

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

BOARD OF DIRECTORS REPORT

AS OF 30 JUNE 2011

**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 – 30 June 2011, 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

<u>Name - Surname</u>	<u>Responsibility</u>	
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 Manager	Member	General

Board of Auditors

<u>Name - Surname</u>	<u>Responsibility</u>
Tayfun İçten	Auditor
Selahattin Okan	Auditor

The Board of Directors and Auditors have been elected at the General Assembly dated 6 May 2011 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

It has been unanimously resolved at the extraordinary General Assembly Meeting held on 6 May 2011 for the year 2010 that Article 4 of the company's articles of association, titled "Purpose and Scope" be amended as approved by authorization No: 1649, of 11 February 2011, of the Capital Markets Board, and authorization No: 1283 of 1 March 2011, of Ministry of Industry and Trade and the registration thereof is pending.

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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 24 May 2011, 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
Segment/Market

Trade Title

Health Sector

Original pharmaceutical market

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 Sector

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.

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Real estate development:

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 m² 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 applied by the Ministry of Health and global budget application managed by the Social Security Institution,
- ❖ The licensing process of the Ministry of Health,
- ❖ Introduction of the GMP (Good Manufacturing Practices) requirement for the imported products pending license and consequently prolongation of the process
- ❖ 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.
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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.

Due to the technical problems suffered by its primary shareholder Baxter at its Ireland-Castlebar manufacturing facilities in the first half of 2011, Eczacıbaşı-Baxter Hastane Ürünleri has successfully realized the peritoneal dialysis solution production for many EU countries and caught a significant export opportunity. It is expected that such production activities continue till the end of September.

- **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.

At the General Assembly meeting of 14 April 2011 it has been resolved that a gross dividend amount of 7 million TL be distributed to the shareholders at any time to be specified by the Board of Directors in any case no later than 31 December 2011.

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.

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- **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.
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6.2 Consumer Products Sector

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.

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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.

Our company has started the sales and distribution of SMA brand infant food as of April 2011.

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 development:

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

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The strong demand the retail market had shown to shopping centers caused the rental rates to rise and 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; and ecologic living space “Organikanyon” are among these. “Huge inflated toys” designed for kids every weekends during summer, 6D cinema leisure center “Fungate” for kids 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. 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. Various activities have been carried out on favorite social platforms such as Facebook, Twitter, Foursquare in an effort to increase the prominence and awareness of Kanyon. KanyonFit Project, one of the Kanyon digital applications has been awarded the gold prize at the international contest 2010 ICSC Solal Marketing Awards.

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.

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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. Despite the fact that the impacts of the global economic crisis starting in late 2008 have lessened at home and in the foreign relevant markets in 2010, now political instability took the stages in the Middle East, one of the major emerging markets in 2011. Sales loss suffered in these regions have been compensated in terms of budget thanks to domestic sales and export sales to other countries.

Natural gas prices which constitute a significant share of production costs have increased by 4% in the first half of 2011 as compared to the same period of 2010. In the same period the electricity unit price has dropped by about 5%. With respect to domestic transportation, prices increased periodically by 5,46% for shipments from Bozüyük and Tuzla as from June 2011. In the meantime, as a result of foreign exchange rate deviations, overseas transportation prices increased by 18% on TRL basis.

Production capacity was kept under control following demand trends in 2010 and the same was adopted in 2011. Production in terms of square meter has increased by 5% in the first half of 2011 as compared to the same period in 2010 and, thanks to effective stock management, finished product stocks in June 2011 were 12% lower in terms of square meter as compared to the same month in 2010. However, particularly marketing & sales expenses and overheads have been taken under more efficient control thanks to the newly-implemented approval/follow-up system.

- **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, 24% of the shares of Villeroy&Boch Fliesen has been acquired in January 2011, in addition to the 51% as acquired in 2007, raising the total shareholding to 75%.

"Mosaic Line", the first stage of our plant, still under construction in Russia has started production since June. It is planned that the 2nd phase is put into operation in the third quarter of this year and 3rd phase in the second quarter of 2012. Besides, the search for and negotiations for possible acquisitions abroad are underway.

The Company has adopted a dividend policy of distributing profits after growth related investment finance requirements are met.

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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 30.06.11 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.
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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 30.06.11 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 pharmaceutical 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 has fully repaid on 18 February 2011 a 2-million loan borrowed in 2010 from Türkiye Ekonomi Bankası. The company has used short-term loans denominated in TL in the first half of 2011, all of which have been fully repaid.

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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 treatment 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.

