VİKİNG
KAĞIT ve SELÜLOZ A.Ş.

2018

VİKİNG KAĞIT ANNUAL REPORT

Yaşar
daha iyi bir yaşam için

Reporting Period
01.01.2018 - 31.12.2018

Trade Name
Viking Kağıt ve Selüloz A.Ş.

Trade Registry and Number
İzmir Ticaret Sicili 31775 K:384

Authorized Capital
TL 80,000,000

Paid-in Capital
TL 42,000,000

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instagram.com/lilyturkiye
twitter.com/lilykagit

VİKİNG
KAĞIT ve SELÜLOZ A.Ş.

CONTENTS

Viking Kağıt, which established Turkey’s “first private sector paper mill” in 1969, today exports to 22 countries with its rich product range.

One of the Working, Producing and Leading Groups in Turkey...

Since its foundation, Yaşar Group has adopted the motto of "non-stop working, producing and contributing in the country" to enrich Turkish economy, society, environment, life quality and human health without compromising corporate and ethical principles. Yaşar Group is one of Turkey's leading groups and today operates with 22 companies, 24 factories and facilities, 2 foundations and 7,500 employees and stands on "Durmuş Yaşar Enterprise" founded in 1927 by Durmuş Yaşar in Izmir to sell naval materials and coating products.

FOOD AND BEVERAGE GROUP	COATINGS GROUP	TISSUE PAPERS GROUP	TRADE AND SERVICE GROUP	FOUNDATIONS
Food • Pınar Süt • Pınar Et • Yaşar Birleşik Pazarlama • Pınar Foods GmbH • HDF FZCO • Hadaf Foods Industries LLC ***Beverage*** • Pınar Su ***Agriculture, Husbandry and Fishery*** • Çamlı Yem Besicilik	• Dyo Boya Fabrikaları • AO Kemipeks • S.C. Dyo Balkan SRL • Dyo Africa Paints and Varnishes LLC	• Viking Kağıt	• Altın Yunus Çeşme • Bintur • Yaşar Dış Ticaret • Yaşar Bilgi İşlem ve Ticaret • Yadex International GmbH • Desa Enerji • Desa Elektrik • Arev Gayrimenkul	• Yaşar Eğitim ve Kültür Vakfı • Selçuk Yaşar Spor ve Eğitim Vakfı

The most common brands in different sectors

Pınar and DYO, the locomotive brands in the food, beverage and coatings sectors, which are the main business branches of Yaşar Group, are ranked first in the "ranking of the most well-known brands by the consumer"in Turkey. The shares of Pınar Süt, Pınar Et, Pınar Su, Dyo Boya, Viking Kağıt and Altın Yunus Çeşme which are subsidiaries of Yaşar Holding A.Ş. operating in the fields of food, beverage and coating as well as cleaning papers, tourism, foreign trade and energy are traded in Istanbul Stock Exchange.

The rooted corporation which has broken many grounds in Turkey

Yaşar Group has accomplished many "firsts"in Turkey with its innovative approach:

- First coating factory and brand, DYO
- First private sector milk factory in international standards, PINAR SÜT
- First 1.100 beds first class holiday village, ALTIN YUNUS ÇEŞME
- First private sector paper factory, VIKING KAĞIT
- Natural spring water in first one way package, PINAR SU
- First private sector integrated meat plant, PINAR ET
- First integrated turkey plant,
- First culture fishing plant and first culture fish production, PINAR DENIZ
- First organic fertilizer factory, ÇAMLI YEM

An approach that values the environment and society

Adopting as one of the basic principles of following and minimizing the possible effects of all its activities on Environment and human from production to trade, Yaşar Group continues its activities in accordance with all laws and regulations. Yaşar Group contributes in sports, culture and art through its long term social responsibility projects and Yaşar Eğitim ve Kültür Vakfı (Yaşar Education and Culture Foundation) and Selçuk Yaşar Spor ve Eğitim Vakfı (Selçuk Yaşar Sports and Education Foundation) designs several projects. Yaşar University is developing to become one of the most successful universities in the country.

Yaşar Group, which participated in the United Nations Global Compact on November 12, 2007, published a Sustainability Notice Report for 2009 and 2010 and a Sustainability Report for 2011-2017. Progress notices and sustainability reports published by the Group under the Global Compact can be accessed on the corporate website at www.yasar.com.tr.

Group signed UN Women's Empowerment Principals "CEO Statement of Support" in 2012 and made commitments about fair gender policies with "Gender Equity Policies in the Workplace" in 2013.

Message from Chairperson

With its 36 thousand tons sales volume, Viking Kağıt realized 230.2 million TL revenue in 2018. The increase in revenue was 25%.

Dear shareholders,

Viking Kağıt, which takes its name from the Vikings since Danish "The Industrialization Fund For Developing Countries ve Aktieselskabet De Forenede Papirfabrikker" is one of the incorporators, and its journey set off in Aliağa İzmir, Turkey, as being the first private paper factory, accelerated after its inclusion in Yaşar Group in 1982. Today our Company, as being one of the largest companies in Turkish Cleaning Papers Market, continues its operations with 5 powerful brands meeting the changing consumer needs, more than 70 products and an annual capacity of 46 thousand tons.

2018 had a positive atmosphere for all over the world from the growth aspect. Organizations like IMF, World Bank and OECD, estimated the growth in global economy within 3%-3.7% ranges and the growth rate estimations for 2019 were declared within the same ranges. It is predicted that Turkey would complete 2018 with a growth rate close to the world averages but there is a slow down after the shock in foreign currency exchange rates encountered in Turkey in the third quarter of the previous year. IMF and World Bank have decreased 2019 growth estimations for Turkey. On the other hand, growth estimations obtained from questionnaires of Turkish Republic Ministry of Finance and Treasury and Turkish Republic Central Bank were 2.3% and 1.6%, respectively. During such period, in which slowdown tendencies occurred globally, we believe that Turkish Economics shall enter into the process of recovery and stabilization again in 2019.

When we have a look at the average total cleaning papers consumed per person in 2018; these figures were 22 and 13 kg for USA and EU, respectively (EUROMONITOR). The average consumption per person in Turkey reached 6.89 kg (SKSV Report). While the revenue of cleaning papers realized as 5.6 billion TL in FMCG market in 2018, a 22.7% increase was experienced when compared to previous year (Nielsen, 2018). In parallel with the increase in consumption per person, we predict that the sector shall continue to grow.

While domestic consumer products compromise 70% of cleaning papers market on tonnage basis in Turkey, the share out-of-house consumption channel is 30% and it grows day by day in parallel with the expanding tourism potential. While the Company offers toilet papers, towels, napkins, facial tissues and wet towels within its product range for domestic consumption under Premia, Lily, Senso and Pufla brands, it continues to focus on out-of-house consumption channel with Select brand products. The share of Viking Kağıt products for domestic consumption segment was 75% in cleaning papers market and the share out-of-house consumption products was 25%.

25% Increase in Revenue

With its 36 thousand tons sales volume, our Company realized 230.2 million TL revenue and the increase in revenue was realized as 25%. Our gross profit was realized as 53.2 million TL and increased 48% when compared to previous year.

We continued our works on expanding our export markets during the year and we managed to maintain our position as being the company having the biggest export share in its sales among the Yaşar Group companies in 2018 again. We realized exports to 22 countries and our total export revenue reached to 18.0 million USD within the year. We shall continue to work in this direction in an efficient manner in 2019.

We Created Difference with our Innovative Products

In 2018, we supported our works on increasing hygiene awareness of the society with our different products and communication activities, and we carried out works considering human health with our responsible production understanding.

While we offer Select, Senso and Lily brand toilet papers in their new packages to the market, we offered new alternatives to the consumers with our Senso brand paper towel and napkin products. Special and innovative products convenient for sensible skins and contact with food and which create a difference in the sector, were among the products actualized within the year. We have realized all these works with our strong R&D team. Our works on these issues shall continue in 2019 without an interruption. The results of the inspections performed by DQS, the German accreditation institution, in 2018 were like the proof of the works we performed. We are proud of being the first Turkish company entitled to obtain internationally recognized BRC certificate at AA Grade which proves our high quality and safe production in compliance with laws.

We Made Investments Improving Productivity

We integrate sense of sustainable high quality into each point of our work processes. We develop new products meeting the needs and expectations of the consumers by monitoring the trends in Turkey and global markets closely. We try to offer the best quality products and create comfort and health for their lives in any area we are in contact with our customers. We did not only perform product development-improvement works in 2018 but also completed the pending modernization projects with the investments we made on our facilities. The main axis of our investments was the renovation and modernization works in production. We increased our productivity in production with 11,435,401 TL investments and significant part of this amount was financed from our equities. Cogeneration investment started with the target of decreasing our energy costs was completed within the year. Third Roll Product line investment started in the second half of 2017 was completed and taken into operation in the first half of 2018.

Besides our own works, our collaboration with our suppliers has a significant role in the quality of our products. We import cellulose, which is the raw material of paper, from the countries like Finland, Sweden, North America, Russia, Spain, Portugal, Brazil and Chili. The fluctuations in foreign currency rates especially in the second half of the year were unavoidably reflected to price margins and made competition more difficult. At this point criteria like quality, delivery assurance and price performance became priorities in the selection of suppliers. In the same way, we take win-win formula as a base on our works with our chemical material and packaging suppliers. We check if our suppliers act in compliance with the requirements of quality certificates and quality procedures with regular intervals. In order to avoid the recurrence of the problems encountered we continue to apply DÖF (Corrective, Preventive Actions) monitoring system.

Contribution to Environment and Society

Viking Kağıt continued its environmentally friendly products and applications in 2018. With the cogeneration investments completed within the year, we started to use the steam formed in production efficiently by transforming it into energy in cogeneration facility. In this way our external source energy consumption has also decreased. We have produced 20 thousand tons of cellulose pulp from 31 thousand tons of scrap paper by recycling. We used the cellulose pulp as the raw material of environmentally friendly paper products.

In 2018, we have given the greenhouse gas validation measurement approval after the inspections of T.R. Ministry of Environment and Urbanization under the frame of the greenhouse gas emissions validation regulation. Our aim is to decrease carbon emission per unit product up to 15% when compared to 10 years ago by 2020. Furthermore, we continued our works on water footprint calculations.

We have realized several significant social responsibility projects within the year. We gave scholarships to 8 students via Yaşar Education and Culture Foundation. Furthermore we gave internship opportunity to 48 high school and university students this year. We planted trees on the names of our employees in cooperation with Aegean Forest Foundation in 2018 just like every year. We made cleaning paper grants to Yaşar Education and Culture Foundation Special Education Application Center at Güzelbahçe Yelki and Aliağa Disabled Students School and Turkish Education Volunteers Foundation Çiğli Education Park.

I believe that our achievements shall increasingly continue and we shall take firm steps towards our targets. I'd like to thank all our business partners, employees, stakeholders who contributed to our success in 2018 and all our shareholders due to their support.

Best Regards,

İdil Yiğitbaşı
Chairperson

Board of Directors

İDİL YİĞİTBAŞI
CHAIRPERSON

MUSTAFA SELİM YAŞAR
VICE CHAIRPERSON

EMİNE FEYHAN YAŞAR
MEMBER

YILMAZ ATTİLA
INDEPENDENT MEMBER

FEYZİ ONUR KOCA
INDEPENDENT MEMBER

YILMAZ GÖKOĞLU
MEMBER

CENGİZ EROL
MEMBER

* Background information of Board of Directors is given on pages 31-32.

Senior Management and Committees

BOARD OF DIRECTORS AND TERMS OF OFFICES

NAME SURNAME	TITLE	TERM
İDİL YİĞİTBAŞI	CHAIRPERSON	29.03.2018 - 1 YEAR
MUSTAFA SELİM YAŞAR	VICE CHAIRPERSON	29.03.2018 - 1 YEAR
EMİNE FEYHAN YAŞAR	MEMBER	29.03.2018 - 1 YEAR
YILMAZ ATTİLA	INDEPENDENT MEMBER	29.03.2018 - 1 YEAR
FEYZİ ONUR KOCA	INDEPENDENT MEMBER	29.03.2018 - 1 YEAR
YILMAZ GÖKOĞLU	MEMBER	29.03.2018 - 1 YEAR
CENGİZ EROL	MEMBER	29.03.2018 - 1 YEAR

Limitations of Authorities:

Chairperson of the Board and the Board Members have the authorities stipulated under relevant articles of Turkish Commercial Code and articles 10 and 11 of our Articles of Incorporation.

SENIOR MANAGEMENT

NAME SURNAME	POSITION
AHMET ABDULLAH AKÇASIZ	GENERAL MANAGER
SÜLEYMAN SEZER	FINANCIAL AFFAIRS AND FINANCE DIRECTOR

AUDIT COMMITTEE

NAME SURNAME	POSITION
FEYZİ ONUR KOCA	HEAD OF COMMITTEE
YILMAZ ATTİLA	MEMBER

CORPORATE GOVERNANCE COMMITTEE

NAME SURNAME	POSITION
YILMAZ ATTİLA	HEAD OF COMMITTEE
CENGİZ EROL	MEMBER
YILMAZ GÖKOĞLU	MEMBER
SÜLEYMAN SEZER	MEMBER

EARLY DETECTION OF RISK COMMITTEE

NAME SURNAME	POSITION
FEYZİ ONUR KOCA	HEAD OF COMMITTEE
YILMAZ GÖKOĞLU	MEMBER
CENGİZ EROL	MEMBER

Viking Kağıt and 2018 at a Glance

Viking Kağıt continued to grow and produce in 2018.

ANNUAL PRODUCTION CAPACITY OF **45,800** TONS

5 STRONG BRANDS

MORE THAN **70** PRODUCTS PORTFOLIO

49 YEARS OF SECTORAL EXPERIENCE

56% of packaging materials released by the Company were brought back to economy.

Cogeneration investment and installation of a 3rd circular product line were realized.

FINANCIAL PERFORMANCE IN THE YEAR 2018

(Million TL)	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Net Sales	230.2	184.7
Gross Profit	53.2	35.9
Gross Profit Margin	23.1%	19.4%

(Million TL)	31.12.2018	31.12.2017
Shareholder's Equity	27.7	35.7
Assets	267.1	235.4
Total Liabilities/Equity Ratio	8.66	5.60

230.2 million TL
TURNOVER

25%
TURNOVER GROWTH

Gross profit of
53.2 million TL

48%
INCREASE IN GROSS PROFIT

6.89 kg
Cleaning paper consumption per capita in Turkey in 2018 (SKSV)

5.6 billion TL
Cleaning Papers Market Turnover In Turkey (Nielsen)

Cleaning papers market in Turkey on tonnage basis

70% at-home consumer products

30% away from home consumer products

Exports to
22
Countries

36,002 tons
sales tonnage in 2018

11.4 million TL
2018 investment amount

Total exportation of 2018 is 18.0 million USD

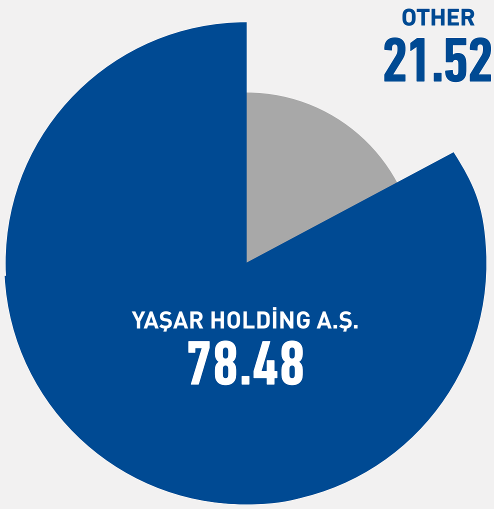
3,848 hours of training for employees

223
average number of employees

Company Profile

Viking Kağıt continues its activities with its production understanding focusing on consumer expectations and not compromising sustainable quality concept.

SHAREHOLDING STRUCTURE OF VİKİNG KAĞIT (%)



Shareholders	Share Ratio (%)	Amount of share (TL)
YAŞAR HOLDİNG A.Ş.	78.48	32,962,048.70
OTHER	21.52	9,037,951.30
Total	**100.00**	**42,000,000.00**

Viking Kağıt's shares are traded at Borsa İstanbul Main Market under the symbol "VKING".

The company's capital is represented entirely by bearer shares, and there is no privilege with regard to the company's shares.

Viking Kağıt, which grew rapidly after its participation in Yaşar Group in 1982, continues its activities today with its annual production capacity of 45,800 tons in the cleaning paper sector which it entered in 1996. Adopting the understanding of sustainable quality as principle, the Company focuses on at home consumption with Premia, Lily, Senso and Pufla brand toilet paper, paper towels, napkins, boxed tissues and wet tissues. Selected branded products are in market for out-of-home consumption.

Creating innovative product suitable for the needs and demands of at home and away from home consumer channels, Viking Kağıt effectively realizes its production distribution for more than 50 dealers and more than 200 direct sale points.

Viking Kağıt was established as "the first private paper factory" of Turkey in İzmir Aliağa in 1969. The Company commenced operations with an initial annual production capacity of 13,500 tons of single-glazed wrapping, printing, and laminating paper for industrial uses in 1971. Then, in 1982, the growth of Viking Kağıt accelerated after joining Yaşar Group.

INTERNATIONAL QUALITY STANDARDS

With its 5 strong brand and exceeding the expectations of different consumer groups with more than 70 product portfolio, Viking Kağıt highlights itself with its innovative identity and green-friendly applications in its sector. The company closely follows the sector and consumer dynamics and develops innovative products with strong R&D structure.

Certifying its quality standards with documents given by international independent institutions, Viking Kağıt conducts environmentally and human friendly works at all stages of production. The company saves approximately 310,000 trees every year with "eco-friendly" cleaning paper products.

Viking Kağıt, whose corporate carbon footprint and water footprint have been calculated since 2015, kept on reporting these results obtained in 2018 and developing projects which reduce carbon emission.

Competitive Superiorities

Viking Kağıt offers more than 70 products to consumers in at-home and out-of-home consumption channels with five different brands and its approach of not compromising from quality.

BRAND AWARENESS

- Brand identities formulated towards specific consumer groups and sales channels
- High brand reliability
- High customer satisfaction

WIDE PRODUCT PORTFOLIO

- More than 70 products suitable for demands of at-home and out-of-home consumption channels in 5 different brands
- Rich product portfolio in parallel with innovative and pioneering identity
- Fast response to needs of market with technological and sectoral knowledge and experience

PRODUCTION UNDERSTANDING WITHOUT COMPROMISING QUALITY

- ISO 9001:2015 Quality Management System Certificate
- ISO 50001:2011 Energy Management System Certificate
- BRC CP Certificate A GRADE
- HYGIENIC PRODUCT GC MARK Certificate; Hygienic production at EU norms
- TSE Certificate (SELECT PROFESSIONAL)

STATE-OF-THE-ART TECHNOLOGY WITH STRONG BRANDS

Viking Kağıt continues its activities in parallel with the ideal of "growing and having strong brands" as the case is with all branches of Yaşar Holding with its state of the art manufacturing facilities and innovative vision.

PRODUCT DIVERSITY STRATEGY

Viking Kağıt predicts that special branded products will keep growing in addition to special brands in all segments of the market. It plans to continue existing cooperations in this field within 2019.

Viking Kağıt Products

Viking Kağıt offers solutions for different needs with a variety of rich products that meet consumer expectations.

At-Home Consumption

The Company reaches to customers with "Premia, Lily, Senso ve Pufla" brands in at-home consumption market.

Premia

Superior Absorbency and Softness

* Premia Toilet Paper
* Premia Paper Towel

Triple-ply Premia is made of 100% cellulose and is highly absorbent of liquid and humidity thanks to its specially designed embossed pattern. Premia paper towels are among the products in the Turkish market to receive the International ISEGA Certificate, which verifies that the product is suitable for contact with food. With the Dermatest certificate, it is proven that Premia brand toilet papers have no allergic effect even on most sensitive skins.

5
BRANDS

70+
PRODUCT NUMBER

Lily

Double-Ply Durability

- Lily Toilet Paper
- Lily Paper Towel
- Lily "Pudgy" Napkins
- Lily Boxed Napkins
- Lily Wet Towel

Lily products, whose softness, endurance and absorbency values are increased with special manufacturing technique, are manufactured from 100% pure cellulose. Liliy, as double-ply high performance product, is offered to consumers for a wide range of use. Attracting attention with its embossed pattern developed with an innovative understanding, Lily is especially preferred in the kitchens due to its convenience and hygienic structure.

Senso

Affordable Quality

* Senso Toilet Paper
* Senso Paper Towel
* Senso Napkin

Senso toilet papers, towels, napkins provide quality and economic benefits to consumers with its absorbent feature and durability.

Pufla

Affordable Hygiene

- Pufla Toilet Paper
- Pufla Paper Towel
- Pufla Napkins
- Pufla Wet Towel

The Pufla products, manufactured from recycled books, notebooks and magazines, offer consumers an opportunity to support recycling. These products which are regained to economy also offer cellulose product comfort to consumers.

Away from Home Consumption

Meeting the needs with its durable and quality products at places such as restaurants, coffee shops and hotel, Select brand also offers rich product options for away from home consumption.

Select

Advantageous Solutions for Professionals

- Select Expert Toilet Paper
- Select Smart Toilet Paper
- Select Optima Toilet Paper
- Select İçten Çekmeli (Internal Pull) Toilet Paper
- Select Mini Jumbo Toilet Paper
- Select Expert Towel
- Select Optima Towel
- Select Expert Dispenser Towel
- Select Smart Expert Dispenser Towel
- Select Expert Active Towel
- Select Smart Active Towel
- Select İçten Çekmeli (Internal Pull) Towel
- Select Expert Napkin
- Select Expert "Pudgy" Napkin
- Select Smart Napkins
- Select Expert Standard Dispenser Napkins
- Select Expert Economical Dispenser Napkins
- Select Smart Economical Dispenser Napkins
- Select Expert Closet Seat Cover
- Select Boxed Napkins

SEMI-FINISHED PRODUCTS

Along with the increase in toilet paper, towel and napkin product segments, the share of semi-finished goods in production conducted by Viking Kağıt within 2018 reached to 33.2%.

SPECIAL BRAND PRODUCTS

There is a significant growth in private branded products in the field of fast-consumption goods in Turkey. When January-August period of special brand products in total fast consumer market is compared (excluding cigarette and alcohol), it is seen that the market share which was 18.7% in 2017 has increased to 19.9% in 2018 at the same period. The turnover of this growth is recorded as 25% growth. When January-August period of special brand paper products is compared, it is observed that the market share which was 32.4% in 2017 has increased to 34.9% in 2018 at the same period. The turnover of this growth is stated as 23%. (Source: Nielsen)

Viking Kağıt envisages to continue to grow in private branded products in 2019 and plans to add new innovations to existing strong cooperation in this area. The company aims to increase its exports in 2019, both at home and out-of-home, with its rich product portfolio.

