

**EİS ECZACIBAŐI İLAÇ, SİNAİ VE  
FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ő.**

**CONVENIENCE TRANSLATION  
INTO ENGLISH OF  
CONDENSED INTERIM  
CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE INTERIM PERIOD  
1 JANUARY - 31 MARCH 2014**

**(ORIGINALLY ISSUED IN TURKISH)**

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

<b>CONTENTS</b>	<b>PAGE</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....</b>	<b>1 - 3</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS.....</b>	<b>4</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME .....</b>	<b>5</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....</b>	<b>6</b>
<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS.....</b>	<b>7 - 8</b>
<b>NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS .....</b>	<b>9 - 61</b>
NOTE 1 ORGANISATION AND NATURE OF THE COMPANY .....	9 - 10
NOTE 2 BASIS OF PRESENTATION OF CONDENSED FINANCIAL STATEMENTS.....	10 - 13
NOTE 3 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD .....	14 - 15
NOTE 4 SEGMENT REPORTING.....	15 - 19
NOTE 5 CASH AND CASH EQUIVALENTS .....	19
NOTE 6 FINANCIAL INVESTMENTS.....	20 - 21
NOTE 7 FINANCIAL LIABILITIES.....	22
NOTE 8 TRANSACTIONS AND BALANCES WITH RELATED PARTIES .....	23 - 28
NOTE 9 TRADE RECEIVABLES AND PAYABLES .....	28 - 29
NOTE 10 INVENTORIES .....	29
NOTE 11 PREPAID EXPENSES AND DEFERRED INCOME.....	30
NOTE 12 CURRENT INCOME TAX ASSETS .....	30
NOTE 13 INVESTMENT PROPERTIES.....	31
NOTE 14 PROPERTY, PLANT AND EQUIPMENT .....	32 - 33
NOTE 15 INTANGIBLE ASSETS .....	34 - 35
NOTE 16 COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES.....	36 - 41
NOTE 17 EMPLOYEE BENEFITS.....	41 - 42
NOTE 18 OTHER ASSETS AND LIABILITIES.....	43
NOTE 19 CAPITAL, RESERVES AND OTHER EQUITY ITEMS.....	44
NOTE 20 REVENUE .....	45
NOTE 21 RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES .....	45 - 46
NOTE 22 EXPENSES BY NATURE .....	46
NOTE 23 OTHER OPERATING INCOME / EXPENSES.....	46 - 47
NOTE 24 INCOME / EXPENSES FROM INVESTING ACTIVITIES .....	47
NOTE 25 FINANCIAL INCOME / EXPENSES .....	47
NOTE 26 TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED).....	48 - 51
NOTE 27 EARNINGS PER SHARE .....	51
NOTE 28 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT .....	51 - 60
NOTE 29 SUBSEQUENT EVENTS.....	61
NOTE 30 DISCLOSURES OF OTHER MATTERS, WITH MATERIAL EFFECT ON CONSOLIDATED FINANCIAL STATEMENTS, REQUIRED FOR THE PURPOSE OF UNDERSTANDING AND INTERPRETING THE FINANCIAL STATEMENTS.....	61

**EİS ECZACIBAŞI İLAÇ, SINAI VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 31 MARCH 2014**

(Amounts expressed in thousands of Turkish Lira (“TRL”) unless otherwise indicated.)

	<i>Notes</i>	<i>Not Reviewed 31 March 2014</i>	<i>Audited 31 December 2013</i>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	684,741	719,594
Financial investments	6	746	308
Trade receivables			
- Trade receivables due from related parties	8	15,178	9,023
- Trade receivables due from third parties	9	221,026	198,791
Other receivables			
- Other receivables due from third parties		4,781	865
Inventories	10	192,835	198,343
Prepaid expenses	11	3,758	1,423
Current income tax assets	12	3,975	1,926
Other current assets	18	9,627	9,256
<b>Total current assets</b>		<b>1,136,667</b>	<b>1,139,529</b>
<b>Non-current assets</b>			
Trade receivables			
- Trade receivables due from third parties	9	1,050	1,930
Other receivables			
- Other receivables due from third parties		45	50
Financial investments	6	1,766,835	1,767,384
Investments accounted for using equity method	3	129,106	132,643
Investment properties	13	202,147	204,340
Property, plant and equipment	14	45,546	45,815
Intangible assets			
- Goodwill		39,511	39,511
- Other intangible assets	15	32,415	33,347
Prepaid expenses	11	1,211	3,118
Deferred income tax assets	26	9,794	9,628
Other non-current assets	18	54,427	59,924
<b>Total non-current assets</b>		<b>2,282,087</b>	<b>2,297,690</b>
<b>Total assets</b>		<b>3,418,754</b>	<b>3,437,219</b>

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

**EİS ECZACIBAŞI İLAÇ, SİNAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 31 MARCH 2014**

(Amounts expressed in thousands of Turkish Lira (“TRL”) unless otherwise indicated.)

	Notes	<i>Not Reviewed</i> 31 March 2014	<i>Audited</i> 31 December 2013
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short term borrowings	7	93,862	65,353
Trade payables			
- Trade payables due to related parties	8	115,635	94,784
- Trade payables due to third parties	9	131,565	147,152
Employee benefit obligations	17	1,701	3,597
Other payables			
- Other payables due to related parties		-	38,166
- Other payables due to third parties		7,536	6,261
Deferred income	11	27,230	45,812
Current income tax liabilities	26	3,259	7,824
Short term provisions			
- Short term provisions for employee benefits	17	5,176	4,664
- Other short term provisions	16	2,013	2,122
Other current liabilities	18	2,042	458
<b>Total current liabilities</b>		<b>390,019</b>	<b>416,193</b>
<b>Non-current liabilities</b>			
Deferred income	11	3,993	5,695
Long term provisions			
- Long term provisions for employee benefits	17	3,411	3,436
Deferred income tax liabilities	26	84,377	84,218
Other non-current liabilities	18	7,500	7,500
<b>Total non-current liabilities</b>		<b>99,281</b>	<b>100,849</b>

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**EİS ECZACIBAŞI İLAÇ, SİNAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 31 MARCH 2014**

(Amounts expressed in thousands of Turkish Lira (“TRL”) unless otherwise indicated.)

	Notes	<i>Not Reviewed</i> 31 March 2014	<i>Audited</i> 31 December 2013
<b>EQUITY</b>			
Share capital	19	548,208	548,208
Adjustments to share capital	19	105,777	105,777
Items that will not be reclassified subsequently to profit or loss			
- Defined benefit plans re-measurement gains / losses		(182)	(182)
Items that may be reclassified subsequently to profit or loss			
- Cumulative translation differences		3,736	3,366
- Gains / losses on available for sale financial assets due to revaluation or/and reclassification		1,540,550	1,540,598
Restricted reserves	19	299,764	299,764
Retained earnings		383,750	322,336
Net income for the period		9,674	61,414
<b>Attributable to equity holders of the Company</b>		<b>2,891,277</b>	<b>2,881,281</b>
<b>Non-controlling interests</b>		<b>38,177</b>	<b>38,896</b>
<b>Total equity</b>		<b>2,929,454</b>	<b>2,920,177</b>
<b>Total liabilities and equity</b>		<b>3,418,754</b>	<b>3,437,219</b>

The interim condensed consolidated financial statements for three months period ended 31 March 2014 were approved by the Board of Directors on 12 May 2014 and signed on its behalf by Bülent Avcı, Financial Director and by Gülnur Günbey Kartal, Internal Audit Manager.

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousands of Turkish Lira (“TRL”) unless otherwise indicated.)

	Notes	<i>Not Reviewed</i> 1 January - 31 March 2014	<i>Not Reviewed</i> 1 January - 31 March 2013
Revenue	20	256,942	253,140
Cost of sales (-)	20	(203,156)	(202,646)
<b>Gross profit</b>		<b>53,786</b>	<b>50,494</b>
General administrative expenses (-)	21	(19,391)	(16,992)
Marketing expenses (-)	21	(29,141)	(30,236)
Research and development expenses (-)	21	(329)	(262)
Other operating income	23	48,686	20,582
Other operating expense (-)	23	(33,597)	(14,857)
<b>Operating profit</b>		<b>20,014</b>	<b>8,729</b>
Income from investing activities	24	82	527
Expenses from investing activities (-)	24	(26)	(17)
Share of profit of investments accounted for using equity method (-)	3	(3,519)	(5,122)
<b>Operating income before finance expense</b>		<b>16,551</b>	<b>4,117</b>
Financial expenses (-)	25	(2,647)	(766)
<b>Profit before tax</b>		<b>13,904</b>	<b>3,351</b>
<b>Tax income / (expense) from continuing operations</b>		<b>(4,846)</b>	<b>(2,132)</b>
Income tax expense (-)	26	(4,845)	(2,617)
Deferred tax income expense (-)	26	(1)	485
<b>Profit for the period</b>		<b>9,058</b>	<b>1,219</b>
<b>Attributable to</b>			
- Non-controlling interests		(616)	948
- Equity holders of the parent	27	9,674	271
<b>Net profit for the period</b>		<b>9,058</b>	<b>1,219</b>
Weighted average number of ordinary shares with face value of KR 1 each		54,820,800,000	54,820,800,000
<b>Basic and diluted earnings / (loss) per share</b>	<b>27</b>	<b>0.0176</b>	<b>0.0005</b>

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

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

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousands of Turkish Lira (“TRL”) unless otherwise indicated.)

	Notes	<i>Not Reviewed</i> 1 January - 31 March 2014	<i>Not Reviewed</i> 1 January - 31 March 2013
<b>Profit for the period</b>		<b>9,058</b>	<b>1,219</b>
<b>Other comprehensive income / (expenses)</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
- Currency translation differences		385	364
- Gains / losses on available for sale financial assets due to revaluation or/and reclassification		(156)	(72)
- Group’s share in equity method accounted investments’ comprehensive income	3	(18)	(3,318)
- Gain / loss on remeasurement of defined benefit plans of investments accounted for using equity method		-	-
- Tax relating to items that may be reclassified subsequently	26	8	4
<b>Other comprehensive (loss) / income (after tax)</b>		<b>219</b>	<b>(3,022)</b>
<b>Total comprehensive income</b>		<b>9,277</b>	<b>(1,803)</b>
<b>Total comprehensive income / (loss) attributable to</b>			
- Non-controlling interest		(719)	897
- Equity holders of the parent		9,996	(2,700)
<b>Total comprehensive income</b>		<b>9,277</b>	<b>(1,803)</b>

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

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousands of Turkish Lira (“TRL”) unless otherwise indicated.)

	Share capital	Adjustment to share capital	Items that will not be reclassified subsequently to profit or loss	Items that may be reclassified subsequently to profit or loss	Retained Earnings			Net (loss) / profit for the period	Non-controlling interest	Total equity	
			Defined benefit plans re-measurement gains / losses	Cumulative translation differences	Financial assets' fair value reserve	Restricted reserves	Retained earnings				Total
<b>As of 1 January 2014</b>	<b>548,208</b>	<b>105,777</b>	<b>(182)</b>	<b>3,366</b>	<b>1,540,598</b>	<b>299,764</b>	<b>322,336</b>	<b>61,414</b>	<b>2,881,281</b>	<b>38,896</b>	<b>2,920,177</b>
Transfers	-	-	-	-	-	-	61,414	(61,414)	-	-	-
Total comprehensive income / (loss)	-	-	-	370	(48)	-	-	9,674	<b>9,996</b>	(719)	<b>9,277</b>
<b>31 March 2014</b>	<b>548,208</b>	<b>105,777</b>	<b>(182)</b>	<b>3,736</b>	<b>1,540,550</b>	<b>299,764</b>	<b>383,750</b>	<b>9,674</b>	<b>2,891,277</b>	<b>38,177</b>	<b>2,929,454</b>
<b>As of 1 January 2013</b>	<b>548,208</b>	<b>105,777</b>	<b>(1,887)</b>	<b>1,877</b>	<b>1,528,836</b>	<b>258,084</b>	<b>384,423</b>	<b>34,414</b>	<b>2,859,732</b>	<b>45,903</b>	<b>2,905,635</b>
Transfers	-	-	-	-	-	-	34,414	(34,414)	-	-	-
Total comprehensive income / (loss)	-	-	-	(2,893)	(78)	-	-	271	<b>(2,700)</b>	897	<b>(1,803)</b>
<b>31 March 2013</b>	<b>548,208</b>	<b>105,777</b>	<b>(1,887)</b>	<b>(1,016)</b>	<b>1,528,758</b>	<b>258,084</b>	<b>418,837</b>	<b>271</b>	<b>2,857,032</b>	<b>46,800</b>	<b>2,903,832</b>

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



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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousands of Turkish Lira (“TRL”) unless otherwise indicated.)

