



**ANNUAL REPORT FOR THE YEAR 2019**

**INDEPENDENT AUDIT REPORT WITH RESPECT TO ANNUAL ACTIVITY REPORT  
OF BOARD OF DIRECTORS**

**Ege Seramik Sanayi ve Ticaret A.S.**

**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** (“**Company**”), with respect to the accounting period 1.1.2019-31.12.2019.

According to our opinion, 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 on 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 02.03.2020 on full set financial statements of the Company arranged for the period 1.1.2019-31.12.2019.

**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) and Communiqué on Basis of Financial Reporting in Capital Market” under ref.no. II-14.1 (“Communiqué”) of Capital Markets Board (“CMB”):

- 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 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 of the Company 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 audited by the Board by using the information included in the financial statements, are reflecting the truth and in compliance with the financial statements and the information obtained during independent auditing.

**02 March 2020, Istanbul**  
**Osman Tugrul OZSUT**  
**Responsible Auditor**  
**As Independent Audit and CPA S.A.**  
**(Member of NEXIA INTERNATIONAL)**

## **Table of Contents**

Message from the Board of Directors

A- History

**1. Milestones**

B- General Information on Ege Seramik

**2. Vision-Mission-Objectives**

**3. General Information**

**4. Information on the Managing Body, Senior Executives and Personnel of the Company**

**5. Organization, Capital and Shareholding Structure of the Company**

**6. Benefits to the Members of the Managing Body and Senior Executives of the Company**

**7. Shareholders**

**8. Information Policy of Company**

**9. Web Site and Content of Company**

**10. Research and Development Activities of the Company**

**11. Activities of the Company and Important Developments Related to Activities**

**12. Financial Standing**

**13. Production**

**14. Sales**

**15. Developments in the Sector**

**16. Our Company's Position in the Sector**

**17. Stakeholders**

**18. Amendments Made to the Articles of Association during the Term**

**19. Related Party Transactions in Year 2019 and Forecasting Report on Widespread and Continuous Related Party Transactions in Year 2020**

**20. Proposal for the Distribution of Year 2019 Profit**

**21. Independent Audit Report**

**22. Financial Statements and Footnotes**

**23. Corporate Governance Principles Compliance Statement for 2019**

- Corporate Governance Compliance Report for 2019

- Corporate Governance Information Form for 2019

**MESSAGE FROM THE BOARD OF DIRECTORS**

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

With the effects of the economic recession carried over from the previous year, 2019 has witnessed a variable operating environment, while protests, terrorism and violence, political crises, terrorist attacks, natural disasters marked the world agenda. Uncertainties regarding trade negotiations between the USA and China, developments in northern Syria, and the Brexit deadlock were the main topics that shaped the global markets.

In our region, some political uncertainties continued to occupy our country, however, great efforts were made to prevent our country from being affected by the balanced relations that were tried to be developed. While the local elections and bilateral relations with the USA were the main factors affecting the economy in our country, it was a year in which the downward trend in inflation and interest rates decreased with the balancing-discipline-change process and a series of measures taken. We believe that we closed 2019 with such challenging conditions with successful results thanks to our cost management and profitability oriented strategies.

Both in Turkey and in the world, the main factors in the growth of the ceramic industry is economic growth and development of the construction industry. The growth in the construction sector contributes to the development of the sector as it brings the requirement of “Ceramic Coating Materials”, as well. In the sector, qualified human resources, R&D and innovation studies remain among other issues that affect the development of the sector. Although the ceramic coating materials industry has the main import inputs, such as energy cost, that use the domestic resources most in export, as one of the sectors with the least dependence on imported products, it has a significant contribution to the Turkish economy.

In the world, especially in recent years, the trend towards high value added, quality and creative products has increased in order to gain competitive advantage in the ceramic coating materials sector. Despite all the economic adversities experienced in 2019, we left behind with the responsibility of being one of the biggest industrial organizations in our country; we continued to produce and work with a higher motivation than ever without sacrificing our quality.

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.

**Dear Esteemed Shareholders,**

Our company, thanks to a management approach that can act according to the demand in the market and with the decisions put into effect immediately; has achieved, approximately 15 million m<sup>2</sup> of products were produced and sold, with a 63.24% capacity utilization rate, in 2019.

On the other hand; despite the rise in energy prices, the increase in the cost of imported inputs due to foreign exchange fluctuations, and the negative picture brought by the recession in the economy, especially for the domestic market, has obtained 33.043.158 TL EBITDA (FAVOK) profitability.

### Dear Esteemed Shareholders,

”Profit Distribution Policy“; in accordance with all applicable legislation available in our Country and the relevant provisions of the Company's Articles of Association; it is determined by taking into consideration the situation of the country's economy and the sector and taking into consideration the sensitive balance between the expectations of the shareholders and the needs of the Company.

With the Law No. 7244 on the Amendment of Some Laws and the Law on the Reduction of the Effects of the New Coronary Virus (COVID - 19) Outbreak” published in the Official Gazette on 17 April 2020;

Within the scope of the provision; “Only up to twenty-five percent of the net profit for the year 2019 can be decided to be distributed in capital companies by 30/9/2020...”; Profit distribution of our company in 2019 was discussed by our Board of Directors. Considering these limitations,

- It has been decided to distribute profit from the financial statements of our company prepared according to S.P.K.;
- 24.186.266,21 TL Net Distributable Period Profit With Donations Added has been obtained, after the donation amount; 2.280,00 TL has been added and 562.079,79 TL General Legal Reserve Fund is allocated from 24.746.066,00 TL After Tax Profit as included in the financial statements issued in accordance with CMB; and it has been decided to distribute this profit as below, within the scope of Law No. 7244, not exceeding 25% of the net profit for the period;
  - a. No profit share is given to the members of the Board of Directors,
  - b. Giving 3.336.011,70 TL to the Shareholders as the first dividend,
  - c. Distribution of 2.710.533,09 TL to Privileged Shareholders as dividend,
  - d. No second dividend is to be distributed to shareholders,
  - e. In the financial statement prepared in accordance with the provisions of the Tax Procedure Law, the remaining amount after the allocation of the general legal reserve fund of TL 229,654.48 is transferred to our legal records as extraordinary reserves,
  - f. Payments to right holders on 24 June 2020,

It was decided by our Board of Directors to be offered to our General Assembly on Wednesday, 13 May 2020.

Our Board of Director shall continue to work to achieve even better results in 2020 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 2019 and We wish that 2020 will be an efficient and successful year for our country and company, free from global epidemics, primarily around the world.

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

## **A- HISTORY**

### **1. 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 İMKB
- 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.
- 2018 The construction of our new factory store was completed and put into operation. The installation of new press and digital printing machinery was completed and included in production within the scope of modernization investments.
- 2019 The new squaring and chamfering line and ceramic selection packaging machines were installed and put into operation.



## **B. GENERAL INFORMATION ON EGE SERAMİK**

### **2. Vision-Mission-Objectives**

#### **Our Vision;**

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

- 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 incomes,
- To update the sectoral knowledge by implementing the innovations brought by technology world,
- To invest to the future through 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.





