REPORT OF BOARD OF DIRECTORS ISSUED PURSUANT TO SERIAL: XI COMMUNIQUÉ 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

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.

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

Name (Title) of Shareholder	Share Amount TL	Share Ratio (%)
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 3rd quarter at a rate of 3.1% and in the 4th 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.

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 Yatirim 24, Net Yatirim 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 satisfş 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.

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, Sariyer, Istanbul, 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 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 İtriyat 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 Eczacibasi 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.

Kaynak Tekniği 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 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.

ECZACIBAŞI INVESTMENT HOLDİNG CO.
PROFIT DISTRIBUTION TABLE FOR 2012 (TL)

1.	Paid-in//Issued Capital		70.000.000
2.	Total Legal Reserves (Acoording to Legal Records)		16.447.300
	Information on privileges, if granted for profit distribution in the articles of association		No privileged shareholder
		Acc.to CMB	**Acc.To Legal Records (LR)**
3.	Period Profit	15.770.549,00	14.764.842,69
4.	Taxes Payable (-)	-648.552,00	-60.681,78
5.	Net Period Profit(=)	15.121.997,00	14.704.160,91
6.	Losses in Previous Years (-)	0,00	0,00
7.	First Legal Reserves (-)	-735.208,05	-735.208,05
8.	NET DISTRIBUTABLE PERIOD PROFIT(=)	14.386.788,95	13.968.952,86
9.	Donations during the fiscal year (+)	0,00	
10.	Net distributable period profit incl. donations based on which first dividend will be computed	14.386.788,95	
11.	First Dividend to Shareholders		
	- Cash	10.500.000,00	
	- Bonus Shares	0,00	
	- Total	**10.500.000,00**	
12.	Dividends distributed to the Owners of Privileged Shares	0,00	
13.	Dividends distributed to the Board Members, Employess etc.	0,00	
14.	Dividends distributed to the Redeemed Share Owners	0,00	
15.	Second Dividend to Shareholders		
16.	Second Legal Reserves	0,00	
17.	Statutory Reserves	0,00	0,00
18.	Special Reserves	0,00	0,00
19.	EXTRAORDINARY RESERVES	3.886.788,95	3.468.952,86
20.	Other Resources to be distributed	**0,00**	**0,00**
	- Previous Year Profit	0,00	0,00
	- Extraordinary Reserves	0,00	0,00
	- Other Distributable Reserves as per the Law and Articles of Association	0,00	0,00

INFORMATION ON DISTRIBUTED DIVIDEND RATIO				
DIVIDEND PER SHARE				
			DIVIDEND CORRESPONDING TO SHARE WITH A NOMINAL VALUE OF 1 TL	
		TOTAL DIVIDENT AMOUNT (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.*

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

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.

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 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 İtriyat 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 İtriyat 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 İtriyat 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.

❖ 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:

Date	Quantity (Lots)
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
	3.964.743

❖ 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:

Date	Quantity (Lots)
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

❖ 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:

Date	Quantity (Lots)
January 2012	36.772
October 2012	8.250
November 2012	9.550
	54.572

Report on Subsidiaries

Board of Directors of Eczacibasi 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.

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**

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.

- 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.

<u>1.2 Shareholders’ Right to Access to and Evaluate Information:</u>

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.

<u>1.3 Right to Participate in General Assembly:</u>

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.

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.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.

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) 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.

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**.

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
Hasan Tunç Erkanlı	Independent Director

Statutory Auditors

Bülent 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.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 Avigidor	Eczacıbaşı Holding A.Ş. / Finance Manager
Cem Tanrıkılıcı	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.

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.

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.

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)

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

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.

ECZACIBAŞI YATIRIM HOLDİNG
ORTAKLIĞI ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS
AND THE NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2012

(Translated into English from the
Original Turkish Report)

CONTENTS	PAGE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 AND 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current Period 31 December 2012	Prior Period 31 December 2011
ASSETS			
Current Assets		**195.081.565**	**173.442.134**
Cash and cash equivalents	3	71.396.511	91.540.719
Financial investments	4	106.054.851	69.083.038
Trade receivables	6	15.597.840	10.833.619
- Due from related parties	22	2.392	9.525
- Other receivables		15.595.448	10.824.094
Other receivables	7	215.577	234.279
Other current assets	14	1.816.786	1.750.479
Non-current assets		**1.092.102.836**	**938.164.501**
Other receivables	7	6.802	6.286
Financial investments	4	526.326.035	426.257.719
Investments in associates	8	545.260.319	493.006.569
Investment property	9	14.250.000	14.625.000
Property, plant and equipment	10	775.298	630.687
Intangible assets	11	365.729	541.709
Deferred tax assets	20	2.036.072	555.191
Other non-current assets	14	3.082.581	2.541.340
TOTAL ASSETS		**1.287.184.401**	**1.111.606.635**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012 AND 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current Period 31 December 2012	Prior Period 31 December 2011
LIABILITIES		**40.471.848**	**28.603.126**
Current liabilities		**13.574.844**	**8.737.475**
Financial liabilities	5	7.477.766	18.502
Trade payables	6	3.281.580	5.371.055
- Due to related parties	22	737.577	849.476
- Other trade payables		2.544.003	4.521.579
Other payables	7	75.980	62.625
- Due to related parties	22	29.356	22.915
- Other payables		46.624	39.710
Short term provisions	12	86.294	141.732
Employee benefit provisions	13	1.726.157	2.208.667
Other current liabilities	14	927.067	934.894
Non-current liabilities		**26.897.004**	**19.865.651**
Employee benefit provisions	13	1.057.057	1.097.883
Deferred tax liabilities	20	25.839.947	18.767.768
EQUITY		**1.246.712.553**	**1.083.003.509**
Share capital	15	70.000.000	70.000.000
Share premium		31.050	31.050
Inflation adjustment to capital	15	131.334.916	131.334.916
Financial assets' fair value reserve		726.357.545	575.486.794
Restricted reserves	15	12.524.564	11.673.365
Translation reserve		351.844	259.236
Retained earnings		256.340.343	248.018.026
Net income for the year		15.300.838	19.673.516
Attributable to equity holders of the parent		**1.212.241.100**	**1.056.476.903**
Non-controlling interest		**34.471.453**	**26.526.606**
TOTAL LIABILITIES AND EQUITY		**1.287.184.401**	**1.111.606.635**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME FOR THE PERIOD ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current Period 1 January- 31 December 2012	Prior Period 1 January- 31 December 2011
CONTINUING OPERATIONS			
Sales income, net	16	1.715.098.933	2.371.976.754
Sales		1.700.416.607	2.352.594.245
Service income		14.718.950	19.452.654
Deductions from service income (-)		(36.624)	(70.145)
Cost of sales (-)	16	(1.693.191.808)	(2.354.011.872)
Interest income	16	1.778.277	1.799.262
Gross profit		**23.685.402**	**19.764.144**
Marketing, Selling and distribution expenses (-)	17	(1.667.794)	(1.455.556)
General administrative expenses (-)	17	(31.008.615)	(30.221.655)
Other operating income	18	5.723.427	2.539.557
Other operating expenses (-)	18	(356.409)	(452.439)
Operating profit/(loss)		**(3.623.989)**	**(9.825.949)**
Share of profit of associates	8	6.632.552	16.367.293
Financial income	19	24.895.131	20.196.154
Financial expenses (-)	19	(4.009.457)	(9.495.815)
Income before tax		**23.894.237**	**17.241.683**
Taxes on income	20	(60.682)	(2.008.460)
Deferred tax income / (expense)	20	(587.870)	848.096
Net income for the year		**23.245.685**	**16.081.319**
Attributable to			
- Non-controlling interest		7.944.847	(3.592.197)
- Equity holders of the parent	21	15.300.838	19.673.516
Net income for the year		**23.245.685**	**16.081.319**
Earnings per share for 1 TL nominal value	21	0,219	0,281

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME FOR THE PERIOD ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

		Current Period 1 January- 31 December 2012	Current Period 1 January- 31 December 2011
Net income for the year		**23.245.685**	**16.081.319**
Other comprehensive income:			
Changes in financial assets' fair value reserve		100.068.565	49.744.905
Changes in translation reserve	8	92.608	614.323
Group's share in the associates' comprehensive income	8	55.805.614	35.597.192
Tax expense of other comprehensive income items	20	(5.003.428)	(2.487.245)
Other comprehensive income (after tax)		**150.963.359**	**83.469.175**
Total comprehensive income		**174.209.044**	**99.550.494**
Attributable to:			
- Non-controlling interest		7.944.847	(3.592.197)
- Equity holders of the parent		166.264.197	103.142.691
Earnings per share for 1 TL nominal value		2,375	1,473

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 31 DECEMBER 2012 AND 2011

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

		Shareholder of the Parent										
	Notes	Share Capital	Inflation Adjustment to capital	Share premium	Financial assets fair value reserve	Restricted reserves	Translation reserves	Retained earning	Net Income for the Year	Attributable to equity holders of the parent	Non-Controlling interest	Total equity
1 January 2011	**15**	**70.000.000**	**131.334.916**	**30.633**	**492.631.942**	**10.973.842**	**(355.087)**	**233.913.421**	**19.669.921**	**958.199.588**	**30.238.633**	**988.438.221**
Increase in fair value of available-for-sale financial assets, net		-	-	-	82.854.852	-	-	-	-	82.854.852	-	82.854.852
Transfers		-	-	-	-	695.414	-	18.974.507	(19.669.921)	-	-	-
Currency translation differences		-	-	-	-	-	614.323	-	-	614.323	-	614.323
Dividends paid		-	-	-	-	-	-	(4.900.000)	-	(4.900.000)	-	(4.900.000)
Effect on the rate of change in associate		-	-	417	-	4.109	-	30.098	-	34.624	(119.830)	(85.206)
Net income for the year	21	-	-	-	-	-	-	-	19.673.516	19.673.516	(3.592.197)	16.081.319
31 December 2011	**15**	**70.000.000**	**131.334.916**	**31.050**	**575.486.794**	**11.673.365**	**259.236**	**248.018.026**	**19.673.516**	**1.056.476.903**	**26.526.606**	**1.083.003.509**
1 January 2012	**15**	**70.000.000**	**131.334.916**	**31.050**	**575.486.794**	**11.673.365**	**259.236**	**248.018.026**	**19.673.516**	**1.056.476.903**	**26.526.606**	**1.083.003.509**
Increase in fair value of available-for-sale financial assets, net		-	-	-	150.870.751	-	-	-	-	150.870.751	-	150.870.751
Transfers		-	-	-	-	851.199	-	18.822.317	(19.673.516)	-	-	-
Currency translation differences		-	-	-	-	-	92.608	-	-	92.608	-	92.608
Dividends paid		-	-	-	-	-	-	(10.500.000)	-	(10.500.000)	-	(10.500.000)
Net income for the year	21	-	-	-	-	-	-	-	15.300.838	15.300.838	7.944.847	23.245.685
31 December 2012	**15**	**70.000.000**	**131.334.916**	**31.050**	**726.357.545**	**12.524.564**	**351.844**	**256.340.343**	**15.300.838**	**1.212.241.100**	**34.471.453**	**1.246.712.553**

The accompanying notes form an integral part of these consolidated financial statement.

NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS THE PERIOD ENDED 31 DECEMBER

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current Period 1 January- 31 December 2012	Prior Period 1 January- 31 December 2011
Cash flows from operating activities:			
Net profit for the period		**23.245.685**	**16.081.319**
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortisation	9,10, 11	903.714	768.725
Provision for employment termination benefits	13	855.309	332.518
Unused vacation provision	13	112.826	259.285
Employee premium provision	13	240.931	2.971.864
BITT penalty provision	12	6.048	6.598
Provision against lawsuits	12	-	60.896
Tax expense	20	648.552	1.160.364
Interest income		(8.176.127)	(7.756.512)
Share in associates accounted by equity method	8	(6.632.552)	(16.367.293)
Profit/Loss from the sale of tangible assets	19	11.266	3.205
Dividend income	18	(5.008.433)	(2.406.539)
Changes in operating assets and liabilities:			
Change in short-term financial assets		(36.971.813)	6.052.035
Change in trade receivables		(4.764.221)	3.244.376
Change in short-term other receivables		18.702	(65.279)
Change in other long-term receivables		(516)	(686)
Change in other current assets		4.937.121	1.987.697
Change in other non-current assets		(541.241)	(425.933)
Change in trade payables		(2.089.475)	488.927
Change in other payables		13.355	(2.226.263)
Change in other liabilities		4.934.115	2.459.721
Corporate tax paid	20	(60.682)	(2.008.460)
Personnel premium paid	13	(651.048)	(4.211.308)
Employment termination benefits paid	13	(896.135)	(251.608)
Unused vacations paid	13	(185.219)	(44.496)
Dividends received	18	5.008.433	2.406.539
Net cash used in operating activities		**(25.041.405)**	**2.519.692**

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS
THE PERIOD ENDED 31 DECEMBER

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

		Current Period 1 January- 31 December 2012	Prior Period 1 January- 31 December 2011
Investing activities:			
Change in available-for-sale financial assets and investment in associates		270.417	2.150.233
Tangible asset purchases	10	(441.643)	(341.362)
Cash obtained from the sale of tangible asset		-	3
Intangible asset purchases	11	(66.968)	(551.774)
Dividends paid	15	(10.500.000)	(4.900.000)
Net cash provided from investing activities		**(10.738.194)**	**(3.642.900)**
Financing activities:			
Interest received		8.403.643	7.507.205
Change in financial liabilities		7.459.264	(126.984)
Net cash provided from financing activities		**15.862.907**	**7.380.221**
The effects of changes in exchange rate on cash and cash equivalents		(1.143.018)	4.254.918
Increase/(Decrease in cash and cash equivalents)		(18.773.674)	2.002.095
Cash and cash equivalents at the begining of the year		**91.202.824**	**84.945.811**
Cash and cash equivalents at the end of the period	**3**	**71.286.132**	**91.202.824**

The accompanying notes form an integral part of these consolidated financial statements.

1 - ORGANISATION AND NATURE OF OPERATIONS

Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. ("the Company") was incorporated on 29 December 1973 in accordance with the Capital Markets Law and other related regulations to perform capital market operations.

The Company's principal activities are, joining the capital of companies which has the ability or potential to profit and invest the stocks of those companies to other securities.

At 31 December 2012, 35,68% of total shares of the Company are publicly listed (31 December 2011: 39,93%). The ultimate parent of the Company is Eczacıbaşı Holding A.Ş., which possesses 64,32% shares of the Company as of 31 December 2012 (31 December 2011: 60,07%) (Note 15).

The main activity of Eczacıbaşı Menkul Değerler A.Ş., the subsidiary of the Company, is to act as an intermediary for initial public offerings and for the sale and purchase of equity securities previously offered to the public, engages in repurchase agreement and reverse repurchase agreement transactions, and renders portfolio management and consulting services by obtaining the necessary licences from the Capital Markets Board ("CMB") which grants the permission to conduct each operation.

Eczacıbaşı Portföy Yönetimi A.Ş. (formerly Eczacıbaşı-UBP Portföy Yönetimi A.Ş.) is a subsidiary of Eczacıbaşı Menkul Değerler A.Ş. which used to be subject to joint management until 31 March 2009 and which is subject to consolidation on a line-by-line basis after the non-remunerative transfer of shares of Switzerland Union Bancaire Prievéee resulting in its owning 99,99% of the shares as of 31 March 2009. The nature of operations of Eczacıbaşı Portföy Yönetimi A.Ş. is to manage the capital market instrument portfolio by making portfolio management contracts with clients and act as proxy in accordance with Capital Markets Law and related regulatory provisions. Eczacıbaşı Portföy Yönetimi A.Ş. also manages local and foreign funds, investment trusts and portfolios of local and foreign legal persons within the context of portfolio management activities in accordance with regulatory provisions.

Company's subsidiary Eczacıbaşı Yatırım Ortaklığı A.Ş.'s main function is to invest in securities without having the control power and also manage gold and other precious metal portfolio that are operated at international and domestic exchange markets.

Within the subject of the company's principal activity;

a) Forming, managing the participated portfolio and change portfolio when needed,

b) Diversifying portfolio to decrease investment risk to minimum according to operating areas and statuses of partners,

c) Following the developments of securities financial markets and institutions, partners continuously and taking necessary actions about management of portfolio,

d) Making researches for protecting and increasing the value of portfolio.

The Group has 121 employees as at 31 December 2012 (31 December 2011: 147).

The Company's registered address is as follows:

Kanyon Ofis Büyükdere Caddesi, No:185 Kat:23 Levent, Şişli, Istanbul.

The consolidated financial statements for the period ended 31 December 2012 have been approved by the Board of Directors on 12 April 2013. General Assembly and specific regulatory institutions have the power to amend the financial statements.

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 BASIS OF PRESENTATION

2.1.1 Accounting Policies

The consolidated financial statements of Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. have been prepared in accordance with the accounting and reporting principles accepted by the Capital Markets Board ("CMB"), namely "CMB Financial Reporting Standards". CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with Communiqué Serial XI No. 29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). The Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes Communiqué Serial XI No. 25, "The Accounting Standards in Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

The companies are supposed to prepare their financial statements in line with Communiqué Series XI, No:29 "Communiqué on Capital Market Financial Reporting Standards" in accordance with the International Financial Reporting Standards ("IAS/IFRS") accepted by the European Union until the discrepancies between the IAS/IFRS accepted by the European Union, and the IAS/IFRS declared by IASB are announced by the TASB, IAS/IFRS will be in use. The accompanying consolidated financial statements have been prepared in accordance with IFRS and comply with the format of the financial statements and footnotes announced by CMB on 17 April 2008 and 9 January 2009.

Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. and its subsidiaries operating maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in TL in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and accounting principles issued by the CMB. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards. These consolidated financial statements have been prepared by taking into consideration the historical costs except for the financial investments which are accounted for at their fair values.

Statutory Decree No: 660, which has been become effective and published in the Official Gazette on 2 November 2011, and the Additional Clause 1 of the Law No: 2499 were nullified and accordingly, Public Oversight, Accounting and Audit Standards Institution (the "Institution") was established. As per Additional Article 1 of the Statutory Decree, applicable laws and standards will apply until new standards and regulations be issued by the Institution and will become effective. In this respect, the respective matter has no effect over the 'Basis of The Preparation of Financial Statements" Note disclosed in the accompanying financial statements as of the reporting date.

Preparing financial statements in accordance with IFRS requires taking important decisions by management during setting Group accounting policies. Significant assumptions and estimates used during the preparation of consolidated financial statements are presented in Note 2.5.

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1.2 Presentation Currency

The separate financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Turkish Lira ("TL"), which is the functional currency of the Company, and the reporting currency for the consolidated financial statements.

2.1.3 Accounting for the effect of hyperinflation

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the CMB Financial Reporting Standards. Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting year commencing 1 January 2005.

2.1.4 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.1.5 Going Concern

The Group prepares its consolidated financial statements based on the assumption that the Group will continue as a going concern.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1.6 Basis of Consolidation

Significant accounting policies applied in the preparation of consolidated financial statements are summarised below:

i) The consolidated financial statements include the accounts of the parent company, Eczacıbaşı Yatırım Holding Ortaklığı A.Ş., its Subsidiaries and Associates (together referred to as the "Group") on the basis set out in paragraphs (ii) to (v) below. The financial statements of the companies included in the consolidation have been prepared based on the accounting policies and presentation formats adopted by the Group in accordance with the CMB Financial Reporting Standards. Results of the operations of the Subsidiaries and Associates are either included in or excluded from the consolidation from the date of their acquisition or disposal, respectively.

ii) Subsidiaries are companies in which Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. has power to control the financial and operating policies for the benefit of Eczacıbaşı Yatırım Holding Ortaklığı A.Ş either through the power to exercise more than 50% of the voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and/or by companies whereby Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. exercises control over the voting rights of (but does not have the economic benefit of) the shares held by them or although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

Subsidiary, which has been included in the Group's consolidated financial statements is shown below (including equity, equity's share with the main partnership, and share of equity outside of main partnership);

	31 December 2012			31 December 2011		
Subsidiary	**Nominal capital**	**Direct shareholding by Group (%)**	**Non-controlling Interest (%)**	**Nominal capital**	**Direct shareholding by Group (%)**	**Non-controlling Interest (%)**
Eczacıbaşı Yatırım Ortaklığı A.Ş (*)	21.000.000	23,09	76,91	21.000.000	23,09	76,91
Eczacıbaşı Menkul Değerler A.Ş.	11.000.000	98,65	1,35	11.000.000	98,65	1,35

(*) Although the Group share is less than 50%, line by line consolidation method has been applied due to having control by holding preferred stocks

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1.6 Basis of Consolidation (continued)

The paid-in capital of the parent company and subsidiary and statement of financial position items excluding equity at the date of acquisition were added together, and in this addition transaction debits and credits of the subsidiaries subject to consolidation were reciprocally offset.

The consolidated statement of financial position's paid/excluded equity is in principle the parent company's paid/excluded equity. In the consolidated statement of financial position the subsidiary's paid/excluded equity is not included.

Amounts corresponding to shares outside of parent company and subsidiary were extracted from equity items, including paid/excluded equity, of the parent company subject to consolidation and were shown as "non-controlling interest" in the statement of financial position.

The line items in the statement income of the Parent and the Subsidiary are aggregated, and than intragroup goods and service sales were eliminated from sales and cost of sales. Any gain or loss resulting from intragroup transactions of the subsidiaries subject to consolidation are eliminated from the related accounts. The income or loss attributable to the non controlling shareholders are deducted from net consolidated profit or loss and presented as "non controlling interest".

iii) The Group consolidated Eczacıbaşı Portföy Yönetimi A.Ş.'s statement of financial position as of 31 December 2012 and statement of income for the period from 1 January to 31 December 2012 under the full consolidation method.

According to the approval letter of the CMB dated 6 June 2012 and extraordinary general assembly decision dated 27 June 2012, Eczacıbaşı Portföy Yönetimi A.Ş. decreased the its own equity by TL 2.113.990 from TL 3.000.000 to TL 886.010 and increased to TL 3.000.000 at the same time.

Subsidiary, which has been included in the Group's consolidated financial statements, is shown below:

	31 December 2012		**31 December 2011**	
	Nominal capital	**Shareholding (%)**	**Nominal capital**	**Shareholding (%)**
Eczacıbaşı Portföy Yönetimi A.Ş.	3.000.000	99,99	3.000.000	99,99

iv) Associates are the companies in which the Group has a voting right of 20-50% and on which the Group exerts a material effect; however, they are not controlled by the Group. Associates were consolidated by the owner's equity method. In the owner's equity method, profit and loss amounts of associates, which correspond to the share of parent company, were reflected as the "Share of profit of associates" in the statement of income. In the equity of associates, the amount corresponding to share of parent company was reflected in the consolidated financial statements.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1.6 Basis of Consolidation (continued)

iv) Nominal capital of the associates accounted for equity pickup method, owned by the parent company and its subsidiaries and also the share percentages as of 31 December 2012 and 31 December 2011 are as follows:

31 December 2012 **Associates**	**Nominal Capital**	**Direct Shareholding of Parent company (%)**
EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş.	548.208.000	18,75(*)
Eczacıbaşı E-Kart Elektronik Kart Sistemleri ve Sanayi A.Ş.	10.839.500	31,01
İntema İnşaat ve Tesis Malzemeleri A.Ş.	4.860.000	20,86

31 December 2011 **Associates**	**Nominal Capital**	**Direct Shareholding of Parent company (%)**
EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş.	548.208.000	18,75(*)
Eczacıbaşı E-Kart Elektronik Kart Sistemleri ve Sanayi A.Ş.	10.839.500	31,01
İntema İnşaat ve Tesis Malzemeleri A.Ş.	4.860.000	20,86

(*) Due to the continuity of significant influence on EİS Eczacıbaşı İlaç Finansal Yatırımlar Sanayi ve Ticaret A.Ş. by the Group, the equity accounting method is continued to be applied.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1.6 Basis of Consolidation (continued)

Assets, liabilities, equity, net sales and profit / (loss) of the associates included in the consolidated financial statements through the equity method accounting as of 31 December 2012 and 31 December 2011 are as follows:

31 December 2012	Total Assets	Total Liabilities	Equity	Net sales	Profit/ (Loss)
İntema İnşaat ve Tesis Malzemeleri A.Ş.	194.413.348	165.439.334	28.974.014	535.571.936	(2.250.378)
EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş.	3.480.072.000	573.182.000	2.859.732.000	1.087.267.000	32.689.000
Eczacıbaşı E-Kart Elektronik Kart Sistemleri Sanayi ve Ticaret A.Ş.	40.126.205	30.078.226	10.047.979	58.175.248	3.140.946

31 December 2011	Total Assets	Total Liabilities	Equity	Net sales	Profit/ (Loss)
İntema İnşaat ve Tesis Malzemeleri A.Ş.	153.419.372	137.830.792	15.588.580	483.040.945	214.320
EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş.	3.031.767.000	414.563.000	2.601.086.000	973.552.000	88.510.000
Eczacıbaşı E-Kart Elektronik Kart Sistemleri Sanayi ve Ticaret A.Ş.	56.003.554	49.096.522	6.907.032	76.290.453	(870.636)

v) Financial assets which Group has capital share under 20% or over 20%, but does not have a significant influence on are recognised in "financial assets available for sale" section (Notes 2.4(d) and 4).

