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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2010 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT (ORIGINALLY ISSUED IN TURKISH)

Deloitte.

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

INDEPENDENT AUDITORS REPORT TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2010

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

1. We have audited the accompanying consolidated financial statements of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and its subsidiaries (together, the "Group") which comprise the consolidated balance sheet as of 31 December 2010 and the related consolidated statement of income, consolidated statement of comprehensive income, changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for financial statements

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

Auditor's responsibility

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

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

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

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Opinion

6. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with financial reporting standards endorsed by the CMB (defined as "CMB Financial Reporting Standards" in Note 2 to the consolidated financial statements).

Other matter

7. The consolidated financial statements of the Group for the year ended 31 December 2009 were audited by another auditor. The predecessor auditor expressed an unmodified opinion on the financial statements as of 31 December 2009 in its independent auditors' report issued on 8 April 2010.

Istanbul, 8 April 2011

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Originally issued and signed in Turkish

Sibel Türker, SMMM
Partner

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

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CONSOLIDATED BALANCE SHEETS
AS OF 31 DECEMBER 2010 AND 2009

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

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

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

CONSOLIDATED BALANCE SHEETS
AS OF 31 DECEMBER 2010 AND 2009

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

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

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER

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

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER

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

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

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

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

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

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

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

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

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

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

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

The Company's registered address is as follows:

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

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

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

Subsidiaries

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

Companies accounted by line by line consolidation:

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

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

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

Joint Ventures

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Joint Ventures (Continued)

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

Associates

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Accounting policies

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

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

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

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

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

Preparing financial statements in accordance with IFRS requires taking important decisions by management during setting Group accounting policies. Significant assumptions and estimates used during the preparation of consolidated financial statements are presented in Note 3.28.

2.2 Financial statements of foreign subsidiaries

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

2.3 Group accounting

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

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

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

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

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

2.3 Group accounting (continued)

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

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

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

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

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

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

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

2.3 Group accounting (continued)

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

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

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

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

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

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

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

2.3 Group accounting (continued)

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

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

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

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

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

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

2.4 Comparatives

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

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

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

2.5 Offsetting

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

2.6 Adoption of new and revised standards

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

a) New and revised IFRSs affect presentation and disclosures

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

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

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

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

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

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

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

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

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

2.6 Adoption of new and revised standards (continued)

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

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

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

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

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

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

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

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

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

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

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

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

2.6 Adoption of new and revised standards (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.6 Adoption of new and revised standards (continued)

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

IFRS 7, "Financial Instruments: Disclosures"

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

IFRS 9, "Financial Instruments: Classification and Measurement"

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

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

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

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

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

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

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

IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"

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

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

2.6 Adoption of new and revised standards (continued)

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

IAS 12, "Income Taxes"

In December 2010, IAS 12 is amended. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, "Investment Property". The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be , be through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

Annual Improvements, May 2010

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents and statement of cash flows

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

3.2 Trade receivables and provision for doubtful receivables

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

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Credit finance income/expenses

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

3.4 Related parties

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

3.5 Inventories

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

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

3.6 Financial assets

The Group classifies its financial assets in two groups:

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

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

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial assets (continued)

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

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

3.7 Business combinations and goodwill

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

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

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

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Business combinations and goodwill (continued)

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

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

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

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

3.8 Investment properties

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

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

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

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

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Property, plant and equipment and related depreciation

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

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

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

Land is not depreciated due to having infinite useful life.

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

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

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

3.10 Intangible assets and amortisation

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

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

3.11 Taxes

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Taxes (continued)

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

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

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

3.12 Financial liabilities

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

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

3.13 Leases

Finance leases

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

Operational leases

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

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

Operational leases - Group as the lessor

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Employment termination benefits

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

3.15 Foreign currency transactions

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

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

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

3.16 Revenue recognition

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

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

3.17 Share capital and dividends

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

3.18 Research and development costs

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Borrowing costs

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

3.20 Provisions, contingent assets and liabilities

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

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

3.21 Government grants

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

3.22 Financial instruments

Fair value of the financial instruments

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

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

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

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

Monetary assets

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

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

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

Monetary liabilities

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Segment Reporting

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

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

3.24 Earnings per share

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares are regarded as issued shares. Accordingly, when calculating the weighted average number of shares to be used in earnings per share computations, the retroactive effect of such bonus shares is taken into consideration for comparative purposes (Note 28).

