

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

**CONVENIENCE TRANSLATION
INTO ENGLISH OF
CONDENSED INTERIM
CONSOLIDATED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY - 30 SEPTEMBER 2014**

(ORIGINALLY ISSUED IN TURKISH)

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

CONTENTS	PAGE
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	1 - 3
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS.....	4
CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	5
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS.....	7 - 8
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	9 - 63
NOTE 1 ORGANISATION AND NATURE OF OPERATIONS	9 - 10
NOTE 2 BASIS OF PRESENTATION OF CONDENSED FINANCIAL STATEMENTS.....	10 - 14
NOTE 3 INTERESTS IN OTHER ENTITIES	15 - 16
NOTE 4 SEGMENT REPORTING.....	16 - 21
NOTE 5 CASH AND CASH EQUIVALENTS	21
NOTE 6 FINANCIAL INVESTMENTS.....	22 - 23
NOTE 7 FINANCIAL LIABILITIES.....	24
NOTE 8 TRANSACTIONS AND BALANCES WITH RELATED PARTIES	25 - 30
NOTE 9 TRADE RECEIVABLES AND PAYABLES	31
NOTE 10 INVENTORIES	31
NOTE 11 PREPAID EXPENSES AND DEFERRED INCOME.....	32
NOTE 12 CURRENT INCOME TAX ASSETS	32
NOTE 13 INVESTMENT PROPERTIES.....	33
NOTE 14 PROPERTY, PLANT AND EQUIPMENT	34 - 35
NOTE 15 INTANGIBLE ASSETS	36 - 37
NOTE 16 COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES.....	38 - 43
NOTE 17 EMPLOYEE BENEFITS.....	43 - 44
NOTE 18 OTHER ASSETS AND LIABILITIES.....	45
NOTE 19 CAPITAL, RESERVES AND OTHER EQUITY ITEMS.....	46
NOTE 20 REVENUE	44
NOTE 21 GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES.....	47 - 48
NOTE 22 EXPENSES BY NATURE	48
NOTE 23 OTHER OPERATING INCOME / EXPENSES.....	48 - 49
NOTE 24 INCOME / EXPENSES FROM INVESTING ACTIVITIES	49
NOTE 25 FINANCIAL EXPENSES.....	49
NOTE 26 TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED).....	50 - 53
NOTE 27 EARNINGS PER SHARE	53
NOTE 28 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	53 - 62
NOTE 29 EVENTS AFTER THE REPORTING PERIOD.....	63
NOTE 30 DISCLOSURES OF OTHER MATTERS, WITH MATERIAL EFFECT ON CONSOLIDATED FINANCIAL STATEMENTS, REQUIRED FOR THE PURPOSE OF UNDERSTANDING AND INTERPRETING THE FINANCIAL STATEMENTS	63

EİS ECZACIBAŞI İLAÇ, SINAI VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2014**

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

	Notes	<i>Not Reviewed</i> 30 September 2014	<i>Audited</i> 31 December 2013
ASSETS			
Current assets			
Cash and cash equivalents	5	643,100	719,594
Financial investments	6	772	308
Trade receivables			
- Trade receivables due from related parties	8	5,992	9,023
- Trade receivables due from third parties	9	232,857	198,791
Other receivables			
- Other receivables due from third parties		2,996	865
Inventories	10	151,706	198,343
Prepaid expenses	11	4,078	1,423
Current income tax assets	12	124	1,926
Other current assets	18	11,733	9,256
Total current assets		1,053,358	1,139,529
Non-current assets			
Trade receivables			
- Trade receivables due from third parties	9	660	1,930
Other receivables			
- Other receivables due from third parties		46	50
Financial investments	6	1,767,590	1,767,384
Investments accounted for using equity method	3	116,378	132,643
Investment properties	13	206,411	204,340
Property, plant and equipment	14	61,591	45,815
Intangible assets			
- Goodwill		39,511	39,511
- Other intangible assets	15	31,501	33,347
Prepaid expenses	11	2,842	3,118
Deferred income tax assets	26	9,957	9,628
Other non-current assets	18	50,236	59,924
Total non-current assets		2,286,723	2,297,690
Total assets		3,340,081	3,437,219

