



ANNUAL REPORT - 2015

Table of Contents

1. Message from the Board of Directors
2. Milestones
3. General Information
4. Information on the Managing Body, Senior Executives and Personnel of the Company
5. Organization, Capital and Shareholding Structure of the Company
6. Benefits to the Members of the Managing Body and Senior Executives of the Company
7. Research and Development Activities of the Company
8. Activities of the Company and Important Developments Related to Activities
9. Financial Standing
10. Production
11. Sales
12. Developments in the Sector
13. Our Company's Position in the Sector
14. Independent Audit Report
15. Financial Statements and Footnotes
16. Amendments Made to the Articles of Association during the Term
17. Corporate Governance Principles Compliance Report
18. Remuneration Policy for the Board of Directors and Senior Executives
19. Related Party Transactions in Year 2015 and Forecasting Report on Widespread and Continuous Related Party Transactions in Year 2016
20. Information Policy
21. Profit Distribution Policy
22. Proposal for the Distribution of Year 2015 Profit

1. MESSAGE FROM THE BOARD OF DIRECTORS

**Dear Estimable Shareholders,
Dear Estimable Business Partners and Employees;**

Ege Seramik has been working in order to enhance and improve its respected position in the sector both in Turkey and throughout the world with its continuous innovation studies, contemporary productions and technological improvements.

Economic Developments in Turkey and World

As it is known, year 2015 can be evaluated as the year of uncertainties and hitches in general of the global economic environment.

When we look at the general of the world, especially the decrease on the growth rates of the developing countries had also slowed down the global growth and this lead to a shrinking demand on many commodity prices, particularly on the oil prices and caused an excessive pressure and with the effect of domino, almost all of the economies had affected adversely from this situation and many of the large economies were faced with the reality of deflation.

On the other hand, the main points that certainly determined the global economic situation during year 2015 can be listed as follows; ambiguous behaviors exhibited by FED in the name of normalizing the interest rate policies; unacceptable decrease on the oil prices and the expected but delayed slowing down in Chinese economy.

Global economic fluctuations naturally created a pressure on the economy of our country, as well. On the other hand, monetary depreciation of Turkish Lira versus US Dollar with a high rate of 25% and increase on the interest rates by 11% had adversely affected both the real sector and the investment environment.

While we are evaluating economic conjuncture both in our country and throughout the world during year 2015, it is not possible to isolate the economy from the ongoing political processes occurred in our region and country.

When we look at this general picture; although the consumer confidence index had slightly regressed and despite of many other negative developments lived in our country, we have accomplished a growth at the level of 4% in our country and this is quite pleasing for us. However, the inflation rate which was realized at the level of 9% is still above the planned inflation rate.

Ege Seramik in Year 2015

Dear Partners,

Ege Seramik had closed year 2015 with a successful growth in line with our planning, despite of all the negative developments lived in Turkey and throughout the world. Our strategy is not a very fast growth, at all costs but to realize a healthy and sustainable growth by using the innovative technologies which produces products with high profitability and productivity.

In 2015, modernization investments of our masse preparation facilities and some of our production lines were completed and put into service on the date of 09/09/2015. In this facility which had cost approximately TRY 46.500.000; the ECO kiln has been used for the first time in Turkey. While the heating efficiency was ensured with this kiln and also our production capacity for producing big dimensioned products of 60x120 and 80x80 had also increased by 3 millions of m2.

Ege Seramik is the first Turkish ceramic producer used digital printing technology and it commissioned its new décor facility within this year, wherein the printing machines qualified with a cutting edge digital technology are being used.

In order to increase the productivity on masse productions, masse preparation area in which the mill and spraying driers are placed was renewed with the latest technology in ceramic sector.

Newly installed automatic packaging machine, pallet stowing robots and pallet strapping and pallet cladding lines will decrease the packaging workmanship and material costs and they will also increase the quality of packaging as well.

All of these investments have the features such as sensitive for environment, reducing the natural gas consumption and increasing the productivity. Our investment policy is not oriented for only increasing the production capacity but it also prioritizes the investments ensuring the production of highly value-added and innovative products.

Another positive development was the launch of train lines which connects İzmir city to Anatolia. The last stop of this line is neighboring to our factory areas. The first loading in the railway lines of Manisa/Turgutlu – İzmir/Kemalpaşa cities were also realized by us. With this railway line we will use our logistics and cost advantages during our raw material and ceramic finished-product transportations.

We have received many awards during the year that we are very proud of. However, among these awards namely, “Leadership in Branding” that we have received during the Innovation Week in Turkey and being selected as one the most valuable brands of Turkey within the first 100 brands during a research conducted by Brand Finance, were also the distinct awards for us to feel very proud.

If we evaluate the current situation with a quick look, the values created by Ege Seramik has shown a positive progress as summarized in the below table:

	2014	2015	Increase
Production (m2)	20.912.979	22.492.287	7,55%
Sales (m2)	21.377.606	22.382.776	4,70%
Total Sales Revenue (TRY)	280.681.471	324.890.990	15,75%
Gross Profit (TRY)	84.357.405	100.007.389	18,55%
Operating Profit (TRY)	47.471.979	55.142.335	16,16%
EBITDA (FAVÖK) (TRY)	57.300.742	66.183.013	15,50%

As it can be seen from the above tables, although there is an increase of 4,70% in the volume of our sales when compared with the year 2014, an 15,75% increase on sales income; 18,55% increase on gross profit and operating profit and 15,50% increase on earnings before interest taxes depreciation and amortization FAVÖK (EBITDA) were realized.

Dear Estimable Shareholders;

Profit Distribution Policy of Ege Seramik Sanayi ve Ticaret A.Ş. has been determined in accordance with the relevant provisions of Turkish Commercial Code (TCC), Tax Regulations, Capital Markets Law and legislations, regulations and decisions published by the Capital Markets Board as well as within the framework of Articles of Association of our Company and in line with the Corporate Governance implementations and strategies and financial plans of our Company by taking into account of the current developments in our country’s economy and sector and by observing the sensitive balance among the expectations of the shareholders and requirements of our Company.

According to our financial statements issued for the accounting period of 01.01.2015 - 31.12.2015 of which was issued by our Company in accordance with the provisions of Series: II, 14.1 numbered Communiqué published by the Capital Markets Board and with the International Financial Reporting Standards and which was audited by MBK Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. trade named auditing company; our

Company earned TRY 48.772.788,39 worth of profits in year 2015. Accordingly, by taking into account of our Profit Distribution Policy, general condition of country economy and market expectations as well as taking into account of the cash flow of our Company, it is deemed suitable by our Board to offer the proposal to our General Assembly in order to not to make any profit distribution and to retain the earned profits within the structure of our Company.

Our Board of Director shall continue to work to achieve even better results in 2016 with the contribution of you our Esteemed Partners, of all our colleagues, domestic and abroad 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 2015 and we wish year 2016 to be an efficient and successful year for our country and company.

**Kind Regards,
Board of Directors**

Our Vision;

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

- To become a reliable GLOKAL (Global & Local) actor in ceramic covering 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 earned incomes,
- To update the sectoral knowledge by implementing the innovations brought by technology world,
- And to invest on the future with 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. MILESTONES

- 1972 Ege Seramik was established at Kemalpaşa, İzmir.
- 1973 Production started with a capacity of 300.000 m².
- 1981 Significant part of stocks were purchased by Mr. İbrahim Polat.
- 1982 Ege İnşaat Malzemeleri Pazarlama A.Ş. was incorporated in order to carry out sales marketing operations of Ege Seramik.
- 1983 It was incorporated into the İbrahim Polat Holding.
- 1988 Five-year investment programme started.
- 1992 Ege Seramik started to be publicly traded at IMKB.
- 1994 Production capacity increased to 16 million m²
- 1995 Production capacity increased to 22 million m²
- 2004 Plant to produce custom-shaped tiles was commissioned.
- 2004 Production capacity increased to 25 million m²
- 2005 Oracle ERP automation system was set up.
- 2009 DIGITILE investment was commissioned.
- 2011 New glazing, sizing and ve 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.



3. GENERAL INFORMATION

Reporting Period : 1 January 2015 – 31 December 2015

Company Trade name : EGE SERAMİK SANAYİ VE TİCARET A.Ş.

Trade registration number : 614 K-575

Mersis Number : 0-3250-0554-2400011

Headquarters Address : Ankara Asfaltı 26.Km. P.K.:35170 Kemalpaşa/İZMİR

Branch Address : -

Stock Share Code : EGSER

Contact Information :

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E-mail address: info@egeseramik.com

Kep address : egeseramik@hs01.kep.tr

Internet Site : www.egeseramik.com

4. INFORMATION ON THE MANAGING BODY, SENIOR EXECUTIVES AND PERSONNEL OF THE COMPANY

a) Board of Directors



İbrahim POLAT
Chairman of Board of Directors



Bülent ZİHNALI
Deputy Chairman of Board of Directors



Baran DEMİR
Deputy Chairman of Board of Directors



İsmet MİLOR
Independent Member of
Board of Directors



Meriç Esmer
Independent Member of
Board of Directors



İbrahim Fikret POLAT
Member of
Board of Directors

Two committees the CMB Series II-17-1 “Communiqué on Corporate Governance” as follows:

Audit Committee

:

İsmet MİLÖR	Head of Committee in Charge of Auditing (Independent Member of Board of Directors)
Meriç ESMER	Member of Committee in Charge of Auditing (Independent Member of Board of Directors)

Auditing Committee has been elected from among the non-executive members of the board of directors to keep office until the next General Assembly of Shareholders.

Corporate Governance Committee :

		<u>Start Date</u>	<u>Leave Date</u>
Meriç ESMER	Head of Corporate Governance Committee (Independent Member of Board of Directors)	05.05.2015	-
Baran DEMİR	Member of Corporate Governance Committee (Non-executive Member of Board of Directors)	05.05.2015	-
Diclehan KARAASLAN	Member of Corporate Governance Committee (Investor Relations Director)	05.05.2015	30.09.2015
Aysel HATİPOĞLU	Member of Corporate Governance Committee (Investor Relations Director)	01.04.2016	-
Tolgahan SOYAK	Member of Corporate Governance Committee (Investor Relations Director)	01.10.2015	31.03.2016

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.

b) Senior Management

Name-Surname

Position

Bülent ZİHNALİ

Deputy Chairman of Board of Directors and Head of Operations Group

He started his career at Ege Seramik in 1975 and held positions as an executive at various levels and as a member of board of directors during this period of time. He was promoted as the Head of Operations Group on 16.02.2010.

Göksen YEDİGÜLLER

General Manager

He started to keep office as General Manager at Ege Seramik on 16.02.2010. Before he was appointed to this position, we had worked as a senior executive at some large ceramic factories of Turkey.

Bülent SABUNCU

Financial Affairs Manager

He joined the organization of Ege Seramik in year 2012 and he still maintains this position.

Mustafa AKBACI Sales Manager

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

Nevin ÇİFTÇİOĞLU IT Manager

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

İ.Volkan DERİNBAŞ Production Planning and Logistics Manager

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

İlyas YALÇIN Personnel and Administrative Affairs Manager

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

Aysel HATİPOĞLU Investor Relations Director

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

c) Employees

Average number of our employees occurred to be 1.132 in year 2015. The average age of our employees is 35 and average seniority period is 6 years. Out of the total number of our employees, 14% are university graduates; 6% vocational college graduates, 38% high school graduates and 42% primary school graduates. Out of our administrative staff members, 3% has master's degree, 71% bachelor's degree, 17% are vocational college graduates and 9% high school graduates

Employees who are members of a trade union are subject to collective labour contract executed with CIMSE-IS Labour Union. A collective labour contract which covered the period between years of 01.01.2015-31.12.2016 was signed with T.Cimse-Is Labour Union on 04.03.2015.

