

EGE SERAMİK SANAYİ VE TİCARET A.Ş.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDIT REPORT AS OF
JANUARY 1, 2017 AND DECEMBER 31, 2017**

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

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

EGE SERAMİK SANAYİ VE TİCARET A.Ş.

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

Contents	Page
Independent Audit Report	2
Statement Of Financial Position	4
Compherensive Income Statement	6
Statement Of Changes In Equity	7
Cash Flow Statement	8
1. Organization And The Core Business Of The Company	9
2. Basis Of Presentation Of Financial Statements	9
3. Important Accounting Policies	15
4. Interest In Other Entities	23
5. Segment Reporting	23
6. Related Party Disclosures	23
7. Trade Receivable And Payables	27
8. Receivables And Payables From Activities In Financial Sector	29
9. Other Receivables And Payables	30
10. Inventories	31
11. Live Assets	31
12. Prepaid Expenses And Deferred Income	32
13. Investment Property	32
14. Tangible Fixed Assets	33
15. Decommissioning, Restoration And Environmental Rehabilitation Funds From Interest On Rights	33
16. Shares Of Members On Business Cooperative And Similar Financial Instruments	33
17. Intangible Fixed Assets	34
18. Goodwill	34
19. Evaluating And Researching Of Mine Resources	34
20. Leasing Operations	34
21. Service Concession Arrangements	34
22. Impairment Of Assets	34
23. Government Incentive	35
24. Cost Of Borrowing	35
25. Provisions, Contingent Assets And Liabilities	35
26. Commitments	37
27. Employee Benefit Obligations	37
28. Other Assets And Liabilities	39
29. Capital, Reserves And Other Equity Items	39

30.	Expenses By Nature	39
31.	Revenue And Cost Of Sales	44
32.	Contracts Of Construction	45
33.	General Administrative Expenses, Marketing Expenses, Research And Development Expenses .	46
34.	Other Operational Income And Expense	47
35.	Expenditures And Revenues From Investing Activities	48
36.	Expenses Classified By Principle Types	49
37.	Financial Expenses And Income	49
38.	Analysis Of Other Comprehensive Incomes	50
39.	Fixed Assets Held For Sale And Discontinued Operations	50
40.	Income Taxes (Deferred Tax Assets And Liabilities).....	50
41.	Earning Per Share.....	54
42.	Share Based Payment	54
43.	Contracts Of Insurance	54
44.	Effects Of Exchange Rate Changes	54
45.	Reporting In The Hyper Inflation Economy	54
46.	Derivative Instruments	55
47.	Financial Instruments.....	55
48.	Level And Nature Of Risks Sourced From Financial Instruments	56
49.	Financial Instruments (Fair Value Explanation And Protection Of Financial Risk Explanation)	63
50.	Post Balance Sheet Events	63
51.	Matters Which Immensely Affect Financial Statements Or Are Necessary To Make Financial Statements Clear, Comprehensible And Interpretable	63
52.	First Application Of Tas.....	63
53.	Explanation About Cash Flow Tables.....	64
54.	Explanations About Changes In Equity Statement.....	66
55.	Entity Mergers	66

Ref: RPR/MBK-2017/SPK-001-02

FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT AS OF JANUARY 01, 2017 AND DECEMBER 31, 2017

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

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, 2017 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, 2017 and December 31, 2016, 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 Turkish Standards on Auditing (TSAs). 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>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, 2017, 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.

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

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, 2018.

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, 2017, there is not any important matter encountered regarding the system of book keeping and financial statements.

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

İstanbul, March 1, 2018

**MOORE STEPHENS TÜRKİYE
MBK BAĞIMSIZ DENETİM VE SMMM A.Ş.
AHMET ÖZTAMUR, CPA**

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2017
STATEMENT OF FINANCIAL POSITION
(Currency –TRY, unless otherwise indicated)

ASSETS	Notes	Current Period Audited	Previous Period Audited
		December 31, 2017	December 31, 2016
Current Assests			
Cash and cash equivalents	53	29.091.984	15.719.832
Trade receivables	7	141.723.341	134.230.308
<i>Trade receivables from related parties</i>	6	34.134.789	31.819.446
<i>Trade receivable from third parties</i>	7	107.588.552	102.410.862
Other receivables	9	2.882.693	1.945.616
<i>Other receivables from related parties</i>	6	-	-
<i>Other receivables from third parties</i>	9	2.882.693	1.945.616
Inventories	10	81.856.639	72.800.473
Prepaid expenses	12	1.838.484	1.603.143
Other current assets	28	5.038.477	6.159.678
TOTAL CURRENT ASSETS		262.431.618	232.459.050
NON-CURRENT ASSETS			
Financial inventments	4	4.000	4.000
Other receivables	9	288.005	290.346
<i>Other receivables from related parties</i>	6	-	-
<i>Other receivables from third parties</i>	9	288.005	290.346
Tangible fixes assets	14	133.231.275	130.535.502
Intangible fixed assets	17	2.447.531	1.737.205
<i>Other intangible fixed assets</i>	17	2.447.531	1.737.205
Prepaid expenses	12	72.252	279
Deferred tax assets	40	23.481.586	19.936.465
TOTAL NON-CURRENT ASSETS		159.524.649	152.503.797
TOTAL ASSETS		421.956.267	384.962.847

The accompanying notes are an integral part of these financial statements

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2017
STATEMENT OF FINANCIAL POSITION
(Currency –TRY, unless otherwise indicated)

LIABILITIES	Notes	Current Period Audited December 31, 2017	Previous Period Audited December 31, 2016
Short term liabilities			
Short term financial liabilities	8	10.604.830	8.677.010
Trade payables	7	62.806.810	60.995.818
<i>Trade payables to related parties</i>	6	11.319	-
<i>Trade payables to third parties</i>	7	62.795.491	60.995.818
Employee benefit obligations	27	5.083.035	4.566.308
Other payables	9	1.724.587	1.432.114
<i>Other payables to related parties</i>	6	290	274
<i>Other payables to third parties</i>	9	1.724.297	1.431.840
Deferred income	12	21.310.337	30.098.467
Provisions for corporate taxes	25	1.232.557	1.262.146
Short term provisions	25	2.238.942	1.779.727
<i>Other short terms</i>	25	2.238.942	1.779.727
Other short term liabilities	28	4.356.168	5.795.285
TOTAL SHORT TERM LIABILITIES		109.357.266	114.606.875
LONG TERM LIABILITIES			
Long term liabilities	8	1.507.261	-
<i>Long term liabilities to related parties</i>	8	-	-
<i>Long term liabilities to third parties</i>	8	1.507.261	-
Trade payables	7	-	4.840.389
Trade payables to related parties	6	-	-
Trade payables to third parties	7	-	4.840.389
Deferred Incomes	12	-	208.467
Liabilities related to current tax	25	-	-
Long term provisions		26.033.818	21.124.505
<i>Provisions for short term employee benefit obligations</i>	27	26.033.818	21.124.505
TOTAL LONG TERM LIABILITIES		27.541.079	26.173.361
EQUITY			
Equity of main company		285.057.922	244.182.611
Paid in share capital	29	75.000.000	75.000.000
Differences of capital adjustment	29	24.778.008	24.778.008
Premiums and discounts for shares	29	35.838.595	35.838.595
Reclassification to Profit or Loss Accumulates			
Other Comprehensive Income or Expenses	29	5.325.705	3.921.563
Actuarial Gain-Loss Fund	29	5.325.705	3.921.563
Restricted Reserves from Profit	29	17.093.487	15.357.324
Retained Earnings	29	79.081.000	60.161.249
Net Profit / (Loss) for the Period	41	47.941.127	29.125.872
TOTAL EQUITY		285.057.922	244.182.611
TOTAL LIABILITIES		421.956.267	384.962.847

The accompanying notes are an integral part of these financial statements

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2017
COMPREHENSIVE INCOME STATEMENT
(Currency –TRY, unless otherwise indicated)

		Current Period Audited	Previous Period Audited
PROFIT AND LOSS	Note	01.01-31.12.2017	01.01-31.12.2016
Sales, net	31	383.578.635	329.902.518
Cost of sales (-)	31	(263.299.467)	(242.239.683)
Gross profit from trading activities		120.279.168	87.662.835
Gross Profit / (Loss)		120.279.168	87.662.835
General administration expenses (-)	33	(32.184.234)	(26.583.628)
Marketing expenses (-)	33	(22.956.267)	(20.129.851)
Research and development expences (-)	33	(3.362.337)	(3.088.952)
Other operational income	34	30.888.272	23.226.173
Other operational expenses (-)	34	(36.853.035)	(23.651.167)
Operational income / (loss)		55.811.567	37.435.410
Income from investment activities	35	2.121.085	171.945
Expenses from investmen activities (-)	35	(719.317)	(1.420.042)
Operatioanl income / (loss) before fiancial income / (expenses)		57.213.335	36.187.313
Financial income	37	781.759	376.084
Financial expenses (-)	37	(4.307.376)	(3.120.761)
Profit / (Loss) from continuing apoeration		53.687.718	33.442.636
Continuing operations tax income / (expenses)		(5.746.591)	(4.316.764)
Period Tax Expenses / Income	40	(9.642.747)	(6.177.651)
Deferred Tax Expenses / Income	40	3.896.156	1.860.887
Period profit / (loss) from continuing operaitons		47.941.127	29.125.872
Current profit / (loss) from discontinued			
Perios profit / (loss)		47.941.127	29.125.872
DISTRIBUTION OF PROFIT / LOSS OF PERIOD		47.941.127	29.125.872
Non-Controlling Shares		-	-
Shares of parent company		47.941.127	29.125.872
Other compherensive income / (loss)			
Other compherensive income / (loss)			
Calculated Acturial Gains and Losses on the basis of Employee	38	1.755.178	1.278.791
Tax Effect	38-40	(351.036)	(255.758)
Other compherensive income / (loss) (After tax)		1.404.142	1.023.033
Total Compherensive Income		49.345.269	30.148.905
DISTRIBUTION OF TOTAL COMPREHENSIVE INCOME		49.345.269	30.148.905
Non-Controlling Shares		-	-
Shares of parent company		49.345.269	30.148.905
Earning Per Share		0,006392	0,003883
Earnings per share from continuing operatins	41	0,006392	0,003883