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2014

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

	Notes	<i>Not Reviewed</i> 30 September 2014	<i>Audited</i> 31 December 2013
LIABILITIES			
Current liabilities			
Short term borrowings	7	134,520	65,353
Trade payables			
- Trade payables due to related parties	8	138,872	94,784
- Trade payables due to third parties	9	98,827	147,152
Employee benefit obligations	17	1,427	3,597
Other payables			
- Other payables due to related parties	8	-	38,166
- Other payables due to third parties		5,932	6,261
Deferred income	11	7,601	45,812
Current income tax liabilities	26	13	7,824
Short term provisions			
- Short term provisions for employee benefits	17	4,392	4,664
- Other short term provisions	16	2,314	2,122
Other current liabilities	18	564	458
Total current liabilities		394,462	416,193
Non-current liabilities			
Deferred income	11	3,619	5,695
Long term provisions			
- Long term provisions for employee benefits	17	3,283	3,436
Deferred income tax liabilities	26	83,951	84,218
Other non-current liabilities	18	7,500	7,500
Total non-current liabilities		98,353	100,849

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2014

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

	Notes	<i>Not Reviewed</i> 30 September 2014	<i>Audited</i> 31 December 2013
EQUITY			
Share capital	19	548,208	548,208
Adjustments to share capital	19	105,777	105,777
Items that will not be reclassified subsequently to profit or loss			
- Defined benefit plans re-measurement gains / losses		(182)	(182)
Items that may be reclassified subsequently to profit or loss			
- Cumulative translation differences		4,899	3,366
- Gains / losses on available for sale financial assets due to revaluation or/and reclassification		1,540,921	1,540,598
Restricted reserves	19	308,538	299,764
Retained earnings		322,348	322,336
Net income for the period		(16,681)	61,414
Attributable to equity holders of the Company		2,813,828	2,881,281
Non-controlling interests		33,438	38,896
Total equity		2,847,266	2,920,177
Total liabilities and equity		3,340,081	3,437,219

The interim condensed consolidated financial statements for nine months period ended 30 September 2014 were approved by the Board of Directors on 10 November 2014 and signed on its behalf by Bülent Avcı, Financial Director and by Gülnur Günbey Kartal, Internal Audit Manager.

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

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014

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

	Notes	<i>Not Reviewed</i> 1 January - 30 September 2014	<i>Not Reviewed</i> 1 July - 30 September 2014	<i>Not Reviewed</i> 1 January - 30 September 2013	<i>Not Reviewed</i> 1 July - 30 September 2013
Revenue	20	784,082	267,810	891,862	307,260
Cost of sales (-)	20	(647,726)	(234,560)	(734,603)	(255,325)
Gross profit		136,356	33,250	157,259	51,935
General administrative expenses (-)	21	(58,987)	(18,746)	(51,244)	(15,507)
Marketing expenses (-)	21	(96,460)	(31,940)	(84,062)	(28,270)
Research and development expenses (-)	21	(870)	(244)	(803)	(288)
Other operating income	23	132,367	46,009	120,378	50,405
Other operating expense (-)	23	(91,752)	(20,646)	(33,650)	(8,076)
Operating profit		20,654	7,683	107,878	50,199
Income from investing activities	24	166	43	8,679	26
Expenses from investing activities (-)	24	(28)	(1)	(39)	(17)
Share of profit of investments accounted for using equity method (-)	3	(26,609)	(19,783)	(36,896)	(6,403)
Operating profit / (loss) before finance expense		(5,817)	(12,058)	79,622	43,805
Financial income	25	-	-	-	-
Financial expenses (-)	25	(8,607)	(3,408)	(4,381)	(2,144)
Profit / (Loss) before tax		(14,424)	(15,466)	75,241	41,661
Tax income / (expense) from continuing operations		(7,850)	(4,475)	(23,632)	(11,107)
Income tax expense (-)	26	(8,467)	(4,292)	(22,497)	(10,660)
Deferred tax income / (expense)	26	617	(183)	(1,135)	(447)
Profit / (Loss) for the period		(22,274)	(19,941)	51,609	30,554
Attributable to					
- Non-controlling interests		(5,593)	(7,704)	1,791	(234)
- Equity holders of the parent	27	(16,681)	(12,237)	49,818	30,788
Net profit / (loss) for the period		(22,274)	(19,941)	51,609	30,554
Weighted average number of ordinary shares with face value of KR 1 each		54,820,800,000	54,820,800,000	54,820,800,000	54,820,800,000
Basic and diluted earnings / (loss) per share (Kr)	27	(0.0304)	(0.0223)	0.0909	0.0562

