



ECZACIBAŞI YATIRIM HOLDING
ORTAKLIĞI ANONİM ŞİRKETİ

01 JANUARY 2012 – 30 JUNE 2012

BOARD OF DIRECTORS REPORT

www.eczacibasiyatirim.com.tr

REPORT OF BOARD OF DIRECTORS **ISSUED PURSUANT TO SERIAL: XI**
COMMUNIQUE NO: 29

I. INTRODUCTION

Report Period

This report covers the period between 01 January 2012 and 30 June 2012.

Title of Company

Eczacıbaşı Yatırım Holding Ortaklığı A.Ő.

Authorized Boards for the Period

Board of Directors

F. Bülent Eczacıbaşı	President
R. Faruk Eczacıbaşı	Vice President
Sezgin Bayraktar	Member
Dr. Öztin Akgüç	Member
Z. Fehmi Özalp	Member
M. Sacit Basmacı	Member
Levent A. Ersalman	Member
Asaf Savaş Akat	Independent Director
Hasan Tunç Erkanlı	Independent Director

Independent Members of the Board of Directors have been elected for a term of 1 year at the Ordinary General Assembly Meeting on 29 May 2012 and other members of the Board of Directors have been elected for a term of three years at the Ordinary General Assembly Meeting on 04 May 2012 to take office till the Ordinary General Assembly Meeting to be held in 2013.

The Board of Directors is authorized to take decisions regarding all issues which fall outside of the authority exclusively granted to the general assembly in line with the Turkish Commercial Code and the articles of association.

Board of Auditors

Tayfun İçten	Auditor
Bülent Avcı	Auditor

The members of the Board of Auditors have been elected for a term of one year at the Ordinary General Assembly on 29 May 2012 and are obliged to perform the duties specified in the Turkish Commercial Code and articles of association.

REPORT OF BOARD OF DIRECTORS **ISSUED PURSUANT TO SERIAL: XI**
COMMUNIQUE NO: 29

Amendments to Articles of Association

Following the negotiations on the 17th Articles of Association of the Company, it has been unanimously resolved at the General Assembly Meeting held on 29 May 2012 that Article 14 (Board of Directors), Article 16 (Vacation in the Board of Directors), Article 17 (Meetings and Working Order of Board of Directors), Article 21 (Remuneration and Honoraria of Members of Board of Directors), Article 34 (Applicable Provisions) and Article 40 (Announcements) be amended and that Article 44 (Compliance with Corporate Governance Principles) be inserted as approved by authorization No. 4730 of 26 April 2012 of the Capital Markets Board and Letter No. 3244 of 2 May 2012 of Ministry of Customs and Trade.

Amendments made to the Share Capital

No change has been made to the share capital of the Company during the period. The registered capital of the Company is TL 200.000.000.-. and issued capital is TL 70,000,000.-.

No of Shareholders

Our Company has approx. 10.500 shareholders.

Shares Prices (as of end of months)

January	4,59 TL
February	4,75 TL
March	5,56 TL
April	7,02 TL
May	5,84 TL
June	6,82 TL

Distributed Dividend and Ratio

Out of the profit for the year 2008, dividend with a gross rate of 7,25% and net rate of 6,16% has been distributed.

Out of the profit for the year 2009, dividend with a gross rate of 5% and net rate of 4,25% has been distributed.

Out of the profit for the year 2010, dividend with a gross rate of 7% and net rate of 5,95 has been distributed on 25 May 2011.

Out of the profit for the year 2011, dividend with a gross rate of 15% and net rate of 12,75 has been distributed on 19 June 2012.

**REPORT OF BOARD OF DIRECTORS ISSUED PURSUANT TO SERIAL: XI
COMMUNIQUE NO: 29****List of shareholders who hold more than 10% of the Share Capital**

Name (Title) of Shareholder	Share Amount TL	Share Ratio (%)
Eczacıbaşı Holding A.Ş.	44.310.009,00	63,30

Relevant Market and Position of the Company in the Market

In the first quarter of the year, the concerns that radical leftist party SYRIZA which objects budget precautions will win the elections in Greece relieved by the elections held at the end of June. The winning of New Democrat Party which favors austerity policy in the elections prevented economic crisis from turning into a political crisis. Markets which have been cheered up by the decrease of the risk of Greece leaving Eurozone moved euro/dollar parity to 1.2750. Despite €1 trillion provided by European Central Bank, markets cheered up by the election results in Greece are now fluctuated by the increase of 10 years bond yields to 7.5% in Spain. In Spain which has the highest unemployment rate in Europe, the unemployment rate reached 50% among the population under 25 years. Spain aiming to decrease budgetary deficit / GDP rate to 3% in 2013 and regularly announcing austerity programs is widely criticized by the every segment of society. The escalation of the crisis in Spain and the concern of leaving Eurozone decreased euro/dollar parity to 1.2045 at the last quarter. With the deterioration in Spain and Italy, European Central Bank indicated that they may buy the bonds of problematic countries in order to decrease the high borrowing costs. While markets are waiting for the details of bond purchasing program from ECB meeting in the beginning of September, markets are focused on the decision about ESM to be given by German court in September 12.

