



2020

ANNUAL REPORT



MESSAGE FROM THE BOARD OF DIRECTORS

Dear Esteemed Shareholders, Esteemed Business Partners and Employees;

We left 2020 behind as an extraordinary year all over the world. The epidemic, caused by the Covid 19 virus, where 80 million people were infected and 1.8 million people died, left its mark on 2020. In addition to the measures to prevent the spread of the epidemic, serious efforts have been made to minimize the negative effects on the economy. Despite the fact that scientists have been desperate for a short time and significant developments have been made regarding the virus within a year, the struggle of the whole world continues in 2021.

In 2020, however, there was a very active period in terms of both natural disasters and the world economy and politics. The positive results of the trade negotiations between the USA and China and the conclusion of the Brexit agreement, in which the UK withdrew from EU membership, has largely eliminated uncertainties. While the Chinese economy was experiencing the most difficult period of the last 28 years in its first period, it closed the year with a rapid recovery. The USA, Japan and Europe closed the year with a larger scale growth.

We are proud to share with you our highly successful results thanks to the precautions we take by reacting quickly, our uninterrupted activities, our new strategic positioning and our profitability-oriented strategies in these extraordinary conditions where the whole world is experiencing very difficult conditions.

The construction sector has the feature of "The Locomotive of the Economy" in terms of being in a position that creates demand for the goods and services produced by more than ~ 200 sub-sectors affixed to it. As a natural result of the growth in the construction sector, it contributed to the development of the sector by providing a positive effect in the field of "Ceramic Tile". Unlike other years, 2020 has also triggered the renovation / amendment market. With the increase in the time spent by the households at home, there occurred a requirement to eliminate the deficiencies and increase the comfort and aesthetics. In addition, renovation activities that were postponed due to urban transformation, especially in the last 3 years, gained momentum in this period and contributed to the spirit in the sector.

It is known that the ceramic tile industry is one of the sectors that employs approximately 60,000 people, uses domestic resources the most with 81% domestic value added ratio, and has the least dependence on imported products. The fact that the sector has realized the highest export in the last 20 years in 2020 is one of the pleasing developments on behalf of our country and our company.

As the most experienced, innovative and researcher company in the sector, we have determined our mission as to create continuous innovation, to offer new trend products that attract worldwide attention to our customers, simultaneously with high quality.

We have made plans to offer our new generation products, which reflect our high brand awareness and our brand value before our consumers, in accordance with all expectations and requirements of today, which our customers can reach more easily. In line with this goal, we aimed to protect and increase our competitive power, high profitability and high efficiency by focusing on automation and efficiency, technology-oriented business developments and renovation investments. We paid excessive effort this year, as we do every year, to reinforce and develop our respected place with a healthy and sustainable growth. We are extremely proud and happy to present you the results that match with our goals in this report.

Dear Esteemed Shareholders,

Our company has a management approach that reacts quickly to market conditions and can act in response to developing demand. With this awareness, the decisions taken were implemented immediately, and our capacity utilization rate increased by 7.13% in 2020 compared to the previous year and was realized as 72%. As a result, a total of approximately 16 million m² of products were produced and sold.

Cost increases have negatively impacted our company due to increases in energy prices and increases in foreign currency in 2020. Contrary to the depression in the domestic market, as a result of our calculations made in accordance with IFRS with the positive effect of the increase in our export revenues, an EBITDA (EBITDA) profitability of TL 128,410,462 was achieved. Compared to the previous year, our EBITDA profitability increased by 288.61%.

Dear Esteemed Shareholders,

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

In this context, from the net distributable profit of our company for the year 2020;

- a. No profit share is given to the members of the Board of Directors,
- b. Giving a total gross amount of 66,773,570.34 TL dividend as the first and second dividends to the partners,
- c. Distribution of 9,980.420,86 TL to Privileged Shareholders as dividend,
- d. Allocation of 7.300.399,12 TL as general legal reserves, transferring the remaining amount to our legal records as extraordinary reserves,
- e. Payments to right holders on 07 June 2021,

The foregoing provisions has been proposed by our Board of Directors to our General Assembly on Monday, April 12, 2021.

Our Board of Director shall continue to work to achieve even better results in 2021 with the contribution of you our Esteemed Partners, of our colleagues, national and foreign authorized sales teams and of all our suppliers.

We would like to extend our gratitude to all the contributors to the performance we achieved in 2020 and We wish that 2021 will be an efficient and successful year for our country and company, free from global epidemics, primarily around the world.

Kind Regards
Board of Directors

INDEPENDENT AUDIT REPORT WITH RESPECT TO ANNUAL ACTIVITY REPORT OF BOARD OF DIRECTORS

To: Ege Seramik Sanayi ve Ticaret A.S. General Assembly,

1) Opinion

We have audited the Annual Activity Report of Ege Seramik Sanayi ve Ticaret A.S. ("Company") with respect to the accounting period 1 January 2020 - 31 December 2020.

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

2) The Basis of the Opinion

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

3) Auditor Opinion on Full Set Financial Statements

We hereby express positive opinion in our audit report dated 26.02.2021 on full set financial statements of the Company arranged for the period 1.1.2020-31.12.2020.

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

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

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

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

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

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

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

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

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

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

As Independent Audit and CPA S.A.
(Member of NEXIA INTERNATIONAL)

Osman Tuğrul ÖZSÜT
Responsible Auditor

Istanbul, 26 February 2021



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A – HISTORY

1. Milestones

- 1972 Ege Seramik was established at Kemalpaşa, İzmir.
- 1973 Production started with a capacity of 300.000 m².
- 1981 Significant part of stocks were purchased by Mr. İbrahim Polat.
- 1982 Ege İnsaat Malzemeleri Pazarlama A.Ş. was incorporated in order to carry out sales marketing operations of Ege Seramik.
- 1983 It was incorporated into the İbrahim Polat Holding
- 1988 Five-year investment program started.
- 1992 Ege Seramik started to be publicly traded at İMKB.
- 1994 Production capacity increased to 16 million m².
- 1995 Production capacity increased to 22 million m².





- 2004 Plant to produce custom-shaped tiles was commissioned.
- 2004 Production capacity increased to 25 million m².
- 2005 Oracle ERP automation system was set up.
- 2009 DIGITILE investment was commissioned.
- 2011 New glazin, sizing and hi-tech nano protective surface machines were purchased.
- 2012 Modernization investment was started to product oversize ceramic tiles.
- 2013 7. Hall Modernization investment was completed and oversize ceramic tiles were started to be produced
- 2014 The modernization investments have been started at mass preparation facilities with Production Hall No.4.
- 2015 The modernization investments have been completed at mass preparation facilities with Production Hall No.4.
- 2016 By completion of packaging machinery and new glazin machinery installations, taken into service.
- 2018 The construction of our new factory store was completed and put into operation. The installation of new press and digital printing machinery was completed and included in production within the scope of modernization investments.
- 2019 The installation of new squaring and machines was completed and put into operation
- 2020 Modernization and renovation activities were completed and commissioned in our factory general production facility.

B. GENERAL INFORMATION ON EGE SERAMİK

1. Vision-Mission-Objectives

Our Vision;

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

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

Our Mission;

With our products manufactured by international quality standards,

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

Our Objectives;

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

2. General Information

Reporting Period	1 January 2020 - 31 December 2020
Company Trade Name	EGE SERAMİK SANAYİ VE TİCARET A.Ş.
Tax Office / Number	Kemalpaşa / 325 005 5424
Trade Registration Number	614 K.Paşa-575
Mersis Number	0-3250-0554-2400011
Headquarters Address	Kemalpaşa O.S.B. Mah. Ansızca San. Sit. Sokak No:297/1 Kemalpaşa/İZMİR
Branch Address	Mecidiyeköy Mah. Büyükdere Cad. Polat Han No:87/A Sisli/İSTANBUL
Field of Activity	Production and sales transactions of ceramic floor and wall tile
Stock Share Code	EGSER

Contact Information

Telephone	(232) 878 17 00
Branch Telephone	(212) 217 44 90
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E-mail address	info@egeseramik.com
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Web Site	www.egeseramik.com

3. Information on The Managing Body, Senior Executives and Personnel of The Company

a) Board of Directors



NİLGÜN AYTEKİN

MEMBER of
BOARD of DIRECTORS



MURAT POLAT

CHAIRMAN of
BOARD of DIRECTORS



İBRAHİM FİKRET POLAT

DEPUTY CHAIRMAN of
BOARD of DIRECTORS



DİLEK NAM

INDEPENDENT MEMBER of
BOARD of DIRECTORS



TUBA TARLAN

INDEPENDENT MEMBER of
BOARD of DIRECTORS



GÖKSEN YEDİGÖLLER

MEMBER of
BOARD of DIRECTORS

b) Structure and Formation of the Board of Directors

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

The Independence Statements of the Independent Members of the Board of Directors were announced to the public on the KAP on 13.05.2020, and the said statements can be accessed on our company's website.

Approval is obtained from the General Assembly within the scope of articles 395-396 of the TCC for the Chairman and members of the Board of Directors to perform the transactions within the scope of the company personally or on behalf of others and to become partners with the companies by doing such transactions.

There is no restriction for the Members of the Board of Directors to assume different duties within or outside the group. Although there is no regulation in the company's articles of association regarding the election criteria of the members of the board of directors, our current board members are in line with the principles in the Corporate Governance Communiqué Serial II-17-1 of the CMB. All of our board members meet these criteria.

c) Names of Board of Directors Members

The Board of Directors of the Company was consisted of the following persons in 2020:

Chairman

Murat POLAT
(Non-Executive Member)

Vice Chairman

İbrahim Fikret POLAT
(Non-Executive Member)

Member

Nilgün AYTEKİN
(Non-Executive Member)

Member

Göksen YEDİGÜLLER
(Executive Member)

Independent Member

Dilek NAM
(Independent Member)

Independent Member

Tuba TARLAN
(Independent Member)

d) Executive Members of the Board of Directors

Board Member

Göksen YEDİGÜLLER

e) Background of the Board of Directors Members and the General Manager

Murat POLAT

Murat Polat was born in Istanbul in 1958. After completing his primary education at Işık High School, middle and high school at Yıldız College, he received business administration education in Switzerland. Upon his return to the country, he worked at Polat İnşaat, one of the group companies, and then worked at İzmir Ege Seramik between 1982-1985. Upon his return to Istanbul, he launched the hotel investment project of Polat Turizm Anonim Şirketi affiliated with İbrahim Polat Holding. In the following years, he served as General Manager, Member of the Board of Directors, Deputy Chairman of the Board and Chairman of the Board of Directors in group companies, especially for Polat İnşaat. During the same period, he also served as the Deputy Chairman of the Board of Directors at İbrahim Polat Holding. He worked as a founding member in various non-governmental organizations. He has implemented many projects on real estate development, construction, ceramics, industry and tourism. Murat Polat is married and has three children and speaks English.

İbrahim Fikret POLAT

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

Nilgün AYTEKİN

Born in Istanbul in 1963, she graduated from Istanbul University, Faculty of Economics, Department of Finance in 1985. She worked as an Independent Auditor between 1985 and 1992. She worked as Internal Auditor at Teletaş (Alcatel) AŞ between 1992-1994. She started to work as Internal Auditor in İbrahim Polat Holding in July 1995. Since then, she worked as Internal Auditor, Audit Manager, Financial Affairs Group Vice President, respectively, within İbrahim Polat Holding. She is still working for İbrahim Polat Holding as CFO-Chief Financial Officer and speaks English.

Göksen YEDİGÜLLER

He was born in Izmir in 1963. He graduated from Dokuz Eylül University Economics department in 1983. In 1986, he started as Sales and After Services Specialist at Çanakkale Seramik AŞ Izmir Regional Directorate. He worked as Çanakkale Seramik AŞ Antalya Regional Manager between 1990-2002, Kalekim Sales Manager between 2003-2008, Sales and Marketing Manager for Kütahya Seramik AŞ between 2008-2010. He worked as the General Manager of Ege Seramik AS between 2010-2020. He is still Board Member of Ege Vitrikiye AS, Board Member of Turkey Ceramics Federation and Member of the Board of Central Anatolia Exporters Union, Board Member of Ceramic Coating Association and Ceramic Sanitary Ware Manufacturers Association. He is married, has 2 children and speaks English.

Dilek NAM

She was born in 1961. He studied at İzmir American High School. She graduated from the 9 Eylül University Department of Law in 1987. She acted as General Coordinator Assisstant in BMC Otomobilcilik ve Tic. A.S.; lawyer, self-employed lawyer in Bulut& Bulut Law Office, respectively; still acting as legal advisor in USA Air Forces 425th Air Base. Registered to Izmir Bar Association and member of Turkish Criminal Law Association. She speaks English.

Tuba TARLAN

She was born in Izmir in 1962. She has studied in Izmir American College. She graduated from the Ege University Department of Microbiology in 1984. She has completed Yasar University Business Engineering Master Program, as wel, in 2016.

She respectively worked for Izmir Pamuk Mensucatı T.S.S. Export Department, Ozgur Atermit Sanayi ve Ticaret A.S. Export Specialist, BMC Otomotiv Mamulleri Pazarlama A.S. Export Specialist, Valeo Otomotiv Sistemleri Endustrisi A.S. Sales Specialist. She is still working as General Manager and Partner of Ayda Gıda Ltd. Sti. She is married and speaks English, Italian and French.

Merter SAVAŞ

He was born in 1971 in Eskişehir. He graduated from Yıldız Technical University, Department of Industrial Engineering. Between 1997-2009, he worked as Sales and Planning Manager at Ege Vitrikiye Sağlık Gereçleri A.Ş. After working at Philip Morris International (Switzerland) in 2009, he started working again at Ege Vitrikiye Sağlık Gereçleri AŞ in the same year. Between 2009-2020, he served as Deputy General Manager and General Manager, respectively. He has been working as the General Manager of Ege Seramik Sanayi ve Ticaret AŞ since 15 May 2020. Merter Savaş is married, has one child and speaks English and German.

f) Operating Principles of the Board of Directors

According to the articles of incorporation of the Company, Board of Directors meets whenever it is required by the affairs of the Company. However, it is mandatory for the Board of Directors to hold a meeting minimum once in a month. Board of Directors convenes with minimum 4 members. Decisions of board of directors may be taken with the absolute majority of the meeting participants who participated into the board meeting both physically and over the electronic environment. The meeting form, meeting and decision-making quorums of the board, voting procedures and the duties, rights and powers of the board of directors are governed by the relevant provisions of Turkish Commercial Code and Capital Markets Code. Meetings of the Board of Directors were held and 26 (twenty-six) individual resolutions made on various dates during year 2020. Members are convened for meetings in written and verbal forms through a convocation sent by the secretary of the General Manager. It is stipulated in the articles "regulating the duties and powers of the Board of Directors" of the articles of incorporation of our Company that the Board of Directors should carry out task division at its very first meeting after their election by the General Meeting of Shareholders. Members of the Board of Directors carry out task division among themselves. They have appointed a General Manager or managers from among themselves or from the outside for the performance of the all or part of the operations of the Company. Members of the Board of Directors do not have any weighted and/or veto rights. Members of our Board of Directors are given the permissions as stipulated in the article 395 regulating the prohibition of doing business with the Company and article 396 regulating the prohibition on competition of the Turkish Commercial Code at the General meeting of Shareholders every year. Resolutions for giving such permissions are included in the items of agenda prior to the meeting. Board of Directors determines its members or external people whom it authorizes to represent the Company, the limits in which the general manager, managers and officials shall exercise their signatory powers and in what issues and the duration of such powers. Names and limits of power of the members of the Board of Directors and other people who have signatory powers are announced in detail in a circular letter. Although the powers and responsibilities of other the executives are not contained in the articles of incorporation, job descriptions showing

powers and responsibilities of all the other employees including the senior executives have been established throughout the Company.

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

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

Audit Committee:

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

Chairman of Audit Committee:

Dilek NAM (Independent Member)

Member of Audit Committee:

Tuba TARLAN (Independent Member)

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

Corporate Governance Committee:

Corporate Governance Committee members were elected among the members of board of directors during 11.06.2020 dated General Meeting of Shareholders in order to officiate until the next General Meeting of Shareholders to be held and their task distributions were realized on the same date as follows.

Dilek NAM

Head of Corporate Governance Committee
11.06.2020- ...

(Independent Member of Board of Directors)

İbrahim Fikret POLAT

Member of Corporate Governance Committee
11.06.2020 - ...
(Non-executive Member of Board of Directors)

Aysel HATİPOĞLU

Member of Corporate Governance Committee
11.06.2020 - ...
(Investor Relations Director)

Within the scope of the assignation carried out in the Board Resolution no. 2020-17 dated 11.06.2020, Corporate Governance Committee undertakes the tasks of;

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

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

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

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

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

h) Senior Management

Göksen YEDİGÜLLER

Board Member and Head of Operations Group

He started to work at Ege Seramik as General Manager on 16.02.2010. He has worked as a senior manager in some large ceramic factories before this duty. He was nominated to the Operation Group Presidency on 15.05.2020.

Merter SAVAŞ

General Manager

He started to work at Ege Seramik as General Manager on 15.05.2020. He has worked as a General Manager at Ege Vitrikiye Sağlık Gereçleri A.S. before this duty.

Aysel HATİPOĞLU

Investor Relations Director

She has been appointed as of the date of 01.04.2016 and she has been still maintaining her Auditing Group Presidency in our Parent Company, İbrahim Polat Holding A.S.

Nurgün AY

Factory Manager

She started her career at Ege Seramik in 2006 as Research and Development Laboratory Manager, after her appointment as Deputy Factory Manager, on 01.01.2017 she has nominated as and still in the position of Factory Manager.

Mehmet BAŞTAŞ

Financial and Administrative Affairs Manager

From 2003 to 2008, he worked at Ege Birleşik Enerji A.Ş., a subsidiary of İbrahim Polat Holding, and joined Ege Seramik in 2008. On 11 June 2020; he has been appointed as the Financial and Administrative Affairs Manager on, and still continues in this position.

Nevin ÇİFTÇİOĞLU

Information Technology Manager

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

İ. Volkan DERİNBAŞ

Production Planning and Logistics Manager

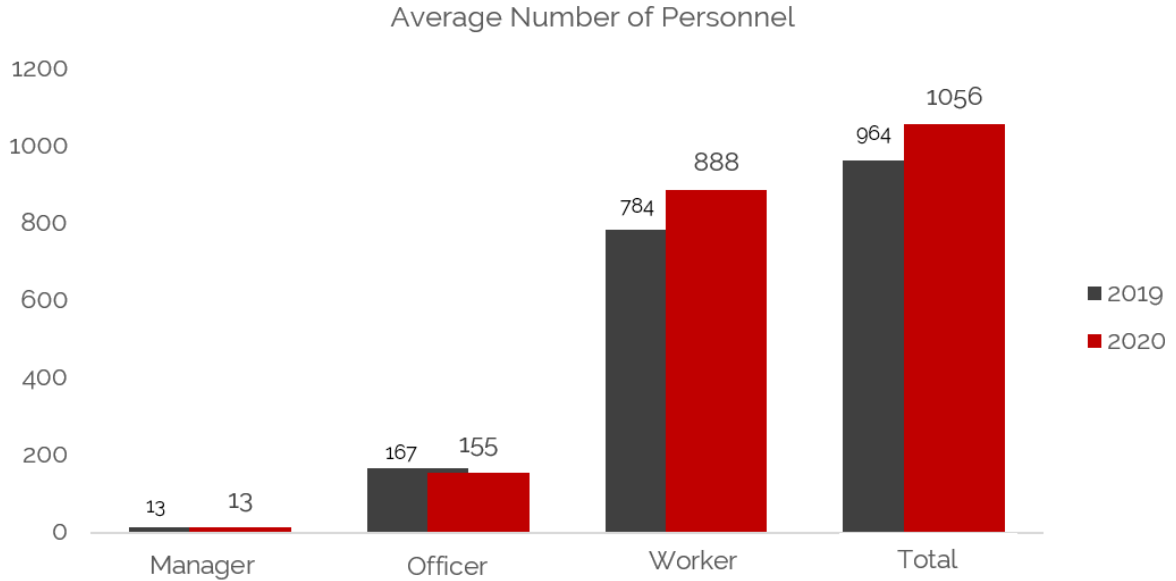
He joined the organization of Ege Seramik as the Production Planning Supervisor in 2004. Between 2005 and 2020, he worked as the Production Planning and Logistics Manager. Since 2020, he has been appointed as Sales, Logistics and Planning Manager. He still carries out the same position.

i) Employees

Average number of our employees occurred to be 1,56 in the year 2020. The average age of our employees is 35 and average seniority period is 6 years. Out of the total number of our employees, 10% are university graduates; 8% vocational college graduates, 37% high school graduates and 42% primary school graduates. Out of our administrative staff members, 10% has master's degree, 55% bachelor's degree, 19% are vocational college graduates, 12% high school graduates and 4% primary school graduates.

Employees who are members of a trade union are subject to collective labour contract executed with CIMSE-IS Labour Union.

Average Number of Personnel	2019	2020
Manager	13	13
Officer	167	155
Worker	784	888
Total	964	1.056



j) No business and competition with the Company

Chairman and members of the Board of Directors may not directly or indirectly carry out any business with the Company on their own or on others' behalf without obtaining permission from the General Meeting of Shareholders. Chairman and members of the Board of Directors have been authorized as per the Turkish Commercial Code by the General Meeting of Shareholders held on 11/06/2020. Members of our Board of Directors did not do any business with any company nor made any attempts which shall compete with the Company in its subjects of activity during the operating year 2020.

