



ACTIVITY REPORT OF 2012

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1. MESSAGE FROM THE BOARD OF DIRECTORS

Dear Shareholders;

We, as the Board of Directors, greet you all with respect.

First of all we would like touch briefly on the economic outlook of the world and our country in 2012.

In general, 2012 has been recorded in the history pages as the year in which the growth performance of the world economy slowed down and yet more ceased to grow. While world economy declined down to zero and yet more below zero; economic recession expanded globally and it engraved both in the developed and developing countries. Such recession in developed countries had a negative impact on developing counties.

While the European Union has been endeavoring to resolve the debt problem of its members such as Greece, Spain, Ireland, on the other hand it has been trying to find a remedy for the unemployment in its members such as Italy, Spain. In such an atmosphere, the economy in the Euro region downsized; Japan's economy again started to decay. The expected growth remained 2, 1 % in the other developed countries.

Another important development in the world economy in 2012 was the deceleration of the growth performance noticed in the BRIC countries, in particular China.

The financial crisis realized in the North American countries has been gradually decreasing leaving its place for a more optimistic environment. Especially in the USA and Canada, positive developments, the construction industry taking the first place, have been noticed, and for the first time for a long time, there has been the trend of descending to single digit numbers with regard to unemployment issue.

European Union had a poor period also in the year 2012 with regard to construction, housing and real estate industries. In 2012 there was a decline in the expenses of the houses and buildings other than house throughout the European Union; in the meantime, there was a recession with respect to initiating new constructions and house prices.

As to the Turkish economy; the basic purpose of the policies applied in 2012 was to enter into a continuous growth process by stabilizing the economy.

In 2012 it was targeted to establish a new balance between the policies applied and internal and external demand resources of the growth. In this framework, in 2012 the internal demand significantly slowed down and recessed. Also, the construction industry has been affected by such recession in 2012.

Four important regulations which directly affected construction, housing and commercial real-estate industries became prominent in the agenda of 2012. The Urban Transformation Law which had been discussed over the years was enacted and the actual applications in this regard have been started. The relevant process regarding sale of 2B lands was one of the agenda matters in 2012. The Law abolishing the reciprocity requirement for the sale of real-estate to foreign people has been entered into force and therefore a significant limitation restricting the foreign sales has been removed. Finally, there was an uncertainty period regarding whether or not to change the VAT application on house sales and therefore it had a negative impact on the housing industry.

In the upcoming five years; considering the factors triggering growth, it is expected that there will be a golden period with regard to the construction industry in the developing countries. Between 2012-2014, Turkey with its expected growth of 8,5% in the construction industry (new, renovation and construction materials), has been one of the countries which are respected as the promising countries.

House demand, expanding urban transformation projects, expectation of growth in the foreign direct investments, infrastructure investments planned to be made in the renewable energy sector and the fact that the major projects of energy transfer will pass through Turkey are supporting constructions in Turkey, in particular the housing constructions, and also the constructions other than housing and constructions of infrastructure.

Moreover, the growth noticed in the in the number of the real-estate investment trusts allows for realization of the projects which are huge but hard to finance. In addition to these developments, by help of increase of the disposable income level, measures to be taken for energy efficiency and against earthquake and increase of the consciousness level of the society, Turkish renovation market will also enable the construction industry to grow.

In such an economic environment that we have summarized above, Ege Seramik has considerably increased its total sales turnover, production and sales volume in 2012.

Compared to 2011, in 2012; our production has increased by 0,77%, our total sales amount has increased by 9,44%, our export amount has increased by 15,94%, our domestic sales amount has increased by 5,35%, our total sales income has increased by 12,84%. Our gross profit has been TRY 57.765.127, our operational profit has been TRY 28.218.771, our profit before tax and depreciation has been TRY 35.477.267. The profit before tax and depreciation / the net sales income ratio has been 15,75%.

Currently, our company has no cash credit debt.

The Policy of employment and education of the management team and qualified work force for the upcoming years from this day on has been prioritized while determining the human resources policies of our company.

Strategically, our company does not plan any capacitive growth in 2013 and following years. The growth will be provided by the modernization investments and production of the products high in added value.

With regard to the quality parameters that we apply for our products and services offered by us in the market, our target which is higher than the standards is our principle that we focus on and apply without sacrificing.

Dear Shareholders,

Our Board of Directors is very proud of the performance we made in 2012.

Our target for 2013 is to continue to follow the growth trend which has been carried out stable and humble way. With the advantage and consciousness of having the most valuable brands of the sector, our target is to strengthen our economic structure more and more.

Our Board of Directors will try to be more successful in 2013 with contributions of yourselves, our Dear Valued Shareholders, all our employees, our domestic and overseas authorized dealers, all our suppliers.

We again hereby present our thanks to every one of you who have contributed to the production, sales and financial performances we achieved in 2012 and we wish 2013 to be an efficient, successful year for our country and our company.

Regards
Board of Directors

Our Vision;

Become one of the leading, innovator ceramic producers of the world

Our Mission;

Provide comfortable business and living spaces

Our Target;

To leave a livable world to posterity with innovative approaches and by exceeding the expectations, applying the latest innovations provided by the technology world, prioritizing the customer satisfaction without sacrificing quality and without polluting the nature and the environment.



2. MILESTONES

1972 Ege Seramik was established in İzmir Kemalpaşa

1973 It started production with 300.000 m² capacity

1981 Majority of the shares was purchased by Mr. İbrahim Polat

1982 Ege İnşaat Malzemeleri Pazarlama A.Ş. was established to carry out sales and marketing of Ege Seramik products.

1983 İbrahim Polat Holding A.Ş. established

1989 A five years strategic investment program was started to reach from 1,8 million to 22.00 million sqm/year capacity

1992 Ege Seramik went public near Istanbul Stock Exchange Market

1995 Production capacity reached 22.00 million sqm/year

2004 Trim tile production plant started to produce

2004 Production capacity reached 25.00 million sqm/year

2005 Oracle ERP system has been implemented

2009 Digital tile production started as a unique producer In Turkey Ege Pazarlama terminated her operations and Sales Marketing activities became a department of Ege Seramik

2011 New polishing, calibrating line with Nano technology Started to produce



3. GENERAL INFORMATION

Report Period : 1 January 2012 – 31 December 2012

Trade Name of the Company : EGE SERAMİK SANAYİ VE TİCARET A.Ş.

Trade Registry No : 614 K -575

Registered Address : Ankara Asfaltı 26.Km. P.K.:35170 Kemalpaşa/İZMİR

Branch Address : -

Communication Information

Telephone : (232) 878 17 00

Fax : (232) 878 12 54

E-mail address : info@egeseramik.com

Website : www.egeseramik.com

4. INFORMATION ON BOARD OF DIRECTORS, SENIOR MANAGERS AND PERSONNEL

a) Broad of Directors



İbrahim POLAT
Chairman of the Board of Directors



Bülent ZİHNALİ
Vice Chairman of the Board of Directors



Baran DEMİR
Vice Chairman of the Board of Directors



Meriç Esmer
Member of the Board of Directors



İsmet MILOR
Member of the Board of Directors

Board of Audit :Nilgün AYTEKİN
Aysel HATİPOĞLU
Şahin TURAN

Board of Directors and Board of Audit have been appointed in the General Assembly Meeting of 27.04.2012 to hold office for one year.

Committee of Audit :İsmet MİLÖR Chairman of the Committee in charge of the Audit
Meriç ESMEK Member of the Committee in charge of the Audit

Committee of Audit has been appointed amongst the members of the board of directors who are not executive, to hold office until the following General Assembly.

b) Senior Management

<u>Name Surname</u>	<u>Position</u>
<u>Bülent ZİHNALİ</u>	<u>Vice Chairman of the Board of Directors and Chief Operating Officer (COO)</u> He has started his career in 1975 in Ege Seramik and during his presence he worked as executive at various levels and member of the board of directors of the company. He was appointed as Chief Operating Officer (COO) on 16.02.2010.
<u>Göksen YEDİGÜLLER</u>	<u>General Manager</u> He started to work in Ege Seramik as General Manager on 16.02.2010. Before that job, he worked as senior executive in some large-size ceramic factories in Turkey.
<u>Mehmet CİFCİ</u>	<u>Factory Manager</u> He experienced production responsibility in many firms of the sector and joined Ege Seramik in 2009 as Technology Manager. He is currently working as Factory Manager.
<u>Bülent SABUNCU</u>	<u>Financial Affairs Manager</u> He joined Ege Seramik in 2012 and still in the same position.
<u>Mustafa AKBACI</u>	<u>Sales Manager</u> He was appointed to this position in 2008 after various positions in the Group Companies since 1995 and he still in the same position.
<u>Nevin ÇİFTÇİOĞLU</u>	<u>IT Manager</u> She joined Ege Seramik as Analyst Programmer in 1992. She has been working as IT Manager since 2004.

İ.Volkan DERİNBAŞ Production Planning and Logistic Manager

He joined Ege Seramik in 2004 as Production Planning Component. He has been working as Production Planning and Logistic Manager since 2005.

İlyas YALCIN Personnel and Administrative Manager

He joined Ege Seramik in 2002 as Administrative Manager. Still he is carrying out the same job.

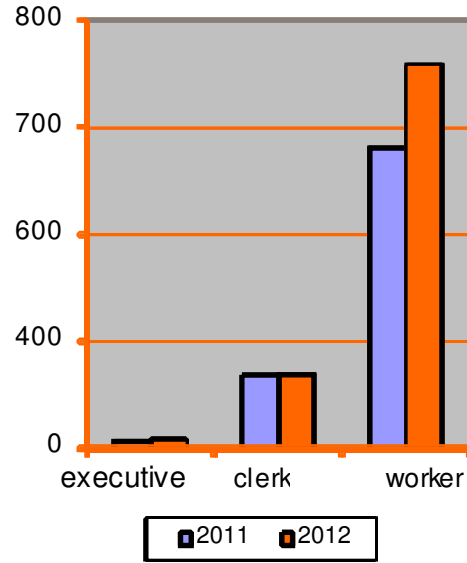
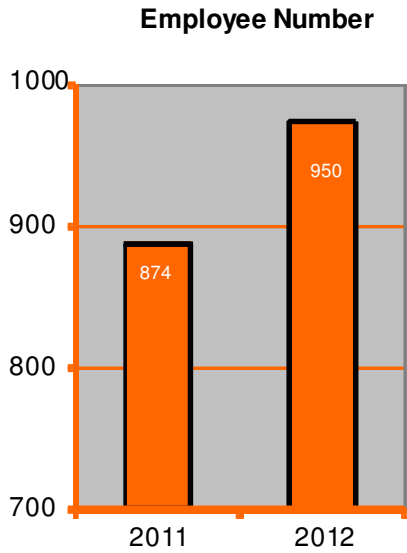
c) Employees

Average number of our employees was 950 in 2012. Average age of our employees is 32, average seniority term is 8,5 years. 13% of our total personnel are graduated from university, 4% from vocational high school, 44% from high school, 39% from elementary school. 3% of our administrative personnel have post graduate license degree, 64% have license degree, 14% are graduated from vocational high school, 19% are graduated from high school.

