

EGE SERAMİK SANAYİ VE TİCARET A.Ş.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDIT REPORT AS OF
JANUARY 1, 2016 AND DECEMBER 31, 2016**

**(Convenience translation of a report and
financial statements originally issued in Turkish)**

**MOORE STEPHENS TURKEY
MBK INDEPENDENT AUDITING AND CPA CO.**

EGE SERAMİK SANAYİ VE TİCARET A.Ş.

January 1, 2016-December 31, 2016 Financial Statements And Explanatory Notes

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**FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT AS OF
JANUARY 01, 2016 AND DECEMBER 31, 2016**

**To the Board of Directors of
Ege Seramik Sanayi Ve Ticaret A.Ş.**

We have audited the accompanying financial position of Ege Seramik Sanayi ve Ticaret Anonim Şirketi (The Company), as at December 31, 2016 and the related financial statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended and summary of significant accounting policies and explanatory notes.

Company's Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of financial statements in accordance with Turkey Accounting Standards which is issued by the Public Oversight Accounting and Auditing Standards Authority. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances..

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with financial reporting standards issued by the Capital Market Board (CMB) and in accordance with independent audit standards as part of Turkey Auditing Standards issued by Public Oversight Accounting and Auditing Authority. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Ege Seramik Sanayi ve Ticaret A.Ş. as at December 31, 2016 and its financial performance and cash flows for the year ended in accordance with Turkish Financial Reporting Standards and Turkey Accounting Standards.

Reports On Independent Auditor’s Responsibilities Arising From Other Regulatory Requirements

Prepared in accordance with the paragraph 4 of article numbered as 398 of 6102 numbered Turkish Commercial Code (“TCC”), Auditor’s Report on Early Risk Detection System and Committee is presented to Board of Directors at March 1, 2017.

According to paragraph four of article numbered as 402 of TCC (6102) at the accounting period of the Company as of January 1 – December 31, 2016, there is not any important matter encountered regarding the system of book keeping and financial statements.

According to paragraph four of article numbered as 402 of TCC, Board of Directors made the required disclosures and provided the requested documentation within the framework of the audit.

İstanbul, March 1, 2017

**MOORE STEPHENS TÜRKİYE
MBK BAĞIMSIZ DENETİM VE SMMM A.Ş.**

AHMET ÖZTAMUR, CPA

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2016
STATEMENT OF FINANCIAL POSITION
(Currency –TRY, unless otherwise indicated)

ASSETS	Notes	Current Period Audited	Previous Period Audited
		December 31, 2016	December 31, 2015
Current Assests			
Cash and cash equivalents	53	15.719.832	14.642.180
Trade receivables	7	134.230.308	125.198.310
<i>Trade receivables from related parties</i>	6	31.819.446	22.267.075
<i>Trade receivable from third parties</i>	7	102.410.862	102.931.235
Other receivables	9	1.945.616	1.713.741
<i>Other receivables from related parties</i>	6	-	-
<i>Other receivables from third parties</i>	9	1.945.616	1.713.741
Inventories	10	72.800.473	65.054.555
Prepaid expenses	12	1.603.143	4.710.755
Other current assets	28	6.159.678	10.036.070
TOTAL CURRENT ASSETS		232.459.050	221.355.611
NON-CURRENT ASSETS			
Financial inventments	4	4.000	4.045
Other receivables	9	290.346	91.380
<i>Other receivables from related parties</i>	6	-	-
<i>Other receivables from third parties</i>	9	290.346	91.380
Tangible fixes assets	14	130.535.502	123.368.969
Intangible fixed assets	17	1.737.205	1.205.362
<i>Other intangible fixed assets</i>	17	1.737.205	1.205.362
Prepaid expenses	12	279	-
Deferred tax assets	40	19.936.465	18.331.336
TOTAL NON-CURRENT ASSETS		152.503.797	143.001.092
TOTAL ASSETS		384.962.847	364.356.703

The accompanying notes are an integral part of these financial statements

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2016
STATEMENT OF FINANCIAL POSITION
(Currency –TRY, unless otherwise indicated)

LIABILITIES	Notes	Current Period Audited	Previous Period Audited
		December 31, 2016	December 31, 2015
Short term liabilities			
Short term financial liabilities	8	8.677.010	4.193.760
Trade payables	7	60.995.818	59.441.675
<i>Trade payables to related parties</i>	6	-	-
<i>Trade payables to third parties</i>	7	60.995.818	59.441.675
Employee benefit obligations	27	4.566.308	4.241.217
Other payables	9	1.432.114	1.177.492
<i>Other payables to related parties</i>	6	274	50.136
<i>Other payables to third parties</i>	9	1.431.840	1.127.356
Deferred income	12	30.098.467	30.592.271
Provisions for corporate taxes	25	1.262.146	2.186.789
Short term provisions	25	1.779.727	2.059.749
<i>Other short terms</i>	25	1.779.727	2.059.749
Other short term liabilities	28	5.795.285	10.175.438
TOTAL SHORT TERM LIABILITIES		114.606.875	114.068.391
LONG TERM LIABILITIES			
Long term liabilities	8	-	1.752.620
<i>Long term liabilities to related parties</i>	8	-	-
<i>Long term liabilities to third parties</i>	8	-	1.752.620
Trade payables	7	4.840.389	15.955.972
Trade payables to related parties	6	-	-
Trade payables to third parties	7	4.840.389	15.955.972
Deferred Incomes	12	208.467	-
Liabilities related to current tax	25	-	-
Long term provisions		21.124.505	18.546.015
<i>Provisions for short term employee benefit obligations</i>	27	21.124.505	18.546.015
TOTAL LONG TERM LIABILITIES		26.173.361	36.254.607
EQUITY			
Equity of main company		244.182.611	214.033.705
Paid in share capital	29	75.000.000	75.000.000
Differences of capital adjustment	29	24.778.008	24.778.008
Premiums and discounts for shares	29	35.838.595	35.838.595
Reclassification to Profit or Loss Accumulates			
Other Comprehensive Income or Expenses	29	3.921.563	2.898.530
Actuarial Gain-Loss Fund	29	3.921.563	2.898.530
Restricted Reserves from Profit	29	15.357.324	13.252.239
Retained Earnings	29	60.161.249	11.388.460
Net Profit / (Loss) for the Period	41	29.125.872	50.877.873
TOTAL EQUITY		244.182.611	214.033.705
TOTAL LIABILITIES		384.962.847	364.356.703

The accompanying notes are an integral part of these financial statements

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2016
COMPREHENSIVE INCOME STATEMENT
(Currency –TRY, unless otherwise indicated)

		Current Period Audited	Previous Period Audited
PROFIT AND LOSS	Note	01.01-31.12.2016	01.01-31.12.2015
Sales, net	30	329.902.518	324.890.990
Cost of sales (-)	30	(242.239.683)	(224.883.601)
Gross profit from trading activities		87.662.835	100.007.389
Gross Profit / (Loss)		87.662.835	100.007.389
General administration expenses (-)	33	(26.583.628)	(21.214.812)
Marketing expenses (-)	33	(20.129.851)	(19.391.255)
Research and development expences (-)	33	(3.088.952)	(2.599.531)
Other operational income	34	23.226.173	19.005.223
Other operational expenses (-)	34	(23.651.167)	(20.664.679)
Operational income / (loss)		37.435.410	55.142.335
Income from investment activities	35	171.945	974.013
Expenses from investmen activities (-)	35	(1.420.042)	(3.924.322)
Operatioanl income / (loss) before fiancial income / (expenses)		36.187.313	52.192.026
Financial income	37	376.084	397.166
Financial expenses (-)	37	(3.120.761)	(1.298.920)
Profit / (Loss) from continuing apoeration		33.442.636	51.290.272
Continuing operations tax income / (expenses)		(4.316.764)	(412.399)
Period Tax Expenses / Income	40	(6.177.651)	(9.715.766)
Deferred Tax Expenses / Income	40	1.860.887	9.303.367
Period profit / (loss) from continuing operaitons		29.125.872	50.877.873
Current profit / (loss) from discontinued			
Perios profit / (loss)		29.125.872	50.877.873
DISTRIBUTION OF PROFIT / LOSS OF PERIOD		29.125.872	50.877.873
Non-Controlling Shares		-	-
Shares of parent company		29.125.872	50.877.873
Other compherensive income / (loss)			
Other compherensive income / (loss)			
Calculated Acturial Gains and Losses on the basis of Employee	38	1.278.791	1.919.578
Tax Effect	38-40	(255.758)	(383.916)
Other compherensive income / (loss) (After tax)		1.023.033	1.535.662
Total Compherensive Income		30.148.905	52.413.535
DISTRIBUTION OF TOTAL COMPREHENSIVE INCOME		30.148.905	52.413.535
Non-Controlling Shares		-	-
Shares of parent company		30.148.905	52.413.535
Earning Per Share		0,003883	0,006784
Earnings per share from continuing operatins	41	0,003883	0,006784

The accompanying notes are an integral part of these financial statements.

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2016
STATEMENT OF CHANGES IN EQUITY
(Currency –TRY, unless otherwise indicated)

								Not to be Reclassified to Accumulates Other Comprehensive Income / Expense in Profit / (Loss)		Accumulated Profits	
		Capital	Differences off Capital Adjustment	Share Premiums	Restricted Reserves	Actuarial Profits / (loss)	Minority Interest	Profit / Loss of Previous Year	Accumulates Gains / (losses)	Total Equity	
Balances as of January 01,2015	Note	75.000.000	24.778.008	35.838.595	9.188.011	1.362.868	-	1.435.752	38.319.261	185.922.495	
Total comprehensive income / (loss)	29	-	-	-	-	1.535.662	-	-	50.877.873	52.413.535	
Other comprehensive income / (loss)	29	-	-	-	-	1.535.662	-	-	-	1.535.662	
Net income / (loss) for the period		-	-	-	-	-	-	-	50.877.873	50.877.873	
Dividend	29	-	-	-	-	-	-	(24.302.324)	-	(24.302.324)	
Transfer	29	-	-	-	4.064.228	-	-	34.255.033	(38.319.261)	-	
Balances as of December 01,2015		75.000.000	24.778.008	35.838.595	13.252.239	2.898.530	-	11.388.460	50.877.873	214.033.705	
Balances as of January 01,2016	Not	75.000.000	24.778.008	35.838.595	13.252.239	2.898.530	-	11.388.460	50.877.873	214.033.705	
Total comprehensive income / (loss)	29	-	-	-	-	1.023.033	-	-	29.125.872	30.148.905	
Other comprehensive income / (loss)	29	-	-	-	-	1.023.033	-	-	-	1.023.033	
Net income / (loss) for the period		-	-	-	-	-	-	-	29.125.872	29.125.872	
Dividend	29	-	-	-	-	-	-	-	-	-	
Transfer	29	-	-	-	2.105.085	-	-	48.772.789	(50.877.873)	-	
Balances as of December 01,2016		75.000.000	24.778.008	35.838.595	15.357.324	3.921.563	-	60.161.249	29.125.872	244.182.611	

The accompanying notes are an integral part of these financial statements.

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2016
CASH FLOW STATEMENT
(Currency –TRY, unless otherwise indicated)

		Current Period	Previous Period
		Audited	Audited
	Notes	December 31, 2016	December 31, 2015
A. CASH FLOW FROM OPERATIONS			
		18.406.644	69.425.933
Period profit / (loss)		29.125.872	50.877.873
Adjustments Related to Net Profit / (loss) for the Period		24.679.099	17.041.021
Adjustment Related to Amortization and Depreciation	14-17	14.285.856	11.040.678
Adjustment Related To Impairment / Reversal		844	(4.702)
Provision for impairment for inventories	10	844	(4.702)
Adjustment Related To Provisions		11.659.147	15.440.213
Provisions for termination idemnity	25-27	2.578.490	2.597.821
Other Provisions	7-10-30-40	9.227.318	12.764.467
Provisions for lawsuits	25	(320.395)	79.050
Provision for doubtful receivables	7	133.361	(1.125)
Provision for guarantees	25	40.373	-
Adjustment Related To Interest Income / (Loss)		510.325	448.037
Interest Income Loss of Income Accruals	28	437.359	154.335
Expense Accruals (Interest and Other)	28	72.966	293.702
Adjustment Related To Tax Income (Loss)	40	(1.605.129)	(8.919.451)
Adjustment Related to Gain / (Loss) Arising from disposal of Fixed Assets		(171.945)	(963.754)
Adjustment Related to Gain / (Loss) Arising from disposal of Tangible Fixed Assets	35	(171.945)	(963.754)
Actual Changes in Business Capital		(35.398.327)	1.507.039
Adjustments of Inventory Increases/Decreases	10	(7.746.762)	(10.336.301)
Adjustment Related to Trade Receivables Increases/Decreases	7	(11.450.538)	(20.378.779)
Adjustment Related to Trade Receivables from Related Parties			
Increases/Decreases	6	(9.598.176)	(5.601.425)
Adjustment Related to Trade Receivables from Third Parties			
Increases/Decreases	7	(1.852.361)	(14.777.354)
Adjustment Related to Trade Receivables Related Other Operations			
Increases/Decreases	9	(430.841)	(1.273.879)
Change in Other Receivables	9	(430.841)	(1.273.879)
Adjustment Related to Trade Payables Related to Third Parties	7	(11.114.068)	39.269.572
Change in Trade Payables	7	(11.114.068)	39.269.572
Change in Other Payables	9	254.622	(931.390)
Change in Other Payables Related to Operations of Related Parties	6	(49.862)	10.796
Change in Other Payables Related to Operations of Third Parties	9	304.484	(942.186)
Change in Prepaid Expenses	12	3.107.333	2.326.694
Change in Liabilities Related to Employee Benefits	27-29	1.348.124	2.022.057
Change in Deferred Incomes	12	(1.729.568)	(271.200)
Other Changes in Working Capital		(7.636.629)	(8.919.735)
Change in Other Assets	28	3.845.818	2.609.038
Change in Other Liabilities	25-28	(11.482.447)	(11.528.773)
Cash Flows From Operating Activities		18.406.644	69.425.933
B. CASH FLOWS FROM INVESTING ACTIVITIES			
		(21.812.242)	(52.183.797)
Cash outflows due to purchasing of tangible and intangible fixed assets		(22.567.442)	(53.388.507)
Change in Tangible Fixed Assets	14	(21.829.839)	(52.921.661)
Change in Intangible Fixed Assets	17	(737.604)	(466.846)
Cash inflows due to selling of tangible and intangible fixed assets		755.201	1.204.710
Change in Tangible Fixed Assets		755.201	1.204.710
C. CASH FLOWS FROM FINANCIAL ACTIVITIES			
		4.483.250	(20.108.564)
Dividend Payments	29	-	(24.302.324)
Cash inflows due to loans	8	4.483.250	4.193.760
Cash from financial liabilities	8	4.483.250	4.193.760
BEFORE THE EFFECT OR FOREIGN CURRENCY TRANSLATION DIFFERENCES			
		1.077.652	(2.866.428)
D. IMPACT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		-	-
INCREASE / DECREASE ON CASH AND CASH EQUIVALENTS			
		1.077.652	(2.866.428)
E. PERIOD			
		14.642.180	17.508.608
CASH AND CASH EQUIVALENTS FOR THE END OF PERIOD			
		15.719.832	14.642.180