In Turkey, smooth descending process is going straight so far. While Turkish economy is staying on path of returning to sustainable growth, inflation and current deficit are declining. Within this context, Turkish Central Bank (TCMB) decreased its inflation expectation from 6.5% to 6.2% by low revisions in positive petrol prices, food prices and price index of imports. However, high external financing needs causes vulnerability to continue against negative shocks in global markets. As growth reaches its potential, inflation decreases to the goal and current deficit decreases to more sustainable levels may cause credit note to increase to investible levels. It is expected that the interest rate corridor which is an effective tool of Central Bank of Turkey (CBT) used for preventing the reduction in value of Turkish Lira is going to be ended at the end of third quarter. CBT seems to return to its financial stability again instead of inflation.

As of 30 June 2012 Eczacıbaşı Yatırım Holding invests almost all of its cash assets in term deposit accounts including 67,1% of its total cash assets in TRL, 11,2% in EURO and 21,7% in US Dollars.

REPORT OF BOARD OF DIRECTORS **ISSUED PURSUANT TO SERIAL: XI**
COMMUNIQUE NO: 29

II. ACTIVITIES

Developments in Investments

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

Investment Portfolio

Eczacıbaşı Yatırım Holding has 16 affiliates within Eczacıbaşı Group.

Brief information about our affiliates in which we more than 10 percent of share capital:

Eczacıbaşı Menkul Değerler A.Ő.

Founded in 1982, Eczacıbaşı Menkul Değerler has its head office in İstanbul and branches in Ankara, İzmir, İstanbul-Kadıköy, Afyon, Bursa, Antalya and Adana.

The company operates in all areas authorized by the Capital Markets Board including brokerage of all kinds of securities such as shares, treasury bills, Eurobond, repurchase, DCR, investment advisor, investment funds for individual investors and brokerage, derivatives, consulting and portfolio management services for corporate and international investors. The company also provides IPO consulting and underwriting services.

Thanks to its hi-tech Tele Yatırım 24, Net Yatırım 24, Net Analist and Net Mesaj systems, securities brokerage services as well as analyses and comments related to capital markets are provided more quickly, cost-effectively and accurately.

The paid-in capital of the company as of 30 June 2012 is 11.000.000 TL.

E-Kart Elektronik Kart Sistemleri Sanayi ve Ticaret A.Ő

E-Kart Elektronik Kart Sistemleri was founded in 1999 in order to develop and manufacture smart card solutions in order to satisfy the expectations to emerge in the near future toward the high security, authorization and definition, cost-effective data storage and management in “e-commerce” and “e-business” areas considered as the business lifestyle of today. In 2001, 50% shares of E-Kart Elektronik Kart Sistemleri have been sold to Giesecke & Devrient GmbH, the second largest company in its category.

**REPORT OF BOARD OF DIRECTORS ISSUED PURSUANT TO SERIAL: XI
COMMUNIQUE NO: 29**

Starting its production activities in 2001, E-Kart has the first facility for Visa/Europay-accredited credit cards, smart cards manufacturing and personalization and is the first company having a SIM card production plant in Turkey. The annual card production capacity of E-Kart is 54 millions. In addition to its smart card production, E-Kart also performs daily card personalization operations for a number of banks thanks to its quick, high quality and secure service understanding.

E-Kart has an infrastructure for card manufacturing, software and personization according to the Visa/Europay, SAS and other international security specifications. The company has broken new ground in Turkey with its ISO-IEC 27001-2005 certificate as a result of its security policies and risk management activities, and it has added ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety certificates in 2011 to its ISO 9001 certificate under which it has certified its quality management system. Having completed its carbon footprint calculation studies, the certification has been made with "Reasonable Assurance" for "Scope 1-2" and "Limited Assurance" for "Scope 3) as part of ISO 14064 and E-Kart has become the first company in Turkey which has obtained the certificate by incorporating the Scope 3 into its calculations.

Continuing its leading position both in banking and GSM cards markets, E-Kart has achieved the major seller position in Moldova, Ukraine, Azerbaijan, Georgia and Kazakhstan with its marketing and sales activities in line with its geographical growth target. Getting prepared for entering also Belarus, Uzbek, Tajik, Kyrgyz and Nepalese markets, E-Kart is also targeting to grow up in these markets.

The paid-in capital of the company as of 30 June 2012 is 10.839.500 TL.

EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar San. ve Tic. A.Ş.

Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar does not have an actual production and has an holding structure with its Subsidiaries, Partnerships Subject to the Joint Management and Affiliates. In this structure, it directly performs property development activities; and engages in healthcare, cosmetics and personal care products sectors through its subsidiaries.

