



## **ACTIVITY REPORT FOR 2011**

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## **1. MESSAGE OF MANAGEMENT BOARD**

Dear Partners,

As management board, we greet you with respect.

First of all we would like to deal with the economical developments in the world and our country in 2011 in short.

Global economy has suffered from the attenuation and uncertainty of global activities and sharp decrease in environment of confidence and re-increase of the risks decreased previously. While Japan has been shocked with earthquake and tsunami, political troubles have broken out increasingly in some oil producing countries. Some economical difficulties faced by first Greece and other European countries and problems in USA have affected global economy negatively. But Turkish economy is not affected by these problems considerably and continued to grow up significantly.

On the other hand current account deficit/GNP (Gross National Product) ratio is very high as compared with global economies . CA deficit about 10% for GNP indicates essentially a problem in balance of foreign trade since deficit in trade balance is higher than current account deficit. Within this frame the fact that production and exportation depends on intermediate goods and energy importation highly has made account deficit a structural problem within the periods where the demands for consumption and investment are alive . It is obvious that these problems should be solved in order that growth of Turkey becomes sustainable.

In following five years, considering the elements triggering growth it is obvious that construction sector in developing countries will experience a shining era. Turkey falls within the countries having positive visibility with the growth expectation in the ratio of 8,5% in construction sector between 2012 and 2014 (new, renewal and construction materials )

Housing demand, increasing urban transformation projects, expectation for the increase in foreign investments, infrastructural investments planned to be performed in the field of renewable energy and big energy transfer projects taking place in Turkey support the growth in fields of housing construction, non-domestic and infrastructural construction.

Furthermore increase seen in the number of real estate investment trusts pave the way for the performance of the projects that it is very difficult to finance. In addition to these developments renewable market plays a role in the growth of construction thanks to the increase in disposable income level, precautions to be taken for earthquake and productivity of energy and increase in consciousness level of people play a role in the growth of construction.

In brief Ege Seramik has increased total sales turnover, production and sales amount considerably in 2011 in this economic atmosphere.

As compared with 2010, our production, total sales amount, exportation amount, domestic sales, total sales revenues have increased respectively 10,56%, 3.14%,8.98%, 0.58% and 24,18%. However our gross profit, operating profit and earnings before taxes and amortization are respectively 57.687.104 TL, 25.381.506 TL and 33.437.399 TL. Rate of earnings before taxes and amortization to net sales revenue is 16.76%.

On the other hand our short and medium-term cash bank credit debts which are equivalent to USD3.571.000 at the beginning of 2011 have been paid and balanced before due date at the end of 2011. We don't have any credit debt currently.

While determining human resources policies of our company, principles for qualified labor force for following years and employment training of managerial stuffs are prioritized.

Our company doesn't project capacitive growth for 2012 and following years as a strategy. Growth shall be realized through modernization investments and production of the products with high additional value.

Our above standard target in quality parameters of our products that we put on market is our principle on which we have focused and make no concessions.

Dear Partners,

Our management board prides itself on its performance in 2011.

Our target in 2012 is to continue the growth trend caught within stability and modesty.

Our purpose within the consciousness and advantage that we have a most valuable brand in its sector is to strength our economical structure more.

Our management board will work to obtain successful results in 2012 with the contributions of first you, dear partners, our authorized domestic and foreign sellers and all suppliers.

We extend our thanks once again to everybody making contribution to our financial performance in 2011 and we wish that 2012 be a successful and productive year for our country and company.

Kind Regards  
Management Board



## **Our Vision;**

**To fall within the world leading, innovative ceramic producers**

## **Our Mission;**

**To provide comfortable business and living places**

## **Our Target**

**To apply the latest innovations in technology and prioritize the customer satisfaction without making no concessions on quality and polluting nature and environment and leave a world inhabitable to next generations through innovative approaches beyond expectations.**



## 2. MILESTONES

1972 Ege Seramik has been founded in Izmir, Kemalpaşa

1973 Production has been started with a capacity of 300.000 m<sup>2</sup>

1981 A great part of shares has been purchased by Mr. Ibrahim Polat

1982 Ege İnşaat Malzemeleri Pazarlama A.Ş. has been founded to perform the selling and marketing activities for Ege Seramik products

1983 İbrahim Polat has participated in Holding

1988 Five-year investment program has been started

1992 Ege Seramik has been opened to public in Istanbul Stock Exchange

1994 Production Capacity has got up to 16 million square meters

1995 Production Capacity has got up to 22 million square meters

2004 Plant of tile with custom shape has been commissioned

2004 Production Capacity has got up to 25 million square meters

2005 Oracle ERP automation system has been founded

2009 Digitile investment has been commissioned

2011 New polishing, dimensioning and hi-tech nano surface protection machines have been purchased



### **3. INTRODUCTION**

**Report Period** : 1<sup>st</sup> January 2011 – 31<sup>st</sup> December 2011

**Title of Partnership** : EGE SERAMİK SANAYİ VE TİCARET A.Ş.

**Management Board :**



İbrahim POLAT  
Chief Executive Officer



Murat POLAT  
Vice President of Management Board



Bülent ZİHNALİ  
Vice President of Management Board



Baran DEMİR  
Member of Management Board



Songül SEL  
Member of Management Board

**Auditing Board** :Nilgün AYTEKİN  
Aysel HATİPOĞLU  
Şahin TURAN

Management Board and Auditing Board have been elected to perform their duties for one year in the general meeting dated 26.04.2011.

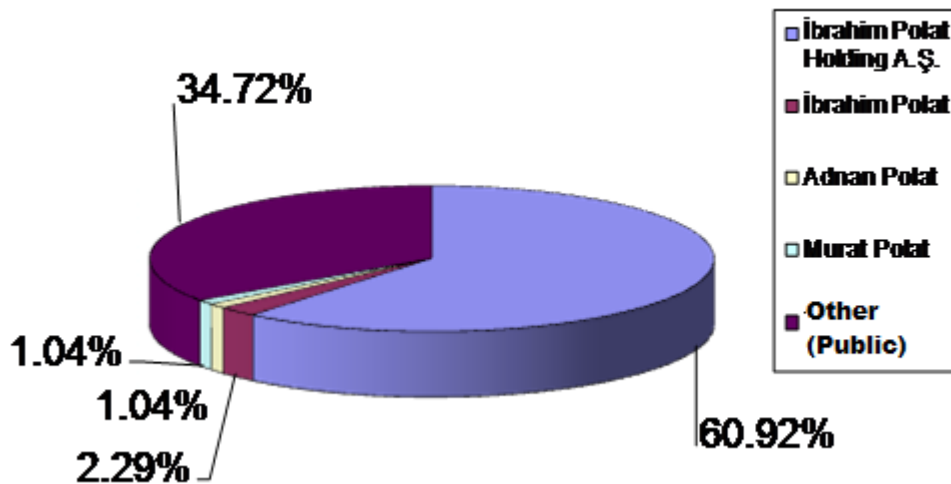
**Audit Committee** :Baran DEMİR Member of Audit Committee  
Songül SEL Member of Audit Committee

Members of Audit Committee have been elected from the non-executive members of management board to perform their duties until the following general assembly.

### Structure of partnership

31<sup>st</sup> December 2011

Shareholders	Nominal (TL)	share %
İbrahim Polat Holding A.Ş.	45,686,919	60.92%
İbrahim Polat	1,715,027	2.29%
Adnan Polat	779,878	1.04%
Murat Polat	779,878	1.04%
Other (Public)	26,038,298	34.72%
	75,000,000	100%





**Affiliated Companies****Participation  
Rate (%)**

Ege Birleşik Enerji Elektrik Üretim A.Ş.

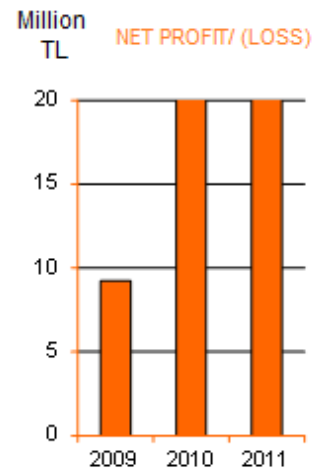
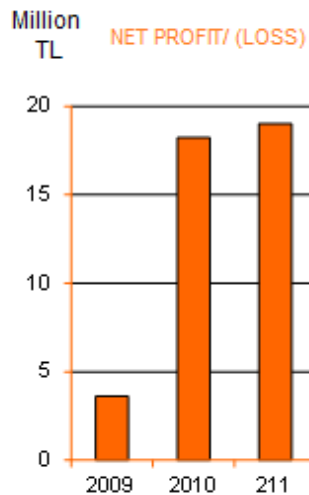
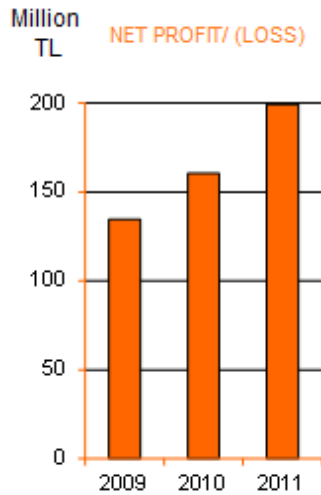
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**4. SUMMARY FINANCIAL STATEMENTS**

They are in accordance with financial statements arranged pursuant to “The Notification on Accounting Standards in Capital Market” issued by SPK (Capital Markets Board) under serial no: XI and No:29.

