



**EGESERAMİK**

**ACTIVITY REPORT FOR 2014**

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# **1. MESSAGE FROM THE BOARD OF DIRECTORS**

## **Esteemed Shareholder's,**

The year 2014 was a year of gradually and limited recovery with a high intensity in economic and political developments were seen in the agenda and where different growth tendencies were seen regionally. The geopolitical developments, West-Russia tension and fluctuations in global financial markets caused negative impacts for growing targets. The deceleration limited the exportation opportunities and increased competition in global markets at a large scale.

In 2014, as USA Central Bank had ceased the expansionary fiscal policy and gave signals for a raise in interests strengthened US Dollar against all other currencies and sharp falling was witnessed in commodities, in particular oil prices.

All of these developments had different affects in global construction sector. In Europe and US the construction sector which had declined after 2009 crisis shown growth for the first time after. The construction sector of China and India preserved their growth ratio. The political tension and especially decline in oil prices has shown effects on construction investments in Russia, Middle East and Gulf Countries along with Africa.

Turkey, has been among the top 20 economies globally by national income as per 2014. The growth rate which had been targeted as 4 % in the beginning of 2014 was realized as 2,6 % due to the strict monetary policy of Central Bank, the geopolitical developments, tensions within the neighbour countries and other internal and external factors affecting the growth. However during these developments the current account deficit showed recovery and it was declined by an amount exceeding 20 billion of US Dollar.

The growth was provided by the private sector construction expenditures in the construction sector. The construction sector is among the ones which develop itself every day and boosting the trade by steering the national economy. Especially the housing constructions and urban transformation jobs has positive impacts on the sector. Ceramic sector, in parallel to construction, goes through positive developments. Blending the ceramic materials' production capabilities with technology has enabled production of big sized ceramics with wooden, marble wall paper effects. We can easily say that our company, as being the leader of the ceramic sector, has the widest product segment developed through digital printing technology.

Despite the growth rate of Turkey has declined when compared to previous years, the value created by Ege Ceramic has shown a positive course as summarized in the below table.

	<b>2013</b>	<b>2014</b>	<b>Raise</b>
Production (m2)	21.842.218	20.912.979	-4,21%
Sales (m2)	22.055.521	21.377.606	-3,07%
Total Sales Revenue (TL)	252.824.421	280.681.471	11,02%
Gross Profit (TL)	70.368.524	84.357.405	19,88%
Operating Profit (TL)	32.518.828	47.471.979	45,98%
<b>EBITDA (TL)</b>	<b>41.899.403</b>	<b>57.300.742</b>	<b>36,76%</b>
EBITDA Profitability	16,57%	20,41%	

As it can be seen from the above tables, although there is no increase by volume in our sales, EBITDA have increased by 36,76 %. The EBITDA profitability rate increased to 20,41 % from 16,57 %.

The positive developments in our company performance was achieved through innovation achieved via R&D, management stability and satisfaction in final user – authorized dealer – domestic and abroad sales organization – producers chain.

Ege Seramik; continues to meet the demands of construction sector freshened by the changing housing structure and customer expectations in a high quality and fast manner and to serve the customers with enriched product portfolio developed through know-how and experience of the sector.

Our over standard objectives in our quality parameters that we apply to our marketed products and services is our principle which we focus and do not compromise. While the human resources policies of our company are determined, the principle of employment and raising of skilled labour and managing staff starting from today is prioritized.

We believe growth trend of Turkey economy will continue in upcoming years. We expect a 3,6 % growth rate for the next 3 years for Turkish economy. The growth rate target of our company is beyond that figure though. We aim to continue producing high value added products with our ongoing modernization and investments and dominating the hard market countries on the other hand and to enter into new markets. We want to preserve our “zero loan and zero interest” principle on the other hand.

The strategic target of our company is not to achieve capacitive growth for 2014 and following years. We aim to realize the growth via innovation, sustainable growth, win-win policy based modernizations and thus producing high value added products.

Our Board of Directors are proud of the performance we achieved in 2014 and aim to preserve the growth trend which had been provided in 2014 with sustainability and modesty.

Our Board of Director shall continue to work to achieve even better results in 2015 with the contribution of you our Esteemed Partners, of all our colleagues, domestic and abroad authorized dealers and of all our suppliers.

We would like to extend our gratitude to all the contributors to the performance we achieved in 2014 and we wish 2015 to be an efficient and successful year for our country and company.

Best Regards  
Board of Directors

## **Our Vision;**

To develop our activities we started by means of using and extending our knowledge and expertise in a manner to grow our market share and to become a leader in the sector by keeping customer satisfaction at the top level.

## **Our Mission;**

To provide service to the developing construction sector in our country in the first place with our products manufactured in international quality standards, to direct the sector with our innovative and creative activities, to move towards new areas and regions in accordance with the developments in the World.

## **Our Objectives**

To leave to the future generations a World worth living in without sacrificing quality, contaminating nature and environment, by applying the latest technology, prioritizing customer satisfaction and with innovative approaches exceeding expectations.



## **2. MILESTONES**

- 1972 Ege Seramik was established at Kemalpaşa, İzmir.
- 1973 Production started with a capacity of 300.000 m<sup>2</sup>.
- 1981 Significant part of stocks were purchased by Mr. Ibrahim Polat.
- 1982 Ege İnsaat Malzemeleri Pazarlama A.Ş. was incorporated to carry out marketing operations of Ege Seramik products.
- 1983 It was incorporated into the Ibrahim Polat Holding.
- 1988 Five-year investment programme started.
- 1992 Ege Seramik started to be publicly traded at İMKB.
- 1994 Production capacity increased to 16 million m<sup>2</sup>.
- 1995 Production capacity increased to 22 million m<sup>2</sup>.
- 2004 Plant to produce custom-shaped tiles was commissioned.
- 2004 Production capacity increased to 25 million m<sup>2</sup>.
- 2005 Oracle ERP automation system was set up.
- 2009 DIGITILE investment was commissioned.
- 2011 New glazing, sizing and hi-tech nono protective surface machines were purchased.
- 2012 Modernisation investment was started to produce oversized ceramic tiles.
- 2013 Modernisation investment was completed and oversized ceramic tiles were started to be produced.
- 2014 Modernization investment has been started at mass preparation facilities and Production Hall No. 4.



### **3. GENERAL INFORMATION**

<b>Reporting Period”</b>	<b>: 1 January 2014 – 31 December 2014</b>
<b>Company Trade name</b>	<b>: EGE SERAMIK SANAYI VE TICARET A.S.</b>
<b>Trade Registry Number</b>	<b>: 614 K -575</b>
<b>Mersis Number</b>	<b>: 0-3250-0554-2400011</b>
<b>Headquarters Address</b>	<b>: Ankara Asfalti 26.Km. P.K.:35170 Kemalpassa/IZMIR</b>
<b>Branch Address</b>	<b>: -</b>
<b>Stock Share Code</b>	<b>: EGSER</b>
<b>Contact Information</b>	
<b>Telephone</b>	<b>: (232) 878 17 00</b>
<b>Facsimile</b>	<b>: (232) 878 12 54</b>
<b>E-mail address</b>	<b>: info@egeseramik.com</b>
<b>Website</b>	<b>: www.egeseramik.com</b>

## **4. INFORMATION ON THE MANAGING BODY, SENIOR EXECUTIVES AND PERSONNEL OF THE COMPANY**

### **a) Board of Directors**



İbrahim POLAT  
Chairman



Bülent ZİHNALİ  
Vice Chairman



Baran DEMİR  
Vice Chairman



İsmet MİLOR  
Independent Member



Meriç Esmer  
Independent Member



İbrahim Fikret POLAT  
Member



## **Audit Committee**

:

İsmet MİLÖR	Head of Committee in Charge of Auditing (Independent Member of Board of Directors)
Meriç ESMER	Member of Committee in Charge of Auditing (Independent Member of Board of Directors)

Auditing Committee has been elected from among the non-executive members of the board of directors to keep office until the next General Assembly of Shareholders.

## **Corporate Governance Committee :**

		<u>Start Date</u>
Meriç ESMER	Head of Corporate Governance Committee (Independent Member of Board of Directors)	06.05.2014
Baran DEMİR	Member of Corporate Governance Committee (Non-executive Member of Board of Directors)	06.05.2014
Bülent SABUNCU	Member of Corporate Governance Committee Financial Affairs Manager/Investor Relations Director)	29.05.2014
Diclehan KARAASLAN	Member of Corporate Governance Committee (Investor Relations Responsible)	12.01.2015

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

The duties included in the “Communiqué on Corporate Governance” of CMB with Serial no. II-17-1 pertaining to the **Nomination Committee, Early Detection of Risk Committee and Remuneration Committee** are carried out by the Corporate Governance Committee.

## **b) Senior Management**

### **Full Name**

### **Position**

Bülent ZİHNALI

Vice Chairman and Chief Operation Officer

He started his career at Ege Seramik in 1975 and held positions as an executive at various levels and as a member of board of directors during this period of time. He was promoted as the Head of Operations Group on 16.02.2010.

Göksen YEDİGÜLLER    General Manager

He started to keep office as General Manager at Ege Seramik on 16.02.2010. Before he was appointed to this position, we had worked as a senior executive at some large ceramic factories of Turkey.

Bulent SABUNCU    Financial Affairs Manager

He joined the organisation of Ege Seramik in 2012 and he still maintains this position.

Mustafa AKBACI    Sales Manager

After his various positions at the Group Companies as from 1995, he was assigned to this position in 2008 and still maintains this position.

Nevin ÇİFTÇİOĞLU    IT Manager

She joined the organisation of Ege Seramik as the Analyst Programmer in 1992. She has been keeping office as the IT Manager since 2004.

I.Volkan DERINBAY    Production Planning and Logistics Manager

He joined the organisation of Ege Seramik as the Production Planning Supervisor in 2004. He has been keeping office as the Production Planning and Logistics Manager since 2005.

Ilyas YALCIN    Personnel and Administrative Affairs Manager

He joined the organisation of Ege Seramik as the Personnel and Administrative Affairs Manager in 2002. He still maintains this position.

Diclehan KARAASLAN    Investor Relations Responsible

She has been assigned to this position within Ege Seramik as of date 12.01.2015.

### **c) Employees**

Average number of our employees occurred to be 1.067 in 2014. The average age of our employees is 35 and average seniority period is 6 years. Out of the total number of our employees, 13% are university graduates; 5% vocational college graduates, 37% high school graduates and 45% primary school graduates. Out of our administrative staff members, 3% has master's degree, 71% bachelor's degree, 17% are vocational college graduates and 9% high school graduates.

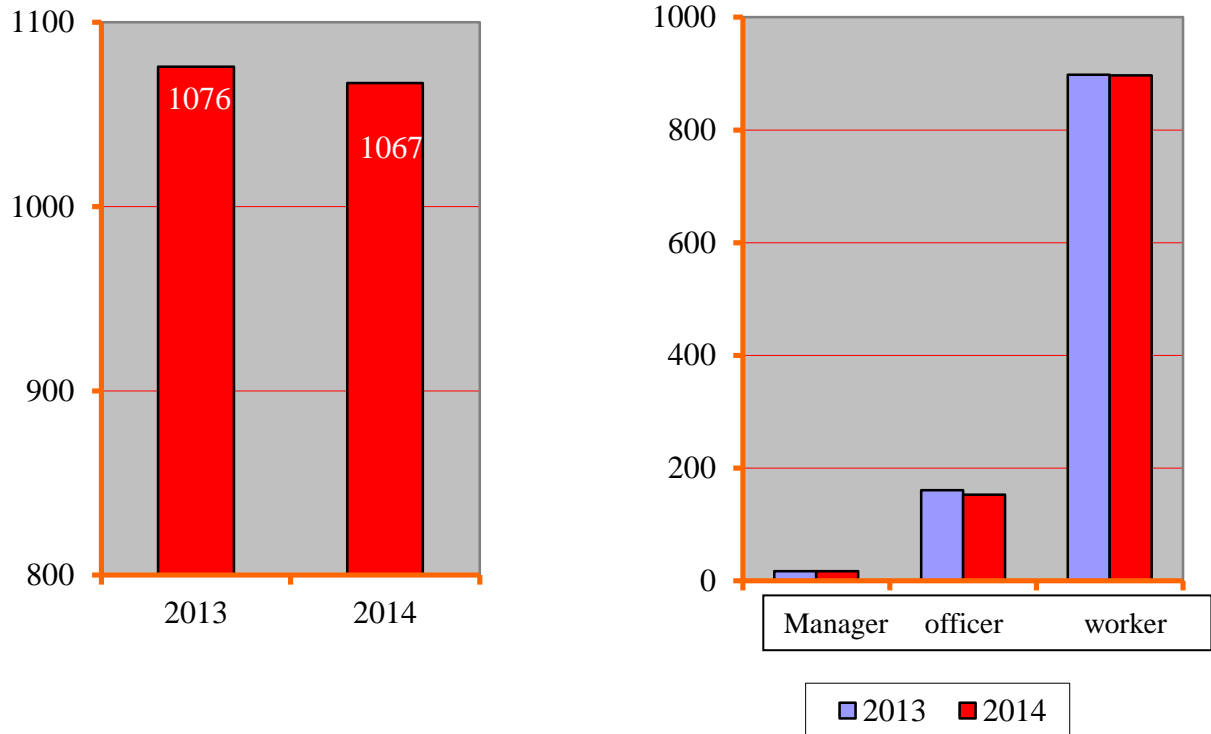
Employees who are members of a trade union are subject to collective labour contract executed with CIMSE-IS Labour Union. A collective labour contract which covered the period between 01.01.2013 and 31.12.2014 was signed with T.Cimse-Is Labour Union on 26.03.2013.

