



**ECZACIBAŞI INVESTMENT  
HOLDING CO.**

**01 JANUARY 2012 – 31 DECEMBER 2012**

**BOARD OF DIRECTORS**

**ANNUAL REPORT**

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**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 31 December 2012.

**Title of Company**

Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.

**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

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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.

**Amendments to Articles of Association**

Following the negotiations on the 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.-.

**Shares Prices (as of end of months)**

January	4,59 TL	July	6,68 TL
February	4,75 TL	August	6,22 TL
March	5,56 TL	September	5,80 TL
April	7,02 TL	October	5,86 TL
May	5,84 TL	November	6,36 TL
June	6,82 TL	December	6,32 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.

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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.

**List of shareholders who hold more than 10% of the Share Capital**

<b>Name (Title) of Shareholder (%)</b>	<b>Share Amount TL</b>	<b>Share Ratio</b>
Eczacıbaşı Holding A.Ş.	46.013.233,00 *	65,73 *

\* Up-to-date amount and rate as of 12 April 2013.

**Economic Developments in the Sector in which the Company is Active and its Position within this Sector**

The global debt crisis, the effects of which have been ongoing since 2008, has continued in an even more severe manner in 2012. In 2012, where there was a depressive mood in respect of economy, the growth forecasts were revised downwards in line with the expectations. In response to this, the central banks of a number of countries gave support by providing cheap money to the markets and thus, the world economy relieved to a certain extent. However, such support was reflected over the consumers in a limited manner and most of it was used to support the finance sector. As a result, the growth rates failed to reach the forecasted potentials. The world economy grew in 2012 at a rate of 3.3%; this figure was at the level of 3.8% in 2011. The year 2012 was a time when the debt crisis was even more severe for Europe and recession was overwhelming. Greece became a factor triggering the concerns about the future of Europe as a result of its debt level increasing to 190% of its national income and came to the brink of bankruptcy twice this year. However, by providing new monetary support to Greece, the leaders of the European Union ensured that this country kept its integrity and instilled confidence into markets. However, Spain and Italy also underwent hard days with financial difficulties. Notwithstanding these problems arising from each corner of Europe, the Central Bank of Europe did not discontinued its support on economy and succeeding in cushioning the shocks. European economy which grew in 2011 at a rate of 1.4, narrowed in 2012 at the level of 0.4%. When the average unemployment figure of 11% is taken into consideration together with the above-mentioned rates, the economical problems of the 2012 became even harder to overcome.

In the USA, on the other hand, the year of 2012 became in a more favorable mood compared to many developed countries. The monetary expansion created by FED had a big share in the USA being more active in 2012 compared to other countries. FED, breaking new grounds in American history, designated unemployment rate as self-reference criterion in its monetary expansion policy in addition to targets such as price stability and declared that its expansion policies will continue until this rate decreases below 6.5% level. In the elections held in November, Obama was elected for the second time and the markets built confidence in the USA one more time. Yet, the Sandy hurricane causing 60-billion dollar additional damages in the USA embarked a huge burden on the economy. Regardless of these, the USA grew in the 3<sup>rd</sup> quarter at a rate of 3.1% and in the 4<sup>th</sup> quarter at a rate of 0.4%, and concluded the year of 2012 with a growth rate of 2%. Although these growth rates remain below average, it gave the signal that the economy is recovering since following the crisis, the growth rate in 2011 of 1.7% is exceeded.