In-scope employees of Ege Seramik are subject to the collective labor agreement signed with ÇİMSE-İŞ Union. A collective labor agreement was signed with T.Çimse-İş Union on 26.03.2013 covering the years between 01.01.2013-31.12.2014. According to this agreement, 1st year's rise will be the increase of the lowest monthly salary of our employees who are the members of T.Çimse-İş Union, to TRY 978.- as of 31.12.2012 and the salaries which are paid to employees by 31.12.2012 will be increased by 6%, as the 1st six months rise, to effective as of 01.01.2013. As of 01.07.2013, a rise of 3,5 %, as the 2nd six months rise, will be applied to the net salaries of the member employees paid by 30.06.2013.

2nd year salary rise will be applied for our employees who will be working by 31.12.2013 in our company and are the members of T.Çimse-İş Union, to their salaries that will be paid them by that day, to be effective as of 01.01.2014, including the welfare share of 10% of Urban Areas Index (for the period 01.01.2013-31.12.2013) of Consumer Prices of Turkish Statistics Institute. The Collective Labor Agreement will be in force for 2 years as of 01.01.2013 and expire on 31.12.2014. In-scope and out-of-scope personnel are be provided by a bonus of 4 months' salary each year and besides as per the collective labor agreement, in-scope employees are being supported by clothing, birth, death, marriage, fuel and other social reliefs.

Average Number of the Personnel	2011	2012
Executive	17	17
Clerk	139	155
Worker	718	778
Total	874	950



d) Prohibition of Trading with the Company and Non-competition

Chairman and members of the board of directors cannot perform any transaction on behalf and in the name of themselves or third parties in person or indirectly with the company without getting permission from the general assembly. Chairman and members of the board of directors are granted permission in the general assembly meeting of 27/04/2012 pursuant to the Turkish Commercial Code. Within the activity year of 2012 our members of the board of directors did not perform any transaction related to the company and did not make any attempt competing the activity subjects.

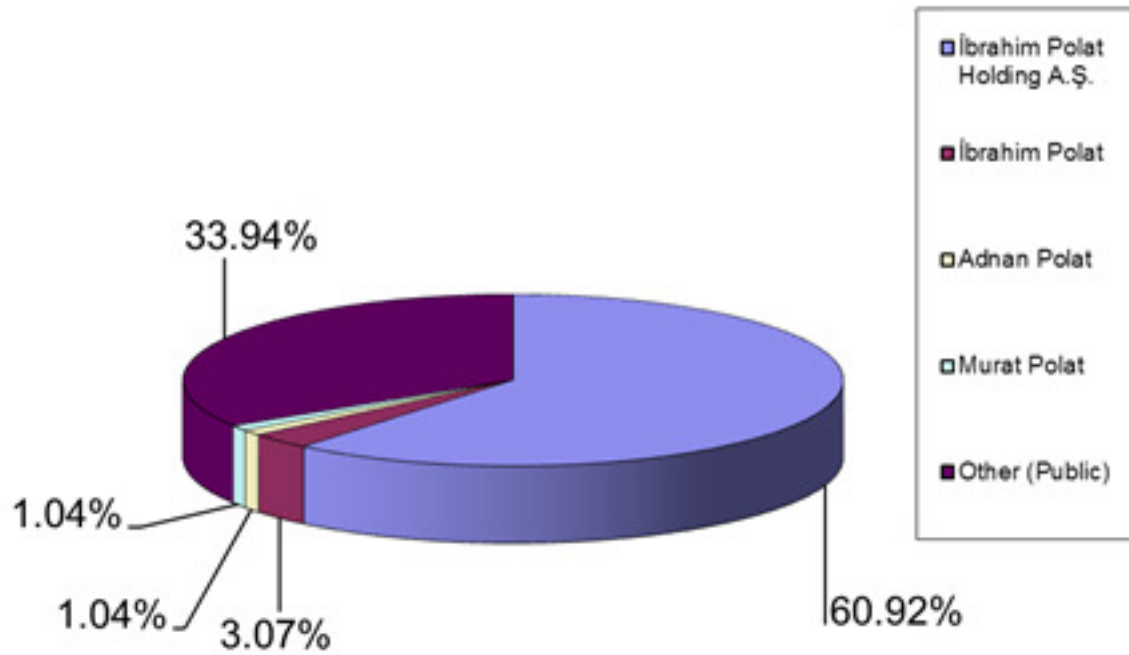
5-ORGANIZATION, CAPITAL AND PARTNERSHIP STRUCTURE OF THE COMPANY

a) Its Capital : TRY 75.000.000.-

b) Registered Capital : TRY 150.000.000.-

31 December 2012

Shareholders	Nominal (TRY)	Share %
İbrahim Polat Holding A.Ş.	45,686,919	60.92%
İbrahim Polat	2,300,605	3.07%
Adnan Polat	779,878	1.04%
Murat Polat	779,878	1.04%
Other (Public)	25,452,703	33.94%
	<u>75,000,000</u>	<u>100%</u>



c)- Changes within the Accounting Period:

Shareholders	Previous Period Number of Shares	Previous Period Amount of Capital	Current Period Number of Shares	Current Period Amount of Capital
İbrahim Polat	171.502.730	1.715.027	230.062.200	2.300.622

d)- Information on Privileged Rights

Issued capital of the company is Turkish Lira 75.000.000,00 (Seventy five million). This capital is divided into 7.500.000.000 (seven billion five hundred million) shares at the value of 1 (One) piaster each and amongst these ; 1.200 (one thousand two hundred) shares are Group A registered-to-name shares, 1.800 (one thousand eight hundred) shares are Group B registered-to-name shares, 7.499.997.000 (seven billion four hundred ninety nine million nine hundred ninety seven thousand) shares are Group C bearer shares. As per article 26 of our articles of association; after deducting primary legal reserves and primary dividends from the distributable profit of the period, eight percent (8%) of the remaining amount is apportioned to Group A shareholders, eight percent (5%) of the remaining amount is apportioned to Group B shareholders.

There is not a privilege for the privileged shareholders with regard to casting vote. Shareholders or their representatives, who are present at the General Assembly meetings, have one voting right for each share.

6- BENEFITS PROVIDED FOR THE BOARD OF DIRECTORS AND SENIOR MANAGERS

As per article 26 of our articles of association, in the years for which the general assembly decided to distribute the profit, after having distributed the primary dividend and the profit to the privileged

shareholders, 5% of the remaining amount is apportioned equally to the members of the board of directors.

In 2012, Members of the Board of Directors were granted dividend of TRY 597.165.- due to the profit distribution of year 2011.

In the general assembly meeting of 27.04.2012, it was decided to pay attendance fee of TRY 5.000.- on Monthly Gross basis to the members of the board of directors which were elected as independent members of the board of directors. Similarly, health and life insurances are provided for the senior executives each year.

Senior executives were paid a kind of fee and bonus of TRY 1.420.982.- in 2012.

7- RESEACH AND DEVELOPMENT ACTIVITIES

Environment policy of Ege Seramik is to improve its environmental performance constantly and make sustainable contributions to its activities and society. Ege Seramik relies on sustainable development and constant improvement principal with regard to its activities. With its sustainability approach, Ege Seramik recycle its water occurred in interim processes and re-produce them and minimize disposal of waste.

8. ACTIVITIES OF THE COMPANY AND SIGNIFICANT DEVELOPMENTS

a) Information on the investments made in the relevant accounting year:

Ege Seramik Sanayi ve Ticaret A.Ş. made investments at the total amount of TRY 4.683.185.- in 2012. These are mainly; ERP (enterprise resource planning) software Oracle R11 version increased to R12 version, cogeneration turbine CENTAUR 50 renewed to generate electricity from natural gas, purchase of two digital machines with brand “kerajet” and one big-size Packaging Machine with System brand suitable for ceramic packaging.

b) Information on internal control system and internal audit operations of the company and opinion of the management organ in this respect:

By the Committee of Audit of our company and by the internal auditors; relevant audits are made with respect to compatibility of the transactions and activities both with legal requirements and with the company policies. The committee of audit regularly meets and controls the financial statements and reports of the company which are/are not subject to independent audit and examines the balance sheet and profit-loss accounts, audits the compatibility with the accounting principles and standards determined by Capital Markets Board and submit them for the approval of the Board of Directors.

Independent external auditors make audits and the results are directly notified to the senior management of the company. Remedies for the problems which are notified through multi-directional communication are tried to be found and policies are constituted.

c) Information on the direct or indirect affiliates of the company and share rates:

	31 December 2012		31 December 2011	
	TRY	%	TRY	%
Ceramic Research Center	4.000	8,00	4.000	8,00
Turgutlu Su Ürünleri A.Ş.	45	1,00	45	1,00
TOTAL	4.045		4.045	

d) Company's own shares which were acquired by the company:

None.

e) Statements regarding special audits and public audits made in the accounting period:

As per the agreements with AS Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş, our company was subject to both the full confirmation and independent audit in the activity period of 2012.