1st Year Increase, To be effective as of date 31.12.2012, an increase of 6% for the 1<sup>st</sup> half year has been applied to the wages received by the employees on date 31.12.2012 after the lowest wage of the employees who are members of T.Cimse-Is Labour Union as of date 31.12.2012 has been brought to the level of 978.-TL and to be effective as of date 01.07.2013 an increase of 3,5% for the 2<sup>nd</sup> half year has been applied to the net wages of the member employees which they received as of date 30.06.2013.

2nd Year Increase, To be effective as from 01.01.2014, an increase for the second year shall be applied by adding the TUIK Urban Locations Consumer Price Index percentage belonging to the 01.01.2013-31.12.2013 term and a welfare interest at a rate of 10% of the index to the wages of those employees employed by our Company as of 31.12.2013 who are members of T.Cimse-Is Labour Union, which they received as of such date.

Average Number of Personnel	2013	2014
Manager	17	17
Officer	161	153
Worker	898	897
<b>Total</b>	<b>1.076</b>	<b>1.067</b>

**Number of Employees**



#### **d) No business and competition with the Company**

Chairman and members of the Board of Directors may not directly or indirectly carry out any business with the Company on their own or on others' behalf without obtaining permission from the General Meeting of Shareholders. Chairman and members of the Board of Directors have been authorized as per the Turkish Commercial Code by the General Meeting of Shareholders held on 06/05/2014. Members of our Board of Directors did not do any business with any company nor made any attempts which shall compete with the Company in its subjects of activity during the operating year 2014.

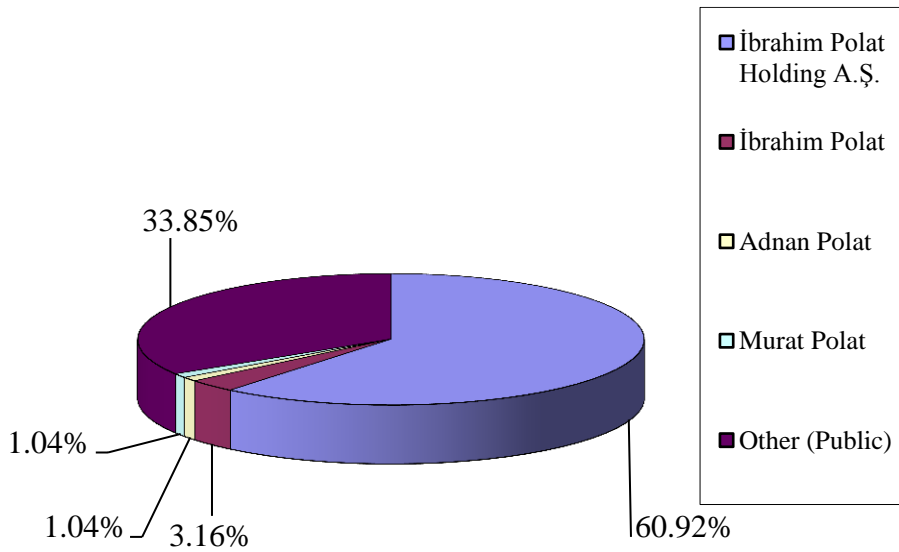
### **5. ORGANISATION, CAPITAL AND SHAREHOLDING STRUCTURE OF THE COMPANY**

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

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

December 31, 2014

Shareholders	Nominal (TL)	Share %
İbrahim Polat Holding A.Ş.	45,686,919	60.92%
İbrahim Polat	2,367,117	3.16%
Adnan Polat	779,878	1.04%
Murat Polat	779,877	1.04%
Other (Public)	25,386,209	33.85%
	75,000,000	100%



### **c) Changes which occurred during the fiscal term:**

<b>Shareholders</b>	<b>Number of Shares in Preceding Term</b>	<b>Amount of Capital in Preceding Term</b>	<b>Number of Shares in Current Term</b>	<b>Amount of Capital in Current Term</b>
İbrahim Polat	230.061.700	2.300.617	236.711.700	2.367.117

### **d) Information on privileged shares:**

Issued capital of the Company is 75.000.000,00 (seventy-five million) Turkish Liras. Such capital is divided into 7.500.000.000 (seven billion five hundred million) shares with a face value of 1,00 (one) kurush each; of such shares, 1.200 (one thousand two hundred) shares are Group A registered shares, 1.800 (one thousand eight hundred) shares are Group B registered shares and 7.499.997.000 (seven billion four hundred ninety-nine million nine hundred ninety-seven thousand) shares are Group C bearer's shares. Pursuant to article 26 of our Articles of Incorporation, upon the deduction of the primary reserve fund and primary dividend from the distributable term's profit, eight percent (8%) of the remaining amount is allocated to the holders of Group A shares and five percent (5%) to the holders of Group B shares.

No privileges are involved as to the voting rights of the holders of privileged shares. Those shareholders of their proxies who are present at the General Meetings of Shareholders are entitled to one vote for each share they hold.

## **6. BENEFITS TO THE MEMBERS OF THE MANAGING BODY AND SENIOR EXECUTIVES OF THE COMPANY**

Pursuant to the article 26 of our Articles of Incorporation, in those years when a resolution is made to distribute profits upon the consent of the General Meeting of Shareholders, 5% of the amount remaining upon the allocation of the primary dividend and distribution of profit to the holders of privileged shares is allocated to the members of the Board of Directors at equal amount.

In 2014, total gross TL 968.092,- was paid to the members of the Board of Directors out of the profit through the distribution of the profit of 2013.

It was resolved at the General Meeting of Shareholders held on 06.05.2014 that those members of the Board of Directors who had been elected as independent members of the Board of Directors would be paid an attendance fee of TRL 5.000,- per month. Also, health and life insurance is purchased for our senior executives every year.

Such payments as salaries and bonuses amounting to TL 2.710.869,- were made to our senior executives in 2014.

## **7. RESEARCH AND DEVELOPMENT STUDIES OF THE COMPANY**

Ege Seramik, being one of the leading brands of Turkish ceramics industry, presented eye-catching and stylish models to its customers in 2014 which will recreate their venues. By the research activities conducted within the R&D centre, studies were carried to improve not only the visual beauty but also the technical specifications and especially researches for raw materials and supplementary materials from domestic and foreign markets were prioritized in order to protect the environment and human health.

In the Unicera Ceramic Bathroom Kitchen Fair held as the 26<sup>th</sup> in Istanbul between 26 February -2 March, 27 new series under the name "Spring Collection" were presented to the customers.

Our new series were introduced to the customers at the 37<sup>th</sup> Construction Fair held in İstanbul between the dates 21-24 April which is a significant event bringing together all components of the construction industry and at the 25<sup>th</sup> Coverings Fair held in Las Vegas between the dates 29 April – 2 May being the most famous tile and natural stone fair, our products were exhibited and the growth in the share in the world market was continued.

Our 23 new series exhibited in the Cersaie international tile bathroom fair held between the dates 22-26 September 2014 in Bologna, Italy which is the leading trend-keeper in every sector, were favoured by the domestic and foreign markets. After the fair, product samples and product tiles were sent to domestic and foreign customers in order to reach more consumers and exhibition applications were organized.

For the "Autumn 2014 Collection" promotion, catalogues, price lists and updated brochures for new products shipping is provided on all new products dealers. Also Aegean Ceramic brand and made to work with media organizations to advertise their products, in the press, positive reflections are taken from the internet media and industry journals.

The Autumn Collection Catalogue including Cersaie 2014 products and the 2014-2015 General Catalogue have been updated and were sent to all authorized dealers. For the publicity of Ege Seramik Brand and products, cooperation with media companies continued and contribution was made for the publicity of the brand with various publishings in the internet, sector magazines and other various publications.

Studies with regard to the renewal of the design and content of our web page [egeseramik.com](http://egeseramik.com) have been started and implementation and development studies are going on.

In the official Facebook page created in July, the number of 40.000 followers have been reached. The information shared in this platform contribute to the publicity of our company before end users.

With the direct mailing application of "Ege Seramik Authorized Dealer Notice" created in order to enable communication with the dealers and flow of information, regular provision of information to our authorized dealers with regard to new products, important information and activity notices continue.

Advertising with hand-boards and with other special boards in order to promote new products and increase the sales have been prioritized in the latest quarter. Due to the reason that the brand image at the authorized dealers has been promoted, the studies on exhibition have been encouraged with the architectural and visual design supports and billboard applications have been continuing pursuant to a defined standard.

Videos comprising Ege Seramik collection products have been prepared in order to be displayed in authorized dealer shops.

Activities with regard to the distribution of promotion kits bearing the Ege Seramik logo including caps, overalls, t-shirts, tape measures, hats, notebooks, pencils and bags in order for reminding the brand all the time and in order to create an expert database for increasing communication with ceramic experts among the leading professionals in the sector have been completed.

To be in effect as of the year 2015, the preliminary facility investment studies for big sized glazed porcelain were started in the year 2014. With his investment, it has been intended to increase the present capacities for the sizes 60x60, 80x80, 60x120 and 45x90. In addition to this, researches have been conducted for investment for the modernization of packing sections throughout our plant.

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

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

Ege Seramik Sanayi ve Ticaret A.S. achieved a total investment of TL 2.834.377 in 2014. In 2014, 2 pieces of new Digital Ceramic Print Machines were purchased in order to produce high segment products.

Within the scope of the modernization and renewal investments to be made without any increase in production capacity of our company facilities, an application has been filed for an Investment Incentive Certificate to the Turkish Republic Ministry of Economy General Directorate of Incentive Practices and Foreign capital for the amount of 43.000.000 TL in the aggregate; our application has been admitted and the Investment Incentive Certificate has been received as of date 05.12.2014. Our explanations with regard to the issue have been disclosed to the public.

### **b) Information on the Internal Audit System and Internal Auditing Activities of the Company and Opinion of the managing Body on the Matter:**

Our Company is audited as to the compliance of the operations and activities carried out with both legislation and company policies by the Auditing Committee and internal auditors. Auditing Committee regularly meets and audits the company's financial statements and reports subject to/not subject to independent audit, inspects the balance sheet and profit-

and-loss accounts, audits their compliance with the accounting principles and standards identified by CMB and submits them to the Board of Directors for approval.

Audits are performed by independent external auditors and the results thereof are directly reported to the senior management of the company. Remedies are sought for any reported problems through multi-directional communication, and policies established.

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

	December 31, 2014		December 31, 2013	
	<u>TL</u>	<u>%</u>	<u>TL</u>	<u>%</u>
Ceramic Research Centre	4.000	8,00	4.000	8,00
Turgutlu Water Product Inc.	45	1,00	45	1,00
<b>TOTAL</b>	<b>4.045</b>		<b>4.045</b>	

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

None.