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

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2017
STATEMENT OF CHANGES IN EQUITY
(Currency –TRY, unless otherwise indicated)

								Not to be Reclassified to Accumulates Other Comprehensive Income / Expense in Profit / (Loss)		Accumulated Profits	
		Capital	Differences off Capital Adjustment	Share Premiums	Restricted Reserves	Actuarial Profits / (loss)	Minority Interest	Profit / Loss of Previous Year	Accumulates Gains / (losses)	Total Equity	
Balances as of January 01,2016	Note	75.000.000	24.778.008	35.838.595	13.252.239	2.898.530	-	11.388.460	50.877.873	214.033.705	
Total comprehensive income / (loss)	29	-	-	-	-	1.023.033	-	-	29.125.872	30.148.905	
Other comprehensive income / (loss)	29	-	-	-	-	1.023.033	-	-	-	1.023.033	
Net income / (loss) for the period		-	-	-	-	-	-	-	29.125.872	29.125.872	
Dividend	29	-	-	-	-	-	-	-	-	-	
Transfer	29	-	-	-	2.105.085	-	-	48.772.789	(50.877.873)	-	
Balances as of December 01,2016		75.000.000	24.778.008	35.838.595	15.357.324	3.921.563	-	60.161.249	29.125.872	244.182.611	
Balances as of January 01,2017	Not	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	

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

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2017
CASH FLOW STATEMENT
(Currency –TRY, unless otherwise indicated)

		Current Period	Previous Period
		Audited	Audited
	Notes	December 31, 2017	December 31, 2016
A. CASH FLOW FROM OPERATIONS		35.145.837	18.406.644
Period profit / (loss)		47.941.127	29.125.872
Adjustments Related to Net Profit / (loss) for the Period		28.969.098	24.679.099
Adjustment Related to Amortization and Depreciation	14-17	15.453.794	14.285.856
Adjustment Related To Impairment / Reversal		3.943	844
Provision for impairment for inventories	10	3.943	844
Adjustment Related To Provisions		18.759.530	11.659.147
Provisions for termination idemnity	25-27	4.909.312	2.578.490
Other Provisions	7-10-30-40	13.453.057	9.227.318
Provisions for lawsuits	25	396.350	(320.395)
Provision for doubtful receivables	7	(62.054)	133.361
Provision for guarantees	25	62.865	40.373
Adjustment Related To Interest Income / (Loss)		418.036	510.325
Interest Income Loss of Income Accruals	28	301.784	437.359
Expense Accruals (Interest and Other)	28	116.252	72.966
Adjustment Related To Tax Income (Loss)	40	(3.545.121)	(1.605.129)
Adjustment Related to Gain / (Loss) Arising from disposal of Fixed Assets		(2.121.085)	(171.945)
Adjustment Related to Gain / (Loss) Arising from disposal of Tangible Fixed Assets	35	(2.121.085)	(171.945)
Actual Changes in Business Capital		(41.764.387)	(35.398.327)
Adjustments of Inventory Increases/Decreases	10	(9.060.109)	(7.746.762)
Adjustment Related to Trade Receivables Increases/Decreases	7	(10.929.960)	(11.450.538)
Adjustment Related to Trade Receivables from Related Parties			
Increases/Decreases	6	(2.394.992)	(9.598.176)
Adjustment Related to Trade Receivables from Third Parties			
Increases/Decreases	7	(8.534.968)	(1.852.361)
Adjustment Related to Trade Receivables Related Other Operations			
Increases/Decreases	9	(934.736)	(430.841)
Change in Other Receivables	9	(934.736)	(430.841)
Adjustment Related to Trade Payables Related to Third Parties	7	(2.433.543)	(11.114.068)
Change in Trade Payables	7	(2.444.862)	(11.114.068)
Change in Other Payables	9	292.473	254.622
Change in Other Payables Related to Operations of Related Parties	6	16	(49.862)
Change in Other Payables Related to Operations of Third Parties	9	292.457	304.484
Change in Prepaid Expenses	12	(307.314)	3.107.333
Change in Liabilities Related to Employee Benefits	27-29	1.920.869	1.348.124
Change in Deferred Incomes	12	(10.450.177)	(1.729.568)
Other Changes in Working Capital		(9.861.891)	(7.636.629)
Change in Other Assets	28	1.249.562	3.845.818
Change in Other Liabilities	25-28	(11.111.453)	(11.482.447)
Cash Flows From Operating Activities		35.145.837	18.406.644
B. CASH FLOWS FROM INVESTING ACTIVITIES		(16.738.809)	(21.812.242)
Cash outflows due to purchasing of tangible and intangible fixed assets		(19.771.230)	(22.567.442)
Change in Tangible Fixed Assets	14	(18.829.471)	(21.829.839)
Change in Intangible Fixed Assets	17	(941.760)	(737.604)
Cash inflows due to selling of tangible and intangible fixed assets		3.032.422	755.201
Change in Tangible Fixed Assets		3.032.422	755.201
C. CASH FLOWS FROM FINANCIAL ACTIVITIES		(5.034.877)	4.483.250
Dividend Payments	29	(8.469.960)	-
Cash inflows due to loans	8	3.435.083	4.483.250
Cash from financial liabilities	8	3.435.083	4.483.250
BEFORE THE EFFECT OR FOREIGN CURRENCY TRANSLATION DIFFERENCES		13.372.152	1.077.652
D. IMPACT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		-	-
INCREASE / DECREASE ON CASH AND CASH EQUIVALENTS		13.372.152	1.077.652
E. PERIOD		15.719.832	14.642.180
CASH AND CASH EQUIVALENTS FOR THE END OF PERIOD		29.091.984	15.719.832

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

1. ORGANIZATION AND THE CORE BUSINESS OF THE COMPANY

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

Company is registered at Capital Market Board (CMB) and its shares effect transactions in Borsa Istanbul A.Ş (BIST) since 1993. As of December 31, 2017 it has 33,26% of its shares registered in BIST. As of January 01, 2009 the Company makes sales and distribution of its products in domestic market itself and major part of sales and distribution of its products in abroad with intervention of its group companies which are Ege Seramik İç ve Dış Ticaret A.Ş. and Ege Seramik America INC.

As of December 31, 2017 and December 31, 2016, share capital and ownership structure is as follows;

Shareholders	31 December 2017		31 December 2016	
	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, 2017, in Company's structure there are 168 white-collar personnel employed (December 31, 2016: 178), 918 blue-collar personnel employed (December 31, 2016: 902) and 1.086 personnel employed in total (December 31, 2016: 1.080).

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

Ankara Asfaltı 26.Km Ansızca Mevkii 35170 Kemalpaşa -İZMİR

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1. Principals of Presentation

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

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

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

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.

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

Company has prepared the statement of financial position as of December 31, 2017 comparatively to the statement of financial position as of December 31, 2016; comprehensive income statement, cash flow statement for the period between January 1 – December 31, 2017 comparatively to comprehensive income statement and cash flow statement for the period between January 1 - December 31, 2016; changes in equity for the period between January 1 - December 31, 2017 comparatively changes in equity for the period between January 1 – December 31, 2016.

2.3. Important Accounting Estimations and Assumptions

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

2.4. Functional and Presentation Currency and Conversion Differences

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

	31.12.2017	31.12.2016
USD/TRY	3,7719	2,9076
EUR/TRY	4,5155	3,1776
GBP/TRY	5,0803	4,3007

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

2.5. Base of consolidation

The Company does not have subsidiary to be consolidated.

2.6. New and Regulated International Financial Reporting Standarts

Applied accounting policies while preparing consolidated financial statements for the period ended December 31, 2017 are consistent with previous years' interpretations except for new and amended standards are effective as of January 1, 2017 and the International Financial Reporting Interpretations Committee ("IFRIC") outlined in the following. These standards and interpretations are described in the paragraphs related effects on the Company's financial position and performance.

New standards, amendments and interpretations which are effective from January 1, 2017, are as follows:

IFRS 15 Revenue from Customer Contracts

The new standard released by the IASB in September 2016 introduces a new control-based model for contracts with customers, changing the guidance contained in existing IFRSs. This new standard introduces new guidance in accounting for revenue by separating and disseminating goods and services in the contract and estimating revenue as the amount that the company expects to receive rather than fair value. The amendment is effective for annual periods beginning on or after 1 January 2018 and early application is permitted. The Company has made an initial assessment of the transactions mentioned above in the case of application of IFRS 15 and does not expect to have any significant effect on the financial statements.

