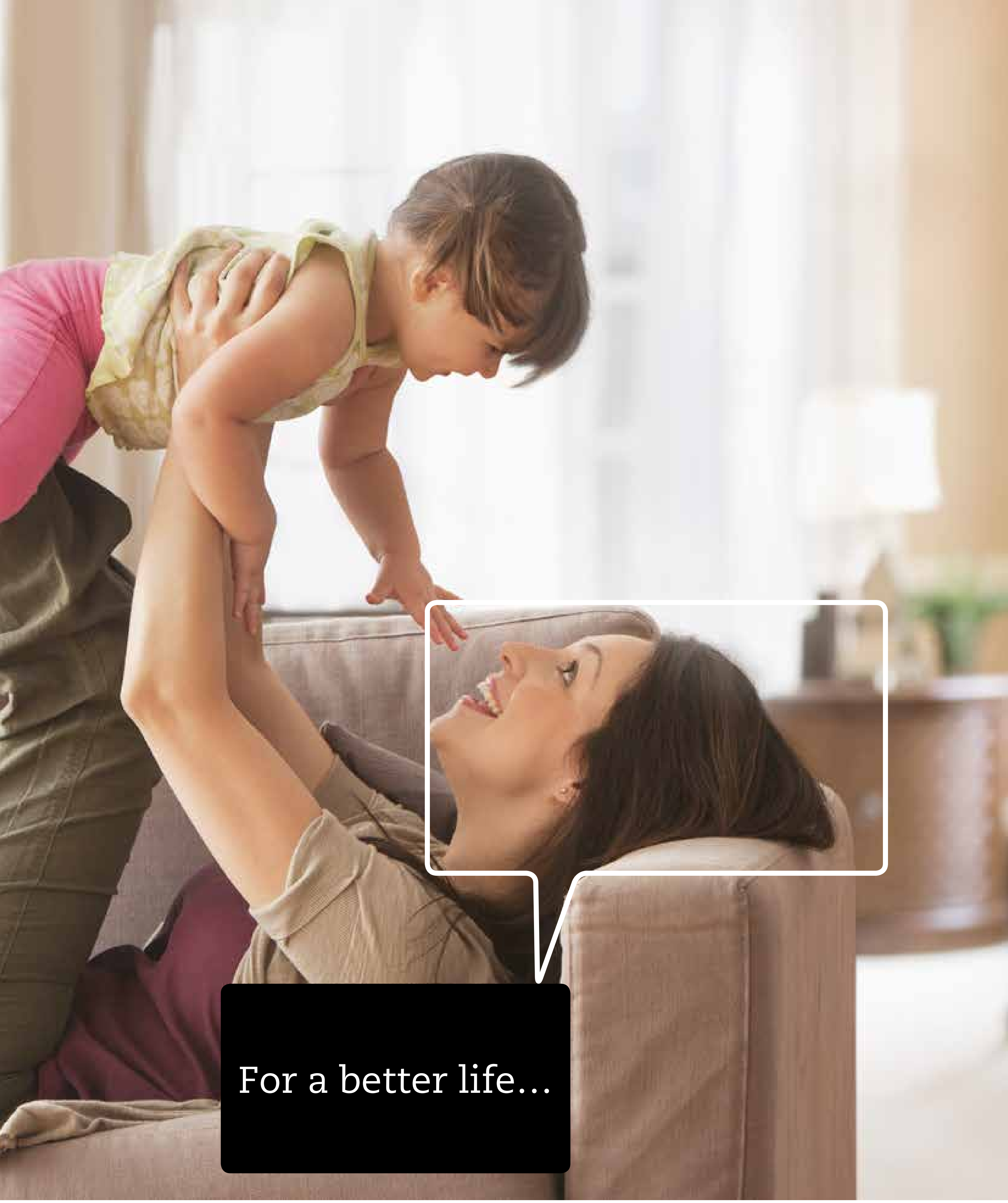


Viking Kağıt Annual Report 2012

VİKİNG
KAĞIT ve SELÜLOZ A.Ş.

Yaşar
for a better life

VİKİNG
KAĞIT ve SELÜLOZ A.Ş.

Superior-quality, nature-friendly products for a better life...

Since 1971 Viking Kağıt has been supplying customers and consumers with products that have diversified features capable of satisfying different needs.

Keeping a close watch on customers' and consumers' needs and wishes, Viking Kağıt continues to provide them with the products they need at the highest quality.

The creator of many first in its sector and exporting goods to 23 countries, Viking Kağıt's superior-quality, eco-friendly products are an essential element of its customers' and consumers' everyday lives.

All for a better life...

Trade Name
Viking Kağıt ve Selüloz A.Ş.

Contact Information

Headquarters
Şehit Fethibey Caddesi No: 120 Alsancak İzmir
Tel: +90 232 482 22 00 Fax: +90 232 484 17 89

Factory
Yalı Mah. Hürriyet Caddesi No: 474 Aliağa İzmir
Tel: +90 232 616 06 00 Fax: +90 232 616 02 06

Trade Registration
İzmir 31775 K:384

Website
www.viking.com.tr

Authorized Capital
TL 80,000,000.00

Paid-in Capital
TL 40,000,000.00

Turkey's first privately-owned paper mill

Corporate Profile

With a product line shaped by a customer-focused approach, Viking Kağıt has been continuously raising its quality standards since the day it was founded.

Top four

On the basis of its average market share, Viking Kağıt ranks among the top four firms in Turkey's tissue paper sector.

A company constantly improving its performance and standards

Turkey's first privately-owned paper mill, Viking Kağıt was founded in 1969 in İzmir's Aliağa township and it became operational in 1971. At the time the company joined the Yaşar Group in 1982, it had an annual production capacity of 13,500 tons/year of wrapping, printing, and laminating paper for industrial uses.

Shortly after acquiring Viking Kağıt, the Yaşar Group decided to expand and modernize the company's operations. A series of technology improvement investments quickly boosted Viking Kağıt's production capacity to 20,250 tons/year by 1984.

An exemplary model of entrepreneurship

Continuing to invest in technology with no loss in momentum, Viking Kağıt successfully underwent a second wave of modernization in 1995.

In 1996, Viking Kağıt took a bold step by venturing into the tissue paper business line for the first time and before long it joined the ranks of the sector's top players in Turkey. Viking Kağıt is a manufacturer who has created a distinguished portfolio of brands addressing both the consumer and the away-from-home (AFH) markets.

Viking Kağıt targets:

- The consumer market with toilet paper, paper towel, napkin, and packaged facial tissue products with its "Premia", "Lily", and "Senso" labels
- The AFH market with its "Select" label.

Two-fold capacity increase

Viking Kağıt undertook a second paper plant investment in 1999 and increased its production capacity to 43,000 tons a year. The company further strengthened its competitive position in the sector by completely renovating its tissue paper conversion plant in 2003

A responsible corporate citizen who puts quality and environmental management at the heart of its business

Viking Kağıt takes a customer-focused approach in the shaping of its product line and it has been continuously raising its quality standards since the day it was founded. The company's success in dealing with such issues has been documented by international concerns. Viking Kağıt was the first member of the Turkish tissue paper industry to be awarded internationally recognized ISO 9001 Quality Management System certification, which it received in 1997. The company's certification was upgraded to the ISO 9001:2008 Quality Management System standard as of 2009. In 2010 Viking Kağıt also became the first Turkish paper and cardboard manufacturer to be awarded Forest Stewardship Council Chain of Custody (FSC-CoC) management system certification.

Viking Kağıt is an environmentally-aware manufacturer whose actions are informed by the vision and sustainability approaches of the Yaşar Group, of which it is a member. The company's concern for the environment was also demonstrated when it became the first member of the Turkish tissue paper industry to commission a de-inking plant in 2000.

The nature-friendly tissue paper products that Viking Kağıt offers to consumers prevent the harvesting of an average of more than 250,000 trees a year.

Consumer products

Premia, Lily, and Senso

Premia, Lily, and Senso brand toilet papers, paper towels, napkins, and facial tissues

Away-from-home products

Select

Select brand products

Viking Kağıt engages in a variety of efforts to reduce the environmental impact of its activities. To this end, the company recently began calculating its carbon footprint and it is now quantifying its corporate carbon footprint every year on a regular basis. Viking Kağıt intends to report the results of these measurements and to use them in the development of appropriate carbon emission mitigation strategies and projects.

A strong production, marketing, and sales network

Viking Kağıt's efforts always focus on sustainable growth. As a result of this business model, the company keeps a close watch on market developments and takes a proactive approach in defining and realizing its investments in line with the requirements of demand.

Viking Kağıt supplies its products throughout Turkey through:

- 2 distribution channel departments
- More than 50 active dealerships
- Nearly 200 direct-sales outlets.

The company's products are delivered to customers and consumers at more than 60,000 locations.

Exporting to 23 countries

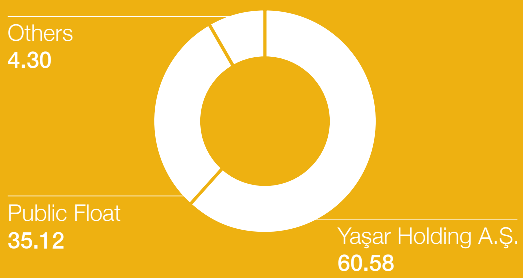
With its rapidly increasing export volumes, Viking Kağıt exports goods to 23 countries, principally in Europe and Central Asia.

With its production, marketing, and distribution network strengths, Viking Kağıt is today one of the top four tissue paper manufacturers in Turkey in terms of average market share. The company is committed to further fortifying its position in the sector.

Shared Values

- Viking Kağıt improves the quality of its customers' and consumers' lives with innovative products.
- Viking Kağıt shapes the course of its sector by means of the products that it develops
- Viking Kağıt supports the creation of a sustainable future through its environmental approaches.

Viking Kağıt Shareholding Structure (%)



Shareholder	% Share	Share Amount (TL)
Yaşar Holding A.Ş.	60.58	24,231,366
Public Float	35.12	14,049,859
Others	4.30	1,718,776
Total	**100.00**	**40,000,000**

The company's shares are traded on the National Market of Borsa İstanbul (BIST) under the VKING symbol.

The company's capital consists entirely of bearer shares, each one of which entitles a shareholder (or their proxy) present at a general meeting to a single vote.

One of Turkey's leading corporate groups...

7,200

The Yaşar Group provides goods and services through 20 companies, 19 factories and plants, 2 charitable foundations, and about 7,200 employees.

The Yaşar Group

"Durmuş Yaşar Establishment", a shop in İzmir's Şeritçiler Çarşısı district which Durmuş Yaşar opened in 1927 and from which he sold naval stores and paints, went on to become the core of what is today the Yaşar Group, one of Turkey's leading corporate groups.

Well-known brands in different sectors

With 20 companies, 19 factories and plants, 2 charitable foundations, and about 7,200 employees, the Yaşar Group is the owner of brands that rank among the leaders of their respective business lines:

- Foods & beverages
- Coatings
- Agricultural production
- Paper,
- Tourism
- Foreign trade
- Energy

The group's principal business lines consist of food & beverages and of coatings. The group's two leading brands are Pınar (food & beverages) and Dyo (coatings). Both enjoy top-level rankings as Turkey's "best-known consumer brands".

Food & Beverages Division

The most beloved flavors
The most wholesome products
The most advanced technology

- Pınar Süt
- Pınar Et
- Pınar Su
- Çamlı Yem Besicilik
- Yaşar Birleşik Pazarlama
- Pınar Foods GmbH
- HDF FZCO

Coatings Division

Technological leadership
Strong brands and distribution network

- Dyo Boya Fabrikaları
- Dyo Matbaa Mürekkepleri
- Kemipex Joint-Stock Co
- S.C. Dyo Balkan SRL
- Mediterranean Trade for Paints Co (MTP Co)

A corporate group that has authored many firsts

Keeping a close watch on developments in technology and maintaining an innovative approach, the Yaşar Group continues to author firsts in the business lines in which it is active.

The Yaşar Group launched Turkey's
- First national paints brand
- First 1,100 bed capacity hotel
- First privately-owned dairy plant conforming to international standards
- First privately-owned composite fertilizer plant
- First privately-owned paper plant
- First bottled mineral water supplied in non-returnable packaging
- First privately-owned integrated meat processing & packing plant

Six companies traded in the Borsa İstanbul

Six of Yaşar Holding's subsidiaries are traded on the Borsa İstanbul: Pınar Süt, Pınar Et, Pınar Su, Dyo Boya, Viking Kağıt, and Altın Yunus Çeşme.

In keeping with its environmental and social awareness approaches

Yaşar Holding strives to minimize the environmental impact of all of its economic and commercial activities. All Yaşar Group companies comply with all laws and regulations related to protecting the environment and to reducing pollution caused by business activities.

The Yaşar Group also involves itself in a variety of corporate social responsibility projects that support education, sport, culture, and art.

Regarding corporate responsibility towards its stakeholders as being synonymous with its economic responsibility towards them, on 12 November 2007, the Yaşar Group joined the United Nations Global Compact (UNGC) Network, a voluntary international corporate citizenship initiative. Yaşar Holding published its second UNGC communication on progress report in March 2011 and its first sustainability report in 2012.

The UNGC progress reports published by the group may be accessed and downloaded from the Yaşar Holding corporate website located at www.yasar.com.tr.

The Yaşar Group's mission

To provide trusted-brand, superior-quality products and services that add value to consumers lives.

Tissue Paper Division

Eco-friendly production Innovative products

- Viking Kağıt

Trade & Service Division

Committed to superior service

- Altın Yunus Çeşme
- Bintur
- Yaşar Dış Ticaret
- YADEX International GmbH
- Desa Enerji

Foundations

A responsible corporate citizen

- Yaşar Education and Culture Foundation
- Selçuk Yaşar Sports and Education Foundation


Exceeding expectations...

Distinguishing ourselves as our sector's innovator…

Chairperson's Message

Having distinguished itself in its sector as a pioneer and innovator, Viking Kağıt is now reshaping its corporate plans, strategies, and goals.

2013

We have begun our preparations for 2013 and beyond and we are formulating our plans aimed at achieving satisfactory growth.

Esteemed stakeholders

The global economy continues to be adversely affected by the intractable difficulties confronting the world's developed economies.

Although five years have passed since the outbreak of the global financial crisis in 2008, global markets continued to be plagued by uncertainties and volatilities in 2013.

The public-finance issues confronting EU countries of late period perpetuated the vicious circle of low growth - recession - unemployment all year long in 2012. The situation on the other side of the Atlantic was not much different with the United States seeming to devote a great deal of its energies to presidential and congressional elections for most of 2012 and then, for the rest of the year, to efforts to contend with a self-imposed "fiscal cliff" which had been embodied in tax law. Such problems confronting the developed world naturally affected developing countries by constricting and diverting international trade and capital flows. The growth performances of this group, of which Turkey is a member, visibly weakened. To sum up, 2012 was a year during which the global growth outlook deteriorated.

Looking at the economic policy front, central banks continued to adhere to expansionist monetary policies in an environment characterized by extremely weak inflationary pressures. Policy choices focused on stimulating growth however failed to fully achieve the results desired of them owing to seemingly intransigent structural problems and to efforts by the banking industry to shrink its balance sheets.

The Turkish economy grew by 2.2% in 2012.

In Turkey, inflation resumed its downward trend while the country's current account deficit continued to improve all year long as weak domestic demand fueled exports and reduced imports. A variety of measures also bore fruit with the result that the current account deficit fell to USD 49 billion as of end-2012. In this process, the contribution of domestic demand to growth declined while that of net external demand increased. Thus although the absolute rate of year-on growth shrank to just 2.2%, the overall composition of that growth had a much healthier appearance than was the case in 2011. The rate of consumer price inflation fell to 6.16% in 2012 thanks in part to policy implementation but also to an absence of the previous year's base effects.

The prevailing opinion at this time is that 2013 is going to be a somewhat better year for the Turkish economy. Sustainable growth will remain the shared goal of all economic authorities. In line with this, we may expect that the Turkish central bank (CBT) will continue to adhere to monetary policies that call for and support financial stability and that the Turkish economy will grow by about 4% or so in 2013.

High growth potential and the promise of a bright future are the two most outstanding characteristics of our industry.

Per capita consumption of tissue paper products in Turkey is well below the rates prevailing in other comparable countries as well as world averages. Per capita tissue paper consumption in 2006 was 2.8 kgs; although it has increased since then, it was still only 5 kgs in 2012. That is considerably less than half of the 13.8 kgs consumed in many western European countries and it is also well below current consumption rates even among countries in Turkey's immediate vicinity.

Today there are nearly ten major players in Turkey's tissue paper sector, whose combined installed production capacity is quite high. What this means is that there is considerable amount of supply-side surplus given present demand. Nevertheless it is also easy to spot serious growth potential that is waiting to be tapped through the implementation of the right strategies.

The existence of that potential, the fact that the sector's turnover grew by 14.3% (more than double the rate of CPI inflation) and reached the TL 920 million level, and the steadily increasing interest being shown by domestic and international investors all strengthen our faith in our industry's future.

Our effective production, marketing, and sales activities in 2012 sustained our consistent performance last year as well.
Viking Kağıt registered successful financial and operational results in 2012.

In 2012 we booked total sales of 35,661 tons and gross sales revenues of TL 129.3 million. This corresponds to a year-on growth rate of 4.0% in our turnover. Last year we booked USD 17 million on foreign sales made to 23 countries. On a tonnage basis, our exports corresponded to 37% of our total sales.

Since the day it was founded, our company has been a player shaping the market with innovative and functional products that appeal to consumers. Viking Kağıt introduced Turkey's first cotton-textured toilet paper, first aloe vera-enhanced toilet paper, and first three-ply toilet paper. In 2012 the company successfully authored yet another first that raised the quality standards of Turkey's tissue paper industry with the introduction of Premia- and Lily-brand paper towels that may safely come into contact with foods. The first products of their kind in our country, these paper towels have been certified food-contact-safe by ISEGA, an internationally accredited independent testing institute based in Germany.

An important innovation at our company in 2012 involved a reorganization of our business processes. As a result of this reorganization, we have changed over to a channel-focused management system under which our at-home and our away-from-home sales and distribution activities are now under the responsibility of two separate departments.

One outcome of this strategic decision was that we achieved significant growth progress in our 100%-cellulose Premia, Lily, and Senso lines in the at-home channel and in the Select line in the away-from-home channel.

While undergoing these changes, we lost no momentum in our investment activities. Last year we commissioned the industrial roll production line needed for manufacturing the center-pull kitchen towels and toilet papers that we see as having an important place in our at-home channel. We also added four units to our flat product manufacturing line. Another unit that we commissioned last year is designed to further increase our paper quality. This last is a project that we have been working on for quite some time. We also continued with a variety of other improvement and development investments at our factory in 2012.

Looking to the future, we believe that our company will continue to be a model of sustainable growth for the Turkish economy in the years ahead as well.
We are aware that our industry holds out the prospects for considerably more growth and development in the future as well. Our business strategies are informed by attitudes that seek to take the best possible advantage of every opportunity that the market has to offer. Those strategies are what will enable Viking Kağıt to advance confidently into the future and to grow its market share.

In 2012 we completed the transformation process which we launched and which we believe to be vitally important to the future of our company. We have formulated our plans aimed at achieving satisfactory growth in 2013 and beyond.

We are committed to the uncompromising implementation of our corporate strategies in order to fulfill the goals that we have defined for ourselves and to create increasingly more value for all of our stakeholders in the future as well. I therefore take this opportunity in closing to extend my thanks to our shareholders for standing by us at all times, to our employees for their superior performance and dedicated efforts, and to all of our customers for preferring Viking Kağıt quality.

İdil Yiğitbaşı
Chairperson of the Board of Directors

Business strategies informed by attitudes that seek to take the best possible advantage of every opportunity that the market has to offer are what will enable Viking Kağıt to advance confidently into the future and to grow its market share.

Board of Directors, Senior Management, Audit Committee

İdil Yiğitbaşı
Chairperson

Yılmaz Gökoğlu
Deputy Chairperson

Mehmet Kahya
Independent Director

Mehmet Öğütçü
Independent Director

Mehmet Aktaş
Director

Hakkı Hikmet Altan
Director

Levent Rıza Dağhan
Director

The Board of Directors and Terms of Office

Name	Title	Appointed	Term of Office
İdil Yiğitbaşı	Chairperson	8 May 2012	One year
Yılmaz Gökoğlu	Deputy Chairperson	8 May 2012	One year
Mehmet Kahya	Independent Director	8 May 2012	One year
Mehmet Öğütçü	Independent Director	8 May 2012	One year
Mehmet Aktaş	Director	8 May 2012	One year
Hakkı Hikmet Altan	Director	8 May 2012	One year
Levent Rıza Dağhan	Director	8 May 2012	One year

Limits of Authority:
Both the chairperson and the members of the Board of Directors possess all of the authorities set forth in the applicable articles of the Turkish Commercial Code as well as in articles 10 and 11 of the company's articles of association.

Senior Management

Name	Position
Mesut Sezer	General Manager
Ahmet Şenyaşa	Factory Director
Bayram Akyüz	Financial Affairs & Finance Director

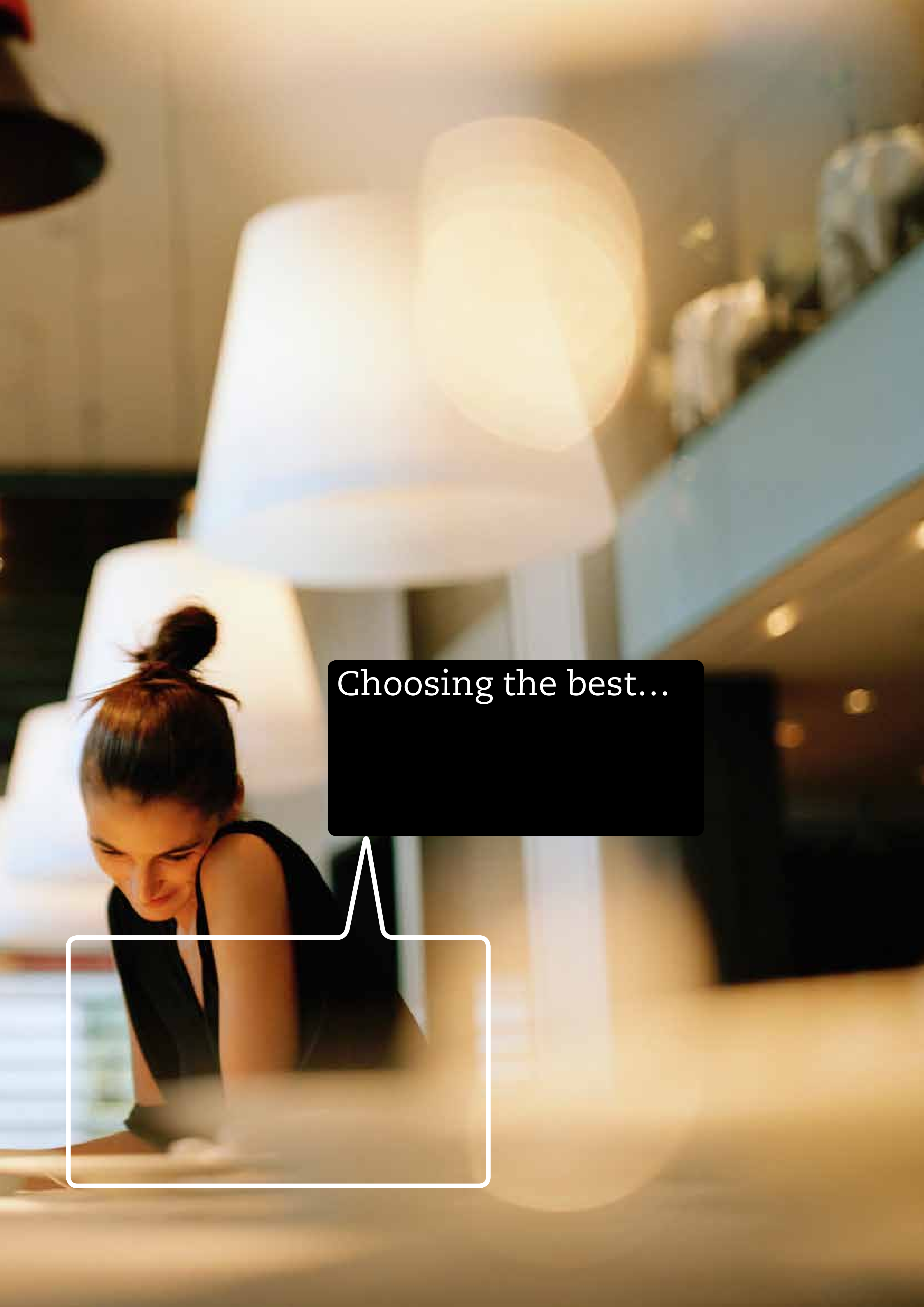
Mesut Sezer was appointed general manager effective 10 December 2012, at which time he replaced Turgut Sarıoğlu, who had hitherto held that position per procuration.