The Board of Directors of Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar has decided on 28 September 2010 that the project involving the property development (residential and commercial units) be implemented under the name "ORMANADA" with the participation of Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar by 50% and Eczacıbaşı Holding by 50% in Zekeriyaköy District, Sarıyer, İstanbul, that the property (residential units) to be built at the "ORMANADA" project be developed in two phases to be completed by the end of 2013 by the Company's subsidiary Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım

**REPORT OF BOARD OF DIRECTORS ISSUED PURSUANT TO SERIAL: XI
COMMUNIQUE NO: 29**

A.Ş., which, within the context and control of the signed contract, would choose a contractor or sub-contractors by bidding on the basis of taking offers on unit prices, bargaining or contracting at a lump sum price, and that the required works be completed so that the property (residential units) to be built on the lots for which the legal process has been completed could be launched for sale in October 2010. In the press meeting held on 18 October 2010 with respect to the promotion of Ormanada and in the special public disclosure made on the same date, it has been stated that the project will require an investment of USD 300 million. The residential units will vary from 170 to 700 square meters in size and would be priced in the range of USD 500 thousand to USD 2,2 million per unit. Ormanada has been created with the cooperation of Torti Gallas and Partners, Kreatif Mimarlık ve Rainer Schmidt Landscape Architects, all having a global experience and expertise. The revision studies on the project, which has a green area of 35 acres, to include a total of 259 residential units, 188 of which were villas and 71 were townhouses; suggest the number of residential units could be increased to 273. The project will be completed in two phases and there would be 150 residential units in the first phase, and it is projected that the second phase, which is still at the construction license issue stage, would include 123 residential units as of the date of the attached report. Sales deals have been made and sales contracts signed for 56 residential units in the first phase and 29 units in the second phase. Furthermore, the infrastructure (construction other than the buildings: roads, electricity, water, sewage, natural gas, telephone lines etc.) and superstructure (building construction) works of the Ormanada project continue as planned.

The registered share capital upper limit and issued share capital of Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar are 200.000.000 TL and 548.208.000 TL, respectively, as of 30 June 2012. As of 30 June 2012, the share of Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. in the share capital of Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar is 21,57%.

İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş.

İntema was founded in 1978 by Eczacıbaşı Group and Vitra authorized resellers and listed in ISE in 1990.

Since its establishment, it provides all kinds of services for the products and services used in bathrooms and kitchens ranging from the project and design to the promotion, display, consulting, sales and after-sales services and adopts the “customer-oriented” service principle.

In 2007, an important step has been taken in retail market and İntema has undertaken the sales and distribution of Villeroy & Boch products in Turkey as part of the cooperation between Eczacıbaşı Group and Villeroy & Boch the oldest and famous ceramic brand in the world.

**REPORT OF BOARD OF DIRECTORS ISSUED PURSUANT TO SERIAL: XI
COMMUNIQUE NO: 29**

The company continues to provide services ranging from the project to application with the “customized solution” approach and it has 24 stores including outlets in Turkey.

In order to expand in retail market, it continues to provide services with its 6 gross markets, 4 Villeroy Boch Ceramic Tiles and Bathroom products stores, 2 Villeroy Boch Tableware stores, 2 İntema kitchenware stores, 7 small stores and 3 outlets.

The registered share capital upper limit and issued share capital are 10.000.000 TL and 4.860.000 TL, respectively, as of 30 June 2012.

Kaynak TekniĐi Sanayi ve Ticaret A.Ő.

Started the manufacturing of welding electrodes on 1 March 1974, Kaynak Teknigi has signed a distribution agreement for Turkey with US based “The Lincoln Electric Company” in 1992 and converted the agreement into a equally-shared partnership on 5 May 1998, taking a great step to expand into Europe, Central Asian Republics, Russia, and Middle East and increase its exports to such regions.

ASKAYNAK, having an annual production capacity of 36,000 tons of covered electrodes, 24,000 tons of arc welding wires, 5,000 tons of submerged arc welding wires, performs its manufacturing according to national and international welding standards.

Having its head office and factory in Cayirova, Kocaeli, Askaynak has a production site of 40.000 sqm including 22.000 sqm of covered area.

Having 4 sales office in Istanbul, Ankara, Izmir and Adana and 17 main distributor and around 600 subordinated reseller network, Askaynak employs around 300 employees.

The paid-in capital of the company is 4.835.000 TL as of 30 June 2012.

Eczacıbaőı Holding A.Ő.

Founded in 1969, Eczacibasi Holding engages in general investment activities as well as performs and guides the strategic planning, financial management, audit and new project assessments of all the Eczacibasi Group. Besides all these, the Holding also acts as consultant for the organization and human resources, information technologies and communication systems of the group companies and performs corporate communication activities of the Group.

