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

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2013
TOGETHER WITH INDEPENDENT AUDITOR’S REPORT
(ORIGINALLY ISSUED IN TURKISH)

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(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

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

1. We have audited the accompanying consolidated statement of financial position of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiaries (together will be referred as the "Group") as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Group Management's Responsibility for the Consolidated Financial Statements

2. The Group Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

4. In our opinion, the 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. and its subsidiaries as at 31 December 2013 and of their financial performance and their cash flows for the year then ended in accordance with TAS (Note 2).

Reports on Other Legal and Regulatory Requirements

5. In accordance with Article 402 of Turkish Commercial Code No 6102 ("TCC" or the "Code"), the Board of Directors provided us all the required information and documentation in terms of audit and nothing has come to our attention that may cause us to believe that the Group's set of accounts prepared for the period 1 January - 31 December 2013 does not comply with the Code and the provisions of the Company's Articles of Association in relation to financial reporting.

6. In accordance with Article 378 of Turkish Commercial Code No 6102, in publicly traded companies, the board of directors is obliged to establish a committee consisting of specialized experts, to run and to develop the necessary system for the purposes of early identification of any risks that may compromise the existence, development and continuation of a company; applying the necessary measures and remedies in this regard and managing such risks. According to paragraph 4 of Article 398 of the Code, the auditor is required to prepare a separate report explaining whether the board of directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the board of directors along with the auditor's report. Our audit does not include the evaluation of the operational efficiency and adequacy of the operations carried out by the Group Management in order to manage these risks. As of the date of statement of financial position, POA has not announced the principles of this report, yet. Therefore, no separate report has been drawn up regarding this matter. On the other hand, the Company established the mentioned committee on 17 May 2013 and the committee is comprised of 2 members. Since the date of its establishment, the committee has held 6 meetings for the purposes of early identification of any risks that may compromise the existence and development of the Company, applying the necessary measures and remedies in this regard and managing such risks, and has submitted the relevant reports to the Board of Directors.

Istanbul, 11 March 2014

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

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Hasan Ali Bekçe
Partner

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

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

	Notes	31 December 2013	(Restated) 31 December 2012	(Restated) 1 January 2012
ASSETS				
Current assets				
Cash and cash equivalents	7	719,594	705,168	754,624
Financial investments	8	308	372	1,404
Trade receivables				
- Due from related parties	10	9,023	932	724
- Due from third parties	11	198,791	173,157	129,716
Other receivables				
- Due from third parties	12	865	264	157
Inventories	13	198,343	169,994	105,818
Prepaid expenses	14	1,423	645	2,585
Current income tax assets	15	1,926	2,182	928
Other current assets	22	9,256	16,499	1,472
Total current assets		**1,139,529**	**1,069,213**	**997,428**
Non-current assets				
Trade receivables				
- Trade receivables due from third parties	11	1,930	2,916	5,659
Other receivables				
- Other receivables due from third parties	12	50	61	14
Financial investments	8	1,767,384	1,755,762	1,463,931
Investments accounted for using equity method	5	132,643	129,618	173,454
Investment properties	16	204,340	204,997	208,577
Property, plant and equipment	17	45,815	47,876	22,289
Intangible assets				
- Goodwill	19	39,511	39,511	-
- Other intangible assets	18	33,347	31,424	9,303
Prepaid expenses	14	3,118	24,926	26,418
Deferred income tax assets	30	9,628	8,918	7,434
Other non-current assets	22	59,924	45,479	41,429
Total non-current assets		**2,297,690**	**2,291,488**	**1,958,508**
Total assets		**3,437,219**	**3,360,701**	**2,955,936**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

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

	Notes	31 December 2013	(Restated) 31 December 2012	(Restated) 1 January 2012
LIABILITIES				
Current liabilities				
Short term borrowings	9	65,353	31,769	27,197
Trade payables				
- Trade payables due to related parties	10	94,784	96,912	118,616
- Trade payables due to third parties	11	147,152	116,482	67,692
Employee benefit obligations	21	3,597	1,838	2,148
Other payables				
- Other payables due to related parties	10	38,166	-	-
- Other payables due to third parties	12	6,261	5,680	4,010
Derivative financial instruments		-	-	1,387
Deferred income	14	45,812	81,395	25,218
Current income tax liabilities	30	7,824	1,181	910
Short term provisions				
- Short term provisions for employee benefits	21	4,664	6,138	4,014
- Other short term provisions	20	2,122	2,154	1,159
Other current liabilities	22	458	446	259
Total current liabilities		**416,193**	**343,995**	**252,610**
Non-current liabilities				
Long term borrowings	9	-	63	-
Trade payables				
- Trade payables due to related parties	10	-	1,414	4,418
Deferred income	14	5,695	14,423	17,683
Long term provisions				
- Long term provisions for employee benefits	21	3,436	3,782	2,306
Deferred income tax liabilities	30	84,218	83,889	65,108
Other non-current liabilities	22	7,500	7,500	-
Total non-current liabilities		**100,849**	**111,071**	**89,515**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

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

	Notes	31 December 2013	(Restated) 31 December 2012	(Restated) 1 January 2012
EQUITY				
Share capital	23	548,208	548,208	548,208
Adjustments to share capital	23	105,777	105,777	105,777
Items that will not be reclassified subsequently to profit or loss				
- Defined benefit plans re-measurement gains / losses		(182)	(1,887)	(162)
Items that may be reclassified subsequently to profit or loss				
- Cumulative translation differences		3,366	1,877	1,383
- Gains / losses on available for sale financial assets due to revaluation or/and reclassification		1,540,598	1,528,836	1,248,552
Restricted reserves	23	299,764	258,084	248,754
Retained earnings		322,336	384,423	359,902
Net income for the period		61,414	34,414	88,672
Attributable to equity holders of the Company		**2,881,281**	**2,859,732**	**2,601,086**
Non-controlling interests		**38,896**	**45,903**	**12,725**
Total equity		**2,920,177**	**2,905,635**	**2,613,811**
Total liabilities and equity		**3,437,219**	**3,360,701**	**2,955,936**

The consolidated financial statements as of and for the year ended 31 December 2013 were approved for issue by the Board of Directors on 11 March 2014 and signed on its behalf by Bülent Avcı, Financial Director and by Gülnur Günbey Kartal, Internal Audit Manager. The consolidated financial statements are subject to approval of the General Assembly.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Notes	1 January- 31 December 2013	(Restated) 1 January- 31 December 2012
PROFIT OR LOSS PART			
Revenue	24	1,126,009	887,334
Cost of sales (-)	24	(919,875)	(724,015)
Gross profit		**206,134**	**163,319**
General administrative expenses (-)	25	(74,183)	(62,244)
Marketing expenses (-)	25	(120,889)	(92,543)
Research and development expenses (-)	25	(1,053)	-
Other operating income	27	172,004	94,858
Other operating expense (-)	27	(47,330)	(84,710)
Operating profit		**134,683**	**18,680**
Income from investing activities	28	9,251	63,326
Expenses from investing activities (-)	28	(51)	(46)
Share of loss of investments accounted for using equity method (-)	5	(50,649)	(31,751)
Operating income before finance expense		**93,234**	**50,209**
Financial income	29	-	1,391
Financial expenses (-)	29	(6,204)	(3,638)
Profit before tax		**87,030**	**47,962**
Tax income / (expense) from continuing operations		**(28,996)**	**(8,773)**
Income tax expense (-)	30	(30,075)	(8,917)
Deferred tax income	30	1,079	144
Profit for the period		**58,034**	**39,189**
Attributable to			
- Non-controlling interests		(3,380)	4,775
- Equity holders of the parent	31	61,414	34,414
Net profit for the period		**58,034**	**39,189**
Weighted average number of ordinary shares with face value of KR 1 each	31	54,820,800,000	54,820,800,000
Basic and diluted earnings / (loss) per share	**31**	**0.1120**	**0.0628**

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Notes	1 January - 31 December 2013	(Restated) 1 January - 31 December 2012
Profit for the period		**58,034**	**39,189**
Other comprehensive income / (expenses)			
Items that will not be reclassified subsequently to profit or loss			
- Gain / loss on remeasurement of defined benefit plans	21	484	(468)
- Gain / loss on remeasurement of defined benefit plans of investments accounted for using equity method	5	1,491	(1,487)
- Tax relating to items that will not be reclassified subsequently	30	(96)	94
Items that may be reclassified subsequently to profit or loss			
- Currency translation differences		(658)	37
- Gains / losses on available for sale financial assets due to revaluation or/and reclassification	8	12,045	292,609
- Group's share in equity method accounted investments' comprehensive income	5	2,065	3,279
- Tax relating to items that may be reclassified subsequently	30	(602)	(14,636)
Other comprehensive (expenses) / income (after tax)		**14,729**	**279,428**
Total comprehensive income		**72,763**	**318,617**
Total comprehensive income / (loss) attributable to:			
- Non-controlling interest		(3,607)	5,150
- Equity holders of the parent		76,370	313,467
Total comprehensive income		**72,763**	**318,617**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

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

			Items that will not be reclassified subsequently to profit or loss	Items that may be reclassified subsequently to profit or loss			Retained Earnings				
	Share capital	Adjustments to share capital	Defined benefit plans re-measurement gains / (losses)	Cumulative translation differences	Financial assets' fair value reserve	Restricted reserves	Retained earnings	Net (loss) / profit for the period	**Total**	Non-controlling interest	**Total Equity**
As of 1 January 2013	**548,208**	**105,777**	**-**	**1,877**	**1,528,836**	**258,084**	**384,261**	**32,689**	**2,859,732**	**47,158**	**2,906,890**
Changes in accounting policies (Note 2.2)	-	-	(1,887)	-	-	-	162	1,725	-	(1,255)	**(1,255)**
As restated as of 1 January 2013	**548,208**	**105,777**	**(1,887)**	**1,877**	**1,528,836**	**258,084**	**384,423**	**34,414**	**2,859,732**	**45,903**	**2,905,635**
Transfers	-	-	-	-	-	41,680	(7,266)	(34,414)	-	-	-
Dividends paid	-	-	-	-	-	-	(54,821)	-	**(54,821)**	(3,400)	**(58,221)**
Total comprehensive income / (loss)	-	-	1,705	1,489	11,762	-	-	61,414	**76,370**	(3,607)	**72,763**
31 December 2013	**548,208**	**105,777**	**(182)**	**3,366**	**1,540,598**	**299,764**	**322,336**	**61,414**	**2,881,281**	**38,896**	**2,920,177**
1 January 2012	**548,208**	**105,777**	-	**1,383**	**1,248,552**	**248,754**	**359,902**	**88,510**	**2,601,086**	**16,118**	**2,617,204**
Changes in accounting policies (Note 2.2)	-	-	(162)	-	-	-	-	162	-	(3,393)	**(3,393)**
As restated as of 1 January 2012	**548,208**	**105,777**	**(162)**	**1,383**	**1,248,552**	**248,754**	**359,902**	**88,672**	**2,601,086**	**12,725**	**2,613,811**
Transfers	-	-	-	-	-	9,330	79,342	(88,672)	**-**	-	**-**
Capital increases	-	-	-	-	-	-	-	-	**-**	32,208	**32,208**
Dividends paid	-	-	-	-	-	-	(54,821)	-	**(54,821)**	(4,180)	**(59,001)**
Total comprehensive income / (loss)	-	-	(1,725)	494	280,284	-	-	34,414	**313,467**	5,150	**318,617**
31 December 2012	**548,208**	**105,777**	**(1,887)**	**1,877**	**1,528,836**	**258,084**	**384,423**	**34,414**	**2,859,732**	**45,903**	**2,905,635**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Notes	1 January - 31 December 2013	(Restated) 1 January - 31 December 2013
A. Cash flows from operating activities			
Income for the period		**58,034**	**39,189**
Adjustments for reconciliation of profit / loss for the period:			
Adjustments for depreciation and amortisation	26	14,198	10,740
Provision for employment termination benefits	26	850	675
Provision for unused vacation	25	(139)	1,922
Provision for doubtful receivable	25	879	1,728
Loss / (gain) on sale of property, plant and equipment, net	28	(1,086)	(6,203)
Provision for diminution in value of inventories, net	27	3,343	5,205
Group's share in the associates' loss	5	50,649	31,751
Profit from the sale of the shares of joint venture	28	-	(49,136)
Adjustments for interest income and expenses	27, 29	(26,401)	(39,218)
Adjustments for income tax expense / income	30	28,996	8,773
Dividend income	28	(8,114)	(7,941)
Provision for litigations	27	1,313	-
Provision for premiums and bonuses		1,440	1,106
Adjustments for unrecognized foreign exchange differences		(98,622)	22,998
Income / expense accruals	11	1,551	423
Changes in working capital:			
Adjustments for increase / decrease in trade receivables		(33,688)	(15,707)
Adjustments for increase / decrease in inventories		(31,692)	(62,453)
Adjustments for increase / decrease in trade payables		26,062	(1,336)
Adjustments for increase / decrease in other receivables related with operations		13,619	(23,521)
Adjustments for increase / decrease in other payables related with operations		(45,850)	91,686
Net cash provided from operations		**(44,658)**	**10,681**
Cash flows from operating activities:			
Interest received		37,720	48,959
Credit finance expenses		(7,139)	(7,749)
Taxes paid		(23,432)	(8,646)
Employment termination benefits paid	21	(712)	(290)
Unused vacation paid	21	(229)	(1,065)
Collections of doubtful receivables	11	302	18
Net cash provided from operating activities		**(38,148)**	**41,908**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Notes	1 January - 31 December 2013	(Restated) 1 January - 31 December 2013
B. Cash flows from investing activities			
Cash outflows from the purchase of tangible and intangible assets	16, 17, 18	(14,854)	(30,443)
Cash inflows from the sale of tangible and intangible assets	16, 17, 18, 28	2,382	8,001
Acquisition of shares of subsidiary	19	-	(51,733)
Proceeds from the sale of the shares of joint venture	28	-	58,904
Dividends received		8,114	7,941
Dividends received from investments accounted for using equity method	5	945	4,164
Changes in financial assets		487	1,864
Capital advance payments to joint ventures and associates	5	(12,897)	(54)
Net cash flows due to investing activities		**(15,823)**	**(1,356)**
C. Cash flows from financing activities			
Cash inflows / (outflows) from bank borrowings		33,521	(6,071)
Interest paid		(5,341)	(1,992)
Dividends received		(3,400)	(4,180)
Dividends paid	31	(54,821)	(54,821)
Net cash flows due to financing activities		**(30,041)**	**(67,064)**
Net increase / decrease in cash and cash equivalents before the impact of foreign currency translation differences (A+B+C)		**(84,012)**	**(26,512)**
D. Impact of foreign currency translation differences on cash and cash equivalents		**97,277**	**(22,944)**
Net decrease in cash and cash equivalents (A+B+C+D)		**13,265**	**(49,456)**
E. Cash and cash equivalents at the beginning of the period	**7**	**703,992**	**753,448**
Cash and cash equivalents at the end of the period (A+B+C+D+E)	**7**	**717,257**	**703,992**

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

NOTE 1 - ORGANISATION AND NATURE OF THE COMPANY

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

The Company's registered address is as follows:

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

The Company is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been quoted on the Borsa İstanbul A.Ş. ("BIST") since 1990. As of 31 December 2013, 24.60% (31 December 2012: 27.63%) of total shares are quoted on the BIST. The ultimate parent company of the Group is Eczacıbaşı Holding A.Ş., which possesses 50.62% (31 December 2012: 50.62%) shares of the Company (Note 23).