No public financial audit was made for our company in 2012. However, pursuant to the "Regulation of Post-Clearance Controls and Control of Risky Transactions" published in the Official Gazette dated 27.10.2008 and numbered 27037 and based on the approval of the Ministry of Customs and Trade dated 09.05.2012 and numbered 2012/57; in the framework of the post-control of the import transactions, our company was audited by the customs investigators before the Ministry of Customs and Trade. As a result of the investigations a report dated 28.08.2012 was prepared and; our company was served with a VAT difference of TRY 623.- and a fine of TRY 1.870.- arising from the commodity indicated in the customs declaration of release for free circulation dated 10.03.2010 and these amounts were paid to the Customs Directorate of İzmir on 05.09.2012

f) Lawsuits which are filed against the company and might affect the financial situation and activities of the company and information on their probable results:

There is no law suit filed against the company and might affect the financial situation and activities of the company.

g) Statements regarding administrative and judicial sanctions enforced against the company and the members of the management organ due to their practices contrary to provisiond of regulation :

None.

h) Whether the targets which had been determined for the previous periods were achieved and whether the requirements of resolutions of the general assembly were fulfilled; if the targets were not achieved and the resolutions were not fulfilled, information and assesments on their reasons:

All the requirements of the resolutions of the General Assembly were fulfilled. Despite the demand shrinking in the activity period of 2012, expected budget targets were substantially achieved. 95%

of sales target were achieved however the high rises in particular the natural gas prices caused the costs to increase.

i) If any extraordinary meeting was held in the relevant year, information on extraordinary general assembly, including date and resolutions of meeting and transactions performed in this respect:

It was decided by the Resolution of the Board of Directors dated 05.10.2011 and numbered 2011/26, Ege Birleşik Enerji Elektrik Üretim A.Ş., an affiliate of the company to merge with and into the company as per the provisions of the Capital Markets Board, the Commercial Code and the Corporate Tax Law.

After the merge, to obtain the necessary license, the Energy Markets Board was applied to, in order for our company to generate the electricity which will be used by itself and it was required to amend the “Article-3 Purpose and Subject-” of our articles of association.

With this respect; an Extraordinary General Assembly was held on 03.02.2012;

- To increase the upper limit of the registered capital of our company for 5 years between 2012-2016 period, from TRY 75.000.000 to TRY 150.000.000,
- To amend the purpose and subject article of the articles of association of our company in accordance with the Energy Market Legislation,
- Involving the aforementioned two amendments, the amendment of articles 1, 3, 4, 6, 8, 9, 10, 13, 14, 15, 21, 23, 24, 26, 28 and 29 of articles of association was made.

As per the resolution the Extraordinary General Assembly meeting of 27.04.2012;

- Articles 9, 10, 12, 13, 18, 19 of the articles of association of our company were amended and article 31 headed corporate governance compatibility was added to articles of association of our company.
- It was decided to complete the transactions with regard to our Affiliate Company Ege Birleşik Enerji Elektrik Üretim A.Ş. to merge with and into Ege Seramik A.Ş. as of 30.04.2012.

i) Information regarding the expenditures made within the framework of donations, charities and social responsibility projects of the company in the relevant year:

Our company donated TRY 300.- to Turkish Education Foundation in 2012.

In line the environment friendly policies of our company, direct discharge of the processed water is avoided with the waste water production plant and disposal values of the waste water purification plant is constantly checked.

Emissions discharged from the factory chimneys to atmosphere are periodically measured, it is constantly checked whether there is any deviation from limiting values determined by the Emission Credit.

Practices within the scope of (89 / 106 / EEC) Regulation on Construction Materials and EN 14411 Harmonized standards have been carried out for the CE compatibility operations to be performed in our sector.

There is no lawsuit filed against our company regarding damages to environment.

j) If it is an affiliate underlying a group of companies; legal transactions performed together with the controlling company, an affiliate of the controlling company in the interest of the controlling company or an affiliate of it in accordance with the directions of the controlling company and all other measures taken or avoided to be taken in the interest of the controlling company or an affiliate of it in the previous activity year:

As per the Turkish Commercial Code, our company has prepared dependency report for 2012.

Legal transactions performed together with the controlling company İbrahim Polat Holding A.Ş., an affiliate of the controlling company in the interest of the controlling company or an affiliate of it in accordance with the directions of the controlling company and all other measures taken or avoided to be taken in the interest of the controlling company or an affiliate of it in the previous activity year and all measures taken or avoided to be taken in the interest of the controlling company or an affiliate of it in the previous activity year have been assessed in the report.

It has been discussed in the reports whether an appropriate action was taken against each legal transaction in accordance with circumstances and conditions they recognized at the time these transactions were made or the measure was taken otherwise avoided to be taken and whether the measure which was taken or avoided to be taken caused a damage in the company, if it did damaged the company then whether such damage was compensated.

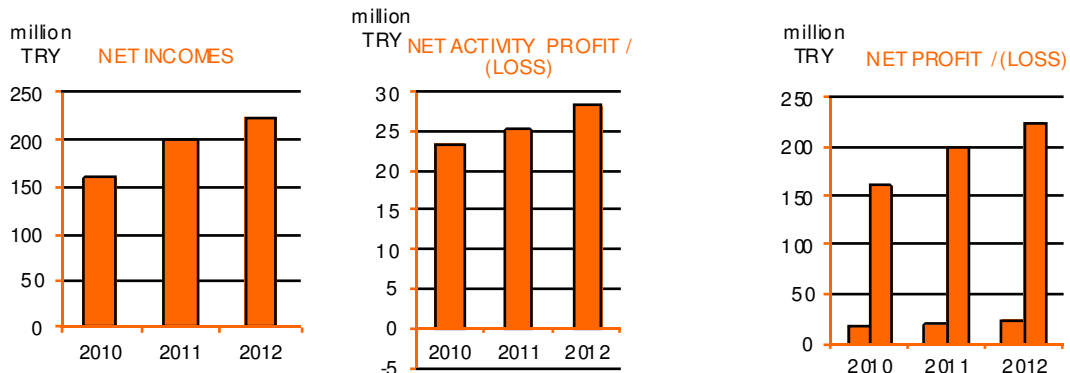
In this respect, İbrahim Polat Holding A.Ş. did not damaged its affiliates and subsidiaries due to the afore-mentioned transactions. Since the affiliates and subsidiaries were nor damaged, the board of directors did not compensate any damage.

9. FINANCIALS

It is in accordance with the financial statements which have been prepared pursuant to the Communiqué Serial: XI, No: 29, “The Accounting Standards in the Capital Markets”.

Condensed Balance Sheet (TRY)	2012	2011	%
Working Assets	159,421,901	136,335,626	16.93%
Fixed Assets	87,427,523	80,579,974	8.50%
Assets	246,849,424	216,915,600	13.80%
Short Term Liabilities	73,605,453	50,390,342	46.07%
Long Term Liabilities	10,905,264	10,536,726	3.50%
Consolidated Equity of Participations	0	5	-100.00%
Equity	162,338,707	155,988,527	4.07%
Liabilities	246,849,424	216,915,600	13.80%
Net working capital	85,816,448	85,945,284	-0.15%

Condensed Income Statement	2012	2011	%
Net Incomes	225,069,303	199,450,822	12.84%
Gross Profit	57,765,127	57,687,104	0.14%
Operating Profit	28,218,771	25,381,506	11.18%
Net Profit (-loss)	22,818,135	19,005,803	20.06%
EBITDA	35,477,267	33,437,399	6.10%



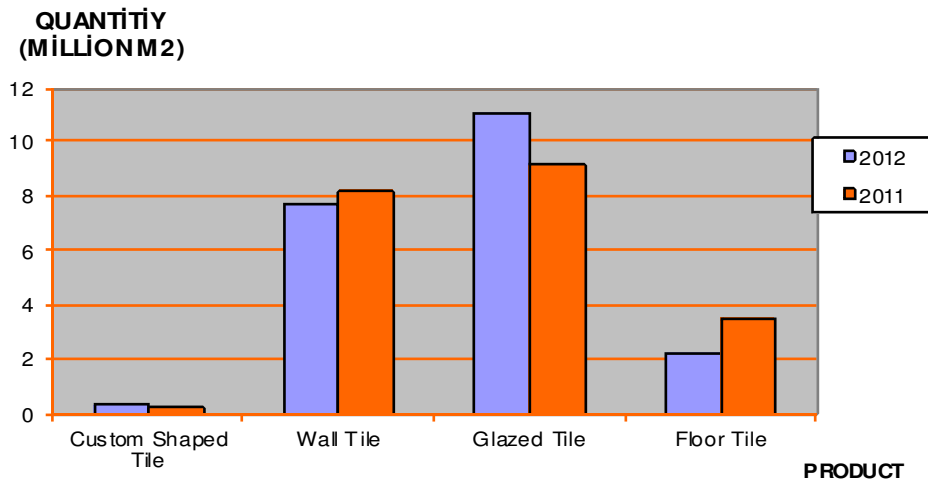
Financial Ratios	2012	2011	%
Current ratio	2.17	2.71	-19.95%
Liquidity ratio	1.58	1.91	-17.07%
Financial debt to equity ratio	0.00	0.00	0.00%
Operating profit margin	12.54%	12.73%	-1.48%
Net profit margin	10.14%	9.53%	6.39%
EBITDA margin	15.76%	16.76%	-5.98%

10. PRODUCTION

In 2012 Ege Seramik worked with a capacity usage of 87% including the maintenance cessations and made a production of 21.309.847 m². The production have increased by 0,77% compared to previous year.

	2012	2011	Difference	%
Custom Shaped Tile	272,137	246,700	25,437	10.31%
Wall Tile	7,732,801	8,215,682	-482,881	-5.88%
Glazed Tile	11,035,653	9,192,555	1,843,098	20.05%
Floor Tile	2,269,256	3,492,233	-1,222,977	-35.02%
Total	21,309,847	21,147,170	162,677	0.77%

PRODUCTION QUANTITIES



11. SALES

According to the financial statements prepared pursuant to the Communiqué Serial: XI, No: 29, “The Accounting Standards in the Capital Markets”, net sales incomes were increased by 12,84%, in 2012 compared to 2011 and equaled to TRY 225.069.303. On the other hand, 2012 sales volume of Ege Seramik increased by 9,44% compared to previous year and equaled to 22.242.208 m².

