REPORT OF BOARD OF DIRECTORS AS PREPARED IN ACCORDANCE WITH
THE COMMUNIQUE NO. II-14.1 OF THE CAPITAL MARKETS BOARD ON
PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS

ECZACIBASI YATIRIM HOLDİNG
ORTAKLIĞI A.Ş.

JANUARY 01, 2015 – DECEMBER 31, 2015

REPORT OF BOARD OF DIRECTORS

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eyh@eczacibasi.com.tr
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I. INTRODUCTION

Report Period
This report includes the activity period between January 1, 2015 - December 31, 2015.

Title of Partnership
Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.

Committees in charge during the period
Board Of Directors
F. Bülent Eczacıbaşı Chairman
R. Faruk Eczacıbaşı Vice President
Sezgin Bayraktar Member
Dr. Öztin Akgüç Member
Simha Savaşçın Başaran Member
M. Sacit Basmaci Member
Levent A. Ersalman Member
Asaf Savaş Akat Independent Member of Board of Directors
Dırahşan Tamara Bozkuş Independent Member of Board of Directors

The Members of Board of Directors have been elected for a year at the Annual General Assembly Meeting held on April 13, 2015, and they are charged until the Annual General Assembly Meeting to be held in 2016.

With the Turkish Commercial Code, the Board of Directors is authorized on all issues, especially excluding the ones which General Assembly is charged with.

The Audit Committee
Asaf Savaş Akat Independent Member of Board of Directors - Chairman
Dırahşan Tamara Bozkuş Independent Member of Board of Directors

The Corporate Governance Committee
Dırahşan Tamara Bozkuş Independent Member of Board of Directors - Chairman
Mustafa Sacit Basmaci Member
Gülner Gunbey Kartal Member

Early Identification of Risk Committee
Dırahşan Tamara Bozkuş Independent Member of Board of Directors - Chairman
Simhan Savaşçın Başaran Member

* Our Board of Director has assigned Gülner Gunbey Kartal as the Corporate Management CommitteeMember and the Investor Relations Manager as well on the date 01.12.2015
Evaluation of the Board of Directors of the activities of the Committee

Committees, established with the aim that the Board of Directors fulfill their duties responsibilities efficiently, in accordance with the provisions of Capital Markets and the Turkish Commercial Code, were careful to meet as often as necessary for the effectiveness of the work. All kinds of resources and support needed to fulfill the duties of the Committee are provided by the Board of Directors. The Committee has informed the Board about the work performed either orally or in writing.

Changes in Capital

During the period, there has been no change in the capital. The registered capital of the Company is 200 000 000 , - TL, the issued share capital is 70.000.000 , - TL. The Share Prices (as of the end of the months)

<table>
<thead>
<tr>
<th>Month</th>
<th>Share Value (TRL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan.15</td>
<td>TRL 8.17</td>
</tr>
<tr>
<td>Feb.15</td>
<td>TRL 8.36</td>
</tr>
<tr>
<td>Mar.15</td>
<td>TRL 8.22</td>
</tr>
<tr>
<td>Apr.15</td>
<td>TRL 9.56</td>
</tr>
<tr>
<td>May.15</td>
<td>TRL 11.13</td>
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<tr>
<td>Jun.15</td>
<td>TRL 9.87</td>
</tr>
<tr>
<td>Jul.15</td>
<td>TRL 10.16</td>
</tr>
<tr>
<td>Aug.15</td>
<td>TRL 9.53</td>
</tr>
<tr>
<td>Sep.15</td>
<td>TRL 9.25</td>
</tr>
<tr>
<td>Oct.15</td>
<td>TRL 9.90</td>
</tr>
<tr>
<td>Nov.15</td>
<td>TRL 10.66</td>
</tr>
<tr>
<td>Dec.15</td>
<td>TRL 10.49</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Month</th>
<th>Share Value (TRL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan.14</td>
<td>TRL 4.92</td>
</tr>
<tr>
<td>Feb.14</td>
<td>TRL 6.82</td>
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<tr>
<td>Mar.14</td>
<td>TRL 5.01</td>
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<td>Apr.14</td>
<td>TRL 5.19</td>
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<tr>
<td>May.14</td>
<td>TRL 5.28</td>
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<tr>
<td>Jun.14</td>
<td>TRL 5.24</td>
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<tr>
<td>Jul.14</td>
<td>TRL 5.29</td>
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<tr>
<td>Aug.14</td>
<td>TRL 5.39</td>
</tr>
<tr>
<td>Sep.14</td>
<td>TRL 6.05</td>
</tr>
<tr>
<td>Oct.14</td>
<td>TRL 6.12</td>
</tr>
<tr>
<td>Nov.14</td>
<td>TRL 6.33</td>
</tr>
<tr>
<td>Dec.14</td>
<td>TRL 6.43</td>
</tr>
</tbody>
</table>

Stock Prices (as of end of months)
REPORT OF BOARD OF DIRECTORS AS PREPARED IN ACCORDANCE WITH THE COMMUNIQUE NO. II-14.1 OF THE CAPITAL MARKETS BOARD ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS

Last 24 Months’s Performance of the Shares

Distributed profit share and rate

Gross profit of 5%, net dividend of 4.25% was distributed from the profit in 2009

Gross profit of 7%, net dividend of 5.95 % was distributed from the profit in 2010 on 25 May 2011.

Gross profit of 15% and net dividend of 12.75 % was distributed from the profit in 2011 on 19 June 2012.

Gross profit of 15%, net dividend of 12.75 % to be distributed from the profit in 2012 on 28 May 2013

Gross profit of 11%, net dividend of 9.35 % to be distributed from the profit in 2013 on 7 May 2014

It has been decided that the gross 11%, net 9,35% profit share of the year 2014 to be distributed on the date of 6 May 2015.

Partners who own more than 10 percent of the Partnership Capital

<table>
<thead>
<tr>
<th>Partner’s Name/Title</th>
<th>Amount of Share (TL)</th>
<th>Amount of Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eczacıbaşı Holding A.Ş.</td>
<td>53,527,823, 49 *</td>
<td>74,47 *</td>
</tr>
</tbody>
</table>

*Current amount and rate as of 22 December 2015
Company Overview
Summary of Financial Information of the Company

<table>
<thead>
<tr>
<th>Specific Financial Information</th>
<th>2015/12</th>
<th>2014/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Revenue</td>
<td>24,906,034</td>
<td>58,172,553</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>(2,201,701)</td>
<td>9,477,817</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>19,086,529</td>
<td>33,983,928</td>
</tr>
<tr>
<td>Depreciation Expense and Redemption</td>
<td>255,959</td>
<td>657,801</td>
</tr>
<tr>
<td>Operating Profit Before Depreciation</td>
<td>19,342,488</td>
<td>34,641,729</td>
</tr>
<tr>
<td>Net Profit For The Year</td>
<td>25,041,501</td>
<td>25,458,248</td>
</tr>
<tr>
<td>Total Assets</td>
<td>1,251,050,210</td>
<td>1,276,624,569</td>
</tr>
<tr>
<td>Total Equity</td>
<td>1,221,096,545</td>
<td>1,241,977,948</td>
</tr>
<tr>
<td>Total Liquid Assets</td>
<td>237,297,948</td>
<td>242,306,014</td>
</tr>
<tr>
<td>Total Short-Term Liabilities</td>
<td>588,843</td>
<td>6,277,694</td>
</tr>
<tr>
<td>Investment Expenditures</td>
<td>(167,380)</td>
<td>(1,002,855)</td>
</tr>
</tbody>
</table>

**Liquidity Rates**
- Current Rate                  | 402.99       | 38.60        |
- Liquidity Rate                 | 402.99       | 38.60        |

**Rates of Financial Structure**
- Total Liabilities/Total Assets | 0.03         | 0.03         |
- Total Equity/Total Assets      | 0.98         | 0.97         |
- Total Equity/Total Liabilities | 35.08        | 32.43        |

**Profitability Rates**
- Net Profit For The Year/ Total Equity | 0.021        | 0.020        |
- Net Profit For The Year / Total Assets | 0.020        | 0.020        |
- Net Profit For The Year/ Net Sales   | 1.005        | 0.438        |
Net Profit For The Last 4 Years
Million TRL

Last 4 Years’ Total Assets and Total Equity Comparison
Million TRL
II. ACTIVITIES

Developments in Investments

No change has been made to our portfolio of affiliates during the period.

