

EGE SERAMİK SANAYİ VE TİCARET A.Ş.

**Financial Statements and
Independent Audit Report as of
January 1, 2014 and December 31, 2014**

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

Ege Seramik Sanayi ve Ticaret Anonim Şirketi

Financial Statements and Independent Audit Report as of January 01, 2014 and December 31, 2014

To the Board of Directors of

Ege Seramik Sanayi Ve Ticaret A.Ş.

Introduction

We have audited the accompanying financial position of Ege Seramik Sanayi ve Ticaret Anonim Şirketi (The Company), as at December 31, 2014 and the related financial statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended and summary of significant accounting policies and explanatory notes.

Company's Management's Responsibility for the Financial Statements

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

Independent Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Ege Seramik Sanayi ve Ticaret A.Ş. as at December 31, 2014 and its financial performance and cash flows for the year ended in accordance with Turkey Financial Reporting Standards and Turkey Accounting Standards.

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

- 1.) 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 February 27, 2015
- 2.) According to paragraph four of article numbered as 402 of TCC and financial reporting provisions at the articles of incorporation of the Company, there is not any important matter encountered regarding the system of book keeping and financial statements.
- 3.) 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.

As Bağımsız Denetim ve YMM A.Ş.

(Member of **NEXIA INTERNATIONAL**)

Taki KILIÇ,

Engagement Partner, Chief Auditor

February 27, 2015

Istanbul, Turkey

EGE SERAMİK SANAYİ VE TİCARET A.Ş.

January 1, 2014-December 31, 2014 Financial Statements and Explanatory Notes

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EGE SERAMİK SANAYİ VE TİCARET A.Ş.

FOR THE YEAR ENDED DECEMBER 31, 2014
STATEMENT OF FINANCIAL POSITION (TRY)
(Currency - TRY, unless otherwise indicated)

		Current Period	Prior Period
		Independent	Independent
		Audited	Audited
ASSETS	Notes	31.12.2014	31.12.2013
Current Assets			
Cash And Cash Equivalents	53	17.508.608	15.965.844
Trade Receivables	6-7	107.639.388	98.987.637
<i>Due from Related Parties</i>	6-7	16.684.387	20.344.689
<i>Other Trade Receivables</i>	6-7	90.955.001	78.642.948
Other Receivables	9	478.169	842.266
<i>Due from Related Parties</i>	6	-	-
<i>Other Receivables</i>	9	478.169	842.266
Inventories	10	54.713.552	50.477.653
Prepaid Expenses	12	2.736.448	1.871.632
Other Current Assets	29	12.505.903	6.379.689
TOTAL CURRENT ASSETS		195.582.068	174.524.721
Non- current Assets			
Financial Investments	4	4.045	4.045
Other Receivables	9	53.073	30.382
<i>Due from Related Parties</i>	6	-	-
<i>Other Trade Receivables</i>	9	53.073	30.382
Tangible Fixed Assets	14	81.464.409	88.428.017
Intangible Fixed Assets	17	1.003.049	760.016
Prepaid Expenses	12	4.301.001	16.888
Deferred Tax Assets	40	9.411.885	9.373.387
TOTAL NON-CURRENT ASSETS		96.237.462	98.612.735
TOTAL ASSETS		291.819.530	273.137.456

The accompanying notes are an integral part of these financial statements

FOR THE YEAR ENDED DECEMBER 31, 2014
STATEMENT OF FINANCIAL POSITION (TRY)
(Currency - TRY, unless otherwise indicated)

		Current Period Independent Audited	Prior Period Independent Audited
	Notes	31.12.2014	31.12.2013
LIABILITIES			
Short Term Liabilities			
Trade Payables	6-7	38.098.011	49.382.154
<i>Due to Related Parties</i>	6-7	-	-
<i>Other Related Parties</i>	6-7	38.098.011	49.382.154
Employee Benefit Payables	27	3.754.822	3.379.179
Other Payables	6-9	2.108.882	1.149.767
<i>Due to Related Parties</i>	6-9	39.340	21.004
<i>Other Related Parties</i>	9	2.069.542	1.128.763
Deferred Incomes	12	29.831.192	25.863.569
Corporate Tax Payable	25	1.738.407	2.598.613
Short Term Provisions	25	1.980.699	1.207.309
<i>Short Term Provisions Regarding Employee Benefits</i>		-	-
<i>Other Short Term Provisions</i>	25	1.980.699	1.207.309
Other Short Term Liabilities	29	12.436.827	5.962.384
TOTAL SHORT TERM LIABILITIES		89.948.840	89.542.975
Long Term Liabilities			
Long Term Provisions		15.948.195	14.155.610
<i>Long Term Provisions Regarding Employee Benefits</i>	27	15.948.195	14.155.610
<i>Other Long Term Provisions</i>		-	-
TOTAL LONG TERM PROVISIONS		15.948.195	14.155.610
EQUITY			
Equity of Main Company		185.922.495	169.438.871
Paid in Share Capital	30	75.000.000	75.000.000
Difference of Capital Adjustment	30	24.778.008	24.778.008
Regarding Pay Premiums/Discounts	30	35.838.595	35.838.595
Reclassification to Profit or Loss Accumulated Other Comprehensive Income or Expenses	30	1.362.868	695.282
<i>Actuarial Gain/Loss Fund</i>	30	1.362.868	695.282
<i>Other Gains and Losses</i>		-	-
Restricted Reserves from Profit	30	9.188.011	6.009.652
Retained Earnings	30	1.435.752	(2.004.187)
Net Profit /(Loss) for the Period	41	38.319.261	29.121.521
TOTAL EQUITY		185.922.495	169.438.871
TOTAL LIABILITY		291.819.530	273.137.456

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

EGE SERAMİK SANAYİ VE TİCARET A.Ş.

FOR THE YEAR ENDED DECEMBER 31, 2014 PERIOD

LOSS/PROFIT AND OTHER COMPREHENSIVE INCOME STATEMENT

(Currency - TRY, unless otherwise indicated)

		Current Period Independent Audited	Prior Period Independent Audited
PROFIT OR LOSSES	Notes	01.01-31.12.2014	01.01-31.12.2013
Revenues	31	280.681.471	252.824.421
Cost of Sales (-)	31	(196.324.066)	(182.455.897)
Gross Profit/Loss from the Commercial Activities		84.357.405	70.368.524
GROSS PROFIT / (LOSS)		84.357.405	70.368.524
General administration expenses (-)	33	(17.160.539)	(15.946.341)
Distribution and selling expenses (-)	33	(17.937.522)	(15.611.259)
Research and development expenses (-)	33	(2.193.200)	(2.196.474)
Other income	34	20.810.522	9.326.646
Other expenses (-)	34	(20.404.687)	(13.422.268)
OTHER OPERATING PROFIT / (LOSS)		47.471.979	32.518.828
Income from investment operations	35	1.132.906	742.037
Expenses from investment operations (-)	35	(325.106)	(3.103.087)
OPERATIONS PROFIT / (LOSS) BEFORE FINANCING OPERATIONS		48.279.779	30.157.778
Financial incomes	37	674.666	1.473.715
Financial expenses (-)	37	(820.426)	(915.219)
PROFIT / (LOSS) FROM ONGOING OPERATIONS		48.134.019	30.716.274
Continuing Operations Tax Income / Expenses		(9.814.758)	(1.594.753)
Period Tax Expense / Income	40	(10.020.152)	(6.835.396)
Deferred Tax Expense / Income	40	205.394	5.240.643
PROFIT / (LOSS) FROM ONGOING OPERATIONS		38.319.261	29.121.521
CURRENT PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS			
PROFIT / (LOSS) FOR THE PERIOD		38.319.261	29.121.521
OTHER COMPREHENSIVE INCOME / (LOSS)			
NOT TO CLASSIFICATION IN PROFIT / (LOSS)			
Calculated Actuarial Gains and Losses on the basis of Employee	38	834.482	523.957
Tax Effect	38	(166.896)	(104.791)
Other Comprehensive Income / (Loss) (After Tax)		667.586	419.166
TOTAL COMPREHENSIVE INCOME		38.986.847	29.540.687
Earning Per Share		0,005109	0,003883
Earning per share from ongoing operations	41	0,005109	0,003883

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

EGE SERAMİK SANAYİ VE TİCARET A.Ş.

INDEPENDENT AUDITED

STATEMENT OF CHANGES IN EQUITY WITH PERIOD OF DECEMBER 31, 2014

(Currency - TRY, unless otherwise indicated)

	Notes					Not to be Reclassified to Accumulated Other Comprehensive Income/ Expense in Profit/(Loss)				Total Equity
		Capital Revaluation Capital Differences	Share Premium	Restricted Income Reserves	Actuarial Gains / (Losses)	Minority Interest	Accumulated Gains / (Losses)			
Balances at January 1, 2013		75.000.000	24.778.008	35.838.595	3.088.630	276.116	-	23.357.357	162.338.706	
Other comprehensive income/(loss)	30	-	-	-	-	419.166	-	-	419.166	
Net income / (loss) for the period		-	-	-	-	-	-	29.121.521	29.121.521	
Divident payment	30	-	-	-	-	-	-	(22.440.522)	(22.440.522)	
Transfer	30	-	-	-	2.921.022	-	-	(2.921.022)	-	
Balances at December 31, 2013		75.000.000	24.778.008	35.838.595	6.009.652	695.282	-	27.117.334	169.438.871	
Balances at January 1, 2014		75.000.000	24.778.008	35.838.595	6.009.652	695.282	-	27.117.334	169.438.871	
Other comprehensive income/(loss)	30	-	-	-	-	667.586	-	-	667.586	
Net income / (loss) for the period		-	-	-	-	-	-	38.319.261	38.319.261	
Divident payment	30	-	-	-	-	-	-	(22.503.223)	(22.503.223)	
Transfer	30	-	-	-	3.178.359	-	-	(3.178.359)	-	
Balances at December 31, 2014		75.000.000	24.778.008	35.838.595	9.188.011	1.362.868	-	39.755.013	185.922.495	

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

STATEMENT OF CASH FLOW FOR THE PERIOD
AS AT BETWEEN JANUARY 1, AND DECEMBER 31, 2014
(Currency - TRY, unless otherwise indicated)

