

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the General Assembly of Ege Profil Ticaret ve Sanayi Anonim Şirketi

1) Opinion

We have audited the annual report of Ege Profil Ticaret ve Sanayi Anonim Şirketi ("the Company") and its subsidiaries ("the Group") for the period of 1 January - 31 December 2017.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Report* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 21, 2018 on the full set consolidated financial statements of the Group for the period of 1 January - 31 December 2017.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- c) The annual report also includes the matters below:
 - Subsequent events occurred after the end of the fiscal year which have significance,
 - The research and development activities of the Group,
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Ethem Kutucular.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ethem Kutucular, SMMM
Partner

February 21, 2018
İstanbul, Türkiye

**ACTIVITY REPORT OF BOARD OF DIRECTORS OF
EGE PROFİL TİCARET VE SANAYİ A.Ş.**

SECTION 1 – GENERAL INFORMATION

Title:	Ege Profil Ticaret ve Sanayi A.Ş.
Report Term:	01/01/2017 – 31/12/2017
Registered Capital Ceiling:	TRY 120.000.000,00
Issued Capital:	TRY 80.980.793
Date of Registry:	13 January 1981, Turkey
Company Headquarters:	Atatürk Plastik OSB Mahallesi, 5. Cadde No: 4 Menemen, IZMIR
Tax Office and Tax ID Number:	Menemen 325 005 4933
Trade Registry Number:	5065
Trade Registry Office:	Menemen
Mersis No:	0325005493300015
Corporate Website:	www.egeprofil.com.tr
Place of Production:	IZMIR PLANT Atatürk Plastik OSB Mahallesi, 5. Cadde No: 4 Menemen, IZMIR Tel. +90 232 398 98 98 / Fax: +90 232 376 98 99
Place of Production:	IZMIT (KOCAELI) PLANT Sarımış Mah. Suadiye Cad. Winsa İdari Bina Apt. No. 5 Kartepe, Kocaeli Tel. +90 262 371 57 27 / Fax +90 262 371 57 28
India Branch:	Building no. 09, Casa Grande Distripark, Satharai Village, Trivallur Taluk, Trivallur District, Tamil Nadu-631 203, INDIA Tel-Fax No: +919600111788
Chile (Subsidiary):	Centro Industrial Lo Boza 3G-3H Volcan Lascar 801 Pudahel Santiago, CHILE Tel-Fax No: +56951498754

Independent Auditing Company and Responsible Partner Lead Auditor
SCOPE OF ACTIVITY AND ABOUT EGE PROFİL

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Responsible Partner Head Auditor: Ethem Kutucular

Ege Profil Ticaret ve Sanayi A.Ş. (Ege Profil) is a company registered in Izmir. Main scope of activity of Ege Profil is the manufacture and sales of any kind of plastic pipes and spare parts as well as any kind of profiles and plastic goods.

Ege Profil was established in 1981 under the title Namık Mazhar Zorlu ve Oğulları Plastik Profil Sanayii Kollektif Şirketi. Its title was changed in 1982 to what it is today. Company shares were offered to public and were processed in Borsa Istanbul (BİAŞ). In 2000, 47% of the shares of Ege Profil by Mazhar Zorlu Group to one of the biggest PVC Profile producers in the world, Deceuninck Group, Belgium. Mazhar Zorlu Group sold an additional 30% shares of the company to Deceuninck Group in 2001 and then Deceuninck Group purchased 21% from BİAŞ and thus, owned 98% of the company. With the contract signed between the company and Pilsa A.Ş., all the activities performed under the trade name Winsa were transferred to Ege Profil. The production under Winsa brand was then performed from the beginning of 2008 mainly in Kartepe/Kocaeli Facilities built with advanced technology.

The reliance and market knowledge of Egepen Deceuninck and Winsa brand was integrated with the customer oriented approach of Deceuninck Group and its advanced technology and understanding of quality. Deceuninck NV, an integrated group throughout the world, is specialized in compound, design, development, extrusion, finishing and recycling. The group summarizes its targets with the passion to carry its understanding of quality and service to the perfection.

Ege Profil has shown high performance and noted continuous growth since 2001. The role of its experience in the market and its motivation of personnel is important behind this success achieved. Horizontal organization model is dominating in the company and the personnel members in each and every rank are supported by the management in terms of using initiatives and sharing the authorities and responsibilities.

The young and dynamic personnel continue creating the trends determining the market in Turkey in compliance with the leading mission of Deceuninck in the world. Training opportunities provided to the employees, importance attached to Research & Development activities, the quality policy applied and large share of information created by the group make the success irreplaceable.

Ege Profil is performing business in PVC profile sector with its three main brands Egepen Deceuninck, Winsa and Pimapen. The products and sales marketing channels of all brands are formed separately.