Investment Portfolio

There are 16 Eczacibasi Holding tied partnerships owned by Eczacibasi Yatirim Holding Ortaklığı.

Short information on our tied partnerships of which we hold more than 10% of their capital

E-Kart Elektronik Kart Sistemi Sanayi ve Ticaret A.Ş

E-Kart Elektronik Kart Sistemi Sanayi ve Ticaret A.Ş was founded in 1999 in an effort to develop and apply intelligent card solutions for high security, authority definition and specification and satisfaction of the near future requirements related to cheap data storage and management in the field of "e-trade" and "e-business". E-Kart Elektronik Kart Sistemleri Co.'s 50% share was transferred to Giesecke & Devrient GmbH, which is the second biggest establishment in the world in its field, in 2001. Starting its production in 2001 and Turkey's first Visa/Europay approved credit card, intelligent credit card producer and personalization facility, E-Kart's annual production capacity is 100 Million. In addition to intelligent card production, E-Kart also houses daily card personalization opeRaten for many banks thanks to its fast, high quality and reliable service understanding.

E-Kart has an infrastructure which can produce cards, software and personalization through Visa/Europay, SAS and other international security certifications. E-kart, which holds the certificate Information Security Management System ISO-IEC 27001, added AMEX Certificate and Secure Printing Process Management Certificate to its list in 2014 and Diners Certificate in 2015. Institution, led the way with ISO 22301 Business Continuity Management System certificate in Turkey In order to ensure the continuation of our products and services in emergency situations. It added ISO 9001 quality management system certification and OHSAS 18001 Occupational Health and Safety Management System Certificate in 2011 to the ISO 9001 certificate which certifies Quality Management system. ISO 14064 Greenhouse Gas Inventory Verification Organization audit was performed for the first time in 2011 for coverage 1-2-3 as well as Management System Certificates, and receiving PAS 2050 Product Carbon Footprint Certificate in 2012, it has become the first in the sector for both of the certificates. In 2014, it managed to receive the ISO 10002 Customer Satisfaction Management System certificate.

Continuing being a leader in the markets banking and GSM cards, E-Kart has established roots in Moldova, Ukraine, Azerbaijan, Georgia with the sales activities carried out with the aim of geographic growth. Preparing to enter new markets...
outside of these countries, E-Kart aims to develop in these markets too. The issued capital of the Company is TRL 3,100,000.-

EİS Eczacibaşı İlaç, Sınav ve Finansal Yatırımlar San. ve Tic. A.Ş.

Eczacibaşı İlaç, Sınav ve Finansal Yatırımlar has an holding structure with its Partnerships, Partnerships Subject to the Joint Management and Affiliates. In this structure, it directly performs property development activities; and engages in healthcare, consumer goods, cosmetics and personal care products sectors through its tied partnerships.

ORMANADA which is addressed in province Istanbul, district Zekeriya Kay and has international information and experience and which was established with the collaboration of The Torti Gallas and Partners, Kreatif Mimarlık and Rainer Schmidt Landscape Architects, belongs to the Eczacibaşı İlaç, Sınav ve Finansal Yatırımlar by 50% and Eczacibaşı Holding by 50%. The size of the residences in Ormanda are between 170 and 700 meter square and the unit residence sale prices vary between 500 thousand American Dollars and 2,7 million American Dollars. There are 188 villas, 85 row houses in Ormanda which make 273 residences in total. 150 of the residences take place at the 1. Phase and 123 of them at the 2. Phase.

As from 31 December 2015, 117 residences of the 1. Phase and 76 residences of the 2. Phase have been sold. The delivery of residences at the first phase started from April 2013 and as of 31 December 2015 115 residences have been delivered and transferred. Likewise, the delivery of residences at the second phase started from April 2013 and as of 31 December 2015 75 residences have been delivered and transferred.

Eczacıbaşı İlaç, Sınav ve Finansal Yatırımlar has bought all of the shares belonging to Yeni Tekstil Sanayi A.Ş. which has a border to the residence where the Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş. at Ayazaga region Cendere road is still active in serum production facilities, with the amount of 24,250,000 USD from its existing partners on 10 April 2015. The application to the Capital Market Board within the scope of ‘‘integration in a simplified way’’ operation has been carried out on the date of 13 November 2015 within Eczacıbaşı İlaç, Sınav ve Finansal Yatırımlar by means of ‘‘transferring’’ as a whole with all of its active and passive together with this company bought. The mentioned integration operation has been validated with the 31/1396 numbered decision on the date of 13 November 2015, and has been registered on the Commercial Register on the 7 December 2015.

The share of the Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. in the Eczacıbaşı İlaç, Sınav ve Finansal Yatırımlar’s fund is 28,43% as from the date of 31 December 2015.
Intema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş.

Intema was founded in 1978 by Eczacibasi Holding and VitrA authorized dealers and was first quoted in the Istanbul Stock Exchange in 1990. Intema, which went through major changes in 1997, became the only marketing and sales organization of Eczacibasi Yapı Grubu in Turkey.

The opportunity to provide customers with the Eczacibasi products in packages has been created with the support in the fields of sales and marketing by presenting partnership approach to the authorized dealers, increasing competitive advantages in the market. With service areas whose expert staff and scope gradually increase, Intema became an institution with distinguished and versatile kitchen and bathroom designs in Turkey.

Adopting a "customer focused" understanding, Intema continues to develop before and after sales service, carrying its activities in this field further. Continuing to operate with the CRM project, ParynersClub, founded in 1998 which is a first in the construction sector, Intema adopts a multi-faceted partnership approach with the professionals in the sector.

Selling point structuring, which began to develop with Intema stores, spreads into the authorized dealer channel, and the accurate representation of the corporate and brand image provides standardization in showcase and service quality. Intema stores realize “turnkey” projects by carrying out all the phases from project drawing to mounting. VitrA-Artema authorized services, which operates under Intema organization and is the first regular service organization in its field, provides after-sales service in 114 spots throughout Turkey.

Because of these activities, in 2006, Intema was again awarded with “Consumer Satisfaction Focused Company” issued by the Ministry of Industry in 2001.

80 percent of Authorized Dealers of Intema, which put emphasis on the development of technological infrastructure and aim to reflect this on all the services it provides, are the first and only to place their orders on the internet. It provides services to consumers with the most comprehensive and customer-oriented internet site in its sector, and CRM activities continue.

Intema became the first winner with its e-Intema Project in the category of Creativity-Innovation Best Application Development as a result of an evaluation made by Eczacibasi Toplulugu within the body of its own group of companies in 2001. Due to the same reason, Intema was given the first prize in the branch of industry of the transformation leaders carried annually by the Capital Journal and Siemens Business Services.

Intema has the issued capital of TRL 4,860,000.
Kaynak Tekniği Sanayi ve Ticaret A.Ş.

Kaynak Teknigi, starting its operations on 01 March 1974 with covered welding electrode, started to produce inert-gas welding wire in 1980s. Kaynak Tekniği Sanayi ve Ticaret A.Ş. undersigned a distribution contract with "The Lincoln Electric Company" of US at the beginning of 1992, and in 05 May 1988, they converted such contract into equally shared partnership, which lead to a large step in the process of increasing exports to European, Turkic Republics, Russia and Middle East.

The Lincoln Electric Co, which is the foreign partner of the organization, has the feature of being one of the leading institutions in welding consumption materials, welding machines, welding generators, automation and robot systems and plasma cutting machines. The Lincoln Electric Co. offer services with its worldwide partnerships in 18 countries and sales offices in 160 countries.

Factory building, which has been operating in Kartal district of Istanbul since 1974, because of emerging market conditions and increasing sales volume, moved to the new and modern production facility in Kocaeli. Head office and factory building are located in the area of Organized Industry which is in Sekerpınar Municipality in Çayırova district of Kocaeli and built on a closed area of 22,000 m² and a total area of 40,000 m². Kaynak Tekniği, which operates since 1974, has the production capacity of 36,000 tons/year electrode, 24,000 tons/year inert-gas welding wire, 5,000 tons/year submerged welding wire and 1,500 tons/year TIG welding wire, and it offers services with 4 sales offices in Istanbul, Ankara, Izmir and Adana, around 800 dealers across the country and approximately 300 employees.