		Current Period Independent Audited	Prior Period Independent Audited
	Notes	31 December 2014	31 December 2013
A. CASH FLOW FROM BUSINESS OPERATIONS		29.993.199	30.221.485
Profit / (Loss) for the Period		38.319.261	29.121.521
Adjustments Related to Net Profit / (Loss) For the Period		27.301.563	17.436.343
Adjustments Related To Amortization And Depreciations	10-31-33	9.828.763	9.380.575
Adjustments Related To Impairment / Reversal			
- Inventory Net Realisable Value Provision	10	(25.132)	(45.018)
Adjustments Related to Provisions			
-Provisions For Termination Indemnities	27	1.774.377	2.309.904
Provisions of Tax	40	10.020.152	6.835.396
Provisions of Unused Vocation	27	38.474	304.869
Legal Cases Provisions; Net	25	773.390	289.091
Provision for Doubtful Accounts	7	1.666.850	1.834.143
Rediscount Effect of Sales	31	448.469	287.968
Rediscount Effect of Purchases	10	(198.086)	(204.622)
Adjustments Related to Interest Income / (Loss)			
Interest Income / Loss of Income Accruals	29	121.428	473.209
Expense Accruals (Interest and Other)	29	52.351	55.904
Adjustment Related to Tax Income / (Loss)	40	(38.498)	(5.135.852)
Adjustment Related To Gain / (Loss) Arising From Disposal of Fixed Assets		2.839.024	1.050.776
Minority Shares	30	-	-
Actual Changes in Business Capital		(35.627.624)	(16.336.379)
Adjustments of Inventory Increases/Decreases	10	(4.210.767)	(7.322.284)
Adjustments Related to Trade Receivables Increases / Decreases	7	(10.318.601)	(19.649.644)
Change in Other Receivables	9	341.406	(348.837)
Change in Other Assets	29	(6.049.555)	(928.432)
Change in Trade Payables	7	(11.284.143)	12.649.745
Change in Provisions	25	-	-
Change in Prepaid Expenses	12	(5.148.929)	2.388.917
Change in Liabilities Related to Employee Benefits	27	375.643	438.210
Change in Other Payables	9	959.115	398.300
Provisions for Employee Benefits	27	(20.266)	(24.007)
Income Taxes And Liabilities for The Period	25-40	(10.880.358)	(9.818.355)
Change in Deferred Incomes	12	3.466.803	4.987.885
Change in Other Liabilities	29	6.474.443	472.957
Acturial Gains / (Losses)	30	667.586	419.166
Cash Flows From Operating Activities		29.993.200	30.221.485
B. CASH FLOWS FROM INVESTING ACTIVITIES		(5.947.213)	(16.500.003)
Change in Tangible Fixed Assets	14	(5.457.958)	(16.160.005)
Change in Intangible Fixed Assets	17	(489.255)	(339.998)
C. CASH FLOWS FROM FINANCIAL ACTIVITIES		(22.503.223)	(22.440.522)
Divident Payment	30	(22.503.223)	(22.440.522)
CASH AND CASH EQUIVALENTS INCREASE / DECREASE, NET BEFORE THE EFFECT OR FOREIGN CURRENCY TRANSLATION DIFFERENCES		1.542.763	(8.719.040)
D. IMPACT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS			
INCREASE / DECREASE ON CASH AND CASH EQUIVALENTS		1.542.764	(8.719.040)
E. CASH AND CASH EQUIVALENTS FOR THE BEGINNING OF PERIOD CASH AND CASH EQUIVALENT FOR THE END OF PERIOD		15.965.844	24.684.884
		17.508.608	15.965.844

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

Ege Seramik Sanayi ve Ticaret Anonim Şirketi
Period of January 01, 2014 - December 31, 2014
Explanatory Notes to Financial Statements
(Currency-TRY, unless otherwise indicated)

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 Ibrahim 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, 2014 it has 33, 85% 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, 2014 and December 31, 2013, share capital and ownership structure is as follows;

Shareholders	31.12.2014		31.12.2013	
	Amount	Share	Amount	Share
İbrahim Polat Holding A.Ş.	45.686.919	60,92%	45.686.919	60,92%
İbrahim Polat	2.367.117	3,16%	2.300.617	3,07%
Adnan Polat	779.878	1,04%	779.878	1,04%
Murat Polat	779.877	1,04%	779.878	1,04%
Other	25.386.209	33,85%	25.452.709	33,94%
	75.000.000	100%	75.000.000	100%

As of December 31, 2014, in Company's structure there are 169 white-collar personnel employed (December 31, 2013: 178), 897 blue-collar personnel employed (December 31, 2013: 898) and 1.066 personnel employed in total (December 31, 2013: 1.076).

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

Ankara Asfaltı 26.Km Ansızca Mevkii 35170 Kemalpaşa -İZMİR

Ege Seramik Sanayi ve Ticaret Anonim Şirketi
Period of January 01, 2014 - December 31, 2014
Explanatory Notes to Financial Statements
(Currency-TRY, unless otherwise indicated)

2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

a. Principals of Presentation

Accounting Standards

Company have prepared its legal books and financial statements related with accounting principles which are determined by Turkish Commercial Code and Tax Legislation. Financial statements have determined the legal record of Company and in order to become appropriate notification of Capital Market Board (CMB), it depended on changes of adjustments and reclassification.

CMB, Series II, No, 14.1 “Principles regarding to Financial Reporting on the Capital Markets” have published on Official Gazette at June 13, 2013 and after April 1, 2013 finalizing interim financial report to be valid, it have entered into force on the date of publication. This notification have determined principles, rules and procedures which will be issued by enterprises with financial reports and preparing them to be presented. Related notification and Serial XI, with no 29 “Principles Notification related with Financial Reporting on Capital Markets” have repealed.

Supported by Series II, with no 14.1.”Principles Notification related with Financial Reporting in Capital Markets”, companies have considered Accounting/Financial Reporting Standards (IAS/IFRS) which is published by Public Oversight Accounting and Auditing Standards Authority in order to prepare their financial tables. Therefore, the accompanying financial statements have been prepared according to IAS/IFRS, on the other hand, financial tables and notes have been presented with mandatory formats and information that is implemented by CMB.

Functional and Presentation Currency

Functional currency of the report is TRY and decimal parts of the amounts were rounded up.

As of December 31, 2014 Dollar rate is 1 USD = TRY 2,3189 (December 31, 2013: TRY 2,1343); 1 EUR = TRY 2,8207 (December 31, 2013 = TRY 2,9365); 1 GBP = TRY 3,5961 (December 31, 2013: TRY 3,5114), 1 CHF = TRY 2,3397 (December 31, 2013: TRY 2,3899) which are published by The Central Bank of Republic of Turkey.

Adjusting Financial Tables in Hyperinflation Periods

The companies, who are preparing their financial tables according to CMB Accounting Standards, are not using inflation accounting according to a decision given in March 17, 2005 that will be in effect since January 01, 2005. The preparing and presenting financial tables are not done in accordance with TAS/TAS 29” Financial Reporting in Economies with High Inflation” according to the decision given by CMB.

Base of Consolidation

The Company does not have subsidiary to be consolidated.

Ege Seramik Sanayi ve Ticaret Anonim Şirketi
Period of January 01, 2014 - December 31, 2014
Explanatory Notes to Financial Statements
(Currency-TRY, unless otherwise indicated)

2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS(CONTINUED)

Comparative Information's and Adjustments of Previous Financial Reports

Company has prepared the statement of financial position as of December 31, 2014 comparatively to the statement of financial position as of December 31, 2013; comprehensive income statement, cash flow statement for the period between January 1 – December 31, 2014 comparatively to comprehensive income statement and cash flow statement for the period between January 1 - December 31, 2013; changes in equity for the period between January 1 - December 31, 2014 comparatively changes in equity for the period between January 1 – December 31, 2014.

b. Changes in Accounting Policies

If adjustments on accounting policies are applied retroactive, the Company should adjust the previous opening balance in the report. The Company should provide comparative data which is presented in accordance with the new accounting policies in terms of current years.

Changes in accounting policy need to application for previous periods and also for current period or if Company cannot determine the change effect of the financial statements as in cumulative, it wouldn't make any application for previous periods.

The Company's accounting policies applied on a consistent basis with the previous fiscal year.

c) Amendments and Errors at Accounting Estimates

If effects of change in accounting estimates are creating change in asset, liability or equity items, related asset, liability or equity items' net book value should be adjusted in the related period.

Reflection of financial statements in terms of change in effect for accounting estimates in the future stands for estimates are applied after date transactions, events and conditions.

Except the period regarding to error or conditions that are not calculated cumulative effects, previous period errors are adjusted rearranging in retroactive way.

CHANGING IN STANDARDS AND COMMENTS

a) New and Regulated Standards and Comments

Applied accounting policies while preparing consolidated financial statements for the period ended December 31, 2014 are consistent with previous years' interpretations except for new and amended standards are effective as of January 1, 2014 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.

Ege Seramik Sanayi ve Ticaret Anonim Şirketi
Period of January 01, 2014 - December 31, 2014
Explanatory Notes to Financial Statements
(Currency-TRY, unless otherwise indicated)

2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS(CONTINUED)

New standards, amendments and interpretations which are effective from January 1, 2014, are as follows:

TFRS 10 Consolidated Financial Statements (Amended)

The standard conforms to the definition of investment Company has been changed to make an exception for the exemption from the provisions of the consolidation of companies. Brought to the consolidation provisions exception with the subsidiaries of investment companies. In accordance TFRS 9 Financial Instruments with the provisions of the standard need to be recognized from the fair value. This amendment will not have any impact on the financial position or performance of the Company.

TAS 32 Financial Instruments:Presentation - Offsetting Financial Assets and Liabilities(Amended)

The changing is explain “The amounts recognized in clarifying presence of a legal right to present” and TAS 32 explain the simultaneous realization of netting principle and gross payments made in settlement systems application. This amendment will not have any impact on the financial position or performance of the Company.

TAS 36 Impairment of Assets : Recoverable Value Disclosures For Non- Financial Assets (Amended)

After the amended in TRFS 13 'Fair value measurements', TAS 36 Impairment of Assets is replaced impairment of assets relating to the recoverable amount some disclosure requirements. Amended, impairment of assets (or group of assets) fair value deducted from disposal costs measurement of the recoverable amount related to introduced additional disclosure requirements. This amendment will not have any impact on the financial position or performance of the Company.

TAS 39 Financial Instruments : Recognition and Measurement - Transfer of the derivative and Continuity of Hedge Accounting (Amended)

Amended in standard changes, as a result of hedging tool law or regulations the case be transferred to a central counterparty, which necessitated discontinuation of hedge accounting provision makes a narrow exception. This amendment will not have any impact on the financial position or performance of the Company.

b) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

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2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS(CONTINUED)

TFRS 9 Financial Instruments – Classification and Measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair

value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company has been measuring standard effect on the financial position and performance.