The investment in Menemen Organized Industrial Zone for Plastic started in 2015 with a process sensitive to the environment without sacrificing its production quality of world standards and it was completed and totally became active in 2017. It has a closed areas of totally 86.258 m2 including 54.968 m2 of production facility, 8.995 m2 of administrative

buildings and 22.295 m² of logistics center on an area of totally 110.000 m². The facility has a capacity of 60.000 tons at the first stage and it has an infrastructure to reach a capacity of 100.000 tons. The company produces in Kartepe, Kocaeli in its facility on an area of 40.667,96 m² with a closed area of 34.591 m² and capacity of 41.490 tons. The logistic services of company for the products produced in this facility is ensured through an company providing logistic services in the logistics center hired for 10 years on a closed area of 21.515 m² in Kartepe.

These three brands also have Regional Directorates is Izmir, Istanbul, Ankara and Adana.

Winsa brand has approximately 250 producer dealers and 550 sales points; Egepen brand has approximately 450 producer dealers and 1850 sales points; and Pimapen brand has approximately 270 producer dealers and 600 sales points.

Countries of import and export include the countries in Europe, America, Africa and Australia continents.

Our place as Ege Profil in the world market is expanded every passing day. Ege Profil started business in India in 2012 with a branch as a warehouse and it participated in the company titled Deceuninck Importadora Limitada in Chile in 2013 with a share of 99.9% and it continued as Deceuninck Brasil that is active as a distributor in Brasil to the developing markets in 2014.

Ege Profil entered the aluminum sector in 2013.

87,60 percent shares owned by Deceuninck NV in Pimaş with a nominal value of TRY 31.535.339,989 was purchased in June 2017 with a value of TRY 2,7081 per each share and TRY 85.400,364 in total; and the share with a nominal value of 2.127.845 Brazilian Reals registered in Deceuninck do Brasil Limitada, Brazil was sold to Deceuninck N.V. at Eur 1.000 over its liquidation value because it was in loss. The process of decision rendered with Pimaş in August 2017 about the merger by way of taking the transfer as a whole with all the assets and liabilities was completed in December 25, 2017.

Customer expectations are met at highest level through new products and technological developments, dealer training seminars, applied operating training and technical publications. Today, our company has the largest range of products in the sector and it makes production with more than three hundred patterns developed by the company. Our sales increasing with the confidence of our dealers in our brands and their effort to meet the expectations of customers at highest level make our competitors feel our precedence.

COMPANY MISSION AND VISION AND STRATEGIC TARGETS

For a sustainable future,

Why? Our Main Goal;

Innovative and Leading

Our goal is to produce high quality and innovative products with the support from our knowledge and our specialist staff and carry these to your locations and to increase the comfort of your life. We work intensively to protect your places and beloved ones from the negative impacts of the external conditions, closely follow-up technological developments and offer you new products. Since the production, installation and maintenance of our systems are profoundly simple, all our products are produced with the purpose of meeting your needs at maximum level in a way to ensure maximum customer satisfaction.

Ecology

Our goal is to support our customers in order to utilize energy in the most efficient way in the construction of buildings. Thus, all our products ensure maximum insulation, they have a long life, and they require low maintenance. Our products are produced in a way to leave minimum ecologic traces, using minimum amount of energy, and with a recyclable structure In order not to harm the environment.

Design

Our goal is to assist you to make your places more beautiful and to reflect your own architectural style with our various designs. Our products have a timeless design to meet your expectations, with the large range of natural colors and their unique surface quality having natural textures.

Our Employees and Customers

We create an open, honest and sincere working environment with our employees and all our customers. Thus, we create long-term business collaborations and ensure maximum level of customer satisfaction. We place emphasis on quality, safety, environment, and humans and work with a team spirit.

How? Our Basic Values

Honesty

We always tell the truth as it is, and act clearly and sincerely throughout the entire communication process. We provide direct and positive feedback in relations with our collaborators. We act in a team spirit with our employees and business partners. While taking the corrective and preventive precautions, we state the mistakes open-heartedly, and defend what is right with all the reality. What we think cannot be different from what we speak. This is our freedom.

High Performance

Our performance is regularly measured by our employees, customers, the society and our shareholders. With our passion to achieve perfection, we strive for continuous improvement in all our business processes, and progress successfully without deviation from our main goals,

values and vision. We do as what we speak, we share what we do; this is our perception of responsibility and discipline. Our priorities while targeting high performance: Human, Environment, Quality, Service and Profit. Profit is necessary for an entity with continuity. We strive to improve our performance in all stages of our business every day, from production to after-sales services.

Entrepreneurship

We are open to the world and ideas. We see and benefit from opportunities. We create an environment of trust for using the authorities, we foresee the risks, and successfully manage all processes by taking initiatives. We embrace the business as our own business. We respect the decisions of all our employees, encourage them to assume responsibilities, and then appreciate them.