“KOBATEK” branded products are developed especially for repair and maintenance welding applications while “ASKAYNAK” branded welding electrodes and welding wires are used for welded manufacturing. Kaynak Tekniği also continues to sell “Lincoln Electric” branded products (welding electrodes and wires, welding machines etc.) produced by The Lincoln Electric Co. with which it has partnership. “STARWELD” branded stainless steel and aluminum MIG and TIG welding wires, registered in 2000s, and flux-cored welding wires and “EXPRESSWELD” branded welding machines constitute another important product group. “ASKAYNAK” branded abrasives, “HARRID” branded gas fixtures, “FANUC Robotics” and robotic welding applications produced by “GULLCO” and automation systems as well as welding materials and consumable materials are other products group sold by the organization.
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The entire product produced and presented to the market by Kaynak Teknigi has a high quality image and a strong position. Kaynak Teknigi increased its city each year and made sale to more then 40 countries in parallel with this rapid growth in export in the year 2010. Kaynak Teknigi accepts customer satisfaction as its main principle and adopts the philosophy of providing efficient service and products with superior features.

Kaynak Teknigi, which also has the feature of being the first institution to receive “ISO 9001 Quality Assurance System Certificate” has such products certificates as TSE, TUV, DB, GOST, NAKS, SEPRO received by foreign approval bodies, as well as Lloyd certificates such as American Bureau of Shipping (ABS), Bureau Veritas (BV), Lloyd Register of Shipping (LRS), Germanischer Lloyd (GL), Det Norske Veritas (DNV), Turkish Lloyd (TL), Russian Maritime Register of Shipping (RMRS) and Registri Italiano Navale (RINA) received by Lloyd institutions. Kaynak Teknigi Sanayi ve Ticaret A.Ş. is the first welding institution to be awarded with the “CE” certificate.

Kaynak Teknigi, awarded with “TUSIAD-Kalder Kalite BUYUK Odulu” in the category of small and medium-sized enterprises, has the opportunity to demonstrate and announce to the public the strong position it has in the sector.

Paid-up capital of the company is TRL 4,835,000.-

**Eczacibasi Holding A.S.**

Eczacibasi Holding, founded in the end of 1969, carries out and leads strategic planning, financial management, supervision and new project evaluations for the Eczacibasi Group. In addition to those, the Company renders consulting services the organization and human resources, information technologies and communication system works carried out by the Group Companies as well as corporate communication operations of the Group.

As per its balance sheet dated 31 December 2015, its assets total to 1,6 billion TL, equities total to 1,6 billion TL. Eczacibasi Holding targets to carry out real estate development activities in addition to its current ones.

In 2000s, Eczacibasi Holding aims to integrate the Eczacibasi Group in the manufacturing and operation fields to reach further levels, with investments totally addressing to globalizing world. Its issued capital is TRL 213,000,000.-

**Eczacıbaşı Yatırım Ortaklığı A.Ş.**

Eczacibasi Yatırım Ortakliği A.S. (“Company”) was founded in June, 1998 and offered 80% of its shares to public in January 1999.

The primary purpose of the Company is operating capital market instruments, gold or other value bearing mines in national or international stock exchanges in line with
Turkish Capital Market Law and relevant legislation, provided that it shall not dominate in the capital or management of the companies of which it buys securities.

In the beginning of 2015, the total net assets of 13 securities investment companies of Type A and B which exist in the market was TRL 448,80 Million and the number of them decreased to 9 and the total net assets decreased to TRL 436,96 Million as of the end of December 2015.

The net asset value of Eczacibasi Yatirim Ortaklığı as of the beginning of 2015 is TRL 48.179.379 Million.- and as of the end of December 2015, it became TRL 42.231.603 Million.-. At the beginning of 2014, its total market value was TRL 24,75 Million, which became TRL 25,20 Million as of the end of December, 2015.
Management

Senior Management

The managers who are still in office are:

- Levent A. Ersalman (General Manager)
  Boğaziçi University Mechanical Engineering, B.S.
  Akron University (USA), MBA

- Erol İsmail Özgür (Finance Director)

Personnel

As at 31 December 2015, there are 2 salary paid Independent Member of Board of Directors Management services, as in the past years, are carried out by outsourcing.

Mass Contracts

There are no mass contract personnel.

Seniority Compensation

No seniority compensation obligation since there is no employees as at the end of the term

Rights and Benefits offered to Personnel

As of 31 December 2015, there are 2 paid Independent Members of Board of Directors in the Company, so there is no right or benefit.

Organizations other than the head office

There is no organization outside the head office.
In relation with the issue of consolidated financial statements, the explanations regarding internal management and risk management of the group

The Group is exposed to various financial risks including effects of the changes in debt and equity market prices, foreign exchange rates and interest rates. Because of its activities. The Group's overall risk management program is focused on the unpredictability of financial markets and aims to minimize the potential negative impact on the Group's financial performance.

Credit risk

Credit risk, the parties involved in trade relations with regard to a financial instrument fails to fulfill its obligations as a result of one is the risk that the other party to incur a financial loss.

Accounts receivable credit risk of the Group mainly consists of securities and bank deposits. Of the Group's bank deposits are placed in short term less than 3 months. The securities are composed of the government bonds issued by the Treasury.

In the determination of the amounts in the financial statements, elements that make increase in credit reliability are taken into account. Financial assets of the Group's exposure to credit risk, there are no assets subjected to decrease. In addition to this, Group does not have elements consisting of off-balance sheet credit risk and overdue assets which are not subjected to decrease.

Liquidity risk

Liquidity risk is the inability of the Group's net funding requirements. Market disruptions or incidences that cause decrease in funding sources such as reduction in the credit scores give rise to the formation of liquidity risk. Group manages liquidity risk by holding cash and similar resources in sufficient amount to fulfill its existing and possible liabilities distributing the funds

Interest rate risk definitions

Group management makes use of its interest bearing assets on short-term investments within the principles of management by natural precautions by balancing the maturities of assets and liabilities sensitive to interest rate risk. Government bonds, which are classified as associated with income table of fair value loss in Group’s consolidated balance sheet, are not exposed to price risk due to interest changes. However, Group may be exposed to the risk of re-investment Rate in the event that cash occurred as a result of redemption of government bonds is reinvested.
Foreign currency risk

Effects arising from exchange rate movements, which results from foreign currency assets, liabilities and off-balance sheet liabilities, are called foreign currency risk.

Significant Events that occurred in the period between the Closure of the Fiscal Year and the Announcement of Financial Statements

No events were found.

Tied Partnership Report

Report prepared in the first three months of activity year regarding dominant partner and majority shareholders, dated 7 March 2016, in accordance with the Article 199 of Turkish Commercial Code numbered 6102, has been evaluated according to the circumstances known by us, and controlling shareholder of the last year, Eczacibasi Holding Co. and its relations with tied partnerships of the controlling shareholder have been examined in detail, there have been found no transactions made by the guidance of controlling shareholder for the benefit of itself or other tied partnerships, or no measure to be taken or to avoid for the benefit of controlling shareholder of the last activity year or its tied partnerships, and it has been concluded that transactions made in accordance with the commercial provisions and there is no measure taken or to be taken that might cause damage to our organization and there is no transaction or measure that requires compensation.
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Profit Distribution Proposal

The Board of Directors determined at its meeting held on 29 March 2016 that the Company’s net distributable profit as of 31 December 2015 was TRL 25.041.501 based on the consolidated financial statements prepared as per the Communiquê no. II-14.1 of the Capital Markets Board (“CMB”) on “Principles of Financial Reporting in Capital Markets”

Net distributable profit shown in the consolidated financial statements prepared in accordance with the CMB regulations has been taken into account in distribution of the profit for the year 2015 pursuant to the regulations of the CMB as related to the profit distribution, Article 26 of the Articles of Association and the principles laid down in the “Profit Distribution Policy” of our company as disclosed to the public, also has approved to have a profit distribution from the “previous year profits” in the consolidated financial statements and “extraordinary reserves” in the legal financial statements and approved to present them to the General Assembly.

