2010
ANNUAL REPORT

ECZACIBAŞI PHARMACEUTICAL AND INDUSTRIAL INVESTMENT CO.

Eczacıbaşı

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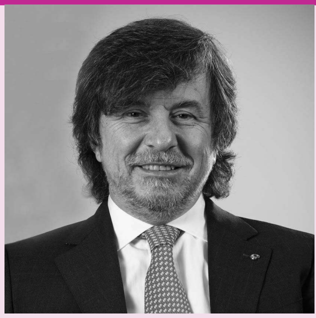
Board of Directors

F. Bülent Eczacıbaşı

Born in 1949 in Istanbul, Bülent Eczacıbaşı, Chairman of the Eczacıbaşı Group, graduated from the University of London (Imperial College of Science and Technology) and obtained his master's degree in chemical engineering from the Massachusetts Institute of Technology. After initiating his professional career in 1974 in Eczacıbaşı Holding, Bülent Eczacıbaşı held a variety of management positions in Eczacıbaşı Group companies.

Over the years, Bülent Eczacıbaşı has been involved in a large number of civic associations, including TÜSİAD, the Turkish Industrialists' and Businessmen's Association, where he was Chairman of the Board (1991-1993) and Chairman of the High Advisory Council (1997-2001). He was also founding Chairman of the Turkish Economic and Social Studies Foundation (TESEV) (1993-1997) and Chairman of the Board of the Turkish Pharmaceuticals Manufacturers' Association (2000-2008).

Presently, Bülent Eczacıbaşı continues to serve TÜSİAD as Honorary Chairman, TESEV as a member of the High Advisory Board, and the Turkish Pharmaceuticals Manufacturers' Association as Honorary President. He is also Chairman of the Board of Trustees of the İstanbul Modern Art Foundation, Chairman of the Board of Directors of the İstanbul Foundation for Culture and Arts (İKSV), a member of the International Advisory Boards of the Harvard Kennedy School and Akbank, and member of the European Round Table of Industrialists (ERT).



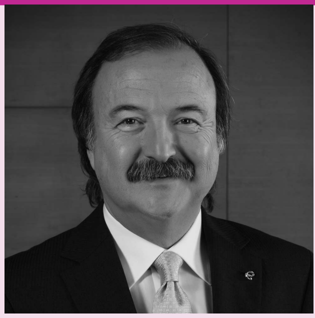
R. Faruk Eczacıbaşı

Born in 1954 in Istanbul, Turkey, Faruk Eczacıbaşı attended Berlin Technical University's School of Management, earning his BA and MBA there in 1979.

Faruk Eczacıbaşı began working in the Eczacıbaşı Group in 1980, initially in the Planning Department. At later stages he was instrumental in the reorganization of the Group's information and knowledge management system. At present he is Vice Chairman of Eczacıbaşı Holding and chairman of several Eczacıbaşı companies.

Faruk Eczacıbaşı has been actively involved in companies specializing in information and communication technologies; he is also the founder and, since 1995, the President of the Turkish Informatics Foundation (TBV). He has been instrumental in every aspect of Turkey's accession to the European Union as a full member and has forged a successful working relationship with EU institutions to help TBV's numerous projects concerning the knowledge-based economy.

Faruk Eczacıbaşı is an active member of the Turkish Industrialists' and Businessmen's Association (TÜSİAD) and is on the board of the Turkish Technology Development Foundation (TTGV).



Dr. O. Erdal Karamercan

Erdal Karamercan completed his undergraduate degree in Chemical Engineering at Boğaziçi University, Istanbul, in 1973 and his graduate studies in Chemical Engineering at the University of Virginia, where he obtained his MSc. in 1975 and Ph.D. in 1977.

Karamercan held various managerial positions within the Eczacıbaşı Group between 1978 and 1994, after which he served respectively as Project Manager of Artema Sanitary Fittings, General Manager of Ekom Foreign Trade, General Manager of İpek Kağıt Tissue Paper and Eczacıbaşı Group Executive Vice President in charge of Consumer Products. Between 2001-2003 he was Executive Vice President in charge of both Pharmaceuticals and Consumer Products. Since June 2003, he is President and CEO of the Eczacıbaşı Group.

Erdal Karamercan is a member of TÜSİAD, the Turkish Industrialists' and Businessmen's Association; Vice President of the Turkish Paper Manufacturers' Union, and Founding Member and Ex-President of the Turkish Advertisers' Association. Other memberships include various community organizations, foundations and sport clubs.

M. Sacit Basmacı

Born in 1952, Basmacı received his undergraduate degree from the Economics-Finance Department of the Faculty of Political Science of Ankara University in 1974.

Sacit Basmacı began his career in the Ministry of Finance as a tax accountant between 1974 and 1981. In 1981, he joined Eczacıbaşı Holding as an auditor, remaining here through 1983. In 1984, he moved to Cankurtaran Holding as Vice President of Financial and Administrative Affairs, later becoming Member of the Management and Executive Board, and Certified Public Accountant and Financial Advisor.

Basmacı returned to the Eczacıbaşı Group in 2003 as Assistant Vice President of Financial Affairs. Since January 2004, Basmacı has served as Executive Vice President, Head Comptroller and Legal Affairs, and General Manager of Eczacıbaşı Holding.

Levent A. Ersalman

Born in 1960, Levent Ersalman completed his undergraduate degree in Mechanical Engineering at Boğaziçi University in 1983 and his graduate degree in Business Administration at University of Akron in 1985.

Ersalman began his professional career in the Marketing Department of Koçbank in 1986, moving to Beksa as Finance Manager in 1988. At the end of that year he returned to Koçbank as Assistant Marketing Manager, later becoming Manager of Correspondent Banking Relations, Manager of Koçbank's main branch in Istanbul, Treasury Group Manager, and Assistant General Manager in charge of Treasury.

In 1998, Ersalman joined the Boyner Group as Assistant General Manager in charge of the Benkar Call Center and Sales, later becoming advisor to the CEO of Boyner Holding, General Manager of Benkar between 1999 and 2002, and General Manager of Beymen in 2002 and 2003.

In 2003 and 2004, Ersalman was an independent member of the board of directors of Yapı Kredi Bank in charge of risk management and internal control, and between 2005 and 2007, he was Coordinator of Marmaris Martı Otel İşletmeleri, an independent member of the board of directors of Alternatifbank, and a member of the board of directors of EST Elektronik Sanal Ticaret Bilişim Hizmetleri.

In January 2008, Ersalman joined the Eczacıbaşı Group as Executive Vice President in charge of Strategic Planning and Finance.

Sedat Birol

Born in 1955, Sedat Birol completed his undergraduate degree in Chemical Engineering at Aachen University in Germany and his master's degree in Organic Chemistry at Florida Atlantic University.

Before joining the Eczacıbaşı Group in 1990, Birol worked respectively at Bayer Türk, Process Products (USA) and ICC Chemicals (USA).

At Eczacıbaşı, Birol has served as General Manager of Eczacıbaşı Fine Chemical Products (1990-1994), General Manager of Eczacıbaşı-Baxter Hospital Supply (1994-2001), and General Manager of Eczacıbaşı Pharmaceuticals Manufacturing (2001-2004). In 2004, Birol was appointed Executive Vice President in charge of Healthcare, a position he still holds, and in 2008, he was additionally appointed General Manager of Eczacıbaşı Pharmaceutical and Industrial Investment.

Sedat Birol is a member of both the Istanbul Chamber of Industry Council and its Professional Committee, as well as a Board Member of the Pharmaceuticals Manufacturers' Association of Turkey and Executive Board Member of the Turkish American Business Council.

BOARD OF DIRECTORS' REPORT

PREPARED IN ACCORDANCE WITH COMMUNIQUE SERIAL XI, NO: 29
BOARD OF DIRECTORS' REPORT

1. Reporting period

This report is prepared in accordance with the Capital Markets Boards Communiqué Serial XI No: 29, "Principles of Financial Reporting in Capital Markets" for EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş., its Subsidiaries, Joint Ventures and Associates; and it includes information on important developments that took place during the financial year January 1 - December 31, 2010, along with the impact of these on financial tables and explanations on any critical risk or uncertainties that may be arising from these for the rest of the financial year.

2. Authorized boards for the period

Board of Directors

Name - Surname	Responsibility	
F. Bülent Eczacıbaşı	Chairman	Non Executive
R. Faruk Eczacıbaşı	Vice Chairman	Non Executive
Dr. O. Erdal Karamercan	Member	Non Executive
M. Sacit Basmacı	Member	Non Executive
Levent A. Ersalman	Member	Non Executive
Sedat Birol	Member	General Manager

Board of Auditors

Name - Surname	Responsibility
Tayfun İçten	Auditor
Selahattin Okan	Auditor

The Board of Directors and Auditors have been elected at the General Assembly dated 4 May 2010 to act for a year.

The Board of Directors is authorized to take all business decisions with the exception of decisions that must be taken at the General Assembly as specified in the Articles of Association.

There are no Managing Directors at the Board of Directors and Auditors.

3. Amendments made to the Articles of Association during the reporting period and reasons

No amendments were made to the Articles of Association during the reporting period.

4. Shareholding structure and changes in share capital

The Company's share capital is TRL 548,208,000 and it has not been changed during the reporting period.

The shareholders owning more than 10% of the share capital and their proportion of ownership are as follows:

Eczacıbaşı Holding A.Ş.	50.62%
Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.	20.05%

5. Profit distribution policy and ratio

At the General Assembly held on May 4, 2010, it was decided to distribute cash dividends amounting to gross 7% (net 5.95%) of the profit. Distribution of dividends started on 25 May 2010.

6. Key factors affecting the Company's performance, changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes, investment and dividend policies implemented to enhance the Company's performance

The Company has a holding structure with its subsidiaries, joint ventures and associates. Therefore, the Company's disclosures under this article are provided within the context of business segments it is involved in and the associated companies operating within these business segments as listed below:

Business Segment	Company Title
Health	
Original pharmaceuticals	EİP Eczacıbaşı İlaç Pazarlama A.Ş.
	Eczacıbaşı İlaç Ticaret A.Ş.
Hospital supplies	Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.
Dialysis treatment	RTS Renal Tedavi Hizmetleri Sanayi ve Ticaret A.Ş.
Health services	Eczacıbaşı Sağlık Hizmetleri A.Ş.
Nuclear medicine	Eczacıbaşı-Monrol Nükleer Ürünler Ticaret ve Sanayi A.Ş.

Consumer products	
Cosmetics market	EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler San. ve Tic. A.Ş.
Hairdressers' products market	Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.
Consumer products market	Girişim Pazarlama Tüketim Ürünleri Sanayi ve Ticaret A.Ş.
Real estate operations	
Property development	Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım A.Ş.
Kanyon	(*)
Ormanada Project	(**)
Other	
Ceramic tiles market	Vitra Karo Sanayi ve Ticaret A.Ş.
Export services	Ekom Eczacıbaşı Dış Ticaret A.Ş.

(*) Includes the whole Kanyon Office Block, which appears under the Company's assets, and half of the Shopping Mall.

(**) In December 2007, the Company bought half of 22 plots of land with a total area of 196,409.74 m^2 located at Sarıyer İlçesi, Uskumru Mahallesi, Yorgancı Çiftliği Mevkii. Project details are provided in section 15.3.

6.1 Health Sector

For the joint ventures active in the original pharmaceutical market;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**

  - The reference pricing system and the price increases applied by the Ministry of Health,
  - The licensing process of the Ministry of Health,
  - Introduction of the GMP (Good Manufacturing Practices) requirement for the licensing of imported products,
  - The speed of entry of licensed products to the Social Security Institution's (SSI) reimbursement list,
  - Obligatory discounts to state institutions imposed by the SSI are the key factors affecting performance.

  As a precaution to the possible negative impact of these, the Company has been adding OTC products to its portfolio, which are easier to license and unregulated.

- **Investment and dividend policies implemented to enhance the Company's performance:** Companies active in this segment are marketing and sales operations with no manufacturing activity. Therefore, a policy to distribute all distributable profit has been adopted.

PREPARED IN ACCORDANCE WITH COMMUNIQUE SERIAL XI, NO: 29 BOARD OF DIRECTORS' REPORT

For the joint venture active in the hospital supplies market;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**
  The main factors affecting the performance of the Company are uncertainties observed in global markets and the Turkish market, competition, and exchange rate fluctuations. As a precaution to these changing conditions, the Company maintains its competitiveness without deviating from quality and operating expenses are kept under close scrutiny against possible adversities in market conditions.

- **Investment and dividend policies implemented to enhance the Company's performance:**
  The installed capacity is revised every year and in light of sales targets for the coming years, required investments are made where a deficiency is observed. The Company adopted the principle of distributing profits fully as dividends for as long as such action had no negative impact on its financial structure.

  As a result of the global economic crisis and the uncertainties it created, the Annual Report of the Board of Directors dated December 31, 2009 stated that dividends on 2009 profits would not be distributed. However, following an evaluation of the 2009 year-end operational results, it was decided to distribute profits partially. For 2011, TRL 7 million of 2010 profits are budgeted to be distributed, and following approval at the General Assembly, the date of distribution will be announced.

For the associate active in the dialysis treatment market;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**
  Market conditions, competition and the dialysis session charges announced by the Social Security Institution are the main factors affecting the performance of the Company. On a Turkish Lira basis, the session charges were fixed from February 2005 to 2010 when a 5% increase bringing the price to TRL 145 became effective on April 1, 2010.

  As energy and fuel expenses, which constitute 10% of operating expenses, recorded price increases above inflation and other expenses (personnel, rent etc.) increased as much as the rate of inflation; while session prices had a much smaller increase applied much later, profitability was negatively affected. Under these circumstances, increasing sales and reducing expenses has become a policy priority.

- **Investment and dividend policies implemented to enhance the Company's performance:**
  The main investment items are machinery procurement and rental improvements related to capacity increases or renovation. In principle, investments are financed through increases in equity capital. In line with a resolution on quota and planning measures in effect since February 2009, the Ministry of Health limited new dialysis center permits based on regional capacity occupation ratios.

For the associate active in the health services market;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**
  Key factors affecting the performance of Eczacıbaşı Sağlık Hizmetleri are;

  - Changing macroeconomic indicators (In an economic crisis, fewer patients go to hospitals creating problems in enrolling patients in nursing homes. Also, during such times, some patients receiving home care services opt for employing unqualified health personnel due to cost concerns.),
  - The problems observed in recruiting nurses, who constitute the majority of personnel.

- **Investment and dividend policies implemented to enhance the Company's performance:**
  In order to lower the impact of adversities and improve performance, Eczacıbaşı Sağlık Hizmetleri is continuously striving to decrease costs by operating more efficiently.

  Eczacıbaşı Sağlık Hizmetleri is a service company active exclusively in sales and marketing, with no manufacturing operations. An important investment item for the Company in the coming term will be increasing the number of nursing homes.

For the associate active in the nuclear medicine sector;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**
  The performance of Eczacıbaşı-Monrol Nükleer Ürünler is closely tied to the health policies adopted by the authorities (Ministry of Health, Ministry of Finance, Reimbursement Agencies). Inclusion of the Company's products in the reimbursement schemes and the conditions of reimbursement affect the performance directly. As the Company creates a consumer market for the products it produces, it creates employment and value added both directly and indirectly.

- **Investment and dividend policies implemented to enhance the Company's performance:**
  In order to improve its performance, Eczacıbaşı-Monrol Nükleer Ürünler carries out promotional activities to introduce its products and enhance their usage. In line with this, it invests to increase its geographical coverage. The Company carries out R&D activities to broaden its product portfolio and introduces the developed products to the market.

6.2 Consumer Products Division

For the joint-venture active in the cosmetics market;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**
  The growth rate of the cosmetics market had been below expectations for the last few years. Annual market growth for 2010 was 11%. In 2011 new players are expected to enter the market, and thus, the market is not expected to shrink. The market developments are observed mostly at pharmacies and direct sales channels which are increasingly preferred by the consumers. This may affect the performance of the Company.

  As the retail sector is getting more organized, the ratio of sales through chain stores is increasing day by day. This is mainly an outcome of the increase in the number of cosmetics chain stores. The current ratio of 55% to 45% for sales through chain stores and traditional outlets (perfumeries, wholesalers, pharmacies, local markets) respectively is expected to become 60% for chain stores and 40% for traditional outlets in two years time.

  The sales and distribution arm of Eczacıbaşı-Beiersdorf Kozmetik Ürünler, Girişim Pazarlama Tüketim Ürünleri, is adjusting its organization and structure to better adapt to this new trend.

For the joint venture active in the professional hairdressers' products market;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**
  The key factors affecting the performance of Eczacıbaşı-Schwarzkopf Kuaför Ürünleri are the activities of the competitors and, as almost all of the products are imported, economic variables starting with the foreign exchange rates. Precautionary policies include following up market data closely and making use of financial instruments to hedge foreign exchange risks. In order to increase market share new products are imported in line with the health and fashion trends; training programs are offered to hairdressers to improve their skills and promote the use of products; support activities are organized to tie in more hair salons and periodic promotional campaigns are developed.

For the associated active in the consumer products market;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**
  As of year-end 2007 Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri moved its production to a modern plant within the Gebze Organized Industrial Zone, from its old production facility located at Çerkezköy. The fact that the new manufacturing plant is located close to

the main warehouse as well as having its own warehouse resulted in significant improvements in storage and transportation costs.

The Company keeps investing in new systems to improve its current sales infrastructure. Within this context, to manage the dealers effectively, a dealer automation system was established where dealers' sales and stocks can be monitored daily on a product basis. In 2008 a system that would enable the dealers to place orders automatically was established and became operational.

A CPM (Commercial Promotion Management) Project for the chain stores channel that would allow all the dealers to effectively use the sales funds, and a CRM (Customer Relationship Management) Project for the out of home channel were both completed in 2009.

In 2008 a video conference system was established in between the head office, regional offices and the production facility. This system would enable the Company to achieve significant savings on transport and travel expenses.

6.3 Real Estate Operations

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**

Kanyon:
Competition has been intensifying since 2008 with the opening of new shopping centers. Despite this, Kanyon still is able to differentiate itself from the competition and manages to attract a loyal customer base. In response to increasing competition and the economic fluctuations, the marketing plan is enriched, and by means of applying an optimum stand rental pricing policy, operations in this area are being developed. An increase in retail turnover has been observed since May 2009 which continued in 2010.

Kanyon's strong and weak points within this market structure can be summarized as follows:

STRENGTHS	WEAKNESSES
Central location / Being preferred at summer weather conditions	Affected by adverse weather conditions in winter
Different architectural design	Traffic density
Open air shopping	Gaps in the brand mix
Heavy emphasis on leisure, culture and art elements	
OPPORTUNITIES	**THREATS**
Conceptual uniqueness	New shopping centers
Vicinity to a dense office population	Kanyon's luxury image
High income region	

The strong demand the retail market had shown to shopping centers caused the rental rates to rise. The retailers that rented their spaces at these high prices started facing difficulties at the end of 2008, when the impact of the economic crisis started to be felt, to the extent that some had to close down their stores. In this crisis environment retailers have become reluctant to open new stores and the shopping centers have started evaluating applications more meticulously. To replace the shops that closed down, Kanyon is now looking for brands that have higher potential to attract consumers and create more traffic. At the same time efforts concentrate on strengthening the brand mix and the brand gaps have already started being filled.

Kanyon carries out systematic activities as a favorite shopping center: art activities, programs for kids and campaigns in winter; and ecologic living space "Organikanyon" in summer are among these. The recently launched children's leisure center "Fungate" aims to place Kanyon as a shopping center preferred by families. With a cooperation of Virgin Radio and Kanyon, Kanyon now has a radio station and Virgin Radio DJs are broadcasting from Kanyon with both their closed circuit programs and national broadcasting. Virgin Radio Kanyon is developed in line with the Kanyon's image as young and innovative, and aims to attract young clients. Paying attention to the increasing importance of social media and digital marketing Kanyon started using these channels more effectively in its marketing communications and investments.

Real Estate Development:

Key factors affecting the performance of Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım are the investment decisions of the investors it is serving with real estate development projects and the overall outlook of the sector.

Ongoing real estate development projects are proceeding as planned. As the clients served have decided land development and building would be their primary area of activity, their investment decisions are expected to remain intact in the short to medium term.

The construction sector, in which the company is active, felt the economic crisis most. Despite this, the Company will keep its unique standing in the market with its high quality orientation, outstanding architectural approach and the projects it develops with an aspiration to establish brand names.

6.4 Other

For the associate active in the ceramic tiles market;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**

  In 2010 Vitra Karo performed better as compared to 2009. The global economic crisis, which started to be felt at the end of 2008, had a negative impact on the Company's activities at the beginning of 2009. In 2010, both at the home market and at the markets abroad that the Company is operating in, the impact of the crisis started to fade away.

Natural gas prices which constitute a significant share of production costs decreased by 20% in 2010 as compared to 2009 and this was a positive development for Vitra Karo. During the same period electricity prices increased by 4.5% and domestic transportation prices increased by 5% for shipments from Bozüyük and 2% for shipments from Tuzla. In the meantime, as a result of foreign exchange rate deviations, overseas transportation prices decreased by 2% on TRL basis.

Production capacity was kept under control following demand trends in 2009 and the same was adopted in 2010. Production increased by 22% over 2009 in square meters and, thanks to effective stock management, product stocks in December 2010 were 7% lower in square meter terms as compared to the same month in 2009. In line with that and as a result of the austerity measures taken, production costs and all other expenses were kept more effectively under control.

- **Investment and dividend policies implemented to enhance the Company's performance:** Along with the building products division strategies, a growth policy involving overseas buy-outs and/or green-field investments is pursued. In line with this policy it was decided to buy 24% of the shares of Villeroy&Boch Fliesen in January 2011, in addition to the 51% bought in 2007, raising the total shareholding to 75%. The manufacturing plant construction and assembly works in Russia continue and production is planned to start by the end of the first quarter of 2011. The Company has adopted a dividend policy of distributing profits after growth related investment finance requirements are met.

For the associate active in the export sales services;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes**
  As the foreign trade capital company of the Eczacıbaşı Group, Ekom aims to provide most effective export, customs, finance and risk management services to the Group companies which make use of its services in export sales of Eczacıbaşı products. The performance of the Company is to some extent affected by changes in macroeconomic indicators. Particularly, fluctuations in foreign exchange rate policies have an impact on sales commissions, and directly affect the Company's financial results.

6.5 Investment and dividend policies implemented by Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar to enhance its performance

Investment policy:
Since having divested its manufacturing interests Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar has been pursuing growth aimed investments in health and real estate development sectors in addition to its current structure. With this aim on one hand it has been acquiring companies and products active in these fields and on the other hand it has been developing real estate projects.

Apart from the sectors the Company is active in, either directly or through existing partnerships, a Board decision taken on December 31, 2009, resolved that in conformity with the current legislation, an application should be filed at the Banking Sector Regulatory Board to establish an Investment Bank. Should the application be approved and the required permits be issued, and upon completion of the legal requirements, the Company would contribute to the bank's capital with a 40% share. As of December 31, 2010 the process is still pending.

Dividend policy:
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:

- ❖ The Articles of Association do not contain any clause about privileged shares, founder benefit shares and the distribution of profit to members of the Board of Directors and employees as well as the distribution of profit advance payments.
- ❖ The Company's Articles of Association accept the principle of distribution of the first dividend based on the ratio and amount decided by the CMB.
- ❖ In preparing its recommendations on profit distribution for the general assembly, the Board of Directors takes into consideration the sensitive balance between the Company's existing profitability, the expectations of shareholders and prescribed growth strategies.
- ❖ Dividend payments (cash and/or bonus shares) are made as soon as possible after the general assembly and within the legal time limit set by CMB regulations.

7. The Company's sources of finance and risk management policies

Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar has a wide range of long established communications network with the banking system and a strong credibility standing.

As of December 31, 2010 the Company does not have any open credit lines. In the coming period and as is required credit lines from a number of banks may be used either to finance short term liquidity needs or investments.

The financial risks of Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar are closely monitored by the management of the Company. Currently a majority of the Company's financial assets are managed in a tripod portfolio including Euro, US dollar and Turkish Lira components and weight is given to the foreign currency part of it. The current portfolio policy prioritizes liquidity and a great portion of cash assets are kept as saving accounts in a wide range of banks located in Turkey. In the coming period and in line with risk assessments it may be possible to utilize funds partially in other placement tools.

7.1 Health Sector

Original pharmaceuticals market:
For companies operating in this sector, revenues from sales of pharmaceuticals, their main activity, constitute the main source of finance. The main risk they face is to import at a high exchange rate and have to sell at a fixed exchange rate determined by the Ministry of Health (the last fixed exchange rate was determined on April 1, 2009 when the Euro/TRL parity was fixed at TRL 1.9595) when exchange rate fluctuations are observed.

According to the Decree Regarding the Pricing of Pharmaceuticals for Human Use, changes in the exchange rate applicable are determined by the "Price Evaluation Commission" established by representatives of the Ministry of Finance, the Undersecretariat of the State Planning Organization, the Undersecretariat of Treasury, and the Social Security Institution under the coordination of the Ministry of Health. The Commission holds its ordinary meetings once every three months, or may convene for an extraordinary meeting upon the invitation of any of the institutions represented, to establish regulations to implement this decree or to decide whether the pharmaceutical prices would need to be increased, reduced or kept stable. It also establishes the "Periodic Euro Value" and the "Periodic Euro Value Band" that would be used in calculating the pharmaceutical prices. The minimum value of the periodic Euro band is the periodic Euro value and the maximum value is 10% higher than the minimum value. Exchange rate changes within 5% less than the minimum value and 5% higher than the maximum value range would not constitute a price change requirement.

Hospital supplies market:
Eczacıbaşı-Baxter Hastane Ürünleri made use of foreign currency bank loans in 2009, and closed these fully within the first quarter of 2010. During 2010, a TRL 2 million loan was used from Türkiye Ekonomi Bankası.

Receivables and payables are kept under close scrutiny against the risk of operating cash being negatively affected by adverse market conditions. In order to minimize the impact of adverse market conditions, budgeted expenses have been reviewed and an additional set of austerity measures has been determined.

Dialysis market:
RTS Renal Tedavi Hizmetleri mostly finances new clinic investments from the establishment capital. Cash requirements for capacity increases, machinery renewals and similar items are financed through operating cash and short term bank loans when necessary. Through a capital increase in 2009 most of the existing bank loans were repaid.

Social Security Institution receivables constitute the most important working capital item and receivables due and operating cash generated are sytematically monitored.

Health services:
The main source of finance for Eczacıbaşı Sağlık Hizmetleri is revenue collection from patients the Company serves. In order to minimize the risk of collections, cash collections are encouraged

to the extent possible. As the Company has no foreign currency payables it is not subject to foreign exchange risk.

The Company has started using a rotating loan in 2010 and as of December 31, 2010 TRL 1,625 thousand of that loan was under use.

Nuclear medicine sector:
Capital and investment loans are the main sources of finance for Eczacıbaşı-Monrol Nükleer Ürünler. The Company operates through a dealers' network abroad and employs both a dealer network and direct sales domestically. Dealer risks are managed through contracts and partial letters of guarantee. Feasibility audits and investment performance monitoring are employed to avoid investment risks.

7.2 Consumer Products Sector

Cosmetics market:
Eczacıbaşı-Beiersdorf Kozmetik Ürünler makes use of both TRL and Euro loans. Used as working capital, the Euro loans amount to Euro 1.5 million and these are revolving loans renewed annually. This loan has a maturity of one year one week on average and is due in July 2011.

TRL loans are rotating loans, borrowed at the time a working capital requirement arises and closed in a short term. As of December 31, 2010, these amounted to TRL 654 thousand. As all products are imported and there are no export sales, occasionally forward contracts are used for modest amounts to avoid high foreign exchange risk volatility. As TRL interest rates are usually high, forward contracts have a 1-2 month maturity. As of end December there are no effective forward contracts.

Hairdressers' products market:
The main financial policy of Eczacıbaşı-Schwarzkopf Kuaför Ürünleri is to avoid working capital deficits. As all products are imported and there are no export sales forward contracts are used against foreign currency risks.

Consumer products market:
Girişim Pazarlama Tüketim Ürünleri finances receivables, stocks and fixed assets through equity and as of December 2010 no loans had been used.

Receivables are guaranteed by sales channels. Real estate mortgages and letter of guarantees from banks are collected from clients as payment guarantees. Of the sales to wholesale dealers 84% of receivables were covered by such guarantees in December 2009, and this ratio reached 90% at the end of 2010. In order to eliminate the risk on foreign exchange liabilities that may arise from sudden fluctuations of the foreign exchange markets, foreign exchange reserves are kept to cover all foreign exchange liabilities.

The ratio of budgeted versus actual expenses of all departments of the Company are monitored and it is expected that any deviation in sales would be matched by corresponding expense cuts.

7.3 Real Estate Operations

Real estate development:
As of 31 December, 2010 Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım had neither foreign exchange risks nor open loans. The Company covers all its expenses with its operating revenue. Operating revenue includes consultancy and land development contract income along with building site revenues.

7.4 Other

Ceramic tiles market:
In 2010 export sales accounted for 61% of Vitra Karo's sales revenue. As most of its income is foreign currency based, the Company covers its financing requirements by foreign exchange loans. In addition, other financial instruments are used to lower the risks as and when required.

Export services:
Since Ekom acts as an intermediary and it undertakes minimum risks carrying out its activities for which its equity is large enough to bear it does not need to use any outside finance. Yet with the financial intermediary services it provides, Ekom has access to a wide network of banks and enjoys high credibility, it may use such outside finance should there be the need.