The bonus shares, acquired due to capital increases arising from cash equivalent internal resources excluding revaluation value increase funds of companies that are ready to sell as financial assets, were accounted for in the line of 'Interest and other dividend income' on the consolidated statement of income.

2 -BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2. CHANGE IN ACCOUNTING POLICIES

Significant changes in accounting policies or significant errors are corrected, retrospectively; by restating the prior period consolidated financial statements. The Group started to apply the Communiqué Serial XI No. 29 issued by CMB effective from 1 January 2008. Within this scope, the comparative financial figures are reclassified and presented. The application of the Communiqué Serial XI No. 29 caused no significant change in the accounting policies of the Group.

2.2.1 Comparatives and restatement of prior periods' financial statements

The Group complies with the principles and articles of valid commercial laws and regulations and Communiqués announced by the CMB in the accounting records and the preparation of the financial statements.

In order to determine the financial status and performance trends, the financial statements of the Group have been prepared in comparison with the financial statements of previous period. The Group prepared its consolidated statement of financial position as of 31 December 2012 in comparison with the consolidated statement of financial position prepared as of 31 December 2011; the consolidated statements of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 1 January – 31 December 2012 in comparison with 1 January – 31 December 2011.

In order to be consistent with the current period, certain classifications have been made to the prior year financial statements.

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2.2 Changes in International Financial Reporting Standards

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported and disclosures in these financial statements. Details of other standards and interpretations adopted in these financial statements but that have had no material impact on the financial statements are set out in this section.

(a) New and Revised standards affecting presentation and disclosures

None.

(b) New and Revised standards affecting the reported financial performance and / or financial position

None.

(c) New and Revised standards effective as of 2012, applied with no material effect on the consolidated financial

Amendments to IAS 12 *Deferred Taxes – Recovery of Underlying Assets*

The amendment is effective for annual periods beginning on or after 1 January 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment Property*. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, through sale. Since the Group's investment property is carried at cost method, accumulated depreciation and any impairment, the change in the standart did not have any effect on the consolidated financial statements.

Amendments to IFRS 7 *Disclosures – Transfers of Financial Assets*

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

These amendments to IFRS 7 did not have a significant effect on the Group's disclosures. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2.2 Changes in International Financial Reporting Standards (continued)

(d) New and Revised standards in issue but not yet effective

The Group has not applied the following new and revised standards that have been issued but are not yet effective:

Amendments to IAS 1	*Presentation of Items of Other Comprehensive Income*[1]
Amendments to IAS 1	*Clarification of the Requirements for Comparative Information*[2]
IFRS 9	*Financial Instruments*[5]
IFRS 10	*Consolidated Financial Statements*[3]
IFRS 11	*Joint Arrangements*[3]
IFRS 12	*Disclosure of Interests in Other Entities*[3]
IFRS 13	*Fair Value Measurement*[3]
Amendments to IFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities*[3]
Amendments to IFRS 9 and IFRS 7	*Mandatory Effective Date of IFRS 9 and Transition Disclosures*[5]
Amendments to IFRS 10, IFRS 11 and IFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guide*[3]
IAS 19 (as revised in 2011)	*Employee Benefits*[3]
IAS 27 (as revised in 2011)	*Separate Financial Statements*[3]
IAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*[3]
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*[4]
Amendments to IFRSs	*Annual Improvements to IFRSs 2009-2011 Cycle except for the amendment to IAS 1*[3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[3]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012.
[3] Effective for annual periods beginning on or after 1 January 2013.
[4] Effective for annual periods beginning on or after 1 January 2014.
[5] Effective for annual periods beginning on or after 1 January 2015.

Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* is effective for the annual periods beginning on or after 1 July 2012. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments can be applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2.2 Changes in International Financial Reporting Standards (continued)

(d) New and Revised standards in issue but not yet effective (continued)

Amendments to IAS 1 *Presentation of Financial Statements*
(as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012)

The amendments to IAS 1 as part of the *Annual Improvements to IFRSs 2009-2011 Cycle* are effective for the annual periods beginning on or after 1 January 2013.

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

IFRS 9 *Financial Instruments*

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

All recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Group management anticipates that the application of IFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2.2 Changes in International Financial Reporting Standards (continued)

(d) New and Revised standards in issue but not yet effective (continued)

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, which is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards. The Group has not yet had an opportunity to consider the potential impact of the adoption of these amendments to the standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted provided all of these standards are applied at the same time. The Group management anticipates that the application of these five standards may have a significant impact on amounts reported in the consolidated financial statements.

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2.2 Changes in International Financial Reporting Standards (continued)

(d) New and Revised standards in issue but not yet effective (continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Group management anticipates that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to IFRS 7 and IAS 32 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Group management anticipates that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2.2 Changes in International Financial Reporting Standards (continued)

(d) New and Revised standards in issue but not yet effective (continued)

IAS 19 Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application. However, the Group management has not yet performed a detailed analysis of the impact of the application of the amendments and hence has not yet quantified the extent of the impact.

Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012

The Annual Improvements to IFRSs 2009 - 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include:

- Amendments to IAS 16 *Property, Plant and Equipment*; and
- Amendments to IAS 32 *Financial Instruments: Presentation*.

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The Group management does not anticipate that the amendments to IAS 16 will have a significant effect on the Group's consolidated financial statements.

Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes*. The Group management does not anticipate that the amendments to IAS 32 will have a significant effect on the Group's consolidated financial statements.

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3 CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the net profit or loss in the current and future periods prospectively . There has not been any change in the accounting estimates and assumptions for the period from 1 January to 31 December 2012.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the consolidation policies mentioned in Note 2.1.6, the significant accounting policies applied in the preparation of these consolidated financial statements are summarised below:

(a) Fee, commission and interest income/expense

(i) Fee and commission income and expenses

Fees and commissions, fund management, investment consulting fees, and portfolio management commissions are recognised on an accrual basis.

(ii) Interest income and expense

Interest income and expenses are recognised in the statement of income in the period to which they relate on an accrual basis. Interest income includes coupons earned on fixed income investment securities and amortisation of discounts on government bonds.

(b) Property and equipment

Property and equipment are measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment are carried at cost less accumulated depreciation and provision for value decrease, if any.

Depreciation is provided on restated amounts of property and equipment using the straight-line method based on the useful lives of such assets. The estimated useful lives of assets are as it is shown below:

Furniture and fixtures 3-5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and impairments are recognised in the statement of income.

The residual value and useful life of the assets are investigated as of the statement of financial position date and adjustments are performed if necessary.

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Property and equipment (continued)

Expenditures for the repair and renewal of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset, or the quality of the product or to decrease the costs (Note 10).

(c) Intangible assets

Intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortisation and the provision for value decreases, if any.

Intangible assets comprise acquired computer software and amortised on a straight-line basis over three to five years. Expenditures for the improvement of the computer software are recognised as expense. The capital expenditures made in order to increase the capacity of the intangible asset or to increase its future benefits are capitalised on the cost of the intangible asset.

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount (Note 11).

(d) Financial assets

The Group classifies its financial assets in two groups.

"Financial assets at fair value through profit or loss" are financial assets that are acquired or incurred principally for the purpose of selling or repurchasing it in the near term or, regardless of purpose, are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Financial assets at fair value through profit or loss are initially recognised at cost, being the fair value of the consideration given including directly attributable transaction costs and are subsequently measured at fair value. In assessing the fair value of the financial assets at fair value through profit or loss, the best bid price as of the statement of financial position date is used. The gains or losses that result from this measurement are recognised in consolidated statement of income under "Financial income/expenses" accounts (Note 4).

"Financial assets available for sale", intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates are classified as available-for-sale. These financial assets are included in non-current assets unless management has the intention of holding the investment for less than 12 months from the statement of financial position date, or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its financial assets at the time of the purchase and re-evaluates such designation on a regular basis (Note 4).

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All financial assets available for sale are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment. After initial recognition, financial assets that are classified as "available-for-sale" are measured at fair value unless fair value cannot be reliably measured. The unrealised gains and losses that result from the changes in the fair values of available-for-sale investments are directly recognised in the equity and are not released to the consolidated statements of income until they are disposed or sold.

The fair value of quoted investments are calculated based on current market prices. If the financial asset is not traded in an active market, the Group establishes fair value by using valuation techniques. These valuation techniques include the use of recent arm's length transactions or reference to other instruments that are substantially the same and discounted cash flow analysis considering the specific conditions of the company invested in (Note 4).

At each statement of financial position date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in assessing whether the investment is impaired. If such evidence exists for impairment of available-for-sale financial assets, cumulative net loss, measured as the difference between the acquisition cost (net value after principle payments and amortisation) and current fair value (for common stocks), less any impairment loss on this financial asset previously recognised in profit or loss, is removed from shareholders' equity and recognised in the statement of income for the period. Impairment losses on financial assets classified as available-for-sale are not reversed through the statement of income.

Available-for-sale financial assets, in which the Group has interests below 20% and over which the Group does not have significant influence, that do not have quoted market prices in active markets, for which fair value estimates cannot be made as the other valuation techniques are not applicable and therefore fair value cannot be reliably measured, are carried at cost less any provision for impairment in value.

(e) Sale and repurchase agreements

Securities sold under sale and repurchase agreements ("repos") are retained in the financial statements and the counterparty liability is recorded as due to customers. Securities purchased under agreements to resell ("reverse repos") are recorded as reverse repo receivables on the cash and due from banks account, together with the difference between the sale and repurchase price, which is accrued evenly over the life of the agreement using the amortised cost method.

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Originated loans and provisions for loan impairment

Loans originated by the Group by providing money directly to the borrower or to a sub-participation agent at draw down are categorised as loans originated by the Group and are carried at amortised cost. All originated loans are recognised when cash is advanced to borrowers.

The Group grants loans to its customers for equity share transactions.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception.

(g) Foreign exchange transactions

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions and monetary assets and liabilities denominated in foreign currencies translated by using period-end exchange rates of Central Bank of the Republic of Turkey's bid rates. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

(h) Earnings per share

Earnings per share disclosed in the consolidated statements of income are determined by dividing net profit by the weighted average number of shares that have been outstanding during the year concerned (Note 21).

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares "bonus shares" to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period.

(i) Subsequent events

Subsequent events cover any events which arise between the reporting date and the statement of financial position date, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Company adjusts its financial statements if such subsequent events arise which require an adjustment to the financial statements.

