

## ANNUAL REPORT OF BOARD OF DIRECTORS

Dear Shareholders,

The balance sheet and the income statements as well as the annual report of our Company for 2016 have been drawn up and submitted for your information in line with the principles determined by the Regulations on determining the Minimum Content of the Annual Reports of the Companies ("the Regulations"). Accordingly;

Pursuant to the Article 4 of the Regulations, our annual report shall present the work and transaction flows of our Company pertaining to the respective financial year as well as the financial status thereof in all aspects by protecting the rights and the interests of our Company; enable our shareholders to have access any information regarding the financial status of our Company completely and properly; evaluate the general properties of our Company's financial performance and financial status as well as the basic risks encountered by it and propound, through accounting and financial reporting data, that the activities and the services of our Company are performed in most efficient, reliable and uninterrupted manner.

We hereby explain and submit the points set forth in the Article 7 of the Regulations in a detailed manner for your information.

### 1- General Information

Title of Company : Senkroma Boyar Madde Sanayi ve Ticaret A.Ş  
Address of Registered Office : Beylikdüzü Organize Sanayi Bölgesi Mermerciler Sanayi Sitesi  
1. Bulvar No: 9 Büyükçekmece, İstanbul  
Register No : 337607  
Shareholding Structure : Joint Stock Company

Name & Surname/ Title of Shareholder	Capital Amount TL	Share Percentage %	Number of Shares
Plastika Kritis SA	9.812.060	99,92	9.812.060
Mehmet Hamdi Yazır	8.308	0,08	8.308
Total	9.820.368	100	9.820.368

### 2- Board of Directors and its Financial Rights

**President** : Michail Lempidakis  
**Vice-President** : Emmanouil Lempidakis  
**Member** : Georgios Valergakis  
**Member** : Ioannis Melas  
**Member** : Mehmet Hamdi Yazır

There is no benefit provided to the members of the Board of Directors due to their memberships.



### **3- Research and Development Activities of the Company**

Any research and development activity has not been carried out for the financial year 2016 of our Company.

### **4- Activities of the Company and Crucial Developments regarding its Activities**

#### **Information on Investments**

For Gaziantep Plant, as a new production line Maris TM28 Extrüder is supplied. For Istanbul Plant, Gravimetric Feeding System and Automatic Packing Machines are supplied as an auxiliary equipment.

#### **Information on Internal Control and Internal Audit System**

SAP system has been put into use as from the beginning of 2015 and our internal activities have been carried out in accordance with the auditing program formed pursuant to our Company's procedures. It is implemented also in 2016

#### **Information on Direct and Indirect Subsidiaries**

Our Company does not have any direct or indirect subsidiary.

#### **Acquired Shares**

Our Company does not any acquired own share.

#### **Explanations on Private Audit**

An independent audit report has been prepared by Taşpınar Certified Public Accountancy Company for our Company in 2016 pursuant to the international financial reporting standards. As a result of the said report, it has been certified that the financial status of our Company as of December 31<sup>st</sup>, 2016 as well as its financial performance and cash flows pertaining to the year ended on the same date are represented correctly and fairly pursuant to the international financial reporting standards.

#### **Explanations on Litigations against the Company**

There is no litigation initiated against the Company which may affect the financial status or the activities of the Company adversely.

#### **Administrative and Judicial Sanctions against the Company and the Members of the Board of Directors**

There is no administrative or judicial sanction imposed on the members of our Company's board of directors due to the practices contrary to the provisions of the legislation.

### **Explanations on Targets Set in Previous Period**

Our factory in Gaziantep has continued its production activities with full capacity during 2016. Powder production activities are continued by our factory in İstanbul as well. The targets projected in previous period have been achieved. Furthermore, the use of SAP program of which the last stage has been reached in 2014 has been finalized as of January 2015 and it is also used by us in 2016.

### **Explanations on Extraordinary General Board Meetings Held in Respective Period**

No extraordinary general board meeting has been held during the year.

### **Donations and Aids**

Our Company has not granted any donation and aid during 2015.

### **Explanations on Legal Transactions Executed with the Holding Company or any Company Affiliated to the Holding Company**

There is no legal transaction executed with the holding company or any company affiliated to the holding company.

## **5- Financial Status**

### **Explanations on Financial Status and Operating Results**

Our net sales have increased by 2.18 % compared to 2015 and our operating profit has also increased by 47,36 % as compared with 2015.

### **Financial Data Compared to Previous Years**

The financial data of our Company for 2016 in general terms are given hereunder in comparison to the previous year.

(TL)	<u>2015</u>	<u>2016</u>
Net sales	40.271.538,79	41.149.091,79
Gross profit from sales	8.101.546,96	9.893.801,21
Operating profit	2.234.370,15	3.292.729,36
Period profit/loss	(-) 2.661.080,87	(-) 285.777,92
Trading margin	% 20,12	% 24,04
Operating margin	% 5,55	% 8,00

### **Capital**

The capital of our Company is not unsecured and has not gone into debt.





### **Measures Intended to Improving the Financial Structure**

The need for improving the financial structure of the Company is not considered as necessary.

### **Dividend Distribution**

The dividend distribution policy of our Company is specified in our articles of association. The amount remaining after deduction of the sums which must be paid or reserved by the company like overhead expenses and various depreciations from the incomes determined at the end of the financial year constitutes the net profit pursuant to the said policy. First, the legal reserve at a rate of 5 % is allocated from the net profit so calculated. The reserve for corporate tax payable and other legal obligations is deducted. The first dividend at a rate of 5% is reserved for the unpaid portions of the unamortized share certificates. The general board is entitled to distribute a certain amount from the remaining profit as it determines to the members of the board of directors as well as officers, servants and workers of the Company. The residual profit may be distributed partially or completely as second dividend or not distributed but kept as reserve fund pursuant to the resolution of the general board. A sum at a rate of 10 percent is reserved from the amounts to be distributed to the members of the board of directors as well as managers, officers, servants and workers of the Company and the amount resolved to be distributed to the shareholders as second dividend and added to the general reserves pursuant to the respective article of the code. The dates as well as the manner and method of dividend payments to the shareholders are resolved by the general board. The general board may delegate the authority to determine the date, percentage and method of dividend distribution to the board of directors.

Our Company has incurred a loss amounting to TL 285.777,92 in 2016.

### **6- Assessment of Risks and Management Mechanism**

The efforts shall be continued for performance of risk-based internal audit service in coordination of the internal audit personnel employed in accounting department of our Company in accordance with international internal audit professional practice framework and international internal audit standards as determined by the institute of international internal auditors.

### **7- Conclusion**

We are improving our activities together with our partners in order to enhance and rise the profitability of our Company to a better level. Therefore, please be sure that the balance sheets of our Company in the coming years shall be better.

I would like to thank you for your confident attitudes to date on behalf of myself and on behalf of the board of directors and pay my respects to all of our shareholders by wishing more fruitful future years for our Company.

**President of Board of Directors**  
**Michail Lempidakis**