Accordingly it was resolved to present the following proposal to shareholders at the Ordinary General Assembly Meeting to be held for the 2015 on 26 April 2016:

1) Dividends in the amount of TRL 84.000.000 corresponding to 120% of the Company’s issued share capital will be distributed,

<table>
<thead>
<tr>
<th>Extraordinary Reserves of the year</th>
<th>Amount (TRL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>10.789.958,87</td>
</tr>
<tr>
<td>2013</td>
<td>8.826.808,00</td>
</tr>
<tr>
<td>2012</td>
<td>3.468.952,86</td>
</tr>
<tr>
<td>2011</td>
<td>5.672.786,81</td>
</tr>
<tr>
<td>2010</td>
<td>6.659.693,63</td>
</tr>
<tr>
<td>2009</td>
<td>13.625.076,78</td>
</tr>
<tr>
<td>2008</td>
<td>34.956.723,05</td>
</tr>
<tr>
<td></td>
<td>84.000.000,00</td>
</tr>
</tbody>
</table>

2) Dividend per share for TRL 1 nominal value will be 120% gross; for our resident individual shareholders and for our non-resident individual or corporate shareholders the net dividend calculated by deducting the withholding ratios as per the tax legislation will be paid,

3) Distribution will start on 11 May 2016.
REPORT OF BOARD OF DIRECTORS AS PREPARED IN ACCORDANCE WITH THE COMMUNIQUE NO. II-14.1 OF THE CAPITAL MARKETS BOARD ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS

| ECZACIBASI YATIRIM HOLDING ORTAKLIĞI A.S. PROFIT DISTRIBUTION TABLE FOR 2015 (TRL) |
|---|---|
| 1. | Paid-in/Authorised Share Capital | 70,000,000 |
| 2. | General Legal Reserves (as per Statutory Records) | 12,965,187 |
| Information concerning preferred shares, if, as per the Company’s Articles of Association, there are any exceptions for preferred shares in distribution of dividend | No privileged shareholder |
| 3. | Profit for the Period | 28,637,804 | -31,463,375 |
| 4. | Taxes (\(-\)) | (3,596,803) | 0 |
| 6. | Prior Years’ Losses (\(-\)) | 0 | 0 |
| 7. | Legal Reserve Fund (\(-\)) | 0 | 0 |
| 8. | NET DISTRIBUTABLE PERIOD PROFIT (\(=\)) | 25,041,501 | -31,463,375 |
| 9. | Grants made during the year (\(^+\)) | 0 | 0 |
| 10. | Net distributable profit including grants | 25,041,501 | |
| 11. | First Category Dividend to Shareholders | | |
| - Cash | 0 | |
| - Shares | 0 | |
| - Total | 0 | |
| 12. | Dividends Distributed to Preferred Shareholders | 0 | |
| 13. | Other Dividends Distributed | 0 | |
| - Members of the Board of Directors | 0 | |
| - Employees | 0 | |
| - Non-shareholders | 0 | |
| 14. | Dividends Distributed to Usurp Right Certificate Holders | 0 | |
| 15. | Second Level Dividend to Shareholders | 0 | |
| 16. | Legal Reserve Fund | 0 | |
| 17. | Status Reserves | 0 | 0 |
| 18. | Special Reserves | 0 | 0 |
| 19. | EXTRAORDINARY RESERVES | 25,041,501 | -31,463,375 |
| 20. | Other Sources Planned for Distribution | 84,000,000 | 84,000,000 |

INFORMATION ON DIVIDEND PER SHARE

<table>
<thead>
<tr>
<th>GROUP</th>
<th>TOTAL DIVIDEND AMOUNT</th>
<th>TOTAL DIVIDEND / DISTRIBUTABLE NET PROFIT OF THE PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CASH (TRL)</td>
<td>SHARES (TRL)</td>
</tr>
<tr>
<td>NET ((+))</td>
<td>71,400,000</td>
<td>0</td>
</tr>
</tbody>
</table>

\(\ast\) In calculating the net dividend, Income Tax withholding ratio was taken as 15%.
SECTION I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Corporate Governance Principles Compliance Report for the period of 1 January - 31 December 2015 has been issued in accordance with the II-17 on Principles Regarding the Determination and Application of Corporate Governance Principles as published in the Official Gazette dated 3 January 2014 and numbered 28871 (“Communiqué No. IV/56”).

Corporate Governance Principles Not Yet Applied

Full compliance with the mandatory principles under the current Communiqué has been achieved and most of the principles not being mandatory have also been complied with. However due to challenges encountered in the implementation of some principles, as well as the ongoing discussions in our country and in the international platform regarding compliance with certain principles and the failure of the current market and corporate structure to meet such principles in a proper fashion, full compliance has not yet been achieved. The principles, which have not yet been fully implemented, are being worked on, and implementation is planned following completion of the administrative, legal and technical infrastructure works in a manner to contribute to the efficient management of our company. The comprehensive efforts of our company within the framework of the corporate governance principles and the principles, which have not yet fully been complied with under the respective sections, and any conflicts of interest arising therefrom are explained below on the basis of principles.

For example;

- Due to the shareholding structure of our Company and the formation of three different committee, some of the members of the Board of Directors have taken charge in a couple of committees.
- With respect to the item 4.3.9; there is ongoing assessment as to the Rate of female members in the Board of Directors since no target Rate and time has been defined so far. Detailed information is given in section 5.1 of the report.

Efforts made to comply with the principles during the period

Principal studies concerning corporate governance in 2015 include adaptation process to the Capital Markets Law covering governance principles and new regulations and the Communiques based on such law.

Our Board of Directors and Committees thereof has been established in accordance with the regulations in the Corporate Governance Communiqué. In this regard; Investors Relations Manager of the Eczacıbaşı Holding was appointed as the member of the Corporate Governance Committee at the Meeting of the Board of Directors held on 1 December 2015.

“RemuneRate Policy” for the Board of Directors and Top-Level Managers was created and was submitted to the information of the shareholders during General Assembly.
By the informing document prepared for the General Assembly, General Assembly information such as the voting rights and organizational changes, CV's of the candidates for membership to the board of directors, remuneration policy for the board of directors and top managers, the reports that should be issued about related party transactions and the information that should be disclosed were made available to the investors 3 weeks in advance of the General Assembly.

All our related party transactions were submitted to the board of directors for information and it was resolved that such transactions continue with the approval of the members of the board of directors.

Moreover, the website and activity report of our Company were reviewed, and necessary revisions were made as needed in terms of full compliance with the principles.
SECTION II - SHAREHOLDERS

2.1 Investors Relations Department

Company has Partnership Relations Unit since 1990. There is not a responsible person in this unit directly connected to Corporate Governance Committee Chairman.

Particulars of the persons in Investors’ Relations Department:

Investors’ Relations Department Officer:

Name Surname: Gulnur Gunbey Kartal
Position: Internal Audit Manager
Tel: 0 212 371 73 94
Fax: 0 212 371 72 22
E-mail address: gulnur.gunbey@eczacibasi.com.tr
License Type / Number: Capital Markets Activities Advanced / 2045701
Corporate Governance Rating Specialist / 700606

The Company’s Investors’ Relations Department plays an important role in protecting and facilitating the use of shareholder rights including the right to receive information and examine.

Main activities carried out by the Investors’ Relations Department:

- To ensure that shareholders’ records are kept in a sound, secure and up-to-date manner.
- To respond to all requests of the shareholders for information in writing or orally except for the information not yet disclosed to public, confidential information or trade secrets and in a manner not to cause any information inequality.
- To ensure that the General Assembly complied with the current legislation, the Company's Articles of Association and other internal regulations.
- To prepare the documents that can be beneficial of shareholders attending the General Assembly.
- To ensure that the voting results have are recorded and that reports related to these results are sent to the requesting shareholders.
- To monitor and follow up on all matters related to public disclosure, including legislation and the Company’s disclosure policy.
- To provide information to the analysts conducting an evaluation about of the Company,
- To provide information to the academics who conduct studies about the company and the market,
- To prepare in Turkish and English and frequently update Investor Relations Section, which is found within the corporate Internet site (www.eczacibasi.com.tr) of the Company and to ensure easy and quick access by investors to information concerning the Company through the Internet.
- To ensure two-way communication between the shareholders and Top-Level Managers and the members of the Board of Directors.