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND THE CORE BUSINESS OF THE COMPANY

Ege Seramik Sanayi ve Ticaret A.Ş.'s ("Company") field of activity is producing floor and wall tile and selling these products in domestic, abroad market. The Company is established on September in 1972 and it is a subsidiary Company of İbrahim Polat Holding A.Ş., which is located in Istanbul with its headquarter.

Company is registered at Capital Market Board (CMB) and its shares effect transactions in Borsa Istanbul A.Ş (BIST) since 1993. As of December 31, 2016 it has 33,26% of its shares registered in BIST. As of January 01, 2009 the Company makes sales and distribution of its products in domestic market itself and major part of sales and distribution of its products in abroad with intervention of its group companies which are Ege Seramik İç ve Dış Ticaret A.Ş. and Ege Seramik America INC.

As of December 31, 2016 and December 31, 2015, share capital and ownership structure is as follows;

Shareholders	31 December 2016		31 December 2015	
	Share Amount	Share Rate	Share Amount	Share Rate
İbrahim Polat Holding A.Ş.	45.686.918,95	60,92%	45.686.918,95	60,92%
İbrahim Polat	2.909.875,53	3,88%	2.909.875,53	3,88%
Adnan Polat	666.087,84	0,89%	779.877,84	1,04%
Murat Polat	779.877,41	1,04%	779.877,41	1,04%
Other	24.957.240,27	33,27%	24.843.450,27	33,12%
	75.000.000	100%	75.000.000	100%

As of December 31, 2016, in Company's structure there are 178 white-collar personnel employed (December 31, 2015: 180), 902 blue-collar personnel employed (December 31, 2015: 952) and 1.080 personnel employed in total (December 31, 2015: 1.132).

Company is registered in Turkey, address of the registered office is as follows:

Ankara Asfaltı 26.Km Ansızca Mevkii 35170 Kemalpaşa -İZMİR

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1. Principals of Presentation

The company maintains its books of account and prepares its statutory financial statements in accordance with Turkish Commercial Practice and Turkish Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. In contrast, the attached financial statements are prepared in accordance with the Turkish Financial Reporting Standards ("TFRS") published Public Oversight Accounting and Auditing Standards Authority.

Financial reports and procedures and principles of preparation and presentation of those financial reports are described in Turkish Commercial Code numbered 6102 dated February 13, 2011.

With regards to above mentioned code, companies required to prepare financial reports according to Turkish Accounting and Financial reporting standards (TMS/TFRS).

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Con't)

However, even if there are differences with the European Union adopted by the IAS / IFRS provisions of the International Accounting Standards Board ("IASB"), the IAS / IFRS will be applied until it is announced by and IAS Board ("IASB"). In this context, and are not contrary to the standards published by IASB Turkey Accounting / Financial Reporting Standards will prevail.

The financial statements except for the revaluation of certain fixed assets and financial instruments, prepared in accordance with historical cost basis. In determining the fair value of assets, generally the paid amount value is used for assets as a base.

2.2. Comparative Information's and Adjustments for First Application of TAS/TFRS

Company has prepared the statement of financial position as of December 31, 2016 comparatively to the statement of financial position as of December 31, 2015; comprehensive income statement, cash flow statement for the period between January 1 – December 31, 2016 comparatively to comprehensive income statement and cash flow statement for the period between January 1 - December 31, 2015; changes in equity for the period between January 1 - December 31, 2016 comparatively changes in equity for the period between January 1 – December 31, 2015.

2.3. Important Accounting Estimations and Assumptions

The preparation of financial statements in conformity with TFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management's estimations and assumptions which may have effect on assets and liabilities are presented below.

2.4. Functional and Presentation Currency and Conversion Differences

The Company's financial statements are presented in Turkish Lira ("TRY"), the currency of the main economic environment (functional currency) in which the Company operates. In presentation of financial statements, TRY, which is the Company's functional currency, is selected as reporting currency and the amounts are expressed in TRY. The values related to the currencies that are used predominantly in the company's operations announced by the Central Bank of the Republic of Turkey at the end of the period are as follows:

	31.12.2016	31.12.2015
USD/TRY	3,5192	2,9076
EUR/TRY	3,7099	3,1776
GBP/TRY	4,3189	4,3007

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Con't)

2.5. Base of consolidation

The Company does not have subsidiary to be consolidated.

2.6. New and Regulated International Financial Reporting Standarts

Applied accounting policies while preparing consolidated financial statements for the period ended December 31, 2016 are consistent with previous years' interpretations except for new and amended standards are effective as of January 1, 2016 and the International Financial Reporting Interpretations Committee ("IFRIC") outlined in the following. These standards and interpretations are described in the paragraphs related effects on the Company's financial position and performance.

New standards, amendments and interpretations which are effective from January 1, 2016, are as follows:

Comments and amendments made on new standards in effect as of December 31, 2016 and existing previous standarts:

TFRS 11 Acquisition of Shares in Joint Operations (Amended)

TFRS 11, activities constitute a business partnership share in the joint operation has been amended to provide guidance related to the acquisition accounting. This amended, TFRS 3, as specified in the business merger activities that constitute a business acquiring businesses that share a common operating partnership, this is about except contrary with guidance, TFRS 3 and other TFRS's located in a business combination all principles related to accounting requires the application. In addition, acquirer, TFRS 3 and other related business combination

Requires TFRS's that the information should be explained. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2016.

TAS 16 Tangible Fixed Assets and IAS 41 Agricultural Operations: Carrier Plants (Amended)

The amended is about 'Carrier Plants' regarding the accounting. Post in change, the living entity class carrier plants such as grapevine, rubber tree or palm tree, After the maturation period given product over a period and not during the life of the product is stated to be kept by businesses. However Carrier Plants, after mature once they pass thought important bioconversion and also manufacture is similar functions, IAS 41 instead of IAS 16 should be accounted for within the scope of that reveal to change carrier and allows to appreciate 'cost model' or 'revaluation model' . The products of bearing plants sales less costs will be accounted for using the fair value model in TAS 41. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2016.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Con't)

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amended)

The amended is about banned the use of depreciation calculation based on revenue for tangible fixed assets and banned the use of significantly restricted based on revenue for intangible fixed assets.

These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2016.

TFRS 14, “Regulatory Deferral Accounts”

Can be applied to yearly reportings which starts with January 01, 2016 and later. Standard give opportunity to companies which uses tariff application to use accounting standarts which are used before the first application of TFRS.

TMS 27— Equity Method in Individual Financial Statement (TMS 27’de Değişiklik)

On February 2015 KGK has changed the IAS 27, in order to resubmit the option of equity method to Companies for accounting the investments in subsidiars and affiliates in their individual financial statement. These investments must be accounted with; „

- amortized cost „
- according to IFRS 9 (or IAS 39) or,
- using the equity method

The companies must apply same accounting for any investment category. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2016. Early application is permitted and must be disclosed. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Amendments to TFRS 10 and TAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Annual Improvements to IFRSs - 2012-2014 Cycle

In February 2015, KGK issued their annual cycle of improvements to IFRSs for the 2012-2014 cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related basis for conclusions. The standards amended and the subjects of the amendments are as follows:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Con't)

- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’

The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The entity is in the process of assessing the impact of the standard and the standard’s interpretations on its financial position or performance.

TMS 1: Disclosure Initiative

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

Amendments to IFRS 10 and TAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Comments and amendments made on standards published but not yet in effect as of December 31, 2016

IFRS 2 Share-based Payment

Definitions relating to vesting conditions are changed for performance condition and provision of services to resolve problems have been identified. The change will be applied prospectively.

IFRS 15- Revenue From Contracts with Customers

IFRS 15 which is called Revenue From Contracts with Customers was published in May 2014. The new five stage model in the standard explains the needs about how the revenue is accounted and its measurement. This standard will be applied to revenues from contracts with customers, and it is a model for the record of sale of some non-financial assets (such as tangible fixed assets) which are not subject to company’s ordinary activities. It will be applied for the accounting year starting with January 2017 and after. However, earlier application will be accepted. There are two alternatives for transfer to IFRS 15; full retrospective application and modified retrospective application. When the modified one is preferred, previous periods will not be regulated again, but there will be comparative numerical information on notes on the accounts. It is still being evaluated the effect of change on the companies’ financial performance.

IFRS 9 Financial Instruments

On July 2014, IAS 39 Financial Instruments : The project consists of impairment and hedge accounting phase which will replace the Recognition and Measurement classification and measurement issued a final in IFRS 9. IFRS 9 is based on a single classification and measurement approach business model in which they managed the financial assets and rational reflects the cash flow characteristics. Then, loan losses accounted for more timely manner to allow the subject to a

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Con't)

future expected credit loss model for the impairment of accounting can be applied to all financial instruments established a single model. In addition, IFRS 9, banks and other businesses, financial debts in case they choose to measure the fair value option, due to a decrease in their credit worthiness decline in the fair value of financial liabilities in profit or loss that result in saving income called own credit risk tackles the problem. IFRS 9, these amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2018.

IFRS 16 Leases

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

TAS 40 Investment Property

TFRS 3 and TAS 40 have clarified the mutual relations between investment property and used by the owner of real estate.

3. IMPORTANT ACCOUNTING POLICIES

3.1 Acquisition Cost

Acquisition cost consists of purchasing price, incidental costs and expenses paid after purchase. Discounts made from purchase price are deducted from cost. Borrowing cost cannot be activated after acquisition.

3.2 Cash and Cash Equivalents

Cash and cash equivalents include cash and foreign currency denominated bank deposits, demand deposits and bank deposits with a maturity of three months or less and short-term, highly liquid investments with fixed maturity that are readily convertible into cash, with a maturity of three months or less. Investment in securities. Deposits and / or securities investments with a depreciation of three months or more are classified as current assets.

Cash can be implied as cash and demand deposit in the Company and cash equivalent can be implied as short term investments which have unimportant risk to lose value, higher liquidity and can be converted easily to cash. Cash equivalents are assets which are used for investment purpose, kept for short term cash liabilities and they cannot be used for other purposes.

3. IMPORTANT ACCOUNTING POLICIES (Cont'd)

3.3. Trade Receivables and Provisions

Trade Receivables are the receivables sourced from Company which are come from a debtor cause of a direct supply of goods or services. Average collection of reveivables is 90-120 days.

In case of receivables become impossible to collect, Company will make a provision as a risk provision. This provision amount is the difference between the book value of receivables and possible collection amount of receivables. Possible collection amount is the rediscounted value which is calculated with effective interest method on amount of original trade receivables, collectible guarantees and other cash transactions. (Note: 7)

If the amount of impairment value decreases after written as a loss, the amount of decrease will record in other income in the current period.

3.4. Related Parties

The Company will consider as a related party if any of the conditions below is met.

- a) If the party directly or indirectly with one or more agent:
 - i) Controls the enterprise, controlled by enterprise or is present under the same control with the enterprise (including parent companies, subsidiaries and subsidiaries at the same line of business);
 - ii) Has share which allows it to have big impact on the Company; or
 - iii) Has common control on the Company;
- b) If the party is an affiliate of the Company;
- c) If the party is an joint venture where the Company is party;
- d) If the party is a member of the key personnel in the Company or Company's main partnership;
- e) If the party is a close family member of any person mentioned in the a or d parts;
- f) If the party is an enterprise which is controlled, partnered or under voting power or any person mentioned in d) or e) parts has right to vote in important decisions of the party;
- g) If the party has profit plans about a possible leaving job of related parties' employees.