1st Year Income Increase,

As of the date of 31.12.2014, the hourly wages were accepted as follows:

Members who earn within the range of TRY 5,22 – TRY 5,29 are accepted as 1st Group,

Members who earn within the range of TRY 5,30 – TRY 5,66 are accepted as 2nd Group,

Members who earn within the range of TRY 5,67 . - TRY 7,91 are accepted as 3rd Group,

And Members who earn up to and over TRY 7,92 are accepted as 4th Group,

Hourly wages of 1st Group are increased by 3 Kurus for each seniority year only for one time and gross TRY 160,- is added into the wages;

Hourly wages of 2nd Group are increased by 3 Kurus for each seniority year only for one time and gross TRY 150,- is added into the wages;

Hourly wages of 3rd Group are increased by 3 Kurus for each seniority year only for one time and gross TRY 155,- is added into the wages;

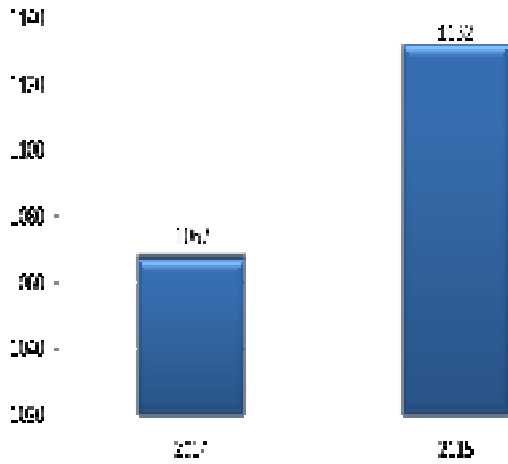
Hourly wages of 4th Group are increased by 2 Kurus for each seniority year only for one time and gross TRY 150,- is added into the wages.

2nd Year Income Increase,

To be effective as from 01.01.2016, an increase for the second year shall be applied by adding 2 points into the TUIK Urban Locations Consumer Price Index percentage belonging to the 01.01.2015-31.12.2015 term to the wages of those employees employed by our Company as of 01.01.2016 who are members of T.Cimse-Is Labour Union, which they received as of such date.

Average Number of Personnel	Year 2014	Year 2015
Manager	17	17
Officer	153	162
Worker	897	953
Total	1.067	1.132

Number of Employees



Average of Personnel Number



d) 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 05/05/2015. 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 2015.

5. ORGANIZATION, CAPITAL AND SHAREHOLDING STRUCTURE OF THE COMPANY

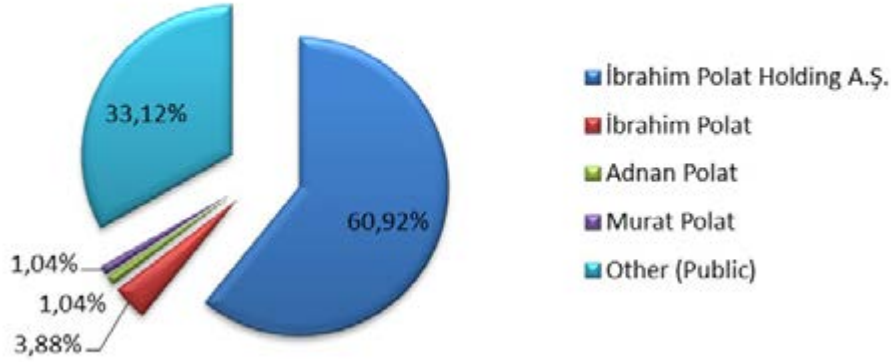
a) Capital : TRY 75.000.000.-

b) Registered Capital : TRY 150.000.000.-

31 December 2015

Shareholders	Nominal (TRY)	Share %
İbrahim Polat Holding A.Ş.	45.686.919	60,92%
İbrahim Polat	2.909.876	3,88%
Adnan Polat	779.878	1,04%
Murat Polat	779.877	1,04%
Other (Public)	24.843.450	33,12%
Total	75.000.000	100 %

Shareholding Structure of Company



c)-Changes which occurred during the fiscal term:

Shareholders	Number of Shares in Preceding Term	Amount of Capital in Preceding Term	Number of Shares in Current Term	Amount of Capital in Current Term
İbrahim Polat	236.711.700	2.367.117	290.987.553	2.909.876

d- Information on privileged shares

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

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

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

Pursuant to the article 26 of our Articles of Incorporation, in those years when a resolution is made to distribute profits upon the consent of the General Meeting of Shareholders, 5% of the amount remaining upon the allocation of the primary dividend and distribution of profit to the holders of privileged shares is allocated to the members of the Board of Directors at equal amount.

In 2015, total gross TRY 1.263.634,- was paid to the members of the Board of Directors out of the profit through the distribution of the profit of 2014.

It was resolved at the General Meeting of Shareholders held on 05.05.2015 that those members of the Board of Directors who had been elected as independent members of the Board of Directors would be paid an attendance fee of TRY 5.500,- per month. Also, health and life insurance is purchased for our senior executives every year.

Such payments as salaries and bonuses amounting to TRY 2.807.622- were made to our senior executives in 2015.

7.RESEARCH AND DEVELOPMENT STUDIES OF THE COMPANY

Ege Seramik, being one of the leading brands of Turkish ceramics industry had successfully presented its products designed by giving priority to human and environment health during year 2014 both in domestic and international markets and it had continued its successful studies also during year 2015.

Our color body series offered to the markets under EGE TECH name is responding to all kinds of projects especially for architectural projects, from floors to walls and exterior facades. This series has sizes of 30x60 cm, 60x60 cm, 60x120 cm , 45x90 cm products and it also has rock-relief textured surfaces.

Ege Seramik has been signing on many successful projects in American markets since long years and Company had exhibited in its fair stand Pacific, Calacatta, Nepal, Kingstone, Empire, Castel and Moon series having natural stone and marble appearance as well as Hazar, Barbados, Castel and South series are exhibited which are having natural wood appearance and these series had drawn quite big attention by the visitors.

Ege Seramik has been realizing its ceramic floor covering productions since year 1972 in İzmir Kemalpaşa Organized Industry Zone along with its R&D and Production & Research activities and it has been giving prominent contributions into Turkish ceramics sector and the Company had taken its place among the Top 500 Largest Industrial Corporations of Turkey within this year as well.

In the Unicera Ceramic Bathroom Kitchen Fair held as the 27th in Istanbul between the dates of 24 February -28 February 2015, 33 new series under the name "Spring Collection" were presented to both the domestic and foreign customers. During the said Unicera Fair, especially the products that were designed in the new facility investment that had commenced its operations during month September were exhibited. Along with this investment, the current production capacities for the products having sizes of: 60x60 cm, 80x80 cm, 60x120 cm, 45x90 cm and 15x90 cm had also increased.

Our brand new portfolio products were exhibited in Mosbuild Fair which was organized in Moscow during the dates of 31 March- 03 April of year 2015. Our products were introduced to a visitor audience, mostly consisting of architects, civil engineers and other professionals in Istanbul Construction Fair organized during the dates of 21-25 April 2015.

Ege Seramik has attended to the Coverings Fair held in Orlando city of USA during the dates of 14-17 April 2015 and it had introduced its unique and chic designs during the said Fair.

As being the world's biggest Ceramics and Bathroom International Fair organized in Bologna city of Italy during the dates of 28 September- 2 October 2015, our Company had participated to this Cersaie Fair with its 112 m2 stand at 16th hall. In this ceramics fair realized with the participation of 101.000 visitors, our Company had introduced its 21 new series consisting of ceramic surfaces with marble, natural stone, brick, wooden, cement textures and designs to its customers under the name of "Autumn Collection".

Marketing and Publicity Studies :

Both during and afterwards the above mentioned fairs, various studies were conducted for the publicity and introduction of Ege Seramik brand and products together with the media organizations and various news were published about us both in the written press and internet media as well as the magazines of our sector.

Revision studies for the general catalogue belonging to years 2015-2016 were also conducted. New products that were added into our product portfolio were incorporated into our catalogue and the cancelled products were removed out from our publicity tools such as our catalogue, web site and mobile applications.

Renewal studies on the signboards, stands and showrooms of our authorized dealers' stores were also continued in general of the year 2015 of which are all contributing into our value-added product sales strategy.

Concerning the new sales points which are newly included within our authorized dealers' channel, necessary signboard, visual applications, product publicity boards and designs were organized in order to support our publicity and introduction activities thereon.

Advertisements that are broadcasted on television in order to express the variety and richness of our product groups were also continued beginning from the month September and during the final quarter of year.

Relevant library updates were completed on our KAREO program which displays the installed view of our products in the relevant venues and which is applicable in our dealers' sales points and therefore, the publicity of our new products was realized on this program as well.

Visual studies for the purpose of introduction of our products as well as design and printing implementations for the publicity brochures were realized in line with the demands coming from export and domestic market customers.

News and press bulletin announcements were made for the purpose of introduction and publicity of Ege Seramik brand and products and various broadcastings were realized in multiple media organizations. Sharing of knowledge concerning the publicity of our company and products with the predetermined target audience as well as other sharing realized over our social media accounts such as Facebook, Instagram and Twitter are also continuing to be realized.

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

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

Total TRY 47.018.988 worth of modernization and renewal investments were realized by Ege Seramik Sanayi ve Ticaret A.Ş. during year 2015 within the scope of Investment Incentive Certificate. With regard to these investments, there are TRY 26.128.300 worth of balance recorded in the Balance Sheet under the Short-Term Trade Payables account item and TRY 15.955.972 worth of balance recorded under the Long-Term Trade Payables account item.

Within the framework of reorganization of the stock area, a land having 7.134 m² of size which is neighboring to the stock area was purchased and TRY 2.387.039 worth of intangible asset investment was realized by our Company.

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.

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.

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

	31 December 2015		31 December 2014	
	TRY	%	TRY	%
Ceramic Research Centre	4.000	8,00	4.000	8,00
Turgutlu Water Product Inc.	45	1,00	45	1,00
Total	4.045		4.045	

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

None.

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

Our Company has been audited out of plan by the Inspectors of Turkish Ministry of Customs and Trade during 2015 activity period within the scope of Inward Processing Regime and no negative situations were detected and notified thereof.

Our Company was also audited by AS Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş. trade named independent audit company both for full attestation and independent audits during the same activity period.

f) 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.

g) 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.

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

All resolutions made at the General Meeting of Shareholders have been fulfilled. Despite the shrinkage of demands in our export share due to the negativity experienced in market conditions within the 2015 operating year, the estimated budget targets have been reached to a significant extent.

i) 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.

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

Our Company donated TRY 100.- in the year 2015.

In line with environmentally sensitive policies of our Company, direct discharge of the waste water generation plant and process water and the output values of the waste water treatment plant are continuously checked. Also,

wastes generated during the intermediate processes are recovered and put into production again under the sustainability concept of our Company, thus minimizing the waste disposal.

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

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

In the CE compliance mark activities to be carried out in our sector, practices are maintained within the scope of the Building Materials Regulation (89/06/EEC) and EN 14411 Harmonized standards.

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

j) 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 2015 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.