**REPORT OF BOARD OF DIRECTORS ISSUED PURSUANT TO SERIAL: XI
COMMUNIQUE NO: 29**

As of 30 June 2012, Eczacıbaşı Holding, with asset size of 1.37 billion TL, shareholders equity of 1.45 billion TL as per its statutory balance sheet, is, in addition to its existing activities, intending to engage in property development activities on its owned lands during the years ahead.

Aiming at carrying out new investments and entering into international partnerships fully open to the global world, which enhances the integration of Eczacıbaşı Group in production and operational areas in 2000s, the paid-in capital of Eczacıbaşı Holding is 213.000.000,- TL as of 30 June 2012.

Eczacıbaşı Yatırım Ortaklığı A.Ő.

Eczacıbaşı Yatırım Ortaklığı was established in September 1998 and 80% of its shares has been publicly offered in January 1999.

The primary purpose of incorporation of the Company is to deal with capital market instruments and gold and other precious metals traded in domestic and international markets or organized markets provided that the Company may not have a controlling shareholding in the capital or management of the undertakings the shares of which are acquired by the Company in accordance with the Capital Market Law and other applicable legislation.

While the total net asset values of 32 securities investment companies of Type A and B which exist in the market in 2010 was 750,6 million TL, their numbers dropped to 27 and total net asset values to 692,1 million TL as of the end of 2011.

The net asset value of Eczacıbaşı Yatırım Ortaklığı being 38.713.996 million TL at the beginning of 2011 has become 34.067.560 TL at the end of 2011. The total market value being 21,4 million TL as of the beginning of 2011 has dropped to 19,7 million TL at the end of 2011.

The share capital of the company has been increased from 14.000.000 TL to 21.000.000 as of 27 May 2011. The registered share capital upper limit is 25.000.000 TL.

REPORT OF BOARD OF DIRECTORS **ISSUED PURSUANT TO SERIAL: XI**
COMMUNIQUE NO: 29

Management Activities

Senior Management

Executive management in office for the time being:

- Levent A. Ersalman (CEO)

Graduate in Mechanical Engineering at BoĐaziĐi University.

Postgraduate studies in business administration at Akron University (USA)

Personnel Movements

As of 30 June 2012, no waged personnel is employed by our company. Management services are outsourced as is the case for previous years.

Collective Bargaining Practices

Our company has no employees subject to collective bargaining agreements.

Severance Pay Obligations

As of the end of the period, our company has no obligation for severance pay as it has no employees.

Rights and Benefits Offered to Employees

As of 30 June 2012, since no waged personnel is employed by our company, no rights or benefits have accrued.

Remote Organizations

Our company has no organization apart from its headquarters.

Explanations on the main elements of the Group's internal audit and risk management systems with regard to the preparation process of consolidated financial statements

The official records of the subsidiaries, joint ventures and associates 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.Ő. audits the consolidated companies' activities on the required processes and/or issues. Additionally, the financial statements of the companies prepared for consolidation are audited in terms of compliance with the CMB legislation and International Financial Reporting Standards by an independent audit company during the applicable periods.

REPORT OF BOARD OF DIRECTORS **ISSUED PURSUANT TO SERIAL: XI**
COMMUNIQUE NO: 29

**REPORT ON COMPLIANCE WITH CORPORATE GOVERNANCE
PRINCIPLES**

Statement of Compliance With Corporate Governance Principles:

The Report of Compliance with Corporate Governance Principles covering the activity period of 1 January 2012– 30 June 2012 has been issued in accordance with Article 6 of the Communiqué Serial No IV/54 on the Determination and Implementation of Corporate Governance Principles (as published in the Official Gazette dated October 11, 2011 and numbered 28081, 2.bis) as part of the principal decision No. 5/136 of 16 February 2012 as announced by the Capital Markets Board. Some of the principles contained in the Corporate Governance Principles as attached to the same Communiqué have been implemented and some could not be implemented.

Activities have been launched in order to ensure compliance with the Communiqué Serial No. IV/56 on Determination and Application of Corporate Governance Principles as published in the Official Gazette dated December 30, 2011 and numbered 28158.

The reason for not completely implementing the above mentioned principles is that; our company is solely a holding and it is not engaged in production of goods or services, does not employ any workers during the period and executes its transactions via purchasing of services.

However, the unimplemented principles are not detrimental to the shareholders or stakeholders and have not led to any conflict of interest for the interest holders to date.

SECTION I - STAKEHOLDERS

1.1 Facilitating the Exercise of Shareholding Rights:

The company has a shareholder relations unit since the year 1990. We employ one authorized personnel working in this unit, directly under the supervision of the general manager.

Contact information for shareholder relations specialist is below:

Name & Surname : Elif Durgut
Telephone : 212-371 72 23
Fax : 212-371 72 22
e-mail address: : elif.canioz@eczacibasi.com.tr

**REPORT OF BOARD OF DIRECTORS ISSUED PURSUANT TO SERIAL: XI
COMMUNIQUE NO: 29**

Shareholder relations unit provides written and oral communication with shareholders, Istanbul Stock Exchange, Capital Markets Board, Central Registry Agency and Takasbank.