Notes	<i>Not Reviewed</i> 1 January - 31 March 2014	<i>Not Reviewed</i> 1 January - 31 March 2013
<b>A. Cash flows from operating activities</b>		
<b>Income for the period</b>	<b>9,058</b>	<b>1,219</b>
<b>Adjustments for reconciliation of profit / loss for the period:</b>		
Adjustments for depreciation and amortisation	22 4,688	3,236
Provision for employment termination benefits	22 441	888
Provision for unused vacation	21 558	732
Provision for doubtful receivable	21 321	-
Loss / (gain) on sale of property, plant and equipment, net	24 (56)	(393)
Provision for diminution in value of inventories, net	23 1,549	1,253
Group’s share in the associates’ loss	3 3,519	5,122
Adjustments for interest income and expenses	23, 25 (4,602)	(6,534)
Adjustments for income tax expense / income	26 4,846	2,132
Provision for litigations	16 -	119
Provision for premiums and bonuses	-	926
Adjustments for unrecognized foreign exchange differences	(14,054)	897
Income / expense accruals	9 1,348	472
<b>Changes in working capital:</b>		
Adjustments for increase / decrease in trade receivables	(27,828)	(62,533)
Adjustments for increase / decrease in inventories	3,959	(24,632)
Adjustments for increase / decrease in trade payables	4,686	37,072
Adjustments for increase / decrease in other receivables related with operations	(1,289)	1,413
Adjustments for increase / decrease in other payables related with operations	(57,596)	10,811
	<b>(70,452)</b>	<b>(27,800)</b>
<b>Cash flows from operating activities:</b>		
Interest received	10,724	8,674
Credit finance expenses	(2,010)	(1,388)
Taxes paid	(9,410)	(4,554)
Employment termination benefits paid	17 (466)	(278)
Unused vacation paid	17 (46)	(164)
Collections of doubtful receivables	9 -	15
	<b>(71,660)</b>	<b>(25,495)</b>

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**EİS ECZACIBAŞI İLAÇ, SİNİAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.****CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousands of Turkish Lira (“TRL”) unless otherwise indicated.)

	<i>Notes</i>	<i>Not Reviewed</i> <b>1 January - 31 March 2014</b>	<i>Not Reviewed</i> <b>1 January - 31 March 2013</b>
<b>B. Cash flows from investing activities</b>			
Cash outflows from the purchase of tangible and intangible assets	13, 14, 15	(1,357)	(1,372)
Cash inflows from the sale of tangible and intangible assets	13, 14, 15, 24	119	787
Changes in financial assets		5	32
		<b>(1,233)</b>	<b>(553)</b>
<b>C. Cash flows from financing activities</b>			
Cash inflows / (outflows) from bank borrowings		28,509	23,122
Interest paid		(2,521)	(700)
		<b>25,988</b>	<b>22,422</b>
<b>Net increase / decrease in cash and cash equivalents before the impact of foreign currency translation differences (A+B+C)</b>		<b>(46,905)</b>	<b>(3,626)</b>
<b>D. Impact of foreign currency translation differences on cash and cash equivalents</b>		<b>13,643</b>	<b>(357)</b>
<b>Net decrease in cash and cash equivalents (A+B+C+D)</b>		<b>(33,262)</b>	<b>(3,983)</b>
<b>E. Cash and cash equivalents at the beginning of the period</b>	<b>5</b>	<b>717,257</b>	<b>703,992</b>
<b>Cash and cash equivalents at the end of the period (A+B+C+D+E)</b>	<b>5</b>	<b>683,995</b>	<b>700,009</b>

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

### NOTE 1 - ORGANISATION AND NATURE OF THE COMPANY

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

The Company’s registered address is as follows:

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

The Company is registered with the Capital Markets Board of Turkey (“CMB”) and its shares have been quoted on the Borsa İstanbul A.Ş. (“BIST”) since 1990. As of 31 March 2014, 24.43% (31 December 2013: 24.60%) of total shares are quoted on the BIST. The ultimate parent company of the Group is Eczacıbaşı Holding A.Ş., which possesses 50.62% (31 December 2013: 50.62%) shares of the Company (Note 19).

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

#### Subsidiaries

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

Companies accounted by line by line consolidation:

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

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

(\*\*) The subsidiary which is consolidated in financial statements of Eczacıbaşı Girişim is presented below:

	Eczacıbaşı Girişim’s direct and indirect control (%)		Eczacıbaşı Girişim’s total proportion of ownership interests (%)	
	2014	2013	2014	2013
Eczacıbaşı Hijyen Ürünleri San. ve Tic. A.Ş. (“Eczacıbaşı Hijyen”)	100.00	100.00	100.00	100.00

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

### NOTE 1 – ORGANISATION AND NATURE OF THE COMPANY (Continued)

#### Joint Ventures

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

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

#### Associates

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

Associates	Nature of business
Ekom Eczacıbaşı Dış Ticaret A.Ş. (“Ekom”)	Export services
Vitra Karo Sanayi ve Ticaret A.Ş. (“Vitra Karo”)	Production of ceramic tiles
Eczacıbaşı Sağlık Hizmetleri A.Ş. (“ESH”)	Special care and nursing services
Eczacıbaşı Ortak Sağlık ve Güvenlik Birimi A.Ş. (“OSGB”)	Occupational health and safety services

### NOTE 2 - BASIS OF PRESENTATION OF CONDENSED FINANCIAL STATEMENTS

#### 2.1 Basis of Presentation

##### *Statement of compliance*

The Company and its subsidiaries operating in Turkey maintains its books of account and prepares its statutory financial statements in accordance with accounting principles in the Turkish Commercial Code (“TCC”) and tax legislation. Subsidiaries of the company which currently operate in foreign countries maintain their books of account and prepare their financial statements in accordance with the local tax legislations of the countries where they are operating and they maintain their books of account and prepare their financial statements in terms of national currency.

The accompanying financial statements are prepared in accordance with the CMB’s Communiqué Serial II, No: 14.1, “Basis of Financial Reporting in Capital Markets” (“the Communiqué”) published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, financial statements are prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards (“TAS/TFRS”) and its addendum and interpretations (“IFRIC”) issued by Public Oversight Accounting and Auditing Standards Authority (“POA”). Financial statements and notes are prepared in accordance with the new format of CMB released on 7 June 2013.

The financial statements have been prepared on the historical cost basis except for the financial assets and liabilities which are expressed with their fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

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

**2.1 Basis of Presentation (continued)**

***Functional currency***

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in TRL, which is the functional currency of the Company and the presentation currency of the Group.

***Restatement of the financial statements in Hyperinflationary periods***

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

***Comparative information and restatement of prior period financial statements***

Group’s consolidated financial statements have been prepared in comparison with the previous period in order to give accurate trend analysis regarding the financial position and performance. Where necessary, comparative figures have been reclassified to conform to the presentation of the current period consolidated financial statements and significant changes are explained. Group made some reclassifications in the previous period’s financial statements in order to comply with the new format of Capital Market Board issued on 7 June 2013. The nature, cause and amount of reclassifications are as follows:

- As of 31 March 2013, in the consolidated profit or loss table, “Interest income from bank deposits” amounting to TRL 7,320 thousand, “Foreign exchange gains from bank deposits” amounting to TRL 10,699 thousand, “Credit finance income” amounting to TRL 1,302 and “Foreign exchange gains from trade receivables and payables” amounting to TRL 345 thousand were formerly disclosed in “Financial income”. In the current year, Group management reclassified these amounts to “Other operating income”.
- As of 31 March 2013, in the consolidated profit or loss table, “Foreign exchange losses from bank deposits” amounting to TRL 11,155 thousand, “Credit finance expense” amounting to TRL 1,388 thousand, “Foreign exchange gains from trade receivables and payables” amounting to TRL 131 thousand and other expenses amounting to TRL 23 thousand were formerly disclosed in “Financial expenses”. In the current year, Group management reclassified these amounts to “Other operating expense”.
- As of 31 March 2013, in the consolidated profit or loss table, “Gain on sale of financial assets” amounting to TRL 117 thousand, “Gain on sale of property plant and equipment” amounting to TRL 410 thousand and “Loss on sale of a property, plant and equipment” amounting to TRL 17 thousand were formerly disclosed in “Other operating income” and “Other operating expenses”, respectively. In the current year, Group management reclassified these amounts to “Income from investing activities” and “Expenses from investing activities”, respectively.

**2.2 Changes in accounting policies**

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated. The Group’s significant accounting policies that are used for the preparation of condensed consolidated financial statements for the three months interim period ended 31 March 2014 are consistent with accounting policies presented in the consolidated financial statements as 31 December 2013.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

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

**2.3 Changes in the accounting estimates and errors**

If changes in estimates are for only one period, changes are applied to the current year but if changes in estimates are for the following periods, changes are applied both to the current and following years prospectively. The Group did not have any major changes in the accounting estimates during the current year.

Significant accounting errors are corrected retrospectively, by restating the prior period consolidated financial statements.

**2.4 New and Revised Turkish Accounting Standards**

**a) Amendments to TASs affecting presentation and disclosures only**

None.

**b) New and Revised TFRSs applied with no material effect on the consolidated financial statements**

Amendments to TFRS 10, 11, TAS 27	<i>Investment Entities<sup>1</sup></i>
Amendments to TAS 32	<i>Offsetting Financial Assets and Financial Liabilities<sup>1</sup></i>
Amendments to TAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets<sup>1</sup></i>
Amendments to TAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting<sup>1</sup></i>
IFRIC 21	<i>Levies<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014.

**Amendments to TFRS 10, 11, TAS 27 Investment Entities**

This amendment with the additional provisions of TFRS 10 provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

**Amendments to TAS 32 Offsetting Financial Assets and Financial Liabilities**

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

**Amendments to TAS 36 Recoverable Amount Disclosures for Non-Financial Assets**

As a consequence of TFRS 13 Fair Value Measurements, there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of TAS 36 has been changed.

**Amendments to TAS 39 Novation of Derivatives and Continuation of Hedge Accounting**

This amendment to TAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

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

**2.4 New and revised Turkish Financial Reporting Standards (continued)**

**b) New and Revised TFRSs effective since the year 2014 with no material effect on financial statements with amendments and interpretations on current TFRSs (continued)**

**IFRIC 21 Levies**

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

**c) New and revised TFRSs in issue but not yet effective**

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

**TFRS 9 Financial Instruments**

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

**Amendments to TFRS 9 and TFRS 7 Mandatory Effective Date of TFRS 9 and Transition Disclosures**

On November 2013, it is tentatively decided that the mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017.

The Group evaluates the effects of these standards on the consolidated financial statements.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 3 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

	<b>31 March 2014</b>	<b>31 December 2013</b>
<b>Associates</b>		
Vitra Karo	-	-
Ekom	16,846	16,679
ESH	-	-
<b>Joint Ventures</b>		
Eczacıbaşı-Monrol	41,325	44,507
ESK	1,661	1,702
EBX	69,274	69,755
	<b>129,106</b>	<b>132,643</b>
	<b>2014</b>	<b>2013</b>
As of 1 January	132,643	129,618
The Group’s share in investments accounted for using equity method’ profit / (loss)	(3,519)	(5,122)
Change in the fair value of available-for-sale financial assets	8	(6)
Increases due to currency translation differences	(26)	(3,312)
<b>As of 31 March</b>	<b>129,106</b>	<b>121,178</b>

The Group’s share in the assets, liabilities as of 31 March 2014 and 31 December 2013, net sales of the associates for the period ended 31 March are presented below:

	<b>31 March 2014</b>					
	<b>Assets</b>	<b>Liabilities</b>	<b>Goodwill attributable to equity holders</b>	<b>Net sales</b>	<b>Net profit / (loss) for the period</b>	<b>Total proportion of ownership interests (%)</b>
Ekom	1,424,786	1,360,897	-	292,734	159	26.36
Vitra Karo	865,447	1,023,398	-	223,946	257	25.00
ESH	6,570	8,391	-	6,448	-	48.35
Eczacıbaşı-Monrol	192,854	162,959	26,379	20,616	(3,412)	50.00
ESK	11,416	7,883	-	4,961	(42)	47.00
EBX	282,493	143,936	-	106,675	(481)	50.00
					<b>(3,519)</b>	



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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

### NOTE 3 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

	31 December 2013		31 March 2013			
	Assets	Liabilities	Goodwill attributable to equity holders	Net sales	Net profit / (loss) for the period	Total proportion of ownership interest (%)
Ekom	1,436,270	1,373,013	-	239,750	150	26.36
Vitra Karo	835,902	974,590	-	172,659	334	25.00
ESH	7,052	7,535	-	5,138	(159)	48.35
Eczacıbaşı-Monrol	201,607	165,349	26,379	16,774	(3,099)	50.00
ESK	10,697	7,076	-	4,280	(194)	47.00
EBX	349,848	210,330	-	94,499	(2,154)	50.00
					(5,122)	

### NOTE 4 - SEGMENT REPORTING

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

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

The Group continues to operate primarily in three reportable segments as of 31 March 2014:

#### 1. Health:

Production and sale of human health and veterinary medicine.

