



EGESERAMİK

ANNUAL REPORT - 2018

INDEPENDENT AUDIT REPORT WITH RESPECT TO ANNUAL ACTIVITY REPORT OF BOARD OF DIRECTORS**To: Ege Seramik Sanayi ve Ticaret A.S. General Assembly****1) Opinion**

We have audited the annual activity report of **Ege Seramik Sanayi ve Ticaret Anonim Sirketi** (“**The Company**”), with respect to the accounting period 1.1.2018-31.12.2018.

According to our opinion, the attached financial statements, the financial information included in the annual activity report of Board of Directors and the inspections performed by the Board of Directors on the condition of the Company, in all its significant parts, is reflecting the truth and in accordance with the full set financial statements audited and the information obtained during independent audit process.

2) The Basis of the Opinion

The independent audit performed, has been carried out in accordance with Independent Auditing Standards (“BDS”) as being a part of Turkey Auditing Standards published by Public Oversight, Accounting and Auditing Standards Authority (CMB). Our liabilities within the scope of these Standards have been detailed in the section “Liabilities on the Annual Activity Report of the Independent Auditor on Independent Auditing”. We hereby declare that we are independent from the Company pursuant to ethical provisions set forth in Ethical Rules for Independent Auditors published by CMB and the related provisions in the regulation in independent auditing. The liabilities with respect to Ethical Rules and other liabilities on ethics within the scope of regulation have been performed by us. We rely on that the independent audit evidence obtained during the independent auditing process, forms a sufficient and proper basis for building our opinion.

3) Auditor Opinion On Full Set Financial Statements

We hereby express positive opinion in our audit report dated 01.03.2019 on full set financial statements of the Company arranged for the period 1.1.2018-31.12.2018.

4) Liability of Board of Directors with respect to Annual Activity Report

The managing board of the Company is liable for the following items with respect to the annual activity report, pursuant to Articles 514 and 516 of Turkish Commercial Code (6102-TCC) and Communiqué on Basis of Financial Reporting in Capital Market” under ref.no. II-14.1 (“Communiqué”) of Capital Markets Board (“CMB”):

a) The managing board shall arrange and submit for approval of the general assembly, the annual activity report within the first three months of the subsequent accounting period.

b) The management of the Company shall be liable for the preparation of the annual activity report in reflecting the truth, accurately, directly, realistic and fairly and in compliance with the financial condition, in all respects, within the scope of current year’s activity flow. The financial condition in this report, shall be assessed pursuant to financial statements. In this report, also, probable risks against development of the company and that may be encountered shall be indicated expressly. The assessment hereof by the Board shall also be included within the scope of the report hereon.

c) The activity report shall also include the following items:

Activity Report For The Period 01.01.2018-31.12.2018

- The events occurred subsequent to the end of the financial year and having particular significance for the company,
- Research and Development transactions of the Company,
- Financial interests such as wages, premiums, bonus, allowances, travel, accommodation and representation expenses, benefits in kind and in cash, insurances and similar warrants which are paid to the Board Members and senior managers.

The Board of Directors shall take the secondary legislations carried out by the Ministry of Customs and Trade and related organizations, into account, while arranging the activity report.

5) Liability of Independent Auditor with respect to Annual Activity Report

Our purpose is to present an opinion and arrange a report including our opinion, with regard to the fact that the financial information included in the activity report hereon under provisions set forth in Turkish Commercial Code, and the inspections performed by the Board are reflecting the truth and in compliance with the financial statements subject of the independent auditor report and the information obtained during independent audit process.

The independent audit performed, has been carried out in accordance with Independent Auditing Standards (“BDS”). The standards hereon, require performing by planning to obtain a reasonable assurance on the fact that the independent auditing, financial information included in the financial statements and the inspections performed by the Board are reflecting the truth and in compliance with the financial statements and the information obtained during independent auditing and providing conformity with the ethical provisions.

01 March 2019, Istanbul
Osman Tugrul OZSUT
Responsible Auditor
As Independent Audit and CPA S.A.
(Member of NEXIA INTERNATIONAL)
(Sealed & Signed)

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MESSAGE FROM THE BOARD OF DIRECTORS

Dear Esteemed Shareholders, Esteemed Business Partners and Employees;

2018 has led to one of the most challenging processes of our country's economy in recent years, and the rise in interest rates, the increase in the exchange rates, therefore the increase in costs and the effect of the transition into inflation, the decline in domestic demand and the decrease in production in all areas, particularly in the industrial sector, were observed.

While this situation put considerable pressure on the balance sheet and cash flows of the companies, the tightening of the financial conditions and the increase in the resource costs also reduced the economic activity and domestic demand downwards.

Due to our responsibility undertaken for being one of the greatest industrial organizations in Turkey; although all economical disadvantages/troubles experienced in the previous year 2018; we have continued to produce and work with a higher motivation ever.

Although product quality and recognition have gained importance in the sector in recent years; this positively affected the total market share of high value-added products and continued to support exports to developed countries. The ceramic coating materials sector has made a significant contribution to the Turkish economy as one of the sectors that use domestic resources in exports transactions and having the lowest dependence on imported products.

Ege Seramik, being aware of a brand, has been working in order to enhance and improve its respected position in the sector with its continuous innovation studies, by aiming at a sound and sustainable growth producing profitable goods in the high productivity through innovative Technologies and to protect and increase competitive capacity by concentrating on the investments and business developments towards productivity and automation.

On the other hand; in 2018, the increase in the prices of ceramic raw materials on the basis of foreign exchange in raw material costs and the increase in the price of natural gas prices in industrial establishments related to the use of natural gas with high cost effect on ceramic production caused the production costs to increase by adversely affecting the fuel costs of our Company.

Dear Esteemed Shareholders,

Our company has a management approach that can act according to the demand in the market and therefore has re-accomplished more sales than our production, as it does every year, in this year through the decisions implemented immediately. We have accomplished 18,8 million m² goods production and sales, by working with a rate of capacity utilization of %77,68; in the year 2018. While our return on sales was %32,33; we have created 77 million TL EBITD; and our exportation amount, although fluctuations generally experienced during 2018, in the foreign exchange rates, has formed %51,28 of our total sales income. Our net sales income has increased with a rate of %13,29, when compared with the previous year, and materialized as 434,5 million TL; and our net distributable profit corresponding to %25,90, after taxes has increased with a rate of %26,10, when compared with the previous year.

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Dear Esteemed Shareholders,

”Profit Distribution Policy“; in accordance with all applicable legislation available in our Country and the relevant provisions of the Company's Articles of Association; it is determined by taking into consideration the situation of the country's economy and the sector and taking into consideration the sensitive balance between the expectations of the shareholders and the needs of the Company.

In this context, our Company's net distributable profit for the year 2018 includes;

- No profit share is given to the members of the Board of Directors,
- Distribution of the total gross dividend amount; TL 24,984,284.84 as first and second dividends to the shareholders,
- Distribution of the total gross dividend amount; TL 6.015.715,16, to privileged shareholders,
- Assign TL 5.235.866,01 as general legal reserves,
- Entering TL 13.981.454,12 to our legal records as extraordinary reserves,
- Payment to the beneficiaries on 27 May 2019,

The foregoing was proposed to our General Assembly

Our Board of Director shall continue to work to achieve even better results in 2019 with the contribution of you our Esteemed Partners, of our colleagues, national and foreign authorized sales teams and of all our suppliers.

We would like to extend our gratitude to all the contributors to the performance we achieved in 2018 and we wish year 2019 to be an efficient and successful year for our country and company.

Kind Regards
Board of Directors

A. HISTORY

1. MILESTONES

- 1972 Ege Seramik was established at Kemalpaşa, İzmir.
- 1973 Production started with a capacity of 300.000 m².
- 1981 Significant part of stocks were purchased by Mr. İbrahim Polat.
- 1982 Ege İnşaat Malzemeleri Pazarlama A.Ş. was incorporated in order to carry out sales marketing operations of Ege Seramik.
- 1983 It was incorporated into the İbrahim Polat Holding.
- 1988 Five-year investment program started.
- 1992 Ege Seramik started to be publicly traded at IMKB.
- 1994 Production capacity increased to 16 million m²
- 1995 Production capacity increased to 22 million m²
- 2004 Plant to produce custom-shaped tiles was commissioned.
- 2004 Production capacity increased to 25 million m²
- 2005 Oracle ERP automation system was set up.
- 2009 DIGITILE investment was commissioned.
- 2011 New glazing, sizing and hi-tech nano Protective surface machines were purchased.
- 2012 Modernization investment was started to produce oversized ceramic tiles.
- 2013 7.Hall Modernization investment was completed and oversized ceramic tiles were started to be produced.
- 2014 The modernization investments have been started at mass preparation facilities with Production Hall No.4
- 2015 The modernization investments have been completed at mass preparation facilities with Production Hall No.4.
- 2016 By completion of packaging machinery and new glazing machinery installations, taken into service.
- 2017 By completion of packaging and digital printing machinery installations, taken into service.
- 2018 The construction of our new factory store was completed and put into operation. The installation of new press and digital printing machinery was completed and included in production within the scope of modernization investments.



B. GENERAL INFORMATION ON EGE SERAMİK

2. Vision-Mission-Objectives

Our Vision;

With the activities we started by using our accumulated knowledge and expertise and developing hereof;

- To become a reliable GLOKAL (Global & Local) actor in ceramic coating markets,
- To reach higher levels of total customer satisfaction,
- Not to act as the producer of each and every segments, to act profit-oriented, to develop ourselves in order to increase our market share and to ensure sustainable growth on incomes,
- To update the sectoral knowledge by implementing the innovations brought by technology world,
- To invest to the future through an environmental sustainability understanding.

Our Mission;

With our products manufactured by international quality standards,

- To provide service to the developing construction sector in our country,
- To direct the sector with our innovative and creative activities,
- To participate into social projects as much as possible, to the extent the required time and conditions are available,
- By aiming the profitability, to pay respect to the nature and environment as well as the rights of our stakeholders and related parties and to the national/international laws and legislations.

Our Objectives;

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



3. GENERAL INFORMATION

Reporting Period	: 1 January 2018 – 31 December 2018
Company Trade Name	: EGE SERAMİK SANAYİ VE TİCARET A.Ş.
Tax Office / Number	: Kemalpaşa / 325 005 5424
Trade Registration Number	: 614 K.Paşa-575
Mersis Number	: 0-3250-0554-2400011
Headquarters Address	: Ankara Asfaltı 26.Km. P.K.:35170 Kemalpaşa/İZMİR
Branch Address	: -
Field of Activity	: Production and sales transactions of ceramic floor and wall tile
Stock Share Code	: EGSER
<u>Contact Information</u>	:
Telephone	: (232) 878 17 00
Fax	: (232) 878 12 54
E-mail address	: info@egeseramik.com
Keyp address	: egeseramik@hs01.kep.tr
Internet Site	: www.egeseramik.com

4. INFORMATION ON THE MANAGING BODY, SENIOR EXECUTIVES AND PERSONNEL OF THE COMPANY**a) Board of Directors**

Ibrahim POLAT
Chairman of The Board of Directors



Bulent ZIHNALI
Vice Chairman of the Board



Baran DEMIR
Vice Chairman of the Board



Dilek NAM
Independent Board Member



Tuba TARLAN
Independent Board Member



Ibrahim Fikret POLAT
Board Member

b) Structure and Formation of the Board of Directors

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

c) Names of Board of Directors Members

The Board of Directors of the Company was consisted of the following persons in 2018:

Chairman	: Ibrahim POLAT (Non-Executive Member)
Deputy Chairman	: Baran DEMIR (Non-Executive Member)
Deputy Chairman	: Bulent ZIHNALI (Executive Member)
Independent Member	: Dilek NAM (Independent Member)
Independent Member	: Tuba TARLAN (Independent Member)
Member	: Ibrahim Fikret POLAT (Non-Executive Member)

d) Executive Members of the Board of Directors

Vice Chairman of Board of Directors : Bulent ZIHNALI

e) Background of the Board of Directors Members and the General Manager**IBRAHIM POLAT****He keeps office as a Member of the Board of Directors.**

Ibrahim Polat was born in the town of Askale in Erzurum in 1931. At a young age, he started to work as a construction contractor and built numerous exclusive buildings in Istanbul. He added ceramic healthcare equipment and mining and energy to his enterprises in the industrial sector which he started by establishing the Ege Seramik Factories in Izmir in 1972. He entered the tourism sector with the Istanbul Polat Renaissance Hotel in 1993. Besides being a Businessman and an entrepreneur, Ibrahim Polat, who places importance on social aids and investments, has also been involved in several foundations established for social and cultural purposes as well. He is also the author of a book entitled "Alümin Teri" published in 2007 and "Topragı Altın Eden Adam" published in 2018.

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

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

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

He was born in Ankara in 1960. He graduated from the Economics-Finance Department of the faculty of Political Sciences. He attended graduation studies in Economics in USA. He started his career as a Deputy Financial Analyst at the Ministry of Finance in 1982. Upon keeping offices as Financial Analyst and Chief Financial Analyst, he kept office as the Department Head at the General Directorate for revenues in the Ministry of Finance between 1991 and 1996. He started to work for Ibrahim Polat Holding A.S. in November 1996. He kept offices as the Holding General Manager, Financial Affairs Coordinator and Head of Financial Affairs Group. He is now acting as the CEO of Ibrahim Polat Holding A.S. and keeping offices as Deputy Chairman and Member of the Board of Directors in the group companies. He holds a Certified Public Accountant's license and Independent Auditor License and has articles published on taxation. He is married and knows English.

IBRAHİM FİKRET POLAT**He keeps office as a Member of the Board of Directors.**

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

DİLEK NAM**She keeps office as an Independent Member of the Board of Directors.**

She was born in 1961. She has studied in Izmir American College. She graduated from the 9 Eylul University Department of Law in 1987. She acted as General Coordinator Assisstant in BMC Otomobilcilik ve Tic. A.S.; lawyer, self-employed lawyer in Bulut& Bulut Law Office, respectively; still acting as legal advisor in USA Air Forces 425th Air Base. She is registered in Izmir BARO and member of Turkish Penal Code Sociaety. She knows English.

TUBA TARLAN**She keeps office as an Independent Member of the Board of Directors.**

She was born in 1962. She has studied in Izmir American College. She graduated from the Ege University Department of Microbiology in 1984. She has completed Yasar University Business Engineering Master Program, as well. She respectively worked for Izmir Pamuk Mensucati T.S.S. Export Department, Ozur Atermit Sanayi ve Ticaret A.S. Export Specialist, BMC Otomotiv Mamulleri Pazarlama A.S. Export Specialist, Valeo Otomotiv Sistemleri Endustrisi A.S. Sales Specialist. She is still working as General Manager and Partner of Ayda Gıda Ltd. Sti. She is married and knows English, Italian and French.

GOKSEN YEDİGÜLLER**He keeps office as the General Manager.**

Goksen Yediguller was born in Izmir in 1963. He graduated from the Department of Economics of the İMYO of the Dokuz Eylul University. He worked as a senior executive in ceramic factories as Kutahya Seramik, Kalekim and Kale Pazarlama between 1986 and 2010. He started to work as the General Manager at Ege Seramik Sanayi ve Ticaret A.S. on 16 February 2010 and still keeps his office.

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Statements of Independence of the Independent Members of the Board of Directors were made public on PDP/KAP on 28/03/2018 and such statements may be accessed on the web site of our Company.

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

There are no limitations on the members of board of directors concerning their appointments for various tasks either within the Group or outside of our Group.

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

f) Operating Principles of the Board of Directors

According to the articles of incorporation of the Company, Board of Directors meets whenever it is required by the affairs of the Company. However, it is mandatory for the Board of Directors to hold a meeting minimum once in a month. Board of Directors convenes with minimum 4 members. Decisions of board of directors may be taken with the absolute majority of the meeting participants who participated into the board meeting both physically and over the electronic environment. The meeting form, meeting and decision-making quorums of the board, voting procedures and the duties, rights and powers of the board of directors are governed by the relevant provisions of Turkish Commercial Code and Capital Markets Code. Meetings of the Board of Directors were held and 26 (twenty-six) individual resolutions made on various dates during year 2018. Members are convened for meetings in written and verbal forms through a convocation sent by the secretary of the General Manager.

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

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

Board of Directors determines its members or external people whom it authorizes to represent the Company, the limits in which the general manager, managers and officials shall exercise their signatory powers and in what issues and the duration of such powers. Names and limits of power of the members of the Board of Directors and other people who have signatory powers are

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announced in detail in a circular letter. Although the powers and responsibilities of other the executives are not contained in the articles of incorporation, job descriptions showing powers and responsibilities of all the other employees including the senior executives have been established throughout the Company.

g) Number, Structure and Independence of the Committees Established formed the Board of Directors

Two committees have been formed in accordance with the CMB Series II-17-1 “Corporate Governance Principles”:

Due to the structure of the Board of Directors, structures and activities of the currently existing committees are being reviewed within the framework of the provisions specified in Communiqué on Corporate Governance (II-17-1) of the Capital Markets Board and with the participation of two persons among the members of the Board of Directors, the Audit Committee on Inspection and Corporate Governance Committee were formed accordingly. Duties and liabilities under the Early Detection of Risks Committee, Nomination Committee and Wage Appraisal Committee are being performed and fulfilled by the Corporate Governance Committee of our Company.

Audit Committee:

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

Chairman of Audit Committee : Dilek NAM (Independent Member)
Member of Audit Committee : Tuba TARLAN (Independent Member)

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

Corporate Governance Committee:

Corporate Governance Committee members were elected among the members of board of directors during 26.04.2018 dated General Meeting of Shareholders in order to officiate until the next General Meeting of Shareholders to be held and their task distributions were realized on the same date as follows:

		<u>Start Date</u>	<u>Leave Date</u>
Dilek Nam	Head of Corporate Governance Committee (Independent Member of Board of Directors)	26.04.2018	-
Baran DEMİR	Member of Corporate Governance Committee (Non-executive Member of Board of Directors)	26.04.2018	-
Aysel HATIPOGLU	Member of Corporate Governance Committee (Investor Relations Director)	26.04.2018	-

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Within the scope of the assignation carried out in the Board Resolution no. 2018-13 dated 26.04.2018, Corporate Governance Committee undertakes the tasks of;

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

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

The internal charters concerning the working rules and principles of the above mentioned committees can be accessed over the internet site of our Company from: www.egeseramik.com

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

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

h) Senior Management

<u>Name-Surname</u>	<u>Position</u>
<u>Bulent ZIHNALI</u>	<u>Deputy Chairman of Board of Directors and Head of Operations Group</u> He started his career at Ege Seramik in 1975 and held positions as an executive at various levels and as a member of board of directors during this period of time. He was promoted as the Head of Operations Group on 16.02.2010
<u>Goksen YEDIGULLER</u>	<u>General Manager</u> He started to keep office as General Manager at Ege Seramik on 16.02.2010. Before he was appointed to this position, we had worked as a senior executive at some large ceramic factories of Turkey.
<u>Nurgun AY</u>	<u>Factory Manager</u> She started her career at Ege Seramik in 2006 as Research and Development Laboratory Manager, after her appointment as Deputy Factory Manager, on 01.01.2017 she has nominated as and still in the position of Factory Manager.
<u>Bulent SABUNCU</u>	<u>Financial Affairs Manager</u> He joined the organization of Ege Seramik in year 2012 and he still maintains this position.

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Mustafa AKBACI Sales Manager

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

Nevin CIFTCIOGLU IT Manager

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

I.Volkan DERINBAY Production Planning and Logistics Manager

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

Ilyas YALCIN Human Resources and Administrative Affairs Manager

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

Aysel HATIPOGLU Investor Relations Director

She has been appointed as of the date of 01.04.2016 and she has been still maintaining her Auditing and Corporate Risk Management Director in our Parent Company, Ibrahim Polat Holding A.S.

i) Employees

Average number of our employees occurred to be 1.082 in the year 2018. The average age of our employees is 35 and average seniority period is 6 years. Out of the total number of our employees, 13% are university graduates; 7% vocational college graduates, 39% high school graduates and 41% primary school graduates. Out of our administrative staff members, 6% has master's degree, 58% bachelor's degree, 20% are vocational college graduates and 16% high school graduates

Employees who are members of a trade union are subject to collective labour contract executed with CIMSE-IS Labour Union. A collective labour contract which covered the period between the years 01.01.2017-31.12.2018 was signed with Turkey Cement, Ceramics, Land and Glass Industry Labour Union (T.Cimse-Is Labour Union) on 14.04.2017

Average Number of Personnel	Year 2017	Year 2018
Manager	19	19
Officer	149	165
Worker	918	898
Total	1.086	1.082

Average Number of Personnel



j) No business and competition with the Company

Chairman and members of the Board of Directors may not directly or indirectly carry out any business with the Company on their own or on others' behalf without obtaining permission from the General Meeting of Shareholders. Chairman and members of the Board of Directors have been authorized as per the Turkish Commercial Code by the General Meeting of Shareholders held on 26/04/2018. Members of our Board of Directors did not do any business with any company nor made any attempts which shall compete with the Company in its subjects of activity during the operating year 2018.

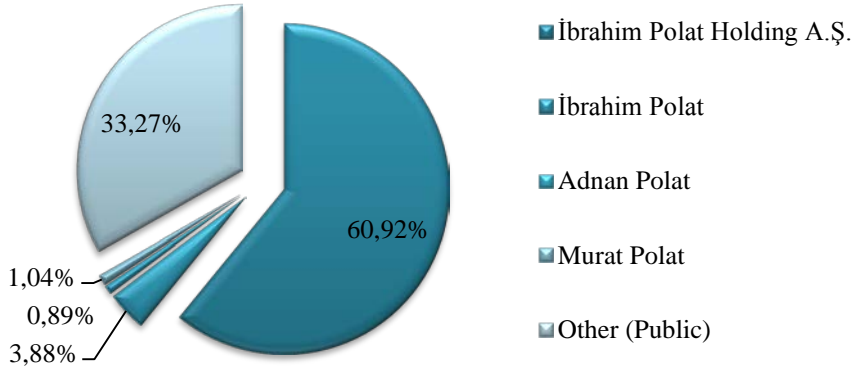
5. ORGANIZATION, CAPITAL AND SHAREHOLDING STRUCTURE OF THE COMPANY

a) Capital : TRY 75.000.000.-

b) Registered Capital : TRY 150.000.000.-

Shareholders	Nominal (TRY)	Share %
Ibrahim Polat Holding A.S.	45.686.919	60,92%
Ibrahim Polat	2.909.876	3,88%
Adnan Polat	666.088	0,89%
Murat Polat	779.877	1,04%
Other (Public)	24.957.240	33,27%
Total	75.000.000	100%

Shareholding Structure of Company



c)-Changes which occurred during the fiscal term:

None.

d- Information on privileged shares

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

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

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

Our remuneration policy for the board of directors and senior executives is published on the Company's website. As stated in the articles of association to the Board of Directors; After deducting the first dividend, eight percent of the remaining shares are allocated to Group A shareholders, five percent to Group B shareholders and five percent of the remaining profit is allocated to board members. The proposal of the Board of Directors not to give any share to the members of the Board of Directors from the profit for the year 2017 has been approved and acknowledged at the General Assembly meeting. The Company did not lend any money to any board member or executives, lend them any loans, lend a loan under the name of a personal loan through a third party, or provide guarantees such as surety in favor of them.

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The General Assembly assigns and determines the attendance fee, the amount of remunerations and the payment dates that can be given to the members of the Board of Directors other than dividends. The principles of remuneration of board members and senior executives are documented in writing. The Remuneration Policy is presented to the shareholders as a separate item at the General Assembly meeting and shareholders are given the opportunity to express their opinions on this matter. The remuneration policy prepared for this purpose is available on the company's website. Share options or company performance-based payment plans will not be used for remuneration of independent board members. The remuneration of the independent members of the Board of Directors is determined by the regulations of the Capital Markets Board to maintain their independence.

It was resolved at the General Meeting of Shareholders held on 26.04.2018 that those members of the Board of Directors who had been elected as independent members of the Board of Directors would be paid an attendance fee of TRY 6.000,- per month. Also, health and life insurance is purchased for our senior executives every year. Remuneration and bonus etc. payments have been made to the senior executives in 2018, amounting to TL 4,059,571.-.

Among the agenda items of the General Assembly on 2018; Within the scope of the Turkish Commercial Code numbered 6102 and the related regulation, three weeks prior to the Ordinary General Assembly Meeting, we provided information about our Remuneration Policy, which was submitted to our Company's head office address, www.egeseramik.com website and the Electronic General Assembly system of the Central Registry Organization and the foregoing has. submitted to the opinion and approval of our shareholders.

7.SHAREHOLDERS

a) Shareholder Relations Function

The following people keep office in the Shareholder Relations Function:

Name-Surname	Position	Telephone No	E-Mail Address
Aysel HATIPOGLU	Investor Relations Manager	0212 212 00 44	aysel.hatipoglu@polatholding.com
Bulent SABUNCU	Financial Affairs Manager	0232 878 17 00	bsabuncu@egeseramik.com

Aysel Hatipoglu, having “Capital Market Activities Advanced License-211906” and “Corporate Management/Governance Rating Surveyor License- 702380”, as stipulated in CMB “Corporate Management/Governance Communiqué” with ref.no. II-17.1, is working as fulltime employee in the Parent Company. Besides, is the member of Management Committee.