**e) Disclosures about Private Audits and Public Audits Performed during the Fiscal Term:**

Our Company was subjected to both full attestation and independent audit under the contracts executed with AS Bagimsiz Denetim ve Yeminli Mali Musavirlik A.S. in the 2014 operating term.

**f) Information on Legal Actions Filed against the Company, Which May Affect the Financial Condition and Operations of the Company and Possible Consequences Thereof:**

There are no legal actions filed against our Company, which may affect the financial condition and operations of the Company.

**g) Disclosures on the Administrative or Judicial sanctions Applied to the Company or Members of the Managing Body Due to Any Practices Violating the Legislative Provisions:**

None.



**h) Information and Considerations on Whether or Not Targets Identified in Previous Terms Have Been Achieved, Whether or Not the Resolutions of the General Meeting of Shareholders Have Been Fulfilled and on the Reasons If Targets Have Not Been Achieved and Resolutions Not Fulfilled:**

All resolutions made at the General Meeting of Shareholders have been fulfilled. Despite the shrinkage of demands in our export share due to the negativity experienced in market conditions within the 2014 operating year, the estimated budget targets have been reached to a significant extent.

**i) Information on the Extraordinary General Meeting of Shareholders Including the Meeting date, Resolutions Made at Such Meeting and Actions Taken Thereon If Such a Meeting Was Held during the Year:**

None.

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

Our Company donated 1.200.-TL in the year 2014.

In line with environmentally sensitive policies of our Company, direct discharge of the waste water generation plant and process water and the output values of the waste water treatment plant are continuously checked. Also, wastes generated during the intermediate processes are recovered and put into production again under the sustainability concept of our Company, thus minimising the waste disposal.

Emission to the atmosphere from the smokestacks of the factory are periodically measured and whether or not there are any deviations from the limit values as contained in the Emission Permit is checked.

Our plant has been granted an “ENVIRONMENTAL PERMIT CERTIFICATE” by the Turkish Republic Ministry of Environment and Urban Planning within the scope of Air Emission and Waste Water Discharge to be effective as of date 22.09.2014 until the date 22.09.2019.

In the CE compliance mark activities to be carried out in our sector, practices are maintained within the scope of the Building materials Regulation (89/06/EEC) and EN 14411 Harmonised standard.

There are not legal actions filed against our Company due to damages caused in the environment.

**j) If a Company Affiliated to a Group of Companies, Legal Actions Taken with the Holding Company, with a Company Affiliated to the Holding Company, in favour of the Holding Company or any Affiliated Company under the direction of the Holding Company and All Other Measures Taken or Omitted in favour of the Holding Company or Any Affiliated Company Thereof in the Preceding Operating Year:**

Our Company has prepared the affiliation report for 2014 as required by the Turkish Commercial Code. Any legal actions taken with the holding company Ibrahim Polat Holding A.S. and with the companies affiliated to the holding company or in favour of the holding company or any company affiliated thereto under the direction of the holding company and all measures taken or omitted in favour of the holding company or any company affiliated thereto in the preceding operating year have been considered in the reports.

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

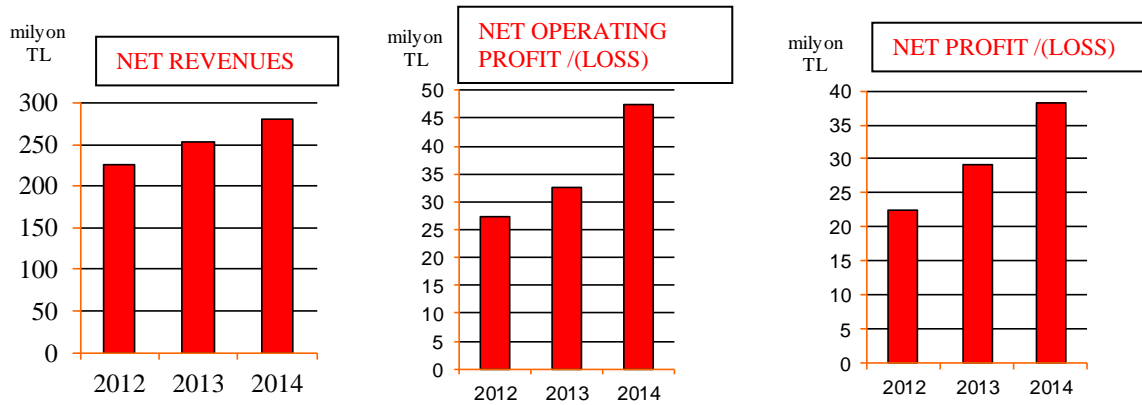
Accordingly, Ibrahim Polat Holding A.S., which is the holding company, has not caused any damages to its subsidiaries and affiliates due to the actions in question. As subsidiaries and affiliates have not incurred any damages, Board of Directors has not compensated for any damages.

## **9. FINANCIAL STATUS**

Issued in accordance with the financial statements issued in compliance with the “Communiqué on Principles Concerning Financial Reporting in the Capital Market” no. II-14.1 of CMB.

<b>Condensed Balance Sheet (TL)</b>	<b>2014</b>	<b>2013</b>	<b>%</b>
Current Assets	195.582.068	174.524.721	12,07%
Fixed Assets	96.237.462	98.612.735	(2,41%)
Assets	291.819.530	273.137.456	6,84%
Short-Term Liabilities	89.948.840	89.542.975	0,45%
Long-Term Liabilities	15.948.195	14.155.610	12,66%
Non-Parent Interest	-	-	- %
Capital Stock	185.922.495	169.438.871	9,73%
Liabilities	291.819.530	273.137.456	6,84%
Net Operating Capital	105.633.228	84.981.746	24,30%

<b>Condensed Income Statement (TL)</b>	<b>2014</b>	<b>2013</b>	<b>%</b>
Net Revenues	280.681.471	252.824.421	11,02%
Gross Profit	84.357.405	70.368.524	19,88%
Operating Profit	47.471.979	32.518.828	45,98%
Net Profit (-Loss)	38.319.261	29.121.521	31,58%
EBITDA	57.300.742	41.899.403	31,76%



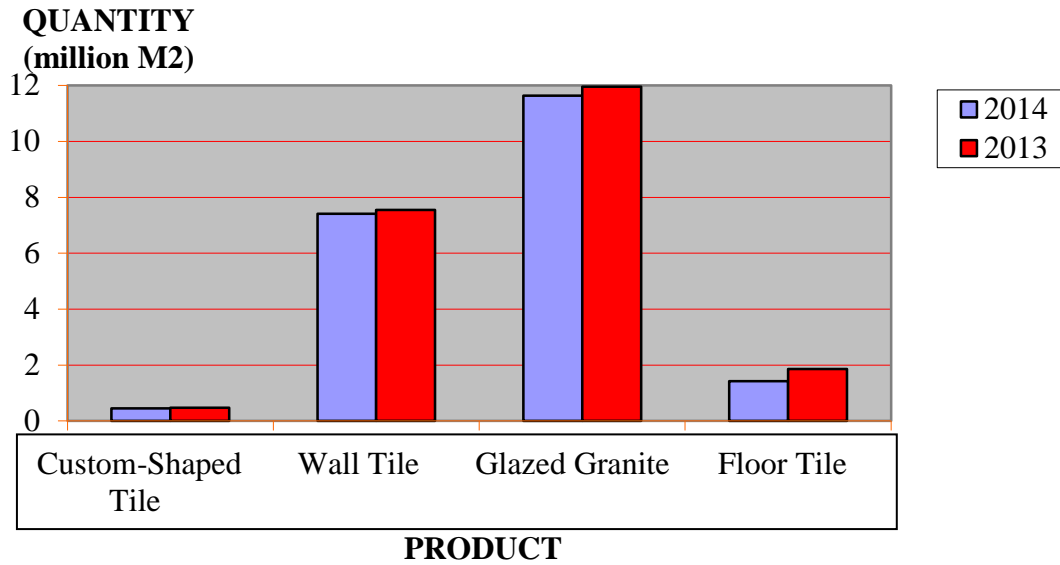
Financial Ratios	2014	2013	%
Current ratio	2,17	1,95	11,56%
Liquidity Ratio	1,57	1,39	13,05%
Financial Liability-Equity Ratio	-	-	- %
Operating Profit Margin	16,91%	12,86%	31,49%
Net Profit Margin	13,65%	11,52%	18,52%
EBITDA Margin	20,41%	16,57%	23,18%

## 10. PRODUCTION

Ege Seramik operated with a 86% capacity utilisation percentage including downtime for maintenance purposes and achieved a finished product production of 20.921.979 m<sup>2</sup> in 2014. Decrease occurred in production compared to the preceding year as 4,21percent.

	2014	2013	Increase/Decrease	%
Custom-Shaped Tile	454.040	477.346	(23.307)	(4,88%)
Wall Tile	7.409.575	7.550.118	(140.543)	(1,86%)
Glazed Granite	11.635.752	11.952.852	(317.100)	(2,65%)
Floor Tile	1.422.613	1.861.902	(439.289)	(23,59%)
<b>Total</b>	<b>20.921.979</b>	<b>21.842.218</b>	<b>(920.239)</b>	<b>(4,21%)</b>

## PRODUCTION QUANTITY



## 11. SALES

According to the financial statement issued in accordance with the “Communiqué on Principles Concerning Financial Reporting in the Capital Market” no. II-14.1 of CMB, our net sales revenues in 2014 have been TL 280.681.471, increasing by 11,02 % as compared to 2013. On the other hand, Ege Seramik sales quantity has been 21.377.606 m<sup>2</sup>, reducing by (3,07%) as compared to the preceding year.

Abroad sales quantity has reduced by -18,29% while our domestic sales quantity increased by 4,90 % and exceeded 15 million square meters.

Sales (m <sup>2</sup> )	2014	2013	Difference	%
Domestic	15.180.675	14,471,195	709.480	4,90%
International	6.196.931	7,584,326	(1.387.395)	(18,29%)
<b>Total</b>	<b>21.377.606</b>	<b>22,055,521</b>	<b>(677.915)</b>	<b>(3,07%)</b>

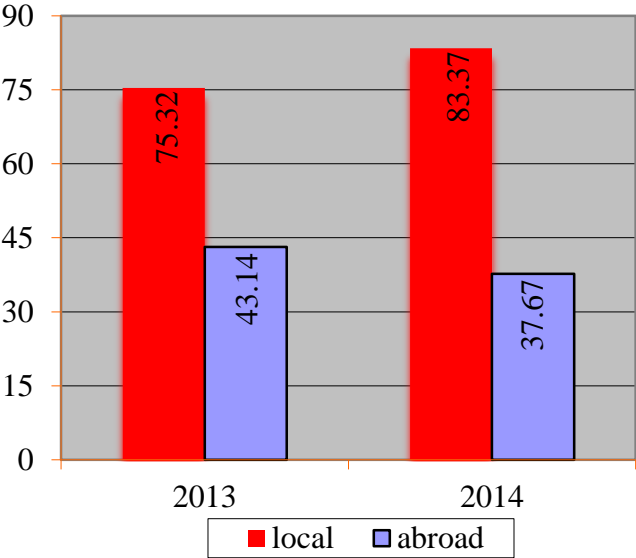
Net Revenues (TL)	2014	2013	Difference	%
Domestic	193.317.913	160,746,629	32.571.284	20,26%
International	87.363.558	92,077,792	(4.714.234)	(5,12%)
	<b>280.681.471</b>	<b>252,824,421</b>	<b>27.857.050</b>	<b>11,02%</b>

Net Revenues (USD)	2014	2013	Difference	%
Domestic	83.366.214	75,315,855	8.050.359	10,69%
International	37.674.569	43,141,916	(5.467.347)	(12,67%)
	<b>121.040.783</b>	<b>118,457,771</b>	<b>2.583.012</b>	<b>2,18%</b>

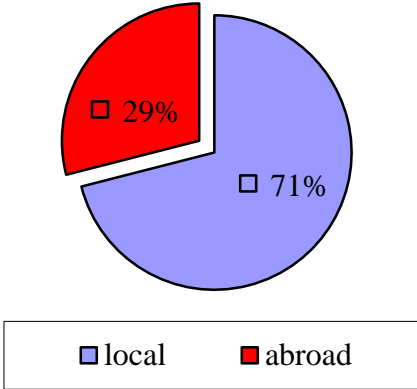
Our exports have occurred to be USD 37.674.569 in 2014.