#### 2. Personal care:

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

#### 3. Real estate development:

##### *Kanyon:*

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

##### *Ormanada project:*

On 31 December 2007, the Company acquired half of the 22 pieces of land with a total area of 196,409.74 m<sup>2</sup> in Yorgancı Çiftliği Mevkii, Uskumru Mahallesi, Sarıyer district in Istanbul. The remaining half belongs to Eczacıbaşı Holding A.Ş. The aforementioned real estates are apt for residential and partially trade centre development and construction.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 4 - SEGMENT REPORTING (Continued)**

**3. Real estate development (continued):**

***Ormanada project (continued):***

Total planned construction area amounts to 90 thousand m<sup>2</sup>. Architectural practices with various architecture group works within the scope of the project development operations, interior decoration and infrastructure practices have been completed for this construction project. Process for receiving of construction licences for the buildings is continuing. Acquisition value of the land and the costs attributable to this project are presented in inventories in the consolidated financial statements (Note 10). Sales and cost of residential units that the delivery started at April 2013 are presented in the revenue and cost of sales in the financial statements.

***Ayazağa facilities leased to EBX:***

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

***Eczacıbaşı Gayrimenkul:***

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

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

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

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

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

**Segment assets and liabilities as of 31 March 2014 and 31 December 2013:**

	<b>31 March 2014</b>		<b>31 December 2013</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Health	84,828	(93,259)	88,230	(88,802)
Personal care	391,532	(249,456)	363,594	(222,225)
Real estate development	387,812	(54,286)	382,944	(72,629)
Undistributed	2,554,582	(92,299)	2,602,451	(133,386)
<b>Total</b>	<b>3,418,754</b>	<b>(489,300)</b>	<b>3,437,219</b>	<b>(517,042)</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 4 - SEGMENT REPORTING (Continued)**

**Capital expenditures and non-cash expenses of segments as of 31 March:**

<b>1 January - 31 March 2014</b>	<b>Health</b>	<b>Personal care</b>	<b>Real estate development</b>	<b>Undistributed</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Capital expenditures (Notes 13, 14 and 15)	171	1,134	52	-	-	<b>1,357</b>
<b>Non-cash expenses:</b>						
- Depreciation and amortisation (Notes 13, 14 and 15)	612	1,786	2,290	-	-	<b>4,688</b>
- Provision for diminution in value of inventories (Note 10)	784	765	-	-	-	<b>1,549</b>
- Provision for employment termination benefits (Note 17)	343	63	35	-	-	<b>441</b>
- Provision for unused vacation (Note 17)	268	275	15	-	-	<b>558</b>
- Provision for litigations (Note 16)	-	-	-	-	-	<b>-</b>
- Provision for doubtful receivables (Note 9)	45	276	-	-	-	<b>321</b>
- Expense accruals (Note 9)	413	938	-	-	-	<b>1,351</b>
	<b>2,465</b>	<b>4,103</b>	<b>2,340</b>	<b>-</b>	<b>-</b>	<b>8,908</b>
<b>1 January - 31 March 2013</b>						
Capital expenditures (Notes 13, 14 and 15)	240	975	157	-	-	<b>1,372</b>
<b>Non-cash expenses:</b>						
- Depreciation and amortisation (Notes 13, 14 and 15)	646	878	1,712	-	-	<b>3,236</b>
- Provision for diminution in value of inventories (Note 10)	196	1,057	-	-	-	<b>1,253</b>
- Provision for employment termination benefits (Note 17)	337	505	46	-	-	<b>888</b>
- Provision for unused vacation (Note 17)	333	358	41	-	-	<b>732</b>
- Provision for litigations (Note 16)	-	119	-	-	-	<b>119</b>
- Wage and premium accruals	926	-	-	-	-	<b>926</b>
- Expense accruals	404	246	-	-	-	<b>650</b>
	<b>2,842</b>	<b>3,163</b>	<b>1,799</b>	<b>-</b>	<b>-</b>	<b>7,804</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 4 - SEGMENT REPORTING (Continued)**

**Segment results for the interim periods ended 31 March:**

<b>1 January - 31 March 2014</b>	<b>Health</b>	<b>Personal care</b>	<b>Real estate development</b>	<b>Undistributed</b>	<b>Inter-segment elimination</b>	<b>Total</b>
Total sales	38,317	174,938	81,750	-	-	<b>295,005</b>
Elimination of sales within the Group (-)	-	(17,869)	(20,194)	-	-	<b>(38,063)</b>
Sales to third parties	38,317	157,069	61,556	-	-	<b>256,942</b>
Cost of sales (-)	(22,720)	(131,543)	(48,893)	-	-	<b>(203,156)</b>
<b>Gross profit</b>	<b>15,597</b>	<b>25,526</b>	<b>12,663</b>	-	-	<b>53,786</b>
General administrative expenses (-)	(7,089)	(9,331)	(1,913)	(1,058)	-	<b>(19,391)</b>
Marketing expenses (-)	(11,948)	(14,724)	(2,469)	-	-	<b>(29,141)</b>
Research and development expenses (-)	-	(329)	-	-	-	<b>(329)</b>
Other operating income	838	6,134	3	41,711	-	<b>48,686</b>
Other operating expenses (-)	(3,145)	(6,777)	(286)	(23,389)	-	<b>(33,597)</b>
<b>Operating (loss) / profit</b>	<b>(5,747)</b>	<b>499</b>	<b>7,998</b>	<b>17,264</b>	-	<b>20,014</b>
<b>1 January - 31 March 2013</b>						
Total sales	28,802	202,636	53,665	5	-	<b>285,108</b>
Elimination of sales within the Group (-)	-	(10,665)	(21,303)	-	-	<b>(31,968)</b>
Sales to third parties	28,802	191,971	32,362	5	-	<b>253,140</b>
Cost of sales (-)	(14,690)	(165,140)	(22,816)	-	-	<b>(202,646)</b>
<b>Gross profit</b>	<b>14,112</b>	<b>26,831</b>	<b>9,546</b>	<b>5</b>	-	<b>50,494</b>
General administrative expenses (-)	(7,894)	(7,693)	(372)	(1,033)	-	<b>(16,992)</b>
Marketing expenses (-)	(10,580)	(17,273)	(2,383)	-	-	<b>(30,236)</b>
Research and development expenses (-)	-	(262)	-	-	-	<b>(262)</b>
Other operating income	532	1,592	15	18,443	-	<b>20,582</b>
Other operating expenses (-)	(645)	(1,480)	(298)	(12,434)	-	<b>(14,857)</b>
<b>Operating (loss) / profit</b>	<b>(4,475)</b>	<b>1,715</b>	<b>6,508</b>	<b>4,981</b>	-	<b>8,729</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

### NOTE 4 - SEGMENT REPORTING (Continued)

#### Reconciliation of operating profits related to operating segments with profit before tax:

	31 March 2014	31 March 2013
Operating profits related to operating segments	2,750	3,748
Undistributed expenses (-)	17,264	4,981
Inter-segment elimination	-	-
Income from investing activities	82	527
Expenses from investing activities (-)	(26)	(17)
Losses shares from associates	(3,519)	(5,122)
Financial expenses (-)	(2,647)	(766)
<b>Profit / (loss) before tax</b>	<b>13,904</b>	<b>3,351</b>

### NOTE 5 - CASH AND CASH EQUIVALENTS

	31 March 2014	31 December 2013
Cash in hand	46	62
Banks	684,695	719,531
- demand deposits	7,182	5,458
- time deposits	677,513	714,073
Other liquid assets	-	1
	<b>684,741</b>	<b>719,594</b>

Interest rates for TRL denominated time deposits vary between 10.30% and 12.10% (31 December 2013: 8.45% - 10.20%), whereas interest rates for foreign currency denominated time deposits vary between 2.85% and 3.30% (31 December 2013: 2.80% - 3.30%). The weighted average interest rates per annum for TRL, USD and EUR denominated time deposits are 12.10%, 3.02% and 3.05%, respectively (31 December 2013: 8.95%, 3.04% and 2.90%).

Cash and cash equivalents included in the consolidated statements of cash flows for the interim periods ended 31 March are presented below:

	31 March 2014	31 December 2013	31 March 2013	31 December 2012
Cash and cash equivalents	684,741	719,594	701,133	705,168
Interest accruals (-)	(746)	(2,337)	(1,124)	(1,176)
	<b>683,995</b>	<b>717,257</b>	<b>700,009</b>	<b>703,992</b>

Cash and cash equivalents amounting TRL 7,500 thousand (31 December 2013: TRL 7,500 thousand) which was blocked in order to be used in continuing operations and fulfil the obligations of the Group, have been reclassified separately in “Other Current Assets”.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 6 - FINANCIAL ASSETS**

The details of financial investments included in current assets as of 31 March 2014 and 31 December 2013 are as follows:

	<b>31 March 2014</b>	<b>31 December 2013</b>
Financial assets at fair value through profit and loss	746	308
<b>Financial investments, current</b>	<b>746</b>	<b>308</b>
Financial assets available-for-sale	1,764,509	1,764,615
Financial assets at fair value through profit and loss	2,326	2,769
<b>Financial investments, non-current</b>	<b>1,766,835</b>	<b>1,767,384</b>

TFRS 13 explains the classifications of valuation techniques.

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

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

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

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

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

<b>31 March 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit and loss	-	746	-	746
<b>Financial investments, current</b>	<b>-</b>	<b>746</b>	<b>-</b>	<b>746</b>
Financial assets available-for-sale	205,464	244,401	1,314,644	1,764,509
Financial assets at fair value through profit and loss	-	2,326	-	2,326
<b>Financial investments, non-current</b>	<b>205,464</b>	<b>246,727</b>	<b>1,314,644</b>	<b>1,766,835</b>
<b>31 December 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit and loss	-	308	-	308
<b>Financial investments, current</b>	<b>-</b>	<b>308</b>	<b>-</b>	<b>308</b>
Financial assets available-for-sale	205,570	244,401	1,314,644	1,764,615
Financial assets at fair value through profit and loss	-	2,769	-	2,769
<b>Financial investments, non-current</b>	<b>205,570</b>	<b>247,170</b>	<b>1,314,644</b>	<b>1,767,384</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

### NOTE 6 - FINANCIAL ASSETS (Continued)

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

Financial assets at fair value related to income statements portfolio consist of international financial investment instruments and national liquid funds.

The Group expects to transfer the investments in foreign portfolio accounts amounted to TRL 746 thousand (31 December 2013: TRL 308 thousand) in one year period from balance sheet date, remaining balance of TRL 2,326 thousand (31 December 2013: TRL 2,769 thousand) in following periods to the depository accounts in Turkey.

#### b) Available-for-sale financial assets:

##### Long-term available-for-sale financial assets:

The list of long-term available for sale financial assets as of 31 March 2014 and 31 December 2013 is as follows:

<b>Listed:</b>	<b>31 March 2014</b>	<b>%</b>	<b>31 December 2013</b>	<b>%</b>
Eczacıbaşı Yatırım Ortaklığı A.Ş. (*)	2,898	15	3,056	15
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş. (*)	686	2	634	2
Türkiye İş Bankası A.Ş. (*)	23	<1	23	<1
Ak Enerji Elektrik Üretim A.Ş. (*) (**)	<1	<1	<1	<1
Eczacıbaşı Yapı Gereçleri San. ve Tic. A.Ş. (*) (**)	<1	<1	<1	<1
	<b>3,607</b>		<b>3,713</b>	
<b>Not listed:</b>				
Eczacıbaşı Holding A.Ş. (***)	1,760,038	37	1,760,038	37
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş. (***)	768	14	768	14
Eczacıbaşı Menkul Değerler A.Ş. (***)	68	1	68	1
Other (***)	28		28	
	<b>1,760,902</b>		<b>1,760,902</b>	
<b>Total</b>	<b>1,764,509</b>		<b>1,764,615</b>	

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

(\*\*) As of 31 March 2014, the market prices of Ak Enerji Elektrik Üretim A.Ş. and Eczacıbaşı Yapı Gereçleri Sanayi ve Ticaret A.Ş. are TRL 100 and TRL 665 respectively (31 December 2013: TRL 121 and TRL 673).

(\*\*\*) Based on the impairment analysis performed for available for sale investments during the interim period, the Group concluded that there isn't any indication for impairment. In this respect, fair value determination study performed as of 31 December 2013, has not been updated for interim period.

**EİS ECZACIBAŞI İLAÇ, SINAI VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 7 - FINANCIAL LIABILITIES**

	<b>31 March 2014</b>		<b>31 December 2013</b>	
	<b>Effective interest rate per annum (%) (*)</b>	<b>TRL</b>	<b>Effective interest rate per annum (%) (*)</b>	<b>TRL</b>
TRL denominated bank borrowings	8.75 - 12.75	93,862	8.00 - 13.25	65,353
<b>Short-term bank borrowings</b>		<b>93,862</b>		<b>65,353</b>
TRL denominated bank borrowings	-	-	-	-
<b>Long-term bank borrowings</b>	-	-	-	-
<b>Total financial liabilities</b>		<b>93,862</b>		<b>65,353</b>

(\*) Annual weighted interest rate of TRL denominated short-term bank borrowings are 11.19% (31 December 2013: 8.38%).