Bulent Sabuncu, having “Corporate Management/Governance Rating Surveyor License-703334”, as stipulated in CMB “Corporate Management/Governance Communiqué” with ref.no. II-17.1, is working as fulltime employee in our Company.

Pursuant to the provisions of first sub-clause of the Article 11 of “Communiqué on Corporate Governance” with Serial No: II-17-1 of the Capital Markets Board of which was published in the Official Gazette No. 28871 on 03.01.2014, the Shareholders Relations Function

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which provides the communication among our Company and investors has been established directly bound to Board of Directors.

The Shareholders Relations Function submits its report at least once a year for the approval of Board of Directors, with respect to the activities carried out. The activity report of 2018 has been submitted in the Board of Directors Meeting on 27 February 2019.

As stipulated by the Article 11 of the same Communiqué, the same function also fulfils the Company's obligations arising from the legislation of the Capital Market Act and conducts the coordination of the applications of Corporate Governance Principles. Some of the main activities conducted by the function include the following:

- *Correspondences realized among the Company and investors and to ensure healthy keeping and maintaining of the records related with other information and documents in an updated status,*
- *To perform any procedures related to the capital increase and dividend payment which were carried out in previous years,*
- *To keep the shareholding book in which entries related to shareholders are contained in an orderly, safe and up-to-date manner,*
- *To hold the General Meeting of Shareholders in compliance with the legislation in effect, articles of incorporation and other intra-company regulations,*
- *To prepare the necessary documents that are required to be submitted for the information and examination of the shareholders in relation to the general meeting of shareholders; to take the necessary measures in order to organize the General Meeting of Shareholders in compliance with the legislation in effect, articles of incorporation and other intra-company regulations and to send the meeting minutes to the persons who request such,*
- *To discuss with authorized personnel and reply any written and verbal request for information related to the Company from shareholders, except any information of confidential and trade secret nature,*
- *Considering the Communiqué serial no. II-15-1 of CMB, to report any necessary Material Disclosures to BIST, PDP and CMB,*
- *To monitor, observe, follow-up of fulfillment of the obligations originating from the Capital Markets legislations, including all kinds of matters related with the corporate governance and public disclosure and to submit such matters into the attention of relevant department of Company.*

During the period between the dates of 01.01.2018-31.12.2018, 64 (sixty four) applications were filed in the Investment Relations Function by shareholders and the investor companies through various means and were replied by the function.

b) Exercise of the Right to Information by Shareholders

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

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

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For the purpose of extending the shareholders' right to information, up-to-date information are presented to the use of our shareholders on the web site of our Company, except any information of confidential and trade secret nature. Any developments which may have an effect on the shareholders' exercise of their rights are reported to the Public Disclosure Platform (PDP) in the form of material disclosures.

Request for the appointment of a private auditor has not been regulated as an individual request right in the articles of incorporation of the Company, and the relevant articles of the Turkish Commercial Code are taken into consideration in cases which are not stipulated in the articles of incorporation. No "Request for the Appointment of a Private Auditor" was filed with our Company during 2018.

c) General Assembly Meetings

- 1) An annual general meeting of shareholders was held in 2018. General Meeting of Shareholders for our Company's operations in 2018 was held on April 26, 2018 and the minutes of the meeting is open to inspection by our shareholders on the Central Registration Agency and Web site of our Company.
- 2) No special meeting quorum has been determined for the General Meetings of Shareholders/General Assembly Meetings of our Company and the provisions of the Turkish Commercial Code are applied for the meeting and resolution quorums.
- 3) Notice for meetings was given in accordance with the provisions of the articles of incorporation and the legislation. Notice was given via printed media (notice in a newspaper) and in the form of an electronic notice on the Public Disclosure Platform, Central Registration Agency Electronic General Meeting System and www.egeseramik.com web site.
- 4) At the General Meeting of Shareholders also held via the Electronic General Meeting System, the required meeting quorum was achieved and there were also participants from the personnel and customers as stakeholders. Media did not attend the meeting. Shareholders exercised their right to ask questions at the General Meeting of Shareholders. Replies related to the financial statements and upper limit of donations were given to the shareholders in a verbal manner. There was no request for discussions on any issues other than those included in the notified agenda at the meeting. Those shareholders who attended the General Meeting of Shareholders obtained the activity reports in a printed manner. They could also reach any necessary information via the addresses as given in subparagraph (c) above.
- 5) An item related to donations was added to the agenda at the Annual General Meeting of Shareholders held on 26.04.2018 and the shareholders were informed and requested for approval of that no donation has been made during the year 2017. The Board of Directors has entitled to donate with a limit of 25.000.- TRY for the year 2018, in the General Assembly.

d) Voting Rights and Minority Rights

Pursuant to the articles of incorporation of our Company, those shareholders or their proxies who attend the annual and extraordinary general meetings of shareholders are entitled to one vote for each share they hold, and there are no privileged shares in vote casting. Method of casting votes at the General Meetings of Shareholders is applied pursuant to the provisions of the Turkish Commercial Code and Capital Market Act and relevant regulations.

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

e) Right to Dividend

Pursuant to the articles of incorporation of our Company, upon the deduction of the primary reserve fund and primary dividend from the distributable term's profit, eight percent of the remaining amount is allocated to the holders of Group A shares and five percent to the holders of Group B shares. Other than this, there is no privilege on dividends. Our Company's Dividend Distribution Policy, Public Disclosure Platform are announced on our web site at www.egeseramik.com.

Pursuant to our financial statements issued for the accounting period of 01.01.2017 - 31.12.2017 of which were issued by our Company in accordance with the provisions of Series: II, 14.1 numbered Communiqué published by the Capital Markets Board and with the International Financial Reporting Standards and which was audited by MBK Denetim ve Serbest Muhasebeci Mali Musavirlik A.S. trade named auditing company; our Company has earned TRY 45.872.203,65 Net Distributable Net Profit for the Period; accordingly, it is deemed suitable by our General Assembly of Shareholders Meeting held on 26.04.2018 to make profit distribution as follows. The profit share amounts for the year 2017 have been paid on 05 June 2018.

Share Group Information	Cash Profit Share to be Paid to 1 TRY Nominal Value - Gross (TRY)	Cash Profit Share to be Paid to 1 TRY Nominal Value - Net (TRY)
C Group,EGSER(Previous), TRAEGSER91F0	0,1532	0,13022
A Group, No transaction (Priveleged), TREEGSR00012	244.651,75	207.953,99
B Group, No transaction (Priveleged), TREEGSR00020	101.938,23	86.647,50

Among the agenda items of the General Assembly on 2018; within the scope of the Turkish Commercial Code numbered 6102 and the related regulation, three weeks prior to the Ordinary General Assembly Meeting, we provided information about our Profit Distribution Policy, which was submitted to our Company's head office address, www.egeseramik.com website and the Electronic General Assembly system of the Central Registry Organization and the foregoing has submitted to the opinion and approval of our shareholders.

f) Transfer of Shares

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

8. INFORMATION POLICY OF THE COMPANY

Our Company has established an information policy as stipulated by the relevant principle decision of the Capital Market Board and by the Material Disclosure Communiqué no. II-15-1. Our information policy has been published on PDP and is available as an attachment to our activity report and web site of our Company. In case of any request for information by the shareholders; Investment Relations Manager Aysel Hatipoglu and Financial Affairs Manager shall provide such information orally or in writing.

Our Company sent 13 (thirteen) electronically signed Material Disclosures to the Operational Directorate of Public Disclosure Platform (PDP) system available within the structure of Central Registration Agency (CRA) as per the CMB regulations during 2018. No supplementary disclosures have been required for the material disclosures given and there has been no sanction applied by CMB, BIST and CRA. Since our stocks are not listed in any stock exchange in abroad, no disclosure has been sent to any stock exchanges other than BIST. Any prospective information and considerations may be disclosed to the people not more than four times Provided that assumptions and data on which such assumptions are based shall be disclosed and on condition that it is made under a resolution of the Board of Directors or under the written approval of the person who has been authorized –if such authorization has been granted. Assumptions must be consistent with the financial condition and activity results of the Company. In the event that any forecasts and grounds have not materialized or are found out not to materialize, updated information is made public together with respective reasons.

9. CORPORATE INTERNET SITE AND ITS CONTENTS

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

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

- *COMPANY INFORMATION*
- *DOCUMENT IMAGING*
 - *Resolution of the general meeting of shareholders regarding amendment to the articles of incorporation of the Company*
 - *Income statement*
 - *Cash flow chart*
 - *Balance sheet*

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- *Equity conversion statement*
 - *Convocation for the general meeting of shareholders*
 - *Articles of incorporation of the Company*
 - *Minutes of the General Meeting of Shareholders*
 - *Minutes of the Special Meeting of Privileged Shareholders*
 - *Internal Directive*
- ✓ General headings of the section “Investor Relations” of Company internet site are as follows:
- ARTICLES OF INCORPORATION
 - CHRONOLOGY OF ARTICLES OF INCORPORATION
 - PARTNERSHIP STRUCTURE
 - BOARD OF DIRECTORS
 - FINANCIAL INFORMATION
 - FINANCIAL REPORTS
 - ANNUAL ACTIVITY REPORTS
 - GENERAL ASSEMBLIES
 - SPECIAL/MATERIAL DISCLOSURES
 - CORPORATE GOVERNANCE/MANAGEMENT
 - INFORMATION POLICY
 - WAGES POLICY
 - PROFIT DISTRIBUTION POLICY
 - DONATION POLICY
 - COMPANY POLICY FOR STAKEHOLDERS
 - PERSONNEL COMPENSATION POLICY
 - COMMITTEES

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

10. RESEARCH AND DEVELOPMENT STUDIES OF THE COMPANY

Ege Seramik, between 27 February - 03 March 2018, has participated by 33 new series to 30. UNICERA Fair arranged in CNR Expo Yesilkoy fair area. 10 thousand foreign visitors have joined in the fair, among 80 thousand professionals. Germany, Italy, Spain, India, Portugal, Iran, Egypt, Serbia and Korea are among the foreign countries visiting the fair.

Our company exhibited 33 different series at the fair. New products are inspired by marble, metal, wood, rustic, patchwork, mosaic stone, watercolor concepts.

Product development works were completed for Coverings / America trade show preparations held in USA between 8-11 May 2018 and 11 series were developed and presented to our customers in addition to Unicera fair.

Our company, which started to use Digital Printing technology in the sector, has followed R & D researches of developing digital printing technologies in this period as well; R & D activities on granite, metal and relief effects materials developed for use in digital machines for floor and wall tiles.

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CERSAIE 2018 - International Ceramic Tile and Bathroom Materials Fair was held in Bologna, Italy between 24-28 September 2018. Autumn 2018 Collection products were launched in the fair with 12 venues, 17 wall exhibition systems, 96 grande boards and 2 large-sized ceramic stands.

At the fair stand; This year, Hi-Tile Technology Group products covering 4 new materials, including Crystal Shine Effect, Glossy Effect Ink, Deep Effect Ink and Granillia Application were launched with a different surface, 25 series offered to customers' taste.

Our technical team attended to TECNARGILLA 2018 "International Technology and Ceramics, Brick Industry Materials Fair" as a visitor, which was held in Rimini, Italy between 24-28 September 2018; and after researches in new technology and material researches to determine future targets, started its studies.

With the investments made in mosaic cutting machines in 2018, mosaic new product ranges have been increased. We can apply new mosaic models to each product and create privileges in the places and carry the elegance of the mosaic to the places. Products are available in both domestic and foreign markets for sale.

Within the scope of the preparations for the next period fairs, the Italian and Spanish design studios and Ege Seramik designers have initiated joint works and aims to increase customer satisfaction with new trends.

11. ACTIVITIES OF THE COMPANY AND IMPORTANT DEVELOPMENTS RELATED TO ACTIVITIES

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

A total of 27,516,603 TL investment was made in 2018.

In total TRY 19.327.664 worth of modernization and renewal investments were realized by Ege Seramik Sanayi ve Ticaret A.S. during year 2018 within the scope of Investment Incentive Certificate ref.no. 136299 B. Besides, in order to provide better service to our customers and to promote our products; a new and modern factory sales store was built on our real estate across our factory and put into operation with a cost of 8.188.939.-TL.

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

Our Company is audited as to the compliance of the operations and activities carried out with both legislation and company policies by the Auditing Committee and internal auditors. Auditing Committee regularly meets and audits the company's financial statements and reports subject to/not subject to independent audit, inspects the balance sheet and profit-and-loss accounts, audits their compliance with the accounting principles and standards identified by CMB and submits them to the Board of Directors for approval. Our company Ege Seramik Sanayi ve Ticaret A.Ş. in accordance with certification procedures and with proof of applications compatible with regulations, based on ISO / IEC 27001: 2013, effective from August 15, 2016, the Company has

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been awarded with Information Security Management System certificate and has made significant improvements in business processes.

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

Corporate Governance Committee; is responsible for early detection of risks that may endanger the existence, development and continuity of the company, taking necessary measures for the identified risks and management of risk, and reviewing risk management systems at least once a year.

c) Strategic Goals of the Company

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

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

	31 December 2018		31 December 2017	
	TRY	%	TRY	%
Ceramic Research Centre	4.000	8,00	4.000	8,00
Total	4.000		4.000	

e) Information on the Own Shares Acquired by the Company:

None.

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

Our Company was audited by AS Bagımsız Denetim ve Yeminli Mali Musavirlik A.S. trade named independent audit company for full attestation and independent audits during 2018 activity period .

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

There are no legal actions filed against our Company, which may affect the financial condition and operations of the Company. Provisions for lawsuits in 2018 are provided in the footnotes.

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

None.

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

All resolutions made at the General Meeting of Shareholders have been fulfilled; While the production and sales amount remained below the projected budget targets in 2018 operating year, the profitability of EBITDA was above the budget with gross and operating profit.

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

None.

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

No donation has been made by our Company during the year 2018.

Among the agenda items of the General Assembly on 2018; within the scope of the Turkish Commercial Code numbered 6102 and the related regulation, three weeks prior to the Ordinary General Assembly Meeting, we provided information about our Donation Policy, which was submitted to our Company's head office address, www.egeseramik.com website and the Electronic General Assembly system of the Central Registry Organization and the foregoing has. submitted to the opinion and approval of our shareholders.

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

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

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

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In CE compliance mark activities to be carried out in our sector, practices are maintained within the scope of the Building/Construction Materials Regulation (305/2011/AB) and EN 14411 Harmonized standards.

There are no legal actions filed against our Company due to damages caused in the environment.

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

Our Company has prepared its Affiliation Report for year 2018 as required by the Turkish Commercial Code.

Any legal actions taken with the holding company İbrahim Polat Holding A.S. and with the companies affiliated to the holding company or in favour of the holding company or any company affiliated thereto under the direction of the holding company and all measures taken or omitted in favour of the holding company or any company affiliated thereto in the preceding operating year have been considered in the reports.

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

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

12. FINANCIAL STATUS

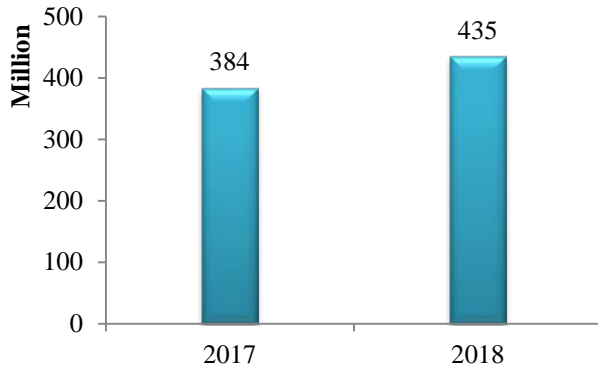
Issued in accordance with the financial statements issued in compliance with the “Communiqué on Principles Concerning Financial Reporting in the Capital Market” No. II-14.1 of CMB.

Condensed Balance Sheet (TRY)	Year 2018	Year 2017	%
Current Assets	270.823.839	262.431.618	3,20%
Fixed Assets	180.412.963	159.524.649	13,09%
Assets	451.236.802	421.956.267	6,94%
Short-Term Liabilities	92.176.976	110.104.827	(16,28%)
Long-Term Liabilities	28.164.608	26.793.518	5,12%
Share other than Parent Company	-	-	-
Capital Stock	330.895.218	285.057.922	16,08%
Liabilities	451.236.802	421.956.267	6,94%

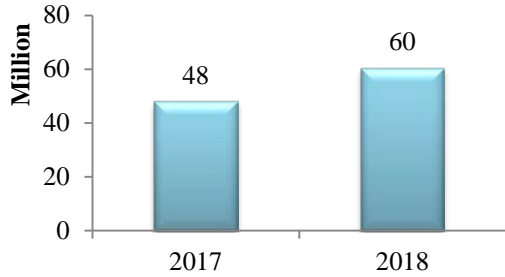
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Condensed Income Statement (TRY)	Year 2018	Year 2017	%
Net Revenues	434.544.973	383.578.635	13,29%
Gross Profit	140.500.266	120.279.168	16,81%
Operating Profit	61.884.450	53.857.652	14,90%
Net Profit (-Loss)	60.354.281	47.941.127	25,89%
EBITDA (FAVOK)	77.051.243	69.311.446	11,17%

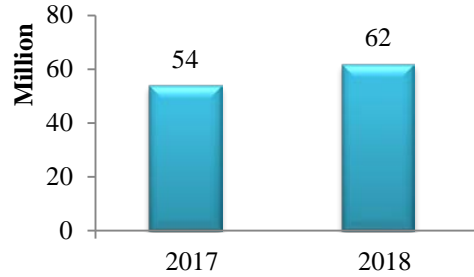
Net Revenues



Net Profit/Loss



Net Operating Profit/Loss



Financial Ratios	Year 2018	Year 2017	%
Current ratio	2,94	2,38	23,27%
Liquidity Ratio	1,85	1,64	12,96%
Gross Profit margin	32,33%	31,36%	3,11%
Operating Profit Margin	14,24%	14,04%	1,43%
Pre-tax Profit Margin	13,66%	14,00%	(2,43)%
EBITDA (FAVOK) margin	17,73%	18,07%	(1,87)%

13. PRODUCTION

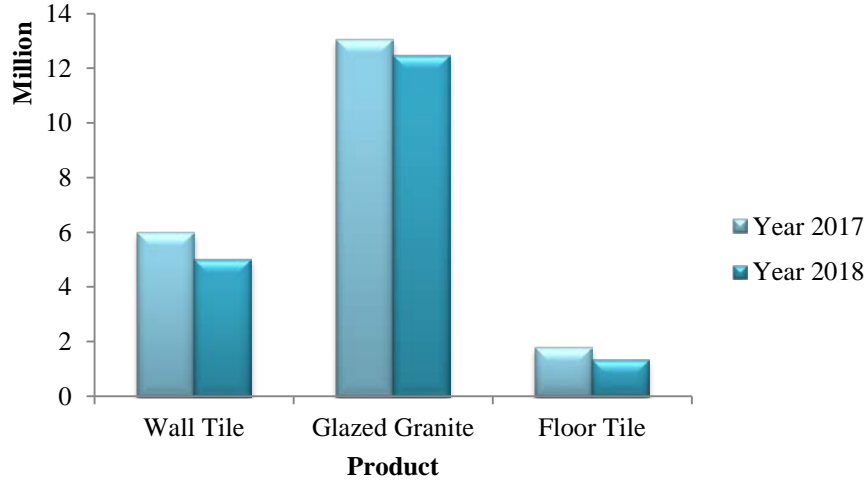
Ege Seramik has operated with a 77,68 % capacity utilization in 2018. Our production has decreased by (% 9,42) when compared with the previous year 2017, and materialized as 18.870.067 m². Production output, compared to the preceding year was realized as follows.

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Product (m ²)	Year 2018	Year 2017	Increase/(Decrease)	%
Wall Tile	5.022.182	6.000.034	(977.852)	(16,30%)
Glazed Granite	12.496.115	13.052.322	(556.206)	(4,26%)
Floor Tile	1.351.770	1.780.481	(428.711)	(24,08%)
Total	18.870.067	20.832.836	(1.962.769)	(9,42%)

Ammount m²

Production Quantity



14. SALES

According to the financial statements that were issued in accordance with the “Communiqué on Principles Concerning Financial Reporting in the Capital Market” no. II-14.1 of CMB, our net sales revenues in 2018 have been realized as TRY 434.544.973, increasing by 13,29 % when compared to year 2017; and the sales quantity has been realized as 18.895.945 m², decreasing by (10,92 %) when compared to the preceding year.

Abroad sales quantity has been increased by 2,41 % while our domestic sales quantity was decreased by (18,17%) when compared to the preceding year.

Sales (m ²)	Year 2018	Year 2017	Increase/(Decrease)	%
Domestic	11.250.158	13.747.515	(2.497.357)	(18,17%)
International	7.645.787	7.465.878	179.910	2,41%
Total	18.895.945	21.213.393	(2.317.448)	(10,92%)

Net Revenues (TRY)	Year 2018	Year 2017	Increase/(Decrease)	%
Domestic	211.707.800	222.496.725	(10.788.925)	(4,85%)
International	222.837.173	161.081.910	61.755.263	38,34%
Total	434.544.973	383.578.635	50.966.338	13,29%

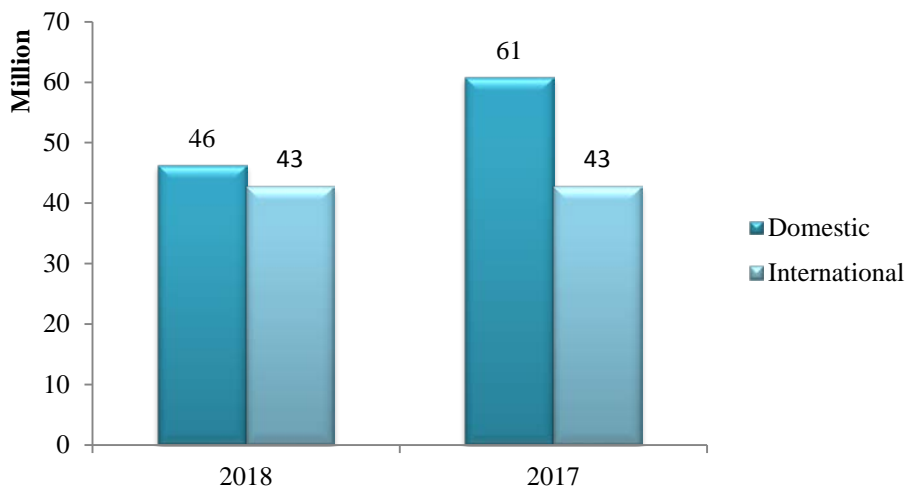
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Net Revenues (USD)	Year 2018	Year 2017	Increase/(Decrease)	%
Domestic	46.340.669	60.862.734	(14.522.065)	(23,86%)
International	42.744.636	42.791.323	(46.688)	(0,11%)
Total	89.085.305	103.654.057	(14.568.752)	(14,06%)

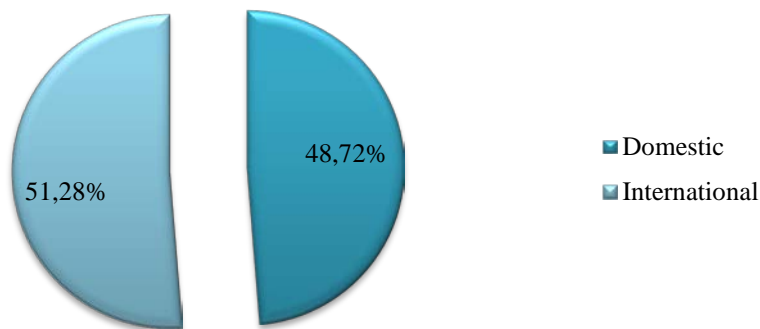
Our exports were realized as USD 42.744.636 in year 2018.

