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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2012 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT (ORIGINALLY ISSUED IN TURKISH)

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2012

To the Board of Directors of
EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş.
Istanbul

We have audited the accompanying consolidated financial statements of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and its subsidiaries (together, the "Group") which comprise the consolidated financial position as of 31 December 2012 and the related consolidated statement of income, consolidated statement of comprehensive income, changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for financial statements

The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards endorsed by the Capital Markets Board of Turkey ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with financial reporting standards endorsed by the CMB.

Without qualifying our opinion, we would like to draw attention to the following matter:

As disclosed in Note 18, based on the inspections performed by tax auditors of Ministry of Finance, Büyük Mükellefler Tax Administration has levied TRL 27,838 thousand (the Group's share is TRL 13,919 thousand) of tax base and penalty for 2007 and TRL 19,820 thousand (the Group's share is TRL 9,910 thousand) of tax base and penalty for 2008 via tax/penalty notifications with respect to inspection reports on VAT refund of services purchased in 2007 and 2008 by Eczacıbaşı Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş..

Considering the pending appeal process filed in Council of State for the notifications related to year 2006 and legal proceedings for alternative processes of application for settlement to Commission for Tax Settlements in the Ministry of Finance within the context of Tax Procedure Law or filing a lawsuit, no provision has been provided for years 2007 and 2008 since the results of these legal proceedings could not be estimated reliably.

Istanbul, 12 April 2013

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

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Originally issued and signed in Turkish

Hüseyin Gürer
Partner, SMMM

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2012 AND 2011

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

	Notes	31 December 2012	31 December 2011
ASSETS			
Current assets			
Cash and cash equivalents	7	711, 576	761,996
Financial investments	8	372	1,404
Trade receivables			
- Due from related parties	29	761	601
- Other trade receivables	10	246,933	201,496
Other receivables		280	804
Inventories	12	192,012	135,819
Other current assets	11	26,812	10,001
Total current assets		**1,178,746**	**1,112,121**
Non-current assets			
Trade receivables			
- Other trade receivables	10	2,970	5,700
Other receivables		683	67
Financial investments	8	1,755,762	1,463,931
Investments accounted for using equity method	13	16,851	14,816
Investment properties	14	196,663	200,358
Property, plant and equipment	15	101,172	79,013
Intangible assets	16	50,471	26,846
Goodwill	17	75,954	35,731
Deferred income tax assets	27	9,577	8,082
Other non-current assets	11	91,223	85,102
Total non-current assets		**2,301,326**	**1,919,646**
Total assets		**3,480,072**	**3,031,767**

The consolidated financial statements as of and for the year ended 31 December 2012 were approved for issue by the Board of Directors on 12 April 2013 and signed on its behalf by Bülent Avcı, Finance Manager and by Gülnur Günbey Kartal, Internal Audit Manager. The consolidated financial statements are subject to approval of the General Assembly.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2012 AND 2011

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

	Notes	31 December 2012	31 December 2011
LIABILITIES			
Current liabilities			
Financial liabilities			
- Other financial liabilities	9	88,533	51,918
Trade payables			
- Due to related parties	29	98,907	111,595
- Other trade payable	10	131,951	94,767
Other payables	11	1,480	1,382
Current income tax liabilities	27	1,181	1,074
Provisions	18	14,791	1,398
Provisions for employee benefits	19	6,976	6,743
Other current liabilities	11	95,696	35,550
Total current liabilities		**439,515**	**304,427**
Non-current liabilities			
Financial liabilities			
- Other financial liabilities	9	12,974	12,404
Trade payables			
- Due to related parties	29	1,414	4,422
Provisions for employee benefits	19	10,650	7,478
Deferred income tax liabilities	27	86,726	68,061
Other non-current liabilities	11	21,903	17,771
Total non-current liabilities		**133,667**	**110,136**
EQUITY			
Share capital	20	548,208	548,208
Adjustments to share capital	20	105,777	105,777
Financial assets fair value reserve		1,528,836	1,248,552
Restricted reserves	20	258,084	248,754
Cumulative translation reserve		1,877	1,383
Retained earnings		384,261	359,902
Net profit for the year		32,689	88,510
Attributable to equity holders of the Company		**2,859,732**	**2,601,086**
Non-controlling interests		**47,158**	**16,118**
Total equity		**2,906,890**	**2,617,204**
Total liabilities and equity		**3,480,072**	**3,031,767**

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	2012	2011
Net sales	21	1,087,267	973,552
Cost of sales (-)	21	(828,198)	(712,133)
Gross profit		**259,069**	**261,419**
Marketing, selling and distribution expenses (-)	22	(154,514)	(136,493)
General administrative expenses (-)	22	(109,199)	(101,101)
Research and development expenses (-)	22	(704)	(139)
Other operating income	24	62,803	4,484
Other operating expenses (-)	24	(35,189)	(17,468)
Operating profit		**22,266**	**10,702**
Share of profit / (loss) of associates	13	323	(16,975)
Financial income	25	110,285	191,196
Financial expenses (-)	26	(88,235)	(63,719)
Profit before tax		**44,639**	**121,204**
Current income tax charge (-)	27	(10,798)	(32,687)
Deferred income tax benefit	27	1,349	1,864
Net profit for the year		**35,190**	**90,381**
Attributable to			
- Non-controlling interests		2,501	1,871
- Equity holders of the parent	28	32,689	88,510
Net profit for the year		**35,190**	**90,381**
Weighted average number of ordinary shares with face value of Kr 1 each		54,820,800,000	54,820,800,000
Basic and diluted earnings per share (Kr)	**28**	**0.06**	**0.16**

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	2012	2011
Net profit for the year		**35,190**	**90,381**
Other comprehensive income / (expense)			
Changes in financial assets' fair value reserve	8	292,611	186,802
Changes in currency translation differences		1,289	(926)
Group's share in the associates' comprehensive income	13	2,025	5,888
Tax expenses of other comprehensive income items (-)	27	(14,636)	(9,340)
Other comprehensive income (after tax)		**281,289**	**182,424**
Total comprehensive income		**316,479**	**272,805**
Attributable to			
- Non-controlling interests		3,012	1,788
- Equity holders of the parent		313,467	271,017
Total comprehensive income		**316,479**	**272,805**

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

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

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

	Equity attributable to equity holders of the Company									
	Share capital	**Adjustments to share capital**	**Financial assets' fair value reserve**	**Restricted reserves**	**Cumulative translation reserve**	**Retained earnings**	**Net profit for the year**	**Total**	**Non controlling interests**	**Total equity**
1 January 2011	**548,208**	**105,777**	**1,069,322**	**245,415**	**(1,894)**	**341,322**	**60,380**	**2,368,530**	**18,781**	**2,387,311**
Transfers	-	-	-	3,339	-	57,041	(60,380)	**-**	-	**-**
Dividends paid	-	-	-	-	-	(38,375)	-	**(38,375)**	(4,451)	**(42,826)**
Effect of change in the effective ownership of associates (Note 13)	-	-	-	-	-	(86)	-	**(86)**	-	**(86)**
Total comprehensive income	-	-	179,230	-	3,277	-	88,510	**271,017**	1,788	**272,805**
31 December 2011	**548,208**	**105,777**	**1,248,552**	**248,754**	**1,383**	**359,902**	**88,510**	**2,601,086**	**16,118**	**2,617,204**
1 January 2012	**548,208**	**105,777**	**1,248,552**	**248,754**	**1,383**	**359,902**	**88,510**	**2,601,086**	**16,118**	**2,617,204**
Transfers	-	-	-	9,330	-	79,180	(88,510)	**-**	-	**-**
Capital increases	-	-	-	-	-	-	-	**-**	32,208	**32,208**
Dividends paid	-	-	-	-	-	(54,821)	-	**(54,821)**	(4,180)	**(59,001)**
Total comprehensive income	-	-	280,284	-	494	-	32,689	**313,467**	3,012	**316,479**
31 December 2012	**548,208**	**105,777**	**1,528,836**	**258,084**	**1,877**	**384,261**	**32,689**	**2,859,732**	**47,158**	**2,906,890**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	2012	2011
Cash flows from operating activities:			
Net profit before tax		44,639	121,204
Adjustments:			
Depreciation and amortisation	14, 15, 16	20,517	20,659
Provision for employment termination benefits and actuarial loss	19, 22	4,170	2,293
Provision for unused vacation	19, 22	1,688	1,802
Provision for doubtful receivables	10, 22	3,262	1,472
Gain on sale of property, plant and equipment and intangible assets, net	24	(6,196)	(403)
Provision for diminution in value of inventories, net	12, 24	7,326	6,882
Group's share in the associates' (profits) / loss, net	13	(323)	16,975
Profit from the sale of the shares of joint venture	24	(49,499)	-
Interest and credit finance income, net	25, 26	(33,428)	(46,163)
Value decrease of financial investments	26	1,073	1,530
Accruals for salaries and premiums	11	1,704	367
Provision for litigations	18	17,894	791
Dividend income	25	(7,941)	(4,146)
Unrealised foreign exchange loss / (income)		22,829	(88,617)
Expense accruals	11	3,520	1,751
Derivative financial instruments accruals	9	334	1,387
Changes in working capital:			
Trade receivables		(30,954)	(14,929)
Due from and due to related parties, net		(23,951)	47,647
Inventories		(58,404)	(46,508)
Trade payables		27,330	34,771
Other current assets and liabilities, net		39,854	29,212
Other non-current assets and liabilities, net		(10,671)	(29,919)
Effect of unrealized FX gain/losses on other working capital		(82)	(1,711)
Net cash provided from operations		**(25,309)**	**56,347**
Taxes paid		(14,256)	(32,915)
Charge paid for legal cases	18	(5,500)	-
Employment termination benefits paid	19	(1,344)	(2,154)
Unused vacation payments	19	(1,571)	(1,002)
Collections of doubtful receivables	10, 24, 29	243	72
Net cash provided from operating activities		**(47,737)**	**20,348**
Investing activities:			
Purchases of property, plant and equipment and intangible assets	14, 15, 16	(36,615)	(28,542)
Proceeds from sale of property, plant and equipment and intangible assets	14, 15, 16, 23, 24	8,935	4,836
Acquisition of joint venture shares	17.a	(6,582)	(4,178)
Sale of joint venture shares	24	58,780	-
Acquisition of shares of subsidiary	17.b	(51,733)	-
Capital advance payments to associates	13	(54)	(814)
Changes in financial assets	8	1,812	785
Net cash used in investing activities		**(25,457)**	**(27,913)**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	2012	2011
Financing activities:			
Changes in bank loans		31,115	17,120
Interest and credit finance charges paid		(18,239)	(7,305)
Interest received		52,411	53,780
Dividends received	13, 25	8,308	4,320
Dividends paid to non-controlling interest		(4,180)	(4,451)
Contribution of non-controlling interests for capital increases		32,208	-
Dividends paid		(54,821)	(38,375)
Cash disbursements for derivative instruments		(361)	-
Net cash provided from financing activities		**46,441**	**25,089**
Net (decrease) / increase in cash and cash equivalents		**(26,753)**	**17,524**
Cash and cash equivalents at the beginning of the year	7	760,076	653,895
Exchange gains on cash and cash equivalents		(22,923)	88,657
Cash and cash equivalents at the end of the year	**7**	**710,400**	**760,076**

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

The Company's registered address is as follows:

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

The Company is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been quoted on the Borsa Istanbul A.Ş. ("BIST") since 1990. As of 31 December 2012, 27.63% of total shares are quoted on the BIST (31 December 2011: 29.16%). The ultimate parent company of the Group is Eczacıbaşı Holding A.Ş., which possesses 50.62% (31 December 2011: 50.62%) shares of the Company as of 31 December 2012 (Note 20).

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

Subsidiaries

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

Companies accounted by line by line consolidation:

Subsidiaries	Nature of business	Segment
EİP Eczacıbaşı İlaç Pazarlama A.Ş. ("EİP")	Marketing and selling of pharmaceuticals	Health
Eczacıbaşı İlaç Ticaret A.Ş. ("EİT")	Marketing and selling of pharmaceuticals	Health
Eczacıbaşı İlaç (Cyprus) Ltd. ("Eczacıbaşı Cyprus") (*)	Marketing and selling of pharmaceuticals	Health
EHP Eczacıbaşı Health Care Products Joint Stock Co. ("EHP") (*)	Marketing and selling of pharmaceuticals	Health
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.

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (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 Bozluolçay and Şükrü Bozluolçay	Health
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş. ("ESK")	Sale of personal care products	Hans Schwarzkopf GmbH & Co. KG	Personal care
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş. ("EBC") (*)	Sale of personal care products	Beiersdorf AG	Personal care

(*) The Group has sold all shares in EBC to its partner Beiersdorf AG on 27 December 2012 (Note 24).

Associates

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Accounting policies

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

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards.

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

2.1 Accounting policies (Continued)

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

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

The Additional Clause 1 of the Law No: 2499 is annulled by publishment of the Statutory Decree No: 660, which has been become effective by publishing in the Official Gazette on 2 November 2011 and Public Oversight, Accounting and Audit Standards Authority (the "Authority") was established. As per Provisional Article 1 of the Statutory Decree, applicable laws and standards will continue to apply and be effective until the publishment of new standards and regulations by the Authority. Accordingly, as of the date of this report this change has not any effect on the "Basis of Preparation of Financial Statements" Note disclosed in the accompanying financial statements.

EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and its subsidiaries operating in Turkey maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in TRL in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and accounting principles issued by the CMB. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards. These consolidated financial statements have been prepared by taking into consideration the historical costs except for the financial investments which are accounted for at their fair values.

Preparing financial statements in accordance with IFRS requires taking important decisions by management during setting Group accounting policies. Significant assumptions and estimates used during the preparation of consolidated financial statements are presented in Note 3.29.

2.2 Financial statements of foreign subsidiaries

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

2.3 Group accounting

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

a) The consolidated financial statements include the accounts of the parent company, EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. (the "Parent") its Subsidiaries, Joint Ventures and Associates (together referred to as the "Group"). The financial statements of the companies included in the consolidation have been prepared based on the accounting policies and presentation formats adopted by the Group in accordance with the CMB Financial Reporting Standards. Results of the operations of the Subsidiaries, Joint Ventures and Associates are either included in or excluded from the consolidation from the date of their acquisition or disposal, respectively.