**3. GENERAL INFORMATION**

<b>Reporting Period</b>	:1 January 2019 – 31 December 2019
<b>Company Trade Name</b>	:EGE SERAMİK SANAYI VE TICARET A.S.
<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>	:Kemalpaşa O.S.B. Mah.Ansızca San.Sit.Sokak No:297/1 Kemalpaşa/İZMİR
<b>Branch Address</b>	:Mecidiyeköy Mah. Büyükdere Cad. Polat Han No:87/A Sisli/İSTANBUL
<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>Branch Telephone</b>	: (212) 217 44 90
<b>Fax</b>	: (232) 878 12 54
<b>E-mail address</b>	: info@egeseramik.com
<b>Kep address</b>	: egeseramik@hs01.kep.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**



**Murat POLAT**  
Chairman of The Board of Directors



**Bulent ZIHNALI**  
Vice Chairman of the Board



**Baran DEMIR**  
Vice Chairman of the Board



**Dilek NAM**  
Independent Board Member



**Tuba TARLAN**  
Independent Board Member



**İbrahim Fikret POLAT**  
Board Member

**b) 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 real 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.

**c) Names of Board of Directors Members**

The Board of Directors of the Company was consisted of the following persons in 2019:

Chairman	: Murat POLAT (Non-Executive Member)
Vice Chairman	: Baran DEMİR (Non-Executive Member)
Vice Chairman	: Bulent ZIHNALI (Executive Member)
Member	: İbrahim Fikret POLAT (Non-Executive Member)
Independent Member	: Dilek NAM (Independent Member)
Independent Member	: Tuba TARLAN (Independent Member)

**d) Executive Members of the Board of Directors**

Vice Chairman of Board of Directors: Bulent ZIHNALI

**e) Background of the Board of Directors Members and the General Manager:****Murat POLAT****He keeps office as a Member of the Board of Directors.**

*İbrahim Polat was born in Istanbul in 1958. After completing his primary education at Işık High School, middle and high school at Yıldız College, he received business administration education in Switzerland. Upon his return to the country, he worked at Polat İnşaat, one of the group companies, and then worked at İzmir Ege Seramik between 1982-1985. Upon his return to Istanbul, he launched the hotel investment project of Polat Turizm Anonim Şirketi affiliated with İbrahim Polat Holding. In the following years, he served as General Manager, Member of the Board of Directors, Deputy Chairman of the Board and Chairman of the Board of Directors in group companies, especially for Polat İnşaat. During the same period, he also served as the Deputy Chairman of the Board of Directors at İbrahim Polat Holding. He worked as a founding member in various non-governmental organizations. He has implemented many projects on real estate development, construction, ceramics, industry and tourism. Murat Polat is married and has three children and speaks English.*

**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 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 İbrahim Polat Holding A.S. in November 1996. He kept offices as the Holding General Manager, Financial Affairs Coordinator and Group Chairman of Financial Affairs. He is now acting as CEO of İbrahim 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 Independent Auditor and has articles published on taxation. He is married and knows English.*

**BULENT 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

**IBRAHİM 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.

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

She was born on 07.07.1961. He studied at İzmir American High School. She graduated from the 9 Eylül 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. Registered to Izmir Bar Association and member of Turkish Criminal Law Association. She speaks English.

**TUBA TARLAN****She keeps office as an Independent Member of the Board of Directors.**

She was born in Izmir in 1962. She has studied in Izmir American College. She graduated from the Ege University Department of Microbiology in 1984. She has completed Yasar University Business Engineering Master Program, as wel, in 2016.

She respectively worked for Izmir Pamuk Mensucatı T.S.S. Export Department, Ozgur Atermit Sanayi ve Ticaret A.S. Export Specialist, BMC Otomotiv Mamulleri Pazarlama A.S. Export Specialist, Valeo Otomotiv Sistemleri Endustrisi A.S. Sales Specialist. She is still working as General Manager and Partner of Ayda Gıda Ltd. Sti. She is married and speaks English, Italian and French.

**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 Eylül 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 27/03/2019 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.

#### **f) 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 31 (thirty-one) individual resolutions made on various dates during year 2019. 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.

#### **g) Number, Structure and Independence of the Committees Established formed the Board of Directors**

Two committees have been formed in accordance with the CMB Series II-17-1 “Corporate Governance Principles”:

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

## Annual Report For The Period 01.01.2019-31.12.2019

on Inspection and Corporate Governance Committee were formed 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 : Dilek NAM (Independent Member)  
Member of Audit Committee : Tuba TARLAN (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 26.04.2019 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>
Dilek Nam	Head of Corporate Governance Committee (Independent Member of Board of Directors)	26.04.2019	-
Baran DEMİR	Member of Corporate Governance Committee (Non-executive Member of Board of Directors)	26.04.2019	-
Aysel HATIPOGLU	Member of Corporate Governance Committee (Investor Relations Director)	26.04.2019	-

Within the scope of the assignation carried out in the Board Resolution no. 2019-14 dated 26.04.2019, 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).

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

## Annual Report For The Period 01.01.2019-31.12.2019

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.

### **h) Senior Management**

<u>Name-Surname</u>	<u>Position</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>Aysel HATIPOGLU</u>	<u>Investor Relations Director</u> She has been appointed as of the date of 01.04.2016 and she has been still maintaining her Auditing and Corporate Risk Management- Deputy Financial Affairs Coordinator in our Parent Company, Ibrahim Polat Holding A.S.
<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.
<u>Bulent SABUNCU</u>	<u>Financial Affairs Manager</u> He joined the organization of Ege Seramik in year 2012 and he still maintains this position.
<u>Nevin CIFTCIOGLU</u>	<u>IT Manager</u> She joined the organization of Ege Seramik as the Analyst Programmer in 1992. She has been keeping office as the IT Manager since 2004.
<u>I.Volkan DERINBAY</u>	<u>Production Planning and Logistics Manager</u> 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.
<u>Ersen GOKTAS</u>	<u>Human Resources and Administrative Affairs Manager</u> He joined the organization of Ege Seramik as the Personnel and Administrative Affairs Manager in 2019. He still maintains this position.

### **i) Employees**

Average number of our employees occurred to be 964 in the year 2019. The average age of our employees is 36 and average seniority period is 7 years. Out of the total number of our employees, 11% are university graduates; 8% vocational college graduates, 36% high school

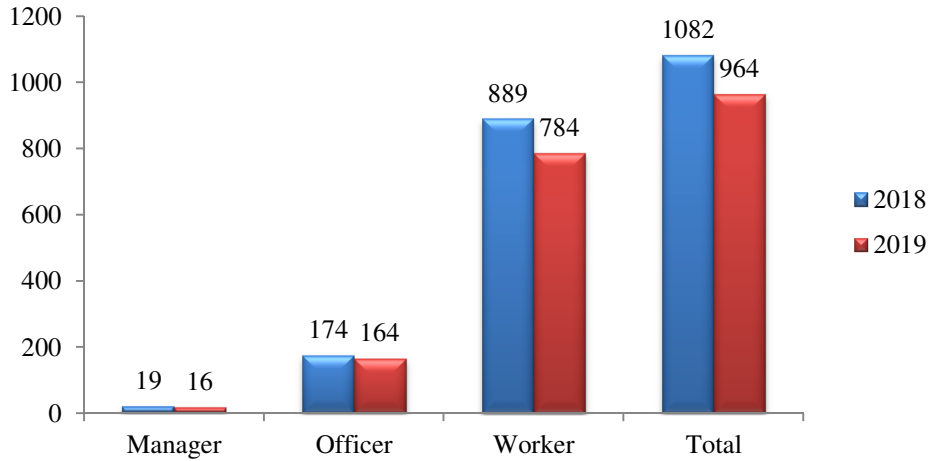
## Annual Report For The Period 01.01.2019-31.12.2019

graduates and 41% primary school graduates. Out of our administrative staff members, 9% has master's degree, 54% bachelor's degree, 21% are vocational college graduates, 12% high school graduates and 4% primary 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 01.01.2019-31.12.2020 was signed with Turkey Cement, Ceramics, Land and Glass Industry Labour Union (T.Cimse-Is) on 15.04.2019.

Average Number of Personnel	Year 2018	Year 2019
Manager	19	16
Officer	174	164
Worker	889	784
<b>Total</b>	<b>1.082</b>	<b>964</b>

**Average Number of Personnel**



### **j) 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 26/04/2019. 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 2019.