Condensed Statement (TL)	2011	2010	%
Liquid Assets	136,335,626	115,706,619	17.83%
Fixed Assets	80,579,974	83,111,298	-3.05%
Assets	216,915,600	198,817,917	9.10%
Short-Term Liabilities	50,390,342	41,521,063	21.36%
Long-Term Liabilities	10,536,726	14,787,982	-28.75%
Consolidated Equity of Participations	5	267,201	-100.00%
Equity Capital	155,988,527	142,241,669	9.66%
Liabilities	216,915,600	198,817,917	9.10%
Net Working Capital	85,945,284	74,185,556	15.85%

Condensed Income Statement	2011	2010	%
Net Revenues	199,450,822	160,611,872	24.18%
Gross Profit	57,687,104	50,366,236	14.54%
Operating Profit	25,381,506	23,362,171	8.64%
Net Profit (-loss)	19,005,803	18,217,522	4.33%
EBITDA	33,437,399	31,828,816	5.05%



<b>Financial Ratios</b>	<b>2011</b>	<b>2010</b>	<b>%</b>
Current ratio	2.71	2.79	-2.87%
Liquidity ratio	1.91	1.93	-1.04%
Debt-equity ratio	0.00	0.04	-100.00%
Operating profit margin	12.73%	14.55%	-12.51%
Net profit margin	9.53%	11.34%	-15.96%
EBITDA margin	16.76%	19.82%	-15.44%

## **5. INVESTMENTS**

Total investment amount of Ege Seramik in 2011 was 2.018.925 TL. Polishing, dimensioning and hi-tech nano surface protection machines and new frit oven fall within the important investment projects.

Brilliant, smooth and stain proof surfaces in the quality of polished marble have been brought to graphic-printed high-resolution ceramic products thanks to new polishing, dimensioning and hi-tech nano surface protection machines

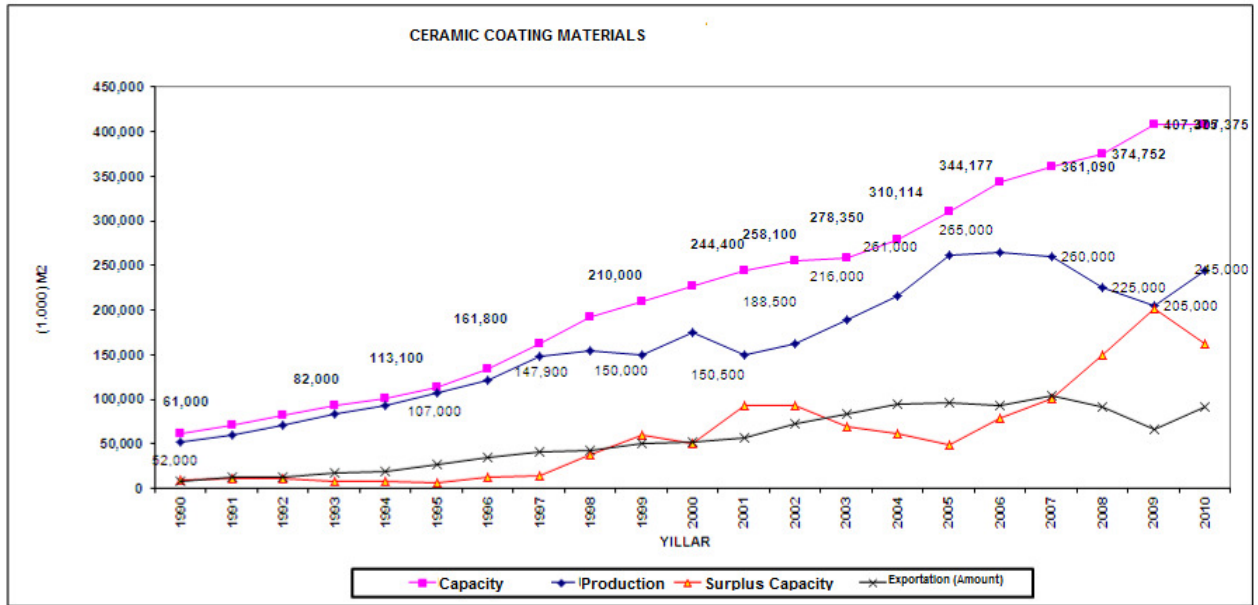
Within the frame of modernization investments, capacity and productivity increases have been obtained thanks to new frit oven plant.

## **6. SECTORAL DEVELOPMENTS**

Biggest global ceramic producers are China (43%), Brazil (9%), India (6%) and Italy (4%). Turkey meets 2,41% of global production and ranks ninth. On the other hand our country becomes fourth in global ceramic exportation after China, Italy and Spain

Production capacity of the sector for ceramic coating materials in Turkey has been increased from 61 million m<sup>2</sup> to 407 million m<sup>2</sup> in last 20 years, number of producing companies has reached 24 (670% increase). Number of producing firm is 24.

Ceramic consumption in Turkey has reached saturation in quantity in 2006 and because of the increasing capacity amount permanently rate of annual used capacity has decreased to 60%.



Ceramic coating sector, falling into recession in amount has grown up in value. Thus branding and marketing activities are of more importance than ever in ceramic sector.

As a result of the development in printing and shaping technologies in ceramic coating sector, opportunity to produce products to be superior aesthetically to equivalent coating materials (marble, wood, parquet, natural stone etc.) arises out. In this way, aesthetic part of ceramic coating materials sold to consumers as health instrument comes forefront and value increase has been obtained by the use of product segmentation. We can divide product segmentation in three for ceramic coating materials in Turkey as follows.

**Sub Segment** constitutes 55-60% of the amount in market. In this segment not the admiration of consumer but the price of product is of importance. In this segment, profit margin is low due to price competition.

**Middle Segment** constitutes 30-35% of the amount in market. In this segment both the admiration of consumer and price of commodity are taken into consideration. In this segment price is not the one effectual factor. Presentation of product in market and its compliance with admiration provides higher profit margin.

**Top Segment** constitutes 10-15% of the amount in market. In this segment compliance of product with periodical admiration and trend, presentation of it in market, technological advantages for consumer and product quality are the factors which are more important than price. Profit margin is high in this segment.

Ege Seramik makes productions for middle segment and top segment at home. Thus it puts product quality over accepted standards; it offers new product, design and technologies earlier than its rivals in market and invests in Research-Development, Product-Development and Marketing activities. Every year it offers new products in two collections to market.

Ege Seramik applies flexible production and smart stock management by the use of ERP program and is the one firm which can render service to all of the six construction markets in Turkey. It is the one firm selling ceramics at the most in middle and top segments in construction markets.

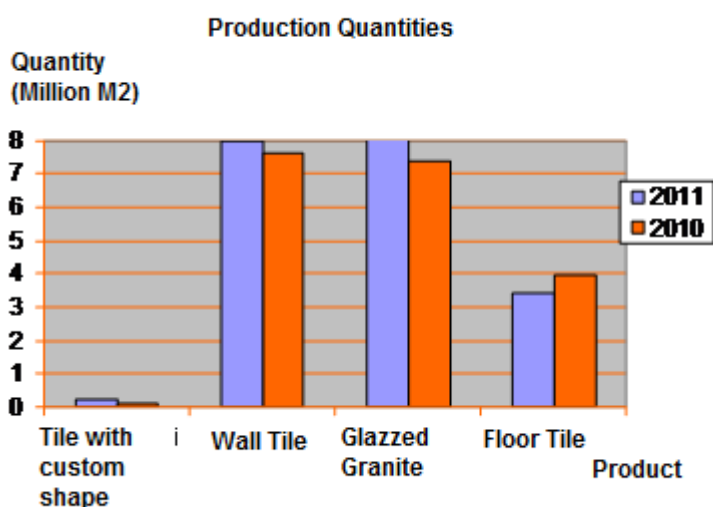
Ege Seramik supply its products to all cities of Turkey through 142 authorized sellers in various parts of Turkey and hundreds of dealers affiliated to these sellers. In domestic sales organization it renders service to Turkey entirely with its 14 sales area.