8. Other issues not included in the financial tables, but useful to know for interested parties

In the Board of Directors' meeting on 24 July 2009, it was decided to classify 75% of the profit arising from the sale of 25% of the shares of Eczacıbaşı-Zentiva Sağlık Ürünleri Sanayi ve Ticaret A.Ş. and Eczacıbaşı-Zentiva Kimyasal Ürünler Sanayi ve Ticaret A.Ş to Zentiva N.V as special reserves in order to benefit from the corporate tax exemption denoted in Article 5, subsection (1), clause (e) of Corporate Tax Law No. 5520. Explanations regarding the application of amendments to Income Tax Law No. 193 and Corporate Tax Law No. 5520 declared on 4 June 2008 in Law No. 5766, were published in the Communiqué on 20 November 2008 in Official Gazette No. 27060. Transfer of profit arising from the sales of shares to reserves was made in April.

Pharmaceuticals sector:
In 2010 the size of the pharmaceutical market in Turkey remained the same in TRL terms. Eczacıbaşı İlaç Pazarlama, on the other hand, shrank by 3%. The market segments that Eczacıbaşı İlaç Pazarlama is active in also shrank by 3% on TRL terms as compared to a year ago.

In addition to the measures that were taken and had been implemented for many years now by the relevant Ministry and institutions, aiming to decrease health spending, additional measures were introduced in 2009 and 2010 that had a significant negative impact on the sector. These are;

- ❖ The Decree on Pricing Pharmaceuticals for Human Use published on 3 December 2009 amending the reference pricing system which was effective since 2004 (original pharmaceuticals which have generics and the generics in question would have ex-factory prices of 66% of the registered reference price),
- ❖ The additional 12% discount implemented on the existing 11% base discount for original and 20 years old pharmaceuticals which do not have reference prices and which have a retail price over TRL 10, enacted by a Decree Amendment published on 4 December 2009,
- ❖ The Decree Amendment published on 11 December 2010 increased the additional discount applicable to original and 20 years old pharmaceuticals which do not have reference prices and which have a retail price over TRL 10 to 20.5% and brought a 9.5% additional discount to generic pharmaceuticals.

It is predicted that these measures will hamper the growth of the sector.

Nuclear medicine sector:
The Company's manufacturing plant licenses, product licenses and its international reputation in the field it operates are important information which are not to be found in the financial tables.

9. Important developments observed in between the end of the accounting period and the date of the General Assembly that the financial tables would be discussed

- ❖ At the Board of Directors meeting dated 7 February 2011, a decision to apply to the CMB and the Ministry of Industry and Trade for approvals to amend the Clause 4 of Articles of Association was taken. The CMB replied in writing on 11 February 2011, giving the Company six months to finalize the amendment; and the Ministry of Industry and Trade approved the amendment on 1 March 2011.
- ❖ At the Board of Directors meeting dated 28 March 2011, it was resolved to hold the General Assembly on 6 May 2011, Friday, at 8:30; at the Hyatt Regency Hotel located at Taşkışla Avenue, Taksim, Istanbul.
- ❖ On 28 February 2008, the Board of Directors decided to develop the Company's activities in the health sector that were carried out to date through associates further by means of partnership or strategic cooperation with companies active in this field; and authorized the Health Group President and the Company's General Manager Sedat Birol to carry out research, hold meetings and present the outcome to the Board of Directors. As a result of these efforts, meetings started with the partners and authorized officials of Moleküler Görüntüleme Ticaret ve Sanayi A.Ş., a hi-tech R&D company operating on research, development, innovation and production in the field of molecular medicine, for the purchase of 99.996% of the shares of it by Eczacıbaşı-Monrol. The Company has a 49.998% shareholding in Eczacıbaşı-Monrol, which is active in production, import and distribution of

radiopharmaceuticals used in nuclear medicine. Moleküler Görüntüleme Ticaret ve Sanayi A.Ş. is fully owned by Bozluolçay Group, which currently is a 50% shareholder in Ezcacıbaşı-Monrol.

- ❖ Upon inspection of companies in pharmaceuticals industry by the Tax Inspectors Board of the Ministry of Finance, TRL 13,517 thousand additional tax (TRL 3,033 thousand of which is corporate income tax and TRL 10,484 thousand relate to temporary income tax) and TRL 20,276 thousand penalty has been levied against the Company by Large Taxpayers Office in relation to tax inspection reports of the Company for 2006 and 2007.

  A decision has not been reached yet as to whether the Company should apply to the Commission for Tax Reconciliations in the Ministry of Finance under the conciliation clauses of the Tax Law; or should a lawsuit be opened on the basis of the similar cases in the past that concluded in favor of the Company; or should it benefit from the respective clauses of the Law No: 6211. A decision would be reached within the legal time limits. The Company has not provided a provision for this amount in the consolidated financial statements, since a lawsuit on the same subject concluded in favor of the Company.

- ❖ Upon inspection of companies in pharmaceuticals industry by the Tax Inspectors Board of the Ministry of Finance, TRL 7,256 thousand additional tax (TRL 2,340 thousand of which is corporate income tax and TRL 4,916 thousand relate to temporary income tax) and TRL 10,914 thousand penalty has been levied against the Company by Boğaziçi Corporate Tax Administration on 12 June 2009 in relation to tax inspection reports of the Company for 2004.

  For these tax and penalties an application was filed with the Commission for Tax Reconciliation in the Ministry of Finance. Since no settlement was reached, the Company filed a lawsuit in the tax court on 2 April 2010. The 10th İstanbul Tax Court concluded on 7 April 2011 to settle all respective cases in favor of the Company.

10. Development prospects for the Company

10.1 Health Sector

Original pharmaceuticals market:
Following the transfer of sales rights of a number of products to Eczacıbaşı-Zentiva Sağlık Ürünleri in July 2007, Eczacıbaşı İlaç Pazarlama has started an intense effort to add new products/companies to its portfolio. Additionally it is working to add some CE certified semi product like items that are priced freely to its portfolio of pharmaceuticals. The Company signed 24 new contracts within the period 2008-2010 and is planning to launch the related products to the market within 2009-2013.

On 1 November 2010, Eczacıbaşı İlaç Pazarlama signed an agreement for the distribution rights in Turkey of Menicon Co, Japan's first and largest contact lens and contact lens care solutions manufacturer, which operates in more than 30 countries including Europe, the United States of America and Japan, and employs over 1,000 people.

Hospital supplies market:
Eczacıbaşı-Baxter Hastane Ürünleri operates in a highly competitive market. Consequently, ability to launch new products is of vital importance for the Company's development. The Company is heavily involved in business development activities.

Dialysis treatment market:
RTS Renal Tedavi Hizmetleri will continue to grow in the coming period with the ongoing capacity increase investments and improved capacity utilization rates.

Health services:
The first Evital Care Center was opened in Istanbul in 2008. It is planned to open new Evital Care Centers in other locations.

Nuclear medicine sector:
Eczacıbaşı-Monrol Nükleer Ürünler has been growing with its domestic investments and will continue to grow through new investments and partnerships both at home and abroad.

The new FDG facility investment at Istanbul Davutpaşa Yıldız Teknik Üniversitesi Teknopark is completed. The test production runs were successful and it is planned to start production in April 2011 upon finalizing the manufacturing license issue process. Two other FDG investments at home, in Antalya and Malatya, and one abroad in Romania are in progress. Apart from these, it is planned to have more production facilities abroad through partnerships, either as owners or operators. This strategy will ensure the Company to develop fast with a wider geographical coverage and a wider product portfolio. Efforts to obtain EU product licenses are ongoing and are expected to be finalized by June 2011.

In October 2010, the Company became the Turkish distributor for Theasphere, a micro-sphere used for treating liver tumors.

10.2 Consumer Products Sector

Cosmetics market:
Cosmetics market develops through new products. End-users support market growth by buying and trying new products. New products are most effective in the facial treatment and deodorant categories.

Eczacıbaşı-Beiersdorf Kozmetik Ürünler aims to grow in the markets it is currently active in, and mostly, as the market leader. It also aims to strengthen its market position by offering innovations and expanding its end-user reach through entering into product categories it has not been involved in before (the first such effort had been entering into the soap market). Apart from these, the trend observed in the States and in Europe where organized channel grow at the expense of traditional channels, is a development being observed in the Turkish market as well. Organized retailers like the chain stores are investing in cosmetics and are developing.

It is expected that internet will become a more important sales channel in the future and self-service/kiosk type sales points will develop. Thus in the long term, the intermediaries will slowly be eliminated and the models allowing end-users direct and easy access to the products will be more desirable. Both the population and the development potential are higher as compared to European markets. Consumers perceive NIVEA branded products as reliable and good value for money.

Hairdressers' products market:
Professional hairdressers' products market has been shrinking by around 5% in the last two years as a result of decreasing frequency of visits to hair salons and increasing home use.

Eczacıbaşı-Schwarzkopf Kuaför Ürünleri performs in line with the market trends, where particularly the products retailed at the hair salons are showing growth potential. A market share increase in this segment is targeted. In the last quarter of 2010 significant growth was recorded as compared to last year.

Consumer products market:
Girişim Pazarlama Tüketim Ürünleri started manufacturing industrial liquid detergents, cosmetics and eau de cologne at its own plant. All these products are manufactured by the best available processing and management applications to be found in this sector. ISO 9000 certification is completed and file preparation has been started to become the first GMP (Good Manufacturing Practices) certified manufacturer in this sector.

Net sales increased by 10% in 2010 as compared to a year ago. An average 12% growth is planned for the coming three years.

10.3 Real Estate Operations

Kanyon:
Currently there are some shops and offices available for renting. Efforts continue to bring in brands with a high potential and achieve a stronger brand mix to occupy these. A container stand, Kanyon Box, located at the Büyükdere entrance of Kanyon was launched for marketing and PR purposes, where brands which are in harmony with the Kanyon concept but currently are not available at Kanyon are offered there for a month.

Marketing activities mainly focus on events, advertising, public relations and customer relationship management. Event plan is developed to cover the whole year and create additional client traffic. Since April 2010 actions and activities tailored for tourists have been speeded up.

Advertisements are mainly designed in line with events and PR (Public Relations) possibilities that benefit from events are evaluated. CRM (Customer Relationship Management) efforts continue and are being developed further. Kanyon image building campaign was started in cooperation with the recently appointed advertising agency and image building radio jingles and spots were launched as the first stage. As brand cooperation is becoming more important efforts to implement joint projects with the brands have started.

Real estate development:
Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım, upon completing the Levent Office Project in 2009 had also become the contractor and completed the fine works and decoration upon a separate contract signed by the lessees. As part of the Ormanada project development works, application and interior decoration projects were completed in cooperation with different architectural groups and the construction licenses for the buildings within the first phase have been obtained. As of the last quarter of 2010, sales and construction activities have started. The Company will be the lead contractor in this project, as well as being the project manager, and these developments are expected to cause a significant increase in the work load, the positive impact of which are expected to be seen in the financial results of the Company in the 2011-2013 period.

10.4 Other

Ceramic tiles market:
Vitra Karo operates in an intensely competitive market where innovative products and maximum customer satisfaction are crucial. In this regard, the Company endeavors to design new products, which once developed, are presented to customers in major international fairs. In addition, the operational processes are continuously developed and improved to increase customer satisfaction.

As a result of a relative improvement observed on the impact of the economic crisis, and the development efforts of the Company, customer orders increased by 12% in 2010 as compared to 2009 on a square meter basis. A 12-month order trends analysis indicates that the last 12 months order entries were 22% higher than the same period a year ago.

Export services:
Ekom increases its business volume in line with the development of the export activities of the Eczacıbaşı Group. Necessary measures are taken to improve efficiency in this process. Activities in line with and in a complementary manner to the current business line are being pursued and put into action upon approval by the board of Eczacıbaşı Holding A.Ş..

11. Report of Compliance with Corporate Governance Principles

During the period 1 January - 31 December 2010, Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar, conformed to and implemented the Corporate Governance Principles issued by the Capital Markets Board. Report of Compliance with Corporate Governance Principles, is published under the Investor Relations section at the website, *www.eczacibasi.com.tr*.

12. R&D activities realized

Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar is not directly involved in research and development (R&D) activities. However, information concerning the subsidiaries, joint ventures and associates within the current consolidated structure which have R&D activities are presented below:

12.1 Health Sector

Original pharmaceuticals market:
As Eczacıbaşı İlaç Pazarlama licenses original products in Turkey, it has no R&D activity. However, since 2008 it has been investing for production rights of three products in Turkey that are in PHASEIII stage. One of these was licensed in EU and the licensing efforts in Turkey continue.

Hospital supplies and dialysis treatment market:
Our company operating in the hospital supplies and dialysis treatment market has no R&D activity.

Health services:
Eczacıbaşı Sağlık Hizmetleri has no R&D activity; however, efforts are under way to appropriate an innovative approach to improve service efficiency as part of the corporate culture.

Nuclear medicine:
Eczacıbaşı-Monrol Nükleer Ürünler is always active in development efforts for new products. The R&D activities financed by corporate resources are aimed at directly adding new products to the portfolio and improving existing products.

On the other hand, R&D activities that are carried out with international institutions (IAEA) are to improve knowledge, quality and efficiency. In addition, within the context of Santez projects, R&D activities for original and innovative products are being carried out in cooperation with Turkish universities. In 2011 three new products are planned to be introduced to the Turkish market.

12.2 Consumer Products Sector

Cosmetics market:
As all products in this market are imported there are no R&D activities.

Hair dressers' products market:
All products in this market are imported from Germany. R&D activities are carried out by the original manufacturers.

Consumer products market:
The production facility and R&D structure of Girişim Pazarlama Tüketim Ürünleri is established to develop certain formulae completely by the Company rather than buying these from elsewhere. At the production facility 70% of the formulae have been renewed and the number of Maratem branded products reached 88 within three years.

Formulae optimization for Egos branded products and new product development efforts for Selin, Detan and Defans branded products are ongoing.

12.3 Real Estate Operations

Real estate development:
Land development studies in Kartal are being carried out by Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım as part of the real estate development contract. The business development department continues to search for new projects in compliance with the Group's approach to develop privileged projects in real estate.

12.4 Other

Ceramic tiles market:
Eczacıbaşı Building Products Division is in the process of establishing an R&D center at Bozüyük to serve both Vitra Karo and Eczacıbaşı Yapı Ürünleri. The facility, which will function as the "Innovation Center" for the Building Division, is planned to become operational in the second quarter of 2011.

Export services:
Ekom has no R&D activity.

13. Nature and value of the capital markets instruments issued if any

None.

14. The sector in which the Company operates in and its positioning

Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar, through its subsidiaries, joint ventures and associates in its current consolidated structure, is active in health and consumer products sectors and it is directly active in real estate development. Therefore, reporting under this article is made on the basis of areas of activity.

14.1 Health Sector

Original pharmaceuticals market:
Eczacıbaşı İlaç Pazarlama is mainly active in the pharmaceuticals sector with its imported original products portfolio including the products of Amgen, Sanofi-Aventis, Chugai-Sanofi Aventis, P&G, Astellas, Spirig, Sigma-Tau. Two more companies, Tillots and Mitsubishi, were added to the portfolio in 2009. Also Sanofi-Aventis products that were included in Eczacıbaşı İlaç Ticaret's portfolio, and which were contract manufactured by Zentiva Sağlık Ürünleri Sanayi ve Ticaret A.Ş. under Sanofi-Aventis license, were transferred to Eczacıbaşı İlaç Pazarlama.

Eczacıbaşı İlaç Ticaret's product portfolio consists of Chugai Sanofi-Aventis and Almirall licensed imported original products.

Hospital supplies market:
Eczacıbaşı-Baxter Hastane Ürünleri which is the market leader in parenteral solutions and peritoneal dialysis products market is subject to stiff competition by both domestic and foreign companies in the hospital supplies market. The Company is active in hospital supplies, renal products and biological products markets.

Dialysis treatment market:
RTS Renal Tedavi Hizmetleri provides dialysis treatment services. The market grows by an average 8% per year.

The share of private sector investments is increasing in this market. However, as a result of the delays observed in price increases, some private centers started to close down or merge their operations. Particularly large and foreign owned chains are taking action in the direction of either closing down or merging their clinics with low capacity utilization ratios. The Company is the second largest chain amongst privately owned dialysis centers.

Health services:
Eczacıbaşı Sağlık Hizmetleri, operates in the health sector and offers the widest spectrum of health services (home-based nursing care, physician, therapy services, nursing care center services, provision of medical equipment for patient treatment) in Turkey. Due to the nature of the services offered it is not possible to benchmark the Company with any other.

Nuclear medicine sector:
Eczacıbaşı-Monrol Nükleer Ürünler operates in the pharmaceuticals sector as a manufacturer of radiopharmaceuticals. The FDG market, which constituted 37% of the Company's sales in 2010, was subject to the entry of two competitors in 2009; and as of end 2010, the Company remains the market leader with a market share of 66.4%.

SPECT product category accounted for 55% of sales in 2010 and apart from the domestic market these products are exported to 21 countries. The largest export markets are Iran, Egypt and India. Exports increased by 81% as compared to the same period a year ago.

14.2 Consumer Products Sector

Cosmetics market:
Turkish cosmetics market, for the categories that Eczacıbaşı-Beiersdorf Kozmetik Ürünler is active in had a volume of TRL 844 million at the end of 2010, according to data from Nielsen (excluding pharmacy and petrol station market channels). The market growth as compared to same period of 2009 had been 11% on turnover basis.

NIVEA, a 100 years old brand which has been marketed in Turkey by Eczacıbaşı since 1960, is rare both in Turkey and in the world, in its coverage of all segments of society, babies, youth, elderly, men, women, with a single brand of cosmetics and personal care products.

The Company reaches consumers with 14 brands in the skin care, deodorant, sun protection, color cosmetics and baby care categories it operates in. All products reach customers through Girişim Pazarlama Tüketim Ürünleri.

According to the Nielsen retail report, as of year-end 2010, the Company continues to be the market leader in the skin care market and in facial care, deodorant, body care, sun protection products and lip care products markets it is the market leader with its sub-brands. The total number of products that the Company offers in the market is 300 excluding and 500 including color cosmetics.

Hairdressers' products market:
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri, operates in the wholesale hairdressers' products market. It is the market leader in hair coloring products. It has been increasing its market share in shampoo and other hair care products markets. The Company is active in importing, marketing and sales of hair cosmetics products that are only used by hairdressers or sold through hair salons.

Eczacıbaşı-Schwarzkopf Kuaför Ürünleri, operates in the hairdressers' sector and along with Schwarzkopf products it also sells Indola branded products which were bought by Henkel KGaA, the parent company of Schwarzkopf in 2005. The Company is the market leader with its portfolio of pioneering brands like Igora, Indola, Bonacure, Osis, Blond Me.

Consumer products market:
Girişim Pazarlama Tüketim Ürünleri, is active in sales and distribution in the consumer products market and is responsible from brand management and manufacturing of Eczacıbaşı's own consumer and away-from-home brands.

It is the market leader in 12 of the 20 product categories it distributes. According to AC Nielsen retail panel distribution data, the Company has a 80% - 95% coverage ratio around Turkey, reaching 4,800 sales points directly, 67,000 sales points through exclusive or general dealer teams responsible for Girişim Pazarlama products, and 160,000 sales points in total including sales through wholesalers.

Consumer products manufacturing plant is in full compliance with the new cosmetics law published in 2006 parallel to European Standards, and for liquid detergent production, it has the most developed infrastructure and manufacturing conditions within the country. The plant was established with the most optimal solutions for energy and water consumption, and is equipped with an automation system to ensure production quality consistency. R&D, Quality Control and Microbiology laboratories are equipped with all tools and systems that the sector may require.

14.3 Real estate operations

Kanyon:
Shopping centers and retailing sector have been developing fast in the last few years in Turkey and the competition is intensifying. Although the ratio of shopping center m^2 to population is still half of European average, particularly in Istanbul, and at certain neighborhoods, there is a density causing high competition.

Kanyon differs from other shopping centers in its region with its architecture, events and brands. The trends observed at the market at large are as follows:

- Too many shopping centers targeting the same segment are launched
- There is an effort to move away from the traditional shopping center concept and leisure elements within the shopping centers are gaining importance
- Customers are becoming more demanding
- A higher quality and wider brand mix is expected
- Shopping is in competition with other activities as a means to spend spare time

The Company fully owns the 26 story office block at Kanyon, which as the first open-air shopping center project in Turkey, had received great acclaim both at home and abroad.

Real estate development:
Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım, operates in the real estate sector, and is active in real estate development and project management.

Apart from managing Eczacıbaşı Group's existing real estate portfolio within the country, the Company aims to establish "Eczacıbaşı Real Estate" as a brand in the sector by developing projects that are authentic, ecological and sustainable taking into consideration architectural genius, pioneering design and lifestyles; through solution oriented partnerships like flat-for-land and profit sharing.

Other real estate development activities:
The Company owns and receives rental revenues from the manufacturing plant and administration building of its 50% joint venture, Eczacıbaşı-Baxter Hastane Ürünleri, at Ayazağa.

14.4 Other

Ceramic tiles market:
Vitra Karo supplies 6% of Turkey's 130 million m^2 consumption of ceramic tiles, and as the Tiles group, along with its associates, supplies 8% of Germany's 116 million m^2 consumption, 3% of 68 million m^2 consumption of UK and Ireland, 2% of the 119 million m^2 consumption of France and 0.3% of Russia's 195 million m^2 consumption.

Export services:
Ekom, provides operation, customs, finance and risk management support services to Eczacıbaşı Group companies under an export agency scheme. Due to the specific nature of the business and the fact that only group companies are served, it is not meaningful to benchmark or position the Company at a sectoral level.

15. Developments in investments, incentives used and the extent of incentive use

15.1 Health Sector

Original pharmaceuticals market:
No incentives are used.

Hospital supplies market:
Eczacıbaşı-Baxter Hastane Ürünleri, has no plans for any capacity increase and investment thereof for the IV and peritoneal dialysis solutions it produces. No incentives were used for modernization or other investments. Investments realized were mostly sales related machinery and IT investments.

Dialysis treatment market:
RTS Renal Tedavi Hizmetleri did not use any incentives in 2010. The investment deduction allowance carried from previous years amounts to TRL 1,837.

Health services:
Incentives are not used.

Nuclear medicine sector:
Istanbul-Yıldız investment has been completed and is under the process of obtaining a production license. Production at this facility will start in April 2011. Construction investment and equipment procurement for the Antalya plant have been mostly completed and equipment set up and preparations for test production are ongoing. Likewise construction stage and equipment procurement for the Romania plant have been mostly completed and machinery set up and testing stages have started. A new FDG production facility investment at Malatya has started and is at the construction stage. An investment incentive application has been filed for the Malatya project. The capacity increase and additional R&D facility investments planned in Ankara have been postponed.

15.2 Consumer Products Sector

Cosmetics market:
As Eczacıbaşı-Beiersdorf Kozmetik Ürünler is not involved in production investment figures are low. In 2010 the investments amounted to TRL 751 thousand. Most of this consists of stand procurement and TV advertising film production investments. No incentive was used for these investments.

Consumer products market:
The new cleansing agents and cosmetics manufacturing plant of Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri started being built in November 2006 at Gebze and became operational in December 2007. The total investment spending realized was TRL 17,244 thousand. Investment spending during 2010 amounted to TRL 3,167 thousand. No incentives were used.

15.3 Real Estate Operations

Ormanada Project:
The Company bought 50% of 22 pieces of land with a total area of 196,409.74 m2 at Sarıyer İlçesi, Uskumru Mahallesi, Yorgancı Çiftliği Mevkii on 31 December 2007. The remaining 50% belongs to Eczacıbaşı Holding A.Ş.. The real estate in question is qualified as building land for residential and, partially, commercial developments. Application and interior decoration project works carried out by different architectural groups were completed for the total planned construction area of 90 thousand m^2 and licenses have started being obtained on a lot by lot basis.

On 28 September 2010 the Company's Board resolved that:

- The project in question should start under the name "ORMANADA",
- The property (residential units) to be built at the "Ormanada" project should 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,
- Within the context of the "Ormanada" project, the required works should 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,
- Necessary contracts should be signed with the banks that an agreement can be reached with to provide loans to clients who would buy property from the "Ormanada" project, covering up to 75% of the sales value,
- Should the banks in question offer TRL based mortgage loans to the clients of the Company, the Company would become a guarantor on the repayments of the mentioned loans until the time when a mortgage in the name of the bank could be established on the properties sold as such, and the contracts to this effect would be signed with the banks in question by two members of the Board having authorized signatures.

At a press conference held on 18 October 2010 to present Ormanada, and at the material event disclosure presented to the public on the same date, the following project information were disclosed:

- ❖ Ormanada project located in Istanbul Zekeriyaköy, has been designed by experts possessing international knowledge and experience, by blending the themes peace, comfort, neighbor relations, trust, sustainability, healthy lifestyles and nature around the "living together" concept.
- ❖ 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 combines a sustainable life philosophy, the simple beauty of nature and modern architecture and design, and was planned by renowned experts in these fields. Ormanada offers a very special living place in Istanbul and is designed in collaboration with some of the leading international companies in the field of urban planning, architectural design and landscape architecture - Torti Gallas and Partners, Kreatif Mimarlık ve Rainer Schmidt Landscape Architects - to represent an encounter between global architectural values and local needs and customs. We hope that the people who will live in Ormanada, our second living project after Kanyon, will enjoy nature to its fullest.
- ❖ Ormanada offers 188 villas in five distinct designs, 71 townhouses in four architectural designs, and 25 thousand square meters of green areas. Ormanada has a total of 2,500 square meters of social living space with pedestrian and bicycle paths, two tennis courts - one of which can be covered, a basketball and multi-purpose sports field, eight playgrounds and two recreational areas. The social living spaces called Adameydan, Adamekan and Adaçarşı include a café-restaurant, shops, one outdoor and one covered swimming pool, a pilates-fitness center, sauna, steam room and massage rooms.

The revision studies on the project, which was launched on 18 October 2010 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 270. The project will be completed in two phases and there would be 151 residential units in the first phase, and it is projected that the second phase, which is still at the construction license issue stage, would include 119 residential units as of the date of the attached report. 36 residential units in the first phase have been sold, and sales agreements were made and advance payments collected for 17 residential units in the second phase. Furthermore, the contractor for the infrastructure (construction other than the buildings: roads, electricity, water, sewage, natural gas, telephone lines etc.) works of the Ormanada project was commissioned and started operating, and all construction activities continue as planned.

Real estate development:
Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım was not involved as an investor in any of the projects it executed in 2010, and thus, no incentives were used.

15.4 Other

Ceramic tiles market:
It is expected that the Ceramic Tile factory investment in Russia will be completed at a cost of Euro 20 million, and production will start in the first quarter of 2011. The feasibility study for the "Bozüyük Large Dimensional Porcelain Tiles" capacity increase investment has been completed and approved. The investment with a total cost of Euro 6.5 million is planned to be completed within the first half of 2011 and is expected to add 7.5% to the capacity allocated for Turkish operations. An investment incentive certificate application for TRL 12.3 million was filed and is expected to be approved at the beginning of 2011.

Export services:
Ekom makes limited investments mostly covering operational service requirements. The Company's status as a Foreign Trade Capital Company provides some advantages that the Group companies benefit from.

These advantages are:

- Letter of guarantee convenience for VAT rebates,
- Letter of guarantee convenience for Inward Processing Regime,
- Discounted interest rates on TRL or foreign currency based Eximbank loans, letter of guarantee convenience on obtaining loans,
- Benefit from some state export support schemes,
- Through the approved entity status provided, convenience and speed in customs operations.

16. Characteristics of the Company's manufacturing units, capacity utilization ratios and trends, overall capacity utilization ratio, explanations concerning developments observed in the production of goods and services, quantities, quality, demand and prices as compared to past terms in the field of activity

Since the Company had transferred the substitute pharmaceutical business there was not any direct manufacturing activity. However, information concerning the manufacturing units of the Company's subsidiaries, joint ventures and associates are provided below, underneath sectoral headings:

16.1 Health Sector

Original pharmaceuticals market:
Eczacıbaşı İlaç Pazarlama and Eczacıbaşı İlaç Ticaret have no production activities. They either import their products or have them contract manufactured.

Hospital supplies market:

At the glass and plastic bottling lines 12,749 units of solutions were produced and the capacity usage ratio came down to 75% as compared to 79% in 2009. At the Medifleks lines 48,886 units of solutions were produced and the capacity utilization came down to 106% as compared to 112% in 2009. Additionally, 21,686 units of sets were produced with a capacity utilization rate similar to that of 2009. The reason why capacity utilization was low as compared to 2009 is the maintenance stop that took place in summer.

The products produced by Eczacıbaşı-Baxter Hastane Ürünleri are priced by the Ministry of Health and are subject to the reference pricing system, which are updated as per the pricing decree and are published on the Ministry of Health's web page.

Dialysis treatment market:
RTS Renal Tedavi Hizmetleri provides hemodialysis (HD) and peritoneal dialysis services to patients through 21 clinics. With a total of 653 HD devices an average of 123 HD patients per clinic receive services. The average number of patients per HD device is 3.9.

Health services:
Eczacıbaşı Sağlık Hizmetleri has no manufacturing activity.

Nuclear medicine sector:
Eczacıbaşı-Monrol Nükleer Ürünler has four active production units located in Gebze, Ankara, Adana and İzmir. Capacity utilization ratios of these units are provided below by the products they produce:

Production Unit	Product Category	Capacity	2010 Capacity Utilisation (%) (*)	2009 Capacity Utilisation (%)
Gebze	Mo-99/Tc-99m Gen.	15,600 Units	76	70
Gebze	Tl-201	25,000 Units	10	9
Gebze	I-131	46,000 Units	42	33
Gebze	Cold Kit	110,000 Vial	30	47
Gebze	FDG	50,000 Dose	55	62
Ankara	FDG	25,000 Dose	47	56
Adana	FDG	25,000 Dose	30	38
İzmir	FDG	25,000 Dose	27	28

(*) On the basis of 12-month production data for 2010.

Capacity utilization for TI-201 and I-131 products increased as a result of increasing demand both at home and abroad. Mo-99/Tc-99m Generator production increased despite the Molibden procurement problems experienced in 2010, as a result of increasing demand mainly in export markets. Problems were encountered at Cold Kit production, because of which, production and sales figures both decreased. These problems are expected to be solved in the next period.

