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1. MESSAGE OF CHAIRMAN OF THE BOARD

Dear Shareholders,

The Board of Directors salutes you all with all of our respect.

First of all, we would like to have a brief overview of the economic events experienced in the world and in our country during the year 2010.

In 2010, the US economy started a relatively smooth recovery period, while the impact of the global economic crises in 2009 started to be felt with all its strength in EU countries.

The economic recession and crisis which started in Ireland, affecting Greece, Spain, Portugal, Hungary and Rumania, transformed into a social and financial phenomenon influencing the fiscal and even the administrative structures of the said countries greatly and as a result, extending beyond EU's crisis management capabilities. In these countries, industrial production either decreased to zero level or capacity utilization rates almost decreased by half. In direct proportion to the decline in production, unemployment rates increased to record levels. EU had a hard time in providing financial support to its members in crisis. Contrary to this environment in EU, especially the economies of China, India, Brazil and Indonesia with a growth of over 7.5%, became the driver forces of the world economy.

Year 2010, while serious problems were experienced all over the world economy, the Turkish economy was able to recover the problems of the year 2009 thanks to the high growth rate achieved as a result of stability and financial discipline.

While inflation decreased to single digits in 2010, the growth rate was 8.9 % and unemployment started to decrease towards 10 %. In industry, capacity utilization rate increased to 70 %. The exports of our country have broken a historical record, exceeding 113 billion Dollars despite of overvalued Turkish Lira policy of the Central Bank of Turkey.

In this economic atmosphere, which we summarized, Ege Seramik has gone through the most productive period of her history, in 2010.

Compared to 2009; in 2010, our production increased 19.29 %, our total sales volume 19.33 %, our export volume 6.83 %, our domestic sales volume 27.98 %, our total sales income 19.33 %, our gross profit 51.37 %, our operating profit 152.96 % and our net income before taxes and depreciation (EBITDA) 96.86 %. The ratio of net income before taxes and depreciation to net sales income was 19.82 %.

On the other hand, our short and long-term cash liabilities, which amounted to USD 23,500,000 in the beginning of 2010, have decreased down to USD 3,571,000 at the end of 2010 with repayments over what was planed, with no debt service remaining for 2011.

When setting the human resources policies of our company, what is held at the forefront is hiring and developing qualified manpower and executive staff for future years.

Our companies target is to stay at the actual capacity level in 2011 and following years as its strategy. Growth will be achieved by producing products with high value added through modernization investments.

Our above-standards target in the quality parameters of the products we market is our principle on which we focus and which we implement without compromise.

Dear Shareholders,

Our Board of Directors is extremely pleased with the performance realized in 2010.

Our aim for 2011 is to maintain the growth trend which is reached in stability and modesty. With the awareness and advantage of owning one of the most valuable brands in its industry, our aim is to further strengthen our economic structure.

Our Board of Directors will strive for obtaining even more successful results in 2011 with the contributions of first of all, you, our valued shareholders, all our employees, our local and international authorized dealers and all our suppliers.

We would like to extend our appreciation once more and at your presence to everyone who has contributed to our financial performance we achieved in 2010 hoping that year 2011 will be a productive and successful year for our country and our company.

With our best regards,

Ibrahim POLAT

Chairman of the Board



Our Vision;

To be among the world's innovative and leading ceramic manufacturers

Our Mission;

To offer comfortable work and living spaces

Our Object

To leave a livable world to future generations through innovative approaches furthering customer satisfaction, implementing state-of-the-art innovations introduced by the world of technology without compromise from quality or polluting nature and environment.



2. MILESTONES

1972 Ege Seramik established in Izmir Kemalpaşa

1973 Production starts at 300.000 m² capacity

1981 Major portion of shares are purchased by Mr. Ibrahim Polat



1983 The company becomes part of Ibrahim Polat Holding

1988 Five-year investment program starts

1992 Ege Seramik goes public at ISE

1994 Production capacity rises to 16 million m²



1995 Production capacity rises to 22 million m²

2004 Trim tile plant launched

2004 Production capacity goes up to 25 million m²

2005 Oracle ERP automation system set up

2009 Digital tile investment activated



3. INTRODUCTION

Report Period : January 1, 2010 – December 31, 2010

Title of Company : EGE SERAMİK SANAYİ VE TİCARET A.Ş.

Board of Directors :



İbrahim POLAT
Chairman of Board of Directors



Murat POLAT
Vice Chairman of Board of Directors



Bülent ZİHNALI
Vice Chairman of Board of Directors



Erdal ÖZYILDIRIM
Member of Board of Directors



İbrahim Fikret POLAT
Member of Board of Directors

Board of Auditors:

Nilgün AYTEKİN

Aysel HATIPOĞLU

Şahin TURAN

Board of Directors and Board of Auditors were elected at General Meeting of 21.04.2010 to serve until the next General Meeting.

Audit Committee :

Murat POLAT Committee member in charge of supervision

Erdal ÖZYILDIRIM Committee member in charge of supervision

Supervisory committee is elected from amongst non-executive members of Board of Directors to serve until the next General Meeting.

Authorities and Limits of Board of Directors, Auditors and Audit Committee

The affairs and business of the company are conducted by a Board of Directors to comprise minimum 5, maximum 7 people to be elected from amongst shareholders by General Meeting of Shareholders as per provisions of Turkish Commercial Code.

Where the Board of Directors comprises five people; three members are elected from group A shareholders, one person from amongst group B shareholders and one person from amongst other groups of shareholders. Where Board of Directors comprises seven people; four persons shall be elected from amongst group A members, one member from amongst group B and two members from amongst other groups of shareholders.

Chairman and members of Board of Directors have such authorities as specified in Capital Market Act, Turkish Commercial Code, Articles of Incorporation of the Company and other regulations.

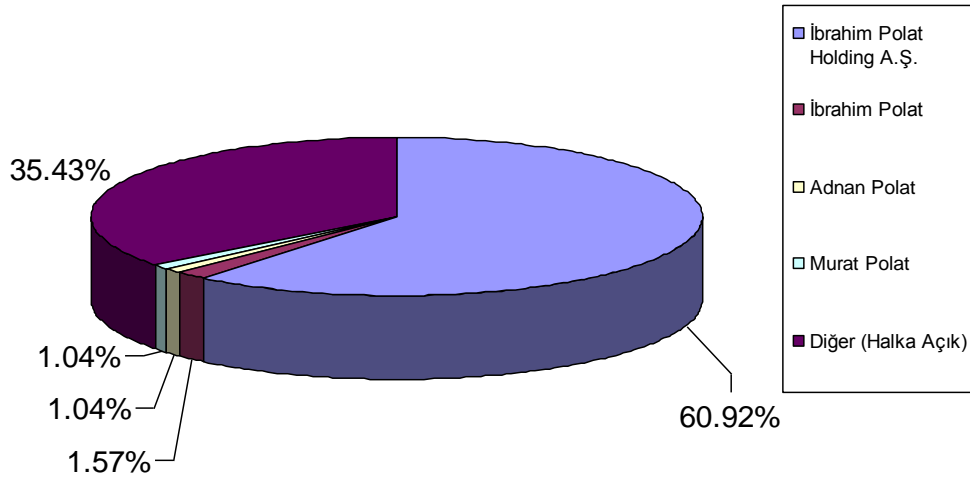
Board of Auditors has such authorities as specified in Turkish Commercial Code.