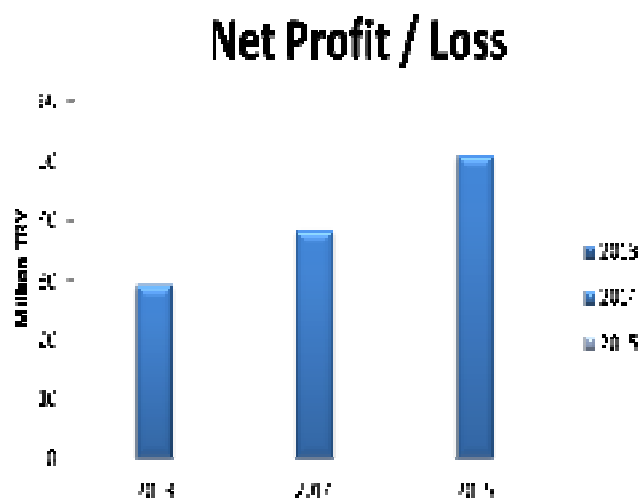
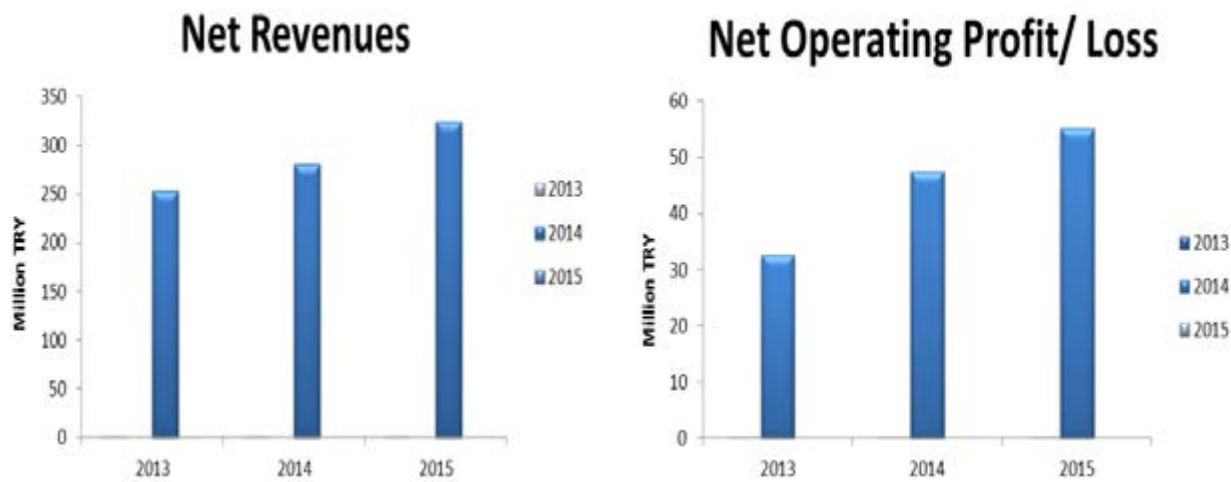
Accordingly, Ibrahim Polat Holding A.Ş., which is the holding company, has not caused any damages to its subsidiaries and affiliates due to the actions in question. As subsidiaries and affiliates have not incurred any damages, Board of Directors has not compensated for any damages.

9. FINANCIAL STATUS

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

Condensed Balance Sheet (TRY)	Year 2015	Year 2014	%
Current Assets	221.355.611	195.582.068	13,18%
Fixed Assets	143.001.092	96.237.462	48,59%
Assets	364.356.703	291.819.530	24,86%
Short-Term Liabilities	114.068.391	89.948.840	26,81%
Long-Term Liabilities	36.254.607	15.948.195	127,33%
Non-Parent Interest	-	-	-
Capital Stock	214.033.705	185.922.495	15,12%
Liabilities	364.356.703	291.819.530	24,86%
Net Operating Capital	107.287.220	105.633.228	1,57%

Condensed Income Statement (TRY)	Year 2015	Year 2014	%
Net Revenues	324.890.990	280.681.471	15,75%
Gross Profit	100.007.389	84.357.405	18,55%
Operating Profit	55.142.335	47.471.979	16,16%
Net Profit (-Loss)	50.877.873	38.319.261	32,77%
EBITDA	66.183.013	57.300.742	15,50%

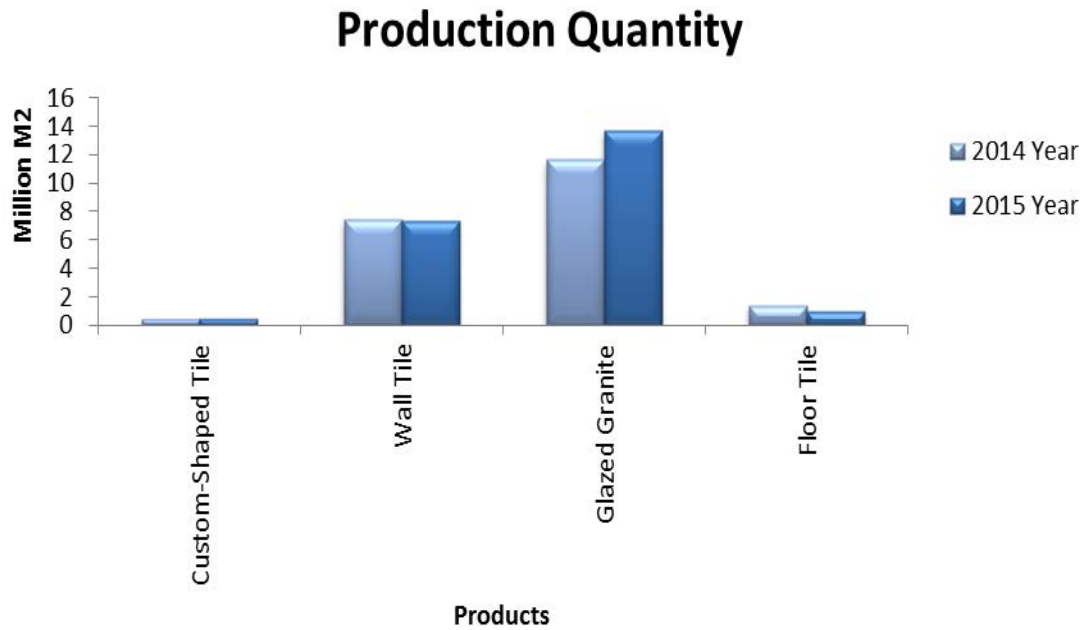


Financial Ratios	Year 2015	Year 2014	%
Current ratio	1,94	2,17	(10,75%)
Liquidity Ratio	1,33	1,57	(13,46%)
Financial Liability-Equity Ratio	0,03	-	(100,00 %)
Operating Profit Margin	16,97%	16,91%	0,35%
Net Profit Margin	15,66%	13,65%	14,71%
EBITDA Margin	20,37%	20,41%	(0,22%)

10. PRODUCTION

Ege Seramik has operated with a 92,57 % capacity utilization percentage including downtime for maintenance purposes and achieved a finished product production of 22.492.286 m² in year 2015. Increase occurred in production compared to the preceding year was realized as 7,51 percent.

	Year 2015	Year 2014	Increase/Decrease	%
Custom-Shaped Tile	460.117	454.040	6.077	1,34%
Wall Tile	7.290.470	7.409.575	(119.1059)	(1,61%)
Glazed Granite	13.723.866	11.635.752	2.088.114	17,95%
Floor Tile	1.017.833	1.422.613	(404.780)	(28,45%)
Total	22.492.286	20.921.980	1.570.306	7,51%



11. 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 2014 have been realized as TRY 324.890.990, increasing by 39,12 % when compared to year 2014. And the sales quantity has been realized as 22.382.776 m², increasing by 10,96 % when compared to the preceding year.

Abroad sales quantity has been increased by 7,32 % while our domestic sales quantity was increased by 3,63 % and exceeded 15 million square meters.

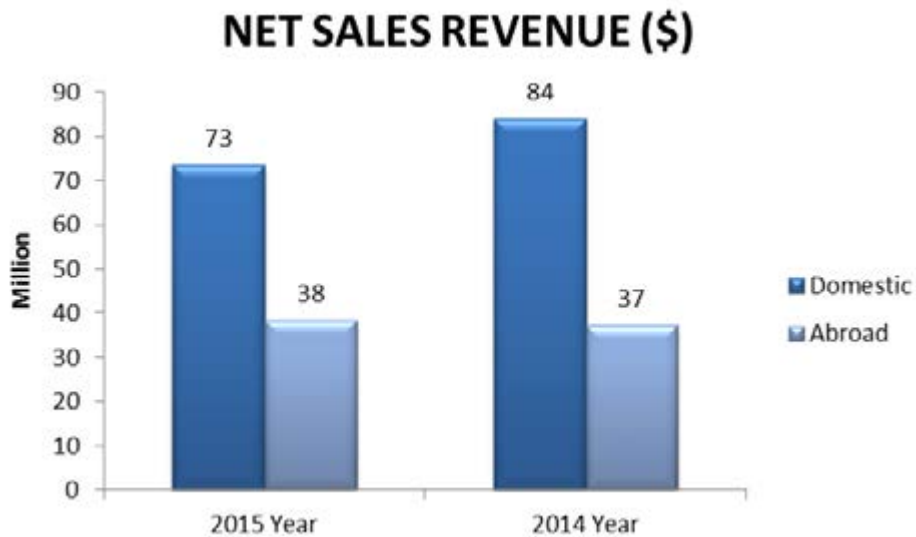
Sales (m ²)	Year 2015	Year 2014	Difference	%
Domestic	15.731.991	15.180.675	551.316	3,63%
International	6.650.785	6.196.931	453.854	7,32%
Total	22.382.776	21.377.606	1.005.170	10,96%

Net Revenues (TRY)	Year 2015	Year 2014	Difference	%
Domestic	213.398.411	194.540.061	18.858.349	9,69%
International	111.492.579	86.141.411	25.351.168	29,43%
Total	324.890.990	280.681.472	44.209.518	39,12%

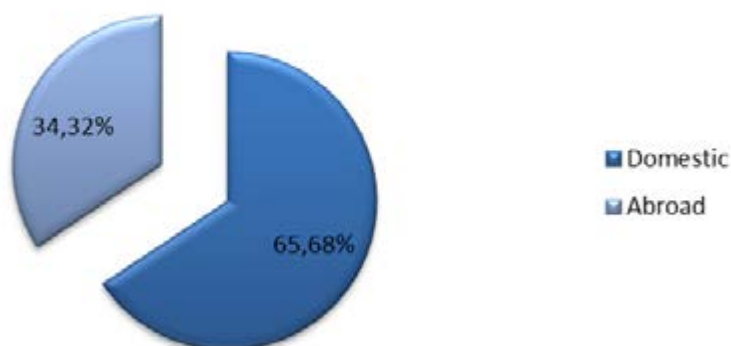
Net Revenues (USD)	Year 2015	Year 2014	Difference	%
Domestic	73.393.318	83.893.252	(10.499.934)	(12,52%)
International	38.345.226	37.147.531	1.197.695	3,22%
Total	111.738.544	121.040.783	(9.302.239)	(9,29%)

Our exports were realized as USD 38.345.226 in year 2015.

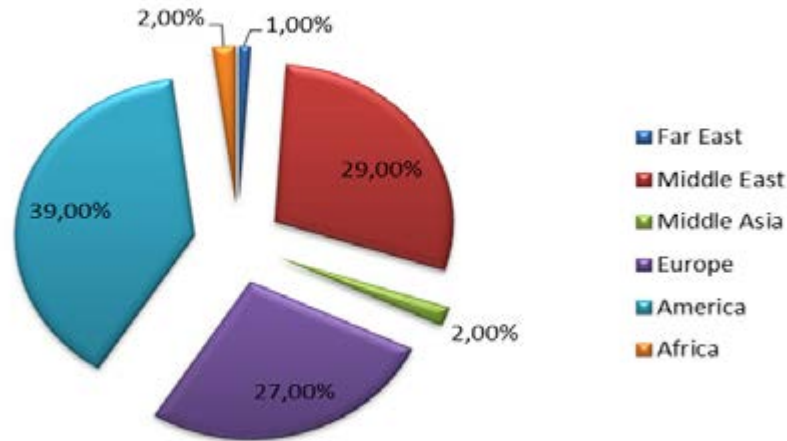
Markets in which we are ambitious abroad are USA, Canada and Israel. Exports were achieved to 43 countries and 30% of the total revenues abroad were earned from USA, Canada and Israel in 2015.