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

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

2.3 Group accounting (continued)

b) Subsidiaries are companies in which EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. has power to control the financial and operating policies for the benefit of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. either through the power to exercise more than 50% of the voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and/or by certain Eczacıbaşı Family members and companies whereby EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. exercises control over the voting rights of (but does not have the economic benefit of) the shares held by them or although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies. Proportion of ownership interest represents the effective shareholding of the Group through the shares held by EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and indirectly by its Subsidiaries.

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

Subsidiaries	Proportion of voting power held by the Company and its Subsidiaries (%)		Proportion of voting power held by Eczacıbaşı Family members (%)		Total proportion of voting power held (%)		Total proportion of ownership interests (%)	
	2012	2011	2012	2011	2012	2011	2012	2011
EIP	99.94	99.94	0.02	0.02	99.96	99.96	99.93	99.93
EIT	99.80	99.80	-	-	99.80	99.80	99.82	99.82
Eczacıbaşı Cyprus	100.00	100.00	-	-	100.00	100.00	99.96	99.96
EHP	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Eczacıbaşı Girişim (*)	48.13	48.13	8.00	8.00	56.13	56.13	48.13	48.13
Eczacıbaşı Gayrimenkul	99.49	99.49	0.02	0.02	99.51	99.51	99.49	99.49

(*) The subsidiaries consolidated in the financial statements of Eczacıbaşı Girişim are as follows:

	Direct and indirect control of Eczacıbaşı Girişim (%)		Total proportion of ownership interests of Eczacıbaşı Girişim (%)	
	2012	2011	2012	2011
Ataman İlaç Kozmetik Kimya San. ve Tic. A.Ş. ("Ataman İlaç") (*)	100.00	-	100.00	-
Ataman Ecza ve Itriyat Deposu San. ve Tic. A.Ş. ("Ataman Ecza") (*)	100.00	-	100.00	-

(*) Acquisition details of the Group for these subsidiaries are disclosed in Note 17. These companies operate in wet wipes market.

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

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

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

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

2.3 Group accounting (continued)

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

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

Joint Ventures	Proportion of voting power held by the Company and its Subsidiaries (%)		Proportion of voting power held by Eczacıbaşı Family members (%)		Total proportion of voting power held (%)		Total proportion of ownership interests (%)	
	2012	2011	2012	2011	2012	2011	2012	2011
EBC (*)	-	50.00	-	-	-	50.00	-	50.00
EBX (**)	50.00	50.00	-	-	50.00	50.00	50.00	50.00
Eczacıbaşı-Monrol (***)	50.00	50.00	-	-	50.00	50.00	50.00	50.00
ESK	47.00	47.00	-	-	47.00	47.00	47.00	47.00

(*) The Group has sold all shares in EBC to its partner Beiersdorf AG on 27 December 2012 (Note 24).

(**) The subsidiaries consolidated in the financial statements of EBX are as follows:

	Direct and indirect control of EBX (%)		Total proportion of ownership interests (%)	
	2012	2011	2012	2011
RTS Renal Tedavi Hizmetleri Sanayi ve Ticaret A.Ş. ("RTS Renal")	100.00	100.00	60.00	60.00
Transmed Diyaliz ve Tıbbi Hizmetler Ticaret A.Ş. ("Transmed")	100.00	100.00	60.00	60.00
Ren-Tıp Özel Sağlık Hizmetleri Ltd. Şti. ("Ren-Tıp")	100.00	100.00	60.00	60.00
RTS İzmit Renal Tedavi Hizmetleri A.Ş. ("RTS İzmit")	100.00	100.00	60.00	60.00
RTS Gaziantep Renal Tedavi Hizmetleri A.Ş. ("RTS Gaziantep") (i)	-	100.00	-	60.00
RTS Antalya Renal Tedavi Hizmetleri A.Ş. ("RTS Antalya")	100.00	100.00	60.00	60.00
Özel Deva Sağlık Gıda Otomotiv Eğitim A.Ş. ("Özel Deva")	100.00	100.00	60.00	60.00
Meltem Diyaliz Yazılım Sağlık Eğitim İhracat A.Ş. ("Meltem Diyaliz") (i)	-	100.00	-	60.00
Onur Diyaliz Hizmetleri A.Ş. ("Onur Diyaliz")	99.95	99.95	59.99	59.99
Renal Tedavi Sistemleri A.Ş. ("Renal")	99.40	99.40	59.64	59.64
Güneydoğu Özel Sağlık Hizmetleri Ltd. Şti. ("Özel Güneydoğu")	85.00	85.00	51.00	51.00
Almet Sağlık Hizmetleri Ticaret A.Ş. ("Almet")	80.00	80.00	48.00	48.00
RTS Beyhekim Renal Tedavi Servisleri A.Ş. ("RTS Beyhekim")	80.00	80.00	48.00	48.00
Özel Başar Tıp Teşhis ve Tedavi Kliniği Hizmetleri A.Ş. ("Özel Başar")	79.98	79.98	47.98	47.98
RTS Seyhan Renal Tedavi Hizmetleri A.Ş. ("RTS Seyhan")	73.00	73.00	43.80	43.80

(i) The disposals of shares for these subsidiaries are disclosed in Note 24.

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

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

2.3 Group accounting (continued)

(***) The subsidiaries consolidated in the financial statements of Eczacıbaşı-Monrol are as follows:

	Country in that subsidiary operates	Direct and indirect control of Eczacıbaşı-Monrol (%)		Total proportion of ownership interests of Eczacıbaşı-Monrol (%)	
		2012	2011	2012	2011
Monrol Poland Ltd.	Poland	100.00	100.00	100.00	100.00
Monrol Europe S.R.L	Romania	100.00	100.00	100.00	100.00
Moleküler Görüntüleme A.Ş.	Turkey	100.00	100.00	100.00	100.00
Monrol Egypt Ltd.	Egypt	100.00	100.00	100.00	100.00
Monrol Bulgaria Ltd. (*)	Bulgaria	100.00	-	100.00	-
Eczacıbaşı Monrol - Jordan (*)	Jordan	100.00	-	100.00	-
Capintec, Inc. (**)	USA	100.00	-	100.00	-

(*) Established in 2012.
(**) Acquisition details of the Group for this subsidiary are disclosed in Note 17.

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

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

Associates	Proportion of voting power held by the Company and its Subsidiaries (%)		Proportion of voting power held by Eczacıbaşı Family members (%)		Total proportion of voting power held (%)		Total proportion of ownership interests (%)	
	2012	2011	2012	2011	2012	2011	2012	2011
ESH	48.35	48.35	-	-	48.35	48.35	48.35	48.35
Ekom	26.36	26.36	1.72	1.72	28.08	28.08	26.36	26.36
Vitra Karo (*)	25.00	25.00	0.92	0.92	25.92	25.92	25.00	25.00

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

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

2.3 Group accounting (continued)

(*) The subsidiaries consolidated in the financial statements of Vitra Karo are as follows:

	Country in that subsidiary operates	Direct or indirect control of Vitra Karo (%)	
		2012	2011
Engers Keramik Gmbh & Co. KG	Germany	100.00	100.00
Engers Keramik Verwaltungs GmbH	Germany	100.00	100.00
Vitra Plitka	Russia	100.00	100.00
Vitra Ireland Ltd.	Ireland	89.36	89.36
Villeroy & Boch Fliesen GmbH	Germany	90.00	90.00
ZAO Vitra Bath and Tiles JSC	Russia	50.00	50.00

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

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

2.4 Comparatives

In order to allow for the determination of the financial situation and performance trends, the Group's consolidated financial statements have been presented comparatively with the previous period. Comparative figures are reclassified, where necessary, to conform to the changes in the presentation in the current period consolidated financial statements.

2.5 Offsetting

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

2.6 Adoption of new and revised standards

a) Amendments to IFRSs affecting presentation and disclosures only

None.

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

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

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

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

2.6 Adoption of new and revised standards (continued)

b) New and Revised IFRSs applied with no material effect on the consolidated financial statements (continued)

Amendments to IAS 12 Deferred Taxes - Recovery of Underlying Assets

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

Amendments to IFRS 7 Disclosures - Transfers of Financial Assets

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

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

c) New and Revised IFRSs in issue but not yet effective

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

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

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

2.6 Adoption of new and revised standards (continued)

c) New and Revised IFRSs in issue but not yet effective (continued)

The amendments to IFRS 7 require an entity to disclose information about rights of offset and related agreements for financial instruments under an enforceable master netting agreement or similar arrangement. The new disclosures are required for annual or interim periods beginning on or after 1 January 2013.

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

Key requirements of IFRS 9 are described as follows:

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

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

IFRS 9 was amended to defer the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 to annual periods beginning on or after 1 January 2015. Prior to the amendments, application of IFRS 9 was mandatory for annual periods beginning on or after 1 January 2013. The amendments continue to permit early application. The amendments modify the existing comparative transition disclosures in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: Disclosures. Instead of requiring restatement of comparative financial statements, entities are either permitted or required to provide modified disclosures on transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9 depending on the entity's date of adoption and whether the entity chooses to restate prior periods.

The Group Management anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

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

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

2.6 Adoption of new and revised standards (continued)

c) New and Revised IFRSs in issue but not yet effective (continued)

In June 2012, the IASB issued Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). The transition guidance amends IFRS 10, 11 and 12 to provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

Key requirements of these five standards are described below:

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

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

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Group Management anticipates that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards will have significant impact on amounts reported in the consolidated financial statements. Under IFRS 11, a jointly controlled entity may be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. The Group management expects the following effects for adoption of these five standards:

	Current application as of 31 December 2011	Application of equity method for joint ventures	Revised application as of 31 December 2011
Total assets	3,031,767	(75,776)	2,955,991
Total liabilities	414,563	(72,383)	342,180
Equity attributable to equity holders of the Company	2,601,086	-	2,601,086
Non-controlling interests	16,118	(3,393)	12,725

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

2.6 Adoption of new and revised standards (continued)

c) New and Revised IFRSs in issue but not yet effective (continued)

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

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Group's Management anticipates that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

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

The amendments to IAS 1 as part of the Annual Improvements to IFRSs 2009 / 2011 Cycle which were issued in May 2012 are effective for the annual periods beginning on or after 1 January 2013. IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The Group's Management anticipates that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Groups' defined benefit plans. However, the Group Management has not yet performed a detailed analysis of the impact of the application of the amendments and hence has not yet quantified the extent of the impact.

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

2.6 Adoption of new and revised standards (continued)

c) New and Revised IFRSs in issue but not yet effective (continued)

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). Under the Interpretation, the costs from this waste removal activity (stripping) which provide improved access to ore is recognized as a non-current asset (stripping activity asset) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

IFRIC 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply IFRIC 20 for the first time. However, IFRIC 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The Group Management anticipates that IFRIC 20 will have no effect to the Group's consolidated financial statements as the Group does not engage in such activities.

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. The amendments to IAS 32 are effective until annual periods beginning on or after 1 January 2014.

Annual Improvements to IFRSs 2009 / 2011 Cycle

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

- IAS 16 *Property, Plant and Equipment - Classification of maintenance materials*
- IAS 32 *Financial Instruments: Presentation - Clarification on tax effect of distributions to holders of an equity in accordance with IAS 12 Income Taxes*

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

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

Amendments are effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents and statement of cash flows

Cash and cash equivalents comprise cash in hand, bank deposits and short-term investments, which can easily be converted into cash for a known amount, and which have high liquidity and insignificant conversion risk with maturities of three months or less (Note 7). Cash flow statements as an integral part of other financial statements are prepared to inform financial statement users about changes in group net assets, financial structure and capability to direct the amount and timing of cash flows in accordance with changing conditions.

3.2 Trade receivables and provision for doubtful receivables

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

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

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

3.3 Credit finance income/expenses

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

3.4 Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by/or affiliated with them, Joint Ventures and Subsidiaries are considered and referred to as related parties (Note 29).

3.5 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average out basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, inventory is written down to net realizable value and expense is included in statement of income/(loss) in the period in which the write-down or loss occurred. When circumstances that previously caused inventories discounted to net realizable value no longer exist or when there is clear evidence of an increase in net realizable value because of the changes in economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the initial write-down (Note 12).

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial assets

The Group classifies its financial assets in two groups:

"Financial assets at fair value through profit or loss" are financial assets that are acquired or incurred principally for the purpose of selling or repurchasing it in the near term or, regardless of purpose, are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Financial assets at fair value through profit or loss are initially recognised at cost, being the fair value of the consideration given including directly attributable transaction costs and are subsequently measured at fair value. The gains or losses that result from this measurement are recognised in consolidated statement of income (Note 8).

"Financial assets available for sale", intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates are classified as available-for-sale. These financial assets are included in non-current assets unless management has the intention of holding the investment for less than 12 months from the balance sheet date, or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its financial assets at the time of the purchase and re-evaluates such designation on a regular basis (Note 8).

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

The fair values of quoted investments are calculated based on current market prices. If the financial asset is not traded in an active market, the Group establishes fair value by using valuation techniques. These valuation techniques include the use of recent arm's length transactions or reference to other instruments that are substantially the same and discounted cash flow analysis considering the specific conditions of the company invested in (Note 8).

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Business combinations and goodwill

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

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

i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

ii) liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

iii) assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Business combinations and goodwill (continued)

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

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

3.8 Investment properties

Buildings and land held to earn rent or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property (Note 14). Investment properties are carried at cost less accumulated depreciation. Investment properties (except land) are depreciated on a straight-line basis.

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

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

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

Investment properties are reviewed for impairment losses and when the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount of the investment property is the higher of the asset's net selling price or value in use.

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Property, plant and equipment and related depreciation

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

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

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

Land is not depreciated due to having infinite useful life.

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

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

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

3.10 Intangible assets and amortisation

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

Customer relationships	25 years
Trademark	15 - 50 years
Licences	10 years
Computer software's and other rights	2 - 15 years

These intangibles are amortised based on the estimates regarding the economic benefits that will be provided to the Group in the future periods.

3.11 Taxes

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Taxes (continued)

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

Deferred income tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised (Note 27).

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

3.12 Financial liabilities

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

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

3.13 Leases

Finance leases

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

Operational leases

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

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

Operational leases - Group as the lessor

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Employment termination benefits

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

3.15 Foreign currency transactions

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

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

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

3.16 Revenue recognition

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

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

3.17 Share capital and dividends

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

3.18 Research and development costs

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Borrowing costs

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

3.20 Provisions, contingent assets and liabilities

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

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in financial statements and treated as contingent assets or liabilities (Note 18).