Members of Supervisory Committee have such authorities as described in the provisions of article 25 of CMB Directive Series X No: 22.

Shareholders Structure

December 31, 2010

	Nominal (TRY)	share %
İbrahim Polat Holding A.Ş.	45,686,919	60.92%
İbrahim Polat	1,177,702	1.57%
Adnan Polat	779,878	1.04%
Murat Polat	779,878	1.04%
Other (Public)	26,575,623	35.43%
	75,000,000	100%



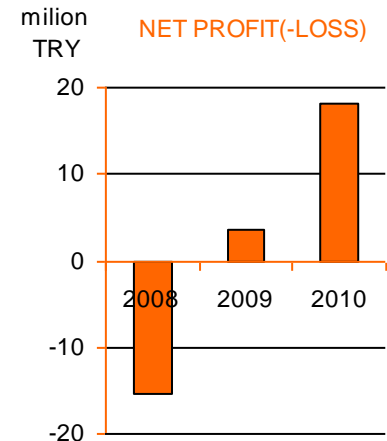
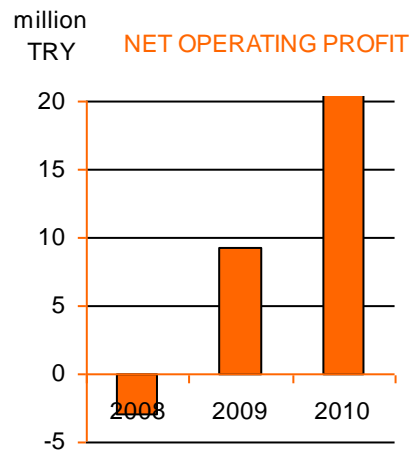
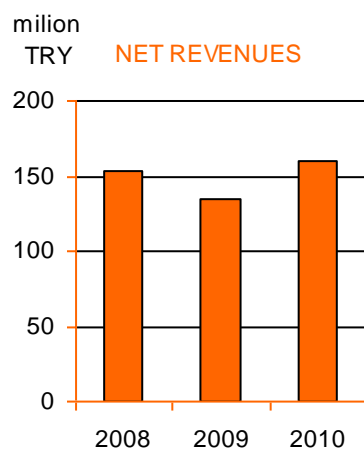
Affiliates	Holding Percentage (%)
Ege Birleşik Enerji Elektrik Üretim A.Ş.	98
Turgutlu Su Ürünleri	1
Seramik Araştırma Merkezi	8

4. FINANCIAL INDICATOR HIGHLIGHTS

As per consolidated financial statements issued in accordance with "Principles on Accounting Standards in Capital Market Boards Series: XI, No: 29.

Summary Balance Sheet (TRY)	2010	2009	%
Current Assets	115,706,619	107,773,133	7.36%
Fixed Assets	83,111,298	85,811,828	-3.15%
Total Assets	198,817,917	193,584,961	2.70%
Short-Term Liabilities	41,521,063	42,535,000	-2.38%
Long-Term Liabilities	14,787,982	26,758,612	-44.74%
Shares in Subsidiaries	267,201	257,571	3.74%
Shareholders' Equity	142,241,669	124,033,777	14.68%
Liabilities	198,817,917	193,584,961	2.70%
Net operating capital	74,185,556	65,238,133	13.72%

Summary Income Statement	2010	2009	%
Net Income	160,611,872	134,596,152	19.33%
Gross Profit	50,366,236	33,274,157	51.37%
Operating Profit	23,362,171	9,235,675	152.96%
Net Profit (-loss)	18,217,522	3,608,045	404.91%
EBITDA	31,828,816	16,167,941	96.86%



Financial Ratios	2010	2009	%
Current ratio	2.79	2.53	9.98%
Liquidity ratio	1.93	1.78	8.17%
Financial liability equity ratio	0.04	0.29	-86.47%
Operating profit margin	14.55%	6.86%	111.98%
Net income margin	11.34%	2.68%	323.13%
EBITDA margin	19.82%	12.01%	64.98%

5. INVESTMENTS

Ege Seramik has made a total investment of TRY 4,083,054 in 2010. Among these, digital tile and new frit kiln are significant investment projects.

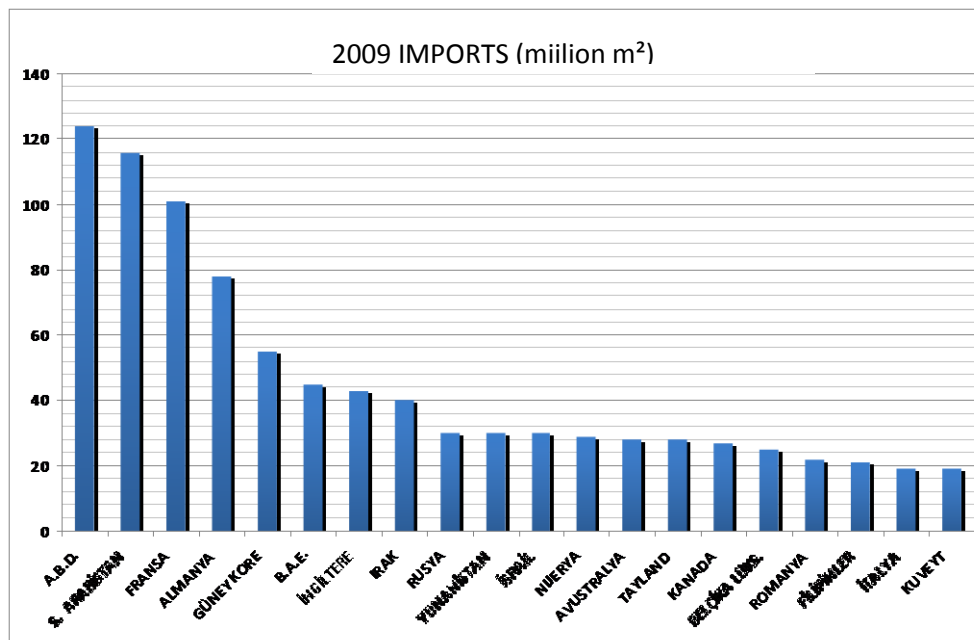
In addition to the digital tile print technology investment initiated for the first time in Turkey by Ege Seramik in 2009, the new print plant was launched and the digital tile print capacity was raised to 2 million sqm per annum in 2010.

Under the framework of modernization investments, capacity and productivity increase was achieved, thanks to the new frit kiln plant.