SALES DISTRIBUTION



Regional Distribution of Abroad Sales



12. DEVELOPMENTS IN THE SECTOR

Turkey is ranked as the 9th biggest producer and 4th biggest exporter in the ceramic covering materials sector. The biggest ceramic producer of the world is China (48%) followed by Brazil (7%), India (6%) and Spain (3%). Our country is the fourth biggest exporter after China, Italy and Spain.

The ceramic covering export of Turkey reached its highest level in 2013 with 604,8 million USD. However, due to the difficulties experienced in export market conditions, export in 2014 has regressed at a ratio of 1,0% and was decreased to 598,6 million USD and this situation was also continued during year 2015 and regresses to the level of 500,5 million USD. In year 2014, the imports were increased by 5,6% and risen to the level of 110,1 million USD. In year 2015, the imports were regressed by 29% and decreased to the level of 78,2 million USD.

Given the fact that the ceramic sizes are enlarged and external façade covering techniques were developed and also the accumulation of knowledge and expertise were improved concerning the external façade assembly works; ceramic tile application on the external facades of the buildings was highly disseminated and therefore, the markets are also enlarged due to these developments.

As the result of the development in the print and shaping technologies in ceramic covering sector, the opportunity to produce products providing aesthetical superiority compared to alternative covering materials (such as marble, wood, parquet, natural stone, etc.) has been reached. By virtue of this, the aesthetical aspect of the ceramic covering materials sold as health tools has increased and value increase based on product segmentation in the market has been provided.

Problems of the Sector:

The biggest problem of the ceramic covering sector is its energy requirement. Ceramic sector cost of energy has a share of 30-35% in the total costs in ceramic production. Even if consumption is somewhat reduced through efficiency efforts, there is no fuel more advantageous than natural gas in the ceramic sector in the present situation

Upon the improvement of transportation by sea and rail and increase in partial shipment and storage options at home, industrial costs and domestic distribution costs of the sector shall reduce.

13. OUR COMPANY'S POSITION IN THE SECTOR:

Incorporated in 1972, Ege Seramik San. ve Tic. A.Ş. is ranked within top two companies in terms of brand recognition as a result of the researches conducted thereof. Considered in terms of turnover, it is the second biggest producer and its market share has a growing tendency.

The product segmentation in Turkey for ceramic covering materials is divided into three as low, medium and high segment in terms of visuality, price and profitability. Our Company has accomplished a great success in medium and high segment products and continued its activities with the aim of increasing its profitability also during year 2015. In the domestic market, by the impact of branding in the housing sector, high and middle product sales in the market have increased.

Our Company realized its first loading in the railway connection lines of Manisa/Turgutlu – İzmir/Kemalpaşa cities on the date of 07.03.2016. The railway transportation will be used for providing the raw materials to our Company as well as for the shipments of our products to our dealers. Our Company is aiming to carry approximately 1 ton of products annually by way of railway transportation.

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 which has just been opened in 2014 and to the completed constructions of albite and quartz deposits, its ability to recruit qualified labour due to its proximity to the Metropolitan area and firm financial condition.

a) Our Product Range

In year 2015 53 new series were included within the product portfolio of Ege Seramik. New series are developed in line with the innovations at the market and according to the requirements within the product portfolio. 33 out of these new series are exhibited within our Spring 2015 collection in the domestic markets as well as Unicera and Istanbul Construction Fairs which lead the sector and 20 of these new series are exhibited within Autumn Collection 2015 in one of the most significant ceramic fairs of world, during Cersaie Fair.



In both these collections, wooden and marble textured products come to forefront and other surfaces that are demanded in the markets such as cement and concrete surfaces are also included within our product portfolio. Furthermore, brick look, snap-on pattern Atlas series and Castel series which reflect the patchwork trend were also attention grabbing new series of the year.

The demand for the high-gloss surface products that are developed with Hi-Coat nano technology continued incrementally during year 2015 as well. This type of products are not only used on the floors, but also used on the bathroom walls and even on the kitchen counters. In year 2015, various sizes of high-gloss products were included within our product portfolio concerning 11 new series.



b) Fairs

Ege Seramik A.Ş. participated into important domestic sectoral fairs organized in year 2015 and introduced its products to the consumers, authorized dealers and professional customers. During the domestic fairs the numbers of the foreign visitors to these fairs were significantly increased when compared with the previous years.

Unicera



Istanbul Construction Fair



In 2015, our Company participated into COVERINGS Fair organized in America and to CERSAIE Fair organized in Italy and contributed into its foreign publicity activities.

Coverings



Cersaie



Products exhibited both during the national and international fairs were parallel with the world trends and drawn a quite big attention by the consumers.

Communication activities realized with the architects continued as well during year 2015 by increasing our activities. Our products were introduced to the architects and necessary architect meetings, price list sending and mail information sending were realized and brand recognition at professional side was contributed.

Utilization of the mobile applications realized on smart phones having IOS and Android operating systems of which were commenced during year 2014 have reached up to 4.000 persons as of the end of month December. By virtue of these applications, smart phone users can easily access into the product information and venue furnishing applications of Ege Seramik. The product updates within the program are still continued in regular periods.



In year 2015, brand communication activities have been continued on television channels and radios during 10 months with the advertisements and broadcastings made for our brand. TV commercials had lasted for 10 seconds and successful product concepts were displayed during such commercials.

Overall channels of social media were started to be used proactively in year 2015. Ege Seramik had shared its posts on social media channels namely; Facebook, Instagram, Twitter, Pinterest and You Tube channels with its consumers in order to increase its communications.

c) Awards and Certificates We Received

Our Company took place in the Fortune 500 Turkey 2015 and ISO 500 2013 lists in which top 500 companies of Turkey in 2015 are named, thus ranking among the top 500 companies of Turkey.



Awards granted to our Company within year 2015 are listed below:

- İZTO **Gold medal award** due to its declaration of a high trade profit and contributions to the national economy in 2014.



- **First prize** as the firm providing the highest employment in the occupational group of glass and ceramic products industry as of year 2014.



- Ege Seramik is one of the leading brands of ceramics sector with its assertive technology and unique designs and it is entitled to receive the “**TSE Double Star**” Certificate granted by the Turkish Standards Institute (TSE). Double Star Certificate confirms that products of Ege Seramik not only conforms to the minimum requirements but also conforms to all of the requirements as specified in the Standards of Turkey, Europe and America.



- According to the survey results conducted by an international evaluation institution, **Brand Finance** concerning the most valuable 100 brands of Turkey during year 2015, Ege Seramik took its place among the most valuable 100 brands of Turkey.



- Our Company which exhibits innovation and entrepreneurship examples in its sector with the products developed by using the cutting-edge technology and with its after-sales services has been awarded with the “**Leadership in Branding**” during the Innovation Week in Turkey which was organized as the fourth time this year with the contributions of the Turkish Exporters Assembly and Ministry of Economy of Republic of Turkey.



QUALITY CERTIFICATE

Our company which has been certified with TS-EN-ISO-9001 as the first in the ceramics sector, successfully completed the inspection audit conducted by the Turkish Standards Institute between the dates 22-24.12.2014. The maintenance of the certificate was decided as the result of the assessments by the Turkish Standards Institute and DQS (Germany). Our company has been entitled with a TS-EN-ISO-9001 certificate certified by IQ Net (International Certification Network) to which 37 certification organizations are members.



ENVIRONMENTAL CERTIFICATE

Awarded the TS-EN-ISO 14001 certificate, our Company has successfully passed the surveillance audit carried out on 18-20.11.2015 by the Turkish Standards Institution thanks to its environmentally sensitive policies. Turkish Standards Institution decided that the certificate should be maintained as a result of their evaluations.



Effectively fulfilling all requirements as covered by the environmental management system, Ege Seramik has further moved ahead of the legal requirements by possessing the TS-EN-ISO 14001 certificate approved by IQNet, which is an international certification network to which 37 countries are members.

GSV (GLOBAL SECURITY VERIFICATION)



Our country complies with the C-TPAT system established in the United States for the control of safety and reduction of risks in supply chains. Thanks to our activities we achieved in this context and effective control mechanisms, the audit carried out by the firm Intertek was successfully completed and the GSV certificate renewed on the date of 21.05.2015.

ISRAELI PRODUCT CERTIFICATES



On the date of 21.01.2016, an audit was conducted by the Israeli Standard Institute in our company and it was certified that our products were in conformity with the Israeli Standards.

NF-UPEC PRODUCT CERTIFICATE



An audit was carried out on the date of 28.07.2015 by the firm SFC and our products were found compliant with the French Norms. As a result of our compliance, we were awarded with the NF UPEC certificate.

d) Projects and Leading Companies Preferring the Ege Seramik Products

Significant corporate companies which prefer Ege Seramik products are as follows: BP, YATAŞ, CARREFOUR, MİGROS, WOLKSVAGEN, SEAT, TEPE HOME, DE FACTO, MARKS and SPENCER and our Company has continued its common activities with these corporate companies.



e) Our Business Partners

Ege Seramik displays and offers to the taste of its customers its products through its authorized dealers in 7 regions and almost 100 branch offices of 3 large construction markets throughout the country. In year 2015, business partnerships were entered with 136 dealers.



For the purpose of contributing into the sales and marketing activities of the dealers, the sample and exhibition activities were increased in the stores and therefore, it is enabled to increase the product and brand perception levels. Overall dealers were supported in terms of samples and new products that were released on markets were introduced efficiently. With the supports given in relation to the catalogues, price lists, publicity and exhibition stands, the dealers which have retail sales potential are supported by us. Architectural teams have given their technical supports in relation to the renewals of the store exhibition and showroom sections.

14. INDEPENDENT AUDIT REPORT

It is featured in the Public Disclosure Platform, Central Registration Agency, e-Company and www.egeseramik.com web site.

15. FINANCIAL STATEMENTS AND FOOTNOTES

It is featured in the Public Disclosure Platform, Central Registration Agency, e-Company and www.egeseramik.com web site.

16. AMENDMENTS TO THE ARTICLES OF INCORPORATION DURING THE TERM

None.

17. CORPORATE GOVERNANCE COMPLIANCE REPORT

CHAPTER I - Statement for Compliance with Corporate Governance Principles

Corporate Governance Compliance Report of our Company is issued for the Activity Period of 01.01.2015-31.12.2015 in accordance with the “Corporate Governance Principles” as stipulated in the “Communiqué on Corporate Governance” with Serial no. II-17-1 of the Capital Markets Board and the relevant explanations are given place in the said Activity Report.

Our Company believes in the importance of fully compliance to the Corporate Governance Principles. All kinds of necessary steps were taken within the scope of full compliance to the Corporate Governance Principles during year 2015 and our best efforts are given in order to continuously develop the said full compliance and all the activities are being periodically audited by the Corporate Governance Committee.

Our Company completely fulfils its legal obligations in public disclosure and transparency issues as they are included in the regulations of CMB and periodically makes public disclosure of its financial statements, financial statement footnotes and Independent Audit Reports. Moreover, whenever extraordinary cases are involved, it provides Istanbul Stock Exchange with material disclosures. Both shareholders and the people are allowed to establish multi-directional contact with our Company via our web site, and legal arrangements are deemed to be sufficient in the matter.