16.2 Consumer Products Sector

Cosmetics market:
Eczacıbaşı-Beiersdorf Kozmetik Ürünler has no manufacturing activity, but imports NIVEA and 8x4 branded cosmetics and personal care products, and carries out marketing and sales activities domestically. Products within the portfolio are imported according to import plans and upon finalization of the logistics processes handed over to Girişim Pazarlama Tüketim which is responsible for distribution around Turkey.

Hairdressers' products market:
As all products are imported, there is no manufacturing activity.

Consumer products market:
At its new manufacturing plant, Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri focuses on new products and system products that would increase the tonnages. With the specially developed thinning and dosage systems, the Company is able to offer economic options, particularly for customers operating at large professional service points.

16.3 Real Estate Operations

Kanyon:
Kanyon aims to provide services at higher quality standards than available at other shopping centers and office buildings. Since it has started operating in June 2006, Kanyon has been showing utmost care to keep the quality-cost balance at an optimal level without sacrificing from service standard quality of the services it provides with its personnel (training, workers' health, importance given to work safety, health services like ambulance availability, hygiene inspections, high level of security measures, hi-tech devices used).

Real estate development:
Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım provides its services with its experienced, qualified and proficient management and technical staff.

16.4 Other

Ceramic tiles market:
Vitra Karo has a wide range of products in terms of tile dimensions offered. Currently, the Company, together with its associates abroad, has a production capacity of 34 million m^2 and a capacity utilization ratio of 85%. Every year 8-10 new products are added to the manufacturing portfolio.

In 2010 the sales turnover of Vitra Karo increased by 28% as compared to a year ago on a Euro basis. At the same period, the sales prices increased by 7%, again on a Euro basis. Along with these, with the natural gas prices falling down since 2009, and with the effective management of costs, expenses and net working capital, the net operating profit before depreciation increased by 8% in 2010 in absolute value terms, whereas its ratio to net sales fell by 1% as a result of low level of foreign exchange rates. The ratio of the operating cash generated to net sales increased from 7% to 12%.

Export services:
As the Company acts as an intermediary, it has no involvement in the manufacturing, marketing and sales policies of the products it acts as an agent for. The cost and quality of the intermediary agency services provided are regularly evaluated.

17. Prices, sales turnover, sales terms of the goods and services in the field of activity, changes observed in these throughout the year, developments in efficiency and productivity indices, reasons for significant changes in these as compared to years past

17.1 Health Sector

Original pharmaceuticals market:
Apart from the over-the-counter products that are freely priced, the products of Eczacıbaşı İlaç Pazarlama are priced by the pricing decree of the Ministry of Health. The Ministry of Health takes the lowest price available among the five reference countries selected, and converts the price to TRL by a Euro exchange rate the Ministry specifies.

Sales terms are not only affected by the market conditions, but are also defined by the compulsory institutional discounts applied by the state. During periods of stiff competition, limited campaigns are put into action for over the counter products, and sales are supported through side commercial benefits provided to the customers.

Hospital supplies market:
As there were no reference prices for the domestically produced amino acids a cost card application started being applied in February 2010 and the Ministry lowered the prices of products in this category.

For oncological products, the reference country prices changed and came down and these had a negative impact worth TRL 5.3 million on the sales turnover. As of December 2010, the Ministry of Health increased the institutional discount rates and the Company started working on action plans to lower the negative impact of this on the 2011 sales.

Dialysis treatment market:
The service contract with the Social Security Institution stipulates a standard Hemodialysis session price of TRL 145 for all centers. The fixed session price was kept unchanged from February 2005 to March 2010, and was raised to TRL 145 as of 1 April 2010. The Company also provides monitoring and diagnostic services to peritoneal dialysis patients.

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Health services:
Eczacıbaşı Sağlık Hizmetleri establishes the prices of the services it provides at the beginning of the year, mainly taking the market conditions into consideration. These prices are applicable all throughout the year, to be revised again in the next term.

Nuclear medicine sector:

Production Unit	Product Category	2010 (*)	2009 (*)
Gebze	Mo-99/Tc-99m Gen	17,360	10,566
Gebze	Tl-201	1,049	770
Gebze	I-131	3,878	2,674
Gebze	Cold Kit	653	1,905
Gebze	FDG	6,715	13,306
Ankara	FDG	4,118	5,765
Adana	FDG	2,677	4,574
İzmir	FDG	2,315	2,848
Gebze	Sales of other goods and services	3,637	2,615
Total		**42,402**	**45,023**

(*) 2010 and 2009 TRL based sales turnover for the selected product categories.

FDG sales prices decreased by 31% as compared to a year ago as forced by competitive conditions. Again as a result of competition, the unit sales of FDG product category decreased by 13% on last year. The difference was compensated for to a great extent by increased sales in other product categories.

17.2 Consumer Products Sector

Cosmetics market:
In terms of sales the market is divided into two main channels: chain stores (national, organized retailers) and the traditional market (perfumeries, wholesalers, local chains, supermarkets, pharmacies and cosmetics warehouses etc.). Eczacıbaşı-Beiersdorf Kozmetik Ürünler, sells directly to chain stores (deliveries are made directly to customers' warehouses) whereas uses dealers, wholesalers and retail points to ensure its products reaches the end-users through the traditional market. This causes the formation of different sales dynamics in between the chain stores and the traditional market.

Eczacıbaşı-Beiersdorf Kozmetik Ürünler publishes its sales terms on a monthly basis in line with its budget and in view of the market conditions. The most significant difference as compared to earlier years was observed in the sales terms of deodorants, where the discounts offered to March and April linked sales were decreased to create a more even sales spread with increased profitability.

The impact of the global crisis was felt in sales in the last quarter, and particularly sales through traditional channels fell down significantly. The main cause of that had been the stocks piling at dealers from earlier periods. Consequently, on a TRL basis, the Company's turnover increased by 9% as compared to a year ago.

Hairdressers' products market:
Sales are promoted by means of the activities within the context of the annual contracts signed with the hair salons and monthly campaigns targeting both end users and hair dressers. Eczacıbaşı-Schwarzkopf Kuaför Ürünleri's products are sold and distributed through dealers by Girişim Pazarlama Tüketim Ürünleri.

Consumer products market:
Product prices are increased taking into account factors like inflation and competition. Sales terms differ by distribution channels and customer categories. While sales terms are established in individual customer contracts with regard to competitive prices and market conditions, discounts are offered under invoices as service invoices. A cash discount is offered to cash payments. A guarantee to cover products to be bought is expected from the customers that the Company works with. Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri increased its sales by 10% in 2010 as compared to a year ago.

17.3 Real Estate Operations

Kanyon:
As of 31 December 2010 the total rental income received from Kanyon is TRL 31,478 thousand (31 December 2009: TRL 30,426 thousand). As the rental contracts were made for 5-10 years since 2006 it is expected that rental income will increase in the coming years along with contract renewals.

Real estate development:
The revenues earned from the projects managed through service contracts constitute the operating income of Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım. In 2010 the income earned from the fine works and interior decoration works of the Office Building owned by Eczacıbaşı Holding at Büyükdere Caddesi amounted to TRL 6,548 thousand, and income earned within the context of Ormanada project amounted to TRL 723 thousand, and the total income was TRL 7,421 thousand. The 222% increase observed in revenues as compared to a year ago can mainly be attributed to these projects.

17.4 Other

Ceramic tiles market:
As a result of the relative improvement of the stagnation resulting from the global crisis that the building sector was subject to and the product development efforts mentioned earlier, the Tiles division increased its consolidated sales income from sales of wall and floor coverings by 16% on a Euro basis in 2010 over 2009. In the same period the sales increase by square meters was 11%. The Tiles division's total production of floor and wall coverings had been 28.9 million m^2 in 2010 as compared to 24.1 million m^2 in 2009.

Export services:
As the marketing and sales organizations are carried out by the manufacturing companies served, developments in these areas are beyond the reach of the Company.

18. Basic ratios on financial position, profitability and debt servicing position calculated on the basis of the financial tables and information prepared in accordance with the articles of this Decree

	31 December 2010	31 December 2009
Liquidity Ratios		
❖ Current Ratio	5.25	4.07
❖ Liquidity Ratio	4.72	3.71
Ratios on Financial Structure		
❖ Total Liabilities / Total Assets	0.10	0.12
❖ Consolidated Equity / Total Assets	0.90	0.88
❖ Consolidated Equity / Total Liabilities	8.68	7.33
Profitability Ratios		
❖ Net Income / Consolidated Equity	0.03	0.13
❖ Net Income / Total Assets	0.02	0.12
❖ Net Income / Net Sales	0.07	0.33

19. Measures planned to improve the financial structure of the Company

Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar has a strong financial position as it currently has far more cash in different currencies than its liabilities.

19.1 Health Sector

Original pharmaceuticals market:
The financial structure would further be improved by signing contracts for uniquely positioned new products with high prices, and widening the product portfolio with over-the-counter products that are easier to adjust to pricing term changes.

Hospital supplies market:
The equity of Eczacıbaşı-Baxter Hastane Ürünleri is very strong and its financial structure is problem free. Thus, taking measures to maintain and increase product profitability, keeping operational expenses under control, efficiently managing the operational cash by balancing accounts receivable and payable, and decreasing the cost of borrowing are deemed essential tools.

Dialysis treatment market:
The Company continuously works to improve profitability by increasing sales and saving on expenses in order to strengthen its financial structure.

Effective cash flow management is achieved through periodically monitoring receivables and keeping procurement under control. Capital increases are made as necessary.

Health services:
The main policies applied to improve the financial structure of the Company are;

- ❖ Collecting payments in advance and in cash from the clients to the extent possible,
- ❖ Spreading the loan repayment periods and making repayments in installments to the extent possible,
- ❖ Improving productivity of the health personnel who serve the patients,
- ❖ Keeping the number of patients at the care center at a maximum and promoting cash payments,
- ❖ Increasing the share of the service categories with lower costs as compared to other product categories in total sales.

Additionally continuous efforts are put forward to improve processes like eliminating collection problems.

Nuclear medicine sector:
Areas of improvement for the financial structure of Eczacıbaşı-Monrol Nükleer Ürünler are the operating cash and the collection days on receivables. Operating cash and collection days are regularly monitored. In 2010 delays were observed in collections particularly from university hospitals.

19.2 Consumer Products Sector

Cosmetics market:
The main policies applied to improve the financial structure of Eczacıbaşı-Beiersdorf Kozmetik Ürünler are;

- ❖ Lowering the stock levels by planning sales more effectively,
- ❖ Spreading the seasonal deodorant sales throughout the year to lower the collection days,
- ❖ Increasing the speed of collections by promoting cash sales,
- ❖ Following up receivables from chain stores to bring down the period of collections.

Hairdressers' products market:
Having extended payment periods from suppliers and offering shorter payment periods to customers are among the planned measures.

Consumer products market:
Girişim Pazarlama Tüketim Ürünleri started applying a direct debit system to prevent the risk of delayed payments. Works are under way to expand the scope of this system. The total stock levels are kept under control by eliminating SKUs (Stock Keeping Unit) deemed unproductive by pre-determined criteria when adding new ones. Alternatives are being evaluated to manufacture by definite orders so that no manufactured product stocks would be kept. Packaging and content changes within product categories continue within the scope of reducing production costs.

19.3 Real Estate Operations

Kanyon:
Existing financial and technical information technology programs were revised to provide effective budgetary and financial control. Having extended payment periods from suppliers and applying shorter collection periods are among the measures planned.

Real estate development:
Construction activity at the Ormanada project that the Company acts as the contractor started in the last quarter of 2010. This is expected to strengthen the Company's financial structure.

19.4 Other

Ceramic tiles market:
Vitra Karo has been realizing its growth oriented investments abroad through establishing new companies or acquiring existing ones, so its revenues are not limited to the home market. Within the context of the measures taken on all controllable expense and net operating capital items, an effective control mechanism is in place, aiming to increase profitability and operating cash.

Export services:
Managerial and technical measures are continuously applied to decrease the general expenses.

20. Changes in key managerial positions during the year and name, surname and professional experience of current key managers

No key management changes took place during the period.

Eczacıbaşı Group Pharmaceutical Division Director, Sedat Birol is also the General Manager of the Company. He is a Chemical Engineer, MS, and has 24 years of experience in managerial positions in the pharmaceutical and chemical sectors.

The Finance Director of the Company, Bülent Avcı, used to be a Tax Accountant at the Ministry of Finance and he is qualified as a Certified Public Accountant.

21. Personnel and worker changes, collective bargaining agreements, personnel and worker rights and benefits

As the Company has no manufacturing activity it does not employ any workers. As of 31 December 2010, the total number of employees was 18 (31 December 2009: 19), and they are all subject to the Labour Law. All personnel, with the exception of those who are unionized, are subject to the common rights and benefits applicable to all Ezcacıbaşı Group employees.

These common applications are;

- ❖ 12 Months salary + a bonus once in every three months (16 monthly salaries in total),
- ❖ Social support of TRL 110 (gross) per month,
- ❖ A success premium based on performance once a year,
- ❖ Sales bonuses to sales staff based on their results in accordance with the sales premium regulation,
- ❖ Personal accident insurance for employees who need to use a vehicle,
- ❖ Group Private Health Insurance, and on a voluntary basis, Group Private Pension System,
- ❖ Clothing and moving support,
- ❖ Marriage, birth-death, child support,
- ❖ Daily food allowance of TRL 12 (for health division TRL 16 for Istanbul field staff, TRL 13 outside Istanbul),
- ❖ Seniority support premium,
- ❖ Depending on the nature of job, mobile phone line and car,
- ❖ And other rights and benefits like training programs for personal and professional development and career management.

21.1 Health Sector

Original pharmaceuticals market:
Eczacıbaşı İlaç Pazarlama is a sales and marketing company and has no unionized employees. The rights and benefits offered to the staff are in line with the human resources applications of the Eczacıbaşı Group and as of 31 December 2010, the Company had 340 employees (31 December 2009: 346).

Hospital supplies market:
As of 31 December 2010 Eczacıbaşı-Baxter Hastane Ürünleri had 85 workers (31 December 2009: 87) and 460 employees (31 December 2009: 461) bringing the total number of personnel to 545 (31 December 2009: 548). The Company does not have collective bargaining agreements. The rights and benefits offered to the workers and employees are in line with the human resources applications of the Eczacıbaşı Group.

Dialysis treatment market:
Collective bargaining is applied neither at the headquarters nor the clinics of RTS Renal Tedavi Hizmetleri. As of 31 December 2010 a total of 683 (31 December 2009: 725) people are employed, 15 (31 December 2009: 13) at the headquarters and, 698 at the 22 clinics (31 December 2009: 738). The wage package of the personnel employed at the headquarters of RTS Renal Tedavi Hizmetleri is in line with the human resources applications of the Eczacıbaşı Group.

The personnel employed at the clinics have a wage package based on 12 months' salary.

Health services:
Eczacıbaşı Sağlık Hizmetleri has no collective bargaining agreements. The rights and benefits offered to the staff are in line with the human resources applications of the Eczacıbaşı Group and as of 31 December 2010, the Company had 252 (31 December 2009: 213) employees.

Nuclear medicine sector:
Eczacıbaşı-Monrol Nükleer Ürünler has no collective bargaining agreements and the employees and workers receive an annual performance based bonus and private health insurance coverage in addition to the rights they have according to the law and regulations in effect. As of 31 Aralık 2010 the Company employs 168 (31 Aralık 2009: 145) people.

21.2 Consumer Products Sector

Cosmetics and hairdressers' products market:
Eczacıbaşı-Beiersdorf Kozmetik Ürünler and Eczacıbaşı-Schwarzkopf Kuaför Ürünleri have no collective bargaining applications. The rights and benefits offered to the staff are in line with the human resources applications of the Eczacıbaşı Group and as of 31 December 2010 Eczacıbaşı-Beiersdorf Kozmetik Ürünler had 45 (31 Aralık 2009: 45) employees, Eczacıbaşı-Schwarzkopf Kuaför Ürünleri had 16 (31 Aralık 2009: 17) employees.

Consumer products market:
As of 31 December 2010 Girişim Pazarlama Tüketim Ürünleri employed 229 (31 Aralık 2009: 209) people. The Company has no collective bargaining applications. The rights and benefits offered to the staff are in line with the human resources applications of the Eczacıbaşı Group.

21.3 Real Estate Operations

Real estate development:
As of 31 December 2010, Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım had 21 (31 December 2009: 16) employees, and it has no collective bargaining agreements. The rights and benefits offered to the staff are in line with the human resources applications of the Eczacıbaşı Group.

21.4 Other

Ceramic tiles market:
As of year-end 2010, Vitra Karo Sanayi, together with its associates, employed 2,007 people (31 December 2009: 2,135) including both white and blue collars (excluding employment by subcontractors). The Company has collective bargaining agreements for its home-based operations and the blue collar personnel is subject to the rights and benefits as outlined in collective bargaining agreements. The rights and benefits offered to white collar personnel are those determined by the Eczacıbaşı Group.

Within the context of the collective bargaining agreement signed on 1 August 2009 and effective until 31 December 2010 the blue collar workers received a salary increase of around 7% in January 2010. The salaries of white collar personnel were increased by 6.5%.

Collective bargaining meetings covering the blue collar workers started in January 2011, whereas white collar personnel were given a raise of 6.4% in line with the 2010 CPI rate.

Export services:
Ekom employed 13 people as of 31 December 2010 (31 December 2009: 14), and has no collective bargaining agreements. The rights and benefits offered to the staff are in line with the human resources applications of the Eczacıbaşı Group.

22. Information concerning donations during the year

As of 31 December 2010, the consolidated total donations to associations and foundations working for public good, universities, health establishments and institutions, social, scientific, artistic organizations and public service organizations with a mandate to support and promote other activities for the good of the nation, regional institutions with annexed budgets, and similar institutions, amounted to TRL 995 thousand (31 December 2009: TRL 1,681 thousand).

23. Information on organizational units apart from the headquarters

23.1 Health Sector

Original pharmaceutical market:
Apart from its headquarters in Istanbul/Levent, Eczacıbaşı İlaç Pazarlama has liaison offices in 13 Main Regions. With other provinces where resident personnel are employed, operations cover Turkey entirely.

Hospital supplies market:
Eczacıbaşı-Baxter Hastane Ürünleri has regional offices and technical services apart from its headquarters. In addition to 9 regional offices, there are technical service organizations in Ankara and Izmir regions.

Dialysis treatment market:
RTS Renal Tedavi Hizmetleri has 6 branches apart from its headquarters. In addition it has 14 subsidiaries and two branches of these.

Health services:
Eczacıbaşı Sağlık Hizmetleri has no organization apart from its headquarters.

Nuclear medicine sector:
Eczacıbaşı-Monrol Nükleer Ürünler has four branches in Istanbul, Ankara, Adana and Izmir, apart from its headquarters. It has a fully owned subsidiary in Romania, Monrol Europe SRL. In addition, the Company has a dealers' network covering 18 provinces in Turkey and 10 countries abroad.

23.2 Consumer Products Sector

Cosmetics and hairdressers' products market:
Eczacıbaşı-Beiersdorf Kozmetik Ürünler and Eczacıbaşı-Schwarzkopf Kuaför Ürünleri have no other offices apart from their headquarters.

Consumer products market:
Apart from its headquarters, Girişim Pazarlama Tüketim Ürünleri has a manufacturing plant in Gebze and 6 regional sales offices.

23.3 Real Estate Operations

Real estate development:
Apart from its headquarters, Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım has a site office within the context of the Ormanada project.

23.4 Other

Ceramic tiles market:
Vitra Karo has showrooms both at home and abroad, located in Istanbul, Russia, Ireland, USA, Italy and Bulgaria. In addition, it has outlet sales points at Tuzla, Diyarbakır and Bozüyük.

Export services:
Ekom has no organization apart from its headquarters. Offices in Moscow, China and Iraq registered under its name carry out marketing and import operations on behalf of manufacturers.

24. Information on equity holders of the parent (cross shareholding)

The Company has a 37.28% shareholding in Eczacıbaşı Holding A.Ş., which in turn is the majority shareholder of the Company with a 50.62% shareholding. The Company has no impact or control over operational and managerial policies of Eczacıbaşı Holding A.Ş..

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

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 tables of the companies prepared for consolidation dated 30 June and 31 December are audited in terms of compliance with the CMB legislations and International Financial Reporting Standards by an independent audit company. The 31 March and 30 September dated financial tables of the consolidated companies are audited by the Internal Audit Department of Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar in line with the principles set by the independent audit company.

Sedat Birol	M.Sacit Basmacı
General Manager	**Board Member**
Board Member	

PROFIT DISTRIBUTION PROPOSAL

The Board of Directors determined at its meeting held on 13 April 2011 that the Company's net distributable profit as of 31 December 2010 was TRL 58,137,881 based on the consolidated financial statements prepared as per the Capital Market Board (CMB) regulations and approved by independent auditors; whereas, it was TRL 42,600,262 based on financial statements kept as per statutory records. Based on CMB Decree No. 2/51, dated 27 January 2010, the net distributable profit calculated on the basis of the consolidated financial statements prepared and announced to the public in accordance with the CMB Communiqué Serial XI, No: 29 "Principles of Financial Reporting in Capital Markets" was used for the basis of 2010 profit distribution.

Accordingly it was resolved to present the following proposal to shareholders at the Ordinary General Assembly Meeting on 6 May 2011;

1) Dividends in the amount of TRL 38,374,560, corresponding to 7% of the Company's issued share capital will be distributed,

2) Dividend per share for TRL 1 nominal value will be 7% gross; for our resident individual shareholders and for our non-resident individual or corporate shareholders the net dividend calculated by deducting the withholding ratios as per the tax legislation will be paid,

3) After deducting the legal obligations and agreed dividend payments from the TRL 49,645,979 net profit for the term based on statutory records, the remaining amount will be transferred to Extraordinary Reserves,

4) Distribution will start on 24 May 2011.

EİS ECZACIBAŞI İLAÇ, SINAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.
PROFIT DISTRIBUTION FOR 2010 (TRL)

1.	**Paid-in/Authorised Share Capital**	548,208,000
2.	**Total Legal Reserves (as per Statutory Records)**	33,037,261
	Information concerning preferred shares, if, as per the Company's Articles of Association, there are any exceptions for preferred shares in distribution of dividend	There are no preferred shares in distribution of dividend.

		As per Capital Markets Board	As per Statutory Records
3.	**Profit for the Period**	75,399,000	49,645,979
4.	**Taxes (-)**	(15,019,000)	(4,803,598)
5.	**Net Profit for the Period (=)**	60,380,000	44,842,381
6.	**Prior Years' Losses (-)**	0	0
7.	**First Legal Reserves (-)**	(2,242,119)	(2,242,119)
8.	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	58,137,881	42,600,262
9.	**Grants made during the year (+)**	450	
10.	**Net distributable profit including grants, as the first level dividend base**	58,138,331	
11.	**First Level Dividend to Shareholders**		
	- Cash	38,374,560	
	- Shares	0	
	- Total	**38,374,560**	
12.	**Dividends Distributed to Preferred Shareholdres**	0	
13.	**Dividends distributed to members of the board, employees, etc.**	0	
14.	**Dividends Distributed to Usufruct Right Certificate Holders**	0	
15.	**Second Level Dividend to Shareholders**	0	
16.	**Second Legal Reserves**	1,096,416	
17.	**Status Reserves**	0	0
18.	**Special Reserves**	0	0
19.	**EXTRAORDINARY RESERVES**	18,666,905	3,129,286
20.	**Other Sources Planned for Distribution**	**0**	**0**
	- Prior Years' Income	0	0
	- Extraordinary Reserves	0	0
	- Other Distributable Reserves as per the Legislation and Articles of Association	0	0

INFORMATION ON THE DISTRIBUTED PROFIT RATIO

INFORMATION ON DIVIDEND PER SHARE

			DIVIDEND PER SHARE FOR 1 TRL NOMINAL VALUE	
		TOTAL DIVIDEND AMOUNT (TRL)	**AMOUNT (TRL)**	**SHARE (%)**
GROSS	Common shareholders	38,374,560	0.07000	7.00
	TOTAL	**38,374,560**		
NET (*)	Common shareholders	32,618,376	0.05950	5.95
	TOTAL	**32,618,376**		

(*) *In calculating the net dividend, Income Tax witholding ratio was taken as 15%.*

THE RATIO OF DISTRIBUTED PROFIT TO THE DISTRIBUTABLE PROFIT INCLUDING GRANTS

TOTAL DISTRIBUTION TO SHAREHOLDERS (TRL)	THE RATIO OF DISTRIBUTED PROFIT TO THE DISTRIBUTABLE PROFIT INCLUDING GRANTS (%)
38,374,560	66.01

REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

1. Report of Compliance with Corporate Governance Principles:

During the period 1 January 2010 - 31 December 2010, the Company implemented some but not all of the principles issued by the Capital Markets Board ("CMB"). Detailed information is provided below under respective sections.

SECTION I - SHAREHOLDERS

2. Investor Relations Division:

EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. ("the Company") manages its shareholder relations through the Capital Market and Investor Relations Unit, which was established in 1993, under the Finance Department. During the year, the questions received from shareholders were responded immediately within the boundaries allowed by the CMB and Istanbul Stock Exchange ("ISE"). Shareholders requesting information by phone or through meetings with the Company were responded to in the same manner.

Investor Relations Contact Person and Details:

Name Surname	: Gülnur Günbey Kartal
Phone	: +(90 212) 350 85 36
Fax	: +(90 212) 350 85 33
e-mail	: *gulnur.gunbey@eczacibasi.com.tr*

The Investor Relations Unit communicates verbally and in written format with shareholders, the ISE, the CMB, the Settlement and Custody Bank and the Central Registry Agency (CRA).

The Department's main activities during the period included:

- Ensuring that shareholders' records are kept in a sound, secure and up-to-date manner.
- Providing written or verbal responses to all requests for information except those requesting information not made public, confidential information or trade secrets, and responding to all annual report requests in writing or verbally.
- Ensuring that the General Assembly complied with the current legislation, the Company's Articles of Association and other internal regulations.
- Preparing useful documentation for shareholders to refer to at the General Assembly.
- Keeping record of voting results. No shareholder requested to see these records.
- Responding to requests for minutes of the General Assembly.
- Monitoring and following up on all matters related to public disclosure, including legislations and the Company's disclosure policy.

Performing the requirements of CRA concerning the dematerialization of shares. The Company is very careful to comply with all CMB regulations and related items in its Articles of Association regarding shareholders' prerogative to exercise their rights. In 2009, the Company did not receive any written or verbal complaint from a shareholder, nor, to the best of our knowledge, was any administrative or legal proceeding initiated in this regard.

3. Exercise of Investors’ Right to Information:

All shareholders are treated equally when they exercise their right to request and evaluate information.

During the year, the Company responded on the same day to written and verbal inquiries about capital increase and dividend transactions; it also mailed annual reports to three people who requested them in writing or by telephone on the same day that it received the requests. Developments that may affect shareholders' rights are announced through ISE. The Company's Articles of Association do not contain any clause about appointing a special auditor, nor did it receive any demand for one during the period.

4. Information about the General Assembly:

The Ordinary General Assembly Meeting was held on 4 May 2010. The invitation to the meeting was made in accordance with the Turkish Commercial Code, the related items of the Company’s Articles of Association and CMB regulations. Well before the General Assembly meeting, the Company provided a sample power of attorney form on its website for shareholders who wanted to authorize someone else to represent them at the meeting. The attendance rate at the meeting was 71 percent. 20 shareholders from the publicly owned part of the Company were registered in the List of Attendants. Members of the press attended the meeting as well. Shareholders were invited to the meeting through announcements in the press and the ISE bulletin.

The Company made its annual report, consolidated financial statements, Articles of Association and dividend distribution recommendation available to shareholders at its headquarters at least two weeks before the meeting. Shareholders used their right to question at the General Assembly and received responses from the Board members or General Manager depending upon the issue raised.

There is no requirement in the Company's Articles of Association that decisions regarding the division of assets, significant asset acquisitions, sales and leases be taken up at the General Assembly. However, such important issues are put on the General Assembly agenda.

To facilitate attendance, the General Assembly is held in the city center and is announced in a popular newspaper, which is believed to be followed by the majority of shareholders. The minutes of the General Assembly are sent to the ISE and CMB. Additionally, shareholders may freely view the minutes of the meeting at the Company's headquarters.

5. Voting Rights and Minority Rights:

There are no privileged voting rights: every share has one vote. The Company has no procedure that foresees voting rights being exercised within a determined period after the acquisition date. There is no item in the Company’s Articles of Association that prevents a shareholder’s proxy from voting on the shareholder’s behalf. Eczacıbaşı Holding A.Ş., which has a reciprocal stake and controlling interest in the Company greater than 50 percent, exercises its vote at the General Assembly. The Company attended all associates’ General Assemblies and exercised its vote. To date, no shareholder has claimed minority shareholder status. The Company does not employ the cumulative voting method.

6. Dividend Distribution Policy and Dividend Payment Timeline:

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

- The Articles of Association do not contain any clause about privileged shares, founder benefit shares and the distribution of profit to members of the Board of Directors and employees as well as the distribution of profit advance payments.
- The Company's Articles of Association accept the principle of distribution of the first dividend based on the ratio and amount determined by the CMB.
- In preparing its recommendations on profit distribution for the General Assembly, the Board of Directors takes into consideration the sensitive balance between the Company's existing profitability, the expectations of shareholders and prescribed growth strategies.
- Dividend payments (cash and/or bonus shares) are made as soon as possible after the General Assembly and within the legal time limit set by legislations.

7. Transfer of Shares:

There are no provisions in the Company's Articles of Association that restricts transfer of shares.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company's Information Disclosure Policy:

The information disclosure policy aims to share full, 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.