Social Security Institution receivables constitute the most important working capital item and receivables due and operating cash generated are systematically 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 continued to use a rotating loan in 2011 in TL and as of the end of June, it has raised a loan of 1.170 thousand TL.

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 2012. TRL loans are rotating loans, borrowed at the time a working capital requirement arises and closed in a short term. As of 30.06.11, these amounted to TRL 3.215 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 of June there are no effective forward contracts.

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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 June 2011 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, 90% of receivables were covered by such guarantees in December 2010, and it is expected that this ratio is also maintained as 90% % at the end of 2011. 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. Moreover, forward contracts are made where necessary in order to cover the open positions occurring during the year.

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 development:

Real estate development:

As of 30.06.11 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 the first half of 2011, the export sales of Vitra Karo accounted 62% in terms of quantity and 60% in TL basis of its total sales. As most of its income is foreign currency based, the Company covers its financing requirements by foreign exchange loans. In addition, other financial hedge instruments (forward) 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. However, 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.

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

Health sector:

As of June 2011, the size of the pharmaceutical market in Turkey has grown cumulatively by 7%. Eczacıbaşı İlaç Pazarlama has enjoyed a growth by 22%.

In addition to the measures that were taken and had been implemented 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

It is not the case, as the attached report is an interim report.

10. Development prospects for the Company

10.1 Health Sector

Original pharmaceutical 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 44 contracts within the period 2007-2010 and 10 new contracts within the first quarter of 2011 and new products started to be included in the portfolio under such contracts.

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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, and sales and marketing activities started as from January 2011.

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 dispose of or transfer the clinics with low capacity utilization in the upcoming period and will continue to grow with the ongoing capacity increase investments and improved capacity utilization rates.

Health services:

The first Evital Care Center was opened in Istanbul in 2008 and 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 and production has started. 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 October 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

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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 second quarter of 2011 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 19% in June 2011 as compared to a year ago. An average 12% growth is planned for the coming three years.

10.3 Real estate development:

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. Kanyon Box has soon become a point of attraction for agencies and the projects of own brands of the agencies.

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

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are being developed further. Advertisements are placed on the periodicals as part of the image-making campaign for Kanyon. As brand cooperation is becoming more important efforts to implement joint projects with the brands have started.

Istanbul Shopping Fest (ISF) organized between March 18 – April 26 has taken place efficiently at Kanyon with retail cooperation, discounts, adornments and campaigns. On April 23, the longest night assigned for Kanyon, a party called “Child Inside You at Kanyon” has been held accompanied by DJ performance and other events whereby number of visitors and retail turnovers have increased. During the ISF, Kanyon has attracted foreign tourist and 8.383 tourist visited Kanyon between March 18 and April 26.

Real estate development:

Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım has participated in Ormana Zekeriyaköy Project, a joint investment between Eczacıbaşı Holding A.Ş. and Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar A.Ş. as project manager and lead contractor. This development will make favorable contribution to the expertise and financial status of the company.

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 design, development studies and domestic sales campaigns, the number of customer orders received during the first 6 months of 2011 has increased by 17% in terms of square meter in 2011 as compared to the same period in 2010. A 12-month order trends analysis indicates that the last 12 months order entries were 12% higher than the same period a year ago. Export services:

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 – 30 June 2011, 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.

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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 pharmaceutical 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 sector:

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.

Hairdressers' 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.

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12.3 Real estate development:

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 has completed the process of establishing an R&D center at Bozüyük to serve both Vitra Karo and Eczacıbaşı Yapı Ürünleri as the "Innovation Center" of Building Products Division has started its activities in May.

Export services:

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 pharmaceutical market:

Eczacıbaşı İlaç Pazarlama is mainly active in the pharmaceuticals sector with its imported original products portfolio including the products of Sanofi-Aventis, Chugai-Sanofi Aventis, P&G, Astellas, Spirig, Sigma-Tau, Almirall and Tillots.

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.

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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. 2 new competitors have entered the FDG market in 2009, which accounted for 34% of the Company's sales in June 2011, and the Company remains the market leader with a market share of 73% as of June 2011.

SPECT product category accounted for 60% of sales in June 2011 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 24% 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 466 million at the end of the second quarter of 2011, according to data from Nielsen (excluding pharmacy and petrol station market channels).

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 13 brands in the skin care, deodorant, sun protection and baby care categories it operates in. All products reach customers through Girişim Pazarlama Tüketim Ürünleri.