TFRS 11 Acquisition of Shares in Joint Operations (Amended)

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

Requires TFRS's that the information should be explained. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2016. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

TAS 19 Defined Benefit Plans : Employee Contribution (Amended)

Accounting to TAS 19, defined benefit plans are recognized, employee or a third party contributions must be considered. Amended, contribution amount is independent of the number of years of service, business of the said period of service contributions Instead of spreading, was dropped from the service cost accounting can clarify in the years of delivering services. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

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

The amended is about banned the use of depreciation calculation based on revenue for tangible fixed assets and banned the use of significantly restricted based on revenue for intangible fixed assets. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2016. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS(CONTINUED)

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

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

c) Improvements to TAS / TFRSs

POC has published the standard change below related to ‘Annual Improvements to 2010-2012 Period’ and ‘Annual Improvements to 2011-2013 Period’. The changes are effective from the periods beginning on July 1, 2014

Annual Improvements – 2010 – 2012 period

IFRS 2 Share-based Payment

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

IFRS 3 Business Combinations

Contingent consideration that is not classified as equity in combination of business, whether or not become the scope of IFRS 9 , it is recognized in profit or loss measuring fair value in subsequent value. Changes will be applied prospectively for business combinations.

IFRS 8 Operating Segments

The changes are as follows: i) Operating Segments can be combined with the standards of the main principles in a manner consistent. ii) Confirmation letter of the total assets of the activities being, this confirmation letter must be disclosed if reported to the company's managers authorized to take decisions on activities. The change will be applied prospectively.

2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS(CONTINUED)

TAS 16 Tangible Assets and TMS 38 Intangible Assets

Change in TMS 16.35 (a) and TMS 38.80 (a), are about revaluation can be done in the following way
i) Gross carrying amount of the asset is adjusted to be the market value or ii) The market value of the net book value of the asset is determined, the net book value to market value of the future gross carrying value is adjusted proportionally. The change will be applied prospectively.

TAS 24 Related Party Disclosures

The Change, key management personnel of the service that the business manager required to related party disclosures explained that there is a related party. The change will be applied prospectively.

Annual Improvements – 2011 – 2013 period

TFRS 3- Mergers

With the improvement i) not only joint ventures but additionally the common agreements are not in the scope of TFRS 3 and ii) this scope exception is only applicable to accounting in financial statements of common agreements. The change is applied on a going forward basis.

TRFS 13 Fair Value Measurement

As described in the reasons of decisions; short term trade receivables and payables, that is not determined interest rates, can be shown at original invoice amount in cases where the effect of discounting is insignificant. Changes will be implemented immediately.

TAS 40 Investment Property

TFRS 3 and TAS 40 have clarified the mutual relations between investment property and used by the owner of real estate. Changes will be implemented immediately. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

d) New and amendment stand arts and interpretations publishes by the International Accounting Standards Boards (IASB) but not published by the Public Accounting and Auditing Standards Authority

New standards at the below list and current TFRS standard changes has not been effective in current reporting period but published by the IASB. However these standards, interpretations and amendments are not adapted / published to TFRS by the Public Accounting and Auditing Standards Authority and they do make part of TFRS due to this reason. The Company is going to make necessary changes in the financial statements and disclosures after TFRS is effective. As described in the Decision Justification are not mentioned above interest rate on short-term trade receivables and payables, in cases where the effect of discounting is immaterial, can be shown at original invoice amount.

2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS(CONTINUED)

Annual Improvements – 2011 – 2013 period

IFRS 15 Revenue From Contracts with Customers

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

IFRS 9 Financial Instruments – Final standart (2014)

On July 2014, IAS 39 Financial Instruments : The project consists of impairment and hedge accounting phase which will replace the Recognition and Measurement classification and measurement issued a final in IFRS 9. IFRS 9 is based on a single classification and measurement approach business model in which they managed the financial assets and rational reflects the cash flow characteristics. Then, loan losses accounted for more timely manner to allow the subject to a future expected credit loss model for the impairment of accounting can be applied to all financial instruments established a single model. In addition, IFRS 9, banks and other businesses, financial debts in case they choose to measure the fair value option, due to a decrease in their credit worthiness decline in the fair value of financial liabilities in profit or loss that result in saving income called own credit risk tackles the problem. IFRS 9, these amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2018. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

IAS 27- Equity Method in Individual Financial Statement

On August 2014, IASB has changed the IAS 27, in order to resubmit the option of equity method to Companies for accounting the investments in subsidiars and affiliates in their individual financial statement. These investments must be accounted with;

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

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

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2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS(CONTINUED)

Annual Improvements to IFRS (2012-2014 period)

On September 2014, IASB has published 2012-2014 Annual Improvements to IFRS. Result of change in documentation standarts. The topics of the changes and effected standarts are follows:

IFRS 5 Tangible Assets Held for Sale and Discontinued Operations – change in disposal methods

UFRS 7 Financial Instruments – service agreement; change the applicability to interim summary consolidated financial statements.

IAS 19 Employee Benefits - regional market issues relating to the discount rate

IAS 34 Interim Financial Reporting - Disclosure of information in another part in interim financial reporting.

Published Resolutions by POC (2012-2013 period)

Additional to above, POC has published resolutions to Application of Turkey Accounting Standards. “Financial Table Examples and User Guide” became valid with publishing date, however, other desicions applied being valid from beginning of annual reporting periods after December 31, 2012.

1. Financial Table Examples and User Guide

POC published “Financial Table Examples and User Guide” on May 20,2013 in order to provide uniformity for financial statements and facilitate its audit. Financial statement example that located on this regulation published for becoming sample to companies who have to applicate TAS except banking, insurance, individual retirement or financial institution that establish for capital market. The Company has made the classification changes in order to fulfill the requirements of this regulation.

2. Accounting for Business Combination Under Common Control

According to decision it is adjudicated that i) business combination under common control (pooling of interest) should be accounted by this method, ii) therefore, goodwill do not take place on the financial statements and iii) while combination of rights method is applying, on the beggining of report period financial table should fix and present as comparative. The decision does not have any affect to the Company’s financial statements. While applying the combination of rights method, financial statements must be prepared and must be presented comparatively as combination has realized at the beginning of the period, the common control emerges.

3. Accounting of Usufructary Notes

The cases when the usefructory notes must be accounted as financial liability or as equity instrument are diversified. This decision did not any affect to the Company’s financial statements.

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2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS(CONTINUED)

4. Accounting of Mutual Affiliate Investment

If a Company has its own share on the business who have participation investment, this situation is defined mutual participation relation. The subject of accounting od mutual participation is evaluated depending on the type of investment and different accounting basics that applied. With this decision, subject was evaluated under three main title and each of their accounting basics were determined.

- i) Subsidiary owns equity instruments of parent Company.
- ii) Subsidiaries or joint ventures own equity instruments of investor company.
- iii) Equity instruments of Company are owned by companies which are accounted within the framework of TAS 39 or TFRS 9.

The decision did not any affect for the Company’s financial statements.

Published Resolutions by POC (2014)

1. Capitalisation of Borrowing Exchange Differences as Cost

At TAS 23, Borrowing costs standard qualifying assets as assets these require long term for usage purpose or sale and regulates accounting principles. According to that borrowing costs those are attributable with obtaining, construction or production of a qualifying asset are part of the cost of asset, other borrowing costs are to be accounted as expense.

Applicable Methods in Borrowing in Foreign Currency Exchange Rate Differences to what extent could be considered in Determining Interest Cost Adjustment

Cycle Approach

In this method, The amount is debt denominated in foreign currencies, interest costs denominated in foreign currencies By translated into the functional currency (“real interest cost”) are not considered as borrowing costs directly. In this amount, exchange differences related to the principal correction can be made all or portion. Correction in the real interest cost be made on the basis “Represent the Interest Cost”.

Represent the interest cost, were made functional currency denominated debt denominated in foreign currencies, interest rate at the date the indebtedness is made on the basis of the current year is expected to emerge interest cost because of that borrowing. Represent the interest cost taken into account in the calculation of borrowing costs as the cost of borrowing ceiling will be activated.

Represent in Interest Cost were made functional currency denominated debt denominated in foreign currencies, because of this debt, at the date indebtedness interest rate is made on the basis of interest expense is expected to occur in the current period.

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2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS(CONTINUED)

Cumulative Approach

In this approach, investment project is considered completely. Calculating the cost of borrowing will be activated, unlike the seasonal approach to the actual interest cost not only by the difference in current period exchange rates for the major currencies, with this difference that emerged in the previous period and exchange rate differences expensed as the damage can not be activated exchange differences are made by taking into account the cumulative adjustment.

The cumulative actual interest cost although there are likely to be higher than the cumulative interest costs represent, Considering that businesses low probability encounter such a situation in its resolution represents the cumulative interest costs real, interest rate is higher than the cumulative cost, real interest rate is higher than the cumulative cost.

In the said resolutions of the Company's financial statements are evaluated by effects Company management.

Summary of Important Accounting Policies

Cash and Cash Equivalents

Cash can be implied as cash and demand deposit in the Company and cash equivalent can be implied as short term investments which have unimportant risk to lose value, higher liquidity and can be converted easily to cash. Cash equivalents are assets which are used for investment purpose, kept for short term cash liabilities and they cannot be used for other purposes.(Note:53)

Trade Receivables

Trade Receivables are the receivables sourced from Company which are come from a debtor cause of a direct supply of goods or services. They are valued by using effective interest method thought discounted cost. Without a specified interest rate, short-term trade receivables are valued on their amount of invoice when accrued interest has insignificant effects. (Note:7)

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

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

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2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS(CONTINUED)

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.

Financial Instrument

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 calculate by using effective interest method.

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2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS(CONTINUED)

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

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

b)Financial assets hold until maturity

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

c)Assets available for sale

The Company has equity instruments which are not open to capital market but ready to be sold. Since their appropriate value could not be defined in an accredited way, they are recorded with their cost values. (Note:4)

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. (Note:7)

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 incorporates any interest paid on the financial liability.

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2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS(CONTINUED)

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.

Inventories

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

Tangible Fixed Assets

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

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

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2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS(CONTINUED)

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. (Note: 14)

Intangible Assets

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

	<u>Years</u>
Rights	3-15

In case of decrease in value, the book value of intangible assets can be discounted to its recovered value. Recovered value is the value that whichever is higher between useful value and net selling price. (Note:17)

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.

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2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS(CONTINUED)

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.

Investment Properties

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

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.

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.

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2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS(CONTINUED)

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 Institution. There will be no other liability if the Company continues to pay the premiums. These premiums reflect to personnel expenses in its accrual periods.

Revenue

Revenue is recognized on accrual basis at the fair value of the amount received or to be received. Net sales are calculated after the sales returns and sales discounts.

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.

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2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS(CONTINUED)

Rent Revenues

Rent revenues are recorded as income on periodical accrual basis.

Effects of Exchange Differences

Transactions in foreign currencies are translated to the respective functional currencies of Company 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.