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In Turkey, on the other hand, the Turkish economy, whose growth rate of 8.8% in 2011 dropped to 2.2% of GDP growth in 2012 experienced the “soft recession” expressed by the Central Bank a little more severe. The economy, which underwent a more consistent year due to the policies of the Central Bank, was in a moderate mood thanks to the Turkish Lira gaining value against US dollars and becoming more stable. Although inflation fluctuated throughout the year, it was perceived optimistic that the inflation was at 6.16% level as at the year-end of 2012.: The inflation target of the Central Bank for 2015 was announced to be 5%. On the other hand, Turkey’s current account deficit declined to 5.95% from the Current Account Deficit / GDP rates of 10% of last year. The policies of the Central Bank was a significant positive effect of this decline. The Central Bank also supported growth significantly with these policies that it implemented. It ensured that TL is maintained at a competitive level by the Reserve Option Coefficient that it developed in lieu of the foreign exchange buying auctions and protected foreign trade. Besides, with the increase to the investment grade of Turkey, its rating was elevated from BB+ to BBB-, which means that it is safe to invest, and this elevation increased the confidence in Turkish economy. In 2012, which was a positive year from many aspects, the unemployment rates dropped below 8% regardless of the recession in growth rate and this was the best rate within the last 10 years. Together with the increase in the domestic demands in 2013, an increased growth rate is expected while it is of high importance for the current account deficit to be lower.

Under these economic conditions, in 2012 Eczacıbaşı Yatırım Holding invests 66% of its cash portfolio in TL, 22% thereof in US Dollars and 12% thereof in EUR.

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**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.Ş.**

Founded in 1982, Eczacıbaşı Menkul Değerler has its head office in Istanbul and branches in Ankara, İzmir, Bursa and Antalya.

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 31 December 2012 is 11.000.000 TL.

**E-Kart Elektronik Kart Sistemleri Sanayi ve Ticaret A.Ş**

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.

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.

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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 December 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 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 would include 123 residential units as of the date of the

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attached report. Sales deals have been made and sales contracts signed for 66 residential units in the first phase and 44 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.

Beiersdorf AG, the 50% shareholder (corporate partner) in EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş., has sold its 49,99% share in our company in consideration for 24.995 thousand Euro on 27 December 2012 subject to the rights and transfer terms and conditions as set forth in the articles of association and shareholders' agreement. The sales price determined is 58.904 thousand TL as per EUR/TL exchange rates prevailing on 26 December 2012, the profit to derive from the sales is 52.492 thousand TL and 49.136 TL according to the consolidated financial statements dated 31 December 2012 as prepared within the framework of Communiqué Series: XI, No: 29, of CMB on Principles of Financial Reporting of Capital Markets. 75% of the profit arising from the sales of the shares shall be kept in a special fund account in order to benefit from the corporate tax exemption set forth in Article 5, subsection (1), clause (e) of Corporate Tax Law No. 5520.

Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri Sanayi ve Ticaret A.Ş. has decided at its Board of Directors meeting dated 12 November 2012 to acquire the companies of Ataman Ecza ve İhtiyat Deposu Sanayi Ticaret A.Ş. and Ataman İlaç Kozmetik Kimya Sanayi ve Ticaret A.Ş., both operating in the baby and kid care products market for a total consideration of 60.616 thousand TL (48.493 thousand TL and 12.123 thousand TL, respectively).

As of 31 December 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.**

Intema 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 Intema 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.

The company continues to provide services ranging from the project to application with the "customized solution" approach and it has 21 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, 6 small stores and 3 outlets.

The issued share capital of Intema as of 31 December 2012 is 4.860.000 TL.



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**Kaynak Tekniđi Sanayi ve Ticaret A.Ş.**

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 share capital of the company is 4.835.000 TL as of 31 December 2012.

**Eczacıbaşı Holding A.Ş.**

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.

As of 31 December 2012, Eczacıbaşı Holding, with asset size of 1,5 billion TL, shareholders equity of 1.4 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 31 December 2012.

**Eczacıbaşı Yatırım Ortaklığı A.Ş.**

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

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acquired by the Company in accordance with the Capital Market Law and other applicable legislation.

While the total net asset values of 27 securities investment companies of Type A and B which exist in the market in 2011 was 692,1 million TL, their numbers dropped to 18 but total net asset values increased to 720,3 million TL as of the end of December 2012.

The net asset value of Eczacıbaşı Yatırım Ortaklığı being 34.067.560 million TL at the beginning of 2012 has become 44.513.162 TL at the end of December 2012. The total market value being 19,7 million TL as of the beginning of 2012 has risen to 25,4 million TL at the end of December 2012.