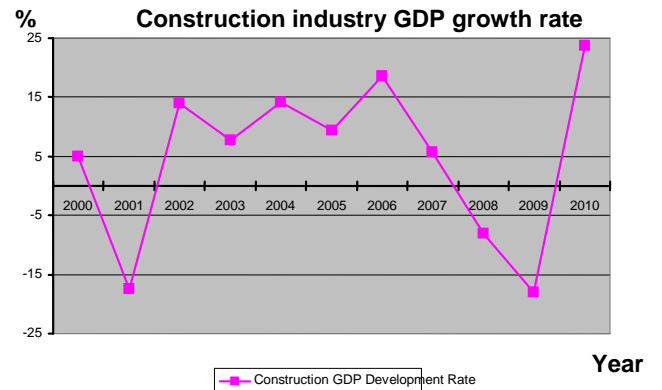
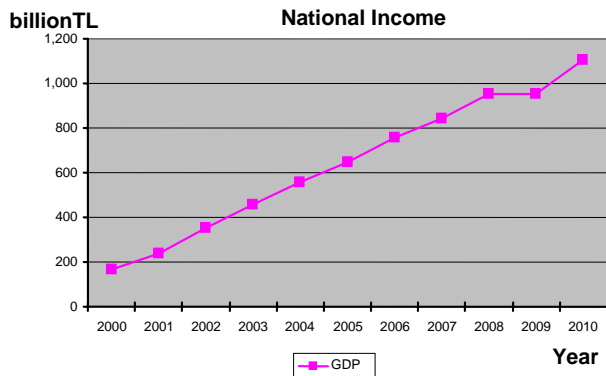
6. SECTORAL DEVELOPMENTS

In Turkey, the tile sector has initiated production in 1950s as an industry. The sector, which was in a trend of continuous growth in parallel with building up and urbanization through the years, has launched a rapid progress attack after 1980. The number of manufacturers which was 6 until 1985, has gone up to 23 in 1998, to 26 as of the end of 2010, with the total installed capacity reaching 407 million sqm. The top five firms which include our company account for 45 % of total capacity. In Turkey, almost all demand for ceramic is covered by local manufacturers. The sector exports approximately 35 % of its production. The largest export markets are North America, European countries and Israel. Also, the country is the fourteenth largest market in the world in consumption of ceramic tile, with a domestic market magnitude of about 140 million sqm. The Turkish ceramic tile sector is at a superior position over its competition technologically as 60 % of its total capacity has been installed after 1990.

The largest ceramic producers in the world are China, Brazil, India and Italy. China accounts for 42.28 % of world production with its 3.6 billion sqm capacity. Turkey ranks ninth accounting for 2.41 % of world production according to year 2009 results. On the other hand, our country ranks fourth in world exports following China, Italy and Spain. The largest ceramic importer is USA.



According to TUIK (*Turkish Statistics Agency*) datas, Turkey has increased its national income by 16 % over the previous year in 2010 with a GDP of TRY 1,105,101 million (\$ 735,828 billion). Per capita national income has reached to TRY 15,138 (\$ 10,079).



In 2010, in parallel with the recovery in the construction industry, a growth of 17 percent was achieved in the ceramic sector, with production rising from 205 million in 2009 to 240 million sqm in 2010.

Based on Undersecretary of Foreign Trade data, exports were USD 405,892,547 with a rise of 17 % over 2009.

Exports	2009	2010	Increase (%)
Volume (SQM)	59,617,356	69,801,286	17%
Amount (USD)	347,210,383	405,916,558	17%

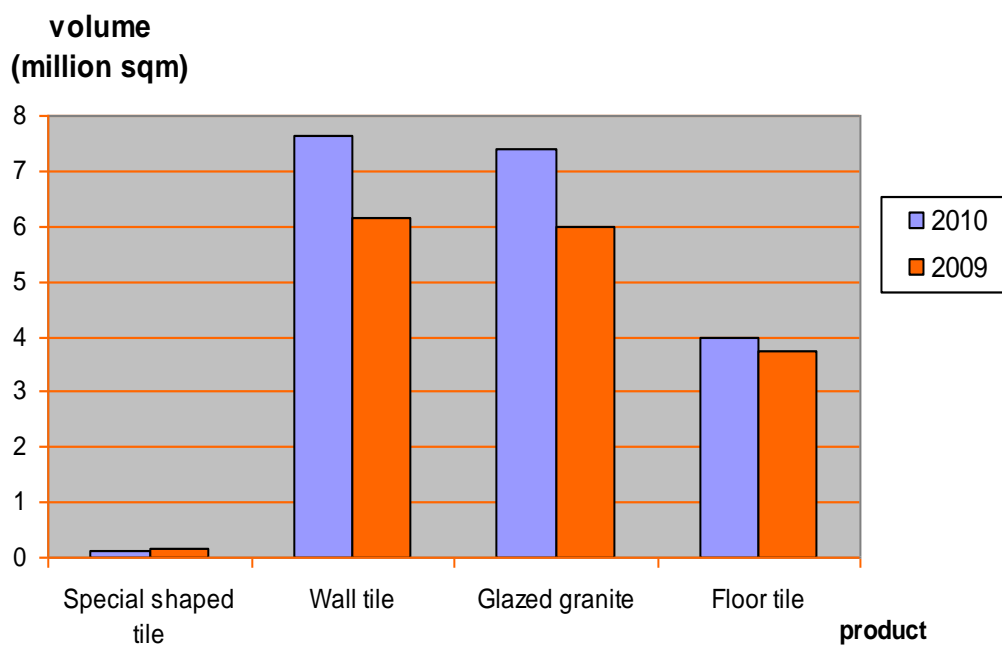
Expectations of growth are continuing in the Turkish economy in 2011. In the reports of real estate investment companies Association, the expected growth is 10%-15% in the real estate industry. Similarly, according to a report caused to be prepared by Turkish Union of Chambers and Exchanges (TOBB); the construction and construction materials industry, which is among the driving forces of the Turkish economy, will undergo rapid growth during the next five years.

7. PRODUCTION

In 2010, Ege Seramik has manufactured 19,127,055 sqm finished goods operating at 78 % capacity utilization rate including maintenance stoppages. The increase achieved in production over the previous year was 19 %.

Product Category	2010	2009	Difference	%
Special shaped tile	130,663	158,815	-28,151	-17.73%
Wall tile	7,638,728	6,159,668	1,479,060	24.01%
Glazed granite	7,387,310	5,989,760	1,397,549	23.33%
Floor tile	3,970,354	3,726,106	244,248	6.56%
Total	19,127,055	16,034,349	3,092,706	19.29%

COMPARATIVE PRODUCTION VOLUMES



Innovative Products



Digital Tile from EGE SERAMIK

Real as nature, strong as nature...

The latest technology employed by Ege Seramik in production of ceramic is the digital print technology. The products included in the series marketed under the name of Digital Tile are manufactured out of granite material by a method similar to the color printer technique used in computers.

In contrast to the traditional glazed granite production, highly detailed images may be applied on the product surface by the Digital Tile technology. While color may be processed at 1 mm relief debts in the traditional printing techniques, this figure may go up to 5 mm on tile surfaces in the digital tile technology. Hence, the depth and visual image formed on the surface of the product becomes much richer, impressive and natural.

Also, thanks to this technology, the design area, which is maximum 1 m² on ceramic surfaces, may be used up to 10 m² and a broad surfaced pattern in this dimension may be transferred to the surface of ceramic.

With the digital print technology employed for the first time by Ege Seramik in Turkey, interior and exterior wall and floor tile options in 21 different series are marketed.