- To make available any information and disclosure, which may affect the exercise of the shareholding rights in nature, to the shareholders on Company's website in an updated manner,

- To disclose to the public by communicating the required Material Statement Disclosures to the BIST through the Public Disclosure Platform (“PDP”) with due consideration of the II-15.1 of the Capital Market Board,

- To follow up any amendments to the Capital Market Code and any relevant legislation and present the same to the attention of the relevant departments,

- To represent the Company before the Capital Markets Board, Istanbul Stock Exchange and Central Registry Agency.

Investors’ Relations Department submitted its report on the activities carried out in 2014 to the Corporate Governance Committee on 20 January 2016 and upon evaluation of the report by the Committee, the report was then evaluated by the Board of Directors on 25 January 2016.

**2.2. Exercise of the Right to Information by the Shareholders**

The Company pays utmost care to comply with all CMB regulations, Articles of Association and other in-house regulations related to the satisfaction of the requests of our shareholders for the exercise of their rights and appropriate steps are taken in order to ensure that such rights are exercised properly and all the shareholders are treated fairly. As far as we are concerned, in 2015, there was no administrative and/or legal proceeding against our company concerning the use of shareholding rights, nor oral or written complaints.

All shareholders are treated equally when they exercise their right to request and evaluate information and any information required by them in order to duly exercise their shareholding rights have been shared with them, except for the trade secrets. The information is provided on a timely manner and carefully so as to fairly reflect the facts.

All the questions and inquiries received at the Investors’ Relations Department during the year are replied by phone or in writing by contacting the most competent person of the relevant matter except for confidential information or trade secrets. In an effort to increase the rights of the shareholders to obtain information, any and all the information that may have impact on the exercise of the rights are made available for use by the shareholders on updated bases in electronic media. Information and developments that may affect shareholders’ rights are publicly disclosed through special disclosure and also published in the website of the Company.

While there is no provision in our Articles of Association that a private auditor be appointed as individual right, under article 438 of the Turkish Commercial Code, each shareholder may ask the General Assembly to reveal certain occurrences through private audit even if the agenda has no such item if it is necessary for exercising the shareholding rights and if the right to receive and examine information has been exercised before. To date, no shareholder has raised such a request. Moreover, the
activities of the Company are periodically audited by the Independent Audit Firm approved by the General Assembly.

2.3. General Assembly Meetings

The invitations to the General Assembly meetings are made by the Board of Directors at least 3 weeks in advance of the date of meeting, excluding the days of announcement and meeting, in accordance with the provisions of the Turkish Commercial Code, the Capital Market Law, the Company’s Articles of Association and the Corporate Governance Principles. The Articles of Association of our Company has been prepared accordingly.

Our Board of Directors informs the public via a disclosure statement published on the Public Disclosure Platform (“PDP”) and Electronic General Assembly System (“EGAS”) along with the items of the agenda on the date of resolution taken for convening the General Assembly meeting.

The announcements regarding the invitations to the General Assembly meetings are published on the Company’s Internet website and also in Turkey editions of the newspapers believed to be highly followed up by the shareholders in order to ensure disclosure of the announcement to the highest number of shareholders possible including electronic communications not later than 3 weeks before the actual date of the General Assembly meeting in accordance with the required statutory legislation.

The meetings are publicly held in the city center in order to facilitate attendance to the General Assembly. The meetings can be followed up by our stakeholders and media.

The financial statements and reports including the annual report, the profit distribution proposal, the General Assembly Information Document prepared in relation to the items on the agenda of the General Assembly and the other documents constituting the basis for such items of the agenda, the latest version of the articles of association, and the text of amendment and the related Rationale for justification of, if any, the amendments to be made in the articles of association are made available for information and examination purposes at convenient places of the company’s headquarters for ease of access by our shareholders including its website starting from the date of announcement published in relation to the invitation for general assembly meeting. The information proposed for each item of the agenda is provided to the shareholders in the information documents related to the items of the agenda. Moreover, English version of all the documents likely to be required by the foreign shareholders with respect to the General Assembly and the items of the agenda is made available at the website of the Company.

The form of proxy is published for the shareholders that will be represented by their proxies and they are made available for the shareholders via our company’s Internet site before the meeting of the General Assembly.

At the General Meetings, attention is paid in order to ensure that the matters contained in the contents of agendas are transmitted impartially and in details, and in an explicit and comprehensible manner, and the shareholders are provided with the opportunity to express their opinions and to ask questions under equal conditions as well as they are allowed to discuss over the annual report and performance indicators of the Company.
The minutes of the General Assembly meetings are disclosed to the public via the PDP and they are also provided on the Company’s Internet website. One copy of the minutes is sent to the CMB; and one copy is made available at the Company’s headquarters for inspection by our shareholders.

In 2015, the Company held one General Assembly Meeting. The Ordinary General Assembly meeting held for 2014 was held on 13 April 2015 with a meeting quorum of 80 percent. Of the shareholders holding public shares, 410 real and 24 legal persons were registered in the List of Attendants. Our General Assembly meeting has been held under the surveillance of the Ministry Observer assigned by the Provincial Directorate of the Governorship of Istanbul. In the General Assembly meeting, our shareholders exercised their rights to ask questions. The questions were answered by the members of the Board of Directors and the General Manager depending on the subject matter. No demand has been received from our shareholders to add anything to the items of the agenda in this respect.

As for the donations made within the period, information was given in a separate item during Assembly and upper limits for donations made in 2015 was defined.

2.4. Voting Rights and Minority Rights

In our company, any practices complicating the use of voting rights are avoided; and all our shareholders including the overseas shareholders are allowed to use their voting rights equally, easily and as required. Open voting method applied by raising hands is being used for voting of the items on the agenda in the General Assembly Meeting provided that the provisions concerning the voting electronically are reserved. Each item on the agenda is voted separately in the meeting.

There are no privileged voting rights envisaged under the Articles of Association; every share has one vote. The Company has no procedure that foresees voting rights being exercised within a determined period after the acquisition date. There is no item in the Company’s Articles of Association that prevents a shareholder’s proxy from voting on the shareholder’s behalf.

Eczacıbaşı Holding A.Ş., which has a reciprocal stake and controlling interest in the Company greater than 76.47 percent and in which we hold 11.54 percent share exercises its vote at the General Assembly of our Company.

No shareholder has claimed to have minority shares, to date. Cumulative voting procedure is not applied.

2.5. The Right to Dividends

The profit distribution policy of our Company and the annual profit distribution proposal of our Board of Directors are prepared together with the profit distribution statement designated by the CMB; and they are made available to our shareholders via the PDP environment for information purposes at the same time with the publication our Board of Directors’ decision. The said proposal is included in our annual report and presented to the shareholders in the General Assembly for their approval. In addition, they are also publicly disclosed in the Company's Internet website together with the detailed information regarding the profit distribution statement, the profit distribution history and the increases of capital. Cash dividend with a gross rate of 11 % has been distributed to our shareholders in 2014.
2.6. Transfer of Shares

There are no provisions in our Company’s Articles of Association restricting or complicating free transfer of shares.

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Web Site and its Content

www.eczacibasi.com.tr, corporate web site of the company has been actively used since April 2005 in compliance with the principles stipulated by the CMB with the aim of maintaining relations with the shareholders in an effective way and provide continuous communication with the shareholders. Information about our company, our subsidiaries, and investor relations has been opened to public in the investor relations’ section on the site.

The main headings that can be viewed on our Company’s website are listed below:
- Detailed information on corporate identity
- Information regarding the members of the Board of Directors and the top management of the Company
- Committees within the structure of the Board of Directors
- Company organization and shareholding structure
- Company’s Articles of Association
- Trade registry details
- Details on shares and share performance
- Financial data and indicators
- Press disclosures
- Material event disclosures
- Information document on the meeting date, agenda and the items of the agenda of General Assembly
- The minutes of the General Assembly and the list of attendants
- Form of Proxy
- Presentations made in the General Assembly meeting
- Corporate governance practices and compliance report
- Dividend distribution policy, history and increases of capital
- Information disclosure policy
- Remuneration policy for the Board of Directors and Top-Level Managers
- Ethic rules disclosed to the public as part of the disclosure policy
- Detailed information on corporate social responsibility

In this context, the information for at least the last 5 years is provided on the Internet website. The data contained herein are regularly updated and kept consistent with the disclosure made pursuant to the applicable legislation and no conflicting or incomplete data are contained.