Calculated Taxes on Corporation

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

Corporate tax rate in Turkey is 20%. This rate can be applied to tax base which if found out after adding expenses, which are not accepted to reduce from tax according to tax law, to its commercial income and deducting exceptions in law(exception like affiliate income), discounts (like investment discount). In case of not distributing dividends, it will not be necessary to pay another tax.

It is not possible to make a stoppage on premiums paid to corporations settled in Turkey and corporations which have revenues by the intermediaries in Turkey. Premium payments other than these needs to be deducted by 15% (10% before 22.07.2006).

The addition of profit to the capital is not considered as premium and no stoppage is applied. According to Turkish Tax Legislations, financial losses for the last 5 years declared on declarations can be deducted from the yearly profit. However, financial losses can not be set-off from the previous years' profits.

Earnings per Share

Earnings per share presented at the bottom of the consolidated Comprehensive Income Statement are calculated by dividing the net profit for the period to the number of shares. In case of increasing capital from sources in Company in period, when calculating weighted average of number of shares, the value found after that is accepted also to use as effective at the beginning of period.

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2.BASIS OF PRESENTATION OF FINANCIAL STATEMENTS(CONTINUED)

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.

Statement of Cash Flow

In cash flow statement Company reports cash flows in period based on classification as operating, investing and financing activities. Cash flows sourced from operating activities shows cash flows sourced from Company's activities. Cash flow related to investing activities shows cash flows that Company use at present time or they gain from investing activities such as intangible asset investing and financial investing. Cash flow related to financing activities shows the resources used by Company and back payment of these resources for financing activities. Cash and cash equivalents are consist of cash and bank deposit, investment with certain amount at 3 months term or less than 3 months, short term with high liquidity.

e. Important Accounting Estimates, Assumptions and Evaluation

Preparing of financial statements make need of using estimates and assumptions which will effect income and expense amount which are reported at account period, explanation of contingent assets and liability and amount of assets and liabilities which are reported as of statement of financial position date. These estimates and assumptions give the most reliable information about Company managements' present events and transactions. Although realized results can show differences from assumptions. Estimates and assumptions that may cause significant adjustments for carrying amounts of assets and liabilities in the next reporting period are as follows:

Deffered Tax Assets

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

3.MERGERS

There is not ant mergers. (December 31, 2013)

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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, 2014 and December 31, 2013 as follows:

	31.12.2014		31.12.2013	
	<u>TRY</u>	<u>%</u>	<u>TRY</u>	<u>%</u>
Ceramics Research Center	4.000	8,00	4.000	8,00
Turgutlu Water Product Inc.	45	1,00	45	1,00
TOTAL	4.045		4.045	

5.SEGMENTS 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, 2014 and December 31, 2013 balances to related party disclosures:

a)Due from related parties :

Trade receivables from affiliates:

	31.12.2014	31.12.2013
Egeseramik İç Ve Dış Ticaret A.Ş.	11.081.128	11.523.762
Ege Seramik America INC.	5.610.022	8.821.827
	16.691.151	20.345.589
Deduction: Unearned interest expense	(6.764)	(900)
TOTAL	16.684.387	20.344.689

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.

	MaturityPeriod
Egeseramik İç ve Dış Ticaret A.Ş	120 Days
Ege Seramik America S.A	120 Days

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6.RELATED PARTY DISCLOSURES (CONTINUED)

b) Due to related parties:

Other payables to related parties

	31.12.2014	31.12.2013
Dividend Payable	39.340	21.004
TOTAL	39.340	21.004

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

a) Product Sales to Related Parties :

	01 January - 31 December 2014	01 January - 31 December 2013
Egeseramik İç Ve Dış Ticaret A.Ş.	39.849.458	40.640.426
Ege Seramik America INC.	31.797.680	35.466.339
Ege Vitrifiye Sağlık Gereçleri San. Tic. A.Ş.	38.246	45.783
Polat Turizm Otel San. ve Tic. AŞ.	14.384	33.069
Piyalepaşa Gayrimenkul A.Ş.	8.128	-
İbrahim Polat Holding A.Ş.	-	1.165
TOTAL	71.707.896	76.186.782

b) Raw material sales to related parties:

	01 January - 31 December 2014	01 January - 31 December 2013
Ege Vitrifiye Sağlık Gereçleri San.Tic.A.Ş.	1.710	436
TOTAL	1.710	436

c) Service sales to related parties:

	01 January - 31 December 2014	01 January - 31 December 2013
Ege Seramik America INC.	81.776	31.580
Polat Turizm Otel San. ve Tic. AŞ.	6.121	12.849
Egeseramik İç ve Dış Ticaret A.Ş.	5.705	5.252
Polat Maden San.Tic.A.Ş.	423	2.542
Ege Vitrifiye Sağlık Gereçleri San.Tic.A.Ş.	265	5.218
	94.290	57.441

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6.RELATED PARTY DISCLOSURES (CONTINUED)

d) Raw material purchase and related parties goods:

	01 January - 31 December 2014	01 January - 31 December 2013
Polat Maden San.Tic.A.Ş.	2.940.570	2.317.291
Ege Vitrikiye Sağlık Gereçleri San.Tic.A.Ş.	33.858	12.850
	2.974.427	2.330.142

e) Service purchases from related parties :

	01 January - 31 December 2014	01 January - 31 December 2013
İbrahim Polat Holding A.Ş.	684.930	623.820
Egeseramik İç ve Dış Ticaret A.Ş.	28.894	-
Polat Turizm Otelcilik A.Ş.	3.248	54.729
Ege Seramik Amerika INC.	2.989	-
Ege Vitrikiye Sağlık Gereçleri San.Tic.A.Ş.	2.158	333
	722.218	678.882

f) Financing revenues from related parties transaction:

	01 January - 31 December 2014	01 January - 31 December 2013
Ege Vitrikiye Sağlık Gereçleri San.Tic.A.Ş.	36.691	4.632
	36.691	4.632

The Company's receivables from related parties have applied to the interest rates are as follows:

	Interest Rate % TRY	
	01.01 - 31.12.2014	01.01 - 31.12.2013
Ege Vitrikiye Sağlık Gereçleri San. Tic. A.Ş.	8,50%-11,00%	8,27%

g) Financial expenses from related parties transactions :

	01.01 - 31.12.2014	01.01 - 31.12.2013
Egeseramik İç Ve Dış Ticaret A.Ş.	2.379	12.230
TOTAL	2.379	12.230

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6.RELATED PARTY DISCLOSURES (CONTINUED)

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

	01.01 - 31.12.2014	01.01 - 31.12.2013
Egeseramik İç ve Dış Ticaret A.Ş.	1.469.424	520.698
Ege Seramik Amerika INC.	115.781	38.214
Polat Turizm Otel San.ve Tic. A.Ş.	480	44.620
İbrahim Polat Holding A.Ş.	238	681
Ege Vitrifiye Sağlık Gereçleri San.Tic.A.Ş.	3	-
	1.585.926	604.213

The senior management remuneration and other benefits for twelve month period of 2014 are as follows:

- a) **Short term employee benefits:** The senior management remuneration and other benefits totally 2.710.869 TRY (December 31, 2013: 2.477.106 TRY) in twelve months period of 2014.
- 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

	31.12.2014	31.12.2013
Customer Current Accounts	28.802.535	31.459.812
-Receivables from Related Parties(Note:6)	16.691.151	20.345.589
-Other Receivables	12.111.384	11.114.223
Notes Receivables	79.760.714	69.344.606
-Note Receivables from Related Parties(Note:6)	-	-
-Other notes receivables	79.760.714	69.344.606
Doubtful Receivables	2.535.734	1.834.143
Provision of Doubtful Receivables(-)	(1.666.850)	(1.834.143)
	109.432.133	100.804.418
Deduction:Unearned interest expense	(1.792.745)	(1.816.781)
-Receivables from Related Parties(Note:6)	(6.764)	(900)
-Other Receivables	(1.785.981)	(1.815.881)
TOTAL	107.639.388	98.987.637

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7.TRADE RECEIVABLE AND PAYABLES (CONTINUED)

As of December 31, 2014, at the amount of 85.075.821 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.

	31.12.2014	31.12.2013
Not due	27.123.150	25.491.021
Overdue 0-30 days	1.023.600	3.362.296
Overdue 30-90 days	100.071	223.412
Overdue 90-180 days	12.186	589.682
Overdue 180-360 days	7	43.487
Overdue more than 360 days	543.522	1.749.915
TOTAL	28.802.535	31.459.812

As of December 31, 2014, and December 31, 2013 provision for doubtful trade receivables' movement table is given below:

	31.12.2014	31.12.2013
Jan 01	1.834.143	1.414.219
Current period of provision for doubtful receivables	206.335	419.924
Collected and provisions no longer required	(373.628)	-
TOTAL	1.666.850	1.834.143

Trade Payables

	31.12.2014	31.12.2013
Trade Payables	38.258.993	49.520.359
-Trade Payables from Related Parties		-
-Other trade payables	38.258.993	49.520.359
	38.258.993	49.520.359
Deduction: Unearned interest expense	(160.982)	-138.205
-Trade Payables from Related Parties		-
-Other trade payables	(160.982)	-138.205
TOTAL	38.098.011	49.382.154

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7. TRADE RECEIVABLE AND PAYABLES (CONTINUED)

	31.12.2014	31.12.2013
Not due	37.966.506	47.444.956
Overdue 0-30 days	289.282	1.023.071
Overdue 30-90 days	3.204	666.924
Overdue 90-180 days	-	181.060
Overdue 180-360 days	-	204.348
Overdue more than 360 days	-	-
TOTAL	38.258.993	49.520.359

8. RECEIVABLES AND PAYABLES FROM ACTIVITIES IN FINANCIAL SECTOR

None (December 31, 2013 None).

9. OTHER RECEIVABLES AND PAYABLES

Short term Other Receivables from Third Parties

	31.12.2014	31.12.2013
Receivables from tax office	478.169	842.266
TOTAL	478.169	842.266

Long Term Other Receivables from Third Party

	31.12.2014	31.12.2013
Deposits and guarentees given	53.073	30.382
TOTAL	53.073	30.382

Short Term Other Receivables

	31.12.2014	31.12.2013
Other payables to related parties	39.340	21.004
Taxes and funds payables	2.001.724	1.128.763
Maturity deferred liability	67.818	-
TOTAL	2.108.882	1.149.767

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10.INVENTORIES

	31.12.2014	31.12.2013
Raw material	21.945.826	19.136.006
Semi finished good -Production	4.700.958	3.993.477
Finished goods	27.915.485	27.183.772
Trade goods	95.913	46.251
Other Inventories	70.347	158.256
	54.728.529	50.517.762
Inventory Impairment (-)	(14.977)	(40.109)
TOTAL	54.713.552	50.477.653

Provisions of inventory impairment during the period are as below:

	31.12.2014	31.12.2013
Opening balance	(40.109)	(85.127)
Canceled provision due to the increase in net realizable value (-)	25.132	45.018
Provision for current period	-	-
TOTAL	(14.977)	(40.109)

As of December 31, 2014 there is depreciation expense amount of TRY 1.334.722 (December 31,2013; TRY 1.071.108) on inventories at the end of period.