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(k) Finance leases - as lessee

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payment. Leased assets are included in the property and equipment and depreciation on the leased asset is charged to income on a straight-line basis over the useful life of the asset. Lease payments are treated as comprising capital and interest elements; the capital element is treated as reducing the capitalised obligation under the lease, which is classified as the lease obligation, and the interest element is charged to income (Note 5). Financial leasing interest income and foreign exchange loss in recorded in the statement of income. The operational leasing transactions are accounted based on the contracts and on an accrual basis.

(l) Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by/or affiliated with them and subsidiaries are considered and referred to as related parties (Note 22).

(m) Income taxes

Tax provision for the period consists of current year tax and deferred tax provisions. Current year tax liability includes tax liability calculated over taxable income for the period with the tax rate at the statement of financial position date and corrections on tax liabilities of previous periods.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income taxes at the statement of financial position date.

The principal temporary differences result from the differences between the tax base and the carrying amounts of, provision for employment termination benefits, property and equipment and financial assets.

Deferred income tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised (Note 20).

Deferred income tax assets and deferred income tax liabilities, related to income taxes levied by the same taxation authority, are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities.

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law, are recognised in these financial statements as they are earned. The total provision represents the present value of the future probable obligation of the Group arising from the retirement of its employees regarding the actuarial projections (Note 13).

(o) Cash and cash equivalents and statement of cash flows

Cash and cash equivalents comprise cash in hand, bank deposits and short-term investments, which can easily be converted into cash for a known amount, and which have high liquidity and insignificant conversion risk with maturities of three months or less (Note 3). Cash flow statements as an integral part of other financial statements are prepared to inform financial statement users about changes in group net assets, financial structure and capability to direct the amount and timing of cash flows in accordance with changing conditions.

(p) Share capital and dividends

Ordinary shares are classified as capital. Dividends payable on ordinary shares are recognised as an appropriation of the profit in the period in which they are declared.

(r) Commitments, contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in financial statements and treated as contingent assets or liabilities (Note 12).

(s) Derivative exchange market transactions

The cash collateral deposited to be able to operate in derivative exchange market is classified as cash and cash equivalents. The profit or loss of the transactions made during the fiscal period is recorded as income/expense or profit/loss in the statement of income. The interest income accrued of the valuation differences, commissions paid and remaining collateral amount those recorded in the statement of income that consist due to the open transactions made are netted off and are recorded as cash and cash equivalents (Note 3).

(t) Impairment of assets

Assets, except for financial assets, are subject to tests for indicators of impairment. If the carrying value of an asset is greater than its recoverable value than a provision for impairment is recognised. Net recoverable value is the higher of the net sales value or value in use. Value in use of an asset is estimated as the total of projected future cash inflows and salvage value at the end of the useful life of the asset.

2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Investment property

Land and buildings that are held to earn rentals or for capital appreciation or bothrather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation (except land) under the cost method less impairment charges, if any (Note 9). Depreciation is provided on investment property on a straight line basis.

Investment properties are reviewed for impairment losses. Where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount of the investment property is higher of discounted net value of future cash flows from the use of the related investment property or fair value less cost to sell.

2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Preparation of financial statements requires the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the statement of financial position date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during financial period. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

a) Recognition of deferred income tax asset: Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium-term business plan prepared by Management and extrapolated results thereafter. The business plan is based on Management expectations that are believed to be reasonable under the circumstances (Note 20).

b) Fair values of the financial assets available-for-sale: The Group estimates the fair values of financial assets which are not traded in an active market by referencing to similar undisputed transactions, fair values of similar financial instruments and using discounted cash flow analysis. (Note 4).

2.6 SEGMENT REPORTING

The Group determined its operating segments based on report reviewed by the Board of Directors and used in strategis decisions. Since the core business of the Company is to participate in the capital of companies that have the ability or potential to generate profits and to invest in shares of these companies and since the operations of company is in Turkey, segment reporting for the period 1 January – 31 December 2012 was not prepared in the consolidated financial statements.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

3 - CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Cash in hand	40.902	35.162
Banks		
- Demand deposit	186.454	237.844
- Time deposit	62.220.365	78.003.453
- Reverse repo receivables	8.291.669	12.535.358
Receivables from money market	-	200.119
Receivables from Turkish Derivatives Exchange (net) (*)	238.163	4.746
Other liquid assets	418.958	524.037
	71.396.511	**91.540.719**

(*) Receivables from Turkish Derivatives Exchange are the cash margins given to trade in Turkish Derivatives Exchange. The profit and loss generated in the transactions made during the period that reflected in the statement of income, the revaluation difference of the open position due to the revaluation with the market value, commissions paid, and the interest income generated by accretion of the remaining collateral amount are shown as net values.

As of 31 December 2012, interest rates for Turkish lira denominated time deposits vary between 8,00% - 8,50% (31 December 2011: 9% - 13%%), whereas interest rates for foreign currency denominated time deposits the rate is 3.25% (31 December 2011: 5,50%-5,75%).

TL 1.650.172 (31 December 2011: TL 2.334.816) of the securities with a commitment to buy-back ("reverse repo") is used in the contracts signed with the clients (Note 6).

As of 31 December 2012 and 31 December 2011, cash and cash equivalents included in the consolidated statements of cash flows are presented below:

	31 December 2012	31 December 2011
- Cash and cash equivalents	71.396.511	91.540.719
- Interest accruals	(110.379)	(337.895)
	71.286.132	**91.202.824**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

4 - FINANCIAL INVESTMENTS

The details of financial investments as of 31 December 2012 and 31 December 2011 are as follows:

	31 December 2012	31 December 2011
Financial assets at fair value through profit and loss	106.054.851	69.083.038
Financial investments, current	**106.054.851**	**69.083.038**
Available-for-sale financial assets	526.326.035	426.257.719
Financial investments, non-current	**526.326.035**	**426.257.719**

a)Financial assets at fair value through profit and loss:

The list of short-term financial assets at fair value through profit and loss as of 31 December 2012 and 31 December 2011 is as follows:

	31 December 2012	31 December 2011
Government bond and treasury bills	13.597.351	13.822.056
Common Stocks	91.020.913	54.421.724
- EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş	32.715.590	15.494.902
- Eczacıbaşı Yapı Gereçleri A.Ş.	15.119.999	7.700.000
- İntema İnşaat ve Tesis Malzemeleri A.Ş.	13.896.240	11.862.066
- Other (*)	29.289.084	19.364.756
A type investment funds	1.034.049	839.258
B type investment funds	402.538	-
Total	**106.054.851**	**69.083.038**

(*) Contains non-group stocks that are publicly traded.

As of 31 December 2012 government bonds have an average interest rate of 6,12% (31 December 2011: 10,84%).

As of 31 December 2012 government bonds of the Group amounting to TL 4. 785.401 (31 December 2011: TL 4.312.553) with a nominal value of TL 4.960.000 (31 December 2011: TL 4.530.000) are submitted as collateral.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

4 - FINANCIAL INVESTMENTS (Continued)

b) Available-for-sale financial assets:

The list of long-term available-for-sale financial investmensts as of 31 December 2012 and 31 December 2011 is as follows:

	%	31 December 2012 Amount	%	31 December 2011 Amount
Listed:				
Eczacıbaşı Yapı Gereçleri A.Ş. (*), (**)	7,49	45.658.814	7,49	23.252.174
		45.658.814		**23.252.174**
Not Listed:				
Eczacıbaşı Holding A.Ş. (****)	11,54	443.483.336	11,54	370.810.934
Kaynak Tekniği San. ve Tic. A.Ş. (**)	15,86	31.805.906	15,86	26.945.093
İpek Kağıt San. ve Tic. A.Ş. (**)	0,99	1.667.462	0,99	1.174.737
Vitra Karo Sanayi ve Ticaret. A.Ş. (**)	0,83	985.201	0,83	1.379.455
Eczacıbaşı Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş. (**)	1,00	368.423	1,00	366.973
Ekom Eczacıbaşı Dış Ticaret A.Ş. (**)	1,90	179.805	1,90	161.962
Esi Eczacıbaşı Sigorta Acentalığı A.Ş. (**)	2,50	127.461	2,50	115.530
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş. (**)	0,29	12.475	0,29	10.525
Eczacıbaşı İlaç Pazarlama A.Ş. (**)	0,02	9.947	0,02	11.038
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş. (**)	0,00	3.537	0,00	5.377
İMKB Takas ve Saklama Bankası A.Ş. (***)	1,00	2.023.668	1,00	2.023.668
Gelişen İşletmeler Piyasaları A.Ş. (***)	0,50	-	0,50	253
		480.667.221		**403.005.545**
Total		**526.326.035**		**426.257.719**

(*) As at 31 December 2012, the Group, through acquisitions of public shares of Eczacıbaşı Yapı Gereçleri A.Ş. and Eczacıbaşı Yatırım Ortaklığı A.Ş., has increased its share in the investments to 9,98%. Respective shares of 2,49% corresponding to acquisitions of public shares have been accounted for financial assets at fair value through profit and loss.

(**) Fair values of financial assets in listed companies are calculated based on current market prices. For financial assets in unlisted companies, the Group determines fair values using valuation techniques. These valuation techniques include the use of recent arm's length transactions or references to other instruments that are substantially the same and discounted cash flow analysis considering the specific conditions of the company invested in. Adjustments to fair values are accounted for in "Financial assets fair value reserve" under shareholders' equity.

(***) These available-for-sale financial assets are carried at their acquisition costs since they are not listed and fair values cannot be reliably measured.

(****) The acquisition cost of Eczacıbaşı Holding A.Ş. shares including the restatement effect due to inflation accounting is TL 61.000.741. In fair value determination of Eczacıbaşı Holding A.Ş., the methods shown below are used;

i) Rent income; discounted cash flows (Level 3),
ii) Real estates; current transaction cost, arm's length price and expertise values (Level 2 and 3),
iii) Net asset values of remaining assets and liabilities in cash (Level 3),
iv) The multiplication of ownership interest rates of Eczacıbaşı Holding with the fair values of all subsidiaries, joint ventures and associates.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

4 - FINANCIAL INVESTMENTS (Continued)

The methods used in fair value measurement of Eczacıbaşı Holding A.Ş. are as follows:

Fair Value Measurement Methods	**Code**
Market price	(II)
Discounted cash flows	(III)
Current transaction price	(IV)
Net asset value	(V)
Net book value	(VI)