The Audit Committee and Terms of Office

Name	Appointed	Term of Office
Erdem Çakırokkalı	8 May 2012	One year
Gözde Kınlı	8 May 2012	One year

Limits of Authority:
Under article 13 of the company's articles of association, the duties, authorities, and accountabilities of auditors are governed by the applicable articles of the Turkish Commercial Code.

* Background information about members of the Board of Directors and senior managers is provided on page 31 of this report.


Choosing the best...

Sectoral tonnage up by 13% in 2012...

33%

Over the last five years, the sector's output has increased by 33% on a tonnage basis.

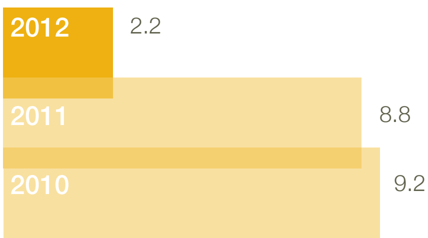
The Turkish economy and the sector in 2012

Driven by capacity increases as well as by demand, the Turkish tissue paper sector's output rose by 13% in 2012.

2.2%

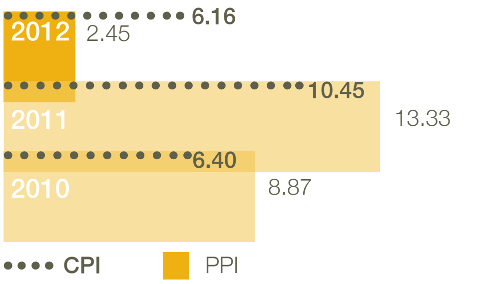
The Turkish economy grew by 2.2% in 2012.

GDP Growth Rate - Fixed Prices (%)



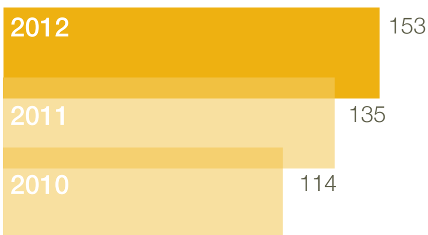
The Turkish economy grew by 2.2% in 2012.
After growing by 8.8% year-on in 2011, the Turkish economy grew by only 2.2% in 2012.

Inflation (%)

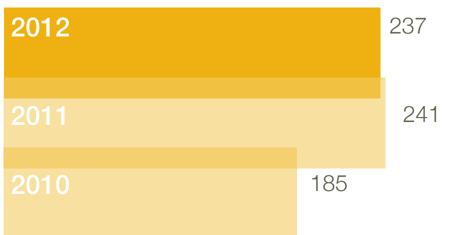


Inflation appears to be in decline.
In the twelve months to end-2012, the consumer price index (CPI, 2003 = 100) increased by 6.16%. During the same period, the producer price index (PPI) plummeted from 13.33% to just 2.45%.

Exports (USD billion)



Imports (USD billion)



Increases in exports impacted favorably on economic indicators.
Turkey's total exports increased by 13.1% in value in 2012 and reached USD 153 billion while imports were down slightly by 1.8% year-on and amounted to USD 237 billion. The country's terms of trade (TOT) ratio, which was 56.0% at end-2011 rose to 64.5% as of end-2012.

Source: TurkStat, CBT, Undersecretariat of Treasury

Sectoral Review

The Turkish tissue paper industry continued to grow in 2012.

Driven by capacity increases as well as by demand, the Turkish tissue paper sector's output rose by 13% on a tonnage basis in 2012. By the same measure, the sector's output has increased by 33% over the last five years.

The Turkish tissue paper sector:

- keeps a close watch on current progress in technology,
- makes use of advanced production methods,
- is distinguished by its substantial export potential.

Supported by its inherent strengths, the Turkish tissue paper sector was the scene of significant turnover growth in 2012. At a time when many other sectors were suffering from the persistent effects of the global economic crisis, the consumer products segment of the Turkish tissue paper market experienced a 14.3% year-on rate of growth in its turnover, which reached TL 920 million in value by end-2012. This performance was achieved at a time when consumer and producer prices increased by 16.16% and 2.45% respectively.

Looking at turnover rises on a product category basis, we see that the biggest gains took place in toilet paper (49.0%) and paper towels (24.7%). The napkins group by contrast grew by a much slower 6% in the twelve months to end-2012.

The tissue paper industry's installed production capacity increased by 11% year-on in 2012 and reached 630,500 tons.

The Turkish tissue paper market exported 152,410 tons of goods in 2012 and imported 7,106 tons.

Tissue paper consumption levels in Turkey remain below those prevailing in many western European countries.

Per capita tissue paper consumption in Turkey was 2.8 kgs in 2006; although it has increased since then, it was still only 5 kgs in 2012. That is considerably less than half of the 13.8 kgs consumed in many western European countries and well below current consumption rates even among countries in Turkey's immediate vicinity.

Looking at worldwide performance, we see that the global market for tissue paper has been increasing by an average of 3% a year over the last five years and that per capita consumption of tissue paper products amounts to 3.9 kgs.

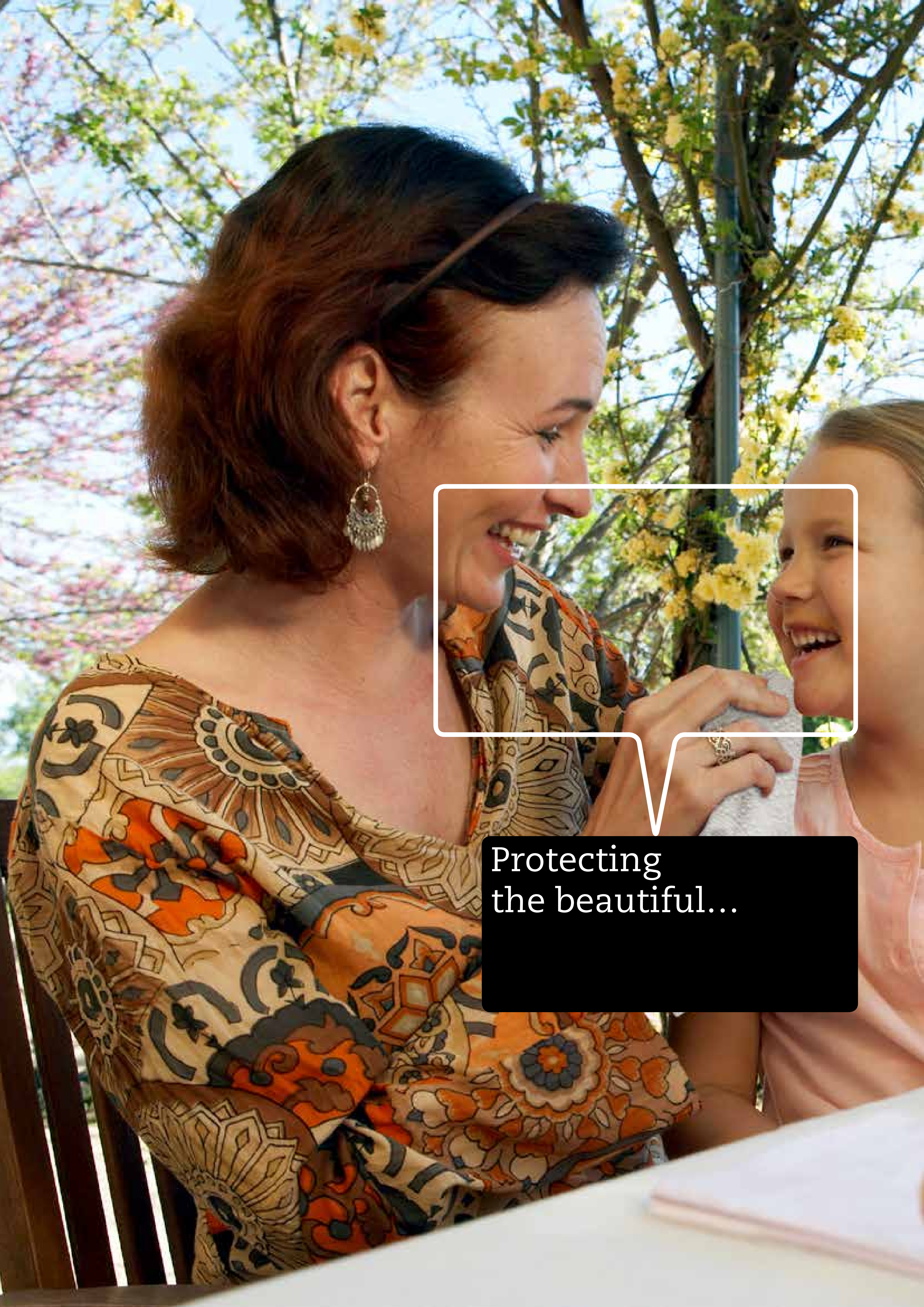
The sector harbors strong growth potential for players who have the ability to keep a close eye on markets and to invest in new technologies while reducing their production costs.

The currently low level of per capita tissue paper consumption in Turkey is what encourages investors to exploit the untapped potential and that implies the need to undertake investments in new manufacturing capacity. Such investments have the ability to expand the market but they also mean that oversupply will be exerting downward pressure on prices for some time to come.

The sector continues its efforts to reduce both its energy and its shipping costs as these are responsible for a substantial portion of its overall outlays.

Technologies and developments that allow waste paper to be used more efficiently rank high on the agenda of issues that will be occupying the sector's attentions and shaping its future course.

Looking at turnover rises on a product category basis, we see that the biggest gains took place in toilet paper (49.0%) and paper towels (24.7%). The napkins group by contrast grew by a much slower 6% in the twelve months to end-2012.


Protecting
the beautiful…

For all of our stakeholders...

4.0%
2012 gross sales up

In 2012, Viking Kağıt:
- registered a 4.0% rate of year-on growth in its gross sales
- introduced Turkey's first and only paper towels certified as safe for coming into contact with foods
- was one of the top four companies active in the consumer products market
- continued to offer at-home products to a broad range of consumers with different wishes and needs in many different market segments.

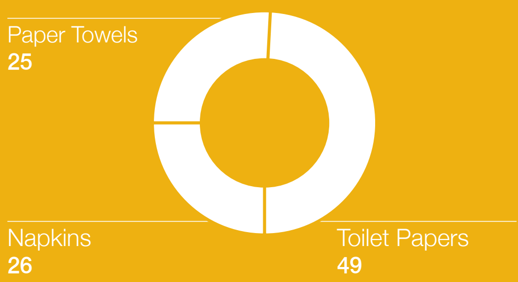
Market Share

5.4%

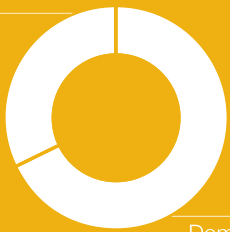
Viking Kağıt controlled a 5.4% share of its market's turnover in 2012.

(Source: Nielsen)

Breakdown of Sales in 2012 (by volume - %)



Breakdown of Sales in 2012 (by volume - %)



Sales in 2012	Volume (Tons)	Gross Sales (TL)
Domestic sales	22,344	98,670,209
Foreign sales	13,317	30,672,741
Total	**35,661**	**129,342,950**

In 2012 Viking Kağıt booked a gross profit of TL 19.8 million and a gross profit margin of 20%.

4% growth

In 2012 Viking Kağıt's turnover grew by 4%. The company booked TL 129.3 million in gross revenues on total sales of 35,661 tons.

Breakdown of sales by segment and tonnage
- Toilet paper: 49%
- Paper towels: 25%
- Paper napkins: 26%

63% of sales to the domestic market

On a tonnage basis, Viking Kağıt made 63% of its sales to the domestic market and exported the remaining 37%.

In 2012 Viking Kağıt once again continued to strengthen its long term business relationships with leading local food and household necessities retailers as measured by sales. At the same time, the company also increased its sales through agreements that it entered into with nationwide retailing chains.

Constantly reviewing and renewing its product portfolio in light of market and consumer developments, in 2012 Viking Kağıt once again dropped low-demand, weak-performance products from its portfolio while also introducing new ones.

Viking Kağıt registered turnover growth rates of 16% and 24% respectively in toilet papers and paper towels while its turnover in the paper napkins segment was down by 7% year-on. At end-2011 Viking Kağıt controlled a 5.1% share of the market's overall turnover; in 2012 this was up slightly to 5.4%.

(Source: Nielsen)

Viking Kağıt exports goods to 44 customers in 23 countries.

Viking Kağıt currently exports its goods to 23 countries. Last year the company booked export revenues worth USD 17 million on sales corresponding to 37% of the total by tonnage. This performance successfully maintained Viking Kağıt's stature as the company exporting the biggest share of its output among the members of the Yaşar Group.

The UK takes the biggest share of Viking Kağıt's exports, which consist primarily of semi-finished (intermediate) goods. The second biggest country in the company's export market portfolio in 2012 was Israel.

Last year Viking Kağıt continued its efforts to further develop its overseas markets. To this end, it engaged in effective marketing activities and made contacts with possible buyers in countries viewed as having the potential to become new markets.

Investments

All of Viking Kağıt's major investments in 2012 were in the "replacement investment" category. Total investment outlays amounted to TL 2,458,673 of which TL 203,806 was for buildings & land improvements, TL 1,414,109 for machinery & installations, TL 81,947 for fixtures, a TL 192,335 for rights.

129.3

In 2012 Viking Kağıt booked gross sales revenues worth TL 129.3 million.

For our customers and consumers...

quality

Viking Kağıt continues to develop new products with enhanced quality and performance features and to introduce them to the market.

Viking Kağıt has made it its mission to improve the quality of its customers' and consumers' lives with branded products that satisfy their hygiene needs.

Viking Kağıt continued to expand its product line with the addition of new products.

Having made it its mission to improve the quality of its customers' and consumers' lives with branded products that satisfy their hygiene needs, Viking Kağıt continues to develop new products with enhanced quality and performance features and to introduce them to the market.

In 2012 Viking Kağıt launched new products in line with market and consumer expectations. Last year it introduced a new label–called "Premia"–in the premium products segment, a category that single-handedly accounts for 41% of the entire market's total turnover. Made from 100% cellulose and incorporating such high-performance features as triple-ply, the company's new line of Premia-brand toilet paper and paper towel products proved to be popular with consumers and contributed to the growth in Viking Kağıt's turnover.

Viking Kağıt makes use of special manufacturing methods in order to equip its Premia line products with the extra features demanded by premium-market consumers. Premia-label toilet paper and paper towel products incorporate advanced production techniques that result in enhanced softness as well as superior absorbency.

Premia and Lily: Turkey's first and only paper towels certified as safe for contact with foods

Shaping the course of its sector with its business model and roster of achievements, Viking Kağıt authored yet another first that raised the quality standards of the tissue paper market in Turkey. ISEGA, a highly respected and internationally accredited independent testing institute based in Germany, certified that Viking Kağıt's Premia- and Lily-brand paper towels are safe for coming into contact with foods. These are the first and only products of this kind to be so recognized in Turkey.

Premia, Lily, and Senso: Different features for different needs

As one of the top four companies active in the consumer products market at end-2012, Viking Kağıt offers at-home products to a broad range of consumers with different wishes and needs in many different market segments

On a tonnage basis, at-home consumer products make up 70% of the overall tissue paper products market while the domestic market for such goods was worth TL 920 million in value in 2012. Over the last five years, per capita consumption of tissue paper products has doubled in Turkey and such growth is a major contributor to the market's performance. With the expansion in organized retailing, the influence of the small-outlet (400-1,000 m^2) segment in particular has been increasing in the consumer products market.

Viking Kağıt reaches out to:

- consumers attracted by premium-segment products with the Premia line of triple-ply, enhanced-softness products that it launched in 2012,
- consumers in the upper-middle segment with the Lily line of double-ply products that they prefer,
- consumers looking for bargain-priced goods with its Senso line.

Turkey's first and only

ISEGA, Germany certified that Viking Kağıt's Premia- and Lily-brand paper towels are safe for coming into contact with foods. These are the first and only products of this kind to be so recognized in Turkey.

Select: Specially created for the AFH market

Away-from-home (AFH) products account for a 30% share of the overall tissue paper market on a tonnage basis. This channel has been performing quite strongly in recent years primarily for two reasons:

- Expansion in the tourism industry
- People spending more time away from home.

Turkey's tourism sector is growing by leaps and bounds and new hotels and other facilities are constantly entering the market to tap this potential. As this market is the biggest source of the demand for AFH products, it is the principal reason why this channel is growing so strongly.

Other factors coming into play have also contributed favorably to growth in the AFH products market, such as the greater amount of time that people spend outside their homes as urbanization continues to spread. As recently as five years ago, the AFH use of tissue paper napkins, toweling, and toilet paper was limited mostly to the country's major hotels and leading restaurants; nowadays such products are to be found almost everywhere.

The robust products specially designed for professional use which Viking Kağıt makes under the Select label range from towels and napkins to toilet papers for hotels, restaurants, hospitals, patisseries, cafeterias, schools, and similar places and from toilet seat covers to examination table sheeting.

The proximity of Viking Kağıt's production facilities to Turkey's main tourism industry regions (the Aegean and Mediterranean) also gives Select-brand products a huge advantage.

Effective marketing continued to enhance Viking Kağıt's competitive strength in 2012.

During 2012 Viking Kağıt once again continued its marketing and advertising efforts without letup and made effective use of such media as TV, magazines, and newspapers. The launching of the newly-certified food-contact-safe feature of the Premia and Lily lines of paper towels was accompanied by intensive communication activities.

In addition to such campaigns, promotional activities were conducted at points of sale all year long. Special arrangements continued to be made with supply chain participants to increase the delivery performance of products while specially-bundled, discount-priced products were also put on sale from time to time to whet consumer demand.

Committed to quality

Viking Kağıt was the first member of the Turkish tissue paper industry to be awarded internationally recognized ISO 9001 Quality Management System certification. In keeping with the corporate culture of the Yaşar Group of which it is a member, the company carries out all of its production activities with a steadfast commitment to quality.

In order to ensure the continuity of its quality, Viking Kağıt monitors and records all stages of its production and trade processes from receiving initial orders to the use of its products by customers for compliance with prescribed procedures and directives.

88.4%

The overall capacity utilization rate in 2012 was 88.4%.

200

Viking Kağıt supplies consumer products to end-users through more than 50 dealers and nearly 200 direct sales outlets.

Under the heading of quality certification:

- Viking Kağıt was awarded ISO 9001:1994 Quality Management System certification in 1997.
- In 2003 Viking Kağıt updated its certification and had it converted to ISO 9001:2000, which focuses on process management rather than final products, on integrating quality into business systems, and improving process performance metrics.
- In 2009 Viking Kağıt was awarded ISO 9001:2008 Quality Management System certification, which is the most recent version.
- Viking Kağıt has successfully passed every ISO 9001:2008 audit which it has undergone over the last three years without the slightest infraction.
- In 2010 Viking Kağıt became the first paper & cardboard manufacturer in Turkey to be awarded Forest Stewardship Council Chain of Custody (FSC-CoC) management system certification.

Developments in OCI and Lean Six Sigma projects

Through its Lean Six Sigma Project, Viking Kağıt seeks to:

- achieve excellence in all of its business processes,
- raise operational productivity,
- sustain its competitive edge,
- strengthen its market position,
- increase its profitability.

Under the 2012 Lean Six Sigma program, 2 Black Belt and 8 Green Belt projects were completed.

Committed to the Yaşar Group's approach of participatory management, Viking Kağıt encourages its employees to submit suggestions about ways to improve the company's work and business processes through its Operational Cost Improvement Program (OCI)

During the company's annual "OCI Suggestion Weeks", held last year in May, Viking Kağıt employees submitted 212 suggestions about ways to improve work and business processes. These suggestions were reviewed by the OCI Committee, which handed out awards and recognitions for those deemed to be worthy.

Developments in information technologies

Seeking to integrate technology into all of its business processes as much as possible and to take maximum advantage of all of the benefits that technology has to offer, Viking Kağıt once again undertook investments in its information systems in 2012

The company's information system development activities in 2012 are summarized below.

- A project was carried out to add online production and efficiency monitoring capabilities to two main packaging lines. This new system is now in operation.
- A warehouse management module for the company's spare parts stores was added to the SAP system and is now operational.
- Shipping Management Software has been brought on line, allowing better monitoring of the firms and vehicles that provide the company's shipping services.
- Work continued on a project to expand regional / headquarters communication line capacity and quality.

Production Capacity in 2012

	Production Capacity (tons/year)	Produced (tons/year)	Capacity Utilization Rate (%)
Semi-finished goods	43,000	36,993	86.0
Finished tissue paper products	44,639	20,506	45.9

Viking Kağıt gives great importance to ensuring the satisfaction of its customers and consumers, whom it positions at the heart of its business at all times.

- Sales representatives are now able to access the SAP services for which they are authorized from outside the company using their netbooks.
- The groundwork was laid for an "Access Authorization Card Project" that will be standardizing SAP access authorizations.

Effective distribution network

An essential Viking Kağıt goal is to keep its customers and consumers supplied with its products quickly and efficiently. The existence of a well-functioning and effective logistics network that has been planned in light of demand conditions is of vital importance in achieving this.

As of end-2012, Viking Kağıt was supplying consumer products to end-users through
- more than 50 dealers
- nearly 200 direct sales outlets.

In 2012 the company once again maintained its strong distribution clout in two of the consumer goods market's essential sales channels: the 400-1,000 m² and the under-400 m² sales outlets.

Production Facilities

Enclosed space	41,097 m²
Production buildings	27,362 m²
Offices, warehouses, etc	13,735 m²
Grounds	213,926 m²
Total	**255,023 m²**

A manufacturer who is mindful of its customers' and consumers' wishes

Viking Kağıt gives great importance to ensuring the satisfaction of its customers and consumers, whom it positions at the heart of its business at all times. Feedback collected from the customer satisfaction surveys which the company carries out concerning every aspect of its business from product processes to sales & delivery channels is used to update and make improvements in business plans when necessary.

Viking Kağıt will continue to regularly conduct satisfaction surveys and annual business partner evaluation polls in order to further improve its quality and to further develop its business processes in light of its findings.

Paper Machines

1st machine	
ER-WE-PA (1971): 17,000 tons/year	
Production range: 17-50 gr/m² tissue paper	
2nd machine	
VALMET, Crescent Former Technology (1999): 26,000 tons/year	
Production range: 15-40 gr/m² tissue paper	
De-inking plant	
(2000): 27,000 tons/year	
Roll & flat product conversion line total capacity	
44,639 tons/year	

For our suppliers...

input

Viking Kağıt procures the cellulose inputs for its manufacturing from North America, Europe (Finland, Sweden, Russia, Spain), and South America (Brazil, Chile).

Viking Kağıt assesses its suppliers' performance on the basis of such criteria as quality, delivery, and price and it uses a point system to rate them.

Viking Kağıt seeks to enter into long-term relationships with its suppliers.

One of the most serious issues confronting the Turkish paper industry is raw material procurements because of the direct impact which these have on price margins and competitive strength.

The cellulose that is the primary raw material in paper manufacturing is procured from North America, Europe (Finland, Sweden, Russia, Spain), and South America (Brazil, Chile).