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

The Board of Directors has the authority and the responsibility to establish, control, review and develop the Company's information disclosure policy. Once approved by the Board of Directors, the Information Disclosure Policy is made available to public through the Company's web site.

Capital Markets and Investor Relations Unit is responsible from the coordination of the Information Disclosure Policy. This unit cooperates closely with the Board of Directors and the Audit Committee in accomplishing its responsibility.

Those responsible also cooperate closely with the Investor Relations officers of the Eczacıbaşı Holding A.Ş..

The Information Disclosure Policy was updated in 2009 with regard to developing market conditions and new regulations. Approved by the Board of Directors, the Company's Information Disclosure Policy is published in the Company's web site.

9. Material Event Disclosures:

During the year, the Company made 17 material event disclosures as required by CMB regulations. Neither the CMB nor ISE requested further information. The Company's stocks are not traded in international markets. Since the disclosures were timely, the CMB did not issue warnings.

10. Company Web Site and Content:

The Company’s web site (*www.eis.com.tr*) became active in April 2005, giving the public access to relevant information about policies, investor relations, and the Company’s policies regarding the environment and quality. As a result of its reorganization in 2007, the Company has finalized updating its website in line with its new structure. Since 8 May 2009 the Investor Relations information for the Company accessible from the website address *www.eis.com.tr* has been directed to *www.eczcibasi.com.tr*. The Investor Relations information available through this new link has a broader content. Local community relations have been strengthened by the “Human Resources” web pages, which include employee/internship recruitment policies and a “Contact Form” for visitors who want to communicate their thoughts or questions.

11. Disclosure of Real Person(s) as Ultimate Controlling Shareholder(s):

The Company is a member of the Eczacıbaşı Group and no study has been done on this subject.

12. Disclosure of People with Access to Insider Information:

Company executives having access to potential insider trading information are members of the Board of Directors and top management. The names of these executives are disclosed in the annual report.

SECTION III - STAKEHOLDERS

13. Informing Stakeholders:

Within the boundaries of CMB regulations, stakeholders are informed through the General Assembly and responses provided to individual inquiries. Employees are informed through strategic planning meetings, General Manager’s informative meetings and departmental meetings (changes in targets, wages, employee rights, travel allowance, etc. are announced in these meetings.) The Company has a corporate portal for employees providing all kinds of information and documents of interest to them.

14. Participation of Stakeholders in Management:

Stakeholders contribute to management through the General Assembly for shareholders and Strategic Planning meetings for employees.

15. Human Resources Policy:

The Company’s financial affairs department is in charge of human resources management. The Company does not have any unionized personnel.

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.

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

16. Information about Relations with Customers and Suppliers:

The tenants of Kanyon are the most important clients of the Company, and their problems are attended by direct meetings as well as the solutions provided by Kanyon Yönetim İşletim Pazarlama Ltd. Şti., which provides management services to the Kanyon complex.

17. Social Responsibility:

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

Relations with Society and Other Companies

The Company, as a corporation embracing its social responsibility:

- Ensures, before all else, compliance with legal and ethical rules in its relations with society and other companies, just as it has in all relationships it has established with its stakeholders,
- Cooperates with the local community and wider parts of the society to take advantage of opportunities that provide mutual benefit,
- Takes advantage of cooperation opportunities with other establishments within the framework of continuous and mutual development principles.

Environment Policy

The Company, in line with its goal of business excellence, seeks to preserve the environment and contribute systematically to increased understanding of environmental protection through the following objectives and principles:

- To inform employees, business partners and the local community about environmental issues in order to generate and continually develop environmental awareness,
- To reduce all forms of pollution, recycle waste and eliminate non-recyclable waste using appropriate techniques, so as to minimize the impact of our activities on the environment,
- To take special care to protect the natural environment,
- To support the environmental initiatives of government and public organizations,
- To monitor continually and strengthen measures aimed at ensuring employee health and safety in the workplace.

In line with these goals and principles, we pledge, in the name of our employees, to fulfill our social responsibilities; improve our performance continuously; improve all those activities that may have a negative impact on the environment; comply with all legislation, regulations and standards aimed at ensuring a sustainable future and protecting natural resources; and set an example with our efforts in these areas.

Participation in Educational and Training Activities

The Company assists and provides resources to university students who request help with their school projects and research. It also provides some ingredients, intermediates and equipment to university and academic hospitals for their scientific research. The Company makes donations of computers and hardware to various educational and training institutions; and it provides internship opportunities to students of technical high schools and universities.

Support of Health and Welfare Initiatives

The Company started the tradition of supporting scientific research in the fields of medicine and pharmacology and rewarding scientists in 1959, one of the first examples of university-industry cooperation in Turkey. Eczacıbaşı Medical Awards and Scientific Research Support Fund, throughout its history of half a century, provided grants to 172 scientific research projects and distributed 31 Medical Science Awards and 36 Medical Incentive Awards, with the approval of the Eczacıbaşı Scientific Evaluation Committees comprising university faculty. In addition, seven students from medical faculties have been found eligible for the Eczacıbaşı Scientific Research Award for Medical Students, a program which started in 2002.

Support of Sports and Recreational Activities

With the contributions of the Company, the Eczacıbaşı Sports Club has won numerous championships in Turkey and abroad and contributed to the development and promotion of sports in Turkey. Since 1999, financial assistance has been provided to local sports clubs. A volleyball school for girls was established to help them appreciate sports and the culture and ethics of sports under the direction of the Eczacıbaşı Sports Club. The Company also has sponsorship agreements with various sports clubs that involve contributions in kind.

SECTION IV - BOARD OF DIRECTORS

18. Composition of the Board of Directors and Independent Members:

F. Bülent Eczacıbaşı	Non-executive
R. Faruk Eczacıbaşı	Non-executive
Dr. O. Erdal Karamercan	Non-executive
M. Sacit Basmacı	Non-executive
Levent A. Ersalman	Non-executive
Sedat Birol	General Manager

The Board does not have any independent members, because there has been no demand or need for independent members, as the Board carefully observes the views of shareholders and outsources consultancy services when an external view is required. Members of the Board of Directors have been granted the authority by the General Assembly to undertake transactions stipulated in Articles 334 and 335 of the Turkish Commercial Code.

In principle, Board members may have positions in Eczacıbaşı Group companies but not in companies outside the Group.

19. Qualifications of the Members of the Board of Directors:

The minimum requirements sought for the Members of the Board of Directors are identical with those stipulated in Articles 3.1.1, 3.1.2 and 3.1.5 of Part IV of CMB's Corporate Governance Principles. There are no articles related to this in the Company's Articles of Association.

20. Mission, Vision and Strategic Goals:

The Company has established the scope and subject of its Articles of Association in detail and conducts its activities accordingly. The Company's vision is defined and its strategic objectives, policies, and strategies are determined and reviewed every year. The Company's Board of Directors and management continually monitor the Company's activities and results to ensure that they are in line with its strategic targets.

21. Risk Management and Internal Control Mechanisms:

In this area, the Board receives the support of the Audit Committee, which comprises two members of the Board of Directors, the Financial Coordination Unit of Eczacıbaşı Holding, the Strategic Planning and Business Development Unit, and the Certified Public Accountant, with which a full ratification contract has been signed. Independent risk analysts evaluate the Company's fixed assets, and the Company's security, extraordinary events and risky asset position are analyzed at the Board of Directors' meetings.

22. Duties and Responsibilities of the Members of the Board of Directors and Executives:

The duties and responsibilities of the Members of the Board of Directors and executives are clearly defined in the Company's Articles of Association.

23. Operating Principles of the Board of Directors:

The Chairman of the Board assigns the General Manager the duty of preparing the agenda of the Board of Directors meetings. During the period, the Board held 14 meetings that were attended by all the members. Invitations were made by phone and/or e-mail. The General Manager is responsible for informing and communicating with the members of the Board of Directors.

The Board's decisions at these meetings were made unanimously; no member opposed any decision. All Board Members have attended meetings on the subjects listed in Part IV, Article 2.17.4 of the CMB's Corporate Governance Principles. None of the Members have special voting or veto rights.

24. Prohibition from Doing Business with the Company and Non-Compete Clause:

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

25. Rules of Ethics:

The Company abides by the ethical rules of the Eczacıbaşı Group. These are distributed to all employees in written format but are not disclosed to the public.

26. The Number, Structure and Independence of the Committees Established under the Board of Directors:

The Company has an Audit Committee and has begun to establish its Corporate Governance Committee in line with the requirements of Article 8 of the CMB's Communiqué No. 41, Series IV, on "Communiqué on Principles Corresponding to the Corporations Subject to Capital Market Law" that was published in the Official Gazette No. 26821 on 19 March 2008.

27. Remuneration of the Board of Directors:

In accordance with the decisions of the General Assembly, members of the Board of Directors do not receive wages. Board members do not receive any performance premiums. In 2010, none of the members of the Board of Directors or executives received guarantees, credit or loans from the Company.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

EİS ECZACIBAŞI İLAÇ, SINAİ VE
FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.

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CONSOLIDATED BALANCE SHEETS
AS OF 31 DECEMBER 2010 AND 2009

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

	Notes	31 December 2010	31 December 2009
ASSETS			
Current assets			
Cash and cash equivalents	7	656,127	678,245
Financial investments	8	3,419	8,170
Trade receivables			
- Due from related parties	29	2,487	817
- Other trade receivables	10	190,609	186,094
Other receivables		746	870
Inventories	12	96,156	85,640
Other current assets	11	16,626	25,184
Total current assets		**966,170**	**985,020**
Non-current assets			
Trade receivables			
- Other trade receivables	10	3,234	-
Other receivables		75	59
Financial investments	8	1,275,898	1,092,291
Investments accounted for using equity method	13	25,349	24,429
Investment properties	14	203,193	207,876
Property, plant and equipment	15	72,021	68,051
Intangible assets	16	25,875	25,955
Goodwill	17	32,574	32,574
Deferred income tax assets	27	7,408	7,062
Other non-current assets	11	50,427	45,738
Total non-current assets		**1,696,054**	**1,504,035**
Total assets		**2,662,224**	**2,489,055**

The consolidated financial statements as of and for the year ended 31 December 2010 were approved for issue by the Board of Directors on 8 April 2011 and signed on its behalf by Bülent Avcı, Financial Director and by Gülnur Günbey Kartal, Internal Audit Manager. The consolidated financial statements are subject to approval of the General Assembly.

CONSOLIDATED BALANCE SHEETS
AS OF 31 DECEMBER 2010 AND 2009

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

	Notes	31 December 2010	31 December 2009
LIABILITIES			
Current liabilities			
Financial liabilities			
- Due to related parties	29	-	23,256
- Other financial liabilities	9	34,668	40,734
Trade payables			
- Due to related parties	29	70,256	71,457
- Other trade payable	10	59,202	79,578
Other payable	11	1,116	2,521
Current income tax liabilities	27	1,302	2,164
Provisions	18	738	885
Provisions for employee benefits	19	5,957	5,904
Other current liabilities	11	10,945	15,737
Total current liabilities		**184,184**	**242,236**
Non-current liabilities			
Financial liabilities			
- Due to related parties	29	-	-
- Other financial liabilities	9	10,451	664
Provisions for employee benefits	19	7,293	4,394
Deferred income tax liabilities	27	59,952	51,527
Other non-current liabilities		13,033	9
Total non-current liabilities		**90,729**	**56,594**
EQUITY			
Share capital	20	548,208	548,208
Adjustments to share capital	20	105,777	105,777
Financial assets fair value reserve		1,069,322	892,146
Restricted reserves	20	245,415	25,571
Cumulative translation reserve		(1,894)	(40)
Retained earnings		341,322	309,292
Net profit for the year		60,380	290,249
Attributable to equity holders of the Company		**2,368,530**	**2,171,203**
Non-controlling interests		**18,781**	**19,022**
Total equity		**2,387,311**	**2,190,225**
Total liabilities and equity		**2,662,224**	**2,489,055**

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

	Notes	2010	2009
Net sales	21	913,212	874,700
Cost of sales (-)	21	(646,718)	(628,723)
Gross profit		**266,494**	**245,977**
Marketing, selling and distribution expenses (-)	22	(132,560)	(132,021)
General administrative expenses (-)	22	(91,016)	(86,823)
Research and development expenses (-)	22	(16)	(191)
Other operating income	24	19,344	4,051
Other operating expenses (-)	24	(11,536)	(15,550)
Operating profit		**50,710**	**15,443**
Share of profit / (loss) of associates	13	774	(5,818)
Financial income	25	91,251	389,348
Financial expenses (-)	26	(64,545)	(79,947)
Profit before tax		**78,190**	**319,026**
Current income tax charge	27	(16,216)	(27,231)
Deferred income tax benefit	27	1,197	388
Net profit for the year		**63,171**	**292,183**
Attributable to			
- Non-controlling interests		2,791	1,934
- Equity holders of the parent	28	60,380	290,249
Net profit for the year		**63,171**	**292,183**
Weighted average number of ordinary shares with face value of Kr 1 each		54,820,800,000	54,820,800,000
Basic and diluted earnings per share (Kr)	**28**	**0.11**	**0.53**

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

	Notes	2010	2009
Net profit for the year		**63,171**	**292,183**
Other comprehensive income / (expense)			
Changes in financial assets' fair value reserve		184,870	238,432
Changes in currency translation differences		(307)	373
Group's share in the associates' comprehensive income	13	146	1,053
Tax expenses of other comprehensive income items (-)	27	(9,276)	(11,611)
Other comprehensive income (after tax)		**175,433**	**228,247**
Total comprehensive income		**238,604**	**520,430**
Attributable to			
- Non-controlling interests		2,902	2,971
- Equity holders of the parent		235,702	517,459
Total comprehensive income		**238,604**	**520,430**

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

EİS ECZACIBAŞI İLAÇ, SINAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

	Equity attributable to equity holders of the Company									
	Share capital	**Adjustments to share capital**	**Financial assets' fair value reserve**	**Restricted reserves**	**Cumulative translation reserve**	**Retained earnings**	**Net profit for the year**	**Total**	**Non-controlling interests**	**Total equity**
1 January 2009	**548,208**	**105,777**	**665,309**	**18,671**	**(413)**	**306,209**	**71,917**	**1,715,678**	**15,755**	**1,731,433**
Transfers	-	-	-	6,900	-	65,017	(71,917)	-	-	-
Change due to purchase of non-controlling interest	-	-	-	-	-	-	-	-	48	**48**
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	1,670	**1,670**
Dividends paid	-	-	-	-	-	(61,934)	-	**(61,934)**	(1,422)	**(63,356)**
Total comprehensive income	-	-	226,837	-	373	-	290,249	**517,459**	2,971	**520,430**
31 December 2009	**548,208**	**105,777**	**892,146**	**25,571**	**(40)**	**309,292**	**290,249**	**2,171,203**	**19,022**	**2,190,225**
1 January 2010	**548,208**	**105,777**	**892,146**	**25,571**	**(40)**	**309,292**	**290,249**	**2,171,203**	**19,022**	**2,190,225**
Transfers	-	-	-	219,844	-	70,405	(290,249)	-	-	-
Dividends paid	-	-	-	-	-	(38,375)	-	**(38,375)**	(3,143)	**(41,518)**
Total comprehensive income	-	-	177,176	-	(1,854)	-	60,380	**235,702**	2,902	**238,604**
31 December 2010	**548,208**	**105,777**	**1,069,322**	**245,415**	**(1,894)**	**341,322**	**60,380**	**2,368,530**	**18,781**	**2,387,311**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

	Notes	2010	2009
Cash flows from operating activities:			
Net profit before tax		78,190	319,026
Adjustments:			
Depreciation and amortisation	14, 15, 16	19,341	20,392
Provision for employment termination benefits and actuarial loss	19, 22	3,734	1,266
Provision for unused vacation	19, 22	498	1,416
Provision for doubtful receivables	10, 22, 29	1,879	2,434
Loss / (gain) on sale of property, plant and equipment and intangible assets, net	24	1,513	533
Loss from sales of financial asset	8	-	6,043
Provision for diminution in value of inventories, net	12, 24	3,580	3,153
Group's share in the associates' loss / (profits), net	13	(774)	5,818
Interest and credit finance income, net	25, 26	(28,653)	(29,251)
Accruals for salaries and premiums	11	319	3,461
Accruals for sales returns and sales discounts		-	358
Gain on sale of associates	25	-	(275,752)
Goodwill recognised in consolidated statement of income		-	(37)
Forward accruals, net	11	-	(21)
Provision for litigations	18	261	207
Dividend income	25	(4,201)	(2,771)
Licence transfer accruals	11	-	3,742
Unrealised foreign exchange loss / (income)		5,486	(7,628)
Expense accruals	11	1,198	836
Changes in working capital:			
Accounts receivable		(9,539)	7,764
Due from and due to related parties, net		(26,127)	22,771
Inventories		(14,325)	(4,874)
Accounts payable		(20,698)	1,765
Other current assets and liabilities, net		3,890	(7,447)
Other non-current assets and liabilities, net		6,394	-
Effect of unrealized FX gain/losses on other working capital		(307)	127
Net cash provided from operations		**21,659**	**73,331**
Taxes paid		(18,483)	(28,021)
Employment termination benefits paid	19	(835)	(1,245)
Unused vacation payments	19	(445)	(147)
Collections of doubtful receivables	10, 24, 29	498	(1,151)
Net cash provided from operating activities		**2,394**	**45,069**
Investing activities:			
Purchases of property, plant and equipment and intangible assets	14, 15, 16	(21,116)	(14,712)
Proceeds from sale of property, plant and equipment and intangible assets		1,055	1,036
Acquisition of joint venture shares		-	(802)
Proceeds from sale of associates	25	-	361,112
Proceeds from the sale of available-for-sale financial assets		-	5,740
Changes in financial assets	7, 8	1,948	2,533
Net cash (used in) / provided from investing activities		**(18,113)**	**354,907**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

	Notes	2010	2009
Financing activities:			
Repayment of bank borrowings		3,491	(22,236)
Interest and credit finance charges paid		(8,218)	(4,161)
Interest received		37,815	25,248
Dividends received		4,201	2,771
Dividends paid to non-controlling interest		(3,143)	(1,422)
Capital contribution by non-controlling interest		-	1,670
Dividends paid		(38,375)	(61,934)
Net cash used in financing activities		**(4,229)**	**(60,064)**
Net (decrease) / increase in cash and cash equivalents		**(19,948)**	**339,912**
Cash and cash equivalents at the beginning of the year	7	679,232	332,885
Exchange gains on cash and cash equivalents		(5,389)	6,435
Cash and cash equivalents at the end of the year	**7**	**653,895**	**679,232**

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. ("the Company") was established on 24 October 1951. The Company has no production activity; but has a holding structure with its subsidiaries, joint ventures and associates. The Company directly operates in the real estate development industry and in health, personal care and cosmetics industries through its joint ventures, subsidiaries and associates.

The Company's registered address is as follows:

Büyükdere Caddesi, Ali Kaya Sokak No: 5 Levent 34394, Istanbul.

The Company is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE") since 1990. As of 31 December 2010, 29.33% of total shares are quoted on the ISE (31 December 2009: 29.33%). The ultimate parent company of the Group is Eczacıbaşı Holding A.Ş., which possesses 50.62% (31 December 2009: 50.62%) shares of the Company as of 31 December 2010 (Note 20).

The Company and its consolidated subsidiaries, joint ventures and associates are referred to as "the Group" in this report. The operations of the subsidiaries, joint ventures and associates included in the consolidation are stated below:

Subsidiaries

The Company's subsidiaries (the "Subsidiaries"), the nature of businesses of the Subsidiaries and their business segments are as follows:

Companies accounted by line by line consolidation:

Subsidiaries	Nature of business	Segment
EİP Eczacıbaşı İlaç Pazarlama A.Ş. ("EİP")	Marketing and selling of pharmaceuticals	Health
Eczacıbaşı İlaç Ticaret A.Ş. ("EİT")	Marketing and selling of pharmaceuticals	Health
Eczacıbaşı İlaç (Cyprus) Ltd. ("Eczacıbaşı Cyprus") (*)	Marketing and selling of pharmaceuticals	Health
EHP Eczacıbaşı Health Care Products Joint Stock Co. ("EHP") (*)	Marketing and selling of pharmaceuticals	Health
Girişim Pazarlama Tüketim Ürünleri Sanayi ve Ticaret A.Ş. ("Girişim")	Marketing and selling of personal care products	Personal care
Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım A.Ş. ("Eczacıbaşı Gayrimenkul") (**)	Real estate development	Construction

(*) All Subsidiaries of the Company, except for Eczacıbaşı Health Care Products Joint Stock Co. registered in the Russian Federation and Eczacıbaşı İlaç (Cyprus) Ltd. registered in Northern Cyprus Turkish Republic, are registered in Turkey.

(**) The name of the subsidiary presented as "Eczacıbaşı İnşaat ve Ticaret A.Ş." ("İnşaat") in consolidated financial statements as of 31 December 2009 has been changed as "Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım A.Ş." ("Eczacıbaşı Gayrimenkul").

Joint Ventures

The Company's joint ventures (the "Joint Ventures") are listed below. All Joint Ventures are registered in Turkey. The nature of business of the Joint Ventures and their respective businesses segments for the purpose of the consolidated financial statements are as follows:

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Joint Ventures (Continued)

Joint Ventures	Nature of business	Partner	Segment
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş. ("EBX")	Pharmaceuticals and serum production	Baxter S.A.	Health
Eczacıbaşı-Monrol Nükleer Ürünler Sanayi ve Ticaret A.Ş. ("Eczacıbaşı-Monrol")	Production and sales of radiopharmaceuticals	Uğur Bozluolçay ve Şükrü Bozluolçay	Health
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş. ("ESK")	Sale of personal care products	Hans Schwarzkopf GmbH & Co. KG	Personal care
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş. ("EBC")	Sale of personal care products	Beiersdorf AG	Personal care

Associates

The associates of the Group ("Associates") and their respective business segments are as follows:

Associates	Nature of business
Ekom Eczacıbaşı Dış Ticaret A.Ş. ("Ekom")	Export services
Vitra Karo Sanayi ve Ticaret A.Ş. ("Vitra Karo")	Production of ceramic tiles
Eczacıbaşı Sağlık Hizmetleri A.Ş. ("ESH")	Special care and nursing services

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Accounting policies

The consolidated financial statements of EİS Eczacıbaşı İlaç Sanayi ve Ticaret A.Ş. have been prepared in accordance with the accounting and reporting principles published by the Capital Markets Board of Turkey ("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 Serial: XI, No: 29"). The Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes Communiqué Serial: XI, No: 25, "The Accounting Standards in the Capital Markets" ("the Communiqué Serial: XI, No: 25"). According to the Communiqué Serial: XI, No: 29, 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.

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 CMB Financial Reporting Standards. Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies" ("IAS 29"), issued by the IASB, has not been applied in the financial statements for the accounting year commencing 1 January 2005.

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

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these consolidated financial statements, the consolidated financial statements have been prepared within the framework of the Communiqué Serial: XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcements dated 14 April 2008 and 9 January 2009, including the compulsory disclosures. Accordingly, necessary reclassifications made in consolidated financial statements have been presented in Note 2.4.

EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and its subsidiaries operating in Turkey maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in TRL 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. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. 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.

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 3.28.

2.2 Financial statements of foreign subsidiaries

The financial statements of the foreign subsidiaries are prepared in accordance with the laws and regulations in force in the countries in which they operate with adjustments and reclassifications made to conform to CMB Financial Reporting Standards and presentation formats. The assets and liabilities of foreign subsidiaries are translated into Turkish Lira at the closing rate and the income and expenses are translated into Turkish Lira at the average rate for the year. Exchange differences arising on the retranslation of the opening net assets of foreign subsidiaries and differences between the average and period-end rates are included in the translation reserve under equity.

2.3 Group accounting

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

a) The consolidated financial statements include the accounts of the parent company, EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. (the "Parent") its Subsidiaries, Joint Ventures and Associates (together referred to as the "Group"). 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, Joint Ventures and Associates are either included in or excluded from the consolidation from the date of their acquisition or disposal, respectively.

b) Subsidiaries are companies in which EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. has power to control the financial and operating policies for the benefit of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret 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 certain Eczacıbaşı Family members and companies whereby EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret 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. Proportion of ownership interest represents the effective shareholding of the Group through the shares held by EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and indirectly by its Subsidiaries.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

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

2.3 Group accounting (continued)

The proportion of voting power held by the parent company, EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş., its Subsidiaries and Eczacıbaşı family members and the total proportion of ownership interests at 31 December are presented below:

Subsidiaries	Proportion of voting power held by the Company and its Subsidiaries (%)		Proportion of voting power held by Eczacıbaşı Family members (%)		Total proportion of voting power held (%)		Total proportion of ownership interests (%)	
	2010	2009	2010	2009	2010	2009	2010	2009
EHP	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Eczacıbaşı Cyprus	100.00	100.00	-	-	100.00	100.00	99.96	99.96
EİP	99.94	99.94	0.02	0.02	99.96	99.96	99.93	99.93
EİT	99.80	99.80	-	-	99.80	99.80	99.74	99.74
Eczacıbaşı Gayrimenkul	99.49	99.49	0.02	0.02	99.51	99.51	99.49	99.49
Girişim	48.13	48.13	8.00	8.00	56.13	56.13	48.13	48.13

The financial statements and statements of income of the Subsidiaries are consolidated on a line-by-line basis and the carrying values of the investments held by EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and its Subsidiaries are eliminated against the related equity. Intragroup transactions and balances between EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. in its Subsidiaries are eliminated from equity and income for the year, respectively.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

c) Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and one or more other parties. EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. exercises such joint control through the power to exercise voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and/or by certain Eczacıbaşı Family members and related parties whereby EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. exercises control over the voting rights of (but does not have the economic benefit of) the shares held by them. The Group's interest in Joint Ventures is accounted for by way of proportionate consolidation. By this method, the Group includes its share of assets, liabilities, income and expenditure of each Joint Venture in the relevant components of the financial statements (Note 5).

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

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

2.3 Group accounting (continued)

The proportion of voting power held by the parent company, EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş., its Subsidiaries and Eczacıbaşı Family members and total proportion of ownership interests on Joint Ventures at 31 December are presented below:

Joint Ventures	Proportion of voting power held by the Company and its Subsidiaries (%)		Proportion of voting power held by Eczacıbaşı Family members (%)		Total proportion of voting power held (%)		Total proportion of ownership interests (%)	
	2010	2009	2010	2009	2010	2009	2010	2009
EBX (*)	50.00	50.00	-	-	50.00	50.00	50.00	50.00
EBC	50.00	50.00	-	-	50.00	50.00	50.00	50.00
Eczacıbaşı-Monrol	50.00	50.00	-	-	50.00	50.00	50.00	50.00
ESK	47.00	47.00	-	-	47.00	47.00	47.00	47.00

(*) The subsidiaries consolidated in the financial statements of Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş. are as follows:

	Direct or indirect control of EBX (%)		Total proportion of ownership interests of EBX (%)	
	2010	2009	2010	2009
RTS Renal Tedavi Hizmetleri Sanayi ve Ticaret A.Ş. ("RTS Renal")	100.00	100.00	60.00	60.00
Transmed Diyaliz ve Tıbbi Hizmetler Ticaret A.Ş. ("Transmed")	100.00	100.00	60.00	60.00
Ren-Tıp Özel Sağlık Hizmetleri Ltd. Şti. ("Ren-Tıp")	100.00	100.00	60.00	60.00
RTS İzmit Renal Tedavi Hizmetleri A.Ş. ("RTS İzmit")	100.00	100.00	60.00	60.00
RTS Gaziantep Renal Tedavi Hizmetleri A.Ş. ("RTS Gaziantep")	100.00	100.00	60.00	60.00
RTS Antalya Renal Tedavi Hizmetleri A.Ş. ("RTS Antalya")	100.00	100.00	60.00	60.00
Mentaş Sağlık İnşaat Eğitim Gıda Otomotiv Ticaret A.Ş. ("Mentaş")	100.00	100.00	60.00	60.00
Özel Deva Sağlık Gıda Otomotiv Eğitim A.Ş. ("Özel Deva")	100.00	100.00	60.00	60.00
Meltem Diyaliz Yazılım Sağlık Eğitim İhracat A.Ş. ("Meltem Diyaliz")	100.00	100.00	60.00	60.00
Onur Diyaliz Hizmetleri A.Ş. ("Onur Diyaliz")	99.95	99.95	59.99	59.99
Renal Tedavi Sistemleri A.Ş. ("Renal")	99.40	99.40	59.64	59.64
Güneydoğu Özel Sağlık Hizmetleri Ltd. Şti. ("Özel Güneydoğu")	85.00	85.00	51.00	51.00
Almet Sağlık Hizmetleri Ticaret A.Ş. ("Almet")	80.00	80.00	48.00	48.00
RTS Beyhekim Renal Tedavi Servisleri A.Ş. ("RTS Beyhekim")	80.00	80.00	48.00	48.00
Özel Başar Tıp Teşhis ve Tedavi Kliniği Hizmetleri A.Ş. ("Özel Başar")	79.98	79.98	47.98	47.98
RTS Seyhan Renal Tedavi Hizmetleri A.Ş. ("RTS Seyhan")	73.00	73.00	43.80	43.80

d) Investments in Associates are accounted for using the equity method. These are undertakings over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its Associates are eliminated to the extent of the Group's interest in the Associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate or the significant influence of the Group ceases. The carrying amount of the investment at the date when significant influence ceases is regarded as cost thereafter.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

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

2.3 Group accounting (continued)

The proportion of voting power held by the parent company, EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş., its Subsidiaries and Eczacıbaşı family members and the total proportion of ownership interests in Associates accounted for using the equity method at 31 December are presented below:

Associates	Proportion of voting power held by the Company and its Subsidiaries (%)		Proportion of voting power held by Eczacıbaşı Family members (%)		Total proportion of voting power held (%)		Total proportion of ownership interests (%)	
	2010	2009	2010	2009	2010	2009	2010	2009
ESH	46.46	46.46	-	-	46.46	46.46	46.46	46.46
Ekom	26.36	26.36	1.72	1.72	28.08	28.08	26.36	26.36
Vitra Karo (*)	25.00	25.00	0.92	0.92	25.92	25.92	25.00	25.00

(*) The subsidiaries consolidated in the financial statements of Vitra Karo Sanayi ve Ticaret A.Ş. are as follows:

	Country in that subsidiary operates	Direct or indirect control of Vitra Karo (%)	
		2010	2009
Engers Keramik Gmbh & Co. KG	Germany	100.00	100.00
Engers Keramik Verwaltungs GmbH	Germany	100.00	100.00
Vitra Tiles LLC	Russia	100.00	100.00
Vitra Ireland Ltd.	Ireland	89.36	89.36
Villeroy & Boch Fliesen GmbH	Germany	51.00	51.00
ZAO Vitra Bath and Tiles JSC	Russia	50.00	50.00

e) Financial assets, in which the Group has controlling interests below 20% or above 20% but over which the Group does not have a significant influence, are accounted for as "available-for-sale assets" (Notes 3.6 and 8).

f) The non-controlling shareholders' share in the net assets and results of operations of the Subsidiaries are separately classified in the consolidated balance sheets and statements of income as "Non-controlling Interest". Certain Eczacıbaşı Family members and companies controlled by them, who are shareholders of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş., have interests in the share capital of certain Subsidiaries. In the consolidated financial statements, their interests are treated as non-controlling interests and are not included in the Group's net assets and profits attributable to the shareholders of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş.