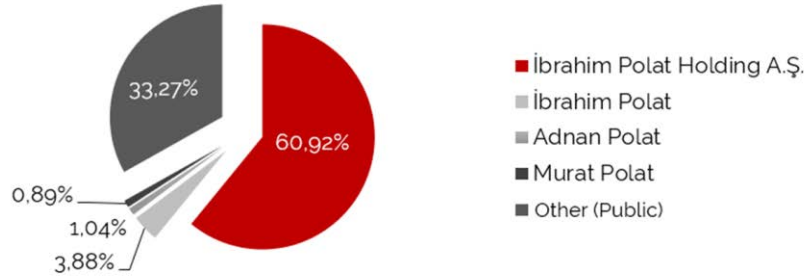
4. Organization, Capital and Shareholding Structure of the Company

a) Capital : 75.000.000.-TRY.

b) Registered Capital : 150.000.000.-TRY.

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

Shareholding Structure of the Company



c) Changes which occurred during the fiscal term

None.

d) Information on privileged shares

Issued capital of the Company is 75,000,000,00 (seventy-five million) Turkish Liras. Such capital is divided into 7,500,000,000 (seven billion five hundred million) shares with a face value of 1,00 (one) kurush each; of such shares, 1,200 (one thousand two hundred) shares are Group A registered shares, 1,800 (one thousand eight hundred) shares are Group B registered shares and 7,499,997,000 (seven billion four hundred ninety-nine million nine hundred ninety-seven thousand) shares are Group C bearer's shares. Pursuant to article 26 of our Articles of Incorporation, upon the deduction of the primary reserve fund and primary dividend from the distributable term's profit, eight percent (8%) of the remaining amount is allocated to the holders of Group A shares and five percent (5%) to the holders of Group B shares. No privileges are involved as to the voting rights of the holders of privileged shares. Those shareholders of their proxies who are present at the General Meetings of Shareholders are entitled to one vote for each share they hold.

5. Benefits to the Members of the Managing Body and Senior Executives of the Company

Our remuneration policy for the board of directors and senior executives is published on the Company's website. As stated in the articles of association to the Board of Directors; After deducting the first dividend, eight percent of the remaining shares are allocated to Group A shareholders, five percent to Group B shareholders and five percent of the remaining profit is allocated to board members. The proposal of the Board of Directors not to give any share to the members of the Board of Directors from the profit for the year 2019 has been approved and acknowledged at the General Assembly meeting. The Company did not lend any money to any board member and/or executives, lend them any loans, lend a loan under the name of a personal loan through a third party, or provide guarantees such as surety in favor of them.

The General Assembly assigns and determines the attendance fee, the amount of remunerations and the payment dates that can be given to the members of the Board of Directors other than dividends. The principles of remuneration of board members and senior executives are documented in writing.

The Remuneration Policy is presented to the shareholders as a separate item at the General Assembly meeting and shareholders are given the opportunity to express their opinions on this matter. Share options or company performance-based payment plans will not be used for remuneration of independent board members. The remuneration of the independent members of the Board of Directors is determined by the regulations of the Capital Markets Board to maintain their independence.

At the Ordinary General Assembly meeting held on 11.06.2020, it was decided to pay a monthly gross 7,500 TRY attendance fee to the Independent Members of the Board.

Also, health and life insurance is purchased for our senior executives every year. Remuneration and bonus etc. payments have been made to the senior executives in 2020, amounting to TRY 4,524,151.



6. Shareholders

a) Shareholder Relations Function

The following people keep office in the Shareholder Relations Function:

Aysel HATİPOĞLU

Investor Relations
Manager 0212 212 00 44
aysel.hatipoglu@polatholding.com

Mehmet BAŞTAŞ

Financial and Administrative Affairs Manager
0232 878 17 00
mbastas@egeseramik.com

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

Pursuant to the provisions of first sub-clause of the Article 11 of "Communiqué on Corporate Governance" with Serial No: II-17-1 of the Capital Markets Board of which was published in the Official Gazette No. 28871 on 03.01.2014, the Shareholders Relations Function which provides the communication among our Company and investors has been established directly bound to Board of Directors.

The Shareholders Relations Function submits its report at least once a year for the approval of Board of Directors, with respect to the activities carried out. The activity report of 2020 has been submitted in the Board of Directors Meeting on 26 February 2021.

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

Some of the main activities conducted by the function include the following:

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

During the period between the dates of 01.01.2020-31.12.2020, 16 (Sixteen) applications were filed in the Investment Relations Function by shareholders and the investor companies through various means and were replied by the function.

b) Exercise of the Right to Information by Shareholders

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

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

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

Request for the appointment of a private auditor has not been regulated as an individual request right in the articles of incorporation of the Company, and the relevant articles of the Turkish Commercial Code are taken into consideration in cases which are not stipulated in the articles of incorporation. No "Request for the Appointment of a Private Auditor" was filed with our Company during 2020.

c) General Assembly Meetings

• An annual general meeting of shareholders was held in 2020. General Meeting of Shareholders for our Company's operations in 2019 was held on June 11, 2020 and the minutes of the meeting is open to inspection by our shareholders on the Central Registration Agency and Web site of our Company.

• No special meeting quorum has been determined for the General Meetings of Shareholders/General Assembly Meetings of our Company and the provisions of the Turkish Commercial Code are applied for the meeting and resolution quorums.

• Notice for meetings was given in accordance with the provisions of the articles of

incorporation and the legislation. Notice was given via printed media (notice in a newspaper) and in the form of an electronic notice on the Public Disclosure Platform, Central Registration Agency Electronic General Meeting System and www.egeseramik.com web site.

• At the General Meeting of Shareholders also held via the Electronic General Meeting System, the required meeting quorum was achieved and there were also participants from the personnel and customers as stakeholders. Media did not attend the meeting. Shareholders exercised their right to ask questions at the General Meeting of Shareholders. Replies related to the financial statements and upper limit of donations were given to the shareholders in a verbal manner. There was no request for discussions on any issues other than those included in the notified agenda at the meeting. Those shareholders who attended the General Meeting of Shareholders obtained the activity reports in a printed manner. They could also reach any necessary information via the addresses as given in subparagraph (c) above.

• An item related to donations was added to the agenda at the Annual General Meeting of Shareholders held on 11.06.2020 and the shareholders were informed and requested for approval of donation amounted 2.280 TRY in the year 2019. The Board of Directors has entitled to donate with a limit of 35.000.- TRY (Thirty five thousand Turkish Liras) for the year 2020, in the General Assembly.

d) Voting Rights and Minority Rights

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

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

e) Right to Dividend

Pursuant to the articles of incorporation of our Company, upon the deduction of the primary reserve fund and primary dividend from the distributable term's profit, eight percent of the remaining amount is allocated to the holders of Group A shares and five percent to the holders of Group B shares. Other than this, there is no privilege on dividends. Our Company's Dividend Distribution Policy, Public Disclosure Platform are announced on our web site at www.egeseramik.com. Pursuant to our financial statements issued for the accounting period of 01.01.2019 - 31.12.2019 of which were issued by our Company in accordance with the provisions of Series: II, 14.1 numbered Communiqué published by the Capital Markets Board and with the International Financial Reporting Standards and which was audited by AS Bağımsız Denetim ve Y.M.M A.S. trade named auditing company; our Company has earned TRY 24.746.066 as profit after tax.

According to the following provision governed by the "Law on Reducing the Effects of the New Coronavirus (COVID - 19)

Epidemic on Economic and Social Life and the Law No. 7244 Amending Some Laws" published in the Official Gazette dated 17 April 2020;

Within the scope of provision; "Capital companies may decide to distribute only up to twenty-five percent of the net profit for the year 2019 until 31/12/2020.", the dividend distribution of our Company for 2019 was discussed. Considering these limitations,

In accordance with the decision of the Board of Directors of our company dated 13.05.2020 and numbered 2020/12; according to our financial statements for the period, 01.01.2019-31.12.2019 prepared by our company in accordance with the provisions of the Capital Markets Board's Communiqué Series: II, 14-1 in accordance with the International Financial Reporting Standards and audited by AS Independent Audit and YMM AŞ; the distribution of the profit of 24.186.266.21 TRY, which includes the donations made during the year, was accepted at the Ordinary General Assembly Meeting of the Partners held on 11.06.2020.

➤ Dividend payments for 2019 were made on June 24, 2020.

Share Group Info	Cash Profit Share to be Paid to 1 TRY Nominal Value - Gross (TRY)	Cash Profit Share to be Paid to 1 TRY Nominal Value - Net (TRY)
C Group , EGSER (Previous), TRAEGSERg1Fo	0,0445	0,03781
A Group, No transaction (Priveleged), TREETSR00012	139.001,70	118.151,44
B Group, No transaction (Priveleged), TREETSR00020	57.917,37	49.229,77

f) Transfer of Shares

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

7. Information Policy of the Company

Our Company has established an information policy as stipulated by the relevant principle decision of the Capital Market Board and by the Material Disclosure Communiqué no II-15-1.

Our information policy has been published on PDP and is available as an attachment to our activity report and web site of our Company. In case of any request for information by the shareholders; Investment Relations Manager Aysel Hatipoglu and Financial and Administrative Affairs Manager Mehmet Bastas shall provide such information orally or in writing.

Our Company sent 16 (sixteen) electronically signed Material Disclosures to the Operational Directorate of Public Disclosure Platform (PDP) system available within the structure of Central Registration Agency (CRA) as per the CMB regulations during 2020.

No supplementary disclosures have been required for the material disclosures given and there has been no sanction applied by CMB, BIST and CRA. Since our stocks are not listed in any stock exchange in abroad, no disclosure has been sent to any stock exchanges other than BIST. Any prospective information and considerations may be disclosed to the people not more than four times provided that assumptions and data on which such assumptions are based shall be disclosed and on condition that it is made under a resolution of the Board of Directors or under the written approval of the person who has been authorized if such authorization has been granted. Assumptions must be consistent with the financial condition and activity results of the Company. In the event that any forecasts and grounds have not materialized or are found out not to materialize, updated information is made public together with respective reasons.



8. Corporate Internet Site and Its Contents

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

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

- COMPANY INFORMATION
- DOCUMENT IMAGING

- *Resolution of the general meeting of shareholders regarding amendment to the articles of incorporation of the Company*
- *Income statement*
- *Cash flow chart*
- *Balance sheet*
- *Equity conversion statement*
- *Convocation for the general meeting of shareholders*
- *Articles of incorporation of the Company*
- *Minutes of the General Meeting of Shareholders*
- *Minutes of the Special Meeting of Privileged Shareholders*
- *Internal Directive*

General headings of the section "Investor Relations" of Company internet site are as follows:

- *ARTICLES OF INCORPORATION*
- *CHRONOLOGY OF ARTICLES OF INCORPORATION*
- *PARTNERSHIP STRUCTURE*
- *HONORARY CHAIRMAN*
- *BOARD OF DIRECTORS*
- *FINANCIAL INFORMATION*
- *FINANCIAL REPORTS*
- *ANNUAL ACTIVITY REPORTS*
- *GENERAL ASSEMBLIES*
- *SPECIAL/MATERIAL DISCLOSURES*
- *CORPORATE GOVERNANCE/MANAGEMENT*
- *INFORMATION POLICY*
- *WAGES POLICY*
- *PROFIT DISTRIBUTION POLICY*
- *DONATION POLICY*
- *COMPANY POLICY FOR STAKEHOLDERS*
- *PERSONNEL COMPENSATION POLICY*

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

9. Research and Development Studies of the Company

Our company continued to invest in Research and Development activities in 2020, and work on projects that will improve product and production processes and make a difference.

Our company, which appeals to a wide geography as a sales region, has made development studies to add new different sizes in line with global trends and has included many different sizes in its production portfolio.

In product development studies, apart from the standard square and rectangular shapes currently available in the market, our company, which is already a pioneer in different geometries, locked / plug-in system products, continued to innovate in this field in 2020, and added products with new different geometries to its portfolio.

It carries out R&D and P&D studies in order to introduce value-added, environmentally sensitive products that differ in the market in order to make a difference in the market in the future.

With the introduction of digital printing technology into the ceramic industry, the products produced by the manufacturers have become very similar. Our R&D teams has continued to work on products that have both improved technical class and improved surface quality by improving their properties.

By accelerating research on automation and the use of robots in production, we continue to develop projects that will contribute to our company.



10. Activities of the Company and Important Developments Related to Activities

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

Ege Seramik Sanayi ve Ticaret A.Ş. invested a total of 35,366,471 TRY in 2020. The part of the investments corresponding to 32,259,905.-TRY was completed within the scope of the investment incentive certificate numbered 136299 C, whose validity period is still valid.

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

Our Company is audited as to the compliance of the operations and activities carried out with both legislation and company policies by the Auditing Committee and internal auditors. Auditing Committee regularly meets and audits the company's financial statements and reports subject to/not subject to independent audit, inspects the balance sheet and profit-and-loss accounts, audits their compliance with the accounting principles and standards identified by CMB and submits them to the Board of Directors for approval.

c) Strategic Goals of the Company

Our company Ege Seramik Sanayi ve Ticaret A.Ş. in accordance with certification procedures and with proof of applications compatible with regulations, based on ISO / IEC 27001: 2013, effective from August 15, 2016, the Company has been awarded with Information Security Management System certificate and has made significant improvements in business processes. Audits are performed by independent external auditors and the results

thereof are directly reported to the senior management of the company. Remedies are sought for any reported problems through multi-directional communication, and policies established. Corporate Governance Committee; is responsible for early detection of risks that may endanger the existence, development and continuity of the company, taking necessary measures for the identified risks and management of risk, and reviewing risk management systems at least once a year. Our Company follows up any developments and innovations and brings the most advanced technologic investments in the country, creates employment, tries to take its exports further at all times and, most important of all, is aware of the fact that it is a "leading industrial corporation". Our strategic goals are identified by the Board of Directors and our budgets are prepared on annual basis and any developments related to the budget targets are evaluated on monthly basis. Vision and mission of our Company have not been further made public, but disclosed in our activity report as well as in our corporate internet site.

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

	31 Dec 2020		31 Dec 2019	
	TRY	%	TRY	%
Ceramic Research Center	16.000	8,00	16.000	8,00
Total	16.000		16.000	

e) Information on the Own Shares Acquired by the Company

None.

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

Our Company was audited by AS Bagimsiz Denetim ve Yeminli Mali Musavirlik A.S. trade named independent audit company for full attestation and independent audits during 2020 activity period.

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

There are no legal actions filed against our Company, which may affect the financial condition and operations of the Company. Provisions for lawsuits in 2020 are provided in the footnotes.

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

None.

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

All decisions taken in the General Assembly have been fulfilled; The budget targets foreseen in the operating period of 2020 have been achieved.

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

None.



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

No donation was made by our company in 2020.

In line with our company's environmentally sensitive policies, direct discharge of process water is prevented with the waste water production facility, and waste water treatment plant output values are constantly controlled. Besides, with the understanding of sustainability, the wastes formed in the intermediate processes are recycled and put into production and the waste disposal is minimized.

Emissions thrown into the atmosphere from the factory chimneys are periodically measured and it is checked whether there is a deviation from the limit values given in the Emission Permit.

To our factory, T.C. "ENVIRONMENTAL PERMISSION CERTIFICATE" has been issued by the Ministry of Environment and Urbanization within the scope of Air Emission and Wastewater Discharge, extended as effective from 22.09.2014 until 22.09.2019.

In the CE conformity mark activities, the applications are carried out effectively within the scope of (305/2011 / EU) Building Materials Regulation and EN 14411 Harmonized Standard.

There is no lawsuit filed against our company due to environmental damage.

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

Our Company has prepared its Affiliation Report for year 2020 as required by the Turkish Commercial Code.

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

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

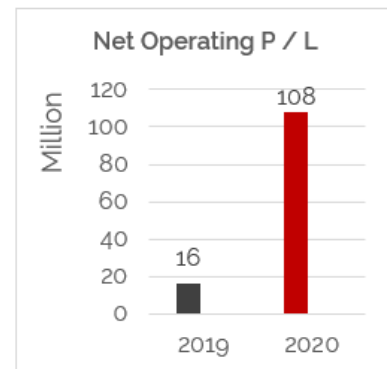
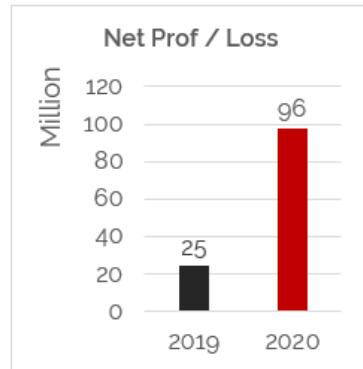
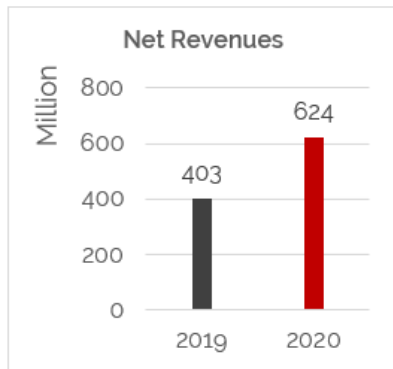
Accordingly, Ibrahim Polat Holding A.S., which is the holding company, has not caused any damages to its subsidiaries and affiliates due to the actions in question. As subsidiaries and affiliates have not incurred any damages, Board of Directors has not compensated for any damages.

11. Financial Status

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

Consedensed Balance Sheet (TRY)	31 Dec 2020	31 Dec 2019	%
Current Assests	447.187.921	296.131.162	51,01%
Fixed Assets	219.491.330	188.346.017	16,54%
Assets	666.679.251	484.477.179	37,61%
Short - Term Liabilities	201.333.698	120.188.062	67,52%
Long - Term Liabilities	45.202.027	37.087.996	21,88%
Share other than Parent Company	-	-	-
Capital Stock	420.143.528	327.201.121	28,41%
Liabilities	666.679.251	484.477.179	37,61%
Net Working Capital	245.854.224	175.943.100	39,74%

Condensed Income Statement (TRY)	31 Dec 2020	31 Dec 2019	%
Net Revenues	624.212.049	403.274.497	54,79%
Gross Profit	203.118.028	94.878.103	114,08%
Operating Profit	107.960.637	16.208.503	566,07%
Net Profit (-Loss)	96.369.447	24.746.066	289,43%
EBITDA (FAVÖK)	128.410.464	33.043.158	288,61%

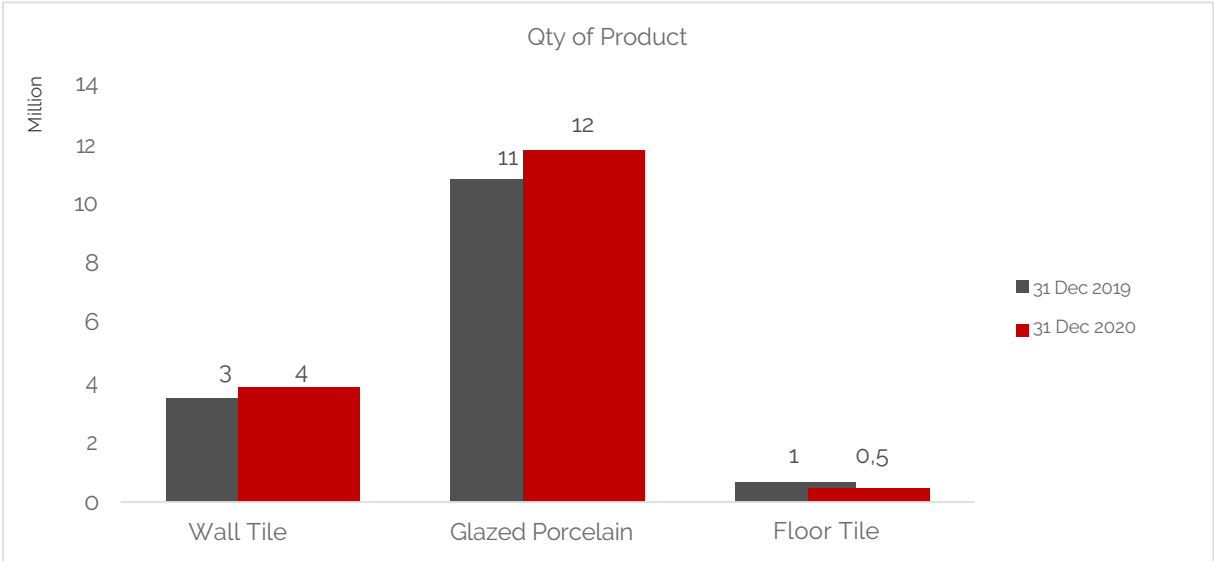


Financial	31 Dec 2020	31 Dec 2019	%
Current Ratio	2,22	2,46	(9,85%)
Liquidity Ratio	1,58	1,43	10,27%
Gross Profit Margin	32,54%	23,53%	38,31%
Operating Profit Margin	17,30%	4,02%	330,32%
Pre-tax Profit Margin	16,02%	4,32%	270,41%
EBITDA (FAVÖK) Margin	20,57%	8,19%	151,07%

12. Production

Ege Seramik has operated with a 72 % capacity utilization in 2020. Our production has decreased by (% 7,13) when compared with the previous year 2019, and materialized as 16.053.726 m². Production output, compared to the preceding year was realized as follows.

Production (m ²)	2020	2019	Inc/Dec	%
Wall Tile	3832.871	3487.191	345.680	9,91%
Glazed Granite	11.770.006	10.827.539	942.467	8,70%
Floor Tile	450.849	670.042	(219.193)	(32,71%)
Total	16.053.726	14.984.772	1.068.954	7,13%



13. Sales

According to the financial statements that were issued in accordance with the "Communiqué on Principles Concerning Financial Reporting in the Capital Market" no. II-14.1 of CMB, our net sales revenues in 2020 have been realized as TRY 624.184.241, increasing by 54,78 % when compared to year 2019; and the sales quantity has been realized as 16.629.419 m², increasing by 14,97% when compared to the preceding year.