Because it is not produced in Turkey, Viking Kağıt must import cellulose from abroad. This makes relations with suppliers even more important. The ability to develop, enter into, and maintain long-term relationships is a crucial to the sustainability of the company's business model.

In addition to raw materials like cellulose, Viking Kağıt's manufacturing processes also require it to procure a variety of chemical and packaging materials as well. The company focuses on establishing mutually-beneficial and productive relationships with those who keep it supplied with such inputs.

Keeping abreast of the latest developments in its industry is an essential part of Viking Kağıt's procurement processes. Newly-developed chemicals, new packaging designs, and new techniques are analyzed and assessed in consultation with suppliers while their potential usefulness is explored through trial production.

Particularly on occasions such as industry-related fairs and seminars, it is Viking Kağıt's principle to meet with suppliers and to seek out and explore any developments which might improve its own production capacity and quality.

Viking Kağıt evaluates and selects its suppliers according to strictly-defined standards and criteria.

Suppliers' production, storage and shipping conditions are monitored in order to determine whether or not the requirements of quality certification and procedures are being satisfied.

The company rates its suppliers on the basis of a system in which it assigns them points for quality, delivery, and price performance. A Corrective & Preventive Action System is employed in order to prevent any recurrence of any quality-related problems that may be experienced. Problems that are identified are discussed with suppliers, solutions are developed to deal with them, and the results of these efforts are carefully monitored.

For our employees...

In 2012

Seeking to be a preferred employer in its industry, Viking Kağıt believes that its employees are the architects of its success as a company.

281

Viking Kağıt has 281 people on its payroll.

A business culture that motivates employees

Viking Kağıt's human resources policy is based on the principles of:

- supporting and developing employees through in-house training that focuses on the company's goals and organization,
- improving employment conditions in new positions that are to be created in line with this.

Viking Kağıt constructs its human resources policies and practices on the basis of the value which it places in the "human" element and it implements them so as to improve its competitive strength. The company's productivity is increased by a discerning combination advanced technology and competent human resources.

Seeking to be a preferred employer in its industry, Viking Kağıt believes that its employees are the architects of its success as a company. As of 31 December 2012, Viking Kağıt had a total of 281 people on its payroll, of whom 143 were white-collar and 138 were blue-collar personnel.

In 2012:

- Viking Kağıt provided newly-hired personnel with 584 hours of orientation and 848 hours of on-the-job training.
- Of the total time devoted to Viking Kağıt personnel training, 8% consisted of management & leadership training, 59% of occupational training, and 33% of personal development training.

Total training time averaged 16 hours/employee.

Viking Kağıt takes a proactive approach to career planning. During 2012, twenty-four of its employees were promoted or rotated to new positions.

1,432

A total of 1,432 hours of employee training was provided in 2012.


Making a difference…

For the environment and the community...

40%

In collaboration with ÇEVKO, Viking Kağıt had packaging materials corresponding to 40% of those on the goods which it supplied to market collected and then restored to economic use.

In order to protect public health and to fulfill its environmental responsibilities, it is Viking Kağıt's principle to join forces with its contractors, suppliers, and employees in an ongoing effort to review, assess, and improve everyone's environmental performance in the conduct of the company's manufacturing operations.

Waste management at Viking Kağıt: Turkey's first biological treatment plant

While providing its customers and consumers with superior-quality products, Viking Kağıt is also scrupulously mindful of the environment in which it operates. Seeking to minimize the environmental impact of its production and distribution processes as much as possible, the company gives particular attention to waste management measures.

The company adheres to a "waste management" principle which involves taking every possible measure to dispose of or to recycle waste in compliance with the requirements of laws and regulations.

Viking Kağıt installed Turkey's first biological treatment plant. Water discharged from production processes undergoes physical, chemical, and biological treatment so that when it is finally released it is below legally-prescribed contamination limits. The performance of Viking Kağıt's treatment plant is checked every day by the company's own in-house laboratory. Treatment units are also subject to regular inspection by authorities and they passed them all without problem during the reporting period.

Viking Kağıt - ÇEVKO collaboration

Seeking to support both economic and environmental sustainability by taking part in recycling efforts, Viking Kağıt collaborates with the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO) in the conduct of a recycling project. Under this project, Viking Kağıt had packaging materials (polyethylene, paper, cardboard) corresponding to 38% of those on the goods which it supplied to market collected and then restored to economic use.

Our goal: ISO 50001 Energy Management System certification

Viking Kağıt took part in the first energy-efficiency pilot project conducted by the Ministry of Energy and Natural Resources under the "National Project To Reduce The Level Of Energy Use In Industry Through Voluntary Agreements" program governed by the Energy Efficiency Act (Statute 5627 dated 18 April 2007).

In January 2009 Viking Kağıt applied to the Ministry of Energy and Natural Resources to join a project whose aim is to voluntarily reduce its energy-intensiveness by 11% over a three-year period. Following the ministry's approval of this application, an agreement was signed that went

Nature-friendly

The nature-friendly tissue paper products that Viking Kağıt offers to consumers prevent the harvesting of an average of more than 250,000 trees a year.

into effect at the beginning of 2010. Under this agreement, Viking Kağıt will be attempting to gradually reduce its energy expenditures.

In its ongoing efforts to address energy management issues more systematically, in 2012 Viking Kağıt launched a project to set up an ISO 50001-compliant energy management system at the company.

The company's goal is to complete the project and to initiate ISO 50001:2011 Energy Management System certification procedures before the end of 2013.

Turkey's first FSC-CoC-certified paper & cardboard manufacturer

In 2010 Viking Kağıt underwent an audit carried out by BM TRADA Certification Türkiye and it became the first concern in Turkey to be awarded Forest Stewardship Council Chain of Custody (FSC-CoC) Management System certification.

Paper and paper products undergo many processing and handling stages as they move from raw materials and reach the final consumer. FSC-CoC Management System certification is only awarded to products made by company that makes use of no undocumented or unaudited materials in its manufacturing processes.

Another purpose of the FSC-CoC Management System is to confirm that goods claimed to be "eco-friendly" really are and to be sure that full attention is given to environmental issues during all production processes. The system also provides certification for compliance with a number of national and international standards. Viking Kağıt's FSC-CoC certification bears witness to the authenticity of its environmentalist credentials.

Following initial certification in 2010, Viking Kağıt successfully underwent intermediary inspections in 2011 and 2012 that it passed with "0" infraction rates.

Principal Viking Kağıt social responsibility activities in 2012

In order to protect public health and to fulfill its environmental responsibilities, it is Viking Kağıt's principle to join forces with its contractors, suppliers, and employees in an ongoing effort to review, assess, and improve everyone's environmental performance in the conduct of the company's manufacturing operations.

In 2012 Viking Kağıt provided scholarships to six students through the Yaşar Education and Culture Foundation. Twenty-eight highschool and university students were provided with traineeship opportunities under the company's occupational training program. Sanitary paper products donated to the Aliağa School for the Physically Handicapped and to the Aliağa Primary School. Primary- and middle-school pupils were taken on tours of Viking Kağıt's plant and they attended presentations about using tissue paper and about recycling.

The company conducts its activities within the framework of values which are adhered to by Yaşar Group companies and whose approach to the production of goods and services involves compliance with laws and the rules of ethics, concerns itself with national problems without becoming involved in politics, and values the environment and nature. These values are known to all company employees. In addition, work is currently being carried out to formulate the company's own rules of ethics within the framework of its corporate governance approach.

our goal

Our goal is to make ourselves ready to initiate ISO 50001:2011 Energy Management System certification procedures before the end of 2013.

Corporate Governance Practices and Financial Information

Corporate Governance

Financial Information

Management

BOARD OF DIRECTORS

İdil Yiğitbaşı
Chairperson

İdil Yiğitbaşı received a bachelor's degree in business administration from Boğaziçi University in 1986 and a master's degree in the same subject from Indiana University in 1989. She started her career in finance at the Yaşar Group in 1986, and subsequently held senior management positions particularly in strategy and marketing in various Group companies involved mainly in the food industry. Having served as the Vice Chairperson of Yaşar Holding from 2003 until 2009, Ms. Yiğitbaşı has been appointed as the Chairperson of Yaşar Holding in April 2009, a position she still holds. İdil Yiğitbaşı has been holding seats on the boards of directors of Yaşar Group companies for the last ten years.

Yılmaz Gökoğlu
Vice Chairperson

Yılmaz Gökoğlu received a bachelor's degree in economics and public finance from Ankara University, Faculty of Political Sciences in 1977. He worked as a tax inspector for the Ministry of Finance from 1978 through 1982, and joined Yaşar Group in 1983 where he held various senior management positions mostly in the fields of financial affairs and audit. Elected as a member of the Yaşar Holding Board of Directors in April 2007, Mr. Gökoğlu was appointed as Vice Chairperson of Yaşar Holding in June 2009. Mr. Gökoğlu, to whom audit and risk management coordinator reports, also serves as General Secretary of the boards of directors at the Yaşar Group. Yılmaz Gökoğlu has been holding seats on the board of directors of Yaşar Group companies for the last ten years.

Mehmet Kahya
Independent Director

Mehmet Kahya double majored in chemical engineering and economics at Yale University (1973), and received his master's degree with majors in finance, marketing and operations research from the Kellogg Graduate School of Management in 1975. Having served in senior management positions including board member, managing director, vice chairperson, CEO and executive committee member in various private sector firms and holding companies in Turkey, Mr. Kahya has been a member of the Board of Directors of Yaşar Holding since April 2009.

Mehmet Öğütçü
Independent Director

Mehmet Öğütçü received his bachelor's degree from Ankara University, Faculty of Political Sciences in 1983, his master's degree from the London School of Economics in 1985 and his doctorate degree from College d'Europe, Bruges in 1992. He served as an advisor for foreign media relations for Turgut Özal, then Prime Minister. He worked in the Turkish Foreign Affairs Ministry's missions in Ankara, Beijing, Brussels and OECD from 1986 to 1994. He was the principal administrator for the Asia-Pacific program at the International Energy Agency in Paris from 1994 to 2000, and the head of OECD's Global Forum from 2000 until 2005. He functioned as the External Relations and Governmental Relations Director of BG (British Gas) Group from 2005 to 2011. Currently, Mr. Öğütçü is the chairman of Global Resources Corporation (London), a regional energy investment and consultancy company; an independent director on the board of Genel Energy Plc; chairman of Invensys Plc Advisory Board; International Advisory Board member at APCO Worldwide (Washington); Advisory Board member at KCS, Windsor Energy Group and NUMIS Securities, and special envoy at Energy Charter (Brussels). He occasionally lectures on development economy, competitive edge and energy geopolitics at LSE and Harvard University. He has published numerous books and articles on energy, foreign investments, China, Middle East, Central Asia and EU in Turkey and in the international arena.

Dr. Mehmet Aktaş
Director

Mehmet Aktaş received a bachelor's degree in economics from Ankara University, Faculty of Political Sciences in 1983, a master's degree in economics from Vanderbilt University in 1992 and a doctorate degree in finance from 9 Eylül University in 2003. After working in the public sector from 1984 to 1995, he joined the Yaşar Group in 1995, where he held various positions mainly in strategy, budget, and corporate finance. Mr. Aktaş was appointed as Chief Executive Officer of Yaşar Holding in July 2007 and has been serving as a member of the Yaşar Holding Board of Directors and as Chief Executive Officer since April 2009. He has been holding seats on the boards of directors of Yaşar Group companies for the last ten years.

Management

Hakkı Hikmet Altan
Director

Hakkı Hikmet Altan got his bachelor's degree in business administration from the Middle East Technical University in 1985. After working at the Yaşar Group from 1985 until 1988, he became Assistant General Manager at Yaşar Uluslararası Ticaret and Yaşar Dış Ticaret from 1993. He functioned as Yaşar Group Finance Coordinator from 2001 to 2003, when he was appointed as the Vice President of Finance for Yaşar Group. Mr. Altan became Vice President of Foreign Trade of the Group in 2007. Serving as the Chief Financial Officer of Yaşar Holding since 2009, Mr. Altan has been holding seats on the boards of directors of Yaşar Group companies for the last ten years.

Levent Rıza Dağhan
Director

Levent Rıza Dağhan received his bachelor's degree in public finance from Ankara University, Faculty of Political Sciences in 1986. The same year, he worked as an assistant manager and branch manager in Turkey operations of the UK-based International Leisure Group and as Manager for Turkey Operational Planning and Analysis at the London Head Office. He joined the Yaşar Group in 1991, where he worked as an auditor, audit coordinator and Vice President of Audit in the Audit Department. He was appointed as Vice President of Financial Affairs and Finance responsible for Coatings and Chemicals Division Companies (2001-2003), and held seats on the boards of directors of some companies under the Yaşar Group (1998-2003). From 2004 until 2009, Mr. Dağhan functioned as the CFO of Öger Group, and actively as a board member and Vice Chairman at Öger Group's companies, primarily Öger Holding and Atlasjet International Aviation. He has been serving as the President of Financial Affairs and Budget Control of Yaşar Group since 2009. Mr. Dağhan has been holding seats on the boards of directors of Yaşar Group Companies for the last three years.

Members of the Board of Directors of our company, which is affiliated to the Yaşar Group, may hold seats on the boards of directors of other Group companies, and there may be various transactions by and between these companies that may be considered under the scope of Article 395/1 of the Turkish Commercial Code. However, the parties to such transactions are Group companies only, and necessary permissions are obtained at the general assembly meeting of each relevant company.

SENIOR MANAGEMENT

Mesut Sezer
General Manager

Mesut Sezer got his bachelor's degree in business administration from Anadolu University in 1984. He began his career as an olive expert at Marmarabirlik Mudanya Branch in 1984, and worked as a sales inspector and sales supervisor at Tuborg-Bimpaş Bursa Regional Office from 1987 to 1991. Having joined the Yaşar Group in 1993 as Pınar Et Bursa Regional Supervisor, Mr. Sezer functioned as Bursa Regional Manager (1995-1998), Pınar Food Service Regional Manager (1998-2001), Yaşar Birleşik Pazarlama Bursa Regional Manager (2001-2008), Yaşar Birleşik Pazarlama Sales Director for West (2008-2010), and Yaşar Birleşik Pazarlama Sales Director for East (2011-2012). Mr. Sezer has been appointed as the General Manager of Viking Kağıt in December 2012.

Ahmet Şenyaşa
Factory Director

Ahmet Şenyaşa received his bachelor's degree in industrial engineering from Dokuz Eylül University in 1993 and in economics from Anadolu University in 2005. He completed his master's degree in management and organization at Ahmet Yesevi University in January 2013. From 1985 to 1995, Mr. Şenyaşa owned a business engaged in the sales, service and spares for LPG and household appliances. He joined the Yaşar Group in 1995, working as a converting engineer at Viking Kağıt. Having served as a converting manager from 2000 until 2007, he has been appointed as the Factory Director in 2007, a position he currently holds.

Bayram Akyüz
Financial Affairs & Finance Director

Bayram Akyüz received his bachelor's degree in business administration from Gazi University in 1994 and his master's degree in banking education from the same university in 1996. He worked as an inspector at companies affiliated to Avrupa-Amerika Holding, which also incorporated İktisat Bank, from 1998 to 2002. He joined the Yaşar Group as an auditor in the Audit Department of Yaşar Holding in 2002. In 2009, Mr. Akyüz has been appointed as Financial Affairs & Finance Director for Yaşar Dış Ticaret and Desa Enerji. He has been serving as Financial Affairs & Finance Director of Viking Kağıt since June 2011.

Risk Management, Internal Control System and Internal Audit Activities

RISK MANAGEMENT

The scope of Enterprise Risk Management activities to be implemented at companies under the Yaşar Group organization and their operating procedures and principles are set out within the frame of a Regulation. In addition, the framework of risk management activities, risk management duties and responsibilities, processes, reports, confidence procedures and risk management terminology have been created.

The company began implementing “Enterprise Risk Management” as a systematic process whereby risks are defined, analyzed, controlled and monitored. This method is capable of minimizing the costs incurred in relation to contingencies that result negatively, as well as their impact upon the company’s asset values.

Risk Management Policy of the Company

The company’s Board of Directors has adopted risk management strategies that will minimize the impact and probability of risks, which might affect the stakeholders in the company and particularly the shareholders; accordingly, the Board of Directors makes sure that necessary actions are taken.

Activities of the Early Detection of Risk Committee

The company’s Board of Directors decided that the Corporate Governance Committee shall function as the Early Detection of Risk Committee to advise and make suggestions to the Board of Directors for the purposes of early detection of risk and creation of an efficient risk management system.

The Committee oversees the conduct of enterprise risk management activities, which are aimed at the creation of the prioritized risk inventory within the frame of risk management policies and procedures, determination of appropriate risk strategies, taking of necessary actions and monitoring the outcomes. The Committee also provides the necessary guidance in these aspects.

Future Risks Regarding Sales, Productivity, Income Generation Capacity, Profitability, Debt/Equity Ratio and Similar Matters

Under the risk management policy and procedures adopted across the Group, work is underway to create the risk inventory for all of the company’s activities and to take necessary actions.

Along the line,

- the company’s risk exposure is classified under the headings of strategic, operational, financial, external and compliance risks, and analyzed according to their impact and probability,
- existing controls for material risks are reviewed with respect to their design and implementation, and optimum strategies and actions are identified,
- results of the action taken are followed up, and
- results and possible developments are reported to related units and assessed.

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

A control is described as any implementation aimed at eliminating an event that will adversely affect the achievement of the company’s goals, or at mitigating their impact and probability. The internal control system is composed of the definitions of standards for business processes, policies and procedures, job descriptions, and authorization structures. In this frame, the management has set up all control systems, including those that prevent/identify and improve, for efficient and productive conduct of the company’s business.

The internal control systems established at the company are intended to ensure the efficiency and effectiveness of operations, reliability of the financial reporting system, compliance with legal regulations, and they seek to provide assurance in these aspects. These control systems also protect the company’s assets, reputation and profitability.

The oversight of the company’s accounting system, public disclosure of financial information, independent audit and the operation and efficiency of the internal control system is basically fulfilled by the Audit Committee set up by the company’s board of directors. When fulfilling this function, the Audit Committee makes use of the findings of the bodies performing certification under the Group Audit and Risk Management Coordinator, independent audit and certified accountancy.

Under the internal audit activities, the company evaluates the effectiveness of the existing risk management system, and the adequacy, effectiveness and efficiency of the internal control system, and also makes proposals for their improvement. In addition, the processes of determining and implementing the necessary actions for relevant determinations and proposals are monitored closely.

Legal Disclosures

Information on the Extraordinary General Assembly Meeting during the Reporting Period, If Applicable

An Extraordinary General Assembly Meeting was not convened during 2012. An Extraordinary General Assembly Meeting was convened on 26 March 2013.

Affiliated Companies Report

The conclusion part of the report that is prepared by the company's Board of Directors and that discloses our relations with the controlling company and affiliated companies pursuant to Article 199 of the Turkish Commercial Code is quoted below.

Pursuant to Article 199 of the Turkish Commercial Code no. 6102 that went into force on 01 July 2012, the company's Board of Directors is obliged to issue a report on the company's relations with the controlling company and the companies affiliated to the controlling company during the past operating year within the first three months of the current operating year, and to incorporate the conclusion part of the said report in its annual report.

Necessary disclosures on the transactions our company carried out with the associated parties are covered in the present report. In this report, the company's Board of Directors concluded that in all transactions the company carried out during 2012 with its controlling company or with its affiliates, an appropriate counter-performance was provided in each transaction according to the conditions and state known to us at the time the transaction and/or the action was realized/taken or avoided; that there were no actions taken or avoided which might potentially cause loss to the company, and that there are no transactions or actions that would require equalization within this scope.

Donations and Grants

The company, from time to time, makes donations to foundations established for various purposes and to similar persons and/or institutions within the frame of the borders set by the relevant requirements of the Capital Market Law.

During 2012, the company's donations and grants to various organizations and institutions amounted to TL 23,149.

Lawsuits Filed Against the Company with a Potential Impact on the Company's Financial Standing and Activities and Possible Results

The related disclosure is presented in note 22 to financial statements for the period 01 January 2012 - 31 December 2012.

Disclosure of Administrative or Judicial Sanctions Against the Company or the Members of the Governing Body on Account of Practices Violating the Provisions of Legislation

There are no administrative or judicial sanctions imposed against the company or the members of the governing body on account of any practice violating the provisions of legislation.

Changes in the Articles of Incorporation during the Reporting Period

By the preliminary permission no. 3827 dated 05 April 2012 of the Republic of Turkey Prime Ministry Capital Markets Board and by the permission letter no. 2626 dated 09 April 2012 of the Republic of Turkey Ministry of Customs and Trade Directorate General of Domestic Trade, approval has been granted for amending "Article 11 - Board of Directors", "Article 14 - General Assembly of Shareholders", "Article 18 - Promulgations" of the company's articles of incorporation, and for supplementing "Article 24 -Compliance with Corporate Governance Principles" thereto. The said amendments and supplement have been laid down for the approval of shareholders, and unanimously agreed and ratified at the General Assembly Meeting held on 08 May 2012.

The amendment of "Article 14 - General Assembly of Shareholders" of the company's articles of incorporation has been approved by the letter no. 29833736-110.03.02-580/2299 dated 08 March 2013 of the Republic of Turkey Prime Ministry Capital Markets Board and by the preliminary permission no. 67300147/431.02.1884-302820-2718/1736 dated 12 March 2013 of the Republic of Turkey Ministry of Customs and Trade Directorate General of Domestic Trade, and the same has been laid down for the approval of shareholders, and unanimously agreed and ratified at the extraordinary general assembly meeting convened on 26 March 2013.

Financial Rights Provided to the Members of the Board of Directors and Senior Executives

Financial rights provided to the chairperson and members of the Board of Directors are determined within the frame of the Remuneration Policy posted on our website. In the twelve months that ended on 31 December 2012, remunerations and similar payments made to the members of the Board of Directors and senior executives amounted to TL 449,599.

Disclosures Concerning Special Audit and Public Audit Conducted During the Fiscal Year

During 2012, regular audits have been performed by various public agencies, after which no material notices have been served on our party.

The Company's Shareholders' Equity

The company has an issued capital of TL 40,000,000 and shareholders' equity worth TL 21,828,366 as at 31 December 2012; hence, no situation arises that would be considered under Article 376 of the Turkish Commercial Code.

Agenda

1. Opening and electing the Presiding Committee,
2. Authorizing the Presiding Committee to sign the minutes of the General Assembly Meeting minutes,
3. Reading, deliberating and approving the Annual Report 2012 by the Company's Board of Directors,
4. Reading and deliberating the Statutory Auditors' Report and Independent Auditor's Report for 2012 fiscal year,
5. Reading, deliberating and approving the financial statements for 2012 fiscal year,
6. Acquitting the Company's directors of their fiduciary responsibilities for 2012 operations,
7. Acquitting statutory auditors of their fiduciary responsibility for 2012 operations,
8. Deliberating and deciding on amending "Article 1 - Incorporation", "Article 2 - Company Name", "Article 3 - Objective and Scope of the Company", "Article 4 - Company Head Office and Branches", "Article 5 - Duration", "Article 6 - Registered Capital", "Article 9 - Bond and Financial Bill Issue", "Article 10 - Representing and Administering the Company", "Article 11 - Board of Directors", "Article 12 - Board of Directors Meetings", "Article 15 - Annual Accounts", "Article 16 - Distribution of Profit", "Article 17 - Ordinary and Extraordinary Reserves", "Article 18 - Announcements", "Article 20 - Liquidation and Dissolution", "Article 23 - Legal Provisions", and the "Provisional Article", and deleting "Article 13 - Auditors", "Article 19 - Amending the Articles of Incorporation", "Article 21 - Documents to be Submitted to the Ministry of Industry and Trade and Capital Markets Board", and "Article 22 - Printed Copies of the Articles of Incorporation" from the articles of incorporation subject to the approval of the Capital Markets Board and the T.R. Ministry of Customs and Trade,
9. Determining the number of Board directors and their terms of office; making elections in accordance with the number of Board directors so determined; designating independent Board members,
10. Determining the rights provided to the Board directors such as compensation and attendance fees, bonuses and premiums pursuant to Article 408 of the Turkish Commercial Code,
11. Informing shareholders, pursuant to the Capital Markets Board ruling 28/780 dated 9 September 2009, about guarantees, pledges, or mortgages that have been granted by the Company in favor of third parties as well as about any income and benefits that may have been acquired on account of such guarantees, pledges, or mortgages.
12. Informing shareholders about any donations that were made during the year and laying down the donation limit set under the Capital Market legislation for the approval of the General Assembly,
13. Submitting information to the General Assembly regarding transactions with the related parties during 2012 under the Capital Markets Board regulations
14. Reading the Internal Regulations about the General Assembly meetings prepared pursuant to Article 419 of the Turkish Commercial Code and laying it down for the approval of the General Assembly,
15. Deliberating and voting on matters pertaining to the year's profits,
16. Presenting the Company's Dividend Policy for 2012 and thereafter for the information of the General Assembly,
17. Authorizing the Company directors to engage in the transactions as per Articles 395 and 396 of the Turkish Commercial Code,
18. Wishes and comments.