CHAPTER II -SHAREHOLDERS

2.1 Shareholder Relations Function

The following people keep office in the Shareholder Relations Function:

Name-Surname	Position	Telephone No	E-Mail Address	License document Type	License document No
Aysel HATİPOĞLU	Investor Relations Manager	0212 212 00 44	aysel.hatipoglu@polatholding.com	CMB Level 1 / Corporate Management Rating License	518773 / 702380
Bülent SABUNCU	Financial Affairs Manager	0232 878 17 00	bsabuncu@egeseramik.com		

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 within the structure of the Financial Affairs Department and the said relations have been carried out by the above mentioned function responsible for such communications.

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 01.01.2015-31.12.2015, 22 (twenty two) applications were filed with the Shareholder Relations Function and were replied by the function.

2.2 Exercise of the Right to Information by Shareholders

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

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

For the purpose of extending the shareholders' right to information, up-to-date information are presented to the use of our shareholders on the web site of our Company, except any information of confidential and trade secret nature.

Any developments which may have an effect on the shareholders' exercise of their rights are reported to the Public Disclosure Platform (PDP) in the form of material disclosures.

Request for the appointment of a private auditor has not been regulated as an individual request right in the articles of incorporation of the Company, and the relevant articles of the Turkish Commercial Code are taken into consideration in cases which are not stipulated in the articles of incorporation. No "Request for the Appointment of a Private Auditor" was filed with our Company during 2015.

2.3 General Meetings of Shareholders

- a) An annual general meeting of shareholders was held in 2015. General Meeting of Shareholders for our Company's operations in 2014 was held on May 05, 2015 and the minutes of the meeting is open to inspection by our shareholders on the Central Registration Agency and web site of our Company.
- b) No special meeting quorum has been determined for the General Meetings of Shareholders of our Company and the provisions of the Turkish Commercial Code are applied for the meeting and resolution quorums.
- c) 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.

- d) 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.
- e) An item related to donations was added to the agenda at the Annual General Meeting of Shareholders held on 05.05.2015 and the shareholders were informed that TRY 1.200,- was donated to the Turkish Educational Foundation in year 2014.

2.4 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. Mode 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.

2.5 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.

In the profit distribution carried out in year 2015;

- All of the distributable term's profit which was TRY 36.310.265,- for the year 2014 including the privileges was distributed pursuant to the articles of incorporation.

Details of the profit distribution carried out in year 2014 are given below:

Description	Profit for Year 2014	Total Dividend Distributed in Year 2015
Distributable 2014 Profit	36.310.265,03	
Primary Legal Reserve Fund	2.008.995,97	
Secondary Legal Reserve Fund	2.055.232,44	
Sum of Reserve Funds	4.064.228,41	
To Holders of Group A Shares (Registered)	2.323.933,76	2.323.933,76
To Holders of Group B Shares (Registered)	1.452.458,60	1.452.458,60
To Holders of Group C Shares (Bearer's)	19.262.293,01	19.262.293,01
Sum of Primary and Secondary Dividends	23.038.685,37	23.038.685,37
Dividends to Members of Board of Directors	1.263.638,98	1.263.638,98
Total Dividend Distributed	24.302.324,36	24.302.324,36
Extraordinary Reserves	9.952.708,24	
Balance	-	

According to our financial statements issued for the accounting period of 01.01.2015 - 31.12.2015 of which was issued by our Company in accordance with the provisions of Series: II, 14.1 numbered Communiqué published by the Capital Markets Board and with the International Financial Reporting Standards and which was audited by MBK Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. trade named auditing company; our Company earned TRY 48.772.788,39 worth of profits in year 2015. Accordingly, by taking into account of our Profit Distribution Policy, general condition of country economy and market expectations as well as taking into account of the cash flow of our Company, it is deemed suitable by our Board to offer the proposal to our General Assembly in order to not to make any profit distribution and to retain the earned profits within the structure of our Company.

- It is proposed that all of the distributable profit of 2015 which is TRY 48.772.788,39 to be distributed as follows, including the privileges pursuant to the articles of incorporation.

Description	Profit for Year 2015	Proposed Dividend Distribution in Year 2015
Distributable 2015 Profit	42.101.692,15	
Primary General Legal Reserve Fund	2.105.084,61	
Secondary General Legal Reserve Fund	0,00	
Sum of Reserve Funds	2.105.084,61	
To Holders of Group A Shares (Privileged)	0,00	0,00
To Holders of Group B Shares (Privileged)	0,00	0,00
To Holders of Group C Shares (Publicly Traded)	0,00	0,00
Sum of Primary and Secondary Dividends	0,00	0,00
Dividends to Members of Board of Directors	0,00	0,00
Total Dividend Distributed	0,00	0,00
Balance (Fund to Be Allocated as per PCA)	39.996.607,54	

2.6 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.

CHAPTER III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 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*

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.

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.

Our Company sent 29 (twenty nine) 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 2015. 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.

3 Activity Report

Within the scope of corporate governance principles as stipulated in the Corporate Governance Communiqué serial no: II-17-1 of the Capital Market Board; our Company's activity reports contain information about Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors under main headings.

CHAPTER IV - STAKEHOLDERS

4.1 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.

4.2 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.

4.3 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:

- Career goals of employees are considered together with their personal competences and those employees who are at equal level are provided with equal opportunities.
- Employees are informed of those matters related to their personal rights, career and company opportunities.
- No discrimination is made between employees and employees are protected against maltreatment.
- No discrimination is applied to employees.
- Training plans are prepared and applied in order to enhance the knowledge and skills as well as personal improvement of employees.
- Employees are provided with safe working environment and conditions under the occupational health and safety.
- Criteria related to recruitment of employees have been put into writing and ensured to be complied with in the recruitment of employees.

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.

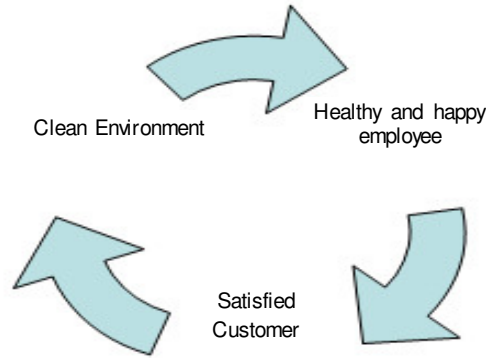
There is a collective labour contract between the labour union and our Company in order to ensure orderly and efficient working at the workplace, to increase production, to balance the rights and interests of the employer and the employees, to provide work peace through mutual goodwill and confidence, to settle any discrepancies which may arise between the parties through amicable ways, and a union chief representative and three union representatives have been commissioned 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.

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

4.4 Ethical Rules and Social Responsibility

There are ethical rules identified for the Company and its employees by the Board of Directors of the Company. Such ethical values have been announced within the Company but not made public. 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.



Effective quality 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- 2008 Quality Management System

Ege Seramik holds the TSEN ISO 9001:2008 (TSE-Turkey), DIN EN ISO 9001:2008 (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.

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.

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

- Starting from the designing stage, any necessary precautions are taken in order to consider and minimize any environmental impacts which may arise out of the use of our products at each and every stage of production.
- Packaging wastes are classified within themselves and stored not to cause any damage in the environment and disposed through licensed organizations under the Regulation on the Control of Packaging and Packaging Wastes.
- Any necessary organizations have been made for the recovery of the packaging materials which we launch to the market and recovery of such packaging materials is ensured.
- Our hazardous wastes have been minimized and any waste oil, waste batteries, waste accumulators, packaging wastes contaminated by hazardous wastes which are still in use are forwarded to licensed firms and ensured to be recovered.
- Any treatment sludge created in the waste water treatment plant is ensured to be reused.
- Water treated in our waste water treatment plant is reused, thus reducing the amount of the discharged water and minimizing our water consumption.
- Resources are used in an effective manner.
- Any components which may cause environmental contamination are identified and brought under control, and such components are prevented by ensuring continuous improvement.
- Scraps and wastes created by the activities we are performing are identified and brought under control, and scraps and wastes are ensured to be used for recycling and those which may not be recycled are disposed through legal ways.
- Applications under the 89/106/EEC Building Materials regulation and EN 14411 Harmonized standards are maintained in the activities for the CE conformity mark to be carried out in our sector.

Our Social Responsibility Policy

Primarily addressing the issues of enhancing the health, safety and satisfaction of its employees, we, Ege Seramik San. ve Tic. A.Ş. undertake fulfill, ensure the continuity of and permanently improve any applications related to the **EII Base Code Standards** besides its compliance with the following issues through this policy, basing on the Labour Act No. 4857 and relevant legislations;

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

GSV (Global Security Verification) Social Security Version

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 as well as for the purpose of ensuring the international cargo security.

Within the scope of this program, Ege Seramik San. ve Tic. A.Ş. 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.

Product Certifications

Ege Seramik products are approved at home (by TSE) and in abroad (France and Israel Standard Institutes) by various standard institutes. Ege Seramik is one of the leading brands of ceramics sector with its assertive technology and unique designs and it is entitled to receive the “**TSE Double Star**” Certificate granted by the Turkish Standards Institute (TSE). Double Star Certificate confirms that products of Ege Seramik not only conforms to the minimum requirements but also conforms to all of the requirements as specified in the Standards of Turkey, Europe and America.

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

CHAPTER V - BOARD OF DIRECTORS

5.1 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 natural 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.

Board of Directors of the Company was consisted of the following persons in 2015:

Chairman	: Ibrahim POLAT (Non-Executive Member)
Deputy Chairman	: Baran DEMIR (Non-Executive Member)
Deputy Chairman	: Bulent ZIHNALI (Executive Member)
Independent Member	: Ismet MILOR (Independent Member)
Independent Member	: Meric ESMER (Independent Member)
Member	: Ibrahim Fikret POLAT (Non-Executive Member)

Background of the Board of Directors Members and the General Manager:

IBRAHIMPOLAT

He keeps office as a Member of the Board of Directors.

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

BULENT ZIHNALI

He keeps office as a Member of the Board of Directors.

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

BARANDEMIR

He keeps office as a Member of the Board of Directors.

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

IBRAHIMFIKRET POLAT

He keeps office as a Member of the Board of Directors.

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

ISMET MILOR

He keeps office as an Independent Member of the Board of Directors.

He was born on 07.09.1935. He graduated from Staatliche Höhere Fach Schule (Germany) in 1967 and from the Ceramic Department of the Chemical Arts Institute (Ankara) in 1954. He acted as General Manufacturing and Technology Manager at Canakkale Seramik San. ve Tic. A.S.; Member of the Board of Directors and General Manager at Sogut Seramik Sanayi A.S.; Member of the Board of Directors and General Manager at Ege

Seramik San. ve Tic. A.Ş.; Chairman of the Board of Directors at Aktur Turizm ve Endustri San. ve Tic. A.Ş. respectively. He speaks German.

MERIC ESMER

He keeps office as an Independent Member of the Board of Directors.

He was born on 28.01.1945. He graduated from the Galatasaray High School (Istanbul) and Academy of Economic Sciences of the Ankara University. He acted as Sales Supervisor at Ekmekcioglu Kilsan A.S.; Sales and Marketing Manager at Sogut Seramik Sanayi A.S.; General Manager at Ege Pazarlama A.S.; Member and Deputy Chairman of the Board of Directors at TIMDER; Co-Founder and Chairman of the Board of Directors at Can Yapi Urunleri A.S. and Memembr of the Board of Directors at Can Sans Oyunlari Gida ve Tekel Urunleri Yapi Malzemeleri San. ve Tic. A.Ş. respectively. He speaks French and English.

