

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

1. Statement of Compliance with Corporate Governance Principles

Corporate Governance Principles Compliance Report for the period of 1 January - 31 December 2012 has been issued in accordance with the “Communiqué No. IV/56 on Principles Regarding the Determination and Application of Corporate Governance Principles” as published in the Official Gazette dated 30 December 2011 and numbered 28158 (“Communiqué No. IV/56”).

Full compliance with the mandatory principles under the current Communiqué No. IV/56 has been achieved and most of the principles not being mandatory have also been complied with. However due to challenges encountered in the implementation of some principles, as well as the ongoing discussions in our country and in the international platform regarding compliance with certain principles and the failure of the current market and corporate structure to meet such principles in a proper fashion, full compliance has not yet been achieved. The principles, which have not yet been fully implemented, are being worked on, and implementation is planned following completion of the administrative, legal and technical infrastructure works in a manner to contribute to the efficient management of our company. The comprehensive efforts of our company within the framework of the corporate governance principles and the principles, which have not yet fully been complied with under the respective sections, and any conflicts of interest arising therefrom are explained below.

The leading effort relating to Corporate Governance in year 2012 is the effort of compliance with the Communiqué No. IV/56 of the Capital Market Board containing the new arrangements relating to corporate governance principles and new Turkish Commercial Code. All the amendments stipulated by our Ordinary General Assembly held in 2012 were made in the Articles of Association of our Company. Moreover, the process for determining and publicly announcing the prospective independent members of the Board of Directors was completed, and election took place according to the arrangements. The committees of the Board of Directors established started their activities efficiently. “Remuneration Policy for the Board of Directors and Senior Officers” was created and was submitted to the information of the shareholders during general Assembly. By the informing document prepared for the General Assembly, General Assembly information such as the voting rights and organizational changes, CV's of the candidates for membership to the board of directors, remuneration policy for the board of directors and top managers, the reports that should be issued about related party transactions and the information that should be disclosed were made available to our investors 3 weeks in advance of the general assembly. All our related party transactions were submitted to the board of directors for information and it was resolved that such transactions continue with the approval of the members of the board of directors. Moreover, the website and activity report of our Company were reviewed, and necessary revisions were made as needed in terms of full compliance with the principles.

Necessary work for compliance with the Corporate Governance Principles will also be done during the next period, taking into account the developments and practices in legislation.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

SECTION I - SHAREHOLDERS

2. Department of Relations with the Shareholders

EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. (“the Company”) manages its investor relations through the Investor Relations Department, which was established in 1993, under the Financial Affairs Department. The Investor Relations Department of the Company play an active role in protection of the shareholding rights and in facilitating use of those rights, particularly the right to ask for and to review information.

Contact Details of the head of Investor Relations Department:

Name & Surname: Gülnur Günbey Kartal

Telephone : 0 212 350 85 36

Fax : 0 212 350 85 33

e-mail address: : gulnur.gunbey@eczacibasi.com.tr

The major activities carried out at Investor Relations Department:

- ❖ To ensure that shareholders’ records are kept in a sound, secure and up-to-date manner.
- ❖ To respond to all requests of the shareholders for information in writing or orally except for the information not yet disclosed to public, confidential information or trade secrets and in a manner not to cause any information inequality.
- ❖ To ensure that the General Assembly complied with the current legislation, the Company's Articles of Association and other internal regulations.
- ❖ To prepare the documents that an be beneficial of shareholders attending the General Assembly.
- ❖ To ensure that the voting results have are recorded and that reports related to these results are sent to the requesting shareholders.
- ❖ To monitor and follow up on all matters related to public disclosure, including legislation and the Company’s disclosure policy.
- ❖ To provide information to the analysts conducting an evaluation about of the Company,
- ❖ To provide information to the academics who conduct studies about the company and the market,
- ❖ To prepare in Turkish and English and frequently update Investor Relations Section, which is found within the corporate Internet site (www.eczacibasi.com.tr) of the Company and to ensure easy and quick access by investors to information concerning the Company through the Internet
- ❖ To ensure two-way communication between the shareholders and senior officers and the members of the Board of Directors.
- ❖ To make available any information and disclosure, which may affect the exercise of the shareholding rights in nature, to the shareholders on Company's website in an updated manner,

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

- ❖ To disclose to the public by communicating the required Material Event Disclosures to the ISE through the Public Disclosure Platform (“KAP”) with due consideration of the Communiqué No. VIII/54 of the Capital Market Board,
- ❖ To follow up any amendments to the Capital Market Code and any relevant legislation and present the same to the attention of the relevant departments,
- ❖ To represent the Company before the Capital Markets Board, Istanbul Stock Exchange and Central Registry Agency.

Utmost care has been exerted toward the regulatory compliance in responding to the requests of the investors and during the last year, our Company did not receive any written or verbal complaint, nor, to the best of our knowledge, was any administrative or legal proceeding initiated against our company in this respect.

3. Exercise of Investors’ Right to Information

The Company pays utmost care to comply with all CMB regulations, Articles of Association and other in-house regulations related to the satisfaction of the requests of our shareholders for the exercise of their rights and appropriate steps are taken in order to ensure that such rights are exercised properly and all the shareholders are treated fairly.

All shareholders are treated equally when they exercise their right to request and evaluate information and any information required by them in order to duly exercise their shareholding rights have been shared with them, except for the trade secrets. The information are provided on a timely manner and carefully so as to fairly reflect the facts.

All the questions and inquiries received at the Investor Relations Department during the year are replied by phone or in writing by contacting the most competent person of the relevant matter except for confidential information or trade secrets. In an effort to increase the rights of the shareholders to obtain information, any and all the information that may have impact on the exercise of the rights are made available for use by the shareholders on an updated bases in electronic media. Information and developments that may affect shareholders' rights are publicly disclosed through special disclosure and also published in the website of the Company.

While there is no provision in our Articles of Association that a private auditor be appointed as individual right, under article 438 of the Turkish Commercial Code, each shareholder may ask the General Assembly to reveal certain occurrences through private audit even if the agenda has no such item if it is necessary for exercising the shareholding rights and if the right to receive and examine information has been exercised before. To date, no shareholder has raised such a request. Moreover, the activities of the Company are periodically audited by the Independent Audit Firm approved by the General Assembly.

4. General Assembly Meetings

The invitations to the General Assembly meetings are made by the Board of Directors at least 3 weeks in advance of the date of meeting in accordance with the provisions of the Turkish Commercial Code, the Capital Market Law, the Company’s Articles of Association and the

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

Corporate Governance Principles. The Articles of Association of our Company has been prepared accordingly.

The Board of Directors informs the public via a disclosure statement published on the Public Disclosure Platform (“PDP”) and Electronic General Assembly System (“EGKS”) along with the items of the agenda on the date of resolution taken for convening the General Assembly meeting.

