Viking Kağıt ve Selüloz A.Ş.

Balance Sheets at 31 December 2012 and 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

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

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

Viking Kağıt ve Selüloz A.Ş.

Balance Sheets at 31 December 2012 and 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

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

Viking Kağıt ve Selüloz A.Ş.

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

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

Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

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

Viking Kağıt ve Selüloz A.Ş.

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

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

Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

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

Viking Kağıt ve Selüloz A.Ş.

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

The address of the registered office is as follows:

Şehit Fethi Bey Caddesi No: 120

Alsancak - İzmir/Turkey

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

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

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

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

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

2.2 Amendments in International Financial Reporting Standards

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

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

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

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

2.3 Summary of Significant Accounting Policies

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

2.3.1 Revenue Recognition

Revenues are recognised on an accrual basis at the time deliveries are made, services are given and significant risks and rewards are transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods shipped less sales returns, sales discounts and commissions given (Note 28).

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

Revenue is recognised as follows:

Sales of goods:

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

Interest income:

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

Rental income:

Rental income is recognised evenly on an accrual basis.

2.3.2 Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable selling expenses. Cost elements included in inventories comprise all costs of purchase of material and other costs incurred in bringing the inventories to their present location and condition such as labour and appropriate amount of factory overheads (based on normal operating capacities). The costs of inventories are determined on the monthly weighted average basis (Note 13).

2.3.3 Property, plant and equipment

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

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

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

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

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

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

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

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

2.3.4 Intangible assets

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

2.3.5 Impairment of assets

i. Impairment of non-financial assets

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

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

ii. Impairment of financial assets

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

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

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

2.3.6 Borrowings and borrowings costs

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

2.3.7 Financial assets

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

a) Loans and receivables

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

b) Available-for-sale financial assets

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

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

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

2.3.8 Derivative financial instruments and hedging instruments

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

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

a) Fair value hedge

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

b) Cash Flow Hedge

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

2.3.9 Foreign currency transactions and balances

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

2.3.10 Loss per share

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

Companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of loss per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

2.3.11 Subsequent events

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

In the case that events require a correction to be made occur subsequent to the balance sheet date, the Company makes the necessary corrections to the financial statements. Moreover, the events that occur subsequent to the balance sheet date and not require a correction to be made are disclosed in accompanying notes, where the decisions of the users of financial statements are affected.

2.3.12 Provisions, contingent assets and contingent liabilities

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

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

2.3.13 Accounting policies, errors and changes in accounting estimates

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

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

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

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

b) Prior year corrections

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

2.3.14 Leases

(1) The Company as the lessee

i. Finance leases

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

ii. Operating leases

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

(2) The Company as the lessor

i. Operating leases

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

2.3.15 Related parties

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

2.3.16 Segment reporting

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

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

2.3.17 Taxes on income

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

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes with the enacted tax rates as of the balance sheet date (Note 35). Deferred income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In case, when the tax is related to items recognised directly in equity, the tax is also recognised in equity.

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

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

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

2.3.18 Employee benefits/employment termination benefits

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

2.3.19 Statement of cash flows

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

2.3.20 Share capital and dividends

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

2.4. Critical accounting estimates and judgements

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

i. Going Concern

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

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

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

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

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

iv. Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Company recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. In this respect, the Company did not recognise any deferred income tax assets arising from carry forward tax losses and certain deductible temporary differences as their future utilisation is not probable (Note 35). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

2.5. Comparative information

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

2.6. Offsetting

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

NOTE 3 - BUSINESS COMBINATIONS

None (2011: None).

NOTE 4 - JOINT VENTURES

None (2011: None).

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 5 - SEGMENT REPORTING

None (Please see Note 2.3.16).

NOTE 6 - CASH AND CASH EQUIVALENTS

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

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

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

NOTE 7 - FINANCIAL ASSETS

Available-for-sale financial assets:

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 8 - 9 - FINANCIAL LIABILITIES AND OTHER FINANCIAL LIABILITIES

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

a) Borrowings and other financial liabilities:

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

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

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

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

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

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

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

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

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

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

b) Finance lease liabilities:

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

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

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

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

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

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

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

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

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

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

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

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

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

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

NOTE 11 - OTHER RECEIVABLES AND PAYABLES

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 12 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (2011: None).

NOTE 13 - INVENTORIES

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

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

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

NOTE 14 - BIOLOGICAL ASSETS

None (2011: None).