IFRS 9 Financial Instruments (version 2017)

In accordance with IFRS 9 "Financial Instruments" standard issued by the IASB in January 2017, IAS 39

Applications related to the accounting, classification, measurement and delisting of financial instruments included in IAS 39 have now been moved to IFRS 9, with amendment to the existing guidance in the "Financial Instruments: Recognition and Measurement" standard. The latest version of IFRS 9 includes guidance issued in previous versions of IFRS 9, including the new application of the expected credit loss model for the calculation of impairment in financial assets, as well as updated applications for new general hedge accounting requirements. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 and is permitted for early application. The Group has assessed whether it is probable that there will be a decrease in the amount of receivables due to the application of the expected credit loss model for unrecognized receivables in the case of applying IFRS 9 and it is not expected to have any significant effect on the financial statements.

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

TFRS 22 Comment, "Foreign Currency Transactions and Advance Payment"

TFRS Comment 22 has been issued for the doubts about which date exchange rate will be taken into account for the foreign currency denominated currency given or received by the UPS in December 2017. This Interpretation applies to assets or liabilities that are accounted for by the entities as prepaid expenses in the non-monetary item or as income received as advances. In determining which date exchange rate will be used, the date of transaction will be the date of first recognition of an asset related to prepayment or an obligation related to deferred income. Where there is more than one advance payment received in advance or in advance, a separate transaction date must be specified for each advance payment. TFRS Comment 22 is effective for annual periods beginning on or after January 1, 2018 and is permitted for early adoption. The implementation of TFRS Comment 22 is not expected to have a significant effect on the Company's financial statements.

TFRS 2 Amendments in the Share Based Payments Standard - Classification and Measurement of Share Based Payment Transactions

In December 2017, the UPS revised TFRS 2 "Share-based Payments" standard to increase consistency in accounting practices related to share-based payments and to avoid some uncertainties. With this change; the classification of share-based payments made by netting withholding tax and the accounting for changes in share-based payments that have been converted into cash, which are paid in cash as on equity, are clarified. Thus, the same approach used to measure stock-based payments based on equity was adopted in the measurement of cash-based share-based payments. Share-based payments, net of withholding tax, will be recognized as payments made by giving financial instruments based on equity if certain conditions are met. This amendment is effective for annual periods beginning on or after January 1, 2018 and is permitted for early adoption. The implementation of this amendment in IFRS 2 is not expected to have any effect on the Company's financial statements.

TMS 40 Transfer of Investment Properties

In December 2017 by the UPS, investment property was allocated to other asset groups and other assets amendments have been made to TAS 40 "Investment Property" in order to avoid uncertainty about the events providing evidence of transfers to the investment property group. With these amendments, it has been clarified that the intention of the amendment to the use of the entity's own assets does not constitute evidence that the purpose of the entity's use has changed. Therefore, when an entity decides to derecognise an investment property before any improvement or improvement is made, the property is continued to be treated as an investment property until the financial statement is derecognised (from the financial statement) and is not reclassified as a stock. Similarly, when the entity begins to restructure its existing investment property to continue to be used in the same manner in the future, it will continue to be classified as an investment property and will not be classified as a property used by its owner during the restructuring. This amendment is effective for annual periods beginning on or after January 1, 2018 and is permitted for early adoption. The implementation of this amendment in TAS 40 is not expected to have any effect on the Company's financial statements.

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

Annual Improvements in TFRS

The "Yearly Improvements in TFRS / 2014-2016 Period" published by the UPS in December 2017 for the currently applicable standards is presented below. These amendments are effective as of January 1, 2018 and are allowed to be applied early. The implementation of these amendments to TFRSs is not expected to have any significant effect on the Company's financial statements.

Annual improvements: 2014-2016 period

IFRS 1 "First-time Adoption of Financial Reporting Standards Turkey" Removal of short-term exemptions provided in the context of annual improvements for the period 2012-2014 for the consolidation of investments and the benefits provided to employees and financial instruments for those who will apply TFRS for the first time. TMS 28 "Investments in Associates and Joint Ventures" Investments in associates or joint ventures are directly accounted for or implicitly by an enterprise such as a venture capital fund, investment fund, securities or investment-purpose insurance funds, to enable the application of fair value method in accordance with TFRS 9 for investments in associates or joint ventures. Changes in MS 28 - Changes in associates and long-term investments in joint ventures are based on the fact that the equity method is not applied by the UPS in December 2017 from investments in associates and joint ventures amendments to TAS 28 have been made to clarify that TFRS 9 should also be applied in the measurement of other financial instruments. These investments are, in essence, long-term held-for-profit shares that form part of the entity's net investment in associates or joint ventures. An entity adopts TFRS 9 to measure such long-term investments before applying the relevant paragraphs of IAS 28. When TFRS 9 is applied, no adjustment is made to the carrying amount of long-term investments arising from the application of TAS 28. This amendment is effective for annual periods beginning on or after January 1, 2019 and is permitted for early adoption. The implementation of this amendment in IAS 28 is not expected to have any significant effect on the Company's financial statements.

TFRS 9 "Early payments causing negative indemnity"

In December 2017, the UPS changed the requirements of TFRS 9 to clarify the accounting for financial instruments. Financial assets that cause negative indemnity when paid early can be measured at amortized cost, or if fair value differences are reflected in other comprehensive income and if they meet other relevant requirements of TFRS 9. In accordance with TFRS 9, financial assets with an early payment option, which requires payment of a 'reasonable additional compensation' that substantially reflects the unpaid principal and interest, when the contract is terminated early, meet this criterion. This amendment is effective for annual periods beginning on or after 1 January 2019 and is permitted for early adoption. The implementation of this change is not expected to have any significant effect on the Company's financial statements.

New and amended standards and interpretations issued by the International Accounting Standards Board (IASB) but not yet published by the UPS

The new standards, interpretations and amendments to the existing International Financial Reporting Standards ("IFRS") listed below have been published by the International Accounting Standards Board ("IASB") but these new standards, interpretations and amendments have not yet been adapted / published by the UPS to TFRS Accordingly, the IASB has issued amendments to

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

IFRSs or IASs, which are issued by the IASB but are not currently being published by the UPS, and the amendments to IFRSs and footnotes are to be adopted by the Company only after these standards and interpretations have been entered into force by TFRS.

IFRS 16 Leases

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

IFRIC 23 Uncertainties Regarding Income Tax Transactions

Interpretations of IFRIC 23 "Uncertainties Regarding Transactions on Income Taxes" have been published by the International Accounting Standards Board (IASB) on 17 June 2017 in order to determine how the uncertainties related to the calculation of income taxes will be reflected in the financial statements. There may be uncertainties as to how tax regulations will be applied to a particular transaction or situation, or whether the tax authority will accept tax transactions from a company. IAS 12 "Income Taxes" provides guidance on how to account for current and deferred tax, but does not provide guidance on how to account for the effects of these uncertainties on the financial statements. IFRIC 23 introduces additional requirements to the provisions of IAS 12 by clarifying how the effects of the uncertainty of income taxes in accounting for income taxes will be reflected in the financial statements. Early implementation of this Interpretation is permitted, with reporting periods beginning on or after 1 January 2019. The Group assesses the possible effects of the application of IFRIC 23 on the financial statements.

Annual improvements - Improvements in IFRS for 2015-2017

Annual Improvements in IFRS / 2015-2017 Period" published for the standards in effect are presented below. These amendments are effective as of January 1, 2019 and early application is permitted. The implementation of these amendments to IFRSs is not expected to have a significant effect on the Company's financial statements.

IFRS 3 Business Combinations and IFRS 11 Joint Agreements

IFRS 3 and IFRS 11 have been amended to clarify how to recognize the increase in shareholding in a joint operation that meets the operating definition. When one of the joint ventures obtains control, this transaction will be considered as a gradual business combination and the acquirer will have to recalculate the pre-existing shareholding value at fair value. The previous shareholding does not have to be remeasured when the joint control of one party continues (or gains joint control).

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

IAS 12 "Income Taxes"

It has been amended to clarify that income taxes arising from dividends (including payments made to financial instruments classified as equity) are accounted for consistently with the transactions that make up the entity's distributable profit (eg in profit or loss, other comprehensive income items or equity).

IAS 23 Borrowing Costs

IAS 23 has been amended to clarify that amounts borrowed directly to finance the qualifying assets currently in development or under construction for the general purpose borrowing pool used in the calculation of capitalizable borrowing costs should be excluded when financing activities are carried out from a single center. The amounts directly borrowed for the financing of the qualifying assets ready for use or sale - or any asset not covered by the qualifying asset - should be included in the general purpose borrowing pool.

IFRS 17 Insurance Contracts

On 18 May 2017, the IASB issued IFRS 17 Insurance Contracts Standard. IFRS 17, the first internationally accepted standard for insurance contracts, will facilitate investors and other interested parties to better understand the risks, profitability and financial position of insurers. IFRS 17 replaced IFRS 4, which became a provisional standard in 2004. Since IFRS 4 allows companies to account for insurance contracts using local accounting standards, a number of different accounting approaches have been used in practice. As a result, it is difficult for investors to compare the financial performance of similar companies. IFRS 17 resolves all insurance contracts in a consistent manner and resolves the comparable problem caused by IFRS 4 in terms of both investors and insurance companies. According to the new standard, insurance liabilities will be accounted for using current values instead of historical cost. As this information is regularly updated, it will provide more useful information to financial statement users. Early application of IFRS 17 is permitted, with reporting periods beginning on or after 1 January 2021. The company is not expected to have an impact on its financial statements.