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

	<b>31 March 2014</b>	<b>31 December 2013</b>
6 months and less	93,862	65,353
<b>Total</b>	<b>93,862</b>	<b>65,353</b>



**EİS ECZACIBAŞI İLAÇ, SINAI VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES****a) Balances with related parties at 31 March 2014 and 31 December 2013:**

	<b>31 March 2014</b>	<b>31 December 2013</b>
<b>Short-term trade receivables from related parties</b>		
<b>Due from shareholders</b>		
Eczacıbaşı Holding A.Ş.	12,162	7,505
	<b>12,162</b>	<b>7,505</b>
<b>Due from Joint Ventures</b>		
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	260	408
Eczacıbaşı-Monrol Nükleer Ürünler Sanayi ve Ticaret A.Ş.	27	17
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	-	571
	<b>287</b>	<b>996</b>
<b>Due from Associates</b>		
Ekom Eczacıbaşı Dış Ticaret A.Ş.	255	367
Eczacıbaşı Sağlık Hizmetleri A.Ş.	5	-
	<b>260</b>	<b>367</b>
<b>Due from other related parties</b>		
İpek Kağıt Sanayi ve Ticaret A.Ş.	304	-
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	2,065	68
Eczacıbaşı Yapı Gereçleri Sanayi ve Ticaret A.Ş.	69	51
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	18	-
Other	13	36
	<b>2,469</b>	<b>155</b>
<b>Short-term due from related parties</b>	<b>15,178</b>	<b>9,023</b>

Average maturity of the Group’s receivables from related parties is 39 days (31 December 2013: 18 days) and is amortised at 10.41% per annum (31 December 2013: 9.15%).

**EİS ECZACIBAŞI İLAÇ, SINAI VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)****a) Balances with related parties at 31 March 2014 and 31 December 2013 (continued):**

	<b>31 March 2014</b>	<b>31 December 2013</b>
<b>Short-term trade payables to related parties</b>		
<b>Due to shareholders</b>		
Eczacıbaşı Holding A.Ş.	2,874	1,962
	<b>2,874</b>	<b>1,962</b>
<b>Due to Joint Ventures</b>		
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	5,361	4,762
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	22	132
	<b>5,383</b>	<b>4,894</b>
<b>Due to Associates</b>		
Ekom Eczacıbaşı Dış Ticaret A.Ş.	3	4
Eczacıbaşı Sağlık Hizmetleri A.Ş.	6	10
	<b>9</b>	<b>14</b>
<b>Due to other related parties</b>		
İpek Kağıt Sanayi ve Ticaret A.Ş.	100,943	84,806
İntema İnşaat ve Tesisat Mlz. Yatırım ve Paz. A.Ş.	2,962	2,400
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	1,190	63
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	336	497
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	2,143	391
Other	88	215
	<b>107,662</b>	<b>88,372</b>
	<b>115,928</b>	<b>95,242</b>
Deferred credit finance expenses (-)	(293)	(458)
<b>Short-term due to related parties</b>	<b>115,635</b>	<b>94,784</b>

Average maturity of the Group’s payables to related parties is 113 days (31 December 2013: 96 days) and is amortised at 10.89% per annum (31 December 2013: 8.66%).

**EİS ECZACIBAŞI İLAÇ, SİNİAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)****b) Transactions with related parties for three months period ended 31 March:**

<b>Product sales</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş.	29	648
Ekom Eczacıbaşı Dış Ticaret A.Ş.	662	460
Other	29	2
	<b>720</b>	<b>1,110</b>

  

<b>Service sales</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Eczacıbaşı Holding A.Ş.	20,017	21,315
İpek Kağıt Sanayi ve Ticaret A.Ş.	13,483	12,573
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	1,628	1,263
Other	5	3
	<b>35,133</b>	<b>35,154</b>

  

<b>Product purchases</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
İpek Kağıt Sanayi ve Ticaret A.Ş.	86,885	68,806
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	6,179	5,564
Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş.	4	482
Other	3	1
	<b>93,071</b>	<b>74,853</b>

  

<b>Service purchases</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
İntema İnşaat ve Tesisat Mlz. Yatırım ve Paz. A.Ş.	1,734	1,478
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	1,567	2,587
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	494	348
Eczacıbaşı Holding A.Ş.	167	156
Eczacıbaşı Sağlık Hizmetleri A.Ş.	30	25
Other	174	26
	<b>4,166</b>	<b>4,620</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**b) Transactions with related parties for three months period ended 31 March (continued):**

<b>Financial income</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	6	5
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	2	1
	<b>8</b>	<b>6</b>
<b>Financial expenses</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
İpek Kağıt Sanayi ve Ticaret A.Ş.	1,106	578
Other	85	79
	<b>1,191</b>	<b>657</b>

**c) Other transactions with related parties for three months period ended 31 March:**

<b>Management and royalty fees paid to related parties</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Eczacıbaşı Holding A.Ş. (*)	2,723	2,475
	<b>2,723</b>	<b>2,475</b>

(\*) Management fees paid to Eczacıbaşı Holding A.Ş. comprise law, financial corporate identity, budget planning, audit and human resource services received from Eczacıbaşı Holding A.Ş.. These expenses are billed for relevant services in proportion to the time spent by the relevant department of Eczacıbaşı Holding A.Ş..

<b>Rent income received from related parties</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Eczacıbaşı Holding A.Ş.	843	791
Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş.	507	407
İpek Kağıt Sanayi ve Ticaret A.Ş.	142	131
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	46	43
İntema İnşaat ve Tesisat Mlz. Yatırım ve Paz. A.Ş.	21	21
Other	45	25
	<b>1,604</b>	<b>1,418</b>
<b>Rent expenses paid to related parties</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Eczacıbaşı Holding A.Ş.	546	477
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	66	46
	<b>612</b>	<b>523</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

### NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

#### c) Other transactions with related parties for three months ended period 31 March (continued):

<b>Other expenses paid to related parties</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Eczacıbaşı Holding A.Ş.	110	117
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	58	49
Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş.	18	17
Others	85	31
	<b>271</b>	<b>214</b>

  

<b>Donations paid to related parties</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Dr. Nejat F. Eczacıbaşı Vakfi	-	266
	<b>-</b>	<b>266</b>

The Group purchases computer hardware, computer by products and related consumable products from Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.; sanitary ware and related consumable products from İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş. and various raw materials, finished goods and merchandise from other group companies.

The Group renders services related to administration of Kanyon complex from Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.; IT consultancy services and technical services related to maintenance, operation, update, breakdown and system support from Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.; financial audit and consultancy, human resources, social affairs, finance, budget, corporate communication, legal, IT systems, communication, technical training etc. services from Eczacıbaşı Holding A.Ş.; advertisement services from Eczacıbaşı Spor Kulübü; custom clearance and brokerage services for export registered sales from Ekom Eczacıbaşı Dış Ticaret A.Ş. health services from Eczacıbaşı Sağlık Hizmetleri A.Ş.; and various other services from other group companies.

Within the context of real estate operations, the Group provide audit, follow-up and subcontractor management services to Eczacıbaşı Holding A.Ş. related to construction process of co-executed Ormanada Project as detailed in Note 30.

The Group generates rent income from offices located in Kanyon and real estates located in Ayazağa.

The Group performs the sale and distribution of medical, healthcare and consumer products of Eczacıbaşı Group. In this context Group makes merchandise purchase from İpek Kağıt Sanayi ve Ticaret A.Ş. and Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş. and generates revenue from the services related to storage, transportation and sale of those merchandises.

The Group does not have any contingent assets or liabilities caused by related party transactions as of 31 March 2014 and 31 December 2013.

#### **Benefits provided to top management:**

The Group has determined key management personnel as board members, group presidents, vice-presidents and general manager.

Short term benefits provided to key management personnel consists of salaries, premiums, social insurance related payments, health insurance and seniority incentive award. Long term benefits provided to key management personnel consists of employee termination benefits paid to discharged key management personnel due to retirement and/or transfer and service award payments.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014

(Amounts expressed in thousand of Turkish Lira ("TRL") unless otherwise indicated.)

### NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

#### c) Other transactions with related parties for three months ended period 31 March (continued):

##### Benefits provided to top management (continued):

Detail of compensation amounts provided to key management personnel is as follows:

<b>Benefits provided to top management</b>	<b>2014</b>	<b>2013</b>
Short term benefits provided to key management personnel	4,787	7,071
Long term benefits provided to key management personnel	-	-
<b>As of 31 March</b>	<b>4,787</b>	<b>7,071</b>

### NOTE 9 - TRADE RECEIVABLES AND PAYABLES

#### a) Trade receivables:

<b>Short-term trade receivables</b>	<b>31 March 2014</b>	<b>31 December 2013</b>
Trade receivables	200,765	178,607
Notes receivables	30,250	29,120
Income accruals	3	232
	<b>231,018</b>	<b>207,959</b>
Deferred credit finance income (-)	(1,610)	(1,107)
Provision for doubtful receivables (-)	(8,382)	(8,061)
<b>Short-term trade receivables, net</b>	<b>221,026</b>	<b>198,791</b>

As of 31 March 2014, long-term trade receivables amounting to TRL 1,050 thousand (31 December 2013: TRL 1,930 thousand), composed of the notes receivables obtained in exchange down payments of preliminary contracts related to real estates, which will be built as a part of "Ormanada" real estate project with 50% ownership the Group and 50% ownership of Eczacıbaşı Holding A.Ş. in the province of Istanbul and in the district of Zekeriyaköy.

Average maturity of the Group's receivables is 67 days (31 December 2013: 55 days) and TRL denominated trade receivables are amortised at 9.96% per annum (31 December 2013: 8.91%).

Movement of provision for doubtful receivables is presented below:

	<b>2014</b>	<b>2013</b>
As of 1 January	8,061	7,484
Current year additions (Note 21)	321	-
Collections (Notes 23)	-	(15)
<b>As of 31 March</b>	<b>8,382</b>	<b>7,469</b>

Maximum credit risk and aging analysis related to trade receivables are included in Note 28.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

### NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

#### b) Trade payables:

<b>Short-term trade payables</b>	<b>31 March 2014</b>	<b>31 December 2013</b>
Trade payables	130,523	146,037
Note payables	12	23
Expense accruals	1,351	1,783
Deferred credit finance expenses (-)	(321)	(691)
<b>Short-term trade payables, net</b>	<b>131,565</b>	<b>147,152</b>

Average maturity of the Group’s payables is 91 days (31 December 2013: 81 days) and TRL denominated trade payables are amortised at 10.92% per annum (31 December 2013: 8.75%), EUR denominated trade payables are amortised at 0.25% per annum (31 December 2013: 0.23%) and USD denominated payables are amortised at 0.19% per annum (31 December 2013: 0.21%).

### NOTE 10 - INVENTORIES

	<b>31 March 2014</b>	<b>31 December 2013</b>
Raw materials and supplies	17,736	17,382
Work in progress	622	287
Finished goods	10,391	9,011
Merchandise	19,056	19,869
Scrap goods	3,218	2,748
Other inventories	2,762	1,986
Lands, completed and construction in progress houses	152,049	158,510
	<b>205,834</b>	<b>209,793</b>
Provision for diminution in value of inventories (-)	(12,999)	(11,450)
	<b>192,835</b>	<b>198,343</b>

Lands, completed and construction in progress houses contains undelivered houses cost of land of purchased by the Group in Zekeriyaköy as part of real estate development activities and project development costs incurred.

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

	<b>2014</b>	<b>2013</b>
As of 1 January	11,450	8,152
Current year additions (Note 23)	1,549	1,253
Reversal of provisions	-	(388)
<b>As of 31 March</b>	<b>12,999</b>	<b>9,017</b>

**EİS ECZACIBAŞI İLAÇ, SINAI VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME**

<b>Short-term prepaid expenses</b>	<b>31 March 2014</b>	<b>31 December 2013</b>
Unearned revenue	3,544	602
Advances given	214	821
	<b>3,758</b>	<b>1,423</b>
<b>Long-term prepaid expenses</b>	<b>31 March 2014</b>	<b>31 December 2013</b>
Advances given to subcontractors	552	1,842
Other	659	1,276
	<b>1,211</b>	<b>3,118</b>
<b>Short-term deferred income</b>	<b>31 March 2014</b>	<b>31 December 2013</b>
Advances received (*)	26,028	45,567
Unearned revenue	1,202	245
	<b>27,230</b>	<b>45,812</b>
<b>Long-term deferred income</b>	<b>31 March 2014</b>	<b>31 December 2013</b>
Advances received (*)	1,050	1,930
Unearned revenue	2,943	3,765
	<b>3,993</b>	<b>5,695</b>

(\*) Advances received presented in other non-current liabilities composed of down payments of preliminary contracts related to real estates, which will be built as a part of “Ormanada” real estate project with 50% ownership the Group and 50% ownership of Eczacıbaşı Holding A.Ş. in the province of Istanbul and in the district of Zekeriyaköy. Advances received presented in current liabilities amounting to TRL 25,909 thousand (31 December 2013: TRL 45,448 thousand) is also related to the down payments received from clients for the same abovementioned project.