3.21 Government grants

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

3.22 Financial instruments

Fair value of the financial instruments

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

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange (Notes 3.6 and 8).

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

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

Monetary assets

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

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Financial instruments (continued)

Fair value of the financial instruments (continued)

Monetary liabilities

The fair values of short-term bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. Foreign currency denominated long-term borrowings is measured at amortised values discounted with the effective interest rates in the consolidated financial statements.

3.23 Segment reporting

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

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

3.24 Earnings per share

Earnings per share disclosed in the consolidated statements of income are determined by dividing net profit for the period by the weighted average number of shares that have been outstanding during the period. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares are regarded as issued shares. Accordingly, when calculating the weighted average number of shares to be used in earnings per share computations, the retroactive effect of such bonus shares is taken into consideration for comparative purposes (Note 28).

3.25 Events after the balance sheet date

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

3.26 Derivatives

Derivatives, primarily options and foreign currency forward contracts, are initially recognised at acquisition cost including the transaction fees on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The fair value of forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated in reference to the market interest rates of the related currency for the remaining period of the contract. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives at fair value through profit or loss are included in the consolidated income statement.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.27 Impairment of assets

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

3.28 Changes in accounting policies, accounting estimates and errors

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

3.29 Management's estimates

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

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

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

In accordance with the accounting policy for the intangible assets which have indefinite useful lives and goodwill, these assets are reviewed for impairment annually or whenever events or changes in circumstances indicate impairment by the Group. The recoverable amounts of the cash-generating units are determined using the method of value in use. Certain estimates were used in these calculations. Impairment was not identified as a result of these tests. The effect of 10% negative deviation in the estimates used in calculations does not cause impairment in goodwill as of 31 December 2012.

b) Fair values of the available for sale financial assets

The Group estimates the fair values of financial assets which are not traded in an active market by referencing to similar undisputed transactions, fair values of similar financial instruments and using discounted cash flow analysis. As a result, the estimates used in the analysis, may not be indicative for the value that the Group may obtain in a current market transaction and actual values may significantly deviate from those estimates (Notes 3.6 and 8).

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

Group classifies VAT receivables as non-current assets when recovery of such receivables is estimated to take more than one year in the ordinary course of business (Note 11). The total VAT receivables amount to TRL 71,396 thousand as of 31 December 2012 (31 December 2011: TRL 59,817 thousand). VAT receivables amounting to TRL 52,355 thousand (31 December 2011: TRL 56,165 thousand) have been classified as long-term receivables.

NOTE 4 - BUSINESS COMBINATIONS

Refer to Note 17 (31 December 2011: Refer to Note 17).

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

NOTE 5 - JOINT VENTURES

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

Balance Sheets:	**31 December 2012**	**31 December 2011**
Current assets	119,003	127,649
Non-current assets	93,770	91,033
Total assets	**212,773**	**218,682**
Current liabilities	90,963	62,435
Non-current liabilities	22,620	20,594
Equity	99,190	135,653
Total liabilities and equity	**212,773**	**218,682**

Statements of Income:	**2012**	**2011**
Net sales	293,009	298,196
Cost of sales (-)	(193,017)	(181,498)
Gross profit	**99,992**	**116,698**
Operating expenses (-)	(128,183)	(110,844)
Operating (loss) / profit	**(28,191)**	**5,854**
Financial (expense) / income, net	(652)	431
(Loss) / Profit before tax	**(28,843)**	**6,285**
Taxes (-)	(770)	(1,853)
Net (loss) / profit for the year	**(29,613)**	**4,432**

NOTE 6 - SEGMENT REPORTING

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

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

The Group continues to operate primarily in three reportable segments as of 31 December 2012:

1. Health:

Production and sale of human health and veterinary medicine.

2. Personal care:

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

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

NOTE 6 - SEGMENT REPORTING (Continued)

3. Real estate development:

Kanyon:

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

Ormanada project:

On 31 December 2007, the Company acquired half of the 22 pieces of land (half of them have been sold) with a total area of 196,409.74 m² in Yorgancı Çiftliği Mevkii, Uskumru Mahallesi, Sarıyer district in Istanbul. The remaining half belongs to Eczacıbaşı Holding A.Ş. The aforementioned real estates are apt for residential and partially trade centre development and construction. Total planned construction area amounts to 90 thousand m². Architectural practices with various architecture 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 12).

Ayazağa facilities leased to EBX:

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

Eczacıbaşı Gayrimenkul:

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

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

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

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

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

Segment assets and liabilities as of 31 December:

	31 December 2012		31 December 2011	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Health	274,385	(172,195)	292,356	(114,537)
Personal care	373,954	(192,354)	198,009	(165,319)
Real estate development	387,932	(118,427)	311,623	(62,970)
Undistributed	2,443,801	(90,206)	2,229,788	(71,746)
Inter-segment elimination	-	-	(9)	9
Total	**3,480,072**	**(573,182)**	**3,031,767**	**(414,563)**

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

NOTE 6 - SEGMENT REPORTING (Continued)

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

1 January - 31 December 2012	Health	Personal care	Real estate development	Undistributed	Inter-segment elimination	Total
Capital expenditures (Notes 14, 15, 16 and 17)	10,196	65,148	1,979	-	-	**77,323**
Non-cash expenses:						
- Depreciation and amortisation (Notes 14, 15 and 16)	11,600	2,776	6,141	-	-	**20,517**
- Provision for diminution in value of inventories (Note 12)	4,503	2,823	-	-	-	**7,326**
- Provision for employment termination benefits (Note 19)	2,815	1,355	-	-	-	**4,170**
- Provision for unused vacation (Note 19)	553	947	188	-	-	**1,688**
- Expense accruals (Note 11)	3,191	329	-	-	-	**3,520**
- Provision for doubtful receivables (Note 22)	1,561	1,701	-	-	-	**3,262**
- Provision for litigations (Note 18)	17,894	-	-	-	-	**17,894**
- Accruals for salaries and premiums (Note 11)	1,704	-	-	-	-	**1,704**
	43,821	**9,931**	**6,329**	**-**	**-**	**60,081**
1 January - 31 December 2011						
Capital expenditures (Notes 14, 15, 16 and 17)	24,021	3,853	3,825	-	-	**31,699**
Non-cash expenses:						
- Depreciation and amortisation (Notes 14, 15 and 16)	12,548	2,066	6,045	-	-	**20,659**
- Provision for diminution in value of inventories (Note 12)	2,519	4,363	-	-	-	**6,882**
- Provision for employment termination benefits (Note 19)	2,240	(4)	57	-	-	**2,293**
- Provision for unused vacation (Note 19)	643	1,057	102	-	-	**1,802**
- Expense accruals (Note 11)	513	1,238	-	-	-	**1,751**
- Provision for doubtful receivables (Note 22)	1,472	-	-	-	-	**1,472**
- Provision for litigations (Note 18)	791	-	-	-	-	**791**
- Accruals for salaries and premiums (Note 11)	367	-	-	-	-	**367**
	21,093	**8,720**	**6,204**	**-**	**-**	**36,017**

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

NOTE 6 - SEGMENT REPORTING (Continued)

Segment results as of 31 December:

1 January - 31 December 2012	**Health**	**Personal care**	**Real estate development**	**Undistributed**	**Inter-segment elimination**	**Total**
Total sales	331,232	751,241	157,575	15	-	**1,240,063**
Elimination of sales within the Group (-)	(3,466)	(90,689)	(58,616)	-	(25)	**(152,796)**
Sales to third parties	327,766	660,552	98,959	15	(25)	**1,087,267**
Cost of sales (-)	(215,830)	(547,144)	(65,246)	-	22	**(828,198)**
Gross profit / (loss)	**111,936**	**113,408**	**33,713**	**15**	**(3)**	**259,069**
Marketing, sales and distribution expenses (-)	(76,740)	(69,503)	(8,272)	-	1	**(154,514)**
General administrative expenses (-)	(68,396)	(31,911)	(2,040)	(6,855)	3	**(109,199)**
Research and development expenses (-)	(704)	-	-	-	-	**(704)**
Other operating income	3,540	59,084	178	1	-	**62,803**
Other operating expenses (-)	(20,797)	(13,949)	(7)	(436)	-	**(35,189)**
Operating profit / (loss)	**(51,161)**	**57,129**	**23,572**	**(7,275)**	**1**	**22,266**
1 January - 31 December 2011						
Total sales	338,856	662,428	69,037	61	-	**1,070,382**
Elimination of sales within the Group (-)	(4,476)	(76,179)	(16,142)	-	(33)	**(96,830)**
Sales to third parties	334,380	586,249	52,895	61	(33)	**973,552**
Cost of sales (-)	(204,355)	(485,615)	(22,196)	-	33	**(712,133)**
Gross profit / (loss)	**130,025**	**100,634**	**30,699**	**61**	**-**	**261,419**
Marketing, sales and distribution expenses (-)	(74,438)	(54,461)	(7,471)	(128)	5	**(136,493)**
General administrative expenses (-)	(68,448)	(25,973)	(557)	(6,124)	1	**(101,101)**
Research and development expenses (-)	(139)	-	-	-	-	**(139)**
Other operating income	3,022	1,125	271	72	(6)	**4,484**
Other operating expenses (-)	(10,743)	(6,390)	(16)	(319)	-	**(17,468)**
Operating profit / (loss)	**(20,721)**	**14,935**	**22,926**	**(6,438)**	**-**	**10,702**

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

NOTE 6 - SEGMENT REPORTING (Continued)

	2012	2011
Operating profit related to operating segments	29,540	17,140
Undistributed expenses (-)	(7,275)	(6,438)
Inter-segment elimination	1	-
Profit / (loss) shares from associates	323	(16,975)
Financial income	110,285	191,196
Financial expenses (-)	(88,235)	(63,719)
Profit before tax	**44,639**	**121,204**

NOTE 7 - CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Cash in hand	72	75
Banks	711,395	761,866
- demand deposits	7,093	5,213
- time deposits	704,302	756,653
Other liquid assets	109	55
	711,576	**761,996**

Maturities of time deposits are as follows:

Less than 1 month	520,824	634,366
1 to 3 months	190,571	127,500
	711,395	**761,866**

Interest rates for TRL denominated time deposits vary between 5.25% and 9.70% (31 December 2011: 7.00% - 13.00%), whereas interest rates for foreign currency denominated time deposits vary between 1.00% and 4.70% (31 December 2011: 4.75% - 6.10%). The weighted average interest rates per annum for TRL, USD and EUR denominated time deposits are 8.61%, 3.12% and 3.26%, respectively (31 December 2011: 11.57%, 5.49% and 5.15%).

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

	31 December 2012	31 December 2011
Cash and cash equivalents	711,576	761,996
Interest accruals (-)	(1,176)	(1,920)
	710,400	**760,076**

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

NOTE 8 - FINANCIAL ASSETS

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

	31 December 2012	31 December 2011
Financial assets at fair value through profit and loss	372	1,404
Financial assets, current	**372**	**1,404**
Financial assets available-for-sale	1,752,570	1,459,959
Financial assets at fair value through profit and loss	3,192	3,972
Financial assets, non-current	**1,755,762**	**1,463,931**

IFRS 7 explains the classifications of valuation techniques.

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

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

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

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

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

31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	-	372	-	372
Financial assets, current	**-**	**372**	**-**	**372**
Financial assets available-for-sale	250,812	242,329	1,259,429	1,752,570
Financial assets at fair value through profit and loss	-	3,192	-	3,192
Financial assets, non-current	**250,812**	**245,521**	**1,259,429**	**1,755,762**

31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	-	1,404	-	1,404
Financial assets, current	**-**	**1,404**	**-**	**1,404**
Financial assets available-for-sale	127,360	242,529	1,090,070	1,459,959
Financial assets at fair value through profit and loss	-	3,972	-	3,972
Financial assets, non-current	**127,360**	**246,501**	**1,090,070**	**1,463,931**

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

NOTE 8 - FINANCIAL ASSETS (Continued)

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

	2012	**2011**
As of 1 January	1,090,070	919,188
Total revenue recognised in other comprehensive income	150,262	190,069
Disposals	32,844	-
Transitions from Level 3 to other levels (-)	(13,747)	(19,187)
As of 31 December	**1,259,429**	**1,090,070**

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

Financial assets at fair value through profit or loss include funds invested in two international investment banks and domestic liquid funds.

The Company management has decided to transfer the assets in portfolio accounts considering their maturities and liquidity, to banks in Turkey in the second half of 2008. As of 31 December 2009, a significant portion of the funds have been transferred to banks in Turkey and transfer of remaining part of the funds is in progress. Total fair value of funds not yet transferred is TRL 3,564 thousand as of 31 December 2012 (31 December 2011: TRL 5,376 thousand). As of 31 December 2012, Group estimates to transfer TRL 372 thousand (31 December 2011: TRL 1,404 thousand) of these funds within 2013 and the remaining TRL 3,192 thousand (31 December 2011: TRL 3,972 thousand) after 2013. TRL 3,564 thousand (31 December 2011: TRL 5,376 thousand) of the aforementioned funds are in the funds in North America.

b) Available-for-sale financial assets:

Long-term available-for-sale financial assets:

The following reconciles the long-term available-for-sale financial assets at the beginning and end of the year:

	2012	**2011**
As of 1 January	1,459,959	1,273,157
Total income accounted in other comprehensive income	292,611	186,802
As of 31 December	**1,752,570**	**1,459,959**

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

NOTE 8 - FINANCIAL ASSETS (Continued)

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

Long-term available-for-sale financial assets (continued):

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

Listed:	**31 December 2012**	**%**	**31 December 2011**	**%**
Eczacıbaşı Yatırım Ortaklığı A.Ş. (*)	3,812	15	2,961	15
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş. (*)	920	2	824	2
Türkiye İş Bankası A.Ş. (*)	32	<1	30	<1
Ak Enerji Elektrik Üretim A.Ş. (*) (**)	<1	<1	<1	<1
Eczacıbaşı Yapı Gereçleri Sanayi ve Ticaret A.Ş.(*) (**)	<1	<1	<1	<1
	4,764		**3,815**	
Not listed:				
Eczacıbaşı Holding A.Ş. (*****)	1,747,158	37	1,455,444	37
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş. (****)	552	14	521	14
Eczacıbaşı Menkul Değerler A.Ş. (****)	68	1	151	1
Others (***)	28		28	
	1,747,806		**1,456,144**	
Total	**1,752,570**		**1,459,959**	

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

(**) Market prices of Ak Enerji Elektrik Üretim A.Ş. and Eczacıbaşı Yapı Gereçleri Sanayi ve Ticaret A.Ş as of 31 December 2012 are TRL 165 (31 December 2011: TRL 185) and TRL 857 (31 December 2011: TRL 433), respectively.