Corporate Governance Principles Compliance Report

1. Statement of Compliance with Corporate Governance Principles:

During the operating period ended 31 December 2012, VİKİNG KAĞIT VE SELÜLOZ A.Ş. ("the Company") achieved compliance with the entirety of the mandatory articles of the Corporate Governance Principles appended to the "Communiqué Serial: IV No: 56 on the Determination and Implementation of Corporate Governance Principles" issued by the Capital Markets Board of Turkey (CMB). While it is intended to achieve full compliance also with the optional Corporate Governance Principles, that is yet to be attained for a number of reasons including the difficulties faced in practice in some of the principles, and only partial correspondence of some principles with the existing structure of the market and the company. While work is ongoing on principles that are not enforced yet, they are planned to be put into implementation following the completion of administrative, legal and technical infrastructural work that will contribute to the effective management of our company.

Justifications related to matters not yet implemented are presented under the following headings, and it is considered that the said matters do not lead to any conflicts of interest under the current circumstances.

Key highlight of the efforts in relation to Corporate Governance during 2012 was the work on achieving compliance with the CMB Communiqué Serial: IV No: 56 that covers the new requirements for corporate governance principles. At our Ordinary General Assembly Meeting held during 2012, all alterations set out by the communiqué were made to the company's articles of incorporation. The process of identifying and publicly disclosing the nominees for independent board directors has been carried out and elections were made in accordance with the requirements. The remuneration policy for the Board of Directors and Senior Executives has been formulated and presented for the information of shareholders at the General Assembly Meeting. The General Assembly Information Document that was prepared made available all information that is mandatory to be disclosed as per the principles to the shareholders three weeks in advance of the General Assembly Meeting. The company's website and annual report have been reviewed and revised as necessary to ensure their full compliance with the principles.

Our company will continue to monitor the changes in legislation and implementations regarding compliance with the principles and to carry out the necessary work also in the future.

PART I: SHAREHOLDERS

2. Investor Relations Department

The duties (1) of managing the exercise of shareholders' rights and maintaining communication between shareholders and the Board of Directors and (2) of conducting procedures pertaining thereto in compliance with CMB corporate governance principles are fulfilled by the Office of the Capital Markets Coordinator.

Information about the Shareholder Relations Unit is provided below.

Capital Markets Coordinator: Senem Demirkan

Investor Relations Specialist: Gökhan Kavur

Tel : (232) 482 2200

Fax : (232) 489 1562

Email : investorrelations@viking.com.tr

Capital Markets Coordinator Senem Demirkan is in possession of all certifications issued by CMB and is also responsible for coordinating matters involved (1) in the fulfillment of company obligations arising from capital markets laws and regulations and (2) in corporate governance practices. Investor Relations Specialist Gökhan Kavur holds a Capital Market Activities Advanced Level License.

- The duties of the Investor Relations Department are listed below:
- Ensure that records pertaining to shareholders are maintained in a reliable, secure, and up-to-date manner.
- Respond to shareholders' written requests for all information about the company except that which has not been publicly disclosed or is confidential and/or in the nature of a trade secret.
- Ensure that General Assembly meetings are conducted in accordance with the requirements of current laws and regulations and of the company's articles of incorporation and other bylaws.
- Communicate with other units of the company and ensure that documents which shareholders may find useful at General Assembly meetings are prepared.

- Ensure that records are kept of the results of voting at General Assembly meetings.
- Supervise all issues related to public disclosures as required by law and the company's public disclosure policy.
- Ensure that investor relations activities are properly conducted.

Having obtained the views of other units when necessary and in coordination with such units, the Shareholder Relations Department is responsible for providing shareholders and potential investors with information about the company's activities, financial standing, and strategies, with the stipulations that it may not divulge any information which is confidential and/or in the nature of a trade secret and that it must not do so in any way that might lead to information asymmetry and for managing communication moving on both directions between shareholders and company managers.

During the reporting period, the unit responded to more than 50 questions by telephone or email. In addition, two analysts' meetings have been organized, which was open to participation of all analysts; addressing the Company's activities and financial results in the 12-month period of 2011 and the 6-month period of 2012; one of these two meetings was in webcast format. "Investor Presentations" drawn up in Turkish and English languages concerning the company's periodic results were published on the company's website. The website and investor presentations have been updated regularly to make sure that up-to-date information is made available to the investors at all times. Maximum attention is paid to achieving compliance with the legislation in fulfilling investor requests

3. Shareholders' exercise of their right to obtain information

The fundamental principle in shareholders exercising their right to obtain information is that there should be no discrimination among shareholders. All information and documents that shareholders may need to exercise their shareholders' rights in a sound manner are made equally available to all shareholders on the company's corporate website. During 2012, utmost care was paid, under the supervision of the Investor Relations Department, to respond to requests for information received from shareholders within the framework of the requirements of capital market laws and regulations and without delay.

Such requests for information are generally about such issues as General Assembly meeting dates, information on financial statements that are disclosed, developments in the sector and profit distribution. All requests for information, except in the case of information that was in the nature of a trade secret and information that it was deemed to be in the company's interest to keep confidential, were responded to without making any distinctions among shareholders and in line with any statements that may previously have been made within the framework of capital market laws and regulations. Information and disclosures that might affect the exercise of shareholders' rights are announced in the "Investor Relations" section on the company website, and there have been no information or disclosures during the reporting period, other than those disclosed under the Capital Market legislation. While the request to have a special auditor appointed is not an individual right provided for under the company's articles of incorporation, no such request was received during 2012.

4. General Assembly Meetings:

The 2011 annual General Assembly meeting took place on 8 May 2012. At ordinary and extraordinary General Assembly meetings, shareholders or their proxies representing at least a simple majority of the company's capital must be present and decisions must be passed by a simple majority of those present at the meeting. If the required meeting quorum does not exist, a second meeting is held at which decisions are taken according to the quorum and majority requirements stipulated by the Turkish Commercial Code. At the 2011 annual General Assembly meeting, 64.88% of the company's capital was represented. During the meeting, no attending shareholders or their proxies advanced any motions and all questions that were raised were responded to by the Presiding Committee. Shareholders did not propose any agenda items during the said General Assembly meeting, either.

No stakeholders other than the shareholders or media representatives attended the meeting. Invitations to the meetings were made by the Board of Directors. In addition to shareholders, representatives of the independent auditors were also sent written invitations to attend the meetings.

The company's General Assembly meeting announcements were published in the Turkish Trade Registry Gazette twenty-one days (not including the announcement and meeting dates) prior to the meeting date under the provisions of Article 368 of the TCC and as per "Article 18 - Announcement" of the articles of incorporation. The announcement was also published on the corporate website and in a local newspaper. Shareholders whose addresses were on record with the company were sent letters in which they were informed about the meeting date, location, and agenda. Prior to the General Assembly meetings, the meeting date, place and agenda, the profit distribution proposal that the Board of Directors intends to submit to General Assembly as well as the identity of independent auditors selected by the Board of Directors are publicly disclosed in material disclosures.

Corporate Governance Principles Compliance Report

The company's annual report is made available to shareholders at the company's headquarters and on its corporate website as of twenty-one days before a meeting date. During General Assembly meetings, issues on the agenda are explained impartially and in detail so as to be clear and intelligible. Shareholders are given equal opportunities to express their thoughts and to ask questions and a healthy climate of debate is created.

Minutes of General Assembly meetings are kept available for shareholders at all times at the company headquarters. In addition, the minutes of the company's General Assembly meetings for the past seven years are also accessible in the Investor Relations section of the company website at www.viking.com.tr.

At the company's General Assembly meetings, information is presented to the shareholders on the amount and recipients of the donations and grants made during the reporting period, and the changes in the relevant policy. This matter is addressed as a separate agenda item.

5. Voting Rights and Minority Rights:

There are no privileges affecting the voting rights. The company's articles of incorporation contain no provisions preventing non-shareholders to vote by proxy as an appointed representative. Without prejudice to the provisions of the relevant legislation and articles of incorporation, voting is conducted through open ballot and by raising hands during the General Assembly meeting. Upon request by shareholders, the voting procedure will be determined by the General Assembly. There are no other companies in which the company has a cross-ownership. Minority rights are not represented on the Board of Directors.

6. Entitlement to Dividends:

Shareholders of preferred stock do not have any privileges applicable to dividends. The company's general policy with respect to dividends is to distribute its net profit having taken into account the company's financial position, investments that are to be made and other funding requirements, the sector's current circumstances, the economic environment, and the requirements of capital market and tax laws and regulations. However the actual amounts of profit to be distributed are determined every year taking all of the issues cited above into consideration. The company has formulated a Dividend Policy in line with the CMB's resolution of 27 January 2006 and it has publicly disclosed this policy by announcing it at a General Assembly meeting. Our dividend distribution policy is publicly disclosed also via our website. The dividend distribution policy has also been incorporated in the company's annual report.

No dividends were paid in 2012 as the company did not post a profit in 2011.

7. Transfer of shares

Transfer of shares is subject to the relevant provision of the TCC.

PART II: PUBLIC DISCLOSURES AND TRANSPARENCY

8. Company disclosure policy

In all matters pertaining to its public disclosures, the company complies with the requirements of the Capital Markets legislation and of Borsa İstanbul regulations.

The "Disclosure Policy" prepared for the purpose of keeping the public informed, which is approved by the Board of Directors and which was presented for the information of shareholders at the 2008 annual General Assembly meeting, is publicly disclosed on the company's corporate website (www.viking.com.tr). The Disclosure Policy was updated and presented for the information of shareholders at the 2011 General Assembly meeting. The Board of Directors has both the authority and the responsibility for formulating, supervising, reviewing, developing and executing the company's disclosure policy. The Corporate Governance Committee and the Investor Relations Department provide information and make recommendations to the Board of Directors concerning the company's disclosure policy.

The chairperson of the Board of Directors and the general manager as well as other officers whom the board or the general manager deem to be appropriate may make public statements to the written and visual media and to data distributors. Questions which those involved in capital markets ask the company are responded to in writing or verbally by the Investor Relations Department.

Principles governing the disclosure of forward-looking information are defined in the company's disclosure policy. In this framework, the company is required to disclose its targets for the relevant year in the financial presentations where the company's annual and interim financial results are evaluated. In case of any changes in the underlying assumptions, the targets in these presentations are also revised and the presentations incorporating these alterations are publicly disclosed via a material event disclosure.

9. The Company's Corporate Website and its Content:

The company's corporate website (www.viking.com.tr) contains all the matters as required by Corporate Governance Principles. The company's website is available in both Turkish and English. The company continuously improves and upgrades the services provided by its website, which is actively used.

10. Annual Report:

The company's annual reports contain all the information specified in the Corporate Governance Principles; however, remuneration of the board of directors and senior executives and other benefits provided to them are disclosed not on an individual basis, but as a cumulative amount.

PART III: STAKEHOLDERS

11. Disclosure to Stakeholders:

Stakeholders are kept informed about all matters concerning the company other than those which are in the nature of a trade secret through CMB material disclosures within the framework of CMB regulations, Turkish Commercial Code, Competition Law, tax laws, and Turkish Code of Obligations.

Stakeholders are able to convey any transaction they consider to be illegitimate or unethical to the Corporate Governance Committee or the Audit Committee via Yaşar Group Ethics Committee. The Audit Committee reviews the complains received regarding the company's accounting and internal control system and independent audit, and handles the notifications of company employees in relation to the company's accounting and independent audit, observing the confidentiality principle.

Furthermore, the communication mechanism is established with the Corporate Governance Committee and the Audit Committee also via the processes that provide stakeholder participation in management as discussed under Article 12 hereinbelow.

12. Stakeholder Participation in Management:

Stakeholder involvement in management is achieved through evaluation of their proposals and suggestions for improvement in any matter that concerns the company's activities submitted at the general assembly meetings and via various communication channels by the related units.

In a bid to ensure customer satisfaction with the services rendered by our company, job descriptions have been formulated for all our employees and relevant guidelines have been prepared and presented for the information of employees. The company employees are informed about the company's current circumstances in the meetings held. In addition, semiannual management review meetings are also held in which the company's team leaders, engineers, and key personnel take part. In other situations when it is necessary to provide additional information, announcements are made by means of employee bulletin boards set up within the company. Meetings are also held with customers and suppliers at which information is provided concerning material disclosures made about the company.

Employee opinion surveys serve to gather the employees' views about changes in implementations which will be made in relation to working conditions, working environment, and rights provided to employees. The action committee formed of employee representatives carries out its activities during the year for conducting the improvement works in relation to the said processes.

13. Human Resources Policy:

The fundamental mission of the company's human resources policy is to ensure the management of human resources who are innovative, who are committed to the principle of total quality, and who contribute towards the company's competitive advantage by easily adapting to change and development at the company.

The basic human resources policies of Viking Kağıt are clearly described in the company's Personnel Regulations, which are issued to all employees against their individual signature. In addition to basic policies, these regulations also contain information about working hours, hiring principles and processes, termination, and discipline. Job descriptions are posted on the company portal. The Performance Regulation, which describes the performance system, is revised periodically and as necessary, upon which the personnel is informed of the relevant revisions.

Corporate Governance Principles Compliance Report

Basic human resources policies

a) Staffing at the company is determined according to the criteria of business economics. All employees agree that honorable employment is only possible through productive work.

b) The company conducts intramural and extramural training programs within the framework of plans that are devised for each level in order to ensure the progression of its employees.

c) The company is mindful of equality of opportunity in all promotions and appointments throughout its organization. As a matter of principle, appointments are made from among the company's own personnel.

d) By means of a career planning system in which progression plans are implemented, employees who have potential are provided with the broadest possible opportunities for advancement.

e) Employees' performance is evaluated on the basis of their fulfillment of targets and their competencies.

f) Job descriptions and performance standards are documented for positions at every level from the highest to the lowest and these serve as the basis for employee evaluations.

g) Employee opinion surveys are conducted regularly every year, at which time employees are asked for their views about such issues as working conditions, management, compensation, training, performance evaluation, career planning, participatory management, and company satisfaction. Improvements are made in line with the feedback that is received in this way.

h) A safe workplace and safe working conditions are a matter to which the company gives great importance. Under the company's occupational health and safety regulations, all legally mandated measures are taken to prevent occupational risks, ensure health and safety, and eliminate risk and accident factors. An ongoing effort to make improvements is carried out through regularly conducted safety meetings.

i) Our management style is ".... [to] maintain our existence as a company that acts fully respectful of the laws and ethical rules, and embrace total quality philosophy and participatory management".

j) An essential principle at the company is that all employees will be treated equally and without making any discrimination among them with respect to language, race, color, sex, political beliefs or philosophy, creed, religion, sect, or similar reasons. Due measures have been taken to protect this fundamental constitutional right of employees.

There are no union stewards at the company.

All employees are kept informed about company procedures, organizational changes, changes in rights and benefits, and other practices and decisions that may affect them by means of regulations and announcements prepared within the framework of the company's prescribed announcement regulations as well as via the company intranet and bulletin boards.

Neither the company management nor its human resources department has ever received any complaint from employees about discrimination.

14. Rules of Ethics and Social Responsibility:

In order to fulfill its responsibilities related to public health and the nature, Viking Kağıt has made it a principle to continually oversee and improve its environmental performance, while integrating with its manufacturers, suppliers and employees in the conduct of its production activities.

In 2012, scholarships for six students were provided through the Yaşar Education and Culture Foundation, and professional-capacity traineeship positions were provided for 28 high school and university students. Tissue papers have been donated to a special school and to a primary school in Aliağa. Factory field trips were organized for primary and middle school pupils during which participants were given information about tissue paper use and recycling.

The company conducts its activities within the framework of values which are adhered to by the Yaşar Group companies and whose approach to the production of goods and services involves compliance with laws and the rules of ethics, concerns itself with national problems without becoming involved in politics, and values the environment and nature. These values are known to all company employees. In addition, within the framework of its corporate governance approach, work is underway for the formulation of the company's own rules of ethics. There are no rules of ethics of the Company which are publicly disclosed.

PART IV: BOARD OF DIRECTORS

15. Structure and Formation of the Board of Directors:

Members of the Company's Board of Directors are identified below:

Name	Position	Independent Director or Not	Executive Director or Not	Term of Office
İdil Yiğitbaşı	Chairperson	Non-independent Board Director	Non-executive	1 year
Yılmaz Gökoğlu	Deputy Chairperson	Non-independent Board Director	Non-executive	1 year
Mehmet Aktaş	Director	Non-independent Board Director	Non-executive	1 year
Hakkı Hikmet Altan	Director	Non-independent Board Director	Non-executive	1 year
Levent Rıza Dağhan	Director	Non-independent Board Director	Non-executive	1 year
Mehmet Kahya	Director	Independent Board Director	Non-executive	1 year
Mehmet Öğütçü	Director	Independent Board Director	Non-executive	1 year

Mesut Sezer serves as the company's General Manager. The engagement of company directors in the activities set forth in Articles 395 and 396 of the Turkish Commercial Code is subject to the approval of the General Assembly of shareholders. With the exception of those activities, there are no other limitations imposed on what Board directors may do. Résumés of the Board directors are published in the company's annual report and corporate website. In accordance with the Capital Market legislation, independent Board directors have submitted their declarations of independence to the Corporate Governance Committee that acts as the Nomination Committee.

Two independent director candidates were presented for 2012 to the Corporate Governance Committee that acts as the Nomination Committee. The declarations of independence and résumés of these individuals have been discussed in the Corporate Governance Committee meeting of 15 April 2012 and the Board of Directors meeting of 16 April 2012, and it has been decided to nominate all of them as independent directors. No situations arose that prejudiced independence as at 2012 operating period.

16. Operating Principles of the Board of Directors:

The operating principles of the Board of Directors are spelled out as follows in Article 10 of the company's articles of incorporation:

"The Board of Directors shall convene as the company's affairs may require. However, the Board must meet at least monthly."

Details about the Board of Directors' operating principles and its activities during the 2012 reporting period are given below.

The agenda for the Board of Directors meetings are set by the Chairperson of the Board, in consultation with the other Board directors and the General Manager.

During the reporting period, the Board of Directors convened thirty-nine times. The Board of Directors shall convene upon a summons in the form of a written request made by its chairperson or by any director. The meeting agenda is sent out to the directors by registered airmail at least two weeks in advance of the meeting date. All directors are usually present at meetings. There were no unresolved disputes over issues during the 2012 reporting period. The questions raised during the meetings are not entered into record. No board directors have preferential voting or veto rights. There have been no related party transactions or material transactions that have been submitted for the approval of independent Board directors during the operating period. Board of Directors meetings are convened with a majority of the full membership, and decisions are passed by a simple majority of those present in the meeting.

17. Number, Structure and Independence of the Committees Established by the Board of Directors:

The Audit Committee and the Corporate Governance Committee have been set up at the company. The Corporate Governance Committee fulfills the duties of the Nomination Committee, Early Detection of Risk Committee and the Remuneration Committee. When performing their activities, the committees under the Board of Directors adhere to the operating principles that are posted also on the company website.

The Audit Committee is headed by Mehmet Kahya and its other member is Mehmet Öğütçü. Both members are non-executive and independent Board directors. The Audit Committee meets at least on a quarterly basis and holds at least four meetings in one year. Within the scope of the Committee's activities, information has been obtained on operations and internal control systems from company executives and findings related to the audit from independent auditors. The Audit Committee is responsible for the company's bookkeeping system, for the public disclosure of financial information, and for supervising the operation and

Corporate Governance Principles Compliance Report

effectiveness of independent auditing and of the internal control system; for selecting the independent auditors, initiating the independent auditing process, and supervising the independent auditors' activities; for reporting to the Board of Directors about the authenticity and veracity of publicly disclosed yearly and intermediary financial statements.

The Corporate Governance Committee is headed by Mehmet Kahya, who is a non-executive and independent Board director, and its other member is Levent Rıza Dağhan, a non-executive Board director. The Corporate Governance Committee meets at least on a quarterly basis and holds at least four meetings in one year. The Corporate Governance Committee is responsible for identifying whether or not corporate governance principles are being complied with at the company as well as for identifying any problems arising from less than full compliance with those principles; for making recommendations to the Board of Directors on taking measures to achieve improvements; and for coordinating activities pertaining to relations with shareholders

Within the scope of the duties of the Nomination Committee, the Corporate Governance Committee works to create a transparent system to deal with the matters of identifying, evaluating, training, and rewarding candidates suitable for board membership and to establish policies and strategies applicable to that system. In addition, the Committee evaluates the nominations for independent Board membership including the management and shareholders, taking into consideration whether the candidate bears the independence criteria or not, and reports its relevant assessment to the Board of Directors for approval.

Within the scope of the duties of the Early Detection of Risk Committee, the Corporate Governance Committee performs activities to early detect the risks that may endanger the existence, development and continuity of the company, to implement the necessary measures for the risks identified, and to manage the risk.

Within the scope of the duties of the Remuneration Committee, the Corporate Governance Committee formulates its proposals regarding the principles for compensating the Board directors and senior executives, in view of the long-term goals of the company.

According to the Corporate Governance Principles, both members of the Audit Committee and the head of the Audit Committee must be independent Board directors. Since there are two independent members on the company's Board of Directors, the same member may serve on more than one committee under the Board of Directors.

18. Risk Management and Internal Control Mechanism:

The Board of Directors essentially supervises risk management and internal control activities through the Corporate Governance Committee that has undertaken the duties of the Early Detection of Risk Committee. In its fulfillment of these functions, the Corporate Governance Committee makes use of the findings of the bodies performing certification under the Group Audit and Risk Management Coordinator, independent audit and certified accountancy.

19. Strategic Goals of the Company:

The Board of Directors sets the Corporate Strategy and Goals in line with the company's vision and growth and profitability expectations. The principles that will steer these strategies are determined by the senior management and the extent at which the goals are achieved are assessed in the monthly meetings, along with the activities and past performance.

20. Financial Rights:

The rights provided to the Board directors are decided at the General Assembly meetings and are publicly disclosed through the minutes of the meetings issued. The Remuneration Policy that describes the remuneration system and implementations for the company's Board directors and senior executives is available on the company website. The company's annual reports do not present the rights provided to senior executives on an individual basis, but state a cumulative amount. The company does not lend money, extend credit, or make available loans under the name personal loans via a third party to any of its directors or executives, nor does it provide guarantee in their favor.

Statutory Auditors' Report

TO THE GENERAL ASSEMBLY OF VİKİNG KAĞIT VE SELÜLOZ A.Ş.

Company name	Viking Kağıt ve Selüloz A.Ş.
Head office	Şehit Fethi Bey Caddesi No.120 İZMİR
Capital	TL 40,000,000
Field of activity	Production and sales of tissue paper
Statutory auditors' names, surnames, terms of office and whether they have a shareholding interest in the company	Gözde Kınlı (08.05.2012 - one year) not a shareholder Erdem Çakırokkalı (08.05.2012 - one year) not a shareholder
Number of Board of Directors meetings participated in and of Board of Auditors meetings held	Board of Directors meetings: 39 Board of Auditors meetings: 12
Scope, dates and conclusions of the examination made on the accounts, books and documents of the company	At the end of each month, cash, cheques, bonds and receipts were counted, and the records and documents were screened on the basis of sampling method and no irregularities were found.
Number and results of the cash counts performed in the company's cashier's office pursuant to the related provisions of the Turkish Commercial Code	The cashier's office of the company was checked and counted 12 times and no irregularities were found.
Dates and results of the examinations made pursuant to the related provisions of the Turkish Commercial Code	Examination was performed at the end of each month, comments were provided for matters of uncertainty, and no irregularities were established.
Complaints and charges of fraud of which the company was advised and actions taken against them	None

We have examined the accounts and transactions of Viking Kağıt ve Selüloz Anonim Şirketi for the period 01 January 2012 - 31 December 2012 with respect to their compliance with the Turkish Commercial Code, the company's articles of incorporation, and other applicable legislation, as well as generally accepted accounting principles and standards.