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

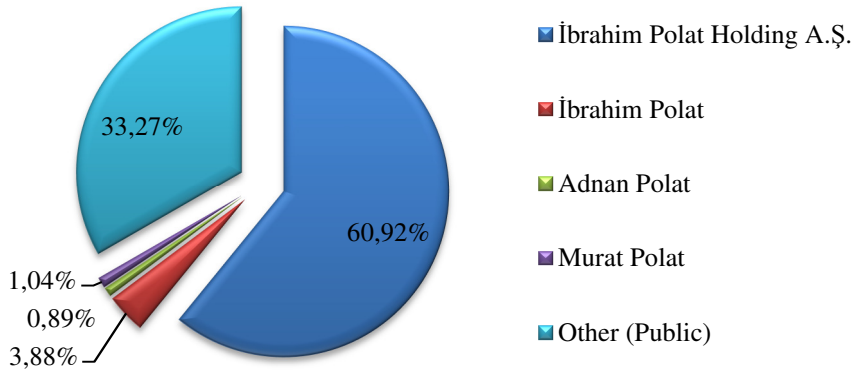
**a) Capital : TRY 75.000.000.-**

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



Shareholders	Nominal (TL)	Share %
İbrahim Polat Holding A.Ş.	45.686.919	60,92%
İbrahim 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**

Our remuneration policy for the board of directors and senior executives is published on the Company's website. As stated in the articles of association to the Board of Directors; After deducting the first dividend, eight percent of the remaining shares are allocated to Group A shareholders, five percent to Group B shareholders and five percent of the remaining profit is allocated to board members. The proposal of the Board of Directors not to give any share to the members of the Board of Directors from the profit for the year 2018 has been approved and acknowledged at the General Assembly meeting. The Company did not lend any money to any board member or executives, lend them any loans, lend a loan under the name of a personal loan through a third party, or provide guarantees such as surety in favor of them.

The General Assembly assigns and determines the attendance fee, the amount of remunerations and the payment dates that can be given to the members of the Board of Directors other than dividends. The principles of remuneration of board members and senior executives are documented in writing. The Remuneration Policy is presented to the shareholders as a separate item at the General Assembly meeting and shareholders are given the opportunity to express their opinions on this matter. The remuneration policy prepared for this purpose is available on the company's website. Share options or company performance-based payment plans will not be used for remuneration of independent board members. The remuneration of the independent members of the Board of Directors is determined by the regulations of the Capital Markets Board to maintain their independence.

It was resolved at the General Meeting of Shareholders held on 26.04.2019 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 6.000,- per month.

Also, health and life insurance is purchased for our senior executives every year. Remuneration and bonus etc. payments have been made to the senior executives in 2019, amounting to TRY 4,363,374.

## **7. SHAREHOLDERS**

### **a) 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 Communique” with ref.no. II-17.1, is working as fulltime employee in the Parent Company. Besides, is the member of Corporate Management Committee.

Bulent Sabuncu, having “Corporate Management/Governance Rating Surveyor License-703334”, as stipulated in CMB “Corporate Management/Governance Communique” with ref.no. II-17.1, is working as fulltime employee in our Company.

## Annual Report For The Period 01.01.2019-31.12.2019

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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 2019 has been submitted in the Board of Directors Meeting on 26 February 2020.

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 01.01.2019-31.12.2019, 33 (thirty three) applications were filed in the Investment Relations Function by shareholders and the investor companies through various means and were replied by the function.

### **b) 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, sales, 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 2019.

### **c) General Assembly Meetings**

- ✓ An annual general meeting of shareholders was held in 2019. General Meeting of Shareholders for our Company's operations in 2018 was held on April 26, 2019 and the minutes of the meeting is open to inspection by our shareholders on the Central Registration Agency and Web site of our Company.
- ✓ 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.
- ✓ 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.
- ✓ 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.
- ✓ 5) An item related to donations was added to the agenda at the Annual General Meeting of Shareholders held on 26.04.2019 and the shareholders were informed and requested for approval of that no donation has been made during the year 2018. The Board of Directors has entitled to donate with a limit of 30.000.- TRY (Thirty thousand Turkish Liras) for the year 2019, in the General Assembly.

### **d) 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.

### **e) 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 01.01.2018 - 31.12.2018 of which were 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 57.843.414,99 Net Distributable Net Profit for the Period; accordingly, it is deemed suitable by our General Assembly of Shareholders Meeting held on 26.04.2019 to make profit distribution as follows. The profit share amounts for the year 2018 have been paid on 27 May 2019.

Share Group Information	Cash Profit Share to be Paid to 1 TL Nominal Value - Gross (TL)	Cash Profit Share to be Paid to 1 TL Nominal Value - Net (TL)
<b>C Group,EGSER(Previous), TRAEGSER91F0</b>	<b>0,3331</b>	<b>0,28316</b>
A Group, No transaction (Priveleged), TREEGSR00012	308.498,21	262.223,48
B Group, No transaction (Priveleged), TREEGSR00020	128.540,92	109.259,78

### **f) 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.

## **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 Bulent Sabuncu shall provide such information orally or in writing.

Our Company sent 15 (fifteen) 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 2019. 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).

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 “Investor Relations” of Company internet site are as follows:
  - ARTICLES OF INCORPORATION
  - CHRONOLOGY OF ARTICLES OF INCORPORATION
  - PARTNERSHIP STRUCTURE
  - HONORARY CHAIRMAN
  - 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
  - DONATION POLICY
  - COMPANY POLICY FOR STAKEHOLDERS
  - PERSONNEL COMPENSATION 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. RESEARCH AND DEVELOPMENT STUDIES OF THE COMPANY**

In 2019, especially in order to expand the export market, our MATERIAL, TECHNICAL APPLICATION and NEW PATTERN research have been accelerated in research and product development studies, in which our customers can increase the innovations they can offer to the end user. Joint studies were carried out with domestic and foreign material manufacturers, design studios and research centers.

Especially HI-TILE TECHNOLOGY applications Crystal Shine, Digital Granillia, Deep Effect INK, Glossy Effect INK new digital printing and granilla applications were highlighted in Istanbul UNICERA and USA COVERINGS fairs.

In 2019, within the scope of improving its technical features, our Research and Development projects have been carried out together with the Ceramic Research Center established in Eskişehir and our R&D department.

The activities were accelerated by visiting the material supplier companies, design studios and mold companies operating in Spain and Italy, and determining the 2019 new product development roadmap.

In April-May 2019, raw material researches and new materials and R&D studies were carried out in the mines in Afyon, Balıkesir and Istanbul regions in the future. In new researches, it is aimed to increase the sales in foreign markets and studies have been carried out in this direction.

The change of direction of this market to other ceramic manufacturers due to the high customs duties applied to Chinese ceramic exporters, has accelerated our product development and R&D activities.

On 23-27 September, product promotions were made to the world market by Cersaie 2019 Italy International Ceramic and Bathroom Coating Fair with 42 different concept products. Negotiations were held with material and design supply companies participating in the fair, and research and development work started for 2020. New demands of customers were discussed and put into the program at Cersaie Fair. During the fair, material researches were carried out regarding the development of the technical features of the product, which would increase the project sales, and laboratory trials were programmed.

Our R&D and P&D department continued to develop products in the July-September 2019 period. Efforts are being made to ensure energy savings and increase efficiency.

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

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

Ege Seramik Sanayi ve Ticaret A.S. invested a total of 9,910,955 TRY in 2019. The part of the investments corresponding to 8.878.113.-TRY was completed within the scope of the investment incentive certificate numbered 136299 C, whose validity period is still valid.

### **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.

Our company Ege Seramik Sanayi ve Ticaret A.S. in accordance with certification procedures and with proof of applications compatible with regulations, based on ISO / IEC 27001: 2013, effective from August 15, 2016, the Company has been awarded with Information Security Management System certificate and has made significant improvements in business processes.

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.

Corporate Governance Committee; is responsible for early detection of risks that may endanger the existence, development and continuity of the company, taking necessary measures for the identified risks and management of risk, and reviewing risk management systems at least once a year.

### **c) 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.



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

	31 December 2019		31 December 2018	
	TL	%	TL	%
Ceramic Research Centre	16.000	8,00	4.000	8,00
<b>Total</b>	<b>16.000</b>		<b>4.000</b>	

**e) Information on the Own Shares Acquired by the Company:**

None.

