



# **ANNUAL REPORT - 2017**

**INDEPENDENT AUDIT REPORT WITH RESPECT TO ANNUAL ACTIVITY REPORT OF BOARD OF DIRECTORS****To: Ege Seramik Sanayi ve Ticaret A.S. General Assembly****1) Opinion**

We have audited the annual activity report of **Ege Seramik Sanayi ve Ticaret Anonim Sirketi**, with respect to the accounting period 1.1.2017-31.12.2017.

According to our opinion, the attached financial statements, the financial information included in the annual activity report of Board of Directors and the inspections performed by the Board of Directors on the condition of the Company, in all its significant parts, is reflecting the truth and in accordance with the full set financial statements audited and the information obtained during independent audit process.

**2) The Basis of the Opinion**

The independent audit performed, has been carried out in accordance with Independent Auditing Standards (“BDS”) as being a part of Turkey Auditing Standards published by Public Oversight, Accounting and Auditing Standards Authority (CMB). Our liabilities within the scope of these Standards have been detailed in the section “Liabilities of the Annual Activity Report of the Independent Auditor on Independent Auditing”. We hereby declare that we are independent from the Company pursuant to ethical provisions set forth in Ethical Rules for Independent Auditors published by CMB and the related provisions in the regulation in independent auditing. The liabilities with respect to Ethical Rules and other liabilities on ethics within the scope of regulation have been performed by us. We rely on that the independent audit evidence obtained during the independent auditing process, forms a sufficient and proper basis for building our opinion.

**3) Auditor Opinion On Full Set Financial Statements**

We hereby express positive opinion in our audit report dated 01.03.2018 on full set financial statements of the Company arranged for the period 1.1.2017-31.12.2017.

**4) Liability of Board of Directors with respect to Annual Activity Report**

The managing board of the Company is liable for the following items with respect to the annual activity report, pursuant to Articles 514 and 516 of Turkish Commercial Code (6102-TCC):

a) The managing board shall arrange and submit for approval of the general assembly, the annual activity report within the first three months of the subsequent accounting period.

b) The management of the Company shall be liable for internal audit that is required for the preparation of the annual activity report in reflecting the truth, accurately, directly, realistic and fairly and in compliance with the financial condition, in all respects, within the scope of current year’s activity flow. The financial condition in this report, shall be assessed pursuant to financial statements. In this report, also, probable risks against development of the company and that may be encountered shall be indicated expressly. The assessment hereof by the Board shall also be included within the scope of the report hereon.

c) The activity report shall also include the following items:

- The events occurred subsequent to the end of the financial year and having particular significance for the company,
- Research and Development transactions of the Company,
- Financial interests such as wages, premiums, bonus, allowances, travel, accommodation and representation expenses, benefits in kind and in cash, insurances and similar warrants which are paid to the Board Members and senior managers.

The Board of Directors shall take the secondary legislations carried out by the Ministry of Customs and Trade and related organizations, into account, while arranging the activity report.

### **5) Liability of Independent Auditor with respect to Annual Activity Report**

Our purpose is to present an opinion and arrange a report including our opinion, with regard to the fact that the financial information included in the activity report hereon under provisions set forth in Turkish Commercial Code, and the inspections performed by the Board are reflecting the truth and in compliance with the financial statements subject of the independent auditor report and the information obtained during independent audit process.

The independent audit performed, has been carried out in accordance with Independent Auditing Standards (“BDS”). The standards hereon, require performing by planning to obtain a reasonable assurance on the fact that the independent auditing, financial information included in the financial statements and the inspections performed by the Board are reflecting the truth and in compliance with the financial statements and the information obtained during independent auditing and providing conformity with the ethical provisions.

The responsible auditor to perform and conclude this independent auditing is Ahmet Oztamur.

**01 March 2018**  
**Ahmet Oztamur**  
**Responsible Partner, Lead Auditor**  
**Moore Stephens Turkey**



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## **1. MESSAGE FROM THE BOARD OF DIRECTORS**

**Dear Esteemed Shareholders, Esteemed Business Partners and Employees;**

Due to our responsibility undertaken for being one of the greatest industrial organizations in Turkey; although all economical disadvantages/troubles experienced in the previous year 2017; we have continued to produce and work with a higher motivation ever.

Ege Seramik, being aware of a brand, has been working in order to enhance and improve its respected position in the sector with its continuous innovation studies, by aiming at a sound and sustainable growth producing profitable goods in the high productivity through innovative Technologies and to protect and increase competitive capacity by concentrating on the investments and business developments towards productivity and automation.

Raw materials' nature became crucial in the production of Ceramic coating materials high segment products; Ege Seramik, within this scope, continues to increase its high segment product share in production and sales transactions. By increase of high segment production share in the production; raw material provision increases and this is reflected on the costs of the raw materials.

Although increase in the unit prices in foreign currency during 2017, of import materials such as zinc, zircon, alumina being used as raw material of ceramics, recoveries have been achieved towards reducing the costs through studies increasing local/national input usage.

On the other hand; the costs of the products have been effected in negative way due to pursuing a high increasing trend in paper and wood costs which are constituting the cost of packages that are significant in the costs of products.

**Dear Esteemed Shareholders,**

In the light of quantitative (m2) data provided by Turkish Statistical Institute (TUIK) and Turkey Ceramics Federation (SERFED); in the year 2017, when compared with the previous year, Turkey ceramic coating material production has decreased approximately with a value of %3,5 and in the ceramic sector worked with low profit margins; our Company has increased its export amount with a value of %8,79, production rate with a value of %2,16 and total sales with a rate of %1,44.

We have re-accomplished more sales than our production, as it does every year, in this year, through our prompt resolutions and a administrative mentality acting according to the requirements in the markets. We have accomplished 20.832.836 m2 goods production and 21.213.393 m2 sales, by working with a rate of capacity utilization of %85,76; in the year 2017. While our return on sales was %31,36; we have created 71.265.361 TL EBITDA. Our exportation amount, although fluctuations generally experienced during 2017, in the foreign Exchange rates, has formed %42,00 of our total sales income. The profit after taxes has increased with a rate of %64,60, when compared with the previous years; and our net profit rate has materialized as %12,50.

In 2017, we are very proud of being deemed worthy to be incorporated into TURQUALITY® supporting program established for creation and arrangement of positive "Made in Turkey" image indicating that we have, as being EGE SERAMİK brand, a global role in international markets and appreciated to be awarded as the first company in Ceramics, Glass and Land sector, having **Authorised Economic Operator** in the international statute position entitling a number of important and reliable companies in Turkey with some facilities and privileges in foreign trade transactions.

**Dear Esteemed Shareholders,**

According to all legislation provisions available in our Country and our “Profit Distribution Policy”; by taking into account the current developments in our country’s economy and sector, as well as our Company’s cash flow; it is deemed suitable by our Board to offer the proposal to our General Assembly, not to distribute any profit share to the member of Board of Directors from net distributable period income; to distribute 9.174.440,73 TL to the Shareholders as the first dividend/profit share, to distribute 4.770.709,18 TL to Privileged Shareholders as dividend, to transfer the remaining balance subsequent to assignment of general legal reserves with an amount of 1.251.070,92 TL, in the financial statement arranged pursuant to Tax Procedure Law provisions, as extraordinary reserves into our legal records; and to make the payments to the beneficiaries on 05 June 2018.

Our Board of Director shall continue to work to achieve even better results in 2018 with the contribution of you our Esteemed Partners, of our colleagues, national and foreign authorized sales teams and of all our suppliers.

We would like to extend our gratitude to all the contributors to the performance we achieved in 2017 and we wish year 2018 to be an efficient and successful year for our country and company.

**Kind Regards**  
**Board of Directors**

### **Our Vision;**

With the activities we started by using our accumulated knowledge and expertise;

- ❖ To become a reliable GLOKAL (Global & Local) actor in ceramic coating markets,
- ❖ To reach higher levels of total customer satisfaction,
- ❖ Not to act as the producer of each and every segments, to act profit-oriented, to develop ourselves in order to increase our market share and to ensure sustainable growth on earned incomes,
- ❖ To update the sectoral knowledge by implementing the innovations brought by technology world,
- ❖ To invest on the future with an environmental sustainability understanding.

### **Our Mission;**

With our products manufactured by international quality standards,

- ❖ To provide service to the developing construction sector in our country,
- ❖ To direct the sector with our innovative and creative activities,
- ❖ To participate into social projects as much as possible, to the extent the required time and conditions are available,
- ❖ By aiming the profitability, to pay respect to the nature and environment as well as the rights of our stakeholders and related parties and to the national/international laws and legislations.

### **Our Objectives;**

To leave to the future generations a World worth living in without sacrificing quality, contaminating nature and environment, by applying the latest technology, prioritizing customer satisfaction and with innovative approaches exceeding expectations.



**2. MILESTONES**

- 1972 Ege Seramik was established at Kemalpaşa, İzmir.
- 1973 Production started with a capacity of 300.000 m<sup>2</sup>.
- 1981 Significant part of stocks were purchased by Mr. İbrahim Polat.
- 1982 Ege İnsaat Malzemeleri Pazarlama A.Ş. was incorporated in order to carry out sales marketing operations of Ege Seramik.
- 1983 It was incorporated into the İbrahim Polat Holding.
- 1988 Five-year investment program started.
- 1992 Ege Seramik started to be publicly traded at IMKB.
- 1994 Production capacity increased to 16 million m<sup>2</sup>
- 1995 Production capacity increased to 22 million m<sup>2</sup>
- 2004 Plant to produce custom-shaped tiles was commissioned.
- 2004 Production capacity increased to 25 million m<sup>2</sup>
- 2005 Oracle ERP automation system was set up.
- 2009 DIGITILE investment was commissioned.
- 2011 New glazing, sizing and hi-tech nano Protective surface machines were purchased.
- 2012 Modernization investment was started to product oversize ceramic tiles.
- 2013 7.Hall Modernization investment was completed and oversize ceramic tiles were started to be produced.
- 2014 The modernization investments have been started at mass preparation facilities with Production Hall No.4
- 2015 The modernization investments have been completed at mass preparation facilities with Production Hall No.4.
- 2016 By completion of packaging machinery and new glazing machinery installations, taken into service.
- 2017 By completion of packaging and digital printing machinery installations, taken into service.





**3. GENERAL INFORMATION**

<b>Reporting Period</b>	: 1 January 2017 – 31 December 2017
<b>Company Trade Name</b>	: EGE SERAMİK SANAYİ VE TİCARET A.Ş.
<b>Tax Office / Number</b>	: Kemalpaşa / 325 005 5424
<b>Trade Registration Number</b>	: 614 K.Paşa-575
<b>Mersis Number</b>	: 0-3250-0554-2400011
<b>Headquarters Address</b>	: Ankara Asfaltı 26.Km. P.K.:35170 Kemalpaşa/İZMİR
<b>Branch Address</b>	: -
<b>Field of Activity</b>	: Production and sales transactions of ceramic floor and wall tile
<b>Stock Share Code</b>	: EGSER

**Contact Information** :

<b>Telephone</b>	: (232) 878 17 00
<b>Fax</b>	: (232) 878 12 54
<b>E-mail address</b>	: info@egeseramik.com
<b>Keş address</b>	: egeseramik@hs01.keş.tr
<b>Internet Site</b>	: www.egeseramik.com

#### **4. INFORMATION ON THE MANAGING BODY, SENIOR EXECUTIVES AND PERSONNEL OF THE COMPANY**

##### **a) Board of Directors**



**Bulent ZIHNALI    Ismet MILOR    Baran DEMIR    Ibrahim POLAT    Dilek NAM    I.Fikret POLAT**

<b>Chairman</b>	: Ibrahim POLAT
<b>Deputy Chairman</b>	: Bulent ZIHNALI
<b>Deputy Chairman</b>	: Baran DEMIR
<b>Independent Member</b>	: Ismet MILOR
<b>Independent Member</b>	: Dilek NAM
<b>Member</b>	: Ibrahim Fikret POLAT

## Annual Report For The Period 01.01.2017-31.12.2017

Two committees have been formed towards Corporate Governance Principles determined through the CMB Series II-17-1 “Communiqué on Corporate Governance” as follows:

<u><b>Audit Committee</b></u> :		<u><b>Start Date</b></u>	<u><b>Leave Date</b></u>
Ismet MILOR	Head of Committee in Charge of Auditing (Independent Member of Board of Directors)	09.05.2017	-
Dilek NAM	Member of Committee in Charge of Auditing (Independent Member of Board of Directors)	09.05.2017	-

Auditing Committee has been elected from among the non-executive members of the board of directors to keep office until the next General Assembly of Shareholders.

<u><b>Corporate Governance Committee</b></u> :		<u><b>Start Date</b></u>	<u><b>Leave Date</b></u>
Ismet MILOR	Head of Corporate Governance Committee (Independent Member of Board of Directors)	09.05.2017	-
Baran DEMIR	Member of Corporate Governance Committee (Non-executive Member of Board of Directors)	09.05.2017	-
Aysel HATIPOGLU	Member of Corporate Governance Committee (Investor Relations Director)	09.05.2017	-

Corporate Governance Committee has been elected to keep office until the next General Assembly of Shareholders

The duties included in the “Communiqué on Corporate Governance” of CMB with Serial no. II-17-1 pertaining to the **Nomination Committee**, **Early Detection of Risk Committee** and **Remuneration Committee** are carried out by the Corporate Governance Committee.