The corporate share capital is 21.000.000 TL. The registered share capital upper limit is 75.000.000 TL.

### **III. PROFIT DISTRIBUTION PROPOSAL**

Our Board of Directors;

has determined that the net distributable period profit amounts to 14.386.788,95 TL according to the consolidated financial statements drawn up and independently audited in accordance with the Capital Market Board (CMB) legislation and to 13.968.952,86 TL according to the financial statements drawn up in accordance with the statutory records. As per the CMB's resolution no. 2/51 dated January 27, 2010, the net distributable period profit computed according to the consolidated financial statements drawn up and publicly disclosed in accordance with the CMB's Communiqué Serial XI, No: 29 titled as the Communiqué on Principles regarding Financial Reporting in Capital Market constituted the basis for distribution of profits in the year 2012.

Accordingly;

the Board resolved to propose the following issues to our shareholders in the Ordinary General Assembly Meeting to be held for 2012:

- 1) Distribution of dividends at the amount of 10.500.000 TL corresponding to 15% of the issued capital of our Company;
- 2) Payment of gross 15% cash dividend per each share certificate with a nominal value of 1 TL and net payment of dividends to our full-taxpayer real-person shareholders and limited-taxpayer real and legal person shareholders calculated after deduction of the applicable withholding rates specified in the tax laws;
- 3) Transfer to the Extraordinary Reserves the remaining profit amount after deduction of the statutory obligations and the amounts of dividends decided to be paid from the period profit of 13.968.952,86 TL computed according to the statutory records;
- 4) Start of profit distribution on May 28, 2012.

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<b>ECZACIBAŞI INVESTMENT HOLDİNG CO.</b>		
<b>PROFIT DISTRIBUTION TABLE FOR 2012 (TL)</b>		
<b>1.</b>	<b>Paid-in//Issued Capital</b>	70.000.000
<b>2.</b>	<b>Total Legal Reserves (Acoording to Legal Records)</b>	16.447.300
<b>Information on privileges, if granted for profit distribution in the articles of association</b>		No privileged shareholder
	<b>Acc.to CMB</b>	<b>Acc.To Legal Records (LR)</b>
<b>3.</b>	<b>Period Profit</b>	15.770.549,00
<b>4.</b>	<b>Taxes Payable (-)</b>	-648.552,00
<b>5.</b>	<b>Net Period Profit(=)</b>	15.121.997,00
<b>6.</b>	<b>Losses in Previous Years (-)</b>	0,00
<b>7.</b>	<b>First Legal Reserves (-)</b>	-735.208,05
<b>8.</b>	<b>NET DISTRIBUTABLE PERIOD PROFIT(=)</b>	14.386.788,95
<b>9.</b>	<b>Donations during the fiscal year (+)</b>	0,00
<b>10.</b>	<b>Net distributable period profit incl. donations based on which first dividend will be computed</b>	14.386.788,95
<b>11.</b>	<b>First Dividend to Shareholders</b>	
	- Cash	10.500.000,00
	- Bonus Shares	0,00
	- Total	10.500.000,00
<b>12.</b>	<b>Dividends distributed to the Owners of Privileged Shares</b>	0,00
<b>13.</b>	<b>Dividends distributed to the Board Members, Employess etc.</b>	0,00
<b>14.</b>	<b>Dividends distributed to the Redeemed Share Owners</b>	0,00
<b>15.</b>	<b>Second Dividend to Shareholders</b>	
<b>16.</b>	<b>Second Legal Reserves</b>	0,00
<b>17.</b>	<b>Statutory Reserves</b>	0,00
<b>18.</b>	<b>Special Reserves</b>	0,00
<b>19.</b>	<b>EXTRAORDINARY RESERVES</b>	3.886.788,95
<b>20.</b>	<b>Other Resources to be distributed</b>	0,00
	- Previous Year Profit	0,00
	- Extraordinary Reserves	0,00
	- Other Distributable Reserves as per the Law and Articles of Association	0,00

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INFORMATION ON DISTRIBUTED DIVIDEND RATIO				
DIVIDEND PER SHARE				
			DIVIDEND CORRESPONDING TO SHARE WITH A NOMINAL VALUE OF 1 TL	
			AMOUNT (TL)	RATIO (%)
GROSS	To ordinary shareholders	10.500.000	0,15000	15,00
	TOTAL	10.500.000		
NET (*)	To ordinary shareholders	8.925.000	0,12750	12,75
	TOTAL	8.925.000		

(\*) Income Tax withholding rate was taken as 15 % in the computation of Net Dividend amount.