Sector Overview

While 70% of Turkish cleaning papers market is comprised of domestic consumer products, remaining 30% part is offered to out-of-house consumption channel.

It is predicted that Global cleaning papers sector shall grow at a rate of 2% in total in MENA region (2017-2022). This production was predicted to be 5% in Asia, 0.5% in South America, 1% in Western Europe, 2.2% in Latin America, 3% in Eastern Europe and 0.8% in Australia.

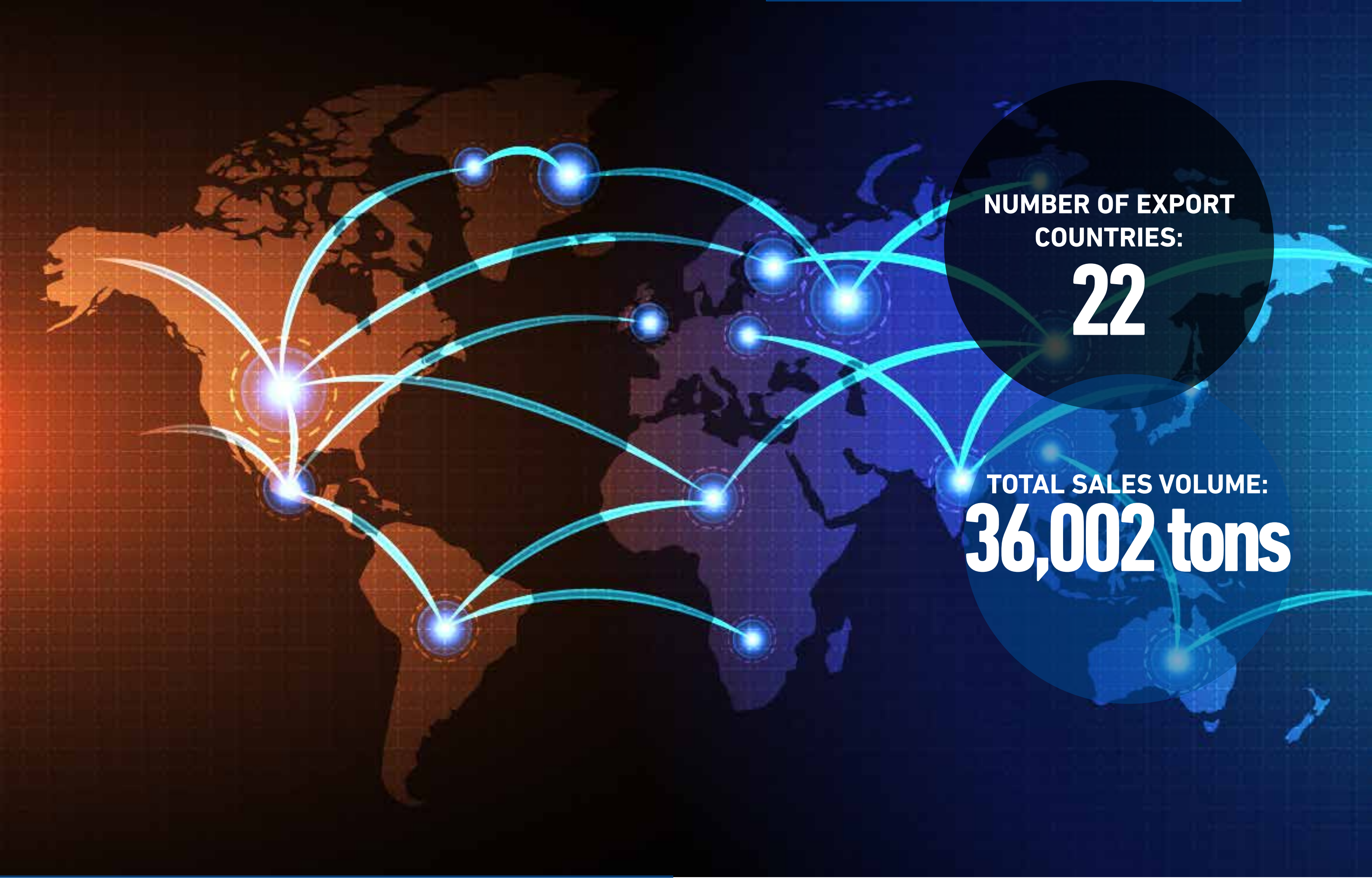
While total cleaning paper consumption per person in the world was 4.49 kg in 2018 (RSI, 2018), this figure reached to 6.89 kg in Turkey (SKSV 2018 report). In 2018, revenue of cleaning papers reached to 5.6 billion TL in Fast Consumption Product (FMCG) market and increased 22.7% when compared to previous year (Nielsen, 2018). These figures indicate that cleaning papers market shall continue to grow next year.

According to Global Consumer Market Report; the first countries who consumed the toilet papers most in 2018 are USA (12.7 kg), Germany (12.1 kg) and England (11.4 kg) (Statista).

CLEANING PAPERS SECTOR IN TURKEY

In Turkish Market domestic consumer products compromise 70% of cleaning papers market on tonnage basis.

Out-of-house consumption channel which has a share of 30% in cleaning papers market on tonnage basis grows rapidly with the new facilities opened due to the tourism potential of Turkey. When the 2018 figures are taken into consideration, the number of tourists visiting Turkey increased 18% (TSI). This increase is accepted as an indicator for the continuity of the growth trend in out-of-house consumption channel.



2018 Operations

Annual revenue of Viking Kağıt increased 25% when compared to previous year. Increase on gross profit amount was 48%.

While Viking Kağıt realized revenue of TL 230.2 million its sale volume was 36,002 tons and the annual increase on revenue was 25%. Gross profit amount was realized as TL 53.2 million and increased 48% when compared to previous year. 67% of the Company sales in 2018 were compromised of finished products like toilet papers, napkins and towels.

EXPORT TO 22 COUNTRIES

Viking Kağıt made exports to 22 countries in 2018. Total exports of the Company were 18.0 million USD in 2018. While the share of exports in net sales increased from 30.5% to 37.9%, Viking Kağıt managed to maintain its position as being the company having the biggest export share in its total sales among the Yaşar Group companies in 2018. The shares of England, Israel and Greece are significant in the exports of the Company.

The Company realized an efficient marketing activity to expand its foreign markets and took part in several fairs. Furthermore, the Company kept in contact with potential purchasers in new markets which are accepted as new opportunities. Besides these, thanks to its sense of high quality services, Viking Kağıt managed to continue its exports activities consistently against all the difficult conditions in 2018.

Viking Kağıt Customers and Consumers

Viking Kağıt continues to improve its products having high availability with its wide distribution network in parallel with the customers' expectations.

In the consumer communication activities performed during the year, health and hygiene features of Viking Kağıt were brought forward. The Company performs its operations with "Premia", "Lilly", "Senso" and "Pufla" brand toilet papers, towels, napkins, wet towels and facial tissues for final end users in the market. The Company offers "Select" brand toilet papers, towels and napkins to out-of-house market.

While the share of Viking Kağıt products for domestic consumption segment in toilet papers was 75%, the share of its products for out-of-house consumption was 25% at the end of 2018.

EMPHASIZE ON HEALTH, HYGIENE AND FAMILY

In 2018, under the frame of its marketing strategy, Viking Kağıt continued to emphasize family with no concession from health and hygiene themes especially in its Premia packages. The Company focuses on the hygiene consciousness of the society and announced the message of addition of extra value to its product in an efficient manner especially via magazines and newspapers during the year. Several campaigns were actualized under marketing and communication activities.

Besides the trade promotion activities at common sales points during the year, trade channel promotions in order to improve distribution performances of the products were also continued.

Viking Kağıt adopts a transparent communication strategy and shared information about production and operations with the consumers regularly via www.viking.com.tr and www.lily.com.tr websites during the year. Viking Kağıt replies the questions of the consumers about the products and their usage via 444 37 50 Consumer Consultancy Line.

Increasing Availability

Improvements have been made on quality levels of Lily and Senso brand products, which exhibited a high availability in the market in 2018 in parallel with the consumer expectations. In this way, the Company maintained its market share. Increasing availability level for all the brands contributed the powerful position of the Company in the market in 2018.

PIONEER OF OUT-OF-HOUSE CONSUMPTION

In the out-of-house consumption segment, Viking Kağıt manufactures purpose specific towels, napkins, toilet papers and toilet seat covers under Select brand for hotels, restaurants, hospitals, cafeterias, schools and other similar institutions.

Proximity of Viking Kağıt production facility to Mediterranean Region where the tourism activities are very dense increases the competition power of Select brand.

The Company reaches to the Turkish units of global accommodation brands working with a sustainable business model sensitive to environmental effects, with its Select Smart brand produced from recyclable paper.

R&D Works

Viking Kağıt carries out all its R&D activities with its responsible manufacturer ID.

Viking Kağıt manages R&D activities under two separate units namely Quality Assurance and R&D Department. With a team consists of 12 persons expert on their area, works on new product design and development are continued in parallel with the relevant management, authority and responsibility definitions without an interruption. The Company develops new products meeting the consumer expectations by monitoring global markets and trends in Turkey closely. Viking Kağıt continued TUBITAK project carried out under the frame of process improvement works, in 2018.

INNOVATIVE PRODUCTS CREATING DIFFERENCE

With its responsible manufacturer ID; Viking Kağıt carries out activities paying regard to human health under the frame of R&D Activities. Special and innovative products suitable for sensible skins, contact with food and which create difference in the sector took a significant place among the activities realized within 2018. Upon the inspections performed by DQS, German accreditation institution, Viking Kağıt became the first company entitled to obtain internationally recognized BRC certificate at AA Grade which proves the high quality and safe production in compliance with laws in Turkish cleaning papers sector.

High Quality

Viking Kağıt applies the sense of sustainability and high quality at all stages of work processes.

Viking Kağıt draws attention as being the first private sector company receiving ISO 9001 Quality Management System Certificate from an international accreditation institution in the sector. The Company succeeded in ISO 9001: 2015 inspections and actualized Process Based Risk Management. Furthermore, Viking Kağıt has TSE certificate assurance with Select Professional brand.

High quality, safe and natural production of Viking Kağıt and its compliance with laws were certified by BRC Consumer Product certificated given by DQS, German certification institution, upon the inspections performed. Viking Kağıt became the first company receiving this certificate in the sector.

Application of HACCP (Hazard Analysis and Critical Control Points) based risk analysis and GMP- Good Production Practices in Viking Kağıt Plant were certified with Hygienic Product GC-MARK certificate.

* In 2018, management of all quality system was taken into operation with QDMS, a document control system.
* In2018, FsC CoC document inspection completed successfully.
* In 2018, Active Towel with TSEK certificate was renewed with TSE certificate.
* In 2018, existing Smither Pira analysis for 100% deink white paper and mix quality white paper products were renewed. These analyses were also made for 100% brown papers and their convenience was approved.

CUSTOMER FOCUS

Viking Kağıt adopts customer satisfactions as a fundamental principle and works to carry its service quality forward. With the satisfaction researches, the Company received feedback from all areas from production processes to sales and distribution channels. “Annual Business Partners Evaluation Questionnaires” are organized and work processes are reconstructed on the basis of the results obtained and required improvements and updates are made in work plans.

Business Development and Investments

While continuing its renovation and capacity expansion works, Viking Kağıt completed cogeneration investments in order to decrease energy costs in 2018.

Viking Kağıt increased its productivity in production with the investments realized in 2018. The results of the works on efficient use of energy, raw materials and water in machine parks and production facilities were started to be obtained.

Positive contributions have been made to environmental and economic sustainability by applying ISO 50001 Energy Management System actively in all processes in order to increase efficiency in energy consumption.

ON GOING INVESTMENTS

In 2018, total investment made was TL 11,435,401 and significant part of this amount was financed from equities. Investments made in 2018 focused on renovation and modernization works on production.

Cogeneration investments started in 2017 in order to decrease energy costs of the Company were completed in 2018.

Third Roll Product line investment started in the second half of 2017 was completed and taken into operation in the first half of 2018.

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SUPPLIERS

Powerful Collaboration with Suppliers

Viking Kağıt accepts that long lasting collaborations with suppliers is an undeniable condition for sustainable business model.

While taking care to establish long lasting collaboration with its suppliers, Viking Kağıt prefers the companies to work with on the basis of criteria like quality, delivery and price/ performance.

Viking Kağıt, import cellulose, which is the raw material of paper and not produced in Turkey, from the countries like Finland, Sweden, North America, Russia, Spain, Portugal, Brazil and Chili. This affects price margins and our competition power negatively. Viking Kağıt also needs to procure chemical materials and meets these needs by establishing win-win based collaborations with packaging and chemical material suppliers.

In 2018, the Company purchased 31 thousand tons of scrap paper. 20 thousand tons of cellulose pulp was obtained by recycling. The cellulose pulp obtained was used as the raw material of environmentally friendly paper products.

BRC CP-MOTIVE TO PREFER

Viking Kağıt meets up with its suppliers especially at the activities like fairs and seminars and continuously observes production, storage and loading conditions of these companies. The Company also regularly checks if the suppliers acts in compliance with the requirements of quality certificates and quality procedures.

In addition to quality or energy management certificates, having BRC CP certificate is taken as a base in supplier selection. The companies not having BRC CP certificates are also inspected from sustainability and product quality and safety aspects under the frame of BRC standards.

Viking Kağıt grades its suppliers according to quality, delivery, price and performance criteria on the basis of a scoring system. In order to avoid the recurrence of the quality problems encountered, Viking Kağıt applies DÖF (Corrective, Preventive Actions) monitoring system developed by the Company. Problems determined are shared with the suppliers and measures are taken to solve the problem and results are monitored with care.

With these activities, Viking Kağıt ensures efficient cost management in supply areas and optimizes operational inputs.

ALTERNATIVE WORKS

Viking Kağıt closely monitors latest developments in the sector and analyzes and assesses new chemicals, packaging designs and technical developments with its suppliers. Common production trials are performed for the products that are deemed convenient.

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DEALERS

Viking Kağıt Family

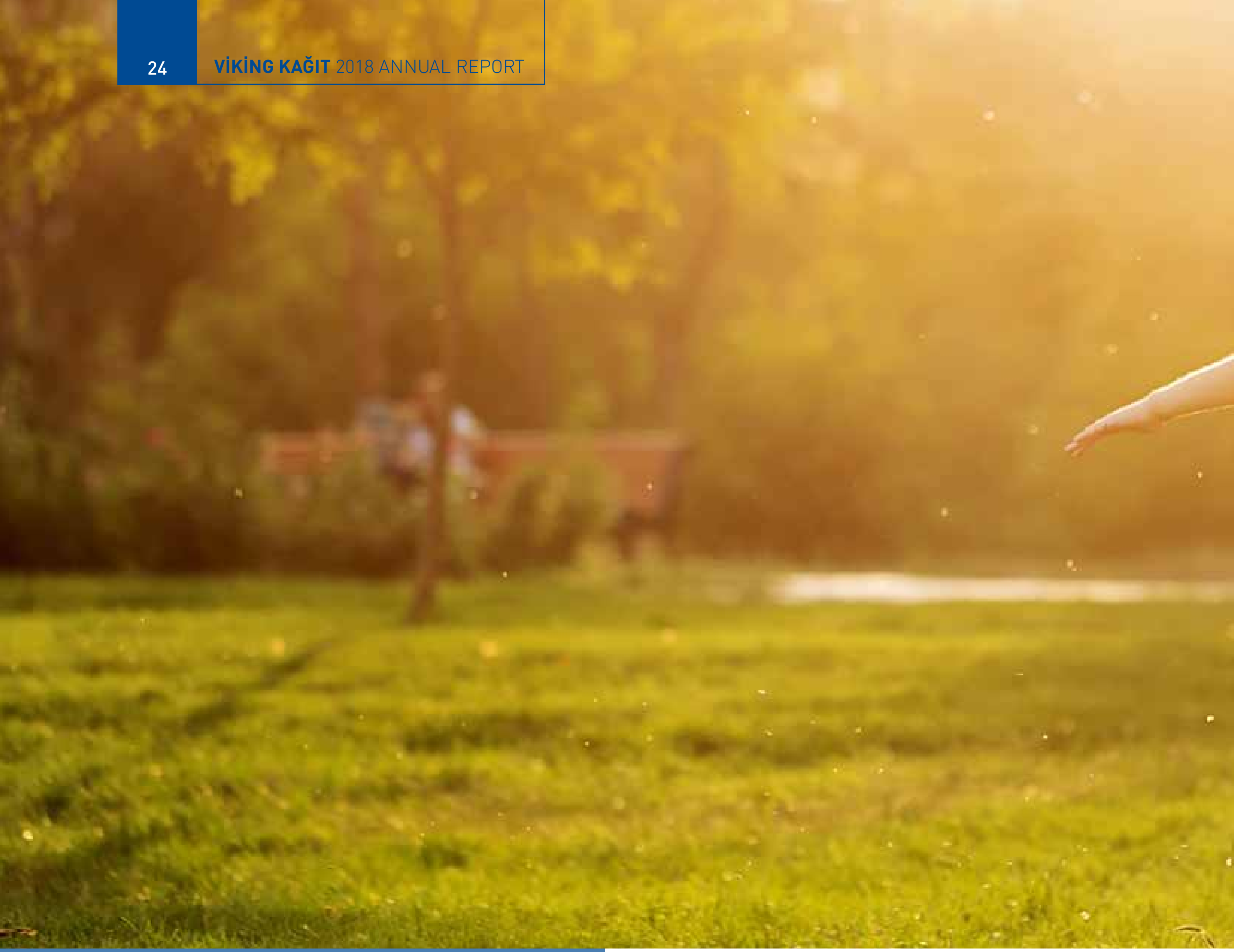
Viking Kağıt structured its Human Resources Policy in order to increase its competitive power and aims to improve efficiency by combining qualified human resources with technologic facilities.

The Company structures its human resources policies with a sense of increasing its competitive power and continuously supports his employees on trainings for corporate aims and organization and improves the employment conditions for the positions to be created within the Company.

The Company supports innovation and operational excellence with technologic developments and uses online orientation and e-learning systems actively. Viking Kağıt gave 3,848 hours training to its employees in 2018. The main headings of these trainings were work safety, personal development and professional training.

Viking Kağıt operates with the aim of improving efficiency by combining its advanced technologic facilities and investments with qualified human resources. Average number of employees in the Company was 223 in 2018.

Viking Kağıt believes that peace in work place is a significant issue on the way going to social peace and the collective labor agreement executed with Turkey Cellulose Paper, Wood Products Employee Union (Cellulose Work) covers the period between January 1st, 2018 and December 31st, 2019.



Sense of Sustainable Environment

Viking Kağıt tries to perform its liabilities related to protection of public health and nature by taking efficient measures in waste management.

With "Waste Management" principle, Viking Kağıt performs the required applications for recycling or disposal of wastes in compliance with laws and the Company discharges the water from its biologic treatment facilities under legal limits, this application is first in the sector.

In compliance with the requirements of Water Pollution Regulation, the quality of discharged water is controlled by taking samples and analyzing them at an accredited laboratory every 15 days. Viking Kağıt completed all the inspections performed by Provincial Directorate for Environment and Urbanization successfully in 2018.

In order to decrease greenhouse gas emissions of the Company, it is planned to decrease carbon emission per unit product 15% when compared to 10 years ago by 2020. As a result of the works performed in 2018, carbon footprint was decreased 18% and determined target was achieved two years earlier.

In 2018, we have given the greenhouse gas validation measurement approval after the inspections of T.R. Ministry of Environment and Urbanization under the frame of the greenhouse gas emissions validation regulation. Besides carbon footprint, water footprint calculation works started in 2015 were continued by the Company in 2018. As a result of these works 16% decrease was achieved when compared to 2015.

COLLOBORATION WITH ÇEVKO

Under the frame of the project realized in cooperation with ÇEVKO, 56% of the packaging materials (polyethylene, paper cartons) supplied to the market by the Company was regained to the economy in 2018.

PROOF FOR ENVIRONMENTALIST ID

Viking Kağıt was inspected by BM TRADA Certification Turkey in 2010 and became the first company who received FSC-CoC (Forest Stewardship Council- Chain of Custody) Management System Certificate among the Turkish paper-carton manufacturers. The validity of the certificate is maintained with the regular inspections performed every year. FSC-CoC Management system inspects compliance with national and international standards and proves the environmentalist ID of Viking Kağıt.

FSC-CoC management system documents that paper and paper products do not contain any uncertified or uncontrolled materials from raw material phase until they reached to the consumer, and confirms that the Company offers environmentally friendly products.

In addition to these, with its cogeneration investments started in 2017 and completed in 2018, Viking Kağıt transforms the steam output into energy at its cogeneration facility and uses in production efficiently. In this way the Company decreases external sourced energy consumption.

INTERNATIONALLY RECOGNIZED CERTIFICATES

Viking Kağıt was given internationally recognized BRC and Hygienic Product GC MARK certificate upon the inspections performed by DQS, German certification institution. Viking Kağıt became the first company received this certificate which is given to industrial cleaning paper manufacturers who proved their high quality, safe production in compliance with laws in Europe, in its sector in Turkey.

INTERNSHIP OPPORTUNITY FOR 48 STUDENTS

Corporate Social Responsibility

Viking Kağıt realized several social responsibility projects focusing on education, society and environment during 2018.

Under the frame of corporate social responsibility activities, Viking Kağıt gave scholarships for 8 students via Yaşar Education and Culture Foundation. The Company gave internship opportunity for 48 high school and university students under the frame of professional training.

Viking Kağıt finds efficient solutions for environmental and natural issues and realizes different corporate social responsibility projects. Trees are planted on the name of Company employees via Aegean Forest Foundation every year.

The Company made cleaning paper grants to Yaşar Education and Culture Foundation Special Education Application Center at Güzelbahçe Yelki and Aliağa Disabled Students School and Turkish Education Volunteers Foundation Çiğli Education Park in 2018.

Awards and Certificates

Viking Kağıt gets significant advantage on competition by certifying the standards attained in production processes and product quality and the Company passed the inspections successfully in 2018.

Viking Kağıt continues its certification applications in order to maintain and improve its high quality standards.

With BRC CP certificate, which is compatible with ISO 9001: 2015 standard and assisting the producers and retailers to perform their legal liabilities and given to the company in the last quarter of 2016, the Company strengthened its competition power both in Turkish and international markets. BRC standard which is issued by British Retail Consortium (BRC) in order to contribute to the development of food safety and form an internationally recognizable structure, is accepted by several countries in the word.