What? Our Passion

Our Culture

As a result of our company culture, all our employees and business partners are proud to work together. They continue their activities in accordance with the principles of honesty, high performance and entrepreneurship.

Long-Life, Environment Friendly Products

We work with the aim to produce high-insulation, long-life, high quality, durable and recyclable products.

Leadership in the Sector

Our Company is one of the leading companies in its sector. It is among the first three companies with its large market share. This success is supported by high performance in quality and service as well as customer relations based on mutual trust.

Strong Financial Structure

Our Company has a sustainable and strong financial structure. We convert all our activities into financial goals and successfully achieve our goals.

SECTION 2 – MANAGING BODY AND BENEFITS TO SENIOR MANAGERS

QUALITIES OF MEMBERS OF BOARD OF DIRECTORS AND THE POWERS AND RESPONSIBILITIES OF MANAGERS

There is not any arrangement available in the company charter in terms of the criteria for electing the members of board of directors; whereas, the members of our board of directors consist of people having the qualities specified in Corporate Management Principles. There are provisions about the duties and power of Board of Directors. The powers and responsibilities of other managers are not included in the charter; however, the duty definitions are specified showing the powers and responsibilities for all the employees working in our company including the senior managers.

OUR MEMBERS COMMISSIONED IN THE MANAGEMENT AND AUDITING BOARDS WITHIN THE YEAR OF ACTIVITY,

The members of Board of Directors were determined in the Ordinary General Assembly Meeting of April 25, 2017. The term of duty for the Board of Directors is two years. The members of our Board of Directors and their duties are as follows:

Board of Directors

Francis Jozef Willem Ant, President of Board of Directors

Van Eeckhout

Ergün Çiçekçi, General Manager and Vice President of Board of Directors

Ann Bataillie, Member of Board of Directors

Marcel Klepfisch, Member of Board of Directors (Independent Member)

Yasemin Ünlü Romano, Member of Board of Directors (Independent Member)

Audit Committee

Marcel Klepfisch, President

Yasemin Ünlü Romano, Member

Early Detection of Risk Committee

Marcel Klepfisch, President

Yasemin Ünlü Romano, Member

Gülşah Karan, Member

Corporate Governance Committee

Marcel Klepfisch, President

Francis Van Eeckhout, President

Gülşah Karan, Member

BENEFITS TO MEMBERS OF BOARD OF DIRECTORS AND SENIOR MANAGERS

The total of remunerations and similar benefits provided to the president and members of Board of Directors as well as the senior managers such as general manager, general coordinator and assistant general manager in the current term as of December 31, 2017 is TRY 7.638.927 (December 31, 2016 – TRY 7.673.825).

The personnel members commissioned in the senior management of our company and the distribution of their duties are as follows:

Ergün Çiçekçi	General Manager
Nurcan Güngör	Financial Affairs Group Manager
Tamer Özen	Product Marketing and Sales Group Manager
Vehbi Cem Korkmaz	Marketing and Sales Group Manager
Etem Gökmen	Operating and Investments Group Manager
Nuri Aslan	Kartepe Operating Group Manager
Ziyet Gitmez	Human Resources Group Manager
Hakan Nurhan	Aluminum Joinery Systems Marketing and Sales Department Manager

RIGHTS AND BENEFITS TO PERSONNEL AND WORKERS

Average number of personnel members working based on categories within the term is as follows:

	December 31, 2017	December 31, 2016
Administrative	286	271
Management	815	844
Total	1.101	1.115

The benefits and interests to employees are provided in detail in the 2nd Article of explanatory footnotes on the consolidated financial statements of December 31, 2017.

Within the framework of permission provided by the general assembly of company, there is not any transaction by the members of managing body with the company or on behalf of others or any transaction under the prohibition of competition.

SECTION 3 – RESEARCH AND DEVELOPMENT ACTIVITIES

Our Company has Research & Development projects for the purpose of developing less energy consuming products as a part of both our sensitivity towards the environment and our productivity activities in consideration of the energy policies applied in the World and Turkey.

Our Research & Development expenses as of December 31, 2017 are TRY 1.445.883.

The audits on the application of our company to obtain a Certificate of Research & Development Center under the Law no. 5746 were performed in place by the observers commissioned within the framework of provisions of Practice and Auditing Regulation of related Law; and our company was approved to obtain a Certificate of Research & Development Center and to benefit from the promotions and exemptions provided under the Law no. 5746 by the Ministry of Science, Industry and Technology of the Republic of Turkey in July 2017.