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 153.396 (December 31, 2013: TRY 1.077.866) at net realizable value and TRY 21.792.430 (December 31, 2013: 18.058.140) at cost which are reflected its financial statements. Company's finished goods inventories in the amount TRY 119.154 (31.12.2013: TRY 117.358) at net realizable value and TRY 27.796.331 (December 31, 2013: 27.066.414) at cost which are reflected its financial statements.

In accordance with TAS 2 Company's credit sales are discounted and it is at the amount of TRY 198.086. Annual discount rate was applied %8 for TRY, and %2 for EUR, USD and CHF.

11.LIVE ASSETS

None. (December 31, 2013 None).

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12.PREPAID EXPENSES AND DEFERRED INCOME

Short term prepaid expenses

	31.12.2014	31.12.2013
Prepaid expenses for future months	1.166.022	1.015.686
Advances given related to cost	1.570.426	855.946
TOTAL	2.736.448	1.871.632

Long term prepaid expenses

	31.12.2014	31.12.2013
Prepaid expenses for future years	141	16.888
Advances given related to cost (*)	4.300.860	-
TOTAL	4.301.001	16.888

(*)The amount of EUR 1,536,900 is an advance fee for the Sacmi Middle East company relating to the purchase of machinery

Deferred incomes

	31.12.2014	31.12.2013
Prepaid incomes for future months (*)	571.059	615.322
Advances received	29.260.133	25.248.247
TOTAL	29.831.192	25.863.569

(*) In accordance with TAS 18 Revenue, Company's credit sales are discounted, the amount is TRY 448.469. Annual discount rate was 8% for TRY, %2 for EUR, USD and CHF.

13.INVESTMENT PROPERTY

None. (31.12.2013 None).

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14.TANGIBLE FIXED ASSETS

	31.12.2013	ADDITIONS	TRANSFERS	DISPOSAL	31.12.2014
Land	7.372.981	76.152	-	2.803.774	4.645.359
Land Improvements	23.918.865	127.255	-	-	24.046.120
Building	50.325.174	278.035	48.205	-	50.651.413
Plant, machinery and equipment	174.545.543	588.799	2.424.306	7.995.978	169.602.670
Vehicles	1.269.347	251.072	349.138	22.849	1.846.708
Furniture and fixtures	6.398.965	728.852	-	19.147	7.108.669
Construction in progress	-	3.389.335	-2.821.648	-	567.687
Special Costs	342.883	18.456	-	-	361.339
TOTAL COSTS	264.173.759	5.457.956		10.801.748	258.829.965
Land Improvements	16.723.155	556.266	-	-	16.723.155
Building	23.150.027	1.100.266	-	-	23.150.027
Plant, machinery and equipment	130.994.960	6.810.386	-	6.624.134	130.944.960
Vehicles	563.651	152.896	-	40.796	563.651
Furniture and fixtures	4.021.065	540.101	-	47.147	4.021.065
Special Costs	342.883	-	-	-	342.883
ACCUMULATED DEPRECIATION	175.745.742	9.172.293		6.712.079	177.365.556
NET BOOK VALUE	88.428.017				81.464.409

	31.12.2012	ADDITIONS	TRANSFERS	DISPOSAL	31.12.2013
Land	8.360.141	-	-	987.160	7.372.981
Land Improvements	23.718.223	200.642	-	-	23.918.865
Building	49.212.720	223.030	889.425	-	50.325.174
Plant, machinery and equipment	160.277.499	1.269.869	19.685.925	6.687.750	174.545.543
Vehicles	1.257.552	52.592	-	40.796	1.269.347
Furniture and fixtures	5.415.176	818.026	212.912	47.148	6.398.965
Construction in progress	7.192.412	13.595.850	-20.788.262	-	-
Special Costs	342.883	-	-	-	342.883
TOTAL COSTS	255.776.606	16.160.008		7.762.854	264.173.759
Land Improvements	16.154.511	568.644	-	-	16.723.155
Building	22.049.761	1.100.266	-	-	23.150.027
Plant, machinery and equipment	130.758.708	6.810.385	-	6.624.134	130.944.959
Vehicles	451.551	152.896	-	40.796	563.651
Furniture and fixtures	3.528.113	540.101	-	47.148	4.021.065
Special Costs	342.883	-	-	-	342.883
ACCUMULATED DEPRECIATION	173.285.527	9.172.292		6.712.078	175.745.741
NET BOOK VALUE	82.491.079	6.987.716		1.050.776	88.428.018

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

None. (December 31, 2013 : None).

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

None. (December 31, 2013 : None).

17.INTANGIBLE FIXED ASSETS

	31.12.2013	ADDITIONS	TRANSFERS	DISPOSAL	31.12.2014
Rights	7.044.382	489.255	-	-	7.533.637
TOTAL COSTS	7.044.382	489.255	-	-	7.533.637
Rights	6.284.367	246.222	-	-	6.530.589
ACCUMULATED DEPRECIATION	6.284.367	246.222	-	-	6.530.589
NET BOOK VALUE	760.016				1.003.049

	31.12.2012	ADDITIONS	TRANSFERS	DISPOSAL	31.12.2013
Rights	6.704.285	399.998	-	-	7.044.382
TOTAL COSTS	6.704.285	399.998	-	-	7.044.382
Rights	6.076.083	208.284	-	-	6.284.367
ACCUMULATED DEPRECIATION	6.076.083	208.284	-	-	6.284.367
NET BOOK VALUE	628.302				760.016

18.GOODWILL

None. (December 31, 2013 None.)

19.EVALUATING AND RESEARCHING OF MINE RESOURCES

None. (December 31, 2013 None.)

20.LEASING OPEATIONS

None. (December 31, 2013 None.)

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21. SERVICE CONCESSION ARRANGEMENTS

None. (December 31, 2013 None.)

22. IMPAIRMENT OF ASSETS

None. (December 31, 2013 None.)

23. GOVERNMENT INCENTIVE

The Company completed modernization investment in accordance with Investment Incentive Certificate with No 107017 as of October 1, 2012. It was appealed to Ministry of Economy of Turkish Republic for closing visa as of February, 17 2014; and permission was granted in January 14, 2015. Within the scope of Investment Incentive Certificate, discount of reduced corporate tax, customs tax and VAT exceptions was taken advantage, in 2015 discount of insurance premium of employer was also taken advantage.

The Company has Investment Incentive Certificate with No 113948 as of December 4, 2014. In scope of this certificate, Company will take advantage of discount of reduced corporate tax, customs tax and VAT exceptions.

24. COST OF BORROWING

None. (December 31, 2013 None.)

25. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provision for Current Tax, Net

	31.12.2014	31.12.2013
Provision for current tax	10.020.153	6.835.397
Prepaid taxes and funds (-)	(8.281.746)	(4.236.784)
TOTAL	1.738.407	2.598.613

Short Term Provisions

a) Other short term provisions

	31.12.2014	31.12.2013
Provision for law suit	1.980.699	1.207.309
TOTAL	1.980.699	1.207.309

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25. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

As of December 31, 2014 provisions for other short term liabilities movement table are given below:

	31.12.2013	Additional Provisions (Note:34)	Payments / Cancellations (-)	31.12.2014
Provision for law suit	1.207.309	1.295.950	(522.560)	1.980.699
TOTAL	1.207.309	1.295.950	(522.560)	1.980.699

Letters of Guarantee Given by the Company

Given To	Explanation	31.12.2014(TRY)
Gazi Osmanpaşa 1. İcra Müdürlüğü	According to court process	185.000
İzmir Kemalpaşa Islah Org.San.Bölgesi Md.	According to naturalgas purchasing agreement	65.385
Tedaş	According to electricity purchase transactions	54.200
İzmir Şehirçi Doğalgaz Dağıtım Taah.A.Ş.	According to naturalgas purchasing agreement	5.695
Konak Vergi Dairesi	According to tax transactions	5
		310.285

Pledges Given by the Company

There are no pledges given by the Company on December 31, 2014.

Guarantees Given by the Company

GUARANTEES PLEDGES MORTGAGES	31.12.2014	31.12.2013
A) Total amount of GPM given on behalf of its own legal entity	310.285	310.285
B) Total amount of GPM given in favor 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 3rd parties which are not included in scope of C	-	-
TOTAL	310.285	310.285

As of December 31, 2014, Company's given GPM to Company's equity ratio is 0, 17%.

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(December 31, 2013: 0, 18%)

25. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

Guarantees Received by the Company

	31.12.2014	31.12.2013
Letters of guarantee received	39.387.465	30.031.000
Guarantees cheques received	510.000	510.000
Guarantees notes received	482.355	572.355
Mortgages	44.696.001	46.341.000
TOTAL	85.075.821	77.454.355

Ongoing Law Suits and Law Suits in which Company is Defendant

Company has allocated a provision for ongoing law suits about severance pay and notice of compensation and return to work, at amount of TRY 1.980.699 as of December 31, 2014 (December 31, 2013: TRY 1.207.309).