3.25 Events after the balance sheet date

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

3.26 Impairment of assets

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.27 Changes in accounting policies, accounting estimates and errors

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

3.28 Management's estimates

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

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

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

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

b) Fair values of the available for sale financial assets

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

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

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

NOTE 4 - BUSINESS COMBINATIONS

None.

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

NOTE 5 - JOINT VENTURES

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

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

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

NOTE 6 - SEGMENT REPORTING

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

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

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

1. Health:

Production and sale of human health and veterinary medicine.

2. Personal care:

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

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

NOTE 6 - SEGMENT REPORTING (Continued)

3. Real estate development:

Kanyon:

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

Ormanada project:

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

Ayazağa facilities leased to EBX:

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

Eczacıbaşı Gayrimenkul:

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

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

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

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

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

Segment assets and liabilities as of 31 December:

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

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

NOTE 6 - SEGMENT REPORTING (Continued)

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

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

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

NOTE 6 - SEGMENT REPORTING (Continued)

Segment results as of 31 December:

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

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

NOTE 6 - SEGMENT REPORTING (Continued)

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

NOTE 7 - CASH AND CASH EQUIVALENTS

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

Maturities of time deposits are as follows:

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

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

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

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

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

NOTE 8 - FINANCIAL ASSETS

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

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

The classification of financial instruments at fair value:

IFRS 7 explains the classifications of valuation techniques.

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

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

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

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

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

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

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

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

NOTE 8 - FINANCIAL ASSETS (Continued)

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

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

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

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

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

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

Short-term available-for-sale financial assets:

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

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

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

NOTE 8 - FINANCIAL ASSETS (Continued)

b) Available-for-sale financial assets:

Long-term available-for-sale financial assets:

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

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

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

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

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

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

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

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

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

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

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

NOTE 8 - FINANCIAL ASSETS (Continued)

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

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

NOTE 8 - FINANCIAL ASSETS (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 8 - FINANCIAL ASSETS (Continued)

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

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

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

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

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

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

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

NOTE 9 - FINANCIAL LIABILITIES

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

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

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

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

NOTE 9 - FINANCIAL LIABILITIES (Continued)

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

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

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

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

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

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables:

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

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

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

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

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

NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

a) Trade receivables (continued):

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

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

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

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

b) Trade payables:

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 12 - INVENTORIES

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

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

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

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

NOTE 13 - INVESTMENTS IN ASSOCIATES

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

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

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

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

NOTE 13 - INVESTMENTS IN ASSOCIATES (Continued)

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

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

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

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

NOTE 14 - INVESTMENT PROPERTIES

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

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

NOTE 14 - INVESTMENT PROPERTIES (Continued)

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

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

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

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

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

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

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

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

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

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

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

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

NOTE 16 - INTANGIBLE ASSETS

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

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

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

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

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

NOTE 16 - INTANGIBLE ASSETS (Continued)

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

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

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

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

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

NOTE 17 - GOODWILL

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

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

31 December 2009

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

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

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

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

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

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

NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions:

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

Provision for litigations:

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

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

b) Contingent assets:

Appeal for return of tax penalty paid:

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

c) Contingent liabilities:

Tax penalty communicated as at 31 December 2007:

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

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

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

c) Contingent liabilities (continued):

Tax penalty communicated as at 26 December 2008:

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

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

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

Tax penalty communicated as at 12 June 2009:

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

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

Tax penalty communicated as at 7 April 2011:

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

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

The lawsuit related to price differences from market values:

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

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

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

d) Guarantees given and taken:

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

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

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

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

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

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

d) Guarantees given and taken (continued):

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

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

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

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

NOTE 19 - EMPLOYEE BENEFITS

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

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

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

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

NOTE 19 - EMPLOYEE BENEFITS (Continued)

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

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

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

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRL 2,623.23 effective from 1 January 2011 (1 January 2010: TRL 2,427.04) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

Provision for employment termination benefits:

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

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

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

Provision for unused vacations:

Movements in the provision for unused vacation are as follows:

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

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

NOTE 20 - EQUITY

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

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

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

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

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

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

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

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

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in/authorised share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in/authorised share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in/authorised share capital. Total amount of legal reserves of the Company is TRL 25,647 thousand (31 December 2009: TRL 20,924 thousand).