As of 31 December 2013, the personnel number of the Group is 977 (31 December 2012: 930).

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 Hijyen Ürünleri Sanayi ve Ticaret A.Ş. ("Eczacıbaşı Hijyen")	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.

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Joint Ventures

The Company's 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.

Associates

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

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

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of compliance

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

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

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

Functional currency

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

Restatement of the financial statements in Hyperinflationary periods

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

Comparative information and restatement of prior period financial statements

Group's consolidated financial statements have been prepared in comparison with the previous period in order to give accurate trend analysis regarding the financial position and performance. Where necessary, comparative figures have been reclassified to conform to the presentation of the current period consolidated financial statements and significant changes are explained. Consolidated financial statements of previous period have been restated by the Group according to changes in accounting policies explained at Note 2.4. Effects of these changes are detailed at Note 2.4. Group made some reclassifications in the previous period's financial statements in order to comply with the new format of Capital Market Board issued on 7 June 2013. The nature, cause and amount of reclassifications are disclosed at Note 35.

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

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

2.1 Basis of Presentation (continued)

Basis of Consolidation

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 (%)	
	2013	2012	2013	2012	2013	2012	2013	2012
EİP	99.94	99.94	0.02	0.02	99.96	99.96	99.93	99.93
EİT	99.80	99.80	-	-	99.80	99.80	99.82	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	4.00	4.00	52.13	52.13	48.13	48.13
Eczacıbaşı Hijyen	48.13	48.13	4.00	4.00	52.13	52.13	48.13	48.13
Eczacıbaşı Gayrimenkul	99.49	99.49	0.02	0.02	99.51	99.51	99.49	99.49

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.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

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

2.1 Basis of Presentation (continued)

Basis of Consolidation (continued)

Subsidiaries (continued):

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TAS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

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

2.1 Basis of Presentation (continued)

Basis of Consolidation (continued)

Investments in associates and joint ventures:

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 (%)	
	2013	2012	2013	2012	2013	2012	2013	2012
EBC (*)	-	-	-	-	-	-	-	-
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.
(**) The subsidiaries consolidated in the financial statements of EBX are as follows:

	Direct and indirect control of EBX (%)		Total proportion of ownership interests (%)	
	2013	2012	2013	2012
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 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	-	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")	99.00	85.00	59.40	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

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

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

2.1 Basis of Presentation (continued)

Basis of Consolidation (continued)

Investments in associates and joint ventures (continued):

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

	Direct and indirect control of Eczacıbaşı-Monrol (%)		Total proportion of ownership interests of Eczacıbaşı-Monrol (%)	
	2013	2012	2013	2012
Monrol Poland Ltd.	100.00	100.00	100.00	100.00
Monrol Europe S.R.L	100.00	100.00	100.00	100.00
Moleküler Görüntüleme A.Ş.	100.00	100.00	100.00	100.00
Monrol Egypt Ltd.	100.00	100.00	100.00	100.00
Monrol Bulgaria Ltd.	100.00	100.00	100.00	100.00
Eczacıbaşı Monrol - Jordan	100.00	100.00	100.00	100.00
Capintec, Inc.	100.00	100.00	100.00	100.00

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 (%)	
	2013	2012	2013	2012	2013	2012	2013	2012
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
OSGB (*)	48.35	-	-	-	48.35	-	48.35	-
Vitra Karo (**)	25.00	25.00	0.92	0.92	25.92	25.92	25.00	25.00

(*) Eczacıbaşı Ortak Sağlık ve Güvenlik Birimi A.Ş. is established on 2 September 2013 by ESH. ESH owns 100% shares of OSGB. OSGB is consolidated in the financial statements of ESH.

(**) 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 (%)	
		2013	2012
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

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

2.1 Basis of Presentation (continued)

Basis of Consolidation (continued)

Investments in associates and joint ventures (continued):

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with TFRS 5. Under the equity method, an investment in associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of the associate or a joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of TAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group’s investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with TAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with TAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with TAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group’s consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

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

2.2 Changes in accounting policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated. The Group has made some changes in accounting policies due to effects of changes on standards in current year. Details of these changes are disclosed at Note 2.4.

2.3 Changes in the accounting estimates and errors

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

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

2.4 New and Revised Turkish Accounting Standards

a) Amendments to TASs affecting presentation and disclosures only

The following amendments to TASs and TFRSs have been applied in the current year and have affected the amounts reported in these consolidated financial statements.

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

The amendments to TAS 1 *Presentation of Items of Other Comprehensive Income* is effective for the annual periods beginning on or after 1 July 2012.The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to TAS 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 TAS 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 TAS 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 have been applied retrospectively and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to TAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised standards on consolidation, joint arrangements, associates and disclosures

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

Key requirements of these five Standards are described below:

TFRS 10 replaces the parts of TAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of TFRS 10. Under TFRS 10, there is only one basis for consolidation that is control. In addition, TFRS 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 return. Extensive guidance has been added in TFRS 10 to deal with complex scenarios.

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

2.4 New and Revised Turkish Accounting Standards (continued)

a) Amendments to TASs affecting presentation and disclosures only (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

TFRS 11 replaces TAS 31 Interests in Joint Ventures. TFRS 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 will be withdrawn upon the effective date of TFRS 11. Under TFRS 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 TAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under TFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under TAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

The Group management has re-evaluated its involvement in its joint arrangements according to TFRS 11. As a result, Group's joint arrangements disclosed in Note 1, which were classified as jointly controlled entities before the change in accounting policy, were classified as joint ventures. According to this classification, the joint ventures are recognised by applying the equity method which were previously proportionately consolidated.

The change in accounting of the Group's investments in Joint Ventures disclosed in Note 1 has been applied in accordance with the relevant transitional provisions set out in IFRS 11. Comparative amounts for 2012 have been restated to reflect the change in accounting for the Group's investment in Joint Ventures presented in Note 1. The initial investment as at 1 January 2012 for the purposes of applying the equity method is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated (see Note 31 for details). Also, the directors of the Company performed in impairment assessment on the initial investment as at 1 January 2012 and concluded that no impairment loss is required.

TFRS 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 TFRS 12 are more extensive than those in the current standards.

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

TFRS 13 ***Fair Value Measurement***

TFRS 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 TFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other TFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in TFRS 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 TFRS 7 *Financial Instruments: Disclosures* will be extended by TFRS 13 to cover all assets and liabilities within its scope.

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

2.4 New and Revised Turkish Accounting Standards (continued)

a) Amendments to TASs affecting presentation and disclosures only (continued)

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

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

TAS 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 TAS 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.

In the current year, the Group has applied a number of new and revised IFRSs, which has resulted in material effects on the information in the consolidated statement of financial position as at 1 January 2012. In accordance with the amendments to IAS 1, the Group has presented a third statement of financial position as at 1 January 2012 without the related notes except for the disclosure requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors as detailed below.

TAS 19 Employee Benefits

The amendments to TAS 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 TAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of TAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application.

Specific transitional provisions are applicable to first-time application of IAS 19. The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis (see Note 35 for details).

b) New and Revised TFRSs effective since the year 2013 with no material effect on financial statements with amendments and interpretations on current TFRSs

Amendments to TFRS 7 *Offsetting Financial Assets and Financial Liabilities and the related disclosures*

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

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

2.4 New and Revised Turkish Accounting Standards (continued)

b) New and Revised TFRSs effective since the year 2013 with no material effect on financial statements with amendments and interpretations on current TFRSs (continued)

***Annual Improvements to TFRSs 2009 - 2011 Cycle* issued in May 2012**

- Amendments to TAS 16 *Property, Plant and Equipment*;
- Amendments to TAS 32 *Financial Instruments: Presentation*
- Amendments to TAS 34 *Interim Financial Reporting*

Amendments to TAS 16

The amendments to TAS 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 TAS 16 and as inventory otherwise. Amendments to TAS 16 have no significant effect on the Group's consolidated financial statements.

Amendments to TAS 32

The amendments to TAS 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 TAS 12 *Income Taxes*. Amendments to TAS 32 have no significant effect on the Group's consolidated financial statements.

Amendments to TAS 34

The amendments to TAS 34 clarify that disclosure of the total assets and total liabilities for a particular reportable segment is only required if a measure of total assets or total liabilities (or both) is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amendments to TAS 34 did not have an effect on the Group's consolidated financial statements.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

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 TAS 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 financial statements as the Group does not engage in such activities.

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

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

2.4 New and Revised Turkish Accounting Standards (continued)

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

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

TFRS 9	*Financial Instruments*
Amendments to TFRS 9 and TFRS 7	*Mandatory Effective Date of TFRS 9 and Transition Disclosures*
Amendments to TAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to TFRS 10, 11, TAS 27	*Investment Entities*[1]
Amendments to TAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to TAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
TFRS Interpretation 21	*Levies*[1]

[1] Effective for annual periods beginning on or after 1 January 2014.

TFRS 9 ***Financial Instruments***

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

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

On November 2013, it is tentatively decided that the mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017. This amendment has not been published by POA, yet.

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

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

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

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

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

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

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

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

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

2.4 New and Revised Turkish Accounting Standards (continued)

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

TFRS Interpretation 21 *Levies*

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

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 2.1), 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 11).

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 other operating income and expenses (Note 27).

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 10).

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 13).

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.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial assets (continued)

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

3.7 Business combinations and goodwill

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

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

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

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Business Combinations and Goodwill (continued)

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date. Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of TFRS 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 16). 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
Machinery, plant and equipment	4 - 15 years
Furniture and fixtures	4 - 15 years

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Investment Properties (continued)

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.

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 18).

The Group estimated useful lives for intangible assets with definite useful lives such as customer relationships, trademarks and licences for 25, 15 and 10 years; respectively. These intangibles are amortised based on the estimates regarding the economic benefits that will be provided to the Group in the future periods.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 30).

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 (Note 9).

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.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Leases (continued)

Operational leases (continued)

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.

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 21).

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 27).

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 24). 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 27).

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.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 18 and 25).

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 29).

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 20).

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:

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Financial instruments (continued)

Fair value of the financial instruments (continued)

Monetary assets;

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

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

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

Monetary liabilities;

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

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 31).

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.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2013

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.29 Management's estimates (continued)

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 22). The total VAT receivables amount to TRL 51,354 thousand as of 31 December 2013 (31 December 2012: TRL 48,913 thousand). VAT receivables amounting to TRL 42,115 thousand (31 December 2012: TRL 32,535 thousand) have been classified as long-term receivables.

d) Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for CMB financial reporting standards purposes and its statutory tax financial statements. The subsidiary of the Group have deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized. As of 31 December 2013, EİP have carry forward tax losses amounting to TRL 37,578 thousand (31 December 2012: TRL 23,418 thousand). For the tax loss of EİP, the Group has not recognized deferred tax assets because it is not apparent that taxable profit will be available sufficient to recognize deferred tax assets. If future results of EİP operations exceed the Group's current expectations, the existing unrecognized deferred tax assets may be recognized, resulting in future tax benefits.

NOTE 4 - BUSINESS COMBINATIONS

Refer to Note 19 (31 December 2012: Refer to Note 19).

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

NOTE 5 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

a) Subsidiaries

Group's composition:

Composition of the Group is disclosed at Note 1.