In our opinion, the attached balance sheet prepared on 31 December 2012, the contents of which we acknowledge, fairly and accurately presents the company's financial status on the date, and the income statement for the period 01 January 2012 - 31 December 2012 fairly and accurately presents the operating results for the period.

We hereby submit the balance sheet and income statement for your approval and the acquittal of the Board of Directors for your voting.

Statutory Auditor
Gözde Kınlı

Statutory Auditor
Erdem Çakırokkalı

Independent Auditor's Report

(Convenience translation into English - the Turkish text is authoritative)

To the Board of Directors of

Viking Kağıt ve Selüloz A.Ş.

Report on the Financial Statements

1. We have audited the accompanying financial statements of Viking Kağıt ve Selüloz A.Ş. (the "Company") which comprise the balance sheet as of 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards accepted 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 standards issued by the Turkish Capital Market Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

4. In our opinion, financial statements give a true and fair view of, the financial position of Viking Kağıt ve Selüloz A.Ş. as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards accepted by Turkish Capital Market Board (Note 2.1).

Emphasis of Matter

5. As explained in Note 2, the financial statements have been prepared on the basis of the Company's ability to continue as a going concern. At 31 December 2012, the Company's current liabilities exceed its total current assets by TL15.072.805, operating loss and net loss for the year are amounting to TL7.298.370 and TL9.369.630, respectively, and the accumulated losses as of 31 December 2011 are amounting to TL56.115.027. These conditions indicate the existence of a significant uncertainty that may cast doubt on the Company's ability to continue as a going concern. In this respect, the Company management has made a deep assessment of the Company's ability to continue as a going concern and has taken certain measures as further explained in Note 41 to the financial statements. Moreover, the parent of the Company, Yaşar Holding A.Ş., has committed to provide the necessary financial support in order to strengthen the financial structure of the Company and to ensure the payment of the Company's existing trade and non-trade payables.

Başaran Nas Bağımsız Denetim ve

Serbest Muhasebeci Mali Müşavirlik A.Ş.

a member of

PricewaterhouseCoopers

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Cansen Başaran Symes, SMMM

Partner

İstanbul, 14 March 2013

Viking Kağıt ve Selüloz A.Ş.

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	Notes	31 December 2012	31 December 2011
ASSETS			
Current Assets		**33.032.562**	**33.086.671**
Cash and Cash Equivalents	6	2.117.924	4.512.716
Trade Receivables		15.664.780	15.845.384
- Due from Related Parties	37	1.636.990	994.907
- Other Trade Receivables	10	14.027.790	14.850.477
Other Receivables		165.493	69.683
- Other Receivables from Related Parties	37	97.487	19.792
- Other Receivables	11	68.006	49.891
Inventories	13	14.279.401	12.254.242
Other Current Assets	26	804.964	404.646
Non - current Assets		**100.382.649**	**104.853.560**
Other Receivables	11	55.795	20.660
Financial Assets	7	122.230	103.327
Property, Plant and Equipment	18	99.911.991	104.270.876
Intangible Assets	19	292.633	256.900
Other Non-current Assets	26	-	201.797
TOTAL ASSETS		**133.415.211**	**137.940.231**

The financial statements at 31 December 2012 and for the year then ended have been approved for issue by Board of Directors of Viking Kağıt ve Selüloz A.Ş. on 14 March 2013.

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

Viking Kağıt ve Selüloz A.Ş.

Balance Sheets at 31 December 2012 and 2011

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	Notes	31 December 2012	31 December 2011
LIABILITIES			
Current liabilities		**48.105.367**	**37.058.923**
Financial Liabilities	8-9	11.067.705	6.575.126
Other Financial Liabilities	8-9	2.703.224	1.390.583
Trade Payables		26.562.812	21.974.423
- Due to Related Parties	37	12.471.378	6.592.779
- Other Trade Payables	10	14.091.434	15.381.644
Other Payables		3.443.474	2.861.026
- Other Payables to Related Parties	37	3.438.670	2.856.222
- Other Payables	11	4.804	4.804
Provisions	22	3.454.040	3.264.122
Other Current Liabilities	26	874.112	993.643
Non-current Liabilities		**63.481.478**	**69.054.149**
Financial Liabilities	8-9	41.808.000	48.906.865
Other Financial Liabilities	8-9	2.298.621	2.079.327
Other Payables		11.345.926	9.775.200
- Other Payables to Related Parties	37	11.345.926	9.775.200
Provisions	22	117.536	105.161
Provision For Employment Termination Benefits	24	2.088.795	1.551.323
Deferred Income Tax Liabilities	35	5.822.600	6.636.273
TOTAL LIABILITIES		**111.586.845**	**106.113.072**
EQUITY		**21.828.366**	**31.827.159**
Share Capital	27	40.000.000	40.000.000
Share Premiums	27	253.928	253.928
Revaluation Reserve	18	50.433.705	51.871.979
Cash Flow Hedge Reserve	8-9	(3.374.610)	(2.376.293)
Accumulated Losses		(56.115.027)	(30.889.953)
Net Loss for the Year		(9.369.630)	(27.032.502)
TOTAL LIABILITIES AND EQUITY		**133.415.211**	**137.940.231**

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

Viking Kağıt ve Selüloz A.Ş.

Statements of Comprehensive Income for the Years Ended at 31 December 2012 and 2011

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	Notes	1 January - 31 December 2012	1 January - 31 December 2011
Revenue	28	100.671.900	100.953.292
Cost of Sales	28	(80.837.449)	(80.234.176)
GROSS PROFIT		**19.834.451**	**20.719.116**
Marketing, Selling and Distribution Expenses	29	(19.548.290)	(18.150.094)
General Administrative Expenses	29	(7.809.166)	(6.571.132)
Other Operating Income	31	487.743	598.040
Other Operating Expenses	31	(263.108)	(4.162.000)
OPERATING LOSS		**(7.298.370)**	**(7.566.070)**
Finance Income	32	7.870.366	5.796.024
Finance Expense	33	(10.245.393)	(25.640.344)
LOSS BEFORE TAXATION ON INCOME		**(9.673.397)**	**(27.410.390)**
Taxes on Income			
- Deferred Tax Income	35	303.767	377.888
NET LOSS FOR THE YEAR		**(9.369.630)**	**(27.032.502)**
Other Comprehensive (Expense)/Income			
Cash Flow Hedge Reserves- net	8-9	(998.317)	(2.376.293)
Increase in Revaluation Reserve- net	18	-	28.856.443
OTHER COMPREHENSIVE (LOSS)/ INCOME NET OF TAX		**(998.317)**	**26.480.150**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(10.367.947)**	**(552.352)**
LOSS PER SHARE (100 shares with a TL1 face value)	36	**(0,2342)**	**(0,6758)**

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

Viking Kağıt ve Selüloz A.Ş.

Statements of Changes in Equity for the Years Ended at 31 December 2012 and 2011

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	Share capital	Share premiums	Revaluation reserve	Cash flow hedge reserve	Accumulated losses	Net loss for the year	Total equity
Balance at 1 January 2011	**40.000.000**	**229.144**	**24.990.953**	**-**	**(35.037.808)**	**(12.827.562)**	**17.354.727**
Transfer of prior year loss to accumulated losses	-	-	-	-	(12.827.562)	12.827.562	-
Decrease in share capital (Note 27)	(15.000.000)	-	-	-	15.000.000	-	-
Increase in share capital by cash injection (Note 27)	15.000.000	24.784	-	-	-	-	15.024.784
Total comprehensive income/ (loss)	-	-	28.856.443	(2.376.293)	-	(27.032.502)	(552.352)
Depreciation transfer- net (Note 18)	-	-	(1.975.417)	-	1.975.417	-	-
Balances at 31 December 2011- as previously reported	**40.000.000**	**253.928**	**51.871.979**	**(2.376.293)**	**(30.889.953)**	**(27.032.502)**	**31.827.159**
Correction (Note 2.3.13.b)	-	-	1.197.069	-	(827.915)	-	369.154
Balances at 1 January 2012- as corrected	**40.000.000**	**253.928**	**53.069.048**	**(2.376.293)**	**(31.717.868)**	**(27.032.502)**	**32.196.313**
Transfer of prior year loss to accumulated losses	-	-	-	-	(27.032.502)	27.032.502	-
Total comprehensive	-	-	-	(998.317)	-	(9.369.630)	(10.367.947)
Depreciation transfer - net (Note 18)	-	-	(2.635.343)	-	2.635.343	-	-
Balance at 31 December 2012	**40.000.000**	**253.928**	**50.433.705**	**(3.374.610)**	**(56.115.027)**	**(9.369.630)**	**21.828.366**

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

Viking Kağıt ve Selüloz A.Ş.

Statements of Cash Flows for the Years Ended at 31 December 2012 and 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
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	Notes	1 January - 31 December 2012	1 January - 31 December 2011
Operating activities:			
Loss before taxation on income		(9.673.397)	(27.410.390)
Adjustments to reconcile net cash generated from operating activities to loss before taxation on income			
Depreciation and amortisation	30	6.030.115	5.638.135
Impairment on property, plant and equipment	31	-	2.971.672
Provisions for expense accrual	22	2.329.983	1.926.954
Provision for employment termination benefits	24	1.192.265	577.511
Reversal of provision for doubtful receivables	31	-	(155.907)
Provision for doubtful receivables	31	98.097	225.000
Gain on sales of property, plant and equipment	31	(46.206)	(12.006)
Interest income	32	(115.038)	(146.491)
Interest expense	33	3.319.877	5.063.588
Interest expense from swap transaction	33	1.442.014	499.544
Unrealized foreign exchange (gain) loss/on borrowings		(2.397.721)	(10.045.423)
Net cash before the changes in assets and liabilities		**2.179.989**	**(776.967)**
Changes in assets and liabilities			
Decrease/(increase) in trade receivables		724.590	(2.820.232)
Increase in inventories	13	(1.294.260)	(754.023)
(Increase)/decrease in trade receivables from related parties	37	(642.083)	780.624
Decrease in other receivables from related parties	37	(77.695)	5.571
(Increase)/decrease in other receivables and other current assets		(270.674)	90.471
(Decrease)/increase in trade payables	10	(1.290.210)	2.014.513
(Decrease)/increase in trade payables to related parties	37	5.878.599	6.478.357
Increase in other current liabilities		(6.400)	160.057
Destruction cost of scrap waste paid	22	(2.240.821)	(9.404)
Employment termination benefits paid	24	(654.793)	(699.545)
Net cash generated from operating activities		**2.306.242**	**4.469.422**
Investing activities:			
Purchases of property, plant and equipment, and intangible assets	18-19	(2.349.847)	(1.315.698)
Interest received		115.038	146.491
Proceeds from sales of property, plant and equipment		67.018	334.519
Net cash used in investing activities		**(2.167.791)**	**(834.688)**
Financing activities:			
Capital increase	27	-	15.024.784
Increase in financial liabilities		-	45.164.909
Redemption of financial liabilities		(1.185.944)	(5.359.958)
Increase/(decrease) in non-trade due to related parties	37	2.597.516	(51.599.955)
Interest paid		(3.726.413)	(3.396.095)
Net cash used in financing activities		**(2.314.841)**	**(166.315)**
Net (decrease)/increase in cash and cash equivalents		**(2.176.390)**	**3.468.419**
Effect of foreign exchange on cash and cash equivalents		(218.402)	97.337
Cash and cash equivalents at the beginning of year		**4.512.716**	**946.960**
Cash and cash equivalents at the end of year	6	**2.117.924**	**4.512.716**

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

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NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Viking Kağıt ve Selüloz A.Ş. ("the Company") is engaged in the production, sales and marketing of semi-finished and finished sanitary papers for the domestic and foreign markets. A major part of the exporting activities of the Company is performed by Yaşar Dış Ticaret A.Ş. which is a Yaşar Group Company (Note 37).

The Company is subject to the regulations of Turkish Capital Markets Board ("CMB") and 35,12% (2011: 35,12%) of its total shares are quoted on the Istanbul Stock Exchange ("ISE") as at 31 December 2012. The ultimate shareholder of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 60,58% (2011: 60,58%) shares of the Company (Note 27).

The address of the registered office is as follows:

Şehit Fethi Bey Caddesi No: 120

Alsancak - İzmir/Turkey

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

The accompanying financial statements have been prepared on the basis of the Company's ability to continue as a going concern (Note 2.4) in accordance with the financial reporting standards issued by the CMB.

The CMB regulated the principles and issued of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué XI, No: 29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). The Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes Communiqué XI, No: 25, "The Accounting Standards in the Capital Markets According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Public Oversight Accounting and Auditing Standards Board ("POAASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the POAASB, which do not contradict with the aforementioned standards shall be applied.

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

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by POAASB as of the date of preparation of these financial statements, the financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. Financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the weekly announcements, including the compulsory disclosures. Within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, enterprises are obliged to present hedging rate of their total foreign exchange liability and total export and import amounts in the notes to the financial statements (Note 38).

Other than land, buildings and land improvements, machinery and equipments and financial assets and liabilities carried at their fair values, financial statements are based on historical cost convention and prepared in terms of Turkish Lira ("TL"), which is the functional and reporting currency of the Company.

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

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

2.2 Amendments in International Financial Reporting Standards

a) Amendments and new standards and interpretations issued and effective other than those mentioned above in Note 2.2.a. have not been presented since they are not relevant to the operations of the Company or have immaterial effects.

b) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Company

- IAS 19 (amendment), “Employee benefits”, is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Actuarial gains and losses arising from the calculations of provision for employment termination benefits will be classified under other comprehensive income without having an effect on the net profit/loss for the year. The Company is yet to assess IAS 19’s full impact. The Company will apply the amendment since 1 January 2013 retrospectively.
- Amendment to IAS 1, “Financial statement presentation” regarding other comprehensive income, 1 July 2012, The main change resulting from these amendments is a requirement for entities to group items presented in “other comprehensive income” (“OCI”) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Company is yet to assess IAS 1’s full impact.
- IFRS 9, “Financial instruments”, is effective for annual periods beginning on or after 1 January 2015. The standard addresses the classification, measurement, and recognition of financial assets and financial liabilities. The Company is yet to assess IFRS 9’s full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Company will also consider the impact of the remaining phases of IFRS 9 when completed.
- IFRS 12, “Disclosures of Interests in Other Entities” is effective for annual periods beginning on or after 1 January 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose instruments and other off balance sheet instruments. The Company is yet to assess IFRS12’s full impact.
- IFRS 13, “Fair value measurement”, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The Company is yet to assess IFRS 13’s full impact.
- IAS 28 (revised), “Associates and joint ventures”, is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11 “Joint arrangements”. The amendment does not have a significant impact on the Company’s financial statements.
- IAS 32 (amendment), “Financial instruments: Presentation”, on offsetting financial assets and financial liabilities”, is effective for annual periods beginning on or after 1 January 2014. The amendment updates the application guidance in IAS 32, ‘Financial instruments: Presentation’, to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment does not have a significant impact on the Company’s financial statements.
- IFRS 7 (amendment), “Financial instruments: Disclosures”, on offsetting financial assets and financial liabilities”, is effective for annual periods beginning on or after 1 January 2013. The amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements. The amendment does not have a significant impact on the Company’s financial statements.

c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted:

- IFRS 10, “Consolidated financial statements” is effective for annual periods beginning on or after 1 January 2013. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.
- IFRS 11, “Joint arrangements”, is effective for annual periods beginning on or after 1 January 2013. This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. Proportional consolidation of joint ventures is no longer allowed.
- IAS 27 (revised), “Separate financial statements”, is effective for annual periods beginning on or after 1 January 2013. The standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

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

2.3 Summary of Significant Accounting Policies

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

2.3.1 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 given (Note 28).

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

Sales of goods:

Sales of goods are recognised when a group entity has delivered or sold products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. It is the Company's policy to sell its products to the customers with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Interest income:

Interest income is recognised on accrual basis with the effective yield basis calculation. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Rental income:

Rental income is recognised evenly on an accrual basis.

2.3.2 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 applicable selling expenses. Cost elements included in inventories comprise all costs of purchase of material and other costs incurred in bringing the inventories to their present location and condition such as labour and appropriate amount of factory overheads (based on normal operating capacities). The costs of inventories are determined on the monthly weighted average basis (Note 13).

2.3.3 Property, plant and equipment

The Company's land and land improvements, buildings, machinery and equipment are stated at fair value, based on valuations by external independent valuer at 31 December 2011, namely Vakıf Gayrimenkul Değerleme A.Ş. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Property, plant and equipment, except for land and land improvements, buildings, machinery and equipment, acquired before 1 January 2005 are carried at cost, in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less the subsequent depreciation and impairment loss, if any, as of 31 December 2012 (Note 18).

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

Increases in the carrying amount arising on the revaluation of property, plant and equipment are credited to the revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against that reserve; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the revaluation reserve to the accumulated losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset, and the net amount is restated to the revalued amount of the asset.

Depreciation is provided on the restated or revalued amounts of property, plant and equipment on a straight-line basis (Note 18). Land is not depreciated as it is deemed to have an indefinite life. The estimated useful lives of property, plant and equipments are as follows:

Buildings and land improvements	5-50 years
Machinery and equipment	10-21 years
Motor vehicles	5 years
Furniture and fixtures	3-15 years
Other tangible assets	5-12 years

Property, plant and equipment are capitalised and depreciated when they are fully commissioned and in a physical state to meet their designed production capacity. Residual values of property, plant and equipment are deemed as negligible. The advances given for the property, plant and equipment purchases are classified under other non-current assets until the related asset is capitalised (Note 26). The assets' recoverable amounts and useful lives are reviewed, and adjusted prospectively, if applicable, at each balance sheet date (Note 2.3.13.a).

Subsequent costs are included in the asset's carrying value or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (Note 2.3.5). The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. The Company derecognises the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Major overhauls are depreciated over shorter of their useful lives or the remaining useful life of the related assets.

Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are included in the related income and expense accounts, as appropriate (Note 31). On the disposal of revalued assets, amounts in the revaluation reserve related to that asset are transferred to the retained earnings.

2.3.4 Intangible assets

Intangible assets have finite useful lives and comprise of acquired rights, information systems and software. Intangible assets acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortisation and permanent impairment losses if any. Residual values of intangible assets are deemed as negligible. Intangible assets are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period of five years from the date of acquisition. Gains or losses on disposals or impairments of intangible assets with respect to their amounts are included in related income and expense accounts. Residual values of intangible assets are deemed as negligible. Intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

2.3.5 Impairment of assets

i. Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any impairment indicator for the assets, except for the deferred income tax asset (Note 35). When an indication of impairment exists, the Company estimates the recoverable amounts of such assets. Recoverable amounts of intangible assets that are not available for use, are estimated at each reporting date. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash-generating units. An impairment loss is recognised for the amount by which the carrying amount of the asset or cash-generating unit of that asset exceeds its recoverable amount, which is the higher of an asset's net selling price or value in use. Impairment losses are accounted for in the statement of comprehensive income. Impairment losses on assets are reversed provided that increases in the recoverable amount of the asset can be associated with events that occur subsequent to the period in which the impairment losses were recognised, where the reversed amount shall not exceed the impairment losses recognised in prior periods.

ii. Impairment of financial assets

The criteria that the Company uses to determine that there is objective evidence of an impairment loss at each balance sheet date include:

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

The Company assesses at the each reporting period whether there is objective evidence that a financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment. The amount of the loss is the difference between the asset's carrying amount and the amount that is collectable. The collectable amount is the estimated all future cash flows, including collectable amounts from guarantees and various insurances, discounted at the financial asset's original effective interest rate.

2.3.6 Borrowings and borrowings costs

Financial liabilities are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, financial liabilities are measured at amortised cost using the effective yield method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised at the statement of comprehensive income as finance cost over the period of the borrowings. Borrowing costs are expensed as incurred (Note 33). If the maturity of these instruments is less than 12 months, these loans and receivables are classified in current liabilities and if more than 12 months, classified in non-current liabilities (Note 8).

A qualifying asset is an asset that takes substantial period of time to get ready for its intended use or sale. According to IAS 23 (Revised), borrowing costs of qualifying assets having capitalisation date 1 January 2009 or later, can be capitalised, based on borrowing cost of qualifying asset, directly or as an asset acquisition or with an extent to associate directly with production, there borrowing costs are capitalised as a part of cost of related asset.

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

2.3.7 Financial assets

The Company classifies its financial assets in categories of financial assets at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are derecognised when rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

a) Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market. Loans and receivables arise, without held-for-sale intention, as a result of the Company's supply of goods, services or direct funds to any debtor. They are included in current assets for maturities less than 12 months after the balance sheet date and in non-current assets for maturities greater than 12 months after the balance sheet date. The loans and receivables comprise trade receivables and other receivables in the balance sheet. Loans are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, loans and receivables are stated at amortised cost using the effective yield method.

b) Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale (Note 7). These are included in non-current assets unless management has expressed the intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All financial investments are initially recognised at cost, being the fair value of the consideration given and including transaction costs associated with the financial assets. Available-for-sale investments of the Company with participation rate less than 20%, and are classified as available-for-sale investments are carried at market value where there is no quoted market price and where a reasonable estimate of fair value, they are carried at fair value by using generally accepted valuation techniques, when there is no active market for the financial asset. When there is no quoted market price, and when a reasonable estimate of fair value could not be determined since other methods are inappropriate and unworkable. Available-for-sale financial assets acquired before 1 January 2005 are carried at cost expressed in purchasing power of TL as at 31 December 2004 and available-for-sale investments acquired after 1 January 2005 are carried at cost, less impairment losses, if any. Unrealized gains and losses arising from changes in fair value of financial assets classified as available-for-sale are recognised in the equity until the related financial asset is derecognised. Change in fair value of financial assets classified as available-for-sale is calculated as the difference between the discounted acquisition cost and the fair value at the balance sheet date. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Company's right to receive payments is established.

When financial assets classified as available-for-sale are derecognised, the gains or losses accounted in equity are transferred to the statement of comprehensive income. If permanent negative differences between acquisition cost and fair value of available-for-sale financial assets are recognised in the comprehensive income statement. If any such evidence exists for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss-is removed from equity and recognised in the statement of income. Impairment losses on financial assets classified as available-for-sale which are recognised in the statement of comprehensive income are not reversed through the statement of comprehensive income.

The Company has none financial asset at fair value through profit or loss, or held-to-maturity financial asset.

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

2.3.8 Derivative financial instruments and hedging instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values of derivatives are carried as assets when positive and as liabilities when negative (Notes 8-9). The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so the nature of the item being hedged.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values and cash flows of hedged items.

a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of the derivative instruments designated as hedging instrument for interest rate risk of bank borrowings with fixed interest rates, is recognised in the statement of income within finance income/expense. The gain or loss relating to the ineffective portion is recognised in the statement of income within other income/expense. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used, is amortised to statement of income within finance income/expense over the period to maturity. The Company has none derivative financial instruments designated as fair value hedge as of the reporting dates.

b) Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity within cash flow hedge reserves (refer to equity movement). The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within finance income/expense. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place or portion related to the accrued interest). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised, in the statement of comprehensive income within finance income/expense.

2.3.9 Foreign currency transactions and balances

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates The exchange differences that were recorded are recognised in the statements of comprehensive income as part of the loss for the year.

2.3.10 Loss per share

Loss per share disclosed in the statements of comprehensive income are determined by dividing net loss for the year by the weighted average number of shares that have been outstanding during the year (Note 36).