### **b) Senior Management**

<u><b>Name-Surname</b></u>	<u><b>Position</b></u>
<u>Bulent ZIHNALI</u>	<u>Deputy Chairman of Board of Directors and Head of Operations Group</u> He started his career at Ege Seramik in 1975 and held positions as an executive at various levels and as a member of board of directors during this period of time. He was promoted as the Head of Operations Group on 16.02.2010.
<u>Goksen YEDIGULLER</u>	<u>General Manager</u> He started to keep office as General Manager at Ege Seramik on 16.02.2010. Before he was appointed to this position, we had worked as a senior executive at some large ceramic factories of Turkey.
<u>Nurgun AY</u>	<u>Factory Manager</u> She started her career at Ege Seramik in 2006 as Research and Development Laboratory Manager, after her appointment as Deputy Factory Manager, on 01.01.2017 she has nominated as and still in the position of Factory Manager.

Bulent SABUNCU

Financial Affairs Manager

He joined the organization of Ege Seramik in year 2012 and he still maintains this position.

Mustafa AKBACI

Sales Manager

After his various positions at the Group Companies as from 1995, he was assigned to this position in 2008 and still maintains this position.

Nevin CIFTCIOGLU

IT Manager

She joined the organization of Ege Seramik as the Analyst Programmer in 1992. She has been keeping office as the IT Manager since 2004.

I.Volkan DERINBAY

Production Planning and Logistics Manager

He joined the organization of Ege Seramik as the Production Planning Supervisor in 2004. He has been keeping office as the Production Planning and Logistics Manager since 2005.

Ilyas YALCIN

Human Resources and Administrative Affairs Manager

He joined the organization of Ege Seramik as the Personnel and Administrative Affairs Manager in 2002. He still maintains this position.

Aysel HATIPOGLU

Investor Relations Director

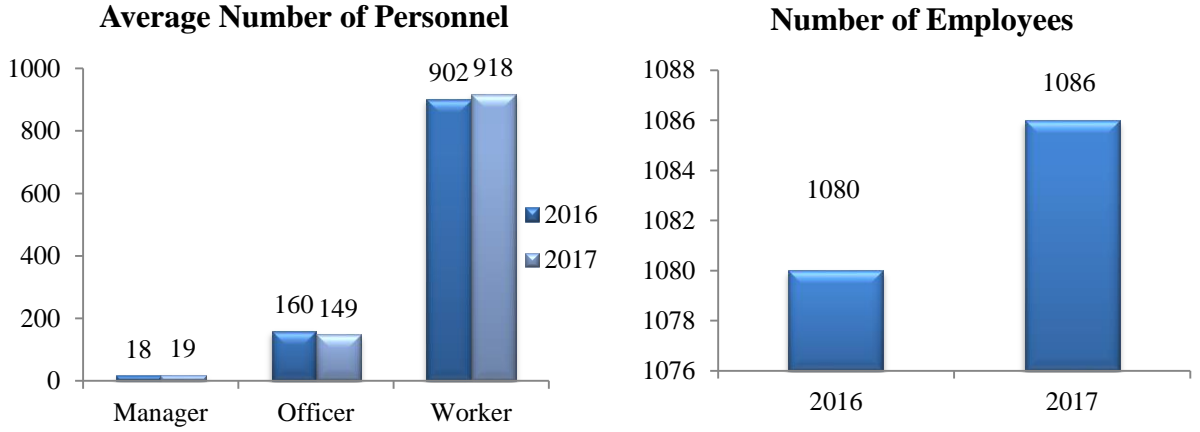
She has been appointed as of the date of 01.04.2016 and she has been still maintaining her Auditing and Corporate Risk Management Director in our Parent Company, Ibrahim Polat Holding A.S.

### **c) Employees**

Average number of our employees occurred to be 1.086 in the year 2017. The average age of our employees is 37 and average seniority period is 7 years. Out of the total number of our employees, 13% are university graduates; 7% vocational college graduates, 38% high school graduates and 42% primary school graduates. Out of our administrative staff members, 6% has master's degree, 57% bachelor's degree, 19% are vocational college graduates and 18% high school graduates

Employees who are members of a trade union are subject to collective labour contract executed with CIMSE-IS Labour Union. A collective labour contract which covered the period between the years 01.01.2017-31.12.2018 was signed with Turkey Cement, Ceramics, Land and Glass Industry Labour Union (T.Cimse-Is Labour Union) on 14.04.2017.

<b>Average Number of Personnel</b>	<b>Year 2016</b>	<b>Year 2017</b>
Manager	18	19
Officer	160	149
Worker	902	918
<b>Total</b>	<b>1.080</b>	<b>1.086</b>



#### **d) No business and competition with the Company**

Chairman and members of the Board of Directors may not directly or indirectly carry out any business with the Company on their own or on others' behalf without obtaining permission from the General Meeting of Shareholders. Chairman and members of the Board of Directors have been authorized as per the Turkish Commercial Code by the General Meeting of Shareholders held on 09/05/2017. Members of our Board of Directors did not do any business with any company nor made any attempts which shall compete with the Company in its subjects of activity during the operating year 2017.

### **5. ORGANIZATION, CAPITAL AND SHAREHOLDING STRUCTURE OF THE COMPANY**

**a) Capital** : TRY 75.000.000.-

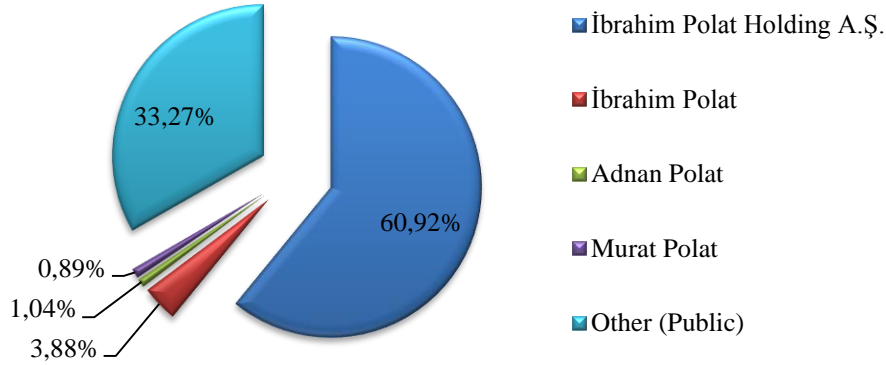
**b) Registered Capital** : TRY 150.000.000.-

It is resolved that limited amount of our Company's present registered capital is to continue as 150.000.000 TL as determined; pursuant to Company Main Agreement (Articles of Incorporation) and in accordance with 5<sup>th</sup> Article of "Registered Capital System Communiqué" with reference no. II-18.1 of Capital Markets Board, due to the fact that the license period of the limit of registered capital with an amount of 150.000.000 TL preauthorized, of our Company included in the registered capital system is terminated at the end of the year 2016; and for the purpose of re-determining of the license of registered capital limit between the years 2017 – 2021; required permissions are provided from Capital Markets Board and Ministry of Customs and Trade; and extension of registered capital limit has been admitted in the Shareholders' Ordinary General Assembly Meeting held on 09 May 2017 by the Shareholders. The required Public Disclosure Platform (KAP) explanations have been made to our Esteemed Shareholders with respect to the subject.

31 December 2017

<b>Shareholders</b>	<b>Nominal (TRY)</b>	<b>Share %</b>
Ibrahim Polat Holding A.S.	45.686.919	60,92%
Ibrahim Polat	2.909.876	3,88%
Adnan Polat	666.088	0,89%
Murat Polat	779.877	1,04%
Other (Public)	24.957.240	33,27%
<b>Total</b>	<b>75.000.000</b>	<b>100%</b>

## Shareholding Structure of Company



### **c)-Changes which occurred during the fiscal term:**

None.

### **d- Information on privileged shares**

Issued capital of the Company is 75.000.000,00 (seventy-five million) Turkish Liras. Such capital is divided into 7.500.000.000 (seven billion five hundred million) shares with a face value of 1,00 (one) kurush each; of such shares, 1.200 (one thousand two hundred) shares are Group A registered shares, 1.800 (one thousand eight hundred) shares are Group B registered shares and 7.499.997.000 (seven billion four hundred ninety-nine million nine hundred ninety-seven thousand) shares are Group C bearer's shares. Pursuant to article 26 of our Articles of Incorporation, upon the deduction of the primary reserve fund and primary dividend from the distributable term's profit, eight percent (8%) of the remaining amount is allocated to the holders of Group A shares and five percent (5%) to the holders of Group B shares.

No privileges are involved as to the voting rights of the holders of privileged shares. Those shareholders of their proxies who are present at the General Meetings of Shareholders are entitled to one vote for each share they hold.

## **6. BENEFITS TO THE MEMBERS OF THE MANAGING BODY AND SENIOR EXECUTIVES OF THE COMPANY**

Pursuant to the article 26 of our Articles of Incorporation, in those years when a resolution is made to distribute profits upon the consent of the General Meeting of Shareholders, 5% of the amount remaining upon the allocation of the primary dividend and distribution of profit to the holders of privileged shares is allocated to the members of the Board of Directors at equal amount.

It was resolved at the General Meeting of Shareholders held on 09.05.2017 that those members of the Board of Directors who had been elected as independent members of the Board of Directors would be paid an attendance fee of TRY 5.500,- per month. Also, health and life insurance is purchased for our senior executives every year.

Such payments as salaries and bonuses amounting to TRY 3.472.651- were made to our senior executives in 2017.

## **7.RESEARCH AND DEVELOPMENT STUDIES OF THE COMPANY**

In 2017; Ege Seramik, on 8-12 March 2017 including the first quarter of the year, this year for the first time, has participated by 24 new series to 29. UNICERA Fair arranged in CNR Expo Yesilkoy fair area. 8 thousand foreign visitors have joined in the fair, among 73 thousand professionals. USA, Germany, Italy, France, England, Spain, China, Russia, India, Poland are among the foreign countries visiting the fair.

In the fair, marble, wood, stone and textile texture concepts were available. Among the series exhibited, BLANCURA marble, CARINA modern mix colours, DAKOTA stone, EARTHSTONE travertine, EPIC retro wood , FEELWOOD fossil wood, FLOYD marble, FORESTER wood, GLORY marble, GRACIA geometric textile mix, HARVEST grey-black wood, MARKIZ wainscot wood, MATA linen texture, MONTICELLO marble, OXFORD carpet image, PICCOLO patchwork vintage , REGAL concrete and patchwork decor elegance, SIERRA wood, SOPHIA Retro off- mozaic, SWAN marble, TRIBECA modern wood, TROVE ROSSO cotto mozaic, WINDSOR bright stone , WOODSMAN retro wood concepts have been presented to the customers' taste.

In 2017 in the first three months, local material researches within the scope of Re-De (Ar-Ge) studies have been focused on. Projects for increasing the quality of the products and cost decreasing studies have been commenced with Ceramics Reserach Center and still in process.

For production through new water-jet machinery engaged in the second half of the year 2017, by making different cuts such as mozaic, provansiel, hexagonal; we have designed new series for the new year that is expected to contribute variation in the places and visual richness to the products.

Our Product development (Ur-Ge) department, has studied on new products for exhibition on the booth located in international ceramics and bath fair held in Italy on 25-29 September 2017. New generation digital printing machinery and brick and stone effected products in small dimensions, have been presented to the customers' taste with natural coloured tonings.

30 different products have been exhibited in our booth. Concepts are;

Wood; AMAZON, PEAK, RUSTICWOOD, WOOD B

Marble; ARYA, DUO, RIALTO, STAGE, SYMI, TEMPO

Concrete; BOSTON, NORTH,

Concrete-Wood; YORK

Minitile; ETHNIC, LIZBON, LONDON, SANTA FE, SOUL,

Patchwork;BRINA, HOMEART, NORMA, PALOMA, PERAGALLI, POP ART

Terrazzo; CHARM,

Metal, IRON, LYON, OXIDO,

Stone, STONEHENGE, TIBET STONE

In total 154 customers; constituting 26 from American Content, 36 from Europe, 30 from The Balkans, 26 from The Middle East, 14 from Asia-The Far East, 12 from Russia and Caucasus and 10 from Africa, have visited our company and made orders.

We are studying on new additional products for the period in which full bright surfaced products have become fashionable in recent years. While matt surfaces' elegance revived, architectural product concepts are also being developed for both domestic and foreign markets.

Our Company as being the leader in manufacturing special shaped products; for increasing the packaging efficiency of such products and for protection of worker's health; carries out new packaging machinery Project unprecedented in the sector, with Italian machine manufacturer.

Our Research development (Ar-Ge) department has carried out projects for developing surface and physical properties of the products, with Spanish and Italian materail suppliers and has commenced laboratory studies herefor. We herewith aim at obtaining more natural surfaces in 2018.

The customers having volumetric extent in Israel markets have been visited in December and aims for the year 2018 have been determined through researching ceramic showrooms, products and and competitors in the country and studies to be carried out towards market have commenced.

Within the scope of fair arrangements in forthcoming period, Italian and Spanish design studios and Ceramics designers have commenced mutual studies, aiming at increasing customer satisfaction through new trends.

## **8. ACTIVITIES OF THE COMPANY AND IMPORTANT DEVELOPMENTS RELATED TO ACTIVITIES**

### **a) Information on the Investments Made in the Relevant Fiscal Term by the Company:**

In total TRY 24.757.385 worth of modernization and renewal investments were realized by Ege Seramik Sanayi ve Ticaret A.S. consisting of TRY 16.769.389 during year 2016 within the scope of Investment Incentive Certificate ref.no. 122571 B and TRY 7.987.996 during 2017.