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

26. COMMITMENTS

None. (December 31, 2013 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 3.438,22 as of December 31, 2014. (December 31, 2013: TRY 3.254,44)

	31.12.2014	31.12.2013
Provision for termination indemnities	14.945.271	13.191.161
Provision for unused vacations	1.002.924	964.449
TOTAL	15.948.195	14.155.610

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27. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

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. Correspondingly, actuarial assumptions which are used to calculate the liability amount as of December 31, 2014 and December 31, 2013 are depicted below:

	31.12.2014	31.12.2013
Discount rate	%8,90	%9.50
Estimated increase rate	%4,75	%5.00

Movement of provision for termination indemnities as of December 31, 2014 - December 31, 2013 are shown as follows:

	31.12.2014	31.12.2013
Opening balance	13.191.161	10.905.264
Additional provisions	1.774.377	2.309.904
Payment (-)	(20.266)	(24.007)
December 31	14.945.271	13.191.161

	2014	2013
January 01	13.191.161	10.905.264
Interest expenses	1.174.013	1.036.000
Current service cost	3.620.478	3.795.116
Paid in period	(2.205.898)	(2.021.262)
Actuarial gain / (loss)	(834.482)	(523.957)
December 31	14.945.271	13.191.161

Movement of provision for unused vacations as of December 31, 2014 - December 31, 2013 are shown as follows:

	31.12.2014	31.12.2013
Opening balance	964.449	659.580
Additional provisions	38.474	304.869
Payment (-)	-	-
Closing Balance	1.002.923	964.449

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27. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

Payables within Employee Benefits

	31.12.2014	31.12.2013
Due to personnel	2.659.944	2.398.096
Payable taxes and funds	1.085.583	967.954
Payable other liabilities	9.295	13.129
TOTAL	3.754.822	3.379.179

28. EXPENSES BY NATURE

	January 1- December 31, 2014	January 1- December 31, 2013
Cost of sales	196.324.066	182.455.897
Marketing expenses	17.937.522	15.611.259
General administration expenses	17.160.539	15.946.341
Research and development expenses	2.193.200	2.196.474
TOTAL	233.615.327	216.209.971

29. OTHER ASSETS AND LIABILITIES

Other Current Assets

	31.12.2014	31.12.2013
Income accruals	121.428	473.209
Other VAT(*)	12.384.475	5.906.480
TOTAL	12.505.903	6.379.689

(*) The amount of TRY 12.384.475 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 12.384.475 of other VAT will be shown under short-term liabilities after deduction of export transactions are closed by Tax Authority.

Other Short Term Liabilities

	31.12.2014	31.12.2013
Accrued expenses	52.352	55.904
Other VAT	12.384.475	5.906.479
TOTAL	12.436.827	5.962.384

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30. 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, 2014 and December 31, 2013 registered capital of the Company that is not adjusted to inflation is shown as follows:

	31.12.2014	31.12.2013
Registered capital ceiling	150.000.000	150.000.000
Authorized and paid-in capital	75.000.000	75.000.000

Paid-in capital structure of the Company as December 31, 2014 and December 31, 2013 is given on the following table:

	Share Allocation	December 31, 2014			December 31, 2013		
		Amount	Number of Shares	Rate	Amount	Number of Shares	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	779.869,04	77.986.904	1,04%	779.869,04	77.986.904	1,04%
<i>Adnan Polat-Public Share</i>		113.790,00			113.790,00		
Total		779.877,84		1,04%	779.877,84		1,04%
İbrahim Polat	A	3,95	395	0,00%	3,95	395	0,00%
İbrahim Polat	B	6,65	665	0,00%	6,65	665	0,00%
İbrahim Polat	C	2.367.105,93	236.710.593	3,16%	2.300.605,93	230.060.593	3,07%
<i>İbrahim Polat-Public Share</i>		2.366.005,28			2.300.005,28		
Total		2.367.116,53		3,16%	2.300.616,53		3,07%
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-Public Share</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%
Public Share and Other	C	25.386.207,48	2.538.620.748	33,85%	25.452.707,48	2.545.270.748	33,94%
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%
		75.000.000,00	7.500.000.000,00	100,00%	75.000.000,00	7.500.000.000,00	100,00%
Inflation adjustment to capital(*)		24.778.008,00			24.778.008,00		
		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.

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30. CAPITAL, RESERVES AND OTHER EQUITY ITEMS (CONTINUED)

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.

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.

For the payment made by instalment, is complied with the legislation No 5 of the Code of II-19.1 of Capital Market Board. In addition to this, publicly shared partnerships are able to divide profit distribution in cash as advance from profits stated on the financial statements of interim period.

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30. CAPITAL, RESERVES AND OTHER EQUITY ITEMS (CONTINUED)

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).

In accordance with the description declared on 04.04.2014 the Capital Market Board and the Company's Articles of Association states:

The amount of TRY 22.503.223 is divided as;

- TRY 5.563.747,00 First dividends to shareholders,
- TRY 2.893.148,44 to the Preference Shareholders according to the article of 26/c in the lines of 2 and 3 of Main Contract,
- TRY 968.091,98 to the members of The Board of Directors according to the article of 26/c in the line of 4 of Main Contracts,
- TRY 13.078.235,65 Second dividends to shareholders.
- TRY 379.138,44 for Extraordinary Reserves is divided from the Legal Reserve and past year profits of TRY 3.178.358,31

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:

	31.12.2014	31.12.2013
Share premium	35.838.595	35.838.595
TOTAL	35.838.595	35.838.595

Movements of actuarial loss/gain fund are as below:

	31.12.2014	31.12.2013
Opening balance	695.282	276.116
Current actuarial gain/loss	667.586	419.166
TOTAL	1.362.868	695.282

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30. CAPITAL, RESERVES AND OTHER EQUITY ITEMS (CONTINUED)

Restricted Reserves

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

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

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

	31.12.2013 Balance	Additions	31.12.2014 Balance
Restricted reserves allocated from profit	6.009.652	3.178.359	9.188.011
TOTAL	6.009.652	3.178.359	9.188.011

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	31.12.2014 Balance	31.12.2013 Balance
Accumulated profit/loss	26.449.748	22.662.075
Dividend	(22.503.223)	(22.440.522)
Legal reserves	(3.178.359)	(2.921.022)
Actuarial Gain/(Loss) Fund	667.586	695.282
TOTAL	1.435.752	(2.004.187)

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31. SALES AND COST OF SALES

Sales are shown as follows:

	31.12.2014	31.12.2013
Domestic sales	195.572.361	163.173.303
Foreign sales	87.363.558	92.077.792
Gross Sales	282.935.919	255.251.095
Sales returns (-)	(1.019.977)	(1.795.552)
Sales discounts (-)	(182.699)	(406.395)
Other discounts (-)	(1.051.771)	(224.727)
Returns and Discounts	(2.254.448)	(2.426.674)
NET SALES	280.681.471	252.824.421

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 448.469. Annual discount rate has been applied to 8% for TRY; 2% for USD, CHF, GBP and EUR.

Details of costs of sales are as below;

	31.12.2014	31.12.2013
Cost of goods sold	195.567.964	182.420.978
Cost of trade goods sold	756.102	34.919
TOTAL	196.324.066	182.455.897

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31. SALES AND COST OF SALES (CONTINUED)

Cost of sales according to their nature in periods January 01, 2014 - December 31, 2014 and January 01, 2013 – December 31, 2013 are indicated as below:

	31.12.2014	31.12.2013
Material usage share	86.337.426	82.824.156
Natural gas usage	48.816.613	49.647.109
Personnel expense share	31.476.966	28.680.411
Indirect material usage	12.716.056	12.773.343
Depreciation and amortization expenses	7.463.200	6.993.367
Transportation expenses	2.794.774	2.429.951
Maintenance and repair expenses	2.617.119	2.254.068
Food and subsistence expenses	1.787.877	1.482.627
Other general manufacturing expenses	1.150.947	841.792
Diesel and LPG usage	989.766	1.040.040
Shipping cost	793.395	785.120
Cost of trade goods sold	756.102	34.919
Insurance expense	526.282	516.993
The net effect of the goods with delayed customs declaration document	129.457	(64.297)
Changes in finished goods inventory	(114.754)	(5.681.457)
Changes in semi-finished inventory	(707.481)	(1.173.864)
Internal consumption	(1.209.680)	(928.381)
TOTAL	196.324.066	182.455.897

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 198.086. Annual discount rate has been applied to 8% for TRY; 2% for USD, CHF, GBP and EUR.

32. CONTRACTS OF CONSTRUCTION

None. (December 31, 2013 None.)

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

Marketing, Sales and Distribution Expenses

Details of marketing, sales and distribution expenses according to their nature in periods January 01, 2014 - December 31, 2014 and January 01, 2013 – December 31, 2013 are shown as below:

	31.12.2014	31.12.2013
Domestic sales expenses	6.761.918	6.626.694
Personnel expenses	3.389.364	3.241.560
Foreign sales expenses	3.794.319	2.911.505
Advertising expenses	2.283.446	1.905.404
Construction sales expenses of ceramic boards	811.191	565.047
Packaging expenses	662.455	219.634
Other	234.830	141.414
TOTAL	17.937.522	15.611.259

General Administrative Expenses

Details of general administrative expenses according to their nature in periods January 01, 2014 - December 31, 2014 and January 01, 2013 – December 31, 2013 are shown as below:

	31.12.2014	31.12.2013
Personnel expense	4.998.384	4.629.911
Provision for termination indemnities	2.608.859	2.833.861
Outsourced services	2.403.861	1.891.878
Termination indemnities paid	2.205.898	2.021.262
Consultancy expenses	1.168.309	1.027.291
Depreciation and amortization expenses	1.022.532	979.050
Taxes, duties and charges	498.711	370.763
The court and law enforcement expenses	359.431	277.554
Due and subscription fees expenses	270.953	384.152
Notice of termination expenses paid	200.355	205.425
Travelling expenses	154.224	185.408
Electric expenses	153.246	135.587
Communication expenses	112.340	214.987
Insurance expenses	127.978	119.664
Transfer and resource expenses	106.224	89.377
Rent expense	53.289	58.531
Other	715.944	521.640
TOTAL	17.160.539	15.946.341

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33. GENERAL OPERATING EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (CONTINUED)

Research and Development Expenses

Details of research and development expenses according to their nature in periods January 01, 2014 - December 31, 2014 and January 01, 2013 – December 31, 2013 are shown as below:

	31.12.2014	31.12.2013
Personnel expenses	1.836.323	1.665.544
Outsourced services	248.241	261.779
Other	108.637	269.152
TOTAL	2.193.200	2.196.474

34. OTHER OPERATIONAL INCOME AND EXPENSE

Other Operational Incomes

	31.12.2014	31.12.2013
Exchange differences income	14.916.684	5.855.664
Rediscount interest income	1.977.763	954.770
Confirmation differences gains	784.847	230.249
Provision of law suits cancellation	522.560	80.244
Reflected material price differences	516.251	42.009
Scrap sales	454.953	354.437
Cancellation of provisions for doubtful receivables	320.199	-
Rental income	238.712	127.580
Brand and promote fair income	131.719	132.198
Interest differences	102.857	229.265
Insurance claim income	89.292	37.198
Sale of sample ceramic and board	77.763	116.581
Reflected revenues	64.732	269.016
Cancellation of decrease in value of stock	25.132	45.018
Cancellation of provision for termination indemnities	20.266	24.007
Export freight and insurance income	811	4.956
Other	565.980	823.453
Total Other Income	20.810.522	9.326.646

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34. OTHER OPERATIONAL INCOME AND EXPENSE (CONTINUED)

Other Operational Expenses

	31.12.2014	31.12.2013
Exchange differences expense	14.977.889	8.443.516
Rediscount interest expense	1.930.950	1.949.445
Provision for lawsuit expenses	1.295.950	369.335
Reflected material and price differences	516.251	42.009
Penalties and late payment interest	420.172	23.003
Provision for doubtful receivables	206.335	419.924
Sale of sample ceramic and board	77.763	116.581
Idle capacity expense and loss(*)	75.402	375.170
Reflected expenses	64.732	269.016
Confirmation differences	58.400	663.063
Provision for unused vacations	38.474	304.869
Professional dues	24.520	23.310
Interest differences expense	658	8.066
Prior period profit and loss	-	1.874
Other	717.189	413.087
Total Other Expenses	20.404.687	13.422.268

(*)Amount of Idle capacity expenses and losses which is the amount of TRY 75.402 as of December 31, 2014 (December 31, 2013: TRY 375.170) have consisted of amortization expenses that is TRY 8.309 (December 31, 2013: TRY 337.050) and personnel expenses that is TRY 67.093 (December 31, 2013: 38.120).