Abroad sales quantity has been increased by 30,15 % while our domestic sales quantity was decreased by (4,38%) when compared to the preceding year.

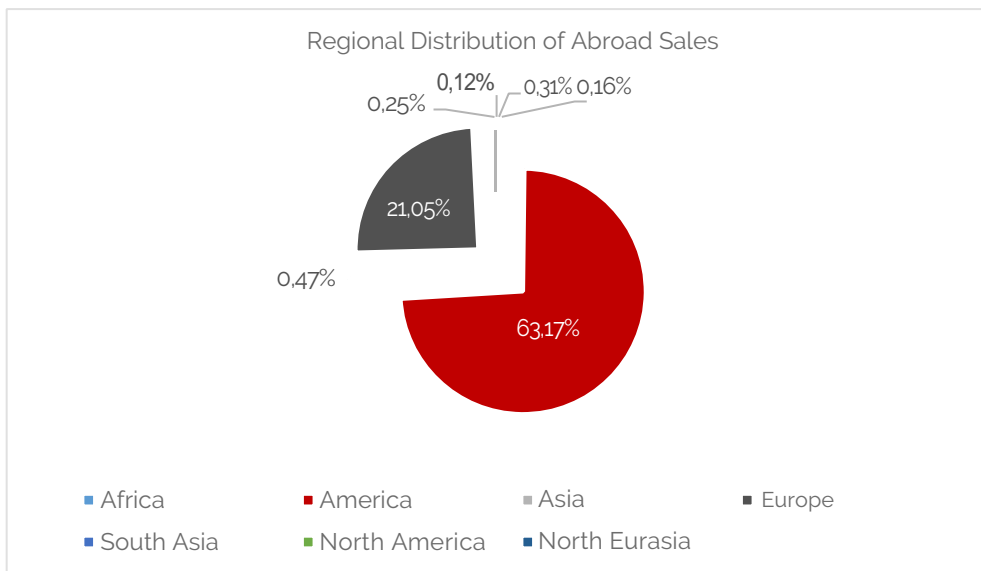
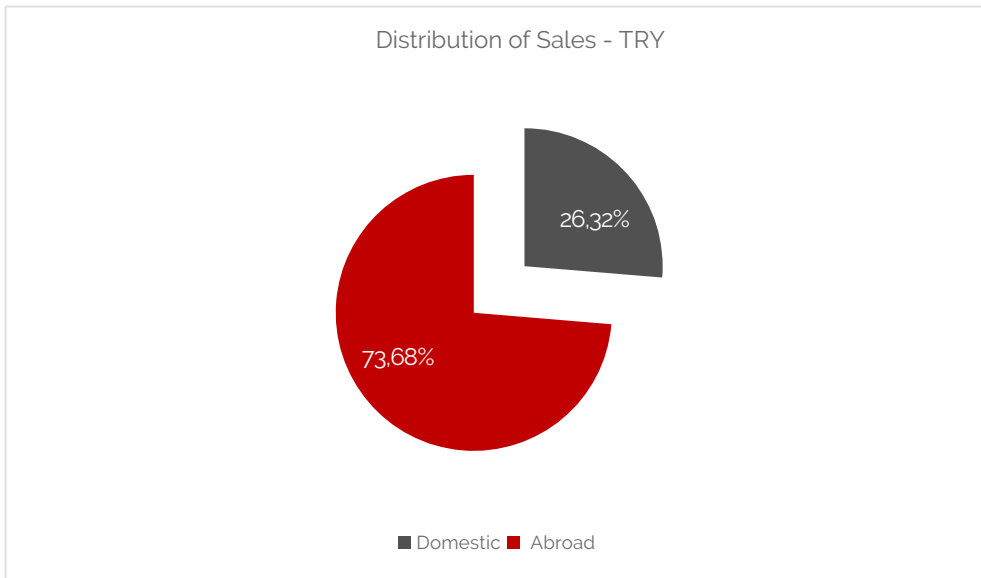
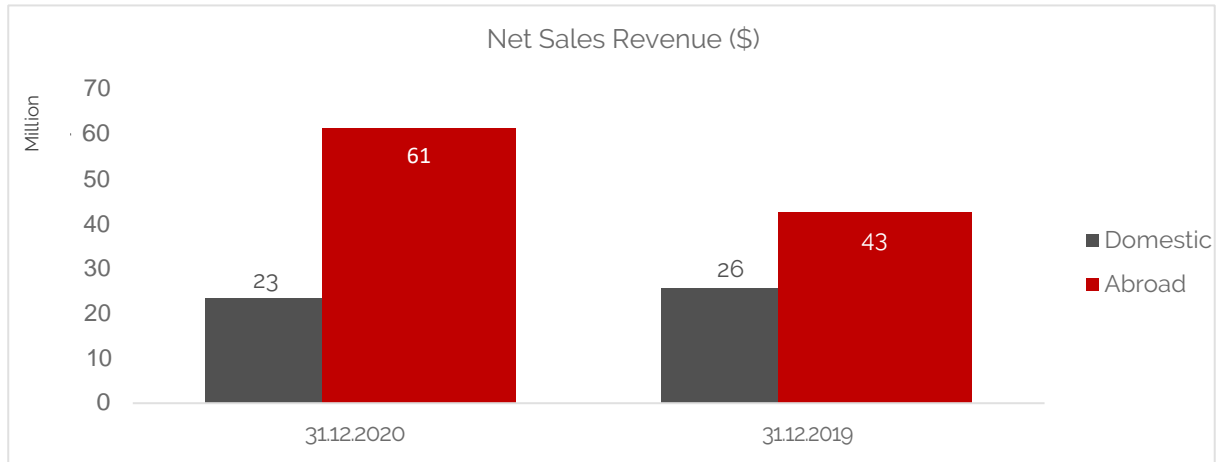
Sales (m ²)	31.12.2020	31.12.2019	Difference	%
Domestic	6.167.452	6.449.929	(282.477)	(4,38%)
International	10.461.967	8.013.627	2.448.340	30,55%
Total	16.629.419	14.463.556	2.165.863	14,97%

Net Revenues (TL)	31.12.2020	31.12.2019	Fark	%
Domestic	164.291.515	152.306.260	11.985.256	7,87%
International	459.920.533	250.968.237	208.952.296	83,26%
Total	624.212.049	403.274.497	220.937.551	54,79%

Net Revenues (USD)	31.12.2020	31.12.2019	Fark	%
Domestic	23.382.548	25.761.737	(2.379.189)	(9,24%)
International	61.453.987	42.720.711	18.733.276	43,85%
Total	84.836.535	68.482.448	16.354.087	23,88%

Our exports were realized as USD 61.450.000 in year 2020.

Markets in which we are ambitious abroad are USA, Israel, England and Canada, respectively. Exports were achieved to 59 countries and 81,54% of the total revenues abroad were earned from USA, Israel, England and Canada in 2020.



14. Developments in The Sector

The Sector in Which the Company Operates and Its Place in This Sector

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

In the world, especially in recent years, in order to gain competitive advantage in the ceramic coating materials sector, the trend towards high value added, quality and creative products has increased, which has accelerated the R&D and innovation activities in the sector.

The domestic producer has a hard time compared to its competitors in both mechanization and innovative products. In Turkey in recent years to ensure competitiveness, the tendency of those who produce ceramic coating materials to products with high added value has increased, and product quality and recognition in the sector have gained importance. This situation has affected the high value-added products positively in terms of its market share and continued to support exports to developed countries. The ceramic tile industry has a significant contribution to the Turkish economy as one of the sectors that uses domestic resources most in exports and has the least dependence on imported products.

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

The capacities of ceramic coating materials group have not changed significantly in recent years.

High value-added products in the sector positively affected the total market share and exports to developed countries continued to increase.

In 2020, activities in the construction materials industry expanded significantly both domestically and in exports. The Operational Index increased by 10.1 points compared to 2019. Thus, after the development in activities in the second half of 2020, a significant growth was experienced in 2020.

In parallel with the sales, there was a rapid increase in production in 2020. In order to meet the increasing order demands in 2020, the manufacturing companies both increased their idle capacity and increased their production by making new investments.

Turnover increased significantly in 2020 due to the increases in domestic sales and exports. The limited increase in export prices continued. With this recovery, activities exceeded the levels of February-March 2020 before Covid-19.

Within the information shared in the Workshop held by the Central Anatolian Exporters' Unions and Ceramics Federation; World ceramic tile production has reached a volume exceeding 13 billion m²; approximately 17% of the production is exported, 83% is used within the country of manufacture. In 2020, Turkey's export value, has been increased by 15.42% quantitatively as compared to the previous year, again compared to the previous year increased by 16.63% in USD currency. (Source: Ceramics Federation of Turkey)

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

Our company was founded on 09.09.1972, ceramic tile industry in terms of brand awareness in some surveys are among the top two companies in Turkey.

Main Factors Effecting the Performance of the Company

Factors affecting the profitability of most companies operating in the ceramics industry in Turkey are mainly energy prices and imported inputs needed in the production process. The ceramic industry, where energy is consumed extensively, is particularly sensitive to natural gas prices. Energy expense in ceramic production is up to 30-35% of the cost compared to the ceramic sub-industry branches;

Turkey, since it is highly dependent on foreign energy production, is affected by fluctuations in energy markets and exchange rates, compared to other major international manufacturers Turkey is shown in terms of cost competitiveness among disadvantaged producers, especially in developing countries.

In addition, the increases in the exchange rate due to the input of imported raw materials increase the costs of the companies and put pressure on their profitability.

The high use of road transport in the export of ceramic products and in the transportation of raw materials and products in the domestic market raises the cost of transportation.

Since the high logistics costs in our country also reduces the competitiveness of the exporting companies, harmonization of all transportation services, expanding the railway network, developing railway transportation between production center-raw material areas-ports will be beneficial for the sector.

Although there are many incentive mechanism for the private sector in Turkey, may vary according to the characteristics of the sub-sector incentives, in order to make a difference in the sector and retain its competitiveness, raising the qualified manpower it needs continues to gain importance day by day.

Natural gas prices, which have a significant impact on ceramic production cost items, have been reduced by 10% for the process and 13.45% for electricity production, effective from July 1, 2020. This decrease in the main item of energy costs has also had a positive effect on production costs.

In addition, the costs incurred within the scope of the measures to combat the COVID 19 virus epidemic had a negative impact on the general manufacturing expenses of 2020.

15. Our Company's Position in the Sector

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

a) Our Product Range

Ege Seramik has enriched its product portfolio, which has always shaped the ceramic fashion, with new products in 2020 in line with customer expectations both in the domestic and foreign markets. As a result of the export activities carried out to wide geography, the product portfolio is in line with world trends and continues to appeal to a wide range of consumers.

The appreciated product portfolio has taken a strong place with its brand perception and value in the retail sector in search for value-added projects in the sector and for qualified products.

b) Marketing and Publicity Studies

In 2020, due to the Covid-19 Pandemic experienced by the whole world, participation in the Istanbul Unicera fair was made only between March 10-14, and all other fair organizations of the domestic and foreign sector during the year were canceled. Therefore, social media, mobile application, 3D simulation programs and similar digital promotion tools were actively used for marketing and promotional activities without any interruption. Research and development activities have been accelerated in order to create different sales and marketing channels in line with the new normal life in the world and in line with the sales and marketing trends.

All product groups included in the collection of Spring 2020 put on the market in March for placing on the market thereof, have been introduced on all promotional channels and intensive and effective architectural service activities throughout Turkey to take part in the collection of the selling points have been carried out and it is supported by applications and campaigns inspiring authorized resellers and consumers.

c) Awards and Certificates We Received

- Certificates We Received

Authorized Economic Operator Statute



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

Turquality®



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

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

Greenguard



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

Ege Seramik, in 2019, as in 2018, by applying to UL Environment, has been awarded to obtain GREENGUARD and GREENGUARD GOLD certificates. Through the certificates above, the products of Ege Seramik have been proved to be healthy and safe to use in interior places, in conclusion to the tests performed against chemical substances more than 10.000. Ege Seramik, acting by environmental consciousness during product life-cycle and by manufacturing products protective for human health; has adopted providing environmental sustainability and leaving a better World to the future generations, as a main principle.

Green Squared



Green Squared is North America's first and only sustainable product program for ceramic and ceramic flooring materials only. This supports the potential for improving the market-oriented environment and quality of life by constantly promoting the demand and supply of products that cause less stress on the environment and society. Ege Seramik San. ve Tic. A.Ş.'s applications and products meet the requirements of the Green Squared Standard. The evaluation of the products and applications related to our company is carried out by UL Environment Company.

Environmental Product Declaration



EPD is the reporting of environmental data according to ISO 14025 based on life cycle assessment (LCA).

Ege Seramik San. ve Tic. A.Ş completed the EPD Project in January 2020 and evaluations are made by UL Environment, an independent certification body.

SASO Quality Mark



As a result of the audit carried out by TSE on October 10, 2019, Ege Seramik San. ve Tic. A.Ş has been awarded the SASO Quality Mark certificate, regarding SASO Quality Mark requested by S. Arabia Standard Organization (SASO) for export to Saudi Arabia.

COVID-19 Safe Production Certificate



As from the days when Covid-19 Pandemic began to spread in the world and yet not seen in Turkey, Ege Seramik San ve Tic AŞ has provided all hygiene measures in order to protect the health of employees in working areas and production facilities in the whole process. In this direction, as a result of the audit conducted by the Turkish Standards Institute, Ege Seramik Sanayi ve Ticaret AŞ has complied with all conditions and has been entitled to receive the COVID-19 Safe Production Certificate issued for industrial organizations.

- Awards

Award for Environment

In the "Environment Award Competition" organized by the Aegean Region Chamber of Industry, we were awarded an incentive award with our environmentally sensitive practices and successful recycling projects.

Awards from the Aegean Region Chamber of Industry

As Ege Seramik, in the evaluation of cooperation with Izmir Chamber of Commerce, Izmir Trade Exchange and the Aegean Region Chamber of Industry and at the award ceremony with the participation of Commerce Minister Mr. Ruhsar Pekcan, Agriculture and Forestry Minister Mr. Bekir Pakdemirli and Turkey Chambers and Stock Exchanges Association President Mr. Rifat Hisarcıklioğlu, which took place on 05.02.2020,

- In 2018, we achieved first degree success in Production and Investment in the Soil and Ceramic Products Industry Profession Group, and received plaques in both branches,
- Gold Medal for our success by Declaring High Net Business Profit in 2018,
- In 2018, we were awarded a Gold Medal for our success in Foreign Exchange Earning Activities.



- Certificates

Our Company actively carries out and certifies its practices within the framework of the following national and international standards;

- **TSE ISO IEC 27001 Information Security Management System**
- **TS EN ISO 9001 (TSE -Turkey), DIN EN ISO 9001 (DQS-Germany) Quality Management System**
- **TS-EN-ISO-9001 approved by IQ Net**
- **TS-EN-ISO-14001 Environmental Management System**
- **TS-EN-ISO-14001 approved by IQNet**
- **TSE Double Star:** This award confirms that Ege Seramik products have properties over those determined in the Standard, by not contenting with the minimum requirements limits.
- **EN 14411 Product Compliance Certificate:** It confirms that our products comply with the ceramic standard, EN 14411
- **GSV (Global Security Verification):** This is a program established for the purpose of managing the accreditation methods of manufacturers, importers, transportation companies, customs clearance companies and other companies which may involve into supply chains and complying with C-TPAT system formed in Amrica, as well as for the purpose of ensuring the international cargo security. Within the scope of this program, Ege Seramik San. ve Tic. A.S. has been audited by an accredited institution on a yearly basis. Our Company's performance within the scope of GSV is above the average of Turkey and worldwide average.

- **CE Sign/Mark Activities** CE Sign points out that the product having CE sign is healthy and safe with respect to human, animal and environment and states the compliance with European Union New Approach Directives. CE Signs are obligatory for ceramic tiles as from the year 2005. Ege Seramik is the first company fulfilling the legal obligation hereon in the sector. In the CE compliance mark activities, practices are maintained within the scope of the Building/Construction Materials Regulation (305/2011/AB) and EN 14411 Harmonized standards
- Ege Seramik San. ve Tic. A.S.; has also obtained the necessary documents to sell in these countries as a result of the audits of the countries of Israel and France.

d) Projects and Leading Companies Preferring the Ege Seramik Products

Ege Seramik products are located at the sales points of corporate companies. Important corporate companies such as Halkbank, Kofteci Yusuf, Yataş, De Facto, Carrefour, Marks & Spencer prefer Ege Seramik products.

e) Our Business Partners

Our domestic sales activities were organized in 2020 over 6 sales regions. In Turkey, sales activities were continued with 106 authorized dealers. The authorized dealer channel has been transformed into a structure that has the ability to sell retail and value-added products, is open to development that can represent the Ege Seramik brand, and aims to offer different and qualified products to the consumer, and productivity has been increased. Marketing supports were provided in line with these targets in 2020.

In the construction market channels, the introduction of two different construction markets and sales of our products in 50 offices across Turkey continues successfully.



Our company has been continuing its export activities uninterruptedly since 1979, competing with major global players in countries defined as "difficult markets" in the sector such as Italy and Spain.

Ege Seramik is a company that carries out all processes accurately from the first stage of production to delivery to the customer and has quality certificates from all countries it exports as well as domestically. In addition, it is the first Turkish ceramics company to hold the status of "Authorized Economic Operator Statute" that only gives reliable companies some convenience and privileges in foreign trade transactions.

Ege Seramik by offering product solutions suitable for all indoor and outdoor spaces from small to large, through its wide color scale in its rich product portfolio, as well as a variety of sizes and patterns; can easily and quickly respond to the tastes and needs of different countries. Thanks to its ability to address such a wide range, in the last 10 years, it has exported and continues to export Ege Seramik branded products to its customers in more than 90 countries.



16. Stakeholders

a) Information to Stakeholders

Stakeholders are informed of the activities of our Company through material disclosures both at general meetings of shareholders and on electronic media under the public disclosure principles. Such information is given through activity reports and through Central Registration Agency (CRA) - Public Disclosure Platform (PDP). Stakeholders are provided with information on any Company-related issues which concern them.

Information is given through attendance to meetings, sales campaigns, promotions and upon their request. Further, company employees are informed through intranet.

Corporate Governance and Audit Committees have been established with the participation of two of the members of the Board of Directors stakeholders may file written applications with the relevant committees in order to report any operations of the Company which are against legislation and improper in ethical terms. Moreover, those employees who have internal information have been informed of their responsibilities via electronic media and it has been adopted as a policy to receive their written statements as to their responsibilities arising from their possession of internal information and to keep the same in the relevant department.

b) Participation of Stakeholders in Management

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

Open door principle has been adopted for the submittal of in-house proposals and requests to the management

c) Human Resources Policy

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

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

Human Resources Principles and Values:

- Determination of human resources qualities,
- Forming and application of systems with respect to election and employment,
- Contribution into the company performance through investment into human resource,
- Providing contribution of Human Resources into management as being a strategic partner,
- Providing satisfied and loyal employees to the company,
- Development of systems encouraging success and creation,
- Providing training opportunities developing the employees' Professional knowledge and abilities,
- Providing access to the knowledge/information required by the employees, as soon as possible,
- Under ethical values, creation of respective and reliable working conditions,

- Maintaining effective and positive relationship with Union,
- Target and result oriented studies,
- Performance of Customer requests and expectations and result oriented studies,
- To become a leading company required to be employed.

In line with our vision and mission, we intend to raise the competence levels of our employees as well. We maintain our efforts in order to be a corporation preferred for qualified work force market, in which right person is evaluated at right job, high performance is encouraged and employees with optimized satisfaction and motivation serve in a team spirit. There is a collective labour contract between the labour union and our Company in order to ensure orderly and efficient working at the workplace, to increase production, to balance the rights and interests of the employer and the employees, to provide work peace through mutual goodwill and confidence, to settle any discrepancies which may arise between the parties through amicable ways, in order to;

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

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

Human Resources Implementations:

To select and Placement to the Work

- Our main principle is to employ human resources efficient in bringing

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

Performance Assessment

- It is a process designed to pursue, assess and develop the performances of company employees. Under Ege Seramik; competency and target based performance assessment system be applied once a year towards white collar employees. Based on principle of clarity for the applied performance assessment system; the assessments be implemented via an objective and systematic structure. The employee and the manager, by keeping together, join to performance interview. Subsequent to assessment of the current year, the targets for the next year are being examined and agreed on

- The subject system aims at establishing a good communication, cooperation and solidarity between the assessor and the assessee. The targets are being determined from up to down pursuant to general policies of the company. The results of performance assessment are being used for awarding, training planning, career planning and promotion practices.

d) Ethical Rules and Social Responsibility

Ethical Principles, Our Company's Ethical Principles are published on our website and announced to the public.

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



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

ISO 9001 Quality Management System

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

By revision of ISO 9001 Standards; Ege Seramik San. ve Tic. A.S. has entitled to obtain TS EN ISO 9001:2015 (TSE -Turkey), DIN EN ISO 9001:2015(DQS-Germany) Certificate as being the final version of the standard subsequent to audit performed by TSE and DQS Companies in 2017. In the Surveillance Audit carried out in 2020, TSE and DQS decided to continue the documents.

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

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

ISO/IEC 27001 Information Security

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

Certification audit was carried out by TUV Tuhringen Company on 15.10.2020 and ISO / IEC 27001: 2013 Information Security Management System was re-certified as a result of the audit.