Details of non-wholly owned subsidiaries that have material non-controlling interests:

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests (i)		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Eczacıbaşı Girişim	Turkey	51.87	51.87	(652)	4,781	41,569	45,872
Eczacıbaşı Hijyen	Turkey	51.87	51.87	(2,753)	-	(2,719)	-
The subsidiaries with an insignificant amount of non-controlling interest				25	(6)	46	31
				(3,380)	**4,775**	**38,896**	**45,903**

i) The Group holds 48.13% ownership interest in Eczacıbaşı Girişim. However, the Group has the power to remove and change the majority of the board of directors of Eczacıbaşı Girişim by virtue of shares which have the power of voting rights (but does not have the economic benefit of) held by certain Eczacıbaşı Family members. The Board of Directors of Eczacıbaşı Girişim has the power to direct the relevant activities on the basis of majority of voting rights. Therefore the Group Management concluded that the Group has control over Eczacıbaşı Girişim and hence Eczacıbaşı Girişim is consolidated.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Eczacıbaşı Girişim	**31 December 2013**	**31 December 2012**
Current assets	168,709	136,870
Non-current assets	109,455	117,440
Current liabilities	192,966	152,963
Non-current liabilities	5,057	12,915
Attributable to equity holders of the Company	80,141	88,437

	2013	**2012**
Revenue	777,472	682,577
Expenses	(778,413)	(673,625)
Profit / (Loss) for the period	(941)	8,952
Other comprehensive income/ (loss)	(482)	633

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

NOTE 5 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

a) Subsidiaries (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued):

Eczacıbaşı Hijyen	**31 December 2013**	**31 December 2012**
Current assets	21,011	35,702
Non-current assets	8,188	7,083
Current liabilities	27,863	37,282
Non-current liabilities	684	696
Attributable to equity holders of the Company	653	4,807

	2013	**2012**
Revenue	62,107	-
Expenses	(67,349)	-
Profit / (Loss) for the period	(5,242)	-
Other comprehensive income/ (loss)	65	-

b) Associates and Joint Ventures

	31 December 2013	**31 December 2012**
Associates		
Vitra Karo	-	-
Ekom	16,679	16,634
ESH	-	217
Joint Ventures		
Eczacıbaşı-Monrol	44,507	53,922
ESK	1,702	1,998
EBX	69,755	56,847
	132,643	**129,618**

Cumulative share of loss of an associate	**31 December 2013**	**31 December 2012**
Vitra Karo	(35,094)	(12,708)
ESH	(593)	-
	(35,687)	**(12,708)**

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

NOTE 5 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

b) Associates and Joint Ventures (continued)

	2013	**2012**
As of 1 January 2013	129,618	173,454
The Group's share in investments accounted for using equity method' profit / (loss	(50,649)	(31,751)
Decreases due to sales of associate's shares	-	(9,767)
Capital advance payments	51,063	54
Differences due to actuarial gain / loss	1,491	(1,487)
Change in the fair value of available-for-sale financial assets	(72)	2,820
Increases due to currency translation differences	2,137	459
Dividend payments	(945)	(4,164)
As of 31 December 2013	**132,643**	**129,618**

The Group's share in the assets, liabilities as of 31 December 2013 and 31 December 2012, net sales of the associates for the period ended 31 December are presented below:

	31 December 2013					
	Assets	**Liabilities**	**Goodwill attributable to equity holders**	**Net sales**	**Net profit / (loss) for the period**	**Total proportion of ownership interests (%)**
Ekom	1,436,270	1,373,013	-	1,066,948	756	26.36
Vitra Karo	835,902	974,590	-	716,008	(3,642)	25.00
ESH	7,052	7,535	-	22,100	(389)	48.35
Eczacıbaşı-Monrol	201,607	165,349	26,379	95,346	(8,645)	50.00
ESK	10,697	7,076	-	20,988	89	47.00
EBX	349,848	210,330	-	396,907	(38,818)	50.00
					(50,649)	

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

NOTE 5 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

	31 December 2012					
	Assets	**Liabilities**	**Goodwill attributable to equity holders**	**Net sales**	**Net profit / (loss) for the period**	**Total proportion of ownership interests (%)**
Ekom	1,055,306	992,203	-	930,753	601	26.36
Vitra Karo	724,482	771,626	-	680,692	1,045	25.00
ESH	5,396	4,948	-	19,970	(746)	48.35
Eczacıbaşı-Monrol	148,466	93,380	26,379	59,365	(3,094)	50.00
ESK	9,821	5,570	-	18,425	423	47.00
EBC (*)	-	-	-	120,388	4,901	50.00
EBX	257,047	143,344	-	388,982	(34,881)	50.00
					(31,751)	

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

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

The Group continues to operate primarily in three reportable segments as of 31 December 2013:

1. Health:

Production and sale of human health and veterinary medicine.

2. Personal care:

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

3. Real estate development:

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

Ormanada project:

On 31 December 2007, the Company acquired half of the 22 pieces of land with a total area of 196,409.74 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.

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

NOTE 6 - SEGMENT REPORTING (Continued)

3. Real estate development (continued):

Ormanada project (continued):

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 13). Sales and cost of residential units that the delivery started at April 2013 are presented in the revenue and cost of sales in the financial statements.

Ayazağa facilities leased to EBX:

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

Eczacıbaşı Gayrimenkul:

Providing consulting services regarding land development and project management to Eczacıbaşı Group companies which are operating in real estate development sector
.
Segment assets consist of cash and cash equivalents (except the cash and cash equivalents of the parent company), trade and other receivables, inventories, tangible and intangible assets and other current and non-current assets. Financial assets at fair value through profit or loss, financial assets available for sale and deferred tax assets are excluded from segment assets.

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

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

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

Segment assets and liabilities as of 31 December 2013 and 31 December 2012:

	31 December 2013		31 December 2012	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Health	88,230	(88,802)	71,870	(55,233)
Personal care	363,594	(222,225)	344,418	(191,195)
Real estate development	382,944	(72,629)	387,932	(118,427)
Undistributed	2,602,451	(133,386)	2,556,481	(90,211)
Total	**3,437,219**	**(517,042)**	**3,360,701**	**(455,066)**

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

NOTE 6 - SEGMENT REPORTING (Continued)

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

1 January 2013 - 31 December 2013	**Health**	**Personal care**	**Real estate development**	**Undistributed**	**Inter-segment elimination**	**Total**
Capital expenditures (Notes 16, 17 and 18)	3,873	5,462	5,519	-	-	**14,854**
Non-cash expenses:						
- Depreciation and amortisation (Notes 16, 17 ve 18)	1,997	6,087	6,114	-	-	**14,198**
- Provision for diminution in value of inventories (Note 13)	586	2,757	-	-	-	**3,343**
- Provision for employment termination benefits and actuarial loss (Note 21)	474	(180)	72	-	-	**366**
- Provision for unused vacation (Note 21)	113	(382)	130	-	-	**(139)**
- Provision for litigations (Note 20)	455	858	-	-	-	**1,313**
- Provision for doubtful receivables (Note 11)	228	651	-	-	-	**879**
- Expense accruals (Note 11)	421	1,362	-	-	-	**1,783**
	4,274	**11,153**	**6,316**	**-**	**-**	**21,743**
1 January 2012 - 31 December 2012						
Capital expenditures (Notes 16, 17 ve 18)	3,262	25,202	1,979	-	-	**30,443**
Non-cash expenses:						
- Depreciation and amortisation (Notes 16, 17 ve 18)	2,207	2,462	6,071	-	-	**10,740**
- Provision for diminution in value of inventories (Note 13)	2,476	2,729	-	-	-	**5,205**
- Provision for employment termination benefits and actuarial loss (Note 21)	360	783	-	-	-	**1,143**
- Provision for unused vacation (Note 21)	806	928	188	-	-	**1,922**
- Provision for doubtful receivables (Note 11)	26	1,702	-	-	-	**1,728**
- Expense accruals (Note 11)	423	386	223	-	-	**1,032**
	6,298	**8,990**	**6,482**	**-**	**-**	**21,770**

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

NOTE 6 - SEGMENT REPORTING (Continued)

Segment results for the year ended at 31 December:

1 January - 31 December 2013	**Health**	**Personal care**	**Real estate development**	**Undistributed**	**Inter-segment elimination**	**Total**
Total sales	124,076	839,579	304,852	17	-	**1,268,524**
Elimination of sales within the Group (-)	-	(60,229)	(82,286)	-	-	**(142,515)**
Sales to third parties	124,076	779,350	222,566	17	-	**1,126,009**
Cost of sales (-)	(73,051)	(676,384)	(170,440)	-	-	**(919,875)**
Gross profit	**51,025**	**102,966**	**52,126**	**17**	**-**	**206,134**
General administrative expenses (-)	(31,141)	(33,130)	(2,941)	(6,971)	-	**(74,183)**
Marketing expenses (-)	(41,686)	(69,877)	(9,326)	-	-	**(120,889)**
Research and development expenses (-)	-	(1,053)	-	-	-	**(1,053)**
Other operating income	5,285	9,383	19	157,317	-	**172,004**
Other operating expenses (-)	(10,275)	(12,881)	(802)	(23,372)	-	**(47,330)**
Operating (loss) / profit	**(26,792)**	**(4,592)**	**39,076**	**126,991**	**-**	**134,683**
1 January - 31 December 2012						
Total sales	107,073	682,393	157,575	15	-	**947,056**
Elimination of sales within the Group (-)	-	(1,082)	(58,616)	-	(24)	**(59,722)**
Sales to third parties	107,073	681,311	98,959	15	(24)	**887,334**
Cost of sales (-)	(62,424)	(596,345)	(65,246)	-	-	**(724,015)**
Gross profit	**44,649**	**84,966**	**33,713**	**15**	**(24)**	**163,319**
General administrative expenses (-)	(27,564)	(25,785)	(2,040)	(6,855)	-	**(62,244)**
Marketing expenses (-)	(37,182)	(49,033)	(6,328)	-	-	**(92,543)**
Research and development expenses (-)	-	-	-	-	-	**-**
Other operating income	5,383	10,452	51	78,972	-	**94,858**
Other operating expenses (-)	(8,296)	(12,232)	(436)	(63,746)	-	**(84,710)**
Operating (loss) / profit	**(23,010)**	**8,368**	**24,960**	**8,386**	**(24)**	**18,680**

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

NOTE 6 - SEGMENT REPORTING (Continued)

Confirmation of operating profits related to operating segments with profit before tax:

	1 January - 31 December 2013	1 January - 31 December 2012
Operating profits related to operating segments	**7,692**	**10,318**
Undistributed expenses (-)	126,991	8,386
Inter-segment elimination	-	(24)
Income from investing activities	9,251	63,326
Expenses from investing activities (-)	(51)	(46)
Losses shares from associates (-)	(50,649)	(31,751)
Financial income	-	1,391
Financial expenses (-)	(6,204)	(3,638)
Profit before tax	**87,030**	**47,962**

NOT 7 - CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Cash in hand	62	38
Banks	719,531	705,021
- demand deposits	5,458	2,919
- time deposits	714,073	702,102
Other liquid assets	1	109
	719,594	**705,168**

Interest rates for TRL denominated time deposits vary between 8.45% and 10.20% (31 December 2012: 5.25% - 9.70%), whereas interest rates for foreign currency denominated time deposits vary between 2.80% and 3.30% (31 December 2012: 1.00% - 3.80%). The weighted average interest rates per annum for TRL, USD and EUR denominated time deposits are 8.95%, 3.04% and 2.90%, respectively (31 December 2012: 8.61%, 3.12% and 3.25%).

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

	31 December 2013	31 December 2012
Cash and cash equivalents	719,594	705,168
Interest accruals (-)	(2,337)	(1,176)
	717,257	**703,992**

Cash and cash equivalents amounting TRL 7,500 thousand (31 December 2012: TRL 7,500 thousand) which was blocked in order to be used in continuing operations and fulfil the obligations of the Group, have been reclassed separately in "Other Current Assets".

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

NOTE 8 - FINANCIAL ASSETS

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

	31 December 2013	31 December 2012
Financial assets at fair value through profit and loss	308	372
Financial investments, current	**308**	**372**
Financial assets available-for-sale	1,764,615	1,752,570
Financial assets at fair value through profit and loss	2,769	3,192
Financial investments, non-current	**1,767,384**	**1,755,762**

TFRS 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 2013	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	-	308	-	308
Financial investments, current	**-**	**308**	**-**	**308**
Financial assets available-for-sale	205,570	244,401	1,314,644	1,764,615
Financial assets at fair value through profit and loss	-	2,769	-	2,769
Financial investments, non-current	**205,570**	**247,170**	**1,314,644**	**1,767,384**

31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	-	372	-	372
Financial investments, 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 investments, non-current	**250,812**	**245,521**	**1,259,429**	**1,755,762**

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

NOTE 8 - FINANCIAL ASSETS (Continued)

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

	2013	**2012**
As of 1 January	1,259,429	1,090,070
Total income accounted in other comprehensive income	48,499	150,262
Effect of share purchases and rate changes	6,716	32,844
Disposals (-)	-	(13,747)
As of 31 December	**1,314,644**	**1,259,429**

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

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

The 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 3,077 thousand as of 31 December 2013 (31 December 2012: TRL 3,564 thousand). As of 31 December 2013, Group estimates to transfer TRL 308 thousand (31 December 2012: TRL 372 thousand) of these funds within 2014 and the remaining TRL 2,769 thousand (31 December 2012: TRL 3,192 thousand) after 2014. TRL 3,077 thousand (31 December 2012: TRL 3.564 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:

	2013	**2012**
As of 1 January	1,752,570	1,459,961
Total income accounted in other comprehensive income	12,045	292,609
As of 31 December	**1,764,615**	**1,752,570**

(Amounts expressed in thousand 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 2013**	**%**	**31 December 2012**	**%**
Eczacıbaşı Yatırım Ortaklığı A.Ş. (*)	3,056	15	3,812	15
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş. (*)	634	2	920	2
Türkiye İş Bankası A.Ş. (*)	23	<1	32	<1
Ak Enerji Elektrik Üretim A.Ş. (*) (**)	<1	<1	<1	<1
Eczacıbaşı Yapı Gereçleri San. ve Tic. A.Ş. (*) (**)	<1	<1	<1	<1
	3,713		**4,764**	
Not listed:				
Eczacıbaşı Holding A.Ş. (*****)	1,760,038	37	1,747,158	37
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş. (****)	768	14	552	14
Eczacıbaşı Menkul Değerler A.Ş. (****)	68	1	68	1
Other (***)	28		28	
	1,760,902		**1,747,806**	
Total	**1,764,615**		**1,752,570**	

(*) 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 2013 are TRL 121 (31 December 2012: TRL 165) and TRL 673 (31 December 2012: TRL 857), 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 2013 and 2012 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.