Entity Name	**Portion of Ownership Interests of Eczacıbaşı Holding A.Ş (%) (*)**		**Fair Value Measurement Technique (**)**		**Fair Value Hierarchy (**)**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
EİS Eczacıbaşı İlaç Sınai ve Finansal Yatırımlar San. ve Tic. A.Ş.	64,60	62,76	(I)	(I)	(I)	(I)
Eczacıbaşı Yapı Gereçleri San. ve Tic. A.Ş.	90,52	84,55	(II)	(II)	1. sıra	1. sıra
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş.	58,74	56,11	(II)	(II)	1. sıra	1. sıra
Eczacıbaşı Yatırım Ortaklığı A.Ş.	26,70	24,98	(II)	(II)	1. sıra	1. sıra
Esan Eczacıbaşı Endüstriyel Hammaddeleri San. ve Tic. A.Ş.	99,96	99,96	(III)	(III)	3. sıra	3. sıra
Eczacıbaşı Bilişim San. ve Tic. A.Ş.	94,90	94,59	(III)	(III)	3. sıra	3. sıra
Vitra Karo San. ve Tic. A.Ş.	88,76	88,26	(III)	(III)	3. sıra	3. sıra
Engers Keramik GmbH & Co Kg	88,76	88,26	(III)	(III)	3. sıra	3. sıra
Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri San. ve Tic. A.Ş.	78,96	74,08	(III)	(III)	3. sıra	3. sıra
EİP Eczacıbaşı İlaç Pazarlama A.Ş.	64,60	62,76	(III)	(III)	3. sıra	3. sıra
Eczacıbaşı Portföy Yönetimi A.Ş.	64,57	60,36	(III)	(III)	3. sıra	3. sıra
Eczacıbaşı Menkul Değerler A.Ş.	64,57	60,36	(III)	(III)	3. sıra	3. sıra
İpek Kağıt San. ve Tic. A.Ş.	99,35	49,31	(III)	(III)	3. sıra	3. sıra
Villeroy & Boch Fliesen GmbH	66,57	66,19	(III)	(III)	3. sıra	3. sıra
Kaynak Tekniği San. ve Tic. A.Ş.	43,88	42,84	(III)	(III)	3. sıra	3. sıra
E-Kart Elektronik Kart Sistemleri San. ve Tic. A.Ş.	38,37	37,04	(III)	(III)	3. sıra	3. sıra
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	33,01	32,10	(III)	(III)	3. sıra	3. sıra
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler San. ve Tic. A.Ş.	-	31,38	-	(III)	-	3. sıra
Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş.	32,30	31,38	(III)	(III)	3. sıra	3. sıra
Eczacıbaşı-Monrol Nükleer Ürünler San. ve Tic. A.Ş.	32,30	31,38	(III)	(III)	3. sıra	3. sıra
Capintec Inc.	32,30	-	(IV)	-	2. sıra	-
Ataman İlaç Kozmetik Kimya San. ve Tic. A.Ş. ve Ataman Ecza ve İtriyat Deposu San. ve Tic. A.Ş.	78,96	-	(IV)	-	2. sıra	-
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	3,98	3,86	(V)	(V)	3. sıra	3. sıra
Eczacıbaşı Havacılık A.Ş.	89,59	86,98	(V)	(V)	3. sıra	3. sıra
Eczacıbaşı Sağlık Hizmetleri A.Ş.	83,21	81,12	(V)	(V)	3. sıra	3. sıra
Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım A.Ş.	64,76	62,93	(V)	(V)	3. sıra	3. sıra
Eczacıbaşı İlaç Ticaret A.Ş.	64,64	62,80	(V)	(V)	3. sıra	3. sıra
Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.	64,32	60,07	(V)	(V)	2. sıra	2. sıra
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	50,00	50,00	(V)	(V)	3. sıra	3. sıra
Toplu Konut Holding A.Ş.	27,00	27,00	(V)	(V)	3. sıra	3. sıra
Ekom Eczacıbaşı Dış Ticaret A.Ş.	88,26	87,70	(V)	(V)	3. sıra	3. sıra
Vitra Bad GmbH	100,00	100,00	(VI)	(VI)	3. sıra	3. sıra
Vitra UK Limited	96,62	96,46	(VI)	(VI)	3. sıra	3. sıra
Vitra Ireland Limited	86,19	85,74	(VI)	(VI)	3. sıra	3. sıra
Vitra Plitka	88,75	88,26	(VI)	(VI)	3. sıra	3. sıra

(*) Proportion of ownership interest, represents the effective shareholding of Eczacıbaşı Holding directly through the shares held in subsidiaries, joint ventures and associates and indirectly by these companies.

(**) In the current period there was no change in the method.

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4 - FINANCIAL INVESTMENTS (Continued)

(I) In the fair value measurement of Eczacıbaşı Holding, for the stand-alone fair value of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş., the effect of the mutual subsidiary with Eczacıbaşı Holding has been taken into consideration. In the related stand-alone fair value determination;

i) Kanyon Shopping Mall and Office Building; discounted cash flows of rent incomes (Level 3)
ii) Financial assets; current transaction cost (Level 2) and current market prices (Level 1)
iii) Real estates; current transaction cost, arm's length price and expertise values (Level 2 and 3)
iv) Net asset values of remaining assets in cash (Level 2) and liabilities in cash (Level 3)

(II) The securities measured at market values are valued by the strike prices between 31 December 2012 and 31 December 2011 in İstanbul Stock Exchange (ISE). As of year end, there are no financial instruments listed in a stock exchange other than ISE.

(III) The discount rates used in discounted cash-flow method are determined for each entity separately taking into consideration the following factors:

i) The countries in which each entity is located and the risk premiums of these countries,
ii) The market risk premiums for each entity and
iii) The industry risk premiums for the sectors in which each entity operates.

Comparable risk premiums (inline with observable market data) are used in the determination of discount rates.

(IV) Current transaction price consists of the financial instruments of which fair values are measured by comparable costs of current transactions as of the statement of financial position date.

(V,VI) The fair values of these companies are determined by net asset values and net book values. The net asset value is calculated by deducting liabilities from monetary assets, whereas net book values are calculated by their cost values.

In this context, the fair value of Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. has been calculated as TL 76.143.343 as of 31 December 2012 (31 December 2011: TL 74.851.150). As of 31 December 2012 Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. has a market value of TL 442.400.000 (31 December 2011: TL 284.200.000).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

4 - FINANCIAL INVESTMENTS (Continued)

The fair value of Eczacıbaşı Holding A.Ş. has been calculated by multiplying the proportion of ownership interest of Eczacıbaşı Holding A.Ş. with the fair values calculated, using the methods explained above, for each company. The calculation summary of the amount shown in the consolidated financial statements is as follows:

	31 December 2012
Total fair value of Eczacıbaşı Holding A.Ş. (*)	4.185.580.240
The share of the Group within the total fair value of Eczacıbaşı Holding A.Ş. (**)	483.015.960
The effect of mutual subsidiary	38.729.141
Fair value before liquidity discount	**521.745.101**
Liquidity discount (-)	(78.261.765)
Fair value of the Group in consolidated financials	**443.483.336**

(*) Reflects the amount multiplied with the total proportion of ownership interests.
(**) As of 31 December 2012 the direct capital share of Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. within Eczacıbaşı Holding A.Ş. is 11,54%.

As explained in the table above, TL 521.745.101 of fair value before liquidity discount is calculated by using the fair value of Eczacıbaşı Holding A.Ş. which amounts to TL 4.185.580.240 which is multiplied by 11,54%, the share participation of Yatırım Holding Ortaklığı A.Ş in Eczacıbaşı Holding A.Ş. and the result equals to TL 483.015.960 is added to TL 38.729.141, which is calculated as the effect of reciprocal shares between Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. and Eczacıbaşı Holding A.Ş. 15% of liquidity calculated for 2012 is discounted from the total amount and fair value of TL 443.483.336 is reflected in the consolidated financial statements.

5 – FINANCIAL LIABILITIES

	31 December 2012		31 December 2011	
Short-term Loans	**Interest %**	**Amount (*)**	**Interest %**	**Amount (*)**
TL loans	6,75-7,00	7.477.766	-	18.502
		7.477.766		**18.502**

(*) As of 31 December 2012 , all the financial liabilities are in TL with the interest rates between 6,75-7,00 % and with maturity of 2 January 2013. Financial liabilities amounting to 18.502 TL as of 31 December 2011, are due to credit card payables.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

6 – TRADE RECEIVABLES AND PAYABLES

	31 December 2012	31 December 2011
Short-term trade receivables:		
Receivables from credit customers	14.812.597	10.278.522
Investors current account	150.288	380.551
Fund management and commission receivables	243.359	166.619
Doubtful receivables	95.862	205.811
Receivables from sale of securities	379.048	-
Other	12.548	7.927
	15.693.702	**11.039.430**
Provision for doubtful receivables	(95.862)	(205.811)
	15.597.840	**10.833.619**

Doubtful receivable provision movements within the periods 1 January- 31 December 2012 and 2011 are as follows;

	1 January- 31 December 2012	1 January- 31 December 2011
1 January balance	205.811	206.001
Reversals during the period	(109.949)	(190)
Period End Balance	**95.862**	**205.811**

The Group, holds common stocks with a market value of TL 63.583.854 as of 31 December 2012 (31 December 2011: TL 41.532.846) as collateral for the loans given out. Average interest rate for these borrowings is 9,60 % (31 December 2011: 16,10%).

	31 December 2012	31 December 2011
Short term trade payables:		
Funds received from the repo contracts (Note 3)	1.650.172	2.334.816
Payable from purchase of securities (*)	-	1.253.884
Investors current account	572.147	395.672
Suppliers	1.059.261	1.386.683
	3.281.580	**5.371.055**

(*) Receivables and payables due to sale and purchase of securities resulted from purchases and sales of Eczacıbaşı Menkul Değerler A.Ş on behalf of the Group on the last two work days.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

7 - OTHER RECEIVABLES AND PAYABLES

	31 December 2012	31 December 2011
Deposits and guarantees given	132.117	157.103
Personnel advance installments	65.257	63.196
Other	18.203	13.980
	215.577	**234.279**

	31 December 2012	31 December 2011
Long-term other receivables:		
Deposits and guarantees given	6.802	6.286
	6.802	**6.286**

Short-term other payables:

	31 December 2012	31 December 2011
Payables to the related parties (Note 22)	29.356	22.915
Payables to personnel	35.357	35.357
Other	11.267	4.353
	75.980	**62.625**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

8 - INVESTMENTS IN ASSOCIATES

Associates:

	%	31 December 2012 Amount	%	31 December 2011 Amount
EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş.	18,75	536.099.838	18,75	487.612.637
İntema İnşaat ve Tesis Malzemeleri A.Ş.	20,86	6.044.951	20,86	3.252.301
Eczacıbaşı E-Kart Elektronik Kart Sistemleri Sanayi ve Ticaret A.Ş.	31,01	3.115.530	31,01	2.141.631
		545.260.319		**493.006.569**

Movements of investments in associates are as follows:

	1 January-31 December 2012	1 January-31 December 2011
At 1 January	493.006.569	447.637.692
Group's share in the associate's profit	6.632.552	16.367.293
Eliminated dividend payment of associates	(10.277.024)	(7.193.972)
Change in the fair value of available-for-sale financial assets	55.805.614	35.597.192
Effect on the rate of change in participation	-	(15.959)
Effect of currency translation	92.608	614.323
At 31 December	**545.260.319**	**493.006.569**

As of 31 December 2012, Group's shares in its subsidiaries, EİS Eczacıbaşı İlac, Sinai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and İntema İnşaat ve Tesis Malzemeleri A.Ş. are 21,75% and 44,69% respectively considering purchases from publicly held shares (31 December 2011: 20,22% and 43,57%). Shares related to purchase from publicly held are accounted for under fair value through profit and loss.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

9 – INVESTMENT PROPERTY

As of 31 December 2010, factory building and land registered to Atlı Zincir İğne ve Tesis Malzemeleri A.Ş. was purchased with value of expertise made amounting to TL 15.000.000.

As of 31 December 2012, after depreciation deduction, net book value of the real setate amounts to TL 14.250.000 (31 December 2011: TL 14.625.000) .

Current period amortization expense amounts to 375.000 TL and has been classified as administration expense.

According to valuation performed by an idependent valuation company,which is not a related party of the group, in December 2012, fair value of the group's invesment property is 16.125.000 TL. Therefore, no impairment has been calculated for the invesment property. The idependent valuation company, which was authorized by Capital Market Board of Turkey (CMB), has necessary qualification and experience in valuation. The valuation, which is in compliance with to International Valuation Standarts, was determined with reference to recent market transaction.