The announcements regarding the invitations to the General Assembly meetings are published on the Company’s Internet website and also in Turkey editions of the newspapers believed to be highly followed up by the shareholders in order to ensure disclosure of the announcement to the highest number of shareholders possible including electronic communications not later than 3 weeks before the actual date of the General Assembly meeting in accordance with the required statutory legislation.

The meetings are publicly held in the city center in order to facilitate attendance to the General Assembly. The meetings can be followed up by our shareholders and media.

The financial statements and reports including the annual report, the profit distribution proposal, the General Assembly Information Document prepared in relation to the items on the agenda of the general assembly and the other documents constituting the basis for such items of the agenda, the latest version of the articles of association, and the text of amendment and the related rationale for justification of, if any, the amendments to be made in the articles of association are made available for information and examination purposes at convenient places of the company’s headquarters for ease of access by our shareholders including its website starting from the date of announcement published in relation to the invitation for general assembly meeting. The information proposed for each item of the agenda is provided to the shareholders in the information documents related to the items of the agenda. Moreover, English version of all the documents likely to be required by the foreign shareholders with respect to the General Assembly and the items of the agenda is made available at the website of the Company.

The form of proxy is published for the shareholders that will be represented by their proxies and they are made available for the shareholders via our company’s Internet site before the meeting of the General Assembly.

At the General Meetings, attention is paid in order to ensure that the matters contained in the contents of agendas are transmitted impartially and in details, and in an explicit and comprehensible manner, and the shareholders are provided with the opportunity to express their opinions and to ask questions under equal conditions as well as they are allowed to discuss over the annual report and performance indicators of the Company.

The minutes of the General Assembly meetings are disclosed to the public via the PDP and they are also provided on the Company’s Internet website. One copy of the minutes is sent to the CMB; and one copy is made available at the Company’s headquarters for inspection by our shareholders.

In 2012, the Company held one General Assembly Meeting. The Ordinary General Assembly meeting held for 2011 was held on 29 May 2012 with a meeting quorum of 76 percent. Of the shareholders holding public shares, 4 real and 8 legal persons were registered in the List of

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

Attendants. Our General Assembly meeting has been held under the surveillance of the Government Observer assigned by the Ministry of Trade and Industry. In the General Assembly meeting, our shareholders exercised their rights to ask questions. The questions were answered by the members of the Board of Directors and the General Manager depending on the subject matter. No demand has been received from our shareholders to add anything to the items of the agenda in this respect.

The donations made throughout the period are communicated to the shareholders at the General Assembly as a separate item of the agenda.

5. Voting Rights and Minority Rights

In our company, any practices complicating the use of voting rights are avoided; and all our shareholders are allowed to use their voting rights equally, easily and as required. Open voting method applied by raising hands is used for voting of the items on the agenda in our General Assembly meetings. Each item on the agenda is voted separately in the meeting.

There are no privileged voting rights envisaged under the Articles of Association; every share has one vote. The Company has no procedure that foresees voting rights being exercised within a determined period after the acquisition date. There is no item in the Company's Articles of Association that prevents a shareholder's proxy from voting on the shareholder's behalf.

Eczacıbaşı Holding A.Ş., which has a reciprocal share and controlling interest in the Company greater than 50,62 percent and in which we hold 27,28 share exercises its vote at the General Assembly of our Company.

No shareholder has claimed to have minority shares, to date. Cumulative voting procedure is not applied.

6. The Right to Dividends

At its meeting held on 29 March 2013, our Board of Directors has decided to implement a profit distribution policy in line with the following approach in accordance with the provisions of the Turkish Commercial Code, Capital Markets Regulations, Tax Legislation, other applicable legislation and the provisions of the Articles of Association as related to the distribution of profits and to submit that policy to the approval of the shareholders at their Ordinary General Assembly to be held for the year 2012.

- ❖ In principle, based on the net profit of the period shown in the financial statements prepared and independently audited in accordance with the Capital Markets Legislation, it has been adopted to distribute dividends in cash and/or in terms of free shares over the "distributable profit of the period" as calculated according to the Capital Markets Legislation and other applicable legislation.
- ❖ Our articles of association does not contain a special provision about preferred shares, founder redeemed shares and distribution of profit to members of the Board of Directors and employees regarding distribution of profit.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

- ❖ In preparing its recommendations on profit distribution for the General Assembly, the Board of Directors takes into consideration the sensitive balance between the Company's existing profitability, the expectations of shareholders and prescribed growth strategies.
- ❖ Dividend payments (cash and / or bonus shares) are made as soon as possible after the General Assembly and within the legal time limit set by legislation.

The profit distribution policy and the annual profit distribution proposal of our Board of Directors are prepared together with the profit distribution statement designated by the CMB; and they are made available to our shareholders via the PDP environment for information purposes at the same time with the publication of our Board of Directors' decision. The said proposal is included in our annual report and presented to the shareholders in the General Assembly for their approval. In addition, they are also publicly disclosed in the Company's Internet website together with the detailed information regarding the profit distribution statement, the profit distribution history and the increases of capital. Cash dividend with a gross rate of 10% has been distributed to our shareholders in 2012.

7. Transfer of Shares

There are no provisions in our Company's Articles of Association restricting or complicating free transfer of shares.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

Purpose

The Information Disclosure Policy aims to share complete, fair, sound and comprehensive information concerning the Company's past performance, future expectations, strategies, objectives, vision and the knowledge base, excluding trade secrets; with the public, respective authorities, current and potential investors and shareholders equally, so that active and open communications are preserved.

Our Company shows utmost care to comply with the Capital Markets Legislation, ISE regulations, and the Corporate Governance Principles issued by the CMB in implementing its information disclosure policy.

Authority and Responsibility

The Board of Directors has the authority and the responsibility to establish, control, review and develop the Company's Information Disclosure Policy. Once approved by the Board of Directors, the Information Disclosure Policy is made available to public through the Company's website. The head of the Investor Relations Department is responsible for the coordination of the Disclosure Policy. This department performs its responsibility in close cooperation with the Board of Directors and the Corporate Governance Committee.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

Those responsible also cooperate closely with the Investor Relations officers of the Eczacıbaşı Holding A.Ş.

Methods and Tools

Our Company uses the following methods and instruments for determining its public disclosure and information policy in accordance with the CMB and ISE regulations and the provisions of the Turkish Commercial Code:

- ❖ Material event disclosures arranged in the Notifications Software (BİY) environment and announced to the public electronically via the Public Disclosure Platform (PDP) (*The said disclosures are also published in our Company's Internet website both in Turkish and English languages*),
- ❖ The financial statements and their footnotes as well as the independent audit report and statements prepared in BIY environment and announced to the public electronically via the PDP (*The said reports are also published in our Company's Internet website both in Turkish and English languages*);
- ❖ Annual reports (*The said reports are made available for the related persons and authorities both in Turkish and English languages in the form of printouts and electronically on our Company's Internet website*)
- ❖ The Company's Website, and the Website containing the Investor Relations details (www.eis.com.tr, www.eczacibasi.com.tr),
- ❖ Central Registry Agency's "e-YONET: Corporate Governance and Investor Relations Portal"
- ❖ Notices and announcements made through the Turkish Trade Registry Gazette and Daily Newspapers;
- ❖ Press disclosures made via the printed and visual media;
- ❖ The disclosures made to the data delivery institutions such as Reuters, Foreks, Bloomberg, etc.;
- ❖ The information meetings and discussions held with the capital market participants face-to-face or via telephone calls;
- ❖ The disclosures made by using the methods and means of communications such as telephone, electronic mail, telefax, etc.
- ❖ The texts of prospectuses, circulars, announcements and the other documents required to be arranged as per the provisions of the Capital Market Law.