<b>RATIO OF DISTRIBUTED DIVIDENDS TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS</b>	
<b>AMOUNT OF DIVIDENDS DISTRIB.TO SHAREHOLDERS (TL)</b>	<b>RATIO OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS TO NET DISTRIBUTABLE PERIOD PROFIT INC.DONATIONS (%)</b>
10.500.000	75,17

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**Management Activities**

***Senior Management***

Executive management in office for the time being:

***- Levent A. Ersalman (CEO)***

Graduate in Mechanical Engineering at Boğaziçi University.

Postgraduate studies in business administration at Akron University (USA)

***- Erol İsmail Özgür (Financial Affairs Director)***

***Personnel Movements***

As of 31 December 2012, 2 salaried Independent Members of Board of Directors work in 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.

***Rights and Benefits Offered to Employees***

As of 31 December 2012, as only 2 Independent Members of Board of Directors are employed in our Company, there is no rights or benefits other than their salaries have accrued.

***Remote Organizations***

Our company has no organization apart from its headquarters.

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***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.Ş. 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.

***Material developments observed between the end of the accounting period and the date of the disclosure of the financial statements***

❖ Eczacıbaşı-Monrol Nükleer Ürünler Sanayi ve Ticaret A.Ş., one of the affiliates of EİS Eczacıbaşı İlaç,Sınai ve Finansal Yatırımlar A.Ş. in which our company has 21,77% shareholding has decided at its Board of Directors meeting dated 16 November 2011 to completely acquire Capintec, Inc, a company existing and organized under the laws of State of Delaware, USA and operating in the manufacturing of energy metering devices and related services in nuclear medicine market, and the final consideration for acquiring the shares has been fixed as 8.751.373 USD (15.543.634,35 TL) on 15 February 2013.

❖ At its meeting dated 25 February 2013, our Board of Directors has decided to amend the Article 7 (Registered Capital) and Article 8 (Issued Capital) of the articles of association in accordance with the Communiqué Serial IV No: 38 of the Capital Markets Board. The following amendments have been duly authorized through the letter No. 2922 of 22 March 2013 of the Capital Markets Board, and the letter No. 2462 of 1 April 2013 of Ministry of Customs and Trade, and shall be submitted to the approval of our shareholders at the first General Assembly meeting.

**Registered Capital**

**Article 7-** The company has adopted registered capital system in accordance with the provisions of the Capital Markets Law, and has implemented this system with the Authorization No. 181 of 13.6.1984 issued by the Capital Markets Board.

The registered capital of the company is TL 200.000.000.- (two hundred million) and it is divided into 200.000.000 registered shares, each having a nominal value of TL 1.-

**The authorization granted by the Capital Markets Board for the registered capital cap is valid for the years 2013-2017 (5 years). In the period ended 2017, even if the registered capital ceiling levels are not attained, in order for the Board of Directors to take capital increase decision for the period after 2017, the Board of Directors must get authorization for a new period not exceeding 5 years at the General Assembly from the Capital Market Board for a previously approved ceiling level or a new level. In case the company fails to get such an authorization, it will be considered as signed out from the registered capital system.**

The Board of Directors is authorized to increase the issued capital when it deems necessary, by issuing shares up to the upper limit of the registered capital, to issue

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shares in excess of its nominal value, to decide to restrict the rights of the shareholders to acquire new shares and **to issue shares below the nominal value** in accordance with the provisions of the Capital Markets Law. No new shares are issued until all issued shares are sold and their consideration is paid or cancelled if not sold. **The authority to restrict the rights to acquire new shares cannot be exercised so as to give rise to any inequality among the shareholders.**

**Issued Capital**

**Article 8** - The issued share capital of the company is **70.000.000 (Seventy Million) TL**, and has been fully paid by the shareholders free of any fictitious transactions.