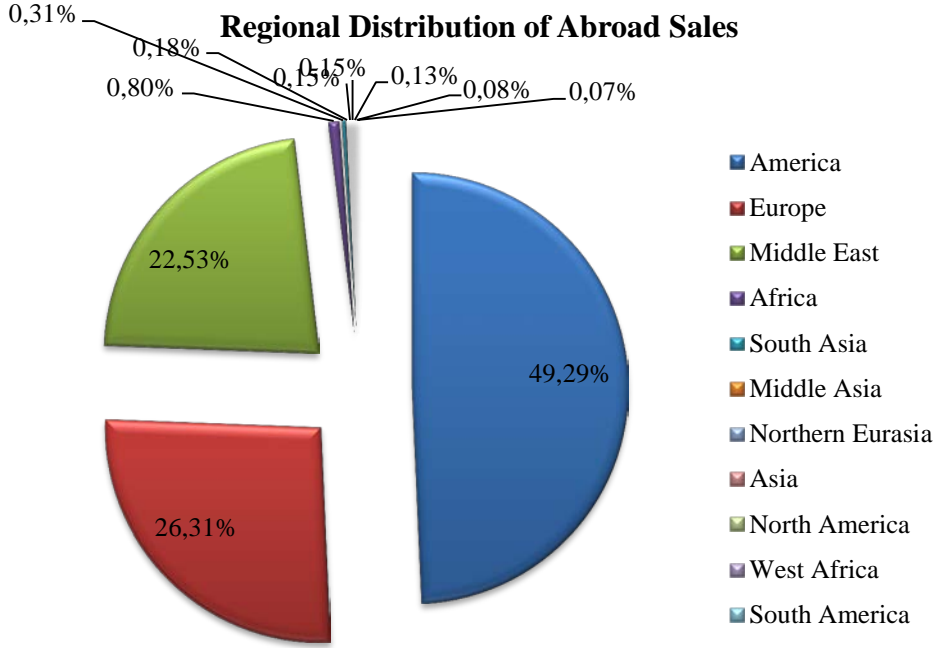
Markets in which we are ambitious abroad are USA, Canada and Israel. Exports were achieved to 60 countries and 78,12% of the total revenues abroad were earned from USA, Canada and England in 2018.

NET SALES REVENUE (\$)



SALES DISTRIBUTION





15. DEVELOPMENTS IN THE SECTOR

Both in Turkey and in the world, the basic factors that influence the growth of the ceramic industry is the development of economic growth and construction sector. The growth in the construction sector contributes to the development of the sector as it brings together the “Ceramic Coating Materials” requirement. Also, qualified human resources, R & D and innovation studies in the sector are among other things that affect the development of the sector.

The capacities of ceramic coating materials group have not changed significantly in recent years. In recent years, product quality and recognition has gained importance in the sector. This positively affected the total market share of high value-added products and continued to support exports to developed countries. The ceramic coating materials sector has made a significant contribution to the Turkish economy as one of the sectors that use domestic resources in exports and has the lowest dependence on imported products.

Within the scope of current data disclosed on ceramic coating materials; while India, China, Brazil, Spain and Vietnam were among the largest manufacturers, Turkey has taken the 9th place among the largest manufacturers. As for the largest exporters; there being China, Italy, Spain and India; and Turkey has taken its place as 5th.

Main Factors Effecting the Performance of the Company

Appropriate for industrial establishments related to the use of natural gas with high cost effect on ceramic production; In 2018, price increases in natural gas unit prices affected the fuel costs negatively and this caused production costs to increase.

Ege Seramik aims to protect and increase its competitive capacity through focusing on business development and investments towards automation and productivity. Within this scope;

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purchasing of digital press, ceramic brightening/dimensioning and packaging machinery have been carried out during 2018.

Ceramic raw materials increased in terms of foreign exchange; therefore improvements are made to reduce the cost by making efforts to increase the use of domestic inputs throughout 2018.

16. OUR COMPANY'S POSITION IN THE SECTOR:

Incorporated in 09.09.1972, Ege Seramik San. ve Tic. A.S. is ranked within top two companies in Turkey, in terms of brand recognition as a result of the some researches conducted in ceramic coating sector. Ege Seramik, keeps its place within the scope of ISO500 current list recently published by Istanbul Chamber of Industry.

Ege Seramik is an up-and-coming corporation distinguished from its competitors thanks to its brand recognition, institutionalized sales channels at home and abroad, infrastructure in information technologies, continuous improvement and product development, resilient production skills, proximity to the port of Izmir, to the Kemalpaşa railroad loading station, its ability to recruit qualified labour due to its proximity to the Metropolitan area and firm financial condition.

❖ Our Product Range

In the year 2018; 58 new series were included within the product portfolio of Ege Seramik. New series are developed in line with the innovations at the market and according to the requirements within the product portfolio. 33 of the series were exhibited at the Unicera and Istanbul Construction Fair that guided the sector in the domestic market, and at the American Coverings Fair, in our Spring 2018 collection; 25 in the world's most important ceramic fairs Cersaie with the Autumn Collection 2018 collection. Different from the other years, the Hi-Tile Technology product range, which includes different new surface treatments, has been added to the upper segment product portfolio. As well as Hi-Tile Technology class materials, which include 4 new materials, including crystal shine effect, glossy effect ink, deep effect ink and granillia application, all have a different surface effect; with these new materials that give extra shine, partial shine, relief effect and texture to the surfaces, the patterns are becoming more effective and realistic. Hi - Tile Technology brand creation and registration work for this new segment has commenced.

❖ Marketing and Publicity Studies

- The stand design, product boards and product promotion videos for the presentation of new products were prepared at the Unicera Fair held at the **CNR Expo Fair on February 27 - March 3, 2018**. In the fair stand, which is growing as a field, the collection products exhibited at the Cersaie Fair were also introduced in more detail in the domestic market. In bilateral meetings with the press, interviews were conducted for the promotion of our Company and new products, and were published in the magazines and some television channels in the sector.

A new product catalog was created for Spring 2018 collection products exhibited at the Unicera exhibition, distributed at the fair, and distributed to sales teams and domestic

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market after the fair. New products added to the portfolio have been included into the general product catalog. Through virtual tour created subsequent to 360 degree photo-shootings in the participated fairs, the customers who couldn't participate in the fair and people interested in the sector have taken the advantage of visiting our booth virtually.

- **Coverings, the largest ceramics and flooring materials exhibition of America on May 8-11, 2018;** held in Atlanta. Our company has presented its products especially to the target markets of America and Canada to its available and target customers. The products presented at the fair were appreciated and new orders were received. A special exhibition catalog containing exclusive products for the American market was printed and distributed.
- Participation in **Istanbul Construction Fair held on 8-12 May 2018 in Istanbul**, aimed at increasing communication with the professional sector. During the exhibition, where the Spring 2018 collection was presented with different combinations, visits were made by architects and purchasing groups.
- Participated in **the Cersaie fair held in Bologna, Italy on 24-28 September 2018**. In this fair, the products produced with Hi-Tile Technology class materials, each of which were produced with a different surface, were launched for the first time and new orders were received by the customers and visitors.

Due to including new distributorships into Ege Seramik concept and corporate identity, along with renewal studies of available distributorships; revisions have been carried out in internal and outer spaces of the sales stores; project support has been provided, and signboard, booth, exhibition applications have been performed. The new products exhibited in the fair through panels prepared in accordance with the presentation booths of domestic and foreign customers, have been addressed to domestic markets and export distributorships as hand-panelled and single sample, after **Unicera, Cersaie** and **Coverings** fairs.

At the dealer sales points, SPRING and AUTUMN 2018 collection products were added to the KAREO program, which displays the three-dimensional shape of the products in the space.

Introduction and publicity of Ege Seramik brand and products and various broadcastings has continued in social media and press. Number of social media followers have reached 155 thousand people; and our communication with our followers is still continuing regularly and intensely over our social media accounts such as Facebook, Instagram, Twitter, LinkedIn, Pinterest, Youtube.

Ege Seramik Master Training Seminars, wherein physical and mechanical properties of Ege Seramik products, detailed explanations of product box/package labels, proper application steps, proper ceramic options, different furniture techniques and practical solutions against probable troubles that may be encountered have been explained in detail to Ceramic masters who are significant decision-maker and executor target market of the sector, have continued during the year. The seminars continued in Adana, Mersin, Bursa, Kayseri, Erzurum, Tekirdag, Kocaeli and Istanbul after Izmir, Antalya and Ankara. The seminars, by proceeding with dinner, has concluded by submission of certificates and presenting ceramic cutting machinery to the participant masters via drawings. One-to-one communication was achieved with 1,850 ceramic masters in our trainings.

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In order to have a more modern appearance of our sales store located within the boundaries of our factory, in March 2018, Our old building has been removed from its current location, instead of it, the groundbreaking ceremony of the construction of our new building, as a showroom and sales store, was realized. Our new showroom was launched in December 2018. Virtual tour shootings, that enables all the portfolio products in a wide and regular area, be exhibited with all the details, have been made; and shared with customers who are physically unable to access.

In September, a promotional film was launched for our Ege Seramik factory. The film was prepared to emphasize the production processes of our factory and to emphasize the effectiveness of our brand in domestic and foreign markets; and displayed in Cersaie fair stand. This shall be displayed on the whole platform as an update of 2019, by adding voice and info graphics after adding shots in the new store.

❖ Awards and Certificates We Received

Authorized Economic Operator Statute

Ege Seramik has been the first company in Ceramics, Glass and Land sector, being awarded to **Authorised Economic Operator** statute within the scope of international position, that is deemed worthy to rare reliable companies in Turkey, performing its customs liabilities in time and accurately, the recording system of which is regular and traceable, having financial ability, safety, transparency and security standards, having ability to perform its own autocontrol, for enabling some facilities and privileges in foregin trade transactions. Thanks to the statute above, our Company has taken advantage such as savings in customs transactions charges and supplying expenses, increasing competitive power by saving time in customs transactions and benefit from privileges enabled to the countries in this statute.



Turquality®

Ege Seramik Sanayi ve Ticaret A.S., with the brand of EGE SERAMİK, has been awarded in 2017 to be included into TURQUALITY® supporting program formed to create and place positive Made in Turkey image through the subject brands and to take a global role in the international markets by providing managerial fund of knowledge, institutionalization and development hereof as including all process such as production, marketing, after sales services of the companies having potential to be an international brand by T.R. Ministry of Finance; and its Strategic Business Plan and Development Roadmap approved by Ministry of Economy in 2018.



Ege Seramik Sanayi ve Ticaret A.S. is a company contributing, for many years, to recovery of “Made in Turkey” and Turkey’s image as aimed already by Turquality program. In the forthcoming period, our government shall support such a comprehensive and prestigious Project like Turquality Supporting Program by admiring our efforts.

Greenguard

Ege Seramik, by being awarded to obtain GREENGUARD and GREENGUARD GOLD certificates through its sensitivity shown to the environment and human during life cycle of the product by starting from designing process, has been registered, yet again. GREENGUARD and GREENGUARD GOLD certificates given by UL Enviroment as being an independent audit company, proves that the product is in compliance with the requirements determined in terms of interior air quality.



Ege Seramik, in 2018, as in 2017, by applying to UL Enviroment, has been awarded to obtain GREENGUARD and GREENGUARD GOLD certificates. Through the certificates above, the products of Ege Seramik have been proved to be healthy and safe to use in interior places, in conclusion to the tests performed against chemical substances more than 10.000. Ege Seramik, acting by environmental consciousness during product life-cycle and by manufacturing products protective for human health; has adopted providing environmental sustainability and leaving a better World to the future generations, as a main principle.

- Turkey's Most Valuable Brands conducted by **Brand Finance** - delared the results of Turkey 100 study 2018; our Company is ranked in the list in the list with a 5-range rise in the 92th place and its brand rating is defined as A +.
- The **list of the first 100 industrial companies of the region**, which was formed by the Aegean Region Chamber of Industry each year by considering the production and sales performance, was announced in May / 2018 for the year 2017. Our company Ege Seramik continues to be one of the most important companies in the sector and region by focusing on infrastructure, technology, design and quality standards, stable investment, growth determination and innovations it brings to the sector. Our company ranked 40th in the list of the 100 largest companies of Aegean Region.

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- "TIM Export Index "; consisting of the companies, having transactions in Stock Market, Istanbul and with a public market value of over 50 million TL, included the '**TIM Top 1000 List** ' declared by Turkey Exporters Assembly or having more export registered sales quantity than the quantities of the company ranked in the 1000th line of this list; transacted under TIMEX code as of 14.09.2018 among Stock Exchange Istanbul Index. Having more than 20 years of export experience in the challenging export markets, Ege Seramik A.Ş. ranked 20th among the 55 companies included in the TIMEX index as of 14.09.2018 with its successful export performance.
- On the other hand, our Company actively carries out and certifies its practices within the framework of the following national and international standards.
 - ✓ **TSE ISO IEC 27001 Information Security Management System**
 - ✓ **TS EN ISO 9001 (TSE -Turkey), DIN EN ISO 9001 (DQS-Germany) Quality Management System**
 - ✓ **TS-EN-ISO-9001 approved by IQ Net**
 - ✓ **ASIA CERTLINE – KAZAKISTAN/KAZAKHSTAN ISO 9001 and GOST-K**
 - ✓ **TS-EN-ISO-14001 Environmental Management System**
 - ✓ **TS-EN-ISO-14001 approved by IQNet**
 - ✓ **TSE Double Star** : *This award confirms that Ege Seramik products have properties over those determined in the Standard, by not contenting with the minimum requirements limits.*
 - ✓ **GSV(Global Security Verification)**: *This is a program established for the purpose of managing the accreditation methods of manufacturers, importers, transportation companies, customs clearance companies and other companies which may involve into supply chains and complying with C-TPAT system formed in Amrica, as well as for the purpose of ensuring the international cargo security. Within the scope of this program, Ege Seramik San. ve Tic. A.S. has been audited by an accredited institution on a yearly basis. Our Company's performance within the scope of GSV is above the average of Turkey and worldwide average.*
 - ✓ **CE Sign/Mark Activities**
CE Sign points out that the product having CE sign is healthy and safe with respect to human, animal and environment and states the compliance with European Union New Approach Directives. CE Signs are obligatory for ceramic tiles as from the year 2005. Ege Seramik is the first company fulfilling the legal obligation hereon in the sector. In the CE compliance mark activities, practices are maintained within the scope of the Building/Construction Materials Regulation (305/2011/AB) and EN 14411 Harmonized standards.
 - ✓ Besides obtaining the foregoing certificates; Ege Seramik has been awarded to obtain the certificates required to carry out sales transactions in Israel, France, in conclusion of the audits performed in these countries.

❖ **Projects and Leading Companies Preferring the Ege Seramik Products**

Ege Seramik has continued its contractual activities with the significant corporate companies which prefer Ege Seramik products; YATAS, DE FACTO. Besides, TOFAS, MIGROS, CARREFOUR, MERCEDES, MARKS & SPENCER, BP, MADO, STARBUCKS are among the significant trademarks using Ege Seramik products on their sales points.

b) Participation of Stakeholders in Management

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

c) Human Resources Policy

Human resources policy of the Company is announced on our web site at www.egeseramik.com. Main principles of our human resources policy have been established as indicated below;

- ✓ Efficient usage of the resources as being a leader and global company in the sector,
- ✓ Open to change,
- ✓ Sensitive to environment, occupational health and occupational safety,
- ✓ In compliance with quality standards, continuous development of product and service quality, pursuing and applying technologic developments, in addition to the foregoing to use human resources efficiently as being a company believing the employees' creativity.

Human Resources Principles and Values:

- ✓ Determination of human resources qualities,
- ✓ Forming and application of systems with respect to election and employment,
- ✓ Contribution into the company performance through investment into human resource,
- ✓ Providing contribution of Human Resources into management as being a strategic partner,
- ✓ Providing satisfied and loyal employees to the company,
- ✓ Development of systems encouraging success and creation,
- ✓ Providing training opportunities developing the employees' Professional knowledge and abilities,
- ✓ Providing access to the knowledge/information required by the employees, as soon as possible,
- ✓ Under ethical values, creation of respective and reliable working conditions,
- ✓ Maintaining effective and positive relationship with Union,
- ✓ Target and result oriented studies,
- ✓ Performance of Customer requests and expectations and result oriented studies,
- ✓ To become a leading company required to be employed.

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

There is a collective labour contract between the labour union and our Company in order to ensure orderly and efficient working at the workplace, to increase production, to balance the rights and interests of the employer and the employees, to provide work peace through mutual goodwill

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and confidence, to settle any discrepancies which may arise between the parties through amicable ways, in order to;

- ✓ Hear the requests and settle employees' complaints related to their jobs and the workplace;
- ✓ maintain cooperation, working harmony and work peace between the employer and the employees;
- ✓ Observe the rights and interests of the employees and the workplace;
- ✓ Assist in the enforcement of the working terms as stipulated in the labour legislation and collective labour contract, to appoint a union chief representative and three union representatives.

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

Human Resources Implementations :

To select and Placement to the Work

- ✓ Our main principle is to employ human resources efficient in bringing Ege Seramik to future, by providing cooperation and loyal to the Company, and to give equal opportunity to everyone in terms of employment. Therefore; we select our employees among the candidates who have capacity to meet the corporate values and business competency. The students who are worked as intern in our Company are among the potential candidates.
- ✓ Although our interviews shape according to positions; personality tests, competency assessments and ability examinations may be implemented to the candidates according to circumstances required by position. However, a multiple-stage interview system is applied fro providing the candidates to negotiate with the executives with whom they are to work with. In occlusion of all foregoing assessments, the proper candidates are being offered by Human Resources.
- ✓ Providing orientation training to the employee who has commenced to work with Ege Seramik, is the part of employment process. The aims of orientation are; to provide information about our company's general work-flow, corporate culture and management systems and to give advice about occupational safety, and to minimize labor turnover by providing orientation to the job through stepping up adaptation process.

Performance Assessment

- ✓ It is a process designed to pursue, assess and develop the performances of company employees. Under Ege Seramik; competency and target based performance assessment system be applied once a year towards white collar employees. Based on principle of clarity for the applied performance assessment system; the assessments be implemented via an objective and systematic structure. The employee and the manager, by keeping together, join to performance interview. Subsequent to assessment of the current year, the targets for the next year are being examined and agreed on.
The subject system aims at establishing a good communication, cooperation and solidarity between the assessor and the assessee. The targets are being determined from up to down pursuant to general policies of the company. The results of performance assessment are being used for awarding, training planning, career planning and promotion practices.

d) Ethical Rules and Social Responsibility

There are ethical rules identified for the Company and its employees by the Board of Directors of the Company. However, we primarily address the health, safety and satisfaction of the employees and all relevant parties and sensitively fulfill our environmental responsibility in all our operations through the effective quality management system under the heading “OUR MANAGEMENT SYSTEMS” on our web site.



Integrated Management System Policy of the Company is announced on our web site at www.egeseramik.com. In this context, applications at our Company are as follows:

ISO 9001 Quality Management System

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

By revision of ISO 9001 Standards; Ege Seramik San. ve Tic. A.S. has entitled to obtain TS EN ISO 9001:2015 (TSE -Turkey), DIN EN ISO 9001:2015(DQS-Germany) Certificate as being the final version of the standard subsequent to audit performed by TSE and DQS Companies in 2017. It has been decided to maintain the certificates by TSE and DQS in the Surveillance Audit performed in 2018.

ISO 9001 Standard 2015 Version has mainly amended, and our company's efficient implementations towards the articles as the below annexes;

“Corporate Context”, “Leadership”, “Risk & Opportunity Analysis”, “Amendment Planning”, “Corporate Information” be approved by TSE and DQS.

ISO/IEC 27001 Information Security

Ege Seramik Sanayi ve Ticaret A.S. is awarded to hold Information Security Management System certificate in accordance with ISO/IEC 27001:2013 standard, that is to be effective as from 15 August 2016, through its proving itself in applications that are in compliance with the arrangements and towards certification procedures.

It has been decided that ISO/IEC 27001:2013 Information Security Management System Certification is to continue in conclusion of the audit performed by TUV Tuhringen Company on 14.07.2017.

Environmental-Occupational Health and Safety Management System

It is an integral part of our business to take any necessary precautions in order to be able to minimize our negative impacts in the environment during our operations, to guide our employees in occupational health and safety in all departments and take any measures related to occupational health and safety at our workplace for a sustainable future which is open to improvement. Our occupational health and safety committee meets on monthly basis and thus continuity of the safe working environment is ensured. Our Workplace Health Team provides our employees with services on full time basis. Our Company has a fire engine and trained personnel. By revision of ISO 14001 Standards; Ege Seramik San. ve Tic. A.S. has entitled to obtain TS EN ISO 14001:2015 Certificate as being the final version of the standard subsequent to audit performed by TSE in 2017.

ISO 14001 Standard 2015 Version has mainly amended, and our company's efficient implementations towards the articles as the below annexes;

“Corporate Context”, “Leadership”, “Risk & Opportunity Analysis”, “Amendment Planning”, “Enterprise Information” be approved by TSE..

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

- ✓ *Starting from the designing stage, any necessary precautions are taken in order to consider and minimize any environmental impacts which may arise out of the use of our products at each and every stage of production.*
- ✓ *Packaging wastes are classified within themselves and stored not to cause any damage in the environment and disposed through licensed organizations under the Regulation on the Control of Packaging and Packaging Wastes.*
- ✓ *Any necessary organizations have been made for the recovery of the packaging materials which we launch to the market and recovery of such packaging materials is ensured.*
- ✓ *Our hazardous wastes have been minimized and any waste oil, waste batteries, waste accumulators, packaging wastes contaminated by hazardous wastes which are still in use are forwarded to licensed firms and ensured to be recovered.*
- ✓ *Any treatment sludge created in the waste water treatment plant is ensured to be reused.*
- ✓ *Water treated in our waste water treatment plant is reused, thus reducing the amount of the discharged water and minimizing our water consumption.*
- ✓ *Resources are used in an effective manner.*
- ✓ *Any components which may cause environmental contamination are identified and brought under control, and such components are prevented by ensuring continuous improvement.*
- ✓ *Scraps and wastes created by the activities we are performing are identified and brought under control, and scraps and wastes are ensured to be used for recycling and those which may not be recycled are disposed through legal ways.*

e) General Information Security Policy

We, Ege Seramik Sanayi ve Ticaret A.S.; within the scope of Customs and Foreign Trade Transaction such as Marketing, Purchasing Importation, Exportation, Transit, Customs formalities and Electronic Information Assets of the activities such as Logistics, Storage, Accounting, Finance and Information Processing with respect hereof, with our Information Security Policy to protect the assets herein, hereby undertake the following;

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- ✓ To perform national/ international standards in which our Company have responsibility and legal requirements, customer conditions,
- ✓ To protect employability, integrity, confidentiality of information assets/properties and to manage such risks, by being aware hereof,
- ✓ To create high awareness in information security by training activities,
- ✓ To minimize the effect of information security threats that may impress the continuity of the business and to provide maintenance of the business,
- ✓ To provide permanent recovery, by systematically handling information security.

f) Our Social Responsibility Policy

Primarily addressing the issues of enhancing the health, safety and satisfaction of its employees, we, Ege Seramik San. ve Tic. A.S., through this policy, undertakes to provide working conditions under ethical values, based upon respect and trust terms, to fulfill, ensure the continuity of and permanently improve any applications related to the **ETI Base Code Standards** besides its compliance with the following issues through this policy, basing on the Labour Act No. 4857 and relevant legislations;

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

We are committed to an approach that aims ensuring working conditions in an environment of respect and trust within the framework of ethical values, as well as compliance with the Labor Law No. 4857 and the relevant legislation on prevention of maltreatment; implementation of the ETI Base Code Standards, to ensure the continuity of the practices, to ensure continuous improvement.

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

Among the agenda items of the General Assembly on 2018; within the scope of the Turkish Commercial Code numbered 6102 and the related regulation, three weeks prior to the Ordinary General Assembly Meeting, we provided information about our Stakeholders Policy, which was submitted to our Company's head office address, www.egeseramik.com website and the Electronic

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General Assembly system of the Central Registry Organization and the foregoing has. submitted to the opinion and approval of our shareholders.

18. AMENDMENTS TO THE ARTICLES OF INCORPORATION DURING THE TERM

None.

19. RELATED PARTY TRANSACTIONS IN THE YEAR 2018 AND FORECASTING REPORT ON WIDESPREAD AND CONTINUOUS RELATED PARTY TRANSACTIONS IN THE YEAR 2019

The detailed table concerning the transactions realized with the related parties in year 2018 within the scope of General Communiqué on Corporate Tax includes the transactions with regard to transfer pricing.

The main area of activity of Ege Seramik Sanayi ve Ticaret A.S. consists of manufacturing and sales of wall and floor ceramic tiles. The sales revenues earned by the Company as a result of its overall activities during the period of 01.01.2018- 31.12.2018 is amounted as TRY 455.179.793,96.

Our sales analysis realized in 2018, as total sales; TRY 455.179.793,96 (Domestic Sales TRY 212.865.643,45 + Export Sales TRY 204.503.315,99 + Other Income TRY 37.810.834,52) and 42,56% of this sales amount consisting of our sales realized with the related parties, has been given in the table. Related party sales concerning the main area of activity were realized as 38,92% of the total sales.

During the determination of the arm's length price for the activities realized by Ege Seramik Sanayi ve Ticaret A.S., the function/risk/utilized assets analyses were conducted and in the light of the internal precedents, Comparable Uncontrolled Price Method, Cost-Plus Method and Resale Minus Method were selected as the most suitable pricing methods.