### **b) Information on the Internal Audit System and Internal Auditing Activities of the Company and Opinion of the managing Body on the Matter:**

Our Company is audited as to the compliance of the operations and activities carried out with both legislation and company policies by the Auditing Committee and internal auditors. Auditing Committee regularly meets and audits the company's financial statements and reports subject to/not subject to independent audit, inspects the balance sheet and profit-and-loss accounts, audits their compliance with the accounting principles and standards identified by CMB and submits them to the Board of Directors for approval. Audits are performed by independent external auditors and the results thereof are directly reported to the senior management of the company. Remedies are sought for any reported problems through multi-directional communication, and policies established.

### **c) Information on Direct and Indirect Affiliates of the Company and Its Share Percentages Therein:**

	31 December 2017		31 December 2016	
	TRY	%	TRY	%
Ceramic Research Centre	4.000	8,00	4.000	8,00
<b>Total</b>	<b>4.000</b>		<b>4.000</b>	

### **d) Information on the Own Shares Acquired by the Company:**

None.



**e) Disclosures about Private Audits and Public Audits Performed during the Fiscal Term:**

Our Company was audited by AS Bağımsız Denetim ve Yeminli Mali Musavirlik A.S. trade named independent audit company for full attestation and by MBK Bağımsız Denetim ve SMMM A.S. for independent audits during 2017 activity period .

**f) Information on Legal Actions Filed against the Company, Which May Affect the Financial Condition and Operations of the Company and Possible Consequences Thereof:**

There are no legal actions filed against our Company, which may affect the financial condition and operations of the Company.

**g) Disclosures on the Administrative or Judicial sanctions Applied to the Company or Members of the Managing Body Due to Any Practices Violating the Legislative Provisions:**

None.

**h) Information and Considerations on Whether or Not Targets Identified in Previous Terms Have Been Achieved, Whether or Not the Resolutions of the General Meeting of Shareholders Have Been Fulfilled and on the Reasons If Targets Have Not Been Achieved and Resolutions Not Fulfilled:**

All resolutions made at the General Meeting of Shareholders have been fulfilled; our financial data within the 2017 operating year, our targets have been achieved over the stipulated budget target.

**i) Information on the Extraordinary General Meeting of Shareholders Including the Meeting date, Resolutions Made at Such Meeting and Actions Taken Thereon If Such a Meeting Was Held during the Year:**

None.

**i) Information on the Donations and Aids and Expenses Made under Social Responsibility Projects during the Year by the Company:**

No donation has been made by our Company during the year 2017.

In line with environmentally sensitive policies of our Company, direct discharge of the waste water generation plant and process water and the output values of the waste water treatment plant are continuously checked. Also, wastes generated during the intermediate processes are recovered and put into production again under the sustainability concept of our Company, thus minimizing the waste disposal.

Emission to the atmosphere from the smokestacks of the factory are periodically measured and whether or not there are any deviations from the limit values as contained in the Emission Permit is checked.

Our plant has been granted an “ENVIRONMENTAL PERMIT CERTIFICATE” by the Turkish Republic Ministry of Environment and Urban Planning within the scope of Air Emission and Waste Water Discharge to be effective as of date 22.09.2014 until the date of 22.09.2019.

In the CE compliance mark activities to be carried out in our sector, practices are maintained within the scope of the Building/Construction Materials Regulation (305/2011/AB) and EN 14411 Harmonized standards.

There are no legal actions filed against our Company due to damages caused in the environment.

**j) If a Company Affiliated to a Group of Companies, Legal Actions Taken with the Holding Company, with a Company Affiliated to the Holding Company, in favour of the Holding Company or any Affiliated Company under the direction of the Holding Company and All Other Measures Taken or Omitted in favour of the Holding Company or Any Affiliated Company Thereof in the Preceding Operating Year:**

Our Company has prepared its Affiliation Report for year 2017 as required by the Turkish Commercial Code.

Any legal actions taken with the holding company Ibrahim Polat Holding A.S. and with the companies affiliated to the holding company or in favour of the holding company or any company affiliated thereto under the direction of the holding company and all measures taken or omitted in favour of the holding company or any company affiliated thereto in the preceding operating year have been considered in the reports.

Whether or not any counter action has been taken according to the circumstances and conditions known to them once such legal actions or measures were taken or omitted and whether or not such measure taken or omitted has incurred any damages to the Company, if the Company has incurred damages, whether or not this has been compensated has also been addressed in the reports.

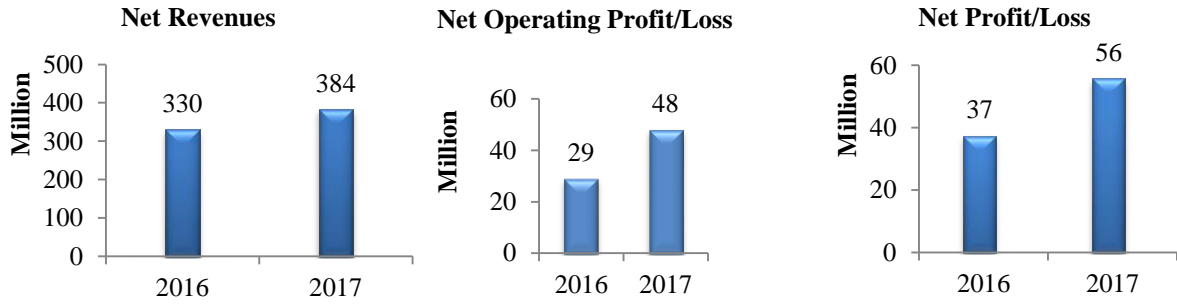
Accordingly, Ibrahim Polat Holding A.S., which is the holding company, has not caused any damages to its subsidiaries and affiliates due to the actions in question. As subsidiaries and affiliates have not incurred any damages, Board of Directors has not compensated for any damages.

## **9. FINANCIAL STATUS**

Issued in accordance with the financial statements issued in compliance with the “Communiqué on Principles Concerning Financial Reporting in the Capital Market” No. II-14.1 of CMB.

<b>Condensed Balance Sheet (TRY)</b>	<b>Year 2017</b>	<b>Year 2016</b>	<b>%</b>
Current Assets	262.431.619	232.459.050	12,89%
Fixed Assets	159.524.649	152.503.797	4,60%
Assets	421.956.267	384.962.847	9,61%
Short-Term Liabilities	109.357.266	114.606.875	(4,58%)
Long-Term Liabilities	27.541.079	26.173.361	5,23%
Capital Stock	285.057.922	244.182.611	16,74%
Liabilities	421.956.267	384.962.847	9,61%
Net Operating Capital	153.074.353	117.852.175	29,89%

Condensed Income Statement (TRY)	Year 2017	Year 2016	%
Net Revenues	383.578.635	329.902.518	16,27%
Gross Profit	120.279.168	87.662.835	37,21%
Operating Profit	55.811.567	37.435.410	49,09%
Net Profit (-Loss)	47.941.127	29.125.872	64,60%
EBITDA (FAVOK)	71.265.361	51.721.266	37,79%

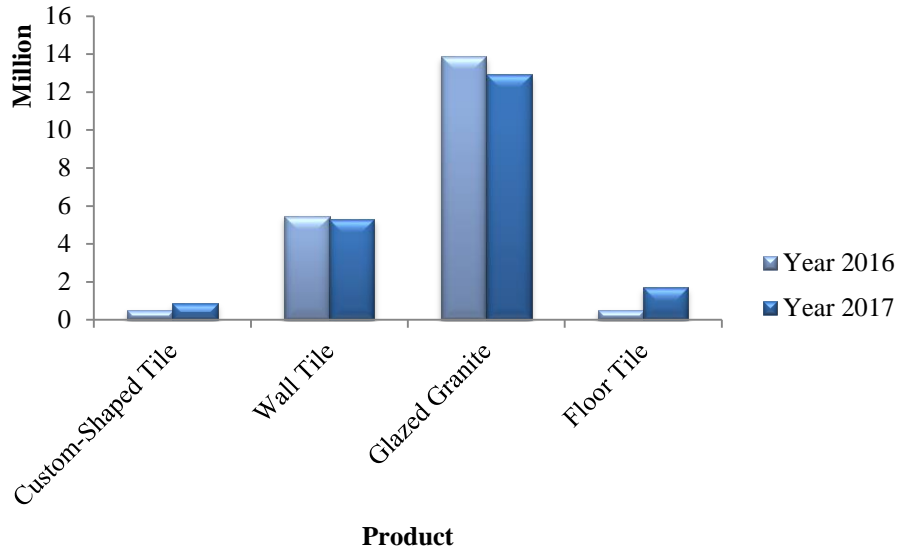


Financial Ratios	Year 2017	Year 2016	%
Current ratio	2,40	2,03	18,31%
Liquidity Ratio	1,65	1,39	18,53%
Gross Profit margin	31,36%	26,57%	18,01%
Operating Profit Margin	14,55%	11,35%	28,23%
Pre-tax Profit Margin	14,00%	10,14%	38,07%
EBITDA (FAVOK) margin	18,58%	15,68%	18,51%

## **10. PRODUCTION**

Ege Seramik has operated with a 85,76 % capacity utilization in 2017. Our production has increased by % 2,16 when compared with the previous year 2016, and materialized as 20.832.836 m<sup>2</sup>. Production output, compared to the preceding year was realized as follows.

Product	Year 2017	Year 2016	Increase/ (Decrease)	%
Custom-Shaped Tile	855.659	515.432	340.228	66,01%
Wall Tile	5.315.043	5.475.147	(160.104)	(2,92%)
Glazed Granite	12.949.847	13.876.843	(926.996)	(6,68%)
Floor Tile	1.712.286	524.999	1.187.287	226,15%
<b>Total</b>	<b>20.832.836</b>	<b>20.392.420</b>	<b>440.416</b>	<b>2,16%</b>

Ammount m<sup>2</sup>
**Production Quantity**


## 11. SALES

According to the financial statements that were issued in accordance with the “Communiqué on Principles Concerning Financial Reporting in the Capital Market” no. II-14.1 of CMB, our net sales revenues in 2017 have been realized as TRY 383.578.635, increasing by 16,27 % when compared to year 2016; and the sales quantity has been realized as 21.213.393 m<sup>2</sup> , increasing by 1,44 % when compared to the preceding year.

Abroad sales quantity has been increased by 8,79 % while our domestic sales quantity was decreased by (2,15%) when compared to the preceding year.

Sales (m <sup>2</sup> )	Year 2017	Year 2016	Increase/(Decrease)	%
Domestic	13.747.515	14.049.090	(301.575)	(2,15%)
International	7.465.878	6.862.685	603.192	8,79%
<b>Total</b>	<b>21.213.393</b>	<b>20.911.776</b>	<b>301.617</b>	<b>1,44%</b>

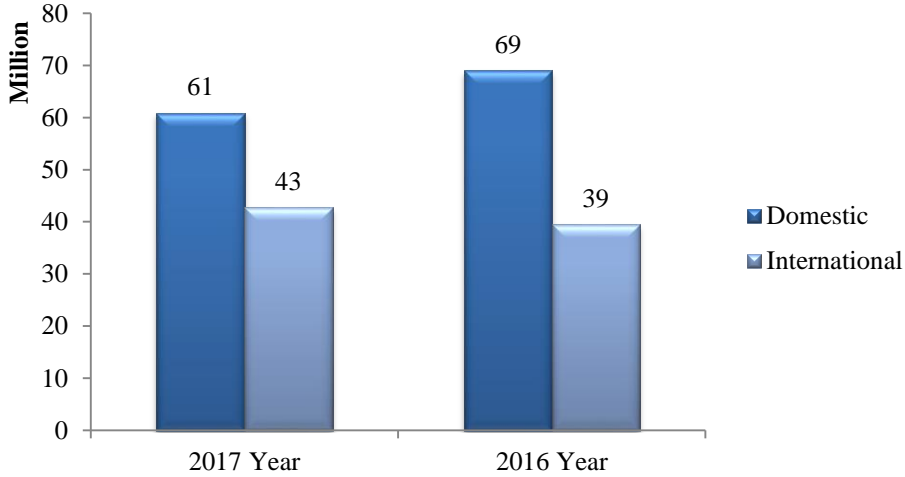
Net Revenues (TRY)	Year 2017	Year 2016	Increase/(Decrease)	%
Domestic	222.496.725	207.523.042	14.973.683	7,22%
International	161.081.910	122.379.476	38.702.434	31,62%
<b>Total</b>	<b>383.578.635</b>	<b>329.902.518</b>	<b>53.676.117</b>	<b>16,27%</b>

Net Revenues (USD)	Year 2017	Year 2016	Increase/(Decrease)	%
Domestic	60.862.734	69.045.332	(8.182.598)	(11,85%)
International	42.791.323	39.438.376	3.352.947	8,50%
<b>Total</b>	<b>103.654.057</b>	<b>108.483.708</b>	<b>(4.829.651)</b>	<b>(4,45%)</b>

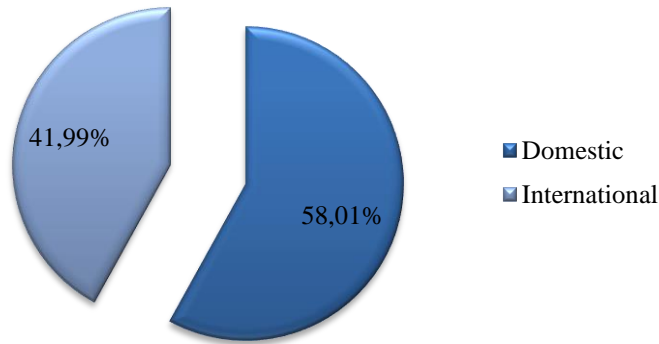
Our exports were realized as USD 42.791.323 in year 2017.