10 – PROPERTY AND EQUIPMENT

	1 January 2012	Additions	Disposals	31 December 2012
Cost				
Furniture and fixtures	6.689.806	430.637	(202.860)	6.917.583
Leasehold improvements	1.116.430	8.892	(70.252)	1.055.070
Machinery and equipments	618.112	2.114	(21.270)	598.956
	8.424.348	**441.643**	**(294.382)**	**8.571.609**
Accumulated Depreciation				
Furniture and fixtures	(6.205.337)	(238.053)	192.563	(6.250.827)
Leasehold improvements	(987.679)	(43.481)	69.283	(961.877)
Machinery and equipments	(600.645)	(4.232)	21.270	(583.607)
	(7.793.661)	**(285.766)**	**283.116**	**(7.796.311)**
Net book value	**630.687**			**775.298**

	1 January 2011	Additions	Disposals	31 December 2011
Cost				
Furniture and Fixtures	6.441.556	295.346	(47.096)	6.689.806
Leasehold improvements	1.078.230	38.200	-	1.116.430
Machinery and Equipment	610.296	7.816	-	618.112
	8.130.082	**341.362**	**(47.096)**	**8.424.348**
Accumulated Depreciation				
Furniture and Fixtures	(6.063.348)	(185.877)	43.888	(6.205.337)
Leasehold improvements	(933.135)	(54.544)	-	(987.679)
Machinery and Equipment	(596.947)	(3.698)	-	(600.645)
	(7.593.430)	**(244.119)**	**43.888**	**(7.793.661)**
Net book value	**536.652**			**630.687**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

11 - INTANGIBLE ASSETS

	1 January 2012	Additions	Disposals	31 December 2012
Cost				
Computer software	3.523.086	66.968	(2.689)	3.587.365
Rights	63.712	-	-	63.712
	3.586.798	**66.968**	**(2.689)**	**3.651.077**
Accumulated depreciation				
Computer software	(3.044.063)	(242.050)	2.689	(3.283.424)
Rights	(1.026)	(898)	-	(1.924)
	(3.045.089)	**(242.948)**	**2.689**	**(3.285.348)**
Net book value	**541.709**			**365.729**

	1 January 2011	Additions	Disposals	31 December 2011
Cost				
Computer software	3.033.884	489.202	-	3.523.086
Rights	1.140	62.572	-	63.712
	3.035.024	**551.774**	**-**	**3.586.798**
Accumulated depreciation				
Computer software	(2.894.858)	(149.205)	-	(3.044.063)
Rights	(625)	(401)	-	(1.026)
	(2.895.483)	**(149.606)**	**-**	**(3.045.089)**
Net book value	**139.541**			**541.709**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

12 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2012	31 December 2011
Provisions:		
BITT provision related to 2008 (d)	76.790	70.742
Provision against lawsuits (d)	-	60.896
Provision for expenses	1.444	1.244
Other	8.060	8.850
	86.294	**141.732**

a) As of 31 December 2012 in the group's portfolio, government bond with a nominal value of TL 4.960.000 (31 December 2011: TL 4.530.000), is kept in the blocked account by Takasbank and CBRT in remuneration for stock exchange transactions limit and as capital blockage.

b) The details of the government bonds and treasury bills, common stocks, eurobond and investment funds held for customers are as follows:

	31 December 2012	31 December 2011
Securities held in custody in Takasbank		
Customer portfolio - Investment funds- nominal	9.178.404.293	9.278.155.677
Customer portfolio - Common stocks- nominal	649.836.137	634.518.195
Customer portfolio - Government bonds and treasury bills- nominal	6.328.878	7.392.648
Group portfolio - Government bonds and treasury bills- nominal	4.611.257	4.603.257
Group portfolio - Government bonds - Repos- nominal	3.186.920	3.186.920
Group portfolio - Common stocks- nominal	5	5
Group portfolio – Investment funds- nominal	8.183.306	8.183.306

c) As of 31 December 2012, the Group received letters of guarantee from various banks to be given to CMB, ISE, İzmir Telekom Başmüdürlüğü, Tekfen Holding A.Ş., Foreks and Boğaziçi Kurumlar Vergi Dairesi amounting to TL 20.727.600 and USD 32.250 (31 December 2011: letters of guarantee are received from various banks to be given to CMB, ISE, İzmir Telekom Başmüdürlüğü, Tekfen Holding A.Ş., Foreks and Boğaziçi Kurumlar Vergi Dairesi amounting to TL 20.783.795 and USD 32.250).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

12 – COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Collaterals, pledges and mortgages "CPM" given by the Parent Company, Eczacıbaşı Yatırım Holding Ortaklığı A.Ş., as of 31 December 2012 and 31 December 2011 are as follows:

	31 December 2012	**31 December 2011**
A.CPM`s given in the name of its own legal personality	-	-
B.CPM`s given on behalf of the fully consolidated companies (*)	30.000	30.000
C.CPM`s given for continuation of its economic activities on behalf of the third parties	-	-
D.Total amount of other CPM`s	-	-
i.Total amount of CPM`s given on behalf of the majority shareholder	-	-
ii.Total amount of CPM`s given on behalf of the other group companies which are not in the scope of B and C	-	-
iii.Total amount of CPM`s given on behalf of third parties which are not in the scope of C	-	-
	30.000	**30.000**

(*) CPM's given by the Parent Company Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. for its subsidiary.

Eczacıbaşı Yatırım Holding Ortaklığı A.Ş., Parent Company, does not have other CPM's given (31 December 2011: None).

d) Based on the tax investigation reports of Republic of Turkey Ministry of Finance, Revenue Administration General Controller regarding the Banking Insurance Transactions Tax ("BITT") compliance of the Company for the tax periods 2003-2007, Eczacıbaşı Menkul Değerler A.Ş determined a provision of TL 76.790 for possible tax payments regarding BITT for the year 2008 (31 December 2011: TL 70.742).

According to regulation, accepted on 18 February 2009 and published in the Official Gazette no.27155, on 28 February 2009 based on item 32 clause 8 of law no 5338, the cash balances earned by security investment partnership transactions are exempted from BITT . The relevant item of the law has been effective as of 1 March 2009.

As of 31 December 2011, the Group has provided provision amounting to 60.896 TL for an execution against the company by Atlı Zincir İğne and Makina Sanayi A.Ş. a financial investment that was sold on 31 December 2010, for the debt resulting from the purchase of the real estate from Atlı Zincir İğne and Makina Sanayi A.Ş.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

13 – EMPLOYEE BENEFITS

	31 December 2012	31 December 2011
Provision for current liabilities:		
Employee premium provision	691.289	1.101.406
Unused vacation provision	1.034.868	1.107.261
	1.726.157	**2.208.667**

Employee premium provision movements within the periods ended 1 January- 31 December 2012 and 2011 are as follows;

	31 December 2012	31 December 2011
1 January balance	1.101.406	2.340.850
Charge during the period	240.931	2.971.864
Paid during the period	(651.048)	(4.211.308)
Period End Balance	**691.289**	**1.101.406**

Unused vacation provision movements within the periods 1 January- 31 December 2012 and 2011 are as follows;

	31 December 2012	31 December 2011
1 January Balance	1.107.261	892.472
Charge during the period	112.826	259.285
Paid during the period	(185.219)	(44.496)
Period End Balance	**1.034.868**	**1.107.261**

	31 December 2012	31 December 2011
Provisions for non-current liabilities:		
Provision for employment termination benefits	1.057.057	1.097.883
	1.057.057	**1.097.883**

Provision for employment termination benefits is allocated in accordance with the disclosures given below:

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002 there are certain transitional provisions relating to length of service prior to retirement.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

13 – EMPLOYEE BENEFITS (Continued)

As of 31 December 2012, the amount payable consists of one month's salary limited to a maximum of TL 3.033,98 (31 December 2011: TL 2.731,85) for each year of service.

The liability is not funded as there is no legal funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees.

IAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly actuarial assumptions were used in the calculation of the total liability as these actuarial assumptions apply to each individual company's defined benefit plan and legal framework in which those companies operate:

	31 December 2012	**31 December 2011**
Discount Rate (%)	1,58	4,53
Turnover rate to estimate the probability of retirement (%)	8,52	8,39

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 3.129,25 effective from 1 January 2013 (1 January 2012: TL 2.805,04) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

Movements in the provision for employment termination benefits are as follows:

	31 December 2012	**31 December 2011**
At 1 January	1.097.883	1.016.973
Service cost (including actuarial gain/loss)	837.962	297.966
Interest cost	17.347	34.552
Paid during the year	(896.135)	(251.608)
At 31 December	**1.057.057**	**1.097.883**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

14 – OTHER ASSETS AND LIABILITIES

	31 December 2012	31 December 2011
Other current assets		
Prepaid taxes and duties	823.123	620.730
Prepaid expenses	992.002	1.053.906
Other	1.661	75.843
	1.816.786	**1.750.479**
Other non-current assets		
Deferred VAT	2.990.515	2.462.361
Prepaid expenses	92.066	78.979
	3.082.581	**2.541.340**
Other current liabilities		
Taxes and funds payable	811.062	873.216
Expense accruals	115.809	61.678
Other	196	-
	927.067	**934.894**

15 – EQUITY

The Company's paid in capital is TL 70.000.000 (31 December 2011: TL 70.000.000) and was divided into 70.000.000 (31 December 2011: 70.000.000) stocks each one which has TL 1 (31 December 2011: TL 1) per value stock.

The Company has no preferred stock as of 31 December 2012 (31 December 2011: None).

The Company's registered share capital is TL 200.000.000 (31 December 2011: TL 200.000.000), and the shareholders and their shareholding percentages as of 31 December 2012 and 31 December 2011 are as follows with the historical amounts:

	31 December 2012		31 December 2011	
	Amount	**Share (%)**	**Amount**	**Share (%)**
Eczacıbaşı Holding A.Ş.	45.024.000	64,32	42.049.000	60,07
Other (listed)	24.976.000	35,68	27.951.000	39,93
	70.000.000	**100,00**	**70.000.000**	**100,00**
Adjustment to share capital	131.334.916		131.334.916	
Total	**201.334.916**		**201.334.916**	

Adjustment to share capital represents the difference between the cash contributions adjusted for inflation and the cash contributions prior to adjustment for inflation.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

15 – EQUITY (Continued)

The profits accumulated under legal books that do not qualify for the below clause, can be distributed.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid-in/authorised share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in/authorised share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in/authorised share capital.

The aforementioned legal reserves and special reserves shall be classified in "Restricted reserves" in accordance with CMB Financial Reporting Standards. Details of the restricted reserves as of 31 December 2012 and 31 December 2011 are as follows:

	31 December 2012	31 December 2011
Legal reserves	12.524.564	11.673.365
	12.524.564	**11.673.365**

Retained earnings

In accordance with the CMB regulations effective until 1 January 2008, the inflation adjustment differences arising at the initial application of inflation accounting which are recorded under "accumulated losses" could be netted off from the profit to be distributed based on CMB profit distribution regulations. In addition, the aforementioned amount recorded under "accumulated losses" could be netted off with net income for the period, if any, undistributed prior period profits, and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively.

In accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity inflation adjustment differences" could have been utilised in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows:

- "If the difference is arising due to the inflation adjustment of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment to Share Capital";

- "If the difference is due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings";

15 – EQUITY (Continued)

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Capital adjustment differences have no other use other than being transferred to share capital.

Dividend Distribution

Quoted companies are subject to dividend requirements regulated by the CMB as follows:

Based on CMB Decree No. 02/51, dated 27 January 2010, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits arising from operations in 2009. Regarding the dividend distribution for the current and following years, the entities are to distribute their profits for the current and following years under the scope of CMB Communiqué No.IV-27, their articles of association and their previously publicly declared profit distribution policies.

In addition, according to aforementioned Board Decision, it is stipulated that companies which have the obligation to prepare consolidated financial statements, calculate the net distributable profit amount by taking into account the net profits for the period in the consolidated financial statements that will be prepared and announced to the public in accordance with the Communiqué IX No: 29, "Principles of Financial Reporting in Capital Markets" providing the profits can be met by the sources in their statutory records.

At the General Assembly Meeting held on 29 May 2012, Eczacıbaşı Yatırım Holding A.Ş. decided to pay dividend to its shareholders TL 0,15 per stock (2011: TL 0,7) and a total of TL 10.500.000. The payments was made on 21 June 2012.

From the 2011 profit that was subjected to profit distribution, Eczacıbaşı Yatırım Holding A.Ş. transferred TL 851.199 to legal reserves (2011: TL 621.017) and distributed TL 10.500.000 as dividend (2011: TL 4.900.000).