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

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

NOTE 20 - EQUITY (Continued)

Retained earnings

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

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

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

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

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

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

Dividend Distribution

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

Based on CMB Decree No. 02/51, dated 27 January 2010, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits arising from operations in 2009. Regarding the dividend distribution for the current and following years, the entities shall distribute their profits for the current and following years under the scope of CMB Communiqué Serial: IV, No: 27 based on their articles of association and their previously publicly announced profit distribution policies.

In addition, according to aforementioned Board Decision, it is stipulated that companies which have the obligation to prepare consolidated financial statements, calculate the net distributable profit amount by taking into account the net profits for the period in the consolidated financial statements that will be prepared and announced to the public in accordance with the Communiqué Serial: IX, No: 29, "Principles of Financial Reporting in Capital Markets" providing that the profits can be afforded by the available sources in their statutory records.

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

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

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

NOTE 21 - OPERATING REVENUE

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

NOTE 22 - OPERATING EXPENSES

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

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

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

NOTE 22 - OPERATING EXPENSES (Continued)

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

NOTE 23 - EXPENSES BY NATURE

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

NOTE 24 - OTHER OPERATING INCOME AND EXPENSES

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

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

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

NOTE 24 - OTHER OPERATING INCOME AND EXPENSES (Continued)

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

NOTE 25 - FINANCIAL INCOME

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

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

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

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

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

NOTE 26 - FINANCIAL EXPENSES

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

NOTE 27 - TAX ASSETS AND LIABILITIES

a) Current income tax on profits for the year:

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

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

Corporate Tax Law is changed with Law No. 5520 dated 13 June 2006. Most of the articles of mentioned law have become effective as of 1 January 2006. Accordingly, corporate tax rate in Turkey is 20% for 2010 (2009: 20%). Corporation tax is payable on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed except withholding tax at the rate of 19.8% on the investment incentive allowance utilised within the scope of the Income Tax Law transitional Article 61.

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

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

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

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

NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

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

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

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

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

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

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

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

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

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

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

NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred income tax:

The Group recognises deferred income tax assets and liabilities based upon temporary differences arising between the financial statements prepared in accordance with CMB Financial Reporting Standards and the tax financial statements. Such temporary differences generally arise due to revenues and expenses being recognised in different fiscal periods in accordance with tax regulations and CMB Financial Reporting Standards. The tax rate used for deferred income tax assets and liabilities is 20% (31 December 2009: 20%).

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

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

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

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

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

NOTE 27 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred income tax (continued):

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

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

The movement of deferred income tax liabilities as at 31 December is as follows:

	2010	**2009**
As of 1 January	(44,465)	(33,242)
Current year deferred income tax benefit	1,197	388
Deferred income tax liabilities resulting from sales and acquisitions of the shares of the Joint Ventures and Subsidiaries	(9,276)	(11,611)
As of 31 December	**(52,544)**	**(44,465)**

NOTE 28 - EARNINGS PER SHARE

	2010	**2009**
Net income attributable to equity holders of the Company	60,380	290,249
Weighted average number of ordinary shares with face value of Kr 1 each	54,820,800,000	54,820,800,000
Basic and diluted earnings per share (Kr)	**0.11**	**0.53**

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

NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties at 31 December:

Short-term due from related parties	**31 December 2010**	**31 December 2009**
Due from shareholders		
Eczacıbaşı Holding A.Ş.	1,540	183
	1,540	**183**
Due from Joint Ventures		
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	309	346
Eczacıbaşı-Monrol Nükleer Ürünler Sanayi ve Ticaret A.Ş.	30	8
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	-	2
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş.	-	1
	339	**357**
Due from Associates		
Ekom Eczacıbaşı Dış Ticaret A.Ş.	448	488
Vitra Karo Sanayi ve Ticaret A.Ş.	38	-
Eczacıbaşı Sağlık Hizmetleri A.Ş.	1	-
	487	**488**
Due from other related parties		
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	132	-
İpek Kağıt Sanayi ve Ticaret A.Ş.	71	66
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	-	11
Others	116	50
	319	**127**
	2,685	**1,155**
Deferred credit finance income (-)	-	(22)
Provision for doubtful receivables (-)	(198)	(316)
Short-term due from related parties	**2,487**	**817**

Average maturity of the Group's receivables from related parties is 32 days (31 December 2009: 35 days) and is amortised at 6.13% per annum (31 December 2009: 7.12%).

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

	2010	**2009**
As of 1 January	316	376
Current year charge (Note 22)	-	-
Collections (Note 24)	(118)	(60)
As of 31 December	**198**	**316**

Provisions for doubtful receivables are wholly related to the receivables from exports performed via Ekom Eczacıbaşı Dış Ticaret A.Ş..