8. SALES

According to the financial statements prepared in accordance with Directive on Accounting Standards in Capital Market of CMB, Series: XI, No: 29, our consolidated net sales revenue was TRY 160,611,872 in 2010 with an increase of 19 % over 2009. On the other hand, Ege Seramik's sales volume for 2010 has reached 19,705,884 m² with an increase of 21 % compared to the previous year.

While a growth of 28 % was achieved in domestic sales volume, the volume of sales abroad has gone over 6 million m² with a growth of 7 %.

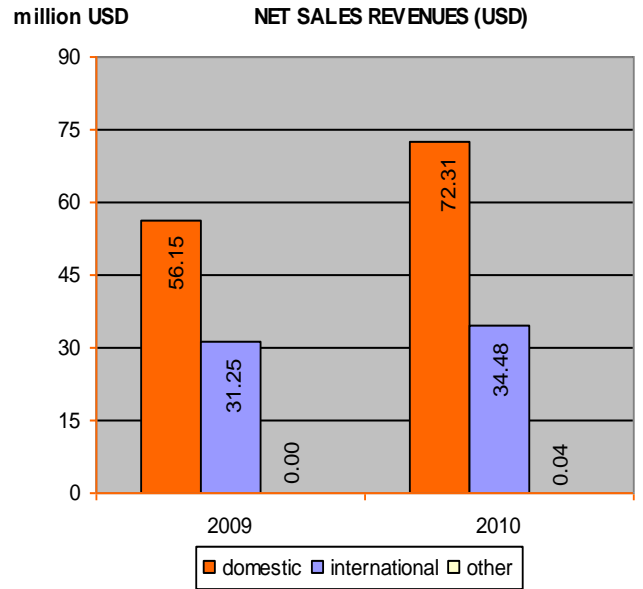
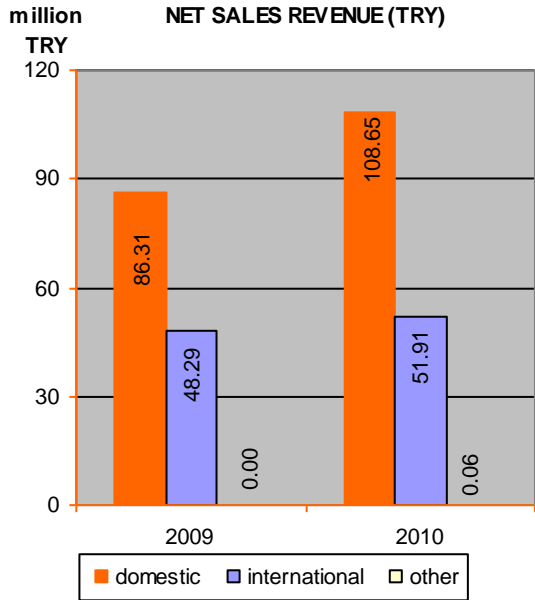
Sales (sqm)	2010	2009	Difference	%
Domestic	13,704,508	10,708,651	2,995,857	27.98%
International	6,001,376	5,617,549	383,827	6.83%
Total	19,705,884	16,326,200	3,379,684	20.70%

Net Revenue (TRY)	2010	2009	Difference	%
Domestic	108,647,704	86,308,537	22,339,167	25.88%
International	51,907,809	48,287,615	3,620,194	7.50%
Other	56,359		56,359	100.00%
Total	160,611,872	134,596,152	26,015,720	19.33%

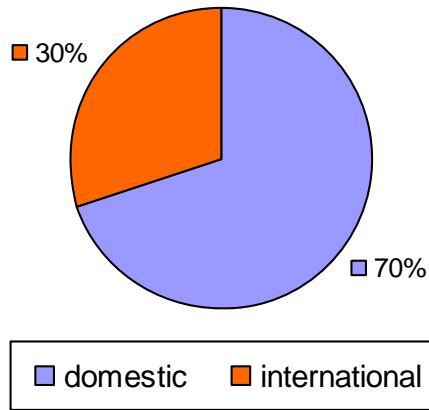
Net Revenue (USD)	2010	2009	Difference	%
Domestic	72,313,709	56,145,357	16,168,352	28.80%
International	34,482,456	31,253,802	3,228,654	10.33%
Other	37,405		37,405	
Total	106,833,570	87,399,159	19,434,411	22.24%

In 2010, our exports have amounted to USD 34,482,456 with an increase of 11 % over the previous year. Looking at the exports of the entire industry, Ege Seramik has accounted for 8.5 % of exports made from Turkey.

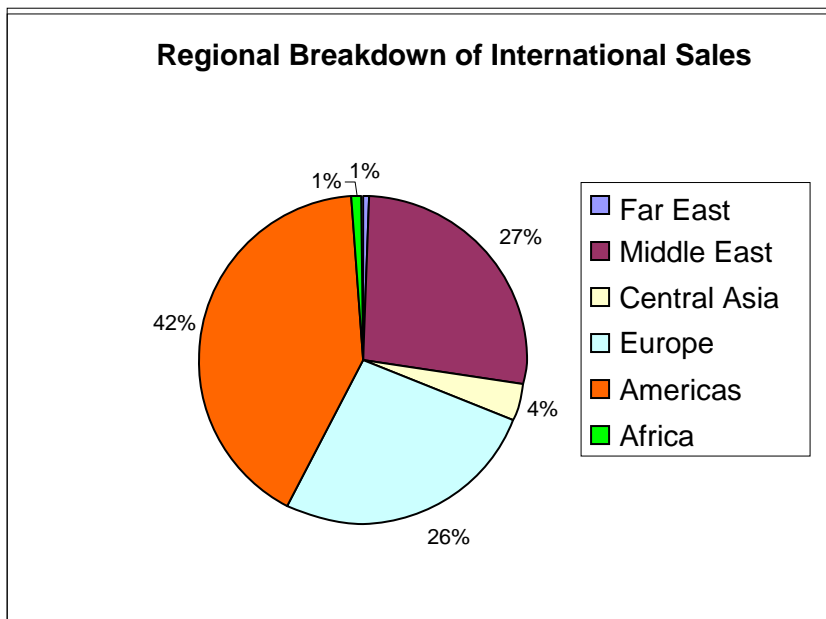
The markets where we are most contentious abroad are Canada and Israel. Exports were made to 43 countries in 2010 with 53 % of total international revenue coming from USA, Canada and Israel.



Breakdown of sales



Regional Breakdown of International Sales



Business Partners

Ege Seramik exhibits and offers to consumers its products in comfortable spaces with its 168 authorized dealers in 13 regions domestically.