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

NOTE 8 - FINANCIAL ASSETS (Continued)

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

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)

	Proportion of ownership interests of Eczacıbaşı Holding A.Ş. (%) (*)		Fair value measurement method (**)		Fair value hierarchy (**)	
Entity Name	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
EİS Eczacıbaşı İlaç Sınai ve Finansal Yatırımlar San. ve Tic. A.Ş.	67.88	64.60	(I)	(I)	(I)	(I)
Eczacıbaşı Yapı Gereçleri San. ve Tic. A.Ş.	91.69	90.52	(II)	(II)	Level 1	Level 1
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş.	62.40	58.74	(II)	(II)	Level 1	Level 1
Eczacıbaşı Yatırım Ortaklığı A.Ş.	28.18	26.70	(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.	95.37	94.90	(III)	(III)	Level 3	Level 3
Vitra Karo San. ve Tic. A.Ş.	89.62	88.76	(III)	(III)	Level 3	Level 3
Engers Keramik Gmbh & Co Kg	89.62	88.76	(III)	(III)	Level 3	Level 3
Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri San. ve Tic. A.Ş.	80.54	78.96	(III)	(III)	Level 3	Level 3
EİP Eczacıbaşı İlaç Pazarlama A.Ş.	67.88	64.60	(III)	(III)	Level 3	Level 3
Eczacıbaşı Portföy Yönetimi A.Ş.	69.91	64.57	(III)	(III)	Level 3	Level 3
Eczacıbaşı Menkul Değerler A.Ş.	69.91	64.57	(III)	(III)	Level 3	Level 3
İpek Kağıt San. ve Tic. A.Ş.	99.40	99.35	(III)	(III)	Level 3	Level 3
Villeroy & Boch Fliesen GmbH	80.65	66.57	(III)	(III)	Level 3	Level 3
Kaynak Tekniği San. ve Tic. A.Ş.	44.74	43.88	(III)	(III)	Level 3	Level 3
E-Kart Elektronik Kart Sistemleri San. ve Tic. A.Ş.	40.04	38.37	(III)	(III)	Level 3	Level 3
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	34.60	33.01	(III)	(III)	Level 3	Level 3
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler San. ve Tic. A.Ş.	-	-	-	-	-	-
Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş.	33.94	32.30	(III)	(III)	Level 3	Level 3
Eczacıbaşı-Monrol Nükleer Ürünler San. ve Tic. A.Ş.	33.94	32.30	(III)	(III)	Level 3	Level 3
Capintec Inc.	33.94	32.30	(IV)	(IV)	Level 2	Level 2
Eczacıbaşı Hijyen Ürünleri San. ve Tic. A.Ş.	80.54	78.96	(IV)	(IV)	Level 2	Level 2

(Amounts expressed in thousand 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	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	4.12	3.98	(V)	(V)	Level 3	Level 3
Eczacıbaşı Havacılık A.Ş.	89.58	89.59	(V)	(V)	Level 3	Level 3
Eczacıbaşı Sağlık Hizmetleri A.Ş.	84.75	83.21	(V)	(V)	Level 3	Level 3
Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım A.Ş.	68.02	64.76	(V)	(V)	Level 3	Level 3
Eczacıbaşı İlaç Ticaret A.Ş.	67.91	64.64	(V)	(V)	Level 3	Level 3
Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.	69.72	64.32	(V)	(V)	Level 3	Level 3
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	50.00	50.00	(V)	(V)	Level 3	Level 3
Toplu Konut Holding A.Ş.	27.00	27.00	(V)	(V)	Level 3	Level 3
Ekom Eczacıbaşı Dış Ticaret A.Ş.	89.23	88.26	(V)	(V)	Level 3	Level 3
Vitra Bad GmbH	100.00	100.00	(VI)	(VI)	Level 3	Level 3
Vitra UK Limited	96.88	96.62	(VI)	(VI)	Level 3	Level 3
Vitra Ireland Limited	86.99	86.19	(VI)	(VI)	Level 3	Level 3
Vitra Plitka	89.62	88.75	(VI)	(VI)	Level 3	Level 3

(*) 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 1,373,210 thousand as of 31 December 2013 (31 December 2012: TRL 1,365,621 thousand). As of 31 December 2013, market/stock value of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. amounts to TRL 1,156,719 thousand (31 December 2012: TRL 1.096.416 thousand).

(II) The securities measured at market values are valued by the strike prices as at 31 December 2013 and 31 December 2012 on BIST. As of 31 December 2013 and 31 December 2012 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.

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

NOTE 8 - FINANCIAL ASSETS (Continued)

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

(III) During performing company valuations, risk-free return rates, risk premiums and borrowing costs are determined. If as of 31 December 2013 the calculated weighted average cost of capital had been higher by 10%, the fair value would have been lower by TRL 115,726 thousand (31 December 2012: lower by TRL 120,719 thousand). If the average cost of capital had been lower by 10%, the fair value would have been higher by TRL 213,185 thousand (31 December 2012: higher by TRL 149,463 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 15.2% - 21.0% (31 December 2012: 7.3% - 11.7%), whereas the discount rates used for companies of which the functional unit of currency is EUR 10.3% (31 December 2012: 7.5%).

(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.

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 2013	**31 December 2012**
Total fair value of Eczacıbaşı Holding (*)	4,148,400	4,185,580
The share of the Group within the total fair value of Eczacıbaşı Holding (**)	1,546,567	1,560,428
The effect of cross ownership	524,067	495,053
Fair value before liquidity discount	**2,070,634**	**2,055,481**
Liquidity discount (-)	(310,596)	(308,323)
Fair value of the Group in consolidated financials	**1,760,038**	**1,747,158**

(*) Reflects the amount multiplied with the total proportion of ownership interests.
(**) As of 31 December 2013 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 2012: 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 2,070,634 thousand (31 December 2012: TRL 2,055,481 thousand) has been calculated by using the fair value of Eczacıbaşı Holding amounting to TRL 4,184,400 thousand (31 December 2012: TRL 4,185,580 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 2013 TRL 1,546,567 thousand (31 December 2012: TRL 1,560,428 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 524,067 thousand (31 December 2012: TRL 495,053 thousand). The fair value presented in consolidated financial statements amounting to TRL 1,760,038 thousand (31 December 2012: TRL 1,747,158 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 207,063 thousand as of 31 December 2013 (31 December 2012: TRL 205,548 thousand).

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

NOTE 9 - FINANCIAL LIABILITIES

	31 December 2013		31 December 2012	
	Effective interest rate per annum (%) (*)	TRL	Effective interest rate per annum (%) (*)	TRL
TRL denominated bank borrowings	8.00 - 13.25	65,353	8.00 - 13.25	31,769
Short-term bank borrowings		**65,353**		**31,769**
TRL denominated bank borrowings	-	-	8.00 - 13.25	63
Long-term bank borrowing		**-**		**63**
Total financial liabilities		**65,353**		**31,832**

(*) Annual weighted interest rate of TRL denominated short-term bank borrowings are 8.38%, (31 December 2012: 8.37%).

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

	31 December 2013	31 December 2012
6 months and less	65,353	31,832
Total	**65,353**	**31,832**

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

NOTE 10 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties at 31 December:

Short-term due from related parties	**31 December 2013**	**31 December 2012**
Due from shareholders		
Eczacıbaşı Holding A.Ş.	7,505	22
	7,505	**22**
Due from Joint Ventures		
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	408	358
Eczacıbaşı-Monrol Nükleer Ürünler Sanayi ve Ticaret A.Ş.	17	24
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	571	-
	996	**382**
Due from Associates		
Ekom Eczacıbaşı Dış Ticaret A.Ş.	367	63
Eczacıbaşı Sağlık Hizmetleri A.Ş.	-	107
Vitra Karo Sanayi ve Ticaret A.Ş.	-	1
	367	**171**
Due from other related parties		
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	68	231
Eczacıbaşı Yapı Gereçleri Sanayi ve Ticaret A.Ş.	51	110
Other	36	16
	155	**357**
Short-term due from related parties	**9,023**	**932**

Average maturity of the Group's receivables from related parties is 18 days (31 December 2012: 61 days) and is amortised at 9.15% per annum (31 December 2012: 7.18%).

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

NOTE 10 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

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

Short-term due to related parties	**31 December 2013**	**31 December 2012**
Due to shareholders		
Eczacıbaşı Holding A.Ş.	1,962	6,503
	1,962	**6,503**
Due to Joint Ventures		
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	4,762	3,116
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	132	7
	4,894	**3,123**
Due to Associates		
Ekom Eczacıbaşı Dış Ticaret A.Ş.	4	2
Eczacıbaşı Sağlık Hizmetleri A.Ş.	10	14
	14	**16**
Due to other related parties		
İpek Kağıt Sanayi ve Ticaret A.Ş.	84,806	85,500
İntema İnşaat ve Tesisat Mlz. Yatırım ve Paz. A.Ş.	2,400	1,407
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	63	32
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	497	400
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	391	181
Other	215	-
	88,372	**87,520**
	95,242	**97,162**
Deferred credit finance expenses (-)	(458)	(250)
Short-term due to related parties	**94,784**	**96,912**

Average maturity of the Group's payables to related parties is 96 days (31 December 2012: 87 days) and is amortised at 8.66% per annum (31 December 2012: 5.69%).

Other payables due to related parties	**31 December 2013**	**31 December 2012**
Capital commitments		
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	38,166	-
Shırt-term other payables due to related parties	**38,166**	**-**

Long-term due to related parties	**31 December 2013**	**31 December 2012**
Due to shareholders		
Eczacıbaşı Holding A.Ş.	-	1,414
	-	**1,414**

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

NOTE 10 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

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

Product sales	**2013**	**2012**
Ormanada house sales (key management and Eczacıbaşı Group's employees)	3,086	-
Ekom Eczacıbaşı Dış Ticaret A.Ş.	2,380	1,782
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	1,693	3,229
Other	91	21
	7,250	**5,032**

Service sales		
İpek Kağıt Sanayi ve Ticaret A.Ş.	77,924	64,464
Eczacıbaşı Holding A.Ş.	92,004	58,528
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş.	-	36,047
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	7,406	6,698
Other	16	4
	177,350	**165,741**

Product purchases		
İpek Kağıt Sanayi ve Ticaret A.Ş.	333,145	320,040
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş.	-	144,026
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	26,711	23,762
Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş.	1,238	2,349
Other	5	18
	361,099	**490,195**

Service purchases		
İntema İnşaat ve Tesisat Malzemeleri	7,908	1,498
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	4,990	8,463
Eczacıbaşı Holding A.Ş.	637	296
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	1,232	868
Other	156	194
	14,923	**11,319**

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

NOTE 10 - 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 34.

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.

As of 31 December 2013 and 2012, the Group does not have any contingent asset or liabilities arising from transactions with related parties.

Dividend income from related parties	**2013**	**2012**
Eczacıbaşı Holding A.Ş.	7,941	7,941
Eczacıbaşı Yatırım Ortaklığı A.Ş.	173	-
	8,114	**7,941**

Interest paid within the context of operating activities		
İpek Kağıt Sanayi ve Ticaret A.Ş.	2,763	3,788
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş.	-	2,001
Other	151	277
	2,914	**6,066**

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

Management and royalty fees paid to related parties	**2013**	**2012**
Eczacıbaşı Holding A.Ş. (*)	10,770	10,634
	10,770	**10,634**

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

Rent income received from related parties	**2013**	**2012**
Eczacıbaşı Holding A.Ş.	3,183	3,028
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	1,749	1,629
İpek Kağıt Sanayi ve Ticaret A.Ş.	542	1,021
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş.	84	80
EBC Eczacıbaşı Beiersdorf Kozmetik Ürünleri Sanayi ve Ticaret A.Ş.	-	688
Other	224	330
	5,782	**6,776**

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

NOTE 10 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

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

Rent expenses paid to related parties	2013	2012
Eczacıbaşı Holding A.Ş.	2,066	2,290
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	234	333
	2,300	**2,623**

Other expenses paid to related parties		
Eczacıbaşı Holding A.Ş.	296	410
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	289	159
Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş.	67	67
Other	262	44
	914	**680**

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	2013	2012
Short term benefits provided to key management personnel	20,009	17,927
Long term benefits provided to key management personnel	-	-
	20,009	**17,927**

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

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables:

Short-term trade receivables:	**31 December 2013**	**31 December 2012**
Trade receivables	178,607	147,684
Notes receivables	29,120	33,002
Income accruals	232	609
	207,959	**181,295**
Deferred credit finance income (-)	(1,107)	(654)
Provision for doubtful receivables (-)	(8,061)	(7,484)
Short-term trade receivables, net	**198,791**	**173,157**

As of 31 December 2013, long-term trade receivables amounting to TRL 1,930 thousand (31 December 2012: TRL 2,916 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 55 days (31 December 2012: 70 days) and TRL denominated trade receivables are amortised at 8.91% per annum (31 December 2012: 5.79%).

Movement of provision for doubtful receivables is presented below:

	2013	**2012**
As of 1 January	7,484	4,463
Subsidiary acquisition effect	-	1,535
Current year additions (Note 25)	879	1,728
Reversal of provisions (-)	-	(224)
Collections (Note 27)	(302)	(18)
As of 31 December	**8,061**	**7,484**

Maximum credit risk and aging analysis related to trade receivables are included in Note 32.

b) Trade payables:

Short-term trade payables	**31 December 2013**	**31 December 2012**
Trade payables	146,037	107,847
Note payables	23	7,938
Expense accruals	1,783	1,032
Deferred credit finance expenses (-)	(691)	(335)
Short-term trade payables, net	**147,152**	**116,482**

Average maturity of the Group's payables is 81 days (31 December 2012: 97 days) and TRL denominated trade payables are amortised at 8.75% per annum (31 December 2012: 6.00%), EUR denominated trade payables are amortised at 0.23% per annum (31 December 2012: 0.61%) and USD denominated payables are amortised at 0.21% per annum (31 December 2012: 0.51%).