3. IMPORTANT ACCOUNTING POLICIES

3.1 Acquisition Cost

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

3.2 Cash and Cash Equivalents

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

3. IMPORTANT ACCOUNTING POLICIES (Cont'd)

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

3.3. Trade Receivables and Provisions

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

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

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

3.4. Related Parties

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

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

3.5. Tangible and Intangible Fixed Assets

Tangible Fixed Assets

Tangible assets are reflected to financial statements according to their acquisition date: If they are acquired before January 1, 2005, they will be stated on acquisition cost, which are rearranged with buying strength of TRY in December 31, 2004 and if they are acquired after January 1, 2005, they will be stated with its acquisition cost after deduction of accumulated depreciation and accumulated impairment loss. Depreciation is calculated according to normal amortization method on amounts which are rearranged according to inflation. There is no applicable amortization method for land in the report because of their nature and useful life is unlimited. Tangible fixed assets are amortized

3. IMPORTANT ACCOUNTING POLICIES (Cont'd)

with rates below according to their economic useful live. If book value of an asset is bigger than the recovered value of this asset, book value of this asset can be discount to its recovered value. Recovered value of an asset is bigger than net sales price or value at use.

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

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

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

Intangible Assets

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

Tangible Fixed Assets

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

Intangible Fixed Assets

Softwares	3 years
Other Intangible Fixed Assets	3-5 years

3. IMPORTANT ACCOUNTING POLICIES (Cont'd)

3.6. Revenue

Sales Income

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

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of transactions can be measured reliably.

Interest Revenue

Interest revenues are recorded as income on accrual basis.

3.7. Provisions, Contingent Liabilities and Assets

Provisions

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

Contingent Liabilities and Assets

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

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

3. IMPORTANT ACCOUNTING POLICIES (Cont'd)

3.8. Trade Payables & Other Liabilities

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

3.9. Financial Instruments

Financial Assets

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

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

Effective Interest Method

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

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

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

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

b) Financial assets hold until maturity

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

3. IMPORTANT ACCOUNTING POLICIES (Cont'd)

c) Assets available for sale

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

d) Loans and receivables

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

Financial Liabilities

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

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

a) Financial liabilities at fair value through profit and loss

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

b) Other financial liabilities

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

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

3.10. Borrowing Costs

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

3. IMPORTANT ACCOUNTING POLICIES (Cont'd)

3.11. Leasing Transactions

Financial Leasing Transactions

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

Operational Leasing Transactions

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

3.12. Employee Benefits

a) Defined Benefit Plan

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

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

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

b) Defined Contribution Proportions

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

3.13. Used Estimations

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

3. IMPORTANT ACCOUNTING POLICIES (Cont'd)

3.14. Netoff

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

3.15. Segment Reporting

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

3.16. Operational expenses

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

3.17. Effects of Exchange Differences

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

3.18. Going Concern

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

3.19. Subsequent Events

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

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

4. INTEREST IN OTHER ENTITIES

Financial Investments

Financial assets in unquoted equity shares and ratios as stated cost and available-for-sale in December 31, 2017 and December 31, 2016 as follows:

	31.12.2017		31.12.2016	
	TRY	%	TRY	%
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, 2017 and December 31, 2016 balances to related party disclosures:

a) Due from related parties:

- Trade receivables from affiliates:

	31.12.2017	31.12.2016
Ege Seramik America INC.	20.480.795	16.793.116
Ege Seramik İç ve Dış Ticaret A.Ş.	12.979.190	14.917.587
Polat Turizm Otel San. ve Tic. A.Ş.	-	154.549
AP Gayrimenkul Yatırım ve Geliştirme A.Ş.	306.089	
Piyalepaşa Gayrimenkul Gel. Yat. ve Tic. A.Ş.	460.256	
TOTAL	34.226.330	31.865.252
Deduction: Unaccrued Interest Expense	(91.541)	(45.805)
TOTAL	34.134.789	31.819.446

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

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

6. RELATED PARTY DISCLOSURES (Cont'd)

Other receivables from affiliates:

	31.12.2017	31.12.2016
Dividends payable	290	274
Reduction: Unearned finance income	-	-
TOTAL	290	274

b) Due to related parties:

Other payables to related parties

	31.12.2017	31.12.2016
Polat Maden San.Tic.A.Ş.	11.933	-
TOTAL	11.933	-
Reduction: Unearned finance income	(614)	-
TOTAL	11.319	-

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

a) Product Sales to Related Parties:

	01 January - 31 December 2017	01 January - 31 December 2016
Ege Seramik America INC.	84.395.474	53.927.419
Ege Seramik İç ve Dış Ticaret A.Ş.	59.769.012	47.998.380
AP Gayrimenkul Yatırım ve Geliştirme A.Ş.	262.470	
Polat Maden San.Tic.A.Ş.	19.208	
Polat Turizm Otel San. ve Tic. AŞ.	12.868	434.619
Ege Vitriفيye Sağlık Gereçleri San. Tic. A.Ş.	98.463	112.378
Piyalepaşa Gayrimenkul A.Ş.	545.487	54.185
TOTAL	145.102.982	102.526.981

b) Raw material sales to related parties:

	01 January - 31 December 2017	01 January - 31 December 2016
Polat Maden San. Tic. A.Ş.	-	3.470
Ege Vitriفيye Sağlık Gereçleri San.Tic.A.Ş.	14.350	-
TOTAL	14.350	3.470

6. RELATED PARTY DISCLOSURES (Cont'd)

c) Service sales to related parties:

	01 January - 31 December 2017	01 January - 31 December 2016
Polat Turizm Otel San. ve Tic. AŞ.	27.628	115.420
İbrahim Polat Holding A.Ş.	-	54.700
Ege Seramik America INC.	49.327	20.415
Polat Maden San. Tic. A.Ş.	3.611	12.749
Ege Vitrikiye Sağlık Gereçleri San. Tic. A.Ş.	15.552	5.600
AP Gayrimenkul Yatırım ve Geliştirme A.Ş.	9.687	-
Egeseramik İç ve Dış Ticaret A.Ş.	10.809	4.030
Piyalepaşa Gayrimenkul A.Ş.	30.719	-
TOTAL	147.332	212.913

C.1) Fixed asset sales to related parties

	01 January - 31 December 2017	01 January - 31 December 2016
Ege Vitrikiye Sağlık Gereçleri San. Tic. A.Ş.	761.000	-
TOPLAM	761.000	-

d) Raw material purchase and related parties goods:

	01 January - 31 December 2017	01 January - 31 December 2016
Polat Maden San. Tic. A.Ş.	8.648.313	6.940.567
Ege Vitrikiye Sağlık Gereçleri San. Tic. A.Ş.	27.885	-
TOTAL	8.676.198	6.940.567

6. RELATED PARTY DISCLOSURES (Cont'd)

e) Service purchases from related parties:

	01 January - 31 December 2017	01 January - 31 December 2016
İbrahim Polat Holding A.Ş.	966.999	864.358
Polat Maden San. Tic. A.Ş.	-	13.334
Polat Turizm Otelcilik A.Ş.	4.946	
Ege Seramik Amerika INC.	3.162	
Ege Vitrikiye Sağlık Gereçleri San. Tic. A.Ş.	247	3.322
Egeseramik İç ve Dış Ticaret A.Ş.	18.985	1.133
TOTAL	994.339	882.147

6. RELATED PARTY DISCLOSURES (Cont'd)

f) Financing revenues from related parties transaction:

	01 January - 31 December 2017	01 January - 31 December 2016
Ege Vitrifiye Sağlık Gereçleri San. Tic. A.Ş.	533.460	-
TOTAL	533.460	-

g) Financial expenses from related parties transactions:

None. (31.12.2016: None.)

h) Financial expenses related to transactions with related parties

None. (31.12.2016: None.)

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

	01 January - 31 December 2017	01 January - 31 December 2016
Ege Seramik İç ve Dış Ticaret A.Ş.	577.337	892.331
Ege Seramik America INC.	424.834	151.056
Polat Turizm Otel San. ve Tic. A.Ş.	131.763	30.913
TOTAL	1.133.934	1.074.301

The senior management remuneration and other benefits for twelve month period of 2017 are as follows:

a) Short term employee benefits: The senior management remuneration and other benefits totally 3.472.651 TRY (December 31, 2016: 3.250.686 TRY) in twelve months period of 2017.

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

c) Other long term benefits: None.

d) Severance: None.

e) Share-based payments: None.