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

2.3.11 Subsequent events

Subsequent events, announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when balance sheet was authorised for issue (Note 40).

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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, where the decisions of the users of financial statements are affected.

2.3.12 Provisions, contingent assets and contingent liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities. The Company does not recognise contingent assets and liabilities. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed, where an inflow of economic benefits is probable (Note 22).

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

2.3.13 Accounting policies, errors and changes in accounting estimates

Material changes in accounting policies and accounting errors are applied on a retrospective basis as if a prior period error had never occurred or the policy had always been applied. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

a) The followings are the changes in accounting estimates effective since 1 January 2012;

The Company management assessed the useful lives of property, plant and equipments and changed useful lives of machinery and equipment as of 1 January 2012. The effect of change in accounting estimate is recognised prospectively. Had the Company management not change the estimation, the depreciation expense for the year ended 31 December 2012, would be higher by TL1,168,630. Useful lives of buildings and land improvements, and, machinery and equipment have been updated as below:

	Estimated Useful Lives	
	Before Change	After Change
Machinery and equipment	1-11 years	10-21 years

b) Prior year corrections

In 2012, the Company made certain corrections regarding the measurement of property, plant and equipments, deferred income tax and revaluation fund in prior years. The Company, according to IAS 8 "Accounting policies, changes in accounting estimates and errors" ("IAS 8"), corrected them without restating prior year financial statements on the grounds of materiality as of 1 January 2012, as follows:

	1 January 2012
Understatement in property, plant and equipment (Note 18)	108.827
Overstatement in deferred income tax liabilities (Note 35)	260.327
Understatement in revaluation fund (Note 18)	(1.197.069)
Total effect on accumulated losses	827.915
Total effect on equity	369.154

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

2.3.14 Leases

(1) The Company as the lessee

i. Finance leases

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other liabilities. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the lower of useful life or the lease period of the asset.

ii. Operating leases

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

(2) The Company as the lessor

i. Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet and rental income is recognised on a straight-line basis over the lease term in the statement of comprehensive income.

2.3.15 Related parties

For the purpose of the financial statements, shareholders having control, joint control or significant influence over the Company, Yaşar Family members who are the ultimate parent of the Company, Yaşar Group companies, fellow subsidiaries, key management personnel and board members and their close family members, together with companies controlled, jointly controlled or significantly influenced by them are considered as and referred to as related parties (Note 37).

2.3.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that takes strategic decisions.

The chief operating decision makers regularly monitor and review the operational results of the Company based on the main products' performances in domestic and foreign markets. However, as the nature of the products, production processes, type of customers, distribution methods and regulatory environment for the operations of the Company are identical, and the operations performed in foreign markets is not significant, there is a single reportable segment, and segment reporting is not applicable.

2.3.17 Taxes on income

Income tax expense for the period comprises current and deferred taxes. The current income tax liability includes the taxes payable calculated on the taxable portion of the period income with tax rates enacted on the balance sheet date (Note 35). The adjustments related to prior period tax liabilities are recognised in other operating income and expenses.

Deferred income tax is 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 35). Deferred income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In case, when the tax is related to items recognised directly in equity, the tax is also recognised in equity.

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

Deferred income 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 in which the temporary differences will reverse. Deferred income tax liabilities are recognised for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. To the extent that deferred income tax assets will not be utilized against any future taxable profits partially or wholly, the related amounts have been deducted accordingly (Note 35).

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

2.3.18 Employee benefits/employment termination benefits

Provision for employment termination benefits represents the present value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. In accordance with social security legislation and Turkish Labor Law in Turkey, the Company is required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service. Provision is made for the present value of the defined benefit obligation calculated by independent actuaries with the assumptions made in accordance with the discounted net present value (Note 24). All actuarial gains and losses are recognised in the statement of comprehensive income.

2.3.19 Statement of cash flows

For the purpose 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 production and sales activities. Cash flows from investment activities indicate cash inflows and outflows resulting from property, plant and equipments and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources. Cash and cash equivalents comprise of cash in hand accounts and bank deposits with a predetermined sales price at fixed future dates of less than or equal to 3 months.

2.3.20 Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on ordinary shares are recognised as an appropriation of the profit in the period they are declared. Dividends payable on shares are recognised as an appropriation of the profit in the period in which they are declared.

2.4. Critical accounting estimates and judgements

Preparation of financial statements requires disclosure of assets and liabilities, contingent assets and liabilities as at balance sheet date and utilization of estimates and assumptions that can affect income and expense amounts. The result of these estimations and assumptions can differ from actual results even though they are based on the Company management's best estimates. Significant estimates of the Company management are as follows:

i. Going Concern

The financial statements have been prepared on the basis of the Company's ability to continue as a going concern. At 31 December 2012, the Company's current liabilities exceed its total current assets by TL15.072.805, the accumulated losses are amounting to TL56.115.027 and the Company's operating loss and net loss for the year 2012 are amounting to TL7.298.370 and TL9.369.630, respectively. These conditions indicate the existence of an uncertainty that may cast doubt on the Company's ability to continue as a going concern. In this respect, the Company management has made a deep assessment of the Company's ability to continue as a going concern and has taken certain measures as further explained in Note 41 to the financial statements.

Furthermore, the main shareholder of the Company, Yaşar Holding, has also committed to provide the necessary financial support for the strengthening of the financial structure of the Company and for the timely payments of the Company's existing trade and non-trade payables. Accordingly, the Company management and the ultimate parent of the Company, Yaşar Holding, believe that the Company has the ability to continue its operations in the foreseeable future.

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

ii. Revaluation of land, buildings and land improvements, machinery and equipment

As of 31 December 2012, land and land improvements, buildings, machinery and equipment were stated at fair value less subsequent depreciation of land improvements, buildings, machinery and equipment, based on valuations performed by external independent valuer namely Vakıf Gayrimenkul Değerleme A.Ş. based on the Company's assumption that those values do not significantly differ from their fair values as of 31 December 2011 (Note 18). Some revaluation techniques and assumptions are used in fair value determinations of land and land improvements, buildings, machinery and equipment. The carrying values of land, land improvements, buildings and machinery and equipment do not necessarily reflect the amounts that would result from the outcome of a sales transaction between independent parties and the impact of differences will be reflected in the financial statements during the financial period in which they are incurred. As of each balance sheet date, the Company performs impairment assessment for buildings, land improvements and machinery and equipment of which valuations are based on cost approach, in accordance with the "IAS 36 Impairment of Assets", and no impairment indicator is identified.

iii. Effectiveness test of derivative financial instruments designated as cash flow hedge

Based on the assessments performed by the Company management, differences between the fair values and carrying values of the derivative financial instruments designated and qualified as cash flow hedges as of 31 December 2012, are classified as derivative financial liabilities (Notes 8-9). Derivative financial instruments are credited to the cash flow hedge fund in equity, net of applicable deferred income tax since these derivative financial instruments are effective. The effectiveness test of derivative financial instruments include the uses of EUR/TL exchange rate valuations and interest rate estimates; and the values that may incur, in a case where transactions take place might be different than these values. The impact of such differences will be reflected in the financial statements during the financial period in which they are incurred.

iv. 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 recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. In this respect, the Company did not recognise any deferred income tax assets arising from carry forward tax losses and certain deductible temporary differences as their future utilisation is not probable (Note 35). 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 income tax provisions in the period in which such determination is made.

2.5. Comparative information

In order to facilitate trend analysis on the financial position and performance of the Company, financial statements are prepared in comparison with prior period. The Company has prepared its balance sheet as of 31 December 2012 in comparison with 31 December 2011; the statements of income, comprehensive income, cash flow and changes in equity for the year ended at 31 December 2012, are presented in comparison with the year ended at 31 December 2011.

2.6. 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 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. Revenues generated as a result of the transactions in the normal course of business, are presented as net if the nature of the transaction or the event qualify for offsetting.

NOTE 3 - BUSINESS COMBINATIONS

None (2011: None).

NOTE 4 - JOINT VENTURES

None (2011: None).

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NOTE 5 - SEGMENT REPORTING

None (Please see Note 2.3.16).

NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Cash in hand	1.467	1.237
Banks		
- Demand deposits	284.713	398.766
- TL	19.122	256.619
- Foreign currency	265.591	142.147
- Time deposits	1.623.344	3.885.329
- TL	839.000	2.810.000
- Foreign currency	784.344	1.075.329
Other	208.400	227.384
	2.117.924	**4.512.716**

As of 31 December 2012, time deposits are denominated in TL and USD, all mature in one month and bear the effective weighted average interest rates of, 8.15% per annum ("p.a.") and 2.00% p.a., respectively (2011: TL, USD and GBP denominated time deposits mature in one month and bear the effective weighted average interest rates of, 11.40% p.a., 1.50% p.a. and 1.50% p.a.). Cash and cash equivalents at 31 December 2012 include foreign currency denominated balances USD512,187 and EUR58,217 (2011: USD359,668 EUR50,055 and GBP142,535). Other cash equivalents are comprised of credit card receivables from banks that mature in less than one month (2011: less than one month).

Based on the independent data with respect to the credit risk assessment of the banks, at which the Company has deposits, the credit quality of the banks is sufficient. The market values of cash and cash equivalents approximate carrying values, including accrued income at the respective balance sheet date

NOTE 7 - FINANCIAL ASSETS

Available-for-sale financial assets:

	31 December 2012		31 December 2011	
	Carrying Value TL	Share %	Carrying Value TL	Share %
Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji")	122.230	0,51	103.327	0,51
	122.230		103.327	

Available-for-sale investment has been stated at fair value which are determined based on the discounted cash flows as of 31 December 2012 and 2011 by using a discount rate of 9.60% (2011: 11.06%) based on the market interest rates and the risk premium specific to unlisted companies within the related sectors.

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NOTE 8 - 9 - FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES

	31 December 2012	31 December 2011
Short-term borrowings	4.991.280	5.430.561
Short-term portion of long-term borrowings	6.046.724	1.073.307
Short-term finance lease liabilities	29.701	71.258
	11.067.705	**6.575.126**
Derivative financial liabilities	2.703.224	1.390.583
Short-term financial liabilities and other financial liabilities	**13.770.929**	**7.965.709**
Long-term borrowings	41.808.000	48.876.000
Long-term finance lease liabilities	-	30.865
	41.808.000	**48.906.865**
Derivative financial liabilities	2.298.621	2.079.327
Long-term financial liabilities and other financial liabilities	44.106.621	50.986.192
Total financial liabilities and other financial liabilities	57.877.550	58.951.901

a) Borrowings and other financial liabilities:

	Effective weighted average interest rate p.a. (%)		Original currency		TL equivalent	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Short-term borrowings:						
USD borrowings (*)	1,14	4,96	2.800.000	2.874.986	4.991.280	5.430.561
Short-term portion of long-term borrowings:						
EUR borrowings (**)	4,08	5,20	2.571.214	439.196	6.046.724	1.073.307
Total short-term borrowings					**11.038.004**	**6.503.868**
Derivative financial liabilities:						
Foreign currency swap transactions	-	-	2.703.224	1.390.583	2.703.224	1.390.583
Total short-term borrowings and derivative financial liabilities					**13.741.228**	**7.894.451**
Long-term borrowings:						
EUR borrowings (**)	4,08	5,20	17.777.778	20.000.000	41.808.000	48.876.000
Derivative financial liabilities:						
Foreign currency swap transactions	-	-	2.298.621	2.079.327	2.298.621	2.079.327
Total long-term borrowings and derivative financial liabilities					**44.106.621**	**50.955.327**

(*) USD denominated bank borrowings consist of spot borrowings with fixed interest rates between 1,11% and 1,19% p.a. (2011: 3,85% and 7,75% p.a.).
(**) EUR denominated bank borrowing consist of borrowing with semi-annually floating interest rate of Euribor +3,40% p.a. (2011: +3,40% p.a).

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NOTE 8 - 9 - FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES (Continued)

On 1 August 2011, the Company obtained a loan from a domestic financial institution amounting to EUR20 million, maturing on 1 August 2017, and paid its non-trade payables to related parties as of the same date. Interest rate of the loan was determined as semi-annually floating interest rate of Euribor +3.40% p.a. and principal payments of the borrowing will be made semi-annually in 9 payments starting from 1 August 2013 after two years of period without any principal payment. Interest payments of the borrowing are made semi-annually starting from the date when the borrowing is obtained. Yaşar Group companies, Yaşar Holding, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), Pınar Su Sanayi ve Ticaret A.Ş. ("Pınar Su"), Pınar Süt Mamülleri Sanayii A.Ş. ("Pınar Süt"), Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş. ("Çamlı Yem"), Pınar Entegre Et ve Un Sanayi A.Ş. ("Pınar Et") ve Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("Dyo Boya") have undersigned this loan agreement as the guarantors of this borrowing obtained.

With respect to the borrowing obtained on 1 August 2011, the Company undersigned a EUR/TL cross currency swap agreement with an international financial institution together with the undersigned International Swaps and Derivatives Association ("ISDA") master agreements, related appendices and corresponding swap confirmation documents. In line with this agreement, the Company swapped only interest payments of the borrowing with the interest rate of 8,30% p.a. and foreign exchange rate of 2,274 EUR/TL. Based on the assessments performed by the Company management, the difference of TL5.001.845 (2011: TL3.469.910) between fair value of derivative financial instruments designated as cash flow hedge and the carrying amount as of 31 December 2012 is classified as current and non-current derivative financial liabilities, the accrued interest expense from swap transaction amounting to TL783.582 (2011: TL499.544) and realised interest expense from swap transaction amounting to TL658.432 (2011: None) is classified as financial expense (Note 32) in the statement of comprehensive income and fair value difference incurred from derivative transactions amounting to, TL4.218.263 (2011: TL2.970.366) is accounted as cash flow hedge reserve in equity net of deferred tax effect amounting to TL843.653 (2011: TL594.073) (Note 35) since the derivative instruments are effective as of 31 December 2012.

Guarantees given for bank borrowings and derivative financial instruments are disclosed in Note 22.

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

	31 December 2012	31 December 2011
2013	-	5.430.668
2014	10.452.000	10.861.333
2015	10.452.000	10.861.333
2016	10.452.000	10.861.333
2017	10.452.000	10.861.333
	41.808.000	**48.876.000**

The Company's borrowings and derivative financial instruments and all other financial liabilities with fixed interest rates as of 31 December 2012 and 2011.

According to the interest rate sensitivity analysis performed by the Company as at 31 December 2012, if interest rates on bank borrowings had been 1% higher while all other variables being constant, net loss for the year would be TL141.663 (2011: TL206.365) higher as a result of additional interest expense that would be incurred on bank borrowings with floating rates.

The carrying values and fair values of bank borrowings and other financial liabilities are as below;

	Carrying Amount		Fair Value	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Bank borrowings	57.847.849	58.849.778	57.768.229	58.348.039

The fair values are based on cash flows discounted using the rates based on the borrowing rates of 1,14% p.a., 4,06% p.a. and 6,37% p.a. for USD, EUR denominated bank borrowings and interest accruals of EUR denominated bank borrowings that are swapped to TL, respectively (2011: 1,30% p.a., 5,38% p.a. and 8,13% p.a.).

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NOTE 8 - 9 - FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES (Continued)

b) Finance lease liabilities:

	31 December 2012		31 December 2011	
	EUR	**TL equivalent**	**EUR**	**TL equivalent**
Short-term	12.630	29.701	29.159	71.258
Long-term	-	-	12.630	30.865
	12.630	29.701	41.789	102.123

Finance lease liabilities are related to purchases of machinery and equipment and has an effective annual interest rate of 0,08% p.a., maturing in 2013 (2011: 0,08% p.a.).

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

	31 December 2012	31 December 2011
a) Trade receivables:		
Customer current accounts	11.198.648	14.339.410
Cheques and notes receivable	6.484.817	4.094.763
	17.683.465	**18.434.173**
Less: Provision for impairment of receivables	(3.536.605)	(3.438.508)
Unearned finance income	(119.070)	(145.188)
	14.027.790	**14.850.477**

Trade receivables are resulted from sales of semi-finished and finished sanitary paper which are performed via dealers and chain stores in domestic market and via Yataş, Yaşar Group company, in export market.

As of 31 December 2012, the effective weighted average interest rate applied to TL denominated short-term trade receivables used in unearned finance income calculations is 7,77% p.a. (2011: 11,01% p.a) and trade receivables mature within two months (2011: two months).

The agings of trade receivables as of 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
Overdue	1.133.283	2.475.405
0-30 days	3.166.798	4.562.600
31-60 days	4.179.276	4.934.209
61-90 days	4.754.882	2.578.907
Over 91 days	793.551	299.356
	14.027.790	**14.850.477**

The aging and credit risk analysis of overdue receivables as of 31 December 2012 and 2011 are disclosed in detail in Note 38.a.

The Company holds collateral of TL515.126 as security for trade receivables of TL1.133.283 that were past due but not impaired as of 31 December 2012. TL1.087.748 of related overdue receivables has been collected from customers in the subsequent period.

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NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movements in the provision for impairment of trade receivables are as follows:

	2012	2011
1 January	**(3.438.508)**	**(3.369.415)**
Charged to statement of comprehensive income (Note 31.b)	(98.097)	(225.000)
Collections (Note 31.a)	-	155.907
31 December	**(3.536.605)**	**(3.438.508)**

Concentrations of credit risk with respect to trade receivables are limited due to the Company's widely dispersed customer base, covering the spectrum of manufacturing and distribution. The Company's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's trade receivables.

	31 December 2012	31 December 2011
b) Short-term trade payables:		
Notes payable	5.181.646	9.006.259
Supplier current accounts	8.932.371	6.441.062
	14.114.017	**15.447.321**
Less: Unincurred finance cost	(22.583)	(65.677)
	14.091.434	**15.381.644**

The effective weighted average interest rates on TL and USD denominated short-term trade payables used in unincurred finance cost calculations are 7,69% p.a and 2,31% p.a., respectively as of 31 December 2012 (2011: 11,00% p.a, 0,51% p.a and 1,63% p.a. for TL, EUR and USD denominated short term trade payables, respectively) and payables mature within two months (2011: within two months).

TL1.501.630 (2011: 600.282) of trade payables is overdue for one month on average as of 31 December 2012 (2011: one month).

NOTE 11 - OTHER RECEIVABLES AND PAYABLES

	31 December 2012	31 December 2011
a) Other short-term receivables:		
Receivable from personnel	32.653	14.537
Other	35.353	35.354
	68.006	**49.891**
b) Other long-term receivables:		
Deposits and guarantees given	55.795	20.660
	55.795	**20.660**
c) Other short-term payables:		
Deposits and guarantees received	4.804	4.804
	4.804	**4.804**

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NOTE 12 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (2011: None).

NOTE 13 - INVENTORIES

	31 December 2012	31 December 2011
Raw materials	5.931.472	5.488.141
Work in progress	1.904.838	1.529.085
Finished goods	2.804.969	2.760.628
Trade goods	152.066	101.074
Spare parts and others	3.576.178	2.465.436
	14.369.523	12.344.364
Less: Obsolescence provision	(90.122)	(90.122)
	14.279.401	**12.254.242**

Raw materials mainly consist of cellulose, which is used in production of sanitary paper; and recyclable paper. As of 31 December 2012, TL3.873.599 (2011:TL2.483.726) of raw materials comprised of goods in transit. Except for the raw materials and finished goods for which obsolescence provision is booked, all inventory items are measured at cost as of 31 December 2012.

Cost of materials recognised as expense and included in cost of goods sold amounted to TL46.568.272 as of 31 December 2012 (2011: TL50.140.019) (Note 30).

NOTE 14 - BIOLOGICAL ASSETS

None (2011: None).

NOTE 15 - CONSTRUCTION CONTRACT RECEIVABLES

None (2011: None).

NOTE 16 - INVESTMENT IN ASSOCIATES ACCOUNTED BY EQUITY ACCOUNTING

None (2011: None).

NOTE 17 - INVESTMENT PROPERTY

None (2011: None).

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NOTE 18 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment between 1 January and 31 December 2012 were as follows:

	1 January 2012	Additions (*)	Disposals (*)	December 2012
Cost/valuation:				
Land	19.390.000	-	-	19.390.000
Buildings and land improvements	16.940.003	203.806	-	17.143.809
Machinery and equipment	66.495.003	1.406.615	(110.421)	67.791.197
Motor vehicles	93.214	81.947	(85.454)	89.707
Furniture and fixtures	3.433.079	629.477	(9.900)	4.052.656
Other tangible assets	832.389	7.494	(808.658)	31.225
	107.183.688	**2.329.339**	**(1.014.433)**	**108.498.594**
Less: Accumulated depreciation:				
Buildings and land improvements	-	(1.894.119)	-	(1.894.119)
Machinery and equipment	-	(3.727.912)	110.421	(3.617.491)
Motor vehicles	(93.214)	(44.051)	82.010	(55.255)
Furniture and fixtures	(2.802.685)	(199.252)	7.361	(2.994.576)
Other tangible assets	(16.913)	(71.179)	62.930	(25.162)
	(2.912.812)	**(5.936.513)**	**262.722**	**(8.586.603)**
Net book value	**104.270.876**			**99.911.991**

(*) See Note 2.3.13.b.

Additions to the property, plant and equipment within the year 2012 mainly consist of machinery investment related with sanitary paper production. Disposals from other tangible assets are related with the disposal of spare parts of the machineries that have completed major part of their useful lives.

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NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements of property, plant and equipment between 1 January and 31 December 2011 were as follows:

	1 January 2011	Additions	Disposals	Transfers	Revaluation	Impairment (Note 31.b)	31 December 2011
Cost/valuation:							
Land	12.275.000	-	-	-	7.115.000	-	19.390.000
Buildings and land improvements	16.877.550	62.453	-	-	-	-	16.940.003
Machinery and equipment	58.355.918	118.126	(17.138)	666.409	7.371.688	-	66.495.003
Motor vehicles	115.323	-	(22.109)	-	-	-	93.214
Furniture and fixtures	3.107.274	314.882	(39.869)	50.792	-	-	3.433.079
Other tangible assets	9.580.282	3.500	(5.779.721)	-	-	(2.971.672)	832.389
Construction in progress	-	717.201	-	(717.201)	-	-	-
	100.311.347	**1.216.162**	**(5.858.837)**	**-**	**14.486.688**	**(2.971.672)**	**107.183.688**
Less: Accumulated depreciation:							
Buildings and land improvements	(2.233.472)	(1.665.835)	-	-	3.899.307	-	-
Machinery and equipment	(12.982.859)	(3.369.562)	1.925	-	16.350.496	-	-
Motor vehicles	(115.323)	-	22.109	-	-	-	(93.214)
Furniture and fixtures	(2.735.889)	(106.665)	39.869	-	-	-	(2.802.685)
Other tangible assets	(5.084.327)	(405.007)	5.472.421	-	-	-	(16.913)
	(23.151.870)	**(5.547.069)**	**5.536.324**	**-**	**20.249.803**	**-**	**(2.912.812)**
Net book value	**77.159.477**						**104.270.876**

Additions to the property, plant and equipment within the year 2011 mainly consist of machinery investment related with sanitary paper production. Disposals from other tangible assets are related with the disposal of spare parts of the machineries that have completed major part of their useful lives. The Company management has accounted on impairment loss in the comprehensive income statement by classifying within the other operating expenses since the recoverable amount of the relevant other tangible assets was TL2.971.672 more than the carrying value (Note 31.b).

The Company eliminated the accumulated depreciation against the gross carrying amount of the relevant asset, in line with IAS 16 "Property, plant and equipment" and accordingly revised the movements of property, plant and equipment for the comparative period, accordingly.

Current year's depreciation and amortisation expenses of TL5.003.630 (2011: TL5.378.860) have been charged to cost of production, TL584.710 (2011: TL187.920) to general administrative expense (Note 29.a) and TL441.775 (2011: TL71.355) to selling, marketing and distribution expenses (Note 29.b).