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

NOTE 12 - OTHER RECEIVABLES AND PAYABLES

Other current assets	**31 December 2013**	**31 December 2012**
Receivables from tax office	661	-
Deposits and collaterals given	11	9
Other	193	255
	865	**264**

Other non-current assets	**31 December 2013**	**31 December 2012**
Deposits and collaterals given	50	61
	50	**61**

Short-term other liabilities	**31 December 2013**	**31 December 2012**
Taxes payable	3,883	4,200
Deposits and collaterals received	1,880	984
Other	498	496
	6,261	**5,680**

NOTE 13 - INVENTORIES

	31 December 2013	**31 December 2012**
Raw materials and supplies	17,382	14,111
Work in progress	287	287
Finished goods	9,011	7,082
Merchandise	19,869	16,610
Scrap goods	2,748	2,167
Other inventories	1,986	3,356
Lands, completed and construction in progress houses	158,510	134,533
	209,793	**178,146**
Provision for diminution in value of inventories (-)	(11,450)	(8,152)
	198,343	**169,994**

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

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

	2013	**2012**
As of 1 January	8,152	6,277
Current year additions (Note 27)	3,343	5,205
Reversals and inventories destroyed	(45)	(3,330)
As of 31 December	**11,450**	**8,152**

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

NOTE 14 - PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses	31 December 2013	31 December 2012
Unearned revenue	602	580
Advances given	821	65
	1,423	**645**

Long-term prepaid expenses	31 December 2013	31 December 2012
Advances given to subcontractors	1,842	24,337
Others	1,276	589
	3,118	**24,926**

Short-term deferred income	31 December 2013	31 December 2012
Advances received (*)	45,567	80,053
Unearned revenue	245	1,342
	45,812	**81,395**

Long-term deferred income	31 December 2013	31 December 2012
Advances received (*)	1,930	10,777
Unearned revenue	3,765	3,646
	5,695	**14,423**

(*) 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 45,448 thousand (31 December 2012: TRL 80,050 thousand) is also related to the down payments received from clients for the same abovementioned project.

NOTE 15 - CURRENT INCOME TAX ASSETS

Current income tax assets	31 December 2013	31 December 2012
Prepaid taxes and withholding taxes	1,926	2,182
	1,926	**2,182**

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

NOTE 16 - INVESTMENT PROPERTIES

Cost	1 January 2013	Additions	Disposals	31 December 2013
Kanyon	228,754	640	-	229,394
Buildings	20,507	4,797	(265)	25,039
Lands and land improvements	3,082	-	-	3,082
	252,343	**5,437**	**(265)**	**257,515**
Accumulated depreciation				
Kanyon	33,811	5,483	-	39,294
Buildings	13,278	341	(11)	13,608
Lands and land improvements	257	16	-	273
	47,346	**5,840**	**(11)**	**53,175**
Carrying amount	**204,997**			**204,340**

Cost	1 January 2012	Additions	Disposals	31 December 2012
Kanyon	226,841	1,913	-	228,754
Buildings	20,477	115	(85)	20,507
Lands and land improvements	2,857	225	-	3,082
	250,175	**2,253**	**(85)**	**252,343**
Accumulated depreciation				
Kanyon	28,323	5,488	-	33,811
Buildings	13,034	255	(11)	13,278
Lands and land improvements	241	16	-	257
	41,598	**5,759**	**(11)**	**47,346**
Carrying amount	**208,577**			**204,997**

As of 31 December 2013, fair value of Kanyon is approximately TRL 521 million which consist of fair value of Kanyon shopping centre amounting TRL 243 million and fair value of Kanyon Office complex amounting TRL 278 million (31 December 2012: fair value of Kanyon is TRL 538 million which consist of fair value of Kanyon shopping centre amounting TRL 262 million and fair value of Kanyon Office complex amounting TRL 276 million, which is calculated from net present value of estimated rent income of Kanyon shopping centre and office complex.

For the periods ending at 31 December, total rent income of Kanyon shopping centre and office complex is amounted to TRL 48,375 thousand (31 December 2012: TRL 42,587 thousand) and repair and maintenance expense of the related period is amounted to TRL 858 thousand (31 December 2012: TRL 155 thousand).

As of 31 December 2013 and 31 December 2012, 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 thousand of Turkish Lira ("TRL") unless otherwise indicated.)

NOTE 17 - PROPERTY, PLANT AND EQUIPMENT

Cost	**1 December 2013**	**Additions**	**Disposals**	**Transfers**	**31 December 2013**
Lands and land improvements	1,427	-	-	-	1,427
Buildings	27,202	13	-	609	27,824
Machinery, plant and equipment	47,660	872	(376)	-	48,156
Motor vehicles	1,946	33	(1,205)	-	774
Furniture and fixtures	14,713	916	(632)	174	15,171
Construction in progress	46	1,135	-	(1,135)	46
Leasehold improvements	3,286	301	(35)	-	3,552
Other tangible assets	9,156	448	(360)	352	9,596
	105,436	**3,718**	**(2,608)**	**-**	**106,546**
Accumulated depreciation					
Land improvements	16	3	-	-	19
Buildings	1,175	559	-	-	1,734
Machinery, plant and equipment	35,066	2,171	(373)	-	36,864
Motor vehicles	1,373	79	(746)	-	706
Furniture and fixtures	9,576	1,366	(419)	-	10,523
Leasehold improvements	1,798	275	(28)	-	2,045
Other tangible assets	8,556	286	(2)	-	8,840
	57,560	**4,739**	**(1,568)**	**-**	**60,731**
Carrying amount	**47,876**				**45,815**

Allocation of depreciation expenses is as follows: TRL 1,542 thousand in cost of goods sold, TRL 1,840 thousand in general and administrative expenses, TRL 1,319 thousand in marketing expenses and TRL 38 thousand in research and development expenses.

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

NOTE 17 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Cost	1 January 2012	Additions	Disposals	Effect of subsidiary acquisition	Transfers	31 December 2012
Lands and land improvements	2,478	-	(1,051)	-	-	1,427
Buildings	10,374	12,434	(774)	-	5,168	27,202
Machinery, plant and equipment	36,296	576	(152)	7,737	3,203	47,660
Motor vehicles	496	6	-	1,444	-	1,946
Furniture and fixtures	12,985	983	(1,883)	748	1,880	14,713
Construction in progress	46	10,320	-	-	(10,320)	46
Leasehold improvements	1,602	85	-	1,599	-	3,286
Other tangible assets	9,076	187	(176)	-	69	9,156
	73,353	**24,591**	**(4,036)**	**11,528**	**-**	**105,436**
Accumulated depreciation						
Land improvements	20	3	(7)	-	-	16
Buildings	966	410	(201)	-	-	1,175
Machinery, plant and equipment	29,964	1,131	(130)	4,101	-	35,066
Motor vehicles	397	31	-	945	-	1,373
Furniture and fixtures	9,885	1,073	(1,841)	459	-	9,576
Leasehold improvements	1,331	78	-	389	-	1,798
Other tangible assets	8,501	231	(176)	-	-	8,556
	51,064	**2,957**	**(2,355)**	**5,894**	**-**	**57,560**
Carrying amount	**22,289**					**47,876**

Allocation of depreciation expenses is as follows: TRL 1,111 thousand in cost of goods sold, TRL 1,088 thousand in general and administrative expenses, TRL 758 thousand in marketing expenses.

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

NOTE 18 - INTANGIBLE ASSETS

Cost	1 January 2013	Additions	Disposals	Impairment	Transfers	31 December 2013
Customer relations, licences and royalty	20,370	-	-	-	-	20,370
Rights	7,023	1,537	-	(288)	3,332	11,604
Computer software	10,938	214	(2)	-	676	11,826
Other intangible assets	4,718	3,948	-	-	(4,008)	4,658
Construction in progress	129	-	-	-	-	129
	43,178	**5,699**	**(2)**	**(288)**	**-**	**48,587**
Accumulated amortisation						
Customer relations, licences and royalty	-	1,358	-	-	-	1,358
Rights	3,648	970	-	(133)	-	4,485
Computer software	7,981	1,288	-	-	-	9,269
Other intangible assets	125	3	-	-	-	128
	11,754	**3,619**	**-**	**(133)**	**-**	**15,240**
Carrying amount	**31,424**					**33,347**

Allocation of amortisation charge is as follows: TRL 735 thousand in cost of goods sold, TRL 2,236 thousand in general and administrative expenses, TRL 630 thousand in marketing expenses and TRL 18 thousand in research and development expenses.

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

NOTE 18 - INTANGIBLE ASSETS (Continued)

Cost	**1 January 2012**	**Additions**	**Disposals**	**Effect of subsidiary acquisition**	**Transfers**	**31 December 2012**
Customer relations, licences and royalty	-	-	-	20,370	-	20,370
Rights	5,610	212	(25)	564	662	7,023
Computer software	10,057	553	(21)	-	349	10,938
Other intangible assets	2,896	2,833	-	-	(1,011)	4,718
Construction in progress	128	1	-	-	-	129
	18,691	**3,599**	**(46)**	**20,934**	**-**	**43,178**
Accumulated amortisation						
Rights	2,670	633	-	345	-	3,648
Computer software	6,645	1,335	(3)	-	-	7,977
Other intangible assets	73	56	-	-	-	129
	9,388	**2,024**	**(3)**	**345**	**-**	**11,754**
Carrying amount	**9,303**					**31,424**

Allocation of amortisation charge is as follows: TRL 762 thousand in cost of goods sold, TRL 743 thousand in general and administrative expenses and TRL 519 thousand in marketing expenses.

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

NOTE 19 - GOODWILL

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

	2013	2012
As of 1 January	39,511	-
Increases due to acquisitions in the period	-	39,511
As of 31 December	**39,511**	**39,511**

Transactions in 2012

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.

	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 22)	(7,500)
Cash and cash equivalents received	(1,383)
Net cash outflow	**51,733**

NOTE 20 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions:

	31 December 2013	31 December 2012
Provision for litigations	2,122	1,004
Provision for revision	-	1,150
	2,122	**2,154**

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

NOTE 20 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

a) Provisions (continued):

Provision for litigations:

The Group has provided provision for the lawsuits filed against the Group in the amount of TRL 2,122 thousand (31 December 2012: TRL 1,004 thousand) based on the legal opinions taken on juridical, labour, commercial and administrative litigations and the assessment of similar litigations' consequences in the past. Movements of the provision for litigations are stated below:

	2013	2012
As of 1 January	1,004	1,159
Subsidiary purchase effect	-	181
Charge for the period	1,313	-
Reversal of provision	(195)	(336)
As of 31 December	**2,122**	**1,004**

b) Contingent assets:

Appeal for return of tax penalty paid:

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

c) Contingent liabilities:

I- Tax and tax related penalties of the Company:

Tax penalty notified as at 31 December 2007:

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

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

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

NOTE 20 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

c) Contingent liabilities (continued):

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

Tax penalty notified as at 26 December 2008:

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

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

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

Tax penalty notified as at 12 June 2009:

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

As of 2 April 2010, the Company filed a lawsuit in the Tax Court of Istanbul, since no settlement was reached in the meeting held in Commission for Tax Settlements of the Ministry of Finance. Based on the verdict notified to the Company by the 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. Based on the Council of State's decision notified to the Company on 25 November 2013, the request for appeal of Bogazici Corporate Tax Office has been dismissed and the decisions of the Tax Court has been ratified and the lawsuit has been concluded in terms of assessments in favor of the Company.

Tax penalty notified as at 7 April 2011:

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

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

NOTE 20 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

c) Contingent liabilities (continued):

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

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

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

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

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

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

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

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

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

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

ii) On 31 December 2012, tax and tax losses penalties for the year 2007 amounting to TRL 35,046 thousand (the Group's share is TRL 17,523 thousand), which consists of TRL 8,272 thousand of tax base (TRL 4,159 thousand attributable to corporate income tax, TRL 1,223 thousand attributable to withholding tax and TRL 2,890 thousand attributable to VAT) and TRL 26,774 thousand of tax penalty were notified.

iii) On 4 April 2013, tax and tax losses penalties for the year 2008 amounting to TRL 33,195 thousand (the Group's share is TRL 16,597 thousand), which consists of TRL 8,094 thousand of tax base (TRL 4,565 thousand attributable to corporate income tax and TRL 1,230 thousand attributable to withholding tax and TRL 2,299 thousand attributable to VAT) and TRL 25,101 thousand of tax penalty were notified.

iv) On 3 May 2013, tax and tax losses penalties for the years 2009 - 2010 amounting to TRL 61,808 thousand (the Group's share is TRL 30,904 thousand), which consists of TRL 18,424 thousand of tax base (TRL 11,366 thousand attributable to corporate income tax and TRL 7,058 thousand attributable to VAT) and TRL 43,384 thousand of tax penalty were notified.