Pursuant to the provisions of Article 10 under the heading "Widespread and Continuous Transactions Realized With Related Parties" of the "Communiqué on Corporate Governance" with Serial No: II-17-1 of the Capital Markets Board of which was published in the Official Gazette No. 28871 on 03.01.2014 and in line with the sales data of our Company during year 2019, the following were forecasted within the scope of financial sales and purchase forecasts report for year 2019 in relation to the Widespread and Continuous Transactions Realized With Related Parties of our Company, namely; **Egeseramik İç Ve Dış Ticaret A.S.** and **Ege Seramik America INC.** trade named companies. With regard to the total amount of widespread and continuous transactions to be realized with the aforementioned companies within one accounting period, the following matters were forecasted and disclosed to the public pursuant to the regulations of the CMB as indicated in our annual financial statements as follows:

- a) Total of sales to cost ratio occurred according to the final annual financial statements that were disclosed to the public during the purchase transactions of our Company, and plus
- b) Sales to revenue ratio occurred according to the final annual financial statements that were disclosed to the public during the sales transactions of our Company are forecasted to reach up to 10% and more.

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In the said Forecasting Report it was examined that whether or not the sales realized by our Company **in year 2018 to Ege Seramik İç Ve Dış Ticaret A.S. and Ege Seramik America INC.** trade named companies were reasonable or not when compared with the prices and profit sharing ratios that were applicable to the unrelated third parties. Accordingly, within this scope, we hereby confirm that the conditions and profit sharing ratios applicable for the transactions realized with the related parties were fair and reasonable within fair market conditions.

20. PROPOSAL FOR THE DISTRIBUTION OF 2018 PROFIT

A net distributable term's profit of TRY 47.706.454,11 occurs in our legal records subsequent to allocation of TRY 2.510.866,01 as general legal reserve fund from the period profit of TRY 50.217.320,12 as in our financial statements for the period 31.12.2018 arranged pursuant to Tax Procedures Law provisions.

On the other hand, out of our Company's post-tax term's profit of TRY 60.354.281,00 which occurred according to the financial statements dated 31.12.2018 issued pursuant to the provisions of the Capital Market Legislation, a net distributable term's profit of TRY 57.843.414,99 occurs in our legal records subsequent to allocation of TRY 2.510.866,01 as general legal reserve fund; net distributable term's profit of TRY 57.843.414,99 is calculated; as there is no donation made in the year 2018.

Accordingly, it has resolved unanimously to submit for the approval of shareholders in the General Assembly, the following items in the meeting to be held with reference no. 2019-08 and date 27/03/2019 of our Board of Directors;

- a)** No dividend from net distributable term's profit shall be provided to the members of Board of Directors,
- b)** To pay TRY 11.568.683 to the Shareholders as the first dividend,
- c)** To distribute TRY 6.015.715,16 to the privileged shareholders as dividend,
- d)** To pay TRY 13.415.601,84 to the Shareholders as the second dividend,
- e)** The remaining amount subsequent to deduction of TRY 2.725.000 as general legal reserve, in the financial statement arranged pursuant to Procedural Code of Taxation; shall be entered in our legal records as extraordinary reserves.
- f)** To make the payments to the beneficiaries on 27 May 2019.

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Statement of Profit Distribution is as follows :

EGE SERAMİK SANAYİ VE TİCARET A.Ş.		
Year 2018 Profit Distribution Statement (TRY)		
1. Paid-in/Issued Capital		75.000.000,00
2. Total General Legal 1st Reserve Fund (by legal records)		-11.523.193,40
Information on any privilege in profit distribution pursuant to the articles of incorporation, if there is any such privilege		Out of the portion remaining upon the allocation of primary dividend, - 8% to holders of Group A stocks - 5% to the holders of Group B stocks
		As per CMB
		As Per Legal Records (LR)
3.	Profit for the Period	59.340.258,00
4.	Payable Taxes (-)	1.014.023,00
5.	Net Term's Profit (=)	60.354.281,00
6.	Losses of Previous Years (-)	0,00
7.	General Legal Reserve Fund (-)	2.510.866,01
8.	NET DISTRIBUTABLE TERM'S PROFIT (=)	57.843.414,99
9.	Donations made during the year (+)	0,00
10.	Donation-added net distributable term's profit	57.843.414,99
11.	Primary/First Dividend to Shareholders (*)	11.568.683,00
	-Cash	11.568.683,00
	-Free	0,00
	- Total	0,00
12.	Dividend Distributed to Holders of Privileged Stocks	6.015.715,16
	Holders of Group A Stocks	3.701.978,56
	Holders of Group B Stocks	2.313.736,60
13.	Other Distributable Dividend	
	- Members of Board of Directors	0,00
	- Employees	
	- Dividends to other persons other than shareholders	
14.	Dividend Distributed to Dividend Stocks	0,00
15.	Secondary Dividend to Shareholders	13.415.601,84
16.	Secondary Legal Reserve Fund (-)	2.725.000,00
17.	Statutory Reserves	-
18.	Special Reserves	-
19.	EXTRAORDINARY RESERVE FUND	24.118.414,99
20.	Other Resources Prescribed to Distribute	
	- Profit of Previous Year	
	- Extraordinary Reserves	
	Other Distributable Reserves	

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DIVIDEND RATES CHART						
INFORMATION OF DIVIDEND PER SHARE						
	GROUP	TOTAL DISTRIBUTED DIVIDEND		TOTAL DISTRIBUTED DIVIDEND / NET DISTRIBUTABLE TERM'S PROFIT	DIVIDEND FALLING UPON A SHARE WITH A FACE VALUE OF TRY 1,-	
		CASH (TRY)	FREE (TRY)		AMOUNT (TRY)	RATE (%)
GROSS	A	3.701.978,56			308.498,21	30.849.821,33
	B	2.313.736,60			128.540,92	12.854.092,22
	A+B+C	24.984.284,84			0,3331	33,3124
	TOTAL	31.000.000,00				
NET	A	3.146.681,78			262.223,48	26.222.348,13
	B	1.966.676,11			109.259,78	10.925.978,39
	A+B+C	21.236.642,11			0,28316	28,32
	TOTAL	26.350.000,00				
AMOUNT OF DIVIDEND DISTRIBUTED TO SHAREHOLDERS (TRY)	RATIO OF DIVIDEND DISTRIBUTED TO SHAREHOLDERS TO DONATION-ADDED NET DISTRIBUTABLE TERM'S NET PROFIT (%)					
24.984.284,84	43,19%					

21. INDEPENDENT AUDIT REPORT**FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT AS OF
JANUARY 01, 2018 AND DECEMBER 31, 2018**

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

A. Independent Auditor's Report for Financial Statements**1) Opinion**

We have audited the financial statements of Ege Seramik Sanayi ve Ticaret Anonim Şirketi (the Company), which comprise the statement of financial position as at December 31, 2018 and the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards.

2) Basis for Opinion

We conducted our audit in accordance with Turkey Accounting Standards which is issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Issues

Key audit issues are the most important issues in the independent audit of the financial statements of the current account in accordance with our professional judgment. The key audit issues are discussed in the framework of the independent audit of the financial statements as a whole and we do not give a separate opinion on these matters. By us; the following topics have been identified as key auditing issues and have been reported in our report.

Key audit issues	How subject handled in audit
<p>Recognition of Revenue</p> <p>The main activity of the company is to carry out domestic and international sales activities with weighted floor and wall bandage production. Revenue is the most important indicator of the company's performance appraisal. Revenue is a significant issue for our audit as it is the most important financial statement in terms of the income statement for the accounting period ending on December 31, 2018, because of this reason this is an important issue for our audit. Explanations on the Company's accounting policies and revenue amounts are given in Notes 3.6 and 31.</p>	<p>During our audit, the following audit procedures related to the recording of the financial statements of the revenue have been applied:</p> <ul style="list-style-type: none"> -Understanding sales processes and evaluating the design and operation of controls related to these processes, -Assessment of the appropriateness of the accounting policy of the company for the accounting of revenue., -Performing analytical procedures to determine whether the revenue recorded in the financial statements is at the expected levels, -Performing tests by sampling method on the correctness of customer bills and matching these bills with dispatchs and revenues from costumers. -Review the sales contracts the company has made with customers and assess the timing of receipt of financial statements for different delivery methods, -Testing the completeness of the revenues by matching the accounting records and related bills from the selections made by sampling from the shipment documents. -Making sales reconciliation with selected customers.

4) Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Turkish Financial Reporting Standards (TFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

5) Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. Our audit also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control).
- Assess the internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our

Activity Report For The Period 01.01.2018-31.12.2018

auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) 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, 2019.

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, 2018, 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.

Osman Tuğrul Özsüt is the chief auditor who conducts and finalizes this independent audit.

As Bağımsız Denetim ve YMM A.Ş.
(Member of **NEXIA INTERNATIONAL**)

Osman Tuğrul ÖZSÜT
Engaged Auditor

İstanbul, March 1, 2019

22. FINANCIAL STATEMENTS AND FOOTNOTES

EGE SERAMİK SANAYİ VE TİCARET A.Ş.

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EGE SERAMİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2018
STATEMENT OF FINANCIAL POSITION
(Currency –TRY, unless otherwise indicated)

ASSETS	Notes	Current Period Audited	Previous Period Audited
		December 31, 2018	December 31, 2017
Current Assests			
Cash and cash equivalents	53	42.679.280	29.091.984
Trade receivables	7	109.277.799	141.723.341
<i>Trade receivables from related parties</i>	6	47.793.642	34.134.789
<i>Trade receivable from third parties</i>	7	61.484.157	107.588.552
Other receivables	9	6.506.078	2.882.693
<i>Other receivables from related parties</i>	6	-	-
<i>Other receivables from third parties</i>	9	6.506.078	2.882.693
Inventories	10	100.057.635	81.856.639
Prepaid expenses	12	2.648.966	1.838.484
Other current assets	28	9.654.081	5.038.477
TOTAL CURRENT ASSETS		270.823.839	262.431.618
NON-CURRENT ASSETS			
Financial inventments	4	4.000	4.000
Other receivables	9	503.653	288.005
<i>Other receivables from related parties</i>	6	-	-
<i>Other receivables from third parties</i>	9	503.653	288.005
Tangible fixes assets	14	149.052.844	133.231.275
Intangible fixed assets	17	2.790.397	2.447.531
<i>Other intangible fixed assets</i>	17	2.790.397	2.447.531
Prepaid expenses	12	15.362	72.252
Deferred tax assets	40	28.046.707	23.481.586
TOTAL NON-CURRENT ASSETS		180.412.963	159.524.649
TOTAL ASSETS		451.236.802	421.956.267

The financial statements for the period ended 31.12.2018 have been approved by the Board of Directors resolution no. 2019/03 dated 01.03.2019.

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

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2018
STATEMENT OF FINANCIAL POSITION
(Currency –TRY, unless otherwise indicated)

LIABILITIES	Notes	Current Period Audited December 31, 2018	Previous Period Audited December 31, 2017
Short term liabilities			
Short term financial liabilities	47	11.608.233	10.604.830
Trade payables	7	58.378.333	62.806.810
<i>Trade payables to related parties</i>	6	-	11.319
<i>Trade payables to third parties</i>	7	58.378.333	62.795.491
Employee benefit obligations	27	4.438.061	5.083.035
Other payables	9	1.573.948	1.724.587
<i>Other payables to related parties</i>	6	322	290
<i>Other payables to third parties</i>	9	1.573.626	1.724.297
Deferred income	12	6.681.375	21.310.337
Provisions for corporate taxes	25	-	1.232.557
Short term provisions	25-27	3.768.797	2.238.942
<i>Short-term provisions related to Employee Benefits</i>	27	753.492	747.561
<i>Other short term provisions</i>	27	3.015.305	2.238.942
Other short term liabilities	25	5.728.229	4.356.168
TOTAL SHORT TERM LIABILITIES		92.176.976	110.104.827
LONG TERM LIABILITIES			
Long term liabilities	47	-	1.507.261
<i>Long term liabilities to third parties</i>	47	-	1.507.261
Long term provisions	27	28.164.608	25.286.257
<i>Long-term provisions related to Employee Benefits</i>	27	28.164.608	25.286.257
TOTAL LONG TERM LIABILITIES		28.164.608	26.793.518
EQUITY			
Equity of main company		330.895.218	285.057.922
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
Reclasification to Profit or Loss Accumulated Other Comprehensive Income or Expenses	29	7.208.214	5.325.705
<i>Defined Benefit Plans Recalculation Gains(Losses)</i>		7.208.214	5.325.705
Restricted Reserves from Profit	29	20.413.482	17.093.487
Retained Earnings	29	107.302.638	79.081.000
Net Profit / (Loss) for the Period	41	60.354.281	47.941.127
TOTAL EQUITY		330.895.218	285.057.922
TOTAL LIABILITIES		451.236.802	421.956.267

The financial statements for the period ended 31.12.2018 have been approved by the Board of Directors resolution no. 2019/03 dated 01.03.2019.

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

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2018
COMPREHENSIVE INCOME STATEMENT
(Currency –TRY, unless otherwise indicated)

		Current Period Audited	Previous Period Audited
PROFIT AND LOSS	Note	01.01-31.12.2018	01.01-31.12.2017
Sales, net	31	434.544.973	383.578.635
Cost of sales (-)	31	(294.044.707)	(263.299.467)
Gross profit from trading activities		140.500.266	120.279.168
Gross Profit / (Loss)		140.500.266	120.279.168
General administration expenses (-)	33	(38.857.810)	(32.184.234)
Marketing expenses (-)	33	(27.372.173)	(22.956.267)
Research and development expenses (-)	33	(3.729.524)	(3.362.337)
Other operational income	34	39.741.915	26.709.722
Other operational expenses (-)	34	(48.398.224)	(34.628.401)
Operational income / (loss)		61.884.450	53.857.652
Income from investment activities	35	106.501	2.121.085
Expenses from investmen activities (-)	35	(1.777.612)	(719.317)
Operatioanl income / (loss) before fiancial income / (expenses)		60.213.339	55.259.420
Financial income	37	17.105.040	4.960.309
Financial expenses (-)	37	(17.978.121)	(6.532.010)
Profit / (Loss) from continuing operations		59.340.258	53.687.718
Continuing operations tax income / (expenses)		1.014.023	(5.746.591)
Period Tax Expenses / Income	40	(4.042.918)	(9.642.747)
Deferred Tax Expenses / Income	40	5.056.941	3.896.156
Period profit / (loss) from continuing operaitons		60.354.281	47.941.127
Current profit / (loss) from discontinued			
Perios profit / (loss)		60.354.281	47.941.127
DISTRIBUTION OF PROFIT / LOSS OF PERIOD		60.354.281	47.941.127
Other compherensive income / (loss)			
Not to be reclassified in Profit or Loss			
Recalculated Gains (Losses) of Defined Benefit Plans	38	2.413.473	1.755.178
Recalculated Gains (Losses) of Defined Benefit Plans, Tax Effect	38-40	(530.964)	(351.036)
Other compherensive income / (loss) (After tax)		1.882.509	1.404.142
Total Compherensive Income		62.236.790	49.345.269
DISTRIBUTION OF TOTAL COMPREHENSIVE INCOME		62.236.790	49.345.269
Earning Per Share		0,008047	0,006392
Earnings per share from continuing operatins	41	0,008047	0,006392

The financial statements for the period ended 31.12.2018 have been approved by the Board of Directors resolution no. 2019/03 dated 01.03.2019.

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

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2018
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 of Capital Adjustment	Share Premiums	Restricted Reserves	Actuarial Profits / (loss)	Minority Interest	Profit / Loss of Previous Year	Net Profit or Loss for the Period	Total Equity	
Balances as of January 01, 2017	Note	75.000.000	24.778.008	35.838.595	15.357.324	3.921.563	-	60.161.249	29.125.872	244.182.611	
Total comprehensive income / (loss)	29	-	-	-	-	1.404.142	-	-	47.941.127	49.345.269	
Other comprehensive income / (loss)	29	-	-	-	-	1.404.142	-	-	-	1.404.142	
Net income / (loss) for the period		-	-	-	-	-	-	-	47.941.127	47.941.127	
Dividend	29	-	-	-	-	-	-	(8.469.960)	-	(8.469.960)	
Transfer	29	-	-	-	1.736.163	-	-	27.389.710	(29.125.872)	-	
Balances as of December 01, 2017		75.000.000	24.778.008	35.838.595	17.093.487	5.325.705	-	79.081.000	47.941.127	285.057.922	
Balances as of January 01, 2018	Note	75.000.000	24.778.008	35.838.595	17.093.487	5.325.705	-	79.081.000	47.941.127	285.057.922	
Corrections on Compulsory Changes in Accounting Policies								(138.784)		(138.785)	
Total comprehensive income / (loss)	29	-	-	-	-	1.882.509	-	-	60.354.281	62.236.790	
Other comprehensive income / (loss)	29	-	-	-	-	1.882.509	-	-	-	1.882.509	
Net income / (loss) for the period		-	-	-	-	-	-	-	60.354.281	60.354.281	
Dividend	29	-	-	-	-	-	-	(16.260.709)	-	(16.260.708)	
Transfer	29	-	-	-	3.319.996	-	-	44.621.131	(47.941.127)	-	
Balances as of December 01, 2018		75.000.000	24.778.008	35.838.595	20.413.482	7.208.214	-	107.302.638	60.354.281	330.895.218	

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

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2018
CASH FLOW STATEMENT
(Currency –TL, unless otherwise indicated)

		Current Period Audited	Previous Period Audited
	Notes	December 31, 2018	December 31, 2017
A. CASH FLOW FROM OPERATIONS		62.398.731	35.145.837
Period profit / (loss)		60.354.281	47.941.127
Adjustments Related to Net Profit / (loss) for the Period		18.908.844	28.969.098
Adjustment Related to Amortization and Depreciation	14-17	15.166.793	15.453.794
Adjustment Related To Impairment / Reversal		2.081	3.943
<i>Provision for impairment for inventories</i>	10	2.081	3.943
Adjustment Related To Provisions		7.290.416	18.759.530
<i>Adjustments Related to Provisions for Employee Benefits</i>	27	2.884.282	4.909.312
<i>Adjustments Related to Other Provisions</i>	7-10-30-40	3.729.869	13.453.057
<i>Adjustments Related to Provisions for Lawsuits</i>	25	717.455	396.350
<i>Adjustments Related to Provisions for doubtful receivables</i>	7	(100.098)	(62.054)
<i>Adjustments Related to Provisions for guarantees</i>	25	58.908	62.865
Adjustment Related To Interest Income / (Loss)		259.891	418.036
<i>Adjustment Related to Interest Income</i>	28	(44.426)	301.784
<i>Adjustment Related to Interest Expense</i>	28	304.317	116.252
Adjustment Related To Tax Income (Loss)	40	(4.525.976)	(3.545.121)
Adjustment Related to Gain / (Loss) Arising from disposal of Fixed Assets		715.640	(2.121.085)
<i>Adjustment Related to Gain / (Loss) Arising from disposal of Tangible Fixed Assets</i>	35	715.640	(2.121.085)
Actual Changes in Business Capital		(16.864.394)	(41.764.387)
Adjustments of Inventory Increases/Decreases	10	(18.203.077)	(9.060.109)
Adjustment Related to Trade Receivables Increases/Decreases	7	33.194.375	(10.929.960)
<i>Adjustment Related to Trade Receivables from Related Parties Increases/Decreases</i>	6	(13.889.812)	(2.394.992)
<i>Adjustment Related to Trade Receivables from Third Parties Increases/Decreases</i>	7	47.084.187	(8.534.968)
Increases/Decreases Related to Other Receivables Related to Related Parties Operations	9	(3.839.033)	(934.736)
<i>Changes in Other Receivables Related to Third Parties Operations</i>	9	(3.839.033)	(934.736)
Adjustment Related to Trade Payables Increase/Decrease	7	(3.774.909)	(2.433.543)
<i>Increase/Decrease in Trade Payables to Related Parties</i>	6	(11.319)	(11.319)
<i>Increase/Decrease in Trade Payables to Third Parties</i>	7	(3.763.590)	(2.444.862)
Adjustments Related to Change in Other Payables Related to Operations	9	(150.639)	292.473
<i>Change in Other Payables Related to Operations of Related Parties</i>	6	32	16
<i>Change in Other Payables Related to Operations of Third Parties</i>	9	(150.671)	292.457
Change in Prepaid Expenses	12	(753.592)	(307.314)
Change in Liabilities Related to Employee Benefits	27-29	1.237.535	1.920.869
Change in Deferred Incomes	12	(16.547.799)	(10.450.177)
Other Changes in Working Capital		(8.027.255)	(9.861.891)
<i>Change in Other Assets</i>	28	(3.875.817)	1.249.562
<i>Change in Other Liabilities</i>	25-28	(4.151.438)	(11.111.453)
Cash Flows From Operating Activities		62.398.731	35.145.837
B. CASH FLOWS FROM INVESTING ACTIVITIES		(32.046.868)	(16.738.809)
Cash outflows due to purchasing of tangible and intangible fixed assets		(32.859.073)	(19.771.230)
<i>Change in Tangible Fixed Assets</i>	14	(32.117.724)	(18.829.471)
<i>Change in Intangible Fixed Assets</i>	17	(741.349)	(941.760)
Cash inflows due to selling of tangible and intangible fixed assets		812.205	3.032.422
<i>Change in Tangible Fixed Assets</i>		812.205	3.032.422
C. CASH FLOWS FROM FINANCIAL ACTIVITIES		(16.764.567)	(5.034.877)
Dividend Payments	29	(16.260.709)	(8.469.960)
Cash inflows due to loans	47	(503.858)	3.435.083
<i>Cash from financial liabilities</i>	47	(503.858)	3.435.083
BEFORE THE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES		13.587.296	13.372.152
D. IMPACT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		-	-
INCREASE / DECREASE ON CASH AND CASH EQUIVALENTS		13.587.296	13.372.152
E. PERIOD		29.091.984	15.719.832
CASH AND CASH EQUIVALENTS FOR THE END OF PERIOD		42.679.280	29.091.984

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, 2018 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 the Company actualises prominent part of sales and distribution of its products in abroad through its group companies which are Ege Seramik İç ve Dış Ticaret A.Ş. and Ege Seramik America INC.

As of December 31, 2018, and December 31, 2017, share capital and ownership structure is as follows;

Shareholders	December 31, 2018		December 31, 2017	
	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%	666.087,84	0,89%
Murat Polat	779.877,41	1,04%	779.877,41	1,04%
Other	24.957.240,27	33,27%	24.957.240,27	33,27%
TOTAL	75.000.000	100%	75.000.000	100%

As of December 31, 2018, in Company's structure there are 193 white-collar personnel employed (December 31, 2017: 168), 889 blue-collar personnel employed (December 31, 2017: 912) and 1.082 personnel employed in total (December 31, 2017: 1.086)

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

a. Basis of Presentation

Accounting Standards

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.

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

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).

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.

Functional and Presentation Currency

The “Cents” are shown by rounding in the presentation of the financial statements and the Company's financial statements are presented in Turkish Lira ("TRY"). As of December 31, 2018, exchange rates released by the Central Bank of the Republic of Turkey are, 1 US Dollar = TRY 5,2609 (31.12.2017: TRY 3,7719), 1 EURO = TRY 6,0280 (31.12.2017: TRY 4,5155), 1 GBP = TRY 6,6528 (31.12.2017: TRY 5,0803).

Correction of financial statements during high inflation periods

The companies operating in Turkey and preparing their financial statements by considering Capital Markets Board of Turkey's (CMB) accounting standards as of January 1,2005 abandoned inflation based accounting with the decision that has been made on 17 March 2005 by CMB.TMS29 preparation and presentation of Financial statements in accordance with Financial reporting are not applied in high inflation economies owing to taken decision by CMB.

Basis of Consolidation

The Company does not have a subsidiary subject to consolidation.

Comparative information and rectification of previous term financial statements

Company has prepared the statement of financial position as of December 31, 2018 comparatively to the statement of financial position as of December 31, 2017; comprehensive income statement, cash flow statement for the period between January 1 – December 31, 2018 comparatively to comprehensive income statement and cash flow statement for the period between January 1 - December 31, 2017; changes in equity for the period between January 1 - December 31, 2018 comparatively changes in equity for the period between January 1 – December 31, 2017.

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

a. Changes in accounting policies

Changes in accounting policies retrospectively if applied, from each affected component of equity of the financial statements included in the earliest period of the correct opening amount and this new accounting policy is applied since before with previous periods comparable to submit the information.

Changes in accounting policy, but requires retrospective application of the change in period-specific effects or the cumulative unable to determine if the application may not be made retroactive.

b. Changes in Accounting Estimates end Errors

If the impacts of changes in the estimation of accounting cause alterations on asset, foreign source or equity components, it is necessary to rectify the book value of foreign sources and equity components in the period that the changes has been made.

Reflecting the changes in the accounting forecast to the financial statements by considering the future means that changes are implemented on events and conditions after the date of change

Prior period errors are corrected by retrospective rearrangement, except when the period-specific or cumulative impacts cannot be calculated.

In preparation of the financial statements, the Company management is required to make estimates and assumptions which determine the amounts of assets and liabilities, determine possible liabilities and commitments as of balance sheet date and income and expense amounts as of reporting period. Actual results may differ from estimates and assumptions. These estimates and assumptions are reviewed regularly, and necessary corrections are made and reflected in the results of the related period.