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

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

(*****) As of 31 December 2012 and 2011 the acquisition cost of Eczacıbaşı Holding A.Ş. shares including the restatement effect due to inflation accounting is TRL 153,320 thousand. In fair value determination, the methods shown below are used:

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

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

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

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

NOTE 8 - FINANCIAL ASSETS (Continued)

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

	Proportion of ownership interests of Eczacıbaşı Holding A.Ş. (%) (*)		Fair value measurement method (**)		Fair value hierarchy (**)	
Entity Name	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
EİS Eczacıbaşı İlaç Sınai ve Finansal Yatırımlar San. ve Tic. A.Ş.	64.60	62.76	(I)	(I)	(I)	(I)
Eczacıbaşı Yapı Gereçleri San. ve Tic. A.Ş.	90.52	84.55	(II)	(II)	Level 1	Level 1
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş.	58.74	56.11	(II)	(II)	Level 1	Level 1
Eczacıbaşı Yatırım Ortaklığı A.Ş.	26.70	24.98	(II)	(II)	Level 1	Level 1
Esan Eczacıbaşı Endüstriyel Hammaddeleri San. ve Tic. A.Ş.	99.96	99.96	(III)	(III)	Level 3	Level 3
Eczacıbaşı Bilişim San. ve Tic. A.Ş.	94.90	94.59	(III)	(III)	Level 3	Level 3
Vitra Karo San. ve Tic. A.Ş.	88.76	88.26	(III)	(III)	Level 3	Level 3
Engers Keramik GmbH & Co Kg	88.76	88.26	(III)	(III)	Level 3	Level 3
Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri San. ve Tic. A.Ş.	78.96	74.08	(III)	(III)	Level 3	Level 3
EİP Eczacıbaşı İlaç Pazarlama A.Ş.	64.60	62.76	(III)	(III)	Level 3	Level 3
Eczacıbaşı Portföy Yönetimi A.Ş.	64.57	60.36	(III)	(III)	Level 3	Level 3
Eczacıbaşı Menkul Değerler A.Ş.	64.57	60.36	(III)	(III)	Level 3	Level 3
İpek Kağıt San. ve Tic. A.Ş.	99.35	49.31	(III)	(III)	Level 3	Level 3
Villeroy & Boch Fliesen GmbH	66.57	66.19	(III)	(III)	Level 3	Level 3
Kaynak Tekniği San. ve Tic. A.Ş.	43.88	42.71	(III)	(III)	Level 3	Level 3
E-Kart Elektronik Kart Sistemleri San. ve Tic. A.Ş.	38.37	37.04	(III)	(III)	Level 3	Level 3
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	33.01	32.10	(III)	(III)	Level 3	Level 3
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler San. ve Tic. A.Ş.	-	31.38	-	(III)	-	Level 3
Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş.	32.30	31.38	(III)	(III)	Level 3	Level 3
Eczacıbaşı-Monrol Nükleer Ürünler San. ve Tic. A.Ş.	32.30	31.38	(III)	(III)	Level 3	Level 3
Capintec, Inc.	32.30	-	(IV)	-	Level 2	-
Ataman İlaç Kozmetik Kimya San. ve Tic. A.Ş. ve Ataman Ecza ve İtriyat Deposu San. ve Tic. A.Ş.	78.96	-	(IV)	-	Level 2	-
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	3.98	3.86	(V)	(V)	Level 3	Level 3
Eczacıbaşı Havacılık A.Ş.	89.59	86.98	(V)	(V)	Level 3	Level 3
Eczacıbaşı Sağlık Hizmetleri A.Ş.	83.21	81.12	(V)	(V)	Level 3	Level 3
Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım A.Ş.	64.76	62.93	(V)	(V)	Level 3	Level 3
Eczacıbaşı İlaç Ticaret A.Ş.	64.64	62.80	(V)	(V)	Level 3	Level 3
Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.	64.32	60.07	(V)	(V)	Level 2	Level 2
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	50.00	50.00	(V)	(V)	Level 3	Level 3
Toplu Konut Holding A.Ş.	27.00	27.00	(V)	(V)	Level 3	Level 3
Ekom Eczacıbaşı Dış Ticaret A.Ş.	88.26	87.70	(V)	(V)	Level 3	Level 3
Vitra Bad GmbH	100.00	100.00	(VI)	(VI)	Level 3	Level 3
Vitra UK Limited	96.62	96.46	(VI)	(VI)	Level 3	Level 3
Vitra Ireland Limited	86.19	85.74	(VI)	(VI)	Level 3	Level 3
Vitra Plitka	88.75	88.26	(VI)	(VI)	Level 3	Level 3

NOTE 8 - FINANCIAL ASSETS (Continued)

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

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

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

(I) In the fair value measurement of Eczacıbaşı Holding, for the stand-alone fair value of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş., the effect of the cross ownership with Eczacıbaşı Holding has been taken into consideration. The following have been taken into account in the related stand-alone fair value determination:

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

In this context, the fair value has been calculated as TRL 1,365,621 thousand as of 31 December 2012 (31 December 2011: TRL 1,274,064 thousand). As of 31 December 2012, market/stock value of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. amounts to TRL 1,096,416 thousand (31 December 2011: TRL 986,774 thousand).

(II) The securities measured at market values are valued by the strike prices as at 31 December 2012 and 31 December 2011 on BIST. As of 31 December 2012 and 31 December 2011 there are no financial instruments listed in another stock exchange market.

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

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

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

During performing company valuations, risk-free return rates, risk premiums and borrowing costs are determined. If as of 31 December 2012 the calculated weighted average cost of capital had been higher by 10%, the fair value would have been lower by TRL 120,719 thousand (31 December 2011: lower by TRL 89,649 thousand). If the average cost of capital had been lower by 10%, the fair value would have been higher by TRL 149,463 thousand (31 December 2011: higher by TRL 111,414 thousand). After calculating average cost of capital, the discount rates are determined by using "debt/equity" ratio, average cost of capital and cost of equity ratio. In this context, the discount rates used for companies of which the functional unit of currency is TRL vary between 7.3% - 11.7% (31 December 2011: 8.7% - 12.7%), whereas the discount rates used for companies of which the functional unit of currency is EUR 7.5% (31 December 2011: 5.6% - 5.8%).

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

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

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

NOTE 8 - FINANCIAL ASSETS (Continued)

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

The fair value of Eczacıbaşı Holding has been calculated by multiplying the proportion of ownership interest of Eczacıbaşı Holding with the fair values calculated, using the methods explained above, for each company. The calculation summary of the amount shown in the consolidated financial statements as of 31 December is as follows:

	31 December 2012	31 December 2011
Total fair value of Eczacıbaşı Holding (*)	4,185,580	3,518,261
The share of the Group within the total fair value of Eczacıbaşı Holding (**)	1,560,428	1,311,644
The effect of cross ownership	495,053	400,642
Fair value before liquidity discount	**2,055,481**	**1,712,286**
Liquidity discount (-)	(308,323)	(256,842)
Fair value of the Group in consolidated financials	**1,747,158**	**1,455,444**

(*) Reflects the amount multiplied with the total proportion of ownership interests.
(**) As of 31 December 2012 the direct capital share of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. within Eczacıbaşı Holding totals to 37.28% (31 December 2011: 37.28%).

As presented in the table above, the share of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. in the fair value of Eczacıbaşı Holding before liquidity discount amounting to TRL 2,055,481 thousand (31 December 2011: TRL 1,712,286 thousand) has been calculated by using the fair value of Eczacıbaşı Holding amounting to TRL 4,185,580 thousand (31 December 2011: TRL 3,518,261 thousand) by multiplying this fair value with EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş.'s proportion of ownership interest in Eczacıbaşı Holding equalling 37.28% and amounting to 31 December 2012 TRL 1,560,428 thousand (31 December 2011: TRL 1,311,644 thousand) and adding the effect of cross ownership between EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and Eczacıbaşı Holding amounting to TRL 495,053 thousand (31 December 2011: TRL 400,642 thousand). The fair value presented in consolidated financial statements amounting to TRL 1,747,158 thousand (31 December 2011: TRL 1,455,444 thousand) has been calculated by deducting the liquidity discount at the rate of 15% from this amount.

The effect of a 10% change in liquidity discount rate on the fair value of the financial instruments valued by discounted cash-flow method is calculated as TRL 205,548 thousand as of 31 December 2012 (31 December 2011: TRL 171,223 thousand).

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

NOTE 9 - FINANCIAL LIABILITIES

	31 December 2012			31 December 2011		
	Effective interest rate per annum (%) (**)	**Original amount**	**TL**	**Effective interest rate per annum (%) (**)**	**Original amount**	**TRL**
TRL denominated bank borrowings	6.65 - 14.80	-	72,306	10.60 - 15.00	-	18,983
EUR denominated bank borrowings	Euribor + 1.75 - 2.50	4,435	10,430	Euribor + 1.75 - 2.50	2,726	6,661
USD denominated bank borrowings	Libor + 1.75 - 2.00	3,065	5,463	Libor + 1.75 - 2.00	1,306	2,467
Short-term bank borrowings			**88,199**			**28,111**
Factoring liabilities (*)	-	-	-	-	-	22,420
Derivatives	-	-	334	-	-	1,387
Total short-term financial liabilities			**88,533**			**51,918**
TRL denominated bank borrowings	7.5 - 13.25	-	1,165	10.60	-	142
EUR denominated bank borrowings	Euribor + 2.50	2,369	5,570	Euribor + 2.50	3,725	9,102
USD denominated bank borrowings	Libor + 2.00	3,500	6,239	Libor + 2.00	1,673	3,160
Total long-term financial liabilities			**12,974**			**12,404**
Total financial liabilities			**101,507**			**64,322**

(*) As at 31 December 2012, the Group has endorsed none of its receivables to a factoring company (31 December 2011: TRL 22,420 thousand). As of 31 December 2011, these endorsed receivables are included both in trade receivables (Note 10) and financial liabilities.

(**) Annual weighted interest rates of TRL, USD and EUR denominated short-term bank borrowings are respectively 9.70%, 4.32% and 2.99% (31 December 2011: 14.01%, 5.45% and 4.61%). Annual weighted interest rate of TRL, USD and EUR denominated long-term bank borrowings is 11.52%, 4.32% and 2.99% (31 December 2011: 10.60%, 5.45% and 4.15%).

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

NOTE 9 - FINANCIAL LIABILITIES (Continued)

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

Year	31 December 2012	31 December 2011
Between 1 - 2 years	6,542	6,927
Between 2 - 3 years	4,310	2,524
Between 3 - 4 years	1,552	1,383
Between 4 - 5 years	570	1,295
5 years and thereafter	-	275
Total	**12,974**	**12,404**

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

	31 December 2012	31 December 2011
6 months and less	101,173	62,935
Total	**101,173**	**62,935**

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables:

Short-term trade receivables:	31 December 2012	31 December 2011
Trade receivables	201,707	172,211
Notes receivables	58,347	39,759
	260,054	**211,970**
Deferred credit finance income (-)	(1,241)	(1,808)
Provision for doubtful receivables (-)	(11,880)	(8,666)
Short-term trade receivables, net	**246,933**	**201,496**

As of 31 December 2012, long-term trade receivables amounting to TRL 2,916 thousand (31 December 2011: TRL 5,658 thousand) 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 70 days (31 December 2011: 64 days) and TRL denominated trade receivables are amortised at 5.79% per annum (31 December 2011: 9.90%).

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

NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

a) Trade receivables (continued):

As of 31 December 2012, trade receivables do not include any receivables endorsed to a factoring company (31 December 2011: TRL 22,420 thousand). As of 31 December 2011, these receivables are included both in trade receivables and financial liabilities, as the collection risk regarding these endorsed trade receivables belongs to the Group.

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

	2012	2011
As of 1 January	8,666	7,532
Current year additions (Note 22)	3,262	1,472
Collections (Notes 24, 29)	(243)	(72)
Reversal of provisions	(808)	(266)
Subsidiary acquisition effect	1,700	-
Subsidiary disposal effect	(697)	-
As of 31 December	**11,880**	**8,666**

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

b) Trade payables:

Short-term trade payables	31 December 2012	31 December 2011
Trade payables	124,454	95,251
Note payables	7,938	-
Deferred credit finance expenses (-)	(441)	(484)
Short-term trade payables, net	**131,951**	**94,767**

Average maturity of the Group's payables is 97 days (31 December 2011: 73 days) and TRL denominated trade payables are amortised at 6.00% per annum (31 December 2011: 10.22%), EUR denominated trade payables are amortised at 0.61% per annum (31 December 2011: 1.20%) and USD denominated payables are amortised at 0.51% per annum (31 December 2011: 0.50%).

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

Other current assets	31 December 2012	31 December 2011
VAT receivables (Note 3.29.c)	19,041	3,652
Income accruals	3,168	1,392
Prepaid taxes and withholding taxes	2,566	1,598
Prepaid expenses	1,229	2,166
Advances given	158	1,041
Others	650	152
	26,812	**10,001**

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

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

Other non-current assets	31 December 2012	31 December 2011
VAT receivables (Not 3.29.c)	52,355	56,165
Advances given for purchase of property, plant and equipment	24,340	26,026
Blocked amount due to subsidiary acquisition payables	7,500	-
Prepaid taxes under construction activities	5,470	1,999
Prepaid expenses	929	846
Others	629	66
	91,223	**85,102**

Short-term other liabilities	31 December 2012	31 December 2011
Deposits and collaterals received	984	1,095
Others	496	287
	1,480	**1,382**

Other current liabilities	31 December 2012	31 December 2011
Deposits and collaterals received (*)	80,595	25,212
Taxes payable	6,391	6,630
Expense accruals	3,516	1,751
Accruals for salaries and premiums	1,704	367
Income accruals	1,474	228
Due to personnel	1,165	985
VAT payable	369	-
Others	482	377
	95,696	**35,550**

Other non-current liabilities	31 December 2012	31 December 2011
Advances received (*)	10,753	17,693
Deferred considerations due to subsidiary acquisition (Note 17.b)	7,500	-
Unearned revenue	3,646	6
Expense accruals	4	72
	21,903	**17,771**

(*) As of 31 December 2012, 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 80,050 thousand (31 December 2011: TRL 25,205 thousand) is also related to the down payments received from clients for the same abovementioned project.