Environmental-Occupational Health and Safety Management System

It is an integral part of our business to take any necessary precautions in order to be able to minimize our negative impacts in the environment during our operations, to guide our employees in occupational health and safety in all departments and take any measures related to occupational health and safety at our workplace for a sustainable future which is open to improvement. Our occupational health and safety committee meets on monthly basis and thus continuity of the safe working environment is ensured.

Our Workplace Health Team provides our employees with services on full time basis. Our Company has a fire engine and trained personnel.

By revision of ISO 14001 Standards; Ege Seramik San. ve Tic. A.S. has entitled to obtain TS EN ISO 14001:2015 Certificate as being the final version of the standard subsequent to audit performed by TSE in 2017.

During the Surveillance Inspection on 10-11 September 2020, it was decided by TSE to continue the certificate.

Ege Seramik received "Incentive Award" within the scope of EBSO Environment Awards on 13.01.2020.

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

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

brought under control, and scraps and wastes are ensured to be used for recycling and those which may not be recycled are disposed through legal ways

e) General Information Security Policy

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

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

f) Personal Data Protection Policy

Ege Seramik Sanayi ve Ticaret AŞ's personal data protection (KVK) policy has been published on our website. The purpose of our KVK Policy is to process the personal data of Ege Seramik's main shareholder and affiliated companies, affiliates, personnel, shareholders and other third parties in accordance with the regulations of the Personal Data Protection Law No. 6698.



The KVK regulations are considered within the scope of disciplinary procedures for quality standards within the activities of the company, penetrating into every field.

g) Our Social Responsibility Policy

Ege Seramik San. ve Tic. A.S is aware of the responsibility of raising social standards as well as providing quality products and services within the framework of corporate social responsibility principles. It behaves sensitive to the needs of the society, taking into consideration the future generations. In this context, the Company aims to contribute to social enrichment by giving donations and social benefits in different fields such as education, environment, sports, culture and arts, primarily in the regions where it operates. Donations and aids made in accordance with corporate responsibility principles are shared with the public in the annual report. Addressing the issues of increasing the health, safety and satisfaction of our employees, Ege Seramik San. ve Tic. A.S. with this policy;

Maintaining the principles of working in compliance with the ongoing volunteering principle,

Not employing child labour in heavy and dangerous works in our Company,

Maintaining its respect for labour union membership and collective bargaining rights with the same sensitivity from now onwards,

Ensuring the continuation of the safe and hygienic working environment provided through health and safety training organized at regular intervals, inspections and improvements carried out continuously,

Paying employees' wages taking the legal requirements and collective labour contracts as a basis,

Applying the provisions of the labour legislation and the Collective labour Contract in the determination of working times, not making discrimination by religion, language, race, class, civil status, age, disability, gender, sexual preference, labour

union membership and political view in recruitment, training, promotion, dismissal, retirement, etc. and providing equal opportunity to the employees at the same level,

Ensuring continuity in employment,

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

h) Relations with Customers and Suppliers

The company attaches importance to customer satisfaction in the sales and marketing of goods and services and takes the necessary measures for this.

The Company takes the necessary measures to establish and maintain relationships with its customers and suppliers, which are providing products and services in accordance with the laws, in accordance with established contractual provisions, and to observe international and sectoral standards in the provision of goods and services, reviews and renews its processes.

Information about customers and suppliers is seen within the scope of trade secrets and attention is paid to their privacy.

i) Personnel Severance Policy

Ege Seramik San. ve Tic. A.S., while determining the compensation policy for employees, is based on the Human Resources Policy provisions and the provisions of the Labor Law No. 4857 in force, Article 14 of the Labor Law No. 1475, which has been repealed. The severance and notice indemnity clauses of the Collective Bargaining Agreement are applied when determining and implementing the compensation policy for the employees within the scope of the Collective Bargaining Agreement in our company.

Severance pay; Severance pay is made for the service period of the employee in the company, to employees or, if the employee dies, legal heirs, having at least one year of work in the company and if the employment contract ended according to one of the situations requiring severance pay specified in the provisions of Article 14 of the Labor Law No. 1475, which was repealed with the Labor Law No. 4857. In the number of days subject to severance pay to be paid to employees, Company Regulations; and Collective Labor Agreement is taken as basis for unionized employees.

Notice Priority and Wage; Where the priority of notice should be recognized; according to Article 17 of the Labor Law numbered 4857 or for unionized employees, implementation is made within the principles specified in the Collective Labor Agreement. Also, the

wages of the personnel until the end of the notice period can be terminated by paying in cash. In cases where the notification priority is recognized, the personnel are given permission to search for jobs.

Within the framework of ethical values, providing working conditions and not allowing ill-treatment in an environment based on respect and trust, in addition to its compliance based on the Labor Law No. 4857 and related regulations, we undertake an approach aiming to fulfill the practices related to ETI Base Code Standards, ensure their continuity, and continuously improve thereof.

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

17. Amendments to the Articles of Incorporation During the Term

None.

18. Related Party Transactions in the Year 2020 and Forecasting Report on Widespread and Continuous Related Party Transactions in The Year 2021

The detailed table concerning the transactions realized with the related parties in year 2020 within the scope of General Communiqué on Corporate Tax includes the transactions with regard to transfer pricing.

The main area of activity of Ege Seramik Sanayi ve Ticaret A.S. consists of manufacturing and sales of wall and floor ceramic tiles. The sales revenues earned by the Company as a result of its overall activities during the period of 01.01.2020-31.12.2020 is amounted as TRY 637.768.873. Our sales analysis realized in 2020, as total sales; TRY 637.768.873 (Domestic Sales TRY 171.779.117+ Export Sales TRY 435.749.4611+ Other Income TRY 30.240.294) and 67,95% of this sales amount consisting of our sales realized with the related parties, has been given in the table.

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

Pursuant to the provisions of Article 10 under the heading "Widespread and Continuous Transactions Realized With Related Parties" of the "Communiqué on Corporate Governance" with Serial No: II-17-1 of the Capital Markets Board of which was published in the Official Gazette No. 28871 on 03.01.2014 and in line with the sales data of our Company during year 2020, the following were forecasted within the scope of financial sales and purchase forecasts

report for year 2020 in relation to the Widespread and Continuous Transactions Realized With Related Parties of our Company, namely; Egseramik İç Ve Dış Ticaret A.S. and Ege Seramik America INC. trade named companies. With regard to the total amount of widespread and continuous transactions to be realized with the aforementioned companies within one accounting period, the following matters were forecasted and disclosed to the public as indicated in our annual financial statements as follows;

a) Total of sales to cost ratio occurred according to the final annual financial statements that were disclosed to the public during the purchase transactions of our Company, and plus,

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

In the said Forecasting Report it was examined that whether or not the sales realized by our Company in year 2020 to Ege Seramik İç Ve Dış Ticaret A.S. and Ege Seramik America INC. trade named companies were reasonable or not when compared with the prices and profit sharing ratios that were applicable to the unrelated third parties. Accordingly, within this scope, we hereby confirm that the conditions and profit sharing ratios applicable for the transactions realized with the related parties were fair and reasonable within fair market conditions.

19. Proposal for The Distribution Of 2020 Profit

A Net Distributable Period Profit TRY 84.054.390,33 occurs in our legal records subsequent to allocation of TRY 403.860,80 as general legal reserve fund from Profit After Tax of TRY 84.458.251,13 as in our financial statements arranged as of 31.12.2020 pursuant to provisions of Procedural Code of Taxation.

A Net Distributable Period Profit With Donations Added of TRY 95.965.585,20, since there is no donation in 2020, occurs in our legal records subsequent to allocation of TRY 403.860,80 as general legal reserve fund from Profit After Tax of TRY 96.369.446,00 as in our financial statements arranged pursuant to CMB. To distribute this profit as below,

- a) No dividend from net distributable term's profit shall be provided to the members of Board of Directors,
- b) To pay TRY 19.193.117,04 to the Shareholders as the first dividend,
- c) To distribute TRY 9.980.420,86 to the privileged shareholders as dividend,
- d) To pay TRY 47.580.453,30 to the Shareholders as the second dividend,
- e) The remaining amount subsequent to deduction of TRY 7.300.399,12 as general legal reserve, in the financial statement arranged pursuant to Procedural Code of Taxation; shall be entered in our legal records as extraordinary reserves,
- f) To make the payments to the beneficiaries on 07 June 2021,

the foregoing items have resolved unanimously to submit for the approval of shareholders in the General Assembly.

Statement of Profit Distribution is as follows.

EGE SERAMİK SANAYİ VE TİCARET A.Ş. Year 2019 Profit Distribution Statement (TRY)			
1. Paid-in/Issued Capital		75.000.000,00	
2. Total General Legal 1st Reserve Fund (by legal records)		14.596.139,20	
Information on any privilege in profit distribution pursuant to the articles of incorporation, if there is any such privilege		Out of the portion remaining upon the allocation of primary dividend, - 8% to holders of Group A stocks - 5% to the holders of Group B stocks	
		As per CMB	As Per Legal Records (LR)
3.	Profit for the Period	99.985,019	92.925.542,13
4.	Payable Taxes (-)	(3.615.573)	(8.467.291,00)
5.	Net Term's Profit (=)	96.369.446,00	84.458.251,13
6.	Losses of Previous Years (-)	0,00	0,00
7.	General Legal Reserve Fund (-)	403.860,80	403.860,80
8.	NET DISTRIBUTABLE TERM'S PROFIT (=)	95.965.585,20	84.054.390,33
9.	Donations made during the year (+)	0,00	
10.	Donation-added net distributable term's profit	95.965.585,20	
11.	Primary/First Dividend to Shareholders (*)	19.193.117,04	
	- Cash	19.193.117,04	
	- Free	0,00	
	- Total	0,00	
12.	Dividend Distributed to Holders of Privileged Stocks	9.980.420,86	
	Holders of Group A Stocks	6.141.797,45	
	Holders of Group B Stocks	3.838.623,41	
13.	Other Distributable Dividend		
	- Members of Board of Directors		
	- Employees	0,00	
	- Dividends to other persons other than shareholders		
14.	Dividend Distributed to Dividend Stocks	0,00	
15.	Secondary Dividend to Shareholders	47.580.453,30	
16.	General Legal Reserve Fund (-)	7.300.399,12	
17.	Statutory Reserves	-	-
18.	Special Reserves	-	-
19.	EXTRAORDINARY RESERVE FUND	11.911.194,88	0,00
20.	Other Resources Prescribed to Distribute		
	- Previous Years' Profits		
	- Extraordinary Reserves		
	Other Distributable Reserves		

DIVIDEND RATES CHART

INFORMATION OF DIVIDEND PER SHARE

	GROUP	TOTAL DISTRIBUTED DIVIDEND		TOTAL DISTRIBUTED DIVIDEND / NET DISTRIBUTABLE TERM'S PROFIT	DIVIDEND FALLING UPON A SHARE WITH A FACE VALUE OF TRY 1,-	
		CASH (TRY)	FREE (TRY)		AMOUNT (TRY)	RATE (%)
GROSS	A	6.141.797,45			511.816,45	51.181.645,44
	B	3.838.623,41			213.256,86	21.325.685,60
	A+B+C	66.773.570,34			0,8903	89,0314
	TOTAL	76.753.991,20				
NET	A	5.220.527,83			435.043,99	43.504.398,62
	B	3.262.829,90			181.268,33	18.126.832,76
	A+B+C	56.757.534,79			0,75677	75,68
	TOTAL	65.240.892,52				

AMOUNT OF DIVIDEND DISTRIBUTED TO SHAREHOLDERS (TRY)

RATIO OF DIVIDEND DISTRIBUTED TO SHAREHOLDERS TO DONATION-ADDED NET DISTRIBUTABLE TERM'S NET PROFIT (%)

66.773.570,34

69,58%

20. Independent Audit Report

Ege Seramik Sanayi ve Ticaret A.Ş.
Financial Statements and Independent Audit Report As Of January 01, 2020 and December 31,
2020

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

A. Independent Auditor's Report for Financial Statements

1) Opinion

We have audited the financial statements of Ege Seramik Sanayi ve Ticaret Anonim Şirketi (the Company), which comprise the statement of financial position as of December 31, 2020 and the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards.

2) Basis for Opinion

We conducted our audit in accordance with Turkey Accounting Standards which is issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities

under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Turkish Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Issues

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

Key audit issues	How subject handled in audit
<p>Recognition of Revenue</p> <p>The main activity of the company is to carry out domestic and international sales activities with weighted floor and wall bandage production. Revenue is the most important indicator of the company's performance appraisal. Revenue is a significant issue for our audit as it is the most important financial statement in terms of the income statement for the accounting period ending on December 31, 2020, because of this reason this is an important issue for our audit.</p> <p>Explanations on the Company's accounting policies and revenue amounts are given in Notes 3,6 and 31.</p>	<p>During our audit, the following audit procedures related to the recording of the financial statements of the revenue have been applied:</p> <ul style="list-style-type: none"> -Understanding sales processes and evaluating the design and operation of controls related to these processes, -Assessment of the appropriateness of the accounting policy of the company for the accounting of revenue., -Performing analytical procedures to determine whether the revenue recorded in the financial statements is at the expected levels, -Performing tests by sampling method on the correctness of customer bills and matching these bills with dispatches and revenues from customers. -Review the sales contracts the company has made with customers and assess the timing of receipt of financial statements for different delivery methods, -Testing the completeness of the revenues by matching the accounting records and related bills from the selections made by sampling from the shipment documents. -Making sales reconciliation with selected customers.

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

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

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

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

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

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

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

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

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

independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Reports on Independent Auditor's Responsibilities Arising From Other Regulatory Requirements

Prepared in accordance with the paragraph 4 of article numbered as 398 of 6102 numbered Turkish Commercial Code ("TCC"), Auditor's Report on Early Risk Detection System and Committee is presented to Board of Directors on February 26, 2021.

According to paragraph four of article numbered as 402 of TCC (6102) at the accounting period of the Company as of January 1 - December 31, 2020, there is not any important matter encountered regarding the system of book keeping and financial statements.

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

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

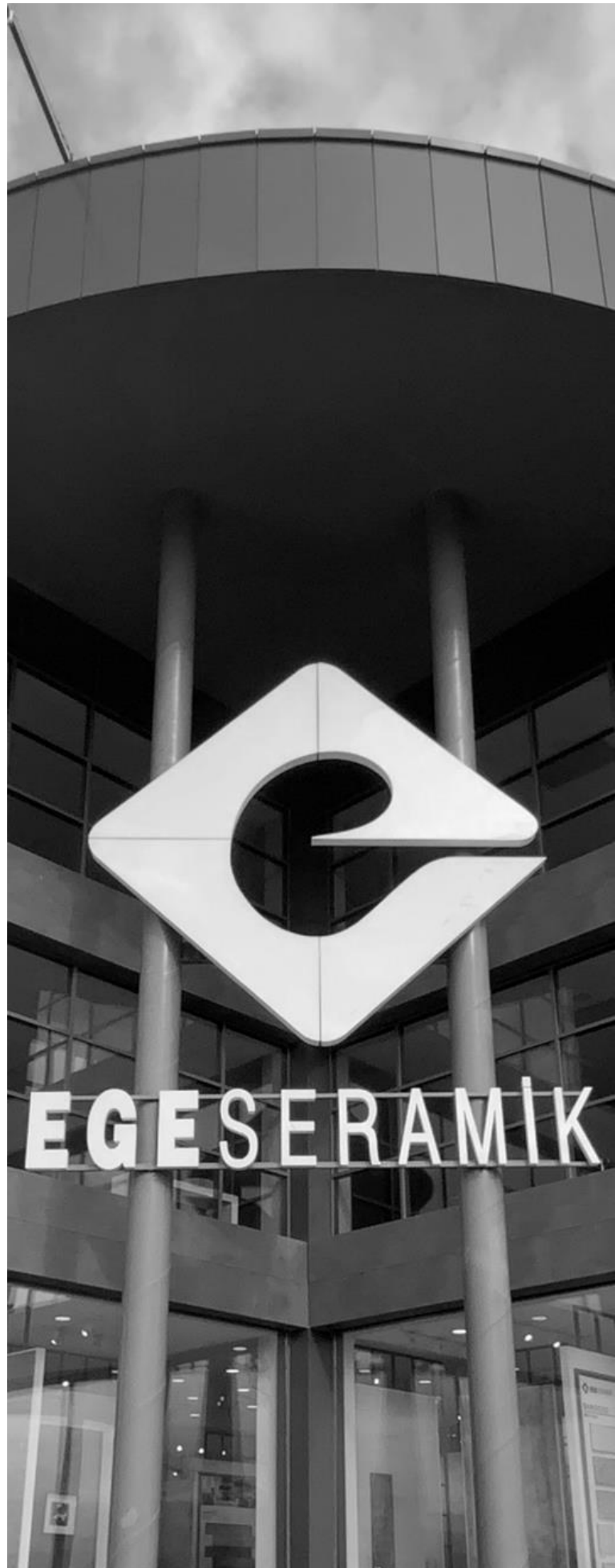
As Bağımsız Denetim ve YMM A.Ş.

(Member of NEXIA INTERNATIONAL)

Osman Tuğrul ÖZSÜT

Engaged Auditor

İstanbul, February 26, 2021



21. Financial Statements and Footnotes

ASSETS	Notes	Current Period	Previous
		Audited December 31, 2020	Period Audited December 31, 2019
Current Assets			
Cash and cash equivalents	53	101.901.310	17.925.355
Trade receivables	7	185.254.436	127.417.362
<i>Trade receivables from related parties</i>	6	126.132.537	80.077.447
<i>Trade receivable from third parties</i>	7	59.121.899	47.339.915
Other receivables	9	22.646.223	9.848.446
<i>Other receivables from related parties</i>	6	-	-
<i>Other receivables from third parties</i>	9	22.646.223	9.848.446
Inventories	10	128.772.200	123.745.864
Prepaid expenses	12	6.001.373	4.684.361
Other current assets	28	2.612.379	12.509.774
TOTAL CURRENT ASSETS		447.187.921	296.131.162
NON-CURRENT ASSETS			
Financial investments	4	16.000	16.000
Other receivables	9	310.652	397.072
<i>Other receivables from related parties</i>	6	-	-
<i>Other receivables from third parties</i>	9	310.652	397.072
Tangible fixes assets	14	172.055.645	145.568.787
Intangible fixed assets	17	7.756.956	6.773.089
<i>Other intangible fixed assets</i>	17	7.756.956	6.773.089
Prepaid expenses	12	126.616	55.125
Deferred tax assets	40	39.225.461	35.535.944
TOTAL NON-CURRENT ASSETS		219.491.330	188.346.017
TOTAL ASSETS		666.679.251	484.477.179

The financial statements for the period ending on 31.12.2020 have been approved by the Resolution of the Board of Directors dated 26.02.2021 and numbered 2021/04.

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

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2020
STATEMENT OF FINANCIAL POSITION
(Currency -TRY, unless otherwise indicated)

		Current Period Audited	Previous Period Audited
LIABILITIES	Notes	December 31, 2020	December 31, 2019
Short term liabilities			
Short term financial liabilities	47	19.971.354	16.050.850
Other financial liabilities	47	2.731.111	850.138
Trade payables	7	157.386.961	84.066.795
<i>Trade payables to related parties</i>	6	72.471	-
<i>Trade payables to third parties</i>	7	157.314.490	84.066.795
Employee benefit obligations	27	8.437.727	7.596.547
Other payables	9	1.862.089	1.613.018
<i>Other payables to related parties</i>	6	236	225
<i>Other payables to third parties</i>	9	1.861.853	1.612.793
Deferred income (Excluding Obligations Arising from Customer Contracts)	12	4.450.080	5.355.564
Provisions for corporate taxes	25	-	-
Short term provisions	25-27	5.396.362	4.058.202
<i>Short-term provisions related to Employee Benefits</i>	27	1.149.592	1.009.707
<i>Other short-term provisions</i>	25	4.246.770	3.048.495
Other short-term liabilities	28	1.098.012	596.948
TOTAL SHORT-TERM LIABILITIES		201.333.698	120.188.062
LONG TERM LIABILITIES			
Other financial liabilities	47	2.398.821	2.637.895
Deferred income (Excluding Obligations Arising from Customer Contracts)	12	-	215.904
Current Period Tax Liabilities	25	-	-
Long term provisions	27	42.803.206	34.234.197
<i>Long-term provisions related to Employee Benefits</i>	27	42.803.206	34.234.197
TOTAL LONG-TERM LIABILITIES		45.202.027	37.087.996
EQUITY			
Equity of main company		420.143.528	327.201.121
Paid-in share capital	29	75.000.000	75.000.000
Differences of capital adjustment	29	24.778.008	24.778.008
Premiums and discounts for shares	29	35.838.595	35.838.595
Reclassification to Profit or Loss Accumulated Other Comprehensive Income or Expenses	29	12.446.156	9.826.651
<i>Defined Benefit Plans Recalculation Gains (Losses)</i>	29	12.446.156	9.826.651
Restricted Reserves from Profit	29	26.441.082	25.649.348
Retained Earnings/Losses	29	149.270.240	131.362.453
Net Profit / (Loss) for the Period	41	96.369.447	24.746.066
TOTAL EQUITY		420.143.528	327.201.121
TOTAL LIABILITIES		666.679.251	484.477.179

The financial statements for the period ending on 31.12.2020 have been approved by the Resolution of the Board of Directors dated 26.02.2021 and numbered 2021/04.