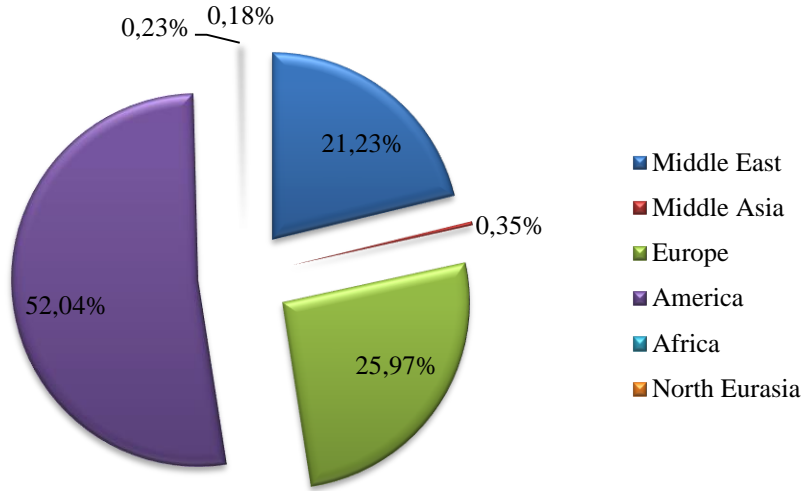
Markets in which we are ambitious abroad are USA, Canada and Israel. Exports were achieved to 48 countries and 68,65% of the total revenues abroad were earned from USA, Canada and Israel in 2017.

### NET SALES REVENUE (\$)



### SALES DISTRIBUTION



**Regional Distribution of Abroad Sales****12. DEVELOPMENTS IN THE SECTOR**

According to “Ceramic Sector Macro Marketing Research” arranged in November 2017 and shared by Central Anatolian Exporters’ Union; the main factor significant in determining the performance of World’s ceramics sector is; growth in the world economy; developments in the world’s construction sector and accordingly requirement and demand for ceramics.

Production of ceramic coating materials in the World has increased gradually after 2012 and by growth with a rate of %16,3 between the years 2012-2016, has reached 13,06 billion m2. As for Turkey’s ceramic coating material production, has increased with a rate of 17,9% in the same period and this has materialized over the World average by the increase from 280 million m2 to 330 million m2. On the other hand; exportation of ceramic coating materials in the World has decreased by %2,5 in the same period, and exportation of ceramic coating materials in Turkey has drawn back over 10,3 points of World average.

Although stagnation in the second half of the year; a growth with a rate of %14 in total; consisting of %15 in the country and %12 abroad, has been experienced quantitatively in ceramic coating material market during 2017.

Within the scope of current data disclosed on ceramic coating materials; while India, China, Brazil, Spain and Vietnam were among the largest manufacturers for the year 2016, Turkey has taken the 9<sup>th</sup> place among the largest manufacturers. As for the largest exporters during 2016; there being China, Italy, Spain and India; and Turkey has taken its place as 5<sup>th</sup>.

**Problems of the Sector:**

**Energy:** The biggest problem of the ceramic covering sector is its energy requirement. Turkey is being effected from foreign currency rates and fluctuations in the international energy markets used for production; for being foreign-dependent to a large extent in terms of energy production.

**Logistics:** Turkey is in advantageous location in terms of being close to European markets and the developing countries having high potential to grow. Transportation expenses/costs are continuously increasing, for, to a

large extent, preferring road transportation for product carriage and raw material in domestic market and exportation of ceramic products. It is required to develop railway transportation to the areas determined towards domestic raw materials and production facilities.

**Incentives:** Although many incentive mechanism available in Turkey towards private sector; properties of incentives may differ according to sub-sectors. As being one of the items also effecting ceramic sector, the incentive system, may leave local manufacturers in a difficult situation, and cannot satisfy the requirements of the manufacturers. In 2017, our Company has participated into Turquality Brand Supporting program, as being one of the proposals towards recovering the incentive system from being one of the problems in the sector.

**Human Resources:** It is becoming more significant each passing day, to train qualified manpower required by the sector for keeping the competitive power and make difference in the sector.

**Product Development, Ar-Ge/Research-Development, Innovation:** Technological development levels of the competitors of Turkey in global level, leads the local manufacturers' products to be perceived as cheap or in poor quality. Local manufacturers have difficulties both in mechanisation and innovative products when compared with its competitors. It is required to take necessary steps for generalizing Ar-Ge, Ur-Ge and innovative consciousness in the fields wherein the sector needs and towards increasing the resources in the subject fields.

**Raw Materials:** Turkey is in an advantageous position in terms of raw materials for ceramic sector. However, insufficient in search and extraction hereof. On the other hand, for inability in protection of available basins, has risk to become a disadvantageous condition in the long term for the companies; therefore it is required to take the necessary measures with respect hereof.

### **Main Factors Effecting the Performance of the Company**

Ege Seramik aims to protect and increase its competitive capacity through focusing on business development and investments towards automation and productivity. Within this scope; purchasing of digital press, ceramic brightening/dimensioning and packaging machinery have been carried out during 2017.

Neither increase nor decrease in the prices of natural gas having effect on ceramic production costs has been encountered during 2017; and costs of fuel has reached a plateau.

Although increase in the unit prices in foreign currency during 2017, of import materials such as zinc, zircon, alumina being used as raw material of ceramics, recoveries have been achieved towards reducing the costs through studies increasing local/national input usage.

Due to increase in the exportation of paper in Turkey and decrease in the supply of paper in the country; in 2017, the increase experienced in the testliner and fluting paper costs with a rate of %85, having significant place for ceramic packaging materials, paper packaging costs have been increased consequently.

Increase in the logging prices in Turkey with a rate of %55 depending on the fluctuations in the supply and demand; has effected the wooden package costs in a negative way.

### **13. OUR COMPANY'S POSITION IN THE SECTOR:**

Incorporated in 1972, Ege Seramik San. ve Tic. A.S. is ranked within top two companies in Turkey, in terms of brand recognition as a result of the researches conducted in ceramic coating sector. Ege Seramik, is the

380<sup>th</sup> biggest producer in Turkey and forth greatest producer in tile sector, within the scope of ISO500 current list recently published by Istanbul Chamber of Industry.

Ege Seramik is an up-and-coming corporation distinguished from its competitors thanks to its brand recognition, institutionalized sales channels at home and abroad, infrastructure in information technologies, continuous improvement and product development, resilient production skills, proximity to the port of Izmir, to the Kemalpaşa railroad loading station, its ability to recruit qualified labour due to its proximity to the Metropolitan area and firm financial condition.

### ❖ **Our Product Range**

In the year 2017; 54 new series were included within the product portfolio of Ege Seramik. New series are developed in line with the innovations at the market and according to the requirements within the product portfolio.

New products are consisting of 33x99, 25x75, 30x60 wall products and 60x120 and 60x60 full glazing surfaced ground products for domestic market, and mainly 60x60, 30x60, 45x45, 33x33 glazed granite products are developed towards exportation portfolio. 24 out of these new series are exhibited within our Spring 2017 collection in the domestic markets as well as Unicera and Istanbul Construction Fairs which lead the sector and 30 of these new series are exhibited within Autumn Collection 2017 in one of the most significant ceramic fairs of world, during Cersaie Fair.

In both these collections, wooden and marble textured products come to forefront and other surfaces that are demanded in the markets such as cement and concrete surfaces are also included within our product portfolio.

In 2017, 6x25 dimensions have been added to our portfolio for the first time, and by developing brick-like dimensions; included into Autumn Collection 2017. It is seen that exportation and domestic market tastes have turned into a mutual taste, due to closer pursuance of decoration trends on internet through various channels. It is seen that all markets stand to matt and concrete textured, soft surfaced products.

### ❖ **Marketing and Publicity Studies**

Ege Seramik Traditional Authorized Suppliers Meeting has been held in Renaissance Polat Istanbul Hotel on 9-11 February 2017. The assessments for the year 2016 has been performed at the traditional authorized suppliers meeting arranged via participation of our 150 distributors. Peer to peer communication and mutual conference have been provided with our distributors, besides publicity of approximately 30 new series developed peculiar to 2017 Unicera Fair.

Booth design, product panels, product promotion videos required for the presentation of new products, have been arranged in Unicera Fair held in CNR Expo Fair area for the first time within this year on 8-12 March 2017; interviews have been made for promotion of our company and our new products in the bilateral negotiations with the press; and published in the magazines towards sector and some of television channels.

By creation of new product catalogue wherein our Spring 2017 products exhibited in Unicera fair for the first time; distributed in the fair, and afterwards to the sales teams and domestic market distributors. Through virtual tour created subsequent to 360 degree photo-shootings in the participated fairs, the customers who couldn't participate in the fair and people interested in the sector have taken the advantage of visiting our booth virtually. The new products included into the portfolio after Unicera fair, have been transferred into general products catalogue; and cancelled products have been removed from the promotion devices such as catalogues, web site and mobile applications.



We have participated into Batımat Russian Fair held in Moscow between the dates 28-31 March 2017. In the fair, attracting the professionals, final consumers and contractors' intensive attention; our Company by representing Turkish ceramics successfully, has won recognition thanks to its products.

In 2017 March; a master promotion set has been prepared, constituting of pen, notebook, bag, hat, work-cloth, tape measure and tshirt for the purpose of distribution to the masters. The sets prepared within the scope of promotion activities are being provided to be conveyed to the masters.

We have participated into Coverings Fair which is recognized as one of the significant fairs in the world, held in America Orlando on 4-7 April 2017. A special catalogue study consisting of new products peculiar to American market, has been prepared for distribution in the fair. New products have been presented to the customers and visitors taste available in the fair booth.

Our Company has participated in 40<sup>th</sup> Construction Fair organized in Istanbul Tuyap Fair and Congress Center between the dates 23-27 May 2017. In the Construction Fair wherein Construction, construction materials and all factors technologies are met for 40 years, Ege Seramik has again been one of the most visited and attracted booths in the fair, thanks to its 2017 Spring Collection products.

Due to including new distributorships into Ege Seramik concept and corporate identity, along with renewal studies of available distributorships; revisions have been carried out in internal and outer spaces of the sales stores; Project support has been provided, and signboard, booth, exhibition applications have been performed. The new products exhibited in the fair through panels prepared in accordance with the distributors' presentation booths, have been addressed to domestic markets and export distributorships as hand-panelled and single sample.

Relevant library updates were completed on our KAREO program which displays as 3d, the installed view of our products in the relevant venues and which is applicable in our dealers' sales points and therefore, the addition of our SPRING 2017 and AUTUMN 2017 collection products were realized on this program as well.

Introduction and publicity of Ege Seramik brand and products and various broadcastings has continued in social media and press. Number of social medial followers have reached 120 thousand people; and our communication with our followers is still continuing regularly and intensely over our social media accounts such as Facebook, Instagram, Twitter, LinkedIn, Pinterest.

World's most significant ceramic sector fair Cersaie has been organized in Italy Bologna on 25-29 September, by participation of our Company. Our AUTUMN 2017 collection designed peculiar to launching purposes in Cersaie Fair, consists of 30 new series in total. Through virtual tour created subsequent to 360 degree photo-shootings in the participated fairs, the customers who couldn't participate in the fair and people interested in the sector have taken the advantage of visiting our booth virtually. By creation of new product catalogue wherein our Autumn 2017 products exhibited in Cersaie fair for the first time; distributed in the fair, and afterwards to the sales teams and domestic market distributors; and promotion of our AUTUMN 2017 collection has been commenced through all our social media accountd and printed pres channels.

Our 3d design program has been included into KAREO library, to the new products' web site and mobile application designed, planned to be completed within 2017 October; and cancelled products have been removed from web site and mobile applications.

Advertisement broadcasts have continued on Haber Turk and CNN Turkish television and radio channels in February, March, April, September, October, November and December in 2017. Our 10 sc Spots have been broadcasted for 4467 times in total consisting of 2007 on TV channels above and 2460 in radio channels. In the advertisements "**Perfect Nature, Perfect Beauty, Ege Seramik**" themes have been focused on.

Ege Seramik Master Training Seminars, wherein physical and mechanical properties of Ege Seramik products, detailed explanations of product box/package labels, proper application steps, proper ceramic options, different furniture techniques and practical solutions against probable troubles that may be encountered have been explained in detail to Ceramic masters who are significant decision-maker and executor target market of the sector, have launched in Samsun. The seminars continuing in Kusadası and Izmir, by proceeding with dinner, has concluded by submission of certificates and presenting ceramic cutting machinery to the participant masters via drawings. It is planned to continue Master training seminars in 2018.

### ❖ **Awards and Certificates We Received**

#### **Authorized Economic Operator Statute**

Ege Seramik has been the first company in Ceramics, Glass and Land sector, being awarded to **Authorised Economic Operator** statute within the scope of international position, that is deemed worthy to rare reliable companies in Turkey, performing its customs liabilities in time and accurately, the recording system of which is regular and traceable, having financial ability, safety, transparency and security standards, having ability to perform its own autocontrol, for enabling some facilities and privileges in foreign trade transactions. Thanks to the statute above, our Company has taken advantage such as savings in customs transactions charges and supplying expenses, increasing competitive power by saving time in customs transactions and benefit from privileges enabled to the countries in this statute.