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

NOTE 12 - INVENTORIES

	31 December 2012	31 December 2011
Raw materials and supplies	20,356	15,977
Work in progress	158	1,278
Finished goods	10,331	11,924
Merchandise	24,599	26,483
Scrap goods	2,167	2,067
Other inventories	3,925	1,842
Goods in transit	7,558	12,714
Lands (*)	132,194	70,679
	201,288	**142,964**
Provision for diminution in value of inventories (-)	(9,276)	(7,145)
	192,012	**135,819**

(*) The lands in inventories refers to the land purchased by the Group in Zekeriyaköy as part of real estate development activities and project development costs incurred amounting to TRL 95,157 thousand (31 December 2011: TRL 33,642 thousand).

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

	2012	2011
As of 1 January	7,145	6,822
Current year additions (Note 24)	7,326	6,882
Reversals (-)	(2,641)	(335)
Inventories destroyed	(2,473)	(6,224)
Subsidiary disposal effect	(81)	-
As of 31 December	**9,276**	**7,145**

NOTE 13 - INVESTMENTS IN ASSOCIATES

Associates	31 December 2012	31 December 2011
Ekom	16,634	13,910
ESH	217	906
Vitra Karo	-	-
	16,851	**14,816**

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

NOTE 13 - INVESTMENTS IN ASSOCIATES (Continued)

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

	2012	2011
As of 1 January	14,816	25,349
Group's share in the associate's (loss) /profit	323	(16,975)
Decreases due to sales of associate's shares	-	(86)
Dividend payments	(367)	(174)
Capital advance payments	54	814
Change in the fair value of available-for-sale financial assets	2,820	1,685
Increases due to currency translation differences	(795)	4,203
As of 31 December	**16,851**	**14,816**

The Group's share in the assets, liabilities, net sales and current year results of the Associates as of 31 December are presented below:

	2012				
Associates	Assets	Liabilities	Net sales	Net profit / (loss) for the year	Total proportion of ownership interest (%)
Ekom	1,055,306	992,203	930,753	598	26.36
Vitra Karo	724,482	775,314	680,692	472	25.00
ESH	5,396	4,948	19,970	(747)	48.35
				323	

	2011				
Associates	Assets	Liabilities	Net sales	Net profit / (loss) for the year	Total proportion of ownership interest (%)
Ekom	1,010,781	958,028	771,040	460	26.36
Vitra Karo	695,109	700,765	645,858	(17,207)	25.00
ESH	5,502	3,628	19,048	(228)	48.35
				(16,975)	

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

NOTE 14 - INVESTMENT PROPERTIES

Cost	**1 January 2012**	**Additions**	**Disposals**	**31 December 2012**
Kanyon	226,841	1,913	-	228,754
Buildings	7,584	30	(85)	7,529
Lands and land improvements	204	-	-	204
	234,629	**1,943**	**(85)**	**236,487**
Accumulated depreciation				
Kanyon	27,119	5,485	-	32,064
Buildings	7,069	75	(11)	7,133
Lands and land improvements	83	4	-	87
	34,271	**5,564**	**(11)**	**39,824**
Carrying amount	**200,358**			**196,663**

Cost	**1 January 2011**	**Additions**	**Disposals**	**31 December 2011**
Kanyon	224,091	2,750	-	226,841
Buildings	7,208	376	-	7,584
Lands and land improvements	523	-	(319)	204
	231,822	**3,126**	**(319)**	**234,629**
Accumulated depreciation				
Kanyon	22,828	4,291	-	27,119
Buildings	5,674	1,395	-	7,069
Lands and land improvements	127	4	(48)	83
	28,629	**5,690**	**(48)**	**34,271**
Carrying amount	**203,193**			**200,358**

As of 31 December 2012, fair value of Kanyon is approximately TRL 538 million (31 December 2011: TRL 450 million), which is calculated from net present value of estimated rent income of Kanyon shopping centre and office complex.

For the year ended period 31 December 2012, total rent income of Kanyon shopping centre and office complex is amounted to TRL 42,587 thousand (31 December 2011: TRL 37,638 thousand) and repair and maintenance expense of the related period is amounted to TRL 155 thousand (31 December 2011: TRL 225 thousand).

As of 31 December 2012 and 31 December 2011, there are no pledges or liens on Group's investment property.

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

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

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

Cost	1 January 2012	Additions	Disposals	Effect of subsidiary acquisition	Effect of subsidiary disposal	Transfers (*)	31 December 2012
Lands and land improvements	7,892	168	(1,051)	-	-	27	7,036
Buildings	27,978	12,479	(774)	-	-	6,822	46,505
Machinery, plant and equipment	92,690	2,847	(1,890)	8,865	-	4,880	107,392
Motor vehicles	2,174	81	(146)	1,481	(21)	-	3,569
Furniture and fixtures	22,568	1,831	(2,310)	2,439	(582)	2,183	26,129
Construction in progress (**)	9,918	11,659	(78)	-	-	(14,378)	7,121
Leasehold improvements	14,016	355	(286)	2,069	(277)	24	15,901
Other tangible assets	10,499	496	(304)	-	(815)	68	9,944
	187,735	**29,916**	**(6,839)**	**14,854**	**(1,695)**	**(374)**	**223,597**
Accumulated depreciation							
Land improvements	158	15	(7)	-	-	-	166
Buildings	7,084	842	(201)	-	-	-	7,725
Machinery, plant and equipment	64,478	5,865	(1,578)	5,202	-	-	73,967
Motor vehicles	1,525	231	(58)	983	(7)	-	2,674
Furniture and fixtures	15,839	2,053	(2,163)	2,087	(411)	-	17,405
Leasehold improvements	10,127	762	(214)	761	(219)	-	11,217
Other tangible assets	9,511	396	(270)	-	(366)	-	9,271
	108,722	**10,164**	**(4,491)**	**9,033**	**(1,003)**	**-**	**122,425**
Carrying amount	**79,013**						**101,172**

(*) As of 31 December 2012, TRL 374 thousand has been transferred from property, plant and equipment to intangible assets (Note 16).
(**) Construction in progress are composed of the Eczacıbaşı-Monrol's foreign subsidiaries' factory constructions of the production facility

Allocation of depreciation expenses is as follows: TRL 4,822 thousand in cost of goods sold, TRL 2,692 thousand in general and administrative expenses, TRL 147 thousand in research and development expenses and TRL 2,503 thousand in marketing, sales and distribution expenses.

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

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, plant and equipment acquired under finance leases have been fully depreciated at 31 December 2012 (31 December 2011: TRL 866 thousand).

	31 December 2011		
	Historical Cost	**Accumulated depreciation**	**Carrying amount**
Machinery, plant and equipment	7,542	(6,676)	866
Motor vehicles	288	(288)	-
Furniture and fixtures	151	(151)	-
	7,981	**(7,115)**	**866**

As disclosed in Note 18, as a consequence of the pending appeal process with respect to the investigation reports of tax auditors of Ministry of Finance on VAT refund of services purchased by EBX, declarations of property, plant and equipment are made separately to the relevant tax administrations and all items included in declarations are pledged as collaterals. The Group's share on carrying amounts of theses tangible and intangible assets is TRL 46,677 thousand.

Except for the ones disclosed above, there are no pledges or liens on Group's property, plant and equipment as of 31 December 2012 and 31 December 2011.

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

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Cost	1 January 2011	Additions	Disposals	Effect of subsidiary acquisition	Transfers (*)	31 December 2011
Land and land improvements	5,445	2,346	-	-	101	7,892
Buildings	25,795	452	(17)	-	1,748	27,978
Machinery, plant and equipment	89,727	2,798	(2,086)	531	1,720	92,690
Motor vehicles	3,000	251	(1,087)	10	-	2,174
Furniture and fixtures	20,841	2,542	(1,338)	160	363	22,568
Construction in progress (**)	5,694	8,455	(482)	379	(4,128)	9,918
Leasehold improvements	13,823	229	(1,074)	942	96	14,016
Other tangible assets	10,130	583	(214)	-	-	10,499
	174,455	**17,656**	**(6,298)**	**2,022**	**(100)**	**187,735**
Accumulated depreciation						
Land improvements	141	17	-	-	-	158
Buildings	6,542	549	(7)	-	-	7,084
Machinery, plant and equipment	59,742	5,753	(1,207)	190	-	64,478
Motor vehicles	2,292	290	(1,061)	4	-	1,525
Furniture and fixtures	14,920	1,691	(839)	67	-	15,839
Leasehold improvements	9,713	1,073	(881)	222	-	10,127
Other tangible assets	9,084	542	(115)	-	-	9,511
	102,434	**9,915**	**(4,110)**	**483**	**-**	**108,722**
Carrying amount	**72,021**					**79,013**

(*) As of 31 December 2011, TRL 100 thousand has been transferred from intangible assets to property, plant and equipment (Note 16).

(**) Construction in progress are composed of the Eczacıbaşı-Monrol's factory construction in Romania amounting to TRL 4,996 thousand and Eczacıbaşı Monrol's construction of the production facility in Antalya amounting to TRL 3,685 thousand.

Allocation of depreciation expenses is as follows: TRL 5,125 thousand in cost of goods sold, TRL 2,383 thousand in general and administrative expenses, TRL 67 thousand in research and development expenses and TRL 2,340 thousand in marketing, sales and distribution expenses.

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

NOTE 16 - INTANGIBLE ASSETS

Cost	1 January 2012	Additions	Disposals	Subsidiary purchase effect	Subsidiary sale effect	Transfers (*)	31 December 2012
Customer relations, licences and royalty	20,901	-	-	23,382	-	-	44,283
Rights	6,065	778	(1)	1,073	-	662	8,577
Computer software	16,449	753	-	82	(1,957)	723	16,050
Other intangible assets	2,503	290	(320)	56	-	-	2,529
Construction in progress	6,641	2,935	-	-	-	(1,011)	8,565
	52,559	**4,756**	**(321)**	**24,593**	**(1,957)**	**374**	**80,004**
Accumulated amortisation							
Customer relations, licences and royalty	8,006	1,627	-	-	-	-	9,633
Rights	3,026	838	(1)	758	-	-	4,621
Computer software	11,275	2,091	-	82	(1,861)	-	11,587
Other intangible assets	3,406	233	(3)	56	-	-	3,692
	25,713	**4,789**	**(4)**	**896**	**(1,861)**	**-**	**29,533**
Carrying amount	**26,846**						**50,471**

(*) As of 31 December 2012, TRL 374 thousand has been transferred from property, plant and equipment to intangible assets (Note 15).

Allocation of amortisation charge is as follows: TRL 2,341 thousand in cost of goods sold, TRL 1,268 thousand in general and administrative expenses and TRL 1,180 thousand in marketing, sales and distribution expenses.

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

NOTE 16 - INTANGIBLE ASSETS (Continued)

Cost	1 January 2011	Additions	Disposals	Subsidiary purchase effect	Transfers (*)	31 December 2011
Customer relations, licences and royalty	20,901	-	-	-	-	20,901
Rights	4,575	645	(35)	142	738	6,065
Computer software	13,239	966	(16)	-	2,260	16,449
Construction in progress	3,581	6,066	(108)	-	(2,898)	6,641
Other intangible assets	4,302	83	(1,898)	16	-	2,503
	46,598	**7,760**	**(2,057)**	**158**	**100**	**52,559**
Accumulated amortisation						
Customer relations, licences and royalty	6,118	1,888	-	-	-	8,006
Rights	2,272	775	(35)	14	-	3,026
Computer software	9,656	1,632	(13)	-	-	11,275
Other intangible assets	2,677	759	(35)	5	-	3,406
	20,723	**5,054**	**(83)**	**19**	**-**	**25,713**
Carrying amount	**25,875**					**26,846**

(*) As of 31 December 2011, TRL 100 thousand has been transferred from intangible assets to property, plant and equipment (Note 15).

Allocation of amortisation charge is as follows: TRL 2,646 thousand in cost of goods sold, TRL 1,215 thousand in general and administrative expenses and TRL 1,193 thousand in marketing, sales and distribution expenses.

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

NOTE 17 - GOODWILL

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

	2012	**2011**
As of 1 January	35,731	32,574
Increases due to acquisitions in the period	40,708	3,157
Decreases due to disposals in the period (Note 24)	(485)	-
As of 31 December	**75,954**	**35,731**

Transactions in 2012

a) In the context of IFRS 3, the Group's joint venture, Eczacıbaşı - Monrol Nükleer Sanayi ve Ticaret A.Ş., acquired whole shares of Capintec Inc. in December 2012 for an amount of TRL 15,544 thousand. The computation of the goodwill arose as result of this acquisition is presented below. This initial computation made based on the provisional amounts will be completed within twelve months following the acquisition date and if required, the goodwill will be adjusted from the acquisition date.

	Carrying Value	**Fair Value**
Current assets	11,170	11,170
Non-current assets	1,148	7,170
Current liabilities	(2,779)	(2,779)
Non-current liabilities	-	(2,409)
Total net assets	**9,539**	**13,152**
Total consideration		15,544
Goodwill (total)		**2,392**
The Group's participation rate to joint venture		49.998%
Goodwill (the Group's share)		**1,197**
Net cash paid for the acquisition of joint venture		
Cash consideration (the Group's share)		7,772
Cash and cash equivalents received (the Group's share)		(1,190)
Net cash outflow (the Group's share)		**6,582**

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

NOTE 17 - GOODWILL (Continued)

Transactions in 2012 (continued)

b) In the context of IFRS 3, the Group's subsidiary, Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri Sanayi ve Ticaret A.Ş., acquired whole shares of Ataman İlaç Kozmetik Kimya Sanayi ve Ticaret A.Ş. and Ataman Ecza ve İtriyat Deposu Sanayi ve Ticaret A.Ş. in November 2012 for an amount of TRL 60,616 thousand. The Group Management assesses these two subsidiaries as one cash generating unit. The computation of the goodwill arose as result of this acquisition is presented below. This initial computation made based on the provisional amounts will be completed within twelve months following the acquisition date and if required, the goodwill will be adjusted from the acquisition date.