Ege Seramik, Eczacıbaşı and Kale Seramik are the first three brands which are shown as reference in sector. In the products of middle segment it competes with Kütahya, Yurtbay and Ercan (Bien ).

## 7. PRODUCTION

In 2011 Ege Seramik has worked with 86% capacity usage rate including shutdown period for maintenance and produced end products of 21.147.170 m<sup>2</sup>. Increase in production is 11% as compared with previous year.

	2011	2010	Difference	%
Tile with Custom Shape	246,700	130,663	116,037	88.81%
Wall Tile	8,215,682	7,638,728	576,954	7.55%
Glazed Granite	9,192,555	7,387,310	1,805,245	24.44%
Floor Tile	3,492,233	3,970,354	-478,121	-12.04%
<b>Total</b>	<b>21,147,170</b>	<b>19,127,055</b>	<b>2,020,115</b>	<b>10.56%</b>



## 8. SALES

According to financial statements arranged pursuant to “The Notification on Accounting Standards in Capital Market” issued by SPK (Capital Markets Board) under serial no: XI and No:29, net consolidates sales revenue has increased 24,18% in 2011 as compared with 2010 and becomes 199.450.822 TL. On the other hand sales quantity of Ege Seramik has increased 3,14% in 2011 as compared with previous year and reached 20.323.708 m<sup>2</sup>.

Domestic sales volume grows up 0.58 % and foreign sales amount has increased 8,98% and exceed 6,5 million m<sup>2</sup>.

Sales (m <sup>2</sup> )	2011	2010	difference	%
Domestic	13,783,358	13,704,508	78,850	0.58%
Foreign	6,540,350	6,001,376	538,974	8.98%
<b>Total</b>	<b>20,323,708</b>	<b>19,705,884</b>	<b>617,824</b>	<b>3.14%</b>

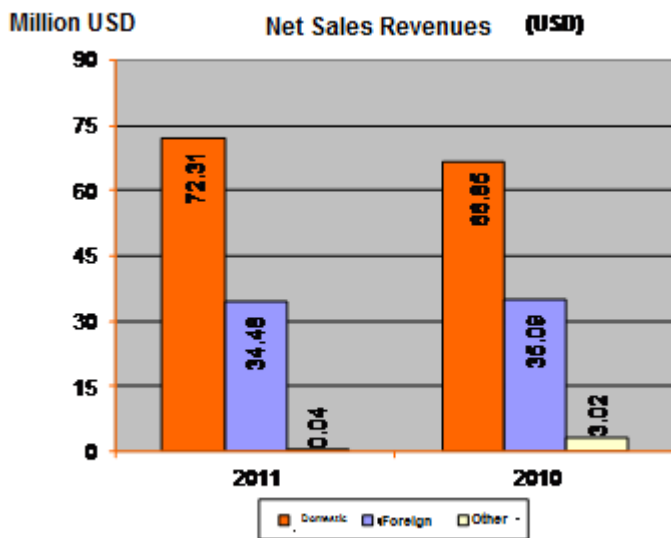


Net Revenues (TL)	2011	2010	difference	%
Domestic	128,975,834	108,647,704	20,328,130	18.71%
Foreign	70,448,177	51,907,809	18,540,368	35.72%
other	26,811	56,359	-29,548	-52.43%
	<b>199,450,822</b>	<b>160,611,872</b>	<b>38,838,950</b>	<b>24.18%</b>

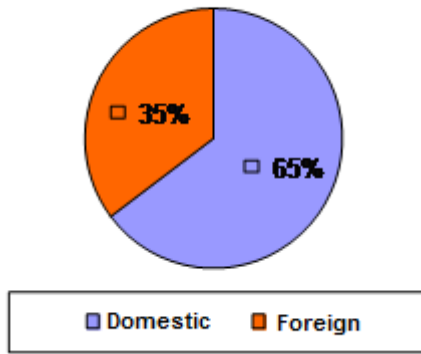
Net Revenues (USD)	2011	2010	difference	%
Domestic	66,847,939	72,313,709	-5,465,770	-7.56%
Foreign	35,093,132	34,482,456	610,676	1.77%
other	3,018,603	37,405	2,981,198	7970%
	<b>104,959,674</b>	<b>106,833,570</b>	<b>-1,873,896</b>	<b>-1.75%</b>

Our exportation has increased 1,77% in 2011 as compared with previous year and becomes USD 35.093.132. When examining total sector exportation, 8,5 % of exportation from Turkey has been carried out by Ege Seramik.

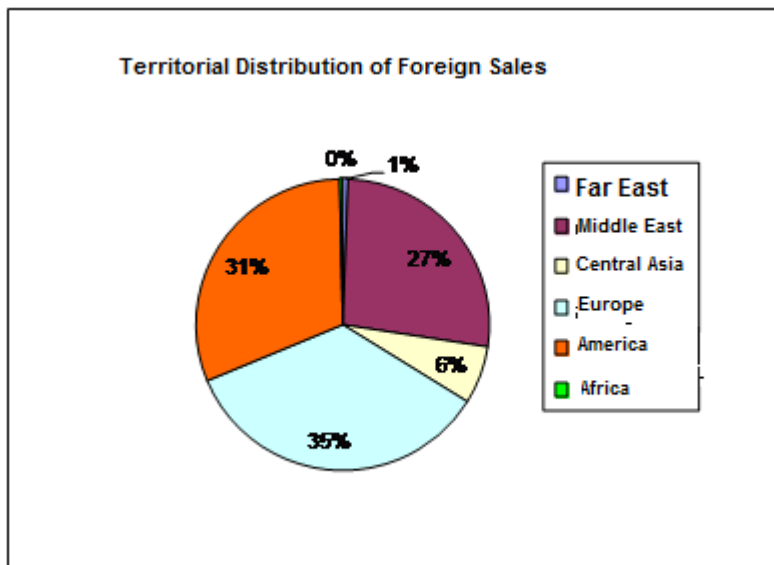
Markets in which we are assertive abroad are USA, Canada and Israel. Products are exported to 43 countries in 2011 and 31% of total foreign revenues have been obtained from USA, Canada and Israel.



### Distribution of Sales



### Territorial Distribution of Foreign Sales



## Our Product Portfolio

New 20 series related to Digital Tile Technology which is leader in sector in 2011 collection have been developed and put into market. Products with natural stone tissues which are trendy in all around the world especially marble and travertine tissues have been produced in the big sizes like 45x110 and 33x99 as much as natural.



Products with full bright surfaces, developed with Hi-Coat nano technology at the end of 2011 have been included to portfolio. Thanks to this technology surfaces are brighter and more hygienic and resistant to wear and can be cleaned more easily.

Emperador marble series which is the first product, developed with Hi Coat nano technology has aroused great interest through market and dealers.

## **9. PERSONNEL AND ADMINISTRATIVE ACTIVITIES**

### **a) Top Management**

<b><u>Name Surname</u></b>	<b><u>Position</u></b>
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<u>Bülent ZIHNALI</u>	<u>Vice President of Management Board and President of Operation Group</u>
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He has begun his business life in Ege Seramik in 1975 and worked in the positions of manager and vice president of management board in various stuffs. He has been appointed as the President of Operation Group on 16.02.2012.

<u>Göksen YEDİGÜLLER</u>	<u>General Manager</u>
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She came to Ege Seramik as General Manager on 16.02.2012. Before this duty, she has been employed as top executive in some big factories of Turkey.

<u>Mehmet ÇİFCİ</u>	<u>Factory Manager</u>
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He has experience in production responsibility in many firms of sector. He joined to Ege Seramik in the position of Technology Manager in 2009. He has continued to perform his duty in the position of factory manager.

<u>Bülent SABUNCU</u>	<u>Financial Affairs Manager</u>
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He has joined to Ege Seramik in 2012 and still continued to perform this duty

<u>Mustafa AKBACI</u>	<u>Sales Manager</u>
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He has appointed to his current position in 2008 after the various positions in the group companies since 1995 and still continued to perform this duty.

<u>Gülçin POLAT HASBORA</u>	<u>Business Development Manager</u>
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She has appointed to her current position in early 2010 after the various positions in the group companies since 2000 and still continued to perform this duty.

<u>Nevin ÇİFTÇİOĞLU</u>	<u>Information Processing Manager</u>
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She has joined to Ege Seramik as Analyst Programmer in 1992. She has continued to work in the position of Information Processing Manager since 2004.

<u>İ.Volkan DERİNBAŞ</u>	<u>Sales Planning Manager</u>
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He has joined to Ege Seramik as Sales Planning Supervisor in 2004. He has continued to work in the position of Sales Planning Manager since 2005.