2.4 Comparatives

In order to give accurate trend analysis regarding the financial position and performance, the consolidated financial statements as of 31 December 2010 and 31 December 2009 of the Group together with the consolidated statements of; income, comprehensive income, cash flows and equity for the years ended 31 December 2010 and 2009 are prepared on a comparative basis.

Where necessary, comparative figures have been reclassified to conform to the presentation of the current year consolidated financial statements. In the current year foreign exchange gains and losses arisen from the identical currencies of each class of accounts are netted-off and presented in accordance with IAS 1, Presentation of Financial Statements. In this context, foreign exchange gains and losses amounting to TRL 222,935 thousand are netted-off in consolidated financial statements for financial year 2009.

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

2.5 Offsetting

Each material class of similar items according to their nature or function is presented separately in the consolidated financial statements. If a line item is not individually material, it is aggregated with other similar items according to their nature or function. If the essence of the transaction and events requires offsetting, presentation of these transactions and events at their net values or following up of the assets at their amounts after the deduction of impairment, is not evaluated as a breach of the non-deductibility rule.

2.6 Adoption of new and revised standards

The following new and revised IFRSs and interpretations have been adopted to the current period and have had impact on the amounts reported in these consolidated financial statements and disclosures. The details of other standards and comments have been adopted to these consolidated financial statements but not have had any impact on the amounts reported for the current period are described later in this section.

a) New and revised IFRSs affect presentation and disclosures

Amendments to ***IFRS 5, Non-current Assets Held for Sale and Discontinued Operations*** (as part of Improvements to IFRSs issued in 2009)

The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require:

a) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or
b) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

Since the Group does not have any assets in this context, disclosures in these consolidated financial statements have not been modified to reflect the above clarification.

Amendments to ***IAS 7, Statement of Cash Flows*** (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 7 specify that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in ***IAS 38, "Intangible Assets"*** for capitalization as part of an internally generated intangible asset. This change has been applied retrospectively.

Amendments to ***IAS 1, Presentation of Financial Statements*** (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.

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

2.6 Adoption of new and revised standards (continued)

b) New and revised IFRSs affecting the reported financial performance and / or financial position

IFRS 3 (revised in 2008), "Business Combinations" and IAS 27 (revised in 2008), "Consolidated and Separate Financial Statements"

IFRS 3 (revised), "Business Combinations" and consequential amendments to IAS 27, "Consolidated and Separate Financial Statements", IAS 28, "Investments in Associates" and IAS 31, "Interests in Joint Ventures" are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The main impact of the adoption is as follows:

i. to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as "minority interests") either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree,
ii. to change the recognition and subsequent accounting requirements for contingent consideration,
iii. to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognized as an expense in profit or loss as incurred,
iv. in step acquisitions, previously held interests are to be remeasured to fair value at the date of the subsequent acquisition with the value included in goodwill calculation. Gain or loss arising from the re-measurement shall be recognized as part of profit or loss.

The application of IAS 27 (2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries. Specifically, the revised Standard has brought clarification to the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. Under IAS 27 (2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognize all assets, liabilities and non-controlling interests at their carrying amount and to recognize the fair value of the consideration received. Any retained interest in the former subsidiary is recognized at its fair value at the date control is lost. The resulting difference is recognized as a gain or loss in profit or loss.

These changes in accounting policies have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions. There isn't any retained interest in the former subsidiary or there isn't any transaction with non-controlling interests during the year.

IAS 28 (revised in 2008), "Investments in Associates"

Based on the amendments made to IAS 28, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognized in profit or loss.

As part of Improvements to IFRSs issued in 2010, IAS 28 (2008) has been amended to clarify that the amendments to IAS 28 regarding transactions where the investor loses significant influence over an associate should be applied prospectively. The Group has applied the amendments to IAS 28 (2008) as part of Improvements to IFRSs issued in 2010 in advance of their effective dates.

There have been no transactions whereby an interest in an entity is retained after the loss of significant influence in that entity; there have been no transactions for shares in associates.

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

2.6 Adoption of new and revised standards (continued)

c) New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

IFRIC 17, "Distributions of non-cash assets to owners", is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

IFRIC 18, "Transfers of assets from customers", effective for transfer of assets received on or after 1 July 2009. The interpretation is not relevant to the Group, as it has not received any assets from customers.

"Additional exemptions for first-time adopters" (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

IFRS 2, "Share-based Payments - Group Cash-settled Share Payment Arrangements" is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as the Group does not have share-based payment plans.

Amendments to IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations" (as part of Improvements to IFRSs issued in 2008) clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The improvements cover 12 main standards/interpretations as follows: IFRS 2, "Share-based Payments", IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations", IFRS 8, "Operating Segments", IAS 1, "Presentation of Financial Statements", IAS 7, "Statement of Cash Flows", IAS 17, "Leases", IAS 18, "Revenue", IAS 36, "Impairment of Assets", IAS 38, "Intangible Assets", IAS 39, "Financial Instruments: Recognition and Measurement", IFRIC 9, "Reassessment of Embedded Derivatives", IFRIC 16, "Hedges of Net Investment in a Foreign Operation". The effective dates vary standard by standard but most are effective 1 January 2010.

d) New and revised IFRSs in issue but not yet effective

IFRS 1 (amendments), "First-time Adoption of IFRS - Additional Exemptions"

Amendments to IFRS 1 which are effective for annual periods on or after 1 July 2010 provide limited exemption for first time adopters to present comparative IFRS 7 fair value disclosures.

On 20 December, IFRS 1 is amended to provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs and to provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. The amendments are required to be applied for annual periods beginning on or after 1 July 2011.

These amendments are not relevant to the Group, as it is an existing IFRS preparer.

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

2.6 Adoption of new and revised standards (continued)

d) New and revised IFRSs in issue but not yet effective (continued)

IFRS 7, "Financial Instruments: Disclosures"

In October 2010, IFRS 7, "Financial Instruments: Disclosures" is amended by IASB as part of its comprehensive review of off balance sheet activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment will be effective for annual periods beginning on or after 1 July 2011. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IFRS 9, "Financial Instruments: Classification and Measurement"

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement". The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

IAS 24 (Revised 2009), "Related Party Disclosures"

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 32 (Amendments), "Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements"

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Group has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

IFRIC 14 (Amendments), "Pre-payment of a Minimum Funding Requirement"

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made. The Group does not expect any impact of the adoption of this amendment on the financial statements.

IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability. The Group has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

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

2.6 Adoption of new and revised standards (continued)

d) New and revised IFRSs in issue but not yet effective (continued)

IAS 12, "Income Taxes"

In December 2010, IAS 12 is amended. 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 , be through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

Annual Improvements, May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 7 main standards/interpretations as follow: IFRS 1, "First-time Adoption of International Financial Reporting Standards", IFRS 3, "Business Combinations," IFRS 7, "Financial Instruments: Disclosures", IAS 1, "Presentation of Financial Statements", IAS 27, "Consolidated and Separate Financial Statements", IAS 34, "Interim Financial Reporting" and IFRIC 13, "Customer Loyalty Programmes". With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011. Early adoption of these amendments is allowed. The Group has not yet had an opportunity to consider the potential impact of the adoption of these amendments to the standards.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Where necessary, accounting policies for Subsidiaries, Joint Ventures and Associates has been changed to ensure consistency with the policies adopted by the Group. Except for the consolidation policies mentioned in "Group accounting" (Note 2.3), the significant accounting policies applied in the preparation of these consolidated financial statements are summarised below:

3.1 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 7). 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.

3.2 Trade receivables and provision for doubtful receivables

Trade receivables that are originated by the Group by way of providing goods or services directly to a debtor are carried at amortised cost using the effective interest method. Short-term trade receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant (Note 10).

A credit risk provision for trade receivables 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 the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Credit finance income/expenses

Credit finance income/expenses represent imputed finance income/expenses on credit sales and purchases. Such income/expenses are recognised as financial income or expenses over the term of credit sale and purchases, and included under financial income and expenses (Notes 25 and 26).

3.4 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, Joint Ventures and Subsidiaries are considered and referred to as related parties (Note 29).

3.5 Inventories

Inventories are valued at the lower of cost or net realisable value. Costs of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The unit cost of inventories is determined using the moving weighted average and weighted average methods. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 12).

The Group accounts for the cost of real estate purchased for development under inventories until the time a project for future use is developed (Notes 6 and 12).

3.6 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. The gains or losses that result from this measurement are recognised in consolidated statement of income (Note 8).

"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 balance sheet 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 8).

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 values 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 8).

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial assets (continued)

At each balance sheet 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 diminution in value.

3.7 Business combinations and goodwill

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

i. deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
ii. liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
iii. assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Business combinations and goodwill (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

In business combinations under common control, assets and liabilities subject to business combination are accounted for at carrying value in consolidated financial statements. Statements of income are consolidated starting from the beginning of the fiscal year in which the business combination is realized. Financial statements of previous fiscal years are reorganized in the same manner in order to maintain consistency and comparability. Any positive or negative goodwill arising from such business combination is not recognized in the consolidated financial statements. The residual balance calculated by netting off investment in subsidiary and the share acquired in subsidiary's capital is directly accounted under equity as "effect of share transfers under common control" under "Retained earnings".

3.8 Investment properties

Buildings and land held to earn rent or for capital appreciation or both rather 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 (Note 14). Investment properties are carried at cost less accumulated depreciation. Investment properties (except land) are depreciated on a straight-line basis.

In the Kanyon complex, different useful lives are assigned for each part of the complex (includes building, lift, escalator, parking lot equipments, heat and cooling system and many other property, plant and equipment) and each part of the complex is depreciated separately.

The depreciation periods for investment properties, which approximate the useful lives of the Kanyon complex concerned, are as follows:

Buildings	50 years
Machinery, plant and equipment	4-15 years
Furniture and fixtures	4-15 years

Investment properties are reviewed for impairment losses and when 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 the higher of the asset's net selling price or value in use.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Property, plant and equipment and related depreciation

Property, plant and equipment acquired prior to 31 December 2004 are carried at acquisition costs adjusted for inflation; whereas those purchased after 2004 are carried at acquisition costs less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets (Note 15).

The depreciation periods for property, plant and equipment, which approximate the useful lives of assets concerned, are as follows:

Land improvements	5-50 years
Buildings	10-50 years
Machinery, plant and equipment	3-20 years
Motor vehicles	4-5 years
Furniture and fixtures	3-20 years
Leasehold improvements	5-10 years
Other tangible assets	2-20 years

Land is not depreciated due to having infinite useful life.

Gains or losses on disposals of property, plant and equipment determined by comparing proceeds with carrying amounts are included in the related income and expense accounts, as appropriate.

Where the carrying amount of the asset is greater than its recoverable amount, it is written down immediately to its recoverable amount and the impairment loss is recorded in the income statement.

Expenses for repair and maintenance of property, plant and equipment are normally charged to the statement of income. They are, however, capitalised in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

3.10 Intangible assets and amortisation

Intangible assets comprise acquired computer software, intellectual property, capitalised development costs and other identifiable rights. These are recorded at their acquisition costs and amortised using the straight-line method over their estimated useful lives for a period not exceeding 20 years from the date of acquisition. When the carrying amount of any intangible asset is greater than its recoverable amount, it is immediately written down to its recoverable amount (Note 16).

Group has estimated 25, 15 and 10 years of useful lives for the customer relations, brand name and licences. These intangibles are amortised based on the estimates regarding the economic benefits that will be provided to the Group in the future periods.

3.11 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 balance sheet 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 balance sheet date.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Taxes (continued)

The principal temporary differences result from carried forward tax losses, provision for employment termination benefits, the differences between the tax base and the carrying amounts of property, plant and equipment, investment properties, inventories and available-for-sale financial assets, deferred finance income and expenses on credit sales and purchases.

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 27).

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.

3.12 Financial liabilities

Financial liabilities are recognised initially at proceeds received, net of transaction costs incurred. In subsequent periods, financial liabilities are stated at amortised cost using the effective interest method. Any difference between proceeds (net of transaction costs) and redemption value is recognised in the consolidated statements of income over the period of the financial liabilities (Note 9).

Financial liabilities are classified as current liabilities unless the Group has the unconditional right to defer the corresponding payment for 12 months since balance sheet date.

3.13 Leases

Finance leases

Leases of property, plant and equipment where the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are included in the property, plant and equipment 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 payments. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset. An impairment loss is recognised when a decrease in the carrying amount of the leased property is identified. Interest expenses and foreign exchange losses related to the finance lease liabilities are accounted in the income statement. Lease payments are deducted from finance lease liabilities (Notes 9 and 15).

Operational leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operational leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

There is no legal decision regarding the renewals in operational leasing contracts or escalation of buying options.

Operational leases - Group as the lessor

Assets leased out under operational leases are classified under property, plant and equipment in the consolidated balance sheet and rental income is recognised on a straight-line basis over the lease term.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Employment termination benefits

Provision for employment termination benefits is provided as a requirement of Turkish Labour Law to each employee who has completed one year of service and retires, whose employment is terminated without due cause, who is called up for military service, or who dies; and represents the present value of the estimated total reserve of the future probable obligation of the Group (Note 19).

3.15 Foreign currency transactions

Foreign currency transactions during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into new Turkish lira at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and translation of foreign currency items have been included in the consolidated statements of income (Notes 25 and 26).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.16 Revenue recognition

Revenue is recognised at the fair value of consideration received or receivable on an accrual basis at the time deliveries are made, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group (Note 21). Net revenues represent the invoiced value of goods shipped less sales returns, discounts and commissions. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal value of the consideration is recognised as interest income on a time proportion basis that takes into account the effective yield on the asset (Note 25).

Rent and royalty income earned by the Group are recognised on an accrual basis. Interest income is recognised using the effective interest method. Dividend income is recognised when the right to collect the dividend is established.

3.17 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.

3.18 Research and development costs

Costs incurred on development projects relating to the design and testing of new or improved products are recognised as intangible assets if the project will be successful considering its commercial and technical feasibility and expenditures can reliably be measured. Other development expenditures that do not meet these criteria are recognised as expense when incurred. Development costs previously recognised as expense are not capitalised as an asset in subsequent periods. Capitalised development costs are amortised in line with estimated useful life, starting from the production of the product using the straight-line method (Notes 15 and 22).

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, one that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Borrowing costs that are not in this scope are recognised directly in the income statement (Note 26).

3.20 Provisions, contingent assets and liabilities

Provisions are recognised at the present value of the obligation when the Group has a present legal or constructive obligation as a result of past events, it is probable that on outflow of resources embodying economic benefits will be required to settle the obligation, and of the amount of the obligation can be reliably estimated.

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 18).

3.21 Government grants

Investment incentives can only be utilised when the Group's application for incentives is approved by the related authorities.

3.22 Financial instruments

Fair value of the 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 (Notes 3.6 and 8).

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 financial assets available for sale measured at cost and financial assets at fair value through profit or loss are described in detail in Note 8. Remaining assets and liabilities:

Monetary 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.

Monetary liabilities

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

Foreign currency denominated long-term borrowings is measured at amortised values discounted with the effective interest rates in the consolidated financial statements.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Segment Reporting

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments. The category "Undistributed" generally consists of assets like cash and cash equivalents, financial investments, which are attributable to the parent and utilizable for all segments, and assets and liabilities of the other sectors, which do not meet the required quantitative thresholds to be a reportable segment.

For an operating segment to be identified as a reportable segment, its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; the absolute amount of its reported profit or loss is 10% or more of the combined profit or loss or its assets are 10% or more of the combined assets of all operating segments. Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information regarding the segment would be useful to users of the financial statements.

3.24 Earnings per share

Earnings per share disclosed in the consolidated statements of income are determined by dividing net profit for the period by the weighted average number of shares that have been outstanding during the period.

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, such bonus shares are regarded as issued shares. Accordingly, when calculating the weighted average number of shares to be used in earnings per share computations, the retroactive effect of such bonus shares is taken into consideration for comparative purposes (Note 28).

3.25 Events after the balance sheet date

Events after the balance sheet date represent events that have occurred in favour or in opposition of the Group between the balance sheet date and the date financial statements were approved. The Group adjusts the consolidated financial statements when there is evidence of events existing at or after the balance sheet date that necessitate the adjusting of the consolidated financial statements. If events after the balance sheet date do not necessitate the adjusting of the consolidated financial statements, the Group explains the events in a corresponding note to the consolidated financial statements.

3.26 Impairment of assets

The Group reviews assets, except goodwill, for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount in the consolidated statements of income. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment losses are recognised in the consolidated income statements.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.27 Changes in accounting policies, accounting estimates and errors

Changes in accounting policies or determined accounting errors are applied retroactively and the financial statements of the previous year are adjusted. If changes in estimates are for only one period, changes are applied to the current year but if changes in estimates are for the following periods, changes are applied both to the current and following years prospectively.

3.28 Management's estimates

The preparation of consolidated financial statements requires estimates and assumptions regarding the amounts for the assets and liabilities at the balance sheet date, explanations for the contingent assets and liabilities as well as the amounts of income and expenses realised in the reporting period. Although these estimates and assumptions are based on the best information held by the Group management, actual results may differ from these.

In the next financial reporting period, the predictions and assumptions likely to cause significant adjustments on the recorded values on the assets and liabilities are stated below:

a) Impairment assessments on the intangible assets with infinite useful lives and goodwill

In accordance with the accounting policy for the intangible assets which have indefinite useful lives and goodwill, these assets are reviewed for impairment annually or whenever events or changes in circumstances indicate impairment by the Group. The recoverable amounts of the cash-generating units are determined using the method of value in use. Certain estimates were used in these calculations. Impairment was not identified as a result of these tests. The effect of 10% negative deviation in the estimates used in calculations does not cause impairment in goodwill as of 31 December 2010

b) Fair values of the available for sale financial assets

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. As a result, the estimates used in the analysis, may not be indicative for the value that the Group may obtain in a current market transaction and actual values may significantly deviate from those estimates (Notes 3.6 and 8).

c) Non-current Value Added Tax ("VAT") receivables

Group classifies VAT receivables as non-current assets when recovery of such receivables is estimated to take more than one year in the ordinary course of business (Note 11). The total VAT receivables amount to TRL 59,470 thousand as of 31 December 2010 (31 December 2009: TRL 67,568 thousand). VAT receivables amounting to TRL 46,333 thousand (31 December 2009: TRL 45,105 thousand) have been classified as long-term receivables.

NOTE 4 - BUSINESS COMBINATIONS

None.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 5 - JOINT VENTURES

The aggregate amounts of assets, liabilities and profit/loss of the Joint Ventures, which are proportionately consolidated in the consolidated financial statements, before consolidation adjustments are as follows:

Balance Sheets:	**31 December 2010**	**31 December 2009**
Current assets	121,331	118,030
Non-current assets	78,248	72,445
Total assets	**199,579**	**190,475**
Current liabilities	40,189	45,690
Non-current liabilities	20,068	10,863
Equity	139,322	133,922
Total liabilities and equity	**199,579**	**190,475**

Statements of Income:	**2010**	**2009**
Net sales	265,744	262,088
Cost of sales (-)	(149,570)	(143,688)
Gross profit	**116,174**	**118,400**
Operating expenses (-)	(99,861)	(92,989)
Operating profit	**16,313**	**25,411**
Financial income, net	763	358
Profit before tax	**17,076**	**25,769**
Taxes (-)	(4,302)	(6,032)
Net profit for the year	**12,774**	**19,737**

NOTE 6 - SEGMENT REPORTING

The Group determined its operating segments based upon the reports reviewed and used by the Board of Directors while giving strategic decisions.

During evaluations made for the requirements of IFRS 8 "Operating Segments" effective as of 1 January 2009, the Group decided that operating segments shown below in the disclosures prepared in line with CMB requirements are compatible with the reports presented to Decision Making Authorities related to current operations and that there is no new reportable segment.

The Group continues to operate primarily in three reportable segments as of 31 December 2010:

1. Health:

Production and sale of human health and veterinary medicine.

2. Personal care:

Production, marketing and sale of personal care and consumption products.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 6 - SEGMENT REPORTING (Continued)

3. Real estate development:

Kanyon:

The sale and lease of the real estate constructed with a 50%-50% partnership with İş Gayrimenkul Yatırım Ortaklığı A.Ş. ("İŞ GYO") located on Büyükdere Caddesi, in the Şişli district of Istanbul. The lease regards to half of the shopping mall and whole of the office building.

Ormanada project:

On 31 December 2007, the Company acquired half of the 22 pieces of land with a total area of 196,409.74 m² in Yorgancı Çiftliği Mevkii, Uskumru Mahallesi, Sarıyer district in Istanbul. The remaining half belongs to Eczacıbaşı Holding A.Ş. The aforementioned real estates are apt for residential and partially trade centre development and construction. Total planned construction area amounts to 90 thousand m². Architectural practices with various architecture groups works within the scope of the project development operations, interior decoration and infrastructure practices have been completed for this construction project. Construction licences for the buildings in first phase has been observed. Sales and construction have been started in the last quarter of 2010. Acquisition value of the land and the costs attributable to this project are presented in inventories in the consolidated financial statements (Note 12). Detailed information related to the project is presented in Note 32.

Ayazağa facilities leased to EBX:

Lease is related to serum facilities located in Ayazağa district of Istanbul.

Eczacıbaşı Gayrimenkul:

Providing consulting services regarding land development and project management to Eczacıbaşı Group companies which are operating in real estate development sector.

Segment assets consist of cash and cash equivalents (cash and cash equivalents of the parent are excluded), trade and other receivables, inventories, tangible and intangible assets and other current and non-current assets. Financial assets at fair value through profit or loss, financial assets available for sale and deferred tax assets are excluded from segment assets.

Segment liabilities consist of liabilities related to operations. Current and deferred tax liabilities, financial liabilities and financial liabilities provided by related parties are excluded from segment liabilities.

Capital expenditures consist of purchases of tangible and intangible assets, investment property and goodwill arisen as a result of acquisitions in the current year.

Financial information has not been reported in geographical segments since primary sales and purchases of the Group are performed in Turkey and the majority of the assets of the Group are in Turkey.

Segment assets and liabilities as of 31 December:

	31 December 2010		31 December 2009	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Health	275,795	(75,063)	252,751	(74,074)
Personal care	157,482	(122,525)	142,449	(95,599)
Real estate development	264,874	(16,899)	249,689	(2,092)
Undistributed	1,964,085	(60,438)	1,844,214	(127,113)
Inter-segment elimination	(12)	12	(48)	48
Total	**2,662,224**	**(274,913)**	**2,489,055**	**(298,830)**

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 6 - SEGMENT REPORTING (Continued)

Segment assets and liabilities as of 31 December and capital expenditures, non-cash expenses and segment results for the year then ended:

1 January - 31 December 2010	**Health**	**Personal care**	**Real estate development**	**Undistributed**	**Inter-segment elimination**	**Total**
Capital expenditures (Notes 14, 15, 16 and 17)	16,839	2,091	2,186	-	-	**21,116**
Non-cash expenses:						
- Depreciation and amortisation (Notes 14, 15 ve 16)	11,020	2,661	5,660	-	-	**19,341**
- Provision for employment termination benefits (Note 19)	2,402	1,287	45	-	-	**3,734**
- Provision for diminution in value of inventories (Note 12)	3,271	309	-	-	-	**3,580**
- Provision for doubtful receivables (Note 22)	855	1,024	-	-	-	**1,879**
- Expense accruals (Note 11)	910	288	-	-	-	**1,198**
- Provision for unused vacation (Note 19)	365	19	114	-	-	**498**
- Accruals for salaries and premiums (Note 11)	319	-	-	-	-	**319**
- Provision for litigations (Note 18)	139	122	-	-	-	**261**
	19,281	**5,710**	**5,819**	**-**	**-**	**30,810**
1 January - 31 December 2009						
Capital expenditures (Notes 14, 15, 16 and 17)	12,308	2,509	412	-	-	**15,229**
Non-cash expenses:						
- Depreciation and amortisation (Notes 14, 15 ve 16)	11,913	2,922	5,557	-	-	**20,392**
- Licence transfer accruals (Note 11)	-	-	-	3,742	-	**3,742**
- Accruals for salaries and premiums (Note 11)	3,097	364	-	-	-	**3,461**
- Provision for diminution in value of inventories (Note 12)	2,631	522	-	-	-	**3,153**
- Provision for doubtful receivables (Note 22)	1,382	1,052	-	-	-	**2,434**
- Provision for unused vacation (Note 19)	993	468	(45)	-	-	**1,416**
- Provision for employment termination benefits (Note 19)	1,009	241	16	-	-	**1,266**
- Expense accruals (Note 11)	825	-	11	-	-	**836**
- Accruals for sales returns and sales discounts	317	41	-	-	-	**358**
- Provision for litigations (Note 18)	207	-	-	-	-	**207**
	22,374	**5,610**	**5,539**	**3,742**	**-**	**37,265**

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 6 - SEGMENT REPORTING (Continued)

Segment results as of 31 December:

1 January - 31 December 2010	**Health**	**Personal care**	**Real estate development**	**Undistributed**	**Inter-segment elimination**	**Total**
Total sales	381,093	584,074	46,632	4	-	**1,011,803**
Elimination of sales within the Group (-)	(25,418)	(69,400)	(3,718)	-	(55)	**(98,591)**
Sales to third parties	355,675	514,674	42,914	4	(55)	**913,212**
Cost of sales (-)	(209,485)	(420,304)	(16,980)	-	51	**(646,718)**
Gross profit / (loss)	**146,190**	**94,370**	**25,934**	**4**	**(4)**	**266,494**
Marketing, sales and distribution expenses (-)	(71,883)	(52,709)	(7,328)	(689)	49	**(132,560)**
General administrative expenses (-)	(60,962)	(21,108)	(646)	(8,303)	3	**(91,016)**
Research and development expenses (-)	(16)	-	-	-	-	**(16)**
Other operating income	18,211	899	114	172	(52)	**19,344**
Other operating expenses (-)	(8,218)	(1,692)	(9)	(1,617)	-	**(11,536)**
Operating profit / (loss)	**23,322**	**19,760**	**18,065**	**(10,433)**	**(4)**	**50,710**
1 January - 31 December 2009						
Total sales	369,193	472,279	34,251	-	-	**875,723**
Elimination of sales within the Group (-)	(77)	(20)	(926)	-	-	**(1,023)**
Sales to third parties	369,116	472,259	33,325	-	-	**874,700**
Cost of sales (-)	(226,896)	(393,513)	(8,433)	-	119	**(628,723)**
Gross profit / (loss)	**142,220**	**78,746**	**24,892**	**-**	**119**	**245,977**
Marketing, sales and distribution expenses (-)	(76,621)	(46,278)	(8,023)	(1,146)	47	**(132,021)**
General administrative expenses (-)	(57,014)	(19,404)	(1,069)	(10,343)	1,007	**(86,823)**
Research and development expenses (-)	(36)	-	(155)	-	-	**(191)**
Other operating income	3,027	841	29	570	(416)	**4,051**
Other operating expenses (-)	(8,293)	(1,863)	(7)	(5,649)	262	**(15,550)**
Operating profit / (loss)	**3,283**	**12,042**	**15,667**	**(16,568)**	**1,019**	**15,443**

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 6 - SEGMENT REPORTING (Continued)

	2010	**2009**
Operating profits related to operating segments	61,147	30,992
Undistributed expenses (-)	(10,433)	(16,568)
Inter-segment elimination	(4)	1,019
Profit / (loss) shares from associates	774	(5,818)
Financial income	91,251	389,348
Financial expenses (-)	(64,545)	(79,947)
Profit before tax	**78,190**	**319,026**

NOTE 7 - CASH AND CASH EQUIVALENTS

	31 December 2010	**31 December 2009**
Cash in hand	76	255
Banks	656,018	677.970
- demand deposits	7,847	5.552
- time deposits	648,171	672.418
Other liquid assets	33	20
	656,127	**678.245**

Maturities of time deposits are as follows:

Less than 1 month	642,558	576.481
1 to 3 months	13,460	101.489
	656,018	**677.970**

Interest rates for TRL-denominated time deposits vary between 6.50% and 9.40% (31 December 2009: 6.00% - 10.80%), whereas interest rates for foreign currency denominated time deposits vary between 0.60% and 3.65% (31 December 2009: 1.00%- 5.00%). The weighted average interest rates per annum for TRL, USD and EUR denominated time deposits are 8.62%, 3.27% and 3.20%, respectively (31 December 2009: 9.61%, 2.83% and 3.01%).