Viking Kağıt is the first private sector company, which received ISO 9001 Quality Management System Certificate from an international inspection institution in its sector and under the frame of quality certification, the Company

* received ISO 9001:1994 Quality Assurance System Certificate in 1997;
* In 2003 updated the existing certification and transformed it into "ISO 9001:2000 Quality Management System Certificate which is based on "continuous development, measurement based decision making"
- obtained ISO 9001:2008 Quality Management Certificate which is the latest version of ISO 9001 in 2009.
- The company successfully completed ISO 9001:2008 inspections.
- In 2010, it became the first company which received FSC-CoC Management System Certificate among the paper-carton manufacturers operating in Turkey.
- Obtained TSE Certificate (Toilet Paper, Towel and Napkin, Z folding).
- Obtained TSEK Certificate (Active Towel).
- In 2012, Premia and Lily products are certified as convenient for contact with food by German ISEGA Institute.
- In 2016, Premia ve Lily became toilet paper brands are certified as being convenient for sensitive skin by German DERMATEST Research Institute.
- In 2016, BRC CP and Hygienic Product GC MARK certificates were obtained.
- TSE 50001 Energy Management Certificate obtained in 2016 was renewed in 2018
- In 2018, Document Control System QDMS was taken into operation in order to manage all quality systems.
- In 2018, inspections for existing FsC CoC certificate completed successfully.
- In 2018, TSEK certified Active Towel TSE certificate was renewed.
- In 2018, existing Smither Pira analysis for 100% deink white paper and mix quality white paper products were renewed. These analyses were also made for 100% brown papers and their convenience was approved.

Milestones

Viking Kağıt keeps its leading position in its industry for 48 years with the firsts brought, innovative products created and certificates received.

Innovative Steps

1969 • Viking Kağıt is established in İzmir's Aliağa township as Turkey's first privately-owned paper mill.

1971 • Viking Kağıt commences operations with an initial production capacity of 13,500 tons a year.

1982 • Viking Kağıt joins Yaşar Group and embarks upon a thorough-going modernization program.

1984 • Investments in new technology raise Viking Kağıt's production capacity to 20,250 tons/year.

1994 • Viking Kağıt goes public and is traded in the stock exchange.

1995 • The second major modernization program is completed.

1996 • In a major advance, Viking Kağıt enters the tissue paper sector.
• The "Lily" brand is introduced to consumers.
• "Senso" brand products go on the market.

1997 • Viking Kağıt becomes the first member of Turkey's tissue paper industry to be awarded internationally-recognized ISO 9001 Quality Management System Certification.
• The company's biological treatment plant is commissioned as the first of its kind in Turkey.

1998 • The "Select" brand of Viking Kağıt products for the AFH channel are introduced.

1999 • Completion of a second paper plant investment raises production capacity to 43,000 tons/year.

2000 • Viking Kağıt commissions the Turkish tissue paper industry's first de-inking plant for the treatment of recovered paper prior to recycling use.

2003 • Viking Kağıt's competitive strength is further boosted by a complete renewal of its tissue paper conversion plant.
• The company's quality management system certification is upgraded to the ISO 9001:2000 standard.

2007 • The commissioning of a second roll product conversion line increases Viking Kağıt's production capacity in this group by 120%.

2008 • As a result of its energy conservation efforts, Viking Kağıt is designated a pilot facility in the "Increasing Energy Efficiency in Turkish Industry through Voluntary Agreements" Program initiated by the Ministry of Energy and Natural Resources.

2009 • Viking Kağıt upgrades its quality certification to the ISO 9001:2008 standard.

2010 •Viking Kağıt becomes the first Turkish paper and cardboard manufacturer to receive the Forest Stewardship Council Chain of Custody Management System Certification.
• The company introduces consumers to its Pufla brand of products manufactured from recycled paper.

2012 • With the completion of a calendaring investment, the softness of Viking Kağıt products is greatly enhanced.
• Completion of a new jumbo-format machine investment increases production capacity in the AFH products channel.
• The "Premia" line of consumer products is introduced for the premium market segment.

• Premia and Lily-brand paper towels become the first in Turkey to be certified as food-contact-safe by ISEGA in Germany.

2013 • The company begins calculating its carbon footprint.

• Both the Premia and Lily lines of toilet papers become the first in Turkey to be certified as being suitable for people with sensitive skin by DERMATEST in Germany.

2014 • DERMATEST certifies Viking Kağıt's Select line of toilet papers as being suitable for people with sensitive skin.

2015 • Viking Kağıt completes the first wave of investment for Paper Machinery modernization.

2016 • BRC CP is certificated.

• HYGIENIC PRODUCT GC MARK is received.

• ISO 50001 Energy Management System Certificate is received.

2018 • Investment for cogeneration and third Circular Product Line is completed.

Viking Kağıt Brings in Many "Firsts" in Turkey

• The first private-sector paper plant
• The first de-inking facility
• The first biological treatment facility
• The first cotton pulp-added toilet paper
• The first triple-ply toilet paper
• The first aloe vera-enriched toilet paper
• The first perforated-sheet towels
• The first boxed napkins and towels
• The first private sector paper plant to deserve ISO 9001 certificate after being audited by a foreign auditor company in its sector.
• The first BRC CP and Hygienic Product GC Mark certificate in its sector.

CORPORATE GOVERNANCE PRACTICES AND FINANCIAL INFORMATION

BOARD OF DIRECTORS

İdil Yiğitbaşı - Chairperson

Graduated from Boğaziçi University Business Administration Department in 1986 and completed MBA in Indiana University in 1989. Having started her professional life in Yaşar Group as President Assistant in 1986, İdil Yiğitbaşı held office as Vice Coordinator of System and Financial Analysis between 1990-1995, Yaşar Food Group Coordinator in 1995, Yaşar Food Group Marketing Vice Chairperson between 1997-2001 and Vice Chairperson of Pınar Süt between 1 February 2001 - 31 January 2006 and Board Member at Group companies. She acted as Vice Chairperson of Yaşar Holding Board of Directors between 2003-2009, Chairperson of Yaşar Holding between 2009-2015. İdil Yiğitbaşı continues her office as Vice Chairperson of the Board of Yaşar Holding since April 2015, Vice Chairperson of the Board of Hedef Ziraat, Chairperson of the Board at Pınar Süt ve Viking Kağıt companies and Board Member at Yaşar Group companies. İdil Yiğitbaşı is Vice Chairperson of Selçuk Yaşar Sports and Education Foundation, Board Member of Yaşar Education and Cultural Foundation, Pınar Institute Chairperson of the Board, Board Member of Turkish Industrialists and Businessmen Association (TÜSİAD) (until 2019 February 2019), Board Member of Aegean Region Chamber of Industry (EBSO), Board Member of Izmir Culture, Art and Education foundation (İKSEV), Consultation Committee Member of Turkish Milk, Meat, Food ındustrialists and Producers Union Association (SETBİR), Aegean Industrialists and Businessmen Association (ESİAD), Aegean Young Businessmen Association (EGİAD), Izmir Economic Development Coordination Board (İEKK), Association of Advertisers (RVD), Turkish Corporate Management Association (TKYD) and DEİK UK Business Council Executive Committee.

Mustafa Selim Yaşar - Vice Chairperson

Graduated from Paris-Académie Arqueille Sorbonne in 1976, the New York University in 1980 and from the Pace University Business Administration-Finance Department in New York in 1981, Mustafa Selim Yaşar started his career at Yaşar Dış Ticaret A.Ş. in the same year. After working in Yaşar Dış Ticaret A.Ş. in various positions for 8 years, he served as CFO in Yaşar Holding A.Ş. between 1988 and 1996; moreover, he served as President of Coatings-Chemistry and Beverage Group in the same years. Mustafa Selim Yaşar held office as Chairperson of Board of Directors of Otak-Desa A.Ş. ve Desa Enerji A.Ş. between 1997-2000. Acting as Izmir Teknopark A.Ş., BDS İş Geliştirme Ltd. Şti. and Yüzey İnşaat Taahhüt A.Ş. since 2000, Mustafa Selim Yaşar served as Board Member, Board Chairperson and President of Assembly of the Aegean Region Chamber of Industry (ESIAD) from 1991 until 1997 and served as Vice Chairperson of Aegean Industrialists and Businessmen Association, of which he is a founding member, for 4 years. Having functioned as Deputy Chairperson of Izmir Metropolitan Municipality Council and as a member of Karşıyaka Municipal Council from 2004 to 2009, Mustafa Selim Yaşar currently serves actively at a number of non-governmental organizations. Acting as Chairperson of Board of Directors of Desa Enerji A.Ş., Dyo Boya A.Ş. and Yaşar Birleşik Pazarlama A.Ş. since March 2014, Mustafa Selim Yaşar also holds office as Chairperson of Board of Directors of Yaşar Dış Ticaret A.Ş. and Yaşar Holding A.Ş since April 2015.

Emine Feyhan Yaşar - Member

Feyhan Yaşar received a bachelor's degree from Boğaziçi University Administrative Sciences Faculty in 1978 and a post-graduate degree in Department of Economics from Dokuz Eylül University. Feyhan Yaşar started her career in 1978 at DYO as a Human Resources Expert and served as Personnel Affairs Coordinator, Tourism Coordinator and Executive Committee Member, and acted as Vice Chairperson and Board Member. Feyhan Yaşar served as Vice Chairperson of Yaşar Holding Board of Directors (1997 – 2003) and Chairperson of Yaşar Holding Board of Directors (2004 – 2009) and still serves as Vice Chairperson of Yaşar Holding Board of Directors. Feyhan Yaşar holds office as Chairperson of the Board of Directors of Pınar Su, Pınar Et, Altın Yunus, Yaşar Bilgi İşlem, HDF FZCO and also as Board Member at Yaşar Group companies. Feyhan Yaşar, acting as Chairperson of Beverages Industry Commission of Union of Chambers and Commodity Exchanges of Turkey, also serves as Vice Chairperson of Yaşar Education and Culture Foundation, Board Member of Corporate Governance Association of Turkey (TKYD), and member of the Board of Trustees at Yaşar University, Turkish Education Foundation (TEV), Health and Education Foundation (SEV), and Boğaziçi University Foundation (BÜVAK). She is a member of Turkish Industry and Business Association (TÜSİAD), Union of Turkish Dairy, Meat and Food Industrialists and Manufacturers (SETBİR) and Aegean Industrialists and Businessmen Association (ESİAD). Feyhan Yaşar is consular agent of Luxembourg in Izmir.

Yılmaz Attila - Independent Member

Yılmaz Attila graduated from Ege University, Faculty of Agriculture, Department of Agricultural Tools and Machinery in 1976. Yılmaz Attila, who worked as research assistant in Çukurova and Aegean Universities between 1977-1981, held office as project engineer at Göktepe Plastik A.Ş. and Beşikçioğlu Ltd. Yılmaz Attila, who joined Pınar Entegre Et ve Bağımsız Sanayi A.Ş. as Feed Factory Manager in 1985, held the office of Vice General Manager between 1988-1990. He held office of General Manager at respectively Cevher Jant ve Motor Ticaret A.Ş. and Abalıoğlu Yem Sanayi A.Ş. between 1990-1994. He took various positions as General Manager, Member of Board and Executive Committee at Kipa Kitle Pazarlama Ticaret ve Gıda Sanayi A.Ş. and Tesco Kipa Kitle Pazarlama Ticaret ve Gıda Sanayi A.Ş. betweem 1994-2010.

BOARD OF DIRECTORS

Feyzi Onur Koca - Independent Member

Feyzi Onur Koca graduated from Boğaziçi University, Department of Electrical Engineering and completed the MBA program at Istanbul University In 1982. He also completed the "International Systemic Training and Consulting" program at LIMAK International Management Academy in Austria in 2005. Feyzi Onur Koca held office as General Manager and Europe Director for 10 years at Jotun Boya ve Toz Boya Sanayi ve Ticaret A.Ş. during years 1991-200, and at Lanark Resources Ltd. which is a founding partner during 2002-2004 and worked as International Sales Coordinator at Capex Industries Istanbul office during the same period. Feyzi Onur Koca held office as COO at London Touch Group Plc. during March 2005 - September 2005. He worked as General Manager at Parker İklim Kontrol Sistemleri A.Ş. between 2005-2012, as CEO and Country Manager at G4S Güvenlik Hizmetleri A.Ş. between2012-2017. He currently holds office as CEO at ICS-Group. He is a trustee member of Boğaziçi University Foundation (BUVAK), Lokman Hekim Health Foundtion and
Bornova Anatolian High School Foundation and a member of Corporate Governance Association of Turkey (TKYD).

Yılmaz Gökoğlu - Member

Yılmaz Gökoğlu has a bachelor's degree from Ankara University Faculty of Political Sciences Economics-Finance Departmentin 1977, served as an Account Expert at the Ministry of Finance from 1978 to 1982 and joined Yaşar Group in 1983. Working various senior management positions in the group especially in financial operations and inspection fields, Yılmaz Gökoğlu waselected as a member of Yaşar Holding Board of Directors in April 2007. Acting as General Secretary of Board of Directors in Yaşar Holding, Yılmaz Gökoğlu also serves as Member of Board of Directors in companies included in the Group, and also has licenses of Independent Auditor and Certified Public Accountant.

Cengiz Erol - Member

Cengiz Erol had his bachelor's degree in Business Administration from Ege University in 1974, his master's degree in finance and accounting from the State University of New York (SUNY) in 1979 and his doctorate degree in International Trade and Finance from State of New York University in 1983. Erol worked as an Assistant Professor of Finance at Çukurova University from 1983 to 1985, as Associate Professor of Finance at Yarmouk University in Jordan from 1985 to 1990 and in the Department of Business Administration at the Middle East Technical University (METU) from 1990 to 1993, and as Professor of Finance in Middle East Technical University from 1993 to 2010. He was an Advisor to the CEO of Ereğli Demir Çelik Fabrikaları A.Ş. between 1991 and 1994, Board Member at Ankara Sigorta and Chairperson at Ankara Emeklilik Sigorta between 2000 and 2003, advisor to the Board of Directors at İnterfarma Tıbb. Mal. A.Ş. from 2002 to 2004, Board Member at İnterfarma Tıbb. Mal. A.Ş. from 2004 to 2008, Head of the Department of Business Administration at METU from 2008 to 2010 and worked as Assistant to President of METU and Member of Executive Board of Student Assessment, Selection and Placement Center (ÖSYM). After holding the office as the Head of the Department of International Trade and Finance at Izmir University of Economics from 2011 to 2013, Erol served as faculty member in the same department and the Manager of the Institute of Social Sciences from 2010 to 2015. Cengiz Erol serves as Board Member for a number of Yaşar Group companies since March 2014.

Members of the Board of Directors of our company, which is affiliated to 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.

RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT

RISK MANAGEMENT

The scope, working principles and procedures applicable to the Corporate Risk Management activities carried out at Yaşar Group companies were formulated in accordance with the Regulations. In this context, under which conditions should the risk management activities be carried out, the duties and responsibilities related to risk management, processes, reports, confidence procedures and risk management terminology have been established.

The "Corporate Risk Management" in the Company is being applied as a systematic process where risks are defined, analyzed, controlled and monitored. This method ensures minimizing the costs incurred in relation to contingencies that result negatively, as well as their impact upon the value of Group companies' assets.

Risk Management Policy

Adhering to risk management strategies to minimize the probability and impact of risks that may affect not just the shareholders but all the stakeholders of Group companies, Yaşar Holding Board of Directors also controls and follows up the required actions.

Works of Early Detection of Risk Committee

The Early Detection of Risk Committee carries out its activities in order to detect risks earlier and create an effective risk management system.

It creates risk inventory prioritized in line with risk management policies and procedures, and the works to carry out corporate risk management by the committee in order to follow up the results upon determining appropriate risk strategies and taking required actions, and required guidance is made.

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

Under the risk management policy and procedures adopted by Yaşar Holding companies, works are underway to create the risk inventory for all company activities and take necessary actions.

Along the line, the risks suffered by the Company are

- classified under the headings of strategic, operational, financial, external and compliance risks, and analyzed according to their impact and probability,
- Existing controls for significant risks are reviewed with respect to their design and implementation, and the most appropriate strategies and actions are identified,
- Results of the actions are followed up, and
- Findings and likely developments are reported to appropriate units for assessment.

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

Implementations aimed at eliminating events that will adversely affect the achievement of the Group companies' goals, or at mitigating their impact and probability are reviewed under "controls". An internal control system composed of the definitions of standards for business processes, policies and procedures, job descriptions, and authorization structures is implemented. The management sets up control systems, including those that prevent/identify and improve, for efficient and productive conduct of the Group companies' businesses.

The internal control systems established at the Group companies are intended to ensure the efficiency and effectiveness of operations, reliability of the financial reporting system, compliance with legal regulations, and provide assurance in these aspects. The said control systems also protect the Group companies' assets, reputation and profitability.

The accounting system of the Company, the public disclosure of financial information, independent auditing and survey of partnerships' internal control system and its activities are conducted through the Audit Committee set up by the Company's Board of Directors. While carrying out the said function, the Audit Committee benefits from findings of corporations conducting confirmation under Group Audit Directorate, Independent Audit and Certified Public Accountant.

Under the internal auditing activities; effectiveness of Company's current risk management system, sufficiency, effectiveness and productivity of internal audit system are assessed and recommendations are made to improve them. Also, determination and application of required actions for detections and suggestions in this respect are closely monitored.

LEGAL DISCLOSURES

Information on The Extraordinary General Assembly Meetings within the Year, If Applicable
Resolutions taken in the Ordinary General Assembly meeting held on March 29, 2018 were applied. One Extraordinary General Assembly Meeting was held on August 23, 2017 within the year 2018. Further information on the General Assembly meetings can be found in section 2.3. General Assembly Meetings of the Report for Corporate Governance Principles Compliance.

Affiliated Companies Report
The conclusion part of the report that is prepared by the Company's Board of Directors, on 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 July 1, 2012, within the first three months of the current operating year 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, 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 prepared by the Company's Board of Directors concluded that in all transactions the Company carried out during 2018 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 or taken or avoided to be taken; 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 may donate to foundations and such other persons and/or institutions established for carious purposes in line with limitations set forth by Capital Markets Law and other relevant regulations.

In 2018, the company donated TL 68,036 to various institutions and organizations.

Disclosure on Lawsuits Filed Against The Company with a Potential Impact on The Company's Financial Standing and Activities and Possible Results
Disclosure on the matter is stated in footnote 17 of our financial statements issued for the period of January 1, 2018 - December 31, 2018.

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.

Amendments of Articles of Association Made During the Year
None.

Financial Rights Provided to the Members of the Board of Directors and Senior Executives
Financial rights provided to Chairperson and Board Members are determined under wages policy stated in our web site. In the twelve months period that ended on December 31, 2018, remuneration and similar payments made to the members of the Board of Directors and senior executives amounted to TL 1,128,521.

Disclosures Concerning Special Audit and Public Audit Conducted During the Fiscal Year
Ordinary audits were conducted by various public institutions during 2018 and there is no significant notice given to us officially in 2018.

Disclosure About the Company's Shareholders' Equity
The company has equity of TL 27,665,736 against the issued capital in amount of TL 42,000,000 as of December 31, 2018, and it is seen that there is no situation to assess under article 376 of TCC.

AGENDA

AGENDA OF ORDINARY GENERAL ASSEMBLY DATED 27TH MARCH 2019 FOR THE YEAR 2018 OF VİKİNG KAĞIT VE SELÜLOZ A.Ş.

1. Opening and Election of Meeting's Chairman,
2. Authorizing the Chairman to sign the minutes of General Assembly Meeting,
3. Reading, negotiations and approving the Annual Report for 2018 prepared by the Company's Board of Directors
4. Reading and negotiating the Independent Audit Report for 2018 fiscal year,
5. Reading, discussion and approval of 2018 Financial Statements,
6. Acquitting the Company's directors of their fiduciary responsibilities for 2018 operations,
7. Deliberating and deciding on amending "the Article 4 - Head Office and Branches of the Company" from the Articles of Association,
8. Deliberating and deciding on amending "the Article 19 - Changing of Articles of Association" from the Articles of Association,
9. For the approval of General Assembly, presenting the issue of transfer of the area which is located on Transformer Station owned by TEİAŞ (Türkiye Elektrik İletişim A.Ş.) to TEİAŞ under agreement commitments and legal obligations in this respect,
10. Laying down the Independent Audit Firm designated by the Board of Directors for the approval of the General Assembly pursuant to the Turkish Commercial Code and the Capital Markets Board requirements,
11. 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,
12. 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,
13. Informing shareholders, pursuant to Article 12 of the Corporate Governance Communiqué no. II-17.1 issued by the Capital Markets Board, about guarantees, pledges, mortgages and sureties that have been granted by the Company in favor of third parties and about any income and benefits that may have been derived,
14. 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,
15. Deliberating and voting on matters pertaining to the year's profits,
16. Authorizing the Company directors to engage in the transactions as per Articles 395 and 396 of the Turkish Commercial Code,
17. Wishes and opinions.

AMENDMENT OF ARTICLES OF ASSOCIATION

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

PREVIOUS FORM **HEAD OFFICE AND BRANCHES OF THE COMPANY** **Article 4-**	**NEW FORM** **HEAD OFFICE AND BRANCHES OF THE COMPANY** **Article 4-**
The head office of the Company is in Izmir. Address: Akdeniz Mahallesi Şehit Fethi Bey Caddesi No.120/101 Konak/İZMİR. In case of address change, the new address is registered at Trade Registry, announced at Turkish Trade Registry Gazette and also notified to the Ministry of Customs and Trade and Capital Markets Board. The notification sent to the registered and declared address shall be deemed to be made to the company. In case the company has not registered its new address in a timely manner although it moves from its registered and announced address, this situation shall be considered as the reason for termination. The Company may open branches within Turkey and abroad in accordance with the provisions of the Turkish Commercial Code, The Capital Markets Law and other relevant legislation. In the event that the company opens and closes branches, such matters are registered to the Trade Registry and announced in the Turkish Trade Registry Gazette.	The head office of the Company is in Izmir. Address: Yalı Mah. Hürriyet Cad. No.474 Aliağa/İZMİR. In case of address change, the new address is registered at Trade Registry, announced at Turkish Trade Registry Gazette and also notified to the Ministry of Customs and Trade and Capital Markets Board. The notification sent to the registered and declared address shall be deemed to be made to the company. In case the company has not registered its new address in a timely manner although it moves from its registered and announced address, this situation shall be considered as the reason for termination. The Company may open branches within Turkey and abroad in accordance with the provisions of the Turkish Commercial Code, The Capital Markets Law and other relevant legislation. In the event that the company opens and closes branches, such matters are registered to the Trade Registry and announced in the Turkish Trade Registry Gazette.

PREVIOUS FORM **AMENDMENT OF ARTICLES OF ASSOCIATION** **Article 19-**	**NEW FORM** **AMENDMENT OF ARTICLES OF ASSOCIATION** **Article 19-**
Amendment of articles of association is decided in accordance with TCC, capital markets legislation and provisions of articles of association at the general assembly to be convened in accordance with the Law and articles of association after obtaining permission from Capital Markets Board and Ministry of Customs and Trade.	Amendment of articles of association is decided in accordance with TCC, capital markets legislation and provisions of articles of association at the general assembly to be convened in accordance with the Law and articles of association after obtaining permission from Capital Markets Board and Ministry of Trade.