9. PERSONNEL AND ADMINISTRATIVE ACTIVITIES

a) TOP MANAGEMENT

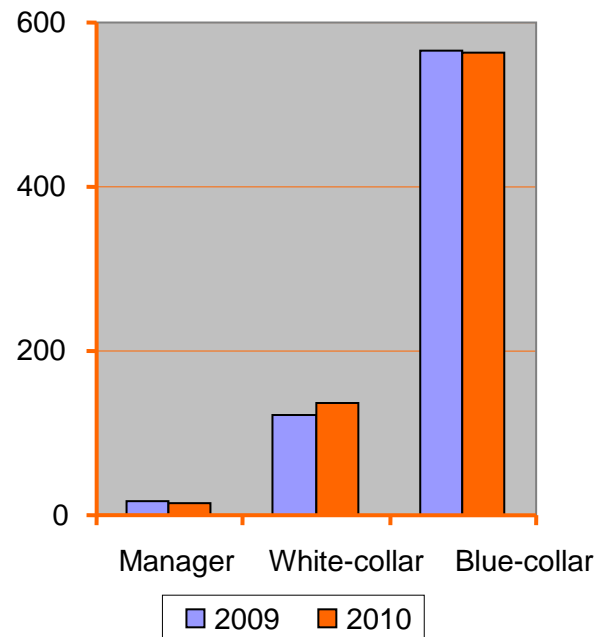
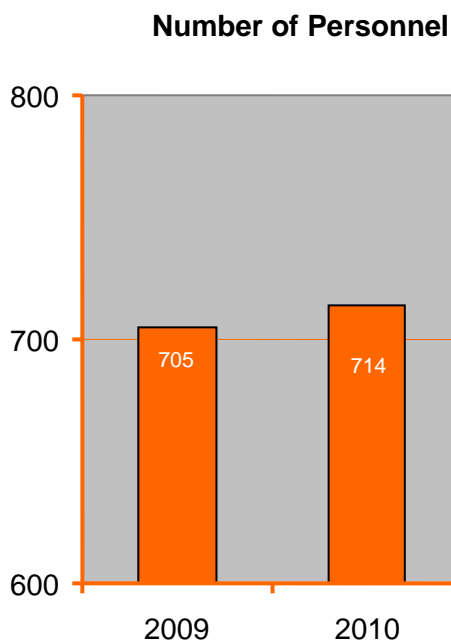
<u>Name Surname</u>	<u>Duties</u>
<u>Bülent ZIHNALI</u>	<u>Vice Chairman of Board of Directors and Operations Group Head</u> Started his career in 1975 at Ege Seramik. serving as executive and member of board of directors of companies since then. He has appointed as Chief Operation Officer on 16.02.2010.
<u>Göksen YEDİGÜLLER</u>	<u>General Manager</u> Started at Ege Seramik as General Manager on 16.02.2010. Prior to this position, he served as senior executive in some major ceramic plants of Turkey.
<u>Mehmet CİFCİ</u>	<u>Plant Manager</u> Has been responsible for production in numerous firms in the sector; appointed as Technology Manager for Ege Seramik in 2009. Currently serves as Plant Manager.
<u>Kamil COŞKUN</u>	<u>Financial and Administrative Operations Manager</u> After working in our group companies since 2005, was appointed as Financial and Administrative Operations Manager for Ege Seramik in 2009. Currently, he holds the same position.
<u>Gülçin POLAT HASBORA</u>	<u>Business Development Manager</u> After various positions with Group Companies since 2000, was appointed to this position at the beginning of 2010 and still performs this function.
<u>Nevin ÇİFTÇİOĞLU</u>	<u>Information Processing Manager</u> She joined Ege Seramik in 1992 as Analyst Programmer. Has been serving as Information Processing Manager since 2004.
<u>İ.Volkan DERİNBAŞ</u>	<u>Sales Planning Manager</u> Has joined Ege Seramik in 2004 as Production Planning Officer. Has been serving as Sales-Planning Manager since 2005.
<u>İlyas YALÇIN</u>	<u>Personnel Manager</u> Has joined Ege Seramik in 2002 as Personnel and Administrative Operations Manager. Currently holds the same position.

b) EMPLOYEES

In 2010, the average number of our employee was 714. Average age of our staff is 36, with an average tenure of 10 years. Of our employee, 17 % are university, 43 % high school and 40 % primary school graduates. Of our administration staff, 6 % have Master's and 85 % have Bachelor's degrees from universities, with 8 % high school and 1 % being primary school graduates.

Scope-intern employees at Ege Seramik are subject to the collective bargaining agreement entered into with CIMSE-IS Labor Union . The present agreement has expired as of 31.12.2010. The scope-intern and scope-extern personnel received annually 4 salaries as bonus, further the scope-intern employees are receiving clothing, decease, marriage, heating, moving, and similar social aids.

Average Number of personnel	2009	2010
Managers	17	15
White-collar	121	136
Blue-collar	567	563
Total	705	714



c) **DEALER MEETINGS**

Numerous meetings were held with our dealers comprising our country-wide sales network, the economic developments in the world and in Turkey, their impact on the construction and ceramic industry, Ege Seramik Authorized Dealer Operations, and Product and Marketing Strategies were provided. During these meetings, new products were introduced and information was exchanged, obtaining the requests and recommendations of our dealers on the product range and market conditions.



d) TRADE FAIRS

Coverings Trade Fair, USA

COVERINGS 2010 Trade Fair held in the city of Orlando of USA from April 26 to April 30, 2010, one of the largest ceramic tile trade fairs in the world, was participated in. New series developed as a result of broad market research were introduced at the trade fair, drawing accolades.



Cersaie Trade Fair, Italy

Participation was made at Cersaie Trade Fair which holds the pulse of the world ceramic industry, held in Italy from September 28 to October 2, 2010 where Ege Seramik's new products were promoted.



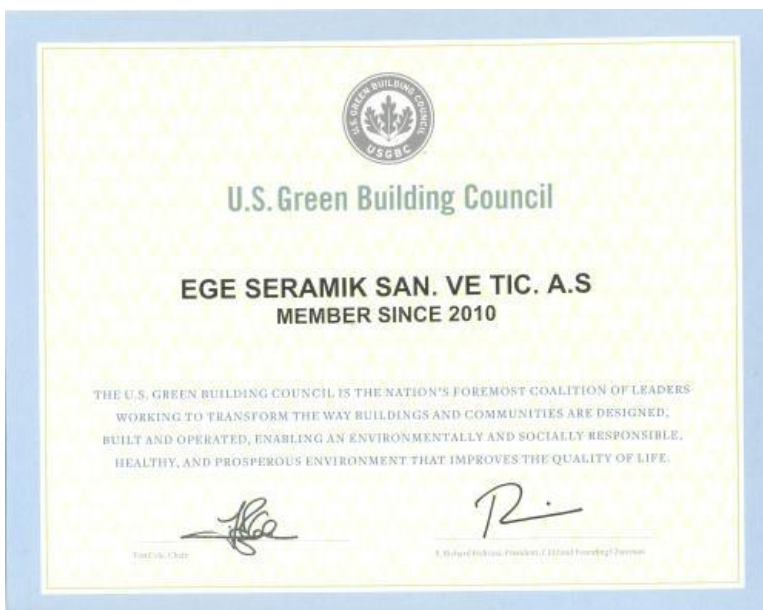
Unicera Trade Fair, Istanbul

Participation was made in TÜYAP Unicera Trade Fair visited by 55,000 people held in Istanbul in March 2011 which is one of the largest international trade fairs of the ceramic construction and building materials industries.



e) AWARDS AND CERTIFICATES RECEIVED

U.S. Green Building Council Membership



Our company, which takes into account environmental aspects in product design, pursuing environmentally sensitive activities effectively while ensuring high product quality, has become a member of United States of America Green Building Council (USGBC) which sets standards for the design and implementation of green and environmentally friendly buildings.