The Investors’ Relations Department is responsible for the preparation and updating of the website with additional data. The works to ensure that the website may even provide better services are carried out on a continuous basis. The website address is also indicated on the Company’s letterhead.

3.2. Annual Report

The annual report of our Company is prepared in accordance with sufficient details to enable the public to access accurate and complete information about the activities of
our Company. In addition to the matters stipulated in the legislation and Corporate Governance Principles, the annual reports contain:

- Information about the offices held by the members of the Board of Directors and officers outside the Company and statements related to the independence of the members of the Board of Directors,

- The assessment of the Board of Directors with respect to the working principles and efficiency of the Committees including the members, frequency of the meetings and activities carried out by the Committee established under the Board of Directors.

- Number of meetings of the Board of Directors held during the year and the attendance of the members of the Board of Directors,

- Information about the changes in the legislation so as to have a material effect on the operations of the Company,

- Information about the material litigation against the Company and possible outcomes thereof,

- Information about reciprocal participation in which direct contribution to the capital in excess of 10%,

- Information about social benefits of employees, their occupational training and corporate social responsibility activities regarding company operations leading to other social and environmental results.
SECTION VI – STAKEHOLDERS

4.1. Informing Stakeholders

Within the boundaries of CMB regulations, stakeholders are informed through the General Assembly and responses provided to individual inquiries. Public disclosure is made through press conferences or press releases; employees are informed through Strategic Planning Meetings, General Manager’s informative meetings and departmental meetings (changes in targets, wages, employee benefits, travel allowance, etc. are announced at these meetings.). At Eczacibasi Holding, there is a portal accessible by the employees providing all kinds of information and documents of interest to them including management changes and press releases communicated through that portal. In addition, the Corporate Communications Department at Eczacibasi Holding A.Ş. publishes an in-house periodical called “Yasam (Life)” in an effort to promote the communication with the employees.

Corporate structure of the company enables all stakeholders including employees and representatives communicate the management their concerns on improper procedures both ethically and legally. Among the duties of the Committee in charge of Audit is examinant the complaints submitted. Besides, Internal Audit Manager deals with such concerns and communicates such concerns to the Committee in charge of Audit.

4.2. Participation of the Stakeholders in Management

Supportive mechanisms and models have been created to encourage stakeholder and especially employee participation in the Company's management without interfering company operations. The said models adopted by the Company are incorporated into the internal regulations of the Company. The stakeholders are consulted in case of material decisions affecting them. Stakeholders contribute to management through the General Assembly for shareholders and the employees are ensured to participate in the management by various meetings, Corporate Portal and notices sent by electronic mail.

4.3. Human Resources Policy

Recognizing that people underpin the Eczacibasi Group’s values and represent the main source of its competitive edge, the Company’s human resources policies have its goals to:

- Establish an organizational structure that is flexible and open to change and in line with Company’s Strategic Business Plan and Targets,
- Ensure that human resources are used effectively and efficiently to achieve the Company’s strategic goals,
- Continually review and improve the Company’s human resources processes and systems,
- Encourage employees to learn so that they might improve their knowledge, competencies and behavior, thus enhancing their individual performance as well as the performances of their teams and the Company,
- Create opportunities for personal and career development that respond to the needs of the Company and reflect performance evaluation results,
- Continuously raise the level of employee satisfaction by making improvements in areas noted by employee satisfaction surveys and other related performance indicators,

- Attract employees who have the right competencies for their jobs: who are creative, innovative, participative, open to change, entrepreneurial, energetic, transparent, and strong communicators; who want to develop personally and professionally and who are able to train others; who share our values,

- Ensure that the female candidate is preferred between male and female candidates of equal qualifications.

Our Company’s Human Resources management is conducted by the Financial Affairs Management; and since it is a member of Eczacıbaşı Group, the shared policy, and the fundamental rules and principles determined by the Human Resources Group Directorate under the structure of Eczacıbaşı Holding A.Ş. and established for all companies within the group are implemented duly. Such fundamental rules and principles are shared with the employees of Eczacıbaşı Group over the Company Portal.

Our Company does not have any personnel that are members to a trade union.

To date, there have been no complaints of discrimination from Company employees.

4.4. Code of Ethical Conduct and Social Responsibility

The Company’s activities are conducted in accordance with the following code of conduct established by Eczacıbaşı Group. The code of conduct has also been published in our Corporate Management Principles Compliance Report and in the Company website as part of the compliance with the Corporate Governance Principles published by the CMB.

With a view to carrying out the primary objective which reads as “to have the excellent human resource supported by the best human resources practices”, our company has adopted the following policies:

- To ensure that the companies affiliated with the Group maintain their organizational structures in dynamic condition in line with their strategic plans and targets and that they are prepared for changes;

- For the purpose of using human resources in the most effective and productive way and directing management power in accordance with the Group targets, to develop individual and team performances with the processes and systems designed to improve the quality in a continuous manner and to create a professional work atmosphere and career development opportunities for our employees;

- To bring individuals in the Group with high education levels, who are open to innovations and changes, holding entrepreneurial abilities, vigorous, committed to improving themselves and their jobs, which train employees and adopt and create Group values.

In achieving such objectives and policies, and as to the operations applied and the systems developed with respect to human resources, focus is placed on quality, customer satisfaction, efficiency, participatory management, team work, flexibility and open communication.
The employees in the course of performing their duties are obliged to observe the Group’s Code of Ethics as particularized below, to comprehend the importance of responsibilities assigned to them and to fulfill their responsibilities.

All employees:

Are responsible for performing their duties with precision and meticulousness, for keeping track of and understanding legal regulations governing their jobs and amendments made therein and for obtaining information required to do their job. In the event that any inconvenience is encountered in this regard, seeking advice from the authorized officers of the relevant organization is necessary.

2. Shall continue to do their works with such efficiency and performance expected of them in accordance with the requirements of the job and qualifications of the employees.

3. Must prioritize the benefits of the company and abstain from any actions and procedures whatsoever which would bring damage to the company, when making decisions relating to their jobs.

4. Are obliged to protect information of which they have gained knowledge by virtue of their jobs but considered prejudicial if disclosed, and hence which should remain confidential.

5. Are liable to comply with the laws and to refrain from any activities that would put the company in a difficult position and damage its reputation.

6. When recruiting staff for their positions or in the course of works executed with direct/indirect third party individuals or organizations in connection with company’s business, should exercise care to select persons and entities who have reputation and who will adopt and implement the Group’s Code of Ethics.

7. By virtue of their duties, may neither attempt to secure benefits from natural persons and legal entities and nor offer and provide any illegal payments or advantages to any person or organization.

8. Are obliged to prioritize the Group’s Code of Ethics at all times both in their relations with the government or customers, and when representing the company at these environments, to avoid approaches though intended to impress counter parties but impairing the image of company.

9. Have a duty to secure customer satisfaction by giving particular importance to quality, promptness, and simplicity, courtesy and respect on the condition that the employee remains honest, reliable and self-respecting in their relations with the customers and business owners, and to treat every person and organization equally.

10. Are liable to comply with the working order and working hours, work starting and closing times and rest breaks at the business place of the company and, without interruption in this regard, to perform service obligations on their part.

11. Are responsible to comply with the working order and working hours of the Group and to dedicate his entire working hours to the Group. They may not pursue an occupation to earn income from another source and they may not assume managerial or consulting positions in other organizations. With the
authorization from CEO, they may serve in administrative bodies of non-profit organizations such as fraternities and foundations and of the chambers. Payments of admission fees and annual subscription fees relating to memberships approved by CEO shall be effected by the employees’ company. They are not permitted to serve in governing bodies of the political parties under any circumstances.

12. Unless authorized by CEO, they may not make any statement and convey information to press and broadcasting organizations regarding the company.

13. Have the obligation to protect and ensure the security of currencies, official documents, tools and equipment belonging to the company and not to use them for their personal necessities.