7. TRADE RECEIVABLE AND PAYABLES

Trade Receivables

	31.12.2017	31.12.2016
Customer Current Accounts	66.506.213	55.497.839
-Receivables from Related Parties(Note:6)	34.226.330	31.865.252
-Other Receivables	32.279.883	23.632.587
Notes Receivables	78.127.945	80.491.537
-Other notes receivables	78.127.945	80.491.537
Doubtful Receivables	2.325.197	2.325.197
Provision of Doubtful Receivables(-)	(1.737.032)	(1.799.086)
TOTAL	145.222.323	136.515.487
Deduction: Unaccrued interest expense	(3.498.981)	(2.285.179)
Receivables from related parties(Note:6)	(91.541)	(45.805)
Other Receivables	(3.407.440)	(2.239.374)
TOTAL	141.723.341	134.230.308

As of December 31, 2017, at the amount of 107.324.355 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.

	31.12.2017	31.12.2016
Not due	64.055.863	52.717.235
Overdue 0-30 days	2.344.034	2.188.609
Overdue 31-90 days	819	149.998
Overdue 91-180 days	361	164.808
Overdue more than 360 days	105.135	277.189
TOTAL	66.506.213	55.497.839

As of December 31, 2017, and December 31, 2016 provision for doubtful trade receivables' movement table is given below:

	31.12.2017	31.12.2016
Jan 01	1.799.086	1.665.725
Current period of provision for doubtful receivables	-	133.361
Collected and provisions no longer required	(62.054)	-
TOTAL	1.737.032	1.799.086

7. TRADE RECEIVABLE AND PAYABLES (Cont'd)

Short Term Trade Payables

	31.12.2017	31.12.2016
Trade Payables	63.402.664	61.195.810
-Other Trade Payables	63.390.731	61.195.810
-Related Trade Payables	11.933	
	63.402.664	61.195.810
Deduction: Unaccrued interest expense	(595.854)	(199.992)
Related trade payables	(614)	
Other trade payables	(595.240)	(199.992)
TOTAL	62.806.810	60.995.818

	31 Aralık 2017	31.12.2016
Not due	61.961.865	60.604.568
Overdue 0-30 days	1.438.785	591.242
Overdue 31-90 days	1.076	-
Overdue 91-180 days	938	-
Overdue 181-360 days	-	-
Overdue more than 360 days	-	-
TOTAL	63.402.664	61.195.810

Long Term Trade Payables

	31.12.2017	31.12.2016
Trade Payables	-	4.840.389
-Other Payables(*)	-	4.840.389
	-	4.840.389
Deduction: Unaccrued interest expense	-	-
Other Payables	-	-
TOTAL	-	4.840.389

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

8. RECEIVABLES AND PAYABLES FROM ACTIVITIES IN FINANCIAL SECTOR

-Short Term Financial Liabilities

	31.12.2017	31.12.2016
Short Term Financial Liabilities (*)	10.503.719	8.471.765
Interest Accruals	101.111	205.245
TOTAL	10.604.830	8.677.010

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

	31.12.2017	31.12.2016
Due in 0-1 year	10.604.830	8.677.010
Due in 1-2 years	-	-
Due in 2-3 years	-	-
Due in 3-4 years	-	-
Due in 4-5 years	-	-
Due after 5 years	-	-
Total Financial Liabilities	10.604.830	8.677.010

31.12.2017	Amount in Original Currency	Exchange Rate	TRY
EUR	2.348.540	4,5155	10.604.830
Total Financial Liabilities			10.604.830

-Long Term Financial Liabilities

	31.12.2017	31.12.2016
Long Term Financial Liabilities (*)	1.505.167	-
Interest Accruals	2.094	-
TOTAL	1.507.261	-

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

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

	31.12.2017	31.12.2016
Due in 0-1 year	-	-
Due in 1-2 years	1.507.261	-
Due in 2-3 years	-	-
Due in 3-4 years	-	-
Due in 4-5 years	-	-
Due after 5 years	-	-
Total Financial Liabilities	1.507.261	-

31.12.2017	Amount in Original Currency	Exchange Rate	TRY
EUR	333.797	4,5155	1.507.261
Total Financial Liabilities			1.507.261

9. OTHER RECEIVABLES AND PAYABLES

Short term Other Receivables

	31.12.2017	31.12.2016
Receivables from tax office	2.882.693	1.945.616
TOTAL	2.882.693	1.945.616

Long Term Other Receivables from Third Party

	31.12.2017	31.12.2016
Deposits and guarentees given	288.005	290.346
TOTAL	288.005	290.346

Short Term Other Payables

	31.12.2017	31.12.2016
Other payables to related parties	290	274
Taxes and funds payables	1.724.297	1.399.631
Overdue, deferred or restructured taxes & duties	-	32.209
TOTAL	1.724.587	1.432.114

10. INVENTORIES

	31.12.2017	31.12.2016
Raw material	38.993.393	31.065.607
Semi finished good -Production	5.384.253	4.787.515
Finished goods	37.308.965	36.848.228
Trade goods	41.978	66.062
Other Inventories	133.538	42.492
TOTAL	81.862.127	72.809.904
Provision of Inventory Impairment (-)	(5.488)	(9.431)
TOTAL	81.856.639	72.800.473

Provisions of inventory impairment during the period are as below:

	31.12.2017	31.12.2016
Opening balance	(9.431)	(10.275)
Canceled provision due to the increase in net realizable value (-)	3.943	844
TOTAL	(5.488)	(9.431)

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 347.906 (December 31, 2016: TRY 165.946) at net realizable value and TRY 38.645.487 (December 31, 2016: 30.899.661) at cost which are reflected its financial statements. Company's finished goods inventories in the amount TRY 40.890 (31.12.2016: TRY : 79.327) at net realizable value and TRY 37.268.075 (December 31, 2016: TRY 36.768.901) 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 430.144. Annual discount rate was applied %12,23 for TRY, and %1,47 for EUR, %2,90 for USD, GBP and CHF.

11. LIVE STOCK ASSETS

None. (31.12.2016: None.)

12. PREPAID EXPENSES AND DEFERRED INCOME

Short term prepaid expenses

	31.12.2017	31.12.2016
Prepaid expenses for future months	1.039.200	886.176
Advances given related to cost	799.284	716.967
TOTAL	1.838.484	1.603.143

Long term prepaid expenses

	31.12.2017	31.12.2016
Prepaid expenses for future years	72.252	279
TOTAL	72.252	279

Short Term Deferred Incomes

	31.12.2017	31.12.2016
Prepaid incomes for future months	1.331.541	1.365.612
Advances received related to revenue	19.978.796	28.732.855
TOTAL	21.310.337	30.098.467

Long Term Deferred Incomes

	31.12.2017	31.12.2016
Prepaid incomes for future years	-	208.467
TOTAL	-	208.467

13. INVESTMENT PROPERTY

None. (31.12.2016: None.)

14. TANGIBLE FIXED ASSETS

	31.12.2016	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	338.826,22	456.293	61.680	56.126.495
Plant, machinery and equipment	223.284.933	5.014.168,6	13.988.197	4.354.804	237.932.494,8
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
Construction in progress	3.788.690	10.826.630	(14.444.491)	-	170.830
Special Costs	361.339	-	-	-	361.339
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
Furnitures and fixtures	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

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

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

None. (31.12.2016: None.)

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

None. (31.12.2016: None.)

17. INTANGIBLE FIXED ASSETS

	31.12.2016	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
ACCUMULATED DEPRECIATION	7.000.882	231.434	-	13.481	7.218.835
NET BOOK VALUE	1.737.205	710.325	-	-	2.447.531

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

18. GOODWILL

None. (31.12.2016: None.)

19. EVALUATING AND RESEARCHING OF MINE RESOURCES

None. (31.12.2016: None.)

20. LEASING OPERATIONS

None. (31.12.2016: None.)

21. SERVICE CONCESSION ARRANGEMENTS

None. (31.12.2016: None.)

22. IMPAIRMENT OF ASSETS

None. (31.12.2016: 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 of 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. Company 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 of incentive certificate had been made to Ministry of Economy of Turkey on 30/09/2015 and closing visa has been made on 13/01/2016. Mentioned investment incentive certificate consist of discounted corporate tax rate, customs tax and VAT exemptions.
- c) Company has completed its modernization investments with investment incentive certificate dated 02/02/2015 and numbered 122571. Mentioned investment incentive certificate consist of discounted corporate tax rate, customs tax and VAT exemptions

24. COST OF BORROWING

None. (31.12.2016: None.)

25. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provision for Current Tax, net

	31.12.2017	31.12.2016
Provisions for current tax	9.642.747	6.177.451
Prepaid taxes and funds (-)	(8.410.190)	(4.915.305)
TOTAL	1.232.557	1.262.146

Short Term Provisions

a) Other Short Term Provisions

	31.12.2017	31.12.2016
Provision for Law Suit	2.135.703	1.739.353
Provision for Guarantee Expense	103.239	40.373
TOTAL	2.238.942	1.779.727

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

As of December 31, 2017 provisions for other short term liabilities movement table are given below:

	31.12.2016	Additional Provisions (Note:34)	Payments/ Cancellations (-)	31.12.2017
Provision for Law Suit	1.739.353	682.800	(286.450)	2.135.703
Provision for Guarantee Expense	40.373	62.866	-	103.239
TOTAL	1.779.727	745.666	(286.450)	2.238.942

Letters of Guarantee Given by the Company

Given To	Explanation	Amount (TRY)
İzmir Kemalpaşa Org.San.Bölgesi Md.(*)	According to natural gas purchasing agreement	14.000.000
İzmir 20.İcra Müdürlüğü	According to court process	728.892
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
Tedaş	According to electricity purchasing transactions	54.200
Konak Vergi Dairesi	According to tax transactions	5
		15.033.482

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

Pledges Given by the Company

There are no pledges given by the Company on December 31, 2017.