Awards

- In Glass and Ceramic Products Industry Group **"The Firm Proving Most Employment"** First Prize
- In Glass and Ceramic Products Industry Group **"The Firm with Highest Investment"** First Prize
- In Glass and Ceramic Products Industry Group **"The Firm with Highest Production"** First Prize
- In Glass and Ceramic Products Industry Group **"The Firm with Highest Exports"** First Prize
- From Aegean Region Chamber of Industry **"Successful R&D Activities"** Award
- From Izmir Tax Office and Izmir Chamber of Trade due to contributions to country's economy declaring high business earnings **"Gold Medal"**
- From Izmir Tax Office and Izmir Chamber of Trade due to superior efforts and achievements in foreign currency bringing services **"Gold Medal"**

10. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Corporate Governance Principles Compliance Statement

CMB's (Capital Market Board) Governance Principles adopted by decision dated 04.07.2003, no. 35/835 announced to public in July 2003 have been adopted by our company and our organization is striving to implement the principles included in the Corporate Management Principles under the existing market structure and shareholding composition in the 2010 operation period.

Our company sees the Corporate Governance Principles to be extremely positive both for the company and also for shareholders. A more transparent management and a structure where they have more information will be formed for shareholders where they may exercise their rights easier. This will be a cause for preference for shareholders.

Our company runs its relations with shareholders through Financial and Administrative Operations Department. Financial and Administrative Operations Department responds to information requests of shareholders allowing them to be informed on general meetings, share certificates, dividend proposals and similar matters. Rights of shareholders are protected and it is ensured that they are fully advised through annual reports prepared in detail each year and through material event disclosures made for situations necessary to be announced as per legislation.

Our company, in the areas of public enlightenment and transparency, is fulfilling its legal obligations fully as it is covered by CMB regulations, making public periodically its financial statements, notes to financial statements and its Independent Auditor Reports. Furthermore, in the event of exceptional situations, material event disclosures are made at Istanbul Securities Exchange. Through the website of our company, it is ensured that both shareholders and also the public may set up multi-faceted relations with our company. No further information policy has been set up for our company and regulations in this regard are deemed to be adequate.

A- SHAREHOLDERS

a) Shareholders Relations Department

This is run by a responsible unit formed under financial and administrative operations department. Major operations conducted by the unit are as follows:

- Fulfillment of transactions relating to share capital increase and dividend payments in recent years,
- Keeping of the share register containing the records of shareholders in an orderly secure and updated form,
- Holding of general meetings in accordance with current legislation, Articles of Incorporation and other in-house codes,
- Holding of Company General Meetings, preparation of documents which may be utilized by shareholders, sending of minutes to those who request,

- Responding to written and verbal information requests regarding the company by shareholders after discussion with applicable officials, save information which is confidential or are trade secrets,
- Under CMB Directive Series VIII, No: 54, notification of required material event disclosures to ISE and CMB,
- Following up and submission to consideration of applicable units of the company of any changes in Capital Market Act and applicable regulations.

During the applicable period, the entirety of verbal information requests regarding dividends made to the unit were responded to and shareholders were advised and also in applications made for share certificate transfers, necessary transfers were carried out and delivered to shareholders under a report.

Financial and Administrative Affairs Manager : Kamil Coşkun

Tel : 0 232 878 17 00

Fax : 0 232 878 42 09

E-mail :kcoskun@egeseramik.com

Budget Cost Accounting : Özcan Kılıç

Tel : 0 232 878 17 00

Fax : 0 232 878 42 09

E-mail :okilic@egeseramik.com

b) The Use of Shareholders Rights to Obtain Information

No discrimination is made between shareholders in exercising of the right to information and examination.

Ege Seramik A.Ş. shareholders accessing our company by phone or fax convey their information requests and questions. A portion close to the entirety of questions brought by investors relate to matters of periodical profit, share capital increase and dividend distribution. Responses given to such questions are not answered if no public disclosure has yet been made in line with Capital Market Board regulations; however, information already made public are made available to shareholders.

Any information relating to the expansion of the right to information of shareholders is made available to shareholders on the website of our company in updated form.

Developments, which may impact shareholders' exercising their rights are announced at Istanbul Securities Exchange and Public Enlightenment Platform through material event disclosures.

The request for appointment of a special auditor has not been set out in the articles of incorporation of the company as an individual request right and applicable articles of Turkish Commercial Code apply to circumstances not covered by the articles of incorporation. No "Special Auditor Appointment Request" has been made to our company in 2010.

c) Information on Shareholders' Meeting

Our company will hold its Ordinary General Meeting for year 2010 operations as of 26.04.2011.

No special meeting quorum has been set in the articles of incorporation of our company for general meetings with provisions of Turkish Commercial Code being applied for meeting and decision quorums.

Calls for meetings were made in the nationally circulated Vatan and Yeni Asir newspapers on 27.03.2011 and in Trade Registry Gazette of 31.03.2011, no. 7784. Contents of the call was conveyed to ISE as a material event disclosure for the Board of Directors resolution adopted relating to the general meeting. In these call promulgations; information on details on the place, date and time of the general meeting, proxy specimen for proxies to attend the general meeting, submission deadline for documents showing shareholdings for entering the meeting and on what date and where board of directors report, auditor's report, independent outside auditor report and balance sheet and income statements for year 2010 operations would be made available to be reviewed by shareholders.

The promulgation notes that shareholders should apply to our company by no later than one week before the meeting date to attend the General Meeting and complete necessary procedures (settlement letter, entry in share register, delivery of share certificate, submission of proxy); in practice, participation in and voting at the General Meeting by shareholders is made possible by issuing entry cards on days including the date of the meeting.

15 (fifteen) days prior to the general meeting, after submission to ISE and promulgation of financial statements for the operating year, operating year balance sheets, income and loss statements, board of directors annual report and auditor's report were made available to shareholders at company headquarters. Furthermore, the annual report will be presented to attending shareholders on the day of the meeting.

At the General Meeting, shareholders may exercise their rights to direct either verbal or written questions and such questions of shareholders will be responded to by management.

The article of our articles of incorporation "setting out the duties and powers of board of directors" stipulates that division of labor is carried out at the first meeting of the board of directors following elections at general meeting. Accordingly, since material decisions regarding splits, material purchase or sale of assets, leasing, etc. are left to the authority of the board of directors; there is no provision in the articles of incorporation regarding carrying out of such transactions by general meeting resolution without prejudice to the imperative provisions of Turkish Commercial Code. However, to allow shareholders to be aware of developments in this regard, such information is announced through material event disclosures as necessary and also are made available to shareholders as part of the explanatory notes in financial statements.

General meeting minutes are made available to review of shareholders at company headquarters and may be accessed by shareholders on the website of our company as of the ordinary general meeting date of year 2010.

Ordinary general meetings are held within four months from the end of the accounting period of the company at least once a year and are held at company headquarters.

d) Voting Rights and Minority Rights

Shareholders or their proxies attending ordinary and extraordinary general meetings are entitled to one vote per share according to the articles of incorporation of our company and there are no preferred shares in terms of exercising of votes. At general meetings, the voting method is applied according to the provisions of Turkish Commercial Code and Capital Market Act and applicable regulations.