Cash and cash equivalents included in the consolidated statements of cash flows as of 31 December 2010 and 2009 are presented below:

	31 December 2010	**31 December 2009**
Cash and cash equivalents	656,127	678.245
Financial assets (Note 8)	-	4.066
Interest accruals (-)	(2,232)	(3.079)
	653,895	**679.232**

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 8 - FINANCIAL ASSETS

The details of financial assets included in current assets as of 31 December are as follows:

	31 December 2010	31 December 2009
Financial assets at fair value through profit and loss	3,419	8.170
Financial assets, current	**3,419**	**8.170**
Financial assets available-for-sale	1,273,157	1.088.287
Financial assets at fair value through profit and loss	2,741	4.004
Financial assets, non-current	**1,275,898**	**1.092.291**

The classification of financial instruments at fair value:

IFRS 7 explains the classifications of valuation techniques.

The classification of financial instruments at fair value is shown as following:

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 2010	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	-	3,419	-	3,419
Financial assets, current	**-**	**3,419**	**-**	**3,419**
Financial assets available-for-sale	128,051	225,918	919,188	1,273,157
Financial assets at fair value through profit and loss	-	2,741	-	2,741
Financial assets, non-current	**128,051**	**228,659**	**919,188**	**1,275,898**

31 December 2009	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	-	8,170	-	8,170
Financial assets, current	**-**	**8,170**	**-**	**8,170**
Financial assets available-for-sale	111,626	160,433	816,228	1,088,287
Financial assets at fair value through profit and loss	-	4,004	-	4,004
Financial assets, non-current	**111,626**	**164,437**	**816,228**	**1,092,291**

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 8 - FINANCIAL ASSETS (Continued)

The reconciliation table for fair value measurement being categorised in level 3 is as follows:

	2010	**2009**
As of 1 January	816,228	697,407
Total revenue recognised in other comprehensive income	142,468	27,018
Current year increase	-	23,059
Transitions to Level 3	-	68,744
Transitions from Level 3 to other levels	(39,508)	-
As of 31 December	**919,188**	**816,228**

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

On 26 July 2007, Eczacıbaşı Holding A.Ş. Strategic Planning and Finance Group Directorate was assigned to form an agreement with two international investment banks to manage a certain portion of cash obtained from the sale of 75% shares of the Company's subsidiaries Eczacıbaşı Sağlık Ürünleri Sanayi ve Ticaret A.Ş. and EÖS Eczacıbaşı Özgün Kimyasal Ürünler Sanayi ve Ticaret A.Ş. to Zentiva N.V. on 2 July 2007, in portfolios consisting of international financial investment instruments and funds.

The Company management has decided to transfer the assets in portfolio accounts considering their maturities and liquidity, to banks in Turkey in the second half of 2008. As of 31 December 2009, a significant portion of the funds have been transferred to banks in Turkey and transfer of remaining part of the funds is in progress. Total fair value of funds not yet transferred is TRL 6,160 thousand as of 31 December 2010 (31 December 2009: TRL 8,108 thousand). As of 31 December 2010, Group estimates to transfer TRL 3,419 thousand (31 December 2009: TRL 4,104 thousand) of these funds within 2010 and the remaining TRL 2,741 thousand (31 December 2009: TRL 4,004 thousand) after 2010. TRL 6,142 thousand (31 December 2009: TRL 8,069 thousand) of the aforementioned funds are in the funds in North America.

Financial assets measured at fair value through profit and loss include liquid funds amounting to TRL 4,066 thousand as of 31 December 2009 (31 December 2010: None) valued in Turkey.

Short-term available-for-sale financial assets:

The Group sold the shares representing 3% of Türk Pirelli Lastikleri A.Ş. to an amount of TRL 5,740 thousand to Pirelli Tyre Holland N.V. on 15 January 2009. Following the sales transactions impairment amounting to TRL 6,043 thousand previously reflected to "Financial assets fair value reserve" under shareholders equity, has been charged to the income statement (Note 26).

Eczacıbaşı capital secured funds, previously classified as "Available-for-sale" under financial assets have been sold between 1 July and 30 September 2009. The increase in fair value amounting to TRL 582 thousand classified as "Financial assets fair value reserves" under shareholders' equity have been charged to consolidated income statement (Note 25). Liquid funds were purchased with the cash received from sales, and these funds have been presented under "Financial assets at fair value through profit and loss" with an amount of TRL 4,066 as of 31 December 2009 (31 December 2010: None).

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 8 - FINANCIAL ASSETS (Continued)

b) Available-for-sale financial assets:

Long-term available-for-sale financial assets:

The list of long-term available for sale financial assets as of 31 December is as follows:

Listed:	**31 December 2010**	**%**	**31 December 2009**	**%**
Eczacıbaşı Yatırım Ortaklığı A.Ş. (*)	3,213	15	2,983	15
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş. (*)	579	2	413	2
Türkiye İş Bankası A.Ş. (*)	39	<1	21	<1
Ak Enerji Elektrik Üretim A.Ş. (*) (**)	<1	<1	1	<1
Eczacıbaşı Yapı Gereçleri Sanayi ve Ticaret A.Ş.(*) (**)	<1	<1	34	<1
	3,832		**3,452**	
Not listed:				
Eczacıbaşı Holding A.Ş. (*****)	1,268,859	37	1,084,224	37
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş. (****)	287	14	362	14
Eczacıbaşı Menkul Değerler A.Ş. (****)	166	1	237	1
Others (***)	13		12	
	1,269,325		**1,084,835**	
Total	**1,273,157**		**1,088,287**	

(*) Fair values of financial assets in listed companies are calculated based on current market prices.

(**) Market prices of Ak Enerji Elektrik Üretim A.Ş. and Eczacıbaşı Yapı Gereçleri Sanayi ve Ticaret A.Ş as of 31 December 2010 are TRL 363 and TRL 465, respectively.

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

(****) 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.

(*****) As of 31 December 2010 and 2009 the acquisition cost of Eczacıbaşı Holding A.Ş. shares including the restatement effect due to inflation accounting is TRL 153,320 thousand. In fair value determination, 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.

The methods used in fair value measurement of Eczacıbaşı Holding 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)

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 8 - FINANCIAL ASSETS (Continued)

b) Available-for-sale financial assets (continued):

	Proportion of ownership interests of Eczacıbaşı Holding A.Ş. (%) (*)		Fair value measurement method (**)		Fair value hierarchy (**)	
Entity name	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
EİS Eczacıbaşı İlaç Sınai ve Finansal Yatırımlar San. ve Tic. A.Ş.	62.50	62.49	(I)	(I)	(I)	(I)
Eczacıbaşı Yapı Gereçleri San. ve Tic. A.Ş.	82.84	82.73	(II)	(II)	Level 1	Level 1
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş.	48.32	47.54	(II)	(II)	Level 1	Level 1
Eczacıbaşı Yatırım Ortaklığı A.Ş.	24.59	24.59	(II)	(II)	Level 1	Level 1
Esan Eczacıbaşı Endüstriyel Hammaddeleri San. ve Tic. A.Ş.	99.96	99.96	(III)	(III)	Level 3	Level 3
Eczacıbaşı Bilişim San. ve Tic. A.Ş.	94.58	94.54	(III)	(III)	Level 3	Level 3
Vitra Karo San. ve Tic. A.Ş.	88.19	88.19	(III)	(III)	Level 3	Level 3
Engers Keramik Gmbh & Co Kg	88.19	88.19	(III)	(III)	Level 3	Level 3
Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri San. ve Tic. A.Ş.	73.95	73.95	(III)	(III)	Level 3	Level 3
EİP Eczacıbaşı İlaç Pazarlama A.Ş.	62.49	62.49	(III)	(III)	Level 3	Level 3
Eczacıbaşı Portföy Yönetimi A.Ş.	59.56	59.56	(III)	(III)	Level 3	Level 3
Eczacıbaşı Menkul Değerler A.Ş.	59.56	59.56	(III)	(III)	Level 3	Level 3
EKY Eczacıbaşı-Koramic Yapı Kimyasalları San. ve Tic. A.Ş.	49.37	49.38	(III)	(III)	Level 3	Level 3
İpek Kağıt San. ve Tic. A.Ş.	49.30	49.30	(III)	(III)	Level 3	Level 3
Villeroy & Boch Fliesen Gmbh	44.97	44.97	(III)	(III)	Level 3	Level 3
Kaynak Tekniği San. ve Tic. A.Ş.	42.71	42.20	(III)	(III)	Level 3	Level 3
E-Kart Elektronik Kart Sistemleri San. ve Tic. A.Ş.	36.79	36.79	(III)	(III)	Level 3	Level 3
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	31.96	31.96	(III)	(III)	Level 3	Level 3
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler San. ve Tic. A.Ş.	31.25	31.25	(III)	(III)	Level 3	Level 3
Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş.	31.25	31.25	(III)	(III)	Level 3	Level 3
Eczacıbaşı-Monrol Nükleer Ürünler San. ve Tic. A.Ş.	30.82	31.25	(III)	(III)	Level 3	Level 3
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	96.18	98.82	(V)	(V)	Level 3	Level 3
Cennet Koyu Turizm İşletmeleri San. ve Tic. A.Ş.	78.88	87.64	(V)	(V)	Level 3	Level 3
Eczacıbaşı Havacılık A.Ş.	86.98	86.98	(V)	(V)	Level 3	Level 3
Eczacıbaşı Sağlık Hizmetleri A.Ş.	77.22	77.22	(V)	(V)	Level 3	Level 3
Eczacıbaşı İnşaat ve Ticaret A.Ş.	62.66	62.66	(V)	(V)	Level 3	Level 3
Eczacıbaşı İlaç Ticaret A.Ş.	62.53	62.53	(V)	(V)	Level 3	Level 3
Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.	59.26	59.26	(V)	(V)	Level 3	Level 3
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	50.00	50.00	(V)	(V)	Level 3	Level 3
Toplu Konut Holding A.Ş.	27.00	27.00	(V)	(V)	Level 3	Level 3
Ekom Eczacıbaşı Dış Ticaret A.Ş.	17.60	18.38	(V)	(V)	Level 3	Level 3
Vitra Bad Gmbh	100.00	100.00	(VI)	(VI)	Level 3	Level 3
Vitra UK Limited	96.46	96.46	(VI)	(VI)	Level 3	Level 3
Vitra Ireland Limited	82.69	82.69	(VI)	(VI)	Level 3	Level 3

NOTE 8 - FINANCIAL ASSETS (Continued)

b) Available-for-sale financial assets (continued):

(*) 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.

(**) The net impact of the method change in the fair value measurement (transitions from Level 3 to Level 2) amounts to TRL (919) thousand (31 December 2009: transitions from Level 2 to Level 3 amounts to TRL 2,207 thousand). This change is the difference between the amounts calculated by using the discounted cash flow method and actual reference transactions. As of 31 December 2009 taking current conditions into consideration, a change in method has been made on the basis that the value calculated via discounted cash flows more properly represents the fair value than that calculated with transaction prices. In this context, the total fair value of the items affected by this method change is TRL 68,744 thousand.

(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 cross ownership with Eczacıbaşı Holding has been taken into consideration. The following have been taken into account in the related stand-alone fair value determination:

i) Kanyon Shopping Mall and Office Building; discounted cash flows of rent income (Level 3),
ii) Financial assets; current transaction cost (Level 2) and current market prices (Level 1),
iii) Real estates; current transaction cost, imputed cost and expertise values (Level 2 and 3)
iv) Net asset value of remaining assets in cash (Level 2) and liabilities in cash (Level 3).

In this context, the fair value has been calculated as TRL 1,117,087 thousand as of 31 December 2010 (31 December 2009: TRL 987,407 thousand). As of 31 December 2010, market/stock value of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. amounts to TRL 1,370,520 thousand (31 December 2009: TRL 1,370,520 thousand).

(II) The securities measured at market values are valued by the strike prices as at 31 December 2010 and 31 December 2009 on ISE. As of 31 December 2010 and 31 December 2009 there are no financial instruments listed in another stock exchange market.

(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.

During performing company valuations, risk-free return rates, risk premiums and borrowing costs are determined. If as of 31 December 2010 the calculated weighted average cost of capital had been higher by 10%, the fair value would have been lower by TRL 47,862 thousand (31 December 2009: lower by TRL 47,100 thousand). If the average cost of capital had been lower by 10%, the fair value would have been higher by TRL 52,202 thousand (31 December 2009: higher by TRL 61,737 thousand). After calculating average cost of capital, the discount rates are determined by using "debt/equity" ratio, average cost of capital and cost of equity ratio. In this context, the discount rates used for companies of which the functional unit of currency is TRL vary between 10.4% - 15% (31 December 2009: 13% - 17%), whereas the discount rates used for companies of which the functional unit of currency is EUR vary between 5.5% - 9.7% (31 December 2009: 7% - 10%).

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

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 8 - FINANCIAL ASSETS (Continued)

b) Available-for-sale financial assets (continued):

The fair value of Eczacıbaşı Holding has been calculated by multiplying the proportion of ownership interest of Eczacıbaşı Holding 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 2010	31 December 2009
Total fair value of Eczacıbaşı Holding (*)	3,071,194	2,624,306
The share of the Group within the total fair value of Eczacıbaşı Holding (**)	1,144,973	978,369
The effect of cross ownership	347,802	297,189
Fair value before liquidity discount	**1,492,775**	**1,275,558**
Liquidity discount (-)	(223,916)	(191,334)
Fair value of the Group in consolidated financials	**1,268,859**	**1,084,224**

(*) Reflects the amount multiplied with the total proportion of ownership interests.
(**) As of 31 December 2010 the direct capital share of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. within Eczacıbaşı Holding totals to 37.28% (31 December 2009: 37.28%).

As presented in the table above, the share of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. in the fair value of Eczacıbaşı Holding before liquidity discount amounting to TRL 1,492,775 thousand 31 December 2009: TRL 1,275,558 thousand) has been calculated by using the fair value of Eczacıbaşı Holding amounting to TRL 3,071,194 thousand (31 December 2009: TRL 2,624,306 thousand) by multiplying this fair value with EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş.'s proportion of ownership interest in Eczacıbaşı Holding equalling 37.28% and amounting to 31 December 2010: TRL 1,144,973 thousand (31 December 2009: TRL 978,369 thousand) and adding the effect of cross ownership between EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and Eczacıbaşı Holding amounting to TRL 347,802 thousand (31 December 2009: TRL 297,189 thousand). The fair value presented in consolidated financial statements amounting to TRL 1,268,859 thousand (31 December 2009: TRL 1,084,224 thousand) has been calculated by deducting the liquidity discount at the rate of 15% from this amount.

The effect of a 10% change in liquidity discount rate on the fair value of the financial instruments valued by discounted cash-flow method is calculated as TRL 149,278 thousand as of 31 December 2010 (31 December 2009: TRL 127,556 thousand).

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 9 - FINANCIAL LIABILITIES

	31 December 2010			31 December 2009		
	Effective interest rate (%) per annum (**)	Original amount	TRL	Effective interest rate (%) per annum (**)	Original amount	TRL
TRL denominated bank borrowings	7.50 - 9.61	-	7,058	8.25 - 14.25	-	11,965
EUR denominated bank borrowings	Euribor + 1.75 - 2.50	1,179	2,416	Euribor + 4.00 - 5.00	1,457	3,148
USD denominated bank borrowings	Libor + 1.75 - 2.00	229	355	Libor + 1.00 - 7.59	6,369	9,590
Short-term bank borrowings			**9,829**			**24,703**
Factoring liabilities (*)			24,785			15,644
Short-term financial lease liabilities			54			387
Total short-term financial liabilities			**34,668**			**40,734**
EUR denominated bank borrowings	Euribor + 2.50	4,918	10,077	-	-	-
USD denominated bank borrowings	Libor + 2.00	173	267	Libor + 1.00 - 2.00	401	604
TRL denominated bank borrowings	-	-	107	12.50	-	9
Long-term bank borrowings			**10,451**			**613**
Long-term financial lease liabilities			-			51
Total long-term financial liabilities			**10,451**			**664**

(*) As at 31 December 2010, the Group has endorsed some of its receivables to a factoring company amounting to TRL 24,785 thousand (31 December 2009: TRL 15,644 thousand). These endorsed receivables are included both in trade receivables (Note 10) and financial liabilities.

(**) Annual weighted interest rates of TRL, USD and EUR denominated short-term bank borrowings are respectively 9.04%, 1.81% and 3.62% (31 December 2009: 9.05%, 6.93% and 6.19%). Annual weighted interest rate of USD and EUR denominated long-term bank borrowings is 1.81% and 3.67% (31 December 2009: 2.48%).

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 9 - FINANCIAL LIABILITIES (Continued)

Redemption schedule of long-term bank borrowings at 31 December are presented below:

	31 December 2010	31 December 2009
Between 1 - 2 years	2,480	404
Between 2 - 3 years	2,752	260
Between 3 - 4 years	1,997	-
Between 4 - 5 years	1,372	-
5 years and thereafter	1,850	-
Total	**10,451**	**664**

As at balance sheet date, the Group's risk due to interest rate changes is as follows:

	31 December 2010	31 December 2009
6 months and less	45,065	40,960
Total	**45,065**	**40,960**

Financial lease liabilities of the Group are not subject to re-pricing.

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables:

Short-term trade receivables:	31 December 2010	31 December 2009
Trade receivables	162,793	144,864
Notes receivables	35,936	48,642
	198,729	**193,506**
Deferred credit finance income (-)	(588)	(1,375)
Provision for doubtful receivables (-)	(7,532)	(6,037)
Short-term trade receivables, net	**190,609**	**186,094**

The Group, has sold 25% of its shares of Eczacıbaşı-Zentiva Sağlık Ürünleri Sanayi ve Ticaret A.Ş. ("EZSÜ") and Eczacıbaşı-Zentiva Kimyasal Ürünler Sanayi ve Ticaret A.Ş. ("EZKÜ") to Zentiva N.V. as of 24 July 2009 (Notes 13 and 25). As of 31 December 2009, trade receivables comprise the receivable amounting to TRL 205 thousand from EZSÜ.

As of 31 December 2010, long-term trade receivables amounting to TRL 3,234 thousand composed of the notes receivables obtained in exchange down payments of preliminary contracts related to real estates, which will be built as a part of "Ormanada" real estate project with 50% ownership the Group and 50% ownership of Eczacıbaşı Holding A.Ş. in the province of Istanbul and in the district of Zekeriyaköy as detailed in Note 32.

Average maturity of the Group's receivables is 65 days (31 December 2009: 66 days) and TRL denominated trade receivables are amortised at 6.10% per annum (31 December 2009: 7.28%).

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

a) Trade receivables (continued):

As of 31 December 2010, trade receivables include receivables endorsed to a factoring company amounting to TRL 24,785 thousand (31 December 2009: TRL 15,644 thousand). These receivables are included both in trade receivables and financial liabilities, as the collection risk regarding these endorsed trade receivables belongs to the Group.

Movement of provision for doubtful receivables for the years ended at 31 December is as follows:

	2010	2009
As of 1 January	6,037	5,213
Current year additions (Note 22)	1,879	2,434
Collections (Note 24)	(380)	(1,091)
Reversal of provisions	(4)	(519)
As of 31 December	**7,532**	**6,037**

Maximum credit risk and aging analysis related to trade receivables are included in Note 30.

b) Trade payables:

Short-term trade payables	31 December 2010	31 December 2009
Trade payables	59,524	79,879
Deferred credit finance expenses (-)	(322)	(301)
Short-term trade payables, net	**59,202**	**79,578**

The Group has sold 25% of its shares of EZSÜ and EZKÜ to Zentiva N.V. as of 24 July 2009 (Notes 13 and 25). As of 31 December 2009, trade payables include the payable to EZSÜ amounting to TRL 5,507 thousand.

Average maturity of the Group's payables is 61 days (31 December 2009: 79 days) and TRL denominated trade payables are amortised at 6.11% per annum (31 December 2009: 7.39%), EUR denominated trade payables are amortised at 0.82% per annum (31 December 2009: 0.59%) and USD denominated payables are amortised at 0.28% per annum (31 December 2009: 0.25%).

NOTE 11 - OTHER CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

Other current assets	31 December 2010	31 December 2009
VAT receivables (Note 3.28.c)	13,137	22,463
Prepaid expenses	1,219	1,075
Prepaid taxes and withholding taxes	1,405	1,023
Income accruals	579	134
Advances given	259	403
Due from personnel	15	9
Forward accruals	-	21
Others	12	56
	16,626	**25,184**

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 11 - OTHER CURRENT/ NON-CURRENT ASSETS AND LIABILITIES (Continued)

Other non-current assets	**31 December 2010**	**31 December 2009**
VAT receivables (Note 3.28.c)	46,333	45,105
Advances given for purchase of property, plant and equipment	3,372	313
Prepaid expenses	350	320
Others	372	-
	50,427	**45,738**

Short-term other liabilities	**31 December 2010**	**31 December 2009**
Deposits and collaterals received	909	691
Collaterals received for the purchase of Monrol shares (Note 4)	-	1,830
Others	207	-
	1,116	**2,521**

Other current liabilities	**31 December 2010**	**31 December 2009**
Taxes payable	7,464	5,920
Expense accruals	1,198	836
Due to personnel	836	278
Unearned revenue	715	778
Accruals for salaries and premiums	319	3,461
Deposits and collaterals received	254	509
Licence transfer accruals	-	3,742
Others	159	213
	10,945	**15,737**

As of 31 December 2010, other non-current liabilities amounting to TRL 13,033 thousand composed of down payments of preliminary contracts related to real estates, which will be built as a part of "Ormanada" real estate project with 50% ownership the Group and 50% ownership of Eczacıbaşı Holding A.Ş. in the province of Istanbul and in the district of Zekeriyaköy as detailed in Note 32.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 12 - INVENTORIES

	31 December 2010	31 December 2009
Raw materials and supplies	12,180	12,967
Work in progress	2,206	772
Finished goods	10,439	9,062
Merchandise	15,977	18,511
Scrap goods	5,629	6,254
Other inventories	1,310	1,492
Goods in transit	6,732	5,889
Land	48,505	37,625
	102,978	**92,572**
Provision for diminution in value of inventories (-)	(6,822)	(6,932)
	96,156	**85,640**

The land in inventories refers to the land purchased by the Group in Zekeriyaköy as part of real estate development activities and project development costs incurred amounting to TRL 11,468 thousand (31 December 2009: TRL 588 thousand, Note 6).

Movement of provision for diminution in value of inventories is presented below:

	2010	2009
As of 1 January	6,932	11,997
Current year additions (Note 24)	3,580	3,153
Reversals (-)	(3,382)	(205)
Inventories destroyed (-)	(308)	(8,013)
As of 31 December	**6,822**	**6,932**

NOTE 13 - INVESTMENTS IN ASSOCIATES

Associates	31 December 2010	31 December 2009
Vitra Karo	13,107	13,652
Ekom	11,838	10,128
ESH	404	649
	25,349	**24,429**

Movements of investments in associates during the year are as follows:

	2010	2009
As of 1 January	24,429	114,308
Group's share in the associate's profit / (loss)	774	(5,818)
Decreases due to sales of associate's shares (Note 25)	-	(85,360)
Change in the fair value of available-for-sale financial assets	1,693	1,053
Increases / (decreases) due to currency translation differences	(1,547)	246
As of 31 December	**25,349**	**24,429**

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 13 - INVESTMENTS IN ASSOCIATES (Continued)

The Group's share in the assets, liabilities, net sales and current year results of the Associates are presented below:

	2010				
Associates	**Assets**	**Liabilities**	**Net sales**	**Net profit / (loss) for the year**	**Total proportion of ownership interest (%)**
Ekom	706,028	661,108	545,868	142	26.36
Vitra Karo	516,207	463,780	311,989	970	25.00
ESH	4,373	3,513	15,516	(338)	46.46
				774	

	2009				
Associates	**Assets**	**Liabilities**	**Net sales**	**Net profit / (loss) for the year**	**Total proportion of ownership interest (%)**
Ekom	637,414	599,211	465,129	(38)	26.36
Vitra Karo	498,059	437,224	276,935	(8,287)	25.00
EZSÜ (*)	418,455	113,039	76,373	1,769	25.00
EZKÜ (*)	46,823	3,952	8,085	813	25.00
ESH	3,743	2,229	13,648	(75)	46.46
				(5,818)	

(*) Net sales and Group's share in net incomes regarding to EZSÜ and EZKÜ consist of three months' operating results for the period ended as of 31 March 2009.

NOTE 14 - INVESTMENT PROPERTIES

Cost	**1 January 2010**	**Additions**	**Disposals**	**31 December 2010**
Kanyon	223,975	116	-	224,091
Buildings	6,471	737	-	7,208
Lands and land improvements	498	25	-	523
	230,944	**878**	**-**	**231,822**
Accumulated depreciation				
Kanyon	17,333	5,494	-	22,828
Buildings	5,610	65	-	5,674
Lands and land improvements	125	2	-	127
	23,068	**5,561**	**-**	**28,629**
Carrying amount	**207,876**			**203,193**

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 14 - INVESTMENT PROPERTIES (Continued)

Cost	**1 January 2009**	**Additions**	**Transfers (*)**	**31 December 2009**
Kanyon	222,577	388	1,010	223,975
Buildings	6,440	31	-	6,471
Lands and land improvements	498	-	-	498
	229,515	**419**	**1,010**	**230,944**
Accumulated depreciation				
Kanyon	11,799	5,534	-	17,333
Buildings	5,544	66	-	5,610
Lands and land improvements	125	-	-	125
	17,468	**5,600**	**-**	**23,068**
Carrying amount	**212,047**			**207,876**

(*) As of 31 December 2009, transfers amounting to TRL 1,010 thousand are related to the advances given for the fixed asset purchases which are included in "Other non-current assets".

As of 31 December 2010, fair value of Kanyon is approximately TRL 420 million (31 December 2009: TRL 291 million), which is calculated from net present value of estimated rent income of Kanyon shopping centre and office complex.

For the year ended period 31 December 2010, total rent income of Kanyon shopping centre and office complex is amounted to TRL 31,478 thousand (31 December 2009: TRL 30,426 thousand) and repair and maintenance expense of the related period is amounted to TRL 257 thousand (31 December 2009: TRL 248 thousand).

As of 31December 2010 and 31 December 2009, there are no pledges or liens on Group's investment property.

The current year depreciation expenses are included in cost of services sold.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

Cost	**1 January 2010**	**Additions**	**Disposals**	**Transfers (*)**	**31 December 2010**
Land and land improvements	5,420	25	-	-	5,445
Buildings	23,138	990	-	1,667	25,795
Machinery, plant and equipment	86,397	2,637	(1,414)	2,107	89,727
Motor vehicles	6,915	572	(4,487)	-	3,000
Furniture and fixtures	26,919	2,293	(3,408)	59	25,863
Construction in progress (**)	2,892	6,651	(38)	(3,811)	5,694
Leasehold improvements	14,158	606	(961)	20	13,823
Other tangible assets	4,990	408	(290)	-	5,108
	170,829	**14,182**	**(10,598)**	**42**	**174,455**
Accumulated depreciation					
Land improvements	125	16	-	-	141
Buildings	6,062	480	-	-	6,542
Machinery, plant and equipment	55,314	5,508	(1,080)	-	59,742
Motor vehicles	6,533	223	(4,464)	-	2,292
Furniture and fixtures	21,064	1,605	(3,007)	-	19,662
Leasehold improvements	9,396	1,227	(910)	-	9,713
Other tangible assets	4,284	234	(176)	-	4,342
	102,778	**9,293**	**(9,637)**	**-**	**102,434**
Carrying amount	**68,051**				**72,021**

(*) As of 31 December 2010, TRL 42 thousand has been transferred from intangible assets to property, plant and equipment (Note 16).

(**) Construction in progress are composed of the Eczacıbaşı-Monrol's factory construction in Romania amounting to TRL 3,349 thousand and Eczacıbaşı Monrol's construction of the production facility in Antalya amounting to TRL 1,808 thousand.

Allocation of depreciation expenses is as follows: TRL 4,700 thousand in cost of goods sold, TRL 2,333 thousand in general and administrative expenses, TRL 5 thousand in research and development expenses and TRL 2,255 thousand in marketing, sales and distribution expenses.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Net book value of property, plant and equipment acquired under finance leases at 31 December 2010 is TRL 1,210 thousand (31 December 2009: TRL 1,543 thousand) and historical amounts and accumulated depreciation amounts are as follows:

	31 December 2010		
	Cost	**Accumulated depreciation**	**Carrying amount**
Machinery, plant and equipment	7,542	(6,332)	1,210
Motor vehicles	288	(288)	-
Furniture and fixtures	151	(151)	-
	7,981	**6,771**	**1,210**

	31 December 2009		
	Cost	**Accumulated depreciation**	**Carrying amount**
Machinery, plant and equipment	7,288	(5,747)	1,541
Motor vehicles	288	(288)	-
Furniture and fixtures	151	(149)	2
	7,727	**(6,184)**	**1,543**

As of 31 December 2010 and 31 December 2009, there are no pledges or liens on Group's property, plant and equipment.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Cost	**1 January 2009**	**Additions**	**Disposals**	**Transfers (*)**	**31 December 2009**
Land and land improvements	5,398	22	-	-	5,420
Buildings	22,959	181	(38)	36	23,138
Machinery, plant and equipment	82,685	5,334	(2,234)	612	86,397
Motor vehicles	7,167	242	(494)	-	6,915
Furniture and fixtures	27,131	1,110	(1,505)	183	26,919
Construction in progress (*)	228	3,994	-	(1,330)	2,892
Leasehold improvements	14,028	388	(775)	517	14,158
Other tangible assets	4,790	446	(253)	7	4,990
	164,386	**11,717**	**(5,299)**	**25**	**170,829**
Accumulated depreciation					
Land improvements	110	15	-	-	125
Buildings	5,635	441	(14)	-	6,062
Machinery, plant and equipment	51,495	5,202	(1,383)	-	55,314
Motor vehicles	6,723	200	(390)	-	6,533
Furniture and fixtures	20,504	1,667	(1,107)	-	21,064
Leasehold improvements	8,660	1,410	(674)	-	9,396
Other tangible assets	3,976	476	(168)	-	4,284
	97,103	**9,411**	**(3,736)**	**-**	**102,778**
Carrying amount	**67,283**				**68,051**

(*) As of 31 December 2009, TRL 25 thousand has been transferred from intangible assets to property, plant and equipment (Note 16).