**f) 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 independent audits during 2019 activity period.

**g) 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. Provisions for lawsuits in 2019 are provided in the footnotes.

**h) 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.

**i) 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; While the production and sales amount remained below the projected budget targets in 2019 operating year, this situation negatively affected the sales and cost items brought by currency fluctuations due to foreign exchange movements, causing EBITDA profitability to remain below the budget target, with gross and operating profit.

**j) 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.

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

Our company donated 2,280.-TRY in 2019.

In line with our company's environmentally sensitive policies, direct discharge of process water is prevented with the waste water production facility, and waste water treatment plant output values are constantly controlled. Besides, with the understanding of sustainability, the wastes formed in the intermediate processes are recycled and put into production and the waste disposal is minimized.

Emissions thrown into the atmosphere from the factory chimneys are periodically measured and it is checked whether there is a deviation from the limit values given in the Emission Permit.

To our factory, T.C. "ENVIRONMENTAL PERMISSION CERTIFICATE" has been issued by the Ministry of Environment and Urbanization within the scope of Air Emission and Wastewater Discharge, extended as effective from 22.09.2014 until 22.09.2019.

In the CE conformity mark activities, the applications are carried out effectively within the scope of (305/2011 / EU) Building Materials Regulation and EN 14411 Harmonized Standard.

There is no lawsuit filed against our company due to environmental damage.

**l) 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 2019 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.

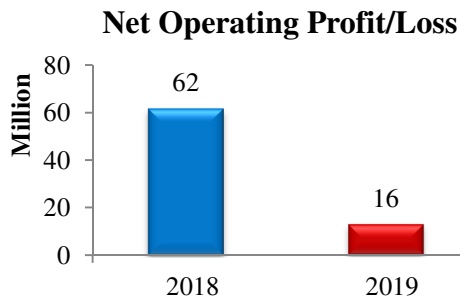
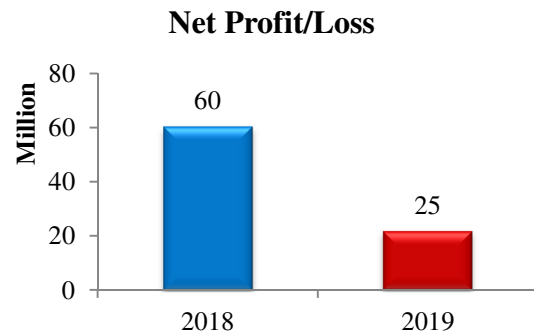
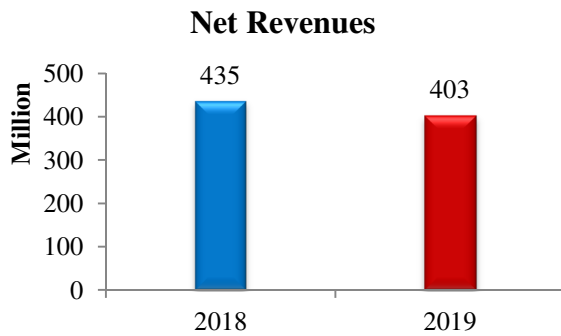
Whether or not any counter action has been taken according to the circumstances and conditions known to them once such legal actions or measures were taken or omitted and whether or not such measure taken or omitted has incurred any damages to the Company, if the Company has incurred damages, whether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

## 12. 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 2019</b>	<b>Year 2018</b>	<b>%</b>
Current Assets	296.131.162	270.823.839	9,34%
Fixed Assets	188.346.017	180.412.963	4,40%
Assets	484.477.179	451.236.802	7,37%
Short-Term Liabilities	120.188.062	92.176.976	30,39%
Long-Term Liabilities	37.087.996	28.164.608	31,68%
Share other than Parent Company	-	-	-
Capital Stock	327.201.121	330.895.218	(1,12%)
Liabilities	484.477.179	451.236.802	7,37%
Net working capital	175.943.100	178.646.863	(1,51%)
<b>Condensed Income Statement (TRY)</b>	<b>Year 2019</b>	<b>Year 2018</b>	<b>%</b>
Net Revenues	403.274.497	434.544.973	(7,20%)
Gross Profit	94.878.103	140.500.266	(32,47%)
Operating Profit	16.208.503	61.884.450	(73,81%)
Net Profit (-Loss)	24.746.066	60.354.281	(59,00%)
EBITDA (FAVOK)	33.043.158	77.051.243	(57,12%)



Financial Ratios	Year 2019	Year 2018	%
Current ratio	2,46	2,94	(16,14%)
Liquidity Ratio	1,43	1,85	(22,58%)
Gross Profit margin	23,53%	32,33%	(27,23%)
Operating Profit Margin	4,02%	14,24%	(71,78%)
Pre-tax Profit Margin	4,32%	13,66%	(68,33%)
EBITDA (FAVOK) margin	8,19%	17,73%	(53,79%)

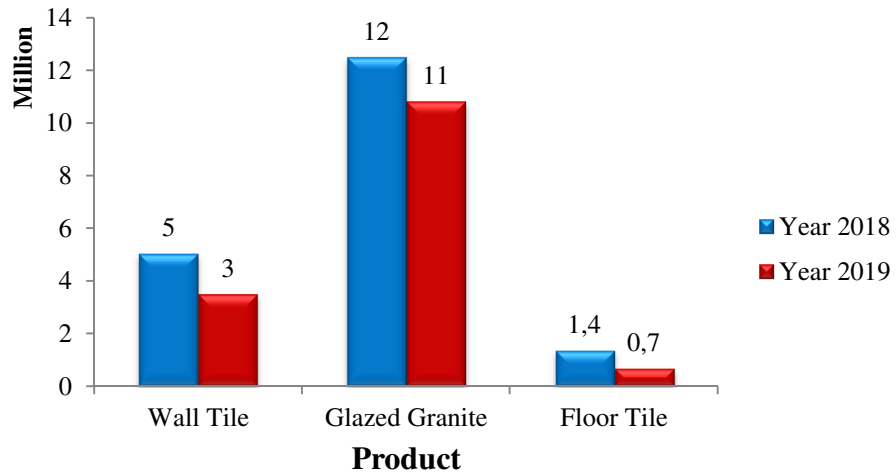
### 13. PRODUCTION

Ege Seramik has operated with a 63,24 % capacity utilization in 2019. Our production has decreased by (% 20,59) when compared with the previous year 2018, and materialized as 14.984.772 m<sup>2</sup>. Production output, compared to the preceding year was realized as follows.

Product (m2)	Year 2019	Year 2018	Increase/(Decrease)	%
Wall Tile	3.487.191	5.022.182	(1.534.990)	(30,56%)
Glazed Granite	10.827.539	12.496.115	(1.668.577)	(13,35%)
Floor Tile	670.042	1.351.770	(681.728)	(50,43%)
<b>Total</b>	<b>14.984.772</b>	<b>18.870.067</b>	<b>(3.885.295)</b>	<b>(20,59%)</b>

Ammount m2

#### Production Quantity



### 14. 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 2019 have been realized as TRY 403.274.497, decreasing by 7,20 % when compared to year 2018; and the sales quantity has been realized as 14.463.556 m<sup>2</sup>, decreasing by (23,46 %) when compared to the preceding year.

Abroad sales quantity has been increased by 4,81 % while our domestic sales quantity was decreased by (42,67%) when compared to the preceding year.