Shareholders representing minority shares form management together with majority shareholders with their participation in the general meetings. There is no provision allowing use of accumulated voting system in the articles of incorporation of our company.

e) Dividend Policy and Deadline for Dividend Distribution

In relation to the dividend distribution policies of the company for 2011 and following years, a separate item was added to the agenda of the meeting for informing our shareholders at the ordinary general meeting to be held on 26.04.2011 and dividend distribution policy has been determined as follows as per Capital Market Board resolution of 18.01.2007, no. 2/53. Dividend distribution is carried out in accordance with the resolution adopted at the general meeting as per provisions of Turkish Commercial Code, Capital Market Act and Regulations and Articles of Incorporation.

There is no provision regulating distribution of advance dividends in our articles of incorporation.

According to the articles of incorporation of our company, after deduction of the first dividend, of the remainder, eight percent is allocated to Group A share certificate holders, five percent to Group B share certificate holders and five percent to members of the board of directors. There is no preferred group as regards collecting dividends in our articles of incorporation, save the said provision, nor is there a dividend distribution policy of our company regarding employees, members of the board or founder bonus share certificate holders.

The sensitive balance between the growth strategies of our company and dividend distribution is conducted diligently.

Maintenance of the dividend distribution policy, save special circumstances brought about by investments and other fund needs required for long-term growth of the Company and extraordinary developments in economic conditions is among the basic objects of our company. However, our company's board of directors may review this policy each year depending on the current projects and condition of funds.

General meeting sets the time and manner of payment of dividends upon proposal of board of directors taking into account Capital Market Board directives. The Board of Directors has made it a principle to take any measures in terms of place, time and form so that yearly profits are delivered to shareholders as soon as possible in line with regulations.

f) Transfer of Shares

There is no provision in the articles of incorporation of the company restricting transfer of bearer shares. Transfer of registered shares will go into effect only if board of directors decides that transfer is to be effected and upon entry of the transfer in the company's share register.

g) Principle of Equal Treatment of Shareholders

Under governance principles, it is ensured that all shareholders including minority and foreign shareholders are treated equally. Measures preventing shareholders to act with intent to injure the company or other shareholders have been taken.

B- PUBLIC DISCLOSURE AND TRANSPARENCY

a) Company Information Disclosure Policy

Our company adopts the principle of acting under the rules of equality, accuracy, neutrality, consistency and timing in providing information to all our shareholders and other stakeholders. Our rule is that the announcements and disclosures made under this policy are carried out on time correctly, completely, in understandable and analyzable form and accessible at low cost, also considering the rights and interests of our company.

As information made mandatory to be disclosed by regulations is deemed to be adequate and of required detail, no information policy has been created. Public disclosures are carried out forthwith about developments with potential of affecting the capital market instruments of the company or those which may have a material impact on the financial position and/or operations of our company. However, information disclosed to public may not contain details leading to results to the detriment of our company and its shareholders and other stakeholders obstructing competitiveness, nor they may involve trade secrets.

b) Disclosure of Material Events

The entirety of our Material Event Disclosures are made public in due time in accordance with legislation under the rules of public enlightenment. In 2010, our company has had 18 material event disclosures.

There is no sanction imposed by CMB due to public disclosures. Since our company is not listed in international security exchanges, no Material Event Disclosures are required outside CMB and ISE.

c) The Company's Website and Its Contents

The address of the website of our company is **www.egeseramik.com**. It is used as a channel of communication which may be utilized by shareholders, investors, research specialists of brokerage firms and other stakeholders in line with information disclosed to public specified in governance principles, promulgation for past and future general meetings, items of itinerary, information on general meeting participation methods and other related matters. Corporate Governance Compliance Report is published at Ege Seramik A.Ş. (www.egeseramik.com) website attached to year 2010 annual report.

d) Relations between Individual Ultimate Controlling Shareholder / Company and Shareholders and Members of Board of Directors and Executives

The sole shareholder of our company with shares over 5 % was İbrahim Polat Holding A.Ş. as of 2010, holding 60.92 % shares. The shareholding composition, annual report and financial statement notes of the company are available at our website.

e) Disclosure of Periodical Financial Statements and Reports

The company's month 3, month 6, month 9 and month 12 financial statements and notes which have undergone independent outside audit are made public via CMB and ISE and published at the company's website.

f) Disclosure on Insiders

Information which is learned during employment, which belong to the company, which the company does not wish to be known by individuals other than who need to know, which may qualify as trade secrets are deemed to be 'Company Information'. No employee may carry out activities which will bring earnings using insider company information when employed by Ege Seramik Sanayi ve Ticaret A.Ş. or thereafter.

Individuals in position to access information which may affect the value of the capital market instruments of the company are members of the Board of Directors and senior executives who are disclosed to public in the annual report.

C- STAKEHOLDERS

a) Informing Stakeholders

In relation to the operations of our company, stakeholders are informed either through general meetings or through material event disclosures as per public enlightenment principles. Provision of such information is carried out through annual reports and via Istanbul Securities Exchange. Stakeholders are advised on matters concerning them relating to the company. Provision of information is carried out by participation in meetings through promotions and responses to requests.

b) Participation of the Stakeholders in the Management

No mechanism or model has been set up under Corporate Governance Principles framework for representation of stakeholders at the board of directors. Participation by stakeholders in management is carried out through in-house instruments like recommendations or surveys. Practices regarding working conditions and employee rights are formed through agreement reached as a result of negotiations made with the labor union.

c) Human Resources Policy

Human resources policy of the company has been formed under basic principles listed below;

- Considering both the career targets and personal qualifications of employees, personnel of equal position are afforded equal opportunities.

- Employees are advised on matters relating to personal rights, career and company facilities.
- No discrimination is made between employees and employees are protected from adverse treatment.
- There is no complaint received from employees regarding discrimination.
- Training plans are implemented for enhancing the knowledge, skills and personal development of employees.
- A secure working environment and conditions are provided to employees. X
- Hiring criteria are put in written form and it is ensured that these criteria are met in hiring of employees.

d) Information on Relations with the Clients and Suppliers

- Ege Seramik owns TS EN ISO 9001:2000 (TSE-Turkey), DIN EN ISO 9001:2000 (DQS-Germany), IQ NET (DQS-Germany) Quality System Certificate issued to companies capturing international quality in design, product development, production, plants and service since 1994. Furthermore, our company has NF-UPEC Product Certificate (CSTB-France 1994) and SII 005 Product Certificate (Israel Institute-2005) due to its compliance with European standards.
- To consider our customers and suppliers as a whole, to achieve our object of "Offering customers products and services with high level of quality", everybody must act within team spirit and adhere to set rules and systems.
- Customer Orientation
- The voice of the company starts from the product development phase at our company and is reflected up to the phases of product presentation, purchasing, production and shipment. The main object of our company is not just to make profits but in addition, also to create customer value. To create customer value, to have the needs and expectations of our customers to be perceived and met fully and correctly;
- For enhancement of customer satisfaction, surveys and other sources are being employed to measure our company's level of meeting customer requirements. Satisfaction readings are taken twice a year in line with "Customer Satisfaction Scoring Guide (TA-05-AR-KY)". According to the score obtained from the evaluation, we comprehend where we stand in the eye of the consumer and what customer expectations may be.
- Any dissatisfaction by our customers purchasing our products with the product and service they receive will be conveyed to dealers, our external sales companies and EGE SERAMİK-PLANT by phone, fax and e-mail.
- Customer Complaint Assessment Meetings are held every 3 months under a Quality Assurance Management organization. Quarterly, customer complaint assessment reports are distributed to applicable executives. Samples of claims involving complaints in the period assessed at the meeting are shown to responsible position holders and as necessary, corrective action is demanded from the applicable unit to prevent repetition of mistakes.

e) Social Responsibility

In line with environmentally concerned policies of our company, direct discharge of process water is prevented through a waste water production plant and waste water treatment plant output figures are checked continuously.