GO KSEN YEDIGULLER

He keeps office as the General Manager.

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

Statements of Independence of the independent members of the Board of Directors as included within the information document of General Meeting of Shareholders were made public on PDP on 08/04/2016 and such statements may be accessed on the web site of our Company.

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

Within the scope of the Corporate Governance Principles as specified by the Capital Markets Board, our Company has been continuing its policy studies in order to accomplish the targeted rates and determination of times regarding the numbers of female members of board of directors.

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

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

Two independent board members are nominated for the Nomination Committee and submitted to the approval of Board of Directors accompanied with the 08.04.2016 dated decision of Nomination Committee indicating that the nominated candidates are qualified with the independence criteria.

5.2 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 29 individual resolutions made on various dates during year 2015. 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.

5.3 Number, Structure and Independence of the Committees Established within the Board of Directors

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 responsible from audits and Corporate Governance Committee were established 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 : Ismet MILOR (Independent Member)
Member of Audit Committee : Meric ESMER (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 05.05.2015 dated General Meeting of Shareholders in order to officiate until the next General Meeting of Shareholders to be held and their task distributions were realized on the same date as follows:

		<u>Start Date</u>	<u>Leave Date</u>
Meriç ESMER	Head of Corporate Governance Committee (Independent Member of Board of Directors)	05.05.2015	-
Baran DEMİR	Member of Corporate Governance Committee (Non-executive Member of Board of Directors)	05.05.2015	-

Diclehan KARAASLAN	Member of Corporate Governance Committee (Investor Relations Director)	05.05.2015	30.09.2015
Aysel HATIPOĞLU	Member of Corporate Governance Committee (Investor Relations Director)	01.04.2016	-
Tolgahan SOYAK	Member of Corporate Governance Committee (Investor Relations Director)	01.10.2015	31.03.2016

Within the scope of the assignation carried out in the Board Resolution no. 2015-17 dated 05.05.2015, Corporate Governance Committee undertakes the tasks of;

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

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

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

5.4 Risk Management and Internal Audit Mechanism

Our Company is audited in terms of the compliance of any operations and activities carried out with both the legislation and the company policies by the Audit Committee and internal auditors. Audit Committee meets at regular intervals audits the financial statements and reports which are subject to or not subject to independent auditing of the Company, inspects the balance sheet and profit-and-loss accounts and their compliance with the accounting principles and standards as stipulated by CMB and submit the same to the Board of Directors for approval.

Audits are carried out by independent external auditors and the results thereof are directly reported to the senior management of the Company. Remedies are sought and policies established for those problems reported via multi-directional publicity.

Corporate Governance Committee is responsible for making efforts for early diagnosis of the risks which may endanger the existence, development and continuation of the Company, for taking any necessary measures for identified risks and managing such risks and reviews the risk management systems at least once a year.

5.5 Strategic Goals of the Company

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

5.6 Financial Rights Granted to the Board of Directors

As stipulated in 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. A total gross dividend of TRY 1.263.638,98 was distributed to the members of the Board of Directors under the 2014 profit distribution. Company did not lend any credits, nor make available any loans to any members of the Board of Directors or

executives nor make available any loans under the designation of personal loan through third parties nor extend such guarantees as surety in their favour.

Amounts and payment dates of any attendance fees, remuneration and similar benefits other than dividends which may be paid to the members of the Board of Directors are determined and fixed by the General Meeting of Shareholders. Principles for fixing the remuneration of the members of the Board of Directors and senior executives have been put into writing. Waging policy is submitted to the shareholders for information as a separate item at the General Meeting of Shareholders and shareholders are provided with an opportunity to give their opinion on the matter.

For the remuneration of the independent members of the Board of Directors, payment schemes basing upon the share certificate options or company's performance shall not be employed. Remuneration of the independent members of the Board of Directors is fixed at a level which shall allow them to maintain their independence pursuant to the regulations of the Capital Market Board.

It was resolved at the General Meeting of Shareholders held on 05.05.2015 that those members of the Board of Directors who had been elected as independent members of the Board of Directors would be paid an attendance fee of TL 5.500,- per month.

Also, health and life insurance is purchased for our senior executives every year. Such payments as salaries and bonuses amounting to TRY 2.807.622,- were made to our senior executives in 2015.

18. WAGING POLICY FOR THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

This policy describes the remuneration system and practices for the members of our Board of Directors and senior executives who have administrative responsibilities in accordance with the regulations of the Capital Market Act.

It is intended to structure the remuneration system applied in our Company to serve our mission and vision, values and goals.

Members of our Board of Directors make use of the attendance fee appraised by the General Meeting of Shareholders. Any performance-based system is not anticipated in the remuneration of the independent members of the Board of Directors. Decisions of the Remuneration Appraisal Committee are taken into consideration for the remuneration of the independent members of the Board of Directors.

Payment to the members of the Board of Directors is made on pro rata basis in consideration of the period of office they have kept as of their appointment and quitting dates. Expenses incurred by the members of the Board of Directors due to the contributions they make to the Company (travel, telephone, insurance, etc. costs) may be covered by the Company.

Remuneration payable to the senior executives are fixed in accordance with the international standards and legal obligations, considering the macro-economic data in the market, remuneration policies in effect in the market, size and long-term goals of the Company and positions of the persons. Further, such utilities as company cars, mobile means of publicity, private health insurance, etc. specified for their positions may also be provided.

Senior executives may be paid premiums in accordance with the business size of the positions of the executives, realization rate of the financial and operational goals (market share, exports, international operations, efficiency, etc.) set by the Board of Directors in the beginning of each year.

All employees are paid a total of 16 gross monthly wages per annum in our Company.

19. RELATED PARTY TRANSACTIONS IN YEAR 2015 AND FORECASTING REPORT ON WIDESPREAD AND CONTINUOUS RELATED PARTY TRANSACTIONS IN YEAR 2016

A- Introduction

The detailed table concerning the transactions realized with the related parties in year 2015 within the scope of General Communiqué on Corporate Tax as well as the Year 2015 Corporate Tax Return Statement submitted in 2016 accompanied with transfer pricing form are given in the attached “Annex-2”.

The main area of activity of Ege Seramik Sanayi ve Ticaret A.Ş. 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 01.01.2015- 31.12.2015 is amounted as TRY 327.442.362,72. In 2015, our total sales was realized as TRY 327.442.362,72 (Domestic Sales TRY 215.119.959,38 + Export Sales TRY 105.718.133,94 + Other Income TRY 6.604.269,40) and 29% of this sales amount consist of our sales realized with the related parties. The analysis of these sales realized with the related parties are given in the below table. Related party sales concerning the main area of activity were realized as 28,79% of the total sales.

SALES					
Related Party	Price Method	Sales Amount	Price Method	Sales Amount	%
Egeseramik İç ve Dış Tic.A.Ş.	Comparable Uncontrolled Price Method	9.070,78	Resale Minus Method	47.286.802,43	14,44 %
Ege Vitrifiye A.Ş.	Comparable Uncontrolled Price Method	36.202,47			
Polat Turizm A.Ş.	Comparable Uncontrolled Price Method	255.088,19			
Piyalepaşa Gayrimenkul A.Ş.	Comparable Uncontrolled Price Method	63.235,82			
Polat Maden San.Tic.A.Ş.	Comparable Uncontrolled Price Method	16.952,75			
Ege Seramik America	Comparable Uncontrolled Price Method	88.102,60	Resale Minus Method	46.690.860,50	14,28 %
	TO TAL	468.653,15	TO TAL	93.977.662,93	28,72 %
	TOTAL SALES OF EGE SERAMİK	327.442.362,72 (*)			100 %

(*) Overall revenues

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

B- RELATED PARTY TRANSACTIONS

Balance amounts before the Related Parties as of the dates of December 31st, 2015 and December 31st, 2014:

a) Receivables from Related Parties:

- Trade Receivables from Related Parties:

	31 December 2015	31 December 2014
Ege Seramik İç ve Dış Ticaret A.Ş.	12.733.515	11.081.128
Ege Seramik America INC.	9.552.297	5.610.022
TOTAL	22.285.812	16.691.151
Reduction: Non-accrued finance expenses	(18.737)	(6.764)
TOTAL	22.267.075	16.684.387

Company realizes the sales and distribution of the products manufactured by the Company itself inside the country and significant portion of export sales and distribution activities are realized through its Group Companies, namely; Egseramik İç ve Dış Ticaret A.Ş. and Ege Seramik America INC.

	maturity date
Ege Seramik İç ve Dış Ticaret A.Ş.	120 days
Ege Seramik America INC.	120 days

- Other receivables from related parties: None. (None as of 31.12.2014.)

b) Debts to Related Parties:

- Other debts to related parties:

	31 December 2015	31 December 2014
Dividends payable	50.136	39.340
TOTAL	50.136	39.340

ii) Significant sales realized to the related parties and significant purchases realized by the related parties:

a) Product sales realized to the related parties:

	01 January – 31 December 2015	01 January -31 December 2014
Ege Seramik İç ve Dış Ticaret A.Ş.	47.286.802	39.849.458
Ege Seramik America INC.	46.690.861	31.797.680
Ege Vitrikiye Sağlık Gereçleri San. Tic. A.Ş.	33.390	38.246
Polat Turizm Otel San. ve Tic. A.Ş.	215.948	14.384
Piyalepaşa Gayrimenkul A.Ş.	63.181	8.128
TOTAL	94.290.182	71.707.896

b) Raw material sales realized to the related parties:

	01 January – 31 December 2015	01 January -31 December 2014
Ege Vitrikiye Sağlık Gereçleri San. Tic. A.Ş.	-	1.710
TOTAL	-	1.710

c) Service sales realized to the related parties:

	01 January – 31 December 2015	01 January -31 December 2014
Ege Vitrikiye Sağlık Gereçleri San. Tic. A.Ş.	1.815	265
Egeseramik İç Ve Dış Ticaret A.Ş.	9.071	5.705
Ege Seramik America INC.	88.103	81.776
Polat Turizm Otel San. ve Tic. A.Ş.	39.140	6.121
Polat Maden San. Tic. A.Ş.	16.953	423
Piyalepaşa Gayrimenkul A.Ş.	55	-
TOTAL	155.137	94.290

d) Goods and raw materials purchases realized from related parties:

	01 January – 31 December 2015	01 January -31 December 2014
Polat Maden San. Tic. A.Ş.	4.178.078	2.940.570
Ege Vitrikiye Sağlık Gereçleri San. Tic. A.Ş.	1.674	33.858
TOTAL	4.179.752	2.974.427

e) Service purchases realized from related parties:

	01 January – 31 December 2015	01 January -31 December 2014
İbrahim Polat Holding A.Ş.	781.814	684.930
Ege Seramik America INC.	-	2.989
Polat Maden San. Tic. A.Ş.	13.965	-
Polat Turizm Otelcilik A.Ş.	-	3.248
Egeseramik İç ve Dış Ticaret A.Ş.	36.246	28.894
Ege Vitrikiye Sağlık Gereçleri San. Tic. A.Ş.	1.758	2.158
TOTAL	833.783	722.218

f) Finance revenues related with the transactions realized with the related parties:

	01 January – 31 December 2015	01 January -31 December 2014
Ege Vitrikiye Sağlık Gereçleri San. Tic. A.Ş.	997	36.691
TOTAL	997	36.691

g) Finance expenses related with the transactions realized with the related parties:

	01 January – 31 December 2015	01 January -31 December 2014
Ege Seramik İç ve Dış Ticaret A.Ş.	534	2.379
TOTAL	534	2.379

h) Marketing, sales and distribution expenses realized to the related parties:

	01 January – 31 December 2015	01 January -31 December 2014
Ege Seramik Amerika INC.	127.320	115.781
Egeseramik İç ve Dış Ticaret A.Ş.	1.353.408	1.469.424
Polat Turizm Otel San. ve Tic. A.Ş.	23.790	480
İbrahim Polat Holding A.Ş.	115	238
TOTAL	1.504.633	1.585.922

C- Related parties of which are realized transaction up to and above 10%**1- Related Party- EGESERAMİK İÇ VE DIŞ TİCARET A.Ş.****- Tax ID Number, Tax Office, Address, Telephone Numbers :**

Trade Name : Egeseramik İç ve Dış Ticaret A.Ş.
Tax ID No : 325 005 1156
Tax Office : Boğaziçi Kurumlar
Address : Büyükdere Cad. Polat Han No:87/3 34387 Şişli /Istanbul
Telephone : (212) 216 67 00
Publicly traded or not? : Not Publicly Traded

- Information about area of activity:

Egeseramik İç ve Dış Ticaret A.Ş. primarily realizes the export activities for the floor and wall ceramics and vitrified health instruments produced by the industry group. In addition to these activities, it also realizes the marble exports in line with the customer demands and it further sells the complementary products of vitrified health instruments such as toilet seat covers and inner kits. Company realizes exports to numerous countries throughout the world. Total paid-up capital of the Company is TRY 6.250.000. The biggest partner of the company is İbrahim Polat Holding A.Ş. with its 96% shares in the company capital. Average number of employees is 15.