According to the Nielsen retail report, as of the 2nd quarter of 2011, the Company continues to be the market leader in facial care, deodorant, body care, sun protection products and lip care products markets with its sub-brands. The company has about 300 products in this market.

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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 consumer product company which has the highest retail coverage in Turkey with its range of more than 1,500 products.

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 development:

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 m² 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
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- ❖ 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:

The market share of Vitra Tile Group has become 13,6% in terms of turnover in the first half of 2011. During the same period, our market share in terms of turnover has become 27,6% in German market.

In foreign markets, Tile Group also supplies 4% of 50 million m² consumption in the UK and Ireland, 2,5% of 113 million m² in France and 2,5% of 139 million m² in Russia.

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 pharmaceutical market:

Incentives are not used.

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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 the first half of 2011. The investment deduction allowance carried from previous years amounts to TRL 2.317.

Health services:

Incentives are not used.

Nuclear medicine sector:

Istanbul-Yıldız investment has been completed and production started. Construction investment and equipment procurement for the Antalya plant have been completed and test production is ongoing. Construction investment and equipment procurement for Romanian plant have also been completed and license for the plant is pending. The FDG production facility to be erected in Malatya is under construction for which the incentive has been obtained. The capacity increase and additional R&D facility investments planned in Ankara have been postponed. 30% of the investment is financed through shareholders' equity and 70% through long-term investment loans.

As part of the decision of the Board of Directors dated 24 May 2011, our company has executed a share purchase agreement with 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 acquisition of its 7.499.996 shares corresponding to 99.999947% of its total share capital.

A press release on the agreement has been made on 26 May 2011 and the following details have been provided in the special public disclosure as made on the same date.

- ❖ 7.499.996 shares out of 7.500.000 shares, each having a par value of 1 TL and corresponding to 99,999947% of the share capital of Moleküler Görüntüleme Ticaret ve Sanayi A.Ş. shall be acquired by Eczacıbaşı - Monrol Nükleer Ürünler Sanayi ve Ticaret A.Ş. With symbolic acquisition of one each shares by each of Eczacıbaşı Holding A.Ş. and Yapı-İş Emlak A.Ş. as well as other two shares to be symbolically acquired by Bozlu Group, Eczacıbaşı's total shareholding in Moleküler Görüntüleme Ticaret ve Sanayi A.Ş. will reach 50%.
 - ❖ The acquisition consideration has been calculated to be TL 8.399.995,52 for 99,999947% of the shares with the account taken of the company value of TL 8.800.000 as determined by "PriceWaterhouseCoopers Danışmanlık Hizmetleri Limited Şirketi in its Appraisal Report dated 2 May 2011.
 - ❖ The share transfer and the payment of the consideration shall take place at a date to be mutually agreed by the parties.
 - ❖ Following the execution of the share purchase agreement, the transaction shall take effect after obtaining the required authorization from the Competition Authority with a filing shall be made.
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The Competition Authority has authorized the transaction under its decision No. 11-41/881-276 of 06.07.2011. Pursuant to the Share Purchase Agreement, the transaction involving the transfer of 7.499.996 shares as corresponding to 99.999947% of the share capital of Moleküler Görüntüleme Ticaret ve Sanayi A.Ş. has been completed as of 29 July 2011 and the acquisition consideration of TRL 8,399,995.52 has been paid in cash on the same day.

15.2 Consumer Products Sector

Cosmetics market:

As Eczacıbaşı-Beiersdorf Kozmetik Ürünler is not involved in production investment figures are low. In the first half of 2011 the investments amounted to TRL 562 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 June 2011 amounted to TRL 2.644 thousand. No incentives were used.

15.3 Real estate development:

Ormanada Project:

In December 2007, the Company bought half of 22 plots of land with a total area of 196,409.74 m² located at Sarıyer İlçesi, Uskumru Mahallesi, Yorgancı Çiftliği Mevkii. 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 m² 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,
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- ❖ 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 Canyon, 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. 45 residential units in the first phase have been sold, and sales agreements were made and advance payments collected for 25 residential units in the second phase. Furthermore, the contractor for the infrastructure (construction other than the buildings: roads, electricity, water,

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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 2011, and thus, no incentives were used.

15.4 Other

Ceramic tiles market:

The first phase of the Ceramic Tile factory investment in Russia, expected to cost around 37 million Euros in total, and it has started production activities in June. “Bozüyük Big Size Porcelain Tile” production has started production in late May. The investment which cost Euro 7 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 for TRL 12.3 million for Bozüyük investment has been approved at the beginning of 2011. On the other hand, the feasibility studies for “big size porcelain tile furnace” expansion investment for 2,7 million Euros has been completed and authorization is pending.