NOTE 20 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

c) Contingent liabilities (continued):

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

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

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

Tax penalty notified as at 3 August 2012:

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

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

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

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

NOTE 20 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

d) Guarantees given and taken:

	31 December 2013			
Guarantees given	**USD**	**EUR**	**TRL**	**Total**
Suretyship declaration for bank borrowings	-	-	-	-
Letters of guarantee	-	-	10,732	10,732
Guaranteed bills of exchange	-	-	-	-
	-	**-**	**10,732**	**10,732**
Guarantees taken				
Letters of guarantee	27,756	1,455	74,180	103,391
Mortgages	-	-	27,124	27,124
Guaranteed bills of exchange	314	-	6,096	6,410
	28,070	**1,455**	**107,400**	**136,925**

	31 December 2012			
Guarantees given	**USD**	**EUR**	**TRL**	**Total**
Suretyship declaration for bank borrowings	-	-	-	-
Letters of guarantee	-	-	14,110	14,110
Guaranteed bills of exchange	-	-	-	-
	-	**-**	**14,110**	**14,110**
Guarantees taken				
Letters of guarantee	30,717	11,388	79,312	121,417
Mortgages	-	-	22,625	22,625
Guaranteed bills of exchange	-	147	5,100	5,247
	30,717	**11,535**	**107,037**	**149,289**

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

NOTE 20 - 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 2013	31 December 2012
A. CPMs given for Company's own legal personality	3,119	2,615
- Collateral (Fully denominated in TRL)	*3,119*	*2,615*
- 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	-	-
	3,119	**2,615**

Proportion of other CPMs given to the Group's equity as of 31 December 2013 is 0% (31 December 2012: 0%).

NOTE 21 - EMPLOYEE BENEFITS

Employee benefit obligations

	31 December 2013	31 December 2012
Wages payable to employees	2,272	718
Social security premiums payable	1,325	1,120
	3,597	**1,838**

Short term provisions for employee benefits

	31 December 2013	31 December 2012
Provision for unused vacations	4,664	5,032
Provision for bonuses	-	1,106
	4,664	**6,138**

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

NOTE 21 - EMPLOYEE BENEFITS (Continued)

Short term provisions for employee benefits (continued)

Provision for unused vacations:

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

	2013	2012
As of 1 January	5,032	4,014
Subsidiary purchase effect	-	161
Charge for the period (Note 25)	(139)	1,922
Payments during the period (-)	(229)	(1,065)
As of 31 December	**4,664**	**5,032**

Long term provisions for employee benefits

Provision for employment termination benefits:

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

As of 31 December 2013, the amount payable consists of one month's salary limited to a maximum of TRL 3,254.44 (31 December 2012: TRL 3,033.98) for each year of service.

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

TAS 19 "Employee Benefits" published by 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:

	2013	2012
Discount rate (%)	4.11	1.58
Turnover rate to estimate the probability of retirement (%)	89 - 98	89 - 98

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

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

	2013	2012
As of 1 January	3,782	2,305
Effect of subsidiary acquisition	-	624
Charge for the period (Note 25)	850	675
Actuarial gain loss	(484)	468
Payments during the period (-)	(712)	(290)
As of 31 December	**3,436**	**3,782**

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

NOTE 22 - OTHER ASSETS AND LIABILITIES

Other current assets	**31 December 2013**	**31 December 2012**
VAT receivables	9,239	16,378
Others	17	121
	9,256	**16,499**

Other non-current assests	**31 December 2013**	**31 December 2012**
VAT receivables	42,115	32,535
Blocked amount due to subsidiary acquisition payables	7,500	7,500
Prepaid taxes under construction activities	10,309	5,444
	59,924	**45,479**

Other current liabilities	**31 December 2013**	**31 December 2012**
VAT payables	340	311
Others	118	135
	458	**446**

Other non-current liabilities	**31 December 2013**	**31 December 2012**
Deferred considerations due to subsidiary acquisition	7,500	7,500
	7,500	**7,500**

NOTE 23 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Kr 1. There are no privileged shares, EİS Eczacıbaşı İlaç Sanayi ve Ticaret A.Ş.'s subscribed, historical and authorised share capital for the years ended at 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	**31 December 2012**
Limit on registered share capital (historical value)	548,208	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.

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

NOTE 23 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

At 31 December 2013 and 31 December 2012, 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 2013**	**%**	**31 December 2012**
Eczacıbaşı Holding A.Ş.	50.62	277,476	50.62	277,476
Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.	24.78	135,819	21.75	119,210
Other (Listed) (*)	24.60	134,913	27.63	151,522
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 2013, 24.48% (31 December 2012: 26.75%) of the Group's shares in circulation are presented in the other group

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

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

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in/authorised share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in/authorised share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in/authorised share capital. Total amount of legal reserves of the Company is TRL 40,627 thousand (31 December 2012: TRL 38,316 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 2013	**31 December 2012**
Legal reserves	40,627	38,316
Gain on sale of shares of associates	259,137	219,768
	299,764	**258,084**

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.

NOTE 23 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

Retained earnings (continued)

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 2013, the distributable profit of the Company is TRL 118,797 thousand (31 December 2012: TRL 43,923 thousand) and available distributable resources amount to TRL 255,102 thousand (31 December 2012: TRL 266,000 thousand).

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

NOTE 24 - REVENUE

	2013	2012
Domestic sales	1,744,111	1,405,430
Exports	16,269	1,916
Gross sales	**1,760,380**	**1,407,346**
Sales returns (-)	(62,094)	(37,274)
Sales discounts (-)	(572,277)	(482,738)
Net sales	**1,126,009**	**887,334**
Cost of sales (-)	(919,875)	(724,015)
Gross profit	**206,134**	**163,319**

NOTE 25 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

Marketing expenses	**2013**	**2012**
Personnel expenses	49,473	39,657
Advertisement, presentation and promotion expenses	36,087	26,140
Transportation, distribution and warehousing expenses	11,637	7,206
Rent expenses	6,599	4,864
Fuel, energy and water expenses	3,932	3,095
Travelling expenses	2,064	1,629
Depreciation and amortisation expenses (Notes 17 and 18)	1,949	1,277
Consultancy expenses	771	231
Other	8,377	8,444
	120,889	**92,543**

General administrative expenses	**2013**	**2012**
Personnel expenses	35,668	29,167
Consultancy expenses	13,679	13,144
Rent expenses	4,468	3,740
Depreciation and amortisation expenses (Notes 17 and18)	4,076	1,831
Miscellaneous taxes	3,691	2,775
Repair and maintenance expenses	2,301	1,555
Provision expense for doubtful receivables (Note 11)	879	1,728
Provision for employment termination benefits (Note 21)	850	675
Provision for unpaid vacation (Note 21)	(139)	1,922
Other	8,710	5,707
	74,183	**62,244**

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

NOTE 25 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (Continued)

Research and development expenses	**2013**	**2012**
Personnel expenses	997	-
Depreciation and amortisation expenses (Not 17 ve 18)	56	-
	1,053	**-**

NOTE 26 - EXPENSES BY NATURE

	2013	**2012**
Purchase and consumption of inventories	881,754	675,673
Personnel expenses	99,916	74,845
Advertisement and promotion expense	36,087	26,140
Consultancy expense	14,450	13,375
Depreciation and amortisation expense (Notes 16, 17 ve 18)	14,198	10,740
Transportation, distribution and warehousing expenses	11,637	7,206
Rent expenses	11,067	8,604
Changes in commercial inventories	5,188	23,979
Contract manufacturing expense	5,062	6,948
Provision for employment termination benefits (Note 21)	850	675
Other	35,791	30,616
	1,116,000	**877,801**

NOTE 27 - OTHER OPERATING INCOME / EXPENSES

Other operating income	**2013**	**2012**
Foreign exchange gains from bank deposits	126,587	38,895
Interest income from bank deposits	30,665	39,937
Credit finance income	8,216	9,022
Foreign exchange gains from trade receivables and payables	3,615	3,034
Compensation income	358	990
Collections from doubtful receivables (Note 11)	302	18
Other	2,261	2,962
	172,004	**94,858**

Other operating expenses	**2013**	**2012**
Foreign exchange losses from bank deposits	23,511	63,746
Foreign exchange losses from trade receivables and payables	8,062	2,201
Credit finance expenses	7,139	7,749
Provision for diminution in value of inventories (Note 13)	3,343	5,205
Provision expense for legal case (Note 20)	1,313	-
Donation expenses	774	1,197
Other	3,188	4,612
	47,330	**84,710**

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

NOTE 28 - INCOME / EXPENSES FROM INVESTING ACTIVITIES

Income from investing activities	**2013**	**2012**
Dividend income	8,114	7,941
Gain on sales of fixed assets	1,137	6,249
Gain on sales of financial assets (*)	-	49,136
	9,251	**63,326**

(*) 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**

Expenses from investing activities	**2013**	**2012**
Loss on sales of fixed assets	51	46
	51	**46**

NOTE 29 - FINANCIAL INCOME / EXPENSES

Financial income	**2013**	**2012**
Derivative transactions incomes	-	1,387
Other financial income	-	4
	-	**1,391**

Financial expenses	**2013**	**2012**
Interest expense from bank borrowings	5,341	1,992
Fair value changes recognised in profit and loss	628	1,073
Commissions of letter of guarantees	213	210
Other	22	363
	6,204	**3,638**

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

NOTE 30 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)

a) Current income tax on profits:

	31 December 2013	31 December 2012
Corporate and income taxes payable	30,075	8,917
Prepaid taxes (-)	(22,251)	(7,736)
Current income tax liabilities (net)	**7,824**	**1,181**

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 2013 (2012: 20%). Corporation tax is payable on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive allowance, etc.) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed except withholding tax at the rate of 19.8% on the investment incentive allowance utilised within the scope of the Income Tax Law transitional Article 61

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

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

In accordance with Tax Law No, 5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of Turkish lira. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (SIS-WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment was not applied as these conditions were not fulfilled in the fiscal year 2013 and 2012.

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.

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

NOTE 30 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

a) Current income tax on profits (continued):

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

The taxes on income reflected to the consolidated income statement of the nine months period ended 31 December 2013 and 2012 are summarized below:

	2013	**2012**
Current income tax charge (-)	(30,075)	(8,917)
Deferred tax (charge) / revenue	1,079	144
Total income tax charge (-)	**(28,996)**	**(8,773)**

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

	31 December 2013	**31 December 2012**
Profit / (loss) before tax	**87,030**	**47,962**
Current year corporation tax expense	(17,406)	(9,592)
Disallowable expenses	(221)	(572)
Tax effect of exempt income	1,623	1,588
Exception of revenue on sales of subsidiary	-	7,370
Exception of revenue on sales of fixed asset	-	953
Current period tax losses	(2,879)	(1,697)
Items disregarded in the calculation of deferred income tax	17	(473)
Equity method accounting	(10,130)	(6,350)
Total income tax charge (-)	**(28,996)**	**(8,773)**

b) Deferred income tax:

The Group recognises deferred income tax assets and liabilities based upon temporary differences arising between the financial statements prepared in accordance with TAS and the tax financial statements. Such temporary differences generally arise due to revenues and expenses being recognised in different fiscal periods in accordance with tax regulations and TAS. The tax rate used for deferred income tax assets and liabilities is 20% (31 December 2012: 20%).

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

NOTE 30 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

b) Deferred income tax (continued):

The breakdown of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided at 31 December 2013 and 31 December 2012 using the enacted tax rates is as follows

	Cumulative temporary differences		Deferred income tax assets / (liabilities)	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
Tax losses carried forward	(10,569)	(4,077)	2,114	815
Provision for doubtful receivables	(6,414)	(7,484)	1,283	1,497
Provision for unused vacation	(4,664)	(5,032)	933	1,006
Provision for employment termination benefits	(3,436)	(3,782)	687	756
Provision for litigations	(2,122)	(1,004)	424	201
Wage and bonus accruals	(1,440)	(1,106)	288	221
Deferred credit finance income	(1,107)	(654)	221	131
Differences between the tax base and carrying amount of inventories	(938)	(15,690)	188	3,138
Deferred income tax assets (**)	**(30,690)**	**(38,829)**	**6,138**	**7,765**
Fair value differences of available-for-sale financial assets (*)	1,605,981	1,593,936	(80,304)	(79,702)
Difference between the tax base and carrying amount of investment property, property, plant and equipment and intangible assets	3,472	13,325	(339)	(2,665)
Deferred credit finance expenses	691	335	(138)	(67)
Other	(1,311)	1,600	53	(302)
Deferred income tax liabilities (-) (**)	**1,608,833**	**1,609,196**	**(80,728)**	**(82,736)**
Deferred income tax liabilities, net	**1,578,143**	**1,570,367**	**(74,590)**	**(74,971)**

(*) Difference between fair value and book value amounts to TRL 1,605,981 thousand (31 December 2012: TRL 1,593,936 thousand) and based on the 75% exemption from the corporate tax denoted in Article 5, subsection (1), clause (e) of Corporate Tax Law No, 5520, deferred tax is calculated by applying 5% effective tax rate

(**) Since deferred tax assets and deferred tax liabilities in the schedule above are summarized by nature of the temporary differences subject to deferred tax, they express the offset of deferred tax asset amounting to TRL 9,628 thousand (31 December 2012: TRL 8,918 thousand) and deferred tax liability amounting to TRL 84,218 thousand (31 December 2012: TRL 83,889 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 37,578 thousand (31 December 2012: TRL 23,418 thousand) as of 31 December 2013 considering available evidence with respect to the utilization of those assets in the foreseeable future.

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

NOTE 30 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

b) Deferred income tax (continued):

Expiration schedule of carry forward tax losses is as follows:

	31 December 2013	31 December 2012
To expire in 2016	14,954	14,954
To expire in 2017	8,464	8,464
To expire in 2018	14,160	-
	37,578	**23,418**

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:

	2013	2012
As of 1 January	(74,971)	(57,674)
Effect of subsidiary acquisition	-	(2,899)
Current year deferred income tax (expense) / benefit	1,079	144
Deferred income tax liability accounted under equity resulting from actuarial gain /loss	(96)	94
Deferred income tax liability accounted under equity resulting from increase in value of available-for-sale financial assets	(602)	(14,636)
As of 31 December	**(74,590)**	**(74,971)**

NOTE 31 - EARNINGS PER SHARE

	2013	2012
Net gain / (loss) attributable to equity holders of the Company	61,414	34,414
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 / (loss) per share	**0.1120**	**0.0628**

During the period, dividends amounting to TRL 54,821 thousand were distributed over 2012 profits (In 2012, dividend amounting to TRL 54,821 thousand were distributed over 2011 profits). For both dividend distributions, dividend paid per share is TRL 0.10 (In 2012, dividend paid per share is TRL 0.10).