## Annual Report For The Period 01.01.2019-31.12.2019

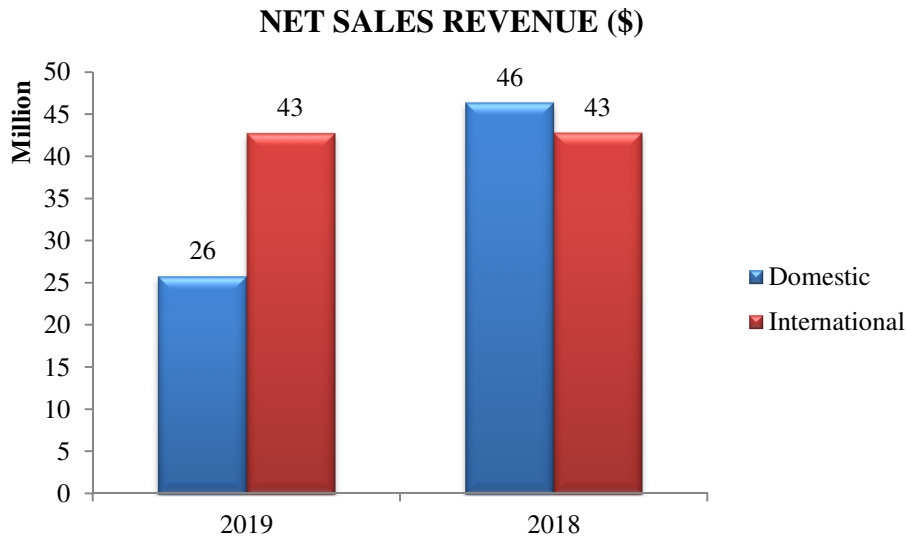
Sales (m <sup>2</sup> )	2019	2018	Difference	%
Domestic	6.449.929	11.250.158	(4.800.229)	(42,67%)
International	8.013.627	7.645.787	367.840	4,81%
<b>Total</b>	<b>14.463.556</b>	<b>18.895.945</b>	<b>(4.432.389)</b>	<b>(23,46%)</b>

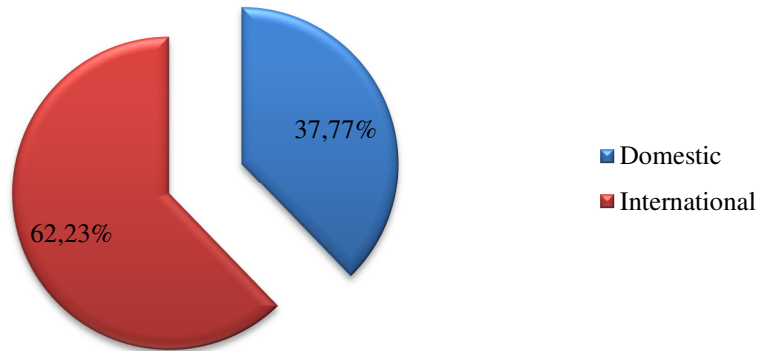
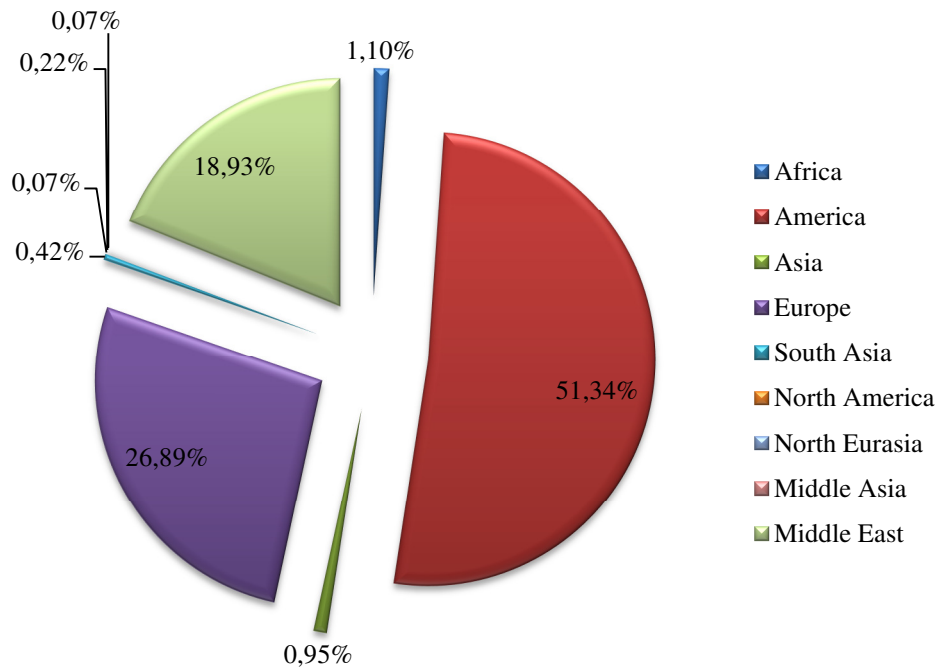
Net Revenues (TRY)	2019	2018	Difference	%
Domestic	152.306.260	211.678.051	(59.371.791)	(28,05%)
International	250.968.237	222.866.922	28.101.315	12,61%
<b>Total</b>	<b>403.274.497</b>	<b>434.544.973</b>	<b>(31.270.476)</b>	<b>(7,20%)</b>

Net Revenues (USD)	2019	2018	Difference	%
Domestic	25.761.737	46.340.669	(20.578.932)	(44,41%)
International	42.720.711	42.744.636	(23.925)	(0,06%)
<b>Total</b>	<b>68.482.448</b>	<b>89.085.305</b>	<b>(20.602.856)</b>	<b>(23,13%)</b>

Our exports were realized as USD 42.720.711 in year 2019.

Markets in which we are ambitious abroad are USA, Israel, England and Canada, respectively. Exports were achieved to 66 countries and 73,72% of the total revenues abroad were earned from USA, Israel, England and Canada in 2019.



**SALES DISTRIBUTION**

**Regional Distribution of Abroad Sales**


## **15. DEVELOPMENTS IN THE SECTOR**

### **The Sector In Which The Company Operates And Its Place In This Sector**

Both in Turkey and in the world, the basic factors that influence the growth of the ceramic industry is the development of economic growth and construction sector. The growth in the construction sector contributes to the development of the sector as it brings together the “Ceramic Coating Materials” requirement. Also, qualified human resources, R & D and innovation studies in the sector are among other things that affect the development of the sector.

In the world, especially in recent years, in order to gain competitive advantage in the ceramic coating materials sector, the trend towards high value added, quality and creative products has increased, which has accelerated the R&D and innovation activities in the sector. Globally,

Turkey's competitors' level of development in the technological field is caused by domestic producers of goods to be perceived as cheap or poor quality. The domestic producer has a hard time compared to its competitors in both mechanization and innovative products. In this case, it provides for more efficient management of R & D activities of competitors and put pressure on Turkey's competitiveness. To ensure competitiveness, the tendency to high added value products by ceramic tile manufacturers in Turkey has increased in recent years.

The capacities of ceramic coating materials group have not changed significantly in recent years. In recent years, product quality and recognition has gained importance in the sector. Product quality and awareness have gained importance in the sector in recent years. This positively affected the total market share of high value-added products and continued to support exports to developed countries. The ceramic coating materials sector has made a significant contribution to the Turkish economy as one of the sectors that use domestic resources in exports and has the lowest dependence on imported products.

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

Our company was founded on 09.09.1972, ceramic tile industry in terms of brand awareness in some surveys are among the top two companies in Turkey.

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

Factors affecting the profitability of most companies operating in the ceramics industry in Turkey are mainly energy prices and imported inputs needed in the production process. The ceramic industry, where energy is consumed extensively, is particularly sensitive to natural gas prices. Energy expense in ceramic production is up to 30-35% of the cost compared to the ceramic sub-industry branches; Turkey, since it is highly dependent on foreign energy production, is affected by fluctuations in energy markets and exchange rates, compared to other major international manufacturers Turkey is shown in terms of cost competitiveness among disadvantaged producers, especially in developing countries.

In addition, the increases in the exchange rate due to the input of imported raw materials increase the costs of the companies and put pressure on their profitability.

The high use of road transport in the export of ceramic products and in the transportation of raw materials and products in the domestic market raises the cost of transportation.