3.5. Tangible and Intangible Fixed Assets

Tangible Fixed Assets

Tangible assets are reflected to financial statements according to their acquisition date: If they are acquired before January 1, 2005, they will be stated on acquisition cost, which are rearranged with buying strength of TRY in December 31, 2004 and if they are acquired after January 1, 2005, they will be stated with its acquisition cost after deduction of accumulated depreciation and accumulated impairment loss. Depreciation is calculated according to normal amortization method on amounts which are rearranged according to inflation. There is no applicable amortization method for land in the report because of their nature and useful life is unlimited. Tangible fixed assets are amortized with rates below according to their economic useful live. If book value of an asset is bigger than the recovered value of this asset, book value of this asset can be discount to its recovered value. Recovered value of an asset is bigger than net sales price or value at use.

3. IMPORTANT ACCOUNTING POLICIES (Cont'd)

Net sales price can calculate after deduction of all cost to sell from its fair value. Value at use will determine after addition of discounted amounts at the date of statement of financial position to estimated cash flows in future in condition of continuing to use the related asset.

The loss or profit from sales of tangible asset determine with comparison of arranged amounts and collected amounts and it is reflected to income and expense accounts in related period.

Maintenance or repair cost of tangible asset can be recorded as expense under normal conditions. However, in exceptional cases if maintenance and repair are resulted with improvement in tangible assets, the cost in question can be recorded as asset and it will be counted in amortization of related asset with remaining useful life.

Intangible Assets

Intangible assets are consists of acquisition rights, information systems, computer software and special costs. These elements record on acquisition cost and after the date of acquisition they will amortize by using normal amortization method according to their expected useful life. Expected useful life of intangible assets is like below;

Tangible Fixed Assets

Land Improvements	8-50 years
Buildings	50 years
Plant, Machinery and Equipment	4-15 years
Motor Vehicles	5 years
Furniture and Fixtures	3-15 years
Special Costs	minimum of lease term (in days) or useful life

Intangible Fixed Assets

Softwares	3 years
Other Intangible Fixed Assets	3-5 years

3.6. Revenue

Sales Income

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

3. IMPORTANT ACCOUNTING POLICIES (Cont'd)

- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of transactions can be measured reliably.

Interest Revenue

Interest revenues are recorded as income on accrual basis.

3.7. Provisions, Contingent Liabilities and Assets

Provisions

Provisions which are present in gross Company up as of the statement of financial position date can be accounted in case where there is a legal liability sourced from past or a structural liability and it is highly possible to realize exit of resources to fulfill this liability, there is a reliable estimated amount of liability. In cases where here is more than one a like liability, the need for the possibility of exit of resources which can provide economic profit evaluate by taking in account of all same liabilities in same quality. Even if there is a little possibility to realize exit of resources for a liability in same quality, Company allocates provision. Company does not allocate provision for operational loss in future. In cases when the value effect of money is important, amount of provision determine with present value of expenses which will be needed to fulfill liability.

Contingent Liabilities and Assets

Assets and liabilities which are related to the cases whether it will or will not realize one or more than one cases, which are not entirely in Company's control to realize in future, and which are sourced from past, can be accepted as contingent liabilities and assets.

Company does not reflect assets and liabilities related to condition to its records. Contingent liabilities are explained in explanatory notes of financial statements during the possibility of exit for an economic profit is not far and contingent assets are explained in explanatory notes of financial statements if the possibility of enter for economic profit is high.

3.8. Trade Payables & Other Liabilities

Accounts payable, if they contain an important element of interest is expressed by the rediscounted values. Debt maturity of the debt related to financing income includes government debt securities with maturities suitable for the stock exchanges or other organized markets and in the interest rate is calculated taking into account the amounts shown in the financial statements of financial income.

3. IMPORTANT ACCOUNTING POLICIES (Cont'd)

3.9. Financial Instruments

Financial Assets

Financial assets are recorded with their appropriate value and expenses directly related to purchase except financial assets reflected to profit or loss of the appropriate value difference and recorded on their appropriate value. In the case of purchase or selling of financial assets which are bound to a contract that has a condition on deliverance date of financial instruments set by the market are recorded at the date of transaction.

Financial assets are classified as “financial assets reflected to profit or loss of the realizable value difference”, “financial assets kept in hand until its maturity”, “marketable financial assets” and “credits and receivables”.

Effective Interest Method

It is the method in which interest income of financial asset distribute to related period and amortized cost of financial asset gain value. Effective interest rate; Estimated future cash value which will be charged in a shorter time period during the expected lifetime of financial instrument or in case in which life time of financial instrument is appropriate, is the reduced rate of net present value of related financial assets.

Financial assets which will keep in hand until maturity, marketable debt instruments, credits and receivables, which are classified as financial assets, and related interest income of these assets

a)Net realizable value difference of financial assets which recorded as profit/(loss)

Financial assets measured at fair value through profit and loss are the assets which are the owned one to sell or buy. If a financial asset is bought to sell in short term, it is classified in this category and in current assets. Financial assets which constitute derivative products that have not an effective protection tool against financial risk is also considered as financial assets, those fair value is recopas profit or loss. Assets in this category are classified as current assets.

b)Financial assets hold until maturity

Debt instruments with constant terms with constant and determined payment plan, and Company has an intention to keep in hand until the maturity is classified as financial investments in hand. Maturity of these items are presented in financial statements with their deduction of impairment from amortized cost calculated from effective interest rate method.

c)Assets available for sale

The Company has equity instruments which are not open to capital market but ready to be sold. Since their appropriate value could not be defined in an accredited way, they are recorded with their cost values.

3. IMPORTANT ACCOUNTING POLICIES (Cont'd)

d)Loans and receivables

Loans and receivables which are not in the capital market and have steady and computable payments are classified in this category. Credits and receivables are recorded by deducting loss in value decrease from the cost which was calculated by using effective interest method.

Financial Liabilities

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Agreement which represents right of Company on assets after deducting all liabilities can be count as financial instrument on equity. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at fair value difference recorded as profit and loss or other financial liabilities.

a)Financial liabilities at fair value through profit and loss

Financial liabilities at fair value difference recorded as profit and loss are stated at their fair value, and they revalue at financial statement date and every reporting period. Change in fair value record in comprehensive income statement. The net gain or loss recognized in comprehensive income statement

b) Other financial liabilities

Other financial liabilities, including borrowings, are initially recorded at fair value after deduction of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3.10. Borrowing Costs

Company reflects borrowing costs as financing cost during credit period in its comprehensive income statement. Financing cost which is sourced from credits is recorded to comprehensive income statement when they occur.

3. IMPORTANT ACCOUNTING POLICIES (Cont'd)

3.11. Leasing Transactions

Financial Leasing Transactions

The Company reflects fixed assets acquired through financial leasing with their current value from the rental start date in statement of financial position or if it's lower than present value they will reflect from their current value of minimum lease payments on statement of financial position date (they added to related fixed assets section in financial statements). Acquisition expenses of fixed assets which are subjected to financial leasing transaction added to its cost. Liability from financial leasing transaction can be split as payable interest and principal debt. Interest expenses calculate from its constant interest rate and it will be added to its related period's account.

Operational Leasing Transactions

Lease contracts where all the risks and benefits of renting property in the hands of the leaser are known as operational leasing. For an operational lease payments, during the rental period will be recorded as expenses according to the direct method.

3.12. Employee Benefits

a) Defined Benefit Plan

Provisions for severance benefit reflect upon to actuarial work according to TAS 19 "Employee Benefit".

Liability of severance benefit means value of estimated total provisions for possible liabilities which will occur in future cause of ending the agreement between Company and its personnel for defined reasons according to Turkish Labor Law or retirement of personnel according to related law as of statement of financial position date.

Company calculates severance benefit by predicting discounted net value of deserved benefits or based on the information from Company's experience about fire a personnel or quit of the personnel and reflects to its financial statements.

b) Defined Contribution Proportions

Company has to pay social insurance premium to Social Insurance Intuition. There will be no other liability if the Company continues to pay the premiums. These premiums reflect to personnel expenses in its accrual periods.

3.13. Used Estimations

Preparing financial statements require the management to make estimations and assumptions for the amounts of assets and liabilities reported by financial statement date, assets and liabilities that are not included in the report, and accrued revenue and expenses during report period. Actual results may differ from these forecasts. These forecasts are updated periodically, and adjustments where necessary, at the time of the reports are reflected in earnings.

3. IMPORTANT ACCOUNTING POLICIES (Cont'd)

3.14. Netoff

If financial assets and liabilities legally have a right to offset, pay as offset or collection is possible to obtain or if assets obtain and liabilities can be in the same time, they are shown with net value in balance sheet.

3.15. Segment Reporting

Segment consist of production of similar goods and services (industrial segment) of supplying goods and services to certain area (geographical segment) of different separation of production of good and services. For reporting purposes, Company can be separated between segments.

3.16. Operational expenses

Operation expenses are transferred to the fulfillment of the services or expenses into the income statement when the expense is occurred.

3.17. Effects of Exchange Differences

Transactions in foreign currencies are translated to the respective functional currencies of Company (TRY) entities at exchange rates occurred Turkish Republic Central Bank at the dates of the transactions. Monetary assets and liabilities based on foreign currency were valued with exchange rates at the end of the period. Exchange gains or losses arising from settlement and translation of monetary foreign currency items have been included in the financial income, net in the accompanying comprehensive income statements.

3.18. Going Concern

The accompanying financial statements have been prepared in accordance with the Company's activities for the coming year and will benefit from their presence in the natural flow of business continuity and procedures to fulfill it's obligations under the assumption.

3.19. Subsequent Events

Subsequent events cover all events between authorization dates for publishing statement of financial position and statement of financial position date even if they are related to an announcement related to profits or if they occur after publishing financial information to public.

In case of occurring events which are necessary to make adjustments after statement of financial position date, Company adjusts the amounts in financial statements in an appropriate way to this situation. Subjects which are not necessary to make adjustment occurred after statement of financial position date is explained in explanatory notes of financial statements if they will affect economic decision of financial statements user.

4. INTEREST IN OTHER ENTITIES

Financial Investments

Financial assets in unquoted equity shares and ratios as stated cost and available-for-sale in December 31, 2016 and December 31, 2015 as follows:

	31.12.2016		31.12.2015	
	<u>TRY</u>	<u>%</u>	<u>TRY</u>	<u>%</u>
Ceramics Research Center	4.000	8,00	4.000	8,00
Turgutlu Water Product Inc.	-	-	45	1,00
TOTAL	4.000		4.045	

5. SEGMENT REPORTING

Company does not make any reporting according to sector because there were not any geographic or operating sector differences on risks and profits from Company's product or service presentation.

6. RELATED PARTY DISCLOSURES

As of December 31, 2016 and December 31, 2015 balances to related party disclosures:

a) Due from related parties:

- Trade receivables from affiliates:

	31.12.2016	31.12.2015
Ege Seramik America INC.	16.793.116	9.552.297
Ege Seramik İç ve Dış Ticaret A.Ş.	14.917.587	12.733.515
Polat Turizm Otel San. ve Tic. A.Ş.	154.549	-
TOTAL	31.865.252	22.285.812
Deduction: Unaccrued Interest Expense	(45.805)	(18.737)
TOTAL	31.819.446	22.267.075

The Company has been making its domestic sales and distribution of goods itself, important part of foreign abroad sales and distribution has been made through Egeseramik İç ve Dış Ticaret A.Ş. ve Ege Seramik America INC.

	Maturity Period
Egeseramik İç ve Dış Ticaret A.Ş	120 Days
Ege Seramik America INC.	120 Days

6. RELATED PARTY DISCLOSURES (Cont'd)

Other receivables from affiliates:

None. (31.12.2015 None.)

b) Due to related parties:

Other payables to related parties

	31.12.2016	31.12.2015
Dividend Payable	274	50.136
TOTAL	274	50.136

ii) Important sales to related parties and important purchases from related parties:

a) Product Sales to Related Parties:

	01 January - 31 December 2016	01 January - 31 December 2015
Ege Seramik America INC.	53.927.419	46.690.861
Ege Seramik İç ve Dış Ticaret A.Ş.	47.998.380	47.286.802
Polat Turizm Otel San. ve Tic. AŞ.	434.619	215.948
Ege Vitrikiye Sağlık Gereçleri San. Tic. A.Ş.	112.378	33.390
Piyalepaşa Gayrimenkul A.Ş.	54.185	63.181
TOTAL	102.526.981	94.290.182

b) Raw material sales to related parties:

	01 January - 31 December 2016	01 January - 31 December 2015
Polat Maden San. Tic. A.Ş.	3.470	-
TOTAL	3.470	-

c) Service sales to related parties:

	01 January - 31 December 2016	01 January - 31 December 2015
Polat Turizm Otel San. ve Tic. AŞ.	115.420	39.140
İbrahim Polat Holding A.Ş.	54.700	-
Ege Seramik America INC.	20.415	88.103
Polat Maden San. Tic. A.Ş.	12.749	16.953
Ege Vitrikiye Sağlık Gereçleri San. Tic. A.Ş.	5.600	1.815
Egeseramik İç ve Dış Ticaret A.Ş.	4.030	9.071
Piyalepaşa Gayrimenkul A.Ş.	-	55
TOTAL	212.913	155.136

6. RELATED PARTY DISCLOSURES (Cont'd)

d) Raw material purchase and related parties goods:

	01 January - 31 December 2016	01 January - 31 December 2015
Polat Maden San. Tic. A.Ş.	6.940.567	4.178.078
Ege Vitrifiye Sağlık Gereçleri San. Tic. A.Ş.	-	1.674
TOTAL	6.940.567	4.179.752

e) Service purchases from related parties:

	01 January - 31 December 2016	01 January - 31 December 2016
İbrahim Polat Holding A.Ş.	864.358	781.814
Polat Maden San. Tic. A.Ş.	13.334	13.965
Ege Vitrifiye Sağlık Gereçleri San. Tic. A.Ş.	3.322	1.758
Egeseramik İç ve Dış Ticaret A.Ş.	1.133	36.246
TOTAL	882.147	833.783

f) Financing revenues from related parties transaction:

	01 January - 31 December 2016	01 January - 31 December 2015
Ege Vitrifiye Sağlık Gereçleri San. Tic. A.Ş.	-	997
TOTAL	-	997

g) Financial expenses from related parties transactions:

	01 January - 31 December 2016	01 January - 31 December 2015
Ege Seramik İç ve Dış Ticaret A.Ş.	-	534
TOTAL	-	534

h) Marketing, sales and distribution expenses from related parties:

	01 January - 31 December 2016	01 January - 31 December 2015
Ege Seramik İç ve Dış Ticaret A.Ş.	892.331	1.353.408
Ege Seramik America INC.	151.056	127.320
Polat Turizm Otel San. ve Tic. A.Ş.	30.913	23.790
İbrahim Polat Holding A.Ş.	-	115
TOTAL	1.074.301	1.504.633

6. RELATED PARTY DISCLOSURES (Cont'd)

The senior management remuneration and other benefits for twelve month period of 2016 are as follows:

a) Short term employee benefits: The senior management remuneration and other benefits totally 3.250.686 TRY (December 31, 2015: 2.807.622 TRY) in twelve months period of 2016.

b) Postemployment: Severance pay is paid to employees who deserve the rights recognized by law. Other than there is none extra payment.

c) Other long term benefits: None.

d) Severance: None.

e) Share-based payments: None.