NOTE 15 - CONSTRUCTION CONTRACT RECEIVABLES

None (2011: None).

NOTE 16 - INVESTMENT IN ASSOCIATES ACCOUNTED BY EQUITY ACCOUNTING

None (2011: None).

NOTE 17 - INVESTMENT PROPERTY

None (2011: None).

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT

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

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

(*) See Note 2.3.13.b.

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

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

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

NOTE 19 - INTANGIBLE ASSETS

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 20 - GOODWILL

None (2011: None).

NOTE 21 - GOVERNMENT GRANTS

None (2011: None).

NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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

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

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

- Movements of provision for litigations are as follows:

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

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

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

d) Guarantees given:

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

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

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 23 - COMMITMENTS

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

NOTE 24 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

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

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

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

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees with certain actuarial assumptions (Note 2.3.13.a).

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL3.129,25 which is effective from 1 January 2013 (1 January 2012:TL2.805,04) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months. The following actuarial assumptions were used in the calculation of the total liability:

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

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

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

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

NOTE 25 - PENSION PLANS

None (2011: None).

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 26 - OTHER ASSETS AND LIABILITIES

	31 December 2012	31 December 2011
a) Other current assets:		
Value added tax ("VAT") receivable	580.580	234.089
Order advances given	120.332	53.306
Prepaid expenses	72.845	100.240
Prepaid taxes and funds	17.236	15.171
Other	13.971	1.840
	804.964	**404.646**
b) Other non-current assets:		
Advances given	-	201.797
	-	**201.797**

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

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

NOTE 27 - EQUITY

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

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

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

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

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 27 - EQUITY (Continued)

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

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

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

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

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

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

are added to general legal capital reserves.

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

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

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

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 27 - EQUITY (Continued)

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

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

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

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

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

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

NOTE 28 - SALES AND COST OF SALES

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 30 - EXPENSES BY NATURE

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

NOTE 31 - OTHER OPERATING INCOME/(EXPENSES)

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 32 - FINANCE INCOME

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

NOTE 33 - FINANCE EXPENSE

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

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

None (2011: None).

NOTE 35 - TAX ASSETS AND LIABILITIES

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

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

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 35 - TAX ASSETS AND LIABILITIES (Continued)

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

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

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

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

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

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

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

Transfer Pricing

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

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially in the last day of the fiscal period when the circumstances defined in the 13th article occurred, will be assessed as distributed profit share or transferred amount to headquarter for limited taxpayers. After the distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit. In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalized and paid.

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 35 - TAX ASSETS AND LIABILITIES (Continued)

Deferred income taxation

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

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

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

(*) See Note 2.3.13.b.

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

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

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

Movements in deferred income tax liabilities are as follows:

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 36 - LOSS PER SHARE

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

Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of loss per share calculations, this bonus share distribution is regarded as issued shares. Accordingly the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

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

NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

A. Related party balances:

a) Due from related parties - current:

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

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

	31 December 2012	31 December 2011
ii) Other receivables from related parties		
Dyo Boya	97.487	19.638
Other	-	154
	97.487	**19.792**

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

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

b) Due to related parties - current:

i) Trade payables to related parties

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

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

ii) Other payables to related parties

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

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

c) Due to related parties - non-current

YBP	11.345.926	9.775.200
	11.345.926	**9.775.200**

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

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

B. Related party transactions:

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

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

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

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

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

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

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

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

g) Finance expense:

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

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

h) Bails given:

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

i) Bails received:

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

j) Key management compensation:

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

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

NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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

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

a) Credit risk:

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

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

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

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

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

b) Liquidity risk:

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

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

c) Market risk:

i) Foreign exchange risk

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

Foreign Currency Position

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

Table of Sensitivity Analysis for Foreign Currency Risk

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

ii) Interest Risk

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

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

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

iii) Price risk

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

d) Capital risk management

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

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

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

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

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

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

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

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

Financial assets

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

Financial liabilities

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

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

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

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

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

31 December 2012

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

31 December 2011

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

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

NOTE 40 - SUBSEQUENT EVENTS

None (2011: None).

NOTE 41 - DISCLOSURE OF OTHER MATTERS

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

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

Viking Kağıt ve Selüloz A.Ş.

Notes to the Financial Statements at 31 December 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

NOTE 41 - DISCLOSURE OF OTHER MATTERS (Continued)

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

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

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

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

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

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

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

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

NOTE 42 - EXPLANATION FOR CONVENIENCE TRANSLATION INTO ENGLISH

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