#### **Turquality®**

Ege Seramik Sanayi ve Ticaret A.S., with the brand of EGE SERAMİK, has been awarded to be included into TURQUALITY® supporting program formed to create and place positive Made in Turkey image through the subject brands and to take a global role in the international markets by providing managerial fund of knowledge, institutionalization and development hereof as including all process such as production, marketing, after sales services of the companies having potential to be an international brand by T.R. Ministry of Finance.



Ege Seramik Sanayi ve Ticaret A.S. is a company contributing, for many years, to recovery of “Made in Turkey” and Turkey’s image as aimed already by Turquality program. In the forthcoming period, our government shall support such a comprehensive and prestigious Project like Turquality Supporting Program by admiring our efforts.

### Greenguard

Ege Seramik, by being awarded to obtain GREENGUARD and GREENGUARD GOLD certificates through its sensitivity shown to the environment and human during life cycle of the product by starting from designing process, has been registered, yet again. GREENGUARD and GREENGUARD GOLD certificates given by UL Environment as being an independent audit company, proves that the product is in compliance with the requirements determined in terms of interior air quality.



Ege Seramik, by applying to UL Environment, has been awarded to obtain GREENGUARD and GREENGUARD GOLD certificates. Through the certificates above, the products of Ege Seramik have been proved to be healthy and safe to use in interior places, in conclusion to the tests performed against chemical substances more than 10.000. Ege Seramik, acting by environmental consciousness during product life-cycle and by manufacturing products protective for human health; has adopted providing environmental sustainability and leaving a better World to the future generations, as a main principle.

Ege Seramik has been awarded as “**SUPPLIER OF THE YEAR**” in 2016 within the scope of ceramics category, by Floor & Décor, one of the significant companies placed in construction sector, in United States of America, wherein a significant part of export transactions be carried out. This award in ceramic sector, is given to the best companies which provides the expectations of the receiver Floor & Décor in terms of product design, quality and service.

Ege Seramik has taken the 97<sup>th</sup> place in “**Turkey’s Most Valuable Brands 2017**” list as reported by Brand Finance; and 380<sup>th</sup> place in “Turkey’s top 500 Industrial Companies 2016” list, disclosed by Istanbul Chamber of Industry (ISO), and has been awarded with two golden medals for its outstanding success exhibited in “Tax Payment” and “Foreign Exchange Saving” in 2015, by the ceremony held in May by Izmir Chamber of Trade.

Ege Seramik Booth, is deemed worthy for taking the third place in “Golden Magnet, Best Booth Design” selected among the participants of Construction Fair, by Construction Fair Industry Center.

On the other side, our Company has provided the following Certificates;

- TSE ISO IEC 27001 Information Security Management System
- TS EN ISO 9001 (TSE -Turkey), DIN EN ISO 9001 (DQS-Germany) Quality Management System
- TS-EN-ISO-9001 approved by IQ Net
- ASIA CERTLINE – KAZAKISTAN/KAZAKHSTAN ISO 9001 and GOST-K Quality Management System
- TS-EN-ISO-14001 Environmental – Occupational Health and Safety Management System
- TS-EN-ISO-14001 approved by IQNet
- TSE Double Star : *This award confirms that Ege Seramik products have properties over those determined in the Standard, by not contenting with the minimum requirements limits.*

- **GSV(Global Security Verification):** *This is a program established for the purpose of managing the accreditation methods of manufacturers, importers, transportation companies, customs clearance companies and other companies which may involve into supply chains as well as for the purpose of ensuring the international cargo security.*  
*Within the scope of this program, Ege Seramik San. ve Tic. A.S. has been audited by an accredited institution on a yearly basis. Our Company's performance within the scope of GSV is above the average of Turkey and worldwide average.*
- **CE Sign/Mark Activities**  
*CE Sign points out that the product having CE sign is healthy and safe with respect to human, animal and environment and states the compliance with European Union New Approach Directives. CE Signs are obligatory for ceramic tiles as from the year 2005. Ege Seramik is the first company fulfilling the legal obligation hereon in the sector.*  
*In the CE compliance mark activities, practices are maintained within the scope of the Building/Construction Materials Regulation (305/2011/AB) and EN 14411 Harmonized standards*

Besides obtaining the foregoing certificates; Ege Seramik has been awarded to obtain the certificates required to carry out sales transactions in Israel, France, Ukraine in conclusion of the audits performed in these countries.

### ❖ **Projects and Leading Companies Preferring the Ege Seramik Products**

Ege Seramik has continued its contractual activities with the significant corporate companies which prefer Ege Seramik products; BP, YATAŞ, SCANIA, DE FACTO. Besides, TOFAS, DOMINOS PIZZA, MIGROS, CARREFOUR, MERCEDES, MARKS & SPENCER are among the significant trademarks using Ege Seramik products on their sales points.

### ❖ **Our Business Partners**

Domestic sales activities of Ege Seramik are being managed by experienced 15 sales teams rendering services to specific sales region. We maintain our sales activities through our authorized suppliers' channel located approximately at 150 sales point in throughout Turkey. Additionally, Ege Seramik products are being exhibited and offered to the taste of its customers in almost 100 points bound to construction market channel.



## **14. INDEPENDENT AUDIT REPORT**

It is featured in the Public Disclosure Platform, Central Registration Agency, e-Company and [www.egeseramik.com](http://www.egeseramik.com) web site.

## **15. FINANCIAL STATEMENTS AND FOOTNOTES**

It is featured in the Public Disclosure Platform, Central Registration Agency, e-Company and [www.egeseramik.com](http://www.egeseramik.com) web site.

## **16. AMENDMENTS TO THE ARTICLES OF INCORPORATION DURING THE TERM**

It is resolved in the Shareholders' Ordinary General Assembly Meeting held on 09 May 2017, to extend the validity period of our Company's present registered capital as 150.000.000 TL as including the years 2017-2021; pursuant to Company Main Agreement (Articles of Incorporation) and in accordance with 6<sup>th</sup> Article of "Registered Capital System Communiqué" with reference no. II-18.1 of Capital Markets Board, in accordance with required permissions are provided from Capital Markets Board and Ministry of Customs and Trade.

<b>Article No</b>	<b>Heading of the Article</b>	<b>Registry Date of Amendment</b>	<b>TTSG Date of Registry Declaration</b>	<b>TTSG No for Declaration of Registration</b>
6	Capital	17.05.2017	24.05.2017	9332

## **17. CORPORATE GOVERNANCE COMPLIANCE REPORT**

### **1. Statement for Compliance with Corporate Governance Principles**

Corporate Governance Compliance Report of our Company is issued for the Activity Period of 01.01.2017-31.12.2017 in accordance with the "Corporate Governance Principles" as stipulated in the "Communiqué on Corporate Governance" with Serial no. II-17-1 of the Capital Markets Board and the relevant explanations are given place in the said Activity Report.

Our Company believes in the importance of fully compliance to the Corporate Governance Principles. All kinds of necessary steps were taken within the scope of full compliance to the Corporate Governance Principles during year 2017 and our best efforts are given in order to continuously develop the said full compliance and all the activities are being periodically audited by the Corporate Governance Committee.

Our Company completely fulfils its legal obligations in public disclosure and transparency issues as they are included in the regulations of CMB and periodically makes public disclosure of its financial statements, financial statement footnotes and Independent Audit Reports. Moreover, whenever extraordinary cases are involved, it provides Istanbul Stock Exchange with material disclosures. Both shareholders and the people are allowed to establish multi-directional contact with our Company via our web site, and legal arrangements are deemed to be sufficient in the matter.

**CHAPTER I- SHAREHOLDERS****2. Shareholder Relations Function**

The following people keep office in the Shareholder Relations Function:

Name-Surname	Position	Telephone No	E-Mail Address
Aysel HATIPOGLU	Investor Relations Manager	0212 212 00 44	aysel.hatipoglu@polatholding.com
Bulent SABUNCU	Financial Affairs Manager	0232 878 17 00	bsabuncu@egeseramik.com

Aysel Hatipoglu, having “Capital Market Activities Advanced License-211906” and “Corporate Management/Governance Rating Surveyor License- 702380”, as stipulated in CMB “Corporate Management/Governance Communiqué” with ref.no. II-17.1, is working as fulltime employee in the Parent Company. Besides, is the member of Management Committee.

Pursuant to the provisions of first sub-clause of the Article 11 of “Communiqué on Corporate Governance” with Serial No: II-17-1 of the Capital Markets Board of which was published in the Official Gazette No. 28871 on 03.01.2014, the Shareholders Relations Function which provides the communication among our Company and investors has been established directly bound to Board of Directors.

The Shareholders Relations Function submits its report at least once a year for the approval of Board of Directors, with respect to the activities carried out. The activity report of 2017 has been submitted in the Board of Directors Meeting on 26 February 2018.

As stipulated by the Article 11 of the same Communiqué, the same function also fulfils the Company’s obligations arising from the legislation of the Capital Market Act and conducts the coordination of the applications of Corporate Governance Principles. Some of the main activities conducted by the function include the following:

- *Correspondences realized among the Company and investors and to ensure healthy keeping and maintaining of the records related with other information and documents in an updated status,*
- *To perform any procedures related to the capital increase and dividend payment which were carried out in previous years,*
- *To keep the shareholding book in which entries related to shareholders are contained in an orderly, safe and up-to-date manner,*
- *To hold the General Meeting of Shareholders in compliance with the legislation in effect, articles of incorporation and other intra-company regulations,*
- *To prepare the necessary documents that are required to be submitted for the information and examination of the shareholders in relation to the general meeting of shareholders; to take the necessary measures in order to organize the General Meeting of Shareholders in compliance with the legislation in effect, articles of incorporation and other intra-company regulations and to send the meeting minutes to the persons who request such,*
- *To discuss with authorized personnel and reply any written and verbal request for information related to the Company from shareholders, except any information of confidential and trade secret nature,*
- *Considering the Communiqué serial no. II-15-1 of CMB, to report any necessary Material Disclosures to BIST, PDP and CMB,*
- *To monitor, observe, follow-up of fulfillment of the obligations originating from the Capital Markets legislations, including all kinds of matters related with the corporate governance and public disclosure and to submit such matters into the attention of relevant department of Company.*

During the period between the dates of 01.01.2017-31.12.2017, 39 (thirty nine) applications were filed with the Shareholder Relations Function and were replied by the function.

### **3. Exercise of the Right to Information by Shareholders**

No discrimination is made between shareholders in the exercise of the right to obtain and review information.

Shareholders of Ege Seramik A.S. contact with our Company via telephone and facsimile and communicate their requests for information and their questions. Almost all of the questions asked by investors are related to periodic profit, capital increase, value of stocks and dividend distribution. If the contents of questions are such information which has already been disclosed to the public, such information is also given to the shareholders.

For the purpose of extending the shareholders' right to information, up-to-date information are presented to the use of our shareholders on the web site of our Company, except any information of confidential and trade secret nature. Any developments which may have an effect on the shareholders' exercise of their rights are reported to the Public Disclosure Platform (PDP) in the form of material disclosures.

Request for the appointment of a private auditor has not been regulated as an individual request right in the articles of incorporation of the Company, and the relevant articles of the Turkish Commercial Code are taken into consideration in cases which are not stipulated in the articles of incorporation. No "Request for the Appointment of a Private Auditor" was filed with our Company during 2017.

### **4.General Assembly Meetings**

- a) An annual general meeting of shareholders was held in 2017. General Meeting of Shareholders for our Company's operations in 2016 was held on May 09, 2017 and the minutes of the meeting is open to inspection by our shareholders on the Central Registration Agency and web site of our Company.
- b) No special meeting quorum has been determined for the General Meetings of Shareholders/General Assembly Meetings of our Company and the provisions of the Turkish Commercial Code are applied for the meeting and resolution quorums.
- c) Notice for meetings was given in accordance with the provisions of the articles of incorporation and the legislation. Notice was given via printed media (notice in a newspaper) and in the form of an electronic notice on the Public Disclosure Platform, Central Registration Agency Electronic General Meeting System and [www.egeseramik.com](http://www.egeseramik.com) web site.
- d) At the General Meeting of Shareholders also held via the Electronic General Meeting System, the required meeting quorum was achieved and there were also participants from the personnel and customers as stakeholders. Media did not attend the meeting. Shareholders exercised their right to ask questions at the General Meeting of Shareholders. Replies related to the financial statements and upper limit of donations were given to the shareholders in a verbal manner. There was no request for discussions on any issues other than those included in the notified agenda at the meeting. Those shareholders who attended the General Meeting of Shareholders obtained the activity reports in a printed manner. They could also reach any necessary information via the addresses as given in subparagraph (c) above.
- e) An item related to donations was added to the agenda at the Annual General Meeting of Shareholders held on 09.05.2017 and the shareholders were informed and requested for approval of that no donation has been

made during the year 2016. The Board of Directors has entitled to donate with a limit of 5.000.- TRY for the year 2017, in the General Assembly.

### 5. Voting Rights and Minority Rights

Pursuant to the articles of incorporation of our Company, those shareholders or their proxies who attend the annual and extraordinary general meetings of shareholders are entitled to one vote for each share they hold, and there are no privileged shares in vote casting. Method of casting votes at the General Meetings of Shareholders is applied pursuant to the provisions of the Turkish Commercial Code and Capital Market Act and relevant regulations.

Those shareholders representing the minority shares constitute the management together with the majority shareholders through their attendance to the General Meeting of Shareholders.