The fundamental estimates used are related to the economic lives and provisions of the main tangible and intangible assets.

c. Going Concern

The Company's financial statements are prepared according to the basis of going concern principle.

d. Offsetting

Financial assets and liabilities are presented net when the required legal right is present, they have the intention to pay the said assets and liabilities on a net basis or if the intention is to realize the assets simultaneously and fulfill the obligations.

e. Comparative information and rectification of previous term financial statements

The financial statements of the Company have been prepared comparatively with the prior period in order to enable the determination of the financial situation and performance trends. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when necessary and significant differences are explained.

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

In addition to the following alterations, the Company has applied consistent accounting policies in the financial statements of the Company for the periods presented and has no material changes in the accounting policies and estimates in the current period.

As of 31 December 2017, provision for employee termination benefits amounting to TRY 747.561 has been reclassified to short term provisions related to employee benefits.

As of December 31, 2017, foreign exchange gain amounting to TRY 4.178.550 which is classified under other operating income in the comprehensive income statement has been reclassified to finance income account.

As of December 31, 2017, foreign exchange loss amounting to TRY 2.224.634 classified under other operating income in the comprehensive income statement has been reclassified to finance expense account.

Amendments and interpretations in the standards

TAS - TFRS Amendments

New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

TAS Amendments

The new standards, amendments and interpretations which are effective as at January 1, 2018

Amendment to TAS 40, "Investment property" relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. Amendment to TAS 40, "Investment property" relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

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

TFRS Amendments

Amendments to TFRS 2, “Share based payments” on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled.

It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority. *The amendment did not have a significant impact over financial position or performance of the Company.*

TFRS 9, ‘Financial instruments’; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The effects of the amendment are explained in the related notes and accounting policies. The effects of the amendment are explained in the related notes and accounting policies. The Company's existing deposits cover the receivables and no provision has been made.

IFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued IFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). Effective date for IFRS 15 is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. In accordance with this transition method, the Company has calculated this standard for the incomplete contracts as of 1 January 2018, which is the first application date of this standard and recorded the calculated cumulative effect in prior year profits.

The effects of the amendments to TFRS 15 on the financial statements dated 31 December 2018 are as follows:

December 31, 2018	Balances before applied standards	Adjustments	31.12.2018 Reported
Revenue	383.656.397	(77.762)	383.578.635
Cost of Sales (-)	(263.307.135)	7.668	(263.299.467)

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

The effects of the transition to TFRS 15 standards on financial statements as of 1 January 2018 are as follows:

Previous year profits as of January 1	2018
Previously reported	79.081.000
Effect of amendments to TFRS 15	(138.784)
Revised	78.942.215

Standards issued but not yet effective

Standards, interpretations and amendments to existing standards for December 31, 2018 that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows:

Amendment to TAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

Amendment to TFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

TFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15 'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As of the report date, the Group's studies on the impact of TFRS 16 on financial statements are ongoing. The Company's activities as a lessor are not material.

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

IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that TAS 12, not TAS 37, 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

Annual Improvements 2014-2016 Cycle

Annual Improvements 2014-2016 Cycle effective for the reporting of financial statements after from 1 January 2018.

- TAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.
- TFRS 1, "First-time adoption of TFRS"; regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10 effective 1 January 2018.

The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

Annual Improvements 2015-2017 Cycle

Annual Improvements 2015-2017 Cycle effective for the reporting of financial statements after from 1 January 2019.

- TAS 12, 'Income taxes', a Company accounts for all income tax consequences of dividend payments in the same way.
- Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.
- TAS 23, 'Borrowing costs'- a Company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

- TFRS 3, 'Business combinations', a Company remeasures its previously held interest in a joint operation when it obtains control of the business.
- TFRS 11, 'Joint arrangements', a Company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

The Group is in the process of assessing the impact of the standard on its financial position and performance.

f. Summary of Significant Accounting Policies

Cash and Cash Equivalents

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. (Not:53)

Trade Receivables

Trade receivables that are originated from the Company are carried at amortized cost using the effective interest method. Short-term trade receivables with no specific interest rate are measured at invoice amount unless the effect of imputing interest is significant. (Not:7)

In the event that there is a situation that indicates that the Company will not be able to collect the amounts due, the risk provision for trade receivables is established. The amount of this provision is the difference between the recoverable amount of the receivable and the collectible amount. The collectible amount is the discounted value of all cash flows, including amounts recoverable from guarantees and guarantees, based on the original effective interest rate of the trade receivable. (Note: 7)

If the amount of the impairment decreases due to loss, the mentioned amount is reflected to the other income in the current period.

The average collection period of the trade receivables arising from the sales carried out by the Company within the scope of the main activity subject is 90-120 days.

When the Company has an objective evidence regarding non possibility of collecting, there is a provision for doubtful receivables. Objective evidences are the receivables that are in the case or execution phase, the buyer's case of having significant financial challenge, the buyer's case of being in default or existence of the possibility of encountering with significant and unpredictable delay. The recoverable amount is the value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the trade receivable. In addition to this, since the Company does not include an important financing component that is recognized at amortized cost in the financial statements, the Company uses the provisioning matrix by selecting the simplified application for the impairment calculations. With this application, the Company measures the expected credit loss provision from an amount equal to the expected credit losses for a lifetime if the trade receivables are not impaired for certain reasons.

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

In the calculation of the expected loan losses, the Company's future forecasts are taken into consideration along with the past loan loss experiences.

In case of collection of doubtful receivables against the amount of doubtful receivable, in case of collection of all or part of the doubtful receivable amount, the amount collected is recorded as income in the income statement by deducting from the provisioned doubtful receivable. (Note 27)

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) Parties; (b) an entity in which it is controlled, jointly controlled, or under significant influence, or any person referred to in (d) or e) has a direct or indirect significant voting right or
- g) Employees of the entity, business, or entity associated with the business must have the benefit plans provided after dismissal.

Financial Instruments

Financial Assets

Classification and Measurement

The company classifies its financial assets into 3 parts. Financial assets that are accounted from the amortized cost amount, financial assets whose fair value reflected to the income statement, financial assets whose fair value change reflected to the profit or loss. The classification is based on the business model used by the entity for the management of financial assets and the characteristics of the contractual cash flows of the financial asset. The Company makes the classification of its financial assets on the date of purchase.

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

Financial assets measured at amortized cost are financial assets that are held within the scope of a business model that aims to collect contractual cash flows and that have cash flows that include interest payments from principal and principal balances on certain dates at contract dates, that are not traded in an active market and that are not derivatives. Financial assets that are accounted for at amortized cost include cash and cash equivalents and trade receivables. The related assets with their fair values in the initial recognition of financial statements; in subsequent accounting, it is measured at amortized cost using the effective interest rate method. Gains and losses arising from the valuation of non-derivative financial assets measured at amortized cost are recognized in the income statement.

Financial assets at fair value through profit or loss include financial assets at fair value through profit or loss other than financial assets at fair value through profit or loss. Gains and losses arising from the valuation of such assets are recognized in the income statement 2.

Financial assets at fair value through profit or loss are financial assets where cash flows are included in a business model that aims to collect contractual cash flows and sell financial assets, and which include interest payments from principal and principal balances on certain dates. Gains or losses arising from the related financial assets are recognized in other comprehensive income, except for impairment losses or gains and losses. In case of sale of such assets, the valuation differences classified in other comprehensive income are classified as prior years' profits.

For investments in equity-based financial assets, the Company may irrevocably choose the method of reflecting subsequent changes in the fair value of other comprehensive income to the financial statements for the first time. In the event that such preference is made, dividends received from related investments are recognized in the income statement. The Company does not have any equity based financial assets.

Loans and receivables

Commercial and other receivables and loans with fixed and determinable payments that are not quoted in the market are classified in this category. Loans and receivables are measured at amortized cost using the effective interest method. (Note:7)

Financial Liabilities

The Company's financial liabilities and equity instruments are classified according to the nature of the contractual arrangements and the definitions of a financial liability and an equity instrument. After deducting all of its liabilities, the contract representing the right in the Company's assets is an equity instrument. The accounting policies applied for some financial liabilities and equity instruments are as follows.

Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities.

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

a) Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit or loss are initially recognized at fair value and revalued at their fair value in the financial statements at each reporting date. Changes in fair values are recognized in the income statement. The net gain or loss are recognized in the income statements includes the amount of interest paid for the financial liability.

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 plus the 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.

Inventories

Inventories are valued on the basis of the weighted average cost method by considering the cost or the net realizable value, whichever is the lowest. Net realizable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. The cost of inventories covers all purchasing costs, conversion costs and other expenses made to bring the inventories into their current state and condition. In cases where impairment of inventories are no longer valid or net realizable value is increased, impairment of inventories which was recorded as loss in previous comprehensive income statement will be a provision no longer required. The amount of provision no longer required is limited with the amount of provision which was allocated in previous periods. (Note: 10)

Tangible 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 the 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. The estimated useful lives of such assets are as follows:

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

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

If book value of an asset is higher 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 higher than net sales price or value at use. 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 (Note: 14)

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;

Intangible Fixed Assets

Softwares	3 years
Other Intangible Fixed Assets	3-5 years

Leasing Transactions

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 payment, during the rental period will be recorded as expenses according to the direct method.

Investment Properties

Rather than selling goods and services for use in the production and administrative purposes at normal course of business, lands and buildings which are held in hand to obtain lease or capital gains or to obtain both, can be classified as Investment Properties and they can be recorded as values which comes after deduction of accumulated depreciation from cost according to its cost method except lands. The cost of construction, which constructed by the company, of property for investment purposes determine on cost at the date of completion of rehabilitation and construction works. Asset at this date becomes a property for investment purposes and cause of that it is transferred to Investment Properties account.

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

Borrowing Costs

The Company reflects the borrowing costs as finance cost to the profit / loss statement during the credit period. When the financing costs arising from loans are incurred, they are recorded in the profit / loss statement.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the qualifying asset. Businesses account for other borrowing costs as expense in the period in which they are incurred.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the qualifying asset if they can be measured reliably and are likely to provide future economic benefits to the entity. Borrowing costs that can be directly attributable to the acquisition, construction or production of a qualifying asset are the borrowing costs that will not arise if the expenditure associated with a particular asset has not been performed.

If a company gets into debt in order to acquire a specialty asset, the borrowing cost amount that will be capitalized will be determined by deducting income that is gained via temporary exploiting aforesaid funds from borrowing cost of the aforesaid borrowing in the related period.

In the case of a company uses a part of the funds that it is get in to debt for general purposes in order to finance a qualifying asset; the borrowing cost amount that can be capitalized; is determined via using capitalizing rate that will be applied to expenses that related asset. This capitalizing rate is the weighted average of the all existing borrowing of the related period to borrowing costs, except the borrowings that is done for acquiring the qualifying asset. The borrowing cost amount that is capitalized for a period, cannot exceed consisted the borrowing cost in related period.

When the all necessary proceedings virtually is completed for asset's intended usage and getting ready for sale, the capitalizing of borrowing costs will end. In the situation of a qualifying asset is completed in parts and every part can be used while other parts Continue to constructing; When the all necessary proceedings virtually is completed for certain part's intended usage and getting ready for sale, the capitalizing of borrowing costs of the related part will end.

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.

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

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.

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.

Revenue

As of 1 January 2018, TFRS 15 is accounted for in the financial statements in accordance with the, "Revenue Standard from Customer Contracts "in the following five-stage model.

- Determination of customer contracts,
- Determination of performance obligations in contracts
- Determination of transaction price in contracts,
- Distribution of the transaction price to the performance obligations in the contracts,
- Revenue recognition when each performance obligation is provision.

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

In the event that all of the following conditions are provision, the Company recognizes a contract with its customer as revenue:

- The parties to the Convention have ratified the contract (in accordance with written, oral or other commercial practices) and undertakes to carry out their own actions,
- The company defines the rights of each party regarding the goods or services to be transferred,
- The Company can define the payment terms for the goods or services to be transferred,
- The contract is essentially commercial,
- The Company is likely to charge a fee for the goods or services to be transferred to the customer.

Sales of Goods and Services

Includes income invoiced values of goods and service sales. Revenue is recognized on an accrual basis at the fair value of the consideration received or receivable upon delivery of the product or service, transfer of risks and benefits associated with the product, reliable determination of the amount of revenue and the probable economic benefits associated with the transaction.

Interest Revenue

Interest revenues are recorded as income on accrual basis.

Effects of exchange rate 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.

Tax Calculated on Corporation Earnings

Deferred taxes are calculated by taking into account statement of financial position liability. They are reflected considering the tax effects of temporary differences between legal tax base and reflected values of assets and liabilities in financial statements. Deferred tax liability is calculating for all taxable temporary differences however discounted temporary differences which occurs from deferred tax assets is calculated in condition to be highly possible to have benefit from these differences by obtaining taxable profit in future. Receivable and liability for deferred tax occurs where there are differences (which are reducible in future and taxable temporary differences) between book value and tax value of asset and liability sections. Deferred tax asset and liability is recording without considering time where group can use timing differences.

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

The corporation tax rate in Turkey on the profits for the calendar year 2018, 2019 and 2020 is 22% (2017: 20%). This rate can be applied to tax base which is found out after adding expenses, which are not accepted to reduce from tax according to tax law, to its commercial income and deducting exceptions in law (exception like affiliate income), discounts (like investment discount). In case of not distributing dividends, it will not be necessary to pay another tax.

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 % (before July 22, 2006 %10). Adding profit to capital cannot be count as distribution of dividend and applied for withholding tax.

Financial loss which is showed in declaration form according to Turkish Tax Regulation in condition not to pass for 5 years can be deducted on corporate income for period. However, fiscal loss cannot be deducted from previous year's profits.

Earnings per Share

Earnings per share presented at the consolidated Comprehensive Income Statement are calculated by dividing the net profit for the period to the number of shares. In case of increasing capital from sources in group in period, when calculating weighted average of number of shares, the value found after that is accepted also to use as valid at the beginning of period. TAS 33 also discusses this issue as follows;

Ordinary shares can be issued without any change in the resources or the number of ordinary common stock can be reduced. For example:

- (a) Activation or issuance of bonus shares (sometimes called dividends);
- (b) The presence of a free item in another export transaction; for example, a free item in an export transaction that includes new rights to existing shareholders;
- (c) Divide the stock and
- (d) Combining stocks by increasing the nominal value (consolidation of shares).

In the event of an capitalization or unallocated distribution or division of shares, ordinary shares are issued without requiring an additional payment to existing shareholders. Therefore, the number of common stock available increases without an increase in resources. If the number of ordinary shares present before the said transaction is realized at the beginning of the earliest period, the number of ordinary shares shall be adjusted according to the proportional change in the number of ordinary shares.

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.

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

In case of occurring events which are necessary to make adjustments after statement of financial position date, group 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.

Statement of Cash Flow

In cash flow statement group reports cash flows in period based on classification as operating, investing and financing activities. Cash flows sourced from operating activities shows cash flows sourced from Group's activities. Cash flow related to investing activities shows cash flows that group use at present time or they gain from investing activities such as intangible asset investing and financial investing. Cash flow related to financing activities shows the resources used by group and back payment of these resources for financing activities.

Cash and cash equivalents consist of cash and bank deposit, investment with certain amount at 3 months term or less than 3 months, short term with high liquidity.

c. Important Accounting Evaluation, Estimation and Assumptions

Preparing of financial statements make need of using estimates and assumptions which will effect income and expense amount which are reported at account period, explanation of contingent assets and liability and amount of assets and liabilities which are reported as of statement of financial position date. These estimates and assumptions give the most reliable information about group managements' present events and transactions. Although realized results can show differences from assumptions. The estimates and assumptions may cause significant adjustments on book value of assets and liabilities in financial reporting is stated below.

Deferred Tax Assets

Group accounted deferred tax and liabilities in order to temporary timing differences arising from diversity between financial tables that determine tax and prepared financial tables in accordance with TAS reporting standards. Assets of deferred tax estimated the amount of recoverable partially or completely. During the assesment, future profit projections and other tax assets expiration dates and potential tax planning strategies were considered.

Determination of Fair Value

The Company's various accounting policies and disclosures require the determination of the fair value of both financial and non-financial assets and liabilities. If applicable, additional information about the assumptions used in determining the fair values are presented in the notes specific to the asset or liability.

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

The valuation methods according to the levels are listed as follows.

Level 1: Recorded prices (unadjusted) in active market for identical assets and liability

Level 2: Directly (through prices) observable data and indirectly (derived from prices) observable data for assets or liabilities and except recorded prices in Level 1

Level 3: Data is not based on observable market data relevant with assets and liabilities (unobservable data)

3. BUSINESS COMBINATIONS

None. (December 31, 2017: none)

4. SHARES IN OTHER ENTITIES

Financial Investments

Financial assets in unquoted equity shares and ratios as stated cost and available-for-sale in December 31, 2018 and December 31, 2017 as follows:

	31.12.2018		31.12.2017	
	<u>TRY</u>	<u>%</u>	<u>TRY</u>	<u>%</u>
Ceramics Research Center	4.000	8,00	4.000	8,00
TOTAL	4.000		4.000	

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, 2018 and December 31, 2017 balances to related party disclosures:

a) Due from related parties:

- Trade receivables from affiliates:

	December 31, 2018	December 31, 2017
Ege Seramik America INC.	27.343.759	20.480.795
Egeseramik İç ve Dış Ticaret A.Ş.	20.023.888	12.979.190
AP Gayrimenkul Yatırım ve Geliştirme A.Ş.	-	306.089
Piyalepaşa Gayrimenkul Gel. Yat. ve Tic. A.Ş.	656.954	460.256
TOTAL	48.024.601	34.226.330
Deduction: Unaccrued Interest Expense	(230.959)	(91.541)
TOTAL	47.793.642	34.134.789

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. and Ege Seramik America INC.

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

- Other receivables from related parties:

None. (31.12.2017: None.)

b) Due to related parties:

Trade payables to related parties

	31.12.2018	31.12.2017
Polat Maden San.Tic.A.Ş.	-	11.933
TOTAL	-	11.933
Deduction: Unaccrued Interest Expense	-	(614)
TOTAL	-	11.319

- Other payables to related parties:

	31.12.2018	31.12.2017
Dividends to be paid	322	290
TOTAL	322	290

6. RELATED PARTY DISCLOSURES (Cont'd)

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

a) Product Sales to Related Parties:

	01 January - 31 December 2018	01 January - 31 December 2017
Ege Seramik America INC.	107.413.064	84.395.474
Egeseramik İç ve Dış Ticaret A.Ş.	84.114.547	59.769.012
Piyalepaşa Gayrimenkul Gel. Yat. ve Tic. A.Ş.	1.686.428	545.487
Ege Vitriفيye Sağlık Gereçleri San. Tic. A.Ş.	178.892	98.463
AP Gayrimenkul Yatırım ve Geliştirme A.Ş.	103.712	262.470
Polat Maden San. Tic. A.Ş.	-	19.208
Polat Turizm Otel San. ve Tic. AŞ.	16.292	12.868
TOTAL	193.512.935	145.102.982

b) Raw material sales to related parties:

	01 January - 31 December 2018	01 January - 31 December 2017
Ege Vitriفيye Sağlık Gereçleri San. Tic. A.Ş.	-	14.350
TOTAL	-	14.350

c) Service sales to related parties:

	01 January - 31 December 2018	01 January - 31 December 2017
Piyalepaşa Gayrimenkul Gel. Yat. ve Tic. A.Ş.	85.777	30.719
Ege Seramik America INC.	44.914	49.327
İbrahim Polat Holding A.Ş.	34.847	-
Egeseramik İç ve Dış Ticaret A.Ş.	8.431	10.809
Polat Turizm Otel San. ve Tic. AŞ.	3.025	27.628
AP Gayrimenkul Yatırım ve Geliştirme A.Ş.	2.552	9.687
Ege Vitriفيye Sağlık Gereçleri San. Tic. A.Ş.	-	15.552
Polat Maden San. Tic. A.Ş.	-	3.611
TOTAL	179.546	147.332

d) Fixed asset sales to related parties

	01 January - 31 December 2018	01 January - 31 December 2017
Ege Vitriفيye Sağlık Gereçleri San. Tic. A.Ş.	-	761.000
TOTAL	-	761.000

6. RELATED PARTY DISCLOSURES (Cont'd)

e) Raw material purchase and related parties goods:

	01 January - 31 December 2018	01 January - 31 December 2017
Polat Maden San. Tic. A.Ş.	9.021.983	8.648.313
Ege Vitrikiye Sağlık Gereçleri San. Tic. A.Ş.	284.836	27.885
TOTAL	9.306.819	8.676.198

f) Service purchases from related parties:

	01 January - 31 December 2018	01 January - 31 December 2017
İbrahim Polat Holding A.Ş.	1.044.000	966.999
Polat Turizm Otelcilik A.Ş.	47.374	4.946
Egeseramik İç ve Dış Ticaret A.Ş.	219	18.985
Ege Seramik Amerika INC.	-	3.162
Ege Vitrikiye Sağlık Gereçleri San. Tic. A.Ş.	-	247
TOTAL	1.091.593	994.339

g) Fixed asset purchases from related parties :

	01 January - 31 December 2018	01 January - 31 December 2017
Ege Vitrikiye Sağlık Gereçleri San. Tic. A.Ş.	-	533.460
TOTAL	-	533.460

h) Financial expenses from related parties transactions:

None. (31.12.2017: None.)

i) Financial expenses related to transactions with related parties

None. (31.12.2017: None.)

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

	01 January - 31 December 2018	01 January - 31 December 2017
Ege Seramik Amerika INC.	520.229	424.834
Egeseramik İç ve Dış Ticaret A.Ş.	499.851	577.337
Polat Turizm Otel San.ve Tic. A.Ş.	-	131.763
TOTAL	1.020.080	1.133.934

6. RELATED PARTY DISCLOSURES (Cont'd)

The senior management remuneration and other benefits for twelve-month period of 2018 are as follows:

- a) **Short term employee benefits:** The senior management remuneration and other benefits totally 4.059.571 TRY (December 31, 2017: 3.472.651 TRY) in twelve months period of 2018.
- b) **Postemployment:** Severance pay is paid to employees who deserve the rights recognized by law. Other than there is no extra payment.
- c) **Other long term benefits:** None.
- d) **Severance:** None.
- e) **Share-based payments:** None.

7. TRADE RECEIVABLE AND PAYABLES

Trade Receivables

	31.12.2018	31.12.2017
Customer Current Accounts	78.668.850	66.506.212
-Receivables from Related Parties (Note:6)	48.024.601	34.226.330
-Other Receivables	30.644.250	32.279.882
Notes Receivables	32.770.932	78.127.945
-Other notes receivables	32.770.932	78.127.945
Doubtful Receivables	2.325.197	2.325.197
Provision of Doubtful Receivables (-)	(1.636.934)	(1.737.032)
TOTAL	112.128.046	145.222.322
Deduction: Unaccrued interest expense	(2.850.246)	(3.498.981)
Receivables from related parties (Note:6)	(230.959)	(91.541)
Other Receivables	(2.619.287)	(3.407.440)
TOTAL	109.277.799	141.723.341

As of December 31, 2018, at the amount of 115.578.606 TRY collateral received for provision of receivable other than related parties is presented in Note 25.

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.

	31.12.2018	31.12.2017
Not due	73.657.909	64.055.862
Overdue 0-30 days	4.129.762	2.344.034
Overdue 31-90 days	787.111	819
Overdue 91-180 days	1.530	361
Overdue 181-360 days	-	-
Overdue more than 360 days	92.538	105.135
TOTAL	78.668.850	66.506.212

7. TRADE RECEIVABLE AND PAYABLES (Cont'd)

As of December 31, 2018, and December 31, 2017 provision for doubtful trade receivables' movement table is given below:

	31.12.2018	31.12.2017
Jan 01	1.737.032	1.799.086
Current period of provision for doubtful receivables	-	-
Collected and provisions no longer required	(100.098)	(62.054)
TOTAL	1.636.934	1.737.032

Short Term Trade Payables

	31.12.2018	31.12.2017
Trade Payables	59.627.755	63.402.664
-Related Trade Payables	-	11.933
- Other Trade Payables	59.627.755	63.390.731
TOTAL	59.627.755	63.402.664
Deduction: Unaccrued interest expense	(1.249.422)	(595.854)
Related trade payables	-	(614)
Other trade payables	(1.249.422)	(595.240)
TOTAL	58.378.333	62.806.810

	31.12.2018	31.12.2017
Not due	59.048.727	61.961.865
Overdue 0-30 days	493.378	1.438.785
Overdue 31-90 days	44.800	1.076
Overdue 91-180 days	-	938
Overdue 181-360 days	39.913	-
Overdue more than 360 days	937	-
TOTAL	59.627.755	63.402.664

Long Term Trade Payables

None. (31.12.2017: None.)

8. RECEIVABLES AND PAYABLES FROM ACTIVITIES IN FINANCIAL SECTOR

None. 31.12.2017 data are presented here in the related period Report; current and past period information is shown note 47.