Guarantees Given by the Company

GUARANTEES PLEDGES MORTGAGES	31.12.2017	31.12.2016
A) Total amount of GPM given on behalf of its own legal entity	15.033.482	14.304.590
B) Total amount of GPM given of the fully consolidated subsidiaries		
C) Total amount of GPM given ordinary trade activities provided in order to guarantee the debts of other 3rd parties	-	-
D) Total amount of other given GPM		
i) Total amount of GPM given on behalf of the Parent Company	-	-
ii) Total amount of GPM given on behalf of other group companies which are not included in scope of B and C		
iii) Total amount of GPM given on behalf of 3 rd parties which are not included in scope of C	-	-
TOTAL	15.033.482	14.304.590

As of December 31, 2017, Company's given GPM to Company's equity ratio is 5, 27%.
(31.12.2016: % 5,85)

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

Guarantees Received by the Company

	31.12.2017	31.12.2016
Letter of guarantees received	70.695.000	65.473.649
Guarantees cheques received	510.000	510.000
Guarantees notes received	1.245.355	1.385.355
Mortgages	34.874.000	32.331.000
TOTAL	107.324.355	99.700.004

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 2.135.703 as of December 31, 2017 (December 31, 2016: TRY 1.739.353).

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. (31.12.2016: None.)

27. EMPLOYEE BENEFIT OBLIGATIONS

Termination Indemnities and Provision of Unused Vacations

The Company has to make a certain termination indemnities to its personnel who quits from Company for several reasons such as retirement or, reasons except reassigning and to be fired because of bad behavior after working at least one year at Company. Compensation which Company has to pay is at amount of one month salary for each servicing year and this amount is limited to TRY 4.732,48 as of December 31, 2017. (December 31, 2016: TRY : 4.297,21)

	31.12.2017	31.12.2016
Provision for termination indemnities	25.286.257	20.279.219
Provision for unused vacations	747.561	845.286
TOTAL	26.033.818	21.124.505

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

27. EMPLOYEE BENEFIT OBLIGATIONS (Cont'd)

Correspondingly, actuarial assumptions which are used to calculate the liability amount as of December 31, 2017 and December 31, 2016 are depicted below:

	31.12.2017	31.12.2016
Discount rate	%3,32	%2,97

Movement of provision for termination indemnities as of December 31, 2017 - December 31, 2016 are shown as follows:

	31.12.2017	31.12.2016
Opening balance	20.279.219	17.154.432
Additional provisions	5.207.689	3.219.506
Payment (-)	(200.651)	(94.719)
Closing balance	25.286.257	20.279.219

	2017	2016
January 01	20.279.219	17.154.432
Interest expenses	2.433.506	1.886.987
Current service cost	8.104.433	6.565.850
Paid in period	(3.775.724)	(4.049.259)
Actuarial gain / (loss)	(1.755.178)	(1.278.791)
December 31	25.286.257	20.279.219

Movement of provision for unused vacations as of December 31, 2017 - December 31, 2016 are shown as follows:

	31.12.2017	31.12.2016
Opening balance	845.287	1.391.583
Additional provisions	(97.725)	(546.296)
Closing balance	747.561	845.287

Payables within Employee Benefits

	31.12.2017	31.12.2016
Due to personnel	3.480.038	3.142.999
Payable taxes and funds	1.577.725	1.411.571
Payable other liabilities	25.272	11.738
TOTAL	5.083.035	4.566.308

28. OTHER ASSETS AND LIABILITIES

Other current assets

	31.12.2017	31.12.2016
Income accruals	301.784	437.359
Transferred VAT	496.777	-
Other VAT*	4.239.916	5.722.319
TOTAL	5.038.477	6.159.678

*The amount of TRY 4.239.916 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 4.239.916 of other VAT will be shown under short-term liabilities after deduction of export transactions are closed by Tax Authority.

Other short term liabilities

	31.12.2017	31.12.2016
Expense accruals	116.252	72.966
Other VAT	4.239.916	5.722.319
TOTAL	4.356.168	5.795.285

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, 2017 and December 31, 2016 registered capital of the Company that is not adjusted to inflation is shown as follows:

	31.12.2017	31.12.2016
Registered capital ceiling	150.000.000	150.000.000
Authorized and paid in capital	75.000.000	75.000.000

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

As of December 31, 2017 and December 31, 2016 registered capital of the Company that is not adjusted to inflation is shown as follows:

	December 31, 2017			December 31, 2016			
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%	24.843.448,48	2.484.344.848	33,12%
İbrahim Polat Holding A.Ş.	C	45.686.918,95	4.568.691.895	60,92%	45.686.918,95	4.568.691.895	60,92%
TOTAL		75.000.000,00	7.500.000.000,00	100%	75.000.000,00	7.500.000.000,00	100%
Differences Capital of Adjustment (*)		24.778.008,00			24.778.008,00		
TOTAL		99.778.008,00			99.778.008,00		

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

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

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

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

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

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

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

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

Profit Distribution

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

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

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

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

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

According to the announcement made on 09.05.2017, The provisions of the Capital Markets Legislation and the Articles of Association of the Company information are below,

- By distributing dividends amount of TRY 8,469,958.06,

-The amount of TRY 15.077.235,17 has been reserved by general legal reserves and previous years retained earnings which the amount of TRY 1.736.136

Share Premium

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

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

	31.12.2017	31.12.2016
Share Premium	35.838.595	35.838.595
TOTAL	35.838.595	35.838.595

Movements of actuarial loss/gain fund are as below:

	31.12.2017	31.12.2016
Opening balance	3.921.563	2.898.530
Current actuarial (gain)/loss	1.404.142	1.023.033
TOTAL	5.325.705	3.921.563

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.

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

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

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

	31.12.2016		31.12.2017
	Balance	Additions	Balance
Restricted Reserves	15.357.324	1.736.163	17.093.487
TOTAL	15.357.324	1.736.163	17.093.487

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	31.12.2017	31.12.2016
Accumulated Profit/Loss	87.882.980	61.243.301
Dividend	(8.469.960)	-
Legal Reserves	(1.736.163)	(2.105.085)
Actuarial Gain/Loss Fund	1.404.142	1.023.033
TOTAL	79.081.000	60.161.249

30. EXPENSES BY NATURE

	January 01– December 31 2017	January 01– December 31 2016
General administration expenses	32.184.234	26.583.628
Marketing expenses	22.956.267	20.129.851
Research and development expenses	3.362.337	3.088.952
Cost of sales	263.299.467	242.239.683
TOTAL	321.802.305	292.042.114

31. SALES AND COST OF SALES

Sales are shown as follows:

	January 01 – December 31 2017	January 01 – December 31 2016
Domestic sales	223.349.505	208.820.485
Foreign sales	163.291.714	123.211.747
Gross Sales	386.641.219	332.032.232
Sales returns (-)	(872.261)	(1.160.791)
Sales discounts (-)	(102.803)	(249.052)
Other discounts (-)	(2.087.519)	(719.871)
Returns and discounts	(3.062.584)	(2.129.714)
Net sales	383.578.635	329.902.518

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 1.337.328. Annual discount rate has been applied to 12,23% for TRY; 1,47% for EUR and 2,9% for CHF, GBP and USD.

Cost of sales are shown as follows:

	January 01 – December 31 2017	January 01 – December 31 2016
Cost of goods sold	263.098.192	242.161.599
Cost of trade goods sold	201.275	78.084
TOTAL	263.299.467	242.239.683

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

Cost of sales according to their nature in periods January 01, 2017 - December 31, 2017 and January 01, 2016 – December 31, 2016 are indicated as below:

	January 01 – December 31 2017	January 01 – December 31 2016
Material usage share	118.790.643	106.483.620
Natural gas usage	50.689.660	53.724.575
Personnel expense share	46.554.793	43.836.819
Indirect material usage	17.901.229	13.902.473
Depreciation and amortization expenses	14.350.828	13.275.669
Transportation expenses	4.913.072	4.040.576
Maintenance and repair expenses	4.762.089	5.440.405
Food and subsistence expenses	2.540.718	2.277.614
Other general manufacturing expenses	2.314.406	1.853.245
Diesel and LPG usage	1.528.107	1.138.221
Shipping cost	1.033.905	1.128.937
The net effect of the goods with delayed customs declaration document	201.275	78.084
Cost of trade goods sold	-	133.243
Changes in semi-finished inventory	(596.737)	(87.624)
Internal consumption (*)	(832.475)	(1.085.980)
Changes in finished goods inventory	(852.045)	(3.900.195)
TOTAL	263.299.467	242.239.683

(*) 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 430.144. Annual discount rate has been applied to 12,23% for TRY; 1,47% for EUR; and 2,9% for USD, CHF, GBP.