NOTE 32 - 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 thousand of Turkish Lira ("TRL") unless otherwise indicated.)

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (continued)

Details of credit and receivable risk as of 31 December 2013 and 31 December 2012 are as follows:

	Trade receivables from		**Other receivables from**			
31 December 2013	**Related parties**	**Other**	**Related parties**	**Other**	**Deposit in bank**	**Other (*)**
Maximum credit risk exposed as of balance sheet date (**)	**9,023**	**200,721**	**-**	**915**	**719,531**	**3,077**
- Secured portion of the maximum credit risk by guarantees	**-**	***48,673***	**-**	**-**	**-**	**-**
A. Net book value of financial assets that are neither past due nor impaired	9,007	178,690	-	915	719,531	-
B. Carrying value of financial assets that are past due but not impaired (***)	16	22,031	-	-	-	3,077
C. Net book value of the impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	8,061	-	-	-	-
- Impairment (-)	-	(8,061)	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-	-
- Not overdue (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-

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

(**) The area implies the sum of A, B, C, 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 2013, the aging explanations related with past due but not impaired assets indicated in the aging table of "Past due but not impaired trade receivables".

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (continued)

	Trade receivables from		**Other receivables from**			
31 December 2012	**Related parties**	**Other**	**Related parties**	**Other**	**Deposit in bank**	**Other (*)**
Maximum credit risk exposed as of balance sheet date (**)	**932**	**176,073**	**-**	**325**	**705,021**	**3,564**
- Secured portion of the maximum credit risk by guarantees	***-***	***76,068***	***-***	***-***	***-***	***-***
A. Net book value of financial assets that are neither past due nor impaired	932	144,328	-	325	705,021	-
B. Carrying value of financial assets that are past due but not impaired (***)	-	31,745	-	-	-	3,564
C. Net book value of the impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	7,484	-	-	-	-
- Impairment (-)	-	(7,484)	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-	-
- Not overdue (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-

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

(**) The area implies the sum of A, B, C, 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 thousand of Turkish Lira ("TRL") unless otherwise indicated.)

NOTE 32 - 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 2013 and 2012 are as follows:

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

	Trade receivables from		
31 December 2012	**Related parties**	**Other**	**Other**
Past due up to 30 days	-	7,742	-
Past due 1 - 3 months	-	19,977	-
Past due 3 - 12 months	-	4,019	-
Past due 1 - 5 year (*)	-	7	3,564
	-	**31,745**	**3,564**

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

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

b) Liquidity risk

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

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

	31 December 2013					
			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	65,353	65,642	59,146	6,496	-	-
Trade payables due to related parties	94,784	95,242	95,242	-	-	-
Other trade payables	147,152	146,461	139,687	6,774	-	-
Other payables due to related parties	38,166	38,166	38,166	-	-	-
Other payables	1,880	1,880	1,880	-	-	-
Total non-derivative financial liabilities	**347,335**	**347,391**	**334,121**	**13,270**	**-**	**-**

	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	31,832	32,181	26,593	5,525	63	-
Trade payables due to related parties	98,326	98,576	85,449	11,713	1,414	-
Other trade payables	116,482	116,817	95,245	21,572	-	-
Other payables	984	984	984	-	-	-
Total non-derivative financial liabilities	**247,624**	**248,558**	**208,271**	**38,810**	**1,477**	**-**

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk

i) Cash flow and fair value interest rate risk

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

The Group is exposed to interest rate risk through floating interest rates bank borrowings. The Group is also exposed to fair value interest risk through fixed rate bank borrowings. As of 31 December 2013 and 2012, the Group's financial liabilities with floating interest rates are TRL, USD and EUR denominated.

	31 December 2013	31 December 2012
Financial instruments with fixed interest rates:		
Financial assets		
- Cash and cash equivalents	719,594	705,168
- Fair value changes recognised in to profit and loss	2	7
Financial liabilities		
- Financial liabilities	65,353	31,832

As disclosed above the Group's financial instruments have fixed interest rates. However as indicated in Note 9, related financial instruments maturities are 6 months or shorter. Therefore those financial instruments are interest sensitive and the impact on the profit or loss of 100 basis points change in the interest rates is as follows:

At 31 December 2013, 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 654 thousand (31 December 2012: TRL 318 thousand) higher / lower 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.

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (continued)

ii) Foreign exchange risk (continued)

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

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

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

NOTE 32 - 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)	19,852	(19,852)	19,852	(19,852)
Secured position (-)	-	-	-	-
USD net effect	**19,852**	**(19,852)**	**19,852**	**(19,852)**
In case of 10% change in EUR against TRL:				
EUR net asset / (liability)	27,775	(27,775)	27,775	(27,775)
Secured position (-)	-	-	-	-
EUR net effect	**27,775**	**(27,775)**	**27,775**	**(27,775)**
In case of 10% change in other foreign exchange rates against TRL:				
Other foreign currency net asset / (liability)	(5)	5	(5)	5
Secured position (-)	-	-	-	-
Other foreign currencies net effect	**(5)**	**5**	**(5)**	**5**
	47,622	**(47,622)**	**47,622**	**(47,622)**

TRL equivalents of assets and liabilities held by the Group denominated in foreign currency at 31 December 2013 and 31 December 2012 in consideration of foreign exchange rates are as follows:

	31 December 2013	31 December 2012
USD	2.1343	1.7826
EUR	2.9365	2.3517

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (continued)

ii) Foreign exchange risk (continued)

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

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

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (continued)

ii) Foreign exchange risk (continued)

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

	31 December 2012			
		Original amounts		
	Total TRL equivalent	USD	EUR	Other(*)
Trade receivables	9,703	4,479	731	-
Monetary financial assets	520,120	126,276	125,450	-
Current Assets	**529,823**	**130,755**	**126,181**	**-**
Trade receivables	1,603	899	-	-
Monetary financial assets	3,192	1,791	-	-
Non-current Assets	**4,795**	**2,690**	**-**	**-**
Total Assets	**534,618**	**133,445**	**126,181**	**-**
Trade payables	23,060	2,318	8,029	16
Monetary other liabilities	31,161	17,419	47	-
Current Liabilities	**54,221**	**19,737**	**8,076**	**16**
Monetary other liabilities	4,174	2,340	1	-
Non-current Liabilities	**4,174**	**2,340**	**1**	**-**
Total Liabilities	**58,395**	**22,077**	**8,077**	**16**
Net asset / (liability) position of derivative financial assets (A-B)	-	-	-	-
A. Total amount of off-balance sheet derivative financial assets	-	-	-	-
B. Total amount of off-balance sheet derivative financial liabilities	-	-	-	-
Net foreign currency asset / (liability) position	**476,223**	**111,368**	**118,104**	**(16)**
Net foreign currency asset / (liability) position of monetary items	**476,223**	**111,368**	**118,104**	**(16)**
Fair value of hedged funds of foreign currency	-	-	-	-
Hedged amount of foreign currency assets	-	-	-	-
Hedged amount of foreign currency liabilities	-	-	-	-

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

NOTE 33 - SUBSEQUENT EVENTS

As a result of share purchases made by Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. in 2014, the proportion of interest in the Company's ownership increased from 24.78% to 24.90% as of the date of this report.

NOTE 34 - DISCLOSURE OF OTHER MATTERS, WITH MATERIAL EFFECT ON CONSOLIDATED FINANCIAL STATEMENTS, REQUIRED FOR THE PURPOSE OF UNDERSTANDING AND INTERPRETING THE FINANCIAL STATEMENTS

A real estate project under the name "Ormanada" which is on the land in the province of Istanbul and in the district of Sarıyer/Zekeriyaköy with 50% ownership the Group and 50% ownership of Eczacıbaşı Holding A.Ş.; has an investment amount of approximately USD 300 million and the size of houses varies between 170 and 700 square meters with sales price range from USD 500 thousand to USD 2.2 million. Ormanada Project has created in collaboration with international knowledge and experience of Torti Gallas and Partners, Kreatif Mimarlık and Rainer Schmidt Landscape Architects. In the context of the contract signed with the Company's subsidiary Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım A.Ş. and in its control, the project is outsourced to contractors or subcontractors chosen by one of the methods such as receiving tender on unit price or negotiation and lump-sum deal method. The number of houses is 273 which consists of 188 villa and 85 houses. The Project will be completed in two different phases; first phase consists of 150 units and second phase will consist of 123 unit. As of 31 December 2013, in the first phase, 98 units were sold and sales agreements were signed by sales connection for 57 units included in the second phase. The project is continuing in two different phases. The delivery of the units located in the first phase has been started from April 2013 and 96 units were delivered as of 31 December 2013. The delivery of the units located in the second phase has been started from December 2013 and 4 units were delivered as of 31 December 2013. Ormanada Project's infrastructure works (construction of roads, electricity, water, sewer, natural gas, telephone, etc.) and top structure works (construction of buildings) have been determined and has started its activities and continues construction process as planned.

NOTE 35 - RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

Group's consolidated financial statements have been prepared in comparison with the previous period in order to give accurate trend analysis regarding the financial position and performance. Where necessary, comparative figures have been reclassified to conform to the presentation of the current period consolidated financial statements and significant changes are explained. In the current period, Group made some adjustments and reclassifications in the previous period's financial statements in order to comply with the new format of Capital Market Board issued on 7 June 2013 and to comply with the amendments made in the standards TFRS 11 and TAS 19. The nature, cause and amount of reclassifications are as follows:

- As of 31 December 2012, in the financial position table, "Income accruals" amounting to TRL 609 thousand was formerly disclosed in other current assets (1 January 2012: TRL 870 thousand). In the current year, Group management reclassified this amount to "Trade receivables".

- As of 31 December 2012, in the financial position table, "Prepaid expenses" amounting to TRL 645 thousand and (1 January 2012: TRL 2,585 thousand) "Advances given for purchase of property, plant and equipment, prepaid taxes under construction activities and other prepaid expenses" amounting to TRL 24,926 thousand (1 January 2012: TRL 26,418 thousand) were formerly disclosed in "Other current assets" and "Other non-current assets", respectively. In the current year, Group management reclassified these amounts to "Prepaid expenses".

- As of 31 December 2012, in the financial position table, "Prepaid taxes" amounting to TRL 2,182 thousand was formerly disclosed in other current assets (1 January 2012: TRL 928 thousand). In the current year, Group management reclassified this amount to "Current income tax assets".

- As of 31 December 2012, in the financial position table, "Expense accruals" amounting to TRL 1,032 thousand was formerly disclosed in other current liabilities (1 January 2012: TRL 1,460 thousand). In the current year, Group management reclassified this amount to "Short term trade payables".

- As of 01 January 2012, in the financial position table, "Payables from derivative transactions" amounting to TRL 1,387 thousand was formerly disclosed in financial liabilities. In the current year, Group management reclassified this amount to "Derivative financial instruments".

NOTE 35 - RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS (Continued)

- As of 31 December 2012, in the financial position table, "Due to personnel and social security premium payables" amounting to TRL 1,838 thousand (1 January 2012: TRL 2,148 thousand) was formerly disclosed in other current liabilities. In the current year, Group management reclassified this amount to "Employee benefit obligations".

- As of 31 December 2012, in the financial position table, "Taxes payable" amounting to TRL 4,200 thousand (1 January 2012: TRL 2,805 thousand) was formerly disclosed in other current liabilities. In the current year, Group management reclassified this amount to "Other payables".

- As of 31 December 2012, in the financial position table, "Advances received" amounting to TRL 81,395 thousand (1 January 2012: TRL 25,218 thousand) and "Unearned revenue" amounting to TRL 14,423 thousand (1 January 2012: TRL 17,683 thousand) were formerly disclosed in "Other current liabilities" and "Other non-current liabilities", respectively. In the current year, Group management reclassified these amounts to "Deferred income".

- As of 31 December 2012, in the financial position table, "Provision for litigations and revision" amounting to TRL 2,154 thousand (1 January 2012: TRL 1,159 thousand) was formerly disclosed in "Provisions". In the current year, Group management reclassified this amount to "Other short term provisions".

- As of 31 December 2012, in the financial position table, "Provision for bonuses" amounting to TRL 1,106 thousand was formerly disclosed in other current liabilities. In the current year, Group management reclassified this amount to "Short term provisions for employee benefits".

- As of 31 December 2012, in the financial position table, "Defined benefit plans re-measurement gains/losses" amounting to TRL 1,887 thousand (1 January 2012: TRL 162 thousand) was formerly disclosed in "Retained Earnings" amounting to TRL 162 thousand and "Net income for the period" amounting to TRL 1,725 thousand (1 January 2012: TRL 162 thousand). In the current year, Group management reclassified these amounts to "Defined benefit plans re-measurement gains/losses".

- As of 31 December 2012, in the consolidated profit or loss table, "Interest income from bank deposits" amounting to TRL 39,937 thousand, "Foreign exchange gains from bank deposits" amounting to TRL 38,895 thousand, "Credit finance income" amounting to TRL 9,022 and "Foreign exchange gains from trade receivables and payables" amounting to TRL 3,034 thousand were formerly disclosed in "Financial income". In the current year, Group management reclassified these amounts to "Other operating income".

- As of 31 December 2012, in the consolidated profit or loss table, "Foreign exchange losses from bank deposits" amounting to TRL 63,746 thousand, "Credit finance expense" amounting to TRL 7,749 thousand, "Foreign exchange losses from trade receivables and payables" amounting to TRL 2,201 thousand and other expenses amounting to TRL 182 thousand were formerly disclosed in "Financial expenses". In the current year, Group management reclassified these amounts to "Other operating expense".