### 6. Right to Dividend

Pursuant to the articles of incorporation of our Company, upon the deduction of the primary reserve fund and primary dividend from the distributable term's profit, eight percent of the remaining amount is allocated to the holders of Group A shares and five percent to the holders of Group B shares. Other than this, there is no privilege on dividends. Our Company's Dividend Distribution Policy, Public Disclosure Platform are announced on our web site at [www.egeseramik.com](http://www.egeseramik.com).

Pursuant to our financial statements issued for the accounting period of 01.01.2016 - 31.12.2016 of which was issued by our Company in accordance with the provisions of Series: II, 14.1 numbered Communiqué published by the Capital Markets Board and with the International Financial Reporting Standards and which was audited by MBK Denetim ve Serbest Muhasebeci Mali Musavirlik A.S. trade named auditing company; our Company has earned TRY 27.861.704,15; accordingly, by taking into account of our Profit Distribution Policy, it is deemed suitable by our General Assembly of Shareholders Meeting held on 09.05.2017 to make profit distribution as follows.

In terms of profit share, the following table shows comparative statement of the years 2016-2015.

Explanation/Detail	2016	2015
Period Income	33.442.636,00	51.290.272,00
<i>Taxes to be Paid ( - )</i>	<i>(4.316.764,00)</i>	<i>(412.399,00)</i>
<i>Primary Legal Reserves ( - )</i>	<i>(1.264.167,85)</i>	<i>(2.105.084,61)</i>
<b>NET DISTRIBUTABLE PERIOD INCOME (=)</b>	<b>27.861.704,15</b>	<b>48.772.788,39</b>
<b>First Dividend to the Shareholders In cash</b>	<b>(5.572.340,83)</b>	-
<b>Dividend to Preferred Shareholders</b>	<b>(2.897.617,23)</b>	-
<i>- A Group shareholders</i>	<i>(1.783.149,07)</i>	-
<i>- B Group shareholders</i>	<i>(1.114.468,17)</i>	-
Dividend to Board Members	-	-
<b>Second Dividend to the Shareholders</b>	-	-
<i>Secondary Legal Reserves</i>	<i>(471.995,81)</i>	-
<b>EXTRAORDINARY RESERVES</b>	<b>(18.919.750,28)</b>	-



The profit share amounts for the year 2016 have been paid on 02 June 2017.

<b>Share Group Information</b>	<b>Cash Profit Share to be Paid to 1 TL Nominal Value - Gross (TL)</b>	<b>Cash Profit Share to be Paid to 1 TL Nominal Value - Net (TL)</b>
<b>C Group,EGSER(Previous), TRAEGSER91F0</b>	<b>0,0743</b>	<b>0,0632</b>
A Group, No transaction (Preference), TREEGSR00012	148.595,76	126.306,39
B Group, No transaction (Preference), TREEGSR00020	61.914,90	52.627,66

## **7. Transfer of Shares**

There is no provision which restricts the transfer of bearer's stocks in the articles of incorporation of the Company. Transfer of the stocks of Groups A and B which are not publicly traded is only valid provided that the Board of Directors consents to the transfer and that such transfer is entered in the shareholding book of the Company.

## **CHAPTER II - PUBLIC DISCLOSURE AND TRANSPARENCY**

### **8. Information Policy of the Company**

Our Company has established an information policy as stipulated by the relevant principle decision of the Capital Market Board and by the Material Disclosure Communiqué no. II-15-1. Our information policy has been published on PDP and is available as an attachment to our activity report and web site of our Company. In case of any request for information by the shareholders; Investment Relations Manager Aysel Hatipoglu and Financial Affairs Manager shall provide such information orally or in writing.

Our Company sent 27 (twenty seven) electronically signed Material Disclosures to the Operational Directorate of Public Disclosure Platform (PDP) system available within the structure of Central Registration Agency (CRA) as per the CMB regulations during 2017. No supplementary disclosures have been required for the material disclosures given and there has been no sanction applied by CMB, BIST and CRA. Since our stocks are not listed in any stock exchange in abroad, no disclosure has been sent to any stock exchanges other than BIST. Any prospective information and considerations may be disclosed to the people not more than four times Provided that assumptions and data on which such assumptions are based shall be disclosed and on condition that it is made under a resolution of the Board of Directors or under the written approval of the person who has been authorized –if such authorization has been granted. Assumptions must be consistent with the financial condition and activity results of the Company. In the event that any forecasts and grounds have not materialized or are found out not to materialize, updated information is made public together with respective reasons.

### **9. Corporate Internet Site and Its Contents**

Pursuant to the “Regulation on Web Sites to Be Opened by Equity Companies” published in the Official Journal no. 28663 dated 31.05.2013 under the Turkish Commercial Code, the guidance for the allocation of a certain part of the web site to the notices which must be legally given by the company and to the information society services has been given under the heading “**Information Society Services**” on our web site at [www.egeseramik.com](http://www.egeseramik.com).

## Annual Report For The Period 01.01.2017-31.12.2017

One may have access to the link <https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/10832> at this address. General headings of the section available in this section are given below:

- ✓ *COMPANY INFORMATION*
- ✓ *DOCUMENT IMAGING*
  - *Resolution of the general meeting of shareholders regarding amendment to the articles of incorporation of the Company*
  - *Income statement*
  - *Cash flow chart*
  - *Balance sheet*
  - *Equity conversion statement*
  - *Convocation for the general meeting of shareholders*
  - *Articles of incorporation of the Company*
  - *Minutes of the General Meeting of Shareholders*
  - *Minutes of the Special Meeting of Privileged Shareholders*
  - *Internal Directive*

- General headings of the section “Shareholder Relations” of Company internet site are as follows:

- ARTICLES OF INCORPORATION
- CHRONOLOGY OF ARTICLES OF INCORPORATION
- PARTNERSHIP STRUCTURE
- BOARD OF DIRECTORS
- FINANCIAL INFORMATION
- FINANCIAL REPORTS
- ANNUAL ACTIVITY REPORTS
- GENERAL ASSEMBLIES
- SPECIAL/MATERIAL DISCLOSURES
- CORPORATE GOVERNANCE/MANAGEMENT
- INFORMATION POLICY
- WAGES POLICY
- PROFIT DISTRIBUTION POLICY
- COMMITTEES

On the web site of our Company, information is given under headings in English and annual activity reports as well as financial statements and footnotes and indicators are prepared in English within quarterly periods.

### **10. Activity Report**

Within the scope of corporate governance principles as stipulated in the Corporate Governance Communiqué serial no: II-17-1 of the Capital Market Board; our Company’s activity reports contain information about Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors under main headings.

### **CHAPTER III - STAKEHOLDERS**

#### **11. Information to Stakeholders**

Stakeholders are informed of the activities of our Company through material disclosures both at general meetings of shareholders and on electronic media under the public disclosure principles. Such information is

given through activity reports and through Central Registration Agency (CRA) - Public Disclosure Platform (PDP). Stakeholders are provided with information on any Company-related issues which concern them. Information is given through attendance to meetings, sales campaigns, promotions and upon their request. Further, company employees are informed through intranet.

Corporate Governance and Audit Committees have been established with the participation of two of the members of the Board of Directors stakeholders may file written applications with the relevant committees in order to report any operations of the Company which are against legislation and improper in ethical terms. Moreover, those employees who have internal information have been informed of their responsibilities via electronic media and it has been adopted as a policy to receive their written statements as to their responsibilities arising from their possession of internal information and to keep the same in the relevant department.

## **12. Participation of Stakeholders in Management**

No mechanism or model has been established under the Corporate Governance principles for the representation of stakeholders in the Board of Directors. Participation of stakeholders in management is ensured through such instruments as in-house proposals, questionnaires, etc. Practices about the working conditions and rights granted to employees are established through the agreement reached with the labour union as a result of negotiations. Open door principle has been adopted for the submittal of in-house proposals and requests to the management.

## **13. Human Resources Policy**

Human resources policy of the Company is announced on our web site at [www.egeseramik.com](http://www.egeseramik.com). Main principles of our human resources policy have been established as indicated below;

- ✓ Efficient usage of the resources as being a leader and global company in the sector,
- ✓ Open to change,
- ✓ Sensitive to environment, occupational health and occupational safety,
- ✓ In compliance with quality standards, continuous development of product and service quality, pursuing and applying technologic developments, in addition to the foregoing to use human resources efficiently as being a company believing the employees' creativity.

### **Human Resources Principles and Values:**

- ✓ Determination of human resources qualities,
- ✓ Forming and application of systems with respect to election and employment,
- ✓ Contribution into the company performance through investment into human resource,
- ✓ Providing contribution of Human Resources into management as being a strategic partner,
- ✓ Providing satisfied and loyal employees to the company,
- ✓ Development of systems encouraging success and creation,
- ✓ Providing training opportunities developing the employees' Professional knowledge and abilities,
- ✓ Providing access to the knowledge/information required by the employees, as soon as possible,
- ✓ Under ethical values, creation of respective and reliable working conditions,
- ✓ Maintaining effective and positive relationship with Union,
- ✓ Target and result oriented studies,
- ✓ Performance of Customer requests and expectations and result oriented studies,
- ✓ To become a leading company required to be employed.

In line with our vision and mission, we intend to raise the competence levels of our employees as well. We maintain our efforts in order to be a corporation preferred for qualified work force market, in which right person is evaluated at right job, high performance is encouraged and employees with optimized satisfaction and motivation serve in a team spirit.

There is a collective labour contract between the labour union and our Company in order to ensure orderly and efficient working at the workplace, to increase production, to balance the rights and interests of the employer and the employees, to provide work peace through mutual goodwill and confidence, to settle any discrepancies which may arise between the parties through amicable ways, in order to;

- ✓ hear the requests and settle employees' complaints related to their jobs and the workplace;
- ✓ maintain cooperation, working harmony and work peace between the employer and the employees;
- ✓ observe the rights and interests of the employees and the workplace;
- ✓ assist in the enforcement of the working terms as stipulated in the labour legislation and collective labour contract, to appoint a union chief representative and three union representatives.

Moreover, the Occupational Health and Safety Committee serves to ensure occupational health and safety with the participation of the executives, specialists and employee representatives.

### **Human Resources Implementations :**

#### **To select and Placement to the Work**

- ✓ Our main principle is to employ human resources efficient in bringing Ege Seramik to future, by providing cooperation and loyal to the Company, and to give equal opportunity to everyone in terms of employment. Therefore; we select our employees among the candidates who have capacity to meet the corporate values and business competency. The students who are worked as intern in our Company are among the potential candidates.
- ✓ Although our interviews shape according to positions; personality tests, competency assessments and ability examinations may be implemented to the candidates according to circumstances required by position. However, a multiple-stage interview system is applied for providing the candidates to negotiate with the executives with whom they are to work with. In conclusion of all foregoing assessments, the proper candidates are being offered by Human Resources.
- ✓ Providing orientation training to the employee who has commenced to work with Ege Seramik, is the part of employment process. The aims of orientation are; to provide information about our company's general work-flow, corporate culture and management systems and to give advice about occupational safety, and to minimize labor turnover by providing orientation to the job through stepping up adaptation process.

#### **Performance Assessment**

- ✓ It is a process designed to pursue, assess and develop the performances of company employees. Under Ege Seramik; competency and target based performance assessment system be applied once a year towards white collar employees. Based on principle of clarity for the applied performance assessment system; the assessments be implemented via an objective and systematic structure. The employee and the manager, by keeping together, join to performance interview. Subsequent to assessment of the current year, the targets for the next year are being examined and agreed on.

The subject system aims at establishing a good communication, cooperation and solidarity between the assessor and the assessee. The targets are being determined from up to down pursuant to general policies of the company. The results of performance assessment are being used for awarding, training planning, career planning and promotion practices.

## 14. Ethical Rules and Social Responsibility

There are ethical rules identified for the Company and its employees by the Board of Directors of the Company. However, we primarily address the health, safety and satisfaction of the employees and all relevant parties and sensitively fulfill our environmental responsibility in all our operations through the effective quality management system under the heading “OUR MANAGEMENT SYSTEMS” on our web site.