32. CONTRACTS OF CONSTRUCTION

None. (31.12.2016: 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, 2017 - December 31, 2017 and January 01, 2016 – December 31, 2016 are shown as below:

	January 01 – December 31 2017	January 01 – December 31 2016
Personnel expenses	7.747.256	6.373.115
Provision for termination expenses	6.962.867	4.498.297
Outsource services	6.519.947	5.235.489
Termination indemnities paid	3.775.724	4.049.259
Consultancy expenses	2.219.858	1.704.671
Depreciation and amortization expenses	995.086	1.010.188
Tax, duties and charges	521.219	562.694
Notice of termination expenses paid	493.832	399.464
The court and law enforcement expenses	452.843	542.600
Due and subscription fees	310.044	517.038
Insurance expenses	234.227	151.956
Electric expenses	222.892	164.666
Travelling expenses	171.189	152.030
Rent expenses	166.077	123.086
Communication expenses	97.457	100.466
Transfer and resource expenses	96.618	84.195
Other	1.197.098	914.413
TOTAL	32.184.234	26.583.628

Marketing, Sales and Distribution Expenses

Details of marketing, sales and distribution expenses according to their nature in periods January 01, 2017 - December 31, 2017 and January 01, 2016 – December 31, 2016 are shown as below:

	January 01 – December 31 2017	January 01 – December 31 2016
Domestic sales expenses	7.209.957	6.974.938
Foreign sales expenses	6.285.975	4.209.064
Personnel expenses	5.600.184	5.639.683
Advertising expenses	2.569.316	2.035.820
Construction sales expenses of ceramic boards	580.177	563.836
Packaging expenses	409.720	572.810
Provision of Guarantee Expense	62.866	40.373
Other	238.073	93.326
TOTAL	22.956.267	20.129.851

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, 2017 - December 31, 2017 and January 01, 2016 – December 31, 2016 are shown as below:

	January 01 – December 31 2017	January 01 – December 31 2016
Personnel expenses	2.694.900	2.551.178
Outsourced expenses	560.414	363.869
Other	107.022	173.905
TOTAL	3.362.337	3.088.952

34. OTHER OPERATIONAL INCOME AND EXPENSE

Other operational incomes

	January 01 – December 31, 2017	January 01 – December 31, 2016
Exchange differences income	22.343.404	14.628.769
Rediscount interest income	2.881.034	3.020.975
Provision of law suits cancellation	286.450	857.000
Brand and promote fair income	1.276.594	724.580
Insurance claim income	615.918	669.416
Cancellation of Provision for Unused Vacations	286.450	546.297
Scrap sales	262.211	542.446
Reflected material price differences	231.019	454.989
Rental income	209.040	252.208
Promotion Incomes	200.651	209.612
Interest differences	178.274	121.524
Sale of sample ceramic and board	169.839	102.175
Cancellation of provision for termination indemnities	97.725	94.719
Reflected revenues	62.054	70.451
Cancellation of decrease in value stock	3.943	844
Confirmation difference gains	81	76
Cancellation of provision for doubtful receivables	62.054	-
Export freight and insurance income	2.281	-
Other	1.084.219	930.092
TOTAL	30.888.272	23.226.173

Other operational expenses

	January 01 – December 31 2017	January 01 – December 31 2016
Exchange differences expense	30.275.427	17.092.440
Rediscount interest expense	3.698.974	2.502.498
Idle capacity expense and loss	384.496	845.073
Insurance claim expense	-	801.288
Provision for lawsuit expenses	682.800	536.604
Reflected material and price differences	954.067	454.989
Provision for doubtful receivables	-	133.361
Penalties and late payment interest	-	117.668
Sale of sample ceramic and board	169.839	102.175
Reflected expenses	232.921	70.451
Professional dues	-	24.520
Special communication tax	-	11.636
Confirmation differences	1.562	4
Other	958.460	958.460
TOTAL	36.853.035	23.651.167

35. EXPANDITURES AND REVENUES FROM INVESTING ACTIVITIES

Revenues from Investing Activities

	January 01 – December 31 2017	January 01 – December 31 2016
Profit on sale of fixed assets	2.121.085	171.945
TOTAL	2.121.085	171.945

Expenses from Investing Activities

	January 01 – December 31 2017	January 01 – December 31 2016
Loss on sale of fixed assets	-	172.268
Exchange differences expense	719.317	1.247.775
TOTAL	719.317	1.420.042

36. EXPENSES CLASSIFIED BY PRINCIPLE TYPES

Details of expenses classified by principle types in periods January 01, 2017 - December 31, 2017 and January 01, 2016 – December 31, 2016 are shown as below:

Amortization expenses	January 01 – December 31 2017	January 01 – December 31 2016
Cost of sales	14.350.828	13.275.669
General administration expenses	995.086	1.010.188
Not working part expenses and losses	107.880	-
TOTAL	15.453.794	14.285.856

Total depreciation expenses of the Company in the year 2017 is TRY 15.453.794 and the remaining amount of these depreciation expenses in the product stocks at the end of the year is TRY 1.804.916. (31 December 2016: TRY 1.792.994)

Personnel expenses	January 01 – December 31 2017	January 01 – December 31 2016
Cost of sales	46.554.793	43.836.819
General administration expenses	2.694.900	2.551.178
Marketing, sales and distribution expenses	5.600.184	5.639.683
Research and development expenses	7.747.256	6.373.115
Idle capacity expenses and losses	-	589.932
TOTAL	62.597.133	58.990.727

37. FINANCIAL EXPENSES AND INCOME

Financial Expenses

	January 01 – December 31 2017	January 01 – December 31 2016
Bank loan, interest and commission expenses	4.307.376	3.120.761
TOTAL	4.307.376	3.120.761

Financial Income

	January 01 – December 31 2017	January 01 – December 31 2016
Interest income	781.759	376.084
TOTAL	781.759	376.084

38. ANALYSIS OF OTHER COMPREHENSIVE INCOMES

Details of other comprehensive incomes/(expense) in periods January 01, 2017 - December 31, 2017 and January 01, 2016 – December 31, 2016 are shown as below:

	January 01 – December 31 2017	January 01 – December 31 2016
Not to be reclassified on gain / (loss)		
Actuarial gain/(loss) (Note 27)	1.755.178	1.278.791
Deferred tax revenue/(expense) (Note40)	(351.036)	(255.758)
TOTAL	1.023.033	1.023.033

39. FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None. (31.12.2016: None.)

40. INCOME TAXES (DEFERRED TAX ASSETS AND LIABILITIES)

Tax expense/income in comprehensive income statement in periods January 01, 2017 - December 31, 2017 and January 01, 2016 – December 31, 2016 are shown as below:

	January 01 – December 31 2017	January 01 – December 31 2016
Current tax income / (expense)	(9.642.747)	(6.177.651)
Deferred tax income / (expense)	3.896.156	1.860.887
TOTAL	(5.746.591)	(4.316.764)

Current Tax

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

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

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

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

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

Investment Incentive

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

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

Application of Reduced Corporate Tax

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

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

- 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 356.576 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 819.837 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 498.721 in provision of current period tax, and this amount has been discounted from tax assets.

For both investment incentive certificate, incentive used as discounted corporate tax amounted TRY 1.675.134 has been deducted from deferred tax assets. According to Turkish Tax Regulations, loss without exceeding 5 years can be discounted from corporate income for the period. However, loss cannot be discounted from previous year profits.

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

Current Tax Expense:

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

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

	January 01 – December 31 2017	January 01 – December 31 2016
Profit / (loss) before tax	51.021.221	31.461.008
Non-deductible expenses	5.600.391	3.892.578
Other discounts	(32.209)	-
Corporate Tax Base	56.589.403	35.353.586
Reduced Corporate Tax Base	14.281.588	8.118.780
Corporate Tax	8.461.563	5.446.961
Reduced corporate tax	1.181.184	730.690
Tax Expenses for the Period	9.642.747	6.177.651

As of December 31, 2017, 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.

Detail of accumulated temporary differences using tax rates of deferred tax assets and liabilities as of December 31, 2017, and December 31, 2016 are shown as below:

	Accumulated Temporary Differences		Tax Rate	Deferred Tax Assets / (Liabilities)	
	31.12.2017	31.12.2016		31.12.2017	31.12.2016
Deferred Tax Assets / (Liabilities)					
Employee benefits	24.278.640	19.845.715	20%	4.855.728	3.969.143
Provisions of debt	2.238.942	1.779.727	20%	447.788	355.945
Provisions of doubtful receivables	1.064.034	1.126.088	20%	212.807	225.218
Tangible fixed assets	(650.693)	4.372.301	20%	(130.139)	874.460
Intangible fixed assets	(503.456)	(140.894)	20%	(100.691)	(28.179)
Inventory	1.266.921	1.176.711	20%	253.384	235.342
Interest differences on sales	678.203	223.602	20%	135.641	44.720
Interest differences on purchases	(430.144)	(406.784)	20%	(86.029)	(81.357)
Reduced Corporate Tax	89.465.482	71.705.861	20%	17.893.096	14.341.172
TOTAL				23.481.586	19.936.465

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

	31.12.2017	31.12.2016
Opening balance	19.936.465	18.331.336
Current year deferred tax gain/(loss)	3.896.156	1.860.887
Deferred tax reflected in shareholders' equity(*)	(351.036)	(255.758)
Deferred Tax Assets	23.481.586	19.936.465

(*) 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, 2017	January 01 – December 31, 2016
Net profit / (loss)	47.941.127	29.125.872
Weighted average number of common share	7.500.000.000	7.500.000.000
Profit/(Loss) Per Share	0,006392	0,003883

42. SHARE BASED PAYMENT

None. (31.12.2016: None.)