9. OTHER RECEIVABLES AND PAYABLES

Short term Other Receivables

	31.12.2018	31.12.2017
Receivables from tax office	6.506.078	2.882.693
TOTAL	6.506.078	2.882.693

Long Term Other Receivables from Third Party

	31.12.2018	31.12.2017
Deposits and guarentees given	503.653	288.005
TOTAL	503.653	288.005

Short Term Other Payables

	31.12.2018	31.12.2017
Other payables to related parties	322	290
Taxes and funds payables	1.573.626	1.724.297
TOTAL	1.573.948	1.724.587

10. INVENTORIES

	31.12.2018	31.12.2017
Raw material	37.523.692	38.993.393
Semi finished good -Production	5.574.042	5.384.253
Finished goods	56.773.211	37.308.965
Trade goods	29.480	41.978
Other Inventories	160.617	133.538
TOTAL	100.061.042	81.862.127
Provision of Inventory Impairment (-)	(3.407)	(5.488)
TOTAL	100.057.635	81.856.639

Provisions of inventory impairment during the period are as below:

	31.12.2018	31.12.2017
Opening balance	5.488	9.431
Canceled provision due to the increase in net realizable value (-)	(2.081)	(3.943)
Provision for current period (+)	-	-
TOTAL	3.407	5.488

10. INVENTORIES (Cont'd)

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 65.390 (December 31, 2017: TRY 347.906) at net realizable value and TRY 37.458.302 (December 31, 2017: 38.645.487) at cost which are reflected its financial statements. Company's finished goods inventories in the amount TRY 72.486 (31.12.2017: TRY 40.890) at net realizable value and TRY 56.700.725 (December 31, 2017: TRY 37.268.075) 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 695.361. Annual discount rate was applied %16,08 for TRY, and %1,60 for EUR, %3,61 for USD, GBP and CHF.

11. LIVE STOCK ASSETS

None. (31.12.2017: None.)

12. PREPAID EXPENSES AND DEFERRED INCOME

Short term prepaid expenses

	31.12.2018	31.12.2017
Prepaid expenses for future months	1.493.998	1.039.200
Advances given related to cost	1.154.968	799.284
TOTAL	2.648.966	1.838.484

Long term prepaid expenses

	31.12.2018	31.12.2017
Prepaid expenses for future years	15.362	72.252
TOTAL	15.362	72.252

Short Term Deferred Incomes

	31.12.2018	31.12.2017
Prepaid incomes for future months	1.396.893	1.331.541
Advances received related to revenue	5.284.482	19.978.796
TOTAL	6.681.375	21.310.337

Long Term Deferred Incomes

None. (31.12.2017: None.)

13. INVESTMENT PROPERTY

None. (31.12.2017: None.)

14. TANGIBLE FIXED ASSETS

	01.01.2018	Additions	Transfers	Disposals	31.12.2018
Land	7.613.821	-	-	-	7.613.821
Land Improvements	25.633.348	374.825	39.295	-	26.047.468
Buildings	56.126.495	293.690	7.313.630	233.264	63.500.551
Plant, machinery and equipment	237.932.495	4.189.866	19.582.445	7.708.713	253.996.094
Vehicles and vehicle equipments	2.286.163	444.085	-	53.563	2.676.685
Furniture and fixtures	10.881.305	1.204.890	875.309	102.505	12.859.000
Special Costs	361.339	-	-	-	361.339
Construction in progress	170.830	27.958.084	(27.810.679)	-	318.235
TOTAL COSTS	341.005.797	34.465.441	-	8.098.045	367.373.193
Land Improvements	19.043.858	636.232	-	-	19.680.090
Buildings	27.994.652	1.308.597	-	132.837	29.170.412
Plant, machinery and equipment	152.516.938	13.908.542	-	6.285.243	160.140.238
Vehicles and vehicle equipments	867.020	269.969	-	50.908	1.086.081
Furnitures and fixtures	6.990.714	992.687	-	101.212	7.882.188
Special Costs	361.339	-	-	-	361.339
ACCUMULATED DEPRECIATION	207.774.522	17.116.027	-	6.570.200	218.320.349
NET BOOK VALUE	133.231.275	17.349.414	-	1.527.845	149.052.844

	01.01.2017	Additions	Transfers	Disposals	31.12.2017
Land	7.080.359	533.463	-	1	7.613.821
Land Improvements	24.814.603	818.745	-	-	25.633.348
Buildings	55.393.056	338.826	456.293	61.680	56.126.495
Plant, machinery and equipment	223.284.933	5.014.1684	13.988.197	4.354.804	237.932.495
Vehicles and vehicle equipments	2.237.980	48.183	-	-	2.286.163
Furniture and fixtures	9.714.396	1.249.454	-	82.544	10.881.305
Special Costs	361.339	-	-	-	361.339
Construction in progress	3.788.690	10.826.630	(14.444.490)	-	170.830
TOTAL COSTS	326.675.357	18.829.470	-	4.499.030	341.005.797
Land Improvements	18.454.950	588.908	-	-	19.043.858
Buildings	26.678.567	1.318.141	-	2.056	27.994.652
Plant, machinery and equipment	143.790.275	12.229.756	-	3.503.093	152.516.938
Vehicles and vehicle equipments	602.367	264.653	-	-	867.020
Construction in progress	6.252.356	820.902	-	82.544	6.990.714
Special Costs	361.339	-	-	-	361.339
ACCUMULATED DEPRECIATION	196.139.854	15.222.360	-	3.587.693	207.774.522
NET BOOK VALUE	130.535.503	3.607.110	-	911.337	133.231.275

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

None. (31.12.2017: None.)

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

None. (31.12.2017: None.)

17. INTANGIBLE FIXED ASSETS

	01.01.2018	Additions	Transfers	Disposals	31.12.2018
Rights	9.606.283	665.698	96.436	2.278	10.366.138
Construction in progress	60.083	75.652	(96.436)	-	39.299
TOTAL COSTS	9.666.366	741.350	-	2.278	10.405.437
Rights	7.218.835	398.483	-	2.278	7.615.040
ACCUMULATED DEPRECIATION	7.218.835	398.483	-	2.278	7.615.040
NET BOOK VALUE	2.447.531	342.866	-	-	2.790.397

	01.01.2017	Additions	Transfers	Disposals	31.12.2017
Rights	8.680.518	930.719	8.527	13.481	9.606.283
Construction in progress	57.570	11.040	(8.527)	-	60.083
TOTAL COSTS	8.738.087	941.759	-	13.481	9.666.366
Rights	7.000.882	231.434	-	13.481	7.218.835
ACC. DEPRECIATION	7.000.882	231.434	-	13.481	7.218.835
NET BOOK VALUE	1.737.205	710.325	-	-	2.447.531

18. GOODWILL

None. (31.12.2017: None.)

19. EVALUATING AND RESEARCHING OF MINE RESOURCES

None. (31.12.2017: None.)

20. LEASING OPERATIONS

None. (31.12.2017: None.)

21. SERVICE CONCESSION ARRANGEMENTS

None. (31.12.2017: None.)

22. IMPAIRMENT OF ASSETS

None. (31.12.2017: 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 02/02/2016 and numbered 122571. Application for closing visa ov incentive certificate had been made to Ministry of Economy of Turkey on 30/11/2017 and closing visa has been made on 16/02/2018. Mentioned investment incentive certificate consist of discounted corporate tax rate, customs tax and VAT exemptions.
- d) Company has started its modernization investments with investment incentive certificate dated 29/03/2018 and numbered 136299. Mentioned investment incentive certificate consist corporate tax, customs tax and VAT exemptions

24. COST OF BORROWING

None. (31.12.2017: None.)

25. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provision for Current Tax, net

	December 31, 2018	December 31, 2017
Provisions for current tax	4.042.918	9.642.747
Prepaid taxes and funds (-)	(4.042.918)	(8.410.190)
TOTAL	-	1.232.557

Short Term Provisions

a) Other Short-Term Provisions

	December 31, 2018	December 31, 2017
Provision for Law Suit	2.853.158	2.135.703
Provision for Guarantee Expense	162.147	103.239
TOTAL	3.015.305	2.238.942

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

As of December 31, 2018 provisions for other short term liabilities movement table are given below:

	01.01.2018	Additional Provisions (Note:33-34)	Payments/ Cancellations (-)	31.12.2018
Provision for Law Suit	2.135.703	853.500	(136.045)	2.853.158
Provision for Guarantee Expense	103.239	58.908	-	162.147
TOTAL	2.238.942	912.408	(136.045)	3.015.305

Letters of Guarantee Given by the Company

Given To	Explanation	Amount (TRY)
Gazi Osmanpaşa 1.İcra Müdürlüğü	According to court process	185.000
İzmir Kemalpaşa Org.San.Bölgesi Md.	According to natural gas purchasing agreement	65.385
İzmir 7.İcra Müdürlüğü	According to court process	61.569
Tedaş	According to electricity purchasing transactions	54.200
TOTAL		366.155

Direct debiting system given by the Company

Given To	Explanation	31.12.2018	31.12.2017
İzmir Kemalpaşa Org.San.Bölgesi Md.(*)	According to natural gas purchasing agreement	14.000.000	14.000.000
İndustrie Bitossi Mineral Sanayi A.Ş.(**)	According to raw material retrieval	6.000.000	-
TOTAL		20.000.000	14.000.000

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

(*). Consist of Direct Debiting System Limit which is opened for İndustrie Bitossi Mineral Sanayi A.Ş. with regards to raw material retrieval.

Pledges Given by the Company

GUARANTEES PLEDGES MORTGAGES	31.12.2018	31.12.2017
A) Total amount of GPM given on behalf of its own legal entity	366.155	1.033.482
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	366.155	1.033.482

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

As of December 31, 2018, Company's given GPM to Company's equity ratio is below 1%.
(31.12.2017: below 1%)

(**) As of 31.12.2017 the Direct Debit System Limit (D.D.S.) stated in the Company's report with the amount of TRY 14.000.000 is also stated by deducting from collateral and mortgages.*

Guarantees Received by the Company

	31.12.2018	31.12.2017
Letter of guarantees received	59.225.000	70.695.000
Guarantees cheques received	510.000	510.000
Guarantees notes received	3.386.000	1.245.355
Mortgages	27.242.000	34.874.000
Direct debiting system limits from dealers (DBS)	25.215.606	25.652.608
TOTAL	115.578.606	132.976.963

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 2.853.159 as of December 31, 2018
(December 31, 2017: TRY 2.135.703).

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. (31.12.2017: 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 5.434,42 as of December 31, 2018. (December 31, 2017: TRY: 4.732,48)

27. EMPLOYEE BENEFIT OBLIGATIONS (Cont'd)

Short Term

	December 31, 2018	December 31, 2017
Unused vacation	753.492	747.561
TOTAL	753.492	747.561

Long Term

	December 31, 2018	December 31, 2017
Provision for termination indemnities	28.164.608	25.286.257
TOTAL	28.164.608	25.286.257

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. As of 31 December 2018, net discount rate was calculated as 4,78%. (31 December 2017: 3,32%).

Movement of provision for termination indemnities as of December 31, 2018 - December 31, 2017 are shown as follows:

	31.12.2018	31.12.2017
Opening balance	25.286.257	20.279.219
Additional provisions	3.115.619	5.207.689
Payment (-)	(237.268)	(200.651)
Closing balance	28.164.608	25.286.257

	31.12.2018	31.12.2017
January 01	25.286.257	20.279.219
Interest expenses	4.159.589	2.433.506
Current service cost	8.061.168	8.104.433
Paid in period	(6.928.933)	(3.775.724)
Actuarial gain / (loss)	(2.413.473)	(1.755.178)
TOTAL	28.164.608	25.286.257

27. EMPLOYEE BENEFIT OBLIGATIONS (Cont'd)

Movement of provision for unused vacations as of December 31, 2018 - December 31, 2017 are shown as follows:

	December 31, 2018	December 31, 2017
Opening balance	747.561	845.287
Additional provisions	5.931	(97.725)
Closing balance	753.492	747.561

Payables within Employee Benefits

	December 31, 2018	December 31, 2017
Due to personnel	2.850.242	3.480.038
Payable taxes and funds	1.553.580	1.577.725
Payable other liabilities	34.239	25.272
TOTAL	4.438.061	5.083.035

28. OTHER ASSETS AND LIABILITIES

Other current assets

	December 31, 2018	December 31, 2017
Advances given for purchases	2.052	-
Income accruals	44.426	301.784
Transferred VAT	4.431.713	496.777
Other VAT*	5.175.890	4.239.916
TOTAL	9.654.081	5.038.477

*The amount of TRY 5.175.890 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 5.175.890 of other VAT will be shown under short-term liabilities after deduction of export transactions are closed by Tax Authority.

Other short-term liabilities

	December 31, 2018	December 31, 2017
Expense accruals	304.317	116.252
Provision for Expected Sale Returns (*)	248.024	-
Other VAT	5.175.888	4.239.916
TOTAL	5.728.229	4.356.168

The Company has applied UFRS 15 “Revenue from Contracts with Customers” standard with cumulative effect method and accounted as of January, 2018. The cumulative effect of the first application was recorded in the previous year's profits on the date of the first application.

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, 2018 and December 31, 2017 registered capital of the Company that is not adjusted to inflation is shown as follows:

	December 31, 2018	December 31, 2017
Registered capital ceiling	150.000.000	150.000.000
Authorized and paid in capital	75.000.000	75.000.000

The Company's paid-in capital structure as of December 31, 2018 and December 31, 2017 is as follows:

	December 31, 2018			December 31, 2017			
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%	666.079,04	66.607.904	0,89%
<i>Adnan Polat-Publicly Traded</i>		0,00			0,00		
Total		666.087,84		0,89%	666.087,84		0,89%
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%	24.957.238,48	2.495.723.848	33,28%
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.

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

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 (seventyfive million) Turkish Lira and is fully paid. The Company's share capital consists of 75.000.000 (seventyfive 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.

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. In the installment payment, the provisions set forth in Article 5 of the Dividend Communiqué No II-19.1 shall be complied with. In addition, the companies whose shares are traded on the stock exchange may distribute advance dividends in cash through the profits in their financial statements.

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.

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

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).

According to the announcement made on 26.04.2018, The provisions of the Capital Markets Legislation and the Articles of Association of the Company information are below,

- By distributing dividends amount of TRY 16.260.709

-The amount of TRY 21.797.771 has been reserved by general legal reserves and previous years retained earnings which the amount of TRY 3.319.994.

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:

	December 31, 2018	December 31, 2017
Share Premium	35.838.595	35.838.595
TOTAL	35.838.595	35.838.595

Movements of actuarial loss/gain fund are as below:

	December 31, 2018	December 31, 2017
Opening balance	5.325.705	3.921.563
Current actuarial (gain)/loss	1.882.509	1.404.142
TOTAL	7.208.214	5.325.705

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.

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

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.

	31.12.2017		31.12.2018
	Balance	Additions	Balance
Restricted Reserves	17.093.487	3.319.996	20.413.482
TOTAL	17.093.487	3.319.996	20.413.482

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	31.12.2018	31.12.2017
	Balance	Balance
Accumulated Profit/Loss	79.081.000	60.161.249
Mandatory Change in Accounting Policies (TFRS 15) (*)	(138.785)	-
Net Profit/Loss	47.941.127	29.125.872
Divident	(16.260.708)	(8.469.960)
Legal Reserves	(3.319.996)	(1.736.161)
TOTAL	107.302.638	79.081.000

The Company has applied TFRS 15 “Revenue from contracts with customers” with cumulative effect method and recognized them as of January 1, 2018. The cumulative effect of the first transition was recorded in prior year profits at the date of initial application.

30. EXPENSES BY NATURE

	January 01–	January 01–
	December 31 2018	December 31 2017
General administration expenses	38.857.810	32.184.234
Marketing expenses	27.372.173	22.956.267
Research and development expenses	3.729.524	3.362.337
Cost of sales	294.044.707	263.299.467
TOTAL	364.004.214	321.802.305

31. SALES AND COST OF SALES

Sales are shown as follows:

	January 01 – December 31 2018	January 01 – December 31 2017
Domestic sales	212.510.690	223.349.505
Foreign sales	239.201.428	163.291.714
Gross Sales	451.712.118	386.641.219
Sales returns (-)	(878.100)	(872.261)
Sales discounts (-)	(214.472)	(102.803)
Other discounts (-)	(16.074.573)	(2.087.519)
Returns and discounts	(17.167.145)	(3.062.584)
Net sales	434.544.973	383.578.635

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 1.614.520 Annual discount rate has been applied to 16,08% for TRY; 1,60% for EUR and 3,61% for CHF, GBP and USD.

Cost of sales are shown as follows:

	January 01 – December 31 2018	January 01 – December 31 2017
Cost of goods sold	293.798.829	263.098.192
Cost of trade goods sold	245.878	201.275
TOTAL	294.044.707	263.299.467

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

Cost of sales according to their nature in periods January 01, 2018 - December 31, 2018 and January 01, 2017 – December 31, 2017 are indicated as below:

	January 01 – December 31 2018	January 01 – December 31 2017
Material usage share	143.477.811	118.790.64
Natural gas usage	66.031.811	50.689.660
Personnel expense share	48.003.809	46.554.793
Indirect material usage	23.016.167	17.901.229
Depreciation and amortization expenses	13.046.141	14.350.828
Transportation expenses	5.551.697	4.913.072
Maintenance and repair expenses	5.492.150	4.762.089
Food and subsistence expenses	2.597.360	2.540.718
Other general manufacturing expenses	5.498.761	2.314.406
Diesel and LPG usage	1.132.974	1.033.905
Shipping cost	1.787.614	1.528.107
The net effect of the goods with delayed customs declaration document	(7.668)	-
Changes in semi-finished inventory	(189.790)	(596.737)
Internal consumption (*)	(1.582.666)	(832.475)
Changes in finished goods inventory	(20.057.344)	(852.045)
Cost of trade goods sold	245.878	201.275
TOTAL	294.044.707	263.299.467

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

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 695.361. Annual discount rate has been applied to 16,08% for TRY; 1,60% for EUR; and 3,61% for USD, CHF, GBP.

32. CONTRACTS OF CONSTRUCTION

None. (31.12.2017: None.)

33. 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, 2018 - December 31, 2018 and January 01, 2017 – December 31, 2017 are shown as below:

	January 01 – December 31 2018	January 01 – December 31 2017
Personnel expenses	9.271.082	7.747.256
Outsource services	7.725.941	6.519.947
Termination indemnities paid	6.928.933	3.775.724
Provision for termination expenses	5.529.092	6.962.867
Consultancy expenses	2.117.895	2.219.858
Depreciation and amortization expenses	1.246.950	995.086
Tax, duties and charges	957.970	521.219
Notice of termination expenses paid	883.029	452.843
Travelling expenses	502.987	234.227
Due and subscription fees	422.981	493.832
Brand and quality certificate expense	351.060	253.408
Court, executive expenses	292.122	310.044
Rent expenses	284.121	166.077
Insurance expenses	280.366	222.892
Internship and education expense	257.477	220.553
Electric expenses	215.214	171.189
Communication expenses	176.152	97.457
Audit Expense	170.276	49.615
Transportation vehicle expenses	158.181	96.618
Other	1.085.981	673.522
TOTAL	38.857.810	32.184.234

Marketing, Sales and Distribution Expenses

Details of marketing, sales and distribution expenses according to their nature in periods January 01, 2018 - December 31, 2018 and January 01, 2017 – December 31, 2017 are shown as below:

	January 01 – December 31 2018	January 01 – December 31 2017
Domestic sales expenses	7.845.063	7.209.957
Foreign sales expenses	8.583.505	6.285.975
Personnel expenses	6.616.278	5.600.184
Advertising expenses	2.322.713	2.569.316
Construction sales expenses of ceramic boards	1.060.189	580.177
Packaging expenses	438.050	409.720
Provision of Guarantee Expense	58.908	62.865
Other	447.467	238.073
TOTAL	27.372.173	22.956.267

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

Research and Development Expenses

Details of research and development expenses according to their nature in periods January 01, 2018 - December 31, 2018 and January 01, 2017 – December 31, 2017 are shown as below:

	January 01 – December 31 2018	January 01 – December 31 2017
Personnel expenses	2.893.324	2.694.900
Outsourced expenses	695.880	560.414
Other	140.320	107.022
TOTAL	3.729.524	3.362.337

34. OTHER OPERATIONAL INCOME AND EXPENSE

Other operational incomes

	January 01 – December 31, 2018	January 01 – December 31, 2017
Exchange differences income (*)	27.816.078	18.164.854
Rediscount interest income	4.748.404	2.881.034
Brand and promote fair income	3.716.358	1.276.594
Scrap sales	941.940	615.918
Reflected material price differences	413.167	954.067
Reflected revenues	285.193	231.019
Rental income	262.553	262.211
Interest differences income	252.492	29.468
Cancellation of provision for termination indemnities	237.268	200.651
Promotion Incomes	226.172	209.040
Sale of sample ceramic and board	224.865	169.839
Cancellation of provison lawsuit	136.045	286.450
Insurance damage income	126.043	178.274
Cancellation of provision for doubtful receivables	100.098	62.054
Export freight and insurance income	24.467	2.281
Cancellation of provision for inventories	2.081	3.943
Cancellation of provision for permission	-	97.725
Other	228.690	1.084.300
TOTAL	39.741.915	26.709.722

(*) In 2017, foreign exchange gains amounting to TRY 4.188.550 classified under other operating income in the comprehensive income statement have been reclassified to finance income.

34. OTHER OPERATIONAL INCOME AND EXPENSE (Cont'd)

Other operational expenses

	January 01 – December 31 2018	January 01 – December 31 2017
Exchange differences expense (*)	38.522.561	28.050.793
Rediscount interest expense	3.446.101	3.698.974
Provision for lawsuit expenses	853.500	682.800
Reflected material and price differences	413.167	954.067
Reflected expenses	286.471	232.921
Sale of sample ceramic and board	224.865	169.839
Provision of permission	5.931	-
Confirmation differences	-	1.562
Other	815.299	452.949
TOTAL	48.398.224	34.628.401

35. EXPANDITURES AND REVENUES FROM INVESTING ACTIVITIES

Revenues from Investing Activities

	January 01 – December 31 2018	January 01 – December 31 2017
Profit on sale of fixed assets	106.501	2.121.085
TOTAL	106.501	2.121.085

Expenses from Investing Activities

	January 01 – December 31 2018	January 01 – December 31 2017
Loss on sale of fixed assets	822.140	-
Exchange differences expense	955.472	719.317
TOTAL	1.777.612	719.317

36. EXPENSES CLASSIFIED BY PRINCIPLE TYPES

Details of expenses classified by principle types in periods January 01, 2018 - December 31, 2018 and January 01, 2017 – December 31, 2017 are shown as below:

Amortization expenses	January 01 – December 31 2018	January 01 – December 31 2017
Cost of sales	13.046.141	14.350.828
General administration expenses	1.246.950	995.086
Not working part expenses and losses	873.702	107.880
TOTAL	15.166.793	15.453.794

36. EXPENSES CLASSIFIED BY PRINCIPLE TYPES (Cont'd)

Total depreciation expenses of the Company in the year 2018 is TRY 17.514.510 and the remaining amount of these depreciation expenses in the product stocks at the end of the year is TRY 2.347.717. (31 December 2017: TRY 1.804.916)

	January 01 – December 31 2018	January 01 – December 31 2017
Personnel expenses		
Cost of sales	48.003.809	46.554.793
Research and development expenses	2.893.324	2.694.900
Marketing, sales and distribution expenses	6.616.278	5.600.184
General administration expenses	9.271.082	7.747.256
Idle capacity expenses and losses	2.956.627	-
TOTAL	69.741.120	62.597.133

37. FINANCIAL EXPENSES AND INCOME

Financial Expenses

	January 01 – December 31 2018	January 01 – December 31 2017
Exchange difference expenses (*)	13.869.950	2.224.634
Bank loan, interest and commission expenses	4.108.171	4.307.376
TOTAL	17.978.121	6.532.010

(*) In 2017, foreign exchange loss amounting to TRY 2.224.634 classified under other operating income in the comprehensive income statement has been reclassified to finance expense account.

Financial Income

	January 01 – December 31 2018	January 01 – December 31 2017
Interest income	1.567.036	781.759
Exchange difference income (*)	15.538.004	4.178.550
TOTAL	17.105.040	4.960.309

(*) In 2017, foreign exchange gains amounting to TRY 4.178.550 which are classified under kur other operating income, in the comprehensive income statement are reclassified to financial income.