Issued share capital is divided into **70.000.000** shares, each having a **nominal value of 1 TL**.

Nominal value of shares has been changed in accordance with the Turkish Commercial Code No. 5274, from TL1.000,- to TRY1. Due to this change, the number of total shares has decreased, therefore a share of TRY1,- will be issued in exchange with 1000 shares of TL1.000,- each. The rights of shareholders arising from this change regarding their shares are reserved.

Shares representing the capital are monitored in line with dematerialization rules.

**The share capital may be increased or decreased in accordance with the provisions of the Turkish Commercial Code and Capital Market Legislation.**

❖ Our Board of Directors has resolved at its meeting dated 27 March 2013 to amend articles 4, 5, 6, 12, 13, 14, 15, 17, 19, 21, 22, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 36, 37, 38, 39, 40, 41 and 42 of the Articles of Association of our Company, which are revised pursuant to the provisions of the Turkish Commercial Code dated 13 January 2011 and numbered 6102, as necessary; to file the necessary applications for obtaining the approval and consent of the Capital Markets Board and the Customs and Trade Ministry for the Articles of Association amendments and to submit the Articles of Association amendments to the approval of the first upcoming General Assembly meeting upon receipt of the necessary approvals.

❖ Ataman Ecza ve İhtiyat Deposu Sanayi Ticaret A.Ş. and Ataman İlaç Kozmetik Kimya Sanayi ve Ticaret A.Ş. being the indirect subsidiaries of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar A.Ş. (21.75% of the shares of which are owned by our Entity) have been merged under Ataman Ecza ve İhtiyat Deposu Sanayi Ticaret A.Ş. as of 1 April 2013 pursuant to articles 155/1-b and 158 of the Turkish Commercial Code and articles 18 to 20 of the Corporate Tax Law in order to gather the production and distribution of the same products under a single roof and to increase the competition power in this sector by way of the synergy and savings resulting therefrom. As of the same date, the trade title of Ataman Ecza ve İhtiyat Deposu Sanayi Ticaret A.Ş. has been changed as Eczacıbaşı Hijyen Ürünleri Sanayi ve Ticaret Anonim Şirketi. The general assembly decisions including the merger and trade title change have been registered by Istanbul Trade Registry Directorate as of 1 April 2013.

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❖ The amount and dates of share acquisitions made during 2012 and 2013 by our shareholder Eczacıbaşı Holding A.Ş. from our shares traded at the stock exchange are as follows:

<b><u>Date</u></b>	<b><u>Quantity (Lots)</u></b>
January 2012	474.718
Mar 2012	1.089.751
May 2012	459.050
June 2012	238.000
October 2012	329.400
November 2012	387.232
February 2013	986.592
	<b>3.964.743</b>

❖ The amount and dates of acquisitions made during 2012 and 2013 by our company from the shares of EİS Eczacıbaşı İlaç Sınai, Finansal Yatırımlar A.Ş., one of our affiliates in which we hold 21,75% share, as traded at the stock exchange are as follows:

<b><u>Date</u></b>	<b><u>Quantity (Lots)</u></b>
Mar 2012	1.862.874
April 2012	4.758.342
May 2012	1.311.000
June 2012	429.000
February 2013	3.248.750
	11.609.966



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❖ The amount and dates of acquisitions made during 2012 by our company from the shares of İntema İnşaat ve Tesisat Malz Yatırım ve Pazarlama A.Ş., one of our affiliates in which we hold 44,69% share, as traded at the stock exchange are as follows:

<u>Date</u>	<u>Quantity (Lots)</u>
January 2012	36.772
October 2012	8.250
November 2012	9.550
	<b>54.572</b>