- Information about Economic Conditions and Market Conditions in the sector:

The primary competitors of the company in international markets are China and Italy. In addition to this, domestic producers are also working with a quite dense competition especially in terms of prices and products. Turkey is the third biggest exporter on ceramics sector in Europe after Italy and Spain. Turkey exports its 40% of its productions and ranks within the top ten countries of world regarding the ceramic material exportations. The biggest ceramic exporter of world is China.

- Information about Statutory Legislations related with its area of activity and markets:

Turkish Commercial Code, Tax Procedure Code, Corporate Tax Law and Regulations on Competition

- Information about Business Strategies:

Company realizes its sales according to its cost and profit ratios, by calculating the optimum profitability on the basis of its customer. Giving importance for the production of highly value contributing products and ensuring the increase of sales prices on the basis of m2 are adopted as the business strategies of company. Consumer demands and expectations are analyzed and the product portfolio has been continuously renewed.

- Information about Assumed Risks:

Political instability and possible wars that may occur in Middle East, North Africa and in eastern borders of Turkey are the biggest impediments against the sales. However, studies are being conducted for creating new markets in African countries and therefore all kinds of negativity in the sector would be responded early and before their occurrence.

- **Information about Assets owned by the Company:**

Total assets of the Company according to its December 31st, 2015 dated balance sheet issued in accordance with the Tax Procedure Code is amounted TRY 23.040.000. Furthermore, the company has an affiliate under the trade name of Ege Vitrikiye A.Ş. which is also affiliated to our Parent Company, İbrahim Polat Holding A.Ş.

Ege Vitrikiye Sağlık Gereçleri San.ve Tic. A.Ş. 7,82 %

2- Related Party- EGE SERAMİK AMERICA I.N.C.

- **Tax ID Number, Tax Office, Address, Telephone Numbers:**

Trade Name : Ege Seramik America, Inc.
Tax ID No : 223150821
Tax Office : Georgia Department of Revenue & Internal Revenue Service
Address : 1721 Oakbrook Drive Suite C, Norcross, GA, 30093, U.S.A.
Telephone : (678) 291-0888
Web : www.egeseramik-usa.com
Publicly traded or not? : Not Publicly Traded

- **Information about area of activity:**

Company has been carrying out its ceramic sales and distribution activities in the states of USA, Canada, Caribbean Islands and in Latin American countries.

Capital : USD 125.000.

Partners : İbrahim Polat Holding, A.Ş. -100 %

- **Information about Economic Conditions and Market Conditions in the sector:**

Ceramic consumption in American markets in year 2015 was realized approximately at the level of 230 million m². Import figures has been decreased by 0,7% when compared with the previous year and exports were increased by 7,7% and shipments of the local producers were increased by 3,4%. Ceramic consumption in the market has been displaying an increase since last 5 years in a row, including the year 2014.

Data belonging to last 8 years in the sector are as follows:

Year	Shipments of local producers (m²)	Imports (m²)	Exports (m²)	Total Consumption (m²)	Changed consumption when compared with the previous year (%)
2015					
2014	76,356,877	159,067,937	-3,954,182	231,470,632	0.5
2013	73,785,409	160,173,792	-3,672,212	230,286,989	12.9
2012	69,543,680	138,647,305	-4,239,591	203,951,394	5.4
2011	66,716,078	131,058,922	-4,207,993	193,567,007	4.0
2010	58,860,967	131,086,617	-3,907,435	186,040,149	7.7
2009	53,090,613	123,908,178	-4,233,736	172,765,056	-18.1
2008	58,956,691	156,647,955	-4,694,424	210,910,223	-15.2

Unemployment rate was 8.1% in year 2012 and regressed down to 7.4 % in 2013 and to 6.2% in year 2014. The “mortgage” ratio, as being an important factor concerning the residential sales, for 30 years of period was increased up to 4.17% in year 2014, while it was 3.98 % in 2013. Total construction expenditures made by the United States of America was increased by 6.9% in year 2014 when compared with the previous year and reached to the level of 961 billion \$. This figure comprises of the total expenditures made by the public and private sectors both for the residential and for the commercial constructions.

- **Information about Statutory Legislations related with its area of activity and markets:**

There is 8,5% customs duty applied on the products that are manufactured in Turkey. There are no quota limitations thereon.

- **Information about Business Strategies:**

To sustain the recognition of Ege Seramik brand, to renew the product portfolio of the company in the markets wherein it obtains more profits and to rise up the average sales price.

- **Information about realized functions:**

To realize sales, to prepare the necessary invoices, documents and etc. for the customers and to collect its receivables.

- **Information about Assumed Risks:**

There is a risk of failing to collect its current receivables.

- **Information about Assets owned by the Company:**

2 company owned motor vehicles, office furniture, computers, software programs and equipments.

D- Price Analysis for Transactions Realized with Related Parties

The sales realized to the related parties in 2015 were consistent with the sales realized to unrelated parties in terms of, TRY and m2 as well as the sales prices, sales terms and conditions. There were no implementations different than the precedents. In line with our sales policies during the previous years, 100% of our domestic sales realized in TRY and 14% of our export sales were realized with the unrelated parties. In summary, 71% of our total sales realized in TRY are made with the unrelated parties.

	01.01.2015 31.12.2015 (M2)	%	01.01.2015 31.12.2015 (TRY)	%	TRY/m2
Unrelated Party (Domestic +Foreign)	16.748.252	75 %	230.600.808	71 %	13,77
Related Party (Domestic +Foreign)	5.634.523	25 %	94.290.182	29 %	16,73
	22.382.776	100 %	324.890.990	100 %	14,52
Domestic Sales	15.732.412	100 %	216.137.022	100 %	13,74
Unrelated Party	15.712.993	100 %	215.824.503	100 %	13,74
Related Party	19.419	0 %	312.519	0 %	16,09
Ege Vitrikiye Sağlık Gereçleri San. Tic. A.Ş.	5.001		33.390		6,68
Polat Turizm Otel San. ve Tic. AŞ.	11.599		215.948		18,62
Piyalepaşa Gayrimenkul A.Ş.	2.819		63.181		22,41
Export Sales	6.650.364	100 %	108.753.968	100 %	16,35
Unrelated Party	1.035.259	16 %	14.776.305	14 %	14,27
Related Party	5.615.104	84 %	93.977.663	86 %	16,74
Egeseramik İç Ve Dış Ticaret A.Ş.	2.801.971		47.286.802		16,88
Ege Seramik America INC.	2.813.134		46.690.861		16,60
TOTAL SALES	22.382.776		324.890.990		14,52

(*) Ceramic intermediate product sales

SALES-2015	M2	TL
Sales realized to Unrelated Parties	74,83 %	70,98 %
Ratios of Related Parties	25,17 %	29,02 %
TOTAL SALES	100,00 %	100,00 %

E- CONSEQUENCE

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 2015, the following were forecasted within the scope of financial sales and purchase forecasts report for year 2016 in relation to the Widespread and Continuous Transactions Realized With Related Parties of our Company, namely; **Egeseramik İç Ve Dış Ticaret A.Ş.** and **Ege Seramik America INC.** trade named companies. With regard to the total amount of widespread and continuous transactions to be

realized with the aforementioned companies within one accounting period, the following matters were forecasted and disclosed to the public pursuant to the regulations of the CMB as indicated in our annual financial statements as follows:

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

In the said Forecasting Report it was examined that whether or not the sales realized by our Company in year 2015 to **Egeseramik İç Ve Dış Ticaret A.Ş.** and **Ege Seramik America INC.** trade named companies were reasonable or not when compared with the prices and profit sharing ratios that were applicable to the unrelated third parties. Accordingly, within this scope, we hereby confirm that the conditions and profit sharing ratios applicable for the transactions realized with the related parties were fair and reasonable within fair market conditions.

20. INFORMATION POLICY

Objective:

Information Policy of Ege Seramik Sanayi ve Ticaret A.Ş. is to equally share its performance and future expectations, strategies, goals other than its information of trade secret nature and vision with the people, competent authorized organizations, stakeholders and shareholders comprised of the existing and potential investors and to disclose any operations and financial information in a correct, fair, timely and detailed manner under the legal regulations and provisions of the Capital Market Act, thus providing investors and shareholders with a continuous, effective and transparent publicity platform.

Our Company adopts behaviour under the principles of equality, accuracy, impartiality, consistency and timing in providing all shareholders and stakeholders with information. It is essential that any of our notices and disclosures handled within such policy is given in an easily accessible, timely, accurate, complete, comprehensible, analyzable manner at lower costs.

General Framework of the Information Policy is established in accordance with the Capital Market Board (CMB) legislation, Borsa Istanbul A.S. (BIST) regulations and the Corporate Governance Principles.

Power and Responsibility:

As contained in Ege Seramik's Corporate Governance Compliance Report, our Company carries out its relations with shareholders through the Financial Affairs Department. This Department replies to information requests from stakeholders and provides them with information of such issues as general meetings of shareholders, stocks, profit distribution proposals, etc. Through financial statements, footnotes, activity reports, semi-annual and annual independent audit reports prepared in detail on periodic basis and material disclosures made for those cases which must be legally disclosed, rights of shareholders are protected and shareholders are provided with information.

Public Disclosure of Financial Statements:

Our Company's financial statements are prepared under the provisions complying with the Turkish Accounting Standards (TAS) published by the Public Oversight Accounting and Auditing Standards Authority (POA) and independently audited in accordance with the independent auditing standards published by the Capital Market Board (CMB) and made public in semi-annual and annual terms. Before the financial statements and footnotes thereof and activity reports are made public, they are submitted to the Board of Directors for approval under the assent received from the Audit Committee under the Capital Market Legislation. Once the attestation has been signed, the financial statements, footnotes thereof and activity report and independent audit report are transmitted to the Public Disclosure Platform (PDP) in accordance with the regulations of the Capital Market Act (CMA) and Borsa Istanbul (BIST) regulations.

Public Disclosure Methods and Instruments:

Web site of the Company has been designed to contain all the necessary information so that shareholders may get information, and such information is updated on periodical basis. Once the financial statements transmitted through the Public Disclosure Platform (PDP) have been made public within the times prescribed by the provisions of the relevant legislation, they are announced on the web site of the Company and the e-Company portal of the Central Registration Agency (CRA).