Public Disclosure of Material Events and Authorized Persons

Disclosure of any material events is prepared and signed by the Financial Affairs Director and the Investor Relations Department Officer and then made available to the public via the "Public Disclosure Platform" (www.kap.gov.tr) in a timely, accurate, complete, straightforward, comprehensible, interpretable, cost-effective and easily-accessible manner in order to allow the persons and entities that will benefit from such disclosures to take any decisions in relation thereof. In case of absence of the related persons, such disclosures are signed by the General Manager and the members of the Board of Directors. After such disclosure on the PDP, they are published on the Website containing the Company's Investor Relations information. Such material event disclosures are stored on the Internet site for five years.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

In this context, 31 material event disclosures were made in a timely fashion throughout the year 2012 according to the CMB regulations. Istanbul Stock Exchange has requested further explanations regarding the two of these disclosures. Since material event disclosures were made on time, the CMB did not impose any sanctions in relation thereof. Our stocks are not traded in international markets.

Public Disclosure of Financial Statements

The Company's consolidated financial statements and the related footnotes are prepared in accordance with the International Financial Reporting Standards and within the framework of the provisions specified in the CMB laws and disclosed to the public once they are audited by an independent company according to the International Standards on Auditing.

Before public disclosure of financial statements and the related footnotes, the assent of the Audit Committee is received and they are submitted to the Board of Directors for approval purposes as per the Capital Market Laws. Once the related statement of responsibility is signed by the General Manager and the Chief Financial Officer, the financial statements, the related footnotes, and, if any, the independent audit report, and The Board of Directors' Annual Report are forwarded to the PDP in accordance with the Capital Market Law and the ISE regulations. The said reports can be found both in Turkish and English languages retrospectively on the Website containing the Company's Investor Relations information (www.eczacibasi.com.tr).

Public Disclosure of the Annual Report

The contents of the annual report are prepared in a manner to contain the minimum elements specified in the CMB's Corporate Governance Principles and in specific details to allow the public to obtain any kind of information about the Company's activities in accordance with the Capital Market laws. After arrangement of the annual report, it is approved by the Board of Directors and disclosed to the public together with the financial statements. The annual report are available in Turkish and English languages on the Website containing the Investor Relations information (www.eczacibasi.com.tr) and its printout copies can be provided from the Investor Relations Department.

The Publications and Announcements made through the Turkish Trade Registry Gazette and Daily Newspapers

As per the Capital Market Law, Turkish Commercial Code and the Articles of Association, the announcements regarding the General Assembly, increase of capital and dividend payments are made through both the Turkish Trade Registry Gazette and daily newspapers.

Disclosures regarding the Exercise of Participating Rights

In accordance with the Capital Market regulations, the shareholders are informed via the prospectus and announcement texts about the material transactions that are of concern for the shareholders such as General Assembly, increase of capital, dividend payments, merger and split-off, etc. The said documents are also provided on the Website containing the Company's Investor Relations information.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

Press Disclosures made via the Printed and Visual Media

The communications with printed and visual media are conducted jointly with Eczacıbaşı Holding A.Ş. Corporate Communication and Sustainable Development Group Department.

Company Website

The Website containing the Investor Relations information on the Company's Internet address (www.eczacibasi.com.tr) is actively used for public disclosure purposes as recommended by the CMB Corporate Governance Principles. The Investor Relations Department is responsible for the preparation and updating of the information contained in the website.

All public disclosures made by our company are accessible via the Website (www.eczacibasi.com.tr). The website is configured and partitioned accordingly. All kinds of measures related with the security of the website are taken duly. The website is prepared in Turkish and English languages and in the form and substance as stipulated by the CMB Corporate Governance Principles and it is constantly updated and developed.

The main headings that can be viewed on our Company's website are listed below:

- ❖ Detailed information on corporate identity
- ❖ Information regarding the members of the Board of Directors and the top management of the Company
- ❖ Company organization and shareholding structure
- ❖ Company Articles
- ❖ Trade registry details
- ❖ Details on shares and share performance
- ❖ Financial data and indicators
- ❖ Press disclosures
- ❖ Material event disclosures
- ❖ Information document on the meeting date, agenda and the items of the agenda of General Assembly
- ❖ The minutes of the General Assembly and the list of attendants
- ❖ Form of Proxy
- ❖ Presentations made in the General Assembly meeting
- ❖ Corporate governance practices and compliance report
- ❖ Dividend distribution policy, history and increases of capital
- ❖ Disclosure policy
- ❖ Remuneration policy for the Board of Directors and Senior Officers
- ❖ Ethic rules disclosed to the public as part of the disclosure policy
- ❖ Detailed information on corporate social responsibility

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

Meetings and Discussions with Investors and Analysts

The Investor Relations Department has been established under the structure of the Financial Affairs Department for performing the activities aimed at regularly conducting the relations with both existing and potential shareholders, answering and resolving the investor issues in the most effective manner and increasing the company's value. This department is responsible for notifying all meeting requests received from the shareholders to the top level managers and to organize such meetings.

In order to ensure that our Company's operational and financial performance, vision, strategy and goals are communicated in the best manner to the shareholders, the top management of the company and Investor Relations Department frequently meet with the intermediary firms, analysts and investors. All meeting requests from shareholders are welcomed and fulfilled with opportunities for meetings at the highest level possible. Shareholders and analysts may closely follow events concerning the Company through the website which is updated regularly.

Our company considers the analyst reports as the property of the company preparing such analyst reports and does not publish them on the Website (www.eis.com.tr or www.eczacibasi.com.tr); in addition, it does not review, verify, approve, undertake the responsibility of or distribute the analyst reports or the income models, either.

Silent Period

Our company abstains from discussing the financial results and the other issues with the capital market participants during specific periods of the calendar year in order to prevent asymmetrical distribution of information and unauthorized disclosures about operating results. This period is called as "silent period". For our company, the silent period starts from the 15th day of the month following the month when the quarterly or annual fiscal period ends and it ends by one business day after the date of disclosure of financial reports.