Emissions to the atmosphere from plant stacks are measured periodically, it is checked whether there is a deviation from limit values given in the emission permit.

In CE compliance mark activities in our industry, practices are pursued under (89 / 106 / EEC) Building Materials Regulation and EN 14411 Harmonized standard.

There is no litigation instituted against our company due to any damage to the environment.

D- BOARD OF DIRECTORS

a) The Structure and Composition of Board of Directors and Independent Members

The Board of Directors of the company is comprised of the following:

Chairman	: İBRAHİM POLAT	Non-executive member
Vice Chairman	: MURAT POLAT	Non-executive member
Vice Chairman	: BÜLENT ZIHNALI	Executive member
Member	: ERDAL ÖZYILDIRIM	Non-executive member
Member	: İ.FİKRET POLAT	Non-executive member

The Board comprises 5 individuals elected by the General Meeting as per provisions of Turkish Commercial Code. There are no independent members among the members elected at the General Meeting.

In case of any vacancy in Board of Directors memberships during the period, provisions of article 315 of Turkish Commercial Code shall apply.

Consent is obtained from the General Meeting as per provisions 334 and 335 of Turkish Commercial Code for carrying out by chairman and members of Board of Directors such business as included in the line of business of the company and their becoming shareholders in companies in business.

b) Qualifications of the Board Members

Although there is no regulation regarding the election criteria of members of Board of Directors in the articles of incorporation of our company, our current members of board of directors are in compliance with rules in articles 3.1.1, 3.1.2 and 3.1.5 of section IV of CMB Governance Principles. There are no members of Board of Directors who fail to meet such criteria.

c) The Mission, Vision and Strategic Goals of the Company

The vision of our company is to provide perfect product and service quality in such a way to meet the demands and expectations of our customers on time and at the highest level.

Our firm's personnel has adopted this as their mission. Considering developments and innovations, they strive to bring the most advanced technological investments to their country to create employment and to further their exports all the time and most importantly, have the awareness of being the "leader industrial organization".

d) Risk Management and Internal Control Mechanism

Our company is audited by the Audit Committee and internal auditors on compliance of carried out transactions and operations with either legislation or also company policies.

Audits are performed by independent external auditors and results are reported directly to the senior management of the company. Through multi-faceted communications, ways of solving reported problems are being sought and policies set.

e) Authority and Responsibilities of Members of Board of Directors and Executives

There are provisions regarding the duties and powers of the Board of Directors in the articles of incorporation of our company. The Board of Directors determines its members or outside individuals which it authorizes to represent the company and under what limits and for what duration the general manager, managers and officials will exercise their signature authorities and on what matters. The names and limits of authority of authorized signatory members of Board of Directors and other individuals are specified in detail in circular. The powers and responsibilities of other managers are not included in the articles of incorporation; however, job descriptions have been set indicating powers and responsibilities for all employees including senior executives in our company.

f) Principles of Activity of the Board of Directors

According to the articles of incorporation of the company, the Board of Directors convenes as required by company business. However, it is mandatory that the Board of Directors convenes at least once a month. In 2010, in total, 25 Board of Directors meetings were held.

Members are called to meetings in writing by General Manager's secretariat. The itinerary of the meeting is set through meetings held by the Chairman of the Board with members.

Members of the Board of Directors carry out division of labor among themselves. They may appoint a general manager or managers from amongst themselves and from outside for conducting of the entirety or part of company business. Members of the Board of Directors have no weighted voting rights and/or veto rights.

g) Prohibition of Transactions with the Company and Competition

Members of the Board of Directors of the company have not carried out any transaction covered by doing business with the company or competition.

h) Ethical Rules

There are no provisions relating to rules of ethics set for the company and its employees and disclose to employees or the public by the Board of Directors of the company. However, job descriptions have been formed for employees and it is ensured that employees act respectfully under laws, moral values, customs and traditions and the environment in their words and behavior in line with principles accepted in business life.

i) The Number, Structure and Independence of Committees Established by the Board of Directors

A supervisory committee comprising 2 individuals has been set by the Board of Directors. No other corporate governance committee or other committee was formed.

The supervisory committee meets quarterly and comprises 2 members. The Supervisory Committee continuously receives information on their tasks specified in regulations and report its views and findings on the financial statements demonstrating the quarterly performance of the company which will be made public to the Board of Directors.

j) Financial Rights Granted to the Board of Directors

No remuneration has been set for members of the Board of Directors, at the General Meeting. Therefore, members of the Board of Directors do not receive any compensation or interest due to their functions.

11. DIVIDEND DISTRIBUTION POLICY

Our Company's Dividend Distribution Policy proposal for 2011 and following years is as follows:

In relation to the dividend distribution policies of the company for 2011 and following years, a separate item was added to the agenda of the meeting for informing our shareholders at the ordinary general meeting to be held on 26.04.2011 and dividend distribution policy has been determined as follows as per Capital Market Board resolution of 18.01.2007, no. 2/53. Dividend distribution is carried out in accordance with the resolution adopted at the general meeting as per provisions of Turkish Commercial Code, Capital Market Act and Regulations and Articles of Incorporation.

There is no provision regulating distribution of advance dividends in our articles of incorporation.

According to the articles of incorporation of our company, after deduction of the first dividend, of the remainder, eight percent is allocated to Group A share certificate holders, five percent to Group B share certificate holders and five percent to members of the board of directors. There is no preferred group as regards collecting dividends in our articles of incorporation, save the said provision, nor is there a dividend distribution policy of our company regarding employees, members of the board or founder bonus share certificate holders.

The sensitive balance between the growth strategies of our company and dividend distribution is conducted diligently.

Maintenance of the dividend distribution policy, save special circumstances brought about by investments and other fund needs required for long-term growth of the Company and extraordinary developments in economic conditions is among the basic objects of our company. However, our company's board of directors may review this policy each year depending on the current projects and condition of funds.

General meeting sets the time and manner of payment of dividends upon proposal of board of directors taking into account Capital Market Board directives. The Board of Directors has made it a principle to take any measures in terms of place, time and form so that yearly profits are delivered to shareholders as soon as possible in line with regulations.

12. AMENDMENTS ON ARTICLES OF INCORPORATION DURING THE PERIOD

None.

13. ISSUED CAPITAL MARKET INSTRUMENTS

None.