**NOTE 12 - CURRENT INCOME TAX ASSETS**

<b>Current income tax assets</b>	<b>31 March 2014</b>	<b>31 December 2013</b>
Prepaid taxes and withholding taxes	3,975	1,926
	<b>3,975</b>	<b>1,926</b>



**EİS ECZACIBAŞI İLAÇ, SINAI VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 13 - INVESTMENT PROPERTIES**

<b>Cost</b>	<b>1 January 2014</b>	<b>Additions</b>	<b>Disposals</b>	<b>31 March 2014</b>
Kanyon	229,394	27	-	229,421
Buildings	25,039	15	-	25,054
Lands and land improvements	3,082	-	-	3,082
	<b>257,515</b>	<b>42</b>	<b>-</b>	<b>257,557</b>

**Accumulated depreciation**

Kanyon	39,294	1,392	-	40,686
Buildings	13,608	826	-	14,434
Lands and land improvements	273	17	-	290
	<b>53,175</b>	<b>2,235</b>	<b>-</b>	<b>55,410</b>

**Carrying amount****204,340****202,147**

<b>Cost</b>	<b>1 January 2013</b>	<b>Additions</b>	<b>Disposals</b>	<b>31 March 2013</b>
Kanyon	228,754	120	-	228,874
Buildings	20,507	17	-	20,524
Lands and land improvements	3,082	-	-	3,082
	<b>252,343</b>	<b>137</b>	<b>-</b>	<b>252,480</b>

**Accumulated depreciation**

Kanyon	33,811	1,369	-	35,180
Buildings	13,278	64	-	13,342
Lands and land improvements	257	4	-	261
	<b>47,346</b>	<b>1,437</b>	<b>-</b>	<b>48,783</b>

**Carrying amount****204,997****203,697**

As of 31 December 2013, fair value of Kanyon is approximately TRL 521 million which consist of fair value of Kanyon shopping centre amounting TRL 243 million and fair value of Kanyon Office complex amounting TRL 278 million which is calculated from net present value of estimated rent income of Kanyon shopping centre and office complex.

For the periods ending at 31 March, total rent income of Kanyon shopping centre and office complex is amounted to TRL 12,988 thousand (31 March 2013: TRL 11,007 thousand) and repair and maintenance expense of the related period is amounted to TRL 586 thousand (31 March 2013: TRL 13 thousand).

Depreciation expenses for the three months period ended 31 March are included in cost of services sold.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 14 - PROPERTY, PLANT AND EQUIPMENT**

<b>Cost</b>	<b>1 January 2014</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>31 March 2014</b>
Land and land improvements	1,427	-	-	-	1,427
Buildings	27,824	1	-	-	27,825
Machinery, plant and equipment	48,156	166	(5)	-	48,317
Motor vehicles	774	-	(37)	-	737
Furniture and fixtures	15,171	169	(125)	-	15,215
Construction in progress	46	41	-	-	87
Leasehold improvements	3,552	40	(33)	-	3,559
Other tangible assets	9,596	534	(1)	-	10,129
	<b>106,546</b>	<b>951</b>	<b>(201)</b>	<b>-</b>	<b>107,296</b>
<b>Accumulated depreciation</b>					
Land improvements	19	1	-	-	20
Buildings	1,734	140	-	-	1,874
Machinery, plant and equipment	36,864	553	(1)	-	37,416
Motor vehicles	706	8	(30)	-	684
Furniture and fixtures	10,523	344	(90)	-	10,777
Leasehold improvements	2,045	79	(16)	-	2,108
Other tangible assets	8,840	32	(1)	-	8,871
	<b>60,731</b>	<b>1,157</b>	<b>(138)</b>	<b>-</b>	<b>61,750</b>
<b>Carrying amount</b>	<b>45,815</b>				<b>45,546</b>

Allocation of depreciation expenses is as follows: TRL 175 thousand in cost of goods sold, TRL 652 thousand in general and administrative expenses, TRL 322 thousand in marketing expenses and TRL 8 thousand in research and development expenses.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

<b>Cost</b>	<b>1 January 2013</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>31 March 2013</b>
Land and land improvements	1,427	-	-	-	1,427
Buildings	27,202	-	-	-	27,202
Machinery, plant and equipment	47,660	210	(147)	-	47,723
Motor vehicles	1,946	23	(1,018)	-	951
Furniture and fixtures	14,713	226	(127)	-	14,812
Construction in progress	46	172	-	-	218
Leasehold improvements	3,286	-	-	-	3,286
Other tangible assets	9,156	29	(2)	-	9,183
	<b>105,436</b>	<b>660</b>	<b>(1,294)</b>	<b>-</b>	<b>104,802</b>
<b>Accumulated depreciation</b>					
Land improvements	16	1	-	-	17
Buildings	1,175	137	-	-	1,312
Machinery, plant and equipment	35,066	518	(124)	-	35,460
Motor vehicles	1,373	156	(716)	-	813
Furniture and fixtures	9,576	300	(58)	-	9,818
Leasehold improvements	1,798	70	-	-	1,868
Other tangible assets	8,556	58	(2)	-	8,612
	<b>57,560</b>	<b>1,240</b>	<b>(900)</b>	<b>-</b>	<b>57,900</b>
<b>Carrying amount</b>	<b>47,876</b>				<b>46,902</b>

Allocation of depreciation expenses is as follows: TRL 383 thousand in cost of goods sold, TRL 495 thousand in general and administrative expenses, TRL 353 thousand in marketing expenses and TRL 9 thousand in research and development expenses.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 15 - INTANGIBLE ASSETS**

<b>Cost</b>	<b>1 January 2014</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>31 March 2014</b>
Customer relations, licences and royalty	20,370	-	-	-	20,370
Rights	11,604	189	-	-	11,793
Computer software	11,826	39	-	-	11,865
Construction in progress	4,658	136	-	-	4,794
Other intangible assets	129	-	-	-	129
	<b>48,587</b>	<b>364</b>	-	-	<b>48,951</b>
<b>Accumulated amortisation</b>					
Customer relations, licences and royalty	1,358	340	-	-	1,698
Rights	4,485	534	-	-	5,019
Computer software	9,269	422	-	-	9,691
Other intangible assets	128	-	-	-	128
	<b>15,240</b>	<b>1,296</b>	-	-	<b>16,536</b>
<b>Carrying amount</b>	<b>33,347</b>				<b>32,415</b>

Allocation of amortisation charge is as follows: TRL 196 thousand in cost of goods sold, TRL 729 thousand in general and administrative expenses, TRL 361 thousand in marketing expenses and TRL 10 thousand in research and development expenses.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 15 - INTANGIBLE ASSETS (Continued)**

<b>Cost</b>	<b>1 January 2013</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>31 March 2013</b>
Customer relations, licences and royalty	20,370	-	-	-	20,370
Rights	7,023	122	-	-	7,145
Computer software	10,938	37	-	-	10,975
Construction in progress	4,718	416	-	-	5,134
Other intangible assets	129	-	-	-	129
	<b>43,178</b>	<b>575</b>	-	-	<b>43,753</b>
<b>Accumulated amortisation</b>					
Rights	3,648	210	-	-	3,858
Computer software	7,977	348	-	-	8,325
Other intangible assets	129	1	-	-	130
	<b>11,754</b>	<b>559</b>	-	-	<b>12,313</b>
<b>Carrying amount</b>	<b>31,424</b>				<b>31,440</b>

Allocation of amortisation charge is as follows: TRL 140 thousand in cost of goods sold, TRL 242 thousand in general and administrative expenses, TRL 173 thousand in marketing expenses and TRL 4 thousand in research and development expenses.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES**

**a) Provisions:**

	<b>31 March 2014</b>	<b>31 December 2013</b>
Provision for litigations	2,013	2,122
	<b>2,013</b>	<b>2,122</b>

**Provision for litigations:**

The Group has provided provision for the lawsuits filed against the Group in the amount of TRL 2,013 thousand (31 December 2013: TRL 2,122 thousand) based on the legal opinions taken on juridical, labour, commercial and administrative litigations and the assessment of similar litigations’ consequences in the past. Movement of the provision for litigations are stated below:

	<b>2014</b>	<b>2013</b>
As of 1 January	2,122	1,004
Charge for the period	-	119
Reversal of provision (-)	(109)	(16)
<b>As of 31 March</b>	<b>2,013</b>	<b>1,107</b>

**b) Contingent assets:**

**Appeal for return of tax penalty paid:**

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

**c) Contingent liabilities:**

**I- Tax and tax related penalties of the Company:**

**Tax penalty notified as at 31 December 2007:**

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

As at 26 May 2009, the Company filed a lawsuit for the related tax penalties in the Tax Court of Istanbul since no settlement was reached in the Commission for Tax Settlements in the Ministry of Finance. The lawsuit resulted in favour of the Company and all penalties have been cancelled.

Boğaziçi Corporate Tax Administration has applied to the Council of State for the appeal of this lawsuit. The Company’s response to the petition of the defendant submitted to the Council of State, based on the verdict given by the Council of State and the notification received by the Company the appeal application of the Tax Administration was denied, and the decision of the Tax Court was approved. Accordingly, the lawsuit resulted in favour of the Company and all accrued income taxes and penalties have been cancelled.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

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**NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)**

**c) Contingent liabilities (continued):**

**I- Tax and tax related penalties of the Company (continued):**

**Tax penalty notified as at 26 December 2008:**

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

Since no settlement was reached in the meeting held in Commission for Tax Settlements of the Ministry of Finance on 24 June 2009, the Company filed a lawsuit in the Tax Court of Istanbul within the legal timeframe, and all lawsuits are concluded in favour of the Company.

Boğaziçi Corporate Tax Administration has applied to the Council of State for the appeal of this lawsuit. The Company’s response to the petition of the defendant submitted to the Council of State, based on the verdict given by the Council of State and the notification received by the Company the appeal application of the Tax Administration was denied, and the decision of the Tax Court was approved. Accordingly, the lawsuit resulted in favour of the Company and all accrued income taxes and penalties have been cancelled.

**Tax penalty notified as at 12 June 2009:**

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

As of 2 April 2010, the Company filed a lawsuit in the Tax Court of Istanbul, since no settlement was reached in the meeting held in Commission for Tax Settlements of the Ministry of Finance. Based on the verdict notified to the Company by the 10<sup>th</sup> Tax Court of Istanbul on 7 April 2011, all lawsuits are concluded in favour of the Company.

Boğaziçi Corporate Tax Administration has applied to the Council of State for the appeal of this lawsuit. Based on the Council of State’s decision notified to the Company on 25 November 2013, the request for appeal of Boğaziçi Corporate Tax Office has been dismissed and the decisions of the Tax Court has been ratified and the lawsuit has been concluded in terms of assessments in favour of the Company.

**Tax penalty notified as at 7 April 2011:**

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

As a result of assessment made about notifications, the Company filed a lawsuit in Istanbul Tax Court within the legal timeframe, considering the lawsuits on the same subjects filed in previous years which concluded in favour of the Company, for penalties related to 2006 - 2007. According to the decisions notified by Istanbul 10<sup>th</sup> Tax Court on 28 December 2011, all aforesaid lawsuits resulted in favour of the Company.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

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**NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)**

**c) Contingent liabilities (continued):**

**I- Tax and tax related penalties of the Company (continued):**

**Tax penalty notified as at 7 April 2011 (continued):**

On 29 December 2011, a VAT report is prepared by tax inspectors of Ministry of Finance in connection with tax inspection report related to 2006 which was resulted in favour of the Company. Based on that report, TRL 3,113 thousand regarding the tax and TRL 3,113 thousand regarding the penalty have been levied against the Company by the Büyük Mükellefler Tax Administration.

Since a consensus could not be reached in the meeting held on 29 January 2013 at Commission for Tax Settlements in the Ministry of Finance within the context of Tax Procedure Law, the Group decided to file lawsuits for these tax penalties.

The Company has not provided any provision for this inspection in the consolidated financial statements, since the lawsuit on to corporate tax inspection reports, which presents the ground of VAT inspection reports, concluded in favour of the Company in the Tax Court and Council of State.

**II - Tax and tax related penalties of the Group’s joint venture EBX:**

With respect to inspection reports on VAT refund of services purchased by EBX, the Company’s joint venture, based on the inspections performed by tax auditors of Ministry of Finance:

- i)** For the related tax and penalties, the Company applied to Commission for Tax Settlements in the Ministry of Finance for settlement. The Company filed a lawsuit for the related tax penalties in the Tax Court on 2 December 2011 since no consensus was reached during the settlement. The lawsuit has resulted against EBX and an appeal has been filed in the Council of State on 24 July 2012. For the lawsuits lost in the Tax Court, a provision of TRL 17,764 thousand is provided for the Group’s share in total amount of TRL 35,528 thousand calculated by considering overdue interests, based on 50% proportional consolidation of EBX. EBX is agreed on repayment schedule with the tax administration, all payments has been made.

An appeal filed with Council of State with respect to 5 different cases related with tax principal and tax penalties for 2006 advance tax, corporate tax and their withholding tax payments and appeals are concluded against EBX and lawsuit has been filed as part of the “Correction of Decision” set forth under Article 54 of ATPA (Administrative Trial Procedure Act) for such decisions concluded against EBX.. The lawsuits are still in progress in Council of State.