43. CONTRACTS OF INSURANCE

None. (31.12.2016: None.)

44. EFFECTS OF EXCHANGE RATE CHANGES

None. (31.12.2016: 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. (31.12.2016: None.)

47. FINANCIAL INSTRUMENTS

None. (31.12.2016: None.)

48. LEVEL AND NATURE OF RISKS SOURCED FROM FINANCIAL INSTRUMENTS

Credit risk

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

31.12.2017	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	-	2.882.693	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	-	2.780.604	-	1.945.616	-	-	-
D. Net book value of assets which are overdue	-	526.111	-	-	-	-	-
-Overdue (gross book value)	-	2.325.197	-	-	-	-	-
-Impairment(-)	-	(1.799.086)	-	-	-	-	-
-Part of net value guarantied with assurance	-	-	-	-	-	-	-
-Part of net value guarantied with assurance	-	-	-	-	-	-	-
-Impairment(-)	-	-	-	-	-	-	-
-Part of net value guarantied with assurance	-	-	-	-	-	-	-
E. Items which includes credit risk off-balance	-	-	-	-	-	-	-

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

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

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

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

31.12.2017	Receivables				Bank Deposits	Derivative Instruments	Other
	Trade Receivables		Other Receivables				
	Related Parties	Third Parties	Related Parties	Third Parties			
Overdue 1-30 days	-	2.188.609	-	-	-	-	-
Overdue 1-3 months	-	149.998	-	-	-	-	-
Overdue 3-12 months	-	164.808	-	1.945.616	-	-	-
Overdue 1-5 years	-	277.189	-	-	-	-	-
Overdue more than 5 years	-	-	-	-	-	-	-
Part that is guarantied by assurance	-	-	-	-	-	-	-
Total	-	2.780.604	-	1.945.616	-	-	-

Aging table of overdue but not impaired assets is below:

31.12.2016	Receivables				Bank Deposits	Derivative Instruments	Other
	Trade Receivables		Other Receivables				
	Related Parties	Third Parties	Related Parties	Third Parties			
Overdue 1-30 days	-	2.278.265	-	-	-	-	-
Overdue 1-3 months	-	12.500	-	-	-	-	-
Overdue 3-12 months	-	179.021	-	1.713.741	-	-	-
Overdue 1-5 years	-	336.601	-	-	-	-	-
Overdue more than 5 years	-	-	-	-	-	-	-
Part that is guarantied by assurance	-	-	-	-	-	-	-
Total	-	2.806.387	-	1.713.741	-	-	-

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:

31.12.2017

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

31.12.2016

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	75.945.331	75.945.331	50.913.665	20.191.277	4.840.389	0
Bank credits	8.677.010	8.677.010	-	8.677.010	0	-
Financial leasing Liabilities		-	-	-	-	-
Commercial debt	65.836.207	65.836.207	49.481.551	11.514.267	4.840.389	-
Other debt	1.432.114	1.432.114	1.432.114	-	-	-
Contractual Maturity	Book Value	Contractual total cash output (=I+II+III+IV)	Less than 3 months	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)**

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, 2015					December 31, 2016				
	TRY (Functional currency)	US Dollar	Euro	GBP	Other	TRY (Functional currency)	US Dollar	Euro	GBP	Other
1. Trade Receivables	34.983.912	7.670.693	1.085.368	226.334	-	34.416.331	8.102.586	1.423.948	143.325	-
2a. Monetary financial assets (Cash and Bank included)	20.806.070	5.312.938	169.682	-	-	6.892.046	1.931.623	25.412	-	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
3. Other	342.583	16.801	593.51	2.207	-	428.901	7.622	108.380	-	-
4. Current Assets (1+2+3)	56.132.565	13.000.432	1.314.402	228.541	-	41.737.278	10.041.831	1.557.740	143.325	-
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-	-	-	-	-	-	-
9. Total Assets (4+8)	56.132.565	13.000.432	1.314.402	228.541	-	41.737.278	10.041.831	1.557.740	143.325	-
10. Trade Liabilities	39.051.702	1.362.655	750.619	3.485	-	44.300.517	571.373	11.328.668	60.552	-
11. Financial Liabilities	10.577.517	-	234.249	-	-	8.600.402	2.183.523	246.946	-	-
12a. Other Monetary Liabilities	170	45	-	-	-	-	-	-	-	-
12b. Other Non-monetary Liabilities	-	-	-	-	-	-	-	-	-	-
13. Short Term liabilities (10+11+12)	49.629.389	13.627	984.868	3.485	-	52.900.919	2.754.896	11.575.614	60.552	-
14. Trade Liabilities	-	-	-	-	-	4.840.389	-	1.304.722	-	-
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	-	-	4.840.389	-	1.304.722	-	-
18. Total Liabilities (13+17)	51.134.555	13.627	10.181.014	3.485	-	57.741.308	2.754.896	12.880.336	60.552	-
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)	499.801	11.637.732	-8.867.612	225.056	-	-16.004.030	7.286.935	-11.322.596	82.773	-
21. Monetary items net foreign currency assets and liabilities position (=1+2a+5+6a-10-11-12a-14-15-16a)	4.655.427	11.637.732	8.926.963	222.849	-	-16.432.931	7.279.313	-11.430.976	82.773	-
22. Present Value of financial instruments used for foreign currency hedge	-	-	-	-	-	-	-	-	-	-
23. Export	158.671.295	34.323.342	566.693	2.191.518	-	118.362.057	30.151.705	4.321.436	3.148.087	-
24. Import	64.859.337	3.437.245	8.761.452	149.804	-	38.952.605	3.763.816	8.104.882	61.619	-

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
 FOR THE YEAR ENDED DECEMBER 31, 2017
 CASH FLOW STATEMENT
 (Currency –TRY, 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, 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	8.779,27	-8779,272	-	-
2- Amount protected from USD risk (-)	-	-	-	-
3- Net US dollar effect (1+2)	8.779,27	-8779,272	-	-
Change in EURO against TRL %20;				
4- EURO net assets / liabilities	-7.707,31	7.707,31	-	-
5- Amount protected from EURO risk (-)	-	-	-	-
6- Net EURO effect (4+5)	-7.707,31	7.707,31	-	-
Change in other currencies against TRL %20;				
7- Other currencies net assets / liabilities	228,67	-228,67	-	-
8- Amount protected from Other currencies risk (-)	-	-	-	-
9- Net other currencies effect (7+8)	228,67	-228,67	-	-
TOTAL (3+6+9+12)	1.300,64	-1.300,64	-	-

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

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 litTRYe 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

The corporation tax which is taken as 20% on the corporate earnings before 2017 will be applied as 22% in the taxation periods of the institutions in 2018, 2019 and 2020.

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

None. (31.12.2016: None.)

52. FIRST APPLICATION OF TAS

None. (31.12.2016: None.)

53. EXPLANATION ABOUT CASH FLOW TABLES

Cash and Cash Equivalents

	31.Dec.17	31.12.2016
Cash	4.509	2.183
Banks	17.079.903	5.788.704
-Demand deposit	1.992.303	685.864
-Time deposit	15.087.600	5.102.840
Unexpired cheques	-	-
Other current assets	12.007.572	9.928.945
-Repo	10.377.156	8.027.178
-POS Accounts	1.630.416	1.901.768
TOTAL	29.091.984	15.719.832

-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 USD	31.12.2017 TRY
USD	02.01.2018	0,80%	990.000	3.734.181
USD	02.01.2018	0,40%	250.000	942.975
TOTAL			1.240.000	4.677.156

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

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

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

Currency of Repo	Maturity	Interest Rate	31.12.2016	
			USD	TRY
USD	02.01.2017	0,10%	360.000	1.266.912
USD	02.01.2017	0,50%	118.000	415.266
TOTAL			478.000	1.682.177

Currency of Time Deposit	Maturity	Interest Rate	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

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

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 Aralık 2017	31.12.2016
Adjustments of Reconciliation of the Period Net Profit/Loss	28.969.098	24.679.099
Adjustment Related to Amortization and Depreciation	15.453.794	14.285.856
Adjustment Related To Impairment / Reversal	3.943	844
Provision for impairment for inventories	3.943	844
Adjustment Related To Provisions	18.759.530	11.659.147
Provisions for termination idemnity	4.909.312	2.578.490
Other Provisions	13.453.057	9.227.318
Provisions for lawsuits	396.350	(320.395)
Provision for doubtful receivables	(62.054)	133.361
Provision for guarantees	62.865	40.373
Adjustment Related To Interest Income / (Loss)	418.036	510.325
Interest Income Loss of Income Accruals	301.784	437.359
Expense Accruals (Interest and Other)	116.252	72.966
Adjustment Related To Tax Income (Loss)	(3.545.121)	(1.605.129)
Adjustment Related to Gain / (Loss) Arising from disposal of Fixed Assets	(2.121.085)	(171.945)
Adjustment Related to Gain / (Loss) Arising from disposal of Tangible Fixed Assets	(2.121.085)	(171.945)
Actual Changes in Business Capital	(41.764.387)	(35.398.327)

53. EXPLANATIONS ABOUT CHANGES IN EQUITY STATEMENT

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

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

54. ENTITY MERGERS

None. (31.12.2016: None.)