Since the high logistics costs in our country also reduces the competitiveness of the exporting companies, harmonization of all transportation services, expanding the railway network, developing railway transportation between production center-raw material areas-ports will be beneficial for the sector.

Although there are many incentive mechanism for the private sector in Turkey, may vary according to the characteristics of the sub-sector incentives, in order to make a difference in the sector and retain its competitiveness, raising the qualified manpower it needs continues to gain importance day by day.

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

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**

Due to the export to many countries of the world, Ege Seramik product portfolio is quite wide and appealing to all tastes. This variety is constantly updated in line with new trends and customer needs. Our product portfolio has been enriched with the new product studies carried out in 2019, on the other hand, in order to keep the variety at the optimum level in October, cancellation has been made for the products that received less appreciation.

Comparison studies have been made about the products in the market, the product portfolio has been enriched by making research determinations regarding the products needed in the market and foreseen to add value to our portfolio.

In the Spring 2019 collection introduced at the Unicera Fair in March 2019, 40 new series were included in the Ege Seramik product portfolio in line with the innovations in the market and the needs in the product portfolio. Some of the top segment products in the new collection include Crystal Shine Effect surfaces in the Hi-Tile Technology class, providing extra brightness. The products were supported with reliefs and decors in line with the market trends, and the trend colors of 2019 were highlighted in the collection. While making the collection plan, it was planned in accordance with the combination and presentation with each other and it was provided to display in this direction in the fairs.

Products suitable for the American market were developed for the 2019 Coverings Fair and a presentation was made at the fair held in Orlando in April.

Along with the 2019 Autumn Collection products exhibited at Cersaie Fair, by including new products developed for customers after the Unicera fair; 60 new series are included in the portfolios. The product portfolio offering size, pattern diversity reveals its difference by displaying different products combined with each other in harmony. In 2019, it is planned to carry out a cancellation study and remove the products with low performance from the product portfolio in order to simplify the product portfolio.

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

- At the 31st Unicera Fair, which took place on 5-9 February 2019, within the 544 square meter stand area, stand design, space placements required for the presentation of new products, product boards were prepared. Along with the Spring 2019 collection at the fair, the Autumn Collection products exhibited at the Cersaie Fair in September were also included in the exhibition stand to introduce them to the Domestic Market customers. During the fair, product and company promotion videos were shown at the stand, and our internal and external customers were hosted at our stand. During the bilateral meetings held with the press, interviews were carried out to promote our company and our new products, and were published in industry-oriented magazines and on some television channels.



- New product catalog was created for Spring 2019 collection products exhibited at Unicera fair, and distributed to sales teams and domestic market dealers after the fair. New products added to the portfolio have been included into the general product catalog. Through virtual tour created subsequent to 360 degree photo-shootings in the Unicera fair, the customers who couldn't participate in the fair and people interested in the sector have taken the advantage of visiting our booth virtually.
- After the Unicera fair, the panels prepared in accordance with the presentation stands of the domestic and foreign customers and the new products exhibited in the fairs were sent to the domestic market and export dealers in the form of a single board and a single sample.
- By participation in the Coverings 2019 Fair held in Orlando Florida on 9-12 April 2019; in addition to the Spring 2019 collection, special products developed for the American market were introduced to be exhibited at the fair. A special catalog study was made for this market. During the fair, current and potential customers were hosted at our booth. Announcements, bulletins, and promotional activities were made regarding participation in the fair before and after the fair.
- Ege Seramik Autumn Collection was promoted at Cersaie Fair held in Bologna, Italy on September 27, 2019. Autumn 2019 catalog work has been prepared for the promotion of the collection. With the virtual tour application, our customers who could not visit the fair were provided to visit our stand virtually and to examine our new products.
- Year-round studies have been carried out to present our newly developed products at sales points accurately and effectively. Signage studies, concept store projects, live space drawings, planning for panel renewals and other display application works were carried out by the Architectural Services department for new and existing dealers.
- Ege Seramik Info Center was opened in September. In this project, it is aimed to display our products in Istanbul in a complete and accurate way, especially to architects and professionals. By creating a virtual tour for the store, access was provided for customers and dealers who could not visit. Info Center also provides support for product promotion for our Foreign Trade customers. While İzmir factory visit was needed to fully promote the portfolio in the past, after Info Center commences its operations, foreign customers can be hosted in Istanbul and product promotion can be made.
- At the dealer sales points, SPRING and AUTUMN 2019 collection products were added to the KAREO program, which displays the three-dimensional shape of the products in the space. Mobile application and website updates were made. Preliminary preparations have started for the transition of the Kareo program to the current, fast and practical web version that can be used over the web.
- Brand and product promotion and other corporate communication activities continued in social media and press. Our communication with our followers from our social media accounts on Facebook, Instagram, Twitter, LinkedIn, Pinterest, Youtube continues regularly and intensely. Social media advertising activities have been increased for our target audience. As of the end of September, the number of followers has reached 160 thousand people on all platforms. Regarding corporate communication studies; news distributions about our company and products were made in various sector magazines, newspapers and digital press organs, regularly and a reflection about our brand and products was provided in the press. It is aimed to increase the number of followers through competitions held on special days.

## Annual Report For The Period 01.01.2019-31.12.2019

- Ege Seramik factory promotion film work, launched in 2018, has been completed. While the film explains the production processes in our factory, it is prepared to emphasize the effectiveness of our brand in domestic and foreign markets, after adding the shots made in the new sales store, voiceover and info graphics were added and published in all platforms as an update for 2019. The film was shared with all our foreign trade customers with its English version. In addition, the German version of the film work was created.
- Throughout the year, marketing support activities were carried out with special presentations, brochures, catalogs and product charts in order to promote our new products and support the promotion of our customers.

### ❖ Awards and Certificates We Received

#### 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 in 2017 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; and its Strategic Business Plan and Development Roadmap approved by Ministry of Economy in 2018.



## Annual Report For The Period 01.01.2019-31.12.2019

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 Turquility program. In the forthcoming period, our government shall support such a comprehensive and prestigious Project like Turquility 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 Enviroment 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, in 2019, as in 2018, by applying to UL Enviroment, 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.



### **Green Squared**

Green Squared is North America's first and only sustainable product program for ceramic and ceramic flooring materials only. This supports the potential for improving the market-oriented environment and quality of life by constantly promoting the demand and supply of products that cause less stress on the environment and society. Ege Seramik San. ve Tic. A.S.'s applications and products meet the requirements of the Green Squared Standard. The evaluation of the products and applications related to our company is carried out by UL Environment Company.



### **Environmental Product Declaration**

EPD is the reporting of environmental data according to ISO 14025 based on life cycle assessment (LCA).

Ege Seramik San. ve Tic. A.S completed the EPD Project in January 2020 and evaluations are made by UL Environment, an independent certification body.



### **SASO Quality Mark**

As a result of the audit carried out by TSE on October 10, 2019, Ege Seramik San. ve Tic. A.S has been awarded the SASO Quality Mark certificate, regarding SASO Quality Mark requested by S. Arabia Standard Organization (SASO) for export to Saudi Arabia.



### **Awards**

#### **➤ Award for Board of Directors Empowered with Women**

As part of the Independent Women Directors Project implemented by the Sabanci University Corporate Governance Forum; 'Board Index Empowered with Women' and 'Award for Board of Directors Empowered with Women' for the year 2019, have been announced at ' 7. Women's Directors Conference. At the conference, where 7 companies received awards in total, EGE SERAMİK was entitled to receive the "2019 Board of Directors Empowered with Women" award as one of the companies with the highest proportion of women members in its committees among all companies that are registered in BIST in 2019.

#### **➤ International Design Award**

Our Arya series was awarded the A 'Design Award and Competition 2019 award with its 33 × 99 Dynamic Full Glossy Rectified decor. A 'Design Award and Competition, which evaluates the best designs, concepts, products and services from different disciplines, is considered the world's largest design competition. Due to the fact that it is a design competition that has high international effectiveness and registers the perception of quality; the A 'Design Award is valued as a highly prestigious organization.