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

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

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

Short-term due to related parties	**31 December 2010**	**31 December 2009**
Due to shareholders		
Eczacıbaşı Holding A.Ş.	4,567	4,214
	4,567	**4,214**
Due to Joint Ventures		
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş.	9,726	8,430
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	1,225	1,943
	10,951	**10,373**
Due to Associates		
Ekom Eczacıbaşı Dış Ticaret A.Ş.	10	-
Eczacıbaşı Sağlık Hizmetleri A.Ş.	7	-
Others	-	6
	17	**6**
Due to other related parties		
İpek Kağıt Sanayi ve Ticaret A.Ş.	53,719	56,783
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	357	254
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	111	31
Kanyon Yönetim İşletim Pazarlama Ltd. Şti.	18	-
Others	739	105
	54,944	**57,173**
	70,479	**71,766**
Deferred credit finance expenses (-)	(223)	(309)
Short-term due to related parties	**70,256**	**71,457**

Average maturity of the Group's payables to related parties is 63 days (31 December 2009: 69 days) and is amortised at 6.11% per annum (31 December 2009: 7.31%).

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

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

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

Details of financial liabilities which are obtained from several financial institutions by Eczacıbaşı Holding A.Ş. and transferred to the Group are as follows:

	31 December 2010			31 December 2009		
Financial liabilities to related parties	**Effective interest rate per annum (%)**	**Original amount**	**TRL**	**Effective interest rate per annum (%)**	**Original amount**	**TRL**
EUR denominated bank borrowings	-	-	-	Euribor + 1.75	6,047	13,064
USD denominated bank borrowings	-	-	-	Libor + 1.75	6,769	10,192
Short-term financial liabilities			**-**			**23,256**

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

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

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

Product sales	**2010**	**2009**
Ekom Eczacıbaşı Dış Ticaret A.Ş.	2,626	2,661
Eczacıbaşı-Zentiva Sağlık Ürünleri Sanayi ve Ticaret A.Ş. (*)	1,480	903
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	-	1,581
Others	19	8
	4,125	**5,153**

Service sales		
İpek Kağıt Sanayi ve Ticaret A.Ş.	15,902	15,485
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş.	4,127	3,633
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	1,913	984
Eczacıbaşı Holding A.Ş.	1,412	3,134
Others	617	18
	23,971	**23,254**

Product purchases		
İpek Kağıt Sanayi ve Ticaret A.Ş.	274,911	257,822
EBC Eczacıbaşı-Beiersdorf Kozmetik Ürünler Sanayi ve Ticaret A.Ş.	56,476	47,099
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	12,697	9,878
Eczacıbaşı-Zentiva Sağlık Ürünleri Sanayi ve Ticaret A.Ş. (*)	-	3,044
Others	1,098	1,144
	345,182	**318,987**

Service purchases		
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	7,503	7,426
Eczacıbaşı Spor Kulübü	1,657	2,504
Eczacıbaşı Holding A.Ş.	1,370	858
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	763	625
Ekom Eczacıbaşı Dış Ticaret A.Ş.	19	38
Eczacıbaşı-Zentiva Sağlık Ürünleri Sanayi ve Ticaret A.Ş. (*)	-	12,331
Others	807	425
	12,119	**24,207**

(*) For the year ended 31 December 2009, transactions made with EZSÜ and EZKÜ represent the amounts realised until 24 July 2009, the date of the shares were transferred to Zentiva N.V.

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

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

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

Financial income	**2010**	**2009**
Eczacıbaşı Holding A.Ş.		
Foreign exchange gains	1,702	4,295
Ekom Eczacıbaşı Dış Ticaret A.Ş.		
Foreign exchange gains	-	132
Others	70	-
	1,772	**4,427**

Financial expenses		
Eczacıbaşı Holding A.Ş.		
Foreign exchange losses	646	3,511
Interest expenses	367	1,611
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.		
Foreign exchange losses	-	153
Ekom Eczacıbaşı Dış Ticaret A.Ş.		
Foreign exchange losses	6	-
	1,019	**5,275**

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

Management and royalty fees paid to related parties	**2010**	**2009**
Eczacıbaşı Holding A.Ş. (*)	18,192	18,229
	18,192	**18,229**

(*) Management fees paid to Eczacıbaşı Holding A.Ş. comprise law, financial corporate identity, budget planning, audit and human resource services received from Eczacıbaşı Holding. Eczacıbaşı Holding A.Ş. charges the management fees for the related companies based on the time allocated for each of the services provided.