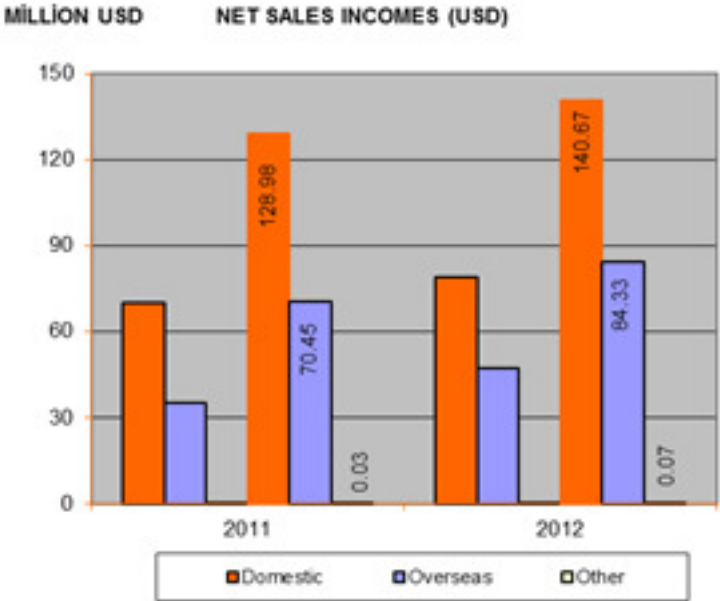
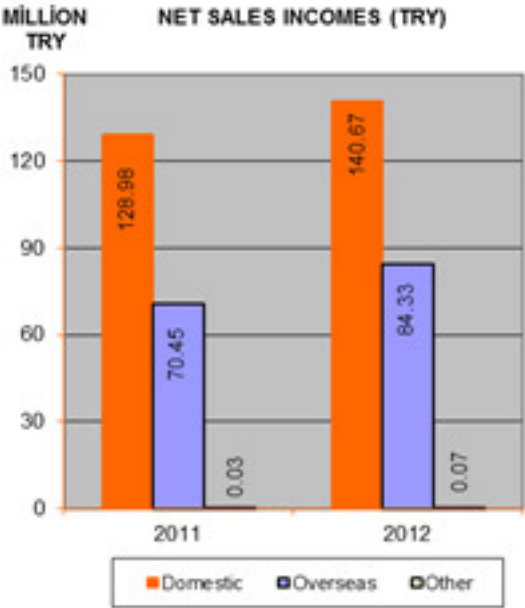
Domestic sales volume increased by 6,35% and overseas sales volume increased by 15,94% exceeding 7,5 million m².

Sales (m ²)	2012	2011	Difference	%
Domestic	14,659,175	13,783,358	875,817	6.35%
Overseas	7,583,033	6,540,350	1,042,683	15.94%
Total	22,242,208	20,323,708	1,918,500	9.44%
Net Incomes (TRY)	2012	2011	Difference	%
Domestic	140,668,904	128,975,834	11,693,070	9.07%
Overseas	84,332,400	70,448,177	13,884,223	19.71%
Other	67,999	26,811	41,188	153.62%
	225,069,303	199,450,822	25,618,481	12.84%

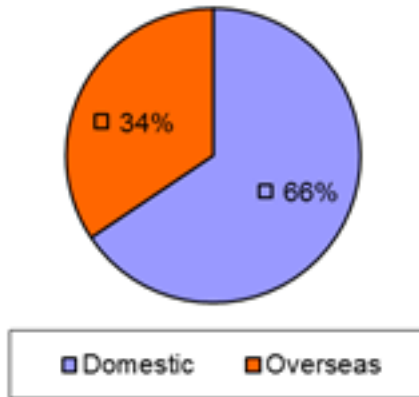
Net Incomes (USD)	2012	2011	Difference	%
Domestic	78,912,209	69,852,433	9,059,776	12.97%
Overseas	47,308,650	35,093,132	12,215,518	34.81%
Other	38,146	14,109	24,037	170.36%
	126,259,005	104,959,674	21,299,331	20.29%

In 2012, our exportation increased by 34,81% compared to previous year and equaled to USD 47.308.650. Considering total sectoral exportation, Ege Seramik realized 8,5% of the total exportation of Turkey.

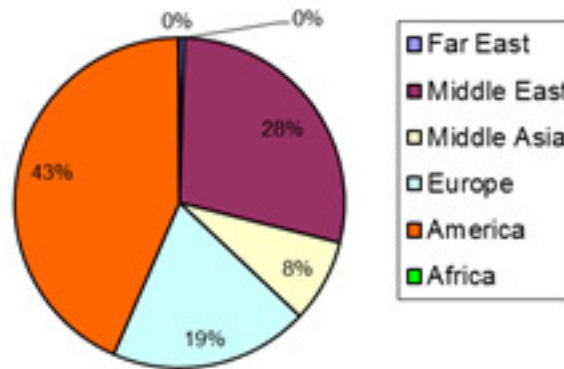
USA, Canada and Israel are the markets in which we are most ambitious. We exported to 43 countries in 2012 and 30% of total incomes was provided from USA, Canada and Israel.



Distribution Of The Sales



Regional Distribution Of The Overseas Sales



12. SECTORAL DEVELOPMENTS

In the sector of ceramic coating, Turkey is the 9th largest producer, 4th largest exporter. The largest ceramic producers of the world are China (43%), Brazil (9%), India (6%) and Italy (4%). Our country is the fourth largest exporter after China, Italy and Spain.

In the last 20 years, production capacity of the sector of ceramic coating materials has increased from 82 million m² to 448 million m² in Turkey (546% increase). There are 24 producer companies.

In the last 8 years domestic consumption of ceramic and ceramic exportation have had a horizontal direction in terms of volume in Turkey. In addition to that, the investments made for capacity have not decelerated and increased linearly.

In Turkey, in the last 8 years, annual domestic consumption average has been 150 million m²; annual exportation has been 92.000 million m². If cyclical fluctuations are eliminated, it is understood that there has not been an increase in terms of volume but a parallel direction instead, in the last eight years.

Even though there has not been a volume increase in the last 8 years, value (amount) annual domestic consumption average has increased by 9%, annual exportation average to overseas has increased by 8%. As of 2012, ex-factory sales turnover has raised to TRY 1.2 billion, exportation FOB sales turnover has raised to USD 591 million, equaling to TRY 2,26 billion turnover in total. The reason of the value (amount) increase is the innovations on the products produced, branding and marketing activities. It is foreseen that value raise will increasingly continue in the following years.

As a result of the developments in the press and shaping technologies in the ceramic coating sector; it has been enabled to produce products which can esthetically get an edge over the equivalent coating materials (marble, wood, parquet, natural stone, etc.). Thanks to these developments, esthetical aspects of the ceramic coating materials which are sold to consumers as health equipment were improved and value raise was provided by making product segmentation. We can separate product segmentation into three for the ceramic coating materials in Turkey as follows:

Sub-Segment corresponds to the 55-60% of the market volume. In this segment, price of the product is rather important instead of the consumer taste. In this segment, due the price competition, profit margin is low.

Middle Segment, corresponds to the 30-35% of the market volume. In this segment both the consumer taste and product price is considered. Price is not an effective factor alone in this segment. The way that the product is presented in the market and compatibility with the consumer taste provides a higher profit margin.

Upper Segment corresponds to the 10-15% of the market volume. In this segment, compatibility with periodical tastes and trends of the product, the way it is presented in the market, its technologic advantages to the consumer, its quality are more important factors than its price.

Our company has been successful in middle and upper segments product markets in 2012. It is presumed that product sales in the upper and middle segments of the market will increased due to the increase of the GNP and branding in the housing sector in terms of domestic consumption. Developing new products to compete the producers in the sector, offering different designs, being the first one to put the new technologies to the market, research-development activities, logistic organization and marketing activities have come into prominence.

SECTOR SHORTAGES:

Energy necessity is the major problem of the ceramic coating sector. Including the vitrification, ceramic sector consumes 12,8% of natural gas consumption in Turkish industry. As to the ceramic production, energy cost corresponds to 30-35% of total cost. In the predictable future, consumption volume might be decreased by works on efficiency; nevertheless there is no rather advantageous fuel instead of natural gas.

There are approximately 4.500.00 raw materials used in ceramic sector. 2.700.00 tons of ceramic which is made of these raw materials are distributed within Turkey and 1.800.000 tons of ceramic are distributed overseas. Transportation costs constitutes; 50-70% of the costs of ex-factory raw materials; 10-25% of the costs of ceramic end-products which are delivered to the consumers' addresses. Since sea and railway transportation opportunities are getting improved and partial transportation and storing alternatives are getting multiplied, industrial costs of the sector and domestic distribution costs will be decreased.

Sector Position of EGE SERAMİK:

Ege Seramik San. ve Tic. A.Ş. which is established in 1972 is ranked within the top three in terms of brand recognition. Turnover wise, it is the second largest producer. In 2012, it had 12% of the market with a domestic turnover of TRY 140 million; had 8% of the market with an exportation turnover of USD 46 million.

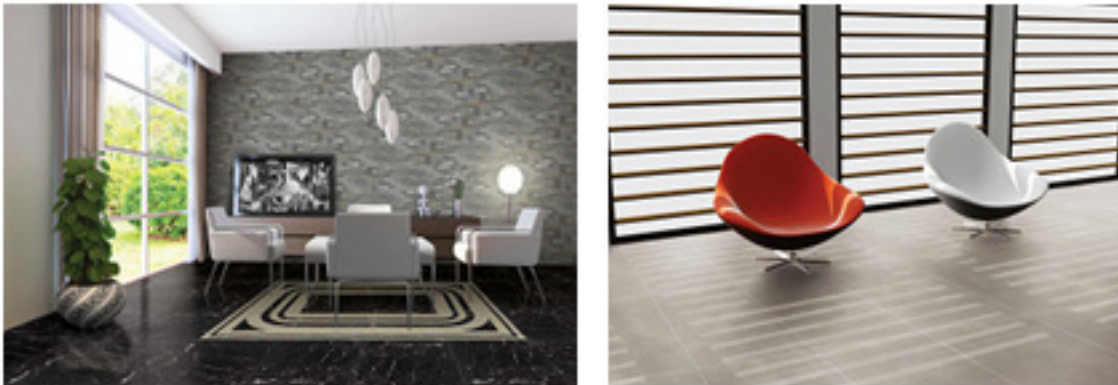
Ege Seramik; with its brand recognition; its corporate domestic and overseas sales channels; its background in information technologies; its constant improvement and product development; its flexible production skills; its proximity to İzmir port; its proximity to albite and quartz ore deposits; due to its proximity to the Big city, its capability to provide human force and its strong financial situation, it is a promising entity varying from its competitors.

Product Portfolio

In 2012, in line with the world trends, our company developed 37 new series in total in the product groups of Ege Seramik and Digital Tile. 25 series of the collection, under the name of Spring Collection, were exhibited in Unicera fair which leads the sector in domestic market and 14 series of the collection, under the name of Autumn Collection were exhibited in Cersaie which is one of the important ceramic fairs of the world.



In line with the world trends, marble, travertine and wood textures, **moulding** pattern products and full gloss products were placed to forefront in the collections.