Accordingly, if the amount of dividend distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the total amount of distributable profit shall be distributed. If it exceeds the statutory net distributable profit, the total amount of the statutory net distributable profit shall be distributed. It is stated that dividend should not be distributed if there is a loss in either the consolidated financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

16 – OPERATING REVENUE

Domestic sales and cost of sales are as follows:

	1 January – 31 December 2012	1 January– 31 December 2011
Sales income		
Government bond sales	1.355.277.995	1.466.098.691
Common stock sales	345.046.722	886.495.554
Other marketable security sales	91.890	-
Total Sales	**1.700.416.607**	**2.352.594.245**
Services		
Intermediary commissions on common stock transactions	11.200.605	14.457.740
B Type Liquid and Bond Fund management fee	871.860	1.707.321
Intermediary commissions on derivative transactions	1.021.333	1.133.426
Commission fee on portfolio management	887.009	1.071.084
Right of preference - exercise dividend payments	13.229	23.739
Intermediary commissions on bond transactions	314.078	349.644
Other	410.836	709.700
Service Income	**14.718.950**	**19.452.654**
Returns and discounts		
Service revenue discounts	(36.624)	(70.145)
Total returns and discounts	**(36.624)**	**(70.145)**
Total sales income	**1.715.098.933**	**2.371.976.754**
Cost of sales		
Government bond and treasury bill sales	(1.354.563.705)	(1.464.774.271)
Common stock sales	(338.538.103)	(889.237.601)
Other marketable security sales	(90.000)	-
Total cost of sales	**(1.693.191.808)**	**(2.354.011.872)**
Interest Income		
Interest income from loans given to customers	1.778.277	1.799.262
	1.778.277	**1.799.262**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

17 – EXPENSES BY NATURE

	1 January – 31 December 2012	1 January – 31 December 2011
General administrative expenses		
Personnel expenses (*)	17.162.087	17.523.011
Services received from related parties (Note 22 (d))	5.151.664	5.031.080
Outsource services obtained	1.707.137	1.369.350
Rent	1.456.204	1.270.204
Office	1.202.959	1.042.049
Transportation	972.226	951.449
Depreciation and amortisation (Note 9,10,11)	903.714	768.725
Communication	494.060	700.330
Maintenance	552.498	443.125
Other	1.406.066	1.122.332
	31.008.615	**30.221.655**

(*) Provision for employment termination benefits, unused vacation provision and employee premium provision have been classified to personnel expenses**.**

	1 January - 31 December 2012	1 January - 31 December 2011
Marketing, selling and distribution expenses		
Advertising and marketing	618.143	329.250
Selling and distribution	1.043.756	1.114.487
Other	5.895	11.819
	1.667.794	**1.455.556**

18- OTHER OPERATING INCOME/EXPENSES

	1 January - 31 December 2012	1 January - 31 December 2011
Other operating income		
Compensation income	490.789	-
Income from cancellation of allowance	109.949	13.347
Dividend income	5.008.433	2.406.539
Other	114.256	119.671
	5.723.427	**2.539.557**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

18- OTHER OPERATING INCOME/EXPENSES (Continued)

	1 January - 31 December 2012	1 January - 31 December 2011
Other operating expenses		
2008 transactions		
BITT provision expense (Note 12)	6.048	6.598
Donations	45.400	365.250
Compensation expense of lawsuits	199.325	-
Provision against lawsuits (Note 12)	-	60.896
Other	105.636	19.695
	356.409	**452.439**

19 - FINANCIAL INCOME/EXPENSES

	1 January - 31 December 2012	1 January - 31 December 2011
Financial incomes:		
Interest income from bank placements	6.397.850	6.342.740
Increase in fair value of marketable securities, net	14.303.179	-
Income from customer transaction differences	1.414.824	3.615.553
Priority right at no charge	136.670	25.651
Reverse repo interest income	508.412	466.102
Foreign exchange gains	2.038.264	6.905.484
Gain on sale of marketable securities	-	2.716.590
Other	95.932	124.034
	24.895.131	**20.196.154**

	1 January - 31 December 2012	1 January - 31 December 2011
Financial expenses:		
Foreign exchange losses	3.182.107	2.671.790
Interest expense from marketable securities	209.884	167.798
Loss on securities	-	6.531.374
Loss on derivative transactions	334.385	7.153
Loss on sale of tangible asset	11.266	3.205
Commissions for guarantee letters	97.913	89.909
Interest expenses for loans	173.902	-
Other	-	24.586
	4.009.457	**9.495.815**

20 – TAX ASSETS AND LIABILITIES

Turkish tax legislation does not permit a parent company and its Subsidiaries and Associates to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2012 is 20% (2011: 20%) for the Group

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2011 is 20%. (2010: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 22 July 2006, this rate has been changed to 15% upon the Council of Mininsters' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

20 – TAX ASSETS AND LIABILITIES (Continued)

Turkish Corporate Tax Law No. 5422 on "Exemption of real estate and investment sales gains" has been amended by Law No. 5520 effective from 1 January 2006. A 75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which has remained in assets for more than two full years is exempt from corporate tax.

The taxes on income / (expense) reflected to the consolidated statement of income for the periods 1 January -31 December 2012 and 2011 are summarised below:

	31 December 2012	31 December 2011
- Current period corporate tax (Entity)	60.682	2.008.460
- Advance tax (Entity)	(806.094)	(2.161.179)
	(745.412)	**(152.719)**
-Current period corporate tax (Subsidiary)	-	-
- Advance tax (Subsidiary)	(77.711)	(468.011)
	(77.711)	**(468.011)**

	1- January 31 December 2012	1- January 31 December 2011
- Current period corporate tax (-)	(60.682)	(2.008.460)
- Deferred income tax (charge)/ benefit	(587.870)	848.096
Total tax expense	**(648.552)**	**(1.160.364)**

The reconciliation at 31 December corporation tax expense included in the consolidated statement of income to the tax expense calculated with the current tax rate on the consolidated income before taxes is as follows:

	1 January - 31 December 2012	1 January - 31 December 2011
Income before tax	23.894.237	17.241.683
Current year corporation tax expense (%20)	(4.778.847)	(3.448.337)
Tax-exempt subsidiary gain / (loss)	2.089.120	(929.287)
Tax-exempt dividend income	808.731	33.881
Gain/(loss) on share in associates accounted by equity method	1.326.510	3.273.459
Non-deductible expenses according to laws	(13.241)	(298)
Other	(80.825)	(89.782)
Total tax expense	**(648.552)**	**(1.160.364)**

Deferred income tax:

The Group recognises deferred tax assets and liabilities based upon temporary differences arising between the financial statements prepared in accordance with CMB Financial Reporting Standards and the tax financial statements. Such temporary differences generally arise due to revenues and expenses being recognised in different fiscal periods in accordance with tax regulations and CMB Financial Reporting Standards. The tax rate used for deferred income tax assets and liabilities is 20% (31 December 2011: 20%).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

20 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided at 31 December 2012 and 31 December 2011 using the enacted tax rates is as follows:

	Temporary Differences (*)	
	31 December 2012	31 December 2011
Provision for employment termination benefits	1.048.622	1.095.101
Financial losses	13.273.390	7.058.546
Provision for unused vacation	1.029.318	1.107.261
Other	-	60.900
Deferred income tax assets	**15.351.330**	**9.321.808**
Fair value differences of available-for-sale financial assets (**)	(428.375.663)	(328.307.096)
Marketable securities valuation	(22.087.225)	(11.804.365)
Net difference between the carrying value of tangible and intangible assets and their tax bases	(285.343)	(291.401)
Other	(689)	-
Deferred income tax liabilities	**(450.748.920)**	**(340.402.862)**

	Deferred tax assets/(liabilities)	
	31 December 2012	31 December 2011
Provision for employment termination benefits	209.724	219.020
Financial losses	2.654.678	1.411.709
Provision for unused vacation	205.864	221.452
Other	-	12.180
Deferred income tax assets	**3.070.266**	**1.864.361**
Fair value differences of available-for-sale financial assets (**)	(21.418.783)	(16.415.355)
Marketable securities valuation	(4.417.445)	(2.360.873)
Net difference between the carrying value of tangible and intangible assets and their tax bases	(57.069)	(58.280)
Other	(137)	
Deferred income tax liabilities	**(25.893.434)**	**(18.834.508)**
Provision for Impairment	(980.707)	(1.242.430)
Net deferred tax liabilities	**(23.803.875)**	**(18.212.577)**

(*) Since Eczacıbaşı Yatırım Ortaklığı A.Ş. is not subject to corporate taxation, such balances were not included in calculating the tax base differences.

(**)Turkish Corporate Tax Law No. 5422 on "Exemption of real estate and investment sales gains" has been amended by Law No. 5520 effective from 1 January 2006. A 75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which has remained in assets for more than two full years is exempt from corporate tax. In this context, temporary differences between the carried value and tax base of available-for-sale financial assets have been subject to the calculation of deferred tax liabilities for the first time in the consolidated financial statements at 31 December 2006. Since the mentioned temporary differences are accounted in shareholders' equity, the corresponding deferred tax liability is netted-off from the financial assets' fair value reserves in equity.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

20 – TAX ASSETS AND LIABILITIES (Continued)

The last utilisation period of carried forward tax losses from which deferred tax assets has been recognised is 2017.

Eczacıbaşı Portföy Yönetimi A.Ş. has carried forward tax losses amounting to TL 13.273.390 (31 December 2011: TL 7.058.546) which deferred tax assets has not recognised.

	Deductible carried forward tax losses	**Last Utilisation Period**
2008	2.110.185	31 December 2013
2009	1.320.569	31 December 2014
2010	447.880	31 December 2015
2011	1.204.091	31 December 2016
2012	8.190.665	31 December 2017
	13.273.390	

The movement of deferred income tax liabilities as at 31 December 2012 and 2011 is as follows:

	1 January-31 December 2012	**1 January-31 December 2011**
1 January	(18.212.577)	(16.573.428)
Current year deferred income tax (charge)/credit	(587.870)	848.096
Deferred income tax liabilities arising from fair value increases of available-for-sale financial assets	(5.003.428)	(2.487.245)
31 December	**(23.803.875)**	**(18.212.577)**

21 - EARNINGS PER SHARE

	1 January-31 December 2012	**1 January - 31 December 2011**
Net income for the period (TL) (Parent shares)	15.300.838	19.673.516
Weighted average number of ordinary shares with face value of TL1 each	70.000.000	70.000.000
Earnings per share (TL)	**0,219**	**0,281**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Receivables from related parties:

	31 December 2012	31 December 2011
Receivables from group companies:		
İntema İnş. ve Tesisat Malz. Yat. Ve Paz. A.Ş.	2.392	9.525
	2.392	**9.525**

b) Payables to related parties:

	31 December 2012	31 December 2011
Payables to shareholders:		
Eczacıbaşı Holding A.Ş.	674.782	725.956
Other (Note 7)	29.233	22.792
	704.015	**748.748**
Payables to group companies:		
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	62.568	123.520
Eczacıbaşı Sigorta Acenteliği A.Ş.	227	-
	62.795	**123.520**
Dividend payables to shareholders:		
Other (Note 7)	123	123
	123	**123**
	766.933	**872.391**

As of 31 December 2012, the Group has classified a portion of due from related parties amounting to TL 737.577 (31 December 2011: TL 849.476) under trade payables based on its nature and TL 29.356 (31 December 2011: TL 22.915) under short-term other liabilities.

c) Sales to related parties:

	1 January – 31 December 2012	1 January – 31 December 2011
Eczacıbaşı Holding A.Ş.	117.184	71.305
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	-	4.892
İntema İnş. ve Tesisat Malz. Yat. Ve Paz. A.Ş.	2.406	3.357
	119.590	**79.554**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

22 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

d) Service purchases from related parties:

	1 January – 31 December 2012	1 January – 31 December 2011
Eczacıbaşı Holding A.Ş. (*)	4.871.982	4.749.666
Eczacıbaşı Spor Kulübü	162.000	190.000
Eczacıbaşı Sağlık Hizmetleri A.Ş.	45.985	47.421
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	63.095	33.835
Other	8.602	10.158
	5.151.664	**5.031.080**

(*) Fees paid to Eczacıbaşı Holding A.Ş. comprise legal, financial corporate identity, budget planning, audit and human resource services received from Eczacıbaşı Holding. Eczacıbaşı Holding A.Ş charges the management fees to the related companies based on the time allocated for each of the services provided.

e) Dividend received from related parties:

	1 January – 31 December 2012	1 January – 31 December 2011
Eczacıbaşı Holding A.Ş.	2.458.021	1.229.010
EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş.	1.643.775	498.668
Other	82.772	69.986
	4.184.568	**1.797.664**

f) Dividend payments to related parties:

	1 January – 31 December 2012	1 January – 31 December 2011
Eczacıbaşı Holding A.Ş.	6.646.501	2.943.430
	6.646.501	**2.943.430**

g) Benefits provided to top management:

Total benefits provided to key management personnel for the year ended at 31 December 2012 amounted to TL 2.646.429 (31 December 2011: TL 2.435.953).