Main activities executed during the period

- Inquiries received via various means of communication have been responded to.
- All aspects of public disclosure have been pursued and monitored in accordance with the relevant legislation.
- The general assembly meeting dated 29 May 2012 has been held in accordance with the relevant legislation, articles of association and other inter-corporate regulations.
- Documents have been prepared for the benefit of shareholders attending the general assembly.
- The record of voting results have been kept and the reports related to these results have been sent the same day to the requesting shareholders.

All aspects of public disclosure have been pursued and monitored in accordance with the relevant legislation.

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. During the first half of 2012, the Company did not receive any written or verbal complaint, nor, to the best of our knowledge, was any administrative or legal proceeding initiated against our company in this respect.

Our Board of Directors has created the Corporate Governance Committee as part of the compliance with Article 4.5.10 of the Communiqué Serial No. IV/56 on Determination and Application of Corporate Governance Principles.

1.2 Shareholders' Right to Access to and Evaluate Information:

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 are provided on a timely manner and carefully so as to fairly reflect the facts. Shareholders who have applied to request

**REPORT OF BOARD OF DIRECTORS ISSUED PURSUANT TO SERIAL: XI
COMMUNIQUE NO: 29**

information on the date of the general assembly, the date of distribution of profit, and whether the capital will be increased or not have been informed accordingly.

Developments having possible effects on the usage of shareholders' rights are published in the Public Disclosure Platform and announced in the press as required in accordance with the relevant legislation. Our articles of association does not contain any clause regarding appointing a special auditor. And we did not receive any demand for one during this period.

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 an updated bases in electronic media. Information and developments that may affect shareholders' rights are announced through special disclosure and also published on our website.

1.3 Right to Participate in General Assembly:

The invitations to the General Assembly meetings are made by the Board of Directors in accordance with the provisions of the Turkish Commercial Code, the Capital Market Law and the Company's Articles of Association. The Board of Directors informs the public via a disclosure statement published on the Public Disclosure Platform ("PDP") containing also the items of the agenda on the date of resolution taken for convening the General Assembly meeting. The Board of Directors ensures that the Information Document on General Assembly Meeting related with the items on the agenda is prepared duly and discloses it to the public 3 weeks before the actual meeting date of the General Assembly. 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 national newspaper in order to ensure disclosure of the announcement to the highest number of shareholders possible not later than 3 weeks before the actual date of the General Assembly meeting in accordance with the required statutory legislation. The meetings are held in the city center in order to facilitate attendance to the General Assembly.

The financial statements and reports including the annual report, the profit distribution proposal, the 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 the electronic media starting from the date of announcement published in relation to the invitation for general assembly meeting.

**REPORT OF BOARD OF DIRECTORS ISSUED PURSUANT TO SERIAL: XI
COMMUNIQUE NO: 29**

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.

The Ordinary General Assembly meeting for the year 2011 was held on 29 May 2012. The meeting has been held with the attendance of founder members and holders of public shares. At the General Meeting, all the shareholders have exercised their rights to raise questions and the questions have been answered by members of the Board of Directors, or by General Manager, according to their subjects. The General Assembly meeting is open for the media attendance but no member of the media has attended the meeting. Invitation calling for the meeting has been published in the Public Disclosure Platform and made via press announcements.

The company made its annual report, financial statements, articles of association and statement of profit distribution available to be viewed by shareholders, at its head office.

The minutes of the General Assembly meetings has been disclosed to the public via the PDP on the day of the meeting and the minutes of at least the last 5 years can also be accessed via 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.

Our Articles of Association does not contain a specific provision stipulating that the decisions regarding split-off, sale, purchase or leasing of substantial assets, etc. should be taken by the General Assembly; however, such major decisions are put on the agenda of the General Assembly and notified to our shareholders in details.

1.4 Voting Right

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

There are no privileges regarding voting. Eczacıbaşı Holding A.Ő., which owns 63,30% of our company's share capital, and with which we are mutually affiliated, votes in the general assembly.

1.5 Minority Rights

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

REPORT OF BOARD OF DIRECTORS **ISSUED PURSUANT TO SERIAL: XI**
COMMUNIQUE NO: 29

1.6 Dividend Right:

Our Board of Directors have adopted a profit distribution policy based on the following approach and within the Corporate Governance Policies

- Our articles of association does not contain a special provision about preferred shares, founder redeemed shares and distribution of profit to members of the Board of Directors and employees, and advanced dividends, regarding distribution of profit.
- The company's articles of association adopts the principle of distribution of the first dividend from the distributable profit, based on the ratio and amount determined by the Capital Markets Board.
- Profit distribution proposals submitted by the Board of Directors to the approval of the general assembly, shall be prepared taking into account the delicate balance between the existing profitability of our company, probable expectations of our shareholders and foreseen growth strategies of our company.
- Care shall be given to make dividend payments (cash and/or bonus shares) as soon as possible, within the legal time limits and at latest, by the deadlines foreseen in the relevant regulations.