7. TRADE RECEIVABLE AND PAYABLES

Trade Receivables

	31.12.2016	31.12.2015
Customer Current Accounts	55.497.839	40.392.800
-Receivables from Related Parties(Note:6)	31.865.252	22.285.812
-Other Receivables	23.632.587	18.106.988
Notes Receivables	80.491.537	86.938.644
-Other notes receivables	80.491.537	86.938.644
Doubtful Receivables	2.325.197	2.353.573
Provision of Doubtful Receivables(-)	(1.799.086)	(1.665.725)
TOTAL	136.515.487	128.019.292
Deduction: Unaccrued interest expense	(2.285.179)	(2.820.982)
Reveivables from related parties(Note:6)	(45.805)	(18.737)
Other Receivables	(2.239.374)	(2.802.245)
TOTAL	134.230.308	125.198.310

As of December 31, 2016, at the amount of 99.700.004 TRY collateral received for provision of receivable other than related parties is presented in Note 25.

7. TRADE RECEIVABLE AND PAYABLES (Cont'd)

The accompanying financial statement for the Company in the provision does not require more than a provision for doubtful receivables. The Company, a significant portion of the receivables is tied up as collateral, collateral amounts correspond to their receivables. According to all unsecured receivables are related to the provision for doubtful receivables and which is in progress in a law suit.

	31.12.2016	31.12.2015
Not due	52.717.235	37.586.413
Overdue 0-30 days	2.188.609	2.278.265
Overdue 30-90 days	149.998	12.500
Overdue 90-180 days	164.808	100.000
Overdue 180-360 days	-	79.021
Overdue more than 360 days	277.189	336.601
TOTAL	55.497.839	40.392.800

As of December 31, 2016, and December 31, 2015 provision for doubtful trade receivables' movement table is given below:

	31.12.2016	31.12.2015
Jan 01	1.665.725	1.666.850
Current period of provision for doubtful receivables	133.361	-
Collected and provisions no longer required	-	(1.125)
TOTAL	1.799.086	1.665.725

Short Term Trade Payables

	31.12.2016	31.12.2015
Trade Payables	61.195.810	59.649.396
<i>-Other Trade Payables</i>	<i>61.195.810</i>	<i>59.649.396</i>
	61.195.810	59.649.396
Deduction: Unaccrued interest expense	(199.992)	(207.722)
<i>Other trade payables</i>	<i>(199.992)</i>	<i>(207.722)</i>
TOTAL	60.995.818	59.441.675

	31.12.2016	31.12.2015
Not due	60.604.568	58.985.803
Overdue 0-30 days	591.242	477.754
Overdue 30-90 days	-	185.839
Overdue 90-180 days	-	-
Overdue 180-360 days	-	-
Overdue more than 360 days	-	-
TOTAL	61.195.810	59.649.396

7. TRADE RECEIVABLE AND PAYABLES (Cont'd)

Long Term Trade Payables

	31.12.2016	31.12.2015
Trade Payables	4.840.389	15.965.569
-Other Payables(*)	4.840.389	15.965.569
	4.840.389	15.965.569
Deduction: Unaccrued interest expense	-	(9.597)
Other Payables	-	(9.597)
TOTAL	4.840.389	15.955.972

(*) Consist of long term trade payables to Sacmi Middle East and System SPA, originates from investment activity.

8. RECEIVABLES AND PAYABLES FROM ACTIVITIES IN FINANCIAL SECTOR

-Short Term Financial Liabilities

	31.12.2016	31.12.2015
Short Term Financial Liabilities (*)	8.471.765	4.140.112
Interest Accruals	205.245	53.648
TOTAL	8.677.010	4.193.760

(*) Consist of short term import loans which due is lesser than 360 days.

	31.12.2016	31.12.2015
Due in 0-1 year	8.677.010	4.193.760
Due in 1-2 years	-	-
Due in 2-3 years	-	-
Due in 3-4 years	-	-
Due in 4-5 years	-	-
Due after 5 years	-	-
Total Financial Liabilities	8.677.010	4.193.760

31.12.2016	Amount in Original Currency	Exchange Rate	TRY
USD	2.205.308	3,5192	7.760.921
EUR	246.931	3,7099	916.089
Total Financial Liabilities			8.677.010

8. RECEIVABLES AND PAYABLES FROM ACTIVITIES IN FINANCIAL SECTOR
(Cont'd)

-Long Term Financial Liabilities

	31.12.2016	31.12.2015
Long Term Financial Liabilities (*)	-	1.752.411
Interest Accruals	-	209
TOTAL	-	1.752.620

(*) Consist of long term import loans which due is higher than 1 year.

	31.12.2016	31.12.2015
Due in 0-1 year	-	-
Due in 1-2 years	-	1.752.620
Due in 2-3 years	-	-
Due in 3-4 years	-	-
Due in 4-5 years	-	-
Due after 5 years	-	-
Total Financial Liabilities	-	1.752.620

31.12.2015	Amount in Original Currency	Exchange Rate	TRY
USD	602.772	2,9076	1.752.520
Total Financial Liabilities			1.752.620

9. OTHER RECEIVABLES AND PAYABLES

Short term Other Receivables

	31.12.2016	31.12.2015
Receivables from tax office	1.945.616	1.713.741
TOTAL	1.945.616	1.713.741

Long Term Other Receivables from Third Party

	31.12.2016	31.12.2015
Deposits and guarentees given	290.346	91.380
TOTAL	290.346	91.380

9. OTHER RECEIVABLES AND PAYABLES (Cont'd)

Short Term Other Receivables

	31.12.2016	31.12.2015
Other payables to related parties	274	50.136
Taxes and funds payables	1.399.631	1.127.355
Overdue, deferred or restructured taxes & duties	32.209	-
TOTAL	1.432.114	1.177.492

10. INVENTORIES

	31.12.2016	31.12.2015
Raw material	31.065.607	26.927.703
Semi finished good -Production	4.787.515	4.699.892
Finished goods	36.848.228	33.280.755
Trade goods	66.062	101.068
Other Inventories	42.492	55.412
	72.809.904	65.064.830
Provision of Inventory Impairment (-)	(9.431)	(10.275)
TOTAL	72.800.473	65.054.555

Provisions of inventory impairment during the period are as below:

	31.12.2016	31.12.2015
Opening balance	(10.275)	(14.977)
Canceled provision due to the increase in net realizable value (-)	844	4.702
TOTAL	(9.431)	(10.275)

Inventories are measured at the lower of cost which is calculated with weighted average method and net realizable value. Company's raw material inventories in the amount of TRY 165.946 (December 31, 2015: TRY 11.452) at net realizable value and TRY 30.899.661 (December 31, 2015: 26.916.251) at cost which are reflected its financial statements. Company's finished goods inventories in the amount TRY 79.327 (31.12.2015: TRY 57.229) at net realizable value and TRY 36.768.901 (December 31, 2015: 33.223.526) at cost which are reflected its financial statements.

In accordance with TAS 2 – Inventories, Company's credit purchases are discounted and it is at the amount of TRY 406.784,41. Annual discount rate was applied %12 for TRY, and %3 for EUR, USD, GBP and CHF.

11. LIVE STOCK ASSETS

None. (December 31, 2015 None.)

12. PREPAID EXPENSES AND DEFERRED INCOME

Short term prepaid expenses

	31.12.2016	31.12.2015
Prepaid expenses for future months	886.176	1.448.791
Advances given related to cost	716.967	3.261.964
TOTAL	1.603.143	4.710.755

Long term prepaid expenses

	31.12.2016	31.12.2015
Prepaid expenses for future years	279	-
TOTAL	279	-

Short Term Deferred Incomes

	31.12.2016	31.12.2015
Prepaid incomes for future months	1.365.612	738.577
Advances received related to revenue	28.732.855	29.853.694
TOTAL	30.098.467	30.592.271

Long Term Deferred Incomes

	31.12.2016	31.12.2015
Prepaid incomes for future years	208.467	-
TOTAL	208.467	-

13. INVESTMENT PROPERTY

None. (December 31,2015 Yoktur.)

14. TANGIBLE FIXED ASSETS

	31.12.2015	Additions	Transfers	Disposals	31.12.2016
Land	7.080.359	-	-	-	7.080.359
Land Improvements	24.595.959	218.644	-	-	24.814.603
Buildings	54.218.516	445.174	828.354	98.988	55.393.056
Plant, machinery and equipment	210.986.972	2.570.150	11.756.254	2.028.442	223.284.933
Vehicles and vehicle equipments	1.942.920	134.017	1.099.170	938.127	2.237.980
Furniture and fixtures	8.568.120	1.231.564	-	85.288	9.714.396
Construction in progress	242.177	17.230.291	(13.683.778)	-	3.788.690
Special Costs	361.339	-	-	-	361.339
TOTAL COSTS	307.996.362	21.829.839	-	3.150.845	326.675.356
Land Improvements	17.854.186	600.763	-	-	18.454.950
Buildings	25.420.548	1.260.164	-	2.145	26.678.567
Plant, machinery and equipment	134.610.524	11.207.047	-	2.027.295	143.790.275
Vehicles and vehicle equipments	984.020	153.114	-	534.767	602.367
Furnitures and fixtures	5.396.775	859.008	-	3.427	6.252.356
Special Costs	361.339	-	-	-	361.339
ACCUMULATED DEPRECIATION	184.627.393	14.080.096	-	2.567.635	196.139.854
NET BOOK VALUE	123.368.969	7.749.743	-	583.210	130.535.502

	31.12.2014	Aditions	Transfers	Disposals	31.12.2015
Land	4.645.359	2.485.000	-	50.000	7.080.359
Land Improvements	24.046.120	541.739	8.100	-	24.595.959
Buildings	50.651.413	302.651	3.267.617	3.166	54.218.516
Plant, machinery and equipment	169.602.670	1.144.056	43.926.699	3.686.454	210.986.972
Vehicles and vehicle equipments	1.846.708	80.212	16.000	-	1.942.920
Furniture and fixtures	7.108.669	1.349.015	126.082	15.647	8.568.120
Construction in progress	567.687	47.018.988	(47.344.498)	-	242.177
Special Costs	361.339	-	-	-	361.339
TOTAL COSTS	258.829.967	52.921.662	-	3.755.266	307.996.362
Land Improvements	17.279.421	574.765	-	-	17.854.186
Buildings	24.266.083	1.157.631	-	3.166	25.420.548
Plant, machinery and equipment	130.102.992	8.003.029	-	3.495.498	134.610.524
Vehicles and vehicle equipments	728.999	255.021	-	-	984.020
Construction in progress	4.635.951	776.471	-	15.647	5.396.775
Special Costs	352.111	9.228	-	-	361.339
ACCUMULATED DEPRECIATION	177.365.558	10.776.145	-	3.514.310	184.627.393
NET BOOK VALUE	81.464.409	42.145.516	-	240.956	123.368.969

15. DECOMMISSIONING, RESTORATION AND ENVIRONMENTAL REHABILITATION FUNDS FROM INTEREST ON RIGHTS

None. (December 31, 2015 None.)

16. SHARES OF MEMBERS ON BUSINESS COOPERATIVE AND SIMILAR FINANCIAL INSTRUMENTS

None. (December 31, 2015 None.)

17. INTANGIBLE FIXED ASSETS

	31.12.2015	Additions	Transfers	Disposals	31.12.2016
Rights	8.000.483	504.362	175.672	-	8.680.518
Construction in progress	-	233.242	(175.672)	-	57.570
TOTAL COSTS	8.000.483	737.604	-	-	8.738.087
Rights	6.795.122	205.761	-	-	7.000.882
ACCUMULATED DEPRECIATION	6.795.122	205.761	-	-	7.000.882
NET BOOK VALUE	1.205.362	531.843	-	-	1.737.205

	31.12.2014	Additions	Transfers	Disposals	31.12.2015
Rights	7.533.637	466.846	-	-	8.000.483
TOTAL COSTS	7.533.637	466.846	-	-	8.000.483
Rights	6.530.589	264.533	-	-	6.795.122
ACC. DEPRECIATION	6.530.589	264.533	-	-	6.795.122
NET BOOK VALUE	1.003.049	202.313	-	-	1.205.362

18. GOODWILL

None. (December 31 ,2015 None.)