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

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

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR NINE MONTHS INTERIM PERIOD
ENDED 30 SEPTEMBER 2014**

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

	<i>Notes</i>	<i>Not Reviewed 1 January - 30 September 2014</i>	<i>Not Reviewed 1 July - 30 September 2014</i>	<i>Not Reviewed 1 January - 30 September 2013</i>	<i>Not Reviewed 1 July - 30 September 2013</i>
Profit / (Loss) for the period		(22,274)	(19,941)	51,609	30,554
Other comprehensive income / (expenses)					
Items that may be reclassified subsequently to profit or loss					
- Currency translation differences		807	601	(417)	(887)
- Gains / losses on available for sale financial assets due to revaluation or/and reclassification		423	110	(712)	177
- Group’s share in equity method accounted investments’ comprehensive income	3	782	159	874	443
- Tax income / (expenses) of other comprehensive income items	26	(21)	(5)	36	(8)
Other comprehensive (loss) / income (after tax)		1,991	865	(219)	(275)
Total comprehensive (loss) / income		(20,283)	(19,076)	51,390	30,279
Total comprehensive (loss) / income attributable to:					
- Non-controlling interest		(5,458)	(7,691)	1,476	(172)
- Equity holders of the parent		(14,825)	(11,385)	49,914	30,451
Total comprehensive (loss) / income		(20,283)	(19,076)	51,390	30,279

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014

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

	Share Capital	Adjustment to share capital	Items that will not be reclassified subsequently to profit or loss	Items that may be reclassified subsequently to profit or loss		Retained Earnings			Attributable to equity holders of the Company	Non-controlling interest	Total Equity
			Defined benefit plans re-measurement gains / losses	Cumulative translation differences	Financial assets' fair value reserve	Restricted reserves	Retained earnings	Net (loss)/ profit for the period			
As restated as of 1 January 2014	548,208	105,777	(182)	3,366	1,540,598	299,764	322,336	61,414	2,881,281	38,896	2,920,177
Transfers	-	-	-	-	-	8,774	52,640	(61,414)	-	-	-
Dividends paid	-	-	-	-	-	-	(52,628)	-	(52,628)	-	(52,628)
Total comprehensive income / (loss)	-	-	-	1,533	323	-	-	(16,681)	(14,825)	(5,458)	(20,283)
30 September 2014	548,208	105,777	(182)	4,899	1,540,921	308,538	322,348	(16,681)	2,813,828	33,438	2,847,266
As restated as of 1 January 2013	548,208	105,777	(2,023)	1,877	1,528,836	258,084	384,423	34,550	2,859,732	45,903	2,905,635
Transfers	-	-	-	-	-	41,680	(7,130)	(34,550)	-	-	-
Dividends paid	-	-	-	-	-	-	(54,821)	-	(54,821)	(3,400)	(58,221)
Total comprehensive income / (loss)	-	-	-	486	(390)	-	-	49,818	49,914	1,476	51,390
30 September 2013	548,208	105,777	(2,023)	2,363	1,528,446	299,764	322,472	49,818	2,854,825	43,979	2,898,804

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

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

**CONDENSED CONSOLIDATED CASH FLOWS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

	<i>Notes</i>	<i>Not Reviewed</i> 1 January - 30 September 2014	<i>Not Reviewed</i> 1 January - 30 September 2013
A. Cash flows from operating activities			
Profit / (Loss) for the period		(22,274)	51,609
Adjustments for reconciliation of profit / loss for the period:			
Adjustments for depreciation and amortisation	22	13,791	9,607
Provision for employment termination benefits	22	555	667
Provision for unused vacation	21	59	(216)
Provision for doubtful receivable	21	22	652
Loss / (gain) on sale of property, plant and equipment, net	24	(138)	(409)
Provision for diminution in value of inventories, net	23	1,745	4,240
Group’s share in the associates’ loss	3	26,609	36,896
Adjustments for interest income and expenses	23, 25	(10,480)	(19,497)
Adjustments for income tax expense / income	26	7,850	23,632
Dividend income	24	-	(8,114)
Provision for litigations	16	317	1,625
Provision for premiums and bonuses		-	380
Adjustments for unrecognized foreign exchange differences		(13,590)	(70,347)
(Income) / expense accruals	9	905	586
		5,371	31,311
Changes in working capital:			
Adjustments for increase / decrease in trade receivables		(29,787)	(90,100)
Adjustments for increase / decrease in inventories		36,193	(20,561)
Adjustments for increase / decrease in trade payables		(5,236)	58,836
Adjustments for increase / decrease in other receivables related with operations		4,378	16,891
Adjustments for increase / decrease in other payables related with operations		(42,805)	(41,207)
		(31,886)	(44,830)
Cash flows from operating activities:			
Interest received		26,931	27,040
Credit finance expenses		(6,481)	(4,498)
Taxes paid		(16,278)	(14,288)
Employment termination benefits paid	17	(708)	(286)
Unused vacation paid	17	(331)	(41)
Collections of doubtful receivables	9	-	19
		(28,753)	(36,884)

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

EİS ECZACIBAŞI İLAÇ, SİNAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.**CONDENSED CONSOLIDATED CASH FLOWS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