Allocation of depreciation expenses is as follows: TRL 4,047 thousand in cost of goods sold, TRL 2,523 thousand in general and administrative expenses, TRL 4 thousand in research and development expenses and TRL 2,837 thousand in marketing, sales and distribution expenses.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 16 - INTANGIBLE ASSETS

Cost	1 January 2010	Additions	Disposals	Transfers (*)	31 December 2010
Customer relations, licences and royalty	20,844	-	-	57	20,901
Rights	4,137	2,726	(2,425)	137	4,575
Computer software	14,447	1,289	(2,727)	230	13,239
Construction in progress	2,489	1,783	(225)	(466)	3,581
Other intangible assets	4,157	258	(113)	-	4,302
	46,074	**6,056**	**(5,490)**	**(42)**	**46,598**
Accumulated amortisation					
Customer relations, licences and royalty	3,956	2,162	-	-	6,118
Rights	3,016	364	(1,108)	-	2,272
Computer software	10,585	1,739	(2,668)	-	9,656
Other intangible assets	2,562	222	(107)	-	2,677
	20,119	**4,487**	**(3,883)**	**-**	**20,723**
Carrying amount	**25,955**				**25,875**

(*) As of 31 December 2010, TRL 42 thousand has been transferred from tangible assets to property, plant and equipment (Note 15).

Allocation of amortisation charge is as follows: TRL 2,271 thousand in cost of goods sold, TRL 1,127 thousand in general and administrative expenses and TRL 1,089 thousand in marketing, sales and distribution expenses.

If the estimations of the proportion of benefits obtained from customer relations, licences and royalty to total benefits were 10% lower / higher, profit before minority would increase / decrease by TRL 215 thousand.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 16 - INTANGIBLE ASSETS (Continued)

Cost	**1 January 2009**	**Additions**	**Disposals**	**Transfers (*)**	**31 December 2009**
Customer relations, licences and royalty	20,844	-	-	-	20,844
Rights	3,270	89	-	778	4,137
Computer software	14,073	426	(100)	48	14,447
Construction in progress	1,443	1,912	-	(866)	2,489
Other intangible assets	3,993	149	-	15	4,157
	43,623	**2,576**	**(100)**	**(25)**	**46,074**
Accumulated amortisation					
Customer relations, licences and royalty	1,364	2,592	-	-	3,956
Rights	2,420	596	-	-	3,016
Computer software	8,708	1,971	(94)	-	10,585
Other intangible assets	2,340	222	-	-	2,562
	14,832	**5,381**	**(94)**	**-**	**20,119**
Carrying amount	**28,791**				**25,955**

(*) As of 31 December 2009, TRL 25 thousand has been transferred from intangible assets to property, plant and equipment (Note 15).

Allocation of amortisation charge is as follows: TRL 3,704 thousand in cost of goods sold, TRL 1,235 thousand in general and administrative expenses and TRL 442 thousand in marketing, sales and distribution expenses.

If the estimations of the proportion of benefits obtained from customer relations, licences and royalty to total benefits were 10% lower / higher, profit before minority would increase / decrease by TRL 231 thousand.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 17 - GOODWILL

The amount of goodwill at the end of 31 December is stated below:

	2010	**2009**
As of 1 January	32,574	32,057
Additions	-	517
As of 31 December	**32,574**	**32,574**

31 December 2009

Purchase consideration for 49,998% of total shares of Monrol Nükleer Ürünler Sanayi ve Ticaret A.Ş. is inclusive of the adjustment for working capital which was calculated and refunded in 2009 in accordance with the Share Purchase Agreement amounting to TRL 4,028 thousand and additional purchase price adjustment with the net amount of TRL 1,329 thousand which was initially calculated as closing adjustment amounting to TRL 5,357 thousand and later was paid as of 29 April 2009. Net impact of the mentioned additional purchase price adjustments to consolidated financial statements as of 31 December 2008 amounts to TRL 1,295 thousand. TRL 34 thousand which is resulted from the closing adjustment is added to the positive goodwill in the current year.

The subsidiary of EBX namely; RTS Renal purchased the remaining 2.55% of the shares of Meltem Diyaliz as of 13 April 2009 for a total consideration of TRL 40 thousand resulting in goodwill in the amount of TRL 13 thousand. 97.45% of the shares of RTS Antalya were previously held by RTS Renal.

In addition to possessed 79.9% shares, RTS Renal purchased 20.1% of the shares of Meltem Diyaliz as of 5 May 2009 for a total consideration of TRL 221 thousand resulting in goodwill in the amount of TRL 123 thousand.

In addition to possessed 79.9% shares, RTS Renal purchased 20.1% of the shares of Mentaş as of 5 May 2009 for a total consideration of TRL 356 thousand resulting in goodwill in the amount of TRL 210 thousand.

In addition to possessed 60% shares, RTS Renal purchased 13% of the shares of RTS Seyhan as of 8 May 2009 for a total consideration of TRL 270 thousand resulting in goodwill in the amount of TRL 137 thousand.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions:

	31 December 2010	31 December 2009
Provision for litigations	738	885
	738	**885**

Provision for litigations:

The Group has provided provision for the lawsuits filed against the Group in the amount of TRL 738 thousand (31 December 2009: TRL 885 thousand) based on the legal opinions taken on juridical, labour, commercial and administrative litigations and the assessment of similar litigations' consequences in the past. Movement of the provision for litigations are stated below:

	2010	2009
As of 1 January	885	725
Charge for the period (Note 24)	261	207
Reversal of provision	(408)	(47)
As of 31 December	**738**	**885**

b) Contingent assets:

Appeal for return of tax penalty paid:

The Competition Authority decided to conduct an inquiry regarding the Training Hospitals bidding for the eight companies, including EİP. As a result of the inquiry, a decision was made by the Competition Board at 19 January 2007 and announced to the parties. With this decision, an administrative penalty amounting to TRL 1,211 thousand, equivalent of 7.5% of the net sales of 2001, has been imposed on EİP. Regarding the penalty mentioned a reduced payment of TRL 908 thousand has been made for early payment; there are no additional liabilities attributable to the penalty. The Group has applied to the Council of State for the refund of the penalty.

c) Contingent liabilities:

Tax penalty communicated as at 31 December 2007:

Upon inspections of companies in pharmaceuticals industry by the Tax Inspectors Board of the Ministry of Finance, TRL 3,656 thousand regarding the additional corporate income tax and its associated withholding tax and TRL 5,877 penalty (TRL 3,656 thousand of the penalty is attributable to additional corporate income tax and TRL 2,221 thousand relate to temporary income tax) has been levied against the Company as at 31 December 2007 by Boğaziçi Corporate Tax Administration by tax inspection reports addressed to Company regarding 2002.

As at 26 May 2009, the Company filed a lawsuit for the related tax penalties in the Tax Court of Istanbul since no settlement was reached in the Commission for Tax Reconciliations in the Ministry of Finance. The lawsuit resulted in favour of the Company and all penalties have been cancelled. Boğaziçi Corporate Tax Administration has applied to the Council of State related to this lawsuit. After the Group's response to the petition of the defendant was sent to the Council of State, the application of the Tax Administration was denied, approving the decision of the Tax Court. Accordingly, the lawsuit resulted in favour of the Company and all accrued income taxes and penalties have been cancelled.

NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

c) Contingent liabilities (continued):

Tax penalty communicated as at 26 December 2008:

Upon inspections to companies in pharmaceuticals industry by Tax Inspectors Board of Ministry of Finance, TRL 13,344 thousand regarding the corporate income tax and its associated withholding tax and TRL 8,896 thousand of penalty (TRL 5,709 thousand of the penalty is attributable to additional corporate income tax and TRL 3,187 thousand relate to temporary income tax) has been levied against the Company as at 26 December 2008 by the Boğaziçi Corporate Tax Administration in the tax inspection reports of the Company regarding 2003.

As of 24 June 2009, the Company filed a lawsuit in the Tax Court of Istanbul, since no settlement was reached in the Commission for Tax Reconciliations of the Ministry of Finance and all lawsuits are concluded in favour of the Company.

The Boğaziçi Corporate Tax Administration appealed the case at Council of State. The Company corresponded to the petition and sent to Council of State and appeal is in progress.

Tax penalty communicated as at 12 June 2009:

Upon inspections of companies in pharmaceuticals industry by the Tax Inspectors Board of the Ministry of Finance, TRL 7,256 thousand regarding the corporate income tax and its associated withholding tax and TRL 10,914 of penalty (TRL 2,340 thousand of the penalty is attributable to additional corporate income tax and TRL 4,916 thousand relate to temporary income tax) have been levied against the Company as at 12 June 2009 by the Boğaziçi Corporate Tax Administration in the tax inspection reports of the Company regarding 2004.

As of 2 April 2010, the Company filed a lawsuit in the Tax Court of Istanbul, since no settlement was reached in the Commission for Tax Reconciliations of the Ministry of Finance. Based on the verdict notified to the Company by the 10^{th} Tax Court of Istanbul on 7 April 2011, all lawsuits are concluded in favour of the Company.

Tax penalty communicated as at 7 April 2011:

Upon inspections of companies in pharmaceuticals industry by the Tax Inspectors Board of the Ministry of Finance, TRL 13,517 thousand regarding the corporate income tax (TRL 3,033 thousand of the penalty is attributable to corporate income tax and TRL 10,484 thousand relate to advance temporary income tax) and TRL 20,276 of penalty have been levied against the Company by the Büyük Mükellefler Tax Administration in the tax inspection reports of the Company regarding 2006 and 2007.

The Company is in the process of evaluation to apply to the Commission for Tax Reconciliations of the Ministry of Finance, to file a lawsuit as made for the similar cases in prior years, which concluded in favour of the Company, or to benefit amnesty in accordance with the Law Article 6211 and the evaluation will be concluded in the legal time frame. The Company has not provided a provision for this inspection in the consolidated financial statements, since the lawsuit on the same subject concluded in favour of the Company.

The lawsuit related to price differences from market values:

Various public hospitals governed by Turkish Ministry of Health ("MoH") claimed approximately TRL 1,749 thousand for the refund of price differences determined between the prices of medical supplies at which the Group sold to these public hospitals and the market values which were determined by Market Value Settlement Committee established by Social Security Institution Health Administration Department based on the vesting deed given by the Group in 1998. The Group faced lawsuits filed against it by the MoH for the collection of these claims amounting to approximately TRL 403 thousand; preliminary hearings and discovery proceedings in these lawsuits are in progress. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability has been made in the consolidated financial statements.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

d) Guarantees given and taken:

	31 December 2010			
Guarantees given	**USD**	**EUR**	**TRL**	**Total**
Suretyship declaration for bank borrowings	-	-	2,500	2,500
Letters of guarantee	216	191	13,424	13,831
Guaranteed bills of exchange	2	23	-	25
	218	**214**	**15,924**	**16,356**
Guarantees taken	**USD**	**EUR**	**TRL**	**Total**
Letters of guarantee	12,193	579	45,559	58,331
Mortgages	-	-	24,797	24,797
Cheques	-	-	4,452	4,452
Guaranteed bills of exchange	227	-	5,662	5,889
	12,420	**579**	**80,470**	**93,469**

	31 December 2009			
Guarantees given	**USD**	**EUR**	**TRL**	**Total**
Suretyship declaration for bank borrowings	-	53,518	61	53,579
Letters of guarantee	210	9,721	9,462	19,393
Notes	-	-	71	71
Guaranteed bills of exchange	2	24	25	51
	212	**63,263**	**9,619**	**73,094**
Guarantees taken	**USD**	**EUR**	**TRL**	**Total**
Letters of guarantee	3,988	617	30,500	35.105
Mortgages	-	-	29,257	29.257
Cheques	-	-	8,162	8.162
Guaranteed bills of exchange	218	-	397	615
	4,206	**617**	**68,316**	**73,139**

Letters and guaranteed bills of exchange were given to suppliers and government institutions. Mortgages, cheques and guaranteed bills of exchange were taken from customer for trade receivables of the Group.

Letter of guarantees taken amounting to TRL 917 thousand (31 December 2009: TRL 1,579 thousand) were received from the subcontractors involved in the construction of Kanyon.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

d) Guarantees given and taken (continued):

Collateral/pledge/mortgage ("CPM") position of the majority shareholder EİS Eczacıbaşı İlaç Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. as of 31 December is as follows:

	31 December 2010	31 December 2009
A. CPMs given for Company's own legal personality	2,602	2,624
- *Collateral (Fully denominated in TRL)*	*2,602*	*2,624*
- *Pledge*	-	-
- *Mortgage*	-	-
B. CPMs given on behalf of fully consolidated companies (*)	-	9,844
- *Collateral (Fully denominated in TRL)*	-	*9,844*
- *Pledge*	-	-
- *Mortgage*	-	-
C. CPMs given in the normal course of business activities on behalf of third parties	-	-
D. Total amount of other CPMs	-	53,518
i. Total amount of CPMs given on behalf of the parent	-	53,518
- *Collateral (TRL equivalent of Euro 24.773 thousand for 2009)*	-	*53,518*
- *Pledge*	-	-
- *Mortgage*	-	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-
	2,602	**65,986**

(*) Amounts represent CPMs given to joint ventures and subsidiaries by the parent EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. in the normal course of business activities.

Proportion of other CPMs given to the Group's equity as of 31 December 2010 is 0% (31 December 2009: 2.44%).

NOTE 19 - EMPLOYEE BENEFITS

	31 December 2010	31 December 2009
Provision for unused vacations	5,957	5,904
Provision for employment termination benefits	7,293	4,394
	13,250	**10,298**

Under Turkish Labour Law, the Company and its Turkish Subsidiaries and Joint Ventures are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Some transition provisions related to the pre-retirement service term were excluded from the law since the related law was amended as of 23 May 2002.

As of 31 December 2010, the amount payable consists of one month's salary limited to a maximum of TRL 2,517.01 (31 December 2009: TRL 2,365.16) for each year of service.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 19 - EMPLOYEE BENEFITS (Continued)

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

The provision has been calculated by estimating the present value of the future probable obligation of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and its subsidiaries and joint ventures registered in Turkey arising from the retirement of employees.

IAS 19 "Employee Benefits" published by IASB require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	2010	**2009**
Discount rate (%)	4.66	5.92
Turnover rate to estimate the probability of retirement (%)	96	96

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 TRL 2,623.23 effective from 1 January 2011 (1 January 2010: TRL 2,427.04) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

Provision for employment termination benefits:

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

	2010	**2009**
As of 1 January	4,394	4,373
Charge for the period (Note 22)	2,799	782
Payments during the period (-)	(835)	(1,245)
Actuarial loss (Note 22)	935	484
As of 31 December	**7,293**	**4,394**

At 31 December 2010 total number of personnel employed by the Group is 2,080 (31 December 2009: 2,083).

Provision for unused vacations:

Movements in the provision for unused vacation are as follows:

	2010	**2009**
As of 1 January	5,904	4,635
Charge for the period (Note 22)	498	1,416
Payments during the period (-)	(445)	(147)
As of 31 December	**5,957**	**5,904**

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 20 - EQUITY

EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Kr1. There are no privileged shares. EİS Eczacıbaşı İlaç Sanayi ve Ticaret A.Ş.'s subscribed, historical and authorised share capital for the years ended at 31 December are as follows:

	31 December 2010	31 December 2009
Limit on registered share capital (historical value)	200,000	200,000
Authorised share capital approved with nominal value	548,208	548,208

Companies in Turkey may exceed the limit on their registered share capital if they distribute bonus shares to their shareholders.

At 31 December, the shareholders of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and their proportion of ownership interests in historical share capital are as follows:

Shareholders	%	31 December 2010	%	31 December 2009
Eczacıbaşı Holding A.Ş.	50.62	277,476	50.62	277,476
Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.	20.05	109,905	20.05	109,905
Other (listed)	29.33	160,827	29.33	160,827
Total	**100.00**	**548,208**	**100.00**	**548,208**
Adjustment to share capital		105,777		105,777
Total authorised share capital		**653,985**		**653,985**

(*) Within the framework of Capital Markets Board's decision, dated 23 July 2010 and numbered 21/655, actual rates of the shares in circulation of the listed companies in Istanbul Stock Exchange are announced on a weekly basis starting from the period ended 30 September 2010, became effective as of 1 October 2010 by the Central Registry Agency ("CRA"). According to the report published by CRA on 31 December 2010, 28.65% of the Group's shares in circulation are presented in the other group.

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

Retained earnings in statutory accounts can be distributed except jurisdiction stated below related to legal reserves.

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 Company'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. Total amount of legal reserves of the Company is TRL 25,647 thousand (31 December 2009: TRL 20,924 thousand).

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 are as follows:

	31 December 2010	31 December 2009
Legal reserves	25,647	20,924
Special reserves	219,768	4,647
	245,415	**25,571**

NOTE 20 - EQUITY (Continued)

Retained earnings

In accordance with the CMB regulations effective previously, the inflation adjustment differences arising at the initial application of inflation accounting which were 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 and if any, undistributed prior period profits and inflation adjustment differences of extraordinary reserves, legal reserves and capital, respectively.

On the same basis, 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 by 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 Communiqué Serial: XI, No: 29 and related announcements of the CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences shall be classified as follows:

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";
- the difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount that has not been utilised in dividend distribution or capital increase yet, shall be classified under "Prior years' income".

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

Inflation adjustment to capital has no usage other than being added to share capital.

Dividend Distribution

Listed 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 shall distribute their profits for the current and following years under the scope of CMB Communiqué Serial: IV, No: 27 based on their articles of association and their previously publicly announced 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 Serial: IX, No: 29, "Principles of Financial Reporting in Capital Markets" providing that the profits can be afforded by the available sources in their statutory records.

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 distributions should not be made if there is a loss in either the consolidated financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

As of 31 December 2010, the distributable profit of the Company is TRL 42,600 thousand and available distributable resources amount to TRL 195,243 thousand.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 21 - OPERATING REVENUE

	2010	2009
Domestic sales	1,380,539	1,241,175
Exports	6,802	4,955
Revenue from construction activities	10,712	-
Gross sales	**1,398,053**	**1,246,130**
Sales returns (-)	(18,283)	(25,474)
Sales discounts (-)	(466,558)	(345,956)
Net sales	**913,212**	**874,700**
Cost of sales (-)	(639,279)	(628,723)
Cost of construction (-)	(7,439)	-
Gross profit	**266,494**	**245,977**

NOTE 22 - OPERATING EXPENSES

Marketing, selling and distribution expenses	**2010**	**2009**
Personnel expenses	46,355	44,259
Advertisement, presentation and promotion expenses	42,353	48,875
Transportation, distribution and warehousing expenses	14,248	14,705
Rent expenses	4,516	4,481
Depreciation and amortisation expenses (Notes 15 and 16)	3,344	3,279
Representation and hosting expenses	2,355	1,491
Consultancy expenses	2,233	2,194
Provision expense for doubtful receivables (Notes 10 and 29.a)	1,879	2,434
Travelling expenses	1,751	2,249
Fuel, energy and water expenses	1,065	2,137
Others	12,461	5,917
	132,560	**132,021**

General and administrative expenses		
Personnel expenses	35,992	32,834
Royalty expenses	20,401	19,192
Consultancy expenses	13,675	15,248
Provision for employment termination benefits and actuarial loss (Note 19)	3,734	1,266
Depreciation and amortisation expenses (Notes 15 and 16)	3,460	3,758
Rent expenses	3,063	2,780
Miscellaneous taxes	2,540	1,566
Repair and maintenance expenses	1,549	1,438
Technical service expenses	1,173	1,560
Provision for employment termination benefits (Note 19)	498	1,416
Others	4,931	5,765
	91,016	**86,823**

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 22 - OPERATING EXPENSES (Continued)

Research and development expenses		
Ormanada Project development expenses	11	154
Depreciation and amortisation expenses (Notes 15 and 16)	5	4
Personnel expenses	-	33
	16	**191**

NOTE 23 - EXPENSES BY NATURE

	2010	**2009**
Purchase and consumption of inventories	570,782	551,544
Personnel expenses	107,730	93,711
Advertisement and promotion expense	42,374	48,875
Royalty expense (Note 22)	20,401	19,192
Depreciation and amortisation expense (Notes 14, 15 and 16)	19,341	20,284
Consultancy expense	16,395	17,442
Transportation, distribution and warehousing expenses	14,441	14,705
Cost of services	13,669	15,773
Rent expense	8,782	7,261
Toll manufacturing expenses	5,630	21,128
Change in finished goods and work in process	277	(3,440)
Others	50,488	41,283
	870,310	**847,758**

NOTE 24 - OTHER OPERATING INCOME AND EXPENSES

Other operating income	**2010**	**2009**
Compensation income (*)	12,593	440
Revenue from reversal of allowance for impairment on inventory (Note 12)	3,382	205
Reversal of provisions	1,788	771
Collections from doubtful receivables (Notes 10 and 29.a)	498	1,151
Gain from sales of fixed assets	225	-
Insurance refund	182	176
Rent income	85	104
Technical service income	22	193
Stock count differences	-	252
Inability fees (SSI)	-	125
Others	569	634
	19,344	**4,051**

(*) EIP received a compensation amounting to TRL 12,508 thousand from the licensee of the medical product distributed by EIP due to change in the nature of the supply chain agreement.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 24 - OTHER OPERATING INCOME AND EXPENSES (Continued)

Other operating expenses	2010	2009
Provision expense for diminution in value of inventories (Note 12)	3,580	3,153
Loss on sales of fixed assets	1,738	533
Inventories destroyed	1,295	1,148
Donation expenses	995	1,681
Licence transfer expense	870	4,292
Compensation expenses	565	1,908
Legal provisions (Note 18)	261	207
Service rewards	-	890
Others	2,232	1,738
	11,536	**15,550**

NOTE 25 - FINANCIAL INCOME

	2010	2009
Foreign exchange gains	49,197	68,747
Interest income from bank deposits	32,073	26,927
Credit finance income	5,482	14,064
Dividend income	4,201	2,771
Fair value changes recognised in profit and loss	5	155
Gain on sales of associates (*)	-	275,752
Gain on sales of financial asset (Note 8.b)	-	582
Others	293	350
	91,251	**389,348**

(*) As of 24 July 2009, the Company completed the sale 25% of its shares of Eczacıbaşı-Zentiva Sağlık Ürünleri Sanayi ve Ticaret A.Ş. and Eczacıbaşı-Zentiva Kimyasal Ürünler Sanayi ve Ticaret A.Ş. to Zentiva N.V. The Shareholders' Agreement signed with Zentiva N.V at 17 April 2009, it is clearly stated that the sales price of 25% of the shares will be the highest of "Adjusted Transaction Price", "Sales Multiple" and "EBITDA Multiple". The highest value has been calculated with "Adjusted Transaction Price" and amounts to EUR 171,379 thousand (TRL 361,112 thousand).

The carrying value of the aforementioned assets as of share transfer date is TRL 85,360 thousand, the profit on sale of shares calculated is TRL 275,752 thousand and cash provided from the sales is TRL 361,112 thousand.

In the Board of Directors' meeting on 24 July 2009, the Board of Directors decided to classify 75% of the profit arising from the sales of shares as special reserves in order to benefit from the corporate tax exemption denoted in Article 5, subsection (1), clause (e) of Corporate Tax Law No. 5520. Explanations regarding the application of amendments to Income Tax Law No. 193 and Corporate Tax Law No. 5520 declared on 4 June 2008 in Law No. 5766, were announced in the Communiqué on 20 November 2008 in Official Gazette No. 27060. Transfer of profit arising from the sales of shares to reserves; will be made between beginning of the consecutive period of sales made and the date the corporate tax declaration is given.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 26 - FINANCIAL EXPENSES

	2010	2009
Foreign exchange losses	52,179	59,806
Credit finance expenses	6,359	7,461
Interest expense from bank borrowings	2,543	4,279
Fair value changes recognised in profit and loss	1,656	1,513
Forward expenses	888	447
Loss from sales of financial asset (Note 8.b)	-	6,043
Others	920	398
	64,545	**79,947**

NOTE 27 - TAX ASSETS AND LIABILITIES

a) Current income tax on profits for the year:

	31 December 2010	31 December 2009
Corporate and income taxes payable	16,216	27,231
Prepaid taxes (-)	(14,914)	(25,067)
Current income tax liabilities (net)	**1,302**	**2,164**

Turkish tax legislation does not permit a parent company and its Subsidiaries, Joint Ventures 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 Law is changed with Law No. 5520 dated 13 June 2006. Most of the articles of mentioned law have become effective as of 1 January 2006. Accordingly, corporate tax rate in Turkey is 20% for 2010 (2009: 20%). Corporation tax is payable on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed except withholding tax at the rate of 19.8% on the investment incentive allowance utilised within the scope of the Income Tax Law transitional Article 61.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income by preparing tax declaration within the period of two months and 14 days subsequent to the corresponding quarter. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In accordance with Tax Law No. 5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of Turkish lira. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (SIS-WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment was not applied as these conditions were not fulfilled in the fiscal year 2010 and 2009.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

a) Current income tax on profits for the year (continued):

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

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 Constitutional Court's decision numbered 2009/144 published in the Official Gazette on 8 January 2010 annulled the clause "The utilisation of allowances given from investments has been limited for years 2006, 2007 and 2008" of Temporary Article 69 of Income Tax Law 193. This arrangement has been changed according to the regulation, published in the Official Gazette on August 1, 2010 based on Law No. 6009, the investment allowance amounts can be used without a year limitation. Investment allowance amount, which will be used in the determination of the tax assessment, will not exceed 25% profit of the concerned period. In addition to this, 20% corporate tax rate will be applied on the income after the deduction of the allowance.

The taxes on income reflected to the consolidated income statement at 31 December are summarised below:

	2010	2009
Current income tax charge (-)	(16,216)	(27,231)
Deferred income tax benefit	1,197	388
Total income tax charge (-)	**(15,019)**	**(26,843)**

The reconciliation of the current year 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:

	2010	2009
Profit before tax	78,190	319,026
Effective tax rate	20%	20%
Current year corporation tax expense (*)	**(15,639)**	**(63,805)**
Sales income of Subsidiaries transferred to special reserves (*)	-	43,024
Disallowable expenses	(691)	(2,317)
Tax effect of exempt income	1,005	1,943
Items disregarded in the calculation of deferred income tax	389	(5,797)
Current period tax losses	(83)	-
Profit and loss not included in income statement	-	109
Total income tax charge (-)	**(15,019)**	**(26,843)**

(*) In the General Assembly meeting, it was decided to classify 75% of the profit arising from the sales of 25% shares in EZSÜ and EZKÜ as of 24 July 2009 to special reserves in order to benefit from the corporate tax exemption detailed in Article 5, subsection (1), clause (e) of Corporate Tax Law No. 5520. Accordingly, 75% of the profit arising from the sales of shares amounting to TRL 215,122 thousand was deducted from the tax base and realised affect of the deduction was then TRL 43,024 thousand.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred income tax:

The Group recognises deferred income 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 2009: 20%).

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

	Cumulative temporary differences		Deferred income tax assets / (liabilities)	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Provision for unused vacation	(5,957)	(5,904)	1,191	1,181
Provision for employment termination benefits	(7,148)	(4,394)	1,430	879
Differences between the tax base and carrying amount of inventories	(8,378)	(3,584)	1,676	717
Provision for doubtful receivables	(4,355)	(3,069)	871	614
Sales cut-off	(274)	(1,194)	55	239
Deferred credit finance income	(980)	(1,397)	196	279
Accrual for sales returns and discounts	-	(358)	-	71
Provision for litigations	(338)	(835)	68	167
Accruals for salaries and premiums	(319)	(3,097)	64	619
Tax losses carried forward	(158)	(2,023)	32	405
Others	(1,523)	-	302	-
Deferred income tax assets (**)	**(29,430)**	**(25,855)**	**5,885**	**5,171**
Fair value differences of available-for-sale financial assets (*)	1,114,523	928,864	(55,726)	(46,443)
Difference between the tax base and carrying amount of investment property, property, plant and equipment and intangible assets	13,935	16,869	(2,582)	(3,071)
Deferred credit finance expenses	605	610	(121)	(122)
Deferred income tax liabilities (-) (**)	**1,129,063**	**946,343**	**(58,429)**	**(49,636)**
Deferred income tax liabilities, net	**1,099,633**	**920,488**	**(52,544)**	**(44,465)**

(*) Difference between fair value and book value amounts to TRL 1,114,523 thousand (31 December 2009: TRL 928,864 thousand) and based on the 75% exemption from the corporate tax denoted in Article 5, subsection (1), clause (e) of Corporate Tax Law No. 5520, deferred tax is calculated by applying 5% effective tax rate.

(**) Since deferred tax assets and deferred tax liabilities in the schedule above are summarized by nature of the temporary differences subject to deferred tax, they express the offset of deferred tax asset amounting to TRL 59,952 thousand (31 December 2009: TRL 51,527 thousand) and deferred tax liability amounting to TRL 7,408 thousand (31 December 2009: TRL 7,062 thousand) presented in the financial statements, which are calculated on a separate entity basis for all companies included in the scope of consolidation.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred income tax (continued):

Based on the assessment made, it has been concluded that the Group will not be able to utilise deductible temporary differences amounting to TRL 238 thousand (31 December 2009: TRL 2,635 thousand) and deferred income tax assets have not been recognised on these deductible temporary differences as at 31 December 2010.