	Carrying Value	Fair Value
Current assets	35,702	35,702
Non-current assets	7,083	27,455
Current liabilities	(37,282)	(37,282)
Non-current liabilities	(696)	(4,770)
Total net assets	**4,807**	**21,105**
Total consideration		60,616
Goodwill (total)		**39,511**
Net cash paid for the acquisition of subsidiary		
Cash consideration		60,616
Deferred considerations (Note 11)		(7,500)
Cash and cash equivalents received		(1,383)
Net cash outflow		**51,733**

Transactions in 2011

c) In the context of IFRS 3, the Group's joint venture, Eczacıbaşı - Monrol Nükleer Sanayi ve Ticaret A.Ş., acquired %99.999947 shares of Moleküler Görüntüleme Ticaret ve Sanayi A.Ş. on 29 July 2011 for an amount of TRL 8,400 thousand. The computation of the goodwill arose as result of this acquisition is presented below.

	Carrying Value	Fair Value
Current assets	211	211
Non-current assets	3,455	3,455
Current liabilities	(1,052)	(1,052)
Non-current liabilities	(529)	(529)
Total net assets	**2,085**	**2,085**
Total consideration		8,400
Goodwill (total)		**6,315**
The Group's participation rate to joint venture		49.998%
Goodwill (the Group's share)		**3,157**
Net cash paid for the acquisition of subsidiary		
Cash consideration (the Group's share)		4,200
Cash and cash equivalents received (the Group's share)		(22)
Net cash outflow (the Group's share)		**4,178**

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

NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions:

	31 December 2012	31 December 2011
Provision for litigations	13,614	1,398
Provision for revision	1,150	-
Provision for guarantees	27	-
	14,791	**1,398**

Provision for litigations:

The Group has provided provision for the lawsuits filed against the Group in the amount of TRL 13,614 thousand (31 December 2011: TRL 1,398 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:

	2012	2011
As of 1 January	1,398	738
Charge for the period (Note 24)	17,894	791
Payments in the period	(5,500)	-
Subsidiary purchase effect	181	-
Reversal of provision	(359)	(131)
As of 31 December	**13,614**	**1,398**

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.

NOTE 18 - 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 31 December 2007 (continued):

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 26 December 2008:

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

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

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

Boğaziçi Corporate Tax Administration has applied to the Council of State for the appeal of this lawsuit. The Company corresponded to the petition and sent to Council of State and appeal is in progress.

The Company has not provided any provision for this inspection in the consolidated financial statements, since the lawsuit on the same subject related to the years 2002 and 2003 concluded in favour of the Company in the Tax Court and Council of State.

NOTE 18 - 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:

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

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 10th Tax Court on 28 December 2011, all aforesaid lawsuits resulted in favour of the Company.

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 Eczacıbaşı Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş., 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 and TRL 11,000 thousand (the Group's share is TRL 5,500 thousand) was paid as cash in 2012, TRL 7,500 thousand (the Group's share is TRL 3,750 thousand) was paid until the approval of these consolidated financial statements for issue.

ii) Within the legal timeframe and the context of Tax Procedure Law the Company applied to Commission for Tax Settlements in the Ministry of Finance for settlement of tax and tax losses penalties notified on 31 December 2012 for 2007 amounting to TRL 27,838 thousand (the Group's share is TRL 13,919 thousand). The Group plans to file a lawsuit in the case of consensus could not be reached. Considering the pending appeal process filed in the Council of State for the notifications related to year 2006 and the results of the current legal proceedings could not be estimated reliably, no provision has been provided for respective penalties in the consolidated financial statements.

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

c) Contingent liabilities (continued):

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

iii) Tax and tax losses penalties notified on 4 April 2013 for 2008 amounting to TRL 19,820 (the Group's share is TRL 9,910 thousand). The Group plans to file a lawsuit in the case of consensus could not be reached. Considering the pending appeal process filed in the Council of State for the notifications related to year 2006 and the results of the current legal proceedings could not be estimated reliably, no provision has been provided for respective penalties in the consolidated financial statements. In the context of Tax Procedure Law; the Group is still evaluating alternatives of application for settlement or filing a lawsuit for these notifications and final decision will be taken within the legal timeframe. Considering the pending appeal process filed in the Council of State for the notifications related to year 2006 and the results of the current legal proceedings could not be estimated reliably, no provision has been provided for respective penalties 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 tax loss have been notified for financial year 2010.

The Company filed a pending lawsuit for the related tax penalties in the tax court since no consensus was reached during the settlement in the Commission for Tax Settlements of the Büyük Mükellefler Tax Administration.

The Company has not provided any provision for this inspection in the consolidated financial statements as of 31 December 2012, since there are lawsuits on the same subject concluded in favour of the Company.

The lawsuit related to price differences from market values:

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

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

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

d) Guarantees given and taken:

	31 December 2012			
Guarantees given	**USD**	**EUR**	**TRL**	**Total**
Suretyship declaration for bank borrowings	-	-	2,500	2,500
Letters of guarantee	-	-	25,713	25,713
Guaranteed bills of exchange	391	11	-	402
	391	**11**	**28,213**	**28,615**
Guarantees taken	**USD**	**EUR**	**TRL**	**Total**
Letters of guarantee	30,719	11,436	87,316	129,471
Mortgages	-	-	22,625	22,625
Guaranteed bills of exchange	-	147	8,243	8,390
	30,719	**11,583**	**118,184**	**160,486**

	31 December 2011			
Guarantees given	**USD**	**EUR**	**TRL**	**Total**
Suretyship declaration for bank borrowings	-	-	2,500	2,500
Letters of guarantee	139	-	15,583	15,722
Guaranteed bills of exchange	1	11	-	12
	140	**11**	**18,083**	**18,234**
Guarantees taken	**USD**	**EUR**	**TRL**	**Total**
Letters of guarantee	25,500	7,412	71,375	104,287
Mortgages	-	-	25,558	25,558
Guaranteed bills of exchange	-	359	10,184	10,543
	25,500	**7,771**	**107,117**	**140,388**

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.

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

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

d) Guarantees given and taken: (continued)

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

	31 December 2012	**31 December 2011**
A. CPMs given for Company's own legal personality	2,615	2,602
- Collateral (Fully denominated in TRL)	*2,615*	*2,602*
- 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	-	-
	2,615	**2,602**

Proportion of other CPMs given to the Group's equity as of 31 December 2012 is 0% (31 December 2011: 0%).

NOTE 19 - EMPLOYEE BENEFITS

	31 December 2012	**31 December 2011**
Provision for unused vacations	6,976	6,743
Provision for employment termination benefits	10,650	7,478
	17,626	**14,221**

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

As of 31 December 2012, the amount payable consists of one month's salary limited to a maximum of TRL 3,033.98 (31 December 2011: TRL 2,731.85) for each year of service.

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

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

NOTE 19 - EMPLOYEE BENEFITS (Continued)

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

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

	2012	2011
Discount rate (%)	1.58	4.53 - 4.66
Turnover rate to estimate the probability of retirement (%)	89 - 98	91 - 99

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRL 3,129.25 effective from 1 January 2013 (1 January 2012: TRL 2,805.04) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

Provision for employment termination benefits:

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

	2012	2011
As of 1 January	7,478	7,293
Charge for the period and actuarial loss (Not 22)	4,170	2,293
Payments during the period (-)	(1,344)	(2,154)
Effect of subsidiary acquisition	624	46
Effect of subsidiary disposal	(278)	-
As of 31 December	**10,650**	**7,478**

At 31 December 2012 total number of personnel employed by the Group is 2,226 (31 December 2011: 1,947).

Provision for unused vacations:

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

	2012	2011
As of 1 January	6,743	5,957
Charge for the period (Note 22)	1,688	1,802
Payments during the period (-)	(1,571)	(1,002)
Effect of subsidiary acquisition	321	9
Effect of subsidiary disposal	(205)	(23)
As of 31 December	**6,976**	**6,743**

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

NOTE 20 - EQUITY

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

	31 December 2012	31 December 2011
Limit on registered share capital (historical value)	200,000	200,000
Authorised share capital approved with nominal value	548,208	548,208

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

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

Shareholders	%	31 December 2012	%	31 December 2011
Eczacıbaşı Holding A.Ş.	50.62	277,476	50.62	277,476
Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.	21.75	119,210	20.22	110,849
Other (listed) (*)	27.63	151,522	29.16	159,883
Total	**100.00**	**548,208**	**100.00**	**548,208**
Adjustment to share capital		105,777		105,777
Total authorised share capital		**653,985**		**653,985**

(*) Within the framework of Capital Markets Board's decision, dated 23 July 2010 and numbered 21/655, actual rates of the shares in circulation of the listed companies in BIST are announced on a weekly basis starting from the period ended 30 September 2010, became effective as of 1 October 2010 by the Central Registry Agency ("CRA"). According to the report published by CRA on 31 December 2012, 26.75% (30 December 2011: 28.89%) 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 38,316 thousand (31 December 2011: TRL 28,986 thousand).

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

	31 December 2012	31 December 2011
Legal reserves	38,316	28,986
Special reserves	219,768	219,768
	258,084	**248,754**

NOTE 20 - EQUITY (Continued)

Retained earnings

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

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

In accordance with Communiqué Serial: XI, No: 29 and related announcements of the CMB, effective from 1 January 2008, “Share capital”, “Restricted Reserves” and “Share Premiums” shall be carried at their statutory amounts. The valuation differences shall be classified as follows:

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

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

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

Dividend Distribution

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

Based on CMB Decree No. 02/51, dated 27 January 2010, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits arising from operations in 2009. Regarding the dividend distribution for the current and following years, the entities shall distribute their profits for the current and following years under the scope of CMB Communiqué Serial: IV, No: 27 based on their articles of association and their previously publicly announced profit distribution policies. In addition, according to aforementioned Board Decision, it is stipulated that companies which have the obligation to prepare consolidated financial statements, calculate the net distributable profit amount by taking into account the net profits for the period in the consolidated financial statements that will be prepared and announced to the public in accordance with the Communiqué Serial: IX, No: 29, “Principles of Financial Reporting in Capital Markets” providing that the profits can be afforded by the available sources in their statutory records.

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

As of 31 December 2012, the distributable profit of the Company is TRL 31,456 thousand (31 December 2011: TRL 125,189 thousand) and available distributable resources amount to TRL 266,000 thousand (31 December: TRL 198,372 thousand).

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

NOTE 21 - OPERATING REVENUE

	2012	2011
Domestic sales	1,685,834	1,477,087
Exports	11,422	19,177
Gross sales	**1,697,256**	**1,496,264**
Sales returns (-)	(38,070)	(23,580)
Sales discounts (-)	(571,919)	(499,132)
Net sales	**1,087,267**	**973,552**
Cost of sales (-)	(828,198)	(712,133)
Gross profit	**259,069**	**261,419**

NOTE 22 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

Marketing, selling and distribution expenses	**2012**	**2011**
Personnel expenses	55,775	48,862
Advertisement, presentation and promotion expenses	46,093	37,173
Transportation, distribution and warehousing expenses	11,878	13,513
Rent expenses	6,285	6,361
Fuel, energy and water expenses	5,112	4,679
Representation and hosting expenses	3,284	2,994
Depreciation and amortisation expenses (Notes 15 and 16)	3,683	3,533
Provision expense for doubtful receivables (Note 10)	3,262	1,472
Travelling expenses	2,752	2,267
Consultancy expenses	1,288	1,146
Others	15,102	14,493
	154,514	**136,493**

General and administrative expenses	**2012**	**2011**
Personnel expenses	38,652	36,906
Royalty expenses	20,676	21,832
Consultancy expenses	17,179	14,118
Rent expenses	6,197	4,492
Provision for employment termination benefits and actuarial loss (Note 19)	4,170	2,293
Depreciation and amortisation expenses (Notes 15 and 16)	3,960	3,598
Miscellaneous taxes	3,209	3,113
Repair and maintenance expenses	2,579	2,808
Provision for unpaid vacation (Note 19)	1,688	1,802
Others	10,889	10,139
	109,199	**101,101**

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

NOTE 22 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES (Continued)

Research and development expenses	**2012**	**2011**
Personnel expenses	482	2
Depreciation and amortisation expenses (Notes 15 and 16)	147	67
Consultancy expense	75	70
	704	**139**

NOTE 23 - EXPENSES BY NATURE

	2011	**2011**
Purchase and consumption of inventories	773,175	638,850
Personnel expenses	121,374	111,075
Advertisement and promotion expense	46,093	37,173
Royalty expense	20,676	21,832
Depreciation and amortisation expense (Notes 14, 15 and 16)	20,517	20,659
Cost of services	18,566	20,905
Consultancy expense	18,542	20,063
Rent expense	12,482	10,853
Transportation, distribution and warehousing expenses	11,878	13,513
Toll manufacturing expenses	6,948	8,605
Provision for employment termination benefits and actuarial loss (Note 19)	4,170	2,293
Change in finished goods and work in process	(4,597)	11,063
Others	42,791	32,982
	1,092,615	**949,866**

NOTE 24 - OTHER OPERATING INCOME AND EXPENSES

Other operating income	**2012**	**2011**
Gain on sale of shares of joint venture (*)	49,499	-
Gain from sales of fixed assets	6,369	747
Reversal of provisions	1,469	1,102
Insurance refund	1,331	163
Compensation income	1,005	328
Rent income	600	68
Collections from doubtful receivables (Notes 10)	243	72
Stock count differences	104	448
Commission income	-	563
Others	2,183	993
	62,803	**4,484**

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

NOTE 24 - OTHER OPERATING INCOME AND EXPENSES (Continued)

(*) Gain on sale of shares of joint venture

The Group sold its shares of its joint venture, EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş, on 27 December 2012 for a consideration of TRL 58,904 thousand to Beiersdorf AG. The gain related to this sale is detailed below.

	Carrying Value
Current assets	15,726
Non-current assets	1,550
Current liabilities	(7,230)
Non-current liabilities	(278)
Total net assets	**9,768**
Total consideration	58,904
Sales profit	**49,136**
Net cash received for the acquisition of subsidiary	
Cash and cash equivalents received	58,904
Cash consideration	(95)
Net cash inflow	**58,809**

The Group's joint venture RTS's one of the clinical liquidated in 2012 and another one is sold for free. The gain related to these transactions is detailed below.