#### **➤ Ege Seramik is again among Turkey's Most Valuable 100 Brands**

Ege Seramik, continues to be one of the examples of the brand taking the significant steps of the branding industry in Turkey. "Turkey 100 Most Valuable Brands" survey, which is held every year in accordance with the ISO 10668 standard is published by Brand Finance. Ege Seramik has taken its place among Turkey 100 Most Valuable Brands, again this year.

### **Certificates**

On the other hand, our Company actively carries out and certifies its practices within the framework of the following national and international standards;

- ✓ TSE ISO IEC 27001 Information Security Management System

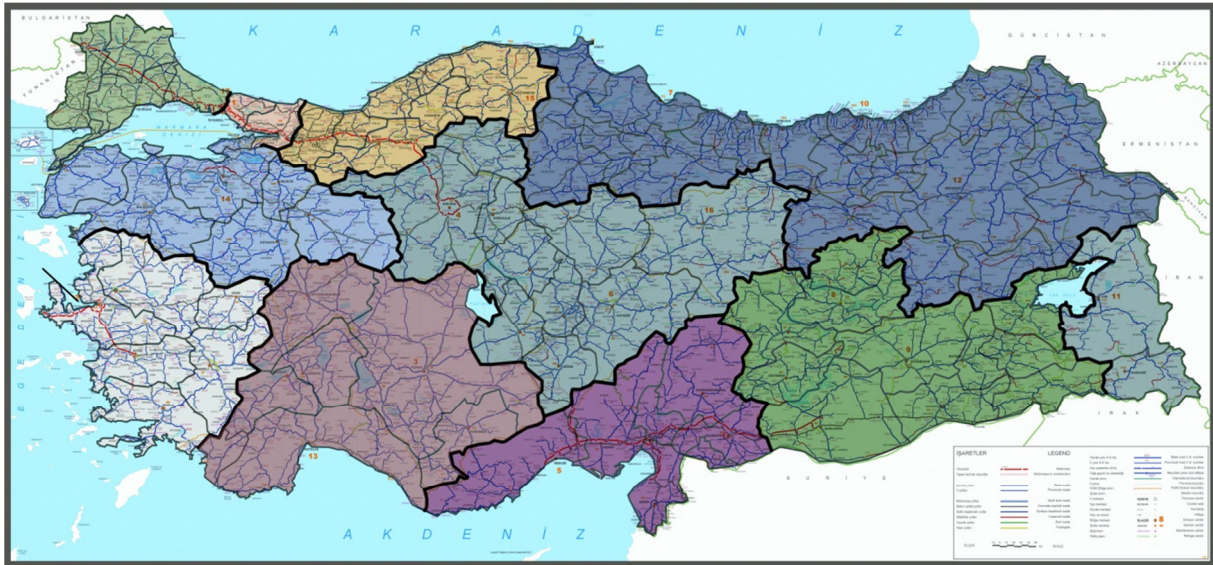
- ✓ TS EN ISO 9001 (TSE -Turkey), DIN EN ISO 9001 (DQS-Germany) Quality Management System
- ✓ TS-EN-ISO-9001 approved by IQ Net
- ✓ TS-EN-ISO-14001 Environmental Management System
- ✓ TS-EN-ISO-14001 approved by IQNet
- ✓ **TSE Double Star** : *This award confirms that Ege Seramik products have properties 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 and complying with C-TPAT system formed in Amrica, 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*
- ✓ Ege Seramik San. ve Tic. A.S.; has also obtained the necessary documents to sell in these countries as a result of the audits of the countries of Israel and France.

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

Ege Seramik products are located at the sales points of corporate companies. Important corporate companies such as Halkbank, Kofteci Yusuf, Mado, Yataş, De Facto, Carrefour, Marks & Spencer, BP, A101 prefer Ege Seramik products.

### ❖ **Our Business Partners**

Our domestic sales activities were revised in 2019 over 10 sales regions. In Turkey, sales activities were continued with 129 authorized dealers. On Construction Market/Yapı market channel, our products continue to be sold in nearly 100 branches.



## **17. STAKEHOLDERS**

### **a) 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.

### **b) 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.

### **c) 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 fro providing the candidates to negotiate with the executives with whom they are to work with. In occlusion 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.

**d) Ethical Rules and Social Responsibility**

Ethical Principles, Our Company's Ethical Principles are published on our website and announced to the public.

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. In the Surveillance Audit carried out in 2019, TSE and DQS decided to continue the documents*

*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 conclusion of the audit performed by TUV Tuhringen Company on 12.07.2019.*

### **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.*

*TSE decided to continue the document during the Supervision Audit on July 18-19, 2019.*

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.*

### **e) 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.

### **f) Our Social Responsibility Policy**

Ege Seramik San. ve Tic. A.S is aware of the responsibility of raising social standards as well as providing quality products and services within the framework of corporate social responsibility principles. It behaves sensitive to the needs of the society, taking into consideration the future generations. In this context, the Company aims to contribute to social enrichment by giving donations and social benefits in different fields such as education, environment, sports, culture and arts, primarily in the regions where it operates. Donations and aids made in accordance with corporate responsibility principles are shared with the public in the annual report. Addressing the issues of increasing the health, safety and satisfaction of our employees, Ege Seramik San. ve Tic. A.S. with this policy;

- ✓ 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;
- ✓ We are committed to an approach that aims ensuring working conditions in an environment of respect and trust within the framework of ethical values, as well as compliance with the Labor Law No. 4857 and the relevant legislation on prevention of maltreatment; implementation of the ETI Base Code Standards, to ensure the continuity of the practices, to ensure continuous improvement.

### **g) Relations with Customers and Suppliers**

- ✓ The company attaches importance to customer satisfaction in the sales and marketing of goods and services and takes the necessary measures for this.
- ✓ The Company takes the necessary measures to establish and maintain relationships with its customers and suppliers, which are providing products and services in accordance with the laws, in accordance with established contractual provisions, and to observe international and sectoral standards in the provision of goods and services, reviews and renews its processes.
- ✓ Information about customers and suppliers is seen within the scope of trade secrets and attention is paid to their privacy.

**h) Personnel Severance Policy**

Ege Seramik San. ve Tic. A.S., while determining the compensation policy for employees, is based on the Human Resources Policy provisions and the provisions of the Labor Law No. 4857 in force, Article 14 of the Labor Law No. 1475, which has been repealed. The severance and notice indemnity clauses of the Collective Bargaining Agreement are applied when determining and implementing the compensation policy for the employees within the scope of the Collective Bargaining Agreement in our company.

**Severance pay;** Severance pay is made for the service period of the employee in the company, to employees or, if the employee dies, legal heirs, having at least one year of work in the company and if the employment contract ended according to one of the situations requiring severance pay specified in the provisions of Article 14 of the Labor Law No. 1475, which was repealed with the Labor Law No. 4857. In the number of days subject to severance pay to be paid to employees, Company Regulations; and Collective Labor Agreement is taken as basis for unionized employees.

**Notice Priority and Wage;** Where the priority of notice should be recognized; according to Article 17 of the Labor Law numbered 4857 or for unionized employees, implementation is made within the principles specified in the Collective Labor Agreement. Also, the wages of the personnel until the end of the notice period can be terminated by paying in cash. In cases where the notification priority is recognized, the personnel are given permission to search for jobs.

Within the framework of ethical values, providing working conditions and not allowing ill-treatment in an environment based on respect and trust, in addition to its compliance based on the Labor Law No. 4857 and related regulations, we undertake an approach aiming to fulfill the practices related to **ETI Base Code Standards**, ensure their continuity, and continuously improve thereof.

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

**18. AMENDMENTS TO THE ARTICLES OF INCORPORATION DURING THE TERM**

None.