During such silent period;

- ❖ Our company's financial situation will not be discussed in the one-to-one or group meetings to be held with the capital market participants excluding publicly disclosed information.
- ❖ Unless required otherwise and without prejudice to the provisions of the Capital Market Laws, any opinions about the activities and financial status will not be disclosed.
- ❖ Excluding publicly disclosed information about the financial results; any questions directed personally or in small groups will not be answered; no statements will be given to such types of groups. In such cases, the statements shall be published on the website (www.eczacibasi.com.tr).

Unfounded News spread in the Market

In principle, our company does not disclose any opinion about the news and speculations in the market. In case of any unfounded news rumored or gossiped in the market, the persons authorized to make public disclosures may publish a press release indicating that it is a part of our company's Information Disclosure Policy not to make any comments and not to disclose any opinions about the news that are rumored or gossiped in the market. However, if required

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

conditions arise, the “confirmation obligation” is fulfilled as regulated by the Capital Market Laws and statements are made about the rumours and gossips spread in the market.

Disclosures related with Future Expectations

Our company does not provide any statements about expectations regarding interim period and yearly operating results. Instead, it prefers to disclose to the capital market participants the important items allowing a better understanding about the critical issues affecting the operating results, its strategic approaches, the related sector and the environment that the company operates in.

In non-public interviews held with the capital market participants, any important / private (internal) information that is not yet public disclosed is not disclosed at all. However, our company may, from time to time, make prospective statements about the situations that are of great significance. In such case, it should be taken into account that the prospective statements provided in the written documents of our company are made according to some specific assumptions; and serious variations may occur between the actual results achieved and the results expected from prospective statements due to the risks, uncertainties and other factors. Unless specified otherwise in the information disclosure policy, only the persons authorized to make public disclosures may make communications with the capital market participants on behalf of our company.

Public Disclosure of the Relations between the Company and its Shareholders, Members of the Board of Directors and the Managers

The relations of our Company with its shareholders, Members of the Board of Directors and the managers are publicly disclosed as soon as the company becomes aware of them in accordance with the CMB legislation and the provisions specified in the Corporate Governance Principles.

As it is known, our company is an affiliate of Eczacıbaşı Group and it is publicly known that the members of Eczacıbaşı Family are real-person ultimate controlling shareholders. Our company has a 37.28% of shareholding in Eczacıbaşı Holding A.Ş. since it is a founder partner.

Trade Secret Concept and Insider Trading

The trade-secret information refer to any information with current or potential commercial value, that are not known and normally not accessible by third persons, and targeted to be kept confidential by the information owner.

The Company takes any measures required for prevention of the use of any insider information. The list of the Company’s managers and the other persons and/or institutions providing services for the Company that may acquire any information likely to affect the value of the capital market instruments is prepared and publicly disclosed in accordance with the principles specified in the information disclosure policy.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

The potential insider traders are the members of the Board of Directors and the persons in the top management and the names of these persons are specified below:

Board of Directors

F. Bülent Eczacıbaşı	Chairman of Board of Directors
R. Faruk Eczacıbaşı	Deputy Chairman of Board of Directors
Dr. O. Erdal Karamercan	Member Board of Directors
M. Sacit Basmacı	Member Board of Directors
Şenol S. Alanyurt	Independent Director
Akın Dinçsoy	Independent Director

Statutory Auditors

Selahattin Okan	Auditor
Tayfun İçten	Auditor

Independent Auditors

O. Tuğrul Özsüt	Sworn Financial Consultant
Burç Seven	Partner & Lead Auditor
Ali Bekçe	Partner & Lead Auditor
Hüseyin Gürer	Responsible Partner Chief Auditor (Substitute)
Yaman Peyvent Polat	Responsible Partner Chief Auditor (Substitute)
Alp Güres	Senior Auditor
Pınar Kaymaz	Senior Auditor
Kerem Vardar	Senior Auditor (Substitute)
Engin Sarıkaya	Senior Auditor (Substitute)
Eda Gündoğdu	Auditor
Arman Tarhan Niğdelioğlu	Auditor

Senior Management

Dr. O. Erdal Karamercan	Eczacıbaşı Holding A.Ş. / CEO
M. Sacit Basmacı	Eczacıbaşı Holding A.Ş. / Financial Affairs Group President
Levent A. Ersalman	Eczacıbaşı Holding A.Ş. / Strategic Planning and Financing Group President
Sedat Birol	General Manager / Health Group President
Okşan Atilla Sanon	Eczacıbaşı Holding A.Ş. / Corporate Communications and Sustainable Development Coordinator
Utku Kurtaş	Eczacıbaşı Holding A.Ş. / Strategic Planning Director
E. İlkay Akalın	Eczacıbaşı Holding A.Ş. / Corporate Communications Director

Managers and Officers

Bülent Avcı	Financial Manager
Rosi Avigidor	Eczacıbaşı Holding A.Ş. / Finance Manager
Cem Tanrıkilici	Eczacıbaşı Holding A.Ş. / Press Agent
Gülnur Günbey Kartal	Internal Audit Manager
Ceyla Özgen	Financial Reporting Specialist
Hülya Özer	Commercial Accounting Responsible Specialist

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

9. Company's Website and Its Content

The Company has been actively using its corporate Internet website, www.eis.com.tr since April 2005 as stipulated by the CMB Principles in order to ensure faster and more effective relations with its shareholders and to maintain continuous communications with its shareholders. Thus, the information about our company, the human resources, our affiliates, and the investor relations is made available to public. As a result of its reorganization in 2007, the Company has finalized updating its website in line with its new structure. Since May 8, 2009, the Investor Relations information for the Company accessible from the website address www.eis.com.tr has been directed to www.eczacibasi.com.tr. The Investor Relations information available through this new link has a broader content provided both in Turkish and in English languages.

The Company website contains the compulsory information required to be disclosed as per the laws; and the trade registry information, the shareholding and management structure according to the current status, the latest version of the Company's articles of association, material event disclosures, financial reports, annual reports, agendas of the general assembly meetings, the lists of attendants and the minutes of the meetings, form of proxy for voting, dividend distribution policy, disclosure policy, remuneration policy, code of ethical conduct and the press releases and presentations made by the Company. In this context, the information for at least the last 5 years is provided on the Internet website. The data contained herein are regularly updated and kept consistent with the disclosure made pursuant to the applicable legislation and no conflicting or incomplete data are contained.

The Investor Relations Department is responsible for the preparation and updating of the Investor Relations section of the website with additional data. The works to ensure that the website may even provide better services are carried out on a continuous basis. The website address is also indicated on the Company's letterhead.

10. Annual Report

The annual report of our Company is prepared in accordance with sufficient details to enable the public to access accurate and complete information about the activities of our Company.