Markets in which we are ambitious abroad are USA, Canada and Israel. Exports were achieved to 43 countries and 30% of the total revenues abroad were earned from USA, Canada and Israel in 2014.

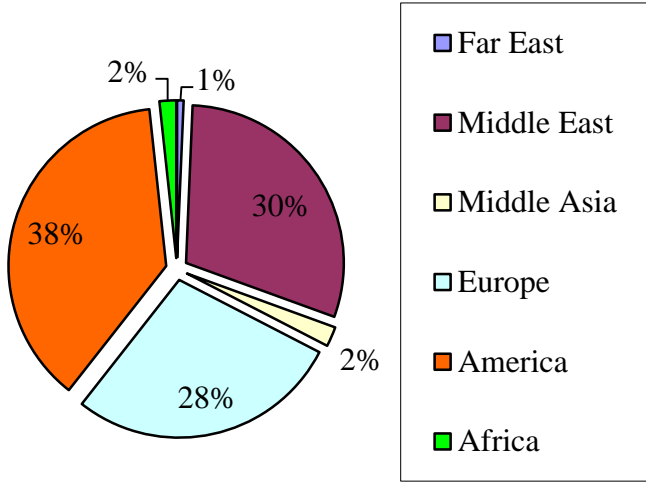
million USD **NET SALES REVENUE (USD)**



**Sales Distribution**



**Regional Distribution of Abroad Sales**



## **12. DEVELOPMENTS IN THE SECTOR**

Turkey is ranked as the 8<sup>th</sup> biggest producer and 4<sup>th</sup> biggest exporter in the ceramic covering materials sector. The biggest ceramic producer of the world is China (48%) followed by Brazil (7%), India (6%) and Iran (4%). Our country is the fourth biggest exporter after China, Italy and Spain.

The ceramic covering export of Turkey reached its highest level in 2013 with 604,8 million USD. However, due to the difficulties experienced in export market conditions, export in 2014 has regressed at a ratio of 1,0% and was decreased to 598,6 million USD. Import, on the other hand, increased to the level of 110,1 million USD with an increase ratio of 5,6%.

As the result of the development in the print and shaping technologies in ceramic covering sector, the opportunity to produce products providing aesthetical superiority compared to alternative covering materials (such as marble, wood, parquet, natural stone, etc.) has been reached. By virtue of this, the aesthetical aspect of the ceramic covering materials sold as health tools has increased and value increase based on product segmentation in the market has been provided.

The product segmentation in Turkey for ceramic covering materials is divided into three as low, medium and high segment in terms of visuality, price and profitability. Ege Seramik completely moved out of the low segment products in domestic market and decreased its low segment sales abroad.

Our company continues its activities for increasing its profitability by achieving success in middle and high segment product market. In the domestic market, by the impact of branding in the housing sector, high and middle product sales in the market have increased.

### **Problems of the Sector:**

The biggest problem of the ceramic covering sector is its energy requirement. Ceramic sector cost of energy has a share of 30-35% in the total costs in ceramic production. Even if consumption is somewhat reduced through efficiency efforts, there is no fuel more advantageous than natural gas in the ceramic sector in the present situation.

Upon the improvement of transportation by sea and rail and increase in partial shipment and storage options at home, industrial costs and domestic distribution costs of the sector shall reduce.

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

Incorporated in 1972, Ege Seramik San. ve Tic. A.S. is ranked in top three in terms of brand recognition. Considered in terms of turnover, it is the second biggest producer and its market share has a growing tendency.

Ege Seramik is an up-and-coming corporation distinguished from its competitors thanks to its brand recognition, institutionalised sales channels at home and abroad, infrastructure in

information technologies, continuous improvement and product development, resilient production skills, proximity to the port of Izmir, to the Kemalpaşa railroad loading station which has just been opened in 2014 and to the albite and quartz deposits, its ability to recruit qualified labour due to its proximity to the Metropolitan area and firm financial condition.

#### a) **Our Product Range**

Product development works were performed for oversized and luxury products with higher added value in the Ege Seramik collections in 2014. In line with the global trends, a total of 50 new series have been developed in our Autumn and Spring collections.

In the collection, 27 series under the Spring 2014 Collection were exhibited at Unicera trade fair and İstanbul Construction Fair, which steers the sector in the domestic market; and 23 series were displayed under the Autumn Collection caption at Cersaie, which is one of the most important ceramic trade fairs of the world.



In line with the world trends, products with marble and natural stone texture, wooden, modern and classic looking products, relief patterns and full shiny products were became prominent. As for the ceramic tiles, products concepts with wall paper, cement and concrete surfaces were included in line with the sector trends.

The diversity and size options of the high-gloss surface products in the portfolio, having been developed with Hi-Coat nano technology that was commissioned late 2011 have been increased and enriched with decors. 15 series were reached in the high-gloss product range and a significant amount of demands were collected from the market.



The production of our 80x80 products which started to be manufactured in 2013, continued in the year 2014 in 9 different series.

## **b) Trade Fairs**

Ege Seramik A.Ş. has presented its innovative and rich product range to professionals, dealers and consumers through trade fairs organised at home. More foreign customer attendance is observed in such trade fairs as compared to previous years and we have achieved to introduce our products to foreign customers as well.

### **Unicera**



### **İstanbul Construction Fair**



We participated in COVERINGS in the United States and CERSAIE in Italy under our promotional activities abroad in 2014.

### **Coverings**



### **Cersaie**



All products displayed in the exhibitions where domestic and foreign participants were available, showed a parallel tendency with the world and received great attention from consumers.

Publicity activities were increased in the professional sector through meetings with architects, by means of price list deliveries and information via e-mail in order to promote our products in 2014.



In line with the development of the technology and its use in marketing activities, in the year 2014, improvements were made in the mobile application project commissioned in 2013. As of end 2014i the number of users exceeded 3.000 persons.

Following the technological developments in 2014 studies with regard to the renewal of the web page began. The study phase of the design and content of the project continues.

The mobile applications installed in IOS and Android operating system mobile phones that were started within 2014, have reached the level of 3.500 users as of end December. By virtue of these applications, smart phone users were enabled to access the Ege Seramik product information and location covering applications.



In order to strengthen our publicity with consumers and continuously remind the Ege Seramik brand, short commercial films were used on TV and radio channels throughout the year in 2014.

### **c)Awards and Certificates We Received**

Our Company took place in the Fortune 500 Turkey 2013 and ISO 500 2013 lists in which top 500 companies of Turkey in 2014 are named, thus ranking among the top 500 companies of Turkey.



In 2014, our Company was rewarded by virtue of its operations in 2013.

**Gold medal award** due to its declaration of a high trade profit and contributions to the national economy in 2013.



**Gold medal award** by virtue of its high performance in foreign currency earning services in 2013



**First prize** as the firm providing the highest employment in the occupational group of glass and ceramic products industry as of 2013.



**First prize** as the firm achieving the highest exports in the occupational group of glass and ceramic products industry as of 2013



**First prize** as the firm achieving the highest investment in the occupational group of glass and ceramic products industry as of 2013.



**First prize** as the firm achieving the highest production in the occupational group of glass and ceramic products industry as of 2013.



**Third prize** as the firm paying the highest taxes in the occupational group of glass and ceramic products industry as of 2013.



## QUALITY CERTIFICATE

Our company which has been certified with TS-EN-ISO-9001 as the first in the ceramics sector, successfully completed the inspection audit conducted by the Turkish Standards Institute between the dates 22-24.12.2014. The maintenance of the certificate was decided as the result of the assessments by the Turkish Standards Institute and DQS (Germany).

Our company has been entitled with a TS-EN-ISO-9001 certificate certified by IQ Net (International Certification Network) to which 37 certification organisations are members.



## ENVIRONMENTAL CERTIFICATE

Awarded the TS-EN-ISO 14001 certificate on 28.01.2013, our Company successfully passed the surveillance audit carried out on 26-27.12.2013 by the Turkish Standards Institution thanks to its environmentally sensitive policies. Turkish Standards Institution decided that the certificate should be maintained as a result of their evaluations.



Effectively fulfilling all requirements as covered by the environmental management system, Ege Seramik has further moved ahead of the legal requirements by possessing the TS-EN-ISO 14001 certificate approved by IQNet, which is an international certification network to which 37 countries are members.

## GSV (GLOBAL SECURITY VERIFICATION)



Our country complies with the C-TPAT system established in the United States for the control of safety and reduction of risks in supply chains. Thanks to our activities we achieved in this context and effective control mechanisms, the audit carried out by the firm Intertek was successfully completed and the GSV certificate renewed on 30.05.2014.

# ISRAELI PRODUCT CERTIFICATES



On date 22.01.2015, an audit was conducted by the Israeli Standard Institute in our company and it was certified that our products were in conformity with the Israeli Standards.

## UkrSEPRO



Ukrainian Product Certificate was renewed in 2014 to be valid for 2014 and 2016. Our products may be sold in Ukraine thanks to this certificate.

## NF-UPEC PRODUCT CERTIFICATE



An audit was carried out on 28.10.2014 by the firm CSTB and our products were found compliant with the French Norms. As a result of our compliance, we were awarded with the NF UPEC certificate.

#### **d) Projects and Leading Companies Preferring the Ege Seramik Products**

New sales channels were continued to be created for the wholesale work operations and authorized dealers. In addition to the existing customers, Ayakkabı Dünyası, Carrefour, A101 and De Facto brands were included in the system.



#### **e) Our Business Partners**

Ege Seramik displays and offers to the liking of its customers its products through its 133 authorised dealers and almost 100 branch offices of 3 large construction markets in 7 regions at home. In 2014, Baumax Construction market was closed down. Cooperation with 133 authorized dealers was continued after the dealer updates and removals in the system in the year 2014.



Special importance was placed on the visual design and display works at our dealers' stores, thus increasing our sales of products with higher added value. In-store appearance and brand perception was enhanced through visual applications and works performed to establish a concept store approach through facade renewals throughout Turkey.

### **14. INDEPENDENT AUDIT REPORT**

It is featured in the Public Disclosure Platform, Central Registration Agency, e-Company and [www.egeseramik.com](http://www.egeseramik.com) web site.

### **15. FINANCIAL STATEMENTS AND FOOTNOTES**

It is featured in the Public Disclosure Platform, Central Registration Agency, e-Company and [www.egeseramik.com](http://www.egeseramik.com) web site.

## **16. AMENDMENTS TO THE ARTICLES OF INCORPORATION DURING THE TERM**

None.

## **17. CORPORATE GOVERNANCE COMPLIANCE REPORT**

### **1. Statement for Compliance with Corporate Governance Principles**

Our Company tries to apply the principles which it is obliged to comply with under the “Communiqué Concerning the Identification and Application of Corporate Governance Principles” issued under serial no. IV-56 by the Capital Market Board within the framework of the present market structure and its shareholding structure in the Operating Term 01.01.2014-31.12.2014 and includes relevant disclosures into the activity report.

Our Company completely fulfils its legal obligations in public disclosure and transparency issues as they are included in the regulations of CMB and periodically makes public disclosure of its financial statements, financial statement footnotes and Independent Audit Reports. Moreover, whenever extraordinary cases are involved, it provides Istanbul Stock Exchange with material disclosures. Both shareholders and the people are allowed to establish multi-directional contact with our Company via our web site, and legal arrangements are deemed to be sufficient in the matter.