19. EVALUATING AND RESEARCHING OF MINE RESOURCES

None. (December 31 ,2015 None.)

20. LEASING OPERATIONS

None. (December 31 ,2015 None.)

21. SERVICE CONCESSION ARRANGEMENTS

None. (December 31 ,2015 None.)

22. IMPAIRMENT OF ASSETS

None. (December 31 ,2015 None.)

23. GOVERNMENT INCENTIVE

- a) Company has completed its modernization investments with investment incentive certificate dated 01/10/2012 and numbered 107017. Application for closing visa ov incentive certificate had been made to Ministry of Economy of Turkey on 17/02/2014 and closing visa has been made on 14/01/2015. Mentioned investment incentive certificate consist of discounted corporate tax rate, customs tax and VAT exemptions. Compnay has benefited from those incentives and continued to benefit from social security premium employer support.
- b) Company has completed its modernization investments with investment incentive certificate dated 04/12/2014 and numbered 113948. Application for closing visa ov incentive certificate had been made to Ministry of Economy of Turkey on 30/09/2015 and closing visa has been made on 13/01/2016. Mentioned investment incentive certificate consist of discounted corporate tax rate, customs tax and VAT exemptions.
- c) Company has completed its modernization investments with investment incentive certificate dated 02/02/2015 and numbered 122571. Mentioned investment incentive certificate consist of discounted corporate tax rate, customs tax and VAT exemptions

24. COST OF BORROWING

None. (December 31, 2015 None.)

25. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provision for Current Tax, net

	31.12.2016	31.12.2015
Provisions for current tax	6.177.651	9.715.766
Prepaid taxes and funds (-)	(4.915.505)	(7.528.977)
TOTAL	1.262.146	2.186.789

Short Term Provisions

a) Other Short Term Provisions

	31.12.2016	31.12.2015
Provision for Law Suit	1.739.353	2.059.749
Provision for Guarantee Expense	40.373	-
TOTAL	1.779.727	2.059.749

25. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

As of December 31, 2016 provisions for other short term liabilities movement table are given below:

	31.12.2015	Additional Provisions (Note:34)	Payments/ Cancellations (-)	31.12.2016
Provision for Law Suit	2.059.749	536.604	(857.000)	1.739.353
Provision for Guarantee Expense	-	40.373	-	40.373
TOTAL	2.059.749	576.977	(857.000)	1.779.727

Letters of Guarantee Given by the Company

Given To	Explanation	Amount (TRY)
İzmir Kemalpaşa Org.San.Bölgesi Md.	According to natural gas purchasing agreement	65.385
İzmir Kemalpaşa Org.San.Bölgesi Md.(*)	According to natural gas purchasing agreement	14.000.000
Gazi Osmanpaşa 1.İcra Müdürlüğü	According to court process	185.000
Tedaş	According to electricity purchasing transactions	54.200
Konak Vergi Dairesi	According to tax transactions	5
		14.304.590

(*) Consist of Direct Debiting System Limit which is opened for İzmir Kemalpaşa Organized Industry Zone with regards to natural gas purchase agreement.

Pledges Given by the Company

There are no pledges given by the Company on December 31, 2016.

Guarantees Given by the Company

GUARANTEES PLEDGES MORTGAGES	31.12.2015	31.12.2014
A) Total amount of GPM given on behalf of its own legal entity	14.304.590	14.304.590
B) Total amount of GPM given of the fully consolidated subsidiaries	-	-
C) Total amount of GPM given ordinary trade activities provided in order to guarantee the debts of other 3rd parties	-	-
D)Total amount of other given GPM	-	-
i) Total amount of GPM given on behalf of the Parent Company	-	-
ii) Total amount of GPM given on behalf of other group companies which are not included in scope of B and C	-	-
iii) Total amount of GPM given on behalf of 3 rd parties which are not included in scope of C	-	-
TOTAL	14.304.590	14.304.590

As of December 31, 2016, Company's given GPM to Company's equity ratio is 5, 85%.
(31.12.2015: % 6,68)

25. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

Guarantees Received by the Company

	31.12.2016	31.12.2015
Letter of guarantees received	65.473.649	56.562.465
Guarantees cheques received	510.000	510.000
Guarantees notes received	1.385.355	1.245.355
Mortgages	32.331.000	43.541.000
TOTAL	99.700.004	101.858.820

Ongoing Law Suits and Law Suits in which Company is Defendant

Company has allocated a provision for ongoing law suits about severance pay and notice of compensation and return to work, at amount of TRY 1.739.353 as of December 31, 2016 (December 31, 2015: TRY 2.059.749).

Company Management allocates provisions in attached financial statements for Law suits, for which the Company anticipates that they will be resulted against the Company since the same case law and content of suits have had encountered in previous years. Amount of allocated provisions are presented in provisions for payables account in short term liabilities on the balance sheet.

26. COMMITMENTS

None. (December 31, 2015 None.)

27. EMPLOYEE BENEFIT OBLIGATIONS

Termination Indemnities and Provision of Unused Vacations

The Company has to make a certain termination indemnities to its personnel who quits from Company for several reasons such as retirement or, reasons except reassigning and to be fired because of bad behavior after working at least one year at Company. Compensation which Company has to pay is at amount of one month salary for each servicing year and this amount is limited to TRY 4.297,21 as of December 31, 2016. (December 31, 2015: TRY 3.828,37)

	31.12.2016	31.12.2015
Provision for termination indemnities	20.279.218	17.154.432
Provision for unused vacations	845.287	1.391.583
TOTAL	21.124.505	18.546.015

The calculation has to be done with actuarial assumptions in order to calculate Company's liabilities in accordance with TAS 19 Employee Benefit Obligations. Company has calculated termination indemnities based on experience of completion of personnel service time and experience about personnel rights to have termination indemnities in the past years, by using projection method in accordance with TAS 19, and reflected this amount to its financial statements. Provisions for termination indemnities are allocated with present value of potential liability, and paid to employees in case of retirement.

27. EMPLOYEE BENEFIT OBLIGATIONS (Cont'd)

Correspondingly, actuarial assumptions which are used to calculate the liability amount as of December 31, 2016 and December 31, 2015 are depicted below:

	31.12.2016	31.12.2015
Discount rate	% 11,00	% 10,57
Estimated increase rate	% 7,80	% 5,83

Movement of provision for termination indemnities as of December 31, 2016 - December 31, 2015 are shown as follows:

	31.12.2016	31.12.2015
Opening balance	17.154.432	14.945.271
Additional provisions	3.219.506	2.356.128
Payment (-)	(94.720)	(146.967)
Closing balance	20.279.218	17.154.432

	2016	2015
January 01	17.154.432	14.945.271
Interest expenses	1.886.987	1.579.715
Current service cost	6.565.850	5.601.323
Paid in period	(4.049.259)	(3.052.299)
Actuarial gain / (loss)	(1.278.791)	(1.919.578)
December 31	20.279.218	17.154.432

Movement of provision for unused vacations as of December 31, 2016 - December 31, 2015 are shown as follows:

	31.12.2016	31.12.2015
Opening balance	1.391.583	1.002.923
Additional provisions	(546.296)	388.660
Closing balance	845.287	1.391.583

Payables within Employee Benefits

	31.12.2016	31.12.2015
Due to personnel	3.142.999	2.845.476
Payable taxes and funds	1.411.571	1.376.681
Payable other liabilities	11.738	19.060
TOTAL	4.566.308	4.241.217

28. OTHER ASSETS AND LIABILITIES

Other current assets

	31.12.2016	31.12.2015
Income accruals	437.359	154.335
Other VAT*	5.722.319	9.881.735
TOTAL	6.159.678	10.036.070

*The amount of TRY 5.722.319 which is the other VAT account is occurred from the sales of exports according to VAT Law in the article of 11/1-c and the amount of TRY 5.722.319 of other VAT will be shown under short-term liabilities after deduction of export transactions are closed by Tax Authority.

Other short term liabilities

	31.12.2016	31.12.2015
Expense accruals	72.966	293.702
Other VAT	5.722.319	9.881.736
TOTAL	5.795.285	10.175.438

29. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid in capital

The Company adopted the registered capital system which is known for companies who are subject to CMB regulations.

As of December 31, 2016 and December 31, 2015 registered capital of the Company that is not adjusted to inflation is shown as follows:

	31.12.2016	31.12.2015
Registered capital ceiling	150.000.000	150.000.000
Authorized and paid in capital	75.000.000	75.000.000

29. CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

As of December 31, 2016 and December 31, 2015 registered capital of the Company that is not adjusted to inflation is shown as follows:

	December 31, 2016			December 31, 2015			
	Class	Amount(TRL)	Unit	Rate	Aount	Unit	Rate
Adnan Polat	A	3,60	360	0,00%	3,60	360	0,00%
Adnan Polat	B	5,20	520	0,00%	5,20	520	0,00%
Adnan Polat	C	666.079,04	66.607.904	0,89%	779.869,04	77.986.904	1,04%
<i>Adnan Polat-Publicly Traded</i>		0,00			113.790,00		
Total		666.087,84		0,89%	779.877,84		1,04%
İbrahim Polat	A	3,95	395	0,00%	3,95	395	0,00%
İbrahim Polat	B	6,65	665	0,00%	6,65	665	0,00%
İbrahim Polat	C	2.909.864,93	290.986.493	3,88%	2.909.864,93	290.986.493	3,88%
<i>İbrahim Polat- Publicly Traded</i>		2.909.264,58			2.909.264,58		
Total		2.909.875,53		3,88%	2.909.875,53		3,88%
Murat Polat	A	3,60	360	0,00%	3,60	360	0,00%
Murat Polat	B	5,20	520	0,00%	5,20	520	0,00%
Murat Polat	C	779.868,61	77.986.861	1,04%	779.868,61	77.986.861	1,04%
<i>Murat Polat- Publicly Traded</i>		130.149,00			130.149,00		
Total		779.877,41		1,04%	779.877,41		1,04%
Other	A	0,85	85	0,00%	0,85	85	0,00%
Other	B	0,95	95	0,00%	0,95	95	0,00%
Total		1,79		0,00%	1,79		0,00%
Publicly Traded and Other	C	24.957.238,48	2.495.723.848	33,28%	24.843.448,48	2.484.344.848	33,12%
İbrahim Polat Holding A.Ş.	C	45.686.918,95	4.568.691.895	60,92%	45.686.918,95	4.568.691.895	60,92%
TOTAL		75.000.000,00	7.500.000.000,00	100%	75.000.000,00	7.500.000.000,00	100%
Differences Capital of Adjustment (*)		24.778.008,00			24.778.008,00		
TOTAL		99.778.008,00			99.778.008,00		

(*)Inflation adjustment to capital is the difference between total amount of capital adjusted to inflation and capital amount before inflation adjustment.

The Company's registered share capital ceiling is 150.000.000 (hundred and fifty million) Turkish Lira and each with a nominal value of 1 (one) kr is divided into 15.000.000.000 shares. The Company's issued share capital is 75.000.000 (seventy five million) Turkish Lira and is fully paid. The Company's share capital consists of 75.000.000 (seventy five million) Turkish Lira and 7.500.000.000 Turkish Lira of issued shares; each has the value of 1 (one) kr;

1.200 items A Group are registered on person,
1.800 items B Group are registered on person and
7.499.997.000 items C Group are divided into a bearer share.

29. CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

The Board of Directors is authorized to increase the registered capital ceiling in the capital, to issue the registered shares and bearer shares and to determine the amount of those registered shares and bearer shares. In the General Assembly meeting to make a change on the certificate of corporation, shareholders vote for the amount of capital they have committed.

Transfer of shares in someone's name will be valid if the Board of Directors of the Company decides to transfer and register the share. The Board of Directors may not authorize the transfer of shares without giving any reason. Group A and B dividend shares, representing the capital are privileged shares.

Management activities and actions of the Company are conducted by The Board of Directors which has 6 (six) members who are elected from the nominated legal and real entities by The Board of Shareholders with regard to Turkish Commercial Code.

Two applicants of The Board of Directors are elected by absolute majority of shareholders of group A has nominated, one applicant is elected by absolute majority of shareholder of group B has nominated, and other three applicants are elected by shareholders regardless of the group they are in. On Board of Directors, each member has right for a vote.

Profit Distribution

Profit Distribution for public corporation is made according to the The Statement of Profit Distribution Code II-19.1 of Capital Market Board as of February 1, 2014.

Partnerships divide their shares in accordance with the policies of Board of Directors on profit distribution and suitable with the legislations of Board of Directors. As the statement indicated, the minimum dividend rate is not detected. Companies pay profit share as the way it is stated on their main agreement or policies of profit distribution. Profit distribution could be paid with equal or in equal installments in condition of decision, whether to divide it or not, made by the Board.

There will be no profit distribution to members of boards, partners, people who has dividend right certificate and people except who has shares till distributed profit paid by cash, as it will not be decided to distribution of profit to these people, transfer of profit to retained earnings, allocation of legal reserves till the time for allocation of profit distribution for shareholders according to profit distribution policy or legal agreement with legal reserves allocated according to TCC.

Predicted profit distribution amount could be distributed till the time when it can be resourced from current net distributable profit or current other resources in legal accounts (according to TPL accounts).

29. CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

Share Premium

As announcement of the board stated according to declaration No: 29 of Serial XI, “share premium” as a capital item has to be written as it is recorded in the balance sheet, at result of the first financial statement which is adjusted according to inflation.

Inflation adjustment differences of share premium are recorded in retained earnings:

	31.12.2016	31.12.2015
Share Premium	35.838.595	35.838.595
TOTAL	35.838.595	35.838.595

Movements of actuarial loss/gain fund are as below:

	31.12.2016	31.12.2015
Opening balance	2.898.530	1.362.868
Current actuarial (gain)/loss	1.023.033	1.535.662
TOTAL	3.921.563	2.898.530

Restricted Reserves

Legal Reserves are consisting of first and second reserves as predicted on Turkish Commercial Code (TCC). TCC predict that Company can allocate 5% of its legal profit till first reserve reaches 20% of Company’s paid-in capital. However second legal reserves are allocated as 10 % on all cash dividends which are exceeding 5% of paid-in capital. In the scope of TCC’s statements, legal reserves can only be used to clarify loss and they cannot be used for other purposes unless they do not exceed 50% of paid-in capital.

Reserves that are allocated apart from distribution of profit dividends of previous period are classified in this item in balance sheet. Inflation adjustment differences for legal reserves are recorded in retained earnings.

Announcement of the board stated according to declaration No: 29 of Serial XI, “legal reserves” as capital items have to be written as they are recorded in the balance sheet at result of the first financial statement which is adjusted according to inflation.

	31.12.2015		31.12.2016
	Balance	Additions	Balance
Restricted Reserves	13.252.239	2.105.085	15.357.324
TOTAL	13.252.239	2.105.085	15.357.324

29. CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Cont'd)

Retained Earnings

Accumulated profits / losses apart from net profit for the period are clarified and presented in this item. Extraordinary reserves are also considered as accumulated profit, and presented in this item. Restricted reserves allocated from profit, share premium, and inflation adjustment differences of extraordinary legal reserves are presented in retained earnings.

Retained Earnings	31.12.2016	31.12.2015
Accumulated Profit/Loss	61.243.301	38.219.351
Dividend	-	(24.302.324)
Legal Reserves	(2.105.085)	(4.064.228)
Actuarial Gain/Loss Fund	1.023.033	1.535.662
TOTAL	60.161.249	11.388.460

EXPENSES BY NATURE

	January 01– December 31 2016	January 01– December 31 2015
General administration expenses	26.583.628	21.214.812
Marketing expenses	20.129.851	19.391.255
Research and development expenses	3.088.952	2.599.531
Cost of sales	242.239.683	224.883.601
TOTAL	292.042.114	268.089.199

30. SALES AND COST OF SALES

Sales are shown as follows:

	January 01 – December 31 2016	January 01 – December 31 2015
Domestic sales	208.820.485	214.829.851
Foreign sales	123.211.747	111.859.335
Gross Sales	332.032.232	326.689.186
Sales returns (-)	(1.160.791)	(1.305.033)
Sales discounts (-)	(249.052)	(167.615)
Other discounts (-)	(719.871)	(325.548)
Returns and discounts	(2.129.714)	(1.798.196)
Net sales	329.902.518	324.890.990

30. SALES AND COST OF SALES (Cont'd)

According to TAS 18 Revenue Standards, price is considered as cash or cash equivalents, and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents are deferred, the fair value of the sales price might be less than the nominal amount of cash receivable. For example, an entity may provide interest-free sale, or accept a note receivable bearing a below-market interest rate from the buyer as sales price. If the arrangement constitutes a financial transaction, the fair value of the sales price is determined by discounting all future transactions using an imputed rate of interest.

Company's credit sales which are discounted in accordance with TAS 18 Revenue Standards are the amount of TRY 1.371.264. Annual discount rate has been applied to 12% for TRY; 3% for USD, CHF, GBP and EUR.

Cost of sales are shown as follows:

	January 01 – December 31 2016	January 01 – December 31 2015
Cost of goods sold	242.161.599	224.163.911
Cost of trade goods sold	78.084	719.690
TOTAL	242.239.683	224.883.601

Cost of sales according to their nature in periods January 01, 2016 - December 31, 2016 and January 01, 2015 – December 31, 2015 are indicated as below:

	January 01 – December 31 2016	January 01 – December 31 2015
Material usage share	106.483.620	99.836.753
Natural gas usage	53.724.575	57.142.357
Personnel expense share	43.836.819	38.688.126
Indirect material usage	13.902.473	12.629.752
Depreciation and amortization expenses	13.275.669	9.703.573
Transportation expenses	4.040.576	3.546.693
Maintenance and repair expenses	5.440.405	3.538.272
Food and subsistence expenses	2.277.614	2.344.670
Other general manufacturing expenses	1.853.245	1.642.954
Diesel and LPG usage	1.128.937	1.090.939
Shipping cost	1.138.221	966.760
The net effect of the goods with delayed customs declaration document	133.243	68.427
Cost of trade goods sold	78.084	719.690
Changes in semi-finished inventory	(87.624)	(2.737)
Internal consumption (*)	(1.085.980)	(1.169.497)
Changes in finished goods inventory	(3.900.195)	(5.863.130)
TOTAL	242.239.683	224.883.601

(*) Internal consumption amount consist of products used in research and development activities and marketing and advertising activities.

30. SALES AND COST OF SALES (Cont'd)

According to Inventory Standards of TAS 2, entity may purchase inventories on the circumstance of deferred payment. If the arrangement contains a financing element which is a difference between the cash purchase prices for normal credit terms and the amount paid, this difference will be accounted as interest expense over the period it is financed.

Company's credit purchases which are discounted in accordance with TAS 2 Inventory Standards are the amount of TRY 406.784. Annual discount rate has been applied to 12% for TRY; 3% for USD, CHF, GBP and EUR.

31. CONTRACTS OF CONSTRUCTION

None. (December 31, 2015 None.)

32. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

General Administrative Expenses

Details of general administrative expenses according to their nature in periods January 01, 2016 - December 31, 2016 and January 01, 2015 – December 31, 2015 are shown as below:

	January 01 – December 31 2016	January 01 – December 31 2015
Personnel expenses	6.373.115	5.447.665
Outsource services	5.235.489	2.897.332
Provision for termination expenses	4.498.297	4.275.705
Termination indemnities paid	4.049.259	3.052.299
Consultancy expenses	1.704.671	1.360.162
Depreciation and amortization expenses	1.010.188	1.101.566
Tax, duties and charges	562.694	580.909
Notice of termination expenses paid	542.600	196.391
The court and law enforcement expenses	517.038	416.003
Due and subscription fees	399.464	330.476
Insurance expenses	164.666	174.927
Electric expenses	152.030	166.313
Travelling expenses	151.956	148.060
Rent expenses	123.086	74.484
Communication expenses	100.466	94.609
Transfer and resource expenses	84.195	86.749
Other	914.413	811.161
TOTAL	26.583.628	21.214.812

32. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (Cont'd)

Marketing, Sales and Distribution Expenses

Details of marketing, sales and distribution expenses according to their nature in periods January 01, 2016 - December 31, 2016 and January 01, 2015 – December 31, 2015 are shown as below:

	January 01 – December 31 2016	January 01 – December 31 2015
Domestic sales expenses	6.974.938	6.822.919
Foreign sales expenses	4.209.064	3.860.153
Personnel expenses	5.639.683	4.665.826
Advertising expenses	2.035.820	2.404.828
Packaging expenses	572.810	530.230
Construction sales expenses of ceramic boards	563.836	1.024.511
Other	93.326	82.788
Provision of Guarantee Expense	40.373	-
TOTAL	20.129.851	19.391.255

Research and Development Expenses

Details of research and development expenses according to their nature in periods January 01, 2016 - December 31, 2016 and January 01, 2015 – December 31, 2015 are shown as below:

	January 01 – December 31 2016	January 01 – December 31 2015
Personnel expenses	2.551.178	1.985.843
Outsourced expenses	363.869	334.475
Other	173.905	279.213
TOTAL	3.088.952	2.599.531

33. OTHER OPERATIONAL INCOME AND EXPENSE

Other operational incomes

	January 01 – December 31, 2016	January 01 – December 31, 2015
Exchange differences income	14.628.769	14.342.720
Rediscount interest income	3.020.975	2.010.063
Provision of law suits cancellation	857.000	321.950
Brand and promote fair income	724.580	135.493
Insurance claim income	669.416	-
Cancellation of Provision for Unused Vacations	546.297	-
Scrap sales	542.446	242.405
Reflected material price differences	454.989	514.645
Rental income	252.208	235.246
Promotion Incomes	209.612	-
Interest differences	121.524	83.568
Sale of sample ceramic and board	102.175	71.773
Cancellation of provision for termination indemnities	94.719	146.967
Reflected revenues	70.451	62.980
Cancellation of decrease in value stock	844	4.702
Confirmation difference gains	76	56.837
Cancellation of provision for doubtful receivables	-	1.125
Export freight and insurance income	-	10.089
Other	930.092	764.660
TOTAL	23.226.173	19.005.223

Other operational expenses

	January 01 – December 31 2016	January 01 – December 31 2015
Exchange differences expense	17.092.440	15.483.925
Rediscount interest expense	2.502.498	2.981.965
Idle capacity expense and loss	845.073	-
Insurance claim expense	801.288	-
Provision for lawsuit expenses	536.604	401.000
Reflected material and price differences	454.989	76.859
Provision for doubtful receivables	133.361	-
Penalties and late payment interest	117.668	48.218
Sale of sample ceramic and board	102.175	71.773
Reflected expenses	70.451	565.236
Professionel dues	24.520	24.520
Special communication tax	11.636	11.714
Confirmation differences	4	56.117
Provision for unused vacation	-	388.660
Other	958.460	554.693
TOTAL	23.651.167	20.664.679

34. EXPANDITURES AND REVENUES FROM INVESTING ACTIVITIES

Revenues from Investing Activities

	January 01 – December 31 2016	January 01 – December 31 2015
Profit on sale of fixed assets	171.945	974.013
TOTAL	171.945	974.013

Expenses from Investing Activities

	January 01 – December 31 2016	January 01 – December 31 2015
Loss on sale of fixed assets	172.268	21.000
Exchange differences expense	1.247.775	3.903.322
TOTAL	1.420.042	3.924.322

35. EXPENSES CLASSIFIED BY PRINCIPLE TYPES

Details of expenses classified by principle types in periods January 01, 2016 - December 31, 2016 and January 01, 2015 – December 31, 2015 are shown as below:

Amortization expenses	January 01 – December 31 2016	January 01 – December 31 2015
Cost of sales	13.275.669	9.703.573
General administration expenses	1.010.188	1.101.566
TOTAL	14.285.856	10.805.138

Personnel expenses	January 01 – December 31 2016	January 01 – December 31 2015
Cost of sales	43.836.819	38.688.126
General administration expenses	6.373.115	5.447.665
Marketing, sales and distribution expenses	5.639.683	4.665.826
Research and development expenses	2.551.178	1.985.843
Idle capacity expenses and losses	589.932	-
TOTAL	58.990.727	50.787.460

36. FINANCIAL EXPENSES AND INCOME

Financial Expenses

	January 01 – December 31 2016	January 01 – December 31 2015
Bank loan, interest and commission expenses	3.120.761	1.298.920
TOTAL	3.120.761	1.298.920

Financial Income

	January 01 – December 31 2016	January 01 – December 31 2015
Interest income	376.084	397.166
TOTAL	376.084	397.166

37. ANALYSIS OF OTHER COMPREHENSIVE INCOMES

Details of other comprehensive incomes/(expense) in periods January 01, 2016 - December 31, 2016 and January 01, 2015 – December 31, 2015 are shown as below:

	January 01 – December 31 2016	January 01 – December 31 2015
Not to be reclassified on gain / (loss)		
Actuarial gain/(loss) (Note 27)	1.278.791	1.919.578
Deferred tax revenue/(expense) (Note40)	(255.758)	(383.916)
TOTAL	1.023.033	1.535.662

38. FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None. (December 31, 2015 None.)

39. INCOME TAXES (DEFERRED TAX ASSETS AND LIABILITIES)

Tax expense/income in comprehensive income statement in periods January 01, 2016 - December 31, 2016 and January 01, 2015 – December 31, 2015 are shown as below:

	January 01 – December 31 2016	January 01 – December 31 2015
Current tax income / (expense)	(6.177.651)	(9.715.766)
Deferred tax income / (expense)	1.860.887	9.303.367
TOTAL	(4.316.764)	(412.399)

Current Tax

According to the Corporate Tax Law numbered with 5520, corporate tax rate is 20% in Turkey. This rate is applied by adding deductible expenses, that are not excepted by the tax law to corporate income; and deducting exemptions which place at tax laws (such as affiliation privilege) and using deductions (such as investment incentives).

39. INCOME TAXES (DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

As of December 30, 2003, the act numbered as 5024 which is released on Official Gazette, related to change in Tax Procedure Law, Income Tax Law and Corporate Tax Law, predicts that income and corporate taxpayer, who determines its profit according to statement of financial position base, keep their financial statements with inflation adjustment as of January 1, 2004. These taxpayers also have to make inflation adjustment for their financial statements of December 31, 2003.