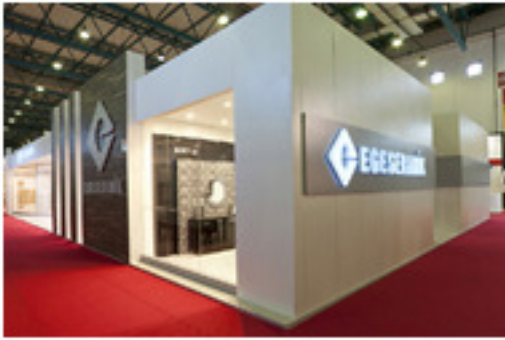
Diversity of the full gloss surface products was increased. These full gloss products were developed by the Hi-Coat nanotechnology which was put in to use in late 2011 and they have become important series of product portfolio which was enriched with decors.

In 2012 Ege Seramik started to produce its largest size products - with 60x120 dimensions - of its portfolio and they have been produced in 6 different series.

Fairs

In 2012, Ege Seramik AŞ. attended the fairs of COVERINGS in America, UNICERA in Turkey, Cersaie in Italy, SAINT GOBAIN in France, it submitted its innovative and rich portfolio to professionals, dealer channel and customers.

Unicera



Coverings



Saint Gobain



Cersaie



Products those were exhibited in the fairs, to which the company attended, were in line with the world trends and they drew great attention of the customers.

Awards and Certificates

In 2012, our Company was listed in Fortune 500 Turkey 2011 which declares the largest 500 companies of Turkey.



In 2012, our Company was rewarded for its activities of 2011.

- YEAR 2011 AWARD OF OUTSTANDING OVERSEAS SALES PERFORMANCE FOR THE BRAND THAT THE COMPANY CREATED



- YEAR 2011 FIRST RANKED COMPANY AWARD FOR GREATEST EMPLOYMENT IN GLASS AND CERAMIC PRODUCTS INDUSTRY OCCUPATIONAL GROUP



- YEAR 2011 FIRST RANKED COMPANY AWARD FOR HIGHEST EXPORTATION IN GLASS AND CERAMIC PRODUCTS INDUSTRY OCCUPATIONAL GROUP



- YEAR 2011 FIRST RANKED COMPANY AWARD FOR HIGHEST INVESTMENT IN GLASS AND CERAMIC PRODUCTS INDUSTRY OCCUPATIONAL GROUP



- YEAR 2011 FIRST RANKED COMPANY AWARD FOR HIGHEST PRODUCTION IN GLASS AND CERAMIC PRODUCTS INDUSTRY OCCUPATIONAL GROUP



ENVIRONMENT LICENSE

Thanks to the environment friendly policies that have been adopted for a long time, Ege Seramik was granted a license of TS-EN-ISO-14001 from Turkish Standards Institute on 28.01.2013.



Ege Seramik fulfilled all the requirements of environment management system and at the same time granted TS-EN-ISO-14001 license which is approved by IQNet, an international licensing network which has 37 member-states and accordingly moved a head of the legal requirements.

Our Company was rewarded the Environment Golden Price by EBSO in June due to its environment friendly applications and successful recycling projects.

GSV (GLOBAL SECURITY VERIFICATION)



GSV license was renewed on 15.05.2012 to be compatible with the C-TPAT system which was established in America for safety control in the supply chains and reduction of the risks.

ISO 9001:2008



In 2011, with ISO 9001:2008 license awarded from the TSI and DQS, our company was also granted a license from IQ Net (International Licensing Network), members of which are 37 licensing institutions. Our license has been renewed as per the audit held on 5.08.2012.



On 17.01.2013, our company was audited by the Israel Standard Institution and it was certified that our products are in compliance with Israel Standards.

UkrSEPRO



Ukrainian Product Certificate covered the years of 2010-2011 and 2012, in 2012 this certificate has been renewed to be valid for the years 2012 and 2014. With this certificate we are able to sell our products to Ukraine.

NF-UPEC PRODUCT CERTIFICATE

On 24.05.2012 our company was audited by CSTB&SFC Companies and our products were found to be in compliance with the French Norms.



f) Projects and Leading Companies Which Preferred Ege Seramik Products

Major business partners were gained as a result of collective works organized in 2012. Special products were developed for reputable projects and companies and with the works performed, new sales channels were provided for dealers. In addition to Efes Pilsen, Volkswagen, Alfa Romeo, LCW ve Moil brands, 5 new corporate customers were gained.



Business Partners

Ege Seramik displays and presents for the taste of its customers, its products, in 146 authorized sellers and approximately 50 branches of 4 large-size construction markets in the 7 regions of Turkey. In 2012, 11 new dealers were added to the dealer system and 9 dealers, the sales performances of which were unsatisfying were scratched from the dealer system.



In 2012, we attached particular importance to the visual designs and display works for our dealers and tried to increase the sales of our value added products.



13. INDEPENDENT AUDIT REPORT

Available at Public Disclosure Platform and www.egeseramik.com website.

14. FINANCIAL STATEMENTS AND THEIR FOOTNOTES

Available at Public Disclosure Platform and www.egeseramik.com website.

15. AMENDMENTS ON THE ARTICLES OF ASSOCIATION WITHIN THE RELEVANT PERIOD

It was decided by the Resolution of the Board of Directors dated 05.10.2011 and numbered 2011/26, Ege Birleşik Enerji Elektrik Üretim A.Ş., an affiliate of the company to merge with and into the company as per the provisions of the Capital Markets Board, the Commercial Code and the Corporate Tax Law.

After the merge, to obtain the necessary license, the Energy Markets Board was applied to, in order for our company to generate the electricity which will be used by itself and it was required to amend the “Article-3 Purpose and Subject-” of our articles of association.

With this respect; an Extraordinary General Assembly was held on 03.02.2012;

- To increase the upper limit of the registered capital of our company for 5 years between 2012-2016 period, from TRY 75.000.000 to TRY 150.000.000,
- To amend the purpose and subject article of the articles of association of our company in accordance with the Energy Market Legislation,
- Involving the aforementioned two amendments, the amendment of articles 1, 3, 4, 6, 8, 9, 10, 13, 14, 15, 21, 23, 24, 26, 28 and 29 of articles of association was made.

As per the resolution the Extraordinary General Assembly meeting of 27.04.2012;

- Articles 9, 10, 12, 13, 18, 19 of the articles of association of our company were amended and article 31 headed corporate governance compatibility was added to articles of association of our company.

16. CORPORATE GOVERNANCE COMPATIBILITY REPORT

1. Statement on Corporate Governance Compatibility

‘Corporate Governance Principles’ were adopted which had been declared to public in 2003 and accepted by the 04.07.2003 dated and 35/835 numbered resolution of the CMB (The Capital Market Board) and the principles which are indicated in the Corporate Governance Principles are tried to be exercised in the framework of the current market structure and company structure.

Our Company has a strong positive opinion on the Corporate Governance Principles both for the company and the shareholder. There will be a structure in which the shareholders will use their rights rather easy, a relatively transparent management is provided and the shareholders can receive more information. This will be the reason for the shareholders to prefer the company.

Affairs between our company and the shareholders are carried out by Financial Affairs Manager. This Manager replies to the information requests of the shareholders and the shareholders are given information regarding general assemblies, shares, share distribution proposals and similar matters. The rights of the shareholders are protected and the shareholders are given information each year by the financial reports which are prepared in detail and by the material event disclosures for the matters which have to be declared as per the legal legislation.

Since our company is subject to the regulations of the CMB with regard to public disclosures and transparency, it fulfills its legal liabilities in full, discloses periodic financial statements, financial

statement footnotes and Independent Audit Reports. Besides, when it is required to make material event disclosures, it makes material event disclosures before Istanbul Stock Exchange. Both the shareholders and the public are allowed to have multi-directional communication with the company by the website of our company. Our Company had no further information policy, compatibility with the legal requirements was found to be sufficient.

Our company adopts the principles indicated the Communiqué Serial: IV, No: 56, “Determination and Application of the Corporate Governance Principles” for which it is responsible and it discloses the relevant information within its financial report.

SECTION I -SHAREHOLDERS

2. Department of Shareholders Affairs

As per the article 7 of Section 3.1.1. of the “Communiqué on the Principles to be complied with Joint Stock Companies being subject to the Capital Market Law”, Serial IV, No. 41 (published in the Official Gazette dated 19.3.2008 and numbered 26821) of the Capital Market Board, department of shareholders affairs has been constituted before the Financial Management, a department which; performs regarding the use of shareholder rights for the partnerships whose shares are traded at the stock exchange; reports to the board of directors and; provides the communication between the board of directors and the shareholders.

Same department is also in charge of the fulfillment of the liabilities arising from Capital Market Legislation which is referred to in article 8 of the same Communiqué and the coordination related to the Corporate Governance applications.

These are the major activities of the department:

- Fulfilling of the transactions regarding the capital increase and dividend payments with regard to previous years,
- Keeping regularly, safely and updated the share book which includes the records of the shareholders,
- Holding the General Assembly meeting in accordance with the current legislation, articles of association and other internal (on company basis) regulations,
- Holding the General Assembly meeting of the company, preparing the documents from which the shareholders might facilitate, sending the minutes to the requestors,
- Except confidential information and trade secrets, upon consulting to the component authorities, replying to written and verbal requests for information of the shareholders regarding the company,
- Informing Istanbul Stock Exchange, Public Disclosure Platform, Capital Market Law of the required Material Event Disclosures, considering the Communiqué Serial: VIII, No: 56 of Capital Market Board.
- Following up the amendments to the Capitals Market Law and relevant legislation and informing relevant departments of the company in this respect.

Shareholders were given information by replying 4 verbal and 15 written information requests submitted to the investors affairs department within the period.

In 2012, 21 shareholders applied to our company for dematerialization transactions and dematerializations of their shares were made before the Central Registry Agency (CRA). As a

result of the completed practices, 4.407 shares were dematerialized and the corresponding amount of such shares is TRY 4.079. Pursuant to the information received from the CRA; as of 31/12/2012 the shares corresponding to TRY 4.734,16 were not dematerialized since the relevant shareholders submitted missing documentary.

Share/Capital	Dematerialized TRY	Not-Dematerialized TRY	Total TRY
Group A Share	11,88	0,12	12
Group B Share	17,82	0,18	18
Group C Share	74.995.236,14	4.733,86	74.999.970
TOTAL	74.995.265,84	4.734,16	75.000.000

The file made for the dematerialization transactions is kept by the investor affairs department of our Company.