STATEMENT OF INDEPENDENCE

March 28, 2018

As a candidate for independent member for the Board of Director of VİKİNG KAĞIT VE SELÜLOZ A.Ş. ("The Company"), I declare that;

- I or my spouse or my up-to-second-degree relatives have not been employed in managing positions involving significant tasks and responsibilities in the last five years by the Company, other companies which are managed or significantly influenced by the Company or shareholders who manage or significantly influence the Company and legal persons managed or significantly influenced by such shareholders and I or my spouse or my up-to-second-degree relatives do not individually or collectively own more than 5% of its capital or voting rights or preferred shares and have not been engaged in major commercial activity with them,

- I have not been a shareholder (5% or more), manager with significant tasks and responsibilities or board member of companies which have provided significant services or products for or purchased them from the Company within the scope of agreements in the last five years including auditing (including tax audit, legal audit or internal audit), rating or consultancy services,

- I have the professional education, knowledge and skills required to fulfill the requirements of the tasks which will be assigned to me as an independent board member,

- Except for academicians and provided that it is in accordance with the related legislation, I am not working full-time at public institutions,

- I am resident in Turkey as per the Income Tax Law 193 dated 31/12/1960,

- I possess solid ethic standards, professional reputation and experience which will allow me to make contributions to the Company, maintain its objectivity regarding any conflicts between the Company and its shareholders and make unbiased decisions considering the interests of the beneficiaries,

- I am capable of allocating time for the Company which will allow getting sufficiently engaged in company business and fulfill the requirements of assigned tasks,

- I have not been a board member for more than six years in the last ten years,

- I do not hold the position of independent board member at more than three companies managed by the Company or the shareholders managing the Company or more than five stock-exchange-quoted companies,

- I am not registered and announced as a board member on behalf of the selected legal person, and therefore I will serve at the board of directors of the company as an independent member.

Best Regards,

Yılmaz ATTİLA

STATEMENT OF INDEPENDENCE

March 28, 2018

As a candidate for independent member for the Board of Director of VİKİNG KAĞIT VE SELÜLOZ A.Ş. ("The Company"), I declare that;

- I or my spouse or my up-to-second-degree relatives have not been employed in managing positions involving significant tasks and responsibilities in the last five years by the Company, other companies which are managed or significantly influenced by the Company or shareholders who manage or significantly influence the Company and legal persons managed or significantly influenced by such shareholders and I or my spouse or my up-to-second-degree relatives do not individually or collectively own more than 5% of its capital or voting rights or preferred shares and have not been engaged in major commercial activity with them,

- I have not been a shareholder (5% or more), manager with significant tasks and responsibilities or board member of companies which have provided significant services or products for or purchased them from the Company within the scope of agreements in the last five years including auditing (including tax audit, legal audit or internal audit), rating or consultancy services,

- I have the professional education, knowledge and skills required to fulfill the requirements of the tasks which will be assigned to me as an independent board member,

- Except for academicians and provided that it is in accordance with the related legislation, I am not working full-time at public institutions,

- I am resident in Turkey as per the Income Tax Law 193 dated 31/12/1960,

- I possess solid ethic standards, professional reputation and experience which will allow me to make contributions to the Company, maintain its objectivity regarding any conflicts between the Company and its shareholders and make unbiased decisions considering the interests of the beneficiaries,

- I am capable of allocating time for the Company which will allow getting sufficiently engaged in company business and fulfill the requirements of assigned tasks,

- I have not been a board member for more than six years in the last ten years,

- I do not hold the position of independent board member at more than three companies managed by the Company or the shareholders managing the Company or more than five stock-exchange-quoted companies,

- I am not registered and announced as a board member on behalf of the selected legal person, and therefore I will serve at the board of directors of the company as an independent member.

Best Regards,

Feyzi Onur KOCA

VİKİNG KAĞIT VE SELÜLOZ A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

a)During the operating period ended 31 December 2018, 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 No: II.17.1 on Corporate Governance (" the Communiqué ") issued by the Capital Markets Board ofTurkey (CMB).

b) Our Company spends maximum effort to achieve full compliance also with the non-compulsory Corporate Governance Principles. Justifications for currently non-implemented non-compulsory principles are presented herein below, and it is considered that the said matters do not lead to any major conflicts of interest under the current circumstances.

The explanations to be made by our company in accordance with Article 8 of the Corporate Governance Communiqué on corporate governance principles which have not yet been complied with and which are not mandatory are presented below with required explanations:

1.3.11 In the articles of association of our company, there is no article regarding the participation of stakeholders and the media in the General Assembly. Officers of independent auditing firms also participate in our General Assembly meetings and no request for participation from the media has reached to our company.

1.5.2 In parallel with general practices, rights were granted to the minority within the framework of the provisions of general regulations The company's capital structure and public disclosure ratio is expected to continue in this manner.

4.3.9 There has been no policy for the proportion of female members in the board of directors, but there is currently 2 female member in the board of directors.

4.4.7 The board members of our company are not limited for taking other duties outside the company and the duties of the board members are presented to the shareholders for information by including in the annual report.

4.5.5 Since there are two Independent Members at the board of directors of our company, it is impossible for a member of the board to take part in only one committee.

4.6.1 There is no performance evaluation system for the board of directors.

4.6.5 In line with general practices, salaries paid to board members and managers with administrative responsibility are disclosed in the annual activity report collectively.

The Company's Corporate Governance Compliance Report (URF), Corporate Governance Information Form (KYBF), and the Corporate Governance Compliance Report (URF), for 2018, prepared as per the decision of CMB dated 10.01.2019 and no: 2/49 will also be disclosed to public on corporate website of Public Disclosure Platform (KAP) (www. kap.gov.tr). Since it is the first year of implementation, our Corporate Governance Compliance Report for 2018 is prepared in the old format and presented below.

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 II - SHAREHOLDERS

2.1. Investor Relations Department

In accordance with Article 11 of the Communiqué, investor relations department providing communication with investors has been established within our company. Investor Relations Department reports to the Company's General Manager, Ahmet Abdullah Akçasız.

Contact information for Investor Relations Department is presented below:
Head of the Investor Relations Department: Gökhan Kavur (holds Capital Market Activities Advanced Level License)
Investor Relations Department Assistant: Esin Erkıvanç
Phone: 0 232 495 00 00
Fax: 0 232 484 17 89
E-mail: investorrelations@viking.com.tr

The Investor Relations Department is mainly charged with the following:

- Ensure that records of correspondence by and between the investors and the Company, and of other information and documents are maintained in a reliable, secure and up-to-date manner,
- Respond to shareholders' written requests for information about the Company,
- Prepare the documents to be submitted to the shareholders ' information and examination regarding the General Assembly meeting and take measures to ensure that the General Assembly is conducted in accordance with the relevant legislation, the articles of association and other in-house regulations.,
- Supervise and monitor that obligations arising out of the capital market legislation are fulfilled, including all aspects of corporate governance and public disclosure,
- Ensure that investor relations activities are properly conducted.

Having obtained the views of other units when necessary and in coordination with such units, the Investor 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.

Investor relations department responded to more than 60 questions in the year by phone or e-mail. Maximum attention is paid to achieving compliance with the legislation in fulfilling investor requests.

2.2. Use of Shareholders' Rights 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 2017, 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 2017.

2.3. General Assembly Meetings
Pursuant to "Article 14 - General Assembly" of the company's articles of incorporation, for the meeting quorum participation of majority of shareholders or their attorneys holding majority of company capital is required. If the quorum cannot be achieved at the first meeting, a second meeting will be scheduled and the quorum will be as set forth by the relevant provisions of the Capital Markets Law and Turkish Commercial Code.

Within 2018, ordinary general assembly meeting for 2017 was held on 29 March 2018 in Pınar Süt Plant. At the 2017 ordinary general assembly meeting, 84.33% of the Company's capital was represented. During the meeting, shareholders electronically or physically attending the meeting or through their proxies expressed their comments and wishes. Shareholders did not propose any agenda items during the said General Assembly meeting, either.

Apart from the shareholders, no stakeholders or representatives of the media have attended the meeting. In addition to shareholders, representatives of the independent auditors were also sent written invitations to attend the meetings. Invitations to the general assembly meeting were made by the Board of Directors.

The company's General Assembly meeting announcements were promulgated under "Article 18 - Announcements" of the company's articles of incorporation, and in accordance with the relevant provisions of the Turkish Commercial Code and with other regulations, communiqués, Capital Markets Board requirements to be published under the said Code, as well as other applicable legislation. The meeting announcement was published in the Turkish Trade Registry Gazette minimum 21 days (excluding the dates of the meeting and announcement) in advance. The meeting announcement was also published on the corporate website, and 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 meeting, the meeting date, place and agenda, the information that the Informational Document regarding the agenda is posted on the website, and the profit distribution proposal to be submitted by the Board of Directors to the general assembly were publicly disclosed in material event disclosures. The Informational Document drawn up for 2017 Ordinary General Assembly meeting covered detailed descriptions about each general meeting agenda item, as well as all the explanations, information and documents required by the legislation.

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The Company's annual report and the informational document for the general assembly meeting were made available for shareholders' information at the Company headquarters and on its corporate website as of 21 days before the General Assembly Meeting date. To facilitate attendance to the Company's general assembly, shuttle buses were provided for transportation to the address of Pınar Süt Plant. During the general assembly meeting, issues on the agenda are explained impartially and in detail so as to be clear and intelligible. Shareholders were given equal opportunities to express their thoughts and to ask questions, and a healthy climate of debate was created.
The minutes of the General Assembly are always kept open for shareholders at the Company's headquarters. In addition, the minutes of the company's General Assembly meetings for the past 11 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 was presented to the shareholders on the amount and recipients of the donations and grants made during the reporting period. An upper limit was set for the donations to be made during 2017 at the meeting. The Donations Policy was approved by 2015 Ordinary General Assembly.

2.4. Voting Rights and Minority Rights
There is no privilege on 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 special 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 meeting. There are no other companies in which the Company has a cross-ownership.

Minority rights are not represented on the Board of Directors. The articles of incorporation do not set minority rights to be less than one twentieth of the capital.

2.5. Dividend Rights
There are no privileges with respect to participating in the Company's profit. The Company's annually reviewed policy for profit distribution is to pay out cash dividends and/or bonus shares corresponding to minimum 20% of the distributable profit for the period, which is calculated in accordance with the capital market regulations and other applicable legislation, taking into consideration the economic conjuncture, market projections, the Company's long-term strategies and long-term investment and financing policies, the Company's financial position, profitability and cash position, to the extent allowed by relevant regulations and finances. Unless decided otherwise on profit distribution in the relevant general assembly meeting, the profit distribution is intended to be realized in May at the latest, and the date of profit distribution is decided by the General Assembly. General Assembly or Board of Directors (if authorized) may decide on distribution of dividends in installments in accordance with the Capital Market Regulations. The Company's Articles of Incorporation permit distribution of advances on dividends, and the Board of Directors may decide to distribute advances on dividends restricted to the relevant fiscal year, provided that it is authorized by the General Assembly.

The Company's Dividend Policy for 2013 and thereafter, which was formulated in line with the capital market legislation, has been laid down for approval at the 2013 Annual General Assembly Meeting and publicly disclosed. Our Dividend Policy is publicly disclosed also via our website.

Since the company's activities in 2017 resulted in losses, no profit distribution was made.

2.6. Transfer of Shares
Transfer of shares is subject to the relevant provision of the Turkish Commercial Code (TCC).

PART III - PUBLIC DISCLOSURES AND TRANSPARENCY
3.1. Corporate Web Site and Its Content
The Company's corporate website (www.viking.com.tr) contains all the matters as required by Corporate Governance Principles in Turkish and English languages. 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.

3.2. 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 individually are disclosed not individually but as a cumulative amount.

PART IV - STAKEHOLDERS

4.1. Informing 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 4.2 herein below.

4.2. Stakeholders' Participation in the Company's Management

Regular meetings and proposal systems which allow assessment of the comments and proposals of the employees based on a process focused management system and a Total Quality approach in an effort to improve the processes and increase the efficiency ensure that the employees also have a voice in the management. Customers are allowed a voice in the management through dealer meetings, customer satisfactions surveys and employee comments surveys. In this frame, opinions of the stakeholders are taken for the decisions which have consequences on them.

The company attaches great importance to customer satisfaction. The company always puts its customers and consumers to the center of its business and improves the quality of its services through satisfaction surveys and feedbacks regarding the manufacturing processes as well as sales and distribution channels. The company also conducts an annual business partners satisfaction survey. Business processes are reorganized and business plans are improved and updated based on the results.

The company puts great emphasis on the relations with its suppliers and long-term partnerships is a key element of the company's business model. Viking Kağıt meets its suppliers especially at exhibitions and seminars and works with the basic principle of adapting every innovation which can increase its manufacturing capacity and quality. Viking Kağıt monitors the manufacturing, storage and loading conditions of its suppliers and audits whether or not the requirements of quality certificates and procedures are met. The company evaluates its suppliers in terms of quality, delivery and price using a scoring system. Viking Kağıt implements a DÖF (corrective, preventive actions) monitoring system to prevent reoccurrence of quality problems. The problems which are detected are shared with the suppliers, necessary measures are taken and the results are rigorously monitored.

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.

4.3. 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 Company did not receive any complaints about discrimination as of 2018.

The Company's basic human resources policies are set forth clearly in the Company's Personnel Regulations, which are issued to all non-contract employees against their individual signature. The Personnel Regulations also contain information about working hours, employment principles and processes, termination, and discipline in addition to basic policies. Human resources policies and practices pertaining to employees within the scope are included in Collective Bargaining Agreement. All of our company employees have job descriptions. Performance and rewarding criteria for the white-collar employees are disclosed in the White Collar Employee Regulation, while the rewarding criteria for our blue-collar workers are described in the Collective Bargaining Agreement.

Basic 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.

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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 once in two years, seeking employees' views about the working environment, development and career, salaries and fringe benefits, job satisfaction, managers, engagement, corporate reputation, corporate structure and management policies. Improvements are made in line with the feedback that is received in this way.
h) A safe workplace and safe working conditions are matters 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 3 blue-collar workplace representatives at Viking Kağıt Aliağa plant and they are, Ahmet Erkol, "Mechanic Workshop Technician", Ercan Bulgut "Converting Operator", Osman Koşun "Paper Manufacturing Operator".

The duties of these representatives are to,
a) Hear workers' wishes and resolve their complaints exclusively with respect to matters at the workplace,
b) Ensure continued labor peace through worker-employer cooperation and labor fairness,
c) Are mindful of workers' rights and interests; assist in the implementation of the working conditions which are provided for in labor laws and in collective bargaining agreements.

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.

4.4. Rules of Ethics and Social Responsibility
Continuing its activities with the awareness of its responsibilities to protect public health and the environment, Viking Kağıt integrates with its manufacturers, suppliers and employees and continuously inspects and develops its environmental performance. In this context, the Company implements the principle of "waste management" to ensure that wastes are recycled or disposed of in compliance with the laws. In addition, Viking Kağıt continues its efforts to reduce greenhouse gas emissions.

Viking Kağıt, which aims to support both economic and environmental sustainability by contributing to recycling, has brought back to economy 56% of packaging materials released to market in 2018 within the scope of the project carried out with ÇEVKO.

Viking Kağıt provided scholarship to total 8 students and internship opportunities to total 48 students for vocational training in 2018 through the Yaşar Education and Culture Foundation.

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. A summary version of Yaşar Group Rules of Ethics is publicly available on our Company's website.

PART V – BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

Members of the Company's Board of Directors:

Name Surname	Title	Whether or Not Independent Member	Whether or Not Executive Member	Title Term
İdil YİĞİTBAŞI	Chairperson	Not Independent Member	Not Executive	1 year
Mustafa Selim YAŞAR	Vice Chairperson	Not Independent Member	Not Executive	1 year
Emine Feyhan YAŞAR	Member	Not Independent Member	Not Executive	1 year
Yılmaz ATTİLA	Independent Board Member	Independent Member	Not Executive	1 year
Feyzi Onur KOCA	Independent Board Member	Independent Member	Not Executive	1 year
Yılmaz GÖKOĞLU	Member	Not Independent Member	Not Executive	1 year
Cengiz EROL	Member	Not Independent Member	Not Executive	1 year

Ahmet Abdullah Akçasız 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. With the exception of those activities, there are no other limitations imposed on what Board directors may do and external positions held, if any, are stated in their résumés covered in annual reports. Members of the Board of Directors of our company, which is affiliated to 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.

The resumes of Board members are given both in the Company's annual report and also on the 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 and the declarations were published in the annual report.

Two independent member candidates were presented for 2018 to the Corporate Governance Committee that acts as the Nomination Committee. The declarations of independence and resumes of these individuals have been discussed in the Corporate Governance Committee meeting of 29 March, 2018 and in the meetings of the Board of Directors, and it has been decided to nominate all of them as independent members. No situations arose that prejudiced independence as of 2018 operating period.

5.2. Operating Principles of Activity of the Board of Directors

The operating principles of the Board of Directors are regulated in Article 12 of the Company's articles of incorporation. Accordingly, the Board of Directors shall convene as required by the company's business. The decisions of the board of directors are taken by absolute majority system. If the board meets with the majority of the number of members, decisions must be taken with the unanimous vote which constitutes the majority of the total number of members.

The details of the 2018 activities and operating principles of the Board of Directors are provided below:
During the reporting period, the Board of Directors convened 44 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. Before a meeting, the meeting agenda is sent to the members and meeting invitation is made. Usually, all members attend the meetings. In 2018 operating period, all decisions were passed with the unanimous vote of the members present in the meeting. The questions raised during the meetings are not entered into record. No board directors have preferential voting or veto rights.

5.3. Number, Structure and Independence of the Committees Established under the Board of Directors

The Audit Committee, the Corporate Governance Committee and the Early Detection of Risk Committee have been formed in our company. The Corporate Governance Committee fulfills the duties of the Nomination 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 Feyzi Onur Koca and its other member is Yılmaz Attila. 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 committee supervises the functioning and effectiveness of the company's accounting system, public disclosure of financial information, independent audit and internal control system. It also oversees the selection of the independent audit provider, start of independent audit process and works of the independent audit provider. It notifies the Board of Directors on integrity and accuracy of the annual and interim financial tables which will be publicly disclosed.

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Corporate Governance Committee Chairperson is non-executive independent board member Yılmaz Attila, Committee Members are non-executive board members Cengiz Erol and Yılmaz Gökoğlu and Investor Relations Department Manager is Gökhan Kavur. Corporate Governance Committee meets at least on a quarterly basis and holds at least four meetings in one year. The Corporate Governance Committee establishes whether the Corporate Governance Principles are implemented at the Company, the grounds for non-implementation, if applicable, and the conflicts of interest arising from failure to fully comply with these principles. Corporate Governance Committee oversees the activities of the Investor Relations Department.

The Corporate Governance Committee determines the suggestions of Board Members and senior executives regarding remuneration policies considering the long term aims of the company within the scope of duties of the Nomination Committee. 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 presents its relevant assessment to the Board of Directors for approval.

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.

The Early Detection of Risks Committee is responsible for early detection of risks that may endanger the existence, development and continuity of the company, taking the necessary measures and managing the risk. The Committee is headed by Yılmaz Attila, a non-executive and independent board member, and its members are Cengiz Erol and Yılmaz Gökoğlu, who are non-executive board members.

According to the Corporate Governance Principles, two members of the Audit Committee and the Early Detection of Risk Committee and the head of Corporate Governance Committee should be independent board members. The Manager of the Investor Relations Department was assigned as a member to the Corporate Governance Committee by the Board of Directors. Since there are two independent members on the Company's Board of Directors, the same member serves on more than one committee under the Board of Directors.

Upon assessment held by Company's Board of Directors, it was determined that all committees of the company are created in accordance with the legislation, activities were effectively conducted in line with working principles created before and published in the Company's web site, periodically enough number of meetings was held during the year and as a result of such meetings; the Audit Committee provided efficiency of auditing company's accounting system and financial details and disclosing them to public and submitted their views, suggestions about this matter to board of directors regularly, that Corporate Audit Committee concluded determinations on strengthening the compliance to Corporate Management Principles and submitted to board of directors with their recommendations, that Early Detection of Risk Committee reviewed early warning systems and models for risks and determined risks.

5.4. Risk Management and Internal Control Mechanism

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

5.5. Strategic Targets of the Company

The board of directors establishes corporate strategies and targets in line with the company's vision, 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.

5.6. Financial Benefits

The rights provided to the Board Members 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 Members and executives with administrative responsibility is available on our 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.

STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY PREPARED IN ACCORDANCE WITH ARTICLE 9 OF THE COMMUNIQUE OF PRINCIPLES RELATED TO FINANCIAL REPORTING IN CAPITAL MARKET NO II-14.1 OF CAPITAL MARKETS BOARD

We declare that according to "Principles Notice Relating Financial Reporting in Capital Market" notice of Capital Market Board (CMB) with no II-14.1, consolidated statement of financial position, comprehensive income statement, cash flow statement and statement of changes in equity as well as activity report of board of directors along with the footnotes prepared in accordance with the formats stated by Turkish Accounting Standards/Turkish Financial Reporting Standards (TMS/TFRS) and CMB, prepared by our company, subjected to independent supervision by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and accepted with the Decision of Board of Directors of Viking Kağıt ve Selüloz A.Ş. with date February 28, 2019 and no 2019/6, belonging to financial year of January 1, 2018 - December 31, 2018;

1. Our company examined the reports,

2. Do not contain any deficiency which may result in any misleading situation as of the date when an explanation against the truth in important matters are made within the information which we have within our area of duty and liability in our company,

3. Within the framework of information we have on our duties and responsibilities in our company, the financial statements prepared in accordance with the communiqué reflect the true information on active and passive assets, financial status, profit and loss of the enterprise and our activity report honestly reflects the development and performance of work and financial status of the enterprise, including the significant risks and uncertainties.

In accordance with the CMB's decision dated January 10, 2019 No. 2/49, the Corporate Governance Compliance Report ("URF") prepared for the fiscal period January 1, 2018 - December 31, 2018 and the Corporate Governance Information Form ("KYBF") were examined by us and that these reports were prepared in accordance with the procedures and principles specified in the Corporate Governance Communiqué of CMB no: II-17.1 as well as in the decisions taken,

Best Regards,

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

Süleyman SEZER	Ahmet Abdullah AKÇASIZ	Yılmaz ATTİLA	Feyzi Onur KOCA
Director of Financial Affairs and Finance	General Manager	Audit Committee Member	Committee Chairman

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Viking Kağıt ve Selüloz A.Ş.

1. Opinion

We have audited the annual report of Viking Kağıt ve Selüloz A.Ş. (the "Company") for the 1 January - 31 December 2018 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Company's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Financial Statements

We expressed an unqualified opinion in the auditor's report dated 28 February 2019 on the full set financial statements for the 1 January - 31 December 2018 period.