SECTION 4 – ACTIVITIES OF COMPANY AND IMPORTANT DEVELOPMENTS IN TERMS OF ITS ACTIVITIES

ORGANIZATIONAL STRUCTURE

				General Manager					
					Assistant General Manager				
Financial Affairs Group Manager	Izmir Operating and Investments Group Manager	Kartepe Operating Group Manager	Marketing and Sales Group Manager (Winsa – Pimapen)	Marketing and Sales Group Manager (Egepen Deceuninck)	Business Development and Exportation Group Manager	Human Resources Group Manager	Aluminum Joinery Systems marketing and Sales Department Manager	Marketing and Corporate Communication Section Manager	Planning and Purchasing Section Manager
	Shipment and Warehouse Section Manager								

PARTNERSHIP STRUCTURE

The partnership structure as of 31/12/2017 is provided below:

Titles of Partners	Share Total (TRY)	Rate (%)
Deceuninck NV	77.641.840	95.88
Portion open to public	3.338.953	4.12
Total	80.980.793	100

There is one voting right per share in the General Assembly and there is not any privilege for voting rights.

INVESTMENT ACTIVITIES

The company purchased fixed assets at a total of TRY 39.049.927 (Eur 8.797.034) in 2017.

1000 EURO & TRY	31/12/2017	31/12/2016	CHANGE %
EURO	8.797	40.134	-78%
TRY	39.050	131.003	-70%

INTERNAL CONTROL AND AUDITING SYSTEM

Audits are performed within the framework of the specified annual auditing plan every year and the findings obtained from the audits are reported. Also audits are performed with respect to the compliance of transactions and activities both with the legal regulations and the company policies.

Internal auditing unit submitted its findings regarding its audits and determined the areas of development. Actions regarding such areas of development were formed immediately. Articles with respect to the tracking of findings were added to the auditing plans of following year.

Furthermore, internal audits held periodically check whether the requirements of TS EN ISO 9001 Quality Management, TS EN ISO 14001 Environmental Management, TS 18001 Occupational Health and Safety Management, TS EN ISO 50001 Energy Management and TS ISO/IEC 27001 Information Safety Management Systems are fulfilled within our company; and improvement actions are started in cases deemed necessary. No finding was obtained having negative effect in terms of the operations of Company during the audits and controls performed in the related account term.

In addition, our company measures its in-plant organization and order level on team basis through 5S audits performed every month aiming at continuous improvement using simple production techniques.

Our company aims at providing its employees, dealers, visitors and suppliers in the company or on behalf of company with a more healthy and safe working environment and protecting the environment while performing its activities. Accordingly, the company works in compliance with the legal regulations in respect to occupational health, safety, energy and environment and with the philosophy of continuous improvement. Occupational Safety Specialist is commissioned in our company in addition to the service received from the Occupational Safety Consulting company.

INFORMATION ON DIRECT AND INDIRECT SUBSIDIARIES AND SHARE RATES

Chile (Subsidiary):
Centro Industrial Lo Boza
3G-3H Volcan Lascar 801
Pudahel Santiago, CHILE
Tel-Fax No: +56951498754

Our company is partner with Deceuninck Importadora company with a share of 99,9%.

INFORMATION ON THE OWN SHARES ACQUIRED BY THE COMPANY

Nominal total of shares acquired by the company is TRY 134.719 as of December 31, 2017.

INFORMATION ON THE PRIVATE AUDITS AND PUBLIC AUDITS HELD WITHIN THE ACTIVITY YEAR

There are not any audits performed within the activity term.

INFORMATION ON THE ACTIONS BROUGHT AGAINST THE COMPANY AND POSSIBLE CONSEQUENCES

There are ongoing liabilities regarding the actions brought by the workers, who were dismissed as a result of the transfer of headquarters of Pimaş A.Ş. that was merged with our company through acquisition as located in the plant in Gebze and closing this plant, for their labor claims.

INFORMATION ON THE ADMINISTRATIVE SANCTIONS AND PENALTIES OF IMPORTANCE IMPOSED ABOUT THE COMPANY AND MEMBERS OF BOARD OF DIRECTORS DUE TO PRACTICES CONTRARY TO THE PROVISIONS OF REGULATIONS

In accordance with the report issued by the Revenue Office of the Ministry of Finance in 2011 in conclusion to the tax investigation performed with regards to the transactions of 2007, our Company brought an action on April 30, 2012 before the 4th Tax Court of Izmir against the tax assessment and tax penalties equivalent to totally TRY 3.605.914 as served to the Parent Company on April 2, 2012. In conclusion to the hearing, TRY 2.358.150 of the total tax assessment and penalties served to our Company was annulled and the action for the remaining part is currently under the investigation by the Council of State. It is estimated based on the legal condition and evidences available that the action will be concluded in favor of our Company. Our Company reserved a provision of TRY 536.260 in its consolidated financial statements as precautionary measures.