Dividend received from related parties		
Eczacıbaşı Holding A.Ş.	3,970	2,591
Eczacıbaşı Yatırım Ortaklığı A.Ş.	231	-
Ekom Eczacıbaşı Dış Ticaret A.Ş.	125	180
	4,326	**2,771**

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

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

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

Rent income received from related parties	2010	2009
Eczacıbaşı Holding A.Ş.	2,525	2,430
Eczacıbaşı Yapı Gereçleri Sanayi ve Ticaret A.Ş.	794	972
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	689	717
İpek Kağıt Sanayi ve Ticaret A.Ş.	672	647
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş.	451	612
Others	562	530
	5,693	**5,908**

Rent expenses paid to related parties		
Eczacıbaşı Holding A.Ş.	1,375	1,415
Others	108	-
	1,483	**1,415**

Other income received from related parties:		
Eczacıbaşı-Zentiva Sağlık Ürünleri Sanayi ve Ticaret A.Ş. (*)	-	69
Eczacıbaşı Menkul Değerler A.Ş.	-	33
Others	5	13
	5	**115**

Other expenses paid to related parties		
Eczacıbaşı Holding A.Ş.	1,080	1,197
Eczacıbaşı-Zentiva Sağlık Ürünleri Sanayi ve Ticaret A.Ş. (*)	-	419
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	93	352
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	53	53
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	27	-
Others	287	99
	1,540	**2,120**

(*) For the year ended 31 December 2009, transactions made with EZSÜ and EZKÜ represent the amounts realised until 24 July 2009, the date of the shares which the Group has 25% shares in each of them were transferred to Zentiva N.V.

Donations paid to related parties	2010	2009
Dr. Nejat F. Eczacıbaşı Vakfı	36	638
	36	**638**

Benefits provided to:

Total benefits provided to key management personnel for the year ended 31 December 2010 amounted to TRL 16,053 thousand (31 December 2009: TRL 12,812 thousand).

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

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

d) Contingent assets and liabilities due to related parties:

TRL equivalents of the Group's share in contingent assets and liabilities denominated in USD, EUR and TRL are presented below:

	31 December 2010			
	USD	**EUR**	**TRL**	**Total**
Guarantees and pledges given				
Pledges given for bank borrowings	-	-	-	-
	-	**-**	**-**	**-**

	31 December 2009			
	USD	**EUR**	**TRL**	**Total**
Guarantees and pledges given				
Pledges given for bank borrowings	-	53,518	61	53,579
	-	**53,518**	**61**	**53,579**

NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

a) Credit risk

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

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

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

a) Credit risk (continued)

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

	Trade receivables from		**Other receivables from**			
31 December 2010	**Related parties**	**Other**	**Related parties**	**Other**	**Deposits in banks**	**Other (*)**
Maximum credit risk exposed as of balance sheet date (**)	**2,487**	**193,843**	**-**	**821**	**656,018**	**6,160**
- Secured portion of the maximum credit risk by guarantees	-	***32,607***	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	1,430	142,393	-	821	656,018	-
- Secured portion by guarantees, etc.	-	28,973	-	-	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
- Secured portion by guarantees, etc.	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired (***)	1,057	51,450	-	-	-	6,160
- Secured portion by guarantees, etc.	-	3,584	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	198	7,520	-	-	-	-
- Impairment (-)	(198)	(7,520)	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc	-	50	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-

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

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

(***) As of 31 December 2010, the aging explanations related with past due but not impaired assets indicated in the aging table of "Past due but not impaired trade receivables".

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

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

a) Credit risk (continued)

	Trade receivables from		Other receivables from			
31 December 2009	**Related parties**	**Other**	**Related parties**	**Other**	**Deposits in banks**	**Other (*)**
Maximum credit risk exposed as of balance sheet date (**)	**817**	**186,094**	**-**	**929**	**677,970**	**12,174**
- Secured portion of the maximum credit risk by guarantees	-	***34,154***	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	580	161,752	-	929	677,970	4,066
- Secured portion by guarantees, etc.	-	31,562	-	-	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	974	-	-	-	-
- Secured portion by guarantees, etc.	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired (***)	237	23,368	-	-	-	8,108
- Secured portion by guarantees, etc.	-	2,576	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	316	6,037	-	-	-	-
- Impairment (-)	(316)	(6,037)	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc	-	16	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-

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

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

(***) As of 31 December 2009, the aging explanations related with past due but not impaired assets indicated in the aging table of "Past due but not impaired trade receivables".