### **SECTION I – SHAREHOLDERS**

#### **2. Shareholder Relations Function**

The following people keep office in the Shareholder Relations Function:

<b>Full Name</b>	<b>Position</b>	<b>Telephone No</b>	<b>E-mail Address</b>	<b>Certificate Type</b>	<b>Certificate No</b>
Diclehan Karaaslan	Investor Relations Responsible	0232 878 17 00	dkaraaslan@egeseramik.com	CMB Advanced Level License	205810
Nazli Farac Fehmi	Budget and CMB Responsible	0232 878 17 00	nfarac@egeseramik.com		
Bulent Sabuncu	Financial Affairs Manager	0232 878 17 00	bsabuncu@egeseramik.com		

Pursuant to the provision of the Article 7 of the Part 3.1.1 of the “Communiqué Concerning the principles to Be Complied with by the Incorporated Companies Subject to the Capital Market Act” serial no. IV-41 of the Capital Market Board, which was published in the Official Journal No. 26821 on 19.03.2008, our Company has established the **Shareholder Relations Function**, which operates in the exercise of shareholding rights in such companies of which stocks are traded at the stock exchange, which reports to the board of directors and which ensures publicity between shareholders, within the *Financial Affairs Department*, and Shareholder Relations are conducted by this function. As stipulated by the Article 8 of the same Communiqué, the same function also fulfils the Company’s obligations arising from the legislation of the Capital Market Act and conducts the coordination of the applications of Corporate Governance Principles. Basic activities conducted by the function include the following:

- To perform any procedures related to the capital increase and dividend payment which were carried out in previous years,
- To keep the shareholding book in which entries related to shareholders are contained in an orderly, safe and up-to-date manner,
- To hold the General Meeting of Shareholders in compliance with the legislation in effect, articles of incorporation and other intra-company regulations,
- To hold the Company’s General Meeting of Shareholders, prepare any documents which shareholders may make use of and send the minutes of meeting to those who request the same,
- To discuss with authorised personnel and reply any written and verbal request for information related to the Company from shareholders, except any information of confidential and trade secret nature,
- Considering the Communiqué serial no. II-15-1 of CMB, to report any necessary Material Disclosures to BIST, PDP and CMB,
- To follow up any modifications in the legislation related to the Capital Market Act and present the same to the attention of the relevant functions of the Company.

In the 01.01.2014-31.12.2014 term, 30 (thirty) applications were filed with the Shareholder Relations Function and were replied by the function.

### **3. Exercise of the Right to Information by Shareholders**

No discrimination is made between shareholders in the exercise of the right to obtain and review information.

Shareholders of Ege Seramik A.S. contact with our Company via telephone and facsimile and communicate their requests for information and their questions. Almost all of the questions asked by investors are related to periodic profit, capital increase, value of stocks and dividend distribution. If the contents of questions are such information which has already been disclosed to the public, such information is also given to the shareholders.



For the purpose of extending the shareholders' right to information, up-to-date information are presented to the use of our shareholders on the web site of our Company, except any information of confidential and trade secret nature.

Any developments which may have an effect on the shareholders' exercise of their rights are reported to the Public Disclosure Platform (PDP) in the form of material disclosures.

Request for the appointment of a private auditor has not been regulated as an individual request right in the articles of incorporation of the Company, and the relevant articles of the Turkish Commercial Code are taken into consideration in cases which are not stipulated in the articles of incorporation. No "Request for the Appointment of a Private Auditor" was filed with our Company during 2014.

#### **4. General Meetings of Shareholders**

- a) An annual general meeting of shareholders was held in 2014. General Meeting of Shareholders for our Company's operations in 2013 was held on May 06, 2014 and the minutes of the meeting is open to inspection by our shareholders on the Central Registration Agency and web site of our Company.
- b) No special meeting quorum has been determined for the General Meetings of Shareholders of our Company and the provisions of the Turkish Commercial Code are applied for the meeting and resolution quorums.
- c) Notice for meetings was given in accordance with the provisions of the articles of incorporation and the legislation. Notice was given via printed media (notice in a newspaper) and in the form of an electronic notice on the Public Disclosure Platform, Central Registration Agency Electronic General Meeting System and [www.egeseramik.com](http://www.egeseramik.com) web site.
- d) At the General Meeting of Shareholders also held via the Electronic General Meeting System, the required meeting quorum was achieved and there were also participants from the personnel and customers as shareholders. Media did not attend the meeting. Shareholders exercised their right to ask questions at the General Meeting of Shareholders. Replies related to the financial statements and upper limit of donations were given to the shareholders in a verbal manner. There was no request for discussions on any issues other than those included in the notified agenda at the meeting. Those shareholders who attended the General Meeting of Shareholders obtained the activity reports in a printed manner. They could also reach any necessary information via the addresses as given in subparagraph (c) above.
- e) An item related to donations was added to the agenda at the Annual General Meeting of Shareholders held on 06.05.2014 and the shareholders were informed that TL 250,- was donated to the Turkish Educational Foundation in 2013.

#### **5. Voting Rights and Minority Rights**

Pursuant to the articles of incorporation of our Company, those shareholders or their proxies who attend the annual and extraordinary general meetings of shareholders are entitled to one

vote for each share they hold, and there are no privileged shares in vote casting. Mode of casting votes at the General Meetings of Shareholders is applied pursuant to the provisions of the Turkish Commercial Code and Capital Market Act and relevant regulations.

Those shareholders representing the minority shares constitute the management together with the majority shareholders through their attendance to the General Meeting of Shareholders.

## 6. Right to Dividend

Pursuant to the articles of incorporation of our Company, upon the deduction of the primary reserve fund and primary dividend from the distributable term's profit, eight percent of the remaining amount is allocated to the holders of Group A shares and five percent to the holders of Group B shares. Other than this, there is no privilege on dividends.

In the profit distribution carried out in 2014;

- all of the distributable term's profit which was TL 27.818.735,00 for the year 2013 including the privileges was distributed pursuant to the articles of incorporation.

Description	2013 Profit	Total Dividend Distributed in 2014
<b>Distributable 2013 Profit</b>	<b>26.060.719,81</b>	
Primary Legal Reserve Fund	1.303.036,00	
Secondary Legal Reserve Fund	1.875.322,31	
<b>Sum of Reserve Funds</b>	<b>3.178.358,31</b>	
To Holders of Group A Shares (Registered)	1.780.399,04	1.780.399,04
To Holders of Group B Shares (Registered)	1.112.749,40	1.112.749,40
To Holders of Group C Shares (Bearer's)	18.641.982,65	18.641.982,65
<b>Sum of Primary and Secondary Dividends</b>	<b>21.535.131,09</b>	<b>21.535.131,09</b>
Dividends to Members of Board of Directors	968.091,98	968.091,98
<b>Total Dividend Distributed</b>	<b>22.503.223,07</b>	<b>22.503.223,07</b>
Balance	<b>379.138,43</b>	
<b>Distributable 2012 Profit</b>	0	

In the dividend distribution proposal suggested for 2014 profit by the Board of Directors and to be submitted to the General Meeting of Shareholders for approval, it is proposed that the remaining profit should be distributed upon the allocation of the funds required to allocate as per the procedural Code of Taxation.

- It is proposed that all of the distributable profit of 2014 which is TL 40.179.919,33 be distributed as follows, including the privileges pursuant to the articles of incorporation.

<b>Description</b>	<b>2014 Profit</b>	<b>Proposed Dividend Distribution in 2014</b>
<b>Distributable 2014 Profit</b>	<b>40.179.919,33</b>	
Primary General Legal Reserve Fund	2.008.995,97	
Secondary General Legal Reserve Fund	2.055.232,44	
<b>Sum of Reserve Funds</b>	<b>4.064.228,41</b>	
To Holders of Group A Shares (Registered)	2.323.933,76	2.323.933,76
To Holders of Group B Shares (Registered)	1.452.458,60	1.452.458,60
To Holders of Group C Shares (Bearer's)	19.262.393,01	19.262.393,01
<b>Sum of Primary and Secondary Dividends</b>	<b>23.038.785,37</b>	<b>23.038.785,37</b>
Dividends to Members of Board of Directors	1.263.638,98	1.263.638,98
<b>Total Dividend Distributed</b>	<b>24.302.424,35</b>	<b>24.302.424,35</b>
Balance (Fund to Be Allocated as per PCA)	11.813.366,57	

## **7. Transfer of Shares**

There is no provision which restricts the transfer of bearer's stocks in the articles of incorporation of the Company. Transfer of the stocks of Groups A and B which are not publicly traded is only valid provided that the Board of Directors consents to the transfer and that such transfer is entered in the shareholding book of the Company.

## **SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY**

### **8. Information Policy of the Company**

Our Company has established an information policy as stipulated by the relevant principle decision of the Capital Market Board and by the Material Disclosure Communiqué no. II-15-1. Our information policy has been published on PDP and is available as an attachment to our activity report and web site of our Company.

Our Company sent 21 (twenty one) electronically signed Material Disclosures to the Operational Directorate of Public Disclosure Platform (PDP) system available in the organisation of BIST as per the CMB regulations during 2014. No supplementary disclosures have been required for the material disclosures given and there has been no sanction applied by CMB, BIST and CRA. As our stocks are not listed in any stock exchange abroad, no disclosure has been sent to any stock exchanges other than BIST.

Any prospective information and considerations may be disclosed to the people not more than four times Provided that assumptions and data on which such assumptions are based shall be

disclosed and on condition that it is made under a resolution of the Board of Directors or under the written approval of the person who has been authorised –if such authorisation has been granted. Assumptions must be consistent with the financial condition and activity results of the Company. In the event that any forecasts and grounds have not materialised or are found out not to materialise, updated information is made public together with respective reasons.

**Corporate Governance Committee :**

		<u>Start Date</u>
Meriç ESMER	Head of Corporate Governance Committee (Independent Member of Board of Directors)	06.05.2014
Baran DEMİR	Member of Corporate Governance Committee (Non-executive Member of Board of Directors)	06.05.2014
Bülent SABUNCU	Member of Corporate Governance Committee (Financial Affairs Manager/Investor Relations Director)	29.05.2014
Diclehan KARAASLAN	Member of Corporate Governance Committee (Investor Relations Responsible)	12.01.2015

On the web site of our Company, information is given under headings in English and annual activity reports as well as financial statements and footnotes are prepared in English.

- a. Pursuant to the “Regulation on Web Sites to Be Opened by Equity Companies” published in the Official Journal no. 28663 dated 31.05.2013 under the Turkish Commercial Code, the guidance for the allocation of a certain part of the web site to the notices which must be legally given by the company and to the information society services has been given under the heading “**Information Society Services**” on our web site at [www.egeseramik.com](http://www.egeseramik.com).

One may have access to the link <https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/10832> at this address. General headings of the section available in this section are given below:

- *COMPANY INFORMATION*
- *DOCUMENT IMAGING*
- *Resolution of the general meeting of shareholders regarding amendment to the articles of incorporation of the Company*
- *Income statement*
- *Cash flow chart*
- *Balance sheet*
- *Equity conversion statement*
- *Convocation for the general meeting of shareholders*
- *Articles of incorporation of the Company*
- *Minutes of the General Meeting of Shareholders*
- *Minutes of the Special Meeting of Privileged Shareholders*
- *Internal Directive*

## **9. Activity Report**

Out of the corporate governance principles as stipulated in the Corporate Governance Communiqué serial no. II-17-1 of the Capital Market Board, our Company's activity reports contain information about Shareholders, Public Disclosure and Transparency, shareholders, Board of Directors under main headings.

## **SECTION III - SHAREHOLDERS**

### **10. Information to Shareholders**

Shareholders are informed of the activities of our Company through material disclosures both at general meetings of shareholders and on electronic media under the public disclosure principles. Such information is given through activity reports and Borsa Istanbul (*Istanbul Stock Exchange*) (BIST). Shareholders are provided with information on any Company-related issues which concern them.

Information is given through attendance to meetings, sales campaigns, promotions and upon their request. Further, company employees are informed through intranet.

Corporate Governance and Audit Committees have been established with the participation of two of the members of the Board of Directors shareholders may file written applications with the relevant committees in order to report any operations of the Company which are against legislation and improper in ethical terms. Moreover, those employees who have internal information have been informed of their responsibilities via electronic media and it has been adopted as a policy to receive their written statements as to their responsibilities arising from their possession of internal information and to keep the same in the relevant department.

### **11. Participation of Shareholders in Management**

No mechanism or model has been established under the Corporate Governance principles for the representation of shareholders in the Board of Directors. Participation of shareholders in management is ensured through such instruments as in-house proposals, questionnaires, etc. Practices about the working conditions and rights granted to employees are established through the agreement reached with the labour union as a result of negotiations. Open door principle has been adopted for the submittal of in-house proposals and requests to the management.