	Carrying Value
Current assets	467
Non-current assets	317
Goodwill	485
Current liabilities	(1,575)
Non-current liabilities	(57)
Total net assets	**(363)**
Total consideration	-
Sales profit	**363**
Net cash received for the acquisition of subsidiary	
Cash and cash equivalents received	-
Cash consideration	(29)
Net cash outflow	**(29)**

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

NOTE 24 - OTHER OPERATING INCOME AND EXPENSES (Continued)

Other operating expenses	2012	2011
Legal provisions (Note 18)	17,894	791
Provision expense for diminution in value of inventories (Note 12)	7,326	6,882
Inventories destroyed	3,640	6,224
Donation expenses	1,505	1,161
Compensation expenses	1,242	33
Loss on sales of fixed assets	173	344
Others	3,409	2,033
	35,189	**17,468**

NOTE 25 - FINANCIAL INCOME

	2012	2011
Foreign exchange gains	49,290	133,447
Interest income from bank deposits	40,183	42,263
Credit finance income	11,484	11,205
Dividend income	7,941	4,146
Financial income on derivatives	1,387	135
	110,285	**191,196**

During 2011, the Group capitalized interest expense amounting to TRL 160 thousand and foreign exchange losses amounting to TRL 522 thousand on tangible assets.

NOTE 26 - FINANCIAL EXPENSES

	2012	2011
Foreign exchange losses	67,745	52,559
Interest expense from bank borrowings	11,287	1,493
Credit finance expenses	6,952	5,812
Fair value changes recognised in profit and loss	1,073	1,530
Financial expenses on derivatives	695	1,387
Letter of guarantee commission	296	195
Others	187	743
	88,235	**63,719**

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

NOTE 27 - TAX ASSETS AND LIABILITIES

a) Current income tax on profits for the year:

	31 December 2012	31 December 2011
Corporate and income taxes payable	9,592	32,687
Prepaid taxes (-)	(8,411)	(31,613)
Current income tax liabilities (net)	**1,181**	**1,074**

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 2012 (2011: 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 17^{th} 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 2012 and 2011.

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

NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

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

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

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

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

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

	2012	**2011**
Current income tax charge (-)	(9,592)	(32,687)
Tax charge related to the companies sold	(1,206)	-
Deferred income tax benefit	1,349	1,864
Total income tax charge (-)	**(9,449)**	**(30,823)**

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

	2012	**2011**
Profit before tax	44,639	121,204
Effective tax rate	20%	20%
Current year corporation tax expense	**(8,928)**	**(24,241)**
Disallowable expenses	(590)	(415)
Tax effect of exempt income	1,588	821
Exception of revenue on sales of subsidiary	7,370	-
Exception of revenue on sales of fixed asset	953	-
Tax penalty	(3,553)	-
Items disregarded in the calculation of deferred income tax	(312)	(580)
Current period tax losses	(6,042)	(3,013)
Equity method accounting	65	(3,395)
Total income tax charge (-)	**(9,449)**	**(30,823)**

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

NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred income tax:

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

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

	Cumulative temporary differences		Deferred income tax assets / (liabilities)	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Provision for unused vacation	(6,976)	(6,733)	1,395	1,347
Provision for employment termination benefits	(10,650)	(7,424)	2,130	1,485
Differences between the tax base and carrying amount of inventories	(5,774)	(8,583)	2,020	1,717
Provision for doubtful receivables	(8,310)	(4,337)	1,662	867
Sales cut-off	(22)	(159)	4	32
Deferred credit finance income	(1,145)	(1,630)	229	326
Provision for litigations	(1,300)	(1,347)	260	269
Accruals for salaries and premiums	(1,704)	(367)	341	73
Tax losses carried forward	(9,217)	(4,432)	1,742	814
Fair value change of derivative instruments	(334)	(1,387)	67	277
Others	(1,280)	(2,239)	251	448
Deferred income tax assets (**)	**(46,712)**	**(38,638)**	**10,101**	**7,655**
Fair value differences of available-for-sale financial assets (*)	1,593,936	1,301,325	(79,702)	(65,066)
Difference between the tax base and carrying amount of investment property, property, plant and equipment and intangible assets	33,055	14,078	(7,475)	(2,427)
Deferred credit finance expenses	336	706	(73)	(141)
Deferred income tax liabilities (-) (**)	**1,627,357**	**1,316,109**	**(87,250)**	**(67,634)**
Deferred income tax liabilities, net	**1,580,645**	**1,277,471**	**(77,149)**	**(59,979)**

(*) Difference between fair value and book value amounts to TRL 1,593,936 thousand (31 December 2011: TRL 1,301,325 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 86,726 thousand (31 December 2011: TRL 68,061 thousand) and deferred tax liability amounting to TRL 9,577 thousand (31 December 2011: TRL 8,082 thousand) presented in the financial statements, which are calculated on a separate entity basis for all companies included in the scope of consolidation.

Based on the assessment made, the Group has not recognized any deferred tax assets over deductible temporary differences amounting to TRL 30,210 thousand (31 December 2011: TRL 15,065 thousand) as of 31 December 2012 considering available evidence with respect to the utilization of those assets in the foreseeable future.

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

NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred income tax (continued):

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 in the period is as follows:

	2012	**2011**
As of 1 January	(59,979)	(52,544)
Effect of subsidiary acquisition	(3,995)	41
Effect of subsidiary disposal	112	-
Current year deferred income tax benefit	1,349	1,864
Deferred income tax liabilities resulting from sales and acquisitions of the shares of the Joint Ventures and Subsidiaries	(14,636)	(9,340)
As of 31 December	**(77,149)**	**(59,979)**

NOTE 28 - EARNINGS PER SHARE

	2012	**2011**
Net income attributable to equity holders of the Company	32,689	88,510
Weighted average number of ordinary shares with face value of Kr 1 each	54,820,800,000	54,820,800,000
Basic and diluted earnings per share (Kr)	**0.06**	**0.16**

During the period a dividend of TRL 0.10 per share (31 December 2011: TRL 0.07 per share) was paid to shareholders.

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

NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties at 31 December:

Short-term due from related parties	31 December 2012	31 December 2011
Due from shareholders		
Eczacıbaşı Holding A.Ş.	22	7
	22	**7**
Due from Joint Ventures		
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	179	232
Eczacıbaşı-Monrol Nükleer Ürünler Sanayi ve Ticaret A.Ş.	12	1
	191	**233**
Due from Associates		
Ekom Eczacıbaşı Dış Ticaret A.Ş.	92	290
Vitra Karo Sanayi ve Ticaret A.Ş.	1	-
Eczacıbaşı Sağlık Hizmetleri A.Ş.	107	-
	200	**290**
Due from other related parties		
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	231	2
Others	117	69
	348	**71**
	761	**601**
Provision for doubtful receivables (-)	-	-
Short-term due from related parties	**761**	**601**

Average maturity of the Group's receivables from related parties is 74 days (31 December 2011: 69 days) and is amortised at 6.06% per annum (31 December 2011: 7.18%).

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

	2012	2011
As of 1 January	-	198
Reversals	-	(198)
As of 31 December	**-**	**-**

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

NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

a) Balances with related parties at 31 December (continued):

Short-term due to related parties	31 December 2012	31 December 2011
Due to shareholders		
Eczacıbaşı Holding A.Ş.	9,954	13,841
	9,954	**13,841**
Due to Joint Ventures		
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş.	-	10,055
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	1,652	1,025
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	3	-
	1,655	**11,080**
Due to Associates		
Ekom Eczacıbaşı Dış Ticaret A.Ş.	3	10
Eczacıbaşı Sağlık Hizmetleri A.Ş.	15	2
	18	**12**
Due to other related parties		
İpek Kağıt Sanayi ve Ticaret A.Ş.	85,500	85,738
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	616	956
Kanyon Yönetim İşletim Pazarlama Ltd. Şti.	187	146
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	65	95
Others	1,162	144
	87,530	**87,079**
	99,157	**112,012**
Deferred credit finance expenses (-)	(250)	(417)
Short-term due to related parties	**98,907**	**111,595**

Average maturity of the Group's payables to related parties is 79 days (31 December 2011: 106 days) and is amortised at 5.68% per annum (31 December 2011: 10.37%).

Long-term due to related parties	31 December 2012	31 December 2011
Due to shareholders		
Eczacıbaşı Holding A.Ş.	1,414	4,417
	1,414	**4,417**
Due to other related parties		
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	-	5
	-	**5**
Long-term due to related parties	**1,414**	**4,422**

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

NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Transactions with related parties for the years ended 31 December:

Product sales	**2012**	**2011**
Ekom Eczacıbaşı Dış Ticaret A.Ş.	1,930	2,369
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	1,583	2,223
Others	79	58
	3,592	**4,650**

Service sales		
Eczacıbaşı Holding A.Ş.	58,665	15,748
İpek Kağıt Sanayi ve Ticaret A.Ş.	18,901	21,052
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş.	4,921	13,105
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	1,263	4,291
Others	705	508
	84,455	**54,704**

Product purchases		
İpek Kağıt Sanayi ve Ticaret A.Ş.	320,170	243,381
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş.	72,018	55,048
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	12,594	11,359
Others	1,266	1,437
	406,048	**311,225**

Service purchases		
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	8,760	7,950
Eczacıbaşı Holding A.Ş.	2,342	2,016
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	1,568	1,273
Others	1,820	992
	14,490	**12,231**

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.

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

NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Transactions with related parties for the years ended 31 December (Continued):

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 32.

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., EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler 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.

Financial income	**2012**	**2011**
Eczacıbaşı Holding A.Ş.		
Dividend income	7,941	3,970
Ekom Eczacıbaşı Dış Ticaret A.Ş.		
Dividend income	367	176
Others	32	44
	8,340	**4,190**

Financial expenses		
İpek Kağıt Sanayi ve Ticaret A.Ş.	3,788	2,031
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş.	1,000	592
Others	180	123
	4,968	**2,746**

c) Other transactions with related parties for the year ended 31 December:

Management and royalty fees paid to related parties	**2012**	**2011**
Eczacıbaşı Holding A.Ş. (*)	21,516	20,569
	21,516	**20,569**

(*) Management fees paid to Eczacıbaşı Holding A.Ş. comprise law, financial corporate identity, budget planning, audit and human resource services received from Eczacıbaşı Holding.

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

NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

c) Other transactions with related parties for the year ended 31 December (continued):

Rent income received from related parties	**2012**	**2011**
Eczacıbaşı Holding A.Ş.	3,028	2,729
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	815	768
İpek Kağıt Sanayi ve Ticaret A.Ş.	669	726
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş.	80	74
Others	948	284
	5,540	**4,581**

Rent expenses paid to related parties		
Eczacıbaşı Holding A.Ş.	410	1,312
Others	207	126
	617	**1,438**

Other income received from related parties		
İpek Kağıt San.ve Tic. A.Ş.	80	-
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	-	12
Others	17	14
	97	**26**

Other expenses paid to related parties		
Eczacıbaşı Holding A.Ş.	473	144
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	116	99
Others	297	260
	886	**503**

Donations paid to related parties		
Dr. Nejat F. Eczacıbaşı Vakfı	474	105
	474	**105**

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

NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

c) Other transactions with related parties for the year ended 31 December (continued):

Key management personnel compensation:

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.

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

Key management personnel compensation	2012	2011
Short term benefits provided to key management personnel	19,031	17,837
Long term benefits provided to key management personnel	2,092	2,056
	21,123	**19,893**

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

a) Credit risk

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

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

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (continued)

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

	Trade receivables from		Other receivables from			
31 December 2012	**Related parties**	**Other**	**Related parties**	**Other**	**Deposits in banks**	**Other (*)**
Maximum credit risk exposed as of balance sheet date (**)	**761**	**249,903**	**-**	**963**	**711,395**	**3,564**
- Secured portion of the maximum credit risk by guarantees	***153***	***88,656***	***-***	***-***	***-***	***-***
A. Net book value of financial assets that are neither past due nor impaired	761	212,219	-	963	711,395	-
- Secured portion by guarantees, etc.,	153	82,221	-	-	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
- Secured portion by guarantees, etc.	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired (***)	-	37,684	-	-	-	3,564
- Secured portion by guarantees, etc.	-	6,435	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	11,880	-	-	-	-
- Impairment (-)	-	(11,880)	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-

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

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

(***) As of 31 December 2012, the aging explanations related with past due but not impaired assets indicated in the aging table of "Past due but not impaired trade receivables".

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

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (continued)

	Trade receivables from		Other receivables from			
31 December 2011	**Related parties**	**Other**	**Related parties**	**Other**	**Deposits in banks**	**Other (*)**
Maximum credit risk exposed as of balance sheet date (**)	**601**	**207,196**	**-**	**871**	**761,866**	**5,376**
- Secured portion of the maximum credit risk by guarantees	***-***	***36,562***	***-***	***-***	***-***	***-***
A. Net book value of financial assets that are neither past due nor impaired	601	168,395	-	871	761,866	-
- Secured portion by guarantees, etc.,	-	33,211	-	-	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
- Secured portion by guarantees, etc.,	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired (***)	-	38,739	-	-	-	5,376
- Secured portion by guarantees, etc.,	-	3,304	-	-	-	-
D. Net book value of the impaired assets	-	62	-	-	-	-
- Past due (gross carrying amount)	-	8,728	-	-	-	-
- Impairment (-)	-	(8,666)	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	47	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-

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

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

(***) As of 31 December 2011, the aging explanations related with past due but not impaired assets indicated in the aging table of "Past due but not impaired trade receivables".

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

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (continued)

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

	Trade receivables from		
31 December 2012	**Related parties**	**Other (*)**	**Other**
Past due up to 30 days	-	9,044	-
Past due 1 - 3 months	-	21,513	-
Past due 3 - 12 months	-	6,679	-
Past due 1 - 5 year (*)	-	448	3,564
	-	**37,684**	**3,564**
Secured portion of receivables by guarantees, etc.	**-**	**6,435**	**-**

	Trade receivables from		
31 December 2011	**Related parties**	**Other (*)**	**Other**
Past due up to 30 days	-	15,236	-
Past due 1 - 3 months	-	16,177	-
Past due 3 - 12 months	-	5,813	-
Past due 1 - 5 year (*)	-	1,513	5,376
	-	**38,739**	**5,376**
Secured portion of receivables by guarantees, etc.	**-**	**3,304**	**-**

(*) 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.

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.