In addition to the matters stipulated in the legislation and Corporate Governance Principles, the annual reports contain:

- ❖ Information about the duties assumed outside of the Company by the Members of the Board of Directors in their resumes,
- ❖ Members of the committees of the Board of Directors, meeting frequency and activities of such committees,
- ❖ Number of meetings of the Board of Directors held during the year and the attendance of the members of the Board of Directors,
- ❖ Information about the changes in the legislation so as to have a material effect on the operations of the Company,
- ❖ Information about the material litigation against the Company and possible outcomes thereof,
- ❖ Information about the reciprocal participation in excess of 5%,

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

- ❖ Information about social benefits of employees, their occupational training and corporate social responsibility activities regarding company operations leading to other social and environmental results.

SECTION III - SHAREHOLDERS

11. Informing Shareholders

Within the boundaries of CMB regulations, shareholders are informed through the General Assembly and responses provided to individual inquiries. Public disclosure is made through press conferences or press releases; employees are informed through Strategic Planning Meetings, General Manager's informative meetings and departmental meetings (changes in targets, wages, employee benefits, travel allowance, etc. are announced at these meetings.). At Eczacıbaşı Holding, there is a portal accessible by the employees providing all kinds of information and documents of interest to them including management changes and press releases communicated through that portal. In addition, the Corporate Communications Department at Eczacıbaşı Holding A.Ş. publishes an in-house periodical called "Yasam (Life)" in an effort to promote the communication with the employees.

The tenants of Kanyon are the most important clients of the Company, and their problems are attended by direct meetings as well as the solutions provided by Kanyon Yönetim İşletim Pazarlama Ltd. Şti., which provides management services to the Kanyon complex.

12. Participation of the Shareholders in Management

Supportive mechanisms and models have been created to encourage shareholder and especially employee participation in the Company's management without interfering company operations. The said models adopted by the Company are incorporated into the internal regulations of the Company. The shareholders are consulted in case of material decisions affecting them. Shareholders contribute to management through the General Assembly for shareholders and the employees are ensured to participate in the management by various meetings and notices sent by electronic mail.

13. Human Resources Policy

Recognizing that people underpin the Eczacıbaşı Group's values and represent the main source of its competitive edge, the Company's human resources policies has its goals to:

- ❖ Establish an organizational structure that is flexible and open to change and in line with Company's Strategic Business Plan and Targets,
- ❖ Ensure that human resources are used effectively and efficiently to achieve the Company's strategic goals,
- ❖ Continually review and improve the Company's human resources processes and systems,
- ❖ Encourage employees to learn so that they might improve their knowledge, competencies and behavior, thus enhancing their individual performance as well as the performances of their teams and the Company,

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

- ❖ Create opportunities for personal and career development that respond to the needs of the Company and reflect performance evaluation results,
- ❖ Continuously raise the level of employee satisfaction by making improvements in areas noted by employee satisfaction surveys and other related performance indicators,
- ❖ Attract employees who have the right competencies for their jobs: who are creative, innovative, participative, open to change, entrepreneurial, energetic, transparent, and strong communicators; who want to develop personally and professionally and who are able to train others; who share our values,
- ❖ Ensure that the female candidate is preferred between male and female candidates of equal qualifications.

Our Company's Human Resources management is conducted by the Financial Affairs Management; and since it is a member of Eczacıbaşı Group, the shared policy, and the fundamental rules and principles determined by the Human Resources Group Directorate under the structure of Eczacıbaşı Holding A.Ş. and established for all companies within the group are implemented duly. Such fundamental rules and principles are shared with the employees of Eczacıbaşı Group over the Company Portal.

Our Company does not have any personnel that are members to a trade union.

To date, there have been no complaints of discrimination from Company employees.

14. Code of Ethical Conduct and Social Responsibility

Code of Ethics

The Company's activities are conducted in accordance with the following code of conduct established by Eczacıbaşı Group. The code of conduct has also been published in our Corporate Management Principles Compliance Report and in the Company's website as from 2012 as part of the compliance with the Corporate Governance Principles published by the CMB.

In order to realize its fundamental objective of “**having the perfect human resource supported with the best human resources practices**”, our entity has adopted the policies of:

- ❖ Ensuring that the affiliates within the group keep their organizational structures dynamic in line with their strategic plans and objectives and be ready for changes;
- ❖ Improving individual and team performance through constant quality improvement processes and systems in order for human resources to be used in the most efficient manner and for the management power to be directed in line with the objectives of the group; creating a professional business environment and career improvement opportunities for our employees;
- ❖ Introducing to the society persons, with high educational levels and who are open to innovations and changes, have entrepreneurial ability, are energetic, aim to improve himself and his business, train staff, adopt and maintain the values of the Group.

For realizing this purpose and policies, during the activities carried out and systems improved in relation to human resources, the focus is given to quality, customer satisfaction, efficiency, participatory management, team work, flexibility and open communication.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

While performing their duties, the employees are required to comply with the below-listed Business Ethics Principles of the Group, perceive the importance of the responsibilities given to them and to perform these responsibilities.

Each employee:

1. is responsible to perform his duty with care and diligence, monitor and understand the legal rules and amendments relating to its work, obtain the information necessary for performing its duty. When problems are experienced on these matters, the relevant company officers are required to be consulted with.
2. conducts its work in conformity with the requirements and characteristics of his work with the efficiency and performance expected of him.
3. is required to prioritize the interests of the company and to refrain from any acts and transactions that may damage the company while making decisions in relation to its job.
4. is obliged to keep confidential those information that it learnt due to its job, which need to be kept confidential and the disclosure of which would be harmful.
5. is required to comply with the laws and to refrain from any and all activities that would put the company in a difficult situation and harm its reputability.
6. should show diligence in choosing the persons and companies that are reputable and that would adopt and implement the Business Ethic Principals of the Group in the recruitment of personnel to their team or during contracting directly/indirectly with third persons or entities in relation to their activities.
7. should not try to take benefit of real persons or legal entities through his job and should not offer or propose any illegal payment or assistance to any person or entity.
8. is required to prioritize all the time the Business Ethics Principles of the Group during the course of its relationship with the government and the customers and to aim for influencing the counterparty while representing its entity in these platforms and refrain from incentives that may harm the corporate image.
9. is responsible of prioritizing quality, speed, ease, politeness and respect (subject to being honest, reliable and honorable in its relations with the customer and business owners) and of ensuring the customer satisfaction and to behave equally to each person and entity.
10. is required to comply with the workplace working order and working hours of the company, act in line with the starting and ending periods and interim rest periods of the working hours and to fulfill its employment-related obligations without causing a delay in this respect.
11. is responsible for complying with the working order and hours of the Group and using its working hours entirely for the Group. It cannot engage in any other work that will generate proceeds and may not serve as managers or consultant to other entities. It may serve at voluntary organizations such as associations and foundations and the management bodies of chambers upon the approval of the CEO. Payments as to membership subscription fees and annual fees for memberships approved by the CEO shall be funded by the employer of the personnel. It may by no means serve in the management bodies of political parties.
12. unless appointed to do so by the CEO, it cannot make public statements and disclose information to the press and broadcasting entities in connection with its company.
13. is obliged to protect, ensure the security of and not to use for personal purposes any and all monies, official deeds, equipments and tools relating to the company.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

14. is required to comply with the working conditions designated with the Labor Law Legislation, employment contract and this regulation serving as the annex of the employment contract, with the written and oral instructions of the employer or employer's representative in relation to the conduct of work and behaviors at the workplace, with the work discipline and the rules on occupational health and safety.