**19. RELATED PARTY TRANSACTIONS IN THE YEAR 2019 AND FORECASTING REPORT ON WIDESPREAD AND CONTINUOUS RELATED PARTY TRANSACTIONS IN THE YEAR 2020**

The detailed table concerning the transactions realized with the related parties in year 2019 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 01.01.2019- 31.12.2019 is amounted as TRY 402.817.259.

## Annual Report For The Period 01.01.2019-31.12.2019

Our sales analysis realized in 2019, as total sales; TRY 402.817.259 (Domestic Sales TRY 154.020.257+ Export Sales TRY 237.887.681+ Other Income TRY 10.909.321) and 57,19% 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 58,41% 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, Cost-Plus 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 2019, the following were forecasted within the scope of financial sales and purchase forecasts report for year 2020 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 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 2019 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

## **20. PROPOSAL FOR THE DISTRIBUTION OF 2019 PROFIT**

Published in the Official Gazette dated April 17, 2020 "Law No. 7244 on the Amendment of Some Laws and the Law on Reducing the Effects of New Coronavirus (COVID - 19) Outbreak on Economic and Social Life";

Within the scope of "Only up to twenty-five percent of the net profit for the year 2019 can be decided to be distributed in capital companies by 30/9/2020..."; Profit distribution of our company in 2019 was discussed. Considering these limitations,

- Profit distribution from our company's financial statements prepared according to S.P.K.(CMB);
- **A Net Distributable Period Profit With Donations Added of TRY 24.186.266,21** occurs in our legal records subsequent to allocation of TRY 562.079,79 as general legal reserve fund and 2.280,00 TRY donations from After Tax Profit of TRY 24.746.066,00 as

## Annual Report For The Period 01.01.2019-31.12.2019

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in our financial statements arranged pursuant to CMB. To distribute this profit as below, within the scope of Law No. 7244, not exceeding 25% of the net profit for the period ;

- a)** No dividend from net distributable term's profit shall be provided to the members of Board of Directors,
- b)** To pay TRY 3.336.011,70 to the Shareholders as the first dividend,
- c)** To distribute TRY 2.710.533,09 to the privileged shareholders as dividend,
- d)** No payment to the Shareholders as the second dividend,
- e)** The remaining amount subsequent to deduction of TRY 229.654,48 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,
- f)** To make the payments to the beneficiaries on 24 June 2020,

the foregoing items have resolved unanimously to submit for the approval of shareholders in the General Assembly.

Statement of Profit Distribution is as follows.

## Annual Report For The Period 01.01.2019-31.12.2019

EGE SERAMİK SANAYİ VE TİCARET A.S. Year 2019 Profit Distribution Statement (TRY)			
<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>14.034.059,41</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	17.439.131,00	12.193.497,98
4.	Payable Taxes ( - )	<b>7.306.935,00</b>	<b>(951.902,22)</b>
5.	<b>Net Term's Profit ( = )</b>	<b>24.746.066,00</b>	<b>11.241.595,76</b>
6.	Losses of Previous Years ( - )	0,00	0,00
7.	General Legal Reserve Fund ( - )	562.079,79	562.079,79
8.	<b>NET DISTRIBUTABLE TERM'S PROFIT ( = )</b>	<b>24.183.986,21</b>	<b>10.679.515,97</b>
9.	Donations made during the year ( + )	2.280,00	
10.	<b>Donation-added net distributable term's profit</b>	<b>24.186.266,21</b>	
	Primary/First Dividend to Shareholders (*)	3.336.011,70	
11.	-Cash	3.336.011,70	
	-Free	0,00	
	- Total	0,00	
12.	Dividend Distributed to Holders of Privileged Stocks	2.710.533,09	
	Holders of Group A Stocks	1.668.020,36	
	Holders of Group B Stocks	1.042.512,73	
13.	Other Distributable Dividend - Members of Board of Directors - Employees - Dividends to other persons other than shareholders	0,00	
14.	Dividend Distributed to Dividend Stocks	0,00	
15.	Secondary Dividend to Shareholders	0,00	
16.	General Legal Reserve Fund ( - )	229.654,48	
17.	Statutory Reserves	-	-
18.	Special Reserves	-	-
19.	<b>EXTRAORDINARY RESERVE FUND</b>	17.907.786,95	4.403.316,71
20.	<b>Other Resources Prescribed to Distribute</b>		

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	1.668.020,36			139.001,70	13.900.169,67
	B	1.042.512,73			57.917,37	5.791.737,36
	A+B+C	3.336.011,70			0,0445	4,4480
	<b>TOTAL</b>	6.046.544,79				
<b>NET</b>	A	1.417.817,31			118.151,44	11.815.144,22
	B	886.135,82			49.229,77	4.922.976,76
	A+B+C	2.835.609,95			0,03781	3,78
	<b>TOTAL</b>	5.139.563,07				
<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>3.336.011,70</b>	<b>13,79%</b>					

## **21. INDEPENDENT AUDIT REPORT**

It is featured in the Public Disclosure Platform, Central Registration Agency, e-Company and www.egeseramik.com web site.

## **22. FINANCIAL STATEMENTS AND FOOTNOTES**

It is featured in the Public Disclosure Platform, Central Registration Agency, e-Company and www.egeseramik.com web site.

## **23. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES OF 2019**

Ege Ceramic Industry and Trade Inc. (Hereinafter referred to “ the Company”) complies with the mandatory principles in the “Corporate Governance Communiqué” published in the Official Gazette numbered 28871 on 3 January 2014 and applies these principles.

The Corporate Governance Principles Compliance Report of our Company has been submitted to the information of our investors under heading “ Corporate Governance Compliance Report” of the “ Investor Relations ”section and also in our Activity Reports arranged for the subject years.

Ege Seramik is committed to comply with the Corporate Governance Principles issued by the Capital Markets Board and the four principles of the Corporate Governance based on Transparency, Fairness, Responsibility and Accountability and to make arrangements for the issues to be adapted subject to the conditions that are developing.

Ege Seramik has taken the necessary steps in line with the Corporate Governance Principles and proved its commitment to all its shareholders and all stakeholders with its determination to comply with the Corporate Governance Principles and all its activities.

Our Company believes in the importance of fully compliance to the Corporate Governance Principles. However, due to the difficulties in implementation in some of the non-obligatory principles, the ongoing discussions in our country as well as in the international platform in terms of compliance with certain principles, and the incompatibility of some principles with the current structure of the market and the company, have not been fully complied with, yet. Developments related to the subject are being monitored and our efforts towards compliance are continuing.

The Company complies with the principles stipulated in the Corporate Governance Communiqué No II-17.1 (“Communiqué”).

Although there is no written company policy regarding the recommendation “determines the target ratio and target time, not less than 25% for the female member rate in the board of directors, and forms a policy to achieve these goals” as stipulated in Article 4.3.9 of the Communiqué; in 2019, the rate of female members in the Board of Directors was 33.33%.

In addition, the “ Nomination Committee” and the “Remuneration Committee” obligations under Article 4.5.1 of the Communiqué are undertaken by the “Corporate Governance Committee”; and in Article 4.5.5 of the Communiqué, “ although the recommendation that a member of the board of directors should not be included in more than one committee, is paid

attentain to comply with, due to the business expertise required by the committee membership, a member of the Board of Directors may become a member of more than one committee”.

In order to comply with the principles in the next period; necessary work shall be carried out by taking into account the regulations and practices of the CMB Corporate Governance Communiqué numbered II-17.1 and published in the Official Gazette on 3 January 2014 by the Capital Markets Board.

### - **2019 CORPORATE GOVERNANCE COMPLIANCE REPORT**

2019 Corporate Governance Compliance Report is published on the Public Disclosure Platform and [www.egeseramik.com](http://www.egeseramik.com) website in addition to the 2019 Annual Report.

### - **2019 CORPORATE GOVERNANCE INFORMATION FORM**

2019 Corporate Governance Information Form is published in the Public Disclosure Platform and [www.egeseramik.com](http://www.egeseramik.com) website in the annex of the 2019 Annual Report.