LEGAL AND ENVIRONMENTAL RISKS

Our Group is subject to different regulations in many different countries in which its operations are performed. We continue developing our in-company environmental policies and procedures in order to accord with the environmental and legal laws as a group.

We make regular investigations to define such environmental risks as a management and we continue establishing various systems for the purpose of controlling such risks.

Our company did not encounter any administrative or judicial sanctions regarding its managing body or our company due to any contrary practices in line with its sensitivity for compliance with legal and environmental arrangements being one of the policies regarded most by our group. No negative developments occurred in this respect as of the activity year of 2017.

TARGETS SPECIFIED IN PREVIOUS TERMS, INFORMATION ON THE RESOLUTIONS OF GENERAL ASSEMBLY AND ASSESSMENTS

We have reached our targets by fulfilling all of the resolutions of our ordinary general assembly and directing towards investments with sustainable growth and high added value in the activity year of 2017.

Ordinary General Assembly Meeting was held in December 7, 2017 to negotiate on the merger of Pimaş and Ege Profil A.Ş. The process with regards to the resolution on merger rendered by acquiring Pimaş as a whole with all its assets and liabilities was completed with the registry on December 25, 2017.

EXTRAORDINARY GENERAL ASSEMBLY MEETINGS HELD WITHIN THE YEAR OF ACTIVITY

Extraordinary General Assembly Meeting was held in December 7, 2017 to negotiate on the merger of Pimaş and Ege Profil A.Ş. The process with regards to the resolution on merger rendered by acquiring Pimaş as a whole with all its assets and liabilities was completed with the registry on December 25, 2017.

AMENDMENTS TO THE COMPANY CHARTER PERFORMED WITHIN THE YEAR OF ACTIVITY

The amendment on increasing the company capital to TRY 80.980.793,82 through a capital increase equivalent to the share total of TRY 1.380.793,82 payable to the right holder partners of Pimaş A.Ş. as acquired on December 25, 2017 against the assets added to Ege Profil A.Ş. was approved as of December 27, 2017 in the Company Charter, Article 6 on capital.

EXPENSES UNDER THE SCOPE OF DONATIONS, AIDS AND SOCIAL LIABILITY PROJECTS WITHIN THE YEAR OF ACTIVITY

Our company may make donations and aids to charitable foundations, associations, training and educational institutions and public institutions and organizations acting for social, cultural, educational, sports, etc. purposes with the approval of Management within the principles specified by the Capital Markets Board and Turkish Commercial Law.

The arrangements of Ministry of Finance are considered while making the donations and aids and it is observed that they are primarily institutions with tax exemption.

Compliance with the social liability criteria is observed in the selection of type of donation, its quantity, institution, organization or Non Governmental Organization. Donations and aids may be provided to organizations such as charitable foundations, associations etc. that are established to act with regards to the scope of activity of company.

Detailed information regarding all the donations and aids made within the term is provided to the partners in the Ordinary General Assembly of that year.

The totals of donations and aids made by the company in 2017 and 2016:

DONATIONS	31/12/2017	31/12/2016
TRY	79.520	2.360

RELATIONS WITH THE CONTROLLING COMPANY, WITH A COMPANY AFFILIATED TO THE CONTROLLING COMPANY

It was not performed without an appropriate provision in accordance with the initiatives or benefits of Ege Profil Ticaret ve Sanayi A.Ş. It was performed as if the transactions were performed between stranger third persons in all legal transactions specified.

There are not any precautions taken or avoided in favor of Deceuninck NV or any company affiliated to it.

Detailed explanations regarding the transactions of related persons are accessible in the 29th Article of explanatory footnotes on the consolidated statements of December 31, 2017.

TURKISH PLASTIC FINISHED PRODUCTS SECTOR

DISTRIBUTIONS OF PLASTIC FINISHED PRODUCTS PRODUCTION PER SECTORS

It is observed that plastic packaging materials lead the way with approximately 3 million 561 thousand tons within total plastic production of 8,9 million tons as of the end of November 2017; and that plastic packaging materials are followed by the production of plastic construction materials with 1 million 959 thousand tons.

Others	1.246
Automotive	356
Textile	356
Agriculture	534
E/E	890
Construction	1.959
Packaging	3.561

Graphic: Cumulative Production on the basis of Sub-sectors – 2017-11 (1000 tons)

Source: TUIK (Turkish Statistics Institution) and ITC Trade Statistics

Building and construction, having a volume of 20-25% among all application areas for plastics, is the second most important area following the packaging applications. Plastic

products such as pipes manufactured in large scales and used in construction industry are being used for more than 60 years. Except for insulation and plate applications, plastic is by far the most used material in all areas of application in PVC structures and constructions. In the following years, high growth rates are expected for the plastic construction materials in construction applications.