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NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in revaluation reserve related to land, buildings and land improvements, machinery and equipment as of 31 December 2012 and 2011 were as follows:

	2012	2011
1 January	**51.871.979**	**24.990.953**
Correction (See Note 2.3.13.b)	1.197.069	-
Increase in revaluation reserve arising from revaluation of machinery and equipment	-	23.722.184
Increase in revaluation reserve arising from revaluation of land, buildings and land improvements	-	11.014.307
Deferred income tax on increase in revaluation reserve (Note 35)	-	(5.880.048)
Depreciation transferred from revaluation reserve to accumulated losses - net	(2.635.343)	(1.975.417)
31 December	**50.433.705**	**51.871.979**

The carrying amounts of each class of property, plant and equipment that would have been recognised if the assets have been carried under the cost model as at 31 December 2012 and 2011 are as follows:

31 December 2012:	Land	Buildings and land improvements	Machinery and equipment
Cost	794.408	18.173.832	91.367.867
Less: Accumulated depreciation	-	(11.949.127)	(59.129.042)
Net book value	**794.408**	**6.224.705**	**32.238.825**

31 December 2011:	Land	Buildings and land improvements	Machinery and equipment
Cost	794.408	17.970.026	90.071.673
Less: Accumulated depreciation	-	(11.262.177)	(57.598.561)
Net book value	**794.408**	**6.707.849**	**32.473.112**

NOTE 19 - INTANGIBLE ASSETS

	1 January 2012	Additions	31 December 2012
Cost	1.898.570	129.335	2.027.905
Less: Accumulated depreciation	(1.641.670)	(93.602)	(1.735.272)
Net book value	**256.900**		**292.633**

	1 January 2011	Additions	31 December 2011
Cost	1.799.034	99.536	1.898.570
Less: Accumulated depreciation	(1.550.604)	(91.066)	(1.641.670)
Net book value	**248.430**		**256.900**

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NOTE 20 - GOODWILL

None (2011: None).

NOTE 21 - GOVERNMENT GRANTS

None (2011: None).

NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	31 December 2012	31 December 2011
a) Short-term provisions:		
Provision for expense accruals	2.986.158	2.896.996
Provision for litigation	351.750	348.420
Other	116.132	18.706
	3.454.040	**3.264.122**

Provision for expense accruals consist of destruction cost of scrap output from de-ink facility accumulated in the manufacturing plant of the Company which has been included in the scope of non-hazardous garbage and is charged to cost of sales.

- Movements of provision for disposal of garbage are as follows:

	2012	2011
1 January	**2.896.996**	**979.446**
Charged to the statement of comprehensive income	2.329.983	1.926.954
Utilised provisions	(2.240.821)	(9.404)
31 December	**2.986.158**	**2.896.996**

- Movements of provision for litigations are as follows:

	2012	2011
1 January	**348.420**	**341.883**
Charged to the statement of comprehensive income (Note 31.b)	20.000	106.537
Unutilised provisions (Note 31.a)	(16.670)	(100.000)
31 December	**351.750**	**348.420**

	31 December 2012	31 December 2011
b) Long-term provisions:		
Provisions for seniority incentive bonus	**117.536**	**105.161**
c) Guarantees received:		
Bails	47.034.000	48.876.000
Letters of guarantee	11.087.534	9.338.000
Mortgages	1.535.543	1.766.370
Other	189.080	181.112
	59.846.157	**60.161.482**

Guarantees received are mainly related with joint guarantees taken by the Company with Yaşar Holding, YBP, Pınar Su, Pınar Süt, Çamlı Yem, Pınar Et and Dyo Boya and for repayment of borrowings obtained by Yaşar Group companies from a financial institution amounting to EUR20.000.000, equivalent of TL47.034.000 (2011: 20.000.000 equivalent of TL48.876.000).

As the bails are obtained for the borrowings of the Company and bails are given for the borrowings of the Company's above mentioned related parties, the maturity of those contingent assets and liabilities are limited to the redemption schedule of borrowings.

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NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)

d) Guarantees given:

	31 December 2012	31 December 2011
Bails	574.993.500	606.634.000
Letters of guarantee	7.394.670	3.508.055
Other	35.808	125.825
	582.423.978	**610.267.880**

Guarantees given are mainly related with joint guarantees provided by the Company with Yaşar Holding, Çamlı Yem, Dyo Boya, Pınar Süt and Pınar Et for repayment of borrowings obtained by Yaşar Group companies from international capital markets and financial institutions amounting to USD250.000.000 and EUR55.000.000, equivalent of TL574.993.500 (2011: USD250.000.000 and EUR55.000.000, equivalent of TL606.634.000).

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended at 31 December 2012 and 2011 were as follows:

	31 December 2012			31 December 2011		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
CPM provided by the Company:						
A. Total amount of CPM given for the Company's own legal personality			7.430.478			3.633.880
	TL	*2.403.390*	*2.403.390*	*TL*	*3.508.055*	*3.508.055*
	EUR	*15.226*	*35.808*	*EUR*	*51.487*	*125.825*
	USD	*2.800.000*	*4.991.280*		-	-
B. Total amount of CPM given on behalf of fully consolidated companies		-	-		-	-
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties		-	-		-	-
D. Total amount of other CPM			574.993.500			606.634.000
i. Total amount of CPM given on behalf of the majority shareholder			445.650.000			472.225.000
	USD	*250.000.000*	*445.650.000*	*USD*	*250.000.000*	*472.225.000*
ii. Total amount of CPM given on behalf of other group companies which are not in scope of B and C			129.343.500			134.409.000
	EUR	*55.000.000*	*129.343.500*	*EUR*	*55.000.000*	*134.409.000*
iii. Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
			582.423.978			**610.267.880**
Total amount of other CPM/Equity			2.634%			1.906%

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NOTE 23 - COMMITMENTS

None. (As of 31 December 2011, the Company has raw material purchase commitment of TL1.174.536, equivalent of USD621.809). The Company's commitment for fixed asset purchases amounted to TL464.322, equivalent of EUR190.000 as of 31 December 2011.

NOTE 24 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	31 December 2012	31 December 2011
Provision for employment termination benefits	2.088.795	1.551.323
	2.088.795	**1.551.323**

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 reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL3.033,98 for each year of service as of 31 December 2012 (31 December 2011: TL2.731,85).

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 with certain actuarial assumptions (Note 2.3.13.a).

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 TL3.129,25 which is effective from 1 January 2013 (1 January 2012:TL2.805,04) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months. The following actuarial assumptions were used in the calculation of the total liability:

	31 December 2012	31 December 2011
Discount rate (%)	3,50	4,66
Probability of retirement (%)	96,11	96,2

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

	2012	2011
1 January	**1.551.323**	**1.673.357**
Interest costs	72.292	77.978
Actuarial losses	570.856	165.680
Annual charge	549.117	333.853
Paid during the year	(654.793)	(699.545)
31 December	**2.088.795**	**1.551.323**

The total of interest costs, actuarial gains and losses and annual charge for the year ended at 31 December 2012 are amounting to TL1.192.265 (2011: TL577.511) and included in general administrative expenses (Note 29.b).

NOTE 25 - PENSION PLANS

None (2011: None).

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NOTE 26 - OTHER ASSETS AND LIABILITIES

	31 December 2012	31 December 2011
a) Other current assets:		
Value added tax ("VAT") receivable	580.580	234.089
Order advances given	120.332	53.306
Prepaid expenses	72.845	100.240
Prepaid taxes and funds	17.236	15.171
Other	13.971	1.840
	804.964	**404.646**

	31 December 2012	31 December 2011
b) Other non-current assets:		
Advances given	-	201.797
	-	**201.797**

As of 31 December 2011 advances given are related to the purchases of property, plant and equipment.

	31 December 2012	31 December 2011
c) Other current liabilities:		
Withholding taxes and funds payable	552.192	636.918
Order advances received	317.099	353.742
Other	4.821	2.983
	874.112	**993.643**

NOTE 27 - EQUITY

The Company adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Kr1. The Company's historical authorised registered share capital at 31 December 2012 and 2011 is as follows:

	31 December 2012	31 December 2011
Registered share capital (historical values)	80.000.000	80.000.000
Authorised and paid-up share capital with a nominal value	40.000.000	40.000.000

In Turkey, companies may exceed registered share capital nonrecurringly -except for cash injection- through capital increase from internal sources. Registered share capital may not be exceeded through capital increase by cash injection.

The compositions of the Company's share capital at 31 December 2012 and 2011 were as follows:

	31 December 2012		31 December 2011	
	Share (%)	Amount (TL)	Share (%)	Amount (TL)
Yaşar Holding	60,58	24.231.366	60,58	24.231.366
Public quotation	35,12	14.049.855	35,12	14.049.855
Other	4,30	1.718.779	4,30	1.718.779
Paid-in capital	**100,00**	**40.000.000**	**100,00**	**40.000.000**

There are 4.000.000.000 units (2011: 4.000.000.000 units) of shares with a face value of Kr1 each. There are no different types of share and no privileges were given to specific shareholders.

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NOTE 27 - EQUITY (Continued)

As of 31 December 2012, share premium amounting to TL253.928 (2011: TL253.928) represents the difference between face value and selling price of common stocks offered to the public.

According to Board of Directors' decision dated 9 September 2011, the share capital of the Company is decreased by TL15.000.000 and simultaneously increased by TL15.000.000 based on the CMB announcement "Principles and Guidelines on Capital Decreases by Publicly Held Corporations not Requiring Fund Outflow" promulgated in CMB Weekly Bulletin No. 2009/18, in order to compensate TL15.000.000 of balance sheet shortage of the Company resulting from accumulated losses in financial statements as of 31 December 2010 which are audited and approved by the General Assembly, amounting to TL35.037.808, through capital decrease. The capital commitment of TL15.000.000 was fully paid in cash as of 26 December 2011 and share premium amounting to TL24.784 representing the difference between face value and selling price of common stocks offered to the public during the capital increase is accounted under equity as of 31 December 2011. Extraordinary general assembly meeting regarding capital decrease and capital increase of TL15,000,000 by cash injection, from TL25,000,000 to TL40,000,000 was registered on 28 November 2011 and 29 December 2011, respectively.

According to Turkish Commercial Law, interest can't be paid for capital and dividend can be distributed only if via net profit for the year and free capital and legal reserves. Five percent of the annual profit is reserved as legal reserve until it reaches to the twenty percent of the paid in capital. After reached to this point:

a) Premium which exists respect to coming in sight of new shares, its issuing expenditures, amortization provisions and its non-charitable used part

b) The cost that is paid for the cancelation of common stock bonds in order to foreclose, and the final amount remaining after subtracting the cost of new stocks which are going to be given replacement of these cancelled stocks with the new ones,

c) After five percent of dividend is paid to the shareholders, ten percent of the amount that is going to be distributed to the other participating profit shareholders,

are added to general legal capital reserves.

If it does not excess the half of the legal capital reserves reserved, it can be used in purpose of only if recovering the losses, continue of business in difficult time of business in terms going concern, preventing unemployment, and related precautions taken in order to stop similar bad events and consequences.

Company reserves the capital reserves with respect to cover value of its acquisitions. These capital reserves can be broken only if the nominal shares are transferred or destroyed with respect to their original costs. The article related to revaluation fund says, the other funds which are taking part in liabilities can be broken only if they are transmitted into the capital, revalued assets are amortized or transferred.

Allocating more than 5% of annual profit to contingency reserve and exceeding the contingency reserve 20% of paid in capital can be put in the articles of corporation. Predicting to allocate different contingency reserve by Articles of corporation and the expense ways and conditions can be defined in order to allocation.

Dividends cannot be defined without allocating the contingency reserve according to prediction of law and articles of corporation. General assembly can decide to allocate contingency reserve by predicting law and articles of corporation, if it's necessary to re-provide the assets, when considering the all shareholder's benefits, if company's continuous development and distribution of dividend seems fair. Besides, even there is not any sentence in the core contract; general assembly can reserve capital reserve to set up social rights and welfare organization for its workers, for labor organizations in terms of existence and sustainability of these organisms and other social and charitable purposes.

The aforementioned reserves were accounted for under "Restricted Reserves" in accordance with CMB Financial Reporting Standards. As of 31 December 2012 there is no restricted reserve of the Company (2011: None).

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NOTE 27 - EQUITY (Continued)

In accordance with the Communiqué No: XI-29 and related announcements of CMB, "Share capital", "Restricted Reserves" and "Share Premium" shall be carried at their statutory amounts. The valuation differences (e.g. the differences raises from inflation adjustments) shall be classified as follows:

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";
- the difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, shall be classified under "Retained earnings. Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards. "Inflation Adjustment to Share Capital" can only be added to the capital.

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

Based on Capital Markets Board Decree No. 2/51, dated 27 January 2010, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits arising from operations. Regarding the dividend distribution for the current and following years, the entities are to distribute their profits for the current and following years under the scope of CMB Communiqué IV, No: 27, their articles of association and their previously publicly declared profit distribution policies.

Composition of the equity items as per statutory financial statements of the Company is as follows:

	31 December 2012	31 December 2011
Legal reserves and special funds	70.911	70.911
Extraordinary reserves	4.818	4.818
Accumulated losses	(67.170.824)	(42.476.495)
Net loss for the year	(8.935.746)	(24.694.329)
	(76.030.841)	**(67.095.095)**

NOTE 28 - SALES AND COST OF SALES

	1 January - 31 December 2012	1 January - 31 December 2011
Domestic sales	98.670.209	97.422.380
Export sales	30.672.741	26.989.699
Less: Discounts	(27.988.794)	(22.498.779)
Returns	(682.256)	(960.008)
Net sales	**100.671.900**	**100.953.292**
Cost of sales	**(80.837.449)**	**(80.234.176)**
Gross profit	**19.834.451**	**20.719.116**

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NOTE 29 - MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2012	1 January - 31 December 2011
a) Marketing, selling and distribution expenses:		
Transportation	6.284.994	6.408.432
Advertisement	5.745.578	5.763.055
Staff	2.975.633	2.532.768
Outsourced services	1.180.773	1.191.216
Export commissions	768.269	667.970
Rent	556.955	395.626
Energy	464.885	376.953
Depreciation and amortisation	441.775	71.355
Other	1.129.428	742.719
	19.548.290	**18.150.094**
b) General administrative expenses:		
Staff	2.377.566	2.525.296
Consultancy	1.651.738	1.444.525
Employment termination benefits	1.192.265	577.511
Outsourced services	835.318	717.881
Depreciation and amortisation	584.710	187.920
Energy	215.819	176.060
Taxes (other than taxes on income)	128.439	168.100
Representation and hosting	116.791	115.622
Other	706.520	658.217
	7.809.166	**6.571.132**

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NOTE 30 - EXPENSES BY NATURE

	1 January - 31 December 2012	1 January - 31 December 2011
Cost of raw materials, direct materials and finished goods	46.568.272	50.140.019
Energy	16.746.275	13.079.269
Staff	10.748.319	9.720.902
Transportation	6.284.994	6.408.432
Depreciation and amortization	6.030.115	5.638.135
Advertisement	5.745.578	5.763.055
Repair and maintenance	4.374.765	3.597.729
Outsourced services	4.089.780	3.590.815
Consultancy	1.651.738	1.444.525
Employment termination benefits	1.192.265	577.511
Other	4.762.803	4.995.010
	108.194.905	**104.955.402**

NOTE 31 - OTHER OPERATING INCOME/(EXPENSES)

	1 January - 31 December 2012	1 January - 31 December 2011
a) Other operating income:		
Scrap sales income	197.013	166.973
Gain on sales of property, plant and equipment	46.206	12.006
Insurance claims	36.646	-
Reversal of provision for litigations	16.670	100.000
Reversal of provision for impairment of receivables	-	155.907
Other	191.208	163.154
	487.743	**598.040**
b) Other operating expenses:		
Bad debt expense	(98.097)	(225.000)
Provision for litigations	(20.000)	(106.537)
Impairment of property, plant and equipment	-	(2.971.672)
Loss in scope of Law 6111 (*)	-	(445.042)
Other	(145.011)	(413.749)
	(263.108)	**(4.162.000)**

(*) The Company's VAT payable, related to prior periods has been restructured and paid in 2011 in scope of Law 6111 regarding the restructuring of certain debts to governmental agencies ("amnesty package") which was published in the Official Gazette on 26 February 2011 upon the approval of the Turkish Grand National Assembly.

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NOTE 32 - FINANCE INCOME

	1 January - 31 December 2012	1 January - 31 December 2011
Foreign exchange	6.750.486	4.608.846
Bails	820.793	878.152
Due date charges	184.049	162.535
Interest	115.038	146.491
	7.870.366	**5.796.024**

NOTE 33 - FINANCE EXPENSE

	1 January - 31 December 2012	1 January - 31 December 2011
Foreign exchange	(3.617.424)	(16.179.649)
Interest	(3.319.877)	(5.063.588)
Bails and bank commissions	(1.448.235)	(2.068.370)
Interest from swap transaction	(1.442.014)	(499.544)
Due date charges	(216.153)	(1.632.389)
Other	(201.690)	(196.804)
	(10.245.393)	**(25.640.344)**

NOTE 34 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (2011: None).

NOTE 35 - TAX ASSETS AND LIABILITIES

Tax income for the periods ended at 31 December 2012 and 2011 are summarised as follows:

	1 January - 31 December 2012	1 January - 31 December 2011
Current corporation tax expense	-	-
Deferred tax income	303.767	377.888
Total tax income	**303.767**	**377.888**

Corporation tax is payable at a rate of 20% (2011: 20%) on the total income of the companies registered in Turkey after adjusting for certain disallowable expenses, exempt income (e.g. income from associates exemptions, investment incentive allowance exemptions) and investment and other allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed (except for withholding tax at the rate of 19,8% (2011: 19,8%), calculated on an exemption amount if an investment allowance is granted in the scope of Income Tax Law temporary article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (2011: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

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NOTE 35 - TAX ASSETS AND LIABILITIES (Continued)

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2011: 20%) on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government.

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

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

According to Turkish Corporate Income Tax Law numbered 5520, effective from 21 June 2006, a 75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property, which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The sales consideration has to be collected up until the end of the second calendar year following the year the sale was realised.

Dividend income from shares in the capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificates and investment trusts shares) is exempt from corporate tax.

Gains from issued premiums derived from the disposal of sales at nominal values during incorporations and the capital increase of joint stock companies are exempt from corporate tax.

Accordingly, the aforementioned gains/(losses) which have been included in trade profit/(loss) have been taken into consideration in calculation of Company's corporate tax.

Apart from the exemptions mentioned in the preceding paragraphs, the deductions granted in 14th and recurring 14th articles of Corporate Tax Law and 40th article of the Income Tax Law have been taken into consideration in calculation of the Company's corporate tax.

Transfer Pricing

Corporations should set the prices in accordance with the arm's length principle while entering into transactions regarding the sale or purchase of goods and services with related parties. Under the arm's length principle within the new legislation related parties must set the transfer prices for purchase and sale of goods and services as if they would have been agreed between third parties. Depending on the circumstances, a choice of accepted methods in aforementioned law of arm's length transaction has to be made by corporations for transactions with related parties. Corporations should keep the documentary evidence within the company representing how arm's length price has been determined and the methodology that has been chosen by use of any fiscal records and calculations in case of any request by tax authorities. Besides, corporations must report transactions with related parties in a fiscal period.

If a taxpayer enters into 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 completely or partially in the last day of the fiscal period when the circumstances defined in the 13th article occurred, will be assessed as distributed profit share or transferred amount to headquarter for limited taxpayers. After the distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit. 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.

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NOTE 35 - TAX ASSETS AND LIABILITIES (Continued)

Deferred income taxation

The Company calculates deferred income tax assets and liabilities based on temporary differences arising between financial statements prepared in accordance with CMB Financial Reporting Standards and financial statements prepared according to Turkish legislation. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled under the liability method using the enacted tax rate of 20% (2011: 20%).

Details of cumulative temporary differences and the resulting deferred tax assets and liabilities provided at 31 December 2012 and 2011, using enacted tax rates at the balance sheet dates, were as follows:

	Cumulative temporary differences		Deferred income tax assets/(liabilities)	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Revaluation of land, land improvements, buildings, machinery and equipment (*)	59.409.793	61.534.656	(8.976.088)	(10.022.673)
Differences between carrying value and tax bases; and impairment of property, plant and equipment, and intangible assets (*)	(9.769.294)	(12.076.687)	1.837.329	2.415.337
Derivative cash flow hedges	(4.218.263)	(2.970.366)	843.653	594.073
Provision for employment termination benefits	(2.088.795)	(1.551.323)	417.759	310.265
Other	(273.735)	(333.625)	54.747	66.725
Deferred tax liabilities-net			**(5.822.600)**	**(6.636.273)**

(*) See Note 2.3.13.b.

The Company did not recognise deferred income tax assets of TL14.138.976 (2011: TL15.976.974) arising from tax losses carried forward, certain temporary differences between the tax base and the carrying value of property, plant, equipment and intangible assets and impairment on financial assets as their future utilisation is not virtually certain.

Years of expiration of tax losses carried forward over which no deferred income tax assets were recognised as of 31 December 2012 and 2011 are as follows:

Expiration years	31 December 2012	31 December 2011
2012	-	17.482.020
2013	31.623.099	31.623.099
2015	11.374.205	11.494.629
2016	19.285.120	19.285.120
2017	8.412.456	-
	70.694.880	**79.884.868**

Movements in deferred income tax liabilities are as follows:

	2012	2012
1 January	**(6.636.273)**	**(1.728.186)**
Correction (see Note 2.3.13.b)	260.327	-
Credited to statement of comprehensive income	303.767	377.888
Charged to cash flow hedge reserve	249.579	594.073
Charged to revaluation reserve	-	(5.880.048)
31 December	**(5.822.600)**	**(6.636.273)**

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NOTE 36 - LOSS PER SHARE

Loss per share declared in the statement of comprehensive income is derived by dividing the loss for the current year by the weighted average number of ordinary shares in issue during the year.

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 loss per share calculations, this bonus share distribution is regarded as issued shares. Accordingly 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.

		1 January - 31 December 2012	1 January - 31 December 2011
Net loss for the year	A	(9.369.630)	(27.032.502)
Weighted number of 100 units of shares with a TL1 face value	B	4.000.000.000	4.000.000.000
Loss per share 100 shares with a TL1 face value	**A/B**	**(0,2342)**	**(0,6758)**

NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from related parties and due to related parties balances as of the period end, and significant transactions with related parties during the period are as follows:

A. Related party balances:

a) Due from related parties - current:

	31 December 2012	31 December 2011
i) Trade receivables from related parties		
Yataş	1.636.990	994.907
	1.636.990	**994.907**

Receivables from Yataş are mainly related with the exporting activities performed by this related party.

ii) Other receivables from related parties		
Dyo Boya	97.487	19.638
Other	-	154
	97.487	**19.792**

The agings of trade and other receivables from related parties as of 31 December 2012 and 2011 are as follows;

	31 December 2012	31 December 2011
Overdue receivables	336.802	29.897
0-30 days	1.145.116	836.262
31-60 days	252.321	148.540
	1.734.239	**1.014.699**

The agings of overdue trade receivables from related parties and credit risk analysis as of 31 December 2012 and 2011 are further explained in Note 38.a.

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NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Due to related parties - current:

i) Trade payables to related parties

	31 December 2012	31 December 2011
Yadex Export Import und Spedition GmbH ("Yadex")	10.356.548	5.576.069
Yaşar Holding	1.225.941	413.780
Yataş	591.600	494.556
YBP	164.702	78.542
Pınar Et	58.198	15.448
Pınar Su	53.230	-
Other	21.159	14.384
	12.471.378	**6.592.779**

Payables to Yataş and Yadex are mainly resulted from raw material imports. As of 31 December 2012, payables to Yaşar Holding are mainly resulted from consultancy service charges.

ii) Other payables to related parties

YBP	3.112.545	2.767.108
Pınar Su	154.386	35.251
Çamlı Yem	99.365	18.856
Other	72.374	35.007
	3.438.670	**2.856.222**

As of 31 December 2012 and 2011, payables to YBP is resulted from non-trade payables, related interest charges calculated, interest accrual and short portion of loan obtained from financial institutions and transferred to the Company with the same financial terms. The effective interest rate applied to due to related parties is 8.25% p.a. as of 31 December 2012 (2011: 12% p.a.).

c) Due to related parties - non-current

YBP	11.345.926	9.775.200
	11.345.926	**9.775.200**

As of 31 December 2012 and 2011, non-current payables to YBP consist of principal of a loan obtained by YBP from a financial institution and transferred to the Company with the same terms, maturing on 1 August 2015 with a semi-annually floating interest rate of Euribor + 3.90% p.a.

