Radikal newspapers dated 09.03.2007. Extraordinary General Assembly Meeting and Privileged Shareholders Extraordinary General Assembly Meeting in 2007 was not held. All the relevant documents of the agenda, annual report, financial tables, profit distribution suggestion, agenda of the General Assembly Meeting, are presented to all the shareholders who wish to have. The questions of the shareholders are answered one by one, applying the equality principle. The result of the meeting is presented to Istanbul Stock Exchange and published at the web site. Shareholders have a right to vote on behalf of others. Every decision regarding the amendment of articles of association is reached at the general Assembly meeting. No time limit to register has been brought in the share book for those the shareholders held the shares registered to name so that they would attend the meeting. Articles of association does not include an article in relation to important decisions to be taken at the General Assembly, such as diversification, huge amount asset selling, purchasing, renting.

5. Voting Rights and Minority Rights

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

6. Profit Distribution Policy and Profit Distribution Term

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

First Allotment Legal Reserve

a) 5% legal reserve is allocated.

First Dividend

b) From the residual, first dividend is allocated at the rate and amount stated by Capital Market Board.
From the residual, with the condition of not affecting the first dividend, an amount up to 3% of net profit is distributed to Board Members after the decision of General Assembly. That amount can not be more than 10% of the paid-in capital.

Second Dividend

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

Second Allotment Legal Reserve

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

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

This policy is presented to shareholders in the general assembly meeting. No profit distribution has been realized in 2007. Profit distribution is possible till the 5th month of the following the year.

7. Transfer of Shares
Our articles of association includes the following articles in relation of the transfer and sale of shares

a) Transfer and sale of registered to name shares

Shareholder who want to sell all or any of the registered shares have to offer the shares firstly to other registered share owners. While using the option, shareholder will notify the company about the share he will sell, the amount offered to himself, the identification and address of the buyer nominee by a notary public announcement. The Company will at once deliver this sale demand to the partners by registered letter. If this letter is not received by the partners by any reason, the sale option is announced at a daily newspaper published around where the Company is located.
A partner who does not announce his wish to use purchasing option within 15 days of the delivery of the registered letter and within 7 days of the publishment and who does not block the necessary money to the Company within the same time limits will be presumed that he does not want to buy the shares. In any case, if the purchasing option is not used within 30 days after the notary public announcement, the partner has the right to sell the shares to nominee buyer freely. The sale of the shares either to existing partners or to nominee is realized by registration to share book.

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

Partners may sell or transfer all or any of his shares to his wife, children, sisters and brothers by only registering to the share book. Legal rules apply in the case of inheritance.
Sale of bearer owned shares are subject to Turkish Commercial Code and Capital Market Law.
Rules of article 416 of Turkish Commercial Code are preserved.

PART II INFORMING THE PUBLIC AND TRANSPARENCY

8. Company informing Policy

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

9. Special Condition Explanations

Company has made 6 special condition explanations within this period. Capital Market Board and Stock Exchange have not demanded additional explanations. All these explanations have been made on time. Our shares are not marketed in the foreign markets. No sanction has been applied to our Company by CMB because of not making the special condition explanations on time.

10. Company web site and its content

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

11. Explanation for ultimate owners as real person

Shareowners within the ultimate ownership frame are as follows after the exclusion of Alkim Alkali Kimya A.Ş. (31.12.2007)

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

12. Informing the public about the possible insiding traders

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

PART III BENEFIT OWNERS

13. Informing the benefit owners

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

14. Participation of benefit owners to management

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

15. Human Resources Policy

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

16. Info about the relations with the customers and suppliers

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

17. Social Responsibility

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

PART IV – BOARD OF DIRECTORS

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

The executive members of our Board of Directors are Nihat Erkan, H.Arkın Kora and Ferit Kora. Members of board of directors are as follows:

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

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

19. The characteristics of the members of Board of Directors

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

20. Vision, mission and strategic goals of the Company

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

Mission and vision of our Company

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

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

21. Risk management and internal control mechanism

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

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

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

Chairman of the Board of Directors	M.REHA KORA	(General Director in the status of managing director, setting the general Strategies)
Vice Chairman of the Board of Dir.	H.ARKIN KORA	(Member of Audit committee)
Vice Chairman of the Board of Dir.	FERİT KORA	(Commercial and financial issues)
Vice Chairman of the Board of Dir.	A.HALUK KORA	(Abroad relations, New projects)
Member of the Board of Directors (Executive general manager)	NİHAT ERKAN	(Financial and Administrative Issues.)
Member of the Board of Directors	ÖZAY KORA	(Member of Audit committee)
Member of the Board of Directors	MİTHAT KORA	(Legal issues)
Member of the Board of Directors	KADRİ ÖNEL	(Public Relations)
Member of the Board of Directors	M.FARUK YÜKSEL	(Acounting and legislation of tax, CMB, CRA and ISE)

23. Operating basis of Board of Directors

12 meetings were held in 2007. Actual presence majorities have been achieved. Decisions are given by plurality. No right for veto has been privileged.

24. Operating and rivalry prohibition with the company

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

25. Ethic Rules

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

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

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

27. Financial Rights granted to Board of Directors

Members of our Board of Directors are paid a monthly fixed amount, while they have been paid YTL 750 per month within 2007. They have not been granted debt, loan and warranties.