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(i) Credit Risk

Credit risk, is the risk of financial loss of the creditor in the case that the lender fails to meet its financial obligations to the creditor.

The majority of the Group's credit risk arises from the trade receivables, marketable securities and time deposits in the banks. The bank deposits got off less than three months. Marketable securities comprise the government bonds those are issued by the Turkish Republic Prime Ministry Undersecretariat for the Treasury.

	Trade Receivables(***)		Other Receivables			
31 December 2012	**Related Party**	**Other**	**Related Party**	**Other**	**Other(*)**	**Cash equivalents (**)**
Maximum exposed credit risk as of reporting date						
Note reference	6, 22	6	7	7	4	3
Net book value of financial assets either are not due or not impaired	2.392	15.595.448	-	222.379	13.597.351	71.355.609
	2.392	**15.595.448**	**-**	**222.379**	**13.597.351**	**71.355.609**

	Trade Receivables		Other Receivables			
31 December 2011	**Related Party**	**Other**	**Relatd Party**	**Other**	**Other(*)**	**Cash equivalents (**)**
Maximum exposed credit risk as of reporting date						
Note reference	6, 22	6	7	7	4	3
Net book value of financial assets either are not due or not impaired	9.525	10.824.094	-	240.565	13.822.056	91.505.557
	9.525	**10.824.094**	**-**	**240.565**	**13.822.056**	**91.505.557**

(*) Item contains the government bonds measured at fair value and attributable to statement of income.
(**) Item contains cash equivalents
(***) The group has doubtful receivables amounting to 95.862 TL as of 31 December 2012. (31 December 2011: 205.811 TL). Provision amounting to 95.862 TL (31 december 2011: 205.811 TL) has been provided for these doubtful receivables.

The calculation of the items above is made regardless of the items that decrease the credit risk, such as collaterals. None of the financial assets that belong to the Group those are exposed to credit risk are impaired. Additionally, the Group does not own off-balance sheet credit risk nor assets those are due but not impaired.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity Risk

Liquidity risk is the inability of the Group to match the net funding requirements with sufficient liquidity. A decrease in funding sources mainly due to market instability or a decrease in credit risk results in liquidity risk. The Group manages the liquidity risk by maintaining sufficient cash and other liquid assets in order to fund the current and prospective debt requirements.

The distribution of expiration of the financial liabilities as of 31 December 2012 and 31 December 2011 according to their contract dates is as follows:

	31 December 2012					
	Carrying Value	**Contractual Cash-flows**	**Less than 3 months**	**3 months 12 month**	**1 year- 5 years**	**More than 5 years**
Note References	5,6,7				-	-
Financial Liabilities	7.477.766	7.477.766	7.477.766	-	-	-
Trade Payables	3.281.580	3.281.580	3.281.580	-	-	-
Other Payables	75.980	75.980	75.980	-	-	-
Total Liabilities	**10.835.326**	**10.835.326**	**10.835.326**	**-**	**-**	**-**

	31 December 2011					
	Carrying Value	**Contractual Cash-flows**	**Less than 3 months**	**3 months 12 month**	**1 year- 5 years**	**More than 5 years**
Note References	5,6,7					
Financial Liabilities	18.502	18.502	18.502	-	-	-
Trade Payables	5.371.055	5.371.055	5.371.055	-	-	-
Other Payables	62.625	62.625	62.625	-	-	-
Total Liabilities	**5.452.182**	**5.452.182**	**5.452.182**	-	-	-

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market Risk

(a) Foreign Exchange Risk

In the case of owning of foreign currency assets, liabilities and non-balance sheet liabilities, the risk that is exposed to resulting from the currency movements is defined as the foreign exchange risk.

31 December 2012	**USD**	**EUR**	**GBP**	**Total**
Cash and cash equivalents	13.436.749	7.229.069	-	20.665.818
Financial Liabilities	(58.193)	-	(3.089)	(61.282)
Net foreign currency position	**13.378.556**	**7.229.069**	**(3.089)**	**20.604.536**

31 December 2011	**USD**	**EUR**	**GBP**	**Total**
Cash and cash equivalents	13.741.523	11.528.495	-	25.270.018
Financial Liabilities	(108.973)	-	(3.136)	(112.109)
Net foreign currency position	**13.632.550**	**11.528.495**	**(3.136)**	**25.157.909**

	Profit/Loss		**Equity**	
31 December 2012	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
In the case of 10% fluctuation of USD against TL				
1. USD net asset/liability	1.337.856	(1.337.856)	1.337.856	(1.337.856)
2. Hedged Positions (-)	-	-	-	-
3. USD Net effect (1+2)	**1.337.856**	**(1.337.856)**	**1.337.856**	**(1.337.856)**
In the case of 10% fluctuation of EUR against TL				
4. EURO net asset/liability	722.907	(722.907)	722.907	(722.907)
5. Hedged position (-)	-	-	-	-
6. EUR net affect (4+5)	**722.907**	**(722.907)**	**722.907**	**(722.907)**
In the case of 10% fluctuation of GBP against TL				
7. GBP net asset/liability	(309)	309	(309)	309
8. Hedged position (-)	-	-	-	-
9. GBP net affect (7+8)	**(309)**	**309**	**(309)**	**309**
Total (3+6+9)	**2.060.454**	**(2.060.454)**	**2.060.454**	**(2.060.454)**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

23 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Profit/Loss		**Equity**	
31 December 2011	**Appreciation of foreign currency**	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
In the case of 10% fluctuation of USD against TL				
1. USD net asset/liability	1.363.255	(1.363.255)	1.363.255	(1.363.255)
2. Hedged Positions (-)	-	-	-	-
3. USD Net effect (1+2)	**1.363.255**	**(1.363.255)**	**1.363.255**	**(1.363.255)**
In the case of 10% fluctuation of EUR against TL				
4. EURO net asset/liability	1.152.850	(1.152.850)	1.152.850	(1.152.850)
5. Hedged position (-)	-	-	-	-
6. EUR net affect (4+5)	**1.152.850**	**(1.152.850)**	**1.152.850**	**(1.152.850)**
In the case of 10% fluctuation of GBP against TL				
7. GBP net asset/liability	(314)	314	(314)	314
8. Hedged position (-)	-	-	-	-
9. GBP net affect (7+8)	**(314)**	**314**	**(314)**	**314**
Total (3+6+9)	**2.515.791**	**(2.515.791)**	**2.515.791**	**(2.515.791)**

TL equivalents of assets and liabilities held by the Group denominated in foreign currency at 31 December 2012 and 31 December 2011 in consideration of foreign exchange rates are as follows:

	31 December 2012	**31 December 2011**
USD	1,7826	1,8889
EUR	2,3517	2,4438
GBP	2,8708	2,9170

(b) Interest rate risk

The Group management chose the short term-investment tools to make use of its assets that generate interest income, to be able to balance the maturity of assets and liabilities those are sensitive to interest rate by the method of natural precautions.

The government bonds those are classified as financial assets at fair value through profit and loss are exposed to the interest rate risk due to the fluctuation of the interest rates. However, the Group, can be re-exposed to the investment rate risk in the case of the re-investing the cash generated from the amortisation of those government bonds.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

23 - FINANCIAL INTSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The interest rate applied to the financial assets as of the 31 December 2012 and 31 December 2011 are as follows:

Assets		**31 December 2012**	**31 December 2011**
Time deposits	TL	8,00-8,50 %	9,00-13,00%
	USD	3,25%	5,75%
	EUR	3,25%	5,50%
Government bonds	TL	6,03-6,27 %	10,84%
Reverse repos	TL	5,78%	10,94%

(iv) Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange (Note 2.4(d) and 4).

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Fair value estimations, methods and assumptions used for available-for-sale financial assets and financial assets at fair value through profit or loss are described in detail in Note 2.4(d) and 4. Remaining assets and liabilities:

Financial assets:

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate their carrying value.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks, are considered to approximate their respective carrying values due to their short-term nature and ignorable collection failure.

The carrying value of trade receivables along with the related allowances for recoverability is estimated to be their fair values.

Financial liabilities:

The fair values of monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

23 - FINANCIAL INTSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The classification of financial assets at fair value:

IFRS 7 explains the classifications of valuation techniques.

The classification of financial assets at fair value is shown as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3:Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

According to the observability of the data used in fair value measurement, the fair value hierarchy of the Group's financial assets at fair value is shown as follows:

31 December 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial asset at fair value through profit and loss	106.054.851	-	-	106.054.851
Financial assets, current	**106.054.851**	**-**	**-**	**106.054.851**
Available-for-sale financial assets	45.658.814	443.483.336	37.183.885	526.326.035
Financial assets, non-current	**45.658.814**	**443.483.336**	**37.183.885**	**526.326.035**

31 December 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial asset at fair value through profit and loss	69.083.038	-	-	69.083.038
Financial assets, current	**69.083.038**	**-**	**-**	**69.083.038**
Available-for-sale financial assets	23.252.174	370.810.934	32.194.611	426.257.719
Financial assets, non-current	**23.252.174**	**370.810.934**	**32.194.611**	**426.257.719**

24 – SUBSEQUENT EVENTS

None.

CONVENIENCE TRANSLATION OF THE REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of
Eczacıbaşı Yatırım Holding Ortaklığı A.Ş

We have audited the accompanying consolidated financial statements of Eczacıbaşı Yatırım Holding Ortaklığı Anonim Şirketi (The "Company") and its subsidiaries (together "Group") which comprise the consolidated statement of financial position as of 31 December 2012, the consolidated statement of income, consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting standards published by the Capital Markets Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards published by the Capital Markets Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.and its subsidiaries as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with financial reporting standards published by the Capital Markets Board.

Istanbul, 12 April 2013

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Hüseyin Gürer
Partner

ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş.

AUDIT BOARD REPORT FOR THE PERIOD
BETWEEN 01 JANUARY - 31 DECEMBER 2012

TO: ECZACIBASI YATIRIM HOLDİNG ORTAKLIGI AS GENERAL ASSEMBLY

Trade Name	Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.
Head Office	İstanbul
Registered Capital	200.000.000,00 TL
Issued Capital	70.000.000,00 TL
Subject	Participating in Industrial and Commercial Companies
Name and Office Periods of the Auditor and Auditors, whether or not they are shareholders or corporate personnel	Tayfun İçten- Bülent Avcı, are authorized until the Ordinary General Assembly which will convene to check 2012 accounts. They are not shareholder or personnel.
Number of Board Meetings attended and number of Audit Boards held	There is no attended Board Meeting while Audit Board convened four times.
Scope of the examination on the corporate accounts. books and documents, dates of audits and the outcome	All operations have been audited as of 12 April, 26 June, 20 August, 31 October and 28 December 2012. They have been found in compliance will all regulations.
The number and results of the countings in the cashier	6 times counting in a year, once in two months, which have been found in compliance with records
The dates of the audits and their outcomes	Audits were carried out at the end of each month, and the countings were found to be in line with records.
Advised complaints and unlawful acts	None

We have audited Eczacibasi Yatirim Holding Ortakligi Anonim Sirketi 01.01.2012 - 31.12.2012 period transactions and accounts in accordance with its Articles of Incorporation or other generally accepted accounting principles and standards.

We have the opinion that, the balance sheet issued as of 31.12.2012 reflects the exact financial status of the Company while the income statement related to the period from 01.01.2012 to 31.12.2012 reflects the results exactly.

We hereby kindly request you to approve the balance sheet and income statement and release of the Board.

Audit Board

Tayfun İçten **Bülent Avcı**