As of December 30, 2003, the act numbered as 5024 which is released on Official Gazette, related to change in Tax Procedure Law, Income Tax Law and Corporate Tax Law, predicts that income and corporate taxpayer, who determines its profit according to statement of financial position base, keep their financial statements with inflation adjustment as of January 1, 2004. These taxpayers also have to make inflation adjustment for their financial statements of December 31, 2003. The taxpayers, who have to make inflation adjustment according to the General Communique published by Ministry of Finance as of 28 February 2004, are obliged to adjust only their balance sheets from financial statements if conditions are created for adjustments.

Company will calculate tax base amount for the period according to declaration numbered 338 if there are conditions (such as increase in price index in the last 12 periods at 100% and at 10% in the current period) in line with the adjustments in the Law numbered 5024 and mentioned declarations.

There are not taking of withholding tax for corporate who obtain income in Turkey with a base or permanent representative and dividend payment to corporate that has a base in Turkey. Dividend payment except these above is taxable for withholding tax at 15% (10% before July 22, 2006). Adding profit to capital cannot be count as distribution of dividend and applied for withholding tax.

Companies calculate pre-paid corporate tax at 20% on their profit for each 3 months and they declare that amount at fourteenth day of second month in following period and they pay it till evening of seventeenth day of same month. Pre-paid taxes which are paid in the year belong to same year and it will be deducted from corporate tax amount which is calculated according to corporate tax declaration for the following year. Pre-paid corporate tax remained after deduction can be deducted from any financial payables to government.

75% of profit from sales of property, subsidiary's shares, management shares, shares for which Company has first right of purchase which Company kept in hand at least 2 years is count as exception in condition that they can be kept under a fund account as equity item for 5 years in liabilities and collection of total sales amount has to be finished not exceeding second year after sales made.

39. INCOME TAXES (DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

Investment Incentive

Investment incentive is outlaw effective as of January 01, 2006. However, in cases where Company's taxable profit is not enough to recover the amount of investment incentive which Company did not get benefit as of December 31, 2005, this investment incentive can be carry forward in order to be deducted from future taxable profit of Company. Moreover this deduction can be made only for profit earned for the years 2006, 2007 and 2008. Investment incentive which could not deduct from profit earned for the year 2008 cannot be carry forward for future periods. As of October 15, 2009 there was a lawsuit in constitutional court related to not to carry forward this investment incentive. According to decision of this law suit, time limitation was no longer applicable for carry forward for future periods because of constitutional rights. As a result of this:

- a- Investments which will start after January 01, 2006 in same scope with already started applications which are made before April 24, 2003,
- b- In scope of cancelled article numbered as 19 in Income Tax Law, exception amount of investment incentive cannot be subjected to any withholding tax. According to the acts which are effective before July 24, 2003, in case of using the right of earned investment incentive, Company will make withholding tax as rate of 19, 8% on used investment incentive exception without distributing or not distributing of profit.

Application of Reduced Corporate Tax

With No 2009/15199 Investments, accordance with State aids decisions, on the large scale investments and regional application investments, under with No 5520 Corporate Tax Law 32/a substance, reduced corporate tax aids was taken. According to investment contribution rate which determined on the region of encouragement region, until reaching contributed amount, every year corporate tax in condition of paying the missing amount will be paid are taking advantage of these incentives.

- a) There has been TRY 22.373.884,00 for investment expense in total by Company in line with August 08, 2016 No: 107017 (D) instead of January 14, 2015 No: 107017 (B) Investment Incentives. Advantage of Reduced Corporate Tax has been used as TRY 229.683 in provision of current period tax, and this amount has been discounted from tax assets.
- b) There has been TRY 51.441.876,00 for investment expense in total by Company in line with January 13, 2016 No: 113948 (C) Investment Incentives. Advantage of Reduced Corporate Tax has been used as TRY 528.085 in provision of current period tax, and this amount has been discounted from tax assets.
- c) There has been TRY 13.179.714,00 for investment expense in total by Company in line with November 25, 2016 No: 122571 (B) instead of February 2, 2016 No: 122571 (A) Investment Incentives. Advantage of Reduced Corporate Tax has been used as TRY 135.298 in provision of current period tax, and this amount has been discounted from tax assets.

39. INCOME TAXES (DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

For both investment incentive certificate, incentive used as discounted corporate tax amounted TL 893.066 has been deducted from deferred tax assets. According to Turkish Tax Regulations, loss without exceeding 5 years can be discounted from corporate income for the period. However, loss cannot be discounted from previous year profits.

There is not any application which consists of agreement between companies and tax authority about payables taxes in Turkey. Declaration of Corporate Tax has to give to related tax authority of Company in twenty fifth day of forth month of closed period. Moreover, tax authority can check Company records for 5 years and if there is a mistake, amount of taxes payables can be changed.

Current Tax Expense:

A new regulation has been done for applying aforesaid investment incentive for 2010 and following years gains by law issued in August 1, 2010 dated 6009 numbered official gazette The investment allowance can be used up to 25% of the profit with this arrangement. However, given the Constitutional Court on February 09, 2012 Case No: 2010/93 according to the decision (suspension of execution) and imposed on 100% of the investment incentive from the year 2011 and tax provision is calculated accordingly. Therefore investment incentive withholding tax will be calculated at the rate of 19, 8% of the investment incentive that is used in the scope of No: 61Temporary Income Tax Laws.

	January 01 – December 31 2016	January 01 – December 31 2015
Profit / (loss) before tax	31.461.008	51.817.659
Non-deductible expenses	3.892.578	3.531.291
Other discounts	-	(100)
Corporate Tax Base	35.353.586	55.348.850
Reduced Corporate Tax Base	8.118.780	12.309.127
Corporate Tax	5.446.961	8.607.945
Reduced corporate tax	730.690	1.107.821
Tax Expenses for the Period	6.177.651	9.715.766

As of December 31, 2016, Company has no retained loss which can be deducted from corporate tax for future profits.

Deferred Tax

Company calculates deferred tax assets and liabilities with recorded values in statement of financial position items by considering difference effects which occurs as a result of evaluation for values in statement of financial position items and Tax Procedure Law.

Differences in question generally sourced from accounting of expenses and incomes for different reporting periods according to CMB declarations and Tax Law. The rate which is applied for deferred tax receivables and liability is calculated as 20% according to liability methods on temporary differences as of December 31, 2008.

39. INCOME TAXES (DEFERRED TAX ASSETS AND LIABILITIES) (Cont'd)

Detail of accumulated temporary differences using tax rates of deferred tax assets and liabilities as of December 31, 2016, and December 31, 2015 are shown as below:

	Accumulated Temporary Differences		Tax Rate	Deferred Tax Assets / (Liabilities)	
	31.12.2016	31.12.2015		31.12.2016	31.12.2015
Deferred Tax Assets / (Liabilities)					
Employee benefits	19.845.715	16.626.437	20%	3.969.143	3.325.287
Provisions of debt	1.779.727	2.059.749	20%	355.945	411.950
Provisions of doubtful receivables	1.126.088	992.727	20%	225.218	198.545
Tangible fixed assets	4.372.301	7.571.361	20%	874.460	1.514.272
Intangible fixed assets	(140.894)	(230.391)	20%	(28.179)	(46.078)
Inventory	1.176.711	57.559	20%	235.342	11.512
Interest differences on sales	223.602	520.950	20%	44.720	104.190
Interest differences on purchases	(406.784)	(293.540)	20%	(81.357)	(58.708)
Reduced Corporate Tax	71.705.861	64.351.828	20%	14.341.172	12.870.366
TOTAL				19.936.465	18.331.336
				31.12.2016	31.12.2015
Opening balance				18.331.336	9.411.885
Current year deferred tax gain/(loss)				1.860.887	9.303.367
Deferred tax reflected in shareholders' equity(*)				(255.758)	(383.916)
Deferred Tax Assets				19.936.465	18.331.336

(*) TMS It is the amount of deferred tax calculated as actuarial gains/ (loss) in terms of the change of benefit provided for employees in TAS 19.

40. EARNING PER SHARE

	January 01 – December 31, 2016	January 01 – December 31, 2015
Net profit / (loss)	29.125.872	50.877.873
Weighted average number of common share	7.500.000.000	7.500.000.000
Profit/(Loss) Per Share	0,003883	0,006784

41. SHARE BASED PAYMENT

None. (December 31, 2015 None.)

42. CONTRACTS OF INSURANCE

None. (December 31, 2015 None.)

43. EFFECTS OF EXCHANGE RATE CHANGES

None. (December 31, 2015 None.)

44. REPORTING IN THE HYPER INFLATION ECONOMY

Prepared financial tables before the period of January 01, 2005, in order to show change of purchasing power of TRY, inflations adjustments were made using general wholesale price index under IAS 29. In this standard, financial tables prepared with currency on the high inflation periods, conditioning using adjustment coefficient, financial statements of Money expressed in terms of current purchasing power is predicted.

CMB took a decision on March 17, 2005, with this decision, companies who operate in Turkey and prepare financial table in accordance with accounting and reporting principles which are adopted by CMB (CMB: Financial Reporting Standard) proclaimed unnecessary application of inflation accounting as of 01.01.2005. Therefore, conditioning started on January 01, 2005, Financial Reporting on the high inflation economies standard (IAS 29) that is published by IASC, were not applied.

45. DERIVATIVE INSTRUMENTS

None. (December 31, 2015 None.)

46. FINANCIAL INSTRUMENTS

None. (December 31, 2015 None.)

47. LEVEL AND NATURE OF RISKS SOURCED FROM FINANCIAL INSTRUMENTS

Credit risk

Credit risks by types of financial instruments are shown as follows:

31.12.2016	Receivables				Bank Deposits	Derivative Instruments	Other
	Trade Receivables		Other Receivables				
	Related Parties	Third Parties	Related Parties	Third Parties			
Maximum credit risk exposure as of reporting ended (A+B+C+D+E)*	31.819.446	102.410.862	-	1.945.616	5.788.704	-	9.928.945
-Part of credit risk guarantied with assurance	-	-	-	-	-	-	-
A. Net book value of not overdue and not impaired financial assets	31.819.446	99.104.147	-	-	5.788.704	-	9.928.945
B. Book value of renegotiated terms; otherwise counted as overdue or impaired financial assets	-	-	-	-	-	-	-
C. Net book value of overdue but not impaired financial assets	-	2.780.604	-	1.945.616	-	-	-
D. Net book value of assets which are overdue	-	526.111	-	-	-	-	-
-Overdue (gross book value)	-	2.325.197	-	-	-	-	-
-Impairment(-)	-	(1.799.086)	-	-	-	-	-
-Part of net value guarantied with assurance	-	-	-	-	-	-	-
-Part of net value guarantied with assurance	-	-	-	-	-	-	-
-Impairment(-)	-	-	-	-	-	-	-
-Part of net value guarantied with assurance	-	-	-	-	-	-	-
E. Items which includes credit risk off-balance	-	-	-	-	-	-	-

(*)While determining the amount, received assurances that increase reliability of credit are not taken into account.

47. LEVEL AND NATURE OF RISKS SOURCED FROM FINANCIAL INSTRUMENTS (Cont'd)

Credit risks by types of financial instruments are shown as follows:

31.12.2015	Receivables				Bank Deposits	Derivative Instruments	Other
	Trade Receivables		Other Receivables				
	Related Parties	Third Parties	Related Parties	Third Parties			
Maximum credit risk exposure as of reporting ended (A+B+C+D+E)*	22.267.075	102.931.235	-	1.713.741	6.930.689	-	7.707.050
-Part of credit risk guarantied with assurance	-	-	-	-	-	-	-
A. Net book value of not overdue and not impaired financial assets	22.267.075	99.437.000	-	-	6.930.689	-	7.707.050
B. Book value of renegotiated terms; otherwise counted as overdue or impaired financial assets	-	-	-	-	-	-	-
C. Net book value of overdue but not impaired financial assets	-	2.806.387	-	1.713.741	-	-	-
D. Net book value of assets which are overdue	-	687.848	-	-	-	-	-
-Overdue (gross book value)	-	2.353.573	-	-	-	-	-
-Impairment(-)	-	(1.665.725)	-	-	-	-	-
-Part of net value guarantied with assurance	-	-	-	-	-	-	-
-Part of net value guarantied with assurance	-	-	-	-	-	-	-
-Impairment(-)	-	-	-	-	-	-	-
-Part of net value guarantied with assurance	-	-	-	-	-	-	-
E. Items which includes credit risk off-balance	-	-	-	-	-	-	-

(*)While determining the amount, received assurances that increase reliability of credit are not taken into account.