38. ANALYSIS OF OTHER COMPREHENSIVE INCOMES

Details of other comprehensive incomes/(expense) in periods January 01, 2018 - December 31, 2018 and January 01, 2017 – December 31, 2017 are shown as below:

	January 01 – December 31 2018	January 01 – December 31 2017
Defined benefit plans revaluation gains/(losses) (Note 27)	2.413.473	1.755.178
Defined benefit plans revaluation gains/(losses), Tax effect (Note40)	(530.964)	(351.036)
TOTAL	1.882.509	1.404.142

39. FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None. (31.12.2017: None.)

40. INCOME TAXES (DEFERRED TAX ASSETS AND LIABILITIES)

Tax expense/income in comprehensive income statement in periods January 01, 2018 - December 31, 2018 and January 01, 2017 – December 31, 2017 are shown as below:

	January 01 – December 31 2018	January 01 – December 31 2017
Current tax income / (expense)	(4.042.918)	(9.642.747)
Deferred tax income / (expense)	5.056.941	3.896.156
TOTAL	1.014.023	(5.746.591)

Current Tax

According to the Corporate Tax Law numbered with 5520, corporate tax rate for 2018,2019 and 2020 is 22% in Turkey. (for 2017 is 20%). 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).

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 31, 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 Communiqué 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.

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

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 22% for 2018,2019 and 2020 (for 2017 is 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.

50% of the profits arising from the sale of associate shares, founding shares, usufruct shares, pre-emptive rights and real estates held for at least two years (75% before 05.12.2017); is exempted from corporate tax provided that it is retained in a fund account within five years' liabilities and is collected until the end of the second calendar year following the year in which the sale is made.

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 386.371 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 888.342 in provision of current period tax, and this amount has been discounted from tax assets.
- c) There has been TRY 24.757.385 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 540.395 in provision of current period tax, and this amount has been discounted from tax assets.

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

- d) There has been TL 19.327.664 for investment expense in total by Company in line with March 29, 2018 No: 136299 (A) instead of September 24, 2018 No: 136299 (B) Investment Incentives. As of 31 December 2018, the investments are continuing. Within the scope of the document, corporate tax advantage of TL 6.764.682 has been used, which is used from current period tax provision amounting to TL 599.565.70 and used as other advances amounting to TL 6.165.117.

For both investment incentive certificate, incentive used as discounted corporate tax amounted TRY 8.579.790 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.

	January 01 – December 31 2018	January 01 – December 31 2017
Profit / (loss) before tax	54.260.238	51.021.221
Non-deductible expenses	3.115.711	5.600.391
Other discounts	-	(32.209)
Corporate Tax Base	57.375.949	56.589.403
Reduced Corporate Tax Base	44.816.702	14.281.588
Corporate Tax	2.763.034	8.461.563
Reduced corporate tax	1.279.884	1.181.184
Tax Expenses for the Period	4.042.918	9.642.747

As of December 31, 2018, 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. It is calculated as 22% for the period after 2017.

40. 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, 2018, and December 31, 2017 are shown as below:

	Accumulated Temporary Differences		Deferred Tax Assets / (Liabilities)	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Deferred Tax Assets / (Liabilities)				
Employee benefits	26.504.627	24.278.640	5.831.018	4.855.728
Provisions of debt	3.015.305	2.238.942	663.367	447.788
Bank credits	175.200	-	38.544	-
Expected sales returns	(70.094)	-	(15.421)	-
Rediscount of receivable checks and notes	493.561	-	108.583	-
Provisions of doubtful receivables	963.936	1.064.034	212.066	212.807
Tangible fixed assets	(9.287.346)	(650.693)	(2.043.216)	(130.139)
Intangible fixed assets	(198.942)	(503.456)	(43.767)	(100.691)
Inventories	2.571.425	1.266.921	565.714	253.384
Interest differences on sales	29.370	678.203	6.461	135.641
Interest differences on purchases	(695.361)	(430.144)	(152.979)	(86.029)
Reduced Corporate Tax	103.983.351	89.465.482	22.876.337	17.893.06
TOTAL			28.046.707	23.481.586

	December 31, 2018	December 31, 2017
Opening balance	23.481.586	19.936.465
Adjustment effect of 01.01.2018	39.144	-
Current year deferred tax gain/(loss)	5.056.941	3.896.156
Deferred tax reflected in shareholders' equity (*)	(530.964)	(351.036)
Deferred Tax Assets	28.046.707	23.481.586

(*) 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.

41. EARNING PER SHARE

	January 01 – December 31, 2018	January 01 – December 31, 2017
Net profit / (loss)	60.354.281	47.941.127
Weighted average number of common share	7.500.000.000	7.500.000.000
Profit/(Loss) Per Share	0,008047	0,006392

42. SHARE BASED PAYMENT

None. (31.12.2017: None.)

43. CONTRACTS OF INSURANCE

None. (31.12.2017: None.)

44. EFFECTS OF EXCHANGE RATE CHANGES

None. (31.12.2017: None.)

45. 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.

46. DERIVATIVE INSTRUMENTS

None. (31.12.2017: None.)

47. FINANCIAL INSTRUMENTS

	December 31, 2018	December 31, 2017
Short term bank loans (*)	11.491.762	10.503.719
Accruals of interest	116.471	101.111
TOTAL	11.608.233	10.604.830

(*) It consists of import credits with a maturity of less than one year.

	December 31, 2018	December 31, 2017
Payable between 0-1 years	11.608.233	10.604.830
Payable between 1-2 years	-	-
Payable between 2-3 years	-	-
Payable between 3-4 years	-	-
Payable between 4-5 years	-	-
Payable after 5 years	-	-
Total Financial Liabilities	11.608.233	10.604.830

December 31, 2018	Foreign Currency Amount	Exchange Rate	TRY
TRY	18.197	1	18.197
EUR	1.922.700	6,0280	11.590.036
Total Financial Liabilities			11.608.233

47. FINANCIAL INSTRUMENTS (Cont'd)

December 31, 2017	Foreign Currency Amount	Exchange Rate	TRY
EUR	2.348.540	4,5155	10.604.830
Total Financial Liabilities			10.604.830

-Long Term Financial Liabilities

	December 31, 2018	December 31, 2017
Long Term Bank Credits (*)	-	1.505.167
Accruals of Interest	-	2.094
TOTAL	-	1.507.261

(*) It consists of import credits with a maturity of less than one year.

	December 31, 2018	December 31, 2017
Payable between 0-1 years	-	-
Payable between 1-2 years	-	1.507.261
Payable between 2-3 years	-	-
Payable between 3-4 years	-	-
Payable between 4-5 years	-	-
Payable after 5 years	-	-
Total Financial Liabilities	-	1.507.261

December 31, 2017	Foreign Currency Amount	Exchange Rate	TRY
EUR	333.797	4,5155	1.507.261
Total Financial Liabilities			1.507.261

48. LEVEL AND NATURE OF RISKS SOURCED FROM FINANCIAL INSTRUMENTS

Credit risk

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

31.12.2018	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)*	47.793.642	61.484.157	-	6.326.969	25.439.922	-	17.229.421
-Part of credit risk guarantied with assurance	-	-	-	-	-	-	-
A. Net book value of not overdue and not impaired financial assets	47.793.642	55.784.953	-	-	25.439.922	-	-
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	-	5.010.941	-	6.326.969	-	-	-
D. Net book value of assets which are overdue	-	688.263	-	-	-	-	-
-Overdue (gross book value)	-	2.325.197	-	-	-	-	-
-Impairment(-)	-	(1.636.934)	-	-	-	-	-
-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.

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

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

31.12.2017	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)*	34.134.789	107.588.552	-	3.170.698	17.079.903	-	12.007.572
-Part of credit risk guarantied with assurance	-	-	-	-	-	-	-
A. Net book value of not overdue and not impaired financial assets	34.134.789	104.550.037	-	-	17.079.903	-	12.007.572
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	-	2.450.349	-	3.170.698	-	-	-
D. Net book value of assets which are overdue	-	588.165	-	-	-	-	-
-Overdue (gross book value)	-	2.325.197	-	-	-	-	-
-Impairment(-)	-	(1.737.032)	-	-	-	-	-
-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.

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

Aging table of overdue but not impaired assets is below:

31.12.2018	Receivables				Bank Deposits	Derivative Instruments	Other
	Trade Receivables		Other Receivables				
	Related Parties	Third Parties	Related Parties	Third Parties			
Overdue 1-30 days	-	4.129.762	-	-	-	-	-
Overdue 1-3 months	-	787.111	-	-	-	-	-
Overdue 3-12 months	-	1.530	-	6.326.969	-	-	-
Overdue 1-5 years	-	-	-	-	-	-	-
Overdue more than 5 years	-	92.538	-	-	-	-	-
Part that is guarantied by assurance	-	-	-	-	-	-	-
Total	-	5.010.941	-	6.326.969	-	-	-

Aging table of overdue but not impaired assets is below:

31.12.2017	Receivables				Bank Deposits	Derivative Instruments	Other
	Trade Receivables		Other Receivables				
	Related Parties	Third Parties	Related Parties	Third Parties			
Overdue 1-30 days	-	2.344.034	-	-	-	-	-
Overdue 1-3 months	-	819	-	-	-	-	-
Overdue 3-12 months	-	361	-	3.170.698	-	-	-
Overdue 1-5 years	-	-	-	-	-	-	-
Overdue more than 5 years	-	105.135	-	-	-	-	-
Part that is guarantied by assurance	-	-	-	-	-	-	-
Total	-	2.450.349	-	3.170.698	-	-	-

48. 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:

31.12.2018

Contractual Maturity	Book Value	Contractual total cash output (=I+II+III+IV)	Less than 3 months	Between 3-12 months	Between 1-5 years	More than 5 years
			(I)	(II)	(III)	(IV)
Non-derivative financial liabilities	71.560.514	72.870.020	36.206.071	26.663.498	10.000.452	-
Bank credits	11.608.233	11.668.317	3.334.999	8.333.318	-	-
Financial leasing liabilities	-	-	-	-	-	-
Commercial debt	58.378.333	59.627.755	31.297.123	18.330.180	10.000.452	-
Other debt	1.573.948	1.573.948	1.573.948	-	-	-
Contractual Maturity	Book Value	Contractual total cash output (=I+II+III+IV)	Less than 3 months	Between 3-12 months	Between 1-5 years	More than 5 years
			(I)	(II)	(III)	(IV)
Derivative financial liabilities (Net)	-	-	-	-	-	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-

48. 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:

31.12.2017

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	76.643.488	76.643.488	20.257.024	54.879.203	1.507.261	-
Bank credits	12.112.091	12.112.091	442.011	10.162.819	1.507.261	-
Financial leasing liabilities	-	-	-	-	-	-
Commercial debt	62.806.810	62.806.810	18.090.425	44.716.385	-	-
Other debt	1.724.587	1.724.587	1.724.587	-	-	-
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	-	-	-	-	-	-

48. 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 31,2018					December 31,2017				
	TRY (Functional Currency)	US Dollar	Euro	GBP	Other	TRY (Functional Currency)	US Dollar	Euro	GBP	Other
1.Trade receivables	48.806.403	7.303.157	1.504.648	197.692	-	34.983.912	7.670.693	1.085.368	226.334	-
2a. Monetary financial assets (cash and bank included)	32.839.847	5.715.052	460.108	-	-	20.806.070	5.312.938	169.682	-	-
2b. Non monetary financial assests	-	-	-	-	-	-	-	-	-	-
3. Other	581.201	744	95.007	689	-	342.583	16.801	59.351	2.207	-
4.Current assets (1+2+3)	82.227.451	13.018.953	2.059.763	198.381	-	56.132.565	13.000.432	1.314.402	228.541	-
5.Trade receivables	-	-	-	-	-	-	-	-	-	-
6.a Monetary Financial assests	-	-	-	-	-	-	-	-	-	-
6b. Non monetary financial assests	-	-	-	-	-	-	-	-	-	-
7.Other	-	-	-	-	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-	-	-	-	-	-	-
9.Total Assets (4+8)	82.227.451	13.018.953	2.059.763	198.381	-	56.132.565	13.000.432	1.314.402	228.541	-
10. Trade Liabilities	29.112.799	1.028.884	3.918.811	11.626	-	39.051.702	1.362.655	7.506.190	3.485	-
11. Financial Liabilities	11.532.295	-	1.913.121	-	-	10.577.517	-	2.342.491	-	-
12a. Other Monetary Liabilities	169.918	32.298	-	-	-	170	45	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
13. Short Term Liabilities	40.815.012	1.061.183	5.831.932	11.626	-	49.629.389	1.362.700	9.848.680	3.485	-
14. Trade Liabilities	-	-	-	-	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	1.505.167	-	333.333	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other Non-monetary Liabilities	-	-	-	-	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	-	-	-	-	-	1.505.167	-	333.333	-	-
18. Total Liabilities (13+17)	40.815.012	1.061.183	5.831.932	11.626	-	51.134.555	1.362.700	10.182.014	3.485	-
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)	41.412.439	11.957.770	(3.772.169)	186.755	-	4.998.010	11.637.732	(8.867.612)	225.056	-
21. Monetary items net foreign currency and liabilities position (=1+2a+5+6a-10-11-12a-14-15-16a)	40.831.239	11.957.026	(3.867.176)	186.066	-	4.655.427	11.620.930	(8.926.963)	222.849	-
22. Present Value of financial instruments used for foreign currency edge	-	-	-	-	-	-	-	-	-	-
23. Export	204.463.565	30.798.147	4.461.268	1.939.209	-	158.671.295	34.323.342	5.666.930	2.191.518	-
24. Import	50.558.862	1.184.445	7.798.643	100.921	-	44.537.955	3.437.245	8.761.452	149.804	-

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2018
CASH FLOW STATEMENT
(Currency –TL, unless otherwise indicated)

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

Currency Position Sensitivity Analysis

Foreing currency sensitivy analysis				
December 31, 2018				
	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	12.581,727	(12.581,727)	-	-
2- Amount protected from USD risk (-)	-	-	-	-
3- Net US dollar effect (1+2)	12.581,727	(12.581,727)	-	-
Change in EURO against TRL 20%;				
4- EURO net assets / liabilities	(4.547.727)	4.547.727	-	-
5- Amount protected from EURO risk (-)	-	-	-	-
6- Net EURO effect (4+5)	(4.547.727)	4.547.727	-	-
Change in other currencies against TRL 20%;				
7- Other currencies net assets / liabilities	-	-	-	-
8- Amount protected from Other currencies risk (-)	-	-	-	-
9- Net other currencies effect (7+8)	-	-	-	-
TOTAL (3+6+9+12)	8.033.999	(8.033.999)	-	-

December 31, 2017				
	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	8.779.272	(8.779.272)	-	-
2- Amount protected from USD risk (-)	-	-	-	-
3- Net US dollar effect (1+2)	8.779.272	(8.779.272)	-	-
Change in EURO against TRL 20%;				
4- EURO net assets / liabilities	(7.707.307)	7.707.307	-	-
5- Amount protected from EURO risk (-)	-	-	-	-
6- Net EURO effect (4+5)	(7.707.307)	7.707.307	-	-
Change in other currencies against TRL 20%;				
7- Other currencies net assets / liabilities	228.670	(228.670)	-	-
8- Amount protected from Other currencies risk (-)	-	-	-	-
9- Net other currencies effect (7+8)	228.670	(228.670)	-	-
TOTAL (3+6+9+12)	1.300.635	(1.300.635)	-	-

49. 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.

50. POST BALANCE SHEET EVENTS

None.

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

None. (31.12.2017: None.)

52. FIRST APPLICATION OF TAS

None. (31.12.2017: None.)

53. EXPLANATION ABOUT CASH FLOW TABLES

Cash and Cash Equivalents

	December 31, 2017	December 31, 2017
Cash	9.937	4.509
Banks	25.439.922	17.079.903
-Demand deposit	746.607	1.992.303
-Time deposit	24.693.315	15.087.600
Unexpired cheques	-	-
Other current assets	17.229.421	12.007.572
-Repo	15.477.351	10.377.156
-POS Accounts	1.752.070	1.630.416
TOTAL	42.679.280	29.091.984

-Details of currency of time deposit and currency of repo related to December 31, 2018 are shown as below:

Currency of Repo	Maturity	Interest Rate	31.12.2018 TRY
TRY	02.01.2019	21,90%	700.000
TRY	15.01.2019	22,60%	7.000.000
TOTAL			7.700.000

Currency of Repo	Maturity	Interest Rate	31.12.2018 USD	31.12.2018 TRY
USD	02.01.2019	1,45%	810.000	4.261.329
USD	02.01.2019	0,80%	540.000	2.840.886
TOTAL			1.350.000	7.102.215

Currency of Repo	Maturity	Interest Rate	31.12.2018 EUR	31.12.2018 TRY
EUR	02.01.2019	0,10%	112.000	675.136
TOTAL			112.000	675.136

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

-Details of currency of time deposit and currency of repo related to December 31, 2017 are shown as below:

Currency of Repo	Maturity	Interest Rate	31.12.2017	
			TRY	
TRY	03.01.2018	14,90%	4.000.000	
TRY	15.01.2018	14,90%	500.000	
TRY	15.01.2018	14,90%	500.000	
TRY	02.01.2018	10,00%	700.000	
TOTAL			5.700.000	

Currency of Repo	Maturity	Interest Rate	31.12.2017	31.12.2017
			USD	TRY
USD	02.01.2018	0,80%	990.000	3.734.182
USD	02.01.2018	0,40%	250.000	942.975
TOTAL			990.000	4.677.156

Currency of Time Deposit	Maturity	Interest Rate	31.12.2018	31.12.2018
			USD	TL
USD	29.01.2019	4,40%	500.000	2.630.450
USD	01.02.2019	4,40%	500.000	2.630.450
USD	04.01.2019	4,75%	500.000	2.630.450
USD	11.01.2019	4,75%	350.000	1.841.315
USD	15.01.2019	4,75%	350.000	1.841.315
USD	21.01.2019	4,50%	400.000	2.104.360
USD	29.01.2019	4,00%	350.000	1.841.315
USD	01.02.2019	4,25%	400.000	2.104.360
USD	01.02.2019	4,25%	500.000	2.630.450
USD	04.02.2019	4,25%	500.000	2.630.450
TOTAL			4.350.000	22.884.915

Currency of Time Deposit	Maturity	Interest Rate	31.12.2018	31.12.2018
			USD	TRY
EUR	29.01.2019	2,00%	300.000	1.808.400
TOTAL			300.000	1.808.400

Currency of Time Deposit	Maturity	Interest Rate	31.12.2017	31.12.2017
			USD	TRY
USD	08.01.2018	3,90%	500.000	1.885.950
USD	26.01.2018	4,20%	500.000	1.885.950
USD	08.01.2018	4,20%	500.000	1.885.950
USD	12.01.2018	4,20%	750.000	2.828.925
USD	16.01.2018	4,20%	350.000	1.320.165
USD	19.01.2018	4,20%	700.000	2.640.330
USD	30.01.2018	4,20%	700.000	2.640.330
TOTAL			4.000.000	15.087.600

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

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

	31.12.2018	31.12.2017
A. CASH FLOWS FROM OPERATING ACTIVITIES	62.398.731	35.145.837
Net Profit/Loss of the perios	60.354.281	47.941.127
Adjustments of Reconciliation of the Period Net Profit/Loss	18.908.844	28.969.098
Adjustment Related to Amortization and Depreciation	15.166.793	15.453.794
Adjustment Related To Impairment / Reversal	2.081	3.943
Provision for impairment for inventories	2.081	3.943
Adjustment Related To Provisions	7.290.416	18.759.530
Provisions for termination idemnity	2.884.282	4.909.312
Other Provisions	3.729.869	13.453.057
Provisions for lawsuits	717.455	396.350
Provision for doubtful receivables	(100.098)	(62.054)
Provision for guarantees	58.908	62.865
Adjustment Related To Interest Income / (Loss)	259.891	418.036
Adjustment Related To Interest Income	(44.426)	301.784
Adjustment Related To Interest Loss	304.317	116.252
Adjustment Related To Tax Income / (Loss)	(4.525.976)	(3.545.121)
Adjustment Related To Disposal Of Fixed Assets Loss (Gain)	715.640	(2.121.085)
Adjustment Related To Disposal Of Real Assets Loss (Gain)	-	-
Actual Changes in Business Capital	(16.864.394)	(41.764.387)

54. 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.

23. DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES OF 2018

Ege Ceramic Industry and Trade Inc. (Hereinafter referred to “ the Company”) complies with the mandatory principles in the “Corporate Governance Communiqué” published in the Official Gazette numbered 28871 on 3 January 2014 and applies these principles.

The Corporate Governance Principles Compliance Report of our Company has been submitted to the information of our investors under heading “ Corporate Governance Compliance Report” of the “ Investor Relations ”section and also in our Activity Reports arranged for the subject years, within the website www.egeseramik.com.

Ege Seramik is committed to comply with the Corporate Governance Principles issued by the Capital Markets Board and the four principles of the Corporate Governance based on Transparency, Fairness, Responsibility and Accountability and to make arrangements for the issues to be adapted subject to the conditions that are developing.

Ege Seramik has taken the necessary steps in line with the Corporate Governance Principles and proved its commitment to all its shareholders and all stakeholders with its determination to comply with the Corporate Governance Principles and all its activities.

Our Company believes in the importance of fully compliance to the Corporate Governance Principles. However, due to the difficulties in implementation in some of the non-obligatory principles, the ongoing discussions in our country as well as in the international platform in terms of compliance with certain principles, and the incompatibility of some principles with the current structure of the market and the company, have not been fully complied with, yet. Developments related to the subject are being monitored and our efforts towards compliance are continuing.

The Company complies with the principles stipulated in the Corporate Governance Communiqué No II-17.1 (“Communiqué”).

Although there is no written company policy regarding the recommendation “determines the target ratio and target time, not less than 25% for the female member rate in the board of directors, and forms a policy to achieve these goals” as stipulated in Article 4.3.9 of the Communiqué; in 2018, the rate of female members in the Board of Directors was 33.33%.

In addition, the “ Nomination Committee” and the “Remuneration Committee” obligations under Article 4.5.1 of the Communiqué are undertaken by the “Corporate Governance Committee”; and in Article 4.5.5 of the Communiqué, “ although the recommendation that a member of the board of directors should not be included in more than one committee, is paid attention to comply with, due to the business expertise required by the committee membership, a member of the Board of Directors may become a member of more than one committee”.

Activity Report For The Period 01.01.2018-31.12.2018

In order to comply with the principles in the next period; necessary work shall be carried out by taking into account the regulations and practices of the CMB Corporate Governance Communiqué numbered II-17.1 and published in the Official Gazette on 3 January 2014 by the Capital Markets Board.

- CORPORATE GOVERNANCE COMPLIANCE REPORT FOR 2018



PUBLIC DISCLOSURE PLATFORM

**EGE SERAMİK SANAYİ VE TİCARET
A.Ş.**

**Corporate Governance
Compliance Report 2018 -
Annual Notification**



Related Companies []

Related Funds[]

	Compliance Status					Remarks
	Yes	Partly	No	Exempted	Irrelevant	
Corporate Governance Compliance Report						
1.1. TO FACILITATE THE EXECUTION OF SHAREHOLDERS' RIGHTS						
1.1.2 - Information and explanations that may affect the exercise of shareholders' rights are made available to investors on the Company's corporate website.	X					
1.2. RIGHT TO DEMAND INFORMATION AND REVIEW						
1.2.1- Company management has refrained from making transactions that complicate special audits.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The Company ensured that the agenda of the General Assembly was clearly expressed and that each proposal was submitted under a separate title.	X					
1.3.7 - Individuals who have the privilege of accessing the partnership information have informed the Board of Directors to add on the agenda in order to provide information in the general assembly about the transactions conducted within the scope of the activity of the partnership, carried out on behalf thereof .	X					
1.3.8- The members of the Board of Directors, other relevant persons, the officials responsible for the preparation of the financial statements and the auditors were present at the General Assembly on the specific issues on the agenda.	X					
1.3.10- The amounts of all donations and benefits and the beneficiaries are included in the agenda of the General Assembly.	X					
1.3.11 - The General Assembly meeting was held open to the public, including stakeholders and the media without the right to speak..	X					
1.4. VOTING RIGHT						
1.4.1 - There are no restrictions and practices that make it difficult for shareholders to exercise their voting rights.	X					

1.4.2- The Company has no privileged voting rights.	X						
1.4.3 The Company has not exercised the voting rights in the General Assembly of any partnership in which it has a mutual shareholding relationship, as well as having relationship in terms of dominance .						X	There is no mutual shareholding relationship in our Company's capital.
1.5. MINORITY RIGHTS							
1.5.1The Company has paid utmost attention to the use of minority rights.	X						
1.5.2- Minority rights are also granted to those who have less than one-twentieth of the share capital and the scope of minority rights has been extended and regulated in the articles of association.		X					In terms of maintaining the company's business or economic independence; in case of request for acquiring 20% of the share or exceeding the amount thereof of the capital consisting of registered shares in the Company capital, directly or indirectly by any person or people who act together, may accept these matters as material reason and may reject the approval requests for the transfer of shares and usufruct right establishments.
1.6. DIVIDEND RIGHT							
1.6.1 - The profit distribution policy approved by the General Assembly is publicly disclosed on the corporate website of the Company	X						
1.6.2 - The dividend distribution policy contains minimum information that allows the shareholders to foresee the principles and procedures for distribution of profits to be acquired in the future periods.	X						
1.6.3 - The reasons for not distributing profit and the use of undistributed profit are specified in the relevant agenda item.		X					As stated in our profit distribution policy, it is foreseen to distribute the remaining profit from the investment
1.6.4 - The Board of Directors has reviewed whether there is a balance between the interests of the shareholders and the interest of partnership in the dividend	X						

distribution policy.						
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions that complicate the transfer of shares.	X					
2.1. CORPORATE WEBSITE						
2.1.1 - The corporate website of the company includes all the elements in the corporate governance principle 2.1.1.	X					
2.1.2-Shareholding structure (names, privileges, number of shares and share of real person shareholders with more than 5% of the issued capital) is updated on the corporate website at least every 6 months.	X					
2.1.4 - The information on the corporate website of the company is prepared in the preferred foreign languages as including the same content set forth in the Turkish language.		X				The footnotes of the financial statements are updated in English on a quarterly basis and the annual report and the annual financial statements and footnotes are available in English.
2.2. ACTIVITY REPORT						
2.2.1 - The Board of Directors ensures that the annual report fully and accurately reflects the company's activities..	X					
2.2.2 - The annual report contains all the elements contained in the principle 2.2.2..	X					
3.1. COMPANY POLICY FOR STAKEHOLDERS						
3.1.1- Stakeholders' rights are protected in accordance with relevant regulations, contracts and rules of good faith.		X				Stakeholders are provided with information on any Company-related issues which concern them. Participation of stakeholders in management is ensured through such instruments as in-house proposals, questionnaires, etc.. Practices on working conditions and rights provided to employees are established through agreement with the union. Open door was adopted to convey in-house/internal suggestions and requests to the management.