35. EXPENDITURES AND REVENUES FROM INVESTING ACTIVITIES

Revenues from Investing Activities

	31.12.2014	31.12.2013
Profit on sale of fixed assets	1.132.906	742.037
TOTAL	1.132.906	742.037

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35. EXPENDITURES AND REVENUES FROM INVESTING ACTIVITIES (CONTINUED)

Expenses from Investing Activities

	31.12.2014	31.12.2013
Loss of sale on fixed assets	303.774	3.834
Exchange differences expense	21.332	3.099.253
TOTAL	325.106	3.103.087

36. EXPENSES CLASSIFIED BY PRINCIPLE TYPES

Details of expenses classified by principle types in periods January 01, 2014 - December 31, 2014 and January 01, 2013 – December 31, 2013 are shown as below:

Amortization Expenses	31.12.2014	31.12.2013
Cost of sales	7.463.200	6.993.367
General operating expense	1.022.532	979.050
Idle capacity expenses and losses	8.309	337.050
TOTAL	8.494.041	8.309.467

Personnel Expenses	31.12.2014	31.12.2013
Cost of sales	31.476.966	28.680.411
Marketing, sales and distribution expenses	3.389.364	3.241.560
General administrative expenses	4.998.384	4.629.911
Research and development expenses	1.836.323	1.665.544
Idle capacity expenses and losses	67.092	38.120
TOTAL	41.768.129	38.255.546

37. FINANCIAL EXPENSES AND INCOMES

Financial Expenses

	31.12.2014	31.12.2013
Bank loan, interest and commission expenses	820.426	540.544
Exchange differences expense	-	374.675
TOTAL	820.426	915.219

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37. FINANCIAL EXPENSES AND INCOMES (CONTINUED)

Financial Income

	31.12.2014	31.12.2013
Interest income	674.666	671.816
Exchange differences income	-	801.899
TOTAL	674.666	1.473.715

38. ANALYSIS OF OTHER COMPREHENSIVE INCOMES

Details of other comprehensive incomes/(expense) in periods January 01, 2014 - December 31, 2014 and January 01, 2013 – December 31, 2013 are shown as below:

Not to be Reclassified on Gain/(Loss)	31.12.2014	31.12.2013
Actuarial gain/(loss)(Note:27)	834.482	523.957
Deferred tax revenue/(expense)(Note:40)	(166.896)	(104.791)
TOTAL	667.586	419.166

39. FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None. (December 31, 2013 None.)

40. INCOME TAXES (DEFERRED TAX ASSETS AND LIABILITIES)

Tax expense/income in comprehensive income statement in periods January 01, 2014 - December 31, 2014 and January 01, 2013 – December 31, 2013 are shown as below:

	31.12.2014	31.12.2013
Current tax provision	(10.020.152)	(6.835.396)
Deferred tax income/(expense)	205.394	5.240.643
Total tax income/(expense)	(9.814.758)	(1.594.753)

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40. INCOME TAXES (DEFERRED TAX ASSETS AND LIABILITIES) (CONTINUED)

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. The taxpayers, who have to make inflation adjustment according to the General Communique published by Ministry of Finance as of 28 February 2004, are obliged to adjust only their balance sheets from financial statements if conditions are created for adjustments.

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

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

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

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

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40. INCOME TAXES (DEFERRED TAX ASSETS AND LIABILITIES) (CONTINUED)

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. There has been TRY 23.734.252,00 for investment expense in total by Company in line with October 01, 2012 No: 107017 Investment Incentives. Advantage of Reduced Corporate Tax has been used as TRY 493.888,55 in provision of current period tax, and this amount has been discounted from 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

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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) (CONTINUED)

	31.12.2014	31.12.2013
Profit/loss before tax	50.200.072	32.852.981
Non-deductible expenses	2.735.801	3.156.679
Investment incentive	-	(8.412.912)
Deductible exception and discount even so loss	(365.568)	(438.173)
Other discount	(100)	(250)
Corporate Tax Base	52.570.204	27.158.325
Reduced Corporate Tax Base	4.489.896	2.382.048
Corporate tax	9.616.062	4.955.255
Reduced Corporate tax	404.091	214.384
Investment allowance withholding	-	1.665.757
Tax Expenses for the Period	10.020.152	6.835.396

As of December 31, 2014, 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, 2014, and December 31, 2013 are shown as below:

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40. INCOME TAXES (DEFERRED TAX ASSETS AND LIABILITIES) (CONTINUED)

	Accumulated Temporary Differences		Tax Rate	Deferred Tax Assets/(Liabilities)	
	31.12.2014	31.12.2013		31.12.2014	31.12.2013
Deferred Tax Assets/(Liabilities)					
Employee benefits	15.113.713	13.107.695	20%	3.022.743	2.621.539
Provisions of debt	1.980.699	1.207.309	20%	396.140	241.462
Provisions of doubtful receivables	993.852	787.517	20%	198.770	157.503
Tangible fixed assets	9.403.898	9.312.436	20%	1.880.780	1.862.487
Intangible fixed assets	76.313	16.316	20%	15.263	3.263
Inventory	-439.404	202.688	20%	(87.881)	40.538
Interest differences on sales	448.468	287.967	20%	89.694	57.593
Interest differences on purchases	-198.086	-204.622	20%	(39.617)	(40.924)
Reduced Corporate Tax	19.679.971	22.149.628	20%	3.935.994	4.429.926
TOTAL				9.411.885	9.373.387

	31.12.2014	31.12.2013
Opening balance	9.373.387	4.237.535
Current year deferred tax gain/(loss)	205.394	5.240.643
Deferred tax reflected in shareholders' equity(*)	(166.896)	(104.791)
Deferred Tax Assets	9.411.885	9.373.387

(*) 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

	31.12.2014	31.12.2013
Net profit/(loss)	38.319.261	29.121.521
Weighted average number of common share	7.500.000.000	7.500.000.000
Profit/(Loss) Per Share	0,005109	0,003883

42. SHARE BASED PAYMENT

None. (December 31, 2013 None.)

43. CONTRACTS OF INSURANCE

None. (December 31, 2013 None.)

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44. EFFECTS OF EXCHANGE RATE CHANGES

None. (December 31, 2013 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. (December 31, 2013 None.)

47. FINANCIAL INSTRUMENTS

None. (December 31, 2013 None.)

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48. LEVEL AND NATURE OF RISKS SOURCED FROM FINANCIAL INSTRUMENTS

Credit Risk

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

December 31, 2014	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)*	16.684.387	90.955.001	-	478.169	17.507.300	-	1.570.427
Part of credit risk guarantied with assurance	-	-	-	-	-	-	-
A. Net book value of not overdue and not impaired financial assets	16.684.387	88.406.733	-	-	17.507.300	-	1.570.427
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	-	1.679.385	-	478.169	-	-	-
D. Net book value of assets which are overdue	-	868.884	-	-	-	-	-
Overdue (gross book value)	-	2.535.734	-	-	-	-	-
<i>-Impairment(-)</i>	-	(16.666.850)	-	-	-	-	-
<i>-Part of net value guarantied with assurance</i>	-	-	-	-	-	-	-
Impairment (gross book value)	-	-	-	-	-	-	-
<i>-Impairment(-)</i>	-	-	-	-	-	-	-
<i>-Part of net value guarantied with assurance</i>	-	-	-	-	-	-	-
E. Items which includes credit risk off-balance	-	-	-	-	-	-	-

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

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48. LEVEL AND NATURE OF RISKS SOURCED FROM FINANCIAL INSTRUMENTS (CONTINUED)

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

December 31, 2013	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)*	20.344.689	78.642.948	-	842.266	15.965.699	-	855.948
Part of credit risk guarantied with assurance	-	-	-	-	-	-	-
A. Net book value of not overdue and not impaired financial assets	18.024.502	74.235.204	-	-	15.965.699	-	855.948
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	2.320.187	4.407.744	-	842.266	-	-	-
D. Net book value of assets which are overdue	-	-	-	-	-	-	-
Overdue (gross book value)	-	1.834.143	-	-	-	-	-
<i>-Impairment(-)</i>	-	(1.834.143)	-	-	-	-	-
<i>-Part of net value guarantied with assurance</i>	-	-	-	-	-	-	-
Impairment (gross book value)	-	-	-	-	-	-	-
<i>-Impairment(-)</i>	-	-	-	-	-	-	-
<i>-Part of net value guarantied with assurance</i>	-	-	-	-	-	-	-
E. Items which includes credit risk off-balance	-	-	-	-	-	-	-

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

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48. LEVEL AND NATURE OF RISKS SOURCED FROM FINANCIAL INSTRUMENTS (CONTINUED)

Aging table of overdue but not impaired assets is below:

December 31, 2014	Receivables				Bank Deposits	Derivative Instruments	Other
	Trade Receivables		Other Receivables				
	Related Parties	Third Parties	Related Parties	Third Parties			
Overdue 1-30 days	-	1.023.600	-	-	-	-	-
Overdue 1-3 months	-	100.071	-	-	-	-	-
Overdue 3-12 months	-	12.193	-	-	-	-	-
Overdue 1-5 years	-	543.522	-	478.169	-	-	-
Overdue more than 5 years	-	-	-	-	-	-	-
Part that is guaranteed by assurance	-	-	-	-	-	-	-
TOTAL	-	1.679.385	-	478.169	-	-	-

December 31, 2013	Receivables				Bank Deposits	Derivative Instruments	Other
	Trade Receivables		Other Receivables				
	Related Parties	Third Parties	Related Parties	Third Parties			
Overdue 1-30 days	2.320.187	1.042.109	-	-	-	-	-
Overdue 1-3 months	-	223.412	-	-	-	-	-
Overdue 3-12 months	-	633.168	-	-	-	-	-
Overdue 1-5 years	-	2.509.055	-	842.266	-	-	-
Overdue more than 5 years	-	-	-	-	-	-	-
Part that is guaranteed by assurance	-	-	-	-	-	-	-
TOTAL	2.320.187	4.407.744	-	842.266	-	-	-