An appeal has been filed with the Council of State with respect to the lawsuits concluded against EBX as part of the same tax audit, including temporary corporate tax for 2006/6, VAT for 2006/6 and unjust refund (VAT) for 2007/3. For the above mentioned 2 lawsuits, the Council of State has not given any decision yet.

- ii)** On 31 December 2012, tax and tax losses penalties for the year 2007 amounting to TRL 35,046 thousand (the Group’s share is TRL 17,523 thousand), which consists of TRL 8,272 thousand of tax base (TRL 4,159 thousand attributable to corporate income tax, TRL 1,223 thousand attributable to withholding tax and TRL 2,890 thousand attributable to VAT) and TRL 26,774 thousand of tax penalty were notified.
- iii)** On 4 April 2013, tax and tax losses penalties for the year 2008 amounting to TRL 33,195 thousand (the Group’s share is TRL 16,597 thousand), which consists of TRL 8,094 thousand of tax base (TRL 4,565 thousand attributable to corporate income tax and TRL 1,230 thousand attributable to withholding tax and TRL 2,299 thousand attributable to VAT) and TRL 25,101 thousand of tax penalty were notified.
- iv)** On 3 May 2013, tax and tax losses penalties for the years 2009 - 2010 amounting to TRL 61,808 thousand (the Group’s share is TRL 30,904 thousand), which consists of TRL 18,424 thousand of tax base (TRL 11,366 thousand attributable to corporate income tax and TRL 7,058 thousand attributable to VAT) and TRL 43,384 thousand of tax penalty were notified.



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

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**NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)**

**c) Contingent liabilities (continued):**

**II - Tax and tax related penalties of the Group’s joint venture EBX (continued):**

As explained above, the on-going appeal lawsuit in the Council of State has resulted against EBX. Within the context of this decision, the Group management is evaluating the decision of the application for settlement and follows the process for the tax and tax losses penalties for the years 2007, 2008, 2009 and 2010. Based on this evaluation, the uncertainties of the amount to be included in the financial statements are still continuing depending on the conditions of the settlement process. By considering the range of possible outcomes and each point in that range is as likely as any other; the most reliable estimate of the Group Management is recognized as provision in the consolidated financial statements.

**III - Tax and tax related penalties and litigation of the Group’s subsidiary EİP:**

**Tax penalty notified as at 3 August 2012:**

Within the scope of inspections of companies in pharmaceuticals industry by the Tax Auditors of the Ministry of Finance, a limited investigation has been conducted for EİP Eczacıbaşı İlaç Pazarlama A.Ş. and EIP has been notified for tax penalties consisting of TRL 570 thousand regarding VAT and TRL 855 thousand for its activities of the 2010 - 2011 periods. Based on on-going inspection process, tax penalties for TRL 282 thousand of Corporate Tax, TRL 365 thousand VAT and TRL 917 thousand penalty have been notified for financial year 2010.

EIP filed lawsuits for the related tax and tax penalties since no settlement was reached in Büyük Mükellefler Büyük Mükellefler Tax Administration. The lawsuits amounting to TRL 570 thousand VAT, TRL 855 thousand penalty and TRL 365 thousand VAT, TRL 635 thousand penalty have concluded in favour of EIP. Tax Administration has applied to the Council of State for the appeal of these lawsuits and lawsuits are still in progress.

The lawsuit related to TRL 282 thousand attributable to corporate tax and TRL 282 thousand attributable to tax penalty was concluded against EIP despite other lawsuits concluded in favour of EIP. EIP has applied to the council of State and the lawsuit is concluded in favour of EIP.

**The lawsuit related to price differences from market values:**

Various public hospitals governed by Turkish Ministry of Health (“MoH”) claimed approximately TRL 1,749 thousand for the refund of price differences determined between the prices of medical supplies at which the Group sold to these public hospitals and the market values which were determined by Market Value Settlement Committee established by Social Security Institution Health Administration Department based on the vesting deed given by the Group in 1998. The Group faced lawsuits filed against it by the MoH for the collection of these claims amounting to approximately TRL 403 thousand; preliminary hearings and discovery proceedings in these lawsuits are in progress. Considering the continuing legal process and uncertainty regarding the ultimate outcome of the matter, no provision has been provided in the consolidated financial statements.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)**

**d) Guarantees given and taken:**

<b>Guarantees given</b>	<b>31 March 2014</b>			
	<b>USD</b>	<b>EUR</b>	<b>TRL</b>	<b>Total</b>
Suretyship declaration for bank borrowings	-	-	-	-
Letters of guarantee	-	-	10,751	10,751
Guaranteed bills of exchange	-	-	-	-
			<b>10,751</b>	<b>10,751</b>

<b>Guarantees taken</b>				
Letters of guarantee	27,647	1,531	85,615	114,793
Mortgages	-	-	26,612	26,612
Guaranteed bills of exchange	322	-	5,985	6,307
	<b>27,969</b>	<b>1,531</b>	<b>118,212</b>	<b>147,712</b>

<b>Guarantees given</b>	<b>31 December 2013</b>			
	<b>USD</b>	<b>EUR</b>	<b>TRL</b>	<b>Total</b>
Suretyship declaration for bank borrowings	-	-	-	-
Letters of guarantee	-	-	10,732	10,732
Guaranteed bills of exchange	-	-	-	-
	-	-	<b>10,732</b>	<b>10,732</b>

<b>Guarantees taken</b>				
Letters of guarantee	27,756	1,455	74,180	103,391
Mortgages	-	-	27,124	27,124
Guaranteed bills of exchange	314	-	6,096	6,410
	<b>28,070</b>	<b>1,455</b>	<b>107,400</b>	<b>136,925</b>

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

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

### NOTE 16 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

#### d) Guarantees given and taken (continued):

Collateral/pledge/mortgage (“CPM”) position of the majority shareholder EİS Eczacıbaşı İlaç Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. as of 31 March 2014 and 31 December 2013 are as follows:

	31 March 2014	31 December 2013
A. CPMs given for Company’s own legal personality	3,119	3,119
- Collateral (Fully denominated in TRL)	3,119	3,119
- Pledge	-	-
- Mortgage	-	-
B. CPMs given on behalf of fully consolidated companies	-	-
- Collateral	-	-
- Pledge	-	-
- Mortgage	-	-
C. CPMs given in the normal course of business activities on behalf of third parties	-	-
D. Total amount of other CPMs	-	-
i. Total amount of CPMs given on behalf of the parent	-	-
- Collateral	-	-
- Pledge	-	-
- Mortgage	-	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-
	<b>3,119</b>	<b>3,119</b>

Proportion of other CPMs given to the Group’s equity as of 31 March 2014 is 0% (31 December 2013: 0%).

### NOTE 17 - EMPLOYEE BENEFITS

#### Employee benefit obligations

	31 March 2014	31 December 2013
Wages payable to employees	223	2,272
Social security premiums payable	1,478	1,325
	<b>1,701</b>	<b>3,597</b>

#### Short term provisions for employee benefits

	31 March 2014	31 December 2013
Provision for unused vacations	5,176	4,664
	<b>5,176</b>	<b>4,664</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

### NOTE 17 - EMPLOYEE BENEFITS (Continued)

#### Short term provisions for employee benefits (continued)

##### Provision for unused vacations:

Movements in the provision for unused vacation are as follows as of 31 March:

	2014	2013
As of 1 January	4,664	5,032
Charge for the period (Note 21)	558	732
Payments during the period (-)	(46)	(164)
<b>As of 31 March</b>	<b>5,176</b>	<b>5,600</b>

#### Long term provisions for employee benefits

##### Provision for employment termination benefits:

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

As of 31 March 2014, the amount payable consists of one month’s salary limited to a maximum of TRL 3,438.22 (31 December 2013: TRL 3,254.44) for each year of service.

The liability is not funded as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and its subsidiaries and joint ventures registered in Turkey arising from the retirement of employees.

TAS 19 “Employee Benefits” published by POA require actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	2014	2013
Discount rate (%)	4.11	4.11
Turnover rate to estimate the probability of retirement (%)	89 - 98	89 - 98

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The reserve for employment termination benefit and the maximum liability of the Group is revised semi-annually.

Movements in the provision for employment termination benefits are as follows as of 31 March:

	2014	2013
As of 1 January	3,436	3,782
Charge for the period (Note 21)	441	888
Payments during the period (-)	(466)	(278)
<b>As of 31 March</b>	<b>3,411</b>	<b>4,392</b>

**EİS ECZACIBAŞI İLAÇ, SİNAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 18 - OTHER ASSETS AND LIABILITIES**

<b>Other current assets</b>	<b>31 March 2014</b>	<b>31 December 2013</b>
VAT receivables	9,009	9,239
Advances given to personnel	598	-
Other	20	17
	<b>9,627</b>	<b>9,256</b>

  

<b>Other non-current assets</b>	<b>31 March 2014</b>	<b>31 December 2013</b>
VAT receivables	41,246	42,115
Blocked amount due to subsidiary acquisition payables	7,500	7,500
Prepaid taxes under construction activities	5,681	10,309
	<b>54,427</b>	<b>59,924</b>

  

<b>Other current liabilities</b>	<b>31 March 2014</b>	<b>31 December 2013</b>
VAT payables	1,959	340
Other	83	118
	<b>2,042</b>	<b>458</b>

  

<b>Other non-current liabilities</b>	<b>31 March 2014</b>	<b>31 December 2013</b>
Deferred considerations due to subsidiary acquisition	7,500	7,500
	<b>7,500</b>	<b>7,500</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

### NOTE 19 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Kır 1. There are no privileged shares, EİS Eczacıbaşı İlaç Sanayi ve Ticaret A.Ş.’s subscribed, historical and authorised share capital for the years ended at 31 March 2014 and 31 December 2013 are as follows:

	31 March 2014	31 December 2013
Limit on registered share capital (historical value)	548,208	548,208
Authorised share capital approved with nominal value	548,208	548,208

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

At 31 March 2014 and 31 December 2013, the shareholders of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and their proportion of ownership interests in historical share capital are as follows:

Shareholders	%	31 March 2014	%	31 December 2013
Eczacıbaşı Holding A.Ş.	50.62	277,476	50.62	277,476
Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.	24.95	136,778	24.78	135,819
Other (Listed) (*)	24.43	133,954	24.60	134,913
<b>Total</b>	<b>100.00</b>	<b>548,208</b>	<b>100.00</b>	<b>548,208</b>
Adjustment to share capital		105,777		105,777
<b>Total authorised share capital</b>		<b>653,985</b>		<b>653,985</b>

(\*) Within the framework of Capital Markets Board’s decision, dated 23 July 2010 and numbered 21/655, actual rates of the shares in circulation of the listed companies in BIST are announced on a weekly basis starting from the period ended 31 March 2010, became effective as of 1 October 2010 by the Central Registry Agency (“CRA”). According to the report published by CRA on 31 March 2014, 24.33% (31 December 2013: 24.48%) of the Group’s shares in circulation are presented in the other group.

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

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

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company’s paid-in/authorised share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in/authorised share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in/authorised share capital. Total amount of legal reserves of the Company is TRL 40,627 thousand (31 December 2013: TRL 40,627 thousand).

The aforementioned legal reserves and special reserves shall be classified in “Restricted reserves” in accordance with CMB Financial Reporting Standards. Details of the restricted reserves are as follows:

	31 March 2014	31 December 2013
Legal reserves	40,627	40,627
Gain on sale of shares of associates	259,137	259,137
	<b>299,764</b>	<b>299,764</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 20 - REVENUE**

	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Domestic sales	343,608	379,169
Exports	3,225	3,613
<b>Gross sales</b>	<b>346,833</b>	<b>382,782</b>
Sales returns (-)	(7,397)	(21,433)
Sales discounts (-)	(82,494)	(108,209)
<b>Net sales</b>	<b>256,942</b>	<b>253,140</b>
Cost of sales (-)	(203,156)	(202,646)
<b>Gross profit</b>	<b>53,786</b>	<b>50,494</b>

**NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES**

<b>General administrative expenses</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Personnel expenses	9,248	9,766
Consultancy expenses	3,410	3,154
Depreciation and amortisation expenses (Notes 14 and 15)	1,381	719
Rent expenses	1,270	974
Repair and maintenance expenses	935	322
Provision for unpaid vacation (Note 17)	558	732
Miscellaneous taxes	452	70
Provision for employment termination benefits (Note 17)	441	888
Provision expense for doubtful receivables (Note 9)	321	-
Other	1,375	367
	<b>19,391</b>	<b>16,992</b>

<b>Marketing expenses</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Personnel expenses	12,408	12,857
Advertisement, presentation and promotion expenses	8,015	7,759
Transportation, distribution and warehousing expenses	2,221	3,411
Rent expenses	1,767	1,545
Fuel, energy and water expenses	929	869
Depreciation and amortisation expenses (Notes 14 and 15)	683	513
Travelling expenses	571	605
Consultancy expenses	180	150
Other	2,367	2,527
	<b>29,141</b>	<b>30,236</b>

**EİS ECZACIBAŞI İLAÇ, SİNAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (Continued)**

<b>Research and development expenses</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Personnel expenses	311	249
Depreciation and amortisation expenses (Notes 14 and 15)	18	13
	<b>329</b>	<b>262</b>