4. Board of Director's Responsibility for the Annual Report

Company management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

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4. Board of Director's Responsibility for the Annual Report (Continued)

b) to prepare the annual report to reflect the Company's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Company may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:

– events of particular importance that occurred in the Company after the operating year,
– the Company's research and development activities,
– financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements of the Company and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements and with the information obtained in the course of audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

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Mehmet Karakurt,
Partner

İstanbul, 28 February 2019

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

FINANCIAL STATEMENTS
AT 1 JANUARY - 31 DECEMBER 2018
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION INTO ENGLISH -
THE TURKISH TEXT IS AUTHORITATIVE)

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CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Viking Kağıt ve Selüloz A.Ş.

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Viking Kağıt ve Selüloz A.Ş. (the "Company"), which comprise the statement of financial position as at 31 December 2018 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Fair value measurements land and land improvements, buildings, machinery and equipment: **(Refer to the Notes 2 and 11)** In accordance with TAS 16, "Property, Plant and Equipment", land and land improvements, buildings, machinery and equipment are measured at fair value on the financial statements. The fair values of land and land improvements and buildings determined based on valuations by an independent professional valuer as of 31 December 2017. As a result of Company management assessment with another external independent professional valuer, the carrying amount of land and land improvements and buildings are assumed to approximate their fair values as of 31 December 2018 after deducting current year depreciation. On the other hand, the Company management has decided to perform valuation works for all machinery and equipment since the carrying values are substantially different from their fair values as of 31 December 2018 and the fair values of machinery and equipment were determined based on valuations by external independent valuer. According to the valuations performed by external independent valuer as at 31 December 2018, increase in the carrying values of machinery and equipment is amounting to TL15 million, before tax. Increases in the carrying amount arising on the revaluation of machinery and equipment are credited to the revaluation reserve in equity, net of applicable deferred income tax in the financial position. The assessment of the carrying values of property, plant and equipment was a key audit matter since the total amount of property, plant and equipment as of 31 December 2018 represents a significant share of the total assets of the Company, and these valuations include significant estimations and assumptions.	The following audit procedures were addressed in our audit work on the fair value measurement of property, plant, equipment: • We assessed the competency, capability and objectivity of the independent professional valuers who were appointed by Company management, in accordance with relevant audit standards. • The frequency of revaluation was evaluated in accordance with the relevant audit standards by taking into consideration of the conditions and periods set forth in TAS 16. • Estimates and assumptions of the Company management are considered together with our external expert in accordance with the relevant auditing standards to ensure that the carrying values of land, land improvements and buildings as of 31 December 2018 approximate to their fair values. • We checked and confirmed completeness, and reconciled the input data on a sample basis, used by the independent professional valuers with the Company's records. • In accordance with the provisions of "SIA 620: Use of Work of Expert" standard, we got our auditor expert involved on a sample basis to evaluate the assumptions and methods used by the Company management and the independent professional valuers who were appointed by the Company management. • The compliance of the disclosures of fair value determination of related assets in the financial statements in accordance with the relevant accounting financial reporting standards were evaluated.

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables (Refer to the Note 7): Trade receivables amounting to TL24 million from non-related parties as of 31 December 2018 are material to the financial statements. The Company management takes into account the guarantees received from its customers, past collection performance, maturity analysis and disputes or claims related to receivables when evaluating recoverability. The determination of doubtful receivables together with the respective provisions includes Company management's estimations and assumptions. For these reasons, the recoverability of trade receivables was determined to be a key audit matter.	The following audit procedures were addressed in our audit work on the recoverability of trade receivables: • The Company's credit risk management policy, including credit limit and collection management, were reviewed and assessed. • Trade receivables from non-related parties were tested on a sample basis by sending confirmation letters. • The aging of trade receivable balances from non-related parties were analysed. • The subsequent collections were tested on a sample basis. • The guarantee letters received from customers were tested on a sample basis. • Investigations were made to determine whether there were any disputes or lawsuits regarding the collectability of trade receivables from non-related parties, and evaluations of the ongoing lawsuits were obtained from the Company's legal counsellors. • Based on the meetings held with Company management, the reasonableness of Company management's assumptions and judgements underlying the calculations of impairment of trade receivables were assessed. • The compliance of the disclosures of recoverability of trade receivables from non-related parties in the financial statements with the relevant accounting standards was evaluated.

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4. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

5. Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 28 February 2019.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

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Mehmet Karakurt,
Partner

İstanbul, 28 February 2019

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CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

FINANCIAL STATEMENTS
FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2018 AND 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 December 2018	31 December 2017
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	6,220,381	2,040,355
Trade Receivables		34,304,038	36,732,624
- Due from Related Parties	6	10,341,432	6,055,602
- Due from Third Parties	7	23,962,606	30,677,022
Other Receivables		1,988,824	2,711,511
- Due from Related Parties	6	1,795,375	2,585,073
- Due from Third Parties	8	193,449	126,438
Inventories	9	36,811,712	25,203,356
Prepaid Expenses		682,993	289,655
- Prepaid Expenses from Third Parties	10	682,993	289,655
Prepaid Taxes	29	31,696	17,163
Other Current Assets		1,211,882	307,415
- Other Current Assets from Third Parties	20	1,211,882	307,415
TOTAL CURRENT ASSETS		**81,251,526**	**67,302,079**
Non - current Assets			
Financial Assets	3	227,802	217,044
Other Receivables		5,999	26,188
- Other Receivables from Third Parties	8	5,999	26,188
Property, plant and equipment	11	184,864,536	166,092,031
- Lands		48,685,000	48,685,000
- Land Improvements		2,518,838	2,469,999
- Buildings		25,517,406	25,994,550
- Machinery and Equipments		106,484,692	87,465,810
- Furniture and Fixtures		1,227,382	1,042,950
- Construction in Progress		431,218	433,722
Intangible Assets	12	764,530	706,379
- Other Intangible Assets		764,530	706,379
Prepaid Expenses	10	-	1,066,262
- Prepaid Expenses from Third Parties		-	1,066,262
TOTAL NON-CURRENT ASSETS		**185,862,867**	**168,107,904**
TOTAL ASSETS		**267,114,393**	**235,409,983**

The financial statements for the period 1 January - 31 December 2018 have been approved for issue by Board of Directors of Viking Kağıt ve Selüloz A.Ş. on 28 February 2019. The General Assembly and certain regulatory bodies have the authority to make amendments after the issue of these financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

FINANCIAL STATEMENTS

FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2018 AND 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 December 2018	31 December 2017
LIABILITIES			
Short Term Liabilities			
Short-Term Borrowings		5,077,517	4,136,308
- Short-Term Borrowings from Third Parties	15	5,077,517	4,136,308
- Bank Loans		5,000,000	4,000,000
- Leasing Debts		77,517	136,308
Short-Term Portion of Long Term Borrowings		48,586,638	21,215,253
- Short-Term Portion of Long-Term Borrowings from Third Parties	15	48,586,638	21,215,253
- Bank Loans		48,586,638	21,215,253
Trade Payables		111,533,445	81,817,542
- Due to Related Parties	6	4,201,266	7,777,600
- Due to Third Parties	7	107,332,179	74,039,942
Payables for Employee Benefits	18	418,671	1,063,717
Other Payables		1,342,689	634,379
- Due to Related Parties	6	710,514	9,353
- Due to Third Parties	8	632,175	625,026
Deferred Income	10	437,074	853,870
- Deferred Income from Third Parties		437,074	853,870
Short Term Provisions		585,604	193,560
- Other Short Term Provisions	17	585,604	193,560
TOTAL SHORT TERM LIABILITES		**167,981,638**	**109,914,629**
Long-Term Liabilities			
Long-Term Borrowings		45,336,888	67,527,085
- Long Term Borrowings from Third Parties	15	45,336,888	67,527,085
- Bank Loans		45,329,933	67,442,613
- Leasing Debts		6,955	84,472
Long Term Provisions		4,768,941	4,111,768
- Long Term Provisions for Employee Benefits	18	4,768,941	4,111,768
Deferred Tax Liabilities	29	21,361,190	18,166,860
TOTAL LONG TERM LIABILITIES		**71,467,019**	**89,805,713**
TOTAL LIABILITIES		**239,448,657**	**199,720,342**
EQUITY			
Equity Attributable to Owners of the Parent Company		**27,665,736**	**35,689,641**
Share Capital	21	42,000,000	42,000,000
Share Premiums	21	253,929	253,929
Other Comprehensive Income/ (Expense) not to be Reclassified to Profit and Loss		99,507,749	90,931,682
- Gains on Revaluation and Remeasurement		99,279,947	90,931,682
- Increases on Revaluation of Property, Plant and Equipment	11	103,325,983	94,163,591
- Actuarial Loss Arising From Defined Benefit Plans		(4,046,036)	(3,231,909)
-Fair value Reflected on Other Compherensive Income Revaluation of Financial Assets and / or Classification Benefits		227,802	-
Other Comprehensive Income/ (Expense) to be Reclassified to Profit and Loss		-	217,044
- Gains on Revaluation and Classification		-	217,044
- Gains on Revaluation or Reclassification of Available-for-Sale Financial Investments		-	217,044
Accumulated Losses		(94,759,011)	(81,492,306)
Loss for the Year		(19,336,931)	(16,220,708)
TOTAL EQUITY		**27,665,736**	**35,689,641**
TOTAL LIABILITIES AND EQUITY		**267,114,393**	**235,409,983**

The accompanying notes are an integral part of these financial statements

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2018 AND 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	1 January - 31 December 2018	1 January - 31 December 2017
PROFIT OR LOSS			
Revenue	22	230,178,935	184,671,175
Cost of Sales	22	(177,004,473)	(148,761,434)
GROSS PROFIT FROM TRADING OPERATIONS		**53,174,462**	**35,909,741**
GROSS PROFIT	22	**53,174,462**	**35,909,741**
Marketing Expenses	23	(22,972,948)	(21,193,976)
General Administrative Expenses	23	(10,211,079)	(8,948,986)
Research and Development Expenses	23	(1,118,872)	(1,107,186)
Other Operating Income	24	28,801,807	9,459,862
Other Operating Expenses	24	(48,934,623)	(12,264,561)
OPERATING PROFIT		**(1,261,253)**	**1,854,894**
Income from Investment Activities	25	133,995	74,668
OPERATING PROFIT/ (LOSS) BEFORE FINANCIAL (EXPENSE)/ INCOME		**(1,127,258)**	**1,929,562**
Financial Income	27	4,903,388	807,425
Financial Expense	27	(22,744,298)	(19,200,985)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**(18,968,168)**	**(16,463,998)**
Tax Income from Continuing Operations		(368,763)	243,290
- Deferred Tax (Expense)/ Income	29	(368,763)	243,290
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(19,336,931)**	**(16,220,708)**
LOSS FOR THE YEAR		**(19,336,931)**	**(16,220,708)**
Loss per share			
- Earnings per Kr1 number of 100 Shares From Continuing Operations	30	(0,4604)	(0,3862)
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income/Expense not to be Reclassified in Profit and Loss		**11,313,026**	**30,473,039**
Increase in Revaluation of Property, Plant and Equipment	11	15,145,494	40,352,939
Change in tax rate	11	-	(2,094,852)
Actuarial Gain Arising From Defined Benefit Plans	18	(1,017,659)	(437,920)
Fair Value Difference Other Compherensive Income Revaluation of Saved Assets and / or Loss of Classification	3.29	10,758	-
Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss		(2,825,567)	(7,347,128)
- Increase in Revaluation of Property, Plant and Equipment, Tax Effect	29	(3,029,099)	(7,434,713)
- Actuarial Gain Arising From Defined Benefit Plans, Tax Effect	29	203,532	87,585
Other Comprehensive Income/ Expense to be Reclassified to Profit or Loss		**-**	**211,887**
Losses on Revaluation or Reclassification of Available-for-Sale Financial Investments		-	(10,275)
- Losses on Revaluation of Available-for-sale Financial Assets	3	-	(10,275)
Other Comprehensive Income Related to Cash Flow Hedge		-	220,871
- Gains on Cash Flow Hedges		-	220,871
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss		-	1,291
- Gains on Revaluation or Reclassification of Available-for-Sale Financial Investments, Tax Effect	29	-	45,465
- Other Comprehensive Expense Related to Cash Flow Hedge, Tax Effect	29	-	(44,174)
OTHER COMPREHENSIVE INCOME		**11,313,026**	**30,684,926**
TOTAL COMPREHENSIVE EXPENSE		**(8,023,905)**	**14,464,218**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AT 31 DECEMBER 2018 AND 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	1 January - 31 December 2018	1 January - 31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES		**21,940,168**	**19,208,535**
Loss for the year		**(19,336,931)**	**(16,220,708)**
- Loss from Continuing Operations		(19,336,931)	(16,220,708)
Adjustments to reconcile net period income		**47,994,531**	**27,055,990**
Adjustments related to taxation	29	368,763	(243,290)
Adjustments related to depreciation and amortisation	11.12	7,316,517	8,424,043
Adjustments related to provisions		1,558,847	617,216
- Adjustments related to provision for employee benefits	18	1,166,803	830,740
- Adjustments for (reversal of) lawsuit and/or penalty provisions		392,044	(213,524)
Adjustments for (reversal of) fair value losses		-	(5,000)
- Adjustments for (reversal of) impairment loss of receivables	24	-	(5,000)
- Adjustments for impairment on property plant and equipment		(120,291)	(50,848)
Adjustments related to gain on sales of non-current assets	25	(120,291)	(50,848)
Adjustments related to share of profit		(13,704)	(23,820)
Adjustments related to interest (income) / expense		17,235,770	13,396,519
- Adjustments related to interest expense	24, 27	(256,432)	(111,511)
- Adjustments related to interest income	24, 27	17,492,202	13,508,030
Adjustments related to unrealized foreign currency translation differences		21,648,629	4,941,170
Changes in working capital		**(5,190,142)**	**9,338,669**
Adjustments related to decrease/ (increase) in trade receivables		3,670,901	(6,091,366)
- İncrease in trade receivables from related parties		(3,043,515)	(1,486,794)
- (Decrease) / Increase in trade receivables from third parties		6,714,416	(4,604,572)
Adjustments related to increase in inventories		(11,608,356)	(7,149,375)
Adjustments for increase in other receivables related with operations		(964,755)	(157,250)
- Adjustments for increase in other receivables related with operations		(964,755)	(157,250)
Increase in prepaid expenses		(393,338)	(45,237)
Adjustments related to increase in trade payables		5,160,108	22,730,393
- Increase in trade payables to third parties		9,520,580	22,096,027
- (Decrease) / Increase in trade payables to related parties		(4,360,472)	634,366
(Decrease) / Increase in payables related to employee benefits		(645,046)	456,277
Increase in deferred income		(416,796)	(571,532)
Adjustments for other decrease in working capital		7,140	166,759
- Decrease in other liabilities related with operations		7,140	166,759
Cash generated from operating activities		**23,467,458**	**20,173,951**
Employment termination benefits paid	18	(1,527,290)	(965,416)
CASH FLOWS FROM INVESTING ACTIVITIES		**(8,756,360)**	**(13,535,780)**
Cash outflow from purchases of property, plant and equipment and intangible assets		(11,001,679)	(10,431,949)
- Purchase of property, plant and equipment	11	(10,841,051)	(10,336,115)
- Purchase of intangible assets	12	(160,628)	(95,834)
Cash inflow from sales of property, plant and equipment and intangible assets		120,291	60,574
- Sales of property, plant and equipment		120,291	60,574
Advance given for cash and payables		1,066,262	(726,262)
Other advance given for cash and payables to related parties		1,066,262	(726,262)
Repayments of advance given for cash and payables		789,698	(2,574,205)
- Repayments of other advance given for cash and payables to related parties	6	789,698	(2,574,205)
Dividends received	25	13,704	23,820
Interest received		255,364	112,242
CASH FLOWS FROM FINANCING ACTIVITIES		**(9,741,316)**	**(10,706,127)**
Cash inflows from issue of shares and other equity based instruments		-	20,900,000
- Cash inflows related to issue of shares	21	-	20,900,000
Cash inflows related to borrowings		70,920,000	99,846,282
- Cash inflows from bank loans	15	70,920,000	99,846,282
Cash outflows on debt payments		(64,265,785)	(106,191,254)
- Cash outflows on loan repayments	15	(64,229,324)	(105,883,500)
- Cash outflows from payments of other financial liabilities		(36,461)	(307,754)
Increase/ (Decrease) in other payables to related parties	6	701,161	(11,221,776)
Interest Paid		(17,096,692)	(14,039,379)
Net Increase/ Decrease in Cash and Cash Equivalents Before Foreign Currency Translation Differences		**3,442,492**	**(5,033,372)**
Effect of Foreign Currency Translation Differences on Cash and Cash Equivalents		737,534	43,866
NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENTS		**4,180,026**	**(4,989,506)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**2,040,355**	**7,029,861**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	**6,220,381**	**2,040,355**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED AT 31 DECEMBER 2018 AND 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

			Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit or Loss		
	Share Capital	Share Premium	Revaluation and Remeasurement Gains of Property, Plant and Equipment	Loss on Remeasurement of Defined Benefit Plans	Revaluation and /or Classification Earnings of Financial Assets with Faie Value at Other Compherensive Income
PREVIOUS PERIOD					
1 January - 31 December 2017					
Balances at beginning	**45,000,000**	**253,929**	**66,329,087**	**(2,881,574)**	**-**
Transfers	-	-	(2,988,870)	-	-
Capital Increase	20,900,000	-	-	-	-
Capital Decrease	(23,900,000)	-	-	-	-
Total comprehensive income	-	-	30,823,374	(350,335)	-
- Loss for The Year	-	-	-	-	-
- Other Comprehensive Expense	-	-	30,823,374	(350,335)	-
Balances at closing	**42,000,000**	**253,929**	**94,163,591**	**(3,231,909)**	**-**
CURRENT PERIOD					
1 January - 31 December 2018					
Balances at beginning	**42,000,000**	**253,929**	**94,163,591**	**(3,231,909)**	**-**
Classifications on Mandatory Changes in Accounting Policies (Note 2)					
- Adjustments related to required Required changes in TFRS 9	-	-	-	-	217,044
Balances at beginning – After correction	**42,000,000**	**253,929**	**94,163,591**	**(3,231,909)**	**217,044**
Transfers	-	-	(2,954,003)	-	-
Total comprehensive income	-	-	12,116,395	(814,127)	10,758
- Profit/ Loss for The Year	-	-	-	-	-
- Other Comprehensive Expense	-	-	12,116,395	(814,127)	10,758
Balances at closing	**42,000,000**	**253,929**	**103,325,983**	**(4,046,036)**	**227,802**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED AT 31 DECEMBER 2018 AND 2017

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Other Accumulated Comprehensive Income That Will Be Reclassified In Profit or Loss	Retained Earnings			
Fair Value Fund of Financial Assets Available for Sale	**Cash Flow Hedge Gain/ (Loss)**	**Accumulated Losses**	**Net Losses**	**Total Equity**
181,854	**(176,697)**	**(92,482,696)**	**(15,898,480)**	**325,423**
-	-	(12,909,610)	15,898,480	-
-	-	-	-	20,900,000
-	-	23,900,000	-	-
35,190	176,697	-	(16,220,708)	14,464,218
-	-	-	(16,220,708)	(16,220,708)
35,190	176,697	-	-	30,684,926
217,044	**-**	**(81,492,306)**	**(16,220,708)**	**35,689,641**
217,044	**-**	**(81,492,306)**	**(16,220,708)**	**35,689,641**
(217,044)	-	-	-	-
-	**-**	**(81,492,306)**	**(16,220,708)**	**35,689,641**
-	-	(13,266,705)	16,220,708	-
-	-	-	(19,336,931)	(8,023,905)
-	-	-	(19,336,931)	(19,336,931)
-	-	-	-	11,313,026
-	**-**	**(94,759,011)**	**(19,336,931)**	**27,665,736**

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. The production plant of the company is located in İzmir - Aliağa.

The Company is subject to the regulations of Turkish Capital Markets Board ("CMB") and 17.77% (2017: 17.77%) of its total shares are quoted on the Borsa Istanbul ("BIST") as at 31 December 2018. The ultimate shareholder of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") holding 78.48% (2017: 78.48%) shares of the Company (Note 21).

The address of the registered office is as follows:

Akdeniz Mah. Şehit Fethi Bey Caddesi No: 120/101
Konak - İzmir

The average number of personnel employed in the Company's period during the period is 223 (2017: 233).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Preparation of Financial Statements and Accounting

The accompanying financial statements are prepared in accordance with Communiqué Serial II, No: 14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, financial statements are prepared in accordance with the Turkish Accounting Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("TFRSI").

The financial statements of the Company are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year's financial statements.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the financial statements of the Company have been prepared accordingly.

The Company maintains its books of accounts and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. These financial statements have been prepared under historical cost conventions except for financial assets, financial liabilities, land, buildings and land improvements, machinery and equipments which are carried at fair value. The Company's functional and reporting currency is Turkish Lira ("TL").

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

2.2 Changes in accounting policies, comparative information and correction of prior year financial statements

2.2.1 Amendments in Turkish Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2018:

- TFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements ın the classification and measurement of financial assets; it also includes an expected credit losses model that replaces the current incurred loss impairment model. Impacts of these amendments on the financial position or performance of the Company are explained in Note 2.2.2.2.

- Ammendments to TFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the TASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. Impacts of these amendments on the financial position or performance of the Company are explained in Note 2.2.2.1.

- Ammendments to TFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The TASB has also included additional practical expedients related to transition to the new revenue standard. Impacts of these amendments on the financial position or performance of the Company are explained in Note 2.2.2.1.

- Amendment to TAS 40, 'Investment property' relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- Amendments to TFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

- Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018.

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

2.2.1 Amendments in Turkish Financial Reporting Standards (Continued)

- TFRS 1, 'First time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10.

- TAS 28 , 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

- TFRSI 22, 'Foreign currency transactions and advance consideration'; effective from annual periods beginning on or after 1 January 2018. This TFRSI addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2018

- Amendment to TFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

- Amendment to TAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.

- TFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019, this standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The TASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the TASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

2.2.1 Amendments in Turkish Financial Reporting Standards (Continued)

- TFRSI 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This TFRSI clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. TFRSI 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRSI 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

- TFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

  Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

  - TFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business
  - TFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - TAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
  - TAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

  - Use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and;
  - Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling

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

2.2.1 Amendments in Turkish Financial Reporting Standards (Continued)

- Amendments to TAS 1 and TAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements',and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:

  i) Use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting
  ii) Clarify the explanation of the definition of material; and
  iii) Incorporate some of the guidance in TAS 1 about immaterial information.

- Amendments to TFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the TASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

The Company is assessing the impact of the amendments on it operations and shall apply amendments when they become effective. Amendments are not expected to have a significant impact on the Company's financial statements in the future.