The profit distribution policy 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 information. In addition, they are also provided in our Company's Internet website together with the detailed information regarding the profit distribution statement, the profit distribution history and the increases of capital.

1.7 Transfer of Shares:

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

1.8 Equal Treatment of the Shareholders Principle:

All our shareholders including the minority and foreign shareholders are treated equally.

REPORT OF BOARD OF DIRECTORS **ISSUED PURSUANT TO SERIAL: XI**
COMMUNIQUE NO: 29

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

2.1 Public Disclosure Principles and Instruments:

Overview of Company's Information Disclosure Policy:

Purpose

The Information Disclosure Policy aims to share complete, fair, sound and comprehensive information concerning the Company's past performance, future expectations, strategies, objectives, vision and the knowledge base, excluding trade secrets; with the public, respective authorities, current and potential investors and shareholders equally, so that active and open communications preserved.

Our Company shows utmost care to comply with legal requirements, the Capital Markets Legislation, ISE regulations, and the Corporate Governance Principles issued by the CMB in implementing its information disclosure policy.

Authority and Responsibility

The Board of Directors has the authority and the responsibility to establish, control, review and develop the Company's Information Disclosure Policy. The information disclosure policy which is approved by the Board of Directors is announced to the public via our company's web site. Capital Markets and Shareholder Relations unit is responsible for the coordination of the information disclosure policy. This unit cooperates closely with the Board of Directors and the Audit Committee in accomplishing its responsibility.

Information Disclosure Policy is updated according to CMB legislation and Corporate Governance Principles and published in the company's website.

2.2 Material event disclosures:

The information to be disclosed to public is made available to the public via the "Public Disclosure Platform" (www.kap.gov.tr) and the company's website in a timely, accurate, complete, straightforward, comprehensible, interpretable, cost-effective and easily-accessible manner in order to allow the persons and entities that will benefit from such disclosures to take any decisions in relation thereof. In this respect, within this period, thirty four disclosures have been made regarding special events. Neither Istanbul Stock Exchange nor Capital Markets Board have requested further explanations regarding these disclosures. The disclosures of special events have been made in a timely manner.

REPORT OF BOARD OF DIRECTORS **ISSUED PURSUANT TO SERIAL: XI**
COMMUNIQUE NO: 29

2.3 Company's Website and Its Content:

Corporate Governance Principles of our company may be found at the following website: www.eczacibasiyatirim.com.tr

The Company website contains the compulsory information required to be disclosed as per the laws; and the trade registry information, the shareholding and management structure according to the current status, the latest version of the Company's articles of association, material event disclosures, financial reports, annual reports, agendas of the general assembly meetings, the lists of attendants and the minutes of the meetings, form of proxy for voting, dividend distribution policy, information disclosure policy and the press releases and presentations made by the Company. In this context, the information for at least the last 5 years is provided on the Internet website. The Internet website address is also specified on the Company's letterhead.

2.4 Public Disclosure of the Relations between the Company and its Shareholders, Members of the Board of Directors and the Managers

The relations of our Company with its shareholders, Members of the Board of Directors and the managers are publicly disclosed as soon as the company becomes aware of them in accordance with the CMB legislation and the provisions specified in the Corporate Governance Principles.

As it is known, our company is an affiliate of Eczacıbaşı Group and it is publicly known that the members of Eczacıbaşı Family are real-person ultimate controlling shareholders. Our company has a 11,54% of shareholding in Eczacıbaşı Holding A.Ş. as it is a founder partner.

2.5 Periodical Financial Statements and Reports for Public Disclosure

The consolidated financial statements of our Company are prepared within the framework of the provisions specified by the CMB and disclosed to the public once they are audited by an independent company according to the International Standards on Auditing. The financial statements and footnotes thereto are submitted for approval of the Board of Directors along with the approving opinion of the Audit Committee in accordance with the Capital Markets legislation before their public disclosure and once the statement of accuracy is signed by the General Manager and the Chief Financial Officer, the financial statements, the related footnotes, and the independent audit report are forwarded to ISE in accordance with the Capital Market Law and the ISE regulations. The periodical financial statements and their footnotes can be found both in Turkish and English languages retrospectively in the Investor Relations section of the website www.eczacibasiyatirim.com.tr.

REPORT OF BOARD OF DIRECTORS **ISSUED PURSUANT TO SERIAL: XI**
COMMUNIQUE NO: 29

Annual Report

The contents of the annual report are prepared in a manner to contain the minimum elements specified in the CMB's Corporate Governance Principles and in specific details to allow the public to obtain any kind of information about the Company's activities in accordance with the Capital Market laws. The annual report is approved by the Board of Directors and disclosed online to the public in Turkish and English. The printed copies of the annual report available in Turkish and English on the website can also be obtained from the Capital Market and Investor Relations Unit.