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

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

a) Credit risk (continued)

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

	Trade receivables from		
31 December 2010	**Related parties**	**Other (*)**	**Other**
Past due up to 30 days	684	43,799	-
Past due 1 - 3 months	166	3,707	-
Past due 3 - 12 months	207	2,167	-
Past due 1 - 5 year (*)	-	1,777	6,160
	1,057	**51,450**	**6,160**
Secured portion of receivables by guarantees, etc.		**3,584**	**-**

	Trade receivables from		
31 December 2009	**Related parties**	**Other (*)**	**Other**
Past due up to 30 days	228	16,062	-
Past due 1 - 3 months	6	2,893	-
Past due 3 - 12 months	1	2,646	-
Past due 1 - 5 year (*)	2	1,767	8,108
	237	**23,368**	**8,108**
Secured portion of receivables by guarantees, etc.	**-**	**2,576**	**-**

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

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

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

b) Liquidity risk

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

The analysis of the Group's financial liabilities with respect to their maturities as of 31 December is as follows:

	31 December 2010					
			Contractual terms			
Financial liabilities (non-derivative)	**Carrying value**	**Contractual cash outflows**	**Up to 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**
Other financial liabilities	45,119	46,186	25,772	9,183	10,728	503
Trade payables due to related parties	70,256	70,479	68,411	2,068	-	-
Other trade payables	59,202	59,530	59,498	26	494	-
Other payables	1,116	1,116	1,100	16	-	-
Total non-derivative financial liabilities	**175,693**	**177,311**	**154,781**	**11,293**	**11,222**	**503**

	31 December 2009					
			Contractual terms			
Financial liabilities (non-derivative)	**Carrying value**	**Contractual cash outflows**	**Up to 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**
Financial liabilities due to related parties	23,256	23,643	-	23,643	-	-
Other financial liabilities	41,398	42,102	37,448	3,990	664	-
Trade payables due to related parties	71,457	71,962	69,802	2,160	-	-
Other trade payables	79,578	80,867	73,620	7,247	-	-
Other payables	2,521	2,521	102	2,419	-	-
Total non-derivative financial liabilities	**218,210**	**221,095**	**180,972**	**39,459**	**664**	**-**

c) Market risk

i) Cash flow and fair value interest rate risk

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

The Group is exposed to cash flow interest rate risk via borrowing credit with floating exchange rate. Additionally the Group is exposed to fair value interest rate risk via borrowing credit with fixed interest rate. The loans with floating exchange rate which are used by Group in 2010 and 2009 consist of TRL, USD and EUR.

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

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

c) Market risk (continued)

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

	31 December 2010	31 December 2009
Financial instruments with fixed interest rates:		
Financial assets		
- Cash and cash equivalents	645,939	669,339
- Fair value changes recognised in profit and loss	18	39
Financial liabilities		
- Financial liabilities	7,166	18,765
Financial instruments with variable interest rates:		
Financial liabilities		
- Financial liabilities	13,169	27,705
- Factoring liabilities	24,785	15,644

At 31 December 2010, if interest rates at contractual re-pricing dates of EUR denominated financial liabilities with variable interest rates has strengthened/weakened by 100 basis points (1%) against TRL with all other variables held constant, profit before tax would have been TRL 125 thousand (31 December 2009: TRL 177 thousand) lower / higher as a result of interest expenses.

At 31 December 2010, if interest rates at contractual re-pricing dates of USD denominated financial liabilities with variable interest rates has strengthened/weakened by 100 basis points (1%) against TRL with all other variables held constant, profit before tax would have been TRL 6 thousand (31 December 2009: TRL 100 thousand) lower / higher as a result of interest expenses.

At 31 December 2010, if interest rates at contractual re-pricing dates of TRL denominated financial liabilities with variable interest rates has strengthened/weakened by 100 basis points (1%) against TRL with all other variables held constant, profit before tax would have been TRL 248 thousand (31 December 2009: TRL 210 thousand) lower / higher as a result of interest expenses.