The necessary diligence shall be shown in promptly notifying the most senior officer of the company of those acting in breach of the Business Ethic Principles of the Group by documenting those breaches to the extent possible or evaluating objectively, and in taking measures relating to this.

Within this framework, the employees are responsible for notifying and submitting any and all changes relating to their family, civil and address status, and their personal, family-related or relative-related information constituting basis for the rights and obligations governed by contracts and regulations; together with the underlying documents. Responsibility on notifying changes in personal information solely remains on the employee. The notice address is the last address notified by the relevant persona and any notices sent to this address shall be deemed to be served to that person.

Further, the employees:

- ❖ Are required to take decisions by prioritizing the fundamental interests of the entity above anything, without being under the influence of their own interests or the interests of their families while performing these duties;
- ❖ Accordingly, the relationships and activities of the employees outside the company should not contradict with their responsibilities in their capacity as a member of the Group and should not be in breach of law;
- ❖ The employees are required not to abuse the resources of the Group and harm the reputability of the Group
- ❖ The employees are required to take into account the benefits and harms of their relationships and activities outside the Group for the Group and the potential conflict of interest that may be caused by these activities.

Social Responsibility

The Company supports many social, cultural and sports activities, in accordance with the principles of the Eczacıbaşı Group. There are no legal claims on the Company related to environmental pollution. With the understanding that protecting the environment is its most important social responsibility, the Company has written down its environmental policy and communicated it to all of its employees.

Relations with Society and Other Companies

The Company, as a corporation embracing its social responsibility:

- ❖ Ensures, before all else, compliance with legal and ethical rules in its relations with society and other companies, just as it has in all relationships it has established with its shareholders,

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

- ❖ Cooperates with the local community and wider parts of the society to take advantage of opportunities that provide mutual benefit,
- ❖ Takes advantage of cooperation opportunities with other establishments within the framework of continuous and mutual development principles.

Environmental Policy

The Company, in line with its goal of business excellence, seeks to preserve the environment and contribute systematically to increased understanding of environmental protection through the following objectives and principles:

- ❖ To inform employees, business partners and the local community about environmental issues in order to generate and continually develop environmental awareness,
- ❖ To reduce all forms of pollution, recycle waste and eliminate non-recyclable waste using appropriate techniques, so as to minimize the impact of our activities on the environment,
- ❖ To take special care to protect the natural environment,
- ❖ To support the environmental initiatives of government and public organizations,
- ❖ To monitor continually and strengthen measures aimed at ensuring employee health and safety in the workplace.

In line with these goals and principles, we pledge, in the name of our employees, to fulfil our social responsibilities; improve our performance continuously; improve all those activities that may have a negative impact on the environment; comply with all legislation, regulations and standards aimed at ensuring a sustainable future and protecting natural resources; and set an example with our efforts in these areas.

Participation in Educational and Training Activities

The Company assists and provides resources to university students who request help with their school projects and research. It also provides some ingredients, intermediates and equipment to university and academic hospitals for their scientific research. The Company makes donations of computers and hardware to various educational and training institutions. Our company provides internship opportunities to students of technical high schools and universities

Support of Health and Welfare Initiatives

Our Company started the tradition of supporting scientific research in the fields of medicine and pharmacology and rewarding scientists in 1959, one of the first examples of university-industry cooperation in Turkey. Eczacıbaşı Medical Awards and Scientific Research Support Fund, throughout its history of half a century, provided grants to 174 scientific research projects and distributed 31 Medical Science Awards and 38 Medical Incentive Awards, with the approval of the Eczacıbaşı Scientific Evaluation Committees comprising university faculty.

In addition, seven students from medical faculties have been found eligible for the Eczacıbaşı Scientific Research Award for Medical Students, a program which started in 2002. As from 2013, the said award has been renamed as “Dr. Nejat F. Eczacıbaşı Medicine Awards”.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

Support of Sports and Recreational Activities

With the contributions of the Company, the Eczacıbaşı Sports Club has won numerous championships in Turkey and abroad and contributed to the development and promotion of sports in Turkey. Since 1999, financial assistance has been provided to local sports clubs. A volleyball school for girls was established to help them appreciate sports and the culture and ethics of sports under the direction of the Eczacıbaşı Sports Club. The Company also has sponsorship agreements with various sports clubs that involve contributions in kind.

SECTION IV - BOARD OF DIRECTORS

15. Structure and Constitution of the Board of Directors

The Board of Directors manages and represents the Company by taking strategic decisions, keeping the Company's risk, growth and returns balance in the optimum level, and preserving the long-term benefits and interests of the Company based on its prudent risk management approach.

The Board of Directors defines the strategic objectives of the Company, determines the human and financial resources that will be required by the Company and checks the performance of management.

The Board of Directors oversees the compliance of the Company's activities with applicable laws, Articles of Association, internal regulations and the policies established.

As per the Articles of Association, the company's affairs are conducted and managed by a Board of Directors comprising at least 5 members to be elected among the shareholders by a decision of the General Assembly in accordance with the provisions of the Turkish Commercial Code and Capital Markets Legislation. The members of the Board of Directors are elected so as to ensure that they work efficiently and constructively, take speedy and rational decisions and organize the formation and functioning of the committees.

There are executive and non-executive members in the Board of Directors. Non-executive Board members does not assume any other administrative duty in the Company except for their Board membership and they do not intervene in the Company's daily work flow and ordinary activities. Our Board of Directors does not have any executive members. In the Ordinary General Assembly held for 2012, required amendments have been made in the Articles of Association for participation of independent members in the Board of Directors in accordance with the Corporate Governance Principles of the Capital Market Board and accordingly, 2 independent non-executive members of the Board of Directors have been elected who are qualified so as to perform their duties at their sole discretion. Independent members of the Board of Directors fully satisfy the "independence criteria" as laid down under the Communiqué Serial IV No. 56. Since the Corporate Governance Committee has been formed after the Ordinary General Assembly for the year 2012, the candidates for independent membership have submitted their independence statements and curriculum vitae to the Board of Directors in advance of the General Assembly meeting. The General Manager of the Company may be elected as a member of the Board of Directors.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

The Company's Board of Directors comprises six members for 2012. The members of our Board of Directors that will take office until the Ordinary General Assembly Meeting for 2012:

Name- Surname	Position	
F. Bülent Eczacıbaşı	Chairman of Board	Non Executive
R. Faruk Eczacıbaşı	Deputy Chairman of Board of Directors	Non Executive
Dr. O. Erdal Karamercan	Member	Non Executive
M. Sacit Basmacı	Member	Non Executive
Şenol S. Alanyurt (*)	Independent Member	Non Executive
Akın Dinçsoy	Independent Member	Non Executive

(*) At its meeting dated 7 September 2012, our Board of Directors has decided to accept the resignation of Mr. Saffet Ozbay, who has been elected as the independent member of the Board of Directors at the Ordinary General Assembly for the year 2012 but resided as the independent member of Board of Directors due to health reasons and to elect and appoint Mr. Senol Suleyman Alanyurt instead as the new independent member of the Board of Directors subject to the approval of the General Assembly upon proposal made by the Corporate Governance Committee.