İlyas YALÇIN

Manager of Executive Staff and Administrative Affairs

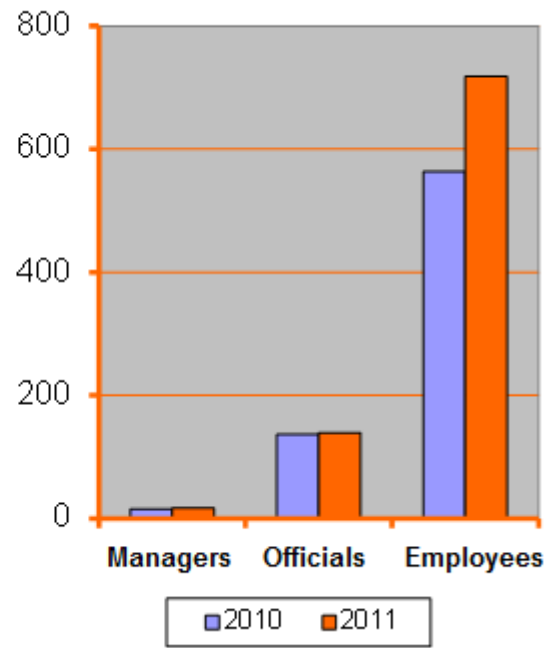
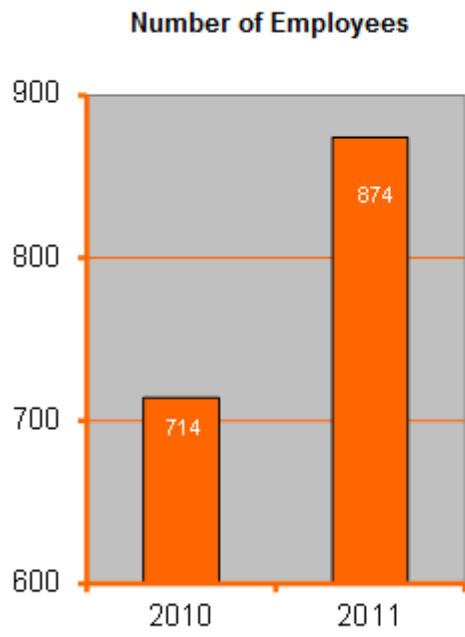
He has joined to Ege Seramik as Manager of Executive Staff and Administrative Affairs in 2002. He has still continued to perform same duty.

## **b) Employees**

Average number of employees was 874 in 2011. Average of age of our employees is 32, average seniority period is 8,5 years. 13%, 4%, 44% and 39% of our total personnel are graduated respectively from University, Vocational High School , High School and Elementary School. 3%, 64%, 14% and 19% of our administrative personnel are graduated respectively from master program, undergraduate program, vocational high school and high school.

Blue-collar workers are subject to collective labor agreement made with ÇİMSE-İŞ industrial union. Current agreement has been executed on 01.01.2011 and expired on 31.12.2012. Bonus in amount of four salaries are provided to blue-collar and white-collar personnel and clothing, death, marriage, fuel and other assistance are provided to blue-collar workers as required by collective labor agreement.

<b>Average Number of Personnel</b>	<b>2010</b>	<b>2011</b>
Managers	15	17
Officials	136	139
Workers	563	718
<b>Total</b>	<b>714</b>	<b>874</b>



## c) Fairs

Ege Seramik AŞ has participated in most important global sector fairs and reunite its rich product portfolio and innovations with professionals, consumers and those concerned with sector. In five fairs in which we have taken part, products of our company have gained appreciation.

**Coverings 2011 / USA**



**Unicera 2011 / USA**



**Cersaie 2011 / ITALY**



**Saint Gobain 2011 / FRANCE**



**Erbil 2011 / IRAQ**



## e) Prizes and Certificates

Our company took place in Fortune 500 Turkey 2010 List and showed its increasing success trend in 2011.



Our company was awarded two different GOLDEN MEDALS in the award ceremony, organized by Izmir Chamber of Commerce on 4<sup>th</sup> November 2011 for its great contributions to national economy by declaring high earning in 2010 and its great effort and successes in the services bringing foreign currency.



## GSV (GLOBAL SECURITY VERIFICATION)



GSV certificate has been renewed on 15.07.2011 in compliance with C-TPAT system, developed in USA in order to control the security in supply chains and to decrease the risks.



# ISO 9001:2008



Our company was granted ISO 9001:2008 by TSE and DQS IQ Net and certificated by IQ Net which is in partnership with 37 certification bodies.

# ISRAEL PRODUCT CERTIFICATES



Our company was audited by Israel Standards Institute and it was certified that our products are in accordance with Israel Standards.

## UkrSEPRO



Ukraine Product Certificate covers 2010-2011 and 2012 years and product certificate shall be renewed in 2012. Our products can be sold in Ukraine with this certificate.

## NF-UPEC PRODUCT CERTIFICATE

Our company was audited by CSTB & SFC on 21.10.2011 and our products were considered to be in accordance with French norms. NF-UPEC Product Certificate will be sent to us in 2012.

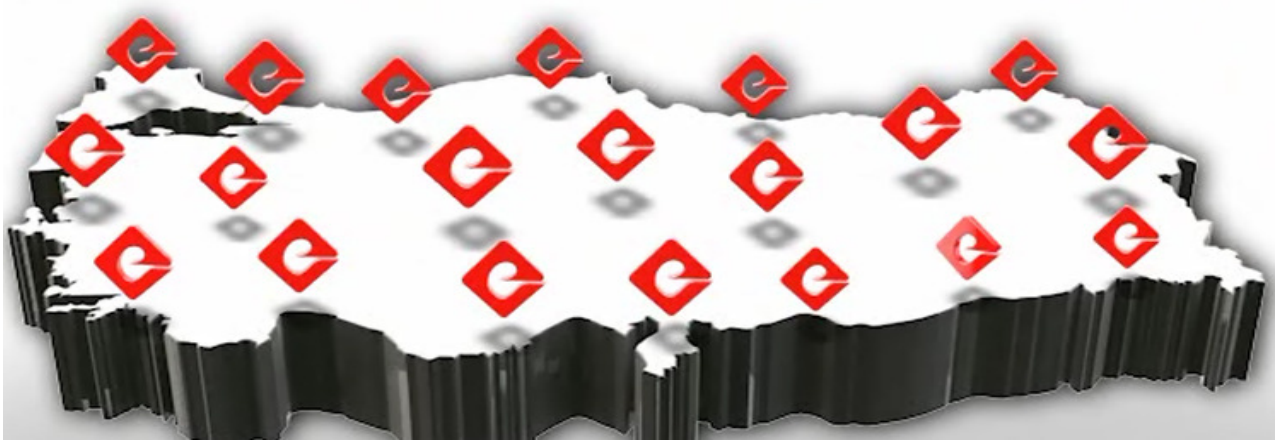
## f) Projects and Firms preferring the products of Ege Seramik

Important business partners were established as a result of collective business activities organized in 2011. Special products were developed for reference projects and firms and new sales channels were created for dealers thanks to recent studies.



## **g) Our Business Partners**

Ege Seramik exhibits its products in comfortable places with its 142 authorized sellers in seven regions at home and offer them to customers. In our dealers special attention is paid to visual design and exhibition works and product sales with additional value is tried to be increased in this way.



## **10. INTERIM MODIFICATIONS IN MASTER AGREEMENT**

There is no modification which was made in master agreement in 2011

But our company decided to merge with its subsidiary, Ege Birleşik Enerji Elektrik Üretim A.Ş. within the body of our company in accordance with the provisions of capital markets board, code of commerce and corporate tax law.

After merge our company refers to energy market board to take the necessary license in order for it to generate the electricity that it will use and it became necessary to make a modification in "Article- 3 Purpose and Subject" of our master agreement.

According to this extraordinary general assembly was held on 03.02.2012;

- Registered capital ceiling was increased from 75.000.000 TL to 150.000.000 TL so as to be valid for five years in the period from 2012 to 2016.
- Article of purpose and subject of our company's master agreement was amended in accordance with Legislation of Energy Market.
- Articles 1,3,4,6,8,9,10,13,14,15,21,23,24,26,28 and 29 of our master agreement were amended in a manner to include the abovementioned modifications.

# **11. CORPORATE GOVERNANCE COMPLIANCE REPORT**

## **Corporate Governance Compliance Declaration**

Corporate governance principles which have been accepted with the decision of Capital Market Board dated and numbered respectively 04.07.2003 and 35/835 and disclosed to public in July, 2003 have been adopted by our company and our company endeavors that the principles taking place in Corporate Governance Principles in 2011 be applied within the frame of current market structure and partnership structure.