14. Are under obligation to observe their employment conditions as regulated by labor legislation, contract of employment, and these rules qualifying as a supplement to employment contract, and to follow written and verbal instructions given by employer or employer’s representatives regarding the work performance and conduct at the workplace, and to adhere to work discipline, occupational health and safety rules.

Due diligence shall be exercised to report to the company’s highest level executive those employees acting in contravention to Group’s Code of Ethics by documenting such acts to the extent possible or by making an objective assessment thereon and to take relevant precautions in this respect.

In this context, the employees are responsible for reporting and giving information about any changes in their family, marital status and addresses, as well as information concerning their identity, family and relatives, which information are regarded as reference in terms of rights and obligations governed by agreements and by-laws and for giving the documents which support those information. The responsibility to report changes in the personal information entirely belongs to employee. The address for notices is the last address provided by the employee and notices made to such address shall be considered to have been made to that employee.

Furthermore, the employees:

- In fulfillment of their duties, must make decisions without being under the influence of benefits with regard to themselves or their families and in doing so, they shall prefer company’s own benefits over anything.

- In this context, employee’s involvement and activities outside the company should not conflict with responsibilities which employee bears as an individual of Group and should not be contrary to the laws.

- The employees are obliged not to misappropriate the Group’s resources and not to damage the reputation of Group.

- With regard to the Group; the benefits, disadvantages of employees’ involvement and activities taking place outside the company and likely conflicts of interest arising from those involvement and activities must be taken into account by the employees.
Social Responsibility

The Company supports many social, cultural and sports activities, in accordance with the principles of the Eczacibaşı Group. There are no legal claims on the Company related to environmental pollution. With the understanding that protecting the environment is its most important social responsibility, the Company has written down its environmental policy and communicated it to all of its employees.
SECTION V - BOARD OF DIRECTORS

5.1. Structure and Constitution of the Board of Directors

As per the Articles of Association, the company’s affairs are conducted and managed by a Board of Directors comprising at least three members to be elected among the shareholders by a decision of the General Assembly in accordance with the provisions of the Turkish Commercial Code. The General Manager of the Company may be elected as a Member of the Board of Directors.

In the Ordinary General Assembly held on 29 May 2012, an amendment has been made in the Articles of incorporation and the required changes will be made for participation of independent members in the Board of Directors in accordance with the Corporate Governance Principles of the Capital Market Board and accordingly, Asaf Savaş Akat and Dirahşan Tamara Bozkuş have been elected as the independent members of the Board of Directors in the General Assembly Meeting held on 13 April 2015.

There are executive and non-executive members in the Board of Directors. Non-executive Board members do not assume any other administrative duty in the Company except for their Board membership and they do not intervene in the Company’s daily work flow and ordinary activities. The majority of the Board members is comprised of non-executive members. Mr. Levent A.Ersalman is the only executive member of the Board of Directors.

The Board of Directors consists of 9 members, one of whom is the executive (General Manager)

The members of our board of directors that took office until the Ordinary General Assembly Meeting held in 2014 for the activities in 2013:

- F. Bülent Eczacıbaşı (Chairman of Board) non-executive
- R. Faruk Eczacıbaşı (Vice Chairman of Board of Directors) non-executive
- Sezgin Bayraktar (Member) non-executive
- Öztin Akgüç (Member) non-executive
- Simhan Savaşçın Başaran (Member) non-executive
- Levent A.Ersalman (Member and General Manager) executive
- M. Sacit Basmacı (Member) non-executive
- Asaf Savaş Akat (Independent Member) non-executive
- Dirahşan Tamara Bozkuş (Independent Member) non-executive

Members of the Board of Directors may undertake duties in companies affiliated with Eczacıbaşı Group, but, in principle, may not undertake duties outside of the group.

It has been thought that diversity in terms of experience, knowledge and standpoint will contribute positively to Company’s activities and the Board of Director’s working efficiently. Evaluation studies, on the other hand, are continuing in order to determine a target Rate for female members of board of directors, which is one of the mediums to ensure that different opinions are represented in the Board of Directors. Currently, our Board of Directors includes two female members of board of directors,
Simhan Savaşçın Başaran and Dıraşhan Tamara Bozkuş, in accordance to Corporate Governance Principles of our Board of Directors.

5.2. The Performance Principles of the Board of Directors

The Board of Directors conducts its activities in a transparent, accountable, fair and responsible manner. The Chairman and Vice Chairman are elected among the members of the Board of Directors.

Independent Board of Directors establishes the internal control systems covering also the risk management and information systems and processes that may minimize the impacts of the risks likely to affect the company’s stakeholders, including particularly its shareholders, upon taking into account the opinions of the related Board of Directors’ committees.

Support is obtained in terms of internal audit and risk management from Auditing Board comprising of two directors, Internal Audit Department which is affiliated to the Managing Director and also reports to the Committee in Charge of Audit, Financial Affairs Department, Strategic Planning and Business Development Department with Eczacıbaşı Holding and chartered financial advisor company. The risk analysis for fixed assets is conducted externally while security, emergency and assets at risk position assessments are conducted at the meetings of Board of Directors.

The Board of Directors reviews the efficiency of the risk management and internal control systems at least once a year. The official records of the subsidiaries, joint ventures and affiliates which are consolidated are controlled by a Sworn Financial Advisory Company in terms of compliance with the Turkish Commercial Code, Uniform Chart of Accounts and taxation issues on a quarterly basis. The Internal Audit committee of the Eczacıbaşı Holding A.Ş. audits the consolidated companies’ activities on the required processes and/or issues. Additionally, the financial statements of the companies prepared for consolidation dated 30 June and 31 December are audited in terms of compliance with the CMB legislation and International Financial Reporting Standards by an independent audit company. The 31 March and 30 September dated financial statements of the consolidated companies are audited by the Internal Audit Department of the Company in line with the principles set by the independent audit company.

The Company has established the scope and subject of its Articles of Association in detail and conducts its activities accordingly. The Company’s Vision is defined and its Strategic Objectives and Policies are determined and reviewed every year. Our Board of Directors and management continually monitor the Company’s activities and results to ensure that they are in line with its strategic targets. During the Board of Directors’ meetings held periodically, the company’s targets and the operating results are followed up closely covering the previous periods’ performances as well. The current status of the Company is reviewed, and new targets and strategies are developed under the current conditions if and when required.

The chairman of the Board of Directors and the General Manager is not the same person in our Company. The authorities and responsibilities of the Members of the Board of Directors and executives are clearly defined in the Articles of Association. The authorities are further described in our Company’s list of authorized signatures.
The Board of Directors plays a leading role in maintaining effective communications between the Company and the shareholders, and eliminating and resolving any disputes which may arise between them and to this effect; it acts in close cooperation with the Investors’ Relations Department.

While Board Members are authorized by the General Assembly to undertake transactions with the Company within the boundaries of the laws, in line with the general principles of the Eczacıbaşı Group, no member of the Board of Directors makes a transaction with the Company.

The members of the Board of Directors and the managers cannot make any dispositions resulting in a reduction in the company’s assets in order to damage the stakeholders.

Form of Meetings of the Board of Directors

As specified in our Company’s Articles of Association, the Board of Directors convenes as required by the affairs of the Company. The agenda of the Board of Directors meetings is determined by the communication of the issues, which are clearly made mandatory for the Board of Directors to decide upon under the Articles of Association, to the Senior Management and Board of Directors of the Company by the relevant departments. Our Board of Directors made 19 meetings in total in the year 2015. The meetings have been held by participation of all members in most of the cases. The notification of and communication with the Board Members is handled by the Chief Financial Officer. The meetings are held at the head office of the Company and the call for the meetings is made via telephone and / or e-mail. Important Board decisions are publicly disclosed via the PDP and published on the Internet website in Turkish and English languages.

Each member of the Board of Directors has one voting right. The members of the Board of Directors does not have a privileged voting or a veto right. The decisions taken in the Board meetings were taken by the unanimity of the attendants and there were no Board Members dissenting to the decisions taken. Since there were no dissent votes or statements of different opinions in the Board meetings held in 2015, no public disclosures to that end have been made.

In the Board meetings, the items on the agenda are clearly discussed in all aspects. The Chairman of the Board of Directors endeavors utmost efforts in order to ensure active participation of non-executive members in the meetings of the Board of Directors.