- Presentations and reports disclosed at investor information meetings may be accessed at www.egeseramik.com.
- Pursuant to the “Regulation on Web Sites to Be Opened by Equity Companies” published in the Official Journal No. 28663 dated 31.05.2013, 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.
- General headings of the information available in the “Investor Relations” section of the web site of the Company are given below:
 - ARTICLES OF INCORPORATION
 - CHRONOLOGY OF THE ARTICLES OF INCORPORATION
 - SHAREHOLDING STRUCTURE
 - BOARD OF DIRECTORS
 - FINANCIAL INFORMATION
 - FINANCIAL REPORTS
 - ANNUAL ACTIVITY REPORTS
 - GENERAL MEETINGS OF SHAREHOLDERS
 - MATERIAL DISCLOSURES
 - CORPORATE GOVERNANCE
 - INFORMATION POLICY
 - WAGING POLICY
 - PROFIT DISTRIBUTION POLICY
 - COMMITTEES
- Shareholders and stakeholders of Ege Seramik A.S. contact with our Company via telephone and facsimile or e-mail and communicate their requests for information and their questions. In the event that the replies to the questions from investors have not yet been made public pursuant to the legislation of the Capital Market Board, such questions are not replied, but if it is such information which has already been made public, then shareholders are allowed to make use of such information. No discrimination is made between shareholders in the exercise of the right to obtain and review information.

Disclosures about News and Rumours:

- In case of the existence of such news and rumours which are so important as to affect the investment decisions of investors and the value of the capital market instruments, which are published in media, which are not originated from the people who are authorized to represent the Company and which are of such content which is different from the information which has been made public earlier, then material disclosure is made in cases where it is deemed necessary as to whether or not such information is accurate and sufficient pursuant to the relevant communiqués of CMB.

Precautions Taken to Ensure Confidentiality of Internal Information:

- Those people with administrative responsibilities who have access to internal information are identified by the scope of the information to which they may access. Accordingly, those employees who have part of the Company-related information in detail but have restricted information about the whole are not considered to be people who have access to internal information.

However, the Members of the Board of Directors, General Manager, those people authorized to represent the Company basing upon the Company's circular letter of signatories who have all of the information and future strategies related to the Company, Function Managers authorized to make administrative decisions affecting the future development and business goals of the Company and those function employees having regular access to internal information are considered to be people who have access to internal information.

- Those people who are authorized to represent and be binding upon the Company, all employees including especially the administrative staff members know their responsibilities arising from the "publicity and governing legislation". List of accessibility to internal information is reported to the Central Registration Agency (CRA) system in an up-to-date manner in accordance with the legislations.

Our Company has both informed its employees having internal information on electronic media due to the importance of the issue and adopted it as a policy to obtain written statements from the employees stating that they have internal information and keep the same in the relevant function.

Disclosure of Prospective Considerations:

- 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.

21. PROFIT DISTRIBUTION POLICY

Dividend Distribution Policy of Ege Seramik Sanayi ve Ticaret A.S. has been determined in accordance with the Corporate Governance practices and Company's strategies and financial plans under the Turkish Commercial Code (TCC), Capital Market Act and legislation, regulations and decisions published by the Capital Market Board and the relevant provisions of the articles of incorporation of the Company, taking into consideration the national economy and the condition of the sector and observing the sensitive balance between the expectations of shareholders and the requirements of the Company.

As a principle, to the extent that the relevant legislations and financial facilities allow so and by taking into consideration of our long-term Company strategies, investment and financing policies as well as the profitability and cash statuses and to the extent that such amounts are able to be covered from the profit for the period as recorded within our legal books; the distributable profit for the relevant period which is calculated within the framework of Capital Markets Board may be distributed to the company partners as dividends. Dividend distributions may be realized with either in cash or by way of capital increase through bonus issues or by realizing payment of some certain portion in cash and capital increase through bonus issues with a certain amount. In the event that calculated distributable dividends are less than 5% of the paid-up capital; then such dividends are not distributed and left within the shareholding structure of the Company.

Principles related to the profit distribution of Ege Seramik Sanayi ve Ticaret A.Ş. are described in the Article 26 of the Articles of Incorporation. Accordingly;

- Any amounts such as managerial overheads and various depreciations which must be paid or allocated and any taxes required to be paid by the legal entity of the Company are subtracted by the revenues determined at the expiry of the fiscal term of the Company. Upon the subtraction of the losses of previous years (if any), out of the remaining term's profit which is shown in the annual balance sheet,
- five percent legal reserve fund is allocated.
- out of the balance, a dividend is allocated on the amount to be calculated by the addition of the amount of donation (if any) made during the year under the profit distribution policy to be determined by the General Meeting of Shareholders and in accordance with all legislative provisions.

- Upon the subtraction of the legal reserve fund and primary dividend, 8% of the remaining portion is allocated to the holders of Group A shares and 5% to the holders of Group B shares; and further, 5% of the remaining profit is allocated to the members of the Board of Directors.
- Upon the subtraction of the net term's profit by the amounts mentioned in the foregoing items, General Meeting of Shareholders is authorized to make a resolution to distribute the remaining portion as dividend in part or in whole or allocate it as a reserve fund on its own will pursuant to the article 521 of the TCC.
- One tenth of the amount calculated by subtracting the portion resolved to be distributed as dividend to shareholders and to the other people who have contributed to the profit by a dividend at a rate of 5 percent is added to the general legal reserve fund pursuant to the second paragraph of the article 519 of TCC.

Amount of the dividend which our Company shall distribute to its shareholders has been fixed at 20% which is the minimum profit distribution rate as described in the first paragraph of the article 5 of the "Communiqué on the Principles Which Publicly Traded Incorporated Companies Subject to Capital Market Act Shall Comply with in the Distribution of Dividends and Dividend Advances" serial no. IV-27 on the distributable profit (remaining upon the subtraction of any reserve funds which must be allocated pursuant to governing laws as well as taxes, funds and financial payments and losses (if any) of previous years.

There are privileges related to receiving dividends from the profit as detailed above, in our articles of incorporation and all shares utilize profit shares equally besides these privileges. Other than this, our Company does not have any policy for distributing profits to the employees or holders of founder's dividend shares.

General Meeting of Shareholders determines the time and mode of payment of dividend upon the proposal of the Board of Directors, observing the Capital Market Board's Communiqués. Board of Directors has adopted it as a principle to take any and all measures in terms of venue, time and mode by which the annual profit shall be delivered to the shareholders under the legislation as soon as possible.

Except the dividend privileges stipulated in the article of incorporation as of the distribution date, dividend is equally distributed to all the existing shares, regardless of the issuance and acquisition dates thereof. Dividends distributed in accordance with the provisions of the articles of incorporation may not be received back.

There is no regulation about the distribution of dividend advance in our articles of incorporation and General Meeting of Shareholders is authorized in the distribution dividend advance under the Capital Market Legislation.

In the event that the Board of Directors proposes to the General Meeting of Shareholders not to distribute the profit, shareholders are provided with information about the reasons of the fact and how to use such undistributed profit at the General Meeting of Shareholders. Likewise, such information is included into the activity report and on the web site of the Company, thus sharing it with the public.

Profit Distribution Statement is made public on the Public Disclosure Platform and the web site of our Company not later than the date on which the agenda of the Annual General Meeting of Shareholders is promulgated.

This policy is submitted to the shareholders for approval at the subsequent General Meeting of Shareholders. Any modifications made in such policy are also submitted to the shareholders for approval at the very first General Meeting of Shareholders after such modification and is included into the activity report and disclosed to the public on the web site of Ege Seramik Sanayi ve Ticaret A.Ş.

22. PROPOSAL FOR THE DISTRIBUTION OF 2015 PROFIT

Out of our Company's post-tax term's profit of TRY 42.101.692,15 which occurred according to the financial statements dated 31.12.2015 issued pursuant to the provisions of the Procedural Code of Taxation, a net distributable term's profit of TRY 39.996.607,54 occurs in our legal records upon the allocation of TRY 2.105.084,61 as general legal reserve fund. On the other hand, out of our Company's post-tax term's profit of TRY 50.877.873,00 which occurred according to the financial statements dated 31.12.2015 issued pursuant to the provisions of the Capital Market Legislation, a net distributable term's profit of TRY 48.772.788,39 occurs in our legal records upon the allocation of TRY 2.105.084,61 as general legal reserve fund and a donation-added net distributable term's profit of TRY 48.772.888,39 is calculated upon the addition of a donation of TRY 100,- to such amount.

According to our financial statements issued for the accounting period of 01.01.2015 - 31.12.2015 of which was 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 pursuant to the provisions of 08.04.2016 dated and 2016-11 numbered Meeting of Board of Directors and which was audited by MBK Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. trade named auditing company; our Company earned TRY 48.772.788,39 worth of profits in year 2015. Accordingly, by taking into account of our Profit Distribution Policy, general condition of country economy and market expectations as well as taking into account of the cash flow of our Company, it is deemed suitable by our Board to offer the proposal to our General Assembly in order to not to make any profit distribution and to retain the earned profits within the structure of our Company.

EGE SERAMİK SANAYİ VE TİCARET A.Ş.			
Year 2015 Profit Distribution Statement (TRY)			
1. Paid-in/Issued Capital			75.000.000,00
2. Total Legal Reserve Fund (by legal records)			6.085.017,21
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	51.290.272,00	51.817.537,04
4.	Payable Taxes (-)	-412.399,00	-9.715.844,89
5.	Net Term's Profit (=)	50.877.873,00	42.101.692,15
6.	Losses of Previous Years (-)	0,00	0,00
7.	Primary Legal Reserve Fund (-)	2.105.084,61	2.105.084,61
8.	NET DISTRIBUTABLE TERM'S PROFIT (=)	48.772.788,39	39.996.607,54
9.	Donations made during the year (+)	100,00	
10.	Donation-added net distributable term's profit on which primary dividend shall be calculated	48.772.888,39	
11.	Primary Dividend to Shareholders (*)	0,00	
	-Cash	0,00	
	-Free	0,00	
	- Total	0,00	
12.	Dividend Distributed to Holders of Privileged Stocks	0,00	
	Holders of Group A Stocks	0,00	
	Holders of Group B Stocks	0,00	
13.	Dividend to members of Board of Directors, employees, etc. - Dividends to other persons other than shareholders	0,00	
14.	Dividend Distributed to Dividend Stocks	0,00	
15.	Secondary Dividend to Shareholders	0,00	
16.	Secondary Legal Reserve Fund	0,00	
17.	Statutory Reserves	-	-
18.	Special Reserves	-	-
19.	EXTRAORDINARY RESERVE FUND	48.772.788,39	39.996.607,54
20.	Other Resources Prescribed to Distribute		
	- Profit of Previous Year		
	- 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	0,00			0,00	0,00
	B	0,00			0,00	0,00
	C	0,00			0,00	0,00
	TOTAL	0,00				
NET	A	0,00			0,00	0,00
	B	0,00			0,00	0,00
	C (*)	0,00			0,00	0,00
	TOTAL	0,00				
AMOUNT OF DIVIDEND DISTRIBUTED TO SHAREHOLDERS (TRY)	RATIO OF DIVIDEND DISTRIBUTED TO SHAREHOLDERS TO DONATION-ADDED NET DISTRIBUTABLE TERM'S NET PROFIT (%)					
0,00	0,00%					

(*) This is comprised of the other shares not publicly traded and other shares publicly traded. Our Company does not have any information about whether or not the holders of shares are "limited taxpayers, full taxpayers, legal entities or natural persons". Calculation of gross dividend/net dividend for such shares has been prepared on the assumption that all of the shareholders in this group are subject to withholding.