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2020
COMPREHENSIVE INCOME STATEMENT
(Currency –TRY, unless otherwise indicated)

		Current Period Audited	Previous Period Audited
		01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
PROFIT AND LOSS	Notes		
Sales, net	31	624.212.049	403.274.497
Cost of sales (-)	31	(421.094.021)	(308.396.394)
Gross profit from trading activities		203.118.028	94.878.103
Gross Profit / (Loss)		203.118.028	94.878.103
General administration expenses (-)	33	(43.675.493)	(42.557.612)
Marketing expenses (-)	33	(36.534.805)	(30.915.723)
Research and development expenses (-)	33	(4.611.223)	(3.963.839)
Other operational income	34	55.202.420	30.336.373
Other operational expenses (-)	34	(65.538.290)	(31.568.799)
Operational income / (loss)		107.960.637	16.208.503
Income from investment activities	35	1.352.107	262.146
Expenses from investment activities (-)	35	(1.231.432)	(584.240)
Operational income / (loss) before financial income / (expenses)		108.081.312	15.886.409
Financial income	37	25.060.052	10.298.224
Financial expenses (-)	37	(33.156.344)	(8.745.502)
Profit / (Loss) from continuing operations		99.985.020	17.439.131
Continuing operations tax income / (expenses)		(3.615.573)	7.306.935
Period Tax Expenses / Income	40	(8.043.926)	(904.307)
Deferred Tax Expenses / Income	40	4.428.353	8.211.242
Period profit / (loss) from continuing operations		96.369.447	24.746.066
Current profit / (loss) from discontinued operations			
Profit / (loss) for the Period		96.369.447	24.746.066
DISTRIBUTION OF PROFIT / LOSS OF PERIOD		96.369.447	24.746.066
Minority Interest		-	-
Equity Holders of the Parent		96.369.447	24.746.066
Other comprehensive income / (loss) Not to be reclassified in Profit or Loss			
Recalculated Gains (Losses) of Defined Benefit Plans	38	3.358.340	3.356.970
Recalculated Gains (Losses) of Defined Benefit Plans, Tax Effect	38-40	(738.835)	(738.533)
Other comprehensive income / (loss) (After tax)		2.619.505	2.618.437
Total Comprehensive Income		98.988.952	27.364.503
DISTRIBUTION OF TOTAL COMPREHENSIVE INCOME		98.988.952	27.364.503
Minority Interest		-	-
Equity Holders of the Parent		98.988.952	27.364.503
Earnings Per Share		0,012849	0,003299
Earnings per share from continuing operations	41	0,012849	0,003299

The financial statements for the period ending on 31.12.2020 have been approved by the Resolution of the Board of Directors dated 26.02.2021 and numbered 2021/04.

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

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
 FOR THE YEAR ENDED DECEMBER 31, 2020
 STATEMENT OF CHANGES IN EQUITY
 (Currency –TRY, unless otherwise indicated)

						Not to be Reclassified to Accumulated Other Comprehensive Income / Expense in Profit / (Loss)	Accumulated Profits			
		Paid-in Share Capital	Differences of Capital Adjustment	Share Premiums / (Discounts)	Restricted Reserves	Recalculated Gains (Losses) of Defined Benefit Plans	Minority Interest	Profit / Loss of Previous Year	Net Profit or Loss for the Period	Total Equity
Balances as of January 01, 2019	Notes	75.000.000	24.778.008	35.838.595	20.413.482	7.208.214	-	107.302.638	60.354.281	330.895.218
Corrections on Compulsory Changes in Accounting Policies		-	-	-	-	-	-	(58.599)	-	(58.599)
Total comprehensive income / (loss)	29	-	-	-	-	2.618.437	-	-	24.746.066	27.364.503
Other comprehensive income / (loss)	29	-	-	-	-	2.618.437	-	-	-	2.618.437
Net income / (loss) for the period		-	-	-	-	-	-	-	24.746.066	24.746.066
Dividend	29	-	-	-	-	-	-	(31.000.000)	-	(31.000.000)
Transfer	29	-	-	-	5.235.866	-	-	55.118.415	(60.354.281)	-
Balances as of December 31, 2019		75.000.000	24.778.008	35.838.595	25.649.348	9.826.651	-	131.362.453	24.746.066	327.201.121
Balances as of January 01, 2020	Notes	75.000.000	24.778.008	35.838.595	25.649.348	9.826.651	-	131.362.453	24.746.066	327.201.121
Corrections on Compulsory Changes in Accounting Policies		-	-	-	-	-	-	-	-	-
Total comprehensive income / (loss)	29	-	-	-	-	2.619.505	-	-	96.369.447	98.988.952
Other comprehensive income / (loss)	29	-	-	-	-	2.619.505	-	-	-	2.619.505
Net income / (loss) for the period		-	-	-	-	-	-	-	96.369.447	96.369.447
Dividend	29	-	-	-	-	-	-	(6.046.545)	-	(6.046.545)
Transfer	29	-	-	-	791.734	-	-	23.954.332	(24.746.066)	-
Balances as of December 31, 2020		75.000.000	24.778.008	35.838.595	26.441.082	12.446.156	-	149.270.240	96.369.447	420.143.528

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

EGE SERAMİK SANAYİ VE TİCARET A.Ş.
 FOR THE YEAR ENDED DECEMBER 31, 2020
 CASH FLOW STATEMENT
 (Currency –TRY, unless otherwise indicated)

		Current Period Audited	Previous Period Audited
	Notes	December 31, 2020	December 31, 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES		135.483.231	18.436.564
Profit/Loss for The Period		96.369.447	24.746.066
Adjustments to Reconcile Net Profit/Loss for The Period		31.800.143	16.655.983
Adjustments Related with Amortization and Depreciation	14-17-36	20.449.827	16.834.655
Adjustments Related to Impairment / Reversal		(7.720)	5.448
Provision for Inventory Impairment	10	(7.720)	5.448
Adjustments Related to Provisions		9.277.209	6.794.874
Adjustments Related to Provision for Employee Benefits	25-27	8.708.895	6.325.804
- Provision for Termination Indemnity	27	8.569.009	6.069.589
- Provision for Unused Vacation	27	139.885	256.215
- Provision for Fuel Aid	25	-	-
Adjustments Related to Other Provisions	7-10-31-40	(628.186)	463.162
- Provision for Tax	40	-	-
- Maturity Differences in Sales	30	(703.730)	2.799.766
- Maturity Differences in Purchases	10	78.198	(1.419.815)
- Rediscount for Notes Payable	7	(2.491.258)	518.960
- Rediscount for Notes Receivable	7	1.070.097	(1.363.277)
- Provisions for Other Expenses		810.826	-
- Provision for Expected Credit Loss	7	607.681	(72.471)
Adjustments Regarding Lawsuits and / or Penalty Provisions	25	695.795	(9.494)
Adjustments for Free Provisions (Cancellation) for Potential Risks	7	(1.776)	(27.283)
Adjustments Related to Provision for Guarantees	25	502.481	42.685
Adjustments Related to Interest Income / (Loss)		449.356	567.440
Adjustments Related to Interest Income	28	(281.143)	(29.508)
Adjustments Related to Interest Expense	28	730.499	596.948
Adjustments Related to Tax (Income) Expense	40	3.615.573	(7.306.935)
Adjustments Related to Losses (Gains) Arising from the Disposal of Fixed Assets		(515.628)	(239.499)
Adjustments Related to Losses (Gains) Arising from the Disposal of Fixed Assets	35	(515.628)	(239.499)
Other Adjustments Related to Profit / Loss Reconciliation		(1.468.475)	-
Minority Interests	30	-	-
Changes in Business Capital		7.313.641	(22.965.485)
Adjustments of Inventory Increases/Decreases	10	(700.917)	(20.753.458)
Adjustments Related to Trade Receivables Decreases/(Increases)	7	(58.905.396)	(16.749.003)
Decreases/(Increases) of Trade Receivables from Related Parties	6	(46.370.539)	(32.601.807)
Decreases/(Increases) of Trade Receivables from Third Parties	7	(12.534.857)	15.852.804
Adjustments Related to Increase (Decrease) in Other Receivables Related to Operations	9	(12.711.357)	(3.235.787)
Decrease (Increase) in Other Receivables from Related Parties Related to Operations	6	(6.615)	-
Decrease (Increase) in Other Receivables from Third Parties Related to Operations	9	(12.704.742)	(3.235.787)
Adjustments Related to Increase (Decrease) in Trade Payables	7	75.811.424	25.169.502
Increase (Decrease) in Trade Payables to Related Parties	6	72.471	-
Increase (Decrease) in Trade Payables to Third Parties	7	75.738.953	25.169.502
Adjustments Related to Change in Other Payables Related to Operations	9	249.071	39.070
Changes in Other Payables to Related Parties Related to Operations	6	11	(97)
Changes in Other Payables to Third Parties Related to Operations	9	249.060	39.167
Decrease (Increase) in Prepaid Expenses	12	(2.727.357)	(2.075.158)
Increase (Decrease) in Liabilities Related to Employee Benefits	27-29	3.460.685	6.515.456
-Changes in Liabilities Related to Employee Benefits	27	841.180	3.158.486
-Actuarial Loss / Gain	30	2.619.505	3.356.970
Provisions Related to Employee Benefits	27	-	-
Increase (Decrease) in Deferred Income (Excluding Liabilities Arising From Customer Contracts)	12	(248.894)	(4.186.125)
Adjustments Related to Other Increase (Decrease) in Working Capital		3.086.381	(7.689.981)
Decrease (Increase) in Other Assets Related to Operations	28	7.011.616	(1.406.370)
Increase (Decrease) in Other Liabilities Related to Operations	25-28	(3.925.234)	(6.283.611)
-Changes in Debt Provisions	25	1.198.275	1
-Changes in Other Liabilities	28	(1.507.936)	(5.379.305)
-Period Profit Tax and Liability	25-40	(3.615.573)	(904.307)
Cash Flows From Operating Activities		135.483.231	18.436.564
B. CASH FLOWS FROM INVESTING ACTIVITIES		(50.295.515)	(15.999.527)
Cash Outflows from Purchase of Tangible and Intangible Fixed Assets		(52.764.860)	(16.606.245)
Cash Outflows from Purchase of Tangible Fixed Assets	14	(48.885.396)	(15.389.013)
Cash Outflows from Purchase of Intangible Fixed Assets	17	(3.879.464)	(1.217.231)
Cash Inflows from the Sale of Tangible and Intangible Fixed Assets		2.469.345	606.717
Cash Inflows from the Sale of Tangible Fixed Assets	14	2.469.345	606.717
Cash Inflows from the Sale of Intangible Assets		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES		(1.211.761)	(27.190.962)
Dividend Payments	29	(6.046.545)	(31.000.000)
Cash Inflows from Borrowings	47	3.979.072	4.442.616
Cash Inflows due to Loans	47	3.979.072	4.442.616
Cash Outflows Related to Debt Payments	47	-	-
Cash Outflows from Debt Payments Arising from Lease Agreements	47	855.712	(633.578)
NET INCREASES/DECREASES IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF THE FOREIGN CURRENCY CONVERSION DIFFERENCES		83.975.955	(24.753.925)
D. THE EFFECT OF FOREIGN CURRENCY CONVERSION DIFFERENCES ON CASH AND CASH EQUIVALENTS		-	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		83.975.955	(24.753.925)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD		17.925.355	42.679.280
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		101.901.310	17.925.355

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

1. ORGANIZATION AND THE CORE BUSINESS OF THE COMPANY

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

Company is registered at Capital Market Board (CMB) and its shares effect transactions in Borsa İstanbul A.Ş (BİST) since 1993. As of December 31, 2020 it has 33,26% of its shares registered in BİST. As of January 01, 2009 the Company makes sales and distribution of its products in domestic market itself and the Company actualizes prominent part of sales and distribution of its products in abroad through its group companies which are Ege Seramik İç ve Dış Ticaret A.Ş. and Ege Seramik America INC.

As of December 31, 2020, and December 31, 2019, share capital and ownership structure is as follows:

Shareholders	December 31, 2020		December 31, 2019	
	Share Amount	Share Rate	Share Amount	Share Rate
İbrahim Polat Holding A.Ş.	45.686.918,95	60,92%	45.686.918,95	60,92%
İbrahim Polat	2.909.875,53	3,88%	2.909.875,53	3,88%
Adnan Polat	666.087,84	0,89%	666.087,84	0,89%
Murat Polat	779.877,41	1,04%	779.877,41	1,04%
Other	24.957.240,27	33,27%	24.957.240,27	33,27%
	75.000.000,00	100%	75.000.000,00	100%

As of December 31, 2020, in Company's structure there are 168 white-collar personnel employed (December 31, 2019: 180), 888 blue-collar personnel employed (December 31, 2019: 784) and 1.056 personnel employed in total (December 31, 2019: 964)

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

Kemalpaşa O.S.B. Mahallesi Ansızca Sanayi Sitesi Sokak No:297/1 P.K.:35730 Kemalpaşa -İZMİR

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

a. Basis of Presentation

Accounting Standards

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

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

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

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

Functional and Presentation Currency

The "Cents" are shown by rounding in the presentation of the financial statements and the Company's financial statements are presented in Turkish Lira ("TRY"). As of December 31, 2020, exchange rates released by the Central Bank of the Republic of Turkey are, 1 US Dollar = TRY 7,3405 (31.12.2019: TRY 5,9406), 1 EURO = TRY 9,0079 (31.12.2019: TRY 6,6506), 1 GBP = TRY 9,9438 (31.12.2019: TRY 7,7765).

Correction of financial statements during high inflation periods

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

Basis of Consolidation

The Company does not have a subsidiary subject to consolidation.

Comparative information and rectification of previous term financial statements

Company has prepared the statement of financial position as of December 31, 2020 comparatively to the statement of financial position as of December 31, 2019; comprehensive income statement, cash flow statement for the period between January 1 – December 31, 2020 comparatively to comprehensive income statement and cash flow statement for the period between January 1 - December 31, 2019; changes in equity for the period between January 1 - December 31, 2020 comparatively changes in equity for the period between January 1 – December 31, 2019.

a. Changes in accounting policies

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

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

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

b. Changes in Accounting Estimates and Errors

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

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

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

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

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

c. Going Concern

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

d. Offsetting

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

e. Comparative information and rectification of previous term financial statements

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

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

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

TAS Amendments and interpretations in the standards

TAS - TFRS Amendments

New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2020 are consistent with those of the previous financial year. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2020 are as follows:

TAS Amendments

Standards, amendments and interpretations applicable as at 31 December 2020: Amendments to TAS 1 and TAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRS:

- use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the experts in TAS 1 about immaterial information.

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

TFRS Amendments

Amendments to TFRS 3

Definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

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

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

Amendments to TFRS 9 and TFRS 7

Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

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

Amendment to TFRS 16

(Covid-19 related rent concessions) Effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to TFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. Effective date of amendment will be expected as March 2021.

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

Standards issued but not yet effective and not early adopted as of 31 December 2020:

Amendments to TAS 1, 'Presentation of financial statements' on classification of liabilities; effective from 1 January 2022. These narrow-scope amendments to TAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what TAS 1 means when it refers to the 'settlement' of a liability.

A number of limited-scope amendments to TAS 16, TFRS 3, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16; effective from Annual periods beginning on or after 1 January 2022.

Amendments to TAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

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

Amendments to TFRS 3, 'Business combinations' update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to TAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

The impacts of the new standards, amendments and improvements on the financial position and performance of the Company will be assessed.

The Company does not expect a significant impact on its financial condition and performance in general.

Amendments to TFRS 9, TAS 39 and TFRS 7, Benchmark Interest Rate Reform

Valid for yearly reporting periods as of 1 January 2020, several facilitating applications are put into practice in four main subjects regarding "benchmark interest rate reform" in TFRS 9 and TAS 39. These practices which are related to hedge accounting, can be summarized as follows:

- Rule concerning the realization of the transaction having a high possibility
- Forward looking assessment
- Backward looking assessment
- Separately identifiable risk components

Exemptions that are put into practice regarding the changes in TFRS 9 and TAS 39, are meant to be explained in financial statements in accordance with TFRS 7.

The company does not expect a significant impact on its financial condition and performance in general.

Improvements – 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

- TAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises.
- TAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

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

- TFRS 3 Business Combinations and TFRS 11 Joint Arrangements – The amendments to TFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

The amendments are effective from annual periods beginning on or after 1 January 2019.

These amendments did not have a significant impact on the financial position or performance of the Company.

Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs.

These amendments are applied for annual periods beginning on or after 1 January 2019.

The amendments did not have a significant impact on the financial position or performance of the Company.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying TFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

These amendments are applied for annual periods beginning on or after 1 January 2019.

The amendments did not have a significant impact on the financial position or performance of the Company.

f. Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

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

Trade Receivables

Trade receivables that are originated from the Company are carried at amortized cost using the effective interest method. Short-term trade receivables with no specific interest rate are measured at invoice amount unless the effect of imputing interest is significant. (Note:7)

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

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

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

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

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

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

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

Related Parties

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

- a) If the party directly or indirectly with one or more agent:
 - i) Controls the enterprise, controlled by enterprise or is present under the same control with the enterprise (including parent companies, subsidiaries and subsidiaries at the same line of business);
 - ii) Has share which allows it to have big impact on the Company; or
 - iii) Has common control on the Company;
- b) If the party is an affiliate of the Company;
- c) If the party is an joint venture where the Company is party;
- d) If the party is a member of the key personnel in the Company or Company's main partnership;
- e) If the party is a close family member of any person mentioned in the a or d parts;
- f) Parties; (b) an entity in which it is controlled, jointly controlled, or under significant influence, or any person referred to in (d) or e) has a direct or indirect significant voting right or
- g) Employees of the entity, business, or entity associated with the business must have the benefit plans provided after dismissal.

Financial Instruments

Financial Assets

Classification and Measurement

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

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

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

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

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

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

Loans and Receivables

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

Financial Liabilities

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

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

a) Financial Liabilities at Fair Value Through Profit and Loss

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

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

b) Other Financial Liabilities

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

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or where appropriate, a shorter period.

Inventories

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

Tangible Assets

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

Tangible Fixed Assets

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

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

If book value of an asset is higher than the recovered value of this asset, book value of this asset can be discount to its recovered value. Recovered value of an asset is higher than net sales price or value at use. Net sales price can calculate after deduction of all cost to sell from its fair value. Value at use will determine after addition of discounted amounts at the date of statement of financial position to estimated cash flows in future in condition of continuing to use the related asset.

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

Maintenance or repair cost of tangible asset can be recorded as expense under normal conditions. However, in exceptional cases if maintenance and repair are resulted with improvement in tangible assets, the cost in question can be recorded as asset and it will be counted in amortization of related asset with remaining useful life (Note: 14)

Intangible Assets

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

Intangible Fixed Assets

Softwares	3 years
Other Intangible Fixed Assets	3-5 years

Leasing Transactions

Operational Leasing Transactions

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

Investment Properties

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

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

Borrowing Costs

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

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

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

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

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

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

Provisions, Contingent Liabilities and Assets

Provisions

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

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

Contingent Liabilities and Assets

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

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

Employee Benefits

a) Defined Benefit Plan

Provisions for severance benefit reflect upon to actuarial work according to TAS 19 "Employee Benefit". Liability of severance benefit means value of estimated total provisions for possible liabilities which will occur in future cause of ending the agreement between Company and its personnel for defined reasons according to Turkish Labor Law or retirement of personnel according to related law as of statement of financial position date.

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

b) Defined Contribution Proportions

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

Revenue

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

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

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

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

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

Sales of Goods and Services

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

Interest Revenue

Interest revenues are recorded as income on accrual basis.

Effects of exchange rate differences

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

Tax Calculated on Corporation Earnings

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

The corporation tax rate in Turkey on the profits for the calendar year 2018, 2019 and 2020 is 22% (2017: 20%). This rate can be applied to tax base which 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.

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

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 %. Adding profit to capital cannot be count as distribution of dividend and applied for withholding tax.

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

Earnings per Share

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

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

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

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

Subsequent Events

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

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

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

Statement of Cash Flow

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

c. Important Accounting Evaluation, Estimation and Assumptions

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

Deferred Tax Assets

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

Determination of Fair Value

Various accounting policies and explanations of the Company require the determination of the fair value of both financial and non-financial assets and liabilities. If applicable, additional information about the assumptions used in determining fair values is presented in footnotes specific to the asset or liability.

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

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

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

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

3. BUSINESS COMBINATIONS

None. (December 31, 2019: none)

4. SHARES IN OTHER ENTITIES

Financial Investments

Financial assets in unquoted equity shares and ratios as stated cost and available-for-sale in December 31, 2020 and December 31, 2019 as follows:

	December 31, 2020		December 31, 2019	
	TRY	%	TRY	%
Ceramics Research Center	16.000	8,00	4.000	8,00
TOTAL	16.000		4.000	

5. SEGMENT REPORTING

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

6. RELATED PARTY DISCLOSURES

As of December 31, 2020 and December 31, 2019 balances to related party disclosures:

a) Due from related parties:

- Trade receivables from affiliates:

	December 31, 2020	December 31, 2019
Ege Seramik America INC.	105.312.876	55.357.611
Egeseramik İç ve Dış Ticaret A.Ş.	20.906.485	23.614.581
Piyalepaşa Gayrimenkul Gel. Yat. ve Tic. A.Ş.	228.625	630.484
Polat İnşaat Sanayi ve Ticaret A.Ş.	-	783.444
Polat Kentsel Gayrimenkul Geliştirme A.Ş.	-	9.329
TOTAL	126.447.986	80.395.449
Deduction: Unaccrued Interest Expense	(315.449)	(318.002)
TOTAL	126.132.537	80.077.447

The Company has been making its domestic sales and distribution of goods itself, important part of foreign abroad sales and distribution has been made through Egeseramik İç ve Dış Ticaret A.Ş. and Ege Seramik America INC. The respective receivables of both group companies are insured by Euler Hermes and Eximbank.