The Members of the Board of Directors have been granted under the decision of the General Assembly dated 29 May 2012 the authority to undertake transactions as stipulated in Articles 334 and 335 of the Turkish Commercial Code.

The Board Members may take offices in the companies under the structure of Eczacıbaşı Group; but in principle, they cannot take any office outside the Group.

Corporate Governance Committee has been created with the decision of the Board of Directors dated 31 May 2012, and it shall also perform the duties of Risk Early Detection Committee, Candidacy Committee and Wage Committee. However, Risk Early Detection Committee will be formed following the General Assembly Meeting for the year 2012 in accordance with the Communiqué Serial No. IV/63 published in the Official Gazette dated 22 February 2013 and numbered 28567.

16. The Performance Principles of the Board of Directors

The Board of Directors conducts its activities in a transparent, accountable, fair and responsible manner. The Chairman and Vice Chairman are elected among the members of the Board of Directors.

The Board of Directors establishes the internal control systems covering also the risk management and information systems and processes that may minimize the impacts of the risks likely to affect the company's shareholders, including particularly its shareholders, upon taking into account the opinions of the related Board of Directors' committees.

Support is obtained in terms of internal audit and risk management from Auditing Board comprising of two directors, Internal Audit Department which is affiliated to the Managing Director and also reports to the Committee in Charge of Audit, Financial Affairs Department, Strategic Planning and Business Development Department with Eczacıbaşı Holding and

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

chartered financial advisor company. The risk analysis for fixed assets is conducted externally while security, emergency and assets at risk position assessments are conducted at the meetings of Board of Directors.

The Board of Directors reviews the efficiency of the risk management and internal control systems at least once a year. The official records of the subsidiaries, joint ventures and affiliates which are consolidated are controlled by a Sworn Financial Advisory Company in terms of compliance with the Turkish Commercial Code, Uniform Chart of Accounts and taxation issues on a quarterly basis. The Internal Audit committee of the Eczacıbaşı Holding A.Ş. audits the consolidated companies' activities on the required processes and/or issues. Additionally, the financial statements of the companies prepared for consolidation dated 30 June and 31 December are audited in terms of compliance with the CMB legislation and International Financial Reporting Standards by an independent audit company. The 31 March and 30 September dated financial statements of the consolidated companies are audited by the Internal Audit Department of Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar in line with the principles set by the independent audit company.

The Company has established the scope and subject of its Articles of Association in detail and conducts its activities accordingly. The Company's Vision is defined and its Strategic Objectives and Policies are determined and reviewed every year. Our Board of Directors and management continually monitor the Company's activities and results to ensure that they are in line with its strategic targets. During the Board of Directors' meetings held periodically, the company's targets and the operating results are followed up closely covering the previous periods' performances as well. The current status of the Company is reviewed, and new targets and strategies are developed under the current conditions if and when required.

The chairman of the Board of Directors and the General Manager is not the same person in our Company. The authorities and responsibilities of the Members of the Board of Directors and executives are clearly defined in the Articles of Association. The authorities are further described in our Company's list of authorized signatures.

The Board of Directors plays a leading role in maintaining effective communications between the Company and the shareholders, and eliminating and resolving any disputes which may arise between them and to this effect, it acts in close cooperation with the Investor Relations Unit.

While Board Members are authorized by the General Assembly to undertake transactions with the Company within the boundaries of the laws, in line with the general principles of the Eczacıbaşı Group, no member of the Board of Directors makes a transaction with the Company.

The members of the Board of Directors and the managers cannot make any dispositions resulting in a reduction in the company's assets in order to damage the shareholders.

Form of Meetings of the Board of Directors

As specified in our Company's Articles of Association, the Board of Directors convenes as required by the affairs of the Company. The agenda of the Board of Directors meetings is determined by the communication of the issues, which are clearly made mandatory for the Board of Directors to decide upon under the Articles of Association, to the Senior Management and

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

Board of Directors of the Company by the relevant departments. Our Board of Directors made 25 meetings in total in the year 2012. The meetings have been held by participation of all members in most of the cases. The notification of and communication with the Board Members is handled by the Chief Financial Officer. The meetings are held at the head office of the Company and the call for the meetings is made via telephone and / or e-mail. Important Board decisions are publicly disclosed via the PDP and published on the Internet website in Turkish and English languages.

Each member of the Board of Directors has one voting right. The members of the Board of Directors does not have a privileged voting or a veto right. The decisions taken in the Board meetings were taken by the unanimity of the attendants and there were no Board Members dissenting to the decisions taken. Since there were no dissent votes or statements of different opinions in the Board meetings held in 2012, no public disclosures to that end have been made.

In the Board meetings, the items on the agenda are clearly discussed in all aspects. The Chairman of the Board of Directors endeavors utmost efforts in order to ensure active participation of non-executive members in the meetings of the Board of Directors.

17. Number, Structure and Independence of the Committees formed within the Board of Directors

In order to ensure our Board of Directors to perform its duties and responsibilities in a healthy manner, there are committees at our Company and these companies carry out their activities in line with the pre-determined working principles. The decisions adopted by our committees as a result of its independent activities are submitted to the Board of Directors and the Board of Directors finally resolves on these. The members who serve as part of more than one committee maintain the communication between the committees in related matters and increase the cooperation opportunities. The Board of Directors is of the opinion that the benefit expected from committee activities is satisfied.

The field of activities, working principles and the members of committees are determined by the Board of Directors and disclosed to the public via the website of the Company.

All of the members of the Committee Responsible for Audit and the chairmen of the other committees are appointed from among the independent Board of Directors members. The executive director and the general manager cannot serve within the committees.

All resources and support necessary for the committees to perform their duties are provided for by the Board of Directors. The committees may invite the director that they deem necessary to their meetings and take their opinions.

The committees benefit from independent expert opinions on matters that they deem necessary in relation to their activities and the fees for these consultancy services are paid for by the Company.

The committees reflect all their activities to written records and keep records of these. The committees convene as frequently as considered necessary for the efficiency of their activities

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

and as explained in their working principles. They submit the information on their activities and the reports containing the results of their meetings to the Board of Directors.