Our company deems the Corporate Governance Principles extremely positive in terms of both company and shareholders. A more transparent management where shareholders can use their rights more easily and a structure where they can get more information shall be created. This will be a motive to prefer for shareholders.

Relationships between our company and shareholders are executed by Financial Affairs Manager. Requests of shareholders to get information are responded by this management and they are informed about general rules, stock certificates, profit distribution suggestions and similar respects. Rights of shareholders are protected by special situation statements made for the cases which are compulsory to be explained as required by detailed annual activity reports and legal regulations and shareholders are informed in this way.

Our company performs its legal obligations completely since it is within the scope of the regulations of Capital Market Board with regard to public disclosure and transparency and discloses periodically its financial statements, footnotes of financial statements, independent audit reports to public. Furthermore when extraordinary situations breaks out, Istanbul Stock Exchange makes special situation statements. It is made possible for both shareholders and public to establish multi-directional connections with our company. Except this no information policy has been formed, legal regulations for the matter involved are considered sufficient.

### **A- SHAREHOLDERS**

#### **a) Shareholder Relations Unit**

According to Article 7 of Part 3.1.1 of Capital Market Board's " Notice on the principles that incorporated companies subject to capital market law shall obey" which is published in the official gazette dated and numbered 19.3.2008 and 26821 respectively, shareholders relations unit which gives reports to management report and performs its activities with regard to use of shareholding rights in the partnerships of which shares are traded in stock exchange and provide connection between management board and shareholders is executed by the related unit within the body of the directorate of financial affairs. Same unit coordinates the performance of the obligations of the partnership arising from Legislation of Capital Market, stated in Article 8 of same notice and corporate governance applications. Principal activities performed by unit are as follows.

- To perform the transactions related to capital increases in previous years and dividend payments
- To keep the share ledger containing the records related to shareholders regularly, safely and actually.

- To organize general assembly meeting in accordance with the effective legislation, master agreement and other intercompany regulations
- To organize general assembly meeting, to prepare the documents that shareholder benefit from and to send the minutes to the ones requesting them,
- To respond the written and verbal requests of shareholders about company except the secret information and the ones having the characteristics of commercial secret by consulting with authorities,
- To notify the necessary special situation statements to IMKB, Public Disclosure Platform and Capital Markets Board by considering the notice series VIII and No:56.
- To follow the modifications in capital market law and related legislation and to submit them to the related units.

Unit responded all of the verbal information applications made about profit shares and informed the shareholders for the matter involved and necessary modifications were done in the applications for the exchange of share certificates, shares are delivered to share holders with a written report.

Following persons render service in shareholders relations unit:

Name Surname	Position	Phone No	E-Posta Address	Type of License Certificate	License Certificate No
BÜLENT SABUNCU	FINANCIAL AFFAIRS MANAGER	0232 878 17 00	bsabuncu@egeseramik.com		
NAZLI FARAÇ FEHMİ	BUDGET AND CMB AUTHORITY	0232 878 17 00	nfarc@egeseramik.com		
DİCLEHAN KARAASLAN	INVESTOR RELATIONS UNIT	0232 878 17 00	dkaraaslan@egeseramik.com	CMB ADVANCED LEVEL LICENSE	205810

### **a) Use of rights of shareholders to get information**

No distinction can be made between shareholders in the use of the rights of information and examination.

Shareholders of Ege Seramik A.Ş. can reach our company via phone and fax and transmit their information requests and questions. Almost all of the questions asked by investors are related to periodic income, capital increase and dividend distributions. If answers given to such kind of questions are not stated to public yet in accordance with the legislation of capital markets board, they are not answered and information disclosed to public are offered to the advantage of shareholders.

All kinds of information are put into the use of shareholders on the web page of company in order to enlarge the rights of shareholders to take information .

Developments to affect the use of the rights of shareholders are published in Public Disclosure Platform in form of special situation statements and via newspaper announcement.

Demand for the appointment of special auditor has been arranged as an individual demand right in master agreement of company, in the event there is no provision in master agreement, related provisions of Turkish Code of Obligations are taken into consideration. There was no demand for "the appointment of special auditor" in 2011.



## **b) General Assembly Information**

- An ordinary general assembly meeting was held in 2011. Ordinary General Assembly Meeting on Activity of our company in 2011 was held on 26<sup>th</sup> April 2011.

- Any special meeting quorum is not determined for the general assembly meetings of our company in master agreement and provisions of Turkish Code of Commerce are applied in the quorums.

- Invitation was made in accordance with the provisions of master agreement and legislations. Invitation was made in both written media and electronic environment. Invitations related to general assembly meeting were announced in national gazette, Vatan and territorial gazette, Yeni Asir on 27.03.2011 and in trade registry gazette dated and numbered 31.03.2011 and 7784 respectively. However content of invitation was transmitted to public disclosure platform as special situation statement. In these invitation announcements place, date and hour of general assembly, sample of power of attorney for the ones to participate in general assembly meeting, until which date documents showing the shares of partnership and when and where the report of management report, report of auditors, independent external audit report, reports of balance sheet and income statement for 2011 will be kept available for the examination of partners are available.

- It was notified in announcement that shareholders should refer to our company and complete the necessary procedures (exchange letter, record in share ledger, delivery of bond, submission of power of attorney); in application shareholders were enabled to participate in general assembly meeting and to vote by giving entry cards including the date of meeting.

-Necessary quorum was obtained in general assembly meeting, no demand is made for the discussion of any respect out of agenda. All kinds of documents and activity reports were kept available for the access and use of shareholders in written and electronic formats. Questions asked by shareholders about the participation in general assembly and even the ones not having confirmation letter for participation in general assembly before central registry agency are enabled to participate in the meetings of general assembly provided that they are not included by quorum and don't vote. Anybody can participate in our general assembly meetings as an observer. Right to vote is given in accordance with the provisions of legislation is used by the ones who proves that they are shareholders of our company by submitting the original blockage letter given by Central Registry Agency after applying to the bank or intermediary firm in due of time, where they have accounts and register their names in list of participants. Shareholders used their right to ask a question whenever they want and expressed their opinions and suggestions without any limitation. These questions have been answered by council committee and managers of related departments.

- After the transmission of financial statements for activity year to Public Disclosure Platform 15 (fifteen) days before general assembly meeting and announcement of them in public disclosure platform, balance sheets, profit-loss statements, activity report of management board and reports of auditors were submitted to share holders for examination in our registered office. Furthermore annual activity report was submitted to the shareholders participating in meeting.

-It is provided in the Article of our master agreement, which regulates the duties and authorities of management board that distribution of tasks in the first meeting of management board be made after the election of general assembly. According to this since decisions for purchasing, selling leasing out the assets in a considerable amount are transferred to the authority of

management board, reserving the mandatory provisions of Turkish Code of Commerce there is not any provision for the performance of these transactions with the decision of general assembly in master agreement. However if necessary information for the matter involved is announced with special situation statement in order for shareholders to be aware of the developments for the matter involved and they are submitted also within the explanatory notes in financial statements for shareholders' information.

- Minutes of General Assembly are available for the examination of shareholders in the headquarter of company and on [www.egeseramik.com](http://www.egeseramik.com) also as from the date of ordinary General Assembly for 2010

- Ordinary General Assembly is held once in a year within three months from the end of account period of company and meeting is held in the registered office of company.

### **c) Voting Rights and Minority Rights**

According to master agreement of our company every partner or agent who is present in ordinary and extraordinary general assembly meetings has one voting right and there is no preferential share in voting. Method of voting in the general assembly meetings is subject to the provisions of Turkish Code of Commerce and Capital Market Law and related legislation.

Shareholders representing minority shares form management with the ones representing majority shares by participating in General Assembly. There is no provisions which allows the use of cumulative vote system in master agreement of our company.

### **d) Profit Distribution Policy and Profit Distribution Time**

With regard to profit distribution policies for 2011 and following years according to the decision of Capital Markets Board dated and numbered 18.01.2007 and 2/53 respectively, profit distribution policy was determined as follows and added to the agenda of Ordinary General Assembly meeting on 26. 04.2011 as a separate agenda item to inform our partners about it.

In our profit distribution transaction for 2010 after 5,73% deduction at source for income tax for fully accountable corporate partners, 15% deduction for real persons, the ones free of income and corporate taxes and limited tax paying corporations with regard to the registered shares in Central Registry Agency on 31<sup>st</sup> May 2011, cash profit is distributed at the rate of 4,87%. Our share holders has to have completed the registration process first and it has to be determined by our company in order that previous year's profit shares for non-registered shares (physical share) be paid in cash

Profit Share Distribution is made in accordance with Turkish Code of Commerce, Capital Market Law and Regulations, provisions of master agreement. There is no regulation providing the distribution profit share advance in our master agreement.