2.2.2 Comparative Information

The financial statements of the Company are prepared comparatively with the previous period in order to be able to identify the financial situation and performance trends. The Company maintains its statement of financial position as of 31 December 2018 (balance sheet) and its statement of financial position (balance sheet) as of 31 December 2017; Profit or loss for the period January 1 - December 31, 2018 and other comprehensive income, cash flows and equity, in comparison with January 1 - December 31, 2017 period.

In addition to the following amendment, the Company has applied consistent accounting policies in the financial statements for the current period and there are no significant changes in the accounting policies and estimates in the current period.

2.2.2.1 Revenue recogntion

The Company recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to the customer. An asset is transferred when the customer obtains control of that asset or service.

The Company recognised the revenue in accordance with the following basic principles:

(a) Identification of customer contracts
(b) Identification of performance obligations
(c) Determination of the transaction price in the contracts
(d) Allocation of transaction price to the performance obligations
(e) Recognition of revenue when the performance obligations are satisfied

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

2.2.2.1 Revenue recogntion (Continued)

According to this model, the goods or services that are committed in each contract with the customers are evaluated and each commitment to transfer the goods or services is determined as a performance obligation of the separate service. Then, for each performance obligation identified, the entity determine at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. If the Company transfers control of a good or service over time and therefore satisfies a performance obligation and recognises revenue over time. However, almost all of the Company's sales of goods and services include a single performance obligation.

The Company recognized revenue from its customers only when all of the following criteria are met:

(a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
(b) Company can identify each party's rights regarding the goods or services to be transferred,
(c) Company can identify the payment terms for the goods or services to be transferred,
(d) The contract has commercial substance,
(e) It is probable that Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Revenues are recorded as follows:

Revene from product sales

The Company generates revenue from production and sales of sanitary papers. Revenue is recognized when the control of the products is transferred to the customer.

- presence of the Company's collection right of the consideration for the goods or services
- customer's ownership of the legal title on goods or services
- physical transfer of the goods or services
- customer's ownership of significant risks and rewards related to the goods or services
- customer's acceptance of goods or services.

For each performance obligation identified, the entity determine at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. The Company recognises revenue from product sales in the financial statements following the transfer of control to the customer.

The Company does not adjust the promised amount of consideration for the effects of a significant financing component since the Company expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

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

2.2.2.1 Revenue recogntion (Continued)

If the Company expect to pay back a portion or full of collected amount, the Company recognizes a contract liability due to obligation to return on the financial statements. The obligation to return calculated according to collected amounts (or to be collected amounts). The obligation to return is updated at the end of each reporting period, taking into account the changes in the conditions.

Transition to TFRS 15, "Revenue from Contracts with Customers"

The Company has applied TFRS 15 "Revenue from contracts with customers", which has replaced TMS 18, by using cumulative effect method on the transition date, 1 January 2018. In accordance with this method, no impact of transition for cumulative effect related to the transition of TFRS 15 has been made on retained earnings on the first application date (Note 22).

2.2.2.2 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. The Company does not have any financial asset - held to maturity or fair value changes accounted through statements of income or expenses.

i. Classification and measurement

The Company classifies its financial assets as financial assets that are accounted for at amortized cost and fair value differences as assets recorded in other comprehensive income. The classification is based on the business model and expected cash flows, which are determined according to the purpose of benefiting from financial assets. The Company makes the classification of its financial assets on the date of purchase.

a) Assets carried at amortized cost

Financial assets with fixed or determinable payments that are not quoted in an active market and which are not traded in an active market are classified as assets that are accounted at amortized cost value. . If the maturities are less than 12 months from the balance sheet date, the current assets are classified as non-current assets if they are longer than 12 months. Assets that are accounted for at amortized cost include "trade receivables alacak, alacak cash and cash equivalents tab and lar other receivables" in the statement of financial position.

b) Financial assets carried at fair value through other comprehensive income

Assets that are held by the management for collection of contractual cash flows and/or for selling

financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Company make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

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

2.2.2.2 Financial assets (Continued)

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. When the financial assets carried at fair value through other comprehensive income are sold fair value gain or loss classified in other comprehensive income is classified to retained earnings. According to TFRS 9, the Company recognizes financial assets with their fair value amounts until 1 January 2018 which are carried with their historic costs. As of 31 December 2018, the Company does not have any financial assets that carried with their historic costs. Accordinglt, the Company recognized all financial assets with their fair values.

In accordance with this method changes related to the classification of financial assets and liabilities are as follows and these changes in the classification do not result in changes in measurement of assets.

	Classification under TAS 39	Classifiation under TFRS 9
Financial assets		
Cash and Cash Equivalents	Loans and Receivables	Amortised cost
Financial Assets	Available-for-Sale Financial Assets	Fair value through other comprehensive income/ profit or loss
Trade Receivables	Loans and Receivables	Amortised cost
Other Receivables	Loans and Receivables	Amortised cost

	Classification under TAS 39	Classifiation under TFRS 9
Financial Liabilities		
Financial Payables	Amortised cost	Amortised cost
Trade Payables	Amortised cost	Amortised cost
Other Payables	Amortised cost	Amortised cost

Transition to TFRS 9 "Financial instruments

The Company applied effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

The Company management, as of January 1, 2018, has made these assessments for the Company's financial investments and classified the financial instruments in accordance with TFRS 9 categories. As a result of the reclassification, the differences between net book value of financial assets carrying with cost value and previous net book value minus fair value at the first recognition date, accounted as a fund in equity.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2018

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

2.2.2.2 Financial assets (Continued)

The effects of the mentioned classification on financial statements are as follows:

Financial Assets - 1 January 2018	Notes	Financial Assets Available for Sale	Fair value through other comprehensive income profit or loss	Total effect
Balances at closing - 31 December 2017 - TAS 39		217,044	-	217,044
Fair value through other comprehensive income/profit or loss	6	(217,044)	217,044	-
Balances at beginning - 1 January 2018 - TFRS 9		-	217,044	217,044

Financial Assets – 1 January 2018	Revaluation and /or Classification Financial Investments (Losses) Fund	Assets Recorded in Other Comprehensive Income of Fair value Fund	Total effect
Balances at closing - 31 December 2017 – TAS 39	217,044	-	217,044
Financial investments' valuation or classification Gains/ losses from the fund of fair value difference reffering to Other comprehensive income assets's Classification or value fund	(217,044)	217,044	-
Balances at beginning – 1 January 2018 – TFRS 9	-	217,044	217,044

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

2.3 Change in the useful lives of tangible assets

The Company has reviewed its useful lives of property, plant and equipment and the useful lives of a group of machinery and equipment has been revised as of 1 January 2018. As a result of this change, the depreciation expense calculated as TL3,870,671 for the year 2018 less than the amount to be calculate according to the previous useful lives.

2.4. Accounting Policies, changes in accounting estimates and errors

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.

2.5 Offsetting

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

2.6 Summary of Significant Accounting Policies

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

2.6.1 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 9).

2.6.2 Property, plant and equipment

Property, plant and equipment except for land, land improvements and buildings and machinery and equipment are stated at cost less accumulated depreciation and less impairment, if any. Land, land improvements and buildings as of 31 December 2017, machinery and equipment as of 31 December 2018 are stated at fair value less accumulated depreciation and less impairment if any, based on valuations by external independent valuers namely TSKB Gayrimenkul Değerleme A.Ş. (Note 11). 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. Property, plant and equipment except for land, land improvements and buildings and machinery and equipment are carried at cost less accumulated amortisation and impairment losses, if any.

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

2.6.2 Property, plant and equipment (Continued)

Increases in the carrying amount arising on the revaluation of land, land improvements and buildings and machinery and equipment are credited to the revaluation reserve in equity, net of applicable deferred income tax. For certain assets, the increase was recognized in profit or loss to the extent that it reversed the impairment of the same asset previously recognized in profit or loss. Decreases that offset previous increases of the revalued 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 accumulated losses, and the amount transferred is net of any related deferred income tax.

Buildings, machinery and equipment are capitalised and depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management. Residual values of property, plant and equipment are deemed as negligible.

The advances given for the property, plant and equipment purchases are classified under the other non-current assets as prepaid expenses until the related asset is capitalised. At each balance sheet date, residual values and estimated useful lives of property, plant and equipment are reviewed and adjusted if appropriate, prospectively.

Depreciation is provided on the cost or revalued amounts of property, plant and equipment on a straight-line basis less any impairment (Note 11). Land is not depreciated as it is deemed to have an indefinite life. The annual depreciation rates for property, plant and equipment, which are based on the approximate useful lives of such assets, are as follows:

Buildings and land improvements	4-40 years
Machinery and equipment	5-20 years
Motor vehicles	10 years
Furniture and fixtures	2-40 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Subsequent costs are included in the asset's carrying value recognised as seperate 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. For the purpose of assessing impairment, property plant and equipment assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use. If the property, plant and equipments that are impaired, are revalued, the impairment is charged to the revaluation reserves to the extent that the amount offsetting previous increases of the same asset charged in the revaluation reserves and all other decreases are recognised in the statement of comprehensive income.

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred. The Company derecognizes 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 a reincluded in the related income and expense accounts, as appropriate. On the disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the the retained earnings.

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

2.6.3 Intangible assets

Intangible assets have finite useful lives and mainly comprise acquired rights. These assets which is acquired before 1 January 2005, TL is the intake adjusted acquisition cost expressed in the power on 31 December 2004, for items that are obtained after 1 January 2005 over the cost of acquisition is less accumulated amortization and present value the value of the net after deduction of impairment is recognized in the financial statements. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period of five years from the date of acquisition (Note 12). Costs associated with maintaining computer software programs are recognized as an expense when incurred.

Gain or losses on disposals or on impairments of intangible assets with respect to their amounts are included in the 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.

For the purpose of assessing impairment, intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use.

2.6.4 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 27). 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 15).

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

2.6.5 Impairment of assets

Impairment of financial assets:

- Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

- Significant financial difficulty of the issuer or obligor,

- A breach of contract, such as a default or delinquency in interest or principal payments,

- The Company, 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 since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

    (i) Adverse changes in the payment status of borrowers in the portfolio; and
    (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

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

2.6.5 Impairment of assets (Continued)

- Financial assets carried at fair value through other comprehensive income

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. 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 recognized in profit or loss - is removed from equity and recognized in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, impairment losses recognized in the comprehensive income statement, on equity instruments are not reversed through the statement of comprehensive income.

Impairment of non-financial assets:

At each reporting date, the Company assesses whether there is an impairment indication for the assets, except for the deferred income tax asset. When an indication of impairment exists, the Company estimates the recoverable amounts of such assets. The recoverable amounts of intangible assets not yet available for use to be measured annually. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Assets are allocated to cash generating units for the purpose of impairment testing, which is undertaken on the lowest level. An impairment loss is recognized for the amount by which the carrying amount of the asset or any cash-generating unit of that asset exceeds its recoverable amount, which is the higher of an asset's net selling price or value in use. Impairment losses are accounted for in the statement of comprehensive income. Impairment losses can be reversed to the extent that increased carrying amount of an asset shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years 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 loss was recognized.

2.6.6 Trade Receivables

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant (Note 7).

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The receivables in process of lawsuit or enforcement or in a prior stage, the customer having material financial difficulties, the receivable turning default or the possibility of material and unforeseeable delay in the future collection are included under objective evidences. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

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

2.6.6 Trade Receivables (Continued)

Also, Company has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Company measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Company and its expectations for the future indications.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income from operating activities.

2.6.7 Trade Payables

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

2.6.8 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.

2.6.9 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 30). 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.

2.6.10 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.

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.

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

2.6.11 Provisions, contingent assets and 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 17).

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.

2.6.12 Employee benefits - defined benefit obligation (Provision for 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. All actuarial gains and losses are recognised in the statement of comprehensive income.

2.6.13 Leases

(1) The Company as the lessee

i) Financial 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 or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term (Note 13).

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

2.6.13 Leases (Continued)

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 lesser

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.

2.6.14 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 6). Related parties are determined by considering the following conditions.

a) A person or a close member of that person's family is related to a reporting entity if that person:

The person concerned,

- i) has control or joint control over the reporting entity,
- ii) has significant influence over the reporting entity or
- iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

- i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others),
- ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member),
- iii) Both entities are joint ventures of the same third party,
- iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
- v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity,
- vi) The entity is controlled or jointly controlled by a person identified in (a),
- vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

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

2.6.15 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 key management that takes strategic decisions.

The key management of the Company regularly monitor and review the operational results 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 material, segment reporting is not applicable.

2.6.16 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 29). The adjustments related to prior period tax liabilities are recognised in other operating income and expenses. Deferred income tax income or expense 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 recognized directly in equity and other comprehensive income, the tax is also recognized in equity and other comprehensive income.

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. 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 (Note 29).

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 where the temporary differences will be reversed, using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled as of the balance sheet date (Note 29).

Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. To the extent that deferred income tax assets will not be utilised, the related amounts have been deducted accordingly (Note 29).

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

2.6.17 Statement of cash flows

In the statement of cash flows, cash flows are classified into three categories as operating, investing and financing activities. Cash flows from operating activities are those resulting from the Company's production and sales activities. Cash flows from investing 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. For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash in hand accounts, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months.

2.6.18 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.

2.7 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) Continuity of the Company

The financial statements of the Company have been prepared in accordance with the principle of "Business Continuity'.In addition, the Company management has made a detailed evaluation as explained in the Note 36 of the financial statements for the continuation of the Company's continuity and has taken some relevant measures.

(ii) Revaluation of land, buildings and land improvements, machinery and equipment

The frequency of revaluation studies is determined to ensure that the carrying amounts of the revalued tangible assets are not significantly different from their fair values at the end of the reporting period. The frequency of revaluation work depends on the change in the fair value of property, plant and equipment.

In cases where it is thought that the revalued amount is significantly different from the carrying value of the revalued amount, it is necessary to repeat the revaluation operation and the study is performed for the entire asset class with revalued assets at the same date. On the other hand, revaluation studies are not considered necessary for tangible assets whose fair value changes are insignificant.

Due to the fact that the machinery, facilities and equipment are mainly imported as a result of the evaluations made by the Company, the Company believes that there may be significant changes due to the changes in the market data taken into consideration in the cost approach method and the carried values will not converge to their fair values as of 31 December 2018. In this context, machinery, facilities and devices have been assigned to TSKB Gayrimenkul Değerleme A.Ş. has been reflected to the financial statements based on the fair value determined by the valuation studies.

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

2.7 Critical accounting estimates and judgements (Continued)

In addition, as of December 31, 2017, land and land, buildings, underground and land conditions of TSKB Gayrimenkul Değerleme A.Ş. The fair values of the valuation studies are assumed to approximate the fair values as of 31 December 2018 after deducting the current period depreciation.

The details of the methods and assumptions used for valuations of machinery and equipments are as follows.

- Revaluation of property plant and equipments was based on the method of reference by considering highest and best use approach.

- Regarding the valuation of the machinery and equipment, technologic conditions, actual depreciation, commercial attributes and industrial positions as well as demounting and assembling costs were taken into account. Whenever a fully integrated industrial plant was in discussion, the revaluation work was performed based on all the active and functioning assets in the integrated plant rather than taking as basis the data for the second-hand market within the scope of the valuation of the machinery and equipment. Such machinery and equipment were reviewed and assessed by their line.

The values that may occur during the realization of the purchase / sale transactions may differ from these values and are reflected in the financial statements in the period when the effects of such changes occur.

The values determined by the cost approach method have been assessed according to the provisions of TAS 36 "Impairment of Assets" as of the first reporting date and related periods, and it is assessed whether there are any indicators of impairment and it is reached as the result that there is no depreciation.

(iii) Recoverability of trade receivables

The Company's management considers the assessment of the recoverability of receivables, guarantees received from customers, past collection performance, maturity analysis, disputes or claims related to receivables. As a result of all these evaluations, determination of doubtful receivables and determination of provision amounts for these receivables also include judgments and estimations of the management of the Company.

2.8 Compliance decleration to resolutions published by POAASA and TFRS

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the TFRSs published by the Public Oversight Accounting and Auditing Standards Authority. As the Company management, we declare that the current and previous period financial statements together with the summary of the important accounting policies and notes to the financial statements are prepared and presented in accordance with TFRSs published by the Public Oversight Accounting and Auditing Standards Authority.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VİKİNG KAĞIT VE SELÜLOZ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2018

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 3 - INTERESTS IN OTHER ENTITIES

i. Assets recorded at fair value through other comprehensive income;

	31 December 2018		31 December 2017	
	Carrying Value TL	Share (%)	Carrying Value TL	Share (%)
Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji")	227,802	0.51	217,044	0.51
	227,802		**217,044**	

As of December 31 December 2018, Desa Enerji, the available-for-sale financial asset, discounted cash flows at a discount rate of 22.68% (2017: 17.70%), taking into account market interest rates and the risk premium specific to non-listed companies in similar sectors. The fair value of financial assets and liabilities are reflected in the financial statements.

The movement of available-for-sale financial assets is as follows:

	2018	2017
1 January	**217,044**	**227,318**
Increase in fair value / (impairment):		
Desa Enerji	10,758	(10,275)
31 December	**227,802**	**217,044**

NOTE 4 - SEGMENT REPORTING

Please see Note 2.5.18.

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash in Hands	558	54
Banks	6,035,147	645,999
- Demand deposits	1,131,645	645,999
- Turkish Lira	604,474	177,222
- Foreign currency	527,171	468,777
- Time deposits	4,903,502	-
- Turkish Lira	800,000	-
- Foreign currency	4,103,502	-
Other	184,676	1,394,302
	6,220,381	**2,040,355**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

As of 31 December 2018, the Company have TL4,903,502 time deposits (2017: The Company does not have any time deposits). As of 31 December 2018, foreign currency deposits include USD846,665 and EUR22.531, GBP6,108 (2017: USD103,187, EUR17,621). Other cash equivalents consist of credit card receivables with average maturity of 30 days (2017: 30 days) and bear the effective weighted average interest rate of 23.50% and 1.75% per annum ("p.a."), respectively (2017: None).

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 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The receivables from and payables to related parties as at 31 December 2018 and 2017 and the summary of significant transactions with related parties during the period are presented below.

i. Balances with related parties:

a) Due from related parties - current:

	31 December 2018	31 December 2017
Yaşar Dış Ticaret A.Ş.	10,173,072	6,028,164
Pınar Süt	160,584	-
Other	7,776	27,438
	10,341,432	**6,055,602**

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

b) Other short-term receivables from related parties

Yaşar Holding	1,795,375	2,585,073
	1,795,375	**2,585,073**

The effective interest rate for non-trade receivables of Company from Yaşar Holding amounting to TL1,795,375 with the effective interest rate 25,5% p.a. and its maturity is within 1 month (31 December 2017: The effective interest rate for non-trade receivables of Company from Yaşar Holding amounting to USD685,350 and TL2,585,073 with the effective interest rate 3,9% p.a and its maturity is within 1 month). The Company management has anticipated that it will not have a significant collection problem in the light of its past experience with its related parties.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

The breakdown of trade and other receivables from related parties as of 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Overdue	2,308,720	2,419,413
0-30 days	6,263,044	5,729,164
31-60 days	3,565,043	492,098
	12,136,807	**8,640,675**

The agings of overdue trade receivables from related parties and credit risk analysis as of 31 December 2018 and 2017 are further explained in Note 35.a.

c) Short-term trade payables to related parties:

YDT	1,715,864	743,808
Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP")	900,885	515,735
Desa Enerji	761,556	1,881,461
Yaşar Holding	744,385	751,250
Yadex Export International GmbH ("Yadex")	-	3,597,831
Other	78,576	287,515
	4,201,266	**7,777,600**

Payable to YDT is mainly resulted from export expenses and raw material imports. As of 31 December 2018 the liabilities to Yaşar Holding consist of consulting and consultancy service fees, and the debts to Desa Enerji consist of energy purchases.

d) Other short-term payables to related parties:

YDT	273,982	-
Yaşar Holding	196,449	9,353
Desa Enerji	151,690	-
Other	88,393	-
	710,514	**9,353**

Other payables to YDT, Yaşar Holding and Desa Enerji consist of other short term debt is amounting to TL622,121; the interest rate applicable to other payables is 25.5% per annum mature within one month (31 December 2017: Other receivables to Yaşar Holding consist of other short term debt TL9,353 provided by Yaşar Holding and the interest rate applicable to other payables is 15% per annum mature within one month).

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NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i. Transactions with related parties:

	1 January - 31 December 2018	1 January - 31 December 2017
a) Product Sales:		
YDT	86,967,311	56,306,558
YBP	194,180	120,675
Yaşar Holding	49,104	28,127
Other	44,753	55,778
	87,255,348	**56,511,138**
b) Servis Sales:		
Çamlı Yem Besicilik Sanayi ve Tic. A.Ş. ("Çamlı Yem")	-	4,427
	-	**4,427**
c) Product Purchases:		
Yadex	1,187,671	4,839,384
	1,187,671	**4,839,384**

The Company imports a portion of its raw materials through Yadex.

	1 January - 31 December 2018	1 January - 31 December 2017
d) Services Purchases:		
Desa Enerji	8,180,888	11,698,711
YDT	3,347,921	1,699,593
Yaşar Holding	2,752,196	2,490,088
YBP	66,739	129,459
Other	634,621	768,246
	14,982,365	**16,786,097**

The service purchases from Yaşar Holding are related to various services and consultancy fees, the purchases from YDT are related to export commissions and the purchases from Desa Enerji are related to the purchase of energy.

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NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

e) Purchases of property, plant and equipment and intangible assets

	1 January - 31 December 2018	1 January - 31 December 2017
Pınar Entegre Et ve Un Sanayi A.Ş.	170,000	-
Yaşar Holding	129,829	44,709
Desa Enerji	86,476	-
Other	98,940	34,862
	485,245	**79,571**

f) Sales of property, plant and equipment and intangible assets:

Pınar Süt A.Ş.	120,291	-
	120,291	**-**

g) Dividends received:

Desa Enerji	13,704	23,820
	13,704	**23,820**

h) Finance income:

Yaşar Holding	113,356	1,210
DYO Boya	-	7,849
Çamlı Yem	-	1,570
	113,356	**10,629**

i) Finance expenses:

YDT	456,958	235,712
Yaşar Holding	436,266	1,399,831
YBP	316,511	338,896
Desa Enerji	192,800	172,702
Other	-	31,394
	1,402,535	**2,178,535**

The financial expenses arising from the transactions with Yaşar Holding amounting to TL158,255 (2017: TL169,448) are related to bail expenses regarding the loans obtained by the Company from various banks with the guarantee of Yaşar Holding, and TL278,011 are related to interest expenses for other payables to Yaşar Holding (2017: TL1,230,383) The financial expenses arising from the transactions with YBP consist of bail expenses related to the loans that the Company has taken from various banks with the guarantee of YBP.