**Report on Subsidiaries**

Board of Directors of Eczacıbaşı Investment Holding Co. dated 28 February 2013, the Report on Relations with the Controlling Shareholders and Subsidiaries dated 28 February 2013 as prepared in connection with the relations of our Company with its controlling shareholder and the subsidiaries of this controlling shareholder during the first three months of the financial year has been evaluated within the framework of the status and conditions known by us, within this framework the commercial relations of our Company in the previous financial year with its controlling shareholder Eczacıbaşı Holding A.Ş. and with the subsidiaries of this controlling shareholder have been examined in detail, and it was concluded that there was no transaction in the previous financial year entered into with the controlling shareholder or its subsidiaries as a result of the instruction of the controlling shareholder in favor of it or any of its subsidiaries and that there was no measures taken or avoided to be taken in the previous financial year in favor of the controlling shareholder or any of its shareholders and that the transactions carried out are in line with commercial conditions and are at arms' length basis and that there is no measure taken or avoided to be taken which may cause damage to our Company and that there is no transaction or measure that requires compensation.

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**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 – 31 December 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.

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 : Hüsnü Açar  
Telephone : 212-371 72 19  
Fax : 212-371 72 22  
e-mail address: : [husnu.acar@eczacibasi.com.tr](mailto:husnu.acar@eczacibasi.com.tr)

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

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.

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- 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. In 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. Request of one of our investors who has filed a written request for being put on the agenda of our General Assembly to be held in the year 2013 for the year 2012 has been considered by our Board of Directors but not approved.

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 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

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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.

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

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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.S., which owns 65,73% 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.

**1.6 Dividend Right:**

At a meeting on 15 March 2006, the Board of Directors established the following "Corporate Governance Principles" with regard to the Company's profit distribution policy:

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 regarding distribution of profit.

In the articles of association of our company, it has been provided that, from the net profit to remain after deduction of the losses of previous years (if any), five percent be set aside as legal reserve not less than twenty percent of the paid-in capital.

The remaining amount may be distributed wholly or partially to shareholders, in accordance with the guidelines set forth by the General Assembly. General Assembly may allocate extraordinary reserve fund for the development of the company, for covering future depreciation and ensuring a stabilized profit distribution.

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 proposal for annual profit distribution containing the details about the profit distribution policy and SPK Corporate Governance Principles is included in our annual report and presented to the shareholders in the General Assembly for information, and in addition, they are also publicly disclosed in our Company's Internet website together with the detailed information regarding the profit distribution history and the increases of share capital.

**1.7 Transfer of Shares:**

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

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**1.8 Equal Treatment of the Shareholders Principle:**

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

**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](http://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, forty one 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.

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**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](http://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](http://www.eczacibasiyatirim.com.tr)**.

**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

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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
Hasan Tunç Erkanlı	Independent Director

**Statutory Auditors**

Bülent Avcı	Auditor
Tayfun İçten	Auditor



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**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.Ş. / CEO
Okşan Atilla Sanon	Eczacıbaşı Holding A.Ş. / Corporate Communications and Sustainable Development Coordinator
Utku Kurtaş	Eczacıbaşı Holding A.Ş. / Strategic Planning Director
E. İlkay Akalın	Eczacıbaşı Holding A.Ş. / Corp. Comm. Director
Önal Başkaya	Financial Affairs Advisor

**Managers and Officers**

Erol İsmail Özgür	Financial Affairs Director
Rosi Avigdor	Eczacıbaşı Holding A.Ş. / Finance Manager
Cem Tanrıkilici	Eczacıbaşı Holding A.Ş. / Press Agent
Hüsnü Açar	Commercial Accounting Responsible Specialist

**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.

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**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 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.

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.Ş. 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.

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**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.

**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.

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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.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 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 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)

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F. Bülent Eczacıbaşı	(Chairman)	non-executive
R. Faruk Eczacıbaşı	(Vice President)	non-executive
Sezgin Bayraktar	(Member)	non-executive
Özti 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

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 conducted 17 meetings in total in the year 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 in 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 endeavors utmost efforts in order to ensure active participation of non-executive members in the meetings of the Board of Directors.

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**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.

In our company, a personnel was assigned for ensuring coordination for fulfillment 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 during the fiscal periods of 2011 and 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.