**Integrated Management System Policy** of the Company is announced on our web site at [www.egeseramik.com](http://www.egeseramik.com). In this context, applications at our Company are as follows:

### **ISO 9001 Quality Management System**

*Ege Seramik holds the TS EN ISO 9001 (TSE-Turkey), DIN EN ISO 9001 (DQS-Germany) Quality System Certificates awarded to those corporations achieving international quality in design, product development, production, facility and service. It has been maintaining and continuously improving its applications since 1994 and is the very first corporation receiving the ISO 9001 certificate in the Turkish ceramic sector.*

*By revision of ISO 9001 Standards; Ege Seramik San. ve Tic. A.S. has entitled to obtain TS EN ISO 9001:2015 (TSE -Turkey), DIN EN ISO 9001:2015(DQS-Germany) Certificate as being the final version of the standard subsequent to audit performed by TSE and DQS Companies in 2017..*

*ISO 9001 Standard 2015 Version has mainly amended, and our company's efficient implementations towards the articles as the below annexes;*

*“Corporate Context”, “Leadership”, “Risk & Opportunity Analysis”, “Amendment Planning”, “Enterprise Information” be approved by TSE and DQS.*

### **ISO/IEC 27001 Information Security**

*Ege Seramik Sanayi ve Ticaret A.S. is awarded to hold Information Security Management System certificate in accordance with ISO/IEC 27001:2013 standard, that is to be effective as from 15 August 2016, through its proving itself in applications that are in compliance with the arrangements and towards certification procedures.*

*It has been decided that ISO/IEC 27001:2013 Information Security Management System Certification is to continue in cocnclusion of the audit performed by TUV Tuhingen Company on 14.07.2017.*

### **Environmental-Occupational Health and Safety Management System**

*It is an integral part of our business to take any necessary precautions in order to be able to minimize our negative impacts in the environment during our operations, to guide our employees in occupational health and safety in all departments and take any measures related to occupational health and safety at our workplace for a sustainable future which is open to improvement. Our occupational health and safety committee meets on monthly basis and thus continuity of the safe working environment is ensured. Our Workplace Health Team provides our employees with services on full time basis. Our Company has a fire engine and trained personnel.*

*By revision of ISO 14001 Standards; Ege Seramik San. ve Tic. A.S. has entitled to obtain TS EN ISO 14001:2015 Certificate as being the final version of the standard subsequent to audit performed by TSE in 2017.*

*ISO 14001 Standard 2015 Version has mainly amended, and our company's efficient implementations towards the articles as the below annexes;*

*“Corporate Context”, “Leadership”, “Risk & Opportunity Analysis”, “Amendment Planning”, “Enterprise Information” be approved by TSE..*

Contribution is made to both the protection of the environment and the national economy through our activities listed below:

- ✓ *Starting from the designing stage, any necessary precautions are taken in order to consider and minimize any environmental impacts which may arise out of the use of our products at each and every stage of production.*
- ✓ *Packaging wastes are classified within themselves and stored not to cause any damage in the environment and disposed through licensed organizations under the Regulation on the Control of Packaging and Packaging Wastes.*
- ✓ *Any necessary organizations have been made for the recovery of the packaging materials which we launch to the market and recovery of such packaging materials is ensured.*
- ✓ *Our hazardous wastes have been minimized and any waste oil, waste batteries, waste accumulators, packaging wastes contaminated by hazardous wastes which are still in use are forwarded to licensed firms and ensured to be recovered.*
- ✓ *Any treatment sludge created in the waste water treatment plant is ensured to be reused.*
- ✓ *Water treated in our waste water treatment plant is reused, thus reducing the amount of the discharged water and minimizing our water consumption.*
- ✓ *Resources are used in an effective manner.*
- ✓ *Any components which may cause environmental contamination are identified and brought under control, and such components are prevented by ensuring continuous improvement.*
- ✓ *Scraps and wastes created by the activities we are performing are identified and brought under control, and scraps and wastes are ensured to be used for recycling and those which may not be recycled are disposed through legal ways.*

## **General Information Security Policy**

We, Ege Seramik Sanayi ve Ticaret A.S.; within the scope of Customs and Foreign Trade Transaction such as Marketing, Purchasing Importation, Exportation, Transit, Customs formalities and Electronic Information Assets of the activities such as Logistics, Storage, Accounting, Finance and Information Processing with respect hereof, with our Information Security Policy to protect the assets herein, hereby undertake the following;

- ✓ *To perform national/ international standards in which our Company have responsibility and legal requirements, customer conditions,*
- ✓ *To protect employability, integrity, confidentiality of information assets/properties and to manage such risks, by being aware hereof,*
- ✓ *To create high awareness in information security by training activities,*
- ✓ *To minimize the effect of information security threats that may impress the continuity of the business and to provide maintenance of the business,*
- ✓ *To provide permanent recovery, by systematically handling information security.*

## **Our Social Responsibility Policy**

Primarily addressing the issues of enhancing the health, safety and satisfaction of its employees, we, Ege Seramik San. ve Tic. A.S., through this policy, undertakes to provide working conditions under ethical values, based upon respect and trust terms, to fulfill, ensure the continuity of and permanently improve any applications related to the **ETI Base Code Standards** besides its compliance with the following issues through this policy, basing on the Labour Act No. 4857 and relevant legislations;

- ✓ Maintaining the principles of working in compliance with the ongoing volunteering principle;
- ✓ Not employing child labour in heavy and dangerous works in our Company;
- ✓ Maintaining its respect for labour union membership and collective bargaining rights with the same sensitivity from now onwards;
- ✓ Ensuring the continuation of the safe and hygienic working environment provided through health and safety training organized at regular intervals, inspections and improvements carried out continuously;
- ✓ Paying employees' wages taking the legal requirements and collective labour contracts as a basis;
- ✓ Applying the provisions of the labour legislation and the Collective labour Contract in the determination of working times;
- ✓ Not making discrimination by religion, language, race, class, civil status, age, disability, gender, sexual preference, labour union membership and political view in recruitment, training, promotion, dismissal, retirement, etc. and providing equal opportunity to the employees at the same level;
- ✓ Ensuring continuity in employment;

***Our values are:** Reliability, confidentiality, impartialness, customer and quality orientation, competitiveness, respect for the environment and human beings, sense of responsibility, transparency and participation.*

## **CHAPTER IV – BOARD OF DIRECTORS**

### **15. Structure and Formation of the Board of Directors**

Operations and management of the Company are implemented by a Board of Directors comprised of 6 (six) people who shall be elected from among the natural persons or legal entities whom shareholders shall nominate under the provisions of the Turkish Commercial Code and the Articles of Incorporation of the Company by the General Meeting of Shareholders. In the event that any vacancy occurs in the memberships of the Board of Directors and committees during the term, provisions of the Turkish Commercial Code and the capital Market Act are applied.

#### **15.1. Names of Board of Directors Members**

*The Company was consisted of the following persons in 2017:*

Chairman	: Ibrahim POLAT (Non-Executive Member)
Deputy Chairman	: Baran DEMİR (Non-Executive Member)
Deputy Chairman	: Bulent ZIHNALI (Executive Member)
Independent Member	: Ismet MILOR (Independent Member)
Independent Member	: Dilek Nam (Independent Member)
Member	: Ibrahim Fikret POLAT (Non-Executive Member)

**Background of the Board of Directors Members and the General Manager:****15.2 Those in charge with executive board of Board of Directors**

Deputy Chairman of Board of Directors : Bulent ZIHNALI

**15.3. Background of the Board of Directors Members and the General Manager:****İBRAHİM POLAT****He keeps office as a Member of the Board of Directors.**

*Ibrahim Polat was born in the town of Askale in Erzurum in 1931. At a young age, he started to work as a construction contractor and built numerous exclusive buildings in Istanbul. He added ceramic healthcare equipment and mining and energy to his enterprises in the industrial sector which he started by erecting the Ege Seramik Factories in Izmir in 1972. He entered the tourism sector with the Istanbul Polat Hotel in 1993. Besides being a businessman and an entrepreneur, Ibrahim Polat, who places importance on social aids and investments, has also been involved in several foundations established for social and cultural purposes as well. He is also the author of a book entitled "My Sweat Blood" published in 2007.*

**BÜLENT ZIHNALI****He keeps office as a Member of the Board of Directors.**

*Bulent Zihnali was born in Izmir in 1949. He graduated from the French Language and Literature Department of the Faculty of Administrative Sciences of the Hacettepe University with a master's degree. He served as a Social Worker at the Embassy of the Turkish Republic at Paris in 1974-1975. He started to work for Ege Seramik Sanayi ve Ticaret A.S., which was then being established, on 1 April 1975. After he has served as Personnel Supervisor, Commercial Assistant Manager, Commercial Manager, Assistant General Manager, General Manager, Industrial Coordinator and Head of Ceramic Group respectively, he keeps office as the Deputy Chairman of the Board of Directors and Head of Operations Group.*

**BARAN DEMİR****He keeps office as a Member of the Board of Directors.**

*He was born in Ankara in 1960. He graduated from the Economics-Finance Department of the faculty of Political Sciences. He attended graduation studies in Economics at the Western Michigan University in USA. He started his career as a Deputy Financial Analyst at the Ministry of Finance in 1982. Upon keeping offices as Financial Analyst and Chief Financial Analyst, he kept office as the Department Head at the General Directorate for revenues in the Ministry of Finance between 1991 and 1996. He started to work for Ibrahim Polat Holding A.S. in November 1996. He kept offices as the Holding General Manager and Financial Affairs Coordinator. He is now acting as the Head of Financial Affairs Group of Ibrahim Polat Holding A.S. and keeping offices as Deputy Chairman and Member of the Board of Directors in the group companies. He holds a certified public accountant's license and has articles published on taxation.*

**İBRAHİM FİKRET POLAT****He keeps office as a Member of the Board of Directors.**

*He was born in Boston, Massachusetts on 23/09/1984. He attended his primary education at Sisli Terakki Junior High School and his high school education at Ata Senior High School. He graduated from the Yeditepe University in 2010. He kept several offices at the group companies of Ibrahim Polat Holding during his education. Acting as a member of the Board of Directors at the group companies, Ibrahim Fikret POLAT started to act as a member of the Board of Directors of Ege Seramik Sanayi ve Ticaret A.S. in 2011. He speaks English.*



**İSMET MİLOR****He keeps office as an Independent Member of the Board of Directors.**

*He was born on 07.09.1935. He graduated from Staatliche Höhere Fach Schule (Germany) in 1967 and from the Ceramic Department of the Chemical Arts Institute (Ankara) in 1954. He acted as General Manufacturing and Technology Manager at Canakkale Seramik San. ve Tic. A.S.; Member of the Board of Directors and General Manager at Sogut Seramik Sanayi A.S.; Member of the Board of Directors and General Manager at Ege Seramik San. ve Tic. A.S.; Chairman of the Board of Directors at Aktur Turizm ve Endustri San. ve Tic. A.S. respectively. He keeps his office as Board Member in Aktur Turizm ve Endustri San. ve Tic. A.S. He speaks German.*

**DİLEK NAM****She keeps office as an Independent Member of the Board of Directors.**

*She was born on 07.07.1961. She graduated from the 9 Eylul University Department of Law in 1987. She acted as General Coordinator Assisstant in BMC Otomobilcilik ve Tic. A.S.; lawyer, self-employed lawyer in Bulut& Bulut Law Office, respectively; still acting as legal advisor in USA Air Forces 425<sup>th</sup> Air Base. She speaks German and English.*

**GÖKSEN YEDİGÜLLER****He keeps office as the General Manager.**

*Goksen Yediguller was born in Izmir in 1963. He graduated from the Department of Economics of the Izmir Vocational College of the Dokuz Eylul University. He worked as a senior executive at such ceramic factories as Kutahya Seramik, Kalekim and Kale Pazarlama between 1986 and 2010. He started to work as the General Manager at Ege Seramik Sanayi ve Ticaret A.S. on 16 February 2010 and still keeps his office.*

Statements of Independence of the Independent Members of the Board of Directors were made public on PDP on 17/04/2017 and such statements may be accessed on the web site of our Company.

Approval is obtained from the General Meeting of Shareholders as per the articles 395-396 of the Turkish Commercial Code in terms of the probability of the Chairman and Members of the Board of Directors to perform any operations contained in the subject matters of the Company on their own or on other parties' behalf or to be a shareholder in those companies performing similar operations.

There are no limitations on the members of board of directors concerning their appointments for various tasks either within the Group or outside of our Group.

Although there is no provision as to the election criteria of the members of the board of directors in the articles of incorporation of the Company, the existing members of our Board of Directors satisfy the criteria as contained in the Corporate Governance Communiqué serial no. II-17-1 of CMB. We do not have any members of the Board of Directors who fail to satisfy such criteria.

**16. Operating Principles of the Board of Directors**

According to the articles of incorporation of the Company, Board of Directors meets whenever it is required by the affairs of the Company. However, it is mandatory for the Board of Directors to hold a meeting minimum once in a month. Board of Directors convenes with minimum 4 members. Decisions of board of directors may be taken with the absolute majority of the meeting participants who participated into the board meeting both physically and over the electronic environment. The meeting form, meeting and decision-making quorums of the board, voting procedures and the duties, rights and powers of the board of directors are governed by the relevant provisions of Turkish Commercial Code and Capital Markets Code. Meetings of the Board of Directors were held and 27 individual resolutions made on various dates during year 2017. Members

are convened for meetings in written and verbal forms through a convocation sent by the secretary of the General Manager.

It is stipulated in the articles “regulating the duties and powers of the Board of Directors” of the articles of incorporation of our Company that the Board of Directors should carry out task division at its very first meeting after their election by the General Meeting of Shareholders. Members of the Board of Directors carry out task division among themselves. They have appointed a General Manager or managers from among themselves or from the outside for the performance of the all or part of the operations of the Company. Members of the Board of Directors do not have any weighted and/or veto rights.

Members of our Board of Directors are given the permissions as stipulated in the article 395 regulating the prohibition of doing business with the Company and article 396 regulating the prohibition on competition of the Turkish Commercial Code at the General meeting of Shareholders every year. Resolutions for giving such permissions are included in the items of agenda prior to the meeting.

Board of Directors determines its members or external people whom it authorizes to represent the Company, the limits in which the general manager, managers and officials shall exercise their signatory powers and in what issues and the duration of such powers. Names and limits of power of the members of the Board of Directors and other people who have signatory powers are announced in detail in a circular letter. Although the powers and responsibilities of other the executives are not contained in the articles of incorporation, job descriptions showing powers and responsibilities of all the other employees including the senior executives have been established throughout the Company.