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NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2018	**1 January - 31 December 2017**
j) Other operating income:		
YDT	3,152,770	1,240,228
Yadex	431,586	629,062
Other	38,549	13,350
	3,622,905	**1,882,640**

As of 31 December 2018, a significant portion of other operating income derived from related parties consists of foreign currency gains arising from product purchases and export sales.

k) Other operating expense:

YDT	1,892,650	686,206
Yadex	899,109	817,531
Other	302,789	136,524
	3,094,548	**1,640,261**

Other operating expenses resulting from the transactions with YDT and Yadex are related to foreign exchange losses from export sales and interest expense on trade payables.

l) Bails received:

As of 31 December 2018, the Company received bails from Yaşar Holding, YBP, YDT and Desa Enerji, Yaşar Group Companies, regarding the loan amounting TL91,544,204 which is obtained from domestic financial institutions (2017: TL85,957,550).

m) Key management compensation:

Key management includes Board of Directors, general manager and directors whether key management compensations are as follows:

Short-term benefits	1,108,776	1,066,781
Other long-term benefits	19,745	20,359
	1,128,521	**1,087,140**

n) Donations:

Yaşar Eğitim Vakfı	68,036	63,805
	68,036	**63,805**

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 December 2018	31 December 2017
a) Trade receivables from third parties:		
Customer current accounts	17,802,049	27,737,184
Cheques and notes receivable	10,677,387	7,456,668
	28,479,436	**35,193,852**
Less: Provision for doubtful receivables	(4,516,830)	(4,516,830)
	23,962,606	**30,677,022**

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

The aging of trade receivables as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Overdue	1,899,959	1,411,326
0 - 30 days	5,948,316	6,649,012
31 - 60 days	7,211,680	13,291,009
61 - 90 days	8,036,532	8,810,012
91 days	866,119	515,663
	23,962,606	**30,677,022**

The aging and credit risk analysis of overdue receivables as of 31 December 2018 and 2017 are disclosed in detail in Note 35.a.

The Company has trade receivables of TL1,899,959 that were past due but not impaired as of 31 December 2018, TL274,302 of related overdue receivables has been collected from customers in the subsequent period (2017: TL1,411,326 portion of TL807,326 trade receivables that were past due but not impaired has been collected from customers).

The movement of the provision for doubtful receivables during the period is as follows:

	2018	2017
1 January	**(4,516,830)**	**(4,521,830)**
Provisions no longer required	-	5,000
31 December	**(4,516,830)**	**(4,516,830)**

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.

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

b) Short-term trade payables to third parties:

	31 December 2018	31 December 2017
Notes payable	86,619,411	46,676,784
Supplier current accounts	20,712,768	27,363,158
	107,332,179	**74,039,942**

TL6,604,269 (2017: TL6,298,459) of trade payables is overdue for 1 month on average as of 31 December 2018 (2017: 1 month).

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

	31 December 2018	31 December 2017
a) Other short-term receivables from third parties:		
Receivable from insurance companies	61,027	61,027
Receivable from personnel	24,921	12,289
Advances given to personnel	14,836	13,327
Other	92,665	39,795
	193,449	**126,438**
b) Other long-term receivables from third parties:		
Deposits and guarantees given	5,999	26,188
	5,999	**26,188**
c) Other short-term payables to third parties:		
Taxes and funds payable	630,587	618,641
Other	1,588	6,385
	632,175	**625,026**

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NOTE 9 - INVENTORIES

	31 December 2018	31 December 2017
Raw materials	21,922,163	19,486,355
Finished goods	8,714,606	2,100,765
Work in progress	5,688,004	3,048,624
Trade goods	381,502	509,072
Other	105,437	58,540
	36,811,712	**25,203,356**

Raw materials and supplies mainly consist of cellulose and recycled paper used in cleaning paper production. As of 31 December 2018, TL7,541,209 (2017: TL10,383,662) of the raw materials and supplies is comprised of goods in transit.

Cost of raw materials and materials expensed in the current period and associated with the cost of sales is TL118,347,563 (2017: TL96,767,412) (Note 19).

NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2018	31 December 2017
a) Short-term prepaid expenses:		
Prepaid expenses	682,993	289,655
	682,993	**289,655**
b) Long-term prepaid expenses:		
Advances given	-	1,066,262
	-	**1,066,262**
c) Deferred income:		
Advances received	437,074	853,870
	437,074	**853,870**

Order advances received as of 31 December 2018 and 31 December 2017 consist of advances received from customers for sales to be made in the subsequent periods of the Company and it is anticipated that advances will be closed within one year (2017: expected to be closed within one year).

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment between 1 January - 31 December 2018 was as follows:

	1 January 2018	Additions	Disposals	Transfers	Netting off Acc. Depr. Before Revaluation	Revaluation	31 December 2018
Cost/ revaluation:							
Land	48,685,000	-	-	-	-	-	48,685,000
Buildings and land improvements	28,464,549	12,398	-	1,145,177	-	-	29,622,124
Machinery, plant and equipment	87,465,810	591,798	(7,465)	8,502,075	(5,216,810)	15,145,494	106,480,902
Motor vehicles	89,707	-	-	4,135	-	-	93,842
Furniture and fixtures	6,009,776	441,907	(12,030)	146,065	-	-	6,585,718
Construction in progress	433,722	9,794,948	-	(9,797,452)	-	-	431,218
	171,148,564	**10,841,051**	**(19,495)**	-	**(5,216,810)**	**15,145,494**	**191,898,804**
Less: Accumulated depreciation:							
Buildings and land improvements	-	(1,585,880)	-	-	-	-	(1,585,880)
Machinery, plant and equipment	-	(5,224,275)	7,465	-	5,216,810	-	-
Motor vehicles	(89,707)	(345)	-	-	-	-	(90,052)
Furniture and fixtures	(4,966,826)	(403,540)	12,030	-	-	-	(5,358,336)
	(5,056,533)	**(7,214,040)**	**19,495**	**-**	**5,216,810**	**-**	**(7,034,268)**
Net book value	**166,092,031**						**184,864,536**

During the year ended 31 December 2018, a significant portion of the additions to property, plant and equipment consist of spare parts for machinery for sanitary paper production.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements of property, plant and equipment between 1 January - 31 December 2017 was as follows:

	1 January 2017	Additions	Disposals	Transfers	Netting off Acc. Depr. Before Revaluation	Revaluation	31 December 2017
Cost/ revaluation:							
Land	42,326,198	-	-	-		6,358,802	48,685,000
Buildings and land improvements	16,014,145	16,561	-	2,654,182	(3,567,425)	13,347,086	28,464,549
Machinery, plant and equipment	70,599,707	1,024,574	(73,803)	5,817,117	(10,548,836)	20,647,051	87,465,810
Motor vehicles	89,707	-	-	-	-	-	89,707
Furniture and fixtures	5,558,008	293,341	-	158,427	-	-	6,009,776
Construction in progress	61,809	9,001,639	-	(8,629,726)	-	-	433,722
	134,649,574	**10,336,115**	**(73,803)**	**-**	**(14,116,261)**	**40,352,939**	**171,148,564**
Less: Accumulated depreciation:							
Buildings and land improvements	(1,214,327)	(2,353,098)	-	-	3,567,425	-	-
Machinery, plant and equipment	(5,071,994)	(5,540,919)	64,077	-	10,548,836	-	-
Motor vehicles	(89,707)	-	-	-	-	-	(89,707)
Furniture and fixtures	(4,561,702)	(405,124)	-	-	-	-	(4,966,826)
	(10,937,730)	**(8,299,141)**	**64,077**	**-**	**14,116,261**	**-**	**(5,056,533)**
Net book value	**123,711,844**						**166,092,031**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Current year's depreciation and amortization costs amounting to TL6,336,754 (2017: TL7,244,751) are charged to production cost and TL384,409 (2017: TL401,113 to general administrative expenses (Note 23.b), TL497,627 (2017: TL622,170) to marketing expenses (Note 23.a) and TL 97,727 (2017: TL156,009) to research and development expenses (Note 23.c).

As of December 31, 2018, the Company does not have any property, plant and equipment that has pledges or mortgages.

Movements in revaluation reserve related to land, buildings and land improvements, machinery and equipment as of 31 December 2018 and 2017 were as follows:

	31 December 2018	31 December 2017
1 January	**94,163,591**	**66,329,087**
Depreciation transfer resulting from revaluation increase classified to retained earnings	(3,692,505)	(3,736,087)
Deferred tax calculated on the depreciation of the revaluation fund classified in retained earnings	738,502	747,217
Disposal from revaluation reserve due to sales of property, plant and equipment - net	-	16,400,590
Increase in revaluation reserve of machinery, plant and equipment - net	12,116,395	16,517,636
Change in tax rate	-	(2,094,852)
31 December	**103,325,983**	**94,163,591**

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 2018 and 2017 are as follows:

31 December 2018:	Land	Buildings and land improvements	Machinery and equipment
Cost	741,930	22,286,239	121,293,558
Less: Accumulated depreciation	-	(14,252,217)	(74,406,441)
Net book value	**741,930**	**8,034,022**	**46,887,117**
31 December 2017:			
Cost	741,930	21,128,664	112,207,150
Less: Accumulated depreciation	-	(13,950,044)	(71,598,429)
Net book value	**741,930**	**7,178,620**	**40,608,721**

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NOTE 12 - INTANGIBLE ASSETS

	1 January 2018	Additions	31 December 2018
Cost	2,924,714	160,628	3,085,342
Less: Accumulated depreciation	(2,218,335)	(102,477)	(2,320,812)
Net book value	**706,379**		**764,530**

	1 January 2017	Additions	31 December 2017
Cost	2,828,880	95,834	2,924,714
Less: Accumulated depreciation	(2,093,433)	(124,902)	(2,218,335)
Net book value	**735,447**		**706,379**

NOTE 13 - LEASING

Please refer to note 15

NOTE 14 - IMPAIRMENT ON ASSETS

Please refer to note 7.a

NOTE 15 - BORROWINGS AND BORROWING COSTS

	31 December 2018	31 December 2017
Short-term borrowings	5,000,000	4,000,000
Short-term portion of long-term borrowings	48,586,638	21,215,253
Short term finance lease payables	77,517	136,308
Short-term financial liabilities	**53,664,155**	**25,351,561**
Long-term borrowings	45,329,933	67,442,613
Long term finance lease payables	6,955	84,472
Long-term financial liabilities	**45,336,888**	**67,527,085**
Total financial liabilities	**99,001,043**	**92,878,646**

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NOTE 15 - BORROWINGS AND BORROWING COSTS (Continued)

a) Borrowings and derivative financial liabilities:

	Effective weighted average interest rate p.a. (%)		Original currency		TL equivalent	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**	**31 December 2018**	**31 December 2017**
Short-term borrowings:						
TL borrowings (*)	26.10	14.94	5,000,000	4,000,000	5,000,000	4,000,000
Short-term portion of long-term borrowings:						
TL borrowings (**)	15.33	12.61	48,586,638	21,215,253	48,586,638	21,215,253
Total short-term borrowings					**53,586,638**	**25,215,253**
Long-term borrowings:						
TL borrowings (**)	14.46	13.76	45,329,933	67,442,613	45,329,933	67,442,613
Total long-term borrowings					**45,329,933**	**67,442,613**

(*) TL denominated short-term bank borrowings consist of borrowings with fixed interest rates between 14.90% and 27.00% p.a. (2017: 14.75% and 15.00%).

(**) TL denominated long-term bank borrowings consist of borrowings with fixed interest rates between 11.90% and 23.41% p.a. (2017: 11.90% and 13.15%).

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NOTE 15 - BORROWINGS AND BORROWING COSTS (Continued)

Guarantees given for bank borrowings and other financial liabilities are disclosed in Note 17.

The redemption schedule of long-term borrowings as of 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
2019	-	43,660,947
2020	28,074,601	10,104,999
2021	14,071,361	10,492,696
2022	3,183,971	3,183,971
	45,329,933	**67,442,613**

The carrying amounts and the fair values of bank loans and derivative financial instruments are as follows:

	Carrying Amount		Fair Value	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Bank borrowings	98,916,571	92,657,866	90,973,696	90,267,591

The fair values are based on cash flows discounted using the effective weighted rates based on the borrowing rate of 21.37% p.a. for TL denominated bank borrowings, respectively (2017: The fair values are based on cash flows discounted using the effective weighted rates based on the borrowing rate of 12.54% p.a. for TL denominated bank borrowings, respectively)

The movement schedule of net borrowings as of 31 December 2018 and 2017 is as follows:

	2018	2017
1 January	**90,617,511**	**90,387,707**
Cash inflows from borrowings	70,920,000	99,846,282
Cash outflows from borrowings	(64,265,785)	(105,888,150)
Exchange rate differences	-	1,815,547
Effect of interest accrual	(395,510)	(533,381)
Change in cash and cash equivalents	(4,180,026)	4,989,506
31 December	**92,696,190**	**90,617,511**

b) Finance lease payables:

As of 31 December 2018, the Company has total TL84,472 financial leasing payables of which consist of short term bank borrowings amounting to TL77,517 and long term bank borrowings amounting to TL6,955 (2017: total TL220,780 denominated financial leasing payables of which consist of TL136,308 short term and TL84,472 long term).

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NOTE 16 - OTHER FINANCIAL LIABILITIES

None (2017: Other financial liabilities, whose maturities are May and June 2017 and which are transferred from 2016, have been paid off).

NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
a) Short term provisions:		
Provisions for lawsuit	585,604	193,560
	585,604	**193,560**

Movements of provisions for lawsuit in current period are as follows:

1 January	**193,560**	**407,084**
Provision allocated in the period	392,044	-
Provisions of lawsuit no longer required	-	(213,524)
31 December	**585,604**	**193,560**

b) Guarantees received:		
Bails	91,544,204	85,957,550
Letters of guarantee	22,170,605	16,472,121
Mortgages	1,476,800	1,426,800
	115,191,609	**103,856,471**

Bails received as of 31 December 2018, from Yaşar Holding, YBP, YDT and Desa Enerji which are Yaşar Holding companies, are related to the loans obtained from domestic financial institutions amounting to TL91,544,204 (2017: TL85,957,550).

Since the bails received are based on the borrowings provided by the Company, their periods are limited with the periods of the related borrowings.

c) Guarantees given:		
Letters of guarantee	4,453,658	2,623,204
	4,453,658	**2,623,204**

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NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2018 and 2017 were as follow:

	31 December 2018			31 December 2017		
	Currency	**Amount**	**TL equivalent**	**Currency**	**Amount**	**TL equivalent**
CPM provided by the Company :						
A. Total amount of CPM given on behalf of the Company			*4,453,658*			*2,623,204*
	TL	*4,453,658*	*4,453,658*	*TL*	*2,263,204*	*2,623,204*
				-	-	-
B. Total amount of CPM given on behalf of fully consolidated companies	-	-	-	-	-	-
C. Total amount of CPM given for c ontinuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D. Total amount of other CPM	-	-	-	-	-	-
i. Total amount of CPM given on behalf of the main shareholder	-	-	-	-	-	-
ii. Total amount of CPM given on behalf other group companies which are not in scope of B and C	-	-	-	-	-	-
iii. Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
	-	**-**	**4,453,658**	**-**	-	**2,623,204**
The ratio of total amount of other CPM to Equity			**-**			**-**

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NOTE 18 - EMPLOYEE BENEFITS

	31 December 2018	31 December 2017
a) Payables for Employee Benefits:		
Social security premiums payable	415,196	766,889
Payables to personnel	3,475	296,828
	418,671	**1,063,717**
b) Long-term provisions for employee benefits:		
Provision for employment termination benefits	4,491,214	3,854,947
Senior incentive bonus	277,727	256,821
	4,768,941	**4,111,768**

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 for each year of service and is limited to TL5,434.42 at 31 December 2018 (31 December 2017: TL4,732.48).

The liability for termination benefits is not legally subject to any funding and there are no funding requirements. Provision for employment termination benefits is calculated by estimating the present value of the future probable obligation of the employees to be paid in the event of retirement, based on the actuarial assumptions.

The basic assumption is that the ceiling set 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 Company's provision for employment termination benefits is calculated as TL6,017.60 (1 January 2018: TL5,001.76) effective from 1 January 2019 since the retirement pay provision is set every six months. The following actuarial assumptions were used to calculate the total liability:

	31 December 2018	31 December 2017
Discount rate (p.a.) (%)	5.00	4.50
Probability of retirement (%)	96.22	96.26

The movement of the reserve for employment termination benefits during the year is as follows:

	2018	2017
1 January	**3,854,947**	**3,586,545**
Interest costs	740,152	443,319
Actuarial loss	1,017,659	437,920
Current service cost	405,746	352,579
Paid during the year	(1,527,290)	(965,416)
31 December	**4,491,214**	**3,854,947**

The total of interest cost and current service cost amounting to TL1,145,897 (2017: TL795,898 were allocated to general administrative expenses for TL405,746 and to financial expense for TL740,152.

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NOTE 19 - EXPENSES BY NATURE

	1 January - 31 December 2018	1 January - 31 December 2017
Raw materials	118,347,563	96,767,412
Energy 25,117,811	19,074,888	
Staff costs	17,982,761	16,218,399
Transportation	11,925,272	11,051,507
Outsourced services	9,484,893	8,089,981
Repair and maintenance	8,436,567	6,821,771
Depreciation and amortization	7,316,517	8,424,043
Consultancy charges	2,082,594	1,766,295
Advertisement	658,457	1,161,216
Other	9,954,937	10,636,070
	211,307,372	**180,011,582**

NOTE 20 - OTHER ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
a) Other current assets:		
VAT receivable	1,210,452	307,332
Other	1,430	83
	1,211,882	**307,415**

NOTE 21 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

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 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Registered share capital (historical values)	80,000,000	80,000,000
Authorised and paid-up share capital with a nominal value	42,000,000	42,000,000

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.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 21 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

The compositions of the Company's share capital at 31 December 2018 and 2017 were as follows:

	31 December 2018		31 December 2017	
Shareholders	**Share (%)**	**Share Amount (TL)**	**Share (%)**	**Share Amount (TL)**
Yaşar Holding	78.48	32,962,049	78.48	32,962,049
Public quotation	17.77	7,462,887	17.77	7,462,887
Other	3.75	1,575,064	3.75	1,575,064
Total share capital	**100**	**42,000,000**	**100**	**42,000,000**

The Company has 4,200,000,000 (31 December 2017: 4,200,000,000) units of shares with a face value of Kr1 each and there is no privilege given to different share groups and shareholders as of 31 December 2018.

As of 31 December 2018, share premium amounting to TL253,929 (2017: TL253,929) represents the difference between face value and selling price of common stocks offered to the public.

The legal reserves consists of first and second legal reserves appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserves reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% off all distributions in excess of 5% of the Company's share capital. Under TTC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid in share capital.

The aforementioned reserves were accounted for under "Restricted Reserves" in accordance with CMB Financial Reporting Standards. The Company has no restricted reserves as of 31 December 2018 (2017: None).

In accordance with 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 raising from inflation adjustments) shall be classified as follows:

- The difference arising from the "Paid-in Capital" shall be classified as the "Inflation Adjustment to Share Capital" if it is not transferred to capital yet;

- The difference due to the "Restricted Reserves" and "Share Premium" shall be classified as "Retained earnings" if the amount has not been utilised in dividend distribution or capital increase yet. 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.

Companies distribute dividends in accordance with their dividend payment policies numbered II-19.1settled by CMB on 1 February 2016.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 21 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and in conformity with relevant legislations. The communique does not state a minimum dividend rate. Companies distribute dividends in accordance with the method defined in their dividend policy or articles of association. Additionally, dividend can be distributed in fixed or variable installments and dividends advances can be paid over the profit on interim financial statements.

In line with Article 16 of the Company's Articles of Association, previous year losses, if any, are deducted from the net period profit and then overall legal reserve and the first dividend are allocated according to the Capital Markets Board legislation. Of the remaining portion, an amount up to 5% can be set aside as allocation provision for the members of board of directors and for other items which the board of directors will determine and deem necessary in line with the decision made by the General Assembly.

Unless allocation of legal reserves per TCC and dividends defined in the dividend policy of companies, it cannot be decided to allocate other reserves, to transfer the profit to the retained earnings, and to distribute dividend to members of board of directors, employees, redeemed shareholders and parties other than shareholders. Furthermore, payment of dividend in cash is another requirement for distributing dividend to members of board of directors, employees, redeemed shareholders and parties other than shareholders.

Dividend is distributed for shares available as of accounting period of all of them equally without regarding to the dates of issue and acquisition.

NOTE 22 - REVENUE AND COST OF SALES

	1 January - 31 December 2018	**1 January - 31 December 2017**
Domestic sales	167,655,490	145,293,892
Export sales	86,967,311	56,306,558
Loss: Discounts	(24,069,565)	(16,415,554)
Returns	(374,301)	(513,721)
Net sales	**230,178,935**	**184,671,175**
Cost of sales	**(177,004,473)**	**(148,761,434)**
Gross profit	**53,174,462**	**35,909,741**

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NOTE 23 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES

	1 January - 31 December 2018	1 January - 31 December 2017
a) Marketing expenses:		
Transportation	11,881,243	11,009,387
Personnel	3,142,589	2,940,423
Commission	2,542,477	1,606,171
Outsourced services	1,762,413	1,573,868
Licence	804,354	708,381
Advertisement	658,457	1,156,424
Rent	583,878	557,785
Depreciation and amortisation	497,627	622,170
Energy	356,451	301,708
Other	743,459	717,659
	22,972,948	**21,193,976**
b) General administrative expenses:		
Personnel	3,065,809	2,560,735
Consultancy	2,082,594	1,721,295
Outsourced services	1,795,614	1,686,045
Tax (other than corporation tax)	751,925	576,404
Employment termination benefit	405,746	795,898
Depreciation and amortisation	384,409	401,113
Energy	275,866	235,182
Representation	207,515	229,022
Other	1,241,601	743,292
	10,211,079	**8,948,986**
c) Research and development expenses:		
Personnel	810,588	737,228
Outsourced services	158,924	163,101
Depreciation and amortisation	97,727	156,009
Other	51,633	50,848
	1,118,872	**1,107,186**

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NOTE 24 - OTHER OPERATING INCOME AND EXPENSE

	1 January - 31 December 2018	1 January - 31 December 2017
a) Other operating income :		
Foreign exchange gain arising from trading activities	26,985,831	8,525,510
Scrap sales income	392,276	266,231
Unearned financial income	309,837	247,285
Unutilised provision for doubtful receivables	-	5,000
Other	1,113,863	415,836
	28,801,807	**9,459,862**
b) Other operating expense:		
Foreign exchange loss arising from trading activities	(46,761,686)	(11,157,626)
Interest expense	(593,155)	(271,110)
Litigation and tax expenses	(662,482)	(289,195)
Other	(917,300)	(546,630)
	(48,934,623)	**(12,264,561)**

NOTE 25 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

Income from investment activities:	1 January - 31 December 2018	1 January - 31 December 2017
Gain on property, plant and equipment sale	120,291	50,848
Dividend income	13,704	23,820
	133,995	**74,668**

NOTE 26 - EXPENSES CLASSIFIED BY CLASS

Please refer to Note 19.