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

6. RELATED PARTY DISCLOSURES (Cont'd)

- **Other receivables from related parties:**

None. (31.12.2019: None.)

b) Due to related parties:

- **Trade payables to related parties**

	December 31, 2020	December 31, 2019
Polat Maden San. Tic. A.Ş.	79.086	-
TOTAL	79.086	-
Tenzil: Tahakkuk etmemiş finansman gelirleri	(6.615)	-
TOTAL	72.471	-

- **Other payables to related parties:**

	December 31, 2020	December 31, 2019
Dividends to be paid	236	225
TOTAL	236	225

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

a) Product Sales to Related Parties:

	01 January -31 December 2020	01 January-31 December 2019
Ege Seramik America INC.	297.235.713	136.507.405
Egeseramik İç ve Dış Ticaret A.Ş.	118.455.068	91.130.151
Piyalepaşa Gayrimenkul Gel. Yat. ve Tic. A.Ş.	1.480.069	876.447
Polat İnşaat Sanayi ve Ticaret A.Ş.	207.332	1.219.813
Ege Vitrifiye Sağlık Gereçleri San. Tic. A.Ş.	144.580	266.112
Polat Maden San.Tic.A.Ş.	5.166	9.188
Polat Turizm Otel San. ve Tic. AŞ.	12	25.499
Polat Kentsel Gayrimenkul Geliştirme A.Ş.	-	7.906
TOTAL	417.527.941	230.042.522

b) Raw material sales to related parties:

None. (31.12.2019: None.)

6. RELATED PARTY DISCLOSURES (Cont'd)

c) Service sales to related parties:

	01 January - 31 December 2020	01 January - 31 December 2019
Ege Seramik America INC.	2.191.673	129.821
Ege Vitrifiye Sağlık Gereçleri San. Tic. A.Ş.	73.180	53.148
Piyalepaşa Gayrimenkul Gel. Yat. ve Tic. A.Ş.	67.016	40.178
İbrahim Polat Holding A.Ş.	25.847	-
Egeseramik İç ve Dış Ticaret A.Ş.	1.349	11.609
Polat İnşaat Sanayi ve Ticaret A.Ş.	-	2.749
Polat Turizm Otel San. ve Tic. A.Ş.	-	364
TOTAL	2.359.065	237.869

ç) Fixed asset sales to related parties:

None. (31.12.2019: None.)

d) Raw material and goods purchases from related parties:

	01 January - 31 December 2020	01 January - 31 December 2019
Polat Maden San. Tic. A.Ş.	13.628.038	10.136.885
Ege Vitrifiye Sağlık Gereçleri San. Tic. A.Ş.	18.345	32.302
TOTAL	13.646.383	10.169.187

e) Service purchases from related parties:

	01 January - 31 December 2020	01 January - 31 December 2019
İbrahim Polat Holding A.Ş.	1.562.654	1.324.273
Polat Turizm Otelcilik A.Ş.	19.403	108.661
Polat Maden San.ve Tic. A.Ş.	515	-
Ege Seramik Amerika INC.	-	15.451
TOTAL	1.582.572	1.448.385

f) Fixed asset purchases from related parties

	01 January - 31 December 2020	01 January - 31 December 2019
Ege Vitrifiye Sağlık Gereçleri San. Tic. A.Ş.	253.500	-
TOTAL	253.500	-

g) Financial income from related party transactions:

None. (31.12.2019: None.)

h) Financial expenses related to transactions with related parties

None. (31.12.2019: None.)

6. RELATED PARTY DISCLOSURES (Cont'd)

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

	01 January - 31 December 2020	01 January - 31 December 2019
Egeseramik İç ve Dış Ticaret A.Ş.	715.557	547.265
Ege Seramik Amerika INC.	201.984	1.007.445
Polat Maden San. ve Tic. A.Ş.	1.167	-
TOTAL	918,708	1.554.710

i) Leasings from related parties:

	01 January - 31 December 2020	01 January - 31 December 2019
İbrahim Polat Holding A.Ş.	1.080.000	810.000
TOTAL	1.080.000	810.000

The senior management remuneration and other benefits for twelve-month period of 2020 are as follows:

- Short term employee benefits:** The senior management remuneration and other benefits totally TRY 4.524.151 (December 31, 2019: TRY 4.363.374) in twelve months period of 2020.
- Postemployment:** Severance pay is paid to employees who deserve the rights recognized by law. Other than there is no extra payment.
- Other long-term benefits:** None.
- Severance:** None.
- Share-based payments:** None.

7. TRADE RECEIVABLE AND PAYABLES

Trade Receivables

	December 31, 2020	December 31, 2019
Customer Current Accounts	175.428.908	114.238.332
-Receivables from Related Parties (Note:6)	126.447.986	80.395.449
-Other Receivables	48.980.922	33.842.883
Notes Receivables	11.665.272	13.950.453
-Other notes receivables	11.665.272	13.950.453
Doubtful Receivables	2.325.197	2.325.197
Provision of Doubtful Receivables (-)	(1.607.876)	(1.609.651)
TOTAL	187.811.501	128.904.331
Deduction: Unaccrued interest expense	(2.557.066)	(1.486.969)
Receivables from related parties (Note:6)	(315.449)	(318.002)
Other Receivables	(2.241.617)	(1.168.967)
TOTAL	185.254.436	127.417.362

As of December 31, 2020, at the amount of 87.433.490 TRY (As of 31.12.2019; 95.519.423 TRY) collateral received for provision of receivable other than related parties is presented in Note 25.

7. TRADE RECEIVABLE AND PAYABLES (Cont'd)

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

	December 31, 2020	December 31, 2019
Not due	174.816.366	106.497.658
Overdue 0-30 days	549.062	7.660.053
Overdue 31-90 days	-	96
Overdue 91-180 days	-	-
Overdue 181-360 days	-	15.270
Overdue more than 360 days	63.480	65.255
TOTAL	175.428.908	114.238.332

As of December 31, 2020, and December 31, 2019 provision for doubtful trade receivables' movement table is given below:

	December 31, 2020	December 31, 2019
Jan 01	1.609.651	1.636.934
Current period of provision for doubtful receivables	-	-
Collected and provisions no longer required	(1.776)	(27.283)
TOTAL	1.607.876	1.609.651

Short Term Trade Payables

	December 31, 2020	December 31, 2019
Trade Payables	160.608.681	84.797.257
-Related Party Trade Payables	79.086	-
- Other Trade Payables	160.529.595	84.797.257
TOTAL	160.608.681	84.797.257
Deduction: Unaccrued interest expense	(3.221.720)	(730.462)
Related party trade payables	(6.615)	-
Other trade payables	(3.215.105)	(730.462)
TOTAL	157.386.961	84.066.795

	December 31, 2020	December 31, 2019
Not due	154.839.025	84.314.692
Overdue 0-30 days	5.689.959	482.145
Overdue 31-90 days	79.698	419
TOTAL	160.608.681	84.797.257

Long Term Trade Payables

None. (31.12.2019: None.)

8. RECEIVABLES AND PAYABLES FROM ACTIVITIES IN FINANCIAL SECTOR

None. (31.12.2019: None.)

9. OTHER RECEIVABLES AND PAYABLES

Short term Other Receivables

	December 31, 2020	December 31, 2019
Receivables from tax office	22.646.223	9.848.446
TOTAL	22.646.223	9.848.446

Other Long-Term Receivables from Non-Related Parties

	December 31, 2020	December 31, 2019
Deposits and guarantees given	310.652	397.072
TOTAL	310.652	397.072

Short Term Other Payables

	December 31, 2020	December 31, 2019
Other payables to related parties	236	225
Taxes and funds payables	1.861.853	1.612.793
TOTAL	1.862.089	1.613.018

10. INVENTORIES

	December 31, 2020	December 31, 2019
Raw material	48.044.742	40.937.473
Semi-finished good -Production	4.714.795	3.450.452
Finished goods	75.739.677	79.143.249
Trade goods	5.691	28.763
Other Inventories	268.430	194.782
TOTAL	128.773.335	123.754.719
<i>Provision of Inventory Impairment (-)</i>	<i>(1.135)</i>	<i>(8.855)</i>
TOTAL	128.772.200	123.745.864

Provisions of inventory impairment during the period are as below:

	December 31, 2020	December 31, 2019
Opening balance	8.855	3.407
Canceled provision due to the increase in net realizable value (-)	(7.720)	-
Provision for current period (+)	-	5.448
TOTAL	1.135	8.855

10. INVENTORIES (Cont'd)

Inventories are valued at the lower of cost or net realizable value according to weighted average cost method. As of December 31, 2020, the company has accounted for TRY 142.842 (31.12.2019: TRY 95.972) of its raw material stock at net realizable value and TRY 47.901.900 (31.12.2019: TRY 40.841.501) of its financial statements at cost. Company's finished goods inventories in the amount of TRY 17.080 (31.12.2019: TRY 88.015) at net realizable value and TRY 75.722.597 (December 31, 2019: TRY 79.055.234) at cost which are reflected its financial statements.

The forward purchases made by the company are discounted according to TAS 2 inventories standard and are TRY 1.205.195. Annual discount rate was applied 10,70% for TRY; 0,38% for EUR and 1,70% for USD, GBP and CHF.

11. LIVE STOCK ASSETS

None. (31.12.2019: None.)

12. PREPAID EXPENSES AND DEFERRED INCOME

Short term prepaid expenses

	December 31, 2020	December 31, 2019
Prepaid expenses for future months	3.310.619	3.021.202
Advances given related to cost	2.690.754	1.663.159
TOTAL	6.001.373	4.684.361

Long term prepaid expenses

	December 31, 2020	December 31, 2019
Prepaid expenses for future years	126.616	55.125
TOTAL	126.616	55.125

Short Term Deferred Incomes

	December 31, 2020	December 31, 2019
Prepaid incomes for future months	2.094.313	2.798.635
Advances received related to revenue	2.355.767	2.556.929
TOTAL	4.450.080	5.355.564

Long Term Deferred Incomes

	December 31, 2020	December 31, 2019
Income for future years	-	215.904
TOTAL	-	215.904

13. INVESTMENT PROPERTIES

None. (31.12.2019: None.)

14. TANGIBLE FIXED ASSETS

	01.01.2020	Additions	Transfers	Disposals	31.12.2020
Land	7.613.821	-	-	97.961	7.515.860
Land Improvements	26.174.720	411.024	210.426	-	26.796.169
Buildings	65.610.506	705.517	1.352.237	71.618	67.596.642
Plant, machinery and equipment	261.457.963	10.716.796	32.637.984	7.681.667	297.131.076
Vehicles and vehicle equipments	2.675.979	418.706	1.181.238	414.708	3.861.215
Furniture and fixtures	13.502.889	1.397.451	227.029	13.515	15.113.854
Special Costs	724.421	-	-	-	724.421
Construction in progress	1.462.219	35.235.905	(35.608.913)	-	1.089.211
TOTAL COSTS	379.222.518	48.885.397	-	8.279.469	419.828.447
Land Improvements	20.330.577	666.841	-	-	20.997.418
Buildings	30.689.367	1.601.681	-	4.655	32.286.393
Plant, machinery and equipment	172.326.121	16.426.006	-	6.074.166	182.677.962
Vehicles and vehicle equipments	1.334.272	311.701	-	234.082	1.411.891
Furnitures and fixtures	8.900.952	1.293.709	-	12.849	10.181.813
Special Costs	72.442	144.884	-	-	217.326
ACCUMULATED DEPRECIATION	233.653.731	20.444.821	-	6.325.751	247.772.802
NET BOOK VALUE	145.568.787	-	-	-	172.055.645

	01.01.2019	Additions	Transfers	Disposals	31.12.2019
Land	7.613.821	-	-	-	7.613.821
Land Improvements	26.047.468	127.252	-	-	26.174.720
Buildings	63.500.551	1.416.361	693.593	-	65.610.506
Plant, machinery and equipment	253.996.094	3.232.026	7.151.183	2.921.340	261.457.963
Vehicles and vehicle equipments	2.676.685	49.925	-	50.630	2.675.979
Furniture and fixtures	12.859.000	716.096	134.171	206.378	13.502.889
Special Costs	361.339	-	724.421	361.339	724.421
Construction in progress	318.235	9.847.352	(8.703.368)	-	1.462.219
TOTAL COSTS	367.373.193	15.389.013	-	3.539.687	379.222.518
Land Improvements	19.680.090	650.487	-	-	20.330.577
Buildings	29.170.412	1.518.955	-	-	30.689.367
Plant, machinery and equipment	160.140.238	14.762.903	-	2.577.020	172.326.121
Vehicles and vehicle equipments	1.086.081	293.197	-	45.005	1.334.272
Furnitures and fixtures	7.882.188	1.207.869	-	189.104	8.900.952
Special Costs	361.339	72.442	-	361.339	72.442
ACCUMULATED DEPRECIATION	218.320.349	18.505.853	-	3.172.468	233.653.731
NET BOOK VALUE	149.052.844	-	-	-	145.568.787

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

None. (31.12.2019: None.)

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

None. (31.12.2019: None.)

17. INTANGIBLE FIXED ASSETS

	01.01.2020	Additions	Transfers	Disposals	31.12.2020
Rights	11.557.379	563.602	41.710	-	12.162.692
Investments in progress	53.289	130.566	(41.710)	-	142.145
Right of Use Assets	4.389.187	3.185.295	-	-	7.574.482
TOTAL COSTS	15.999.855	3.879.464	-	-	19.879.319
Rights	8.060.320	529.681	-	-	8.590.002
Right of Use Assets	1.166.445	2.365.916	-	-	3.532.361
ACCUMULATED DEPRECIATION	9.226.766	2.895.597	-	-	12.122.363
NET BOOK VALUE	6.773.089	-	-	-	7.756.956

	01.01.2019	Additions	Transfers	Disposals	31.12.2019
Rights	10.366.138	1.141.628	49.613	-	11.557.379
Investments in progress	39.299	63.603	(49.613)	-	53.289
Right of Use Assets (*)	-	4.389.187	-	-	4.389.187
TOTAL COSTS	10.405.437	5.594.418	-	-	15.999.855
Rights	7.615.040	445.280	-	-	8.060.320
Right of Use Assets (*)	-	1.166.445	-	-	1.166.445
ACCUMULATED DEPRECIATION	7.615.040	1.611.725	-	-	9.226.766
NET BOOK VALUE	2.790.397	-	-	-	6.773.089

(*) The Company applied the TFRS 16 standard on January 1, 2019, which was the first date of implementation of TFRS 16, and reflected it in its financial statements, without the need for a further assessment of TFRS 16, including contracts that meet the definition of lease in TAS 17 and TFRS Comment 4.

18. GOODWILL

None. (31.12.2019: None.)

19. EVALUATING AND RESEARCHING OF MINE RESOURCES

None. (31.12.2019: None.)

20. LEASING OPERATIONS

(*) The Company applied the TFRS 16 standard on January 1, 2019, which was the first date of implementation of TFRS 16, and reflected it in its financial statements, without the need for a further assessment of TFRS 16, including contracts that meet the definition of lease in TAS 17 and TFRS Comment 4.

	01 January 2020	TFRS 16 entries	Accumulated depreciation	December 31, 2020
Right of Use Assets	3.222.741	3.185.295	2.365.916	4.042.120
TOTAL	3.224.741	3.185.295	2.365.916	4.042.120

	01 January 2020	TFRS 16 entries	Payments	December 31, 2020
Right of Use Obligations	3.488.033	4.261.716	2.619.818	5.129.932
TOTAL	3.488.033	4.261.716	2.619.818	5.129.932

	01 January 2019	TFRS 16 entries	Accumulated depreciation	December 31, 2019
Right of Use Assets	-	4.389.187	1.166.445	3.222.741
TOTAL	-	4.389.187	1.166.445	3.222.741

	01 January 2019	TFRS 16 entries	Payments	December 31, 2019
Right of Use Obligations	-	4.121.610	633.577	3.488.033
TOTAL	-	4.121.610	633.577	3.488.033

21. CONCESSIONAL SERVICE AGREEMENTS

None. (31.12.2019: None.)

22. IMPAIRMENT OF ASSETS

None. (31.12.2019: None.)

23. GOVERNMENT INCENTIVES AND GRANTS

- a) The company completed its modernization investments under the investment incentive certificate dated 01/10/2012 and numbered 107017. T. for closure visa as of 17/02/2014C. An application was made to the Ministry of economy and a visa to complete the document was made on 14/01/2015. Within the scope of this investment incentive certificate, discounted corporate tax, customs tax and VAT exemption support is benefited and insurance premium employer support is also benefited from as of 2015.
- b) The company has completed modernization investments under investment incentive certificate No. 113948 dated 04/12/2014. T. for closure visa as of 30/09/2015C. An application was made to the Ministry of economy and the document was completed on 13/01/2016. Within the scope of this investment incentive certificate, reduced corporate tax, customs tax and VAT exemption supports were used.
- c) The company has completed modernization investments under investment incentive certificate No. 122571 dated 02/02/2016. T. for closure visa as of 30.11.2017C. An application was made to the Ministry of economy and the document was completed on 16.02.2018. Within the scope of this investment incentive certificate, reduced corporate tax, customs tax and VAT exemption supports were used.
- d) The company has started modernization investments under the investment incentive certificate dated 29.03.2018 and numbered 136299. Within the scope of this investment incentive certificate, discounted corporate tax, customs tax and VAT exemption supports are used.

24. BORROWING COSTS

None. (31.12.2019: None.)

25. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provision for Current Tax, net

	December 31, 2020	December 31, 2019
Provisions for current tax	8.043.926	904.308
Prepaid taxes and funds (-)	(8.043.926)	(904.308)
TOTAL	-	-

With the repeated Article 121 of the Income Tax Code, it is possible to deduct 5% of the tax calculated on annual income or corporate tax returns from 1 January 2018 to income and corporate tax taxpayers who pay their taxes on time and meet other specified requirements. The company calculated a compliant taxpayer discount of TRY 423,365 over the corporate tax amount for 2020 and reduced it from the tax provision.

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

Short Term Provisions

a) Other Short-Term Provisions

	December 31, 2020	December 31, 2019
Provision for Law Suit	3.539.458	2.843.664
Provision for Guarantee Expense	707.312	204.831
TOTAL	4.246.770	3.048.495

The movement of other related short-term provisions as of 31 December 2020 is as follows.

	01 January 2020	Additional Provisions (Note: 33-34)	Payments/ Cancellations (-)	December 31, 2020
Provision for Lawsuit (Labor Courts)	2.843.664	1.293.295	(597.500)	3.539.458
Provision for Guarantee Expense	204.831	707.311	(204.830)	707.312
TOTAL	3.048.495	2.000.606	(802.330)	4.246.770

Letters of Guarantee Given by the Company

Given To	Explanation	Amount (TRY)
İzmir 4.İcra Müdürlüğü	Based On Business Cases In The Court Process	339.901
Kemalpaşa İcra Müdürlüğü	Based On Business Cases In The Court Process	317.792
İzmir Kemalpaşa Org.San.Bölgesi Md.	Natural gas purchase agreement	285.183
Gazi Osmanpaşa 1.İcra Müdürlüğü	Based On Business Cases In The Court Process	185.000
Turgutlu İcra Dairesi Müdürlüğü	Based On Business Cases In The Court Process	67.979
İzmir 7.İcra Müdürlüğü	Based On Business Cases In The Court Process	61.569
Enerji Piyasaları İşletme A.Ş. (Epiaş)	Electricity Purchase Process Requirement	54.000
İzmir 16.İcra Müdürlüğü	Based On Business Cases In The Court Process	41.438
TOTAL		1.352.862

Direct debit system limits (DBS) issued by the company:

Given To	Explanation	December r 31, 2020	December r 31, 2019
İzmir Kemalpaşa Org.San.Bölgesi Md.(*)	According to natural gas purchasing agreement	25.655.557	17.415.000
İndustrie Bitossi Mineral Sanayi A.Ş. (**)	According to raw material retrieval	-	3.000.000
TOTAL		25.655.557	20.415.000

(*) Direct debit system opened in favor of Izmir Kemalpaşa Organize Sanayi Bölgesi Müdürlüğü based on natural gas purchase agreement (D.B.S.) limit.

(**) Raw material purchase based on Industrie Bitossi Mineral Sanayi A.Ş. direct debit system opened in favor (D.B.S.) limit.

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

Pledges issued by the company:

GUARANTEES PLEDGES MORTGAGES	December 31, 2020	December 31, 2019
A) Total amount of GPM given on behalf of its own legal entity	1.352.862	1.254.408
B) Total amount of GPM given of the fully consolidated subsidiaries		
C) Total amount of GPM given ordinary trade activities provided in order to guarantee the debts of other 3rd parties	-	-
D) Total amount of other given GPM	-	-
i) Total amount of GPM given on behalf of the Parent Company	-	-
ii) Total amount of GPM given on behalf of other group companies which are not included in scope of B and C	-	-
iii) Total amount of GPM given on behalf of 3 rd parties which are not included in scope of C	-	-
TOTAL	1.352.862	1.254.408

As of 31.12.2020, Company's given GPM to Company's equity ratio is below 1%. (31.12.2019: below 1%.)

Guarantees Received by The Company

	December 31, 2020	December 31, 2019
Letter of guarantees received	43.752.508	50.249.000
Guarantees cheques received	-	510.000
Guarantees notes received	4.788.050	3.881.050
Mortgages	1.720.000	15.423.000
TOTAL	50.260.558	70.063.050

	December 31, 2020	December 31, 2019
Direct debiting system limits from dealers (DBS)	37.172.932	25.456.373
TOTAL	37.172.932	25.456.373

The company's" defendant " and ongoing litigations

The company disputes severance pay, return to work and other ongoing cases as of the date of 31 December 2020 3.539.459 for TRY (31 December 2019: 2.843.664 TRY) has been allocated for the case.