2.6 Trade Secret Concept and Insider Trading:

The trade-secret information refer to any information with current or potential commercial value, that are not known and normally not accessible by third persons, and targeted to be kept confidential by the information owner.

The Company takes any measures required for prevention of the use of any insider information. The list of the Company's managers and the other persons and/or institutions providing services for the Company that may acquire any information likely to affect the value of the capital market instruments is prepared and publicly disclosed in accordance with the principles specified in the information disclosure policy.

The potential insider traders are the members of the Board of Directors and the persons in the top management and the names of these persons are specified below:

Board of Directors

F. Bülent Eczacıbaşı	Chairman of the Board of Directors
R. Faruk Eczacıbaşı	Deputy Chairman of Board of Directors
Sezgin Bayraktar	Member Board of Directors
M. Sacit Basmacı	Member Board of Directors
Levent A. Ersalman	Member of Board of Directors & Managing Director
Öztin Akgüç	Member Board of Directors
Z.Fehmi Özalp	Member Board of Directors
Asaf Savaş Akat	Independent Director
Hsan Tunç Erkanlı	Independent Director

REPORT OF BOARD OF DIRECTORS **ISSUED PURSUANT TO SERIAL: XI**
COMMUNIQUE NO: 29

Statutory Auditors

Bölent Avcı	Auditor
Tayfun İçten	Auditor

Independent Auditors

Mehmet Cem Tezelmen	Sworn Financial Consultant
Ali Çiçekli	Partner & Lead Auditor
Yaman Peyvent Polat	Responsible Partner Chief Auditor (Substitute)
Kerem Vardar	Auditor
Ercan Can	Auditor
Çağatay Tolga Çelik	Asst. Auditor

Senior Management

Dr. O. Erdal Karamercan	Eczacıbaşı Holding A.Ő. / CEO
Okşan Atilla Sanon	Eczacıbaşı Holding A.Ő. / Corporate Communications and Sustainable Development Coordinator
A. Yeşim Roth	Eczacıbaşı Holding A.Ő. / Strategic Planning Director
E. İlkey Akalın	Eczacıbaşı Holding A.Ő. / Corporate Communications Director
Önal Başkaya	Financial Affairs Advisor

Managers and Officers

Erol İsmail Özgür	Financial Affairs Director
Rosi Avigdor	Eczacıbaşı Holding A.Ő. / Finance Manager
Cem Tanrıkilici	Eczacıbaşı Holding A.Ő. / Press Agent
Elif Durgut	Accounting Chief
Hüsnu Açar	Commercial Accounting Responsible Specialist

REPORT OF BOARD OF DIRECTORS **ISSUED PURSUANT TO SERIAL: XI**
COMMUNIQUE NO: 29

SECTION III - STAKEHOLDERS

3.1 Company's Policy regarding Stakeholders:

Stakeholders are informed in written or oral form, upon their requirement, regarding matters which are of interest to them. Besides shareholders, real persons or representatives of legal persons (brokerage house employees, potential investors, etc.) who wish to do so, may attend the general assembly meetings as listeners.

3.2 Promoting the Stakeholders to Participate in the Company Management:

There are no studies made on the contribution of stakeholders in management.

3.3 Protection of the Company's Assets:

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.

3.4 Human Resources Policy:

Recognizing that people underpin the Eczacıbaşı Group's values and represent the main source of its competitive edge, the Company's human resources policies aim 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 behaviour, 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,
-

REPORT OF BOARD OF DIRECTORS **ISSUED PURSUANT TO SERIAL: XI**
COMMUNIQUE NO: 29

- 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.

Since our Company is a member of Eczacıbaşı Group, the shared policy, and the fundamental rules and principles determined by the Human Resources Group Directorate at Eczacıbaşı Holding A.Ő. and established for all companies within the group are implemented. Such fundamental rules and principles are shared with the employees of Eczacıbaşı Group over the Company Portal.

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

3.5 Relations with Customers and Suppliers:

As our Company is not engaged in production of any goods or services, it has no customers or suppliers.

3.6 Ethical Code of Conduct and Social Responsibility:

The Company's activities are conducted in accordance with the codes of conduct established by Eczacıbaşı Group. Such codes were notified to the company's employees in writing, but not disclosed to the public.

The codes of conduct will be disclosed in our Corporate Management Principles Compliance Report and also published in the Company website after the year 2012 under the scope of compliance with the new Corporate Governance Principles published by the CMB.

Our company has no direct social responsibility activities for the public. However, our Company supports certain social, cultural and sports activities as part of the activities conducted by Eczacıbaşı Group. As our company has no production activities, any environmental damages is not the case.

REPORT OF BOARD OF DIRECTORS **ISSUED PURSUANT TO SERIAL: XI**
COMMUNIQUE NO: 29

SECTION IV - BOARD OF DIRECTORS

4.1 Function of the Board of Directors:

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 checks 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.