NOTE 27 - FINANCIAL INCOME/ (EXPENSES)

a) Finance income:	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange gain	4,646,956	686,496
Interest income	256,432	111,511
Other	-	9,418
	4,903,3888	**07,425**

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NOTE 27 - FINANCIAL INCOME/ (EXPENSES) (Continued)

b) **Finance expense:**	**1 January - 31 December 2018**	**1 January - 31 December 2017**
Interest expense	(16,899,047)	(13,166,131)
Foreign exchange gain	(2,250,151)	(2,572,712)
Bail expense and bank commissions	(3,475,344)	(2,322,491)
Past due interest charges	(119,756)	(1,068,862)
Interest on swap transaction	-	(70,789)
	(22,744,298)	**(19,200,985)**

NOTE 28 - ANALYSIS OF OTHER COMPREHENSIVE INCOME

Please see the Income Statement.

NOTE 29 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Tax income for the periods ended at 31 December 2018 and 2017 are summarised as follows:

	1 January - 31 December 2018	**1 January - 31 December 2017**
Corporate tax	-	-
Less: Prepaid corporate tax	(31,696)	(17,163)
Current income tax assets	**(31,696)**	**(17,163)**

Tax income for the periods ended at 31 December 2018 and 2017 are summarised as follows:

Deferred tax (expense)/ income	(368,763)	243,290
Total tax (expense)/ income	**(368,763)**	**243,290**

Corporation tax is payable at a rate of 22% (2017: 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.

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% (2017: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% (2017: 20%) on heir 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.

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NOTE 29 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

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 5 December 2017, a 50% 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 as of 5 December 2017. 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.

Stock issuance premium gains derived from corporations' profits earned from the sale of initial coupons and from the exclusion of the nominal value of the stocks issued by the joint stock companies in the course of their incorporation or capital increase are exempt from corporation 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 8th article of Corporate Tax Law, and 40th article of the Income Tax Law, together with other deductions mentioned in 10th article of Corporate 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.

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NOTE 29 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

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.

The reconciliation of the tax expense for the periods between 1 January - 31 December 2018 and 2017 is as follows:

	1 January - 31 December 2018	**1 January - 31 December 2017**
Loss before tax	**(18,968,168)**	**(16,463,998)**
Tax calculated using the current tax rate	4,172,997	3,292,800
Non-deductible expenses	(491,048)	(468,077)
Income not subject to tax	277,498	96,557
Current period loss over which no deferred income tax asset was recognized	(4,240,866)	(2,623,511)
Other	(87,344)	(54,479)
Total tax (expense)/ income	**(368,763)**	**243,290**

Deferred taxes

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.

In accordance with the Law on the Amendment of Certain Tax Acts, published in the Official Gazette dated 5 December 2017, the corporate tax rate of all companies has been increased from 20% to 22% for the years 2018, 2019 and 2020. Therefore, deferred tax assets and liabilities shall be measured in accordance with materiality at the tax rate of 22% that are expected to apply to these periods when the assets is realised or the liability is settled, based on the Law that have been enacted. For the periods 2021 and after, the reversals of temporary differences will be measured by 20% (2017: %20).

In terms of prudency principle the Company used 20% tax rate for the calculation of deferred tax by considering these factors: the Company does not recognize deferred tax assets due to carry forward tax lossess and expect that temporary differences for the years 2018, 2019 and 2020 subject to deferred tax calculation would be immaterial.

Details of cumulative temporary differences and the resulting deferred tax assets and liabilities provided at 31 December 2018 and 2017, using enacted tax rates at the balance sheet dates, were as follows:

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NOTE 29 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

	Cumulative temporary differences		Deferred income tax assets/ (liabilities)	
	31 December 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Revaluation of land, land improvements, buildings, machinery and equipment	123,125,505	111,672,516	(19,799,522)	(17,508,925)
Difference between carrying values (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	11,910,721	7,175,627	(2,413,421)	(1,482,041)
Provision for employment termination benefits	(4,491,214)	(3,854,947)	898,243	770,989
Other	210,642	(293,397)	(46,490)	53,117
Deferred income tax liabilities-net			**(21,361,190)**	**(18,166,860)**

The Company did not recognise deferred income tax assets of TL8,989,115 (2017: TL10,706,283) 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 not recognised as of 31 December 2018 and 2017 are as follows:

Expiration years	**31 December 2018**	**31 December 2017**
2018	-	16,182,069
2019	4,511,279	4,511,279
2020	9,688,280	9,688,280
2021	4,996,917	10,032,234
2022	6,472,433	13,117,553
2023	19,276,664	-
	44,945,573	**53,531,415**

Movements in deferred income tax liabilities can be analysed as follows:

	2018	**2017**
1 January	**(18,166,860)**	**(8,969,461)**
Calculated on revaluation fund	(3,029,099)	(7,434,713)
Change in tax rate	-	(2,094,852)
Charged to cash flow hedge reserve	-	(44,174)
Charged to actuarial gain/loss arising from defined benefit plans	203,532	87,585
Charged to fair value reserve of available for sale investments	-	45,465
Charged to statement of comprehensive income	(368,763)	243,290
31 December	**(21,361,190)**	**(18,166,860)**

According to the amendment to Turkish Corporate Income Tax Law numbered 5520, effective from 5 December 2017, the portion the gains derived from the sale real estate are exempt from corporate tax is decreased from %75 to %50. Accordingly, the sale of real estate in the years 2018, 2019 and 2020 the corporate tax and deferred tax calculations calculated for the earnings gained were calculated as 22% of the remaining 50% , 20% of the remaining 50% for 2021 and later periods.

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NOTE 30 - 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 2018	**1 January - 31 December 2017**
Net loss for the period	A	(19,336,931)	(16,220,708)
Weighted average number of shares with face value of Kr 1 each (Note 21)	B	4,200,000,000	4,200,000,000
Loss per 100 shares with face value of Kr 1 each	**A/B**	**(0.4604)**	**(0,3862)**

There is no difference between actual and relative loss per share in any periods.

NOTE 31 - EFFECTS OF CHANGES IN FOREIGN CURRENCY RATES

Transactions in foreign currencies are translated into functional currency at the exchange rates at which transactions are performed. Foreign exchange gains and losses arising from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized as cash flow hedges and net investment hedges and are recognized in profit or loss other than those accounted under equity and are included in other income and expenses, income and expenses from investment activities, finance income and expenses.

The exchange rate risk analysis of the Company is presented in Note 35.c.i.

NOTE 32 - REPORTING IN HYPERINFLATIONARY ECONOMIES

With the decision taken on 17 March 2005, numbered 11/367, the CMB announced that, effective from 1 January 2006, the application of inflation accounting is no longer required for companies operating and publicly quoted in Turkey. Accordingly, TAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the POA, has not been applied in the financial statements for the accounting year starting from 1 January 2006.

NOTE 33 - FINANCIAL INSTRUMENTS

Please refer to Note 2.5.7 and 3.

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

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 YDT and trade receivables resulted from these sales are monitored by YDT. 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 2018 and 2017 are as follows:

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NOTE 34 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2018	Receivables					
	Trade Receivables (1)		Other Receivables			
	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)	**10,341,432**	**23,962,606**	**1,795,375**	**193,449**	**6,219,823**	**42,512,685**
- Azami riskin teminat, vs ile güvence altına alınmış kısmı	-	17,385,198	-	-	-	17,385,198
A. Net book value of financial assets not due or not impaired (3)	8,032,712	22,062,647	1,795,375	193,449	6,219,823	38,304,006
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)	2,308,720	1,899,959	-	-	-	4,208,679
- The part covered by guarantees	-	274,302	-	-	-	274,302
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due amount (gross book value)	-	4,516,830	-	-	-	4,516,830
- Impairment amount (-)	-	(4,516,830)	-	-	-	(4,516,830)
- The part covered by guarantees	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(1) The company receivables are mainly derived from purchase of semi-finished and finished sanitary papers.
(2) Factors increasing credit reliability such as guarantees received are not taken into consideration while determination of aforementioned amounts .
(3) Considering the past experiences and collections subsequent to the balance sheet date, the Company management does not foresee any collection problem for overdue receivables and overdue analysis are provided in following tables.

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NOTE 34 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2017	**Receivables**					
	Trade Receivables (1)		**Other Receivables**			
	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)	**6,055,602**	**30,677,022**	**2,585,073**	**126,438**	**2,040,301**	**41,484,436**
- The part of maximum credit risk covered with guarantees, etc	-	13,022,542	-	-	-	13,022,542
S**A.** Net book value of financial assets not due or not impaired (3)	3,636,189	29,362,654	2,585,073	126,438	2,040,301	37,750,655
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)	2,419,413	1,411,326	-	-		3,830,739
- The part covered by guarantees	-	96,958	-	-		96,958
D. Net book value of assets impaired			-	-		
- Past due amount (gross book value)	-	4,516,830	-	-		4,516,830
- Impairment amount (-)	-	(4,516,830)	-	-		(4,516,830)
- The part covered by guarantees	-	-	-	-		-
- Not due (gross book value)	-	-	-	-		-
- Impairment amount (-)	-	-	-	-		-
- The part of net value covered with guarantees etc.	-	-	-	-		-
E. Off-balance items exposed to credit risk	-	-	-	-		-

(1) The company receivables are mainly derived from purchase of semi-finished and finished sanitary papers.

(2) Factors increasing credit reliability such as guarantees received are not taken into consideration while determination of aforementioned amounts.

(3) Considering the past experiences and collections subsequent to the balance sheet date, the Company management does not foresee any collection problem for overdue
receivables and overdue analysis are provided in following tables.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 34 -NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

The aging of overdue trade receivables as of 31 December 2018 and 2017 are as follows:

31 December 2018	**Trade Receivables**		
	Related Parties	**Third Parties**	**Total**
1-30 days overdue	2,068,456	1,899,959	3,968,415
1-3 months overdue	80,451	-	80,541
3-12 months overdue	159,813	-	159,813
The amount covered by guarantees	-	(274,302)	(274,302)
	2,308,720	**1,625,657**	**3,934,467**

As of the date of approval of the financial statements, all of the receivables that are past due but not impaired are collected.

31 December 2017	**Trade Receivables**		
	Related Parties	**Third Parties**	**Total**
1-30 days overdue	1,417,859	1,003,800	2,421,659
1-3 months overdue	717,838	83	717,921
3-12 months overdue	283,716	407,443	691,159
The amount covered by guarantees	**-**	(96,958)	(96,958)
	2,419,413	**1,314,368**	**3,733,781**

b) Liquidity Risk

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

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers' lines from high quality lenders 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 and to prevent any financial burden that may result from late collections and arranges cash and non-cash credit lines with banks for the use of the Company.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 34 -NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

The Company's liquidity analysis in respect of categories of financial liabilities as of 31 December 2018 and 2017 are as follows:

31 December 2018:	**Carrying Value**	**Total cash outflows per Agreement (=I+II+III)**	**Less than 3 Months (I)**	**3 - 12 Months (II)**	**1 - 5 Years (III)**
Contractual maturity dates :					
Non-Derivative Financial Liabilities :					
Financial liabilities	99,001,043	118,033,144	10,598,818	55,622,911	51,811,415
Trade payables	111,533,445	110,720,527	57,932,240	52,788,287	-
	210,534,488	**228,753,671**	**68,531,058**	**108,411,198**	**51,811,415**

31 December 2017:	**Carrying Value**	**Total cash outflows per Agreement (=I+II+III)**	**Less than 3 Months (I)**	**3 - 12 Months (II)**	**1 - 5 Years (III)**
Contractual maturity dates:					
Non-derivative financial Liabilities :					
Financial liabilities	92,878,646	102,213,772	8,991,864	16,638,769	76,583,139
Trade payables	81,817,542	81,288,252	35,470,715	45,817,537	-
	174,696,188	**183,502,024**	**44,462,579**	**62,456,306**	**76,583,139**

c) Market risk:

i) Foreign currency 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 15).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

	Foreign Currency Position							
	31 December 2018				31 December 2017			
	TL Equivalent	USD	EUR	Other	TL Equivalent	USD	EUR	Other
1. Trade Receivables	7,121,028	574,472	79,293	3,620,811	6,028,164	613,439	393,983	1,935,302
2a. Monetary Financial Assets (Cash, Bank accounts included)	4,630,673	846,665	22,538	40,636	468,777	103,187	17,620	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Current Assets (1+2+3)	**11,751,738**	**1,421,137**	**101,831**	**3,661,447**	**6,496,941**	**716,626**	**411,604**	**1,935,302**
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)	**11,751,738**	**1,421,137**	**101,831**	**3,661,447**	**6,496,941**	**716,626**	**411,604**	**1,935,302**
10. Trade Payables	88,284,638	16,651,207	113,047	2,858	61,704,656	15,491,168	714,453	47,408
11. Financial Liabilities	-	-	-	-	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities ((10+11+12)	**88,284,638**	**16,651,207**	**113,047**	**2,858**	**61,704,656**	**15,491,168**	**714,453**	**47,408**
14. Trade Payables	-	-	-	-	-	-	-	-
15. . Financial Liabilities	-	-	-	-	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**88,284,638**	**16,651,207**	**113,047**	**2,858**	**61,704,656**	**15,491,168**	**714,453**	**47,408**
19. Net Asset / (Liability) Position of Off – Balance Sheet Derivative Instruments (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19a. Amount of foreign currency denominated assets hedged	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19b. Amount of foreign currency denominated liabilities hedged	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
20. Net Foreign Currency (Liability) / Asset Position (9-18+19)	**(76,532,900)**	**(15,230,070)**	**(11,216)**	**3,658,589**	**(55,207,715)**	**(14,774,542)**	**(302,849)**	**1,887,894**
21. Net Foreign Currency Asset /Liability Position of Monetary Items (=1+2a+3+5+6a-10-11-12a-14-15-16a)	**(76,532,900)**	**(15,230,070)**	**(11,216)**	**3,658,589**	**(55,207,715)**	**(14,774,542)**	**(302,849)**	**1,887,894**
22. Amount of foreign currency denominated liabilities hedged								
23. Export	**86,967,311**	**5,490,388**	**2,722,834**	**43,162,736**	**56,306,558**	**4,315,066**	**3,073,482**	**27,920,906**
24. Import	**85,159,450**	**17,178,891**	**803,623**	**116,873**	**61,885,831**	**14,238,534**	**2,405,788**	**129,216**

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NOTE 34 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2018 and 2017, the sensitivity analysis of exchange rate risk is as follows:

31 December 2018	**Profit/(Loss)**		**Equity**	
	Appreciation of Foreign Currency	**Depreciation of Foreign Currency**	**Appreciation of Foreign Currency**	**Depreciation of Foreign Currency**
Change of USD by 10% against TL:				
1- Asset/liability denominated in USD- net	(8,012,388)	8,012,388	(8,012,388)	8,012,388
2- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (1+2)	**(8,012,388)**	**8,012,388**	**(8,012,388)**	**8,012,388**
Change of EUR by 10% against TL:				
4- Asset/liability denominated in EUR - net	(6,761)	6,761	(6,761)	6,761
5- The part of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (4+5)	**(6,761)**	**6,761**	**(6,761)**	**6,761**
Change of other currencies by 10% against TL				
7- Asset/liability denominated in other currencies- net	365,859	(365,859)	365,859	(365,859)
8- The part of other currency risk hedged (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**365,859**	**(365,859)**	**365,859**	**(365,859)**
TOTAL (3+6+9)	**(7,653,290)**	**7,653,290**	**(7,653,290)**	**7,653,290**

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

Table of Sensitivity Analysis for Foreign Currency Risk

31 December 2017	**Profit/(Loss)**		**Equity**	
	Appreciation of Foreign Currency	**Depreciation of Foreign Currency**	**Appreciation of Foreign Currency**	**Depreciation of Foreign Currency**
Change of USD by 10% against TL:				
1- Asset/liability denominated in USD- net	(5,572,809)	5,572,809	(5,572,809)	5,572,809
2- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (1+2)	**(5,572,809)**	**5,572,809**	**(5,572,809)**	**5,572,809**
Change of EUR by 10% against TL:				
4- Asset/liability denominated in other currencies- net	(136,751)	136,751	(136,751)	136,751
5- The part of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (4+5)	**(136,751)**	**136,751**	**(136,751)**	**136,751**
Change of other currencies by 10% against TL				
7- Asset/liability denominated in other currencies- net	188,789	(188,789)	188,789	(188,789)
8- The part of other currency risk hedged (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**188,789**	(188,789)	**188,789**	(188,789)
TOTAL (3+6+9)	**(5,520,771)**	**5,520,771**	**(5,520,771)**	**5,520,771**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 34 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

ii) Interest rate risk:

The Company is exposed to interest rate risk due to the effects of changes in interest rates on interest bearing assets and liabilities. The Company's interest risk is mainly due to long-term bank loans. Bank loans with variable interest rates and other financial liabilities constitute the interest rate risk for the Company and this risk is partially covered by the floating rate financial assets. The Company management follows a balancing policy between floating interest rate financial assets and liabilities to reduce interest risk.

	Interest Rate Position Schedule	
	31 December 2018	**31 December 2017**
Financial instruments with fixed interest rate		
Financial assets	42,513,243	41,484,490
Financial liabilities	211,877,177	175,330,567

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.

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.

	31 December 2018	**31 December 2017**
Total debt	99,001,043	92,878,646
Less: Cash and cash equivalents (Note 5)	(6,220,381)	(2,040,355)
Net debt	92,780,662	90,838,291
Total equity	27,665,736	35,689,641
Net debt/ equity ratio	**%335**	**%255**

NOTE 35 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

The Company's financial assets and liabilities classified as available-for-sale investments and loans and receivables. Cash and cash equivalents (Note 5), trade receivables (Notes 6 and 7) and other receivables (Note 6), of the Company are classified as loans and receivables and measured at amortised cost using effective interest method. Available-for-sale investments are disclosed in Note 3. The Company's financial liabilities, classified as financial liabilities (Note 15), other financial liabilities (Note 16), trade payables (Note 7) and other payables (Note 6) are categorized as financial liabilities measured at amortized costs using effective interest method.

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 an existing market price.

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

The following methods and assumptions were used to estimate the fair value of the financial instruments for which fair value could be determined:

Financial assets

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value. Cash and cash equivalents are presented at fair values. The fair values of trade receivables are considered to approximate their carrying values due to their short-term nature. Available-for-sale financial assets are recognised at fair value when measurement is possible. However, available-for-sale financial assets that are not quoted on a stock exchange are considered to approximate their fair values, if any, by using the generally accepted valuation techniques.

Financial liabilities

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values. Bank loans' carrying and fair values are disclosed in Notes 15.

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

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NOTE 35 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

- 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 2018 and 2017.

31 December 2018

	Level 1	Level 2	Level 3 (*)	Total
Assets:				
Financial assets carried at fair value through other comprehensive income	-	-	227,802	227,802
Total assets	**-**	**-**	**227,802**	**227,802**

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

31 December 2017

	Level 1	Level 2	Level 3 (*)	Total
Assets:				
Available-for-sale investments	-	-	217,044	217,044
Total assets	**-**	**-**	**217,044**	**217,044**
Liabilities:				
Derivative financial instruments for hedging purposes	-	(344,130)	-	(344,130)
Total liabilities				**(344,130)**

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

The following table presents the Company's non-financial assets measured at fair value at 31 December 2018 and 2017;

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 35 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

31 December 2018

	Level 1	**Level 2**	**Level 3**	**Total**
Property Plant and Equipment:				
Land	-	48,685,000	-	48,685,000
Building and land improvements	-	28,036,244	-	28,036,244
Machinery, plant and equipment	-	106,484,692	-	106,484,692
Total Assets	**-**	**183,205,936**	**-**	**183,205,936**

31 December 2017

	Level 1	**Level 2**	**Level 3**	**Total**
Property Plant and Equipment:				
Land	-	48,685,000	-	48,685,000
Building and land improvements	-	28,464,549	-	28,464,549
Machinery, plant and equipment	-	87,465,810	-	87,465,810
Total Assets	**-**	**164,615,359**		**164,615,359**

NOTE 36 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

The major measures which are taken and planned to be taken by the Company management are as follows:

i. The Company will continue to take savings measures in fixed expense items in 2019 due to increasing competition in the cleaning paper sector and in parallel with the shrinking profit margins. The emphasis will be on sales channels with shorter collection times and higher profitability. As a result of all these efforts, it is aimed that the Company will become more profitable in its operations in the coming periods.

ii. It is expected that energy costs, has a significant impact on production costs, will be deducted with the Co-jeneration facility.

iii. In 2018, the Company benefited from derivative financial instruments in order to mitigate the effects of exchange rate risks and to hedge against financial risks and continues this activity in 2019.

iv. The Company has ink removal facility. The facility can recycle scrap papers, so the Company has a competative advantage with production cost effectiveness according to its competitors, especially in the case of cellulose price increases. The Company will use this alternative as a cost effectiveness tool, when the cellulose prices are increased.

NOTE 36 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

v. The Company made analysis due to cellulose and scrap paper consumptions which is the significant portion of procution costs and evaluated supplier alternatives to find best purchasing price and raw materials. The Company expects to have positive impact on costing structure as a result of these actions.

vi. The Company constantly rehabilitates its distributors taking its risk and guarantee structures into consideration and plans to work with distributors which will be able to bring its goods to better levels in the following periods. It makes required distributor changes and will continue to do so.

vii. In the evaluations made in 2019 budget works, the most optimal sales distribution of the Company in terms on profitability, market risk and cash management was tried to be done by evaluating the economic conditions of Turkey, long term strategic plans of the Company and cost structures based on channels.

The Company management believes that the measures and regulations listed above will be a positive contribution to the performance of the Company and that it will continue its activities for the foreseeable future in accordance with these measures.

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INFORMATION FOR INVESTORS

Stock Exchange
Viking Kağıt and Selüloz A.Ş. shares are traded at Borsa İstanbul Main Market under ticker symbol VKING.

Public Offering Date: 10/24/1994

Ordinary General Assembly Meeting

As per the resolution by the Board of Directors of Viking Kağıt ve Selüloz A.Ş., the Company's Ordinary General Assembly Meeting will be held on March 27, 2019, Wednesday at 10:00 at Yunus Emre Mah. Kemalpaşa Cad. No: 317 Bornova/İzmir.

Profit Distribution Policy
The general profit distribution policy of Viking Kağıt ve Selüloz A.Ş. is publicly disclosed and available at the Investor Relations page of the Company's corporate web site (www.viking.com.tr).

Since the company showed a loss as a result of its 2018 operations, the Board of Directors resolved at the Board Meeting dated March 1, 2019 not to distribute profits is to be submitted to the approval of the Ordinary General Assembly.

Investor Relations
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Viking Kağıt Share Performance (Compared to BIST ALL Index)