There is “executive liability insurance” for the Company’s Members of Board of Directors and Top-Level Managers.

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

In our Company, there are committees established to ensure that the duties and responsibilities of the Board of Directors are fulfilled in a healthy manner and such committees function according to the working principles. Decisions adopted as a result of activities independently carried out by our committees are submitted to the Board of Directors and final decision is adopted by the Board of Directors. The members taking office in more than one committee ensures the communication between the committees in related matters and increases the cooperation possibilities.
The Board of Directors is of the opinion that the benefits expected of the committees have been obtained.

Duties, working principles and names of the members of the committees are determined by the Board of Directors and publicly disclosed at the Company's website.

All members of the Committee in charge of audit and the chairpersons of other committees are selected among the Independent Board Members. CEO and managing director may not take part in the committees.

Any resources and support that are necessary for the Committees to perform their respective tasks are provided by the Board of Directors. Committees may invite and take the opinions of the executive who may be deemed necessary.

Committees benefit from the opinions of the independent experts for the matters needed in relation to their activities, and cost of such consulting services are borne by the Company.

Committees document their activities in writing and keep such records. Committees hold meetings as frequently as required for their activities and as specified in their working principles. They submit the report containing information about their activities and meeting results to the Board of Directors.

Committee in charge of the Audit

The Audit Committee that has been established by virtue of the decision of the Board of Directors its activities as stipulated in the Capital Market Laws and the CMB Corporate Governance Principles All members of the Committee in charge of audit are selected among the Independent Board Members. At the meeting of the Board of Directors dated 13 April 2015, it has been decided that the committee has 2 members and Asaf Savaş Akat be assigned as the chairman and Dıraşhan Tamara Bozkuş as the member thereof. The working principles of the Committee have been published in the website of the Company, and it convenes four times a year. Moreover, the committee provides the Board of Directors with its written opinion on the election of the independent auditor and on the compliance of the annual and interim financial statements to be publicly disclosed with the accounting principles of the company and accuracy and correctness of such financial statements with the account taken of the assessments made by the officers and independent auditors of the company. The Committee in charge of Audit held 5 meetings concerning their activities in 2015.

Corporate Governance Committee

This committee has been established in order to monitor the compliance of the Company with the corporate governance principles, to carry out improving activities in that respect and to make proposals to the Board of Directors. It has been decided at the Board of Directors meeting dated 13 April 2015 that the Corporate Governance Committee be composed of three members and Dıraşhan Tamara Bozkuş, an Independent Board Member, be assigned as the Chairman and M. Sacit Basmaci (non-executive member) as the member. In the same decision, since no Nomination Committee and Wage Committee have been established due to the structure of the Board of Directors, it has been decided that Corporate Governance Committee will also assume the duties of such committees.
The Corporate Governance Committee determines whether or not the corporate governance principles are duly implemented, if not the reasons therefor and conflicts of interests arising from the failure to implement such principles as required, makes recommendations to the Board of Directors in an effort to improve the corporate governance practices and it is overseeing the activities of Investors’ Relations Department.

The Board of Directors of our organization appointed Gulnur Gunbey Kartal with the aim of fulfilling obligations that may arise under the regulations of the capital markets in accordance with the criteria specified in article 8 of the CMB’s Communiqué No. IV/41 on Principles to be observed by Joint Stock Companies Subject to Capital Market Law that was enforced upon its publication in the Official Gazette no. 26821 dated 19 March 2008 and appointed her as the member of the Committee at the meeting held on 1 December 2015 pursuant to article 11 of the Corporate Governance Communique.

The working principles of the Committee have been published on the website of the company and Corporate Governance Committee held 4 meetings concerning its activities in 2015.

**Early Detection of Risk Committee**

The Board of Directors has decided that “Early Detection of Risk Committee” be founded to act in this regard by subtracting the risk task that has been added to the responsibilities of Corporate Governance Committee out of duty and responsibilities of this Committee in accordance with the Communiqué (Serial:IV, No: 63) of CMB published in the Official Gazette dated 22 February 2013 numbered 28567. It has been decided at the Board of Directors meeting dated 13 April 2015 that the Corporate Governance Committee be composed of two members and Dıraşhan Tamara Bozkuş, an Independent Board Member, be assigned as the Chairman and Simhan Savaşçın (non-executive member) as the member.

In order to ensure compliance with Corporate Governance regulations of the Capital Markets Board and Article 378 of the Turkish Commercial Code No. 6102, the Committee for Early Identification of Risk “makes recommendations and suggestions to the Board of Directors on the early identification of any and all risks that may threaten the existence, development and continuance of the Company including strategic, operational, financial, legal and other risks, evaluation and calculation of the impacts and possibilities thereof; on the managing of these risks in line with the corporate profile of the Company on taking risks, on the reporting of these and implementing the necessary measures on the risks that are identified, ensuring that these are taken into consideration by the decisive mechanisms and accordingly, forming efficient internal control systems and integration thereof.” The duties and working principles of the Early Detection of Risk Committee are have been determined in accordance with the regulations, provisions and principles laid down in the Capital Markets Legislation, the Articles of Association of the Company, the Turkish Commercial Code and the “Corporate Management Principles” of the Capital Markets Board. Article 378 of the Turkish Commercial Code requires the Committee to evaluate the then-current period in respect of the risks that may impact the existence and continuity of the Company and point out to the threats, if any and show solutions in a report that will be submitted every two months and within this framework, the Committee convened 7 times in 2015.
5.4 Risk Management and Internal Control Mechanism

At Eczacıbaşı Yatırım Holding Ortaklığı A.Ş., the risk management is handled with an integral perspective. Strategic, financial and all other aspects believed to have posed risks for the Company to attain its short and long term targets are assessed at any level of the organization starting from the Board of Directors.

The risk management cannot be considered separate from the management of business processes and for this reason; the practices related to the risk management are realized within the Company as much as possible and not assigned to outside sources and consultants. Therefore, one of the important tasks of the process holders is the management of relevant risks.

The Board of Directors establishes the internal control systems covering also the risk management and information systems and processes that may minimize the impacts of the risks likely to affect the company’s stakeholders, including particularly its shareholders, upon taking into account the opinions of the related Board of Directors’ committees.

The primary risks that our company is exposed to are monitored under two main titles as financial risks (currency, interest, liquidity and credit) and non-financial risks (strategic and operational), and the Board of Directors is notified of such risks on a regular basis. Detailed information about the risk management can be found in the relevant section of the annual report.

5.5. Strategic Goals of the Company

The Board of Directors manages and represents the Company by taking strategic decisions, keeping the Company’s risk, growth and returns balance in the optimum level, and preserving the long-term benefits and interests of the Company based on its prudent risk management approach.

The Board of Directors defines the strategic objectives of the Company, determines the human and financial resources that will be required by the Company and monitors the performance of management.

The Board of Directors oversees the compliance of the Company’s activities with applicable laws, articles of association, internal regulations and the policies established. During the meetings of the members of the Board of Directors and the meetings of senior offices which take place periodically, the Company's goals and the operations performed are monitored in a manner to cover the performances of the prior period as well. The current status of the Company is reviewed, and new targets and strategies are developed under the current conditions if and when required.

5.6. Financial Rights

It has been decided that a fee shall be paid to Independent Members of the Board of Directors that were elected at the Ordinary General Assembly, in the light of principles specified in “Corporate Governance Communiqué” (Serial: II No: 17) of CMB in a level that shall preserve their independence, and it has been determined as TRL 6,000 (gross) (Six Thousand) on April 13th, 2015.

However, other Members of Board of Directors are not paid any fee in accordance with General Assembly Decisions. None of the Members of Board of Directors made any financial transactions related to the company. There is no reward system based on performance. Company did not pledge anything, advance money nor supply credit to
any Members of the Board of Directors within the activity period between 2014 and 2015.
Remuneration principles of the members of the Board of Directors and Top-Level Managers have been put in writing, and were presented to the shareholders as a separate item in the general assembly meeting before Ordinary General Assembly held on April 13th, 2015. Remuneration policy prepared for this purpose is included on the Company’s website.
In respect of remuneration of the Independent Members of the Board of Directors, a payment plan based on the performance of the company will not be used.