After first dividend is deducted in accordance with the master agreement of our company, eight per cent and five per cent of remaining amount are distributed respectively to A Group shareholders and B Group shareholders and five per cent of remaining profit is distributed the members of management board. Except this provision, there is no preferential group to take a share from profit and no policy of profit distribution to the members of management board or the holders of founder's participation share.

Amount of the dividends to be distributed by our company to partners is determined as 20% of distributable profit (remaining amount after deduction of legal reserves, required to be kept in accordance with law, tax, fund and financial payments and if any accumulated losses) which is the minimum profit distribution rate, stated in first paragraph of Article 5 of "the Notice on the principles that publicly-held corporation which is subject to Capital Market Law shall comply with in the distribution of dividends and dividend advances" ( Series: IV, No: 27).

Sensitive balance between our company's growth strategies and profit share distribution is maintained precisely.

### **e) Transfer of Shares**

There is no provision limiting the transfer of bearer shares in master agreement of company. Transfer of registered shares is recognized upon the decision of management board for transfer and record in share ledger of company.

All of the share certificates of our company in the status of open to public can be traded in Istanbul Stock Exchange. After physical system, record system has started to be applied upon the regulations made by Capital Markets Board and Central Registry Agency and all share movements , dividend payments and share movements of the holders of the physical shares not recorded in Central Registry Office are followed by shareholder relations unit in accordance with the declaration of the holders of registered shares. The open shares to public which are not recorded can't be followed. There is not any institution authorized by our company to deliver the shares to ISE Settlement and Custody Bank representing the capital of our company and issued physically pursuant to Temporary Article 3 of Capital Markets Board's Notice on procedure and principles to keep the records of the registered capital market instruments (Series: IV, No: 28)

It is obligatory for these shareholders to deliver the share certificates to our company for the registration transactions. Registration is made by the related unit of our company. Holders of the share certificates which are not updated and recorded upon the application of shareholders to our company can participate in general assembly when registration process is completed. Information about exchange of previous shares, profit share payments up to coupon and registration process can be taken from Shareholder Relations Unit.

## **PART II-PUBLIC DISCLOSURE**

### **a) Principle of Equal Treatment to Share Holders**

Within the frame of corporate management, it is secured to perform equal treatment for all shareholders including minority and foreign shareholders. Precautions are taken in order for shareholders to act with the intention to damage company or other shareholders.

## **B- PUBLIC DISCLOSURE AND TRANSPERENCY**

### **a) Company's Information Policy**

An information policy is created by our company as stated in Corporate Management Principles announced by Capital Markets Board with its related decision for principle. Our information policy is not disclosed additionally in Public Disclosure Platform and our activity report is available in the web site of our company.

Our company adopts to act in equality, accuracy, impartiality, consistency and timing principles in informing all shareholders of our company and other stakeholders. Our announcements and statements within this policy should be made on time, truly, completely, clearly, in analyzable and easily accessible ways with low cost in a manner to protect the rights and interests of our company.

Since information which legislation makes obligatory to state is considered sufficient and detailed, another information policy is not created. Public is informed immediately about the developments which are likely to affect the value of the capital market instruments of company and the developments which can cause an important modification in the financial status and/or activities of our company. But information disclosed to public can't include any information to produce the results causing the loss of our company, shareholders and other stakeholders by preventing competition power and can't be within the scope of commercial secret.

## **b) Special Situation Statements**

Special situation statements were made by our company pursuant to the regulations of Capital Markets Board within the related period ( 1<sup>st</sup> January 2011- 31<sup>st</sup> December 2011). Our company made 30 special situation statements in 2011. Special situation statements made with electronic signature via internet were sent to the system of operation department of Public Disclosure Platform within the body of ISE. Any additional statement is not demanded by ISE for the special situation statements, Capital Markets Board has no sanction for the matter involved. Because our share certificates are not quoted in any stock exchange abroad, any statement wasn't sent to any stock exchange except ISE.

## **c) Web site of company and its content**

Web site of our company is [www.egeseramik.com](http://www.egeseramik.com). It is used as a communication channel from which shareholders, investors, research professionals and other stake holders can benefit about information disclosed to public as stated in Corporate Governance Principles, announcement for general assembly meetings held or to be held, agenda items, information about methods to participate in general assembly and other respects. Corporate Governance Compliance Report is available in attachment of activity report for 2011 and in the web site of Ege Seramik A.Ş. ([www.egeseramik.com](http://www.egeseramik.com)).

General titles of the information in the part of "Investor Relations" of company's web site [www.egeseramik.com](http://www.egeseramik.com) are as follows:

- [CORPORATE GOVERNANCE COMPLIANCE REPORT](#)
- [PROFIT DISTRIBUTION POLICY](#)
- [SPECIAL SITUATION STATEMENT](#)
- [FINANCIAL STATEMENTS](#)
- [GENERAL ASSEMBLIES](#)
- [ANNUAL ACTIVITY REPORTS](#)
- [MANAGEMENT BOARD](#)
- [MASTER AGREEMENT CHRONOLOGY](#)
- [MASTER AGREEMENT](#)
- [STRUCTURE OF PARTNERSHIP](#)
- [FINANCIAL](#)

- [Merger Agreement which is related to the merger of Ege Seramik Sanayi ve Ticaret A.Ş. and its subsidiary company, Ege Birleşik Enerji Elektrik Üretim A.Ş. and approved by Capital Markets Board on 14.03.2012 and announcement of merger, its annexes](#)

#### [CALL FOR ORDINARY GENERAL ASSEMBLY MEETING FOR 2011](#)

### **d) Relations between ultimate controlling shareholders who are real persons/ Company and shareholders, members of management board and managers**

One shareholder which has a share over 5% in our company in 2011 is İbrahim Polat Holding A.Ş. and it has 60,92% share. Partnership structure of our company is available in activity report, footnotes of financial statements, our web site and Public Disclosure Platform.

### **e) Periodic Statements and Reports in Public Disclosure**

Financial Statements and footnotes for 6<sup>th</sup>, 9<sup>th</sup> and 12<sup>th</sup> months, checked by independent external audit of company and Financial Statements and footnotes for 3<sup>rd</sup> Month, not checked by independent external audit were announced via Capital Markets Board and Public Disclosure Platform.

### **f) Public Disclosure for the persons who can obtain internal information**

Information related to the persons, authorized to represent and bind our company (president and members of management board, other signatory directors and managers) is available in annual activity report of our management board and information about top executives (appointment, leave etc.) are disclosed to public in accordance with legislation. All employees especially administrative personnel know our responsibilities arising from "Public Disclosure and Effective Legislation". Within the frame of legislation, access list to internal information is notified currently to the system of Central Registry Agency.

Considering the importance of subject for our company, responsibilities of the employees having internal information were announced in electronic environment and policy that written declarations stating the responsibilities of employees having internal information are taken and kept in related unit has been adopted.

## **C- STAKEHOLDERS**

### **a) Information to Stakeholders**

Stakeholders are informed about the activities of our company with special situation statements within the principles of both general assemblies and public disclosure. This information is performed via activity reports and Istanbul Stock Exchange. Stakeholders are informed about the company affairs related to them

Information is performed via participation in meetings, sales campaigns, advertisements and enlightenment upon request.



Employees of company are informed via monthly bulletin and intranet.

### **b) Participation of stakeholders in management**

Any mechanism and model is not created within the frame of corporate governance principles about the representation of stakeholders in management board. Stakeholders can participate in management with intercompany suggestion and methods like questionnaire. Applications about working conditions and rights provided to employees are formed upon the agreement came after the negotiations with labor union.

### **c) Human Resources Policy**

Human Resources policy of company is created as stated below generally;

- Equality of opportunity is provided to the personnel in same status by considering career targets of employees and personal qualifications
- Employees are informed about personal rights, career and company opportunities.
- There is no discrimination between employees and they are protected against maltreatments.
- There is no complaint from employees about discrimination.
- Training plans are made and applied in order to increase the information and skills and personal developments.
- Safe working environment and conditions are provided to employees.
- Criteria about recruitment is put in writing and it is ensured that these criteria are applied in recruitment.

Training program about quality, occupational health and security was performed in various periods with personal and occupational trainings for our personnel. Competence levels of our personnel are targeted to be increased in parallel with the vision and mission of company. We continue to work to be a corporation preferred in skilled labor market, where right person is employed in right work, high performance is promoted, employees whose satisfaction and motivation have reached high levels perform their duties in team spirit.