### **12. Human Resources Policy**

Human resources policy of the Company is announced on our web site at [www.egeseramik.com](http://www.egeseramik.com). Main principles of our human resources policy have been established as indicated below:

- Career goals of employees are considered together with their personal competences and those employees who are at equal level are provided with equal opportunities.
- Employees are informed of those matters related to their personal rights, career and company opportunities.

- No discrimination is made between employees and employees are protected against maltreatment.
- No discrimination is applied to employees.
- Training plans are prepared and applied in order to enhance the knowledge and skills as well as personal improvement of employees.
- Employees are provided with safe working environment and conditions under the occupational health and safety.
- Criteria related to recruitment of employees have been put into writing and ensured to be complied with in the recruitment of employees.

In line with our vision and mission, we intend to raise the competence levels of our employees as well. We maintain our efforts in order to be a corporation preferred for qualified work force market, in which right person is evaluated at right job, high performance is encouraged and employees with optimised satisfaction and motivation serve in a team spirit.

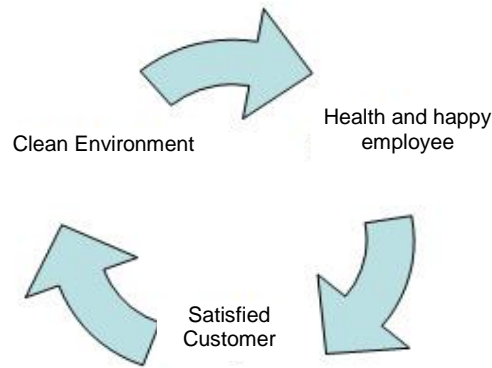
There is a collective labour contract between the labour union and our Company in order to ensure orderly and efficient working at the workplace, to increase production, to balance the rights and interests of the employer and the employees, to provide work peace through mutual goodwill and confidence, to settle any discrepancies which may arise between the parties through amicable ways, and a union chief representative and three union representatives have been commissioned in order to

- hear the requests and settle employees' complaints related to their jobs and the workplace;
- maintain cooperation, working harmony and work peace between the employer and the employees;
- observe the rights and interests of the employees and the workplace;
- assist in the enforcement of the working terms as stipulated in the labour legislation and collective labour contract.

Moreover, the Occupational Health and Safety Committee serves to ensure occupational health and safety with the participation of the executives, specialists and employee representatives.

### **13. Ethical Rules and Social Responsibility**

There are ethical rules identified for the Company and its employees by the Board of Directors of the Company. Such ethical values have been announced within the Company but not made public. However, we primarily address the health, safety and satisfaction of the employees and all relevant parties and sensitively fulfil our environmental responsibility in all our operations through the effective quality management system under the heading "OUR MANAGEMENT SYSTEMS" on our web site.



**Effective quality management system** policy of the Company is announced on our web site at [www.egeseramik.com](http://www.egeseramik.com). In this context, applications at our Company are as follows:

### **ISO 9001- 2008 Quality Management System**

Ege Seramik holds the TS EN ISO 9001:2008 (TSE-Turkey), DIN EN ISO 9001:2008 (DQS-Germany) Quality System Certificates awarded to those corporations achieving international quality in design, product development, production, facility and service. It has been maintaining and continuously improving its applications since 1994 and is the very first corporation receiving the ISO 9001 certificate in the Turkish ceramic sector.

### **Environmental-Occupational Health and Safety Management System**

It is an integral part of our business to take any necessary precautions in order to be able to minimise our negative impacts in the environment during our operations, to guide our employees in occupational health and safety in all departments and take any measures related to occupational health and safety at our workplace for a sustainable future which is open to improvement.

Our occupational health and safety committee meets on monthly basis and thus continuity of the safe working environment is ensured. Our Workplace Health Team provides our employees with services on full time basis. Our Company has a fire engine and trained personnel.

Contribution is made to both the protection of the environment and the national economy through our activities listed below.

- Starting from the designing stage, any necessary precautions are taken in order to consider and minimise any environmental impacts which may arise out of the use of our products at each and every stage of production.
- Packaging wastes are classified within themselves and stored not to cause any damage in the environment and disposed through licensed organisations under the Regulation on the Control of Packaging and Packaging Wastes.
- Any necessary organisations have been made for the recovery of the packaging materials which we launch to the market and recovery of such packaging materials is ensured.
- Our hazardous wastes have been minimised and any waste oil, waste batteries, waste accumulators, packaging wastes contaminated by hazardous wastes which are still in use are forwarded to licensed firms and ensured to be recovered.

- Any treatment sludge created in the waste water treatment plant is ensured to be reused.
- Water treated in our waste water treatment plant is reused, thus reducing the amount of the discharged water and minimising our water consumption.
- Resources are used in an effective manner.
- Any components which may cause environmental contamination are identified and brought under control, and such components are prevented by ensuring continuous improvement.
- Scraps and wastes created by the activities we are performing are identified and brought under control, and scraps and wastes are ensured to be used for recycling and those which may not be recycled are disposed through legal ways.
- Applications under the 89/106/EEC Building Materials regulation and EN 14411 Harmonised standard are maintained in the activities for the CE conformity mark to be carried out in our sector.

### **Our Social Responsibility Policy**

Primarily addressing the issues of enhancing the health, safety and satisfaction of its employees, we, Ege Seramik San. ve Tic. A.S., undertake fulfil, ensure the continuity of and permanently improve any applications related to the **ETI Base Code Standards** besides its compliance with the following issues through this policy, basing on the Labour Act No. 4857 and relevant legislation:

- maintaining the principles of working in compliance with the ongoing volunteering principle;
- not employing child labour in heavy and dangerous works in our Company;
- maintaining its respect for labour union membership and collective bargaining rights with the same sensitivity from now onwards;
- ensuring the continuation of the safe and hygienic working environment provided through health and safety training organised at regular intervals, inspections and improvements carried out continuously;
- paying employees' wages taking the legal requirements and collective labour contracts as a basis;
- applying the provisions of the labour legislation and the Collective labour Contract in the determination of working times;
- not making discrimination by religion, language, race, class, civil status, age, disability, gender, sexual preference, labour union membership and political view in recruitment, training, promotion, dismissal, retirement, etc. and providing equal opportunity to the employees at the same level;
- ensuring continuity in employment;

**Our values are:** reliability, impartialness, customer and quality orientation, competitiveness, respect for the environment and human beings, sense of responsibility, transparency and participation.



## **SECTION IV - BOARD OF DIRECTORS**

### **14. Structure and Formation of the Board of Directors**

Operations and management of the Company are implemented by a Board of Directors comprised of 6 (six) people who shall be elected from among the natural persons or legal entities whom shareholders shall nominate under the provisions of the Turkish Commercial Code and the Articles of Incorporation of the Company by the General Meeting of Shareholders. In the event that any vacancy occurs in the memberships of the Board of Directors and committees during the term, provisions of the Turkish Commercial Code and the capital Market Act are applied.

Board of Directors of the Company was consisted of the following persons in 2014:

Chairman	: Ibrahim POLAT (Non-Executive Member)
Vice Chairman	: Baran DEMIR (Non-Executive Member)
Vice Chairman	: Bulent ZIHNALI (Executive Member)
Independent Member	: Ismet MILOR (Independent Member)
Independent Member	: Meric ESMER (Independent Member)
Member	: İbrahim Fikret POLAT (Non-Executive Member)

#### **Background of the Board of Directors Members and the General Manager**

##### **IBRAHIM POLAT**

##### **He keeps office as a Member of the Board of Directors.**

Ibrahim Polat was born in the town of Askale in Erzurum in 1931. At a young age, he started to work as a construction contractor and built numerous exclusive buildings in Istanbul. He added ceramic healthcare equipment and mining and energy to his enterprises in the industrial sector which he started by erecting the Ege Seramik Factories in Izmir in 1972. He entered the tourism sector with the Istanbul Polat Hotel in 1993. Besides being a businessman and an entrepreneur, Ibrahim Polat, who places importance on social aids and investments, has also been involved in several foundations established for social and cultural purposes as well. He is also the author of a book entitled “My Sweat Blood” published in 2007.

##### **BULENT ZIHNALI**

##### **He keeps office as a Member of the Board of Directors.**

Bulent Zihnali was born in Izmir in 1949. He graduated from the French Language and Literature Department of the Faculty of Administrative Sciences of the Hacettepe University with a master’s degree. He served as a Social Worker at the Embassy of the Turkish Republic at Paris in 1974-1975. He started to work for Ege Seramik Sanayi ve Ticaret A.S., which was then being established, on 1 April 1975. After he has served as Personnel Supervisor, Commercial Assistant Manager, Commercial Manager, Assistant General Manager, General Manager, Industrial Coordinator and Head of Ceramic Group respectively, he keeps office as the Deputy Chairman of the Board of Directors and Head of Operations Group.

## **BARAN DEMIR**

### **He keeps office as a Member of the Board of Directors.**

He was born in Ankara in 1960. He graduated from the Economics-Finance Department of the faculty of Political Sciences. He got MA degree in Economics at the Western Michigan University in USA. He started his career as a Tax Auditor at the Ministry of Finance. Upon keeping offices as Chief Tax Auditor and, he kept office as the Department Head at the General Directorate for revenues in the Ministry of Finance between 1991 and 1996. He started to work for Ibrahim Polat Holding A.S. in November 1996. He kept offices as the Holding General Manager, Financial Affairs Coordinator and CFO. He is now acting as CEO of Ibrahim Polat Holding A.S. and keeping offices as Vice Chairman and Member of the Board of Directors in the group companies. He holds a sworn-in certified public accountant's license, and independent auditor licence and has articles published on taxation.

## **IBRAHIM FIKRET POLAT**

### **He keeps office as a Member of the Board of Directors.**

He was born in Boston, Massachusetts on 23/09/1984. He attended his primary education at Sisli Terakki Junior High School and his high school education at Ata Senior High School. He graduated from the Yeditepe University in 2010. He kept several offices at the group companies of Ibrahim Polat Holding during his education. Acting as a member of the Board of Directors at the group companies, Ibrahim Fikret POLAT started to act as a member of the Board of Directors of Ege Seramik Sanayi ve Ticaret A.S. in 2011. He speaks English.

## **ISMET MILOR**

### **He keeps office as an Independent Member of the Board of Directors.**

He was born on 07.09.1935. He graduated from Staatliche Höhere Fach Schule (Germany) in 1967 and from the Ceramic Department of the Chemical Arts Institute (Ankara) in 1954. He acted as General Manufacturing and Technology Manager at Canakkale Seramik San. ve Tic. A.S.; Member of the Board of Directors and General Manager at Sogut Seramik Sanayi A.S.; Member of the Board of Directors and General Manager at Ege Seramik San. ve Tic. A.S.; Chairman of the Board of Directors at Aktur Turizm ve Endustri San. ve Tic. A.S. respectively. He speaks German.

## **MERIC ESMER**

### **He keeps office as an Independent Member of the Board of Directors.**

He was born on 28.01.1945. He graduated from the Galatasaray High School (Istanbul) and Academy of Economic Sciences of the Ankara University. He acted as Sales Supervisor at Ekmekcioglu Kilsan A.S.; Sales and Marketing Manager at Sogut Seramik Sanayi A.S.; General Manager at Ege Pazarlama A.S.; Member and Deputy Chairman of the Board of Directors at TIMDER; Co-Founder and Chairman of the Board of Directors at Can Yapi Urunleri A.S. and Memembr of the Board of Directors at Can Sans Oyunlari Gida ve Tekel Urunleri Yapi Malzemeleri San. ve Tic. A.S. respectively. He speaks French and English.

## **GOKSEN YEDIGULLER**

### **He keeps office as the General Manager.**

Goksen Yediguller was born in Izmir in 1963. He graduated from the Department of Economics of the Izmir Vocational College of the Dokuz Eylul University. He worked as a senior executive at such ceramic factories as Kutahya Seramik, Kalekim and Kale Pazarlama

between 1986 and 2010. He started to work as the General Manager at Ege Seramik Sanayi ve Ticaret A.Ş. on 16 February 2010 and still keeps his office.