Since each subsidiary and joint venture are separate taxpayers, net deferred income tax assets or liabilities for each of these taxpayers have been calculated; however these have not been offset in the consolidated balance sheets.

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

	2010	**2009**
As of 1 January	(44,465)	(33,242)
Current year deferred income tax benefit	1,197	388
Deferred income tax liabilities resulting from sales and acquisitions of the shares of the Joint Ventures and Subsidiaries	(9,276)	(11,611)
As of 31 December	**(52,544)**	**(44,465)**

NOTE 28 - EARNINGS PER SHARE

	2010	**2009**
Net income attributable to equity holders of the Company	60,380	290,249
Weighted average number of ordinary shares with face value of Kr 1 each	54,820,800,000	54,820,800,000
Basic and diluted earnings per share (Kr)	**0.11**	**0.53**

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties at 31 December:

Short-term due from related parties	31 December 2010	31 December 2009
Due from shareholders		
Eczacıbaşı Holding A.Ş.	1,540	183
	1,540	**183**
Due from Joint Ventures		
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	309	346
Eczacıbaşı-Monrol Nükleer Ürünler Sanayi ve Ticaret A.Ş.	30	8
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	-	2
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş.	-	1
	339	**357**
Due from Associates		
Ekom Eczacıbaşı Dış Ticaret A.Ş.	448	488
Vitra Karo Sanayi ve Ticaret A.Ş.	38	-
Eczacıbaşı Sağlık Hizmetleri A.Ş.	1	-
	487	**488**
Due from other related parties		
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	132	-
İpek Kağıt Sanayi ve Ticaret A.Ş.	71	66
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	-	11
Others	116	50
	319	**127**
	2,685	**1,155**
Deferred credit finance income (-)	-	(22)
Provision for doubtful receivables (-)	(198)	(316)
Short-term due from related parties	**2,487**	**817**

Average maturity of the Group's receivables from related parties is 32 days (31 December 2009: 35 days) and is amortised at 6.13% per annum (31 December 2009: 7.12%).

Movement of provision for doubtful receivables for the years ended at 31 December is as follows:

	2010	2009
As of 1 January	316	376
Current year charge (Note 22)	-	-
Collections (Note 24)	(118)	(60)
As of 31 December	**198**	**316**

Provisions for doubtful receivables are wholly related to the receivables from exports performed via Ekom Eczacıbaşı Dış Ticaret A.Ş..

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

a) Balances with related parties at 31 December (continued):

Short-term due to related parties	**31 December 2010**	**31 December 2009**
Due to shareholders		
Eczacıbaşı Holding A.Ş.	4,567	4,214
	4,567	**4,214**
Due to Joint Ventures		
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş.	9,726	8,430
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	1,225	1,943
	10,951	**10,373**
Due to Associates		
Ekom Eczacıbaşı Dış Ticaret A.Ş.	10	-
Eczacıbaşı Sağlık Hizmetleri A.Ş.	7	-
Others	-	6
	17	**6**
Due to other related parties		
İpek Kağıt Sanayi ve Ticaret A.Ş.	53,719	56,783
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	357	254
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	111	31
Kanyon Yönetim İşletim Pazarlama Ltd. Şti.	18	-
Others	739	105
	54,944	**57,173**
	70,479	**71,766**
Deferred credit finance expenses (-)	(223)	(309)
Short-term due to related parties	**70,256**	**71,457**

Average maturity of the Group's payables to related parties is 63 days (31 December 2009: 69 days) and is amortised at 6.11% per annum (31 December 2009: 7.31%).

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

a) Balances with related parties at 31 December (continued):

Details of financial liabilities which are obtained from several financial institutions by Eczacıbaşı Holding A.Ş. and transferred to the Group are as follows:

	31 December 2010			31 December 2009		
Financial liabilities to related parties	**Effective interest rate per annum (%)**	**Original amount**	**TRL**	**Effective interest rate per annum (%)**	**Original amount**	**TRL**
EUR denominated bank borrowings	-	-	-	Euribor + 1.75	6,047	13,064
USD denominated bank borrowings	-	-	-	Libor + 1.75	6,769	10,192
Short-term financial liabilities			**-**			**23,256**

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Transactions with related parties for the years ended 31 December:

Product sales	**2010**	**2009**
Ekom Eczacıbaşı Dış Ticaret A.Ş.	2,626	2,661
Eczacıbaşı-Zentiva Sağlık Ürünleri Sanayi ve Ticaret A.Ş. (*)	1,480	903
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	-	1,581
Others	19	8
	4,125	**5,153**

Service sales		
İpek Kağıt Sanayi ve Ticaret A.Ş.	15,902	15,485
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş.	4,127	3,633
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	1,913	984
Eczacıbaşı Holding A.Ş.	1,412	3,134
Others	617	18
	23,971	**23,254**

Product purchases		
İpek Kağıt Sanayi ve Ticaret A.Ş.	274,911	257,822
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş.	56,476	47,099
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	12,697	9,878
Eczacıbaşı-Zentiva Sağlık Ürünleri Sanayi ve Ticaret A.Ş. (*)	-	3,044
Others	1,098	1,144
	345,182	**318,987**

Service purchases		
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	7,503	7,426
Eczacıbaşı Spor Kulübü	1,657	2,504
Eczacıbaşı Holding A.Ş.	1,370	858
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	763	625
Ekom Eczacıbaşı Dış Ticaret A.Ş.	19	38
Eczacıbaşı-Zentiva Sağlık Ürünleri Sanayi ve Ticaret A.Ş. (*)	-	12,331
Others	807	425
	12,119	**24,207**

(*) For the year ended 31 December 2009, transactions made with EZSÜ and EZKÜ represent the amounts realised until 24 July 2009, the date of the shares were transferred to Zentiva N.V.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Transactions with related parties for the years ended 31 December (Continued):

Financial income	**2010**	**2009**
Eczacıbaşı Holding A.Ş.		
Foreign exchange gains	1,702	4,295
Ekom Eczacıbaşı Dış Ticaret A.Ş.		
Foreign exchange gains	-	132
Others	70	-
	1,772	**4,427**

Financial expenses		
Eczacıbaşı Holding A.Ş.		
Foreign exchange losses	646	3,511
Interest expenses	367	1,611
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.		
Foreign exchange losses	-	153
Ekom Eczacıbaşı Dış Ticaret A.Ş.		
Foreign exchange losses	6	-
	1,019	**5,275**

c) Other transactions with related parties for the year ended 31 December:

Management and royalty fees paid to related parties	**2010**	**2009**
Eczacıbaşı Holding A.Ş. (*)	18,192	18,229
	18,192	**18,229**

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

Dividend received from related parties		
Eczacıbaşı Holding A.Ş.	3,970	2,591
Eczacıbaşı Yatırım Ortaklığı A.Ş.	231	-
Ekom Eczacıbaşı Dış Ticaret A.Ş.	125	180
	4,326	**2,771**

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

c) Other transactions with related parties for the year ended 31 December (continued):

Rent income received from related parties	2010	2009
Eczacıbaşı Holding A.Ş.	2,525	2,430
Eczacıbaşı Yapı Gereçleri Sanayi ve Ticaret A.Ş.	794	972
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	689	717
İpek Kağıt Sanayi ve Ticaret A.Ş.	672	647
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş.	451	612
Others	562	530
	5,693	**5,908**

Rent expenses paid to related parties		
Eczacıbaşı Holding A.Ş.	1,375	1,415
Others	108	-
	1,483	**1,415**

Other income received from related parties:		
Eczacıbaşı-Zentiva Sağlık Ürünleri Sanayi ve Ticaret A.Ş. (*)	-	69
Eczacıbaşı Menkul Değerler A.Ş.	-	33
Others	5	13
	5	**115**

Other expenses paid to related parties		
Eczacıbaşı Holding A.Ş.	1,080	1,197
Eczacıbaşı-Zentiva Sağlık Ürünleri Sanayi ve Ticaret A.Ş. (*)	-	419
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	93	352
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	53	53
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	27	-
Others	287	99
	1,540	**2,120**

(*) For the year ended 31 December 2009, transactions made with EZSÜ and EZKÜ represent the amounts realised until 24 July 2009, the date of the shares which the Group has 25% shares in each of them were transferred to Zentiva N.V.

Donations paid to related parties	2010	2009
Dr. Nejat F. Eczacıbaşı Vakfı	36	638
	36	**638**

Benefits provided to:

Total benefits provided to key management personnel for the year ended 31 December 2010 amounted to TRL 16,053 thousand (31 December 2009: TRL 12,812 thousand).

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

d) Contingent assets and liabilities due to related parties:

TRL equivalents of the Group's share in contingent assets and liabilities denominated in USD, EUR and TRL are presented below:

	31 December 2010			
	USD	**EUR**	**TRL**	**Total**
Guarantees and pledges given				
Pledges given for bank borrowings	-	-	-	-
	-	**-**	**-**	**-**

	31 December 2009			
	USD	**EUR**	**TRL**	**Total**
Guarantees and pledges given				
Pledges given for bank borrowings	-	53,518	61	53,579
	-	**53,518**	**61**	**53,579**

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group is exposed to variety of financial risks due to its operations. These risks include credit risk, market risk (foreign exchange risk and interest rate risk) and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group also uses derivative financial instruments to hedge risk exposures. Financial risk management is carried out by the Subsidiaries and Joint Ventures of the Group under policies approved by their own Boards of Directors.

a) Credit risk

The ownership of financial assets is exposed to the risk that the counterparty complies with contractual terms. These risks are managed by credit evaluation and distribution of the total risk of a single counterparty. Credit risk is distributed via the number of institutes that form the customer database and their different fields of business activities. The Group collects its receivables before their maturity with factoring practices, as may be required. This is an application parallel to irreversible risk management.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (continued)

Details of credit and receivable risk as of 31 December are as follows:

	Trade receivables from		**Other receivables from**			
31 December 2010	**Related parties**	**Other**	**Related parties**	**Other**	**Deposits in banks**	**Other (*)**
Maximum credit risk exposed as of balance sheet date (**)	**2,487**	**193,843**	**-**	**821**	**656,018**	**6,160**
- Secured portion of the maximum credit risk by guarantees	-	*32,607*	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	1,430	142,393	-	821	656,018	-
- Secured portion by guarantees, etc.	-	28,973	-	-	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
- Secured portion by guarantees, etc.	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired (***)	1,057	51,450	-	-	-	6,160
- Secured portion by guarantees, etc.	-	3,584	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	198	7,520	-	-	-	-
- Impairment (-)	(198)	(7,520)	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc	-	50	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-

(*) Item contains the financial assets measured at fair value and attributable to income statements.

(**) The area implies the sum of A, B, C, D and E. Amounts showing the maximum credit risk exposed as of balance sheet date by excluding guarantees in hand and other factors that increase the credit quality.

(***) As of 31 December 2010, the aging explanations related with past due but not impaired assets indicated in the aging table of "Past due but not impaired trade receivables".

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (continued)

	Trade receivables from		**Other receivables from**			
31 December 2009	**Related parties**	**Other**	**Related parties**	**Other**	**Deposits in banks**	**Other (*)**
Maximum credit risk exposed as of balance sheet date (**)	**817**	**186,094**	**-**	**929**	**677,970**	**12,174**
- Secured portion of the maximum credit risk by guarantees	**-**	***34,154***	**-**	**-**	**-**	**-**
A. Net book value of financial assets that are neither past due nor impaired	580	161,752	-	929	677,970	4,066
- Secured portion by guarantees, etc.	-	31,562	-	-	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	974	-	-	-	-
- Secured portion by guarantees, etc.	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired (***)	237	23,368	-	-	-	8,108
- Secured portion by guarantees, etc.	-	2,576	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	316	6,037	-	-	-	-
- Impairment (-)	(316)	(6,037)	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc	-	16	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-

(*) Item contains the financial assets measured at fair value and attributable to income statements.

(**) The area implies the sum of A, B, C, D and E. Amounts showing the maximum credit risk exposed as of balance sheet date by excluding guarantees in hand and other factors that increase the credit quality.

(***) As of 31 December 2009, the aging explanations related with past due but not impaired assets indicated in the aging table of "Past due but not impaired trade receivables".

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (continued)

Details of the past due but not impaired receivables for the years ended at 31 December are as follows:

	Trade receivables from		
31 December 2010	**Related parties**	**Other (*)**	**Other**
Past due up to 30 days	684	43,799	-
Past due 1 - 3 months	166	3,707	-
Past due 3 - 12 months	207	2,167	-
Past due 1 - 5 year (*)	-	1,777	6,160
	1,057	**51,450**	**6,160**
Secured portion of receivables by guarantees, etc.		**3,584**	**-**

	Trade receivables from		
31 December 2009	**Related parties**	**Other (*)**	**Other**
Past due up to 30 days	228	16,062	-
Past due 1 - 3 months	6	2,893	-
Past due 3 - 12 months	1	2,646	-
Past due 1 - 5 year (*)	2	1,767	8,108
	237	**23,368**	**8,108**
Secured portion of receivables by guarantees, etc.	**-**	**2,576**	**-**

(*) The most of past due 1-5 year receivables consist of the legal authorities and the Group does not expect any recoverability risk on receivables.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

b) Liquidity risk

Liquidity risk management consists of the holding sufficient cash and cash equivalents, funding via loans and capability to close short positions. Additionally, the Group aims to maintain flexibility in funding by maintaining the availability of committed credit lines.

The analysis of the Group's financial liabilities with respect to their maturities as of 31 December is as follows:

	31 December 2010					
			Contractual terms			
Financial liabilities (non-derivative)	**Carrying value**	**Contractual cash outflows**	**Up to 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**
Other financial liabilities	45,119	46,186	25,772	9,183	10,728	503
Trade payables due to related parties	70,256	70,479	68,411	2,068	-	-
Other trade payables	59,202	59,530	59,498	26	494	-
Other payables	1,116	1,116	1,100	16	-	-
Total non-derivative financial liabilities	**175,693**	**177,311**	**154,781**	**11,293**	**11,222**	**503**

	31 December 2009					
			Contractual terms			
Financial liabilities (non-derivative)	**Carrying value**	**Contractual cash outflows**	**Up to 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**
Financial liabilities due to related parties	23,256	23,643	-	23,643	-	-
Other financial liabilities	41,398	42,102	37,448	3,990	664	-
Trade payables due to related parties	71,457	71,962	69,802	2,160	-	-
Other trade payables	79,578	80,867	73,620	7,247	-	-
Other payables	2,521	2,521	102	2,419	-	-
Total non-derivative financial liabilities	**218,210**	**221,095**	**180,972**	**39,459**	**664**	**-**

c) Market risk

i) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing liabilities and assets. These exposures are managed by offsetting interest rate sensitive assets and liabilities and using derivative instruments when considered necessary.

The Group is exposed to cash flow interest rate risk via borrowing credit with floating exchange rate. Additionally the Group is exposed to fair value interest rate risk via borrowing credit with fixed interest rate. The loans with floating exchange rate which are used by Group in 2010 and 2009 consist of TRL, USD and EUR.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (continued)

i) Cash flow and fair value interest rate risk (continued)

	31 December 2010	31 December 2009
Financial instruments with fixed interest rates:		
Financial assets		
- Cash and cash equivalents	645,939	669,339
- Fair value changes recognised in profit and loss	18	39
Financial liabilities		
- Financial liabilities	7,166	18,765
Financial instruments with variable interest rates:		
Financial liabilities		
- Financial liabilities	13,169	27,705
- Factoring liabilities	24,785	15,644

At 31 December 2010, if interest rates at contractual re-pricing dates of EUR denominated financial liabilities with variable interest rates has strengthened/weakened by 100 basis points (1%) against TRL with all other variables held constant, profit before tax would have been TRL 125 thousand (31 December 2009: TRL 177 thousand) lower / higher as a result of interest expenses.

At 31 December 2010, if interest rates at contractual re-pricing dates of USD denominated financial liabilities with variable interest rates has strengthened/weakened by 100 basis points (1%) against TRL with all other variables held constant, profit before tax would have been TRL 6 thousand (31 December 2009: TRL 100 thousand) lower / higher as a result of interest expenses.

At 31 December 2010, if interest rates at contractual re-pricing dates of TRL denominated financial liabilities with variable interest rates has strengthened/weakened by 100 basis points (1%) against TRL with all other variables held constant, profit before tax would have been TRL 248 thousand (31 December 2009: TRL 210 thousand) lower / higher as a result of interest expenses.

Sensitivity analysis of fair value liquidity discount rates used for financial investments and rates used for discounted cash flows are presented in Note 8.

ii) Foreign Exchange Risk

The Group is exposed to foreign exchange risk through conversion of liabilities to functional currency. The risks get under control via analysing foreign exchange positions.

The Group provides limited protection from foreign exchange risk by using derivative financial instruments to decrease exchange risk arise from balance sheet items, also to add value to foreign exchange investments of idle cash.

The Group is exposed to foreign exchange rate risk mainly for EUR and USD. In this context, the exchange risk analyse related with main foreign currencies as follows:

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (continued)

ii) Foreign Exchange Risk (continued)

	31 December 2010			
	Profit / loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% change in USD against TRL:				
USD net asset / (liability)	21,881	(21,881)	21,881	(21,881)
Secured position (-)	-	-	-	-
USD net effect	**21,881**	**(21,881)**	**21,881**	**(21,881)**
In case of 10% change in EUR against TRL:				
EUR net asset / (liability)	19,051	(19,051)	19,051	(19,051)
Secured position (-)	-	-	-	-
EUR net effect	**19,051**	**(19,051)**	**19,052**	**(19,052)**
In case of 10% change in other foreign exchange rates against TRL:				
Other foreign currency net asset / (liability)	(558)	558	(558)	558
Secured position (-)	-	-	-	-
Other foreign currencies net effect	**(558)**	**558**	**(558)**	**558**
	40,374	**(40,374)**	**40,374**	**(40,374)**

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (continued)

ii) Foreign Exchange Risk (continued)

	31 December 2009			
	Profit / loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% change in USD against TRL:				
USD net asset / (liability)	23,364	(23,364)	23,364	(23,364)
Secured position (-)	-	-	-	-
USD net effect	**23,364**	**(23,364)**	**23,364**	**(23,364)**
In case of 10% change in EUR against TRL:				
EUR net asset / (liability)	19,378	(19,378)	19,378	(19,378)
Secured position (-)	(37)	37	(37)	37
EUR net effect	**19,341**	**(19,341)**	**19,341**	**(19,341)**
In case of 10% change in other foreign exchange rates against TRL:				
Other foreign currency net asset / (liability)	(356)	356	(356)	356
Secured position (-)	-	-	-	-
Other foreign currencies net effect	**(356)**	**356**	**(356)**	**356**
	42,349	**(42,349)**	**42,349**	**(42,349)**

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

	31 December 2010	31 December 2009
USD	1.5460	1.5057
EUR	2.0491	2.1603

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (continued)

ii) Foreign Exchange Risk (continued)

The amounts of assets and liabilities denominated in original and foreign currencies and their TRL equivalents at 31 December 2010 were as follows:

	31 December 2010			
		Original amounts		
	Total TRL equivalent	USD	EUR	Others (*)
Current assets:				
Cash and cash equivalents	428,023	143,517	100,477	257
Financial investments	4,628	2,966	20	-
Trade receivables	5,269	2,657	567	-
	437,920	**149,140**	**101,064**	**257**
Non-current assets:				
Financial investments	2,741	1,773	-	-
	2,741	**1,773**	**-**	**-**
Current liabilities:				
Financial liabilities	2,821	229	1,204	-
Trade payables	18,062	5,291	1,972	5,842
Financial liabilities due to related parties	-	-	-	-
Other current liabilities	-	-	-	-
	20,883	**5,520**	**3,176**	**5,842**
Non-current liabilities:				
Financial liabilities	10,344	173	4,918	-
Other non-current liabilities	5,697	3,685	-	-
	16,041	**3,858**	**4,918**	**-**
Net asset / (liability) position of off-balance sheet items (A-B)				
A. Total amount of hedged assets	-	-	-	-
B. Total amount of hedged liabilities	-	-	-	-
Net foreign currency asset / (liability) position	**403,737**	**141,535**	**92,970**	**(5,585)**
Fair value of currency derivatives held for hedging	**-**	**-**	**-**	**-**
Net position of off-balance sheet contingent assets and liabilities				
Guarantees and pledges taken	432	140	104	-
Guarantees and pledges given	12,999	8,034	283	-
Exports	5,331	2,048	1,056	-
Imports	154,808	51,879	30,320	12,474

(*) The amounts are presented in TRL since the original balances are denominated in various other currencies.

(Amounts expressed in thousands of Turkish lira ("TRL") unless otherwise indicated.)

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (continued)

ii) Foreign Exchange Risk (continued)

The amounts of assets and liabilities denominated in original and foreign currencies and their TRL equivalents at 31 December 2009 were as follows:

	31 December 2009			
		Original amounts		
	Total TRL equivalent	USD	EUR	Others (*)
Current assets:				
Cash and cash equivalents	489,177	168,283	109,137	25
Financial investments	4,085	2,700	9	-
Trade receivables	1,512	766	166	-
	494,774	**171,749**	**109,312**	**25**
Non-current assets:				
Financial investments	4,004	2,660	-	-
	4,004	**2,660**	**-**	**-**
Current liabilities:				
Financial liabilities	16,775	6,369	3,326	-
Trade payables	33,737	5,333	10,239	3,588
Financial liabilities due to related parties	23,192	6,770	6,017	-
Other current liabilities	568	367	7	-
	74,272	**18,839**	**19,589**	**3,588**
Non-current liabilities:				
Financial liabilities	655	401	24	-
	655	**401**	**24**	**-**
Net asset / (liability) position of off-balance sheet items (A-B)				
A. Total amount of hedged assets	-	-	-	-
B. Total amount of hedged liabilities	-	-	-	-
Net foreign currency asset / (liability) position	**423,851**	**155,169**	**89,699**	**(3,563)**
Fair value of currency derivatives held for hedging (**)	**367**	**-**	**170**	**-**
Net position of off-balance sheet contingent assets and liabilities				
Guarantees and pledges taken	4,823	2,793	286	-
Guarantees and pledges given	63,475	141	29,284	-
Exports	5,459	1,687	406	1,976
Imports	165,174	41,742	42,075	10,087

(*) The amounts are presented in TRL since the original balances are denominated in various other currencies.

(**) Company has three forward contracts in order to hedge foreign exchange risk as of 31 December 2009. The aforementioned forward contracts are Euro sell contracts with the amount of EUR 170 thousand and their weighted average maturities are 15 days as of 31 December 2009.

NOTE 31 - SUBSEQUENT EVENTS

a) In the Board of Directors meeting held on 7 February 2011, it has been decided to receive authorization from Capital Markets Board ("CMB") and Ministry of Industry and Trade in order to amend 4th Article of the Articles of Association with the heading "Purpose and Subject". Six month period is given for the related amendment with the notification of CMB dated 11 February 2011 and related authorization has been obtained with the permission of the Ministry of Industry and Trade dated 1 March 2011.

b) In the Board of Directors meeting held on 28 March 2011, it has been decided that the Ordinary General Meeting of Shareholders to be held in the Hyatt Regency Hotel at Taskisla Street, Taksim, Istanbul, on 6 May 2011 Friday at 8:30 a.m.

c) Based on the decision of the Board of Directors dated on 28 February 2008, it has been decided to develop the Company's activities in the health sector conducted through its subsidiaries, by associating or forming strategic partnership with companies operating in this sector by authorizing Sedat Birol, Health Group President and General Manager of the Company, in order to research, discuss and present the results potential opportunities to the Board of Directors. With respect work carried out in this context, 49.998% owned Eczacıbaşı-Monrol, which conducts manufacturing, importation and distribution activities of radiopharmaceuticals used in nuclear medicine, has started negotiations for the acquisition of 99.996% shares of Moleküler Görüntüleme Ticaret ve Sanayi A.Ş., which is a R&D and advanced technology company in molecular medicine research, development, innovation and production. All of the shares of Moleküler Görüntüleme Ticaret ve Sanayi A.Ş. are held by Bozluolçay Group, which is 50% venturer of Eczacıbaşı-Monrol.

d) Upon inspections of companies in pharmaceuticals industry by the Tax Inspectors Board of the Ministry of Finance, TRL 13,517 thousand regarding the corporate income tax (TRL 3,033 thousand of the penalty is attributable to corporate income tax and TRL 10,484 thousand relate to advance temporary income tax) and TRL 20,276 of penalty have been levied against the Company by the Büyük Mükellefler Tax Administration in the tax inspection reports of the Company regarding 2006 and 2007.

The Company is in the process of evaluation to apply to the Commission for Tax Reconciliations of the Ministry of Finance, to file a lawsuit as made for the similar cases in prior years, which concluded in favour of the Company, or to benefit amnesty in accordance with the Law Article 6211 and the evaluation will be concluded in the legal time frame. The Company has not provided a provision for this inspection in the consolidated financial statements, since the lawsuit on the same subject concluded in favour of the Company.

e) Upon inspections of companies in pharmaceuticals industry by the Tax Inspectors Board of the Ministry of Finance, TRL 7,256 thousand regarding the corporate income tax and its associated withholding tax and TRL 10,914 of penalty (TRL 2,340 thousand of the penalty is attributable to additional corporate income tax and TRL 4,916 thousand relate to temporary income tax) have been levied against the Company as at 12 June 2009 by the Boğaziçi Corporate Tax Administration in the tax inspection reports of the Company regarding 2004.

As of 2 April 2010, the Company filed a lawsuit in the Tax Court of Istanbul, since no settlement was reached in the Commission for Tax Reconciliations of the Ministry of Finance. Based on the verdict notified to the Company by the 10th Tax Court of Istanbul on 7 April 2011, all lawsuits are concluded in favour of the Company.

NOTE 32 - DISCLOSURE OF OTHER MATTERS, WITH MATERIAL EFFECT ON CONSOLIDATED FINANCIAL STATEMENTS, REQUIRED FOR THE PURPOSE OF UNDERSTANDING AND INTERPRETING THE FINANCIAL STATEMENTS

a) In the Board of Directors meeting held on 28 September 2010, it has been decided to;

- Implement a real estate project under the name "Ormanada" on the land in the province of Istanbul and in the district of Sarıyer/Zekeriyaköy with 50% ownership the Group and 50% ownership of Eczacıbaşı Holding A.Ş.,
- Build real estates (homes) of "Ormanada" Project in two different phases and complete until the end of year 2013, in accordance with the agreement signed with and under the supervision of the Company's subsidiary, Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım A.Ş., by tendering the construction through determination of contractors or subcontractors considering one of methods of collecting orders based on unit prices, general negotiation or jobwork,
- Complete necessary process for the sale of the real estates (homes) of "Ormanada" Project, which will be built on land plots with completed legal processes, in October of 2010,
- Sign necessary agreements with banks in the context of providing credit lines to customers up to 75% of the sales price of real estates (homes) of "Ormanada" Project,
- Guarantee repayment of TRL customer bank loans obtained for the real estates (homes) sold until the date of forming legal mortgage rights on behalf of banks and in this respect to sign necessary agreements between banks and the Company by representation of the two board members with first decree signature authorization.

The public has been informed about Ormanada Project, which has an investment amount of approximately USD 300 million and the size of houses varies between 170 and 700 square meters with sales price range from USD 500 thousand to USD 2.2 million, with press release and material event disclosure on Public Disclosure Platform on 18 October 2010. Ormanada Project has created in collaboration with international knowledge and experience of Torti Gallas and Partners, Kreatif Mimarlık and Rainer Schmidt Landscape Architects. The project has been initially designed as 188 villas and 71 side by side houses totalling to 259 residential units with 25 acres of greenbelt, which could be extended to 270 units as a result of the ongoing revisions. The Project will be completed in two different phases and first phase consists of 151 units and second phase, which's reconstruction process is still ongoing, will consist of 151 unit as of the date of this report. Additionally, the subcontractor of the Ormanada Project's infrastructure works, which include construction of roads, electricity, water, sewer, natural gas, telephone, etc. except for construction of buildings) has been determined and has started its activities and continues construction process as planned.

b) The Company's subsidiary EIP has signed an agreement with Menicon Co., which is the first and largest contact lens and lens care products manufacturer of Japan operating in more than 30 countries including European countries, America and Japan with employees over 1,000, for the product rights in Turkey on 1 November 2010.

c) In the Board of Directors meeting held on 31 December 2009, it was decided to make an application to Banking Regulation and Supervision Agency within the scope of the related legislation for establishing an investment bank. It was also decided to participate to the equity of bank by 40% after legal process is finalised and compulsory permissions are obtained for the establishment of an investment bank. On 31 March 2011, the Company announced in investor relations news, that collection of compulsory application information is in progress.

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITORS REPORT TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

To the Board of Directors of
EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş.
Istanbul

1. We have audited the accompanying consolidated financial statements of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and its subsidiaries (together, the "Group") which comprise the consolidated balance sheet as of 31 December 2010 and the related consolidated statement of income, consolidated statement of comprehensive income, changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for financial statements

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards endorsed by the Capital Markets Board of Turkey ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards endorsed by the CMB. 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.

4. An audit involves performing audit procedures to obtain audit evidence regarding the amounts and disclosures in the 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 controls 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 controls. 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.

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

Opinion

6. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with financial reporting standards endorsed by the CMB (defined as "CMB Financial Reporting Standards" in Note 2 to the consolidated financial statements).

Other matter

7. The consolidated financial statements of the Group for the year ended 31 December 2009 were audited by another auditor. The predecessor auditor expressed an unmodified opinion on the financial statements as of 31 December 2009 in its independent auditors' report issued on 8 April 2010.

Additional paragraph for convenience translation into English

8. CMB Financial Reporting Standards differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, performance and cash flows in accordance with IFRS.

Istanbul, 8 April 2011

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Originally issued and signed in Turkish

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