### **d) Information about Customer and Supplier Relations**

- Ege Seramik has TS EN ISO 9001:2000 (TSE-Turkey), DIN EN ISO 9001:2000 (DQS-Germany), IQ NET (DQS- Germany) Quality System Certificate since 1994, which is given to the corporations which reach the international quality in design, product development, production, plant and service. Furthermore our company has NF-UPEC Product Certificate (CSTB-France 1994),SII 005 Product Certificate (Israel Institute-2005) for its compliance with European standards and GSV Certificate for its compliance with C-TPAT established in USA to control the security in supply chains and to decrease the risks and Ukraine product certificate.
- It is essential for everybody to act in team spirit and to obey the determined rules and systems in order to carry out our target to provide high quality product and service to customer by uniting our customers and suppliers as a whole.
- Customer Orientation
- Voice of customer is taken into consideration in our company from product development to product presentation, purchase, production and delivery stages. Main purpose of our company is not only to make profit but also to create a customer value. In order to create

customer value, needs and expectations of our customers should be perceived fully and truly.

- In order to increase customer satisfaction, questionnaires and other sources are used to measure the degree that our company fulfill customer's conditions. Satisfaction measurement twice in a year in line with " the instruction for scoring customer satisfaction(TA-05-AR-KY)" . According to the point received from assessment we perceive how we are seen by customers and what customer expectations can be.
- Dissatisfaction of our customers with our product and service is transmitted to dealers, foreign sales companies and EGE SERAMIK-FACTORY by fax, e-mail and phone.
- Meeting for customer complaint assessment is held quarterly with Quality Assurance Management organization. Quarterly customer complaints are distributed to the related managers with assessment reports. Mistake samples related to the complaint about the period assessed in meeting are shown to the responsible persons and when necessary corrective activity is requested from related unit to prevent mistake from being repeated.

### **e) Social Responsibility**

Direct discharge of process water is prevented and output values of waste water treatment plant are controlled permanently in parallel with environment-conscious policies of our company.

Emissions released from factory chimneys to atmosphere are measured periodically and whether there is any deviation from the limit values given is controlled.

Applications in the activities made in our sector for CE conformity marking are maintained within the scope of Construction Materials Regulations (89 / 106 / EEC) and EN 14411 Harmonized Standard.

Internship opportunity is offered to the university students in the departments of economics and finance as well as machinery and ceramic departments in autumn and summer periods and applied training opportunity is provided to the students in secondary education within the scope of apprenticeship and occupational education law. Furthermore scholarship was given to students. Ege Seramik Technical and Industrial Vocational High School with 18 classrooms which has started to be constructed in January, 2011 and completed in 105 days and delivered by our company on 31.05.2011 and located in Kemalpaşa where registered office of company is situated makes a great contribution to education in Turkey. Characteristics of school are as follows.

#### **İBRAHİM POLAT-EGE SERAMİK TECHNICAL AND INDUSTRIAL VOCATIONAL HIGH SCHOOL**

- FIELD: 13.480 M2
- CLOSED CONSTRUCTION AREA: 3.160 M2
- SCHOOL BUILDING WITH 18 CLASSROOMS: Ground Floor+ Two Floors, Total 1950 m2
- WORKSHOPS: Ground Floor+ 1 Floor, Total 960 m2
- SHELTER AND FURNACE ROOM: Total 250 m2
- OPEN BASKETBALL COURT: 590 students capacity

There is not any case opened against our company due to damage to environment.

### **D- MANAGEMENT BOARD**

#### **a) Structure and Formation of Management Board and Independent Members**

In 2011 management board of company includes the following persons:

President	: İbrahim POLAT
Vice President	: Murat POLAT
Vice President	: Bülent ZIHNALI

MEMBER : Baran DEMİR  
MEMBER : Songül SEL

It is made up of five persons elected by General Assembly of Partners in accordance with the provisions of Turkish Code of Commerce. There is not any independent member among the members elected in general assembly.

When memberships of management board becomes empty within period, provisions of Article 315 of Turkish Code of Commerce are applied.

Approval of General assembly is taken in order for president and members of Management Board to perform the transactions within the scope of business field in person or in the name of others and for them to become the partner of the companies involved in such business within the scope of the Articles 334 and 335 of Turkish Code of Commerce.

### **b) Qualities of the Members of Management Board**

There is not any regulation about the selection criteria of the members of management board in master agreement and members of our management are currently in accordance with the principles in Articles 3.1.1, 3.1.2 and 3.1.5 of Part IV of Corporate Governance Principles of Capital Markets Board. We don't have any management board member who is not in accordance with the said criteria.

### **c) Mission, Vision and Strategic Targets of Company**

Vision of our company is to add value to its customer, shareholder and employees, to adopt reliability and customer-oriented management in parallel with its social responsibility as its essential principals, to provide perfect product and service quality to fulfill the expectations of our customers on time at highest level and to take place on the top of its sector.

Mission of our company is to continue to make contributions increasingly to environment, social life and national economy with productive and effective production methods without making no concessions on quality and ethical values. Our company follows the developments and innovations and brings most advanced technological investments to its country, creates employment, tries to improve exportation always and first and foremost is fully aware of its position as "leader industrial corporation". Our strategic targets are determined by management board, our budgets are set annually and developments about budget targets are assessed monthly.

Vision and mission of our company are not disclosed to public additionally and stated with our activity report.

### **d) Risk Management and Internal Control Mechanism**

Audits related to the compliance of the transactions performed and activities with both legal legislation and company policies are made by Audit Committee and internal auditors of our company. Audit committee is held regularly and controls financial statements and reports which are subject and not subject to independent audit of company, examines balance sheet and profit-loss accounts, audits their compliance with accounting principles and standards determined by Capital Markets Board and submits them to management board for approval.

Audits are made by independent auditors and their results are notified directly to top management of our company. Solution ways are searched and policies are formed for the problems notified via multidirectional communication.

### **e) Authorities and Liabilities of the Members of Management Board and Managers**

Provisions on the duties and authorities of management board are available in master agreement of our company. Management Board determines the members and the persons, from abroad that it authorizes to represent the company, signing authorities of general manager, manager and officials and subjects, limits and period in which they use these authorities. Names and authority limits of the members of management board and other persons authorized to sign are stated in detailed way with a circular. Authorities and responsibilities of other managers are not available in master agreement and duty descriptions for all employees including top executives throughout our company have been determined.

### **f) Activity Principles of Management Board**

According to master agreement, management board is held when company affairs require it. But it is obligatory that management board be held once in a month at least. In 2011 34 Management Board Meetings were organized. Member are invited by the secretariat of general management to meeting in words or written. Agenda of meeting is determined with the negotiations between president of management board and members.

Distribution of the tasks of management board is performed between them. They appointed general manager or managers between them or from abroad in order to execute the company transactions fully or partially. Members of management board don't have prevailing voting right and/or veto right.

### **g) Prohibition to perform transaction and compete with company**

Permissions mentioned in Article 334 and 335 which regulates respectively prohibition to perform transaction with company and regulates prohibition to compete with company are given to the Members of Management Board. Decision for the permissions in question take place in agenda items before meeting. Thus prohibition to perform transaction and compete with company is not applied for the members of management board. But members of management board are not allowed to perform transaction and to compete with company directly or indirectly and any conflict of interest hasn't been experienced up to now.

### **h) Ethical Rules**

There is not any regulation about ethical rules which are determined by management board for company and its employees and disclosed to both workers and public. But it undertakes to perform its activities in accordance with all kinds of legal legislation, master agreement and social values with its quality policy. Furthermore task descriptions were determined for employees and they are enabled to act by respecting laws, ethical values, customs, environment with its words and behaviors in accordance with the principles accepted in business life.

**Our Values:** Reliability, fairness, customer and quality orientation, competitiveness, respect to human being and environment, sense of responsibility and participation.

### **i) Number, Structure and Independency of the Committees Formed in Management Board**

Auditing committee has been founded with the participation of two persons from the members of management board. Except this any corporate management committee and another committee hasn't been formed. Since there is no independent member in company's management board, auditing committee is made up of non-executive members.

Members of Auditing Committee:

- Baran DEMİR
- Songül SEL

Auditing Committee is held once in quarter and made up of two members. Auditing Committee takes information always about the duties mentioned in legislation and notifies its opinions and determinations about the financial statements showing quarterly performance of company and to be disclosed to public to management board. Furthermore suggestions have been put forward about the determination and consideration of appropriate candidates and the number of members and managers of management board.

### **j) Financial Rights provided to Management Board**

Any fee is not determined for the members of management board. Thus members of management board doesn't take any fee and interest in consideration of their duties.

As stated in master agreement, after deduction of first dividend, eight per cent of remaining amount was given to the holders of A group shares, five per cent of it was given to the holders of B group shares and five per cent of remaining profit was given to members of management board. Dividends in amount of 64.130,38 TL were distributed to the members of management board in 2011 in consequence of the profit distribution for 2010. Company doesn't make loan and supply credit to any member or managers of management board and supply credit to them under the name of personal credit by a third party or doesn't give any security like bailment in favor of whom.