Statements of Independence of the independent members of the Board of Directors were made public on PDP on 10/04/2015 and such statements may be accessed on the web site of our Company.

Approval is obtained from the General Meeting of Shareholders as per the articles 395-396 of the Turkish Commercial Code in terms of the probability of the Chairman and Members of the Board of Directors to perform any operations contained in the subject matters of the Company on their own or on other parties' behalf or to be a shareholder in those companies performing similar operations.

Although there is no provision as to the election criteria of the members of the board of directors in the articles of incorporation of the Company, the existing members of our Board of Directors satisfy the criteria as contained in the Corporate Governance Communiqué serial no. II-17-1 of CMB. We do not have any members of the Board of Directors who fail to satisfy such criteria.

## **15. Operating Principles of the Board of Directors**

According to the articles of incorporation of the Company, Board of Directors meets whenever required by the affairs of the Company. However, it is mandatory for the Board of Directors at least once a month. Meetings of the Board of Directors were held and 28 individual resolutions made on different dates during 2014. Members are convened for meetings in written and verbal forms by the secretary of the General Manager.

It is stipulated in the articles “regulating the duties and powers of the Board of Directors” of the articles of incorporation of our Company that the Board of Directors should carry out task division at its very first meeting after their election by the General Meeting of Shareholders. Members of the Board of Directors carry out task division among themselves. They have appointed a General Manager or managers from among themselves or from the outside for the performance of the all or part of the operations of the Company. Members of the Board of Directors do not have any weighted and/or veto right.

Members of our Board of Directors are given the permissions as stipulated in the article 395 regulating the prohibition of doing business with the Company and article 396 regulating the prohibition on competition of the Turkish Commercial Code at the General meeting of Shareholders every year. Resolutions for giving such permissions are included in the items of agenda prior to the meeting.

Board of Directors determines its members or external people whom it authorises to represent the Company, the limits in which the general manager, managers and officials shall exercise their signatory powers and in what issues and the duration of such powers. Names and limits of power of the members of the Board of Directors and other people who have signatory powers are announced in detail in a circular letter. Although the powers and responsibilities of other the executives are not contained in the articles of incorporation, job descriptions showing powers and responsibilities of all the other employees including the senior executives have been established throughout the Company.

## 16. Number, Structure and Independence of the Committees Established within the Board of Directors

Audit committee and corporate governance committee have been established with the participation of two of the members of the Board of Directors and no other committee has been established.

### Audit Committee:

Audit Committee comprised of the independent members of the Board of Directors of our Company consists of non-executive members.

Chairman of Audit Committee : Ismet MILOR (Independent Member)  
Member of Audit Committee : Meric ESMER (Independent Member)

Audit Committee meets on quarterly basis and consists of two members. Audit Committee continuously receives information about their duties as stipulated in the legislation and reports to the Board of Directors their views and findings about the financial statements which show the quarterly performance of the Company and which shall be made public.

### **Corporate Governance Committee :**

		<u>Start Date</u>
Meriç ESMER	Head of Corporate Governance Committee (Independent Member of Board of Directors)	06.05.2014
Baran DEMİR	Member of Corporate Governance Committee (Non-executive Member of Board of Directors)	06.05.2014
Bülent SABUNCU	Member of Corporate Governance Committee (Financial Affairs Manager/Investor Relations Director)	29.05.2014
Diclehan KARAASLAN	Member of Corporate Governance Committee (Investor Relations Responsible)	12.01.2015

Within the scope of the assignation carried out in the Board Resolution no. 2014-13 dated 06.05.2014, Corporate Governance Committee undertakes the tasks of

- Nomination Committee,
- Early Detection of Risks Committee, and
- Wage Appraisal Committee. Early Detection of Risks Committee reviews the risk management systems at least once a year.

Committee members are elected from among those board members who have ability, experience and potential to execute their duties without prejudice.

## **17. Risk Management and Internal Audit Mechanism**

Our Company is audited in terms of the compliance of any operations and activities carried out with both the legislation and the company policies by the Audit Committee and internal auditors. Audit Committee meets at regular intervals audits the financial statements and reports which are subject to or not subject to independent auditing of the Company, inspects the balance sheet and profit-and-loss accounts and their compliance with the accounting principles and standards as stipulated by CMB and submit the same to the Board of Directors for approval.

Audits are carried out by independent external auditors and the results thereof are directly reported to the senior management of the Company. Remedies are sought and policies established for those problems reported via multi-directional publicity.

Corporate Governance Committee is responsible for making efforts for early diagnosis of the risks which may endanger the existence, development and continuation of the Company, for taking any necessary measures for identified risks and managing such risks and reviews the risk management systems at least once a year.

## **18. Strategic Goals of the Company**

Our Company follows up any developments and innovations and brings the most advanced technologic investments in the country, creates employment, tries to take its exports further at all times and, most important of all, is aware of the fact that it is a “leading industrial corporation”. Our strategic goals are identified by the Board of Directors and our budgets are prepared on annual basis and any developments related to the budget targets are evaluated on monthly basis. Vision and mission of our Company have not been further made public, but disclosed in our activity report.

## **19. Financial Rights Granted to the Board of Directors**

As stipulated in the articles of incorporation of our Company, upon the deduction of the primary reserve fund and primary dividend from the distributable term’s profit, eight percent of the remaining amount is allocated to the holders of Group A shares and five percent to the holders of Group B shares. A total gross dividend of TL 968.091,98 was distributed to the members of the Board of Directors under the 2013 profit distribution. Company did not lend any credits nor make available any loans to any members of the Board of Directors or executives nor make available any loans under the designation of personal loan through third parties nor extend such guarantees as surety in their favour.

Amounts and payment dates of any attendance fees, remuneration and similar benefits other than dividends which may be paid to the members of the Board of Directors are determined and fixed by the General Meeting of Shareholders. Principles for fixing the remuneration of the members of the Board of Directors and senior executives have been put into writing. Waging policy is submitted to the shareholders for information as a separate item at the General Meeting of Shareholders and shareholders are provided with an opportunity to give their opinion on the matter.

For the remuneration of the independent members of the Board of Directors, payment schemes basing upon the share certificate options or company's performance shall not be employed. Remuneration of the independent members of the Board of Directors is fixed at a level which shall allow them to maintain their independence pursuant to the regulations of the Capital Market Board.

It was resolved at the General Meeting of Shareholders held on 06.05.2014 that those members of the Board of Directors who had been elected as independent members of the Board of Directors would be paid an attendance fee of TL 5.000,- per month.

Also, health and life insurance is purchased for our senior executives every year. Such payments as salaries and bonuses amounting to TL 2.710.869,- were made to our senior executives in 2014.

## **18. WAGING POLICY FOR THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES**

This policy describes the remuneration system and practices for the members of our Board of Directors and senior executives who have administrative responsibilities in accordance with the regulations of the Capital Market Act.

It is intended to structure the remuneration system applied in our Company to serve our mission and vision, values and goals.

Members of our Board of Directors make use of the attendance fee appraised by the General Meeting of Shareholders. Any performance-based system is not anticipated in the remuneration of the independent members of the Board of Directors. Decisions of the Remuneration Appraisal Committee are taken into consideration for the remuneration of the independent members of the Board of Directors.

Payment to the members of the Board of Directors is made on pro rata basis in consideration of the period of office they have kept as of their appointment and quitting dates. Expenses incurred by the members of the Board of Directors due to the contributions they make to the Company (travel, telephone, insurance, etc. costs) may be covered by the Company.

Remuneration payable to the senior executives are fixed in accordance with the international standards and legal obligations, considering the macro-economic data in the market, remuneration policies in effect in the market, size and long-term goals of the Company and positions of the persons. Further, such utilities as company cars, mobile means of publicity, private health insurance, etc. specified for their positions may also be provided.

Senior executives may be paid premiums in accordance with the business size of the positions of the executives, realisation rate of the financial and operational goals (market share, exports, international operations, efficiency, etc.) set by the Board of Directors in the beginning of each year.

All employees are paid a total of 16 gross monthly wages per annum in our Company.

## **19. INFORMATION POLICY**

### **Objective:**

**Information Policy of Ege Seramik Sanayi ve Ticaret A.S.** is to equally share its performance and future expectations, strategies, goals other than its information of trade secret nature and vision with the people, competent authorised organisations, shareholders and shareholders comprised of the existing and potential investors and to disclose any operations and financial information in a correct, fair, timely and detailed manner under the legal regulations and provisions of the Capital Market Act, thus providing investors and shareholders with a continuous, effective and transparent publicity platform.

Our Company adopts behaviour under the principles of equality, accuracy, impartiality, consistency and timing in providing all shareholders and shareholders with information. It is essential that any of our notices and disclosures handled within such policy is given in an easily accessible, timely, accurate, complete, comprehensible, analysable manner at lower costs.

**General Framework of the Information Policy** is established in accordance with the Capital Market Board (CMB) legislation, Borsa Istanbul A.S. (BIST) regulations and the Corporate Governance Principles.

### **Power and Responsibility:**

As contained in Ege Seramik's Corporate Governance Compliance Report, our Company carries out its relations with shareholders through the Financial Affairs Department. This Department replies to information requests from shareholders and provides them with information of such issues as general meetings of shareholders, stocks, profit distribution proposals, etc. Through financial statements, footnotes, activity reports, semi-annual and annual independent audit reports prepared in detail on periodic basis and material disclosures made for those cases which must be legally disclosed, rights of shareholders are protected and shareholders are provided with information.

### **Public Disclosure of Financial Statements:**

Our Company's financial statements are prepared under the provisions complying with the Turkish Accounting Standards (TAS) published by the Public Oversight Accounting and Auditing Standards Authority (POA) and independently audited in accordance with the independent auditing standards published by the Capital Market Board (CMB) and made public in semi-annual and annual terms. Before the financial statements and footnotes thereof and activity reports are made public, they are submitted to the Board of Directors for approval under the assent received from the Audit Committee under the Capital Market Legislation. Once the attestation has been signed, the financial statements, footnotes thereof and activity report and independent audit report are transmitted to the Public Disclosure Platform (PDP) in accordance with the regulations of the Capital Market Act (CMA) and Borsa Istanbul (BIST) regulations.

## **Public Disclosure Methods and Instruments:**

Web site of the Company has been designed to contain all the necessary information so that shareholders may get information, and such information is updated on periodical basis. Once the financial statements transmitted through the Public Disclosure Platform (PDP) have been made public within the times prescribed by the provisions of the relevant legislation, they are announced on the web site of the Company and the e-Company portal of the Central Registration Agency (CRA).

- Presentations and reports disclosed at investor information meetings may be accessed at [www.egeseramik.com](http://www.egeseramik.com).
- Pursuant to the “Regulation on Web Sites to Be Opened by Equity Companies” published in the Official Journal No. 28663 dated 31.05.2013, the guidance for the allocation of a certain part of the web site to the notices which must be legally given by the company and to the information society services has been given under the heading “Information Society Services” on our web site.
- General headings of the information available in the “Investor Relations” section of the web site of the Company are given below:
  - ARTICLES OF INCORPORATION
  - CHRONOLOGY OF THE ARTICLES OF INCORPORATION
  - SHAREHOLDING STRUCTURE
  - BOARD OF DIRECTORS
  - FINANCIAL INFORMATION
  - FINANCIAL REPORTS
  - ANNUAL ACTIVITY REPORTS
  - GENERAL MEETINGS OF SHAREHOLDERS
  - MATERIAL DISCLOSURES
  - CORPORATE GOVERNANCE COMPLIANCE REPORT
  - INFORMATION POLICY
  - WAGING POLICY
  - PROFIT DISTRIBUTION POLICY
  - COMMITTEES
- Shareholders and shareholders of Ege Seramik A.S. contact with our Company via telephone and facsimile or e-mail and communicate their requests for information and their questions. In the event that the replies to the questions from investors have not yet been made public pursuant to the legislation of the Capital Market Board, such questions are not replied, but if it is such information which has already been made public, then shareholders are allowed to make use of such information. No discrimination is made between shareholders in the exercise of the right to obtain and review information.