The Committee Responsible for Audit

The Committee Responsible for Audit, established primarily based on the resolution adopted during the meeting of the Board of Directors on 6 May 2003, carries out the duties set out in the Capital Markets Legislation and CMB Corporate Management Principles. All of the members of the Committee Responsible for Audit also designated from among the Independent Board of Directors members.

In the Board of Directors meeting of our Company dated 31 May 2012, it was resolved that the committee comprised 2 members and the Chairman would be Şenol S. Alanyurt and the member would be Akın Dinçsoy. The working principles of the committee are announced on the website of the Company and the Committee convenes regularly four times a year. Furthermore, it submits to the Board of Directors in writing its opinion on the designation of the independent auditor and its opinion on the conformity of the annual and interim financials to be announced to the public with the accounting principles adopted by the partnership and these being true and accurate (which opinion is formed also by taking into account the evaluations of the responsible directors and independent auditors of the partnership).

Corporate Management Committee

It was resolved that the Corporate Management Committee which was primarily established based on the Board of Directors resolution dated 31 May 2012 to monitor the conformity of the Company with the corporate management principles, to carry out improvement activities on this matter and to submit proposals to the Board of Directors, to comprise two members and the Chairman to be Akın Dincsoy (the Independent Board of Directors member) and the member to be M. Sacit Basmacı. In the same resolution, given that no separate Committee for Early Determination of Risk, Candidate Designation Committee and Fee Committee can be established due to the structure of the Board of Directors, it was resolved that the Corporate Management Committee to conduct the duties of these committees. However, our Board of Directors will establish a Committee for Early Determination of Risk following its General Assembly Meeting for 2012 in conformity with the Communiqué No. IV/63 of the CMB, which entered into force upon being published on the Official Gazette dated 22 February 2013 and numbered 28567.

The Corporate Management Committee determines whether the Company applies the corporate management principles and if not, the reasoning for that and the conflict of interests resulting from the failure to comply with these principles fully, and makes recommendations to the Board of Directors that will improve the corporate management applications. It monitors the activities of the Relationships Department together with the Shareholders.

In our company, Gülnur Günbey Kartal has been assigned by the Board of Directors in order to ensure coordination for fulfillment of the company's obligations arising from the capital market legislation and for corporate governance practices in accordance with the criteria specified in article 8 of the CMB's Communiqué No. IV/41 on Principles to be Observed by Joint Stock Companies Subject to Capital Market Law that was enforced upon its publication in the Official Gazette no. 26821 dated 19 March 2008.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

The working principles of the Committee have been published in the website of the Company, and it convenes at least twice a year when they evaluates the corporate management practices and Corporate Management Compliance Report.

18. Risk Management and Internal Control Mechanism

At Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar, the risk management is handled with an integral perspective. Strategic, financial and all other aspects believed to have posed risks for the Company to attain its short and long term targets are assessed at any level of the organization starting from the Board of Directors.

The risk management cannot be considered separate from the management of business processes and for this reason, the practices related to the risk management are realized within the Company as much as possible and not assigned to outside sources and consultants. Therefore, one of the important tasks of the process holders is the management of relevant risks.

The Board of Directors establishes the internal control systems covering also the risk management and information systems and processes that may minimize the impacts of the risks likely to affect the company's shareholders, including particularly its shareholders, upon taking into account the opinions of the related Board of Directors' committees.

The primary risks that our company is exposed to are monitored under two main titles as financial risks (currency, interest, liquidity and credit) and non-financial risks (strategic and operational), and the Board of Directors is notified of such risks on a regular basis. Detailed information about the risk management can be found in the relevant section of the annual report.

No separate Committee for Early Identification of Risk has been established by Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar, but instead the Corporate Management Committee has been appointed to also fulfill the duties of the above mentioned committee by the resolution adopted by the Board of Directors in its meeting dated 31 May 2012. Both on behalf of a Committee for Early Identification of Risk and in order to ensure compliance with article 378 of the Turkish Commercial Code No. 6102, the Corporate Management Committee "makes recommendations and suggestions to the Board of Directors on the early identification of any and all risks that may threaten the existence, development and continuance of the Company including strategic, operational, financial, legal and other risks, evaluation and calculation of the impacts and possibilities thereof; on the managing of these risks in line with the corporate profile of the Company on taking risks, on the reporting of these and implementing the necessary measures on the risks that are identified, ensuring that these are taken into consideration by the decisive mechanisms and accordingly, forming efficient internal control systems and integration thereof." The duties and working principles undertaken by the Corporate Management Committee on behalf of the Committee for Early Identification of Risk are determined in the Capital Markets Legislation, the Articles of Association of the Company, the Turkish Commercial Code and the regulations, provisions and principles in the "Corporate Management Principles" of the Capital Markets Board. Article 378 of the Turkish Commercial Code requires the Committee to evaluate the then-current period in respect of the risks that may impact the existence and continuity of the Company and point out to the threats (if any) and show solutions in a report that will be submitted every two months and within this framework, the Corporate Management Committee has convened 4 times in 2012 since its establishment on 31 May 2012.

**REPORT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES
ISSUED PURSUANT TO COMMUNIQUE SERIAL: XI NO: 56**

19. Strategic Goals of the Company

The Board of Directors manages and represents the Company by taking strategic decisions, keeping the Company's risk, growth and returns balance in the optimum level, and preserving the long-term benefits and interests of the Company based on its prudent risk management approach.

The Board of Directors defines the strategic objectives of the Company, determines the human and financial resources that will be required by the Company and monitors the performance of management.

The Board of Directors oversees the compliance of the Company's activities with applicable laws, articles of association, internal regulations and the policies established. During the meetings of the members of the Board of Directors and the meetings of senior offices which take place periodically, the Company's goals and the operations performed are monitored in a manner to cover the performances of the prior period as well. The current status of the Company is reviewed, and new targets and strategies are developed under the current conditions if and when required.

20. Financial Rights

The Board of Directors is responsible for achievement of the operational and financial performance objectives determined by the Company and disclosed to the public. The "Remuneration Policy for Members of the Board of Directors and Senior Managers" of our Company, which contains any rights, interests and remuneration provided to the members of the Board of Directors and the senior managers and the criteria for determining them and the principles of remuneration, was made available to the shareholders for examination by "Information Document" published three weeks in advance of our Ordinary General Assembly dated 29 May 2012 on our website for the review by our shareholders.

As per the Articles of Association of our Company, the rights to be granted to the Members of the Board of Directors are determined at the General Assembly meeting. In accordance with the decisions of the General Assembly, the members of the Board of Directors do not receive any remuneration for their membership in the Board, except for the Independent Members. There is no share option or performance-based remuneration system used for remuneration of the Independent Board members. Only the executive members receive performance-based remuneration.

There is no transaction causing conflict of interest such as granting loans to the members of the Board of Directors or senior officers by the Company through third parties or as personal loan or granting guarantee in their favor.

The Company explains in the footnotes to the financial statements the overall benefits provided for the senior officers in line with fits general practices.