- **Production**

8,9 million tons and 33,6 billion dollars of plastic finished products were produced as of the end of November 2017; and it is expected to reach 9,7 million tons and 36,6 billion dollars at the end of 2017 if same tendency is maintained. In this case, it is estimated that total plastic finished product production may increase by 9,5% on quantity basis and 8,4% on value basis in 2017.

	2016	2017/11	2017/T	Increase % 2017/2016 (T)
1000 tons	8,9	8,9	9,7	9,5
Million \$	33,8	33,6	36,6	8,4

Table_Plastic Finished Product Production
Source: TUIK and ITC Trade Statistics

- **Use of Capacity**

Average capacity use in plastic sector in January – November 2017 was 74,9 % and it was 3,5 points behind the average capacity use of general production industry which is 78,4%. The capacity use increased by 1,1 points in general production sector and by 1,9 points in plastic sector in 11th month of 2017 compared to the same term of 2016.

- **Distribution of Production per Sector**

It is observed that plastic packaging materials lead the way with approximately 3 million 561 thousand tons within total plastic finished product production of 8,9 million tons as of the end of November 2017; and that plastic packaging materials are followed by the production of plastic construction materials with 1 million 959 thousand tons.

- **Foreign Trade**

Importation

571 thousand tons and 2 billion 831 million dollars of plastic finished products were imported as of the end of November 2017. It is expected that total plastic finished product production would reach 623 thousand tons and 3 billion 88 million dollars at the end of 2017 if same tendency is maintained and would increase by 5,7% on quantity basis and 5,5% on value basis compared to 2016.

*GTIP: Customs Tariff Statistics Position

GTIP No.	GTIP Definition	2016	2017/11	2017/T	Increase % 2017/2016 (T)

3916	Monofilament, bar, profiles made of plastic-cross section exceeding 1 mm	14	12	13	-5,9
3917	Tubes, pipes, hoses made of plastic; such as seals, bends, couplings, etc.	26	25	28	5,8
3918	Floor coating made of plastic – including wall and ceiling coating	22	22	24	9,4
3919	Adhesive plate, sheet, strip, slide, etc. made of plastic in flat form	58	56	61	6,2
3920	Other plate, leaf, pellicle and slides made of plastic	249	249	272	9,1
3921	Other plate, leaf, pellicle, foils and slides made of plastic	64	64	70	10,4
3922	Bath tub, shower, washbasin, water-closet pan and fixtures made of plastic	4	4	5	1,8
3923	Plastic finished products for moving packaging, stopper, cover, capsule	61	58	64	5,0
3924	Table, kitchen and other household goods, toilet materials made of plastic	11	8	9	-14,7
3925	Construction material made of plastic	10	8	9	-14,1
3926	Other goods made of plastic	71	63	69	-2,9
	Plastic finished products total	589	571	623	8,7

Table: Plastic Finished Production Importation on GTIP basis (1000 tons)
Source: TUIK and ITC Trade Statistics

Turkey imports plastic finished products every year from more than 100 countries. Importation from 10 countries as of the end of November 2017 formed 71% of total importation on quantity basis and 74% on value basis.

China is the country that receives importation the most for plastic finished products since 2014. It is observed that China had a share of 26,1% on tons basis and 19,6% on value basis from our total importations of plastic finished products as of the end of November 2017. It is observed that Germany, Italy, South Korea and France protect their place as the countries to which we import plastic finished products the most, other than these 2 countries.

2016					2017/11				
Country	1000 tons	Million \$	Tons - %	\$ - %	Country	1000 tons	Million \$	Tons - %	\$ - %
China	157	602	26,6	20,6	China	149	554	26,1	19,6
Germany	94	547	15,9	18,7	Germany	85	503	14,8	17,8
Italy	52	252	8,7	8,6	Italy	50	250	8,7	8,8
South Korea	35	212	5,9	7,2	South Korea	36	210	6,4	7,4
France	28	185	4,8	6,3	France	25	169	4,5	6,0
USA	13	128	2,2	4,4	USA	12	115	2,0	4,0
England	12	96	2,1	3,3	England	14	99	2,5	3,5
Belgium	15	70	2,5	2,4	Belgium	16	71	2,7	2,5
Japan	5	66	0,9	2,2	Japan	13	69	2,2	2,4
Spain	11	60	1,9	2,0	Spain	5	64	1,0	2,3
10 countries	422	2.219	71,6	75,8	10 countries	405	1.103	70,9	74,3
Others	168	710	28,4	24,2	Others	166	728	29,1	25,7
TOTAL	589	2.928	100,0	100,0	TOTAL	571	2.831	100,0	100,0

Table: First 10 Countries in the Import of Plastic Finished Products
Source: TUIK and ITC Trade Statistics

Exportation

1 million 571 thousand tons and 4 billion 54 million dollars of plastic finished products were exported as of the end of November 2017. It is expected that total plastic finished product exportation would reach 1 million 714 thousand tons and 4 billion 423 million dollars at the year end if same tendency is maintained and would increase by 10,5% on quantity basis and 7,6% on value basis as compared to 2016.