4.2 Operating 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. In addition, General Manager is also incorporated into the Board of Directors as an executive member.

Regarding this issue, the Company obtains support from the Financial Affairs Department, Strategic Planning and Business Development Department and sworn-in financial consultancy company, which a full approval contract is signed with.

The official records of the subsidiaries, joint ventures and associates 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.Ő. 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 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.

**REPORT OF BOARD OF DIRECTORS ISSUED PURSUANT TO SERIAL: XI
COMMUNIQUE NO: 29**

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 Investor Relations Unit.

4.3 Structure 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 Asaf Savaş Akat have been elected as the independent members of the Board of Directors.

There are executive and non-executive members in the Board of Directors. Non-executive Board members does 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 members of our board of directors that will take office until the Ordinary General Assembly Meeting for 2013:

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

F. Bülent Eczacıbaşı	(Chairman)	non-executive
R. Faruk Eczacıbaşı	(Vice President)	non-executive
Sezgin Bayraktar	(Member)	non-executive
Öztin Akgüç	(Member)	non-executive
Z. Fehmi Özalp	(Member)	non-executive
Levent A.Ersalman	(Member and CEO)	executive
M. Sacit Basmacı	(Member)	non-executive
Asaf Savaş Akat	(Independent Member)	non-executive
Hasan Tunç Erkanlı	(Independent Member)	non-executive

**REPORT OF BOARD OF DIRECTORS ISSUED PURSUANT TO SERIAL: XI
COMMUNIQUE NO: 29**

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.

4.4 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 meetings are determined by the General Manner upon the assignment by the Chairman of the Board of Directors. Our Board of Directors has held 10 meetings in total in first half of 2012. These meetings were held by participation of majority of the members. The information of the Board Members and the communications are made by the General Manager. The invitation to the meetings is made via telephone and / or e-mail. The meetings of the Board of Directors are held in the Company's headquarters. 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 dissenting votes or statements of different opinions in the Board meetings held during the first quarter of 2012, no public disclosures were made. In respect of the issues specified in the article 2.17.4, Section IV of the CMB Corporate Governance Principles, the members of the Board of Directors actually participated in the meetings.

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

4.5 Committees established under the structure of the Board of Directors:

In our Company, an "Audit Committee" was established in order to ensure that the duties and responsibilities of the Board of Directors are fulfilled in a healthy manner. For the year 2012, Asaf Savaş Akat and Hasan Tunç Erkanlı have been elected by the Board of Directors as the members of the Audit Committee following the election of the independent members of the Board of Directors at the Ordinary General Assembly held on 29 May 2012 for the activity year 2011 and thus, the Audit Committee comprised of two non-executive independent members. The Audit Committee conducts its activities regularly as stipulated in the Capital Market Laws and the CMB Corporate Governance Principles. The members in the said committee have the status of independent member.

**REPORT OF BOARD OF DIRECTORS ISSUED PURSUANT TO SERIAL: XI
COMMUNIQUE NO: 29**

In our company, a personnel was assigned for ensuring coordination for fulfilment of the company's obligations arising from the capital market legislation and for corporate governance practices in accordance with the criteria specified in the article 8 of the CMB's Communiqué No. 4", Series, titled as the "Communiqué on Principles Corresponding to the Corporations Subject to Capital Market Law" that was enforced upon its publication in the Official Gazette no. 26821 dated March 19, 2008.

In addition, Corporate Governance Committee has been formed and Hasan Tunç Erkanlı, independent member and Mustafa Sacit Basmacı have been appointed as the chairman and member of the committee, respectively. Corporate Governance Committee will also perform the duties of Candidacy Committee, Risk Early Detection Committee and Wage Committee in accordance with the principles laid down in the Communiqué Serial No. IV/56 on Determination and Application of Corporate Governance Principles.

4.6. Financial Benefits Provided to Board of Directors:

It has been decided that the Independent Members of the Board of Directors as elected at the Ordinary General Assembly held on 29 May 2012 be paid a remuneration so that they protect their independence in the light of the principles laid down in the Communiqué Serial No. IV/56 on Determination and Application of Corporate Governance Principles and that such remuneration be gross 4.000 TL (Four Thousand Turkish Liras).

However, other members of the Board of Directors are not paid any wages in accordance with the decisions of the General Assembly. No member of Board of Directors have made any transactions regarding the company. There is no performance-based award system. The Company has not extended any guarantee or loan to any member of the Board of Directors or officers in 2011 and during the first half of 2012.

The principles for remuneration of the Board members and the top-level executives have been arranged in writing before the Ordinary General Assembly meeting held on 29 May 2012 and submitted for information to the shareholders as a separate item in such General Assembly meeting. The remuneration policy prepared accordingly is also available in the website of the Company.

The Company's performance-based remuneration plan will not be used for remuneration of the Board members.