## **Disclosures about News and Rumours:**

In case of the existence of such news and rumours which are so important as to affect the investment decisions of investors and the value of the capital market instruments, which are published in media, which are not originated from the people who are authorized to represent the Company and which are of such content which is different from the information which has been made public earlier, then material disclosure is



made in cases where it is deemed necessary as to whether or not such information is accurate and sufficient pursuant to the relevant communiqués of CMB.

#### **Precautions Taken to Ensure Confidentiality of Internal Information:**

- Those people with administrative responsibilities who have access to internal information are identified by the scope of the information to which they may access. Accordingly, those employees who have part of the Company-related information in detail but have restricted information about the whole are not considered to be people who have access to internal information.  
However, the Members of the Board of Directors, General Manager, those people authorized to represent the Company basing upon the Company's circular letter of signatories who have all of the information and future strategies related to the Company, Function Managers authorized to make administrative decisions affecting the future development and business goals of the Company and those function employees having regular access to internal information are considered to be people who have access to internal information.
- Those people who are authorised to represent and be binding upon the Company, all employees including especially the administrative staff members know their responsibilities arising from the "publicity and governing legislation". List of accessibility to internal information is reported to the Central Registration Agency (CRA) system in an up-to-date manner in accordance with the legislation.

Our Company has both informed its employees having internal information on electronic media due to the importance of the issue and adopted it as a policy to obtain written statements from the employees stating that they have internal information and keep the same in the relevant function.

#### **Disclosure of Prospective Considerations:**

- Any prospective information and considerations may be disclosed to the people not more than four times Provided that assumptions and data on which such assumptions are based shall be disclosed and on condition that it is made under a resolution of the Board of Directors or under the written approval of the person who has been authorised –if such authorisation has been granted. Assumptions must be consistent with the financial condition and activity results of the Company.

In the event that any forecasts and grounds have not materialised or are found out not to materialise, updated information is made public together with respective reasons.

## **20. PROFIT DISTRIBUTION POLICY**

Dividend Distribution Policy of Ege Seramik Sanayi ve Ticaret A.S. has been determined in accordance with the Corporate Governance practices and Company's strategies and financial plans under the Turkish Commercial Code (TCC), Capital Market Act and legislation, regulations and decisions published by the Capital Market Board and the relevant provisions of the articles of incorporation of the Company, taking into consideration the

national economy and the condition of the sector and observing the sensitive balance between the expectations of shareholders and the requirements of the Company.

Principles related to the profit distribution of Ege Seramik Sanayi ve Ticaret A.S. are described in the Article 26 of the Articles of Incorporation. Accordingly,

- Any amounts such as managerial overheads and various depreciations which must be paid or allocated and any taxes required to be paid by the legal entity of the Company are subtracted by the revenues determined at the expiry of the fiscal term of the Company. Upon the subtraction of the losses of previous years (if any), out of the remaining term's profit which is shown in the annual balance sheet,
- five percent legal reserve fund is allocated.
- out of the balance, a dividend is allocated on the amount to be calculated by the addition of the amount of donation (if any) made during the year under the profit distribution policy to be determined by the General Meeting of Shareholders and in accordance with all legislative provisions.
- Upon the subtraction of the legal reserve fund and primary dividend, 8% of the remaining portion is allocated to the holders of Group A shares and 5% to the holders of Group B shares; and further, 5% of the remaining profit is allocated to the members of the Board of Directors.
- Upon the subtraction of the net term's profit by the amounts mentioned in the foregoing items, General Meeting of Shareholders is authorised to make a resolution to distribute the remaining portion as dividend in part or in whole or allocate it as a reserve fund on its own will pursuant to the article 521 of the TCC.
- One tenth of the amount calculated by subtracting the portion resolved to be distributed as dividend to shareholders and to the other people who have contributed to the profit by a dividend at a rate of 5 percent is added to the general legal reserve fund pursuant to the second paragraph of the article 519 of TCC.

Amount of the dividend which our Company shall distribute to its shareholders has been fixed at 20% which is the minimum profit distribution rate as described in the first paragraph of the article 5 of the "Communiqué on the Principles Which Publicly Traded Incorporated Companies Subject to Capital Market Act Shall Comply with in the Distribution of Dividends and Dividend Advances" serial no. IV-27 on the distributable profit (remaining upon the subtraction of any reserve funds which must be allocated pursuant to governing laws as well as taxes, funds and financial payments and losses (if any) of previous years.

There are privileges related to receiving dividends from the profit as detailed above, in our articles of incorporation and all shares utilize profit shares equally besides these privileges. Other than this, our Company does not have any policy for distributing profits to the employees or holders of founder's dividend shares.

General Meeting of Shareholders determines the time and mode of payment of dividend upon the proposal of the Board of Directors, observing the Capital Market Board's Communiqués. Board of Directors has adopted it as a principle to take any and all measures in terms of venue, time and mode by which the annual profit shall be delivered to the shareholders under the legislation as soon as possible.

Except the dividend privileges stipulated in the article of incorporation as of the distribution date, dividend is equally distributed to all the existing shares, regardless of the

issuance and acquisition dates thereof. Dividends distributed in accordance with the provisions of the articles of incorporation may not be received back.

There is no regulation about the distribution of dividend advance in our articles of incorporation and General Meeting of Shareholders is authorised in the distribution dividend advance under the Capital Market Legislation.

In the event that the Board of Directors proposes to the General Meeting of Shareholders not to distribute the profit, shareholders are provided with information about the reasons of the fact and how to use such undistributed profit at the General Meeting of Shareholders. Likewise, such information is included into the activity report and on the web site of the Company, thus sharing it with the public.

Profit Distribution Statement is made public on the Public Disclosure Platform and the web site of our Company not later than the date on which the agenda of the Annual General Meeting of Shareholders is promulgated.

This policy is submitted to the shareholders for approval at the subsequent General Meeting of Shareholders. Any modifications made in such policy are also submitted to the shareholders for approval at the very first General Meeting of Shareholders after such modification and is included into the activity report and disclosed to the public on the web site of Ege Seramik Sanayi ve Ticaret A.S.

## **21. PROPOSAL FOR THE DISTRIBUTION OF 2014 PROFIT**

It was resolved at the meeting of our Board of Directors no. 2015-10 dated 10.04.2015 that distribution of all of the term's profit of 2014 under the provisions of the relevant legislation and the articles of incorporation would be submitted to the General Meeting of Shareholders for approval.

Out of our Company's post-tax term's profit of TL 40.179.919,33 which occurred according to the financial statements dated 31.12.2014 issued pursuant to the provisions of the Procedural Code of Taxation, a net distributable term's profit of TL 38.170.923,36 occurs in our legal records upon the allocation of TL 2.008.995,97 as general legal reserve fund.

On the other hand, out of our Company's post-tax term's profit of TL 38.319.261,00 which occurred according to the financial statements dated 31.12.2014 issued pursuant to the provisions of the Capital Market Legislation, a net distributable term's profit of TL 36.310.265,03 occurs in our legal records upon the allocation of TL 2.008.995,97 as general legal reserve fund and a donation-added net distributable term's profit of TL 36.311.465,03 is calculated upon the addition of a donation of TL 1200,- to such amount.

Accordingly, it was unanimously resolved that the following issues would be submitted to the General Meeting of Shareholders for approval:

- a) Out of the net distributable profit,
  - TL 7.262.293,01 be distributed to Shareholders as primary dividend;
  - TL 3.776.392,36 be distributed to Privileged Shareholders as dividend;

- TL 1.263.638,98 be distributed to Members of the Board of Directors as dividend;
- TL 12.000.000,00 be distributed to Shareholders as secondary dividend;
- a) remaining TL 2.055.232,44 be transferred to our legal records as general legal reserve fund and TL 11.813.366,57 as extraordinary reserve fund; and
- b) payments would be made to the beneficiaries on 10<sup>th</sup> June 2015.

<b>EGE SERAMİK SANAYİ VE TİCARET A.Ş.</b> <b>2014 Profit Distribution Statement (TL)</b>			
<b>1. Paid-in/Issued Capital</b>		<b>75.000.000,00</b>	
<b>2. Total Legal Reserve Fund (by legal records)</b>		<b>4.076.021,24</b>	
<b>Information on any privilege in profit distribution pursuant to the articles of incorporation, if there is any such privilege</b>		Out of the portion remaining upon the allocation of primary dividend, - 8% to holders of Group A stocks - 5% to the holders of Group B stocks	
<b>As per CMB</b>		<b>As Per Legal Records (LR)</b>	
<b>3.</b>	Term's Profit	48.134.019,00	50.200.071,66
<b>4.</b>	Payable Taxes ( - )	(9.814.758,00)	(10.020.152,33)
<b>5.</b>	<b>Net Term's Profit ( = )</b>	<b>38.319.261,00</b>	<b>40.179.919,33</b>
<b>6.</b>	Losses of Previous Years ( - )	0,00	0,00
<b>7.</b>	Primary Legal Reserve Fund ( - )	2.008.995,97	2.008.995,97
<b>8.</b>	<b>NET DISTRIBUTABLE TERM'S PROFIT (=)</b>	<b>36.310.265,03</b>	<b>38.170.923,36</b>
<b>9.</b>	Donations made during the year ( + )	1.200,00	
<b>10.</b>	<b>Donation-added net distributable term's profit on which primary dividend shall be calculated</b>	<b>36.311.465,03</b>	
<b>11.</b>	Primary Dividend to Shareholders (*)	7.262.293,01	
	-Cash	7.262.293,01	
	-Free	0,00	
	- Total	0,00	
<b>12.</b>	Dividend Distributed to Holders of Privileged Stocks	3.776.392,36	
	Holders of Group A Stocks	2.323.933,76	
	Holders of Group B Stocks	1.452.458,60	
<b>13.</b>	Dividend to members of Board of Directors, employees, etc.	1.263.638,98	
<b>14.</b>	Dividend Distributed to Dividend Stocks	0,00	
<b>15.</b>	Secondary Dividend to Shareholders	12.000.000,00	
<b>16.</b>	Secondary Legal Reserve Fund	2.055.232,44	
<b>17.</b>	Statutory Reserves	-	-
<b>18.</b>	Special Reserves	-	-
<b>19.</b>	<b>EXTRAORDINARY RESERVE FUND</b>	<b>9.952.708,24</b>	<b>11.813.366,57</b>
<b>20.</b>	<b>Other Resources Prescribed to Distribute</b>		
	- Profit of Previous Year		
	- Extraordinary Reserves		
	Other Distributable Reserves		

<b>DIVIDEND RATES CHART</b>						
<b>INFORMATION OF DIVIDEND PER SHARE</b>						
	<b>GROUP</b>	<b>TOTAL DISTRIBUTED DIVIDEND</b>		<b>TOTAL DISTRIBUTED DIVIDEND / NET DISTRIBUTABLE TERM'S PROFIT</b>	<b>DIVIDEND FALLING UPON A SHARE WITH A FACE VALUE OF TL 1,-</b>	
		<b>CASH (TL)</b>	<b>FREE (TL)</b>		<b>AMOUNT (TL)</b>	<b>RATE (%)</b>
<b>GROSS</b>	A	2.323.933,76			193.661,15	19.366.114,68
	B	1.452.458,60			80.692,14	8.069.214,45
	C	19.262.293,01			0,2568	25,6800
	<b>TOTAL</b>	23.038.685,37				
<b>NET</b>	A	1.975.343,70			164.611,97	16.461.197,48
	B	1.234.589,81			68.588,32	6.858.832,28
	C (*)	16.372.949,06			0,2183	21,83
	<b>TOTAL</b>	19.582.882,57				
<b>AMOUNT OF DIVIDEND DISTRIBUTED TO SHAREHOLDERS (TL)</b>	<b>RATIO OF DIVIDEND DISTRIBUTED TO SHAREHOLDERS TO DONATION-ADDED NET DISTRIBUTABLE TERM'S NET PROFIT (%)</b>					
<b>19.262.393,04</b>	<b>53,05%</b>					

(\*) This is comprised of the other shares not publicly traded and other shares publicly traded. Our Company does not have any information about whether or not the holders of shares are "limited taxpayers, full taxpayers, legal entities or natural persons". Calculation of gross dividend/net dividend for such shares has been prepared on the assumption that all of the shareholders in this group are subject to withholding.