*GTIP: Customs Tariff Statistics Position

GTIP No.	GTIP Definition	2016	2017/11	2017/T	Increase % 2017/2016 (T)
3916	Monofilament, bar, profiles made of plastic-cross section exceeding 1 mm	146	146	159	8,9
3917	Tubes, pipes, hoses made of plastic; such as seals, bends, couplings, etc.	215	191	208	-3,2
3918	Floor coating made of plastic – including wall and ceiling coating	13	11	12	-6,9
3919	Adhesive plate, sheet, strip, slide, etc. made of plastic in flat form	20	18	20	1,3
3920	Other plate, leaf, pellicle and slides made of plastic	369	351	383	3,6
3921	Other plate, leaf, pellicle, foils and slides made of plastic	140	133	145	3,8
3922	Bath tub, shower, washbasin, water-closet pan and fixtures made of plastic	24	23	25	5,9
3923	Plastic finished products for moving packaging, stopper, cover, capsule	335	335	365	9,2
3924	Table, kitchen and other household goods, toilet materials made of plastic	121	129	141	16,1
3925	Construction material made of plastic	94	78	85	10,0
3926	Other goods made of plastic	74	157	171	132,4
	Plastic finished products total	1.551	1.571	1.714	10,5

Table: Plastic Finished Products Exportation on GTIP basis (1000 tons)

Source: TUIK and ITC Trade Statistics

Turkey is exporting plastic finished products to approximately 150 countries. 10 countries took share from total export by 47,9% on quantity basis and 45,2% on value basis as of the end of November 2017. Iraq, Germany, England, Israel and France formed the foreign markets to which most plastic finished products are exported as of the end of November 2017.

2016					2017/11				
Country	1000 tons	Million \$	Tons - %	\$ - %	Country	1000 tons	Million \$	Tons - %	\$ - %
Iraq	199	373	12,8	9,1	Iraq	200	366	12,8	9,0
Germany	87	299	5,6	7,3	Germany	78	284	5,0	7,0
England	78	197	5,1	4,8	England	75	193	4,7	4,8
France	52	168	3,4	4,1	France	84	182	5,4	4,5
Israel	74	167	4,8	4,1	Israel	77	167	4,9	4,1
Romania	54	142	3,5	3,4	Romania	47	151	3,0	3,7
Italy	52	136	3,4	3,3	Italy	48	143	3,1	3,5
Iran	43	132	2,7	3,2	Iran	52	140	3,3	3,4
Bulgaria	44	126	2,8	3,1	Bulgaria	43	104	2,7	2,6
Georgia	46	103	3,0	2,5	Georgia	48	103	3,0	2,5
10 countries	729	1.842	47,0	44,8	10 countries	753	1.832	47,9	45,2
Others	821	2.267	53,0	55,2	Others	818	2.223	52,1	54,8
TOTAL	1.551	4.109	100,0	100,0	TOTAL	1.571	4.054	100,0	100,0

Table: First 10 countries that Turkey is exporting plastic finished products to
Source: TUIK and ITC Trade Statistics

Import and Export Prices

Unit import prices for plastic finished products are always above the unit export prices.

Export Price Import Price
2016 2017/11

Graphic: Average Foreign Trade Prices for Plastic Finished Products
Source: TUIK and ITC Trade Statistics

Average import price for plastic finished product is 4,96 \$/kg and average export price is 2,58 \$/kg as of the end of November 2017 and the average import price decreased by 0,2% and average export price decreased by 2,6% compared to 2016.

GTIP No.	GTIP Definition	Import Price			Export Price		
		2016	2017/11	Increase %	2016	2017/11	Increase %
3916	Monofilament, bar, profiles made of plastic-cross section exceeding 1 mm	4,13	4,42	6,9	1,72	1,67	-3,0
3917	Tubes, pipes, hoses made of plastic; such as seals, bends, couplings, etc.	7,97	8,52	6,9	2,57	2,50	-2,9
3918	Floor coating made of plastic – including wall and ceiling coating	3,97	3,60	-9,5	1,94	2,06	11,2
3919	Adhesive plate, sheet, strip, slide, etc. made of plastic in flat form	5,75	5,52	-4,0	5,79	4,99	-13,7
3920	Other plate, leaf, pellicle and slides made of plastic	3,64	3,65	0,2	2,50	2,54	1,5
3921	Other plate, leaf, pellicle, foils and slides made of plastic	3,92	3,83	-2,2	2,87	2,84	-1,0