Following persons are holding office in the Shareholders Affairs Department:

Name Surname	Position	Telephone No	E-mail Address	Type of License Document	License Document No
BÜLENT SABUNCU	FINANCIAL AFFAIRS MANAGER	0232 878 17 00	bsabuncu@egeseramik.com		
NAZLI FARAÇ FEHMİ	COMPONENT OF BUDGET AND CMB	0232 878 17 00	nfarac@egeseramik.com		
DİCLEHAN KARAASLAN	COMPONENT OF INVERSTORS AFFAIRS	0232 878 17 00	dkaraaslan@egeseramik.com	ADVANCED LEVEL LICENSE OF CMB	205810

3. Use of the Shareholders' Right to Information

As to the usage of the information and examination rights, shareholders are not discriminated.

The shareholders of Ege Seramik A.Ş. submit their information requests and questions to our company by telephone and fax. Almost all the questions asked by the investors are regarding periodic profit, capital increase, value of the share and dividend distribution. These questions are not replied if their answers have not yet been disclosed to public in accordance with the requirements of Capital Market Board, on the other hand the information which have already been disclosed to public are given to the shareholders.

All kind of information is presented to the shareholders in an updated format in the website of our company for the purpose of broadening the information rights of the shareholders.

Developments that might affect the shareholders to use their rights are announced by material event disclosures before the Public Disclosure Platform (PDP) and newspaper announcements.

Request of special auditor appointment is specified as a personal request right in the articles of association of the company and relevant articles of the Turkish Commercial Code is considered unless no provision is set forth by the articles of association. There has been no "Request of Special Auditor Appointment" within the year 2012.

4. General Assembly Meetings

- There has been one ordinary general assembly meeting and one extraordinary general assembly meeting in 2012. Ordinary General Assembly Meeting on the company activities of 2011 was held on 27 April 2012.
- There is not a special meeting quorum determined in the articles of association for the General Assembly meetings and relevant provisions of Turkish Commercial Code is applied for meeting and decision quorums.
- Invitations to the meetings were made in compliance with the provisions of the articles of association and legislation. The invitation was made both in the printed media and PDP environment as electronic announcement. Invitations of the General Assembly meetings were made by announcing in the newspaper Vatan on 07.04.2012 and Trade Registry Gazette dated 10.04.2012 numbered 8045. Besides the content of the invitation is notified to the PDP as a material event disclosure of the resolution of the Board of Directors, a resolution which was taken related to the General Assembly meeting. In these invitation announcements; there is information regarding, the place, date and hours of the general assembly, an example of the power of attorney for the representatives who will attend to the general assembly meeting, the deadline for submission of the documents showing their shares to be able to attend the meeting and date and place of examination for the shareholders to have board of directors report, auditors' report, independent external audit report, balance sheet and income statement reports for the activities of the year 2011 ready for examination.
- It is stated in the announcement that the shareholders should fulfill the necessary procedures (interchange letter, registry to the share book, share consign, submission of power of attorney) one week before the meeting date, to attend the General Assembly; in practice, it is enabled for the shareholders to attend to the General Assembly meeting and cast votes with an entrance card, including the meeting date.
- Meeting quorum was met in the general assembly meeting and no request was raised in the meeting to discuss other than the announced agenda matters. All kinds of documents and activity reports related to the General Assemblies were provided both in hard copies and in electronic environment available for the shareholders to access and use. Shareholders' answers regarding attendance to the general assembly were replied and besides it is further enabled for the ones who did not have the retaining letter before the Central Registry Agency for attending the general assembly, to attend to the general assembly meetings provided that they were not included to the quorum and did not cast votes. Everyone who wishes to attend to our general assembly meetings can attend as supervisor. Right of voting is granted according to the provisions of legislating and used by the people; who prove that they are the shareholders of our company by submitting the original copy Blockage letter which is given by the Central Registry Agency upon application to the bank or intermediary institution in which they have their investing accounts within the legal term and who register to the list of participants within the legal term. Shareholders used their right to ask questions any time they wish in the general assembly and they submitted their opinions and proposals without any restriction. These questions were replied by the panel and relevant department executives.
- Following the transmission of the financial statements to the PDP and their announcement at the PDP, 3 weeks (three) before the General Assembly meeting, balance sheets of the activity year, profit and loss statements, activity report of the Board of Directors and auditors are presented for the shareholders to examine. In addition to that, on the meeting day, annual activity report is presented to the shareholders who attended to the meeting.

- Article of “duties and authorities of the board of directors” of the articles of association of our company set forth that duty delegation shall be made in the first meeting of the board of directors after the general assembly election. Accordingly, since major decisions such as demerger, substantial asset purchase, sale, lease, etc. have been delegated to the board of directors; except for the mandatory provisions of the Turkish Commercial Code, articles of association stipulates no provision which requires that these transactions shall be made upon the resolution of the general assembly. Besides, in order for the shareholders to be informed of the developments regarding these matters, relevant information is submitted to the shareholders in the context of the explanatory notes as well as such information is announced by material event disclosure.

- Minutes of General Assembly had open for the shareholders to examine at the registered address of the company and also had open to the shareholders to examine in the www.egeseramik.com website of the company as of the Ordinary General Assembly meeting for activity year 2011.

- Ordinary General Assembly is held as of the end of the accounting year of the company within the legal term, at least once in a year and the meeting is held at the registered address of the company.

5. Voting Rights and Minority Rights

As per the articles of association of our company, shareholders and representatives who are present in the ordinary and extra-ordinary general assembly meetings have one voting right for each share and there is no privileged shares with respect to the voting right. Voting method for the General Assembly meetings is exercised according to the provisions of Turkish Commercial Code and Capital Market Board and relevant legislation.

Shareholders representing the minority shares form the Management together with the majority shareholders, with their contributions to the General Assembly. There is no provision in the articles of association of our company, which enables a cumulative voting system.

6. Dividend Right

With regard to the profit distribution policies of our company for 2012 and following years, as per the resolution of the Capital Market Board dated 18.01.2007 and numbered 2/53; profit distribution policy has been determined as follows and it was added as a separate agenda matter in the Ordinary General Assembly meeting dated 27 April 2012 for the information of our shareholders.

Transactions on cash profit distribution of 2011 have been performed between 16 May-31 May 2012. In order for the previous years' dividends of the shares which are not dematerialized (physical shares) to be paid in cash and in person by our company, our shareholders must complete the materialization process and such requirement must be determined by our company.

Public shares which are not dematerialized cannot be tracked. As per temporary article 3 of the Communiqué Serial: VI, No: 28, “Principles Regarding Book-Entry Recording of Dematerialized Capital Market Instruments” of the Capital Market Board; there is not an entity which represent the capital of our company and authorized by our company to deliver the physically printed shares of our company to Takasbank.

All public shares of our company can be traded before Istanbul Stock Exchange. In accordance with the requirements of the Capital Market Board and the Central Registry Agency (CRA), physical system was changed to dematerialization system and all share movements and dividend payments are tracked before the Central Registry Agency; shareholders' share movements which are not dematerialized, known as physical shares, are tracked by shareholders affairs department of our company as per the statements of registered-to-name shares.

Dividend Distribution was made in line with the resolutions taken in the General Assembly as per the Turkish Commercial Code, Capital Market Law and its Legislation and provisions of the Articles of Association. There is no provision in our articles of association stipulating interim dividends.

Pursuant to the articles of association of our company, after deduction of the primary dividend, eight percent of the remaining is allocated to Group A shareholders, five percent of the remaining is allocated to Group B shareholders, five percent of the remaining profit is allocated to the members of the Board of Directors. Other than this provision, there is no privileged group to be paid with dividend and there is no further policy enabling a profit distribution policy in favor of the employees, members of the board of directors or founding dividend-shares shareholders.

Dividend amount to be distributed to the shareholders of our company is determined as minimum profit distribution ratio of 20% specified in first sub-paragraph of article 5 of Communiqué Serial: IV, No: 27 on “Principles Regarding Distribution of Dividends and Interim Dividends to be Followed by Publicly Held Joint Stock Corporations Subject to Capital Market Law” over the distributable profit (the amount remained after deduction of the legal reserve funds, taxes, funds and financial payments and losses of previous years if any).

Sensitive balance between the growth strategies of our company and dividend distribution has been carried out punctiliously.

7. Share Transfer

There is no provision restricting the transfer of the bearer shares in the articles of association of the company. Transfer of registered-to-name shares is only valid if the Board of Directors allows for the transfer and registry to the share book of the company.

SECTION II – PUBLIC DISCLOSURE and TRANSPARENCY

8. Policy of Information to Company

Our company has constituted an information policy in accordance with the Corporate Governance Principles which was announced by the relevant principle resolution of the Capital Market Board. Our information policy is not indicated in the PDP separately, it is attached to the activity report in the website of our company.

As to the information to all our shareholders and other stakeholders, our company adopts policies of equality, accuracy, objectivity, consistency and timing. It is our fundamental to make our announcements and statements which are prepared in compliance with these policies, in a way considering the rights and interests of our company, on time, correctly, fully, understandable, analyzable and less costly, easily accessible.

Since the information which are disclosed under the mandatory provisions of the legislation are found sufficient and detailed, no further information policy is constituted. Developments which might have an impact on the value of the capital market instruments and developments which might make a substantial change on the financial situation and/or activities of our company are immediately disclosed to public. However, information disclosed to public cannot include information which might cause damage, by preventing the competition power, on the Company, shareholders and other stakeholders and cannot be a trade secret.

a) Material Event Disclosures

Material event disclosures were made by our company; as per the requirements of CMB within the relevant period (1 January – 31 December 2012). Our company made 29 Material Event Disclosures in 2012. Material event disclosures which are made through internet were sent to Public Disclosure Platform (PDP) Operation Directorate system with electronic signature. No additional explanation was asked by Istanbul Stock Exchange for material event disclosures and no sanction was enforced by CMB. Since our shares are not quoted on any stock exchange, no disclosure was sent any other stock exchange except Istanbul Stock Exchange.

b) Real Person End-Controlling Shareholder / Affairs Between the Company and Shareholders, Members of the Board of Directors, Executives

İbrahim Polat Holding A.Ş. who was the only shareholders having more than 5% of the company in 2012, has 60,92% shares. Shareholding structure is indicated in the activity report, financial statement footnotes, our website and PDP.

c) Periodical Financial Statements and Reports for Enlightenment of the Public

6th month and 12th month financial statements and footnotes of the company which were approved by the independent external audit and 3rd month consolidated and 9th month solo financial statements and footnotes which were not approved by independent external audit were disclosed to public through CMB and PDP and published in the website of the company.

d) Disclosing the People Who Might Receive Information Internally

Information on the people who are authorized to represent and bind our company (chairman and members of the board of directors and other managers and executives who have the signature authority) is indicated in the annual activity report of our board of directors, besides information on senior executives (appointment to the position, leave etc.) are disclosed to public in accordance with the legislation. All employees, in particular the administrative personnel know our responsibilities arising from “Being open to public and the legislation that we are subject to”. Access list to internal information are notified to the Central Registry Agency in the framework of the legislation.