47. LEVEL AND NATURE OF RISKS SOURCED FROM FINANCIAL INSTRUMENTS (Cont'd)

Aging table of overdue but not impaired assets is below:

31.12.2016	Receivables				Bank Deposits	Derivative Instruments	Other
	Trade Receivables		Other Receivables				
	Related Parties	Third Parties	Related Parties	Third Parties			
Overdue 1-30 days	-	2.188.609	-	-	-	-	-
Overdue 1-3 months	-	149.998	-	-	-	-	-
Overdue 3-12 months	-	164.808	-	1.945.616	-	-	-
Overdue 1-5 years	-	277.189	-	-	-	-	-
Overdue more than 5 years	-	-	-	-	-	-	-
Part that is guarantied by assurance	-	-	-	-	-	-	-
Total	-	2.780.604	-	1.945.616	-	-	-

Aging table of overdue but not impaired assets is below:

31.12.2015	Receivables				Bank Deposits	Derivative Instruments	Other
	Trade Receivables		Other Receivables				
	Related Parties	Third Parties	Related Parties	Third Parties			
Overdue 1-30 days	-	2.278.265	-	-	-	-	-
Overdue 1-3 months	-	12.500	-	-	-	-	-
Overdue 3-12 months	-	179.021	-	1.713.741	-	-	-
Overdue 1-5 years	-	336.601	-	-	-	-	-
Overdue more than 5 years	-	-	-	-	-	-	-
Part that is guarantied by assurance	-	-	-	-	-	-	-
Total	-	2.806.387	-	1.713.741	-	-	-

47. LEVEL AND NATURE OF RISKS SOURCED FROM FINANCIAL INSTRUMENTS (Cont'd)

Liquidity Risk

Liquidity risk table related to derivative and non-derivative financial liabilities is presented below:

31.12.2016

Contractual Maturity	Book Value	Contractual total cash output (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities	75.945.331	75.945.331	50.913.665	20.191.277	4.840.389	0
Bank credits	8.677.010	8.677.010	-	8.677.010	0	-
Financial leasing liabilities		-	-	-	-	-
Commercial debt	65.836.207	65.836.207	49.481.551	11.514.267	4.840.389	-
Other debt	1.432.114	1.432.114	1.432.114	-	-	-
Contractual Maturity	Book Value	Contractual total cash output (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative financial liabilities (Net)	-	-	-	-	-	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-

47. LEVEL AND NATURE OF RISKS SOURCED FROM FINANCIAL INSTRUMENTS (Cont'd)

Liquidity risk table related to derivative and non-derivative financial liabilities is presented below:

31.12.2015

Contractual Maturity	Book Value	Contractual total cash output (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities	82.521.519	82.521.519	14.594.953	43.551.369	24.375.197	0
Bank credits	5.946.380	5.946.380	-	4.193.760	1.752.620	-
Financial leasing liabilities		-	-	-	-	-
Commercial debt	75.397.647	75.397.647	13.417.461	39.357.609	22.622.577	-
Other debt	1.177.492	1.177.492	1.177.492	-	-	-
Contractual Maturity	Book Value	Contractual total cash output (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative financial liabilities (Net)	-	-	-	-	-	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-

47. LEVEL AND NATURE OF RISKS SOURCED FROM FINANCIAL INSTRUMENTS (Cont'd)

Market Risk

Market risks represents the changes in interest rate, foreign exchange rate and the value of securities which will affect the Company negatively.

Foreign Currency Position										
	December 31,2016					December 31,2015				
	TRY (Functional currency)	US Dollar	Euro	GBP	Other	TRY (Functional currency)	US Dollar	Euro	GBP	Other
1. Trade Receivables	34.416.331	8.102.586	1.423.948	143.325	-	23.984.172	6.450.583	1.322.515	238.573	-
2a. Monetary financial assets(Cash and Bank included)	6.892.046	1.931.623	25.412	-	-	8.152.784	2.734.927	63.164	-	-
2b. Non monetary financial assets	-	-	-	-	-	-	-	-	-	-
3. Other	428.901	7.622	108.380	-	-	2.932.326	605.537	368.727	-	-
4. Current Assets (1+2+3)	41.737.278	10.041.831	1.557.740	143.325	-	35.069.282	9.791.048	1.754.406	238.573	-
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-	-	-
6b. Non monetary financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-	-	-	-	-	-	-
9. Total Assets (4+8)	41.737.278	10.041.831	1.557.740	143.325	-	35.069.282	9.791.048	1.754.406	238.573	-
10. Trade Liabilities	44.300.517	571.373	11.328.668	60.552	-	42.655.295	20.188	13.337.090	50.378	-
11. Financial Liabilities	8.600.402	2.183.523	246.946	-	-	4.194.261	-	1.319.946	-	-
12a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
12b. Other Non-monetary Liabilities	-	-	-	-	-	-	-	-	-	-
13. Short Term liabilities (10+11+12)	52.900.919	2.754.896	11.575.614	60.552	-	46.849.556	20.188	14.657.036	50.378	-
14. Trade Liabilities	4.840.389	-	1.304.722	-	-	15.965.569	-	5.024.411	-	-
15. Financial Liabilities	-	-	-	-	-	1.752.829	602.844	-	-	-

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Footnotes to Financial Statements
(Currency TRY, unless otherwise indicated)

16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other Non-monetary Liabilities	-	-	-	-	-	-	-	-	-	-
17. Long Term Liabilities(14+15+16)	4.840.389	-	1.304.722	-	-	17.718.398	602.844	5.024.411	-	-
18. Total Liabilities(13+17)	57.741.308	2.754.896	12.880.336	60.552	-	64.567.954	623.032	19.681.448	50.378	-
19. Net Position of Assets/Liabilities out of Balance Sheet Derivation Instruments (19a-19b)	-	-	-	-	-	-	-	-	-	-
19a. Total assets on hand	-	-	-	-	-	-	-	-	-	-
19b. Total liabilities on hand	-	-	-	-	-	-	-	-	-	-
20. Net Foreign currency assets and liabilities position (9-18+19)	(16.004.030)	7.286.935	(11.322.596)	82.773	-	(29.498.672)	9.168.016	(17.927.042)	188.196	-
21. Monetary items net foreign currency assets and liabilities position (=1+2a+5+6a-10-11-12a-14-15-16a)	(16.432.931)	7.279.313	(11.430.976)	82.773	-	(32.430.998)	8.562.479	(18.295.768)	188.196	-
22. Present Value of financial instruments used for foreign currency hedge	-	-	-	-	-	-	-	-	-	-
23. Export	118.362.057	30.151.705	4.321.436	3.148.087	-	105.718.134	30.514.615	4.388.110	2.320.711	-
24. İmport	38.952.605	3.763.816	8.104.882.	61.619	-	64.859.337	1.728.645	20.456.063	108.848	-

47. LEVEL AND NATURE OF RISKS SOURCED FROM FINANCIAL INSTRUMENTS
(Cont'd)

Currency Position Sensitivity Analysis

Foreing currency sensitivy analysis				
December 31, 2016				
	Profit / (Loss)		Equity	
	Increase in value of foreign currency	Decrease in value of foreign currency	Increase in value of foreign currency	Decrease in value of foreign currency
Change in US dollar against TRL %20;				
1- USD net assets / liabilities	5.128.836	(5.128.836)	-	-
2- Amount protected from USD risk (-)	-	-	-	-
3- Net US dollar effect (1+2)	5.128.836	(5.128.836)	-	-
Change in EURO against TRL %20;				
4- EURO net assets / liabilities	(8.217.911)	8.217.911	-	-
5- Amount protected from EURO risk (-)	-	-	-	-
6- Net EURO effect (4+5)	(8.217.911)	8.217.911	-	-
Change in other currencies against TRL %20;				
7- Other currencies net assets / liabilities	71.497	(71.497)	-	-
8- Amount protected from Other currencies risk (-)	-	-	-	-
9- Net other currencies effect (7+8)	71.497	(71.497)	-	-
TOTAL (3+6+9+12)	(3.017.577)	3.017.577	-	-

December 31, 2015				
	Profit / (Loss)		Equity	
	Increase in value of foreign currency	Decrease in value of foreign currency	Increase in value of foreign currency	Decrease in value of foreign currency
Change in US dollar against TRL %20;				
1- USD net assets / liabilities	5.331.385	(5.331.385)	-	-
2- Amount protected from USD risk (-)	-	-	-	-
3- Net US dollar effect (1+2)	5.331.385	(5.331.385)	-	-
Change in EURO against TRL %20;				
4- EURO net assets / liabilities	(10.554.141)	10.554.141	-	-
5- Amount protected from EURO risk (-)	-	-	-	-
6- Net EURO effect (4+5)	(10.554.141)	10.554.141	-	-
Change in GBP against TRL %20;				
7- GBP net assets / liabilities	161.875	(161.875)	-	-
8- Amount protected from GBP risk (-)	-	-	-	-
9- GBP Net Etki (7+8)	161.875	(161.875)	-	-
TOPLAM (3+6+9+12)	(5.060.882)	5.060.882	-	-

48. FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATION AND PROTECTION OF FINANCIAL RISK EXPLANATION)

Current Market Value

Current market value implies prices in a current transaction related to sale and purchase between bidder parties.

Financial assets and liabilities on foreign exchange currency are converted with the rates that are close to market prices at balance sheet date.

Methods and assumptions below are used to predict current market value of each financial instrument when it is possible to determine current market value of these instruments.

Financial Assets

Values of cash and cash equivalents and their accrued interests, and carrying amount of other financial assets are considered as they are close to their current market value because they are short termed and have little credit risk. Carrying value of trade receivables after deduction of allowance of doubtful receivables is considered as it is close to its current market value.

Financial Liabilities

Carrying values of trade payables and other monetary liabilities are considered as they are close to their current market value since they are short termed. Bank credits are explained as deducted cost and transaction costs are added to their first cost of credit. Carrying value of credits is considered as it is close to its current market value since interest rates are updated considering the change in market conditions. Carrying value of trade payables is considered as it is close to its current market value because of being short termed.

49. POST BALANCE SHEET EVENTS

There are no important issues need to be explained from the balance sheet date until reporting date.

50. MATTERS WHICH IMMENSELY AFFECT FINANCIAL STATEMENTS OR ARE NECESSARY TO MAKE FINANCIAL STATEMENTS CLEAR, COMPREHENSIBLE AND INTERPRETABLE

None. (December 31, 2015 None.)

51. FIRST APPLICATION OF TAS

None. (December 31, 2015 None.)

52. EXPLANATION ABOUT CASH FLOW TABLES

Cash and Cash Equivalents

	31.12.2016	31.12.2015
Cash	2.183	4.441
Banks	5.788.704	6.930.689
-Demand deposit	685.864	1.260.869
-Time deposit	5.102.840	5.669.820
Other current assets	9.928.945	7.707.050
-Repo	8.027.178	6.147.928
-POS Accounts	1.901.768	1.559.122
TOTAL	15.719.832	14.642.180

-Details of currency of time deposit and currency of repo related to December 31, 2016 are shown as below:

Currency of Repo	Maturity	Interest Rate	31.12.2016 TRY
TRY	05.01.2017	10,50%	1.000.000
TRY	05.01.2017	10,50%	1.500.000
TRY	05.01.2017	10,50%	1.500.000
TRY	02.01.2017	8,25%	710.000
TRY	02.01.2017	12,00%	1.250.000
TRY	02.01.2017	6,00%	385.000
TOTAL			6.345.000

Currency of Repo	Maturity	Interest Rate	31.12.2016 USD	31.12.2016 TRY
USD	02.01.2017	0,10%	360.000	1.266.912
USD	02.01.2017	0,50%	118.000	415.266
TOTAL			360.000	1.682.178

Currency of Time Deposit	Maturity	Interest Rate	31.12.2016 USD	31.12.2016 TRY
USD	31.01.2017	3,30%	450.000	1.583.640
USD	11.01.2017	3,40%	1.000.000	3.519.200
TOTAL			1.450.000	5.102.840

52. EXPLANATION ABOUT CASH FLOW TABLES (Cont'd)

-Details of currency of time deposit and currency of repo related to December 31, 2015 are shown as below:

Currency of Repo	Maturity	Interest Rate	31.12.2015 TRY
TL	04.01.2016	% 11,25	1.580.000
TL	05.01.2016	% 11,70	1.300.000
TL	05.01.2016	% 11,75	1.000.000
TOTAL			3.880.000

Currency of Time Deposit	Maturity	Interest Rate	31.12.2015 USD	31.12.2015 TRY
USD	04.01.2016	% 0,25	780.000	2.267.928
TOTAL			780.000	2.267.928

Currency of Time Deposit	Maturity	Interest Rate	31.12.2015 USD	31.12.2015 TRY
USD	18.01.2016	%2,60	650.000	1.889.940
USD	15.01.2016	%2,50	1.300.000	3.779.880
TOTAL			1.950.000	5.669.820

Annual movements that do not create any inflow or outflow of cash in cash flow tables.

	31.12.2016	31.12.2015
Adjustments of Reconciliation of the Period Net Profit/Loss	24.679.099	17.041.021
Adjustment Related to Amortization and Depreciation	14.285.856	11.040.678
Adjustment Related To Impairment / Reversal	844	(4.702)
Provision for impairment for inventories	844	(4.702)
Adjustment Related To Provisions	11.659.147	15.440.213
Provisions for termination idemnity	2.578.490	2.597.821
Other Provisions	9.227.318	12.764.467
Provisions for lawsuits	(320.395)	79.050
Provision for doubtful receivables	133.361	(1.125)
Provision for guarantees	40.373	-
Adjustment Related To Interest Income / (Loss)	510.325	448.037
Interest Income Loss of Income Accruals	437.359	154.335
Expense Accruals (Interest and Other)	72.966	293.702
Adjustment Related To Tax Income (Loss)	(1.605.129)	(8.919.451)
Adjustment Related to Gain / (Loss) Arising from disposal of Fixed Assets	(171.945)	(963.754)
Adjustment Related to Gain / (Loss) Arising from disposal of Tangible Fixed Assets	(171.945)	(963.754)
Actual Changes in Business Capital	(35.398.327)	1.507.039

53. EXPLANATIONS ABOUT CHANGES IN EQUITY STATEMENT

The Company's equity change table is presented appropriately for explanatory notes and financial tables of basis according to the statement which was published on Weekly Newsletter No: 2103/19 by CMB on July 07, 2013.

The effect of accumulated profits/losses account that is composed of the differences of accounting politics explained on Note 2; and the effects of other accumulated comprehensive income/expense that will not be reclassified as profit or loss on comprehensive income statement are shown in the Changes in Equity Statement.

54. ENTITY MERGERS

None. (December 31, 2015 None.)