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:

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16.1 Health Sector

Original pharmaceutical 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 line, 6.888 thousand units of solutions were produced and the capacity utilization ratio has decreased from 89% to 81% in 2010; at the Medifleks lines 30.584 thousand units of solutions were produced and the capacity utilization increased to 133% from 111% in the same period of 2010 and additionally, 10.656 thousand units of sets were produced with a capacity utilization rate has increased to 63% from 54% compared to the same period in 2010.

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:

Dialysis treatment market: RTS Renal Tedavi Hizmetleri provides hemodialysis (HD) and peritoneal dialysis services to patients through 19 clinics. With a total of 600 HD devices an average of 124 HD patients per clinic receive services. The average number of patients per HD device is 5.

Health services:

Eczacıbaşı Sağlık Hizmetleri has no manufacturing activity.

Nuclear medicine sector:

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

Production Unit	Product Category	Capacity	2011 Capacity Utilisation (%) (*)	2010 Capacity Utilisation (%)
Gebze	Mo-99/Tc-99m Gen.	15.600 Units	71	76
Gebze	Tl-201	25.000 Units	10	10
Gebze	I-131	46,000 Units	48	42
Gebze	Cold Kit	110,000 Vial	34	30
Gebze	FDG	50.000 Dose	57	55
Ankara	FDG	25,000 Dose	59	47
Adana	FDG	25,000 Dose	28	30
İzmir	FDG	25,000 Dose	27	27
Istanbul	FDG	25,000 Dose	7	0

(*) On the basis of first 6-month production data for 2011.

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Capacity utilization for I-131 products increased as a result of increasing demand. Problems were encountered at Cold Kit production, because of which, production, sales figures and consequently the capacity utilization ration 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 development:

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. All the production stages of the projects are subcontracted.

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 m² and a capacity utilization ratio of 85%. Every year 8-10 new products are added to the manufacturing portfolio.

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In the first half of 2011 the total sales of Vitra Karo increased by 6,0% on Euro basis compared to the same period last year and sales prices in Euro has remained at 2010 level. However, with the effective management of costs, expenses and net working capital, the net operating profit before depreciation increased by 60% in the first half of 2011 in absolute value terms compared to the same period last year, whereas its ratio to net sales realized as 16.2% which represents an increase of about 4,5% compared to the preceding year.

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 pharmaceutical 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 of end of December 2010, the discounts granted to the institutions of the Ministry of Health on some products have increased by 9,5%. The negative impact of such increase on our turnover in the first half of 2011 was about 6,1 million TL.

The prices of Kiovig, Brevibloc, Holoxan, Endoxan have been increased by the Ministry of Health in the first half of 2011 as a result of applications made in line with the reference pricing system. The prices of Oliclinomel N7 and Üromitexan have been decreased by the Ministry of Health under the same system.

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	2011 (*)	2010 (*)
Gebze	Mo-99/Tc-99m Gen	10.225	7.849
Gebze	Tl-201	582	549
Gebze	I-131	2.629	1.921
Gebze	Cold Kit	221	302
Gebze	FDG	3.850	4.100
Ankara	FDG	2.029	2.487
Adana	FDG	1.073	1.566
İzmir	FDG	1.110	1.173
İstanbul	FDG	107	0
Gebze	Sales of other goods and services	2.262	1.979
Total		24.088	21.926

(*) Indicates the sales revenues in TL of the selected product categories for 2010 and January-June period of 2011.

FDG average sales prices has decreased by 29% as compared to same period of the last year as forced by competitive conditions. Following the decline in 2010 due to the competitive reasons, a recovery period has been entered in the sales of FDG products, and the unit sales of FDG product category increased by 8% in June 2011 as compared to the previous year. The sales amount has increased by 30% thanks to the improvements in foreign markets in Mo-99/Tc-99mJen product category as compared to the same period last year.

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 Company's turnover increased by 14% in TL as compared to a year ago.

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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 19% in June 2011 as compared to a year ago.

17.3 Real estate development:

Kanyon:

As of 30 June 2011 the total rental income received from Kanyon is TRL 17.241 thousand (30 June 2010: TRL 15.226 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. The revenue proposed for 2011 will substantially be derived from the construction works to be carried out as part of Ormanada project.