The redemption schedule of non-current due to related parties at 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
2013	-	1.955.040
2014	5.672.963	3.910.080
2015	5.672.963	3.910.080
	11.345.926	**9.775.200**

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NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

B. Related party transactions:

	1 January - 31 December 2012	1 January - 31 December 2011
a) Product sales:		
Yataş	28.117.960	25.390.316
YBP	33.710	45.219
Other	1.350	381
	28.153.020	**25.435.916**

Significant portion of the Company's export sales are performed through Yataş.

b) Service sales:		
Yaşar Holding	22.011	50
YBP	16.148	126.229
Other	18.731	23.132
	56.890	**149.411**
c) Product purchases:		
Yadex	7.627.158	7.339.407
Yataş	-	1.820.290
Other	137.011	40.809
	7.764.169	**9.200.506**

The Company imports significant portion of its raw materials through its related parties, Yataş and Yadex.

	1 January - 31 December 2012	1 January - 31 December 2011
d) Service purchases:		
Yaşar Holding	1.712.545	1.624.860
Yataş	859.338	672.156
YBP	47.789	93.494
Other	288.559	267.204
	2.908.231	**2.657.714**

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NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

The service purchases from Yaşar Holding are mainly related with consultancy charges.

e) Purchases of intangible assets		
Yaşar Holding	72.206	79.539
Other	10.507	659
	82.713	**80.198**

f) Finance income:		
Yaşar Holding	638.098	740.280
Yataş	173.981	-
Dyo Boya	129.547	91.733
Other	61.590	56.273
	1.003.216	**888.286**

Finance income is composed of bail commission charges for the loans obtained by Yaşar Group companies from international capital markets and a financial institution with the guarantee of the Company (Note 32). The bail commission and finance procurement rates used in the intercompany charges are both 0,50% p.a. (2011: 0,50% p.a.).

g) Finance expense:

YBP	926.512	1.382.664
Yadex	265.870	-
Yataş	220.277	39.310
Yaşar Holding	146.624	12.857.071
Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş. ("Çamlı Yem")	66.434	41.709
Dyo Boya	66.434	35.425
Pınar Et	66.434	35.425
Pınar Su	66.434	35.425
Other	72.244	20.359
	1.897.263	**14.447.388**

The finance expense resulted from transactions with Yaşar Holding consists of bail commission charges which is related with the loans obtained by the Company from various financial institutions with the guarantee of Yaşar Holding amounting to TL95.448 (2011: TL348.403); overdue charges and interest expense of trade and non-trade payables to Yaşar Holding amounting to TL51.176 (2011: TL186.802); and interest. As of 31 December 2011, foreign exchange differences and interest expense resulted from the loan obtained by Yaşar Holding; transferred to the Company with the same terms is amounting to TL12.321.866 Finance expense resulted from transactions with YBP consists of interest incurred from transfer loans and non-trade payables of the Company.

h) Bails given:

Guarantees given are mainly related with joint guarantees provided by the Company with Yaşar Holding, Çamlı Yem, Dyo Boya, Pınar Süt and Pınar Et for repayment of borrowings obtained by Yaşar Group companies from international capital markets and financial institutions amounting to USD250.000.000 and EUR55.000.000, equivalent of TL574.993.500 (2011: EUR55.000.000 USD250.000.000 equivalent of TL606.634.000) (Note 22).

i) Bails received:

Guarantees received are mainly related with joint guarantees taken by the Company with Yaşar Holding, YBP, Pınar Su, Pınar Süt, Çamlı Yem, Pınar Et and Dyo Boya and for repayment of borrowings obtained by Yaşar Group companies from international capital markets and financial institutions amounting to EUR20.000.000, equivalent of TL47.034.000 (2011: EUR20.000.000 equivalent of TL48.876.000).

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NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

j) Key management compensation:

Key management includes general manager, directors and members of Board of Directors, and key management compensation is as follows:

	1 January - 31 December 2012	1 January - 31 December 2011
Short-term employee benefits	413.672	712.388
Termination benefits	28.493	75.482
Post-employment benefits	-	-
Other long-term benefits	7.434	34.686
	449.599	**822.556**

NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: foreign exchange risk, cash flow risk, market risk composed of interest rate risk, capital risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets.

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

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

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

a) Credit risk:

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risk arises from deposits in banks, other cash equivalents, due from related parties and other trade receivables, as well as holding financial assets, credit risk of counterparties sourced from agreements. The Company manages these risks, by limiting the average risk of counterparts (excluding related parties) in each agreement and by taking guarantees, if necessary. The Company manages this risk from dealers and direct customers by limiting the credits according to the amount of the contingencies taken and updating the contingencies' amounts frequently. The credit quality of each customer is reevaluated frequently on the basis of the financial position of the customer, past experiences and other factors. Trade receivables are evaluated by the Company management on the basis of past experiences and current economic conditions, and presented in the balance sheet net of any doubtful provision. A major part of the exporting activities of the Company is performed by Yataş and trade receivables resulted from these sales are monitored by Yataş. The Company management believes that credit risk arises from receivables is well managed. The credit risk analysis according to financial instrument types as of 31 December 2012 and 2011 are as follows:

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Receivables					
	Trade Receivables (1)		Other Receivables			
31 December 2012	Related Parties	Third Parties	Related Parties	Third Parties	Bank Deposits and Other Cash Equivalents	Total
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**1.636.990**	**14.027.790**	**97.487**	**68.006**	**2.116.457**	**17.946.730**
- The part of maximum credit risk covered with guarantees, etc.	-	5.396.758	-	-	-	5.396.758
A. Net book value of financial assets not due or not impaired (3)	1.300.188	12.894.507	44.602	68.006	2.116.457	16.423.760
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3)	-	-	-	-	-	-
C. Net book value of assets past due but not impaired (3)	336.802	1.015.766	52.885	-	-	1.405.453
- The part covered by guarantees	-	397.609	-	-	-	397.609
D. Net book value of assets impaired	-	117.517	-	-	-	117.517
- Past due amount	-	3.654.122	-	-	-	3.654.122
- Impairment amount	-	(3.536.605)	-	-	-	(3.536.605)
- The part covered by guarantees	-	117.517	-	-	-	117.517
- Not due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Receivables					
	Trade Receivables (1)		Other Receivables			
31 December 2011	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits and Other Cash Equivalents**	**Total**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**994.907**	**14.850.477**	**19.792**	**49.891**	**4.511.479**	**20.426.546**
- The part of maximum credit risk covered with guarantees, etc.	-	4.519.050	-	-	-	4.519.050
A. Net book value of financial assets not due or not impaired (3)	984.802	12.375.072	19.792	49.891	4.511.479	17.941.036
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3)	-	-	-	-	-	-
C. Net book value of assets past due but not impaired (3)	10.105	2.361.098	-	-	-	2.371.203
- The part covered by guarantees	-	731.295	-	-	-	731.295
D. Net book value of assets impaired	-	114.307	-	-	-	114.307
- Past due amount	-	3.552.815	-	-	-	3.552.815
- Impairment amount	-	(3.438.508)	-	-	-	(3.438.508)
- The part covered by guarantees	-	114.307	-	-	-	114.307
- Not due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The agings of overdue trade receivables as of 31 December 2012 and 2011 are as follows:

31 December 2012	**Trade Receivables**		
	Related Parties	**Third Parties**	**Total**
1-30 days overdue	336.802	976.270	1.313.072
1-3 months overdue	52.885	1.914	54.799
3-12 months overdue	-	117.935	117.935
1-5 years overdue	-	37.164	37.164
The amount covered by guarantees	-	(515.126)	(515.126)
	389.687	**1.133.283**	**1.522.970**

As of the approval date of financial statements, TL1.087.748 of trade receivables that were past due but not impaired has been collected.

31 December 2011	**Trade Receivables**		
	Related Parties	**Third Parties**	**Total**
1-30 days overdue	10.105	1.496.975	1.507.080
1-3 months overdue	-	854.542	854.542
3-12 months overdue	-	1.023	1.023
1-5 years overdue	-	122.865	122.865
The amount covered by guarantees	-	(845.602)	(845.602)
	10.105	**2.475.405**	**2.485.510**

b) Liquidity risk:

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

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders together with Yaşar Holding A.Ş., the main shareholder of the Company. In order to maintain liquidity, the Company management closely monitors the collection of trade receivables on time in order to prevent any financial burden that may result from late collections, and the Company treasury aims to maintain flexibility in funding by keeping committed credit lines available.

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The Company's liquidity analysis in respect of categories of financial liabilities as of 31 December 2012 and 2011 are as follows:

31 December 2012:	**Book value**	**Total cash outflows per agreement (=I+II+III)**	**Less than 3 months (I)**	**3 - 12 months (II)**	**1 - 5 years (III)**
Contract terms:					
Non-derivative financial liabilities:					
Bank borrowings	52.875.705	57.068.350	3.741.895	7.621.844	45.704.611
Trade payables	26.562.812	26.585.395	16.166.434	10.418.961	-
Other payables	14.789.400	16.220.015	606.994	1.968.723	13.644.298
	94.227.917	**99.873.760**	**20.515.323**	**20.009.528**	**59.348.909**
Derivative financial liabilities:					
Financial assets/liabilities (Note 8-9)	5.001.845	5.001.845	1.076.369	1.626.855	2.298.621

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2011:	Book value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months(II)	1 - 5 years (III)
Contract terms:					
Non-derivative financial liabilities:					
Bank borrowings	55.481.991	70.310.064	5.040.103	1.570.322	63.699.639
Trade payables	21.974.423	22.040.099	21.537.339	502.760	-
Other payables	12.636.226	14.043.223	418.584	2.451.370	11.173.269
	90.092.640	**106.393.386**	**26.996.026**	**4.524.452**	**74.872.908**
Derivative financial liabilities:					
Financial assets/liabilities (Note 8-9)	3.469.910	3.469.910	499.544	891.039	2.079.327

c) Market risk:

i) Foreign exchange risk

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into TL of foreign currency denominated assets and liabilities. Current risks are discussed by the Audit Committee and Board of Director regularly and the foreign exchange rates relevant to the foreign currency position of the Company are followed up. When necessary, derivative financial instruments (swap contracts) are used as a tool to hedge the foreign exchange risk (Notes 8-9).

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign Currency Position

	31 December 2012			
	TL Equivalent	**USD**	**EUR**	**Other**
1. Trade Receivables	1.873.270	118.141	295.632	967.434
2a. Monetary Financial Assets (Cash, Bank accounts included)	1.049.934	512.187	58.217	-
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. Current Assets (1+2+3)	**2.923.204**	**630.328**	**353.849**	**967.434**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**2.923.204**	**630.328**	**353.849**	**967.434**
10. Trade Payables	(15.538.186)	(8.716.586)	-	-
11. Financial Liabilities	(11.067.705)	(2.800.000	(2.583.844)	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**(26.605.891)**	**(11.516.586)**	**(2.583.844)**	**-**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	(41.808.000)	-	(17.777.778)	-
16. Other Monetary Liabilities	(11.345.926)	-	(4.824.563)	-
17. Long-Term Liabilities (14+15+16)	**(53.153.926)**	**-**	**(22.602.341)**	**-**
18. Total Liabilities (13+17)	**(79.759.817)**	**(11.516.586)**	**(25.186.185)**	**-**
19 Net Asset/(Liability) Position of Off-Balance Sheet Foreign Currency Derivative Instruments (19a-19b)	**-**	**-**	**-**	**-**
19a. Amount of hedged part of assets	**-**	**-**	**-**	**-**
19b. Amount of hedged part of liabilities	**-**	**-**	**-**	**-**
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	**(76.836.613)**	**(10.886.258)**	**(24.832.336)**	**967.434**
21. Net Foreign Currency Asset/(Liability) Position of Monetary Items (=1+2a+5+6a-10-11-12a-14-15-16a)	**(76.836.613)**	**(10.886.258)**	**(24.832.336)**	**967.434**
22. Amount of Hedged Part of Foreign Currency Liabilities	**-**	**-**	**-**	**-**
23. Export	**30.672.741**	**17.112.665**	**-**	**-**
24. Import	**28.055.036**	**15.652.218**	**-**	**-**

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31 December 2011			
TL Equivalent	**USD**	**EUR**	**Other**
994.907	223.254	187.883	114.054
1.217.476	359.668	50.055	415.775
-	-	-	-
30.850	1.360	11.555	43
2.243.233	**584.282**	**249.493**	**529.872**
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	**-**	**-**	**-**
2.243.233	**584.282**	**249.493**	**529.872**
(11.496.182)	(5.731.455)	(274.178)	-
(7.074.670)	(2.874.986)	(672.767)	-
(237.801)	-	(97.308)	-
-	-	-	-
(18.808.653)	**(8.606.441)**	**(1.044.253)**	**-**
-	-	-	-
(48.906.865)	-	(20.012.630)	-
(9.775.200)	-	(4.000.000)	-
(58.682.065)	**-**	**(24.012.630)**	**-**
(77.490.718)	**(8.606.441)**	**(25.056.883)**	**-**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
(75.247.485)	**(8.022.159)**	**(24.807.390)**	**529.872**
(75.247.485)	**(8.022.159)**	**(24.807.390)**	**529.872**
-	**-**	**-**	**-**
26.989.699	**16.167.852**	**-**	**-**
32.615.583	**19.519.099**	**-**	**-**

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign exchange rate sensitivity analysis as of 31 December 2012 and 2011 is as follows;

	Profit/Loss		Equity	
31 December 2012	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Appreciation of USD by 10% against TL:				
1- Net asset/liability denominated in USD	(1.940.584)	1.940.584	-	-
2- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (1+2)	**(1.940.584)**	**1.940.584**	**-**	**-**
Appreciation of EUR by 10% against TL:				
4- Net asset/liability denominated in EUR	(5.839.820)	5.839.820	-	-
5- The part of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (4+5)	**(5.839.820)**	**5.839.820**	**-**	**-**
Appreciation of other currencies by 10% against TL:				
7- Net asset/liability denominated in other foreign currencies	96.743	(96.743)	-	-
8- The part of other foreign currency risk hedged (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**96.743**	**(96.743)**	**-**	**-**
TOTAL (3+6+9)	**(7.683.661)**	**7.683.661**	**-**	**-**

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Table of Sensitivity Analysis for Foreign Currency Risk

	Profit/Loss		Equity	
31 December 2011	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Appreciation of USD by 10% against TL:				
1- Net asset/liability denominated in USD	(1.515.306)	1.515.306	-	-
2- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (1+2)	**(1.515.306)**	**1.515.306**	**-**	**-**
Appreciation of EUR by 10% against TL:				
4- Net asset/liability denominated in EUR	(6.062.430)	6.062.430	-	-
5- The part of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (4+5)	**(6.062.430)**	**6.062.430**	**-**	**-**
Appreciation of other currencies by 10% against TL:				
7- Net asset/liability denominated in other foreign currencies	52.987	(52.987)	-	-
8- The part of other foreign currency risk hedged (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**52.987**	**(52.987)**	**-**	**-**
TOTAL (3+6+9)	**(7.524.749)**	**7.524.749**	**-**	**-**

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

ii) Interest Risk

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

	Interest Rate Position Schedule	
	31 December 2012	31 December 2011
Financial instruments with fixed interest rate		
Financial assets	17.385.611	19.750.505
Financial liabilities	82.605.762	80.074.835
Financial instruments with floating interest rate		
Financial liabilities	11.617.351	10.013.001

According to the interest rate sensitivity analysis performed as at 31 December 2012, if interest rates had been 1% higher while all other variables being constant, net loss for the current year would be TL141.663 (2011: TL248.034) higher as a result of additional interest expense that would be incurred on financial instruments with floating rates.

iii) Price risk

The operational profitability of the Company and the cash flows provided from the operations are affected by the sanitary paper sector which are changing according to the competition in the relevant market and the changes in the raw material prices. These relevant prices are closely followed up by the Company management and Audit Committee to reduce the pressure of the costs on selling prices and necessary precautions for cost reductions are taken accordingly. The Company has not used derivative instruments or entered into a similar agreement. Price risk is monitored by Board of Directors and Audit Committee via regular meetings.

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

d) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns and benefits for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Company monitors its capital on the basis of debt to equity ratio and assessing earnings before interest, tax, depreciation and amortisation ("EBITDA") fluctuations. Debt to equity ratio is calculated as net debt divided by total capital. Net debt is calculated as total payables (including borrowings as presented in the balance sheet), less cash and cash equivalents. EBITDA is calculated as operational profit/(loss) less depreciation and amortisation, provision for employment termination benefits and other discontinuous provision expenses (Note 30).

	31 December 2012	31 December 2011
Total liabilities	73.536.258	72.576.966
Less: Cash and cash equivalents (Note 6)	(2.117.924)	(4.512.716)
Net debt	71.418.334	68.064.250
Total equity	21.828.366	31.827.159
Net debt/equity ratio	**327%**	**214%**
EBITDA	**187.118**	**2.811.576**

NOTE 39 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

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

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

The following methods and assumptions were used to estimate the fair value of the financial instruments:

Financial assets

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at year end, is considered to approximate their fair value. The fair values of short-term trade receivables and receivables from related parties are considered to approximate their carrying values.

Financial liabilities

Trade payables, due to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values. Bank loans' carrying and fair values are disclosed in Notes 8-9.

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NOTE 39 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2012 and 2011.

31 December 2012

	Level 1	Level 2	Level 3 (*)	Total
Assets:				
Available-for-sale investments	-	-	122.230	122.230
Total assets				**122.230**
Liabilities:				
Derivative financial instruments designated as hedges		(5.001.845)		(5.001.845)
Total liabilities				**(5.001.845)**

31 December 2011

	Level 1	Level 2	Level 3 (*)	Total
Assets:				
Available-for-sale investments	-	-	103.327	103.327
Total assets				**103.327**
Liabilities:				
Derivative financial instruments designated as hedges	-	(3.469.910)		(3.469.910)
Total liabilities				**(3.469.910)**

(*) See Note 7 for Level 3 Financial Instruments.

NOTE 40 - SUBSEQUENT EVENTS

None (2011: None).

NOTE 41 - DISCLOSURE OF OTHER MATTERS

The Company management developed a considered plan in order to cast doubt on the Company's ability to continue as a going concern. Accordingly, the following plan has been developed:

i. The Company continues its efforts on cost reduction in 2012 in accordance with previous periods. In addition to the 6 Sigma projects which were successfully carried out in 2012, new 6 Sigma projects were to be carried out in 2013. The Company plans to apply these projects on various functions of the business instead of limiting them only with improvements on production. Results of these projects are expected to have a positive impact on costs in 2013 and along with the cost reductions, the Company aims to increase the operational efficiency of projects and have the most efficient usage of human supply. As a result of these projects, the operational profitability of the Company is planned to be enhanced.

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NOTE 41 - DISCLOSURE OF OTHER MATTERS (Continued)

ii. The Company has a deink facility which provides a competitive edge in its sector, with regards to cost-cutting advantages. During the period in which the cellulose prices had increased, this facility made it possible for the Company to control its costs by waste paper processing. In case of an increase in cellulose prices, the Company management plans to control its costs by using this facility efficiently.

iii. The Company had run detailed analysis on the cellulose and purchase of waste paper which constitute the major part of its production costs, and had meetings with suppliers and potential suppliers to purchase the most suitable raw material for its production structure at the most advantageous price The Company management expects that these meetings will have a positive impact on the cost structure.

iv. In 2008, the Company has taken part in "Increase of Energy Efficiency in Turkish Industry through Voluntarily Agreements" which was a project of the Turkish Ministry of Energy and Natural Resources, the Law of Energy Efficiency numbered 5627, dated 18.04.2007. As of January 2009, the Company has completed its application to reduce the energy consumption of production by 11% in subsequent three years. In accordance with this agreement, energy expenditures are expected to decrease gradually.

v. The Company continues to rehabilitate its retailers constantly considering risk and guarantee structures and plans to work with retailers that will penetrate its products in subsequent periods. Necessary retailer revisions are to be made by the Company.

vi. The Company will continue its ongoing strategy of channel profitability. All channels are separately commanded considering their internal distributions and savings that are to be made on each channel are determined.

vii. Based on the results of the research conducted in 2011 to find out the demands and expectations of consumers, it is decided that brand structure should be reviewed. Accordingly, the works on simplification of brands that the consumers have difficulties in understanding have speeded up. In addition, production improvements are planned to be made along with brand improvements. In addition, production improvements are planned to be made along with brand improvements.

Therefore, complications encountered by the consumers and purchasers are to be reduced and a more specific positioning and assurance strategy are adopted.

Besides the above mentioned considerations taken by the Company management, the main shareholder of the Company, Yaşar Holding, has also committed to provide the necessary financial support for the strengthening of the financial structure of the Company, including contribution to capital increase, and for the timely payment of the Company's existing trade and non-trade payables. Accordingly, the Company management and the main shareholder of the Company believe that the Company has the ability to continue its operations in the foreseeable future.

NOTE 42 - EXPLANATION FOR CONVENIENCE TRANSLATION INTO ENGLISH

As of 31 December 2012 and 2011, CMB Financial Reporting Standards differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the financial statements are not intended to present the financial position and results of operations of the Company in accordance with IFRS.

Information for Investors

Stock Exchange

Viking Kağıt ve Selüloz A.Ş. shares are traded on the National Market of the Borsa Istanbul (BIST) under the symbol "VKING".

Initial public offering date: 13 October 1994

Annual General Meeting

Pursuant to a resolution passed by the Board of Directors of Viking Kağıt ve Selüloz A.Ş., the company's annual General Assembly meeting for 2011 will take place on 8 May 2013 at 14:00 hours at the following address: Kemalpaşa Asfaltı No. 1 Pınarbaşı/İzmir.

Dividend Policy

Viking Kağıt ve Selüloz A.Ş.'s general policy concerning the distribution of its profits has been publicly disclosed and is accessible in the Turkish and English languages from the "Investor Relations" page of the company's corporate website located at www.viking.com.tr.

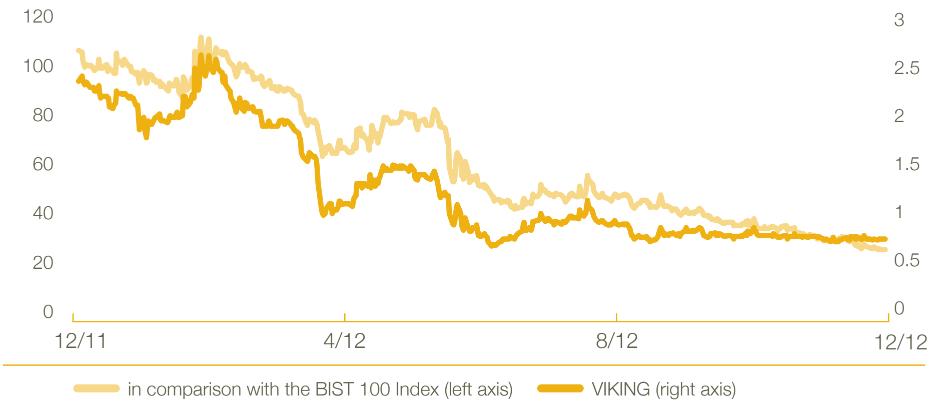
At a meeting of the company's board held on 12 April 2013, the board voted to recommend to the general assembly of shareholders that no dividends be paid inasmuch as the company showed a loss as a result of its 2012 operations.

Investor Relations

Viking Kağıt ve Selüloz A.Ş.
Investor Relations Department
Şehit Fethi Bey Caddesi No: 120 35210 İzmir
Tel: +90 232 482 22 00
Fax: +90 232 489 15 62
E-mail: investorrelations@viking.com.tr

Viking Kağıt investor relations web page:

Viking Kağıt Share Performance in 2012 (in comparison with the BIST 100 Index)



* Adjusted share prices

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