The company management has set aside provisions in the accompanying financial statements for the cases they believe will result against the company due to the contents of the said cases and similar case law. The amount of provision allocated is shown in the balance sheet in short-term liabilities Provision Account.

26. COMMITMENTS

None. (31.12.2019: None.)

27. EMPLOYEE BENEFIT OBLIGATIONS

Termination Indemnities and Provision of Unused Vacations

In accordance with the current Labor Code, 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 7.117,17 (December 31, 2019: TRY 6.379,86).

Short Term

	December 31, 2020	December 31, 2019
Unused vacation	1.149.592	1.009.707
TOTAL	1.149.592	1.009.707

Long Term

	December 31, 2020	December 31, 2019
Provision for termination indemnities	42.803.206	34.234.197
TOTAL	42.803.206	34.234.197

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. Accordingly, As of 31 December 2020, net discount rate was calculated as 3,04% in the related calculations (31 December 2019: 4,11%).

Movement of provision for termination indemnities as of December 31, 2019 – December 31, 2018 are shown as follows:

	December 31, 2020	December 31, 2019
Opening balance	34.234.197	28.164.608
Additional provisions	8.939.376	6.172.807
Payment (-)	(370.367)	(103.218)
Closing balance	42.803.206	34.234.197

	December 31, 2020	December 31, 2019
January 01	34.234.197	28.164.608
Interest expenses	4.214.229	2.976.999
Current period service cost	10.136.489	13.327.380
Paid in period	(2.423.368)	(6.877.820)
Actuarial gain / (loss)	(3.358.340)	(3.356.970)
TOTAL	42.803.206	34.234.197

27. EMPLOYEE BENEFIT OBLIGATIONS (Cont'd)

Movement of provision for unused vacations as of December 31, 2020 - December 31, 2019 are shown as follows:

	December 31, 2020	December 31, 2019
Opening balance	1.009.707	753.492
Additional provisions / (provisions no longer required)	139.885	256.215
Closing balance	1.149.592	1.009.707

Liabilities under employee benefits

	December 31, 2020	December 31, 2019
Due to personnel	6.125.448	5.519.671
Taxes and funds payable	2.237.488	2.026.524
Other Liabilities Payable	74.791	50.352
TOTAL	8.437.727	7.596.547

28. OTHER ASSETS AND LIABILITIES

Other current assets

	December 31, 2020	December 31, 2019
Advances given for purchases	-	44.145
Income accruals	281.143	29.508
Deferred costs	-	320.495
Transferred Value Added Tax	2.331.236	12.115.626
TOTAL	2.612.379	12.509.774

Other short-term liabilities

	December 31, 2020	December 31, 2019
Expense accruals	810.826	596.948
Provision for Expected Sale Returns	287.186	-
TOTAL	1.098.012	596.948

29. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid-in capital

The company adopted a recognized registered capital system for companies subject to CMB legislation.

As of December 31, 2020 and December 31, 2019, the company's registered capital, which is not adjusted for inflation, is as follows:

	December 31, 2020	December 31, 2019
Registered capital ceiling	150.000.000	150.000.000
Authorized and paid in capital	75.000.000	75.000.000

The Company's paid-in capital structure as of December 31, 2020 and December 31, 2019 is as follows:

	December 31, 2020					December 31, 2019				
	Class	Amount (TRY)	Unit	Rate	Amount	Class	Amount (TRY)	Unit	Rate	
Adnan Polat	A	3,60	360	0,00%	3,60	A	3,60	360	0,00%	
Adnan Polat	B	5,20	520	0,00%	5,20	B	5,20	520	0,00%	
Adnan Polat	C	666.079,04	66.607.904	0,89%	779.869,04	C	666.079,04	66.607.904	0,89%	
<i>Adnan Polat-Publicly Traded</i>		-					0,00			
Total		666.087,84		0,89%	779.877,84		666.087,84		0,89%	
İbrahim Polat	A	4,01	401,00	0,00%	3,62	A	3,95	395	0,00%	
İbrahim Polat	B	6,74	674,00	0,00%	5,3	B	6,65	665	0,00%	
İbrahim Polat	C	2.909.866,13	290.986.613	3,88%	1.611.771,08	C	2.909.864,93	290.986.493	3,88%	
<i>İbrahim Polat-Publicly Traded</i>		2.909.265,78					2.909.264,58			
Total		2.909.876,88		3,88%	1.611.780,00		2.909.875,53		3,88%	
Murat Polat	A	3,60	360,00	0,00%	3,6	A	3,60	360	0,00%	
Murat Polat	B	5,20	520,00	0,00%	5,2	B	5,20	520	0,00%	
Murat Polat	C	779.868,61	77.986.861	1,04%	779.869,04	C	779.868,61	77.986.861	1,04%	
<i>Murat Polat-Publicly Traded</i>		130.149,00					130.149,00			
Total		779.877,41		1,04%	779.877,84		779.877,41		1,04%	
Other	A	0,79	79,00	0,00%	1,18	A	0,85	85	0,00%	
Other	B	0,86	86,00	0,00%	2,3	B	0,95	95	0,00%	
Total		1,64		0,00%	3,48		1,79		0,00%	
Publicly Traded and other	C	24.957.237,28	2.495.723.728	33,28%	26.141.541,89	C	24.957.238,48	2.495.723.848	33,28%	
İbrahim Polat Holding A.Ş.	C	45.686.918,95	4.568.691.895	60,92%	45.686.918,95	C	45.686.918,95	4.568.691.895	60,92%	
TOTAL		75.000.000,00	7.500.000.000,00	100%	75.000.000,00		75.000.000,00	7.500.000.000,00	100%	
Capital adjustment differences (*)		24.778.008,00			24.778.008,00		24.778.008,00			
TOTAL		99.778.008,00			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.

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

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

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

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

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

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

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

Dividend Distribution

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

Partnerships divide their shares in accordance with the policies of Board of Directors on profit distribution and suitable with the legislations of Board of Directors. As the statement indicated, the minimum dividend rate is not detected. Companies pay profit share as the way it is stated on their main agreement or policies of profit distribution. Profit distribution could be paid with equal or in equal installments in condition of decision, whether to divide it or not, made by the Board. In the installment payment, the provisions set forth in Article 5 of the Dividend Communiqué No II-19.1 shall be complied with. In addition, the companies whose shares are traded on the stock exchange may distribute advance dividends in cash through the profits in their financial statements.

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

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

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

According to the decision of the Board of Directors dated 13.05.2020 and numbered 2020/12 and the statement made on 13.05.2020, in accordance with the provisions of the Capital Market Legislation and the Company's Articles of Association,

Introduced with the "Law on Reducing the Effects of the New Coronavirus (COVID - 19) Epidemic on Economic and Social Life and the Law No. 7244 Amending Some Laws" published in the Official Gazette dated 17 April 2020;

Within the scope of "Capital companies may decide to distribute only up to twenty-five percent of the net profit for the year 2019 until 30.9.2020." decision, dividend distribution for 2019 was discussed. Considering these limitations,

- To distribute profit from the financial statements of the company prepared in accordance with CMB.
- TRY 562,079.79 general legal reserve has been set aside from the after-tax profit of TRY 24,746,066.00 in the financial statements prepared in accordance with CMB and after the donation amount of TRY 2,280.00 is added, donations added net distributable profit of TRY 24,186,266.21 occurred for the period, and to distribute this profit within the scope of the limitations of Law No. 7244 in a way not to exceed 25% of the net profit for the period, is as follows;
 - a) Not paying dividends to the members of the Board of Directors from the net distributable profit for the period,
 - b) Giving TRY 3,336,011.70 to the partners as the first dividend
 - c) Distribution of TRY 2,710,533.09 to privileged shareholders as dividends,
 - d) Not paying second dividends to partners,
 - e) In the financial statement prepared in accordance with the provisions of the Tax Procedure Law, the remaining amount after the allocation of the general legal reserve of TRY 229,654.48 is transferred to our legal records as extraordinary reserves,
 - f) Payments to the beneficiaries are made on 24 June 2020,

issues were accepted by majority vote at the Ordinary General Assembly held on 11.06.2020.

Share Premium

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

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

	December 31, 2020	December 31, 2019
Share Premium	35.838.595	35.838.595
TOTAL	35.838.595	35.838.595

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

Movements of actuarial loss/gain fund are as below:

	December 31, 2020	December 31, 2019
Opening balance	9.826.651	7.208.214
Current actuarial (gain)/loss	2.619.505	2.618.437
TOTAL	12.446.156	9.826.651

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.

	01.01.2020 Balance	Additions	31.12.2020 Balance
Restricted Reserves	25.649.348	791.734	26.441.082
TOTAL	25.649.348	791.734	26.441.082

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	December 31, 2020	December 31, 2019
Accumulated Profit/Loss	131.362.453	107.302.638
Mandatory Change in Accounting Policies (TFRS 15) (*)	-	(58.599)
Net Profit/Loss	24.746.066	60.354.280
Divident	(6.046.545)	(31.000.000)
Legal Reserves	(791.734)	(5.235.866)
TOTAL	149.270.240	131.362.453

(*) The Company has applied TFRS 15 "Revenue from contracts with customers" with cumulative effect method and recognized them as of January 1, 2018.

30. EXPENSES BY NATURE

	January 01– December 31, 2020	January 01– December 31, 2019
General administration expenses	43.675.493	42.557.612
Marketing expenses	36.534.805	30.915.723
Research and development expenses	4.611.223	3.963.839
Cost of sales	421.094.021	308.396.394
TOTAL	505.915.542	385.833.568

31. SALES AND COST OF SALES

Sales are shown as follows:

	January 01 – December 31 2020	January 01 – December 31 2019
Domestic sales	171.626.630	153.740.793
Foreign sales	462.320.363	256.116.101
Gross Sales	633.946.993	409.856.894
Sales returns (-)	(536.872)	(1.529.546)
Sales discounts (-)	(6.919.089)	(30.761)
Other discounts (-)	(2.278.983)	(5.022.090)
Returns and discounts	(9.734.944)	(6.582.397)
Net sales	624.212.049	403.274.497

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 2.096.036. Annual discount rate has been applied to 10,70% for TRY; 0,38% for EUR and 1,7 % for GBP and USD.

Cost of sales are shown as follows:

	January 01 – December 31 2020	January 01 – December 31 2019
Cost of goods sold	420.858.922	308.189.580
Cost of trade goods sold	235.099	206.813
TOTAL	421.094.021	308.396.394

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

Cost of sales according to their nature in periods January 01, 2020 - December 31, 2020 and January 01, 2019 – December 31, 2019 are indicated as below:

	January 01 – December 31 2020	January 01 – December 31 2019
Material usage share	196.616.812	148.376.820
Natural gas usage	86.057.874	79.087.293
Personnel expense share	68.710.120	51.518.322
Indirect material usage	28.392.308	16.976.883
Depreciation and amortization expenses	16.238.263	12.240.750
Transportation expenses	8.532.178	6.233.439
Maintenance and repair expenses	6.300.792	4.320.444
Food and subsistence expenses	3.341.346	2.839.051
Changes in finished goods inventory	3.198.485	(23.223.695)
Shipping cost	1.981.805	1.822.558
Diesel and LPG usage	1.031.590	1.103.351
Cost of trade goods sold	235.099	206.813
The net effect of the goods with delayed customs declaration document	-	337.262
Changes in semi-finished goods inventory	(1.264.343)	2.123.590
Internal consumption (*)	(1.848.907)	(1.416.397)
Other general manufacturing expenses	3.570.601	5.849.910
TOTAL	421.094.021	308.396.394

(*) Internal consumption amounts refer to the product trials conducted within the scope of research and product development (R & D, P&D) and the cost of ceramics used for promotional boards.

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 1.205.195. Annual discount rate has been applied to 10,70% for TRY; 0,38% for EUR; and 1,70% for USD, CHF, GBP.

32. CONTRACTS OF CONSTRUCTION

None. (31.12.2019; None.)

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

General Administrative Expenses

Details of general administrative expenses according to their nature in periods January 01, 2020 - December 31, 2020 and January 01, 2019 – December 31, 2019 are shown as below:

	January 01 – December 31 2020	January 01 – December 31 2019
Provision for termination expenses	12.297.716	9.529.777
Personnel expenses	10.871.342	9.851.176
Outsource services	7.872.486	6.492.746
Consultancy expenses	2.615.738	2.502.721
Termination indemnities paid	2.423.368	6.877.820
Depreciation and amortization expenses	2.128.408	1.789.269
Tax, duties and charges	871.237	631.361
Brand and quality certificate expense	773.407	359.566
Court, executive expenses	668.134	405.923
Due and subscription fees	593.173	423.310
Insurance expenses	390.000	402.322
Electric expenses	378.536	230.872
Travelling expenses	283.929	435.171
Transportation vehicle expenses	259.433	145.239
Communication expenses	208.506	180.545
Audit Expense	168.208	263.465
Notice of termination expenses paid	124.412	967.139
Internship and education expense	60.324	300.882
Rent expenses	4.272	25.361
Other	682.863	742.949
TOTAL	43.675.493	42.557.612

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

Marketing, Sales and Distribution Expenses

Details of marketing, sales and distribution expenses according to their nature in periods January 01, 2020 - December 31, 2020 and January 01, 2019 – December 31, 2019 are shown as below:

	January 01 – December 31 2020	January 01 – December 31 2019
Foreign sales expenses	18.695.736	13.084.809
Personnel expenses	7.449.202	7.650.582
Domestic sales expenses	5.027.659	6.184.502
Advertising expenses	1.830.292	1.812.962
Construction sales expenses of ceramic boards	1.663.683	762.693
Depreciation expenses	864.548	725.118
Provision of Guarantee Expense	502.481	42.685
Packaging expenses	445.506	454.912
Other	55.699	197.461
TOTAL	36.534.805	30.915.723

Research and Development Expenses

Details of research and development expenses according to their nature in periods January 01, 2020 - December 31, 2020 and January 01, 2019 – December 31, 2019 are shown as below:

	January 01 – December 31 2020	January 01 – December 31 2019
Personnel expenses	3.388.190	2.992.409
Outsourced expenses	905.597	788.980
Other	317.435	182.451
TOTAL	4.611.223	3.963.839

34. OTHER OPERATIONAL INCOME AND EXPENSE

Other operational incomes

	January 01 – December 31 2020	January 01 – December 31 2019
Exchange differences income	40.348.640	20.303.826
Rediscount interest income	4.708.690	3.580.709
Brand and promote fair income	3.795.950	2.003.102
Reflected revenues	1.276.088	236.775
Scrap sales	1.186.402	1.001.583
Reflected material price differences	1.031.810	853.135
Cancellation of provision lawsuit	597.500	523.944
Rental income	462.650	273.700
Insurance damage income	418.680	84.983
Cancellation of provision for termination indemnities	370.367	103.218
Promotion Incomes	216.496	197.568
Sale of sample ceramic and board	43.482	171.040
Cancellation of provision for inventories	7.720	-
Interest differences income	3.887	453.387
Cancellation of provision for doubtful receivables	1.776	27.283
Export freight and insurance income	1.294	53.924
Other	730.989	468.196
TOTAL	55.202.420	30.336.373

Other operational expenses

	January 01 – December 31 2020	January 01 – December 31 2019
Exchange differences expense	54.907.614	20.051.147
Rediscount interest expense	3.287.529	2.736.392
Idle capacity expenses and losses	2.311.430	6.042.769
Provision for lawsuit expenses	1.293.295	514.450
Reflected expenses	1.276.088	173.162
Reflected material and price differences	1.031.810	853.135
Provision of permission	139.885	256.215
Sale of sample ceramic and board	43.482	171.040
Provision for inventories	-	5.448
Other	1.247.158	765.042
TOTAL	65.538.290	31.568.799

35. EXPANDITURES AND REVENUES FROM INVESTING ACTIVITIES

Revenues from Investing Activities

	January 01 – December 31 2020	January 01 – December 31 2019
Profit on sale of fixed assets	1.352.107	262.146
TOTAL	1.352.107	262.146

Expenses from Investing Activities

	January 01 – December 31 2020	January 01 – December 31 2019
Loss on sale of fixed assets	836.479	22.647
Exchange differences expense	394.953	561.593
TOTAL	1.231.432	584.240

36. EXPENSES CLASSIFIED BY PRINCIPLE TYPES

Details of expenses classified by principle types in periods January 01, 2020 - December 31, 2020 and January 01, 2019 - December 31, 2019 are shown as below:

	January 01 – December 31 2020	January 01 – December 31 2019
Amortization expenses		
Cost of sales (*)	16.238.263	12.240.750
General administration expenses	2.128.408	1.789.269
Idle capacity expenses and losses	1.218.608	2.079.518
Marketing, sales and distribution expenses	864.548	725.118
TOTAL	20.449.827	16.834.655

(*) Total depreciation expenses of the Company in 2020 is TRY 23.340.418 and the remaining amount of these depreciation expenses in the product stocks at the end of the year is TRY 2.890.591. (31 December 2019: TRY 2.940.219)

	January 01 – December 31 2020	January 01 – December 31 2019
Personnel expenses		
Cost of sales	68.710.120	51.518.322
General administration expenses	10.871.342	9.851.176
Marketing, sales and distribution expenses	7.449.202	7.650.582
Research and development expenses	3.388.190	2.992.409
Idle capacity expenses and losses	1.092.822	3.963.251
TOTAL	91.511.675	75.975.739

37. FINANCIAL EXPENSES AND INCOME

Financial Expenses	January 01 – December 31 2020	January 01 – December 31 2019
Bank loan, interest and commission expenses	1.714.365	1.659.887
Bank loan exchange difference expenses	19.182.091	3.535.061
Other Exchange difference expenses	11.473.700	2.853.688
Right of use assets interest expenses	786.187	696.865
TOTAL	33.156.344	8.745.502

Financial Income	January 01 – December 31 2020	January 01 – December 31 2019
Interest income	947.625	1.402.554
Exchange difference income	24.112.427	8.895.670
TOTAL	25.060.052	10.298.224

38. ANALYSIS OF OTHER COMPREHENSIVE INCOMES

Details of other comprehensive incomes/(expense) in periods January 01, 2020 - December 31, 2020 and January 01, 2019 – December 31, 2019 are shown as below:

Not to be reclassified in Profit or Loss	January 01 – December 31 2020	January 01 – December 31 2019
Defined benefit plans revaluation gains/(losses) (Note 27)	3.358.340	3.356.970
Defined benefit plans revaluation gains/(losses), Tax effect (Note 40)	(738.835)	(738.533)
TOTAL	2.619.505	2.618.437

39. FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None. (31.12.2019: None.)

40. INCOME TAXES (DEFERRED TAX ASSETS AND LIABILITIES)

Tax expense/income in comprehensive income statement in periods January 01, 2020 - December 31, 2020 and January 01, 2019 – December 31, 2019 are shown as below:

	January 01 – December 31 2020	January 01 – December 31 2019
Current tax income / (expense)	(8.043.926)	(904.307)
Deferred tax income / (expense)	4.428.353	8.211.242
TOTAL	(3.615.573)	7.306.935

Current Tax

According to the Corporate Tax Law numbered with 5520, corporate tax rate for 2018,2019 and 2020 is 22% in Turkey. (for 2017 is 20%). This rate is applied by adding deductible expenses, that are not excepted by the tax law to corporate income; and deducting exemptions which place at tax laws (such as affiliation privilege) and using deductions (such as investment incentives).

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

As of December 31, 2003, the act numbered as 5024 which is released on Official Gazette, related to change in Tax Procedure Law, Income Tax Law and Corporate Tax Law, predicts that income and corporate taxpayer, who determines its profit according to statement of financial position base, keep their financial statements with inflation adjustment as of January 1, 2004. These taxpayers also have to make inflation adjustment for their financial statements of December 31, 2003. The taxpayers, who have to make inflation adjustment according to the General 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%. Adding profit to capital cannot be count as distribution of dividend and applied for withholding tax.

Companies calculate pre-paid corporate tax at 22% for 2018,2019 and 2020 (for 2017 is 20%) on their profit for each 3 months and they declare that amount at fourteenth day of second month in following period and they pay it till evening of seventeenth day of same month. Pre-paid taxes which are paid in the year belong to same year and it will be deducted from corporate tax amount which is calculated according to corporate tax declaration for the following year. Pre-paid corporate tax remained after deduction can be deducted from any financial payables to government.

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

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

5% Tax Reduction Applied to Taxpayers

With the duplicated entry article 121 of the Income Tax Code, the opportunity is given to income and corporate tax taxpayers who pay their taxes on time and meet the other conditions stated, 5% of the tax calculated on annual income or corporate tax returns to be issued as of January 1, 2018, to be deducted from the tax due to be paid. The company calculated a compliant taxpayer discount of TL 423.365 (2019: TRY 47.595) over the corporate tax amount for 2020 and reduced it from the tax provision.