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

ii) Foreign Exchange Risk

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

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

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

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

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

c) Market risk (continued)

ii) Foreign Exchange Risk (continued)

	31 December 2010			
	Profit / loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% change in USD against TRL:				
USD net asset / (liability)	21,881	(21,881)	21,881	(21,881)
Secured position (-)	-	-	-	-
USD net effect	**21,881**	**(21,881)**	**21,881**	**(21,881)**
In case of 10% change in EUR against TRL:				
EUR net asset / (liability)	19,051	(19,051)	19,051	(19,051)
Secured position (-)	-	-	-	-
EUR net effect	**19,051**	**(19,051)**	**19,052**	**(19,052)**
In case of 10% change in other foreign exchange rates against TRL:				
Other foreign currency net asset / (liability)	(558)	558	(558)	558
Secured position (-)	-	-	-	-
Other foreign currencies net effect	**(558)**	**558**	**(558)**	**558**
	40,374	**(40,374)**	**40,374**	**(40,374)**

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

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

c) Market risk (continued)

ii) Foreign Exchange Risk (continued)

	31 December 2009			
	Profit / loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% change in USD against TRL:				
USD net asset / (liability)	23,364	(23,364)	23,364	(23,364)
Secured position (-)	-	-	-	-
USD net effect	**23,364**	**(23,364)**	**23,364**	**(23,364)**
In case of 10% change in EUR against TRL:				
EUR net asset / (liability)	19,378	(19,378)	19,378	(19,378)
Secured position (-)	(37)	37	(37)	37
EUR net effect	**19,341**	**(19,341)**	**19,341**	**(19,341)**
In case of 10% change in other foreign exchange rates against TRL:				
Other foreign currency net asset / (liability)	(356)	356	(356)	356
Secured position (-)	-	-	-	-
Other foreign currencies net effect	**(356)**	**356**	**(356)**	**356**
	42,349	**(42,349)**	**42,349**	**(42,349)**

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

	31 December 2010	31 December 2009
USD	1.5460	1.5057
EUR	2.0491	2.1603

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

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

c) Market risk (continued)

ii) Foreign Exchange Risk (continued)

The amounts of assets and liabilities denominated in original and foreign currencies and their TRL equivalents at 31 December 2010 were as follows:

	31 December 2010			
		Original amounts		
	Total TRL equivalent	USD	EUR	Others (*)
Current assets:				
Cash and cash equivalents	428,023	143,517	100,477	257
Financial investments	4,628	2,966	20	-
Trade receivables	5,269	2,657	567	-
	437,920	**149,140**	**101,064**	**257**
Non-current assets:				
Financial investments	2,741	1,773	-	-
	2,741	**1,773**	**-**	**-**
Current liabilities:				
Financial liabilities	2,821	229	1,204	-
Trade payables	18,062	5,291	1,972	5,842
Financial liabilities due to related parties	-	-	-	-
Other current liabilities	-	-	-	-
	20,883	**5,520**	**3,176**	**5,842**
Non-current liabilities:				
Financial liabilities	10,344	173	4,918	-
Other non-current liabilities	5,697	3,685	-	-
	16,041	**3,858**	**4,918**	**-**
Net asset / (liability) position of off-balance sheet items (A-B)				
A. Total amount of hedged assets	-	-	-	-
B. Total amount of hedged liabilities	-	-	-	-
Net foreign currency asset / (liability) position	**403,737**	**141,535**	**92,970**	**(5,585)**
Fair value of currency derivatives held for hedging	**-**	**-**	**-**	**-**
Net position of off-balance sheet contingent assets and liabilities				
Guarantees and pledges taken	432	140	104	-
Guarantees and pledges given	12,999	8,034	283	-
Exports	5,331	2,048	1,056	-
Imports	154,808	51,879	30,320	12,474

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

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

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

c) Market risk (continued)

ii) Foreign Exchange Risk (continued)

The amounts of assets and liabilities denominated in original and foreign currencies and their TRL equivalents at 31 December 2009 were as follows:

	31 December 2009			
		Original amounts		
	Total TRL equivalent	USD	EUR	Others (*)
Current assets:				
Cash and cash equivalents	489,177	168,283	109,137	25
Financial investments	4,085	2,700	9	-
Trade receivables	1,512	766	166	-
	494,774	**171,749**	**109,312**	**25**
Non-current assets:				
Financial investments	4,004	2,660	-	-
	4,004	**2,660**	**-**	**-**
Current liabilities:				
Financial liabilities	16,775	6,369	3,326	-
Trade payables	33,737	5,333	10,239	3,588
Financial liabilities due to related parties	23,192	6,770	6,017	-
Other current liabilities	568	367	7	-
	74,272	**18,839**	**19,589**	**3,588**
Non-current liabilities:				
Financial liabilities	655	401	24	-
	655	**401**	**24**	**-**
Net asset / (liability) position of off-balance sheet items (A-B)				
A. Total amount of hedged assets	-	-	-	-
B. Total amount of hedged liabilities	-	-	-	-
Net foreign currency asset / (liability) position	**423,851**	**155,169**	**89,699**	**(3,563)**
Fair value of currency derivatives held for hedging (**)	**367**	**-**	**170**	**-**
Net position of off-balance sheet contingent assets and liabilities				
Guarantees and pledges taken	4,823	2,793	286	-
Guarantees and pledges given	63,475	141	29,284	-
Exports	5,459	1,687	406	1,976
Imports	165,174	41,742	42,075	10,087

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

(**) Company has three forward contracts in order to hedge foreign exchange risk as of 31 December 2009. The aforementioned forward contracts are Euro sell contracts with the amount of EUR 170 thousand and their weighted average maturities are 15 days as of 31 December 2009.

NOTE 31 - SUBSEQUENT EVENTS

a) In the Board of Directors meeting held on 7 February 2011, it has been decided to receive authorization from Capital Markets Board ("CMB") and Ministry of Industry and Trade in order to amend 4th Article of the Articles of Association with the heading "Purpose and Subject". Six month period is given for the related amendment with the notification of CMB dated 11 February 2011 and related authorization has been obtained with the permission of the Ministry of Industry and Trade dated 1 March 2011.

b) In the Board of Directors meeting held on 28 March 2011, it has been decided that the Ordinary General Meeting of Shareholders to be held in the Hyatt Regency Hotel at Taskisla Street, Taksim, Istanbul, on 6 May 2011 Friday at 8:30 a.m.

c) Based on the decision of the Board of Directors dated on 28 February 2008, it has been decided to develop the Company's activities in the health sector conducted through its subsidiaries, by associating or forming strategic partnership with companies operating in this sector by authorizing Sedat Birol, Health Group President and General Manager of the Company, in order to research, discuss and present the results potential opportunities to the Board of Directors. With respect work carried out in this context, 49.998% owned Eczacıbaşı-Monrol, which conducts manufacturing, importation and distribution activities of radiopharmaceuticals used in nuclear medicine, has started negotiations for the acquisition of 99.996% shares of Moleküler Görüntüleme Ticaret ve Sanayi A.Ş., which is a R&D and advanced technology company in molecular medicine research, development, innovation and production. All of the shares of Moleküler Görüntüleme Ticaret ve Sanayi A.Ş. are held by Bozluolçay Group, which is 50% venturer of Eczacıbaşı-Monrol.

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

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

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

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

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

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

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

The public has been informed about Ormanada Project, which has an investment amount of approximately USD 300 million and the size of houses varies between 170 and 700 square meters with sales price range from USD 500 thousand to USD 2.2 million, with press release and material event disclosure on Public Disclosure Platform on 18 October 2010. Ormanada Project has created in collaboration with international knowledge and experience of Torti Gallas and Partners, Kreatif Mimarlık and Rainer Schmidt Landscape Architects. The project has been initially designed as 188 villas and 71 side by side houses totalling to 259 residential units with 25 acres of greenbelt, which could be extended to 270 units as a result of the ongoing revisions. The Project will be completed in two different phases and first phase consists of 151 units and second phase, which's reconstruction process is still ongoing, will consist of 151 unit as of the date of this report. Additionally, the subcontractor of the Ormanada Project's infrastructure works, which include construction of roads, electricity, water, sewer, natural gas, telephone, etc. except for construction of buildings) has been determined and has started its activities and continues construction process as planned.

b) The Company's subsidiary EIP has signed an agreement with Menicon Co., which is the first and largest contact lens and lens care products manufacturer of Japan operating in more than 30 countries including European countries, America and Japan with employees over 1,000, for the product rights in Turkey on 1 November 2010.

c) In the Board of Directors meeting held on 31 December 2009, it was decided to make an application to Banking Regulation and Supervision Agency within the scope of the related legislation for establishing an investment bank. It was also decided to participate to the equity of bank by 40% after legal process is finalised and compulsory permissions are obtained for the establishment of an investment bank. On 31 March 2011, the Company announced in investor relations news, that collection of compulsory application information is in progress.

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