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48. LEVEL AND NATURE OF RISKS SOURCED FROM FINANCIAL INSTRUMENTS (CONTINUED)

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

December 31, 2014

Contractual Maturity	Book Value	Contractual total cash output (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities	40.206.893	40.206.893	18.336.112	14.770.253	7.100.528	-
Bank credits	-	-	-	-	-	-
Financial leasing liabilities	-	-	-	-	-	-
Commercial debt	38.098.011	38.098.011	16.227.230	14.770.253	7.100.528	-
Other debt	2.108.882	2.108.882	2.108.882	-	-	-
Contractual Maturity	Book Value	Contractual total cash output (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative financial liabilities (Net)	-	-	-	-	-	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-

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48. LEVEL AND NATURE OF RISKS SOURCED FROM FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2013

Contractual Maturity	Book Value	Contractual total cash output (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities	53.911.100	53.911.100	25.953.536	17.664.676	10.292.888	-
Bank credits	-	-	-	-	-	-
Financial leasing liabilities	-	-	-	-	-	-
Commercial debt	49.382.154	49.382.154	21.424.590	17.664.676	10.292.888	-
Other debt	4.528.946	4.528.946	4.528.946	-	-	-
Contractual Maturity	Book Value	Contractual total cash output (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative financial liabilities (Net)	-	-	-	-	-	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-

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48. LEVEL AND NATURE OF RISKS SOURCED FROM FINANCIAL INSTRUMENTS
(CONTINUED)

Market Risk

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

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FOREIGN EXCHANGE POSITION TABLE										
	December 31, 2014					December 31, 2013				
	TRY (Fuctional Currency)	USD	EUR	GBP	Other	TRY (Fuctional Currency)	USD	EUR	GBP	Other
1-Trade Receivables	19.328.022	6.490.397	945.168	448.098	-	23.188.050	8.544.766	1.252.956	362.149	-
2a-Monetary Financial Assets (including cash and bank accounts)	12.764.738	5.407.003	80.278	-	-	3.461.289	1.580.503	29.975	-	-
2b-Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3-Other	350.208	21.091	106.818	-	-	368.088	24.065	107.858	-	-
4-Current Assets (1+2+3)	32.442.968	11.918.491	1.132.263	448.098	-	27.017.427	10.149.335	1.390.789	362.149	-
5-Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a-Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b-Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
7-Other	4.335.134	-	1.536.900	-	-	-	-	-	-	-
8-Fixed Assets (5+6+7)	4.335.134	-	1.536.900	-	-	-	-	-	-	-
9-Total Assets (4+8)	36.778.102	11.918.491	2.669.163	448.098	-	27.017.427	10.149.335	1.390.789	362.149	-
10-Trade Payables	25.971.535	414.100	8.750.723	91.241	-	33.949.117	1.079.094	10.736.030	34.077	-
11-Financial Liabilities	-	-	-	-	-	-	-	-	-	-
12a-Monetary Financial Liabilities	-	-	-	-	-	560	-	191	-	-
12b-Non-Monetary Financial Liabilities	-	-	-	-	-	-	-	-	-	-
13-Short Term Liabilities (10+11+12)	25.971.535	414.100	8.750.723	91.241	-	33.949.678	1.079.094	10.736.220	34.077	-
14-Trade Payables	-	-	-	-	-	-	-	-	-	-
15-Financial Liabilities	-	-	-	-	-	-	-	-	-	-
16a-Monetary Financial Liabilities	-	-	-	-	-	-	-	-	-	-
16b-Non-Monetary Financial Liabilities	-	-	-	-	-	-	-	-	-	-
17-Long Term Liabilities (14+15+16)	-	-	-	-	-	-	-	-	-	-
18-Total Liabilities (13+17)	25.971.535	414.100	8.750.723	91.241	-	33.949.678	1.079.094	10.736.220	34.077	-
19-Net Position of Off-Balance-Sheet Derivative Instrument of Assets/(Liabilities) (19a-19b)	-	-	-	-	-	-	-	-	-	-
19a-Total Asset Amount Hedged	-	-	-	-	-	-	-	-	-	-
19b-Total Liability Amount Hedged	-	-	-	-	-	-	-	-	-	-
20-Net Position of Foreign Exchange Asset/(Liability) (9-18+19)	10.806.567	11.504.390	(6.081.560)	356.857	-	(6.932.250)	9.070.241	(9.345.432)	328.073	-
21-Net Position of Foreign Exchange Asset/(Liability) for Monetary (1+2a+5+6a-10-11-12a-14-15-16a)	6.121.225	11.483.299	(7.725.278)	356.857	-	(7.300.338)	9.046.175	(9.453.290)	328.073	-
22-Total Fair Value of Financial Instrument for Foreign Currency Hedge	-	-	-	-	-	-	-	-	-	-
23-Export	84.435.953	29.852.199	3.821.371	2.145.546	-	88.838.594	36.070.892	4.908.171	2.747.170	-
24-Import	25.516.057	2.972.165	6.486.612	95.274	-	36.390.557	5.190.948	10.666.742	125.593	54.800

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48. LEVEL AND NATURE OF RISKS SOURCED FROM FINANCIAL INSTRUMENTS
(CONTINUED)

Currency Position Sensitivity Analysis

December 31, 2014				
	Gain/Loss		Shareholders' Equity	
	Inflation for Foreign Exchange	Devaluation for Foreign Exchange	Inflation for Foreign Exchange	Devaluation for Foreign Exchange
In case of change in USD against TRY as 20%				
1-Net asset/liability of USD	5.335.506	(5.335.506)	-	-
2-Protected part of risks of USD(-)	-	-	-	-
3-Net effects of USD (1+2)	5.335.506	(5.335.506)	-	-
In case of change in EUR against TRY as 20%				
4-Net asset/liability of EUR	(4.297.878)	4.297.878	-	-
5-Protected part of risks of EUR(-)	-	-	-	-
6-Net effects of EUR (4+5)	(4.297.878)	4.297.878	-	-
In case of change in other currencies against TRY as 20%				
7-Net asset/liability of others	256.659	(256.659)	-	-
8-Protected part of risks of others(-)	-	-	-	-
9-Net effects of others (7+8)	256.659	(256.659)	-	-
TOTAL (3+6+9)	1.294.287	(1.294.287)	-	-

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48. LEVEL AND NATURE OF RISKS SOURCED FROM FINANCIAL INSTRUMENTS
(CONTINUED)

December 31, 2013				
	Gain/Loss		Shareholders' Equity	
	Inflation for Foreign Exchange	Devaluation for Foreign Exchange	Inflation for Foreign Exchange	Devaluation for Foreign Exchange
In case of change in USD against TRY as 20%				
1-Net asset/liability of USD	3.871.723	(3.871.723)	-	-
2-Protected part of risks of USD(-)	-	-	-	-
3-Net effects of USD (1+2)	3.871.723	(3.871.723)	-	-
In case of change in EUR against TRY as 20%				
4-Net asset/liability of EUR	(5.488.572)	5.488.572	-	-
5-Protected part of risks of EUR(-)	-	-	-	-
6-Net effects of EUR (4+5)	(5.488.572)	5.488.572	-	-
In case of change in GBP against TRY as 20%				
7-Net asset/liability of GBP	230.399	(230.399)	-	-
8-Protected part of risks of GBP(-)	-	-	-	-
9-Net effects of GBP (7+8)	230.399	(230.399)	-	-
TOTAL (3+6+9)	(1.386.450)	1.386.450	-	-

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

Current Market Value

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

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

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

Financial Assets

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

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

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. EVENTS AFTER THE REPORTING PERIOD

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

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

None. (December 31, 2013 None.)

52. FIRST APPLICATION OF TAS

None. (December 31, 2013 None.)

53. EXPLANATION ABOUT CASH FLOW TABLES

Cash and Cash Equivalents

	31.12.2014	31.12.2013
Cash	1.308	145
Bank	12.702.819	10.535.330
-Demand deposit	3.334.463	765.658
-Time deposit	9.368.356	9.769.672
Other Current assets	4.804.481	5.430.369
-Repo	3.914.509	5.052.522
-POS Accounts	889.972	377.847
TOTAL	17.508.608	15.965.844

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53. EXPLANATION ABOUT CASH FLOW TABLES (CONTINUED)

Details of currency of time deposit and currency of repo related to December 31, 2013 are shown as below:

Currency of Time Deposit	Maturity	Interest Rate	31.12.2013	
			TRY	
TRY	20.1.2014	9,50%	1.250.000	
TRY	27.1.2014	9,60%	1.800.000	
TRY	14.1.2014	9,25%	2.500.000	
TRY	20.1.2014	9,35%	2.000.000	
TOTAL			7.550.000	

Currency of Time Deposit	Maturity	Interest Rate	31.12.2013	31.12.2013
			USD	TRY
USD	2.1.2014	0,75%	350.000	747.005
USD	2.1.2014	0,75%	190.000	405.517
USD	3.2.2014	3,15%	500.000	1.067.150
TOTAL			1.040.000	2.219.672

Currency of Repo	Maturity	Interest Rate	31.12.2013	
			TRY	
TRY	3.1.2014	7,50%	1.400.000	
TRY	2.1.2014	7,00%	2.500.000	
TOTAL			3.900.000	

Currency of Repo	Maturity	Interest Rate	31.12.2013	31.12.2013
			USD	TRY
USD	20.1.2014	3,10%	200.000	426.860
USD	17.1.2014	3,15%	340.000	725.662
TOTAL			540.000	1.152.522

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53. EXPLANATION ABOUT CASH FLOW TABLES (CONTINUED)

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

Adjustments of Reconciliation of the Period Net Profit/Loss		31.12.2014	31.12.2013
Depreciation and amortization adjustments	10-31-33	9.828.763	9.380.575
Allowance for decrease in value of inventories	10	(25.132)	(45.018)
Provision for termination indemnities	27	1.774.377	2.309.904
Provision for taxes	40	10.020.152	6.835.396
Provision for unused vacations	27	38.474	304.869
Provision for lawsuit expenses, Net	25	773.390	289.091
Provision for doubtful receivables	7	1.666.850	1.834.143
Interest differences on sales	31	448.469	287.968
Interest differences on purchases	10	(198.086)	(204.622)
Accrued income of interest/damage	29	121.428	473.209
Accrued expenses (interest and others)	29	52.351	55.904
Adjustments of tax income/expense	40	(38.498)	(5.135.852)
Adjustments to profit/loss of fixed asset disposals		-	1.050.776

54. EXPLANATIONS ABOUT CHANGES IN EQUITY STATEMENT

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

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