## **12. PROFIT DISTRIBUTION POLICY**

As stated in Corporate Governance Compliance Report and the Minutes of General Assembly Meetin in Previous Year, Profit distribution policy of our company has been formed in line with the decision taken in accordance with the provisions of Turkish Code of Commerce, Capital Markets Law and Regulations

There is not any regulation providing the distribution of dividend advance in master agreement.

After first dividend is deducted in accordance with the master agreement of our company, eight per cent and five per cent of remaining amount are distributed respectively to A Group shareholders and B Group shareholders and five per cent remaining profit is distributed the members of management board. Except this provision, there is no preferential group to take a share from profit and no policy of profit distribution to the members of management board or the holders of founder's participation share.

Amount of the dividends to be distributed by our company to partners is determined as 20% of distributable profit (remaining amount after deduction of legal reserves, required to be kept in accordance with law, tax, fund and financial payments and if any accumulated losses) which is the minimum profit distribution rate, stated in first paragraph of Article 5 of "the Notice on the principles that publicly-held corporation which is subject to Capital Market Law shall comply with in the distribution of dividends and dividend advances" ( Series: IV, No: 27).

Sensitive balance between our company's growth strategies and profit share distribution is maintained precisely.



Maintenance of profit distribution policy except the needs for investment and fund as required by long-term growth of company and the special situations required by extraordinary developments in economical conditions take place among the essential purposes of our company. But depending on the situation of the projects and funds in question, our company can review this policy always.

Considering the notices of capital markets board time and form of divided payment is determined by general assembly upon the proposal of Management Board. It is essential for management board to take all precautions for place, time and form where annual profit is transmitted to partners within the frame of legislation.

### **13. SUGGESTION FOR THE DISTRIBUTION OF PROFIT FOR 2011**

Subject of the distribution of the profit for 2011 has been discussed in the meeting of our management board dated and numbered 11.04.2012 and 2012- 16 respectively. Management board has decided that profit be distributed entirely within the frame of the provisions of related legislation and master agreement.

After first legal reserve in amount of 933.671,12 TL was deducted from the profit of the period in amount of 18.673.422,46 TL remaining after tax mentioned in financial statements dated 31.12.2011 and prepared in accordance with provisions of tax procedural law, net distributable profit of the period in our legal records was 17.739.751,34 TL.

On the other hand, net distributable profit of the period was 18.072.131,88 TL after the deduction of primary reserves in amount of 933.671,12 TL from after-tax profit 19.005.803 TL realized in the enhanced financial statements, prepared in accordance with the legislation of Capital Markets Law and assessment of first dividend was calculated in amount of 21.720.991,88 TL including grants made within the period equivalent to 3.648.860 TL. According to this it was decided unanimously that it is submitted to the members of management board in general assembly meeting that

- 4.344.198,38 TL, first dividend calculated in accordance with the Legislation of Capital Markets,
- 9.741.960,93 TL, second dividend calculated in accordance with the Legislation of Capital Markets,
- 1.784.631,36 TL, cash dividend to preferred shareholder pursuant to Article 26 of Master Agreement
- 597.165,11 TL, cash dividend to the members of management board in accordance with Article 26 of master agreement are paid between 16<sup>th</sup> May 2012 and 31<sup>st</sup> May 2012 and balance 1.271.795,58 TL is recorded as secondary reserve.

<b>EGE SERAMİK SANAYİ VE TİCARET A.Ş.</b>			
<b>Statement of Profit Distribution for (TL)</b>			
<b>1. Paid-up Capital/Issued Capital</b>		<b>75.000.000,00</b>	
<b>2. Total Legal Reserves (In accordance with legal records)</b>		<b>799.761,59</b>	
<b>Information related to the privilege if there is any privilege in profit distribution in accordance with master agreement</b>		From the remainin amount after the deduction of first dividend; - A Group shares %8 - B Group shares %5	
		<b>In accordance with Capital Markets Board</b>	<b>In accordance with Legal Records</b>
<b>3.</b>	Profit for the Period	24.213.869,00	24.014.433,98
<b>4.</b>	Ödenecek Vergiler ( - )	-5.208.066,00	-5.341.011,52
<b>5.</b>	<b>Taxes Payable ( = )</b>	<b>19.005.803,00</b>	<b>18.673.422,46</b>
<b>6.</b>	Previous Year's Losses ( - )	0,00	0,00
<b>7.</b>	Primary Legal Reserves ( - )	933.671,12	933.671,12
<b>8.</b>	<b>DISTRIBUTABLE NET PROFIT OF THE PERIOD ( = )</b>	<b>18.072.131,88</b>	17.739.751,34
<b>9.</b>	Grants within period ( + )	3.648.860,00	
<b>10.</b>	<b>Distributable net profit to which grants were added for the calculation of first dividend</b>	21.720.991,88	
<b>11.</b>	First Dividend to Partners (*)		
	-Cash	4.344.198,38	
	-Free of Charge	-	
	-Total	-	
<b>12.</b>	Dividend Distributed to Preferential Shareholders	1.784.631,36	
	A	1.098.234,68	
	B	686.396,68	
<b>13.</b>	Dividend to the members of management board and employees etc.	597.165,11	
<b>14.</b>	Dividend Distributed to the holders of dividend shares	-	
<b>15.</b>	Second Dividend to Partners	9.741.960,93	
<b>16.</b>	Secondary Legal Reserves	1.271.795,58	
<b>17.</b>	Statutory Reserves	-	-
<b>18.</b>	Special Reserves	-	-
<b>19.</b>	<b>EXTRAORDINARY RESERVES</b>	-	-
<b>20.</b>	<b>Other Resources Provided to be Distributed</b>		
	- Retained Earnings		
	- Extraordinary Reserves		
	- Other Distributable Reserves		
	- In Accordance with Law and Master Agreement		

Profit distributed by our company for is subject to 19,8% investment allowance withholding within the scope of Temporary Article 61 of Income Tax Law no. 193. Thus dividend distribution withholding shall not be calculated additionally within the scope of Temporary Article 62 of same law. Thus our shareholders who are real persons shall take application of Article 62 of same law as a basis in the dividend income that they obtained from the distribution of profit of company for 2011 which was subject to investment allowance.

## **14. REPORT OF AUDITING BOARD**

### **EGE SERAMİK SANAYİ VE TİCARET ANONİM ŞİRKETİ**

#### **Management Board**

- Partner's

- \* Trade Name : EGE SERAMİK SANAYİ VE TİCARET A.Ş.
- \* Registered Office : Ankara Yolu 26. Km / Izmir
- \* Capital (Paid-up) : 75.000.000.-TL
- (Issued) : 150.000.000.-TL
- \* Subject of Activity : Ground and Wall Ceramic Production and Trade

- Names and duty terms of Auditor or Auditors,  
whether they are partners or personnel of company :

Nilgün AYTEKİN	26/04/2011	-	She is not the partner or employee of company.
Aysel HATİPOĞLU	26/04/2011	-	She is not the partner or employee of company.
Şahin TURAN	26/04/2011	-	He is not the partner or employee of company.

- Number of participated management board and  
auditing board meetings : 8

- Partnership Accounts, scope of the examination  
On books and documents, date of examination and  
results

: Transactions were examined at the end of each  
month and no malpractice was observed.

- Number and results of inventories  
made pursuant to third subparagraph of First paragraph  
Of Article 353 of Turkish Code of Commerce

: 12 inventories were made and no malpractice was  
observed.

- Dates and results of the examinations made pursuant  
to fourth subparagraph of First paragraph  
Of Article 353 of Turkish Code of Commerce

: Examination was made at the end of each month  
and no malpractice was observed.

- Submitted complaints and malpractices and transactions  
For them

: n/a

We have examined the accounts and transactions of EGE SERAMİK SANAYİ VE TİCARET A.Ş. between 01.01.2011 – 31.12.2011 in accordance with Turkish Code of Commerce, Master Agreement of Partnership, Regulations of Capital Markets Law, principles and standards accepted generally with Uniform Chart of Accounts.

In our opinion, balance Sheet which was made up as from 31.12.2011 of which content we adopted reflects the financial situation of company on the said date; income statement between 01.01.2011 – 31.12.2011 reflects the results of activity for the said period realistically and truly.

We submit for your votes that balance sheet dated 31.12.2011 be approved and income statement for the period between 01.01.2011 – 31.12.2011 and Management Board be acquitted.

Sincerely

Nilgün AYTEKİN  
Auditor

Aysel HATİPOĞLU  
Auditor

Şahin TURAN  
Auditor

## **15. INDEPENDENT AUDIT REPORT AND FINANCIAL STATEMENTS**