**NOTE 22 - EXPENSES BY NATURE**

	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Purchase and consumption of inventories	190,822	205,651
Personnel expenses	24,720	25,633
Advertisement and promotion expense	8,015	7,759
Contract manufacturing expense	5,062	2,078
Depreciation and amortisation expense (Notes 13, 14 and 15)	4,688	3,236
Consultancy expense	3,590	3,304
Rent expenses	3,037	2,519
Transportation, distribution and warehousing expenses	2,221	3,411
Changes in commercial inventories	902	(10,672)
Provision for employment termination benefits	441	888
Other	8,519	6,329
	<b>252,017</b>	<b>250,136</b>

**NOTE 23 - OTHER OPERATING INCOME / EXPENSES**

<b>Other operating income</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Foreign exchange gains from bank deposits	38,158	10,699
Interest income from bank deposits	6,416	7,320
Credit finance income	2,717	1,302
Foreign exchange gains from trade receivables and payables	226	345
Compensation income	25	38
Collections from doubtful receivables (Note 9)	-	15
Other	1,144	863
	<b>48,686</b>	<b>20,582</b>



**EİS ECZACIBAŞI İLAÇ, SINAI VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 23 - OTHER OPERATING INCOME / EXPENSES (Continued)**

<b>Other operating expenses</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Foreign exchange losses from bank deposits	26,791	11,155
Credit finance expenses	2,010	1,388
Provision for diminution in value of inventories (Note 10)	1,549	1,253
Foreign exchange losses from trade receivables and payables	750	131
Donation expenses	39	266
Provision expense for legal case	-	119
Other	2,458	545
	<b>33,597</b>	<b>14,857</b>

**NOTE 24 - INCOME / EXPENSES FROM INVESTING ACTIVITIES**

<b>Income from investing activities</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Gain on sales of fixed assets	82	410
Gain on sales of financial assets	-	117
	<b>82</b>	<b>527</b>

<b>Expenses from investing activities</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Loss on sales of fixed assets	26	17
	<b>26</b>	<b>17</b>

**NOTE 25 - FINANCIAL INCOME / EXPENSES**

<b>Financial expenses</b>	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Interest expense from bank borrowings	2,521	700
Fair value changes recognised in profit and loss	85	15
Commissions of letter of guarantees	41	51
	<b>2,647</b>	<b>766</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

### NOTE 26 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)

#### a) Current income tax on profits:

	31 March 2014	31 December 2013
Corporate and income taxes payable	4,845	30,075
Prepaid taxes (-)	(1,586)	(22,251)
<b>Current income tax liabilities (net)</b>	<b>3,259</b>	<b>7,824</b>

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

Corporate Tax Law is changed with Law No, 5520 dated 13 June 2006, and most of the articles of mentioned law have become effective as of 1 January 2006. Accordingly, corporate tax rate in Turkey is 20% for 2014 (2013: 20%). Corporation tax is payable on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive allowance, etc.) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed except withholding tax at the rate of 19.8% on the investment incentive allowance utilised within the scope of the Income Tax Law transitional Article 61.

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

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

In accordance with Tax Law No, 5024 “Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law” that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of Turkish lira. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (SIS-WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment was not applied as these conditions were not fulfilled in the fiscal year 2014 and 2013.

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 26 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)**

**a) Current income tax on profits (continued):**

In accordance with Article 32/A4 added with the New Corporate Tax Law No. 5838 Article 9, the discounted rate is applied to the earnings derived from capacity expansion investment, when these earnings could be accounted separately in the books of a company. When these earnings could not be accounted separately in the books, the earnings, to which the discounted rate will be applied, is determined by using the percentage of the amount of capacity expansion investment to the carrying amount of registered total tangible asset (including amounts relating to construction in progress) that company at period end. For this calculation, the carrying amount of registered total tangible asset in the company assets is taken into consideration with their revalued amounts. The application of the discounted rate commences in the advance tax period in which the investment partly or fully starts to its operations.

The taxes on income reflected to the consolidated income statement of the three months period ended 31 March 2014 and 31 March 2013 are summarized below:

	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Current income tax charge (-)	(4,845)	(2,617)
Deferred tax (charge) / revenue	(1)	485
<b>Total income tax charge (-)</b>	<b>(4,846)</b>	<b>(2,132)</b>

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

	<b>31 March 2014</b>	<b>31 March 2013</b>
<b>Profit / (loss) before tax</b>	<b>13,904</b>	<b>3,351</b>
Current year corporation tax expense	(2,781)	(670)
Disallowable expenses	(22)	(2)
Tax effect of exempt income	-	43
Current period tax losses	(740)	(471)
Items disregarded in the calculation of deferred income tax	(599)	(8)
Equity method accounting	(704)	(1,024)
<b>Total income tax charge (-)</b>	<b>(4,846)</b>	<b>(2,132)</b>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

NOTE 26 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

b) Deferred income tax:

The Group recognises deferred income tax assets and liabilities based upon temporary differences arising between the financial statements prepared in accordance with TAS / TFRS and the tax financial statements. Such temporary differences generally arise due to revenues and expenses being recognised in different fiscal periods in accordance with tax regulations and TAS / TFRS. The tax rate used for deferred income tax assets and liabilities is 20% (31 December 2013: 20%).

The breakdown of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided at 31 March 2014 and 31 December 2013 using the enacted tax rates is as follows:

	Cumulative temporary differences		Deferred income tax assets / (liabilities)	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Tax losses carried forward	(9,655)	(10,569)	1,931	2,114
Provision for unused vacation	(5,176)	(4,664)	1,035	933
Provision for doubtful receivables	(4,523)	(6,414)	905	1,283
Provision for employment termination benefits	(3,411)	(3,436)	682	687
Provision for litigations	(2,013)	(2,122)	403	424
Deferred credit finance income	(1,610)	(1,107)	322	221
Differences between the tax base and carrying amount of inventories	(742)	(938)	148	188
Provision for bonuses	-	(1,440)	-	288
Other	(1,181)	(1,311)	150	53
<b>Deferred income tax assets (**)</b>	<b>(28,311)</b>	<b>(32,001)</b>	<b>5,576</b>	<b>6,191</b>
Fair value differences of available-for-sale financial assets (*)	1,605,825	1,605,981	(80,296)	(80,304)
Difference between the tax base and carrying amount of investment property, property, plant and equipment and intangible assets	769	3,472	201	(339)
Deferred credit finance expenses	321	691	(64)	(138)
<b>Deferred income tax liabilities (-) (**)</b>	<b>1,606,915</b>	<b>1,610,144</b>	<b>(80,159)</b>	<b>(80,781)</b>
<b>Deferred income tax liabilities, net</b>	<b>1,578,604</b>	<b>1,578,143</b>	<b>(74,583)</b>	<b>(74,590)</b>

(\*) Difference between fair value and book value amounts to TRL 1,605,825 thousand (31 December 2013: TRL 1,605,981 thousand) and based on the 75% exemption from the corporate tax denoted in Article 5, subsection (1), clause (e) of Corporate Tax Law No, 5520, deferred tax is calculated by applying 5% effective tax rate.

(\*\*) Since deferred tax assets and deferred tax liabilities in the schedule above are summarized by nature of the temporary differences subject to deferred tax, they express the offset of deferred tax asset amounting to TRL 9,794 thousand (31 December 2013: TRL 9,628 thousand) and deferred tax liability amounting to TRL 84,377 thousand (31 December 2013: TRL 84,218 thousand) presented in the financial statements, which are calculated on a separate entity basis for all companies included in the scope of consolidation.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 26 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)**

**b) Deferred income tax (continued):**

Based on the assessment made, the Group has not recognized any deferred tax assets over deductible temporary differences amounting to TRL 40,695 thousand (31 December 2013: TRL 37,578 thousand) as of 31 March 2014 considering available evidence with respect to the utilization of those assets in the foreseeable future.

Since each subsidiary and joint venture are separate taxpayers, net deferred income tax assets or liabilities for each of these taxpayers have been calculated; however these have not been offset in the consolidated balance sheets.

The movement of deferred income tax liabilities as of 31 March are as follows:

	<b>2014</b>	<b>2013</b>
As of 1 January	(74,590)	(74,971)
Current year deferred income tax (expense) / benefit	(1)	485
Deferred income tax liability accounted under equity resulting from increase in value of available-for-sale financial assets	8	4
<b>As of 31 March</b>	<b>(74,583)</b>	<b>(74,482)</b>

**NOTE 27 - EARNINGS PER SHARE**

	<b>1 January - 31 March 2014</b>	<b>1 January - 31 March 2013</b>
Net gain / (loss) attributable to equity holders of the Company	9,674	271
Weighted average number of ordinary shares with face value of Kr 1 each	54,820,800,000	54,820,800,000
<b>Basic and diluted earnings / (loss) per share (Kr)</b>	<b>0.0176</b>	<b>0.0005</b>

**NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

The Group is exposed to variety of financial risks due to its operations. These risks include credit risk, market risk (foreign exchange risk and interest rate risk) and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. Financial risk management is carried out by the Subsidiaries and Joint Ventures of the Group under policies approved by their own Boards of Directors.

**a) Credit risk**

The ownership of financial assets is exposed to the risk that the counterparty complies with contractual terms. These risks are managed by credit evaluation and distribution of the total risk of a single counterparty. Credit risk is distributed via the number of institutes that form the customer database and their different fields of business activities. The Group collects its receivables before their maturity with factoring practices, as may be required. This is an application parallel to irreversible risk management.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

**a) Credit risk (continued)**

Details of credit and receivable risk as of 31 March 2014 and 31 December 2013 are as follows:

31 March 2014	Trade receivables from		Other receivables from		Deposit in banks	Other(*)
	Related parties	Other	Related parties	Other		
<b>Maximum credit risk exposed as of balance sheet date (**)</b>	<b>15,178</b>	<b>222,076</b>	-	<b>4,826</b>	<b>684,695</b>	<b>3,072</b>
<b>- Secured portion of the maximum credit risk by guarantees (-)</b>	-	<b>59,716</b>	-	-	-	-
A. Net book value of financial assets that are neither past due not impaired	13,760	156,286	-	4,826	684,695	-
B. Carrying value of financial assets that are past due but not impaired (***)	1,418	65,790	-	-	-	3,072
C. Net book value of the impaired assets						
- Past due (gross carrying amount)	-	8,382	-	-	-	-
- Impairment (-)	-	(8,382)	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-	-
- Not overdue (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-

(\*) Item contains the financial assets measured at fair value and attributable to income statements.

(\*\*) The area implies the sum of A, B, C, and D. Amounts showing the maximum credit risk exposed as of balance sheet date by excluding guarantees in hand and other factors that increase the credit quality.

(\*\*\*) As of 31 March 2014, the aging explanations related with past due but not impaired assets indicated in the aging table of “Past due but not impaired trade receivables”.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

**a) Credit risk (continued)**

31 December 2013	Trade receivables from		Other receivables from		Deposit in banks	Other (*)
	Related parties	Other	Related parties	Other		
<b>Maximum credit risk exposed as of balance sheet date (**)</b>	<b>9,023</b>	<b>200,721</b>	-	<b>915</b>	<b>719,531</b>	<b>3,077</b>
<b>- Secured portion of the maximum credit risk by guarantees (-)</b>	-	<b>48,673</b>	-	-	-	-
A. Net book value of financial assets that are neither past due not impaired	9,007	178,690	-	915	719,531	-
B. Carrying value of financial assets that are past due but not impaired (***)	16	22,031	-	-	-	3,077
C. Net book value of the impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	8,061	-	-	-	-
- Impairment (-)	-	(8,061)	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-	-
- Not overdue (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-

(\*) Item contains the financial assets measured at fair value and attributable to income statements.

(\*\*) The area implies the sum of A, B, C, and D. Amounts showing the maximum credit risk exposed as of balance sheet date by excluding guarantees in hand and other factors that increase the credit quality.

(\*\*\*) As of 31 December 2013, the aging explanations related with past due but not impaired assets indicated in the aging table of “Past due but not impaired trade receivables”.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

## NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

## a) Credit risk (continued)

Details of the past due but not impaired receivables for the years ended at 31 March 2014 and 31 December 2013 are as follows:

31 March 2014	Trade receivables from		
	Related parties	Other	Other
Past due up to 30 days	981	19,930	-
Past due 1 - 3 months	426	30,578	-
Past due 3 - 12 months	11	13,102	-
Past due 1 - 5 year (*)	-	2,180	3,072
	<b>1,418</b>	<b>65,790</b>	<b>3,072</b>

31 December 2013	Trade receivables from		
	Related parties	Other	Other
Past due up to 30 days	16	5,373	-
Past due 1 - 3 months	-	13,864	-
Past due 3 - 12 months	-	2,789	-
Past due 1 - 5 year (*)	-	5	3,077
	<b>16</b>	<b>22,031</b>	<b>3,077</b>

(\*) The most of past due 1 - 5 year receivables consist of the legal authorities and the Group does not expect any recoverability risk on receivables.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

b) Liquidity risk

Liquidity risk management consists of the holding sufficient cash and cash equivalents, funding via loans and capability to close short positions. Additionally, the Group aims to maintain flexibility in funding by maintaining the availability of committed credit lines.