Application of Reduced Corporate Tax

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

- a) There has been TRY 22.373.884,00 for investment expense in total by Company in line with August 08, 2016 No: 107017 (D) instead of January 14, 2015 No: 107017 (B) Investment Incentives. Advantage of Reduced Corporate Tax has been used as TRY 577.915 in provision of current period tax, and this amount has been discounted from tax assets.
- b) There has been TRY 51.441.876,00 for investment expense in total by Company in line with January 13, 2016 No: 113948 (C) Investment Incentives. Advantage of Reduced Corporate Tax has been used as TRY 1.328.738 in provision of current period tax, and this amount has been discounted from tax assets.
- c) There has been TRY 24.757.385 for investment expense in total by Company in line with November 25, 2016 No: 122571 (B) instead of February 2, 2016 No: 122571 (A) Investment Incentives. Advantage of Reduced Corporate Tax has been used as TRY 808.295 in provision of current period tax, and this amount has been discounted from tax assets.
- d) There has been TRY 59.400.296 for investment expense in total by Company in line with September 24, 2018 No: 136299 (B) instead of November 24, 2019 No: 136299 (C) Investment Incentives. As of 31 December 2020, the investments are continuing. Within the scope of the document, corporate tax advantage of TRY 2.789.642 has been used, which is used from current period tax provision amounting to TRY 8.501.325 and used as other advances amounting to TRY 11.290.967.

For both investment incentive certificate, incentive used as discounted corporate tax amounted TRY 14.005.915 has been deducted from deferred tax assets. According to Turkish Tax Regulations, loss without exceeding 5 years can be discounted from corporate income for the period. However, loss cannot be discounted from previous year profits.

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

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

	January 01 – December 31 2020	January 01 – December 31 2019
Profit / (loss) before tax	92.925.542	12.193.498
Non-deductible expenses	9.225.392	8.051.227
Remittances	-	(2.280)
Corporate Tax Base	102.150.934	20.242.445
Reduced Corporate Tax Base	72.364.999	17.178.745
Corporate Tax	6.552.906	674.014
Reduced Corporate tax	1.914.385	277.888
Discount of Corporate Tax (Compatible Taxpayer Discount)	(423.365)	(47.595)
Tax Expenses for the Period	8.043.926	904.307

As of December 31, 20, Company has no retained loss which can be deducted from corporate tax for future profits.

Deferred Tax

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

Differences in question generally sourced from accounting of expenses and incomes for different reporting periods according to CMB declarations and Tax Law. The rate which is applied for deferred tax receivables and liability is calculated as 20% according to liability methods on temporary differences as of December 31, 2008. It is calculated as 22% for the period after 2017.

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

The breakdown of accumulated temporary differences and deferred tax assets and liabilities subject to deferred tax as of December 31, 2020 and December 31, 2019, using the current tax rates, is as follows:

	Accumulated Temporary Differences		Tax Rate
	December 31, 2020	December 31, 2019	Decemb
Deferred Tax Assets / (Liabilities)			
Employee benefits	40.594.457	31.886.934	22%
Provisions of debt	4.246.770	3.048.495	22%
Usage liabilities	(1.550.274)	925.265	22%
Bank credits	22.687	232.230	22%
Expected sales returns	607.681	320.495	22%
Rediscount of receivable checks and notes	(1.123.524)	407.140	22%
Provisions of doubtful receivables	934.877	936.653	22%
Tangible fixed assets	(24.208.108)	(15.658.984)	22%
Intangible fixed assets	2.852.527	(3.809.520)	22%
Inventories	9.540.891	10.614.281	22%
Interest differences on sales	(9.580.182)	(8.707.688)	22%
Interest differences on purchases	(289.519)	299.599	22%
Reduced Corporate Tax	156.249.270	141.032.114	22%
TOTAL			

	December 31, 2020	December 31, 2019
Opening balance	35.535.944	28.046.707
Adjustment effect of 01.01.2019	-	16.528
Current year deferred tax gain/(loss)	4.428.353	8.211.242
Deferred tax reflected in shareholders' equity (*)	(738.835)	(738.533)
Deferred Tax Assets	39.225.461	35.535.944

(*) It is the deferred tax amount calculated for the actuarial gain / loss amount within the scope of the amendment to TAS 19 Employee Benefits Standard.

41. EARNING PER SHARE

	January 01 – December 31, 2020	January 01 – December 31, 2019
Net profit / (loss)	96.369.447	24.746.066
Weighted average number of common share	7.500.000.000	7.500.000.000
Profit/(Loss) Per Share	0,012849	0,003299

42. SHARE BASED PAYMENT

None. (31.12.2019: None.)

43. CONTRACTS OF INSURANCE

None. (31.12.2019: None.)

44. EFFECTS OF EXCHANGE RATE CHANGES

None. (31.12.2019: None.)

45. REPORTING IN THE HYPER INFLATION ECONOMY

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

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

46. DERIVATIVE INSTRUMENTS

None. (31.12.2019: None.)

47. FINANCIAL INSTRUMENTS

- Short Term Financial Loans

	December 31, 2020	December 31, 2019
Short term bank loans (*)	19.870.108	15.891.034
Accruals of interest	101.246	159.816
Total	19.971.354	16.050.850

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

47. FINANCIAL INSTRUMENTS (Cont'd)

December 31, 2020	Foreign Currency Amount	Exchange Rate	TRY
TRY	-	1	-
EUR	2.217.093	9,0079	19.971.354
Total Short-Term Financial Liabilities			19.971.354

December 31, 2019	Foreign Currency Amount	Exchange Rate	TRY
TRY	8.579	1	8.579
EUR	2.412.154	6,6506	16.042.271
Total Short-Term Financial Liabilities			16.050.850

- Other Short-Term Financial Liabilities

	December 31, 2020	December 31, 2019
Other Financial Liabilities	2.731.111	850.138
TOTAL	2.731.111	850.138

- Other Long-Term Financial Liabilities

	December 31, 2020	December 31, 2019
Other Financial Liabilities	2.398.821	2.637.895
TOTAL	2.398.821	2.637.895

In terms of contracts that meet the definition of lease in TAS 17 and TFRS Comment 4, the Company does not require a re-evaluation within the scope of TFRS 16, with new contracts signed as of January 1, 2019, which is the first application date of TFRS 16, and it has applied TFRS 16 standard for long-term lease contracts and reported the amounts to be paid in less than one year, short term liabilities and the amounts to be paid in more than one year in the long term liability section in the financial statements.

48. LEVEL AND NATURE OF RISKS SOURCED FROM FINANCIAL INSTRUMENTS

Credit risk

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

31.12.2020	Receivables				Bank	Derivative	Other
	Trade Receivables		Other Receivables		Deposits	Instruments	
	Related Parties	Third Parties	Related Parties	Third Parties			
Maximum credit risk exposure as of reporting ended	126.132.537	59.121.898		22.646.223	64.432.258		37.464.676
(A+B+C+D+E) (*)							
- Part of credit risk guaranteed with assurance	-	-	-	-	-	-	-
A. Net book value of not overdue and not impaired financial assets	126.132.537	57.792.035	-	-	64.432.258	-	37.464.676
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	-	612.542	-	22.646.223	-	-	-
D. Net book value of assets which are overdue	-	717.321	-	-	-	-	-
-Overdue (gross book value)	-	2.325.197	-	-	-	-	-
-Impairment (-)	-	(1.607.876)	-	-	-	-	-
-Part of net value guaranteed with assurance	-	-	-	-	-	-	-
-Part of net value guaranteed with assurance	-	-	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-	-
-Part of net value guaranteed with assurance	-	-	-	-	-	-	-
E. Items which includes credit risk off-balance	-	-	-	-	-	-	-

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

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

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

31.12.2019	Receivables				Bank	Derivative	Other
	Trade Receivables		Other Receivables		Deposits	Instruments	
	Related Parties	Third Parties	Related Parties	Third Parties			
Maximum credit risk exposure as of reporting ended							
(A+B+C+D+E) (*)	80.077.447	47.339.912	-	9.848.446	3.651.251	-	14.272.999
- -Part of credit risk guaranteed with assurance	-	-	-	-	-	-	-
A. Net book value of not overdue and not impaired financial assets	80.077.447	38.883.692	-	-	3.651.251	-	-
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	-	7.740.674	-	9.848.446	-	-	-
D. Net book value of assets which are overdue	-	715.546	-	-	-	-	-
-Overdue (gross book value)	-	2.325.197	-	-	-	-	-
- <i>Impairment (-)</i>	-	(1.609.651)	-	-	-	-	-
- <i>Part of net value guaranteed with assurance</i>	-	-	-	-	-	-	-
-Part of net value guaranteed with assurance	-	-	-	-	-	-	-
- <i>Impairment (-)</i>	-	-	-	-	-	-	-
- <i>Part of net value guaranteed 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.

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

Aging table of overdue but not impaired assets is below:

31.12.2020	Receivables				Bank	Derivative	Other
	Trade Receivables		Other Receivables		Deposits	Insturments	
	Related Parties	Third Parties	Related Parties	Third Parties			
Overdue 1-30 days	-	549.062	-	-	-	-	-
Overdue 1-3 months	-	-	-	-	-	-	-
Overdue 3-12 months	-	-	-	22.646.223	-	-	-
Overdue 1-5 years	-	63.480	-	-	-	-	-
Overdue more than 5 years	-	-	-	-	-	-	-
Part that is guaranteed by assurance	-	-	-	-	-	-	-
Total	-	612.542	-	22.646.223	-	-	-

Aging table of overdue but not impaired assets is below:

31.12.2019	Receivables				Bank	Derivative	Other
	Trade Receivables		Other Receivables		Deposits	Insturments	
	Related Parties	Third Parties	Related Parties	Third Parties			
Overdue 1-30 days	-	7.660.053	-	-	-	-	-
Overdue 1-3 months	-	96	-	-	-	-	-
Overdue 3-12 months	-	15.270	-	9.848.446	-	-	-
Overdue 1-5 years	-	65.255	-	-	-	-	-
Overdue more than 5 years	-	-	-	-	-	-	-
Part that is guaranteed by assurance	-	-	-	-	-	-	-
Total	-	7.740.674	-	9.848.446	-	-	-

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

Liquidity Risk

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

31.12.2020

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	183.273.915	186.569.632				-
Bank credits	19.971.354	20.045.350	6.132.983	13.912.367		-
Financial leasing liabilities	5.129.932	5.129.932				
Commercial debt	157.386.961	160.608.681	81.033.947	73.494.402	6.080.333	-
Other debt	1.862.089	1.862.089	1.862.089	-	-	-
Contractual Maturity	Book Value	Contractual total cash output (=I+II+III+IV)	Less than 3 months (I)	Between 3- 12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative financial liabilities (Net)	-	-	-	-	-	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-

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

31.12.2019

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	104.678.595	105.538.989	48.740.594	51.096.497	5.701.898	-
Bank credits	16.050.850	16.180.782	3.269.032	12.911.750	-	-
Financial leasing liabilities	3.488.033	3.488.033	199.851	2.438.044	2.637.895	-
Commercial debt	84.066.795	84.797.257	43.754.394	37.828.664	3.214.199	-
Other debt	1.613.018	1.613.018	1.613.018	-	-	-
Contractual Maturity	Book Value	Contractual total cash output (=I+II+III+IV)	Less than 3 months (I)	Between 3- 12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Derivative financial liabilities (Net)	-	-	-	-	-	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-

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

Market Risk

Market risk is a change in interest rates, exchange rates or the value of securities that will affect the company negatively.

	CURRENCY POSITION STATEMENT									
	31.12.2020					31.12.2019				
	TRY Equivalent (Functional currency)	USD	EUR	GBP	Other	TRY Equivalent (Functional currency)	USD	EUR	GBP	Other
1-Trade Receivables	129.129.333	16.629.559	613.877	153.896	-	80.753.899	11.688.047	1.535.142	143.374	-
2a-Monetary Financial Assets (including cash and bank accounts)	84.762.330	8.585.979	2.413.098	-	-	7.475.912	1.228.065	27.210	-	-
2b-Non-Monetary Financial Assets	1.624.909.27	79.745	115.404	-	-	838.847	3.020	119.282	3.551	-
3-Other	215.516.572	25.295.283	3.142.379	153.896	-	89.068.658	119.282	1.681.634	146.925	-
4-Current Assets (1+2+3)	-	-	-	-	-	-	-	-	-	-
5-Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a-Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b-Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
7-Other	-	-	-	-	-	-	-	-	-	-
8-Fixed Assets (5+6+7)	215.516.572	25.295.283	3.142.379	153.896	-	89.068.658	119.282	1.681.634	146.925	-
9-Total Assets (4+8)	67.440.491	1.293.143	6.428.403	4.200	-	39.354.040	896.868	5.111.389	4.200	-
10-Trade Payables	19.948.668	-	2.214.575	-	-	15.810.041	-	2.377.235	-	-
11-Financial Liabilities	370.609	50.487	1	-	-	91.557	10.935	4.000	-	-
12-Other	-	-	-	-	-	-	-	-	-	-
13-Short Term Liabilities (10+11+12)	87.759.768	1.343.630	8.642.979	4.200	-	55.255.638	907.803	7.492.624	4.200	-
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)	87.759.768	1.343.630	8.642.979	4.200	-	55.255.638	907.803	7.492.624	4.200	-
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)	127.756.805	23.951.654	(5.500.600)	149.696	-	33.813.020	(788.521)	(5.810.991)	142.725	-
21. Net Position of Foreign Exchange Asset/(Liability) for Monetary (=1+2a+5+6a-10-11-12a-14-15-16a)	126.131.895	23.871.909	(5.616.004)	149.696	-	32.974.173	12.008.309	(5.930.273)	139.174	-
22. Total Fair Value of Financial Instrument for Foreign Currency Hedge	-	-	-	-	-	-	-	-	-	-
23-Export	433.510.723	51.612.474	6.415.937	2.000.019	-	237.825.272	34.190.666	7.214.762	3.005.284	-
24-Import	55.644.314	1.276.830	5.631.761	42.924	-	41.502.564	1.759.625	4.968.656	29.083	-

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

Currency Position Sensitivity Analysis

Exchange Rate Sensitivity Analysis				
31 December 2020				
	Profit/Loss		Equities	
	Appreciation Of Foreign Currency	Depreciation Of Foreign Currency	Appreciation Of Foreign Currency	Depreciation Of Foreign Currency
If the US Dollar changes by 20% against the TRY;				
1. US Dollar net asset/liability	35.163.423	(35.163.423)	-	-
2.Part protected from US Dollar risk (-)	-	-	-	-
3. US Dollar net impact (1+2)	35.163.423	(35.163.423)	-	-
If the the Euro changes by 20% against the TRY;				
4. Euro net asset/liability	(9.909.772)	9.909.772	-	-
5.Part protected from Euro risk (-)	-	-	-	-
6. Euro net impact (4+5)	(9.909.772)	9.909.772	-	-
If the the other Currencies changes by 20% against the TRY;				
7. Other Currencies net asset/liability	-	-	-	-
8.Part protected from Other Currencies risk (-)	-	-	-	-
9. Other Currency net impact (7+8)	-	-	-	-
TOTAL(3+6+9+12)	25.253.651	(25.253.651)	-	-

Exchange Rate Sensitivity Analysis				
31 December 2019				
	Profit/Loss		Equities	
	Appreciation Of Foreign Currency	Depreciation Of Foreign Currency	Appreciation Of Foreign Currency	Depreciation Of Foreign Currency
If the US Dollar changes by 20% against the TRY;				
1. US Dollar net asset/liability	14.269.938	(14.269.938)	-	-
2.Part protected from US Dollar risk (-)	-	-	-	-
3. US Dollar net impact (1+2)	14.269.938	(14.269.938)	-	-
If the the Euro changes by 20% against the TRY;				
4. Euro net asset/liability	(7.729.315)	7.729.315	-	-
5.Part protected from Euro risk (-)	-	-	-	-
6. Euro net impact (4+5)	(7.729.315)	7.729.315	-	-
If the the other Currencies changes by 20% against the TRY;				
7. Other Currencies net asset/liability	-	-	-	-
8.Part protected from Other Currencies risk (-)	-	-	-	-
9. Other Currency net impact (7+8)	-	-	-	-
TOTAL(3+6+9+12)	6.540.624	(6.540.624)	-	-

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

Current Market Value

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

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

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

Financial Assets

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

Financial Liabilities

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

50. POST BALANCE SHEET EVENTS

None.

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

None. (31.12.2019: None.)

52. FIRST APPLICATION OF TAS

None. (31.12.2019: None.)

53. EXPLANATION ABOUT CASH FLOW TABLES

Cash and Cash Equivalents

	December 31, 2020	December 31, 2019
Cash	4.376	1.105
Banks	64.432.258	3.651.251
-Demand deposit	6.460.558	3.651.251
-Time deposit	57.971.700	-
Unexpired cheques	-	-
Other current assets	37.464.676	14.272.998
-Repo	25.273.615	5.820.964
-POS Accounts	12.191.061	8.452.034
TOTAL	101.901.310	17.925.355
Bankrupt Bank Risk Provision (-)	-	-
TOTAL	101.901.310	17.925.355

-Details of currency of time deposit and currency of repo related to December 31, 2020 are shown as below:

Currency of Repo	Maturity	Interest Rate	31.12.2020 TRY
TRY	4.01.2021	13,25%	4.500.000
TOTAL			4.500.000

Currency of Repo	Maturity	Interest Rate	31.12.2020 USD	31.12.2020 TRY
USD	4.01.2021	0,10%	2.830.000	20.773.615
TOTAL			2.830.000	20.773.615

-Details of currency of time deposit and currency of repo related to December 31, 2019 are shown as below:

Currency of Repo	Maturity	Interest Rate	31.12.2019 TRY
TRY	2.01.2020	9,45%	950.000
TOTAL			950.000

Currency of Repo	Maturity	Interest Rate	31.12.2019 USD	31.12.2019 TRY
USD	2.01.2020	1,00%	820.000	4.870.964
TOTAL			820.000	4.870.964

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

Time Deposit Currency	Maturity	Interest Rate	31.12.2020 USD	31.12.2020 TRY
USD	11.01.2021	3,00%	750.000	5.505.375
USD	25.01.2021	3,00%	1.250.000	9.175.625
USD	25.01.2021	3,00%	1.500.000	11.010.750
USD	2.02.2021	3,00%	1.250.000	9.175.625
USD	25.01.2021	3,10%	1.000.000	7.340.500
TOTAL			5.750.000	42.207.875

Time Deposit Currency	Maturity	Interest Rate	31.12.2020 EUR	31.12.2020 TRY
EUR	18.01.2021	2,20%	1.750.000	15.763.825
TOTAL			1.750.000	15.763.825

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

	01.01.2020-31.12.2020	01.01.2019-31.12.2019
A. CASH FLOWS FROM OPERATING ACTIVITIES	135.483.231	18.436.564
Profit/Loss for The Period	96.369.447	24.746.066
Adjustments to Reconcile Net Profit/Loss for The Period	31.800.143	16.655.983
<i>Adjustments Related with Amortization and Depreciation</i>	20.449.827	16.834.655
Adjustments Related to Impairment / Reversal	(7.720)	5.448
<i>Provision for Inventory Impairment</i>	(7.720)	5.448
Adjustments Related to Provisions	9.277.209	6.794.874
<i>Adjustments Related to Provision for Employee Benefits</i>	8.708.895	6.325.804
Adjustments Related to Other Provisions	(628.186)	463.162
<i>Adjustments Regarding Lawsuits and / or Penalty Provisions</i>	695.795	(9.494)
<i>Adjustments for Free Provisions (Cancellation) for Potential Risks</i>	(1.776)	(27.283)
<i>Adjustments Related to Provision for Guarantees</i>	502.481	42.685
Adjustments Related to Interest Income / (Loss)	449.356	567.440
<i>Adjustments Related to Interest Income</i>	(281.143)	(29.508)
<i>Adjustments Related to Interest Expense</i>	730.499	596.948
<i>Adjustments Related to Tax (Income) Expense</i>	3.615.573	(7.306.935)
Adjustments Related to Losses (Gains) Arising from the Disposal of Fixed Assets	(515.628)	(239.499)
<i>Adjustments Related to Losses (Gains) Arising from the Disposal of Fixed Assets</i>	(515.628)	(239.499)
<i>Other Adjustments Related to Profit / Loss Reconciliation</i>	(1.468.475)	-
Changes in Business Capital	7.313.641	(22.965.485)

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.

22. Declaration of Compliance with Corporate Governance Principles Of 2020

Ege Seramik İç Ve Dış Ticaret A.S. (hereinafter referred to "the Company") complies with the mandatory principles in the "Corporate Governance Communiqué" published in the Official Gazette numbered 28871 on 3 January 2014 and applies these principles.

The Corporate Governance Principles Compliance Report of our Company has been submitted to the information of our investors under heading "Corporate Governance Compliance Report" of the "Investor Relations" section and also in our Activity Reports arranged for the subject years.

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

Ege Seramik has taken the necessary steps in line with the Corporate Governance Principles and proved its commitment to all its shareholders and all stakeholders with its determination to comply with the Corporate Governance Principles and all its activities. Our Company believes in the importance of fully compliance to the Corporate Governance Principles. However, due to the difficulties in implementation in some of the non-obligatory principles, the ongoing discussions in our country as well as in the international platform in terms of compliance with certain principles, and the incompatibility of some principles with the current structure of the market and the company, have not been fully complied with, yet. Developments related to the subject are being monitored and our efforts towards compliance are continuing. The Company complies with the principles stipulated in the Corporate Governance Communiqué No II-17.1 ("Communiqué").

Although there is no written company policy regarding the recommendation "determines the target ratio and target time, not less than 25% for the female member rate in the board of directors, and forms a policy to achieve these goals" as stipulated in Article 4.3.9 of the Communiqué; in 2020, the rate of female members in the Board of Directors was 50%.

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

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

2020 Corporate Governance Compliance Report

2020 Corporate Governance Compliance Report is published on the Public Disclosure Platform and www.egeseramik.com website in addition to the 2020 Annual Report.

2020 Corporate Governance Information Form

2020 Corporate Governance Compliance Report is published on the Public Disclosure Platform and www.egeseramik.com website in addition to the 2020 Annual Report.