This amount has realized as 690 thousand TL as of 30 June 2011. This decrease in revenues as compared to the preceding year is caused by the fact that only infrastructure works take place in the January-June period which took place in very limited extent due to the seasonal effects. Significant increase is expected in revenues especially in the third quarter of the year thanks to the speed up of infrastructure and superstructure works.

17.4 Other

Ceramic tiles market:

The tile division's total production of floor and wall tile has increased 4,2% in Euro basis in the first half of 2011 as compared to the same period in 2010. In the same period the sales has increased by 5,3% in terms of square meter. The Tiles division's total production of floor and wall coverings had been 15,4 million m² in the first half of 2011 as compared to 14,6 million m² in the same period of 2010.

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.

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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

	30 June 2011	31 December 2010
Liquidity Ratios		
❖ Current Ratio	3.90	5.25
❖ Liquidity Ratio	3.54	4.72
Ratios on Financial Structure		
❖ Total Liabilities / Total Assets	0.13	0.10
❖ Consolidated Equity / Total Assets	0.87	0.90
❖ Consolidated Equity / Total Liabilities	6.41	8.68
Profitability Ratios		
❖ Net Income / Consolidated Equity	0.02	0.03
❖ Net Income / Total Assets	0.02	0.02
❖ Net Income / Net Sales	0.11	0.07

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 pharmaceutical market:

The financial structure would further be improved by signing new product contracts for over-the-counter products with no competitors, with high prices and high market potential.

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.

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Health services:

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

- ❖ Collecting service revenues in advance and in cash as much as possible,
- ❖ Spreading the loan repayment periods and making repayments in installments to the extent possible,
- ❖ Exerting efforts to lower the purchase costs,
- ❖ 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 2011 delays were observed in collections particularly from university hospitals and some overseas customers located in neighboring countries and appropriate measures are taken to lower the number of days for receivables and market conditions are regularly monitored.

19.2 Consumer Products Sector

Cosmetics market:

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

- ❖ 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.

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19.3 Real estate development:

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 with the effect of construction activities in 2011, which 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.

It has been decided to appoint, as from 1 August 2011, Ayse Deniz Ozger as Deputy Chairman of Healthcare Group, in charge of Business Development activities.

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 30 June 2011, the total number of employees was 18 (31 December 2010: 18), and they are all subject to the

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Labor Law. All personnel, with the exception of those who are unionized, are subject to the common rights and benefits applicable to all Eczacıbaşı Group employees.

These common applications are;

- ❖ 12 Months salary and bonus (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,
- ❖ Meal benefit of 13 TL per day,
- ❖ 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 pharmaceutical 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 30 June 2011, the Company had 267 (31 December 2010: 340) people.

Hospital supplies market:

As of 30 June 2011 Eczacıbaşı-Baxter Hastane Ürünleri had 84 workers (31 December 2010: 85) and 465 employees (31 December 2010: 460) bringing the total number of personnel to 549 (31 December 2010: 545) people. 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 30 June 2011 a total of 683 (31 December 2010: 15) and, 631 at clinics (31 December 2010: 683) bringing the total number of personnel to 646 (31 December 2010: 698) people. 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.

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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 30 June 2011, the Company had 250 (31 December 2010: 252) people.

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 30 June 2011 the Company employs 176 (31 December 2010: 168) 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 30 June 2011 Eczacıbaşı-Beiersdorf Kozmetik Ürünler had 44 (31 December 2010: 45) employees, Eczacıbaşı-Schwarzkopf Kuaför Ürünleri had 16 (31 December 2010: 16) employees.

Consumer products market:

As of 30 June 2011 Girişim Pazarlama Tüketim Ürünleri employed 239 (31 December 2010: 229) 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 development:

Real estate development:

As of 30 June 2011, Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım had 26 (31 December 2010: 21), 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.

21.4 Other

Ceramic tiles market:

As of end of June 2011, Vitra Karo Sanayi, together with its associates, employed 2.048 people (31 December 2010: 2.007) 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. The salaries of white collar personnel were increased by 6.5% at the beginning of 2011. Upon completion of the collective bargaining meetings covering the blue collar workers, their wages have been increased by 7% + 30TL per month to take effect as from January 2011.

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Export services:

Ekom employed 15 people as of 30 June 2011 (31 December 2010: 13), 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 30 June 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 453 thousand (30 June 2010: TRL 153 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 5 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 five branches in Istanbul, Ankara, Adana, Izmir and Antalya, 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.

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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. Real Estate Operations

23.3 Real estate development:

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, the 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 legislation and International Financial Reporting Standards by an independent audit company.

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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
General Manager
Board Member

M.Sacit Basmacı
Board Member