The analysis of the Group’s financial liabilities with respect to their maturities is as follows:

31 March 2014						
Financial liabilities (non-derivative)	Carrying value	Contractual cash outflows	Contractual terms			
			Up to 3 months	3 - 12 months	1 - 5 years	More than 5 years
Other financial liabilities	93,862	93,962	88,784	5,178	-	-
Trade payables due to related parties	115,635	115,928	115,928	-	-	-
Other trade payables	131,565	131,886	116,596	15,290	-	-
Other payables	1,925	1,925	1,925	-	-	-
<b>Total non-derivative financial liabilities</b>	<b>342,987</b>	<b>343,701</b>	<b>323,233</b>	<b>20,468</b>	-	-

31 December 2013						
Financial liabilities (non-derivative)	Carrying value	Contractual cash outflows	Contractual terms			
			Up to 3 months	3 - 12 months	1 - 5 years	More than 5 years
Other financial liabilities	65,353	65,642	59,146	6,496	-	-
Trade payables due to related parties	94,784	95,242	95,242	-	-	-
Other trade payables	147,152	146,461	139,687	6,774	-	-
Other payables due to related parties	38,166	38,166	38,166	-	-	-
Other payables	1,880	1,880	1,880	-	-	-
<b>Total non-derivative financial liabilities</b>	<b>347,335</b>	<b>347,391</b>	<b>334,121</b>	<b>13,270</b>	-	-

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

**c) Market risk**

**i) Cash flow and fair value interest rate risk**

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing liabilities and assets, these exposures are managed by offsetting interest rate sensitive assets and liabilities and using derivative instruments when considered necessary.

The Group is exposed to interest rate risk through floating interest rates bank borrowings. The Group is also exposed to fair value interest risk through fixed rate bank borrowings. As of 31 March 2014 and 31 December 2013, the Group’s financial liabilities with floating interest rates are TRL, USD and EUR denominated.

	<b>31 March 2014</b>	<b>31 December 2013</b>
<b>Financial instruments with fixed interest rates:</b>		
<b>Financial assets</b>		
- Cash and cash equivalents	684,741	719,594
- Fair value changes recognised in to profit and loss	488	2
<b>Financial liabilities</b>		
- Financial liabilities	93,862	65,353

As disclosed above the Group’s financial instruments have fixed interest rates. However as indicated in Note 7 and Note 28, related financial instruments maturities are 6 months or shorter. Therefore those financial instruments are interest sensitive and the impact on the profit or loss of 100 basis points change in the interest rates is as follows:

At 31 March 2014, if interest rates at contractual re-pricing dates of TRL denominated financial liabilities with variable interest rates has strengthened/weakened by 100 basis points (1%) against TRL with all other variables held constant, profit before tax would have been TRL 938 thousand (31 March 2013: TRL 550 thousand) higher / lower as a result of interest expenses.

**ii) Foreign exchange risk**

The Group is exposed to foreign exchange risk through conversion of liabilities to functional currency. The risks get under control via analysing foreign exchange positions.

The Group provides limited protection from foreign exchange risk by using derivative financial instruments to decrease exchange risk arise from balance sheet items, also to add value to foreign exchange investments of idle cash.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

## NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

## c) Market risk (continued)

## ii) Foreign exchange risk (continued)

The Group is exposed to foreign exchange rate risk mainly for EUR and USD, in this context, the exchange risk analyse related with main foreign currencies as follows:

	31 March 2014			
	Profit / loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>In case of 10% change in USD against TRL:</b>				
USD net asset / (liability)	27,393	(27,393)	27,393	(27,393)
Secured position (-)	-	-	-	-
<b>USD net effect</b>	<b>27,393</b>	<b>(27,393)</b>	<b>27,393</b>	<b>(27,393)</b>
<b>In case of 10% change in EUR against TRL:</b>				
EUR net asset / (liability)	36,881	(36,881)	36,881	(36,881)
Secured position (-)	-	-	-	-
<b>EUR net effect</b>	<b>36,881</b>	<b>(36,881)</b>	<b>36,881</b>	<b>(36,881)</b>
<b>In case of 10% change in other foreign exchange rates against TRL:</b>				
Other foreign currency net asset / (liability)	(1)	1	(1)	1
Secured position (-)	-	-	-	-
<b>Other foreign currencies net effect</b>	<b>(1)</b>	<b>1</b>	<b>(1)</b>	<b>1</b>
	<b>64,273</b>	<b>(64,273)</b>	<b>64,273</b>	<b>(64,273)</b>

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

**c) Market risk (continued)**

**ii) Foreign exchange risk (continued)**

	<b>31 December 2013</b>			
	<b>Profit / loss</b>		<b>Equity</b>	
	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>	<b>Appreciation of foreign currency</b>	<b>Depreciation of foreign currency</b>
<b>In case of 10% change in USD against TRL:</b>				
USD net asset / (liability)	23,538	(23,538)	23,538	(23,538)
Secured position (-)	-	-	-	-
<b>USD net effect</b>	<b>23,538</b>	<b>(23,538)</b>	<b>23,538</b>	<b>(23,538)</b>
<b>In case of 10% change in EUR against TRL:</b>				
EUR net asset / (liability)	24,064	(24,064)	24,064	(24,064)
Secured position (-)	-	-	-	-
<b>EUR net effect</b>	<b>24,064</b>	<b>(24,064)</b>	<b>24,064</b>	<b>(24,064)</b>
<b>In case of 10% change in other foreign exchange rates against TRL:</b>				
Other foreign currency net asset / (liability)	(1)	1	(1)	1
Secured position (-)	-	-	-	-
<b>Other foreign currencies net effect</b>	<b>(1)</b>	<b>1</b>	<b>(1)</b>	<b>1</b>
	<b>47,601</b>	<b>(47,601)</b>	<b>47,601</b>	<b>(47,601)</b>

TRL equivalents of assets and liabilities held by the Group denominated in foreign currency at 31 March 2014 and 31 December 2013 in consideration of foreign exchange rates are as follows:

	<b>31 March 2014</b>	<b>31 December 2013</b>
USD	2.1898	2.1343
EUR	3.0072	2.9365

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

**c) Market risk (continued)**

**ii) Foreign exchange risk (continued)**

The amounts of assets and liabilities denominated in original and foreign currencies and their TRL equivalents as of 31 March 2014 were as follows:

	<b>31 March 2014</b>			
	<b>Total TRL equivalent</b>	<b>Original amounts</b>		
		<b>USD</b>	<b>EUR</b>	<b>GBP</b>
Trade receivables	4,115	1,374	368	-
Monetary financial assets	676,803	130,965	129,694	-
<b>Current Assets</b>	<b>680,918</b>	<b>132,339</b>	<b>130,062</b>	<b>-</b>
Trade receivables	604	276	-	-
Monetary financial assets	2,326	1,062	-	-
<b>Non-current Assets</b>	<b>2,930</b>	<b>1,338</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>683,848</b>	<b>133,677</b>	<b>130,062</b>	<b>-</b>
Trade payables	31,919	4,405	7,398	7
Monetary other liabilities	8,618	3,904	23	-
<b>Current Liabilities</b>	<b>40,537</b>	<b>8,309</b>	<b>7,421</b>	<b>7</b>
Monetary other liabilities	604	276	-	-
<b>Non-current Liabilities</b>	<b>604</b>	<b>276</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>41,141</b>	<b>8,585</b>	<b>7,421</b>	<b>7</b>
Net asset / (liability) position of derivative financial assets (A-B)	-	-	-	-
A. Total amount of off-balance sheet derivative financial assets	-	-	-	-
B. Total amount of off-balance sheet derivative financial liabilities	-	-	-	-
<b>Net foreign currency asset / (liability) position</b>	<b>642,707</b>	<b>125,092</b>	<b>122,641</b>	<b>(7)</b>
<b>Net foreign currency asset / (liability) position of monetary items</b>	<b>642,707</b>	<b>125,092</b>	<b>122,641</b>	<b>(7)</b>
Fair value of hedged funds of foreign currency	-	-	-	-
Hedged amount of foreign currency assets	-	-	-	-
Hedged amount of foreign currency liabilities	-	-	-	-

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

**NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

**c) Market risk (continued)**

**ii) Foreign exchange risk (continued)**

The amounts of assets and liabilities denominated in original and foreign currencies and their TRL equivalents as of 31 December 2013 were as follows:

	<b>31 December 2013</b>			
	<b>Total TRL equivalent</b>	<b>Original amounts</b>		
		<b>USD</b>	<b>EUR</b>	<b>Other (*)</b>
Trade receivables	4,414	1,508	407	-
Monetary financial assets	539,788	128,561	90,380	-
<b>Current Assets</b>	<b>544,202</b>	<b>130,069</b>	<b>90,787</b>	<b>-</b>
Trade receivables	1,076	504	-	-
Monetary financial assets	2,768	1,297	-	-
<b>Non-current Assets</b>	<b>3,844</b>	<b>1,801</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>548,046</b>	<b>131,870</b>	<b>90,787</b>	<b>-</b>
Trade payables	30,336	2,137	8,775	2
Monetary other liabilities	40,599	18,941	59	-
<b>Current Liabilities</b>	<b>70,935</b>	<b>21,078</b>	<b>8,834</b>	<b>2</b>
Monetary other liabilities	1,076	504	-	-
<b>Non-current Liabilities</b>	<b>1,076</b>	<b>504</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>72,011</b>	<b>21,582</b>	<b>8,834</b>	<b>2</b>
Net asset / (liability) position of derivative financial assets	-	-	-	-
A. Total amount of off-balance sheet derivative financial assets	-	-	-	-
B. Total amount of off-balance sheet derivative financial liabilities	-	-	-	-
<b>Net foreign currency asset / (liability) position</b>	<b>476,035</b>	<b>110,288</b>	<b>81,953</b>	<b>(2)</b>
<b>Net foreign currency asset / (liability) position of monetary items</b>	<b>476,035</b>	<b>110,288</b>	<b>81,953</b>	<b>(2)</b>
Fair value of hedged funds of foreign currency	-	-	-	-
Hedged amount of foreign currency assets	-	-	-	-
Hedged amount of foreign currency liabilities	-	-	-	-

(\*) The amounts are presented in TRL since the original balances are denominated in various other currencies.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2014**

(Amounts expressed in thousand of Turkish Lira (“TRL”) unless otherwise indicated.)

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**NOTE 29 - SUBSEQUENT EVENTS**

In accordance with the CMB Communiqué (CMB), No.II- 14.1 “Principles of Financial Reporting in Capital Markets”, the Board of Directors have decided at the Ordinary General Assembly dated 15 April 2014 that distributable net profit for the year is TRL 55,161,497 in the consolidated financial statements audited and TRL 118,797,558 in the statutory financial statements. In distribution of the profit of 2013, net distributable period profit specified in consolidated financial reports which was prepared in accordance with the regulations of CMB, is based on in accordance with regulations of the CMB, article 26 of the Articles of Incorporation and “Profit Distribution Policy”. Accordingly, it has been decided that a dividend in the amount of TRL 52,627,968 corresponding to 9.6% of the issued capital of the Company be distributed and that the distribution commence on 6 May 2014.

**NOTE 30 - DISCLOSURE OF OTHER MATTERS, WITH MATERIAL EFFECT ON CONSOLIDATED  
FINANCIAL STATEMENTS, REQUIRED FOR THE PURPOSE OF UNDERSTANDING AND  
INTERPRETING THE FINANCIAL STATEMENTS**

A real estate project under the name “Ormanada” which is on the land in the province of Istanbul and in the district of Sarıyer/Zekeriyaköy with 50% ownership the Group and 50% ownership of Eczacıbaşı Holding A.Ş.; has an investment amount of approximately USD 300 million and the size of houses varies between 170 and 700 square meters with sales price range from USD 500 thousand to USD 2,2 million. Ormanada Project has created in collaboration with international knowledge and experience of Torti Gallas and Partners, Kreatif Mimarlık and Rainer Schmidt Landscape Architects. In the context of the contract signed with the Company’s subsidiary Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım A.Ş. and in its control, the project is outsourced to contractors or subcontractors chosen by one of the methods such as receiving tender on unit price or negotiation and lump-sum deal method. The number of houses is 273 which consists of 188 villa and 85 houses. The Project will be completed in two different phases; first phase consists of 150 units and second phase will consist of 123 unit. As of 31 March 2014, in the first phase, 104 units were sold and sales agreements were signed by sales connection for 59 units included in the second phase. The project is continuing in two different phases. The delivery of the units located in the first phase has been started from April 2013 and 104 units were delivered as of 31 March 2014. The delivery of the units located in the second phase has been started from December 2013 and 30 units were delivered as of 31 March 2014. Ormanada Project’s infrastructure works (construction of roads, electricity, water, sewer, natural gas, telephone, etc.) and top structure works (construction of buildings) have been determined and has started its activities and continues construction process as planned.