3922	Bath tub, shower, washbasin, water-closet pan and fixtures made of plastic	9,26	9,42	1,7	4,16	4,03	-3,1
3923	Plastic finished products for moving packaging, stopper, cover, capsule	4,43	4,46	0,7	2,42	2,42	0,3
3924	Table, kitchen and other household goods, toilet materials made of plastic	6,43	6,59	2,5	2,94	2,82	-4,0
3925	Construction material made of plastic	3,78	4,31	13,9	2,30	2,53	9,6
3926	Other goods made of plastic	9,45	9,95	5,3	4,89	3,11	-36,4
Average		4,97	4,96	-0,2	2,65	2,58	-2,6

Table: Average Unit Foreign Trade Prices for Plastic Finished Products (\$/Tons)

Source: TUIK and ITC Trade Statistics

- **Domestic Market Consumption**

7,9 million tons and 32,9 billion dollars of domestic market consumption occurred in the plastic finished products sector as of the end of November 2017. It is estimated that the consumption would be 8,6 million tons and 35,3 billion dollars at the end of year if tendency continues the same and that it would increase by 9% on quantity basis and by 8% on value basis compared to 2016.

- **Supply and Demand**

Production increase by 9,2% on quantity basis, whereas importation by 5,8%, exportation by 10,6%, domestic Market share by 8,6%, and foreign trade surplus by 13,5% for plastic finished products in January – November 2017 compared to the same term of 2016. The share of export within this term increased from 17% to 18% and the share of import within the domestic consumption remained at 7% and the rate of export covering the import raised from 261% to 275%.

SECTION 5 – FINANCIAL STATUS

The consolidated financial statements and footnotes of our company not audited independently for the term that ended as of December 31, 2017 are enclosed.

PRIMARY FINANCIAL AND OPERATIONAL INDICATORS

Some information on the consolidated financial statements of our company as of December 31, 2017 compared to the previous term is as follows.

Revenue

1000 TRY	December 31, 2017	December 31, 2016	CHANGE %
Net Sales	918.872	730.625	26%

Import and Export

1000 Euro	31 Dec. 17	31 Dec. 16	CHANGE %
Import	27.203	26.433	3%
Export	72.758	72.758	13%

FINANCIAL RATES

LIQUIDITY RATIOS	December 31, 2017	December 31, 2016
Current Rate	1,23	1,32
Acid-Test Ratio	1,03	1,13
PROFITABILITY RATIOS	December 31, 2017	December 31, 2016
Gross Profit Margin	0,27	0,29
Equity profitability	0,19	0,16
LEVERAGE RATIOS	December 31, 2017	December 31, 2016
Total Liabilities/Equity	1,96	1,58
Total Liabilities/Total Assets	0,66	0,61
Equity Ratio	0,34	0,39
Short Term Liabilities / Total Assets	0,52	0,49
Long Term Liabilities / Total Assets	0,14	0,12
OPERATIONAL RATIOS	December 31, 2017	December 31, 2016
Accounts receivables turnover	2,11	2,09
Stock turnover	6,86	6,64
Asset turnover	0,88	0,77

DISTRIBUTION OF PROFIT:

There is not any privilege in the participation in company profit.

In accordance with the charter of company, the profit which remains after deducting the mandatory quantities payable and reserved by the company such as general expenses and various depreciation as well as the mandatory taxes payable by the legal entity of company from the income determined at the end of account term and which is shown in the annual balance sheet is distributed as shown in the company charter respectively after deducting the loss of previous years, if any.

Profit distribution suggestions presented by our board of directors to the approval of general assembly for the distributable profit of our company belonging to the related year are prepared with a distribution policy in consideration of the provisions of regulations as well as of the profitability status, expectations of share holders and growth strategies of our company.

Based on the resolution of general assembly held on 25/04/2017, the distribution of profit was paid in 2 equal installments of TRY 20.323.155,23 from the net term profit on 15/06/2017 as the first and on 14/09/2017 as the second installment.

FINANCIAL RISK MANAGEMENT

Financial risk management of our company is explained in the 30th Article of footnotes for consolidated financial statements audited independently for the term that ended as of December 31, 2017 as included in the annex to our activity report.

SECTION 6 – OTHER ISSUES

Insurance

Total insurance totals of asset values per terms are as follows (TRY);

	December 31, 2017 (Total in TRY)	December 31, 2016 (Total in TRY)
Insurance total of asset values	836.605.087	727.334.178

SECTION 7 – ACTIVITY REPORTS OF PARENT COMPANY IN THE GROUP OF COMPANIES

Activity reports of controlling company Deceuninck NV are published at www.deceuninck.com.