Due to the importance of the matter, the responsibilities were electronically notified to the employees who got the internal information and the policy of -obtaining their written statements, which indicates their responsibilities arising from having internal information, and keeping it in the relevant department- was adopted.

9. Company Website and Content

Our company website is www.egeseramik.com. Publicly disclosed information which is indicated in the Corporate Governance Principles is used as a communication channel to be facilitated by the shareholders, investors, intermediary institutions, research experts and other interest owners regarding the announcement of general assembly meetings which were held or will be held, agenda matters, general information on the ways to attend the general assemblies and other matters. Corporate Governance Compatibility Report is published as an attachment of the activity report of 2011 in the website of Ege Seramik A.Ş. (www.egeseramik.com).

General headings of the information indicated in the “Investors Affairs” section of the company website www.egeseramik.com are set forth below:

- [CORPORATE GOVERNANCE COMPATIBILITY REPORT](#)
- [POLICY OF PROFIT DISTRIBUTION](#)
- [INFORMATION POLICY](#)
- [MATERIAL EVENT DISCLOSURE](#)
- [FINANCIAL REPORTS](#)
- [GENERAL ASSEMBLIES](#)
- [ANNUAL ACTIVITY REPORTS](#)
- [BOARD OF DIRECTORS](#)
- [CHRONOLOGY OF ARTICLES OF ASSOCIATION](#)
- [ARTICLES OF ASSOCIATION](#)
- [SHAREHOLDING STRUCTURE](#)
- [FINANCIAL](#)
- [INVITATION TO THE ORDINARY GENERAL ASSEMBLY MEETING OF 2012](#)

10. Activity Report

In the activity reports of our company, information on corporate governance principles, general headings of which are right to attend the general assembly, structure of the board of directors, formation of the meetings of board of directors, committees which are constituted before the board of directors and financial rights provided for the members of the board of directors and senior executives are provided; these are the corporate governance principles determined by the Communiqué Serial: IV, No:56 regarding “Determination and Application of Corporate Governance Principles”.

SECTION III - STAKEHOLDERS

11. Information to Stakeholders

With respect to the activities of our company, stakeholders are given information both by the general assemblies and by the material event disclosures in electronic environment within the framework of the principles on public disclosure. Such information is given through the activity reports and Istanbul Stock Exchange.

Information is provided by attendance to the meetings, sales campaigns, promotions and giving upon request.

Employees of the company are given information by monthly bulletin, intranet.

12. Stakeholders’ Contributions to Management

No mechanism or model has been constituted with respect to the Corporate Governance Principles for the stakeholders to be represented in the board of directors. Their contributions to the management are provided by means similar to internal (on company basis) suggestions, questionnaire. Working conditions and practices on the rights provided for the employees are established upon discussions with the worker union.

13. Human Resources Policy

Human resources fundamentals of the company are established as follows:

- Equal opportunities are provided for the personnel at the same levels, considering their career targets and personal competences.
- Employees are informed of their personal rights, careers and company opportunities.
- Employees are not discriminated and employees are protected against ill-treatment.
- There is no complaint from employees on discrimination.
- Education plans are provided and exercised for improvement of knowledge, skills and personal developments of the employees.
- Safe working environment and conditions are provided for the employees.
- Criteria on personnel recruitment were made in writing and it is assured that these criteria are complied with.

During the year, education programs were provided from time to time regarding personal and professional development and quality, and occupational health and safety for our personnel. In line with our company vision and mission, it is intended to increase the competence levels of our personnel. We continue our business with the target of becoming an entity which utilizes the correct person at the correct position, encourages high performance, and employs its employees who has high level motivations in a team spirit, and which is preferred for the qualified workforce market.

14. Ethic Rules and Social Responsibility

In line the environment friendly policies of our company, direct discharge of the processed water is avoided with the waste water production plant and disposal values of the waste water purification plant is constantly checked. Emissions discharged from the factory chimneys to atmosphere are periodically measured, it is constantly checked whether there is any deviation from limiting values determined by the Emission Credit.

Practices within the scope of (89 / 106 / EEC) Regulation on Construction Materials and EN 14411 Harmonized standards have been carried out for the CE compatibility operations to be performed in our sector. There is no lawsuit filed against our company regarding damages to environment.

There is no regulation on ethical rules which was specified by the Board of Directors of the company for the company and its employees and disclosed to public. However, the company undertakes to carry out its activities in compliance with all kinds of legal legislation, articles of association and social values. Moreover; job definitions have been set for the employees and it is assured that they are acting in accordance with generally accepted principles of business life and acting in accordance with the laws, ethic values and customary rules in their speeches and behaviors and respecting the environment.

Values: Reliability, fairness, customer and quality oriented, competitiveness, respecting to the environment and human, sense of responsibility, transparency and participation.

SECTION IV – BOARD OF DIRECTORS

15. Structure and Form of the Board of Directors

Board of Directors of the Company has been comprised of the following names in 2012:

Chairman : İbrahim POLAT

Vice Chairman : Baran DEMİR

Vice Chairman : Bülent ZIHNALI

Independent Member : İsmet MİLÖR

Independent Member : Meriç ESMER

It is composed of 5 persons elected pursuant to the Turkish Commercial Code by the General Assembly of the shareholder. In case of any vacation in the membership of the Board of Directors within the period, the provisions of Turkish Commercial Code and Capital Market Law are applied.

In order for the Chairman and members of the Board of Directors to perform the works regarding the subject matters of the company in person or on behalf of third parties and to become shareholders of the companies which perform these kind of activities, approval of the General Assembly is required as per article 395 of Turkish Commercial Code.

There is no regulation in the articles of association of the company on the criteria of election of the members of the board of directors; however current members of the board of directors are compatible with the principles specified in the Section IV of the CMB Corporate Governance Principles. There are no members of the board of directors who are not compatible with these criteria.

16. Operational Fundamentals of the Board of Directors

As per the articles of association of the company; Board of Directors meets when it is necessary for the company business. However, it is mandatory for the Board of Directors to meet once in a month. In 2012 at different times, 27 Board of Directors meetings concluded 34 different resolutions. Members are invited to the meetings by verbal or written methods by the secretary of the General Management. Agenda of the meeting is determined upon discussions of the Chairman of the Board of Directors with the members. Dates and agenda matters of the board of directors meetings of 2012 are specified in the schedule below.

Duty delegation is made by the Members of the Board of Directors between themselves. They appoint General Manager or managers internally or externally to carry out the company business fully or partially. Members of the Board of Directors do not have dominating voting rights and/or veto rights.

Each year in the general assembly, our Members of the Board of Directors are granted permissions specified in the articles 395 which regulates prohibition of trading with the Company and article 396 which regulates non-competition of the Turkish Commercial Code. Resolutions related to these permissions to be granted, are indicated in the agenda matters before the meeting. Therefore; prohibition of trading with the company and non-competition is not applied for the members of the board of directors of our company within the period. However, it is not enabled for the members of the Board of Directors to directly or indirectly trade or compete with the company, nevertheless up to this day there has been no conflict of interests arising from that.

There are provisions on the duties and authorities of the board of directors in the articles of association of our company. The Board of Directors determines its members or external persons, general manager, manager and clerks which it granted representation authority, it also determines their signature authorities; for which subjects, with which limitations and during which term these signature authorities were granted. Names and limits of authorities of the members of the Board of

Directors and other persons are specified in a circular in detail. Duties and authorities of the other executives are specified in the articles of association and also throughout the company, job definitions indicating duties and responsibilities of all the employees, including the senior executives are determined.

17. Numbers, Structures and Independencies of the Committees Established in the Board of Directors

A committee of audit is set up composed of two persons from the members of the Board of Directors; no other committees are set up.

Committee of Audit:

The committee of audit which is composed of independent members of the board of directors are composed of non-executive members.

Chairman of the Committee of Audit : İsmet MİLÖR
Member of the Committee of Audit : Meriç ESMER

Committee of audit meets once in 3 months and composed of 2 members. Committee of audit is given information regarding its duties stipulated by the legislation and informs the Board of Directors of its opinions and findings regarding the financial statements which shows three months performance of the company and will be disclosed to public. Additionally, it developed proposals regarding the determination and assessment of the appropriate nominees of the Board of Directors and number of the members and executives of the Board of Directors.

Corporate Governance Committee:

Corporate Governance Committee is composed of members of the board of directors; one is independent, the other is non-executive.

Chairman of the Corporate Governance Committee : Meriç ESMER (Independent member)
Member of the Corporate Governance Committee : Baran DEMİR

Upon the assignment dated 27.04.2012 by the Board of Directors, Corporate Governance Committee also undertakes the duties of;

- Committee of Early Determination of Risk and,
- Committee of Determination of Remuneration

Committee of Early Determination of Risk; reviews risk management systems at least one in a year.

18. Risk Management and Internal Control Mechanism

Respective audits are carried out by the Committee of Audit of our company and internal auditors with regard to the compatibility of the transactions and activities with both with the legal legislation and company policies. Committee of Audit comes together regularly and controls the company's statements and reports which are/are not subject to independent audit, examines balance sheets and profit-loss accounts, audits on compatibility with the accounting principles and standards determined by CMB and submit to the approval of the Board of Directors. Risks are tracked in five major heading in total; hazardous risks, financial risks, commercial risks, operational risks and strategic risks.

Independent external auditors make audits and the results are directly notified to the senior management of the company. Remedies for the problems which are notified through multi-directional communication are tried to be found and policies are constituted.

19.Strategic Targets of the Company

Vision of our company is; to provide perfect quality of product and service by adding value to its shareholders and employees, interiorizing reliability and customer-oriented management as its fundamental principle in line with its social responsibility, satisfying the requests and expectations of our customers on time and at the top level and to be ranked at the top level.