- As of 31 December 2012, in the consolidated profit or loss table, "Dividend income" amounting to TRL 7,941 thousand was formerly disclosed in "Financial income". In the current year, Group management reclassified this amount to "Income from investment activities".

- As of 31 December 2012, in the consolidated profit or loss table, "Gain on sale of financial assets" amounting to TRL 49,136 thousand, "Gain on sale of property plant and equipment" amounting to TRL 6,249 thousand and "Loss on sale of a property, plant and equipment" amounting to TRL 46 thousand were formerly disclosed in "Other operating income" and "Other operating expenses", respectively. In the current year, Group management reclassified these amounts to "Income from investing activities" and "Expenses from investing activities", respectively.

- As of 31 December 2012, in the financial position table, "Lands and buildings" amounting to TRL 10,673 thousand (1 January 2012: TRL 10,558 thousand) was formerly disclosed in "Property, plant and equipment". In the current year, Group management reclassified TRL 8,334 thousand and TRL 2.339 thousand to "Investment property" and "Inventory"; respectively.

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

NOTE 35 - RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS (Continued)

	31 December 2012			
	As previously reported	TFRS 11 and TAS 19 adjustments	CMB communiqué reclassifications	As restated
ASSETS				
Current assets				
Cash and cash equivalents	711,576	(6,408)	-	705,168
Financial investments	372	-	-	372
Trade receivables				
- Trade receivables due from related parties	761	171	-	932
- Trade receivables due from third parties	246,933	(74,385)	609	173,157
Other receivables	280	(16)	-	264
Inventories	192,012	(22,018)	-	169,994
Prepaid expenses	-	-	645	645
Current income tax assets	-	-	2,182	2,182
Other current assets	26,812	(6,877)	(3,436)	16,499
Total current assets	**1,178,746**	**(109,533)**	**-**	**1,069,213**
Non-current assets				
Trade receivables				
- Trade receivables due from third parties	2,970	(54)	-	2,916
Other receivables	683	(622)	-	61
Financial investments	1,755,762	-	-	1,755,762
Investments accounted for using equity method	16,851	112,767	-	129,618
Investment properties	196,663	8,334	-	204,997
Property, plant and equipment	101,172	(53,296)	-	47,876
Intangible assets				
- Goodwill	75,954	(36,443)	-	39,511
- Other intangible assets	50,471	(19,047)	-	31,424
Prepaid expenses	-	-	24,926	24,926
Deferred income tax assets	9,577	(659)	-	8,918
Other non-current assets	91,223	(20,818)	(24,926)	45,479
Total non-current assets	**2,301,326**	**(9,838)**	**-**	**2,291,488**
Total assets	**3,480,072**	**(119,371)**	**-**	**3,360,701**

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

NOTE 35 - RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS (Continued)

	31 December 2012			
	As previously reported	**TFRS 11 and TAS 19 adjustments**	**CMB communiqué reclassifications**	**As restated**
LIABILITIES				
Current liabilities				
Short term borrowings	88,533	(56,764)	-	31,769
Trade payables				
- Trade payables due to related parties	98,907	(1,995)	-	96,912
- Trade payables due to third parties	131,951	(16,501)	1,032	116,482
Employee benefit obligations	-	-	1,838	1,838
Other payables	1,480	-	4,200	5,680
Deferred income	-	-	81,395	81,395
Current income tax liabilities	1,181	-	-	1,181
Provisions	14,791	(12,637)	(2,154)	-
Short term provisions				
- Short term provisions for employee benefits	6,976	(1,944)	1,106	6,138
- Other short term provisions	-	-	2,154	2,154
Other current liabilities	95,696	(5,679)	(89,571)	446
Total current liabilities	**439,515**	**(95,520)**	**-**	**343,995**
Non-current liabilities				
Long term borrowings	12,974	(12,911)	-	63
Trade payables				
- Trade payables due to related parties	1,414	-	-	1,414
Deferred income	-	-	14,423	14,423
Long term provisions for employee benefits	10,650	(6,868)	-	3,782
Deferred income tax liabilities	86,726	(2,837)	-	83,889
Other non-current liabilities	21,903	20	(14,423)	7,500
Total non-current liabilities	**133,667**	**(22,596)**	**-**	**111,071**

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

NOTE 35 - RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS (Continued)

	31 December 2012			
	As previously reported	**TFRS 11 and TAS 19 adjustments**	**CMB communiqué reclassifications**	**As restated**
EQUITY				
Share capital	548,208	-	-	548,208
Adjustments to share capital	105,777	-	-	105,777
Items that will not be reclassified subsequently to profit or loss				
- Defined benefit plans re-measurement gains / losses	-	(1,887)	-	(1,887)
Items that may be reclassified subsequently to profit or loss				
- Cumulative translation differences	1,877	-	-	1,877
- Gains / losses on available for sale financial assets due to revaluation or / and reclassification	1,528,836	-	-	1,528,836
Restricted reserves	258,084	-	-	258,084
Retained earnings	384,261	162		384,423
Net income for the period	32,689	1,725		34,414
Attributable to equity holders of the Company	**2,859,732**	**-**	**-**	**2,859,732**
Non-controlling interests	**47,158**	**(1,255)**	**-**	**45,903**
Total equity	**2,906,890**	**(1,255)**	**-**	**2,905,635**
Total liabilities and equity	**3,480,072**	**(119,371)**	**-**	**3,360,701**

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

NOTE 35 - RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS (Continued)

	1 January 2012			
	As previously reported	TFRS 11 and TAS 19 adjustments	CMB communiqué reclassifications	As restated
ASSETS				
Current assets				
Cash and cash equivalents	761,996	(7,372)	-	754,624
Financial investments	1,404	-	-	1,404
Trade receivables				
- Trade receivables due from related parties	601	123	-	724
- Trade receivables due from third parties	201,496	(72,650)	870	129,716
Other receivables	804	(647)	-	157
Inventories	135,819	(30,001)	-	105,818
Prepaid expenses	-	-	2,585	2,585
Current income tax assets	-	-	928	928
Other current assets	10,001	(4,146)	(4,383)	1,472
Total current assets	**1,112,121**	**(114,693)**	**-**	**997,428**
Non-current assets				
Trade receivables				
- Trade receivables due from third parties	5,700	(41)	-	5,659
Other receivables	67	(53)	-	14
Financial investments	1,463,931	-	-	1,463,931
Investments accounted for using equity method	14,816	158,638	-	173,454
Investment properties	200,358	8,219	-	208,577
Property, plant and equipment	79,013	(56,724)	-	22,289
Intangible assets				
- Goodwill	35,731	(35,731)	-	-
- Other intangible assets	26,846	(17,543)	-	9,303
Prepaid expenses	-	-	26,418	26,418
Deferred income tax assets	8,082	(648)	-	7,434
Other non-current assets	85,102	(17,255)	(26,418)	41,429
Total non-current asset	**1,919,646**	**38,862**	**-**	**1,958,508**
Total assets	**3,031,767**	**(75,831)**	**-**	**2,955,936**

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

NOTE 35 - RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS (Continued)

	1 January 2012			
	As previously reported	**TFRS 11 and TAS 19 adjustments**	**CMB communiqué reclassifications**	**As restated**
LIABILITIES				
Current liabilities				
Short term borrowings	51,918	(23,334)	(1,387)	27,197
Trade payables				
- Trade payables due to related parties	111,595	7,021	-	118,616
- Trade payables due to third parties	94,767	(28,535)	1,460	67,692
Employee benefit obligations	-	-	2,148	2,148
Other payables	1,382	(177)	2,805	4,010
Derivative financial instruments	-	-	1,387	1,387
Deferred income	-	-	25,218	25,218
Current income tax liabilities	1,074	(164)	-	910
Provisions	1,398	(239)	(1,159)	-
Short term provisions				
- Short term provisions for employee benefits	6,743	(2,729)	-	4,014
- Other short term provisions	-	-	1,159	1,159
Other current liabilities	35,550	(3,660)	(31,631)	259
Total current liabilities	**304,427**	**(51,817)**	**-**	**252,610**
Non-current liabilities				
Long term borrowings	12,404	(12,404)	-	-
Trade payables				
- Trade payables due to related parties	4,422	(4)	-	4,418
Deferred income	-	-	17,683	17,683
Long term provisions for employee benefits	7,478	(5,172)	-	2,306
Deferred income tax liabilities	68,061	(2,953)	-	65,108
Other non-current liabilities	17,771	(88)	(17,683)	-
Total non-current liabilities	**110,136**	**(20,621)**	**-**	**89,515**

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

NOTE 35 - RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS (Continued)

	1 January 2012			
	As previously reported	**TFRS 11 and TAS 19 adjustments**	**CMB communiqué reclassifications**	**As Restated**
EQUITY				
Share capital	548,208	-	-	548,208
Adjustments to share capital	105,777	-	-	105,777
Items that will not be reclassified subsequently to profit or loss				
- Defined benefit plans re-measurement gains / losses	-	(162)	-	(162)
Items that may be reclassified subsequently to profit or loss				
- Cumulative translation differences	1,383	-	-	1,383
- Gains / losses on available for sale financial assets due to revaluation or/and reclassification	1,248,552	-	-	1,248,552
Restricted reserves	248,754	-	-	248,754
Retained earnings	359,902	-	-	359,902
Net income for the period	88,510	162	-	88,672
Attributable to equity holders of the Company	**2,601,086**	**-**	**-**	**2,601,086**
Non-controlling interests	**16,118**	**(3,393)**	**-**	**12,725**
Total equity	**2,617,204**	**(3,393)**	**-**	**2,613,811**
Total liabilities and equity	**3,031,767**	**(75,831)**	**-**	**2,955,936**

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

NOTE 35 - RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS (Continued)

	31 December 2012			
	As previously reported	**TFRS 11 and TAS 19 adjustments**	**CMB communiqué reclassifications**	**As restated**
Revenue	1,087,267	(199,933)	-	887,334
Cost of sales (-)	(828,198)	104,183	-	(724,015)
Gross profit	**259,069**	**(95,750)**	**-**	**163,319**
General administrative expenses (-)	(109,199)	46,955	-	(62,244)
Marketing expenses (-)	(154,514)	61,971	-	(92,543)
Research and development expenses (-)	(704)	704	-	-
Other operating income	62,803	(3,328)	35,383	94,858
Other operating expense (-)	(35,189)	24,310	(73,831)	(84,710)
Operating profit / (loss)	**22,266**	**34,862**	**(38,448)**	**18,680**
Income from investing activities	-	-	63,326	63,326
Expenses from investing activities (-)	-	-	(46)	(46)
Share of (loss) / profit of investments accounted for using equity method	323	(32,074)	-	(31,751)
Operating income / (loss) before finance expense	**22,589**	**2,788**	**24,832**	**50,219**
Financial income	110,285	(10,065)	(98,829)	1,391
Financial expenses (-)	(88,235)	10,720	73,877	(3,638)
Profit / (loss) before tax	**44,639**	**3,323**	**-**	**47,962**
Tax income / (expense) from continuing operations				
Income tax expense (-)	(10,798)	1,881	-	(8,917)
Deferred tax income / (expense)	1,349	(1,205)	-	144
Profit / (loss) for the period	**35,190**	**3,999**	**-**	**39,189**
Attributable to				
- Non-controlling interests	2,501	2,274	-	4,775
- Equity holders of the parent	32,689	1,725	-	34,414
Net profit / (loss) for the period	**35,190**	**3,999**	**-**	**39,189**

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

NOTE 35 - RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS (Continued)

	31 December 2012			
	As previously reported	TFRS 11 and TAS 19 adjustments	CMB communiqué reclassifications	As restated
Profit / (loss) for the period	**35,190**	**3,999**	**-**	**39,189**
Other comprehensive income / (expenses)				
Items that may be reclassified subsequently to profit or loss				
- Gain / loss on remeasurement of defined benefit plans	-	(468)	-	(468)
- Gain / loss on remeasurement of defined benefit plans of investments accounted for using equity method	-	(1,487)	-	(1,487)
- Tax relating to items that will not be reclassified subsequently	-	94	-	94
Items that may be reclassified subsequently to profit or loss				
- Currency translation differences	1,289	-	(1,252)	37
- Gains / losses on available for sale financial assets due to revaluation or/and reclassification	292,611	-	(2)	292,609
- Group's share in equity method accounted investments' comprehensive income	2,025	-	1,254	3,279
- Tax relating to items that may be reclassified subsequently	(14,636)	-	-	(14,636)
Other comprehensive (expenses) / income (after tax)	**281,289**	**(1,861)**	**-**	**279,428**
Total comprehensive income	**316,479**	**2,138**	**-**	**318,617**
Total comprehensive income / (loss) attributable to:				
- Non-controlling interest	3,012	2,138	-	5,150
- Equity holders of the parent	313,467	-	-	313,467
Total comprehensive income	**316,479**	**2,138**	**-**	**318,617**

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

NOTE 35 - RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS (Continued)

After the adoption of the revised standards and reporting formats, as detailed above, changes in the cash flow statements of the Group, depending on the classifications in the profit or loss statement, are summarized below:

	31 December 2012		
	As previously reported	**Net effect of adjustments and reclassifications**	**As restated**
Cash flows from operating activities	(47,737)	89,645	41,908
Cash flows from investing activities	(25,457)	24,101	(5,536)
Cash flows from financing activities	46,441	(113,505)	(62,884)
Impact of foreign currency translation differences on cash and cash equivalents	(22,923)	(21)	(22,944)
Net decrease in cash and cash equivalents	**(49,676)**	**220**	**(49,456)**
Cash and cash equivalents at the beginning of the period	760,076	(6,628)	753,448
Cash and cash equivalents at the end of the period	**710,400**	**(6,408)**	**703,992**

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