## **17. Number, Structure and Independence of the Committees Established within the Board of Directors**

Due to the structure of the Board of Directors, structures and activities of the currently existing committees are being reviewed within the framework of the provisions specified in Communiqué on Corporate Governance (II-17-1) of the Capital Markets Board and with the participation of two persons among the members of the board of directors, the Audit Committee responsible from audits and Corporate Governance Committee were established accordingly. Duties and liabilities under the Early Detection of Risks Committee, Nomination Committee and Wage Appraisal Committee are being performed and fulfilled by the Corporate Governance Committee of our Company.

### **Audit Committee:**

Audit Committee comprised of the independent members of the Board of Directors of our Company consists of non-executive members.

Chairman of Audit Committee	: İsmet MİLOR (Independent Member)
Member of Audit Committee	: Dilek NAM (Independent Member)

Audit Committee meets on quarterly basis and consists of two members. Audit Committee continuously receives information about their duties as stipulated in the legislation and reports to the Board of Directors their views and findings about the financial statements which show the quarterly performance of the Company and which shall be made public.

**Corporate Governance Committee:**

Corporate Governance Committee members were elected among the members of board of directors during 05.05.2016 dated General Meeting of Shareholders in order to officiate until the next General Meeting of Shareholders to be held and their task distributions were realized on the same date as follows:

		<b><u>Start Date</u></b>	<b><u>Leave Date</u></b>
İsmet MİLOR	Head of Corporate Governance Committee (Independent Member of Board of Directors)	09.05.2017	-
Baran DEMİR	Member of Corporate Governance Committee (Non-executive Member of Board of Directors)	09.05.2017	-
Aysel HATIPOĞLU	Member of Corporate Governance Committee (Investor Relations Director)	09.05.2017	-

Within the scope of the assignation carried out in the Board Resolution no. 2017-14 dated 09.05.2017, Corporate Governance Committee undertakes the tasks of;

- ✓ Nomination Committee,
- ✓ Early Detection of Risks Committee, and
- ✓ Wage Appraisal Committee. Early Detection of Risks Committee reviews the risk management systems at least once a year.

Committee members are elected from among those board members who have ability, experience and potential to execute their duties without prejudice.

The internal charters concerning the working rules and principles of the above mentioned committees can be accessed over the internet site of our Company from: [www.egeseramik.com](http://www.egeseramik.com)

**18. Risk Management and Internal Audit Mechanism**

Our Company is audited in terms of the compliance of any operations and activities carried out with both the legislation and the company policies by the Audit Committee and internal auditors. Audit Committee meets at regular intervals audits the financial statements and reports which are subject to or not subject to independent auditing of the Company, inspects the balance sheet and profit-and-loss accounts and their compliance with the accounting principles and standards as stipulated by CMB and submit the same to the Board of Directors for approval. Ege Seramik Sanayi ve Ticaret A.S., is awarded to hold Information Security Management System certificate in accordance with ISO/IEC 27001:2013 standard, that is to be effective as from 15 August 2016, through its proving itself in applications that are in compliance with the arrangements and towards certification procedures; and has performed significant developments in business processes.

Audits are carried out by independent external auditors and the results thereof are directly reported to the senior management of the Company. Remedies are sought and policies established for those problems reported via multi-directional publicity.

Corporate Governance Committee is responsible for making efforts for early diagnosis of the risks which may endanger the existence, development and continuation of the Company, for taking any necessary measures for identified risks and managing such risks and reviews the risk management systems at least once a year.

## **19. Strategic Goals of the Company**

Our Company follows up any developments and innovations and brings the most advanced technologic investments in the country, creates employment, tries to take its exports further at all times and, most important of all, is aware of the fact that it is a “leading industrial corporation”. Our strategic goals are identified by the Board of Directors and our budgets are prepared on annual basis and any developments related to the budget targets are evaluated on monthly basis. Vision and mission of our Company have not been further made public, but disclosed in our activity report as well as in our corporate internet site.

## **20. Financial Rights Granted to the Board of Directors**

Our waging policy for the Board of Directors and senior management has been published on our Company web site. As stipulated in the articles of incorporation of our Company, upon the deduction of the primary reserve fund and primary dividend from the distributable term’s profit, eight percent of the remaining amount is allocated to the holders of Group A shares and five percent to the holders of Group B shares. The resolution of Board of Directors with respect to no distribution of the profit of the year 2016; has been approved and accepted in the General Assembly Meeting. Company did not lend any credits, nor make available any loans to any members of the Board of Directors or executives nor make available any loans under the designation of personal loan through third parties nor extend such guarantees as surety in their favour.

Amounts and payment dates of any attendance fees, remuneration and similar benefits other than dividends which may be paid to the members of the Board of Directors are determined and fixed by the General Meeting of Shareholders. Principles for fixing the remuneration of the members of the Board of Directors and senior executives have been put into writing. Waging policy is submitted to the shareholders for information as a separate item at the General Meeting of Shareholders and shareholders are provided with an opportunity to give their opinion on the matter. The waging policy arranged for such purposes is available on our company internet site. For the remuneration of the independent members of the Board of Directors, payment schemes basing upon the share certificate options or company’s performance shall not be employed. Remuneration of the independent members of the Board of Directors is fixed at a level which shall allow them to maintain their independence pursuant to the regulations of the Capital Market Board.

It was resolved at the General Meeting of Shareholders held on 09.05.2017 that those members of the Board of Directors who had been elected as independent members of the Board of Directors would be paid an attendance fee of TL 5.500,- per month.

Also, health and life insurance is purchased for our senior executives every year. Such payments as salaries and bonuses amounting to TRY 3.472.651,- were made to our senior executives in 2017.

## **18. RELATED PARTY TRANSACTIONS IN THE YEAR 2017 AND FORECASTING REPORT ON WIDESPREAD AND CONTINUOUS RELATED PARTY TRANSACTIONS IN THE YEAR 2018**

The detailed table concerning the transactions realized with the related parties in year 2017 within the scope of General Communiqué on Corporate Tax includes the transactions with regard to transfer pricing.

The main area of activity of Ege Seramik Sanayi ve Ticaret A.S. consists of manufacturing and sales of wall and floor ceramic tiles. The sales revenues earned by the Company as a result of its overall activities during the period of 01.01.2017- 31.12.2017 is amounted as TRY 388.712.976,56.

Our sales analysis realized in 2017, as total sales; TRY 388.712.976,56 (Domestic Sales TRY 223.315.568,31 + Export Sales TRY 156.479.436,17 + Other Income TRY 8.917.972,08) and 37,56% of this sales amount consisting of our sales realized with the related parties, has been given in the table. Related party sales concerning the main area of activity were realized as 37,48% of the total sales.

During the determination of the arm's length price for the activities realized by Ege Seramik Sanayi ve Ticaret A.S., the function/risk/utilized assets analyses were conducted and in the light of the internal precedents, Comparable Uncontrolled Price Method and Resale Minus Method were selected as the most suitable pricing methods.

Pursuant to the provisions of Article 10 under the heading "Widespread and Continuous Transactions Realized With Related Parties" of the "Communiqué on Corporate Governance" with Serial No: II-17-1 of the Capital Markets Board of which was published in the Official Gazette No. 28871 on 03.01.2014 and in line with the sales data of our Company during year 2017, the following were forecasted within the scope of financial sales and purchase forecasts report for year 2018 in relation to the Widespread and Continuous Transactions Realized With Related Parties of our Company, namely; **Egeseramik İç Ve Dış Ticaret A.S.** and **Ege Seramik America INC.** trade named companies. With regard to the total amount of widespread and continuous transactions to be realized with the aforementioned companies within one accounting period, the following matters were forecasted and disclosed to the public pursuant to the regulations of the CMB as indicated in our annual financial statements as follows:

- a) Total of sales to cost ratio occurred according to the final annual financial statements that were disclosed to the public during the purchase transactions of our Company, and plus
- b) Sales to revenue ratio occurred according to the final annual financial statements that were disclosed to the public during the sales transactions of our Company are forecasted to reach up to 10% and more.

In the said Forecasting Report it was examined that whether or not the sales realized by our Company **in year 2017 to Ege Seramik İç Ve Dış Ticaret A.S. and Ege Seramik America INC.** trade named companies were reasonable or not when compared with the prices and profit sharing ratios that were applicable to the unrelated third parties. Accordingly, within this scope, we hereby confirm that the conditions and profit sharing ratios applicable for the transactions realized with the related parties were fair and reasonable within fair market conditions.

## **19. PROPOSAL FOR THE DISTRIBUTION OF 2017 PROFIT**

Out of our Company's post-tax term's profit of TRY 41.378.474,53 which occurred according to the financial statements dated 31.12.2017 issued pursuant to the provisions of the Procedural Code of Taxation, a net distributable term's profit of TRY 39.309.550,80 occurs in our legal records upon the allocation of TRY 2.068.923,73 as general legal reserve fund. On the other hand, out of our Company's post-tax term's profit of TRY 47.941.127,38 which occurred according to the financial statements dated 31.12.2017 issued pursuant to the provisions of the Capital Market Legislation, a net distributable term's profit of TRY 45.872.203,65 occurs in our legal records subsequent to allocation of TRY 2.068.923,73 as general legal reserve fund and a donation-added; net distributable term's profit of TRY 45.872.203,65 is calculated; as there is no donation made in the year 2017.

Accordingly, it has resolved unanimously to submit for the approval of shareholders in the General Assembly, the following items in the meeting to be held with reference no. 2018-08 and date 29/03/2018 of our Board of Directors;

- No dividend from net distributable term's profit shall be provided to the members of Board of Directors,
- To pay TRY 9.144.440,73 to the Shareholders as the first dividend,
- To distribute TRY 4.770.709,18 to the privileged shareholders as dividend,
- To pay TRY 2.315.559,27 to the Shareholders as the second dividend,
- The remaining amount subsequent to deduction of TRY 1.251.070,92 as general legal reserve, in the financial statement arranged pursuant to Procedural Code of Taxation; shall be entered in our legal records as extraordinary reserves.
- To make the payments to the beneficiaries on 5 June 2018.

Statement of Profit Distribution is as follows :

<b>EGE SERAMİK SANAYİ VE TİCARET A.S.</b>		
<b>Year 2017 Profit Distribution Statement (TRY)</b>		
<b>1. Paid-in/Issued Capital</b>		<b>75.000.000,00</b>
<b>2. Total General Legal 1<sup>st</sup> Reserve Fund (by legal records)</b>		<b>-17.167.523,32</b>
<b>Information on any privilege in profit distribution pursuant to the articles of incorporation, if there is any such privilege</b>		Out of the portion remaining upon the allocation of primary dividend, - 8% to holders of Group A stocks - 5% to the holders of Group B stocks
		<b>As per CMB</b>
		<b>As Per Legal Records (LR)</b>
3.	Profit for the Period	53.687.718,00
4.	Payable Taxes ( - )	<b>(5.746.590,62)</b>
5.	<b>Net Term's Profit ( = )</b>	<b>47.941.127,38</b>
6.	Losses of Previous Years ( - )	0,00
7.	General Legal Reserve Fund ( - )	2.068.923,73
8.	<b>NET DISTRIBUTABLE TERM'S PROFIT ( = )</b>	<b>45.872.203,65</b>
9.	Donations made during the year ( + )	0,00
10.	<b>Donation-added net distributable term's profit</b>	<b>45.872.203,65</b>
11.	Primary/First Dividend to Shareholders (*)	9.174.440,73
	-Cash	9.174.440,73
	-Free	0,00
	- Total	0,00
12.	Dividend Distributed to Holders of Privileged Stocks	4.770.709,18
	Holders of Group A Stocks	2.935.821,03
	Holders of Group B Stocks	1.834.888,15
13.	Other Distributable Dividend	0,00
	- Members of Board of Directors	
	- Employees	
	- Dividends to other persons other than shareholders	
14.	Dividend Distributed to Dividend Stocks	0,00
15.	Secondary Dividend to Shareholders	2.315.559,27
16.	Secondary Legal Reserve Fund ( - )	1.251.070,92
17.	Statutory Reserves	-
18.	Special Reserves	-
19.	<b>EXTRAORDINARY RESERVE FUND</b>	<b>28.360.423,55</b>
20.	<b>Other Resources Prescribed to Distribute</b>	
	- Profit of Previous Year	
	- Extraordinary Reserves	
	Other Distributable Reserves	

DIVIDEND RATES CHART						
INFORMATION OF DIVIDEND PER SHARE						
	GROUP	TOTAL DISTRIBUTED DIVIDEND		TOTAL DISTRIBUTED DIVIDEND / NET DISTRIBUTABLE TERM'S PROFIT	DIVIDEND FALLING UPON A SHARE WITH A FACE VALUE OF TRY 1,-	
		CASH (TRY)	FREE (TRY)		AMOUNT (TRY)	RATE (%)
<b>GROSS</b>	A	2.935.821,00			244.651,75	24.465.175,28
	B	1.834.888,14			101.938,23	10.193.823,03
	A+B+C	11.490.000,00			0,1532	15,3200
	<b>TOTAL</b>	16.260.709,14				
<b>NET</b>	A	2.495.447,88			207.953,99	20.795.398,99
	B	1.559.654,92			86.647,50	8.664.749,58
	A+B+C	9.766.496,09			0,13022	13,02
	<b>TOTAL</b>	13.821.598,90				
<b>AMOUNT OF DIVIDEND DISTRIBUTED TO SHAREHOLDERS (TRY)</b>	<b>RATIO OF DIVIDEND DISTRIBUTED TO SHAREHOLDERS TO DONATION-ADDED NET DISTRIBUTABLE TERM'S NET PROFIT (%)</b>					
<b>11.490.000,00</b>	<b>25,05%</b>					