Mission of our company is to continue its contribution to environment, society, life and national economy increasingly without sacrificing from its efficient and effective production methods, quality and ethical values. Our company brings the most advanced technologic investments to its country by following the developments and innovations, it enables for employment, always tries to improve its exportation and the most important is it is conscious of being a “leading industrial entity”. Our strategic targets are determined by the Board of Directors, budgets are drawn up and besides developments with regard to the budget targets are assessed on monthly basis by the Board of Directors.

Vision and mission of our company is not disclosed to public separately, it is indicated in our activity report.

20.Financial Rights Provided for the Board of Directors

In the general assembly meeting of 27.04.2012, it has been decided to pay attendance fee of Gross TRY 5.000.- on monthly basis to the members of the board of directors who were elected as the independent members of board of directors.

General Assembly determines amounts and payment dates of the attendance fees, remunerations and similar kinds of rights which might be paid to the members of the Board of Directors other than dividend. Principles of remunerations of the members of the board of directors and senior executives are rendered in a written format and submitted to the information of the shareholders as a separate matter in the general assembly meeting and the shareholders are enabled to present their opinions in this regard. Remuneration policy which prepared for this purpose is announced in the website of the company .

No share options or performance- based payment plans of the company will be used for the remunerations of the independent members of the board of directors. Remunerations of the independent members of the board of directors are determined considering the regulations of Capital Markets Board, at a level protecting their independencies.

If there are any factual works of the members of the board of directors other than this (member) capacity, their remunerations in this respect might be determined by the Board of Directors.

Pursuant to the articles of association of our company, after deduction of the primary dividend, eight percent of the remaining is allocated to Group A shareholders, five percent of the remaining is allocated Group B shareholders, five percent of the remaining profit is allocated to the members of the Board of Directors. In 2012, Members of the Board of Directors were granted dividend of TRY 597.165.,10- due to the profit distribution of year 2011. The company did not lend to any member of the board of directors and its executives, did not extend them a credit, did not extend them a credit under personal credit through a third party or did not provide securities such as warrant in favor of them.

17. DIVIDEND DISTRIBUTION POLICY

As to the Dividend Distribution Policy of our company, as it was indicated in the Corporate Governance Compatibility Reports of previous years and as it was indicated in the Minutes of the General Assembly Meeting of the previous year;

Dividend Distribution was made in line with the resolutions taken in the General Assembly as per the Turkish Commercial Code, Capital Market Law and its Legislation and provisions of the Articles of Association.

There is no provision in our articles of association stipulating interim dividends.

Pursuant to the articles of association of our company, after deduction of the primary dividend, eight percent of the remaining is allocated to Group A shareholders, five percent of the remaining is allocated to Group B shareholders, and then five percent of the remaining profit is allocated to the members of the Board of Directors. Other than this provision, there is no privileged group to be paid with dividend and there is no further policy enabling a profit distribution policy in favor of the employees, members of the board of directors or founding dividend-share shareholders.

Dividend amount to be distributed to the shareholders of our company is determined as minimum profit distribution ratio of 20% specified in first sub-paragraph of article 5 of Communiqué Serial: IV, No: 27 on “Principles Regarding Distribution of Dividends and Interim Dividends to be Followed by Publicly Held Joint Stock Corporations Subject to Capital Market Law” over the distributable profit (the amount remained after deduction of the legal reserve funds, taxes, funds and financial payments and losses of previous years if any).

Sensitive balance between the growth strategies of our company and dividend distribution has been carried out punctiliously.

Sustainability of the profit distribution policy is one of the fundamental purposes of our Company, except for the investments and other fund necessities which are required for the long term growth of the Company and specific circumstances arising from the extraordinary developments in the economic conditions. However, depending on the current projects and situations of the funds, the Board of Directors of our Company might review this policy each year.

General Assembly determines the date and method of the dividend distribution upon the proposal of the Board of Directors considering the Communiqués of the Capital Markets Board. It is the principle of the Board of Directors to take all the measures with regard to place, date and method, to be able to transmit the annual profit to the shareholders as earliest as possible in the framework of the legislation

18. PROPOSAL ON THE DISTRIBUTION OF THE DIVIDEND OF 2012

In the meeting of our Board of Directors dated 29.03.2013 and numbered 2013-06; it was decided to submit for the approval of the General Assembly, the distribution of the total period profit of 2012 and TRY 4.322.137,17 from the extra ordinary reserves account which is seen in the balance sheet of our Company in the framework of the relevant legislation and articles of association of our company.

After reserving the primary legal reserve fund of TRY 1.051.970,38 from the period profit of TRY 21.038.623,09 an amount occurred after tax as per the financial statements of our company dated

31.12.2012 which was prepared in accordance with Tax Procedural Law; a net distributable period profit of TRY 19.987.437,06 has been generated in our legal records.

On the other hand, after reserving the primary legal reserve fund of TRY 1.051.970,38 from the after-tax profit of TRY 22.818.134,00 an amount occurred as per the financial statements of our company dated 31.12.2012 which was prepared in accordance with Capital Market Legislation; a net distributable period profit of TRY 21.766.163,62 has been generated and when the donations of TRY 300 received within the year are added to such amount, a primary dividend assessment of TRY 21.766.463,62 has been calculated.

Accordingly the following matters have been unanimously decided to be submitted in the General Assembly for the approval of the shareholders;

- a) Out of the net distributable period profit;
 - TRY 4.353.292,73 to be distributed as primary cash dividend,
 - TRY 2.263.712,23 to be distributed as cash dividend to privileged shareholders,
 - TRY 757.472,94 to be distributed as cash dividend to members of the board of directors,
 - TRY 10.743.907,00 to be distributed as second dividend

additionally extra ordinary reserves in the amount of TRY 4.322.137,17 to be distributed in cash to all the shareholders ,

- b) To transfer the outstanding amount of TRY 1.869.052,21 as the second legal reserve fund to our records,
- c) To make the payments of the right owners on 21 May 2013,

Extra ordinary reserves which were decided to be distributed are composed of TRY 2.206.902,62 an amount which was left as extra ordinary reserve from the profit of year 2010 of Ege Seramik and TRY 2.115.234,55 an amount which was left as extra ordinary reserve for 2008-2011 periods of Ege Birleşik Enerji, an affiliate which merged with and into the company on 30.04.2012.

EGE SERAMİK SANAYİ VE TİCARET A.Ş. Profit Distribution Schedule of 2012 (TRY)			
1. Paid/Issued Capital		75.000.000,00	
2. Total Legal Reserve Fund (According to the Legal Resources)		3.162.665,76	
As per the Articles of Association, if there is any privilege for the profit distribution, information on such privilege		After reserving the primary dividend, out of the remaining; - Group A share certificates 8% - Group B share certificates 5%	
		According to CMB	According to Legal Records (BoD)
3.	Period Profit	28.557.058,00	26.889.694,18
4.	Taxes to be Paid (-)	-5.738.924,00	-5.850.286,74
5.	NET Period Profit (=)	22.818.134,00	21.039.407,44
6.	Losses of Previous Years (-)	0,00	0,00
7.	Primary Legal Reserve Funds (-)	1.051.970,38	1.051.970,38
8.	NET DISTRIBUTABLE PERIOD PROFIT (=)	21.766.163,62	19.987.437,06
9.	Donations within the year (+)	300,00	
10.	Including the donations, net distributable period profit over which the primary dividend will be calculated	21.766.463,62	
11.	Primary Dividends to Shareholders (*)	4.353.292,73	
	-Cash	4.353.292,73	
	- Free of Charge	0,00	
	- Total	0,00	
12.	Dividend Distributed to the Privileged Shareholders	2.263.712,23	
	Group A shareholders	1.393.053,68	
	Group B shareholders	870.658,55	
13.	Dividend Distributed to the members of the board of directors, employees etc.	757.472,94	
14.	Dividend Distributed to the Dividend-Shares Shareholders	0,00	
15.	Second Dividends to Shareholders	10.743.907,00	
16.	Second Legal Reserve Fund	1.869.052,21	
17.	Statutory Reserves	-	-
18.	Special Reserves	-	-
19.	EXTRAORDINARY RESERVE	-	-
20.	Other Resources Predicted to be Distributed	4.322.137,17	4.322.137,17
	- Profit of the Previous Year		
	- Extra ordinary Reserves		
	Distributable Other Reserves		

19. REPORT OF THE BOARD OF AUDIT

To the General Assembly of EGE SERAMİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

- Shareholder's

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

- Names and term of office of the Auditor or Auditors,
Whether they are a shareholder or employee of the company :

Nilgün AYTEKİN	27/04/2012	-	Not a Shareholder or employee.
Aysel HATİPOĞLU	27/04/2012	-	Not a Shareholder or employee.
Şahin TURAN	27/04/2012	-	Not a Shareholder or employee.

- Numbers of the Board of Directors meetings and
Board of Audit : 8

- Content of the examination over the company
accounts, books and documents, dates of the
examinations and result : Transactions were examined at the end of
each month and no irregularity has been
detected.

- As per clause 3 of sub-paragraph 1 of the article
353 of the Turkish Commercial Code, numbers of
Company's teller countings and their results : There have been 12 teller countings and
no irregularity has been detected.

- As per clause 4 of sub-paragraph 1 of the article
353 of the Turkish Commercial Code, dates of
examinations and their results : There has been an examination at the end
of each month and no irregularity has been
detected.

- Notified complaints and illegalities and relevant
transactions performed thereof : None.

We have examined the accounts and transactions of EGE SERAMİK SANAYİ VE TİCARET A.Ş. for the period of 01.01.2012 – 31.12.2012 in pursuant of the Turkish Commercial Code, articles of association of the company, regulations of the Capital Market Law, Uniform Chart of Accounts and generally accepted accounting principles and standards.

In our opinion, attached balance sheet which was prepared on 31.12.2012 accurately reflects the financial situation which the Company had as of the same date; income statement for the period of 01.01.2012 – 31.12.2012 accurately reflects the activity results which the Company had as of the same date.

We hereby kindly submit the balance sheet dated 31.12.2012 and the income statement for the period of 01.01.2012 – 31.12.2012 for your approval and the Board of Directors to be discharged with your votes.

Regards.

Nilgün AYTEKİN
Auditor

Aysel HATİPOĞLU
Auditor

Şahin TURAN
Auditor