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

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

b) Liquidity risk (continued)

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

	31 December 2012					
			Contractual terms			
Financial liabilities (non-derivative)	**Carrying value**	**Contractual cash outflows**	**Up to 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**
Other financial liabilities	101,173	104,417	63,370	28,073	12,974	-
Trade payables due to related parties	100,321	100,571	79,761	19,396	1,414	-
Other trade payables	131,951	132,392	110,579	21,813	-	-
Other payables	1,480	1,480	1,480	-	-	-
Total non-derivative financial liabilities	**334,925**	**338,860**	**255,190**	**69,282**	**14,388**	**-**
Derivative financial liabilities						
Derivative cash inflows	79	7,045	415	1,243	5,387	-
Derivative cash outflows	413	7,411	458	1,356	5,597	-
Derivative financial transactions, net cash outflow	**334**	**366**	**43**	**113**	**210**	**-**

	31 December 2011					
			Contractual terms			
Financial liabilities (non-derivative)	**Carrying value**	**Contractual cash outflows**	**Up to 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**
Other financial liabilities	62,935	63,313	37,678	13,035	12,317	283
Trade payables due to related parties	116,017	116,434	95,102	16,902	4,430	-
Other trade payables	94,767	95,251	92,349	2,902	-	-
Other payables	1,382	1,382	1,382	-	-	-
Total non-derivative financial liabilities	**275,101**	**276,380**	**226,511**	**32,839**	**16,747**	**283**
Derivative financial liabilities						
Other financial liabilities	1,387	20,028	7,711	12,317	-	-

c) Market risk

i) Cash flow and fair value interest rate risk

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

The Group is exposed to cash flow interest rate risk via borrowing credit with floating exchange rate. Additionally the Group is exposed to fair value interest rate risk via borrowing credit with fixed interest rate. The loans with floating exchange rate which are used by Group in 2012 and 2011 consist of TRL, USD and EUR.

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

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (continued)

i) Cash flow and fair value interest rate risk (continued)

	31 December 2012	31 December 2011
Financial instruments with fixed interest rates:		
Financial assets		
- Cash and cash equivalents	711,576	761,996
- Fair value changes recognised in profit and loss	7	33
Financial liabilities		
- Financial liabilities	73,471	19,125
Financial instruments with variable interest rates:		
Financial liabilities		
- Financial liabilities	27,702	21,390
- Factoring liabilities	-	22,420

At 31 December 2012, if interest rates at contractual re-pricing dates of EUR denominated financial liabilities with variable interest rates has strengthened/weakened by 100 basis points (1%) against TRL with all other variables held constant, profit before tax would have been TRL 160 thousand (31 December 2011: TRL 158 thousand) lower / higher as a result of interest expenses.

At 31 December 2012, if interest rates at contractual re-pricing dates of USD denominated financial liabilities with variable interest rates has strengthened/weakened by 100 basis points (1%) against TRL with all other variables held constant, profit before tax would have been TRL 117 thousand (31 December 2011:TRL 56 thousand) lower / higher as a result of interest expenses.

At 31 December 2012, 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 735 thousand (31 December 2011: TRL 415 thousand) lower / higher as a result of interest expenses.

Sensitivity analysis of fair value liquidity discount rates used for financial investments and rates used for discounted cash flows are presented in Note 8.

ii) Foreign exchange risk

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

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

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

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

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (continued)

ii) Foreign exchange risk (continued)

	31 December 2012			
	Profit / loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% change in USD against TRL:				
USD net asset / (liability)	18,923	(18,923)	18,923	(18,923)
Secured position (-)	-	-	-	-
USD net effect	**18,923**	**(18,923)**	**18,923**	**(18,923)**
In case of 10% change in EUR against TRL:				
EUR net asset / (liability)	26,449	(26,449)	26,449	(26,449)
Secured position (-)	-	-	-	-
EUR net effect	**26,449**	**(26,449)**	**26,449**	**(26,449)**
In case of 10% change in other foreign exchange rates against TRL:				
Other foreign currency net asset / (liability)	(4)	4	(4)	4
Secured position (-)	-	-	-	-
Other foreign currencies net effect	**(4)**	**4**	**(4)**	**4**
	45,368	**(45,368)**	**45,368**	**(45,368)**

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

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (continued)

ii) Foreign exchange risk (continued)

	31 December 2011			
	Profit / loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% change in USD against TRL:				
USD net asset / (liability)	25,103	(25,103)	25,103	(25,103)
Secured position (-)	(1,133)	1,133	(1,133)	1,133
USD net effect	**23,970**	**(23,970)**	**23,970**	**(23,970)**
In case of 10% change in EUR against TRL:				
EUR net asset / (liability)	21,847	(21,847)	21,847	(21,847)
Secured position (-)	(733)	733	(733)	733
EUR net effect	**21,114**	**(21,114)**	**21,114**	**(21,114)**
In case of 10% change in other foreign exchange rates against TRL:				
Other foreign currency net asset / (liability)	18	(18)	18	(18)
Secured position (-)	-	-	-	-
Other foreign currencies net effect	**18**	**(18)**	**18**	**(18)**
	45,102	**(45,102)**	**45,102**	**(45,102)**

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

	31 December 2012	31 December 2011
USD	1.7826	1.8889
EUR	2.3517	2.4438

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

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (continued)

ii) Foreign exchange risk (continued)

The amounts of assets and liabilities denominated in original and foreign currencies and their TRL equivalents at 31 December 2012 were as follows:

	31 December 2012			
		Original amounts		
	Total TRL equivalent	USD	EUR	Others (*)
Current assets:				
Cash and cash equivalents	522,206	126,084	126,481	1
Financial investments	372	209	-	-
Trade receivables	17,064	7,144	1,841	-
	539,642	**133,437**	**128,322**	**1**
Non-current assets:				
Financial investments	3,192	1,791	-	-
Trade receivables	1,603	899	-	-
	4,795	**2,690**	**-**	**-**
Current liabilities:				
Financial liabilities	15,893	3,065	4,435	-
Trade payables	27,723	3,649	9,003	16
Other payables	984	552	-	-
Other current liabilities	30,179	16,868	47	-
	74,779	**24,134**	**13,485**	**16**
Non-current liabilities:				
Financial liabilities	11,809	3,500	2,369	-
Other non-current liabilities	4,174	2,340	1	-
	15,983	**5,840**	**2,370**	**-**
Net asset / (liability) position of off-balance sheet items (A-B)				
A. Total amount of hedged assets (**)	-	-	-	-
B. Total amount of hedged liabilities	-	-	-	-
Net foreign currency asset / (liability) position	**453,675**	**106,153**	**112,467**	**(15)**
Fair value of currency derivatives held for hedging	**-**	**-**	**-**	**-**
Net position of off-balance sheet contingent assets and liabilities				
Guarantees and pledges taken	42,302	17,233	4,925	-
Guarantees and pledges given	-	-	-	-
Exports	9,117	3,426	1,270	8
Imports	238,851	62,943	53,821	27

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

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

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (continued)

ii) Foreign Exchange Risk (continued)

The amounts of assets and liabilities denominated in original and foreign currencies and their TRL equivalents at 31 December 2011 were as follows:

	31 December 2011			
		Original amounts		
	Total TRL equivalent	**USD**	**EUR**	**Others (*)**
Current assets:				
Cash and cash equivalents	522,512	142,777	103,363	76
Financial investments	1,404	733	8	-
Trade receivables	10,558	4,227	1,053	-
Other trade receivables	65	14	12	3
	534,539	**147,751**	**104,436**	**79**
Non-current assets:				
Financial investments	3,972	2,103	-	-
Trade receivables	5,658	2,996	-	-
	9,630	**5,099**	**-**	**-**
Current liabilities:				
Financial liabilities	9,128	1,306	2,726	-
Trade payables	26,250	2,769	8,582	16
Other payables	993	523	2	-
Other current liabilities	13,371	7,075	3	-
	49,742	**11,673**	**11,313**	**16**
Non-current liabilities:				
Financial liabilities	12,263	1,673	3,725	-
Other non-current liabilities	12,480	6,604	2	-
	24,743	**8,277**	**3,727**	**-**
Net asset / (liability) position of off-balance sheet items (A-B)				
A. Total amount of hedged assets	18,665	6,000	3,000	-
B. Total amount of hedged liabilities	-	-	-	-
Net foreign currency asset / (liability) position	**451,019**	**126,900**	**86,396**	**63**
Fair value of currency derivatives held for hedging	**-**	**-**	**-**	**-**
Net position of off-balance sheet contingent assets and liabilities				
Guarantees and pledges taken	33,271	13,500	3,180	-
Guarantees and pledges given	151	74	5	-
Exports	8,389	2,942	1,494	-
Imports	191,090	42,830	46,120	12,211

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

(**) The Company has three option contracts in order to hedge foreign exchange risk as of 31 December 2011. The aforementioned option contracts are Euro sell contracts with the amount of EUR 3,000 thousand and USD sell contracts with the amount of USD 6,000 thousand, their weighted average maturities are 101 days.

NOTE 31 - SUBSEQUENT EVENTS

a) 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 with a total of TRL 6,226 thousand 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.

b) Eczacıbaşı-Monrol Nükleer Ürünler Sanayi ve Ticaret A.Ş. acquired all shares of Capintec, Inc., established in the State of Delaware of the United States of America, operating in production and services of nuclear power measurement devices in nuclear medicine industry based on the decision of Board of Directors on 16 November 2011. The final purchase price is settled as USD 8,751 thousand (TRL 15,544 thousand) on 15 February 2013.

c) In the Board of Directors meeting held on 27 February 2013, it has been considered that the Company applied for the limit on registered share capital before 23 January 2008, however, due to the reason that the Company's Board of Director's authorization is not defined in Article of Association of the Company according to Capital Markets Board's Communique Serial IV, No: 38 and the Company left the limit on registered share capital system after the 23 January 2013. The Company applied to Capital Markets Board as a guarantee of continuing to the limit on registered share capital system which is approved by the CMB on 27 February 2013. Ministry of Customs and Commerce has given the permission on 28 March 2013, the decision will be put vote of shareholders on next General Shareholder's meeting.

d) Based on to the Board of Directors meeting on 27 March 2013, the following decisions are taken in order to adopt the Company's Article of Association to the Turkish Commercial Law numbered 6102 and Capital Markets Board Law numbered 6362:

- Changing Article of Associations' 1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15, 17, 18, 19, 20, 21, 22, 23, 24, 25, 27, 28, 29, 30, 33, 34, 35th articles; cancellation of 16, 26, 31 ve 32th articles,
- Making necessary applications to the Capital Markets Board and Ministry of Customs and Trade for the change in Articles of Association,
- After taking the necessary approvals, the alterations in Article of Association will be propounded in General Assembly meeting,

The Capital Markets Board evaluation on the alterations of Articles of Association continues as of the date this report.

e) The Company's 48.13% owned subsidiary, Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri Sanayi ve Ticaret A.Ş., decided to merge its 100%subsidiaries Ataman Ecza ve İtriyat Deposu Sanayi ve Ticaret A.Ş. and Ataman İlaç Kozmetik Kimya Sanayi ve Ticaret A.Ş. according to the Turkish Commerce Law's 155/1-b amendments and Corporate Tax Law's 18 - 20th amendments in order to increase the effectiveness in rivalry, economic benefits and synergy. At the same date, Ataman Ecza ve İtriyat Deposu Sanayi ve Ticaret A.Ş. changed its name to Eczacıbaşı Hijyen Ürünleri Sanayi ve Ticaret Anonim Şirketi. The decisions taken on General Assembly meeting is approved by Istanbul Trade Registry Office on 1 April 2013.

f) 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, Büyük Mükellefler Tax Administration has levied tax and tax losses penalties for 2008 amounting to TRL 19,820 (the Group's share is TRL 9,910 thousand), which consists of TRL 5,795 thousand of tax base (TRL 4,565 thousand attributable to corporate income tax and TRL 1,230 thousand attributable to withholding tax) and TRL 14,025 thousand of tax penalty

In the context of Tax Procedure Law; EBX is still evaluating alternatives of application for settlement or filing a lawsuit for these notifications and final decision will be taken within the legal timeframe.

g) As a result of share purchases made by Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. in 2012, the proportion of interest in the Company's ownership increased from 21.75% to 22.34% as of the date of this report.

NOTE 32 - DISCLOSURE OF OTHER MATTERS, WITH MATERIAL EFFECT ON CONSOLIDATED FINANCIAL STATEMENTS, REQUIRED FOR THE PURPOSE OF UNDERSTANDING AND INTERPRETING THE FINANCIAL STATEMENTS

In the Board of Directors meeting held on 28 September 2010, it has been decided to;

- Implement a real estate project under the name "Ormanada" on the land in the province of Istanbul and in the district of Sarıyer/Zekeriyaköy with 50% ownership the Group and 50% ownership of Eczacıbaşı Holding A.Ş.,
- Build real estates (houses) of "Ormanada" Project in two different phases and complete until the end of year 2013, in accordance with the agreement signed with and under the supervision of the Company's subsidiary, Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım A.Ş., by tendering the construction through determination of contractors or subcontractors considering one of methods of collecting orders based on unit prices, general negotiation or jobwork,
- Complete necessary process for the sale of the real estates (homes) of "Ormanada" Project, which will be built on land plots with completed legal processes, in October of 2010,
- Sign necessary agreements with banks in the context of providing credit lines to customers up to 75% of the sales price of real estates (homes) of "Ormanada" Project,
- Guarantee repayment of TRL customer bank loans obtained for the real estates (homes) sold until the date of forming legal mortgage rights on behalf of banks and in this respect to sign necessary agreements between banks and the Company by representation of the two board members with first decree signature authorization.

The public has been informed about Ormanada Project, which has an investment amount of approximately USD 300 million and the size of houses varies between 170 and 700 square meters with sales price range from USD 500 thousand to USD 2.2 million, with press release and material event disclosure on Public Disclosure Platform on 18 October 2010. Ormanada Project has created in collaboration with international knowledge and experience of Torti Gallas and Partners, Kreatif Mimarlık and Rainer Schmidt Landscape Architects. The project has been initially designed as 188 villas and 71 side by side houses totalling to 259 residential units with 25 acres of greenbelt, which could be extended to 273 units as a result of the on-going revisions. The Project will be completed in two different phases and first phase consists of 150 units and second phase, which's reconstruction process is still on-going, will consist of 123 unit as of the date of this report. In the first phase, 66 units were sold and sales agreements were signed by sales connection for 44 units included in the second phase. Additionally, the subcontractor of the Ormanada Project's infrastructure works, which include construction of roads, electricity, water, sewer, natural gas, telephone, etc. except for construction of buildings) has been determined and has started its activities and continues construction process as planned.

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