3.1.3 - Policies and procedures related to the rights of stakeholders are published on the company's corporate website.		X				Some of the policies and procedures related to the rights of the stakeholders are published on the Company's website under the title of Investor Relations / Annual Reports / 2018 Stakeholders.
3.1.4 - Mechanisms have been established for stakeholders to report transactions that are contrary to the legislation and that are not ethically appropriate.		X				Open door was adopted to convey in-house/internal suggestions and requests to the management
3.1.5 - The Company considers conflicts of interest between stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF STAKEHOLDERS IN THE COMPANY MANAGEMENT						
3.2.1 - Employee participation in the management is regulated by the articles of association or internal regulations.	X					
3.2.2 - Methods such as questionnaires / consultations were applied to take the opinions of the stakeholders in the important decisions that have consequential effects on the stakeholders.		X				The opinions of the stakeholders are taken and considered by means of a questionnaire (eg: food / transport The opinions of the service employee satisfaction survey) in important decisions that may result in terms of some of the stakeholders.
3.3. HUMAN RESOURCES POLICY OF THE COMPANY						
3.3.1 - The company has adopted an employment policy providing equal opportunities and a succession planning for all key executive positions.		X				In relation to our human resources application and social responsibility policy, only the statement on equal opportunities is given under the heading of the stakeholders of the annual report.; no key management position succession study is available.
3.3.2 - The criteria for recruitment of personnel have been determined in writing.	X					
3.3.3 - The Company has a Human Resources Development Policy and organizes trainings for its employees.	X					

3.3.4 - Meetings were organized to inform employees on issues such as financial position of the company, remuneration, career planning, education and health.		X				Seasonal information meetings are held, although not periodically. (Regular training and meetings on education and health issues are being organized)
3.3.5 - Decisions that may affect employees are communicated to them and their representatives. The opinion of the relevant unions was also taken into consideration.	X					
3.3.6 - Job descriptions and performance criteria were prepared in detail for all employees and announced to employees and used in remuneration decisions.		X				Performance evaluation and competence analysis are in progress.
3.3.7 Measures were taken to prevent discrimination among employees and to protect employees from physical, mental and emotional maltreatment in the company, as well as trainings, awareness raising, targets, monitoring, and complaint mechanisms.		X				Our general policy regarding our human resources policy, principles and practices and our social responsibility policy are included. (www.egeseramik.com / Investor Relations / Annual Reports / 2018, Stakeholders) There are no procedures to prevent discrimination among employees. We continue to study for the Ethics and Notice Line
3.3.8 The company supports the freedom to establish associations and the effective recognition of the right to collective bargaining.	X					
3.3.9 - A safe working environment is provided for employees.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1- The company has measured customer satisfaction and has been operating with an understanding of unconditional customer satisfaction.	X					
3.4.2 - This situation is notified to the customers when there is a delay in the processing the claims of the customer for the goods and services purchased.	X					
3.4.3 - The company is committed to quality standards for goods and services	X					
3.4.4 - The company has controls to protect the confidentiality of sensitive information of customers and suppliers within the scope of trade secrets.	X					

3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The Board of Directors has determined the Code of Ethics and published it on the corporate website of the company.	X					
3.5.2- The partnership is sensitive to social responsibility. Measures to prevent corruption and bribery are taken.	X					
4.1. FUNCTION OF THE BOARD OF DIRECTORS						
4.1.1-The Board of Directors ensures an efficient risk management implementation in a way that the strategies and risks do not threaten the long-term interests of the company.	X					
4.1.2-The meeting agenda and minutes show that the board of directors has discussed and approved the company's strategic objectives, determined the resources needed and the performance of the management was inspected.	X					
4.2. OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS						
4.2.1- The Board of Directors has documented its activities and presented them to the shareholders.	X					
4.2.2- The duties and authorities of the members of the Board of Directors are included in the annual report.	X					
4.2.3 - The board of directors has established an internal control system in accordance with the company's scale and the complexity of its activities.	X					
4.2.4- Information on the operation and effectiveness of the internal control system is given in the annual report.	X					
4.2.5 - The duties of the chairman of the board of directors and the chief executive officer (general manager) are separated and defined.	X					
4.2.7-Board of Directors; ensures the effective functioning of the investor relations department and corporate governance committee and works closely with the investor relations department and the corporate governance committee to resolve disputes between the company and its shareholders, in terms of communication with the shareholders.	X					
4.2.8 - The Company has made executive liability insurance for a loss exceeding 25% of the capital in relation to the failures of the members of the Board of Directors during their duties.			X			Our company has no application in this direction.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9- The Company has established a policy for achieving this goal by setting a minimum of 25% for the female member rate. The Board of Directors structure is reviewed annually and the nomination process is carried out in accordance with this policy.			X			Although we do not have a written policy, the proportion of female members of the Board of Directors for 2018 was 33.33%.
4.3.10 - At least one of the members of the committee responsible for audit shall have 5 years of experience in auditing / accounting and finance.	X					

4.4. THE TYPE OF THE BOARD OF DIRECTORS MEETINGS						
4.4.1 - All board members have physically participated into most board meetings.	X					
4.4.2 - The Board of Directors has defined a minimum period for sending information and documents related to the agenda items to all members before the meeting..	X					
4.4.3 - The opinions of the member who could not attend the meeting but reported his opinions to the board of directors in writing were presented to the information of other members.	X					
4.4.4 - Each board member has one voting right.	X					
4.4.5 - The way in which the Board of Directors meetings are held is documented by internal regulations.	X					
4.4.6 - The meeting of the Board of Directors reveals that all items on the agenda are discussed and the resolution is prepared to include opposite opinions.	X					
4.4.7 - Members of the Board of Directors are restricted in terms of undertaking other duties outside the company. The duties of the members of the Board of Directors that were undertaken from outside the Company were presented to the shareholders at the general assembly meeting.			X			Although there is no restriction for members of the Board of Directors to work outside the company, in terms of duties outside the company, authority is taken in General Assembly meeting, and in the curriculum vitae information published in the annual report, these are indicated.
4.5. COMMITTEES FORMED WITHIN THE BOARD OF DIRECTORS						
4.5.5 - Each board member only serves in one committee.			X			The Chairman of the Audit Committee also serves as the Chairman of the Corporate Governance Committee.
4.5.6- The committees invited people to the meetings to consider their opinions and received their opinions.	X					
4.5.7 - Information on the independence of the person / organization providing consultancy service to the committee is included in the annual report.			X			There is no person / organization where the company provides consultancy services regarding committee activities
4.5.8 - A report was prepared on the results of the Committee meetings and presented to the members of the Board of Directors..	X					
4.6. FINANCIAL RIGHTS PROVIDED TO BOARD MEMBERS AND THE EXECUTIVES HAVING ADMINISTRATIVE RESPONSIBILITIES						
4.6.1 The Board of Directors has conducted a performance evaluation of the Board to assess whether it has fulfilled its responsibilities effectively.	X					

<p>4.6.4 - The Company did not extend any credit or lend money to any of its board members or managers with administrative responsibility or extended the period of the loan borrowed, did not improve the conditions, and did not extend credit under a personal credit title through third parties or did not provide guarantees such as bail in favor of them.</p>	X				
<p>4.6.5 - The remuneration of the members of the Board of Directors and the executives having administrative responsibility is disclosed in the annual report</p>		X			<p>www.egeseramik.com / Investor Relations / Annual Reports / 2018, Remuneration/Benefits to the Board of Directors and Senior Executives; the total amount has been given and disclosed under foregoing headings.</p>

- **CORPORATE GOVERNANCE INFORMATION FORM FOR 2018**



PUBLIC DISCLOSURE PLATFORM

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
Corporate Management
Information Form 2018 - Annual
Notification

Summarized Information

Ege Seramik San.ve Tic.A.Ş. 2018 Corporate Management Information Form



1. SHAREHOLDERS

Related Companies []

Related Funds []

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders' Rights	
Number of investor conferences and meetings held by the company during the year	Although the Company has not organized an investor conference or meeting, 64 shareholders were negotiated with during the year.
1.2. Right to Information and Review	
Number of special auditor requests	0
Number of requests for special auditors accepted by the General Assembly	0
1.3. General Assembly	
Link to KAP announcement of the information requested under Principle 1.3.1 (a-d)	https://www.kap.org.tr/tr/Bildirim/681061
Whether the documents related to the General Assembly meeting were simultaneously presented in English with Turkish	No
Under Principle 1.3.9, the approval of the majority of independent members, or links to the KAP announcements on the unanimous proceedings of the participants	There is no such transaction during the year.
Links to the related KAP announcements related to the related party transactions carried out under Article 9 of the Corporate Governance Communiqué (II-17.1)	There is no such transaction under Article 9 of the Corporate Governance Communiqué (II-17.1)..
Links to the KAP announcements related to common and continuous transactions carried out under Article 10 of the Corporate Governance Communiqué (II-17.1)	https://www.kap.org.tr/tr/Bildirim/666397
The name of the company's policy on donations and grants in Corporate website of the Company	Investor Relations / Annual Reports / 2018, Information on Company Activities and Major Developments in the Activities, Information on the Donations and Aids Made by the Company During the Year and Expenditures within the Framework of Social Responsibility Projects, Also https://www.egeseramik.com/yatirimci-iliskileri/kar-dagitim-politikasi may provide general explanation on donations and aids.

Link of the KAP announcement including the minutes of the general assembly meeting where the policy on donations and grants is accepted	https://www.kap.org.tr/tr/Bildirim/681061
In the articles of association, the article no stipulating the participation to the general assembly of the stakeholders	Articles of Association Article.15
Information about stakeholders participating in the General Assembly	"There was no participation in the 2017 General Assembly except for the shareholders. Stakeholders are informed via special electronic material disclosures within the framework of general assembly and public disclosure principles regarding the activities of our Company. These reports are made through activity reports and Central Registry Agency (CRA) - Public Disclosure Platform (PDP). Stakeholders are informed about the issues that concern them under activities of the Company. "
1.4. Voting Rights	
Whether there are any privileges in the voting rights	No
Preferred voting privileges and voting rates	None.
Share rate of the largest shareholder	% 60,92
1.5. Minority Rights	
Whether the minority rights are extended in the company's articles of association (content or rate)	No
If minority rights are extended in terms of content and proportion, specify the article number of the articles of association.	-
1.6. Dividend Rights	
Name of profit distribution policy wherein included on corporate website	Investor Relations / Profit Distribution Policy
If the Board of Directors proposes not to distribute profits to the general assembly, the reasons for this and the minutes of the General Assembly agenda item indicating the use of the undistributed profit	-
If the Board of Directors proposes not to distribute the profit to the general assembly, the link of the KAP announcement wherein the relevant general assembly minutes included	-

General Assembly Meetings

Date of General Assembly	The number of additional disclosure requests submitted to the company in relation to the agenda of the General Assembly	Proportion of shareholders	Proportion of directly represented shares	The proportion represented by proxy	The name of the section where the minutes of the general assembly meetings are held, showing the positive and negative votes related to each agenda item on the Company's corporate website	The name of the section on the corporate website that contains all the questions asked and the answers provided to them at the general meeting	Article or paragraph number of the General Assembly meeting minutes related to the related parties	Number of people who have access to partnership information in a privileged manner notifying the board of directors (inside information)	Link to the general assembly statement published at PDP (KAP)
26/04/2018	-	% 70,48	% 3,88	% 66,6	Investor Relations / General Assembly	Investor Relations / General Assembly	11. Article	144	https://www.kap.org.tr/Bildirim/671097

2. PUBLIC DISCLOSURE AND TRANSPARENCY

2. PUBLIC DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
The names of the sections containing the requested information in the corporate governance on the corporate website 2.1.1.	Investor Relations / Articles of Association, Chronology of the Articles of Association, Shareholder Structure, Financial Information, Financial Reports, Annual Reports, General Meetings, Material Disclosures, Corporate Governance, Disclosure Policy, Profit Distribution Policy
The section wherein the list of real person shareholders who have more than 5% of the shares directly or indirectly is included on the corporate website	Investor Relations / Shareholder Structure
Languages in which the corporate website be arranged	Turkish, English
2.2. Activity Report	
page numbers or section names in which the information stated in the corporate governance policy is included in the annual report under no 2.2.2	
a) Page number or section name where the members of the board of directors and executives perform outside the company and their members' declarations of independence	Investor Relations / Annual Reports / General Assemblies
b) Page number or chapter name of the information on committees established within the Board	Investor Relations / Annual Reports / 2018 Board of Directors Annual Report / 4.The Management Body of the Company, Senior Managers and Personnel Information, Number, Structure and Independence of the Committees Established by the Board of Directors
c) the page number or chapter name of the members' attendance status and the number of meetings of the Board of Directors during the year	Investor Relations / Annual Reports / 2018 Board of Directors Annual Report / 4 Management Body of the Company, Senior Management and Personnel Information, Operating Principles of the Board of Directors

<p>ç) Page number of information about legislative changes that could significantly affect company activities or section name thereof</p>	<p>None.</p>
<p>d) Page number or chapter name of information about important cases filed against the company and possible consequences</p>	<p>Investor Relations / Financial Statements / 2018 4th Quarter Financial Reports / Footnotes on Financial Statements Provisions Contingent Assets and Liabilities</p>
<p>e) Page number or chapter name of the information about conflicts of interest between the company and the entities from where the company provide services such as investment advisory and rating and the measures taken to prevent them</p>	<p>None.</p>
<p>f) Page number or chapter name of information on reciprocal investments where direct participation in capital exceeds 5%</p>	<p>Investor Relations / Annual Reports / 2018, Company Activities and Major Developments in Activities, Direct or Indirect Subsidiaries of the Company and Information on Share Ratios/Proportions</p>
<p>g) Page number or chapter name of information about corporate social responsibility activities related to company social rights, professional training and other social and environmental results</p>	<p>Investor Relations / Annual Reports / 2018, 17th Stakeholders, Social Responsibility Policy</p>

3. STAKEHOLDERS

3. STAKEHOLDERS	
3.1. Company Policy Regarding Stakeholders	
The name of the section on which the compensation policy is included on the corporate website	No policy.
Number of final judicial decisions against the company due to violation of employee rights	7
Authorization of the notification mechanism	Administrative Affairs and Human Resources Officials
Access to the company's notification mechanism	-
3.2. Supporting Stakeholders' Participation in Company Management	
On the corporate website, the name of the section where the internal regulations are related to the participation of the employees in the management bodies	Investor Relations / Articles of Association, Representation of the Company
Managing bodies in which employees are represented	Union (Çimse-İs)
3.3. Company's Human Resources Policy	
The role of the board in developing a succession plan for key management positions	-
The name of the department or summary of the relevant articles of the policy on human resources policy, which includes criteria for equal opportunity and personnel recruitment on the corporate website	Investor Relations / Annual Reports / 2018, Stakeholders, Human Resources Policy - Corporate / Human Resources Department in the Website
Whether there is a share acquisition plan	There isn't an employee stock ownership programme)
The name of the section on human resources policy that includes measures to prevent discrimination and ill-treatment on the corporate website or a summary of the relevant articles of the policy	https:// www.egeseramik.com/kurumsal/insan-kaynaklari
The number of judicial decisions against the company due to responsibility for work accidents	1
3.5. Ethical Rules and Social Responsibility	
The name of the section on the code of ethics on the corporate website	Investor Relations / Corporate Governance / Ege Seramik A.S. Our Ethical Values

The name of the section where the corporate social responsibility report is located on the corporate website. Measures taken on environmental, social and corporate governance issues if there is no corporate social responsibility report

Investor Relations / Annual Reports / 2018, Stakeholders, Code of Ethics, Information Security and Social Responsibility

Measures taken to combat all forms of corruption, including extortion and bribery

Investor Relations / Corporate Governance / Ege Seramik A.Ş. A general behavior is adopted under Ethical Values, General Responsibility headings

4. BOARD OF DIRECTORS-I

4. BOARD OF DIRECTORS-I	
4.2. Operating Principles of the Board of Directors	
Date of the latest board performance evaluation	-
Whether independent experts are used in the board performance evaluation	No
Whether all board members are acquitted	Yes
Names of members of the board of directors delegated to him / her with the distribution of duties and the content of such powers	Chairman:Ibrahim POLAT (Non-executive Member), Vice Chairman:Baran DEMIR (Non-executive Member), Vice Chairman: Bulent ZIHNALI (Executive Member),Member: Dilek NAM (Independent Member),Member: Tuba TARLAN (Independent Member), Member:Ibrahim Fikret POLAT (Non-executive Member)
Number of reports submitted by the internal control unit to the supervisory board or other relevant committees	7
Name or page number of the section where the evaluation of the effectiveness of the internal control system is included in the annual report	Investor Relations / Annual Reports / 2018, 1) Company Activities and Major Developments in Operations, Information on the Company's Internal Control System and Internal Audit Activities and the Opinion of the Governing Body on this matter, 2) Board of Directors, Risk Management and Internal Control Mechanism
Name of the chairman	Chairman : Ibrahim POLAT (Non-executive Member)
The name of the chief executive officer / general manager	Goksen YEDIGULLER
The KAP announcement link including the reason why the chairman of the board of directors and the chief executive officer / chief executive officer / general manager is the same person	Not the same person.

The KAP announcement link including the fact that the damage caused by the members of the Board of Directors in the course of their duties is insured for a value exceeding 25% of the company's capital	None.
The name of the department that provides information about the diversity policy to increase the proportion of female board members on the corporate website	Although we do not have a written policy, the proportion of female members of the Board of Directors for 2018 was 33.33%
Number and proportion of female members	2, %33,33

Structure of the Board of Directors

Name / Surname of the Board Member	Whether he/she is in charge of execution	Whether is an Independent Member or not	Date of First Selection for the Board of Directors	The KAP Announcement of Independence Declaration	Whether Independent Member is Assessed by Nomination Committee	Whether any member available who has lost his/her independence	Whether having at least 5 years experience in the field of auditing, accounting and / or finance
IBRAHIM POLAT	(Non-executive)	(Not independent director)	25/04/2008			-	(Yes)
BARAN DEMIR	(Non-executive)	(Not independent director)	25/04/2007			-	(Yes)
BULENT ZIHNALI	(Executive)	(Not independent director)	29/03/1995			-	(Yes)
DILEK NAM	(Non-executive)	(Independent director)	05/05/2016	https://www.kap.org.tr/tr/Bildirim/671097	(Considered)	(No)	(Yes)
TUBA TARLAN	(Non-executive)	(Independent director)	26/04/2018	https://www.kap.org.tr/tr/Bildirim/671097	(Considered)	(No)	(Yes)
IBRAHIM FIKRET POLAT	(Non-executive)	(Not independent director)	21/04/2010			-	(Yes)

4. BOARD OF DIRECTORS-II

4. BOARD OF DIRECTORS-II	
4.4. Type of Board Meetings	
Number of board meetings held during the reporting period by meeting physically	26
Average attendance rate to board meetings	% 100
Whether an electronic portal is used to facilitate the work of the board of directors	(No)
In accordance with the working principles of the Board of Directors, when the information and documents are presented to the members before the meeting	7-10 Days
Name of the section where information on the internal regulations where the type of board meetings are determined on the corporate website	Investor Relations / Annual Reports / 2018, Board of Directors, Board of Directors Operating Principles
The upper limit set in the policy limiting members to undertake other duties outside the company	None.
4.5. Committees formed within the Board of Directors	
In the annual report, the page number or the name of the relevant section with information on the committees of the board of directors	Investor Relations / Annual Reports / 2018, Board of Directors, Number Structure and Independence of the Committees Formed in the Board of Directors
Board of Directors Committees-I Link of the KAP announcement where the working principles of the committee are announced	The working principles of the committee are available on our corporate website. (Investor Relations / Committees)

Names of Board Committees	Name of the Committee referred to as "Other" in the First Column	Name and Surname of the Committee Members	Whether is the Committee Chairman	Whether a Board Member or not
Corporate Governance Committee	-	Dilek NAM	(Yes)	(Board member)
Corporate Governance Committee	-	Baran DEMIR	(No)	(Board member)
Corporate Governance Committee	-	Aysel HATIPOGLU	(No)	(Not board member)
Audit Committee	-	Dilek NAM	(Yes)	(Board member)
Audit Committee	-	Tuba TARLAN	(No)	(Board member)
Committee of Early Detection of Risk	-	Dilek NAM	(Yes)	(Board member)
Committee of Early Detection of Risk	-	Baran DEMIR	(No)	(Board member)
Committee of Early Detection of Risk	-	Aysel HATIPOGLU	(No)	(Not board member)
Nomination Committee	-	Dilek NAM	(Yes)	(Board member)
(Nomination Committee)	-	Baran DEMIR	(No)	(Board member)
Nomination Committee	-	Aysel HATIPOGLU	(No)	(Not board member)
Remuneration Committee	-	Dilek NAM	(Yes)	(Board member)
Remuneration Committee	-	Baran DEMIR	(No)	(Board member)
Remuneration Committee	-	Aysel HATIPOGLU	(No)	(Not board member)

4. BOARD OF DIRECTORS-III

4. BOARD OF DIRECTORS-III	
4.5. Committees formed within the Board of Directors -II	
Please indicate the activity report or the section of the corporate website that provides information on the activities of the audit committee (page number or name of the section)	www.egeseramik.com / Investor Relations / Committees / Ege Seramik A.S. Duties and Working Principles of the Audit Committee
Please provide the annual report or the corporate website with information on the activities of the corporate governance committee (page number or name of the section)	www.egeseramik.com / Investor Relations / Committees / Ege Seramik AS Corporate Governance Committee Regulation
Specify the part of the activity report or the corporate website that provides information on the activities of the nomination committee (page number or name of the section)	www.egeseramik.com / Investor Relations / Committees / Ege Seramik AS Nomination Committee Working Principles
Specify the part of the annual report or the corporate website that provides information on the activities of the committee for the early detection of risk (page number or name of the section)	www.egeseramik.com / Investor Relations / Committees / Ege Seramik A.S. Early Detection of Risk Committee Duties and Working Principles
Specify the part of the activity report or the corporate website that provides information on the activities of the remuneration committee (page number or name of the department)	www.egeseramik.com / Investor Relations / Committees / Ege Seramik A.S Duties and Working Principles of the Remuneration Committee
4.6. Financial Rights Provided to Members of the Board of Directors and Executives having Administrative Responsibility	
Page number or chapter name where the annual report provides information on operational and financial performance objectives and whether these have been achieved	Investor Relations / Annual Reports / 2018, Financial Status, Production, Sales, Financial Statements and Footnotes, 2018 Profit Distribution Proposal
The name of the section of the corporate website that includes the remuneration policy for executive and non-executive members	Investor Relations / Remuneration Policy

The page number or the section name indicating the fees and all other benefits provided to the members of the board of directors and the directors with administrative responsibility

Investor Relations / Annual Activity Reports / 2018, Board of Directors, Financial Rights Provided to the Board of Directors/ Investor Relations

/ Annual Reports / 2018, Benefits to Managing Body Members and Senior Executives

Board of Directors Committees-II

Names of Board Committees	Name of the Committee referred to as "Other" in the First Column	Rate of non-executive executives	Ratio of Independent Members in the Committee	Number of Physical Meetings by the Committee	Number of Reports to the Board of Directors on the Activities of the Committee
Audit Committee	-	% 100	% 100	7	5
Corporate Governance Committee	-	% 100	% 33,33	-	-
Committee of Early Detection of Risk	-	% 100	% 33,33	6	-
Nomination Committee	-	% 100	% 33,33	1	1
Remuneration Committee	-	% 100	% 33,33	1	1