		<i>Not Reviewed</i>	<i>Not reviewed</i>
	Notes	1 January - 30 September 2014	1 January - 30 September 2013
B. Cash flows from investing activities			
Cash outflows from the purchase of tangible and intangible assets	13, 14, 15	(21,229)	(9,975)
Cash inflows from the sale of tangible and intangible assets	13, 14, 15, 24	274	942
Changes in financial assets		(105)	176
Capital advance payments to associates		(47,728)	-
Dividends received		-	173
		(68,788)	(8,684)
C. Cash flows from financing activities			
Cash inflows / (outflows) from bank borrowings		68,993	32,708
Interest paid		(8,134)	(3,729)
Dividends paid		(52,628)	(54,821)
		8,231	(25,842)
Net increase / decrease in cash and cash equivalents before the impact of foreign currency translation differences (A+B+C)		(89,310)	(71,410)
D. Impact of foreign currency translation differences on cash and cash equivalents		14,478	69,900
Net decrease in cash and cash equivalents (A+B+C+D)		(74,832)	(1,510)
E. Cash and cash equivalents at the beginning of the period	5	717,257	703,992
Cash and cash equivalents at the end of the period (A+B+C+D+E)	5	642,425	702,482

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014

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

NOTE 1 - ORGANISATION AND NATURE OF THE COMPANY

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

The Company’s registered address is as follows:

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

The Company is registered with the Capital Markets Board of Turkey (“CMB”) and its shares have been quoted on the Borsa İstanbul A.Ş. (“BIST”) since 1990. As of 30 September 2014, 23.91% (31 December 2013: 24.60%) of total shares are quoted on the BIST. The ultimate parent company of the Group is Eczacıbaşı Holding A.Ş., which possesses 50.62% (31 December 2013: 50.62%) shares of the Company (Note 19).

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

Subsidiaries

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

Companies accounted by line by line consolidation:

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Joint Ventures

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

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

Associates

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of compliance

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

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

2.1 Basis of Presentation (continued)

Functional currency

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

Restatement of the financial statements in Hyperinflationary periods

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

Comparative information and restatement of prior period financial statements

Group’s consolidated financial statements have been prepared in comparison with the previous period in order to give accurate trend analysis regarding the financial position and performance. Where necessary, comparative figures have been reclassified to conform to the presentation of the current period consolidated financial statements and significant changes are explained.

As of 30 September 2013, in the statement of financial position, “Lands and buildings” amounting to TRL 10,557 thousand was formerly disclosed in “Property, plant and equipment”. In the current year, Group management reclassified TRL 8,213 thousand and TRL 2,344 thousand to “Investment property” and “Inventory”; respectively.

2.2 Changes in accounting policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated.

The Group’s significant accounting policies that are used for the preparation of condensed consolidated financial statements for the nine months interim period ended 30 September 2014 are consistent with accounting policies presented in the consolidated financial statements as 31 December 2013.

2.3 Changes in the accounting estimates and errors

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

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

2.4 New and revised Turkish Financial Reporting Standards

a) Amendments to TASs affecting presentation and disclosures only

None.

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

Amendments to TFRS 10, 11, TAS 27	<i>Investment Entities¹</i>
Amendments to TAS 32	<i>Offsetting Financial Assets and Financial Liabilities¹</i>
Amendments to TAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets¹</i>
Amendments to TAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting¹</i>
IFRIC 21	<i>Levies¹</i>

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

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

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

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

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

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

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

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

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

IFRIC 21 *Levies*

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

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

2.4 New and revised Turkish Financial Reporting Standards (continued)

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

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

IFRS 9	<i>Financial Instruments</i>
Amendments to IFRS 9 and IFRS 7	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures</i>
Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions¹</i>
Annual Improvements to 2010-2012 Cycle	<i>IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38, IAS24, IFRS 9, IAS 37, IAS 39¹</i>
Annual Improvements to 2011-2013 Cycle	<i>IFRS 3, IFRS 13, IAS 40¹</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation²</i>

¹ Effective for annual periods beginning on or after 30 June 2014.

² Effective for annual periods beginning on or after 31 December 2015.

IFRS 9 *Financial Instruments*

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

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

On November 2013, it is tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after 1 January 2018.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

This amendment to IAS 19 clarifies the association of period of service and the employees or third parties whose contributions are depend on the provided services. If the amount of contribution is independent from the service year, the entity is allowed to account contributions as a decrease from the service cost at the related period that the service provided.

Annual Improvements to 2010-2012 Cycle

IFRS 2: Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'

IFRS 3: Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

IFRS 8: Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

IFRS 13: Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

IAS 16 and IAS 38: Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

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

2.4 New and revised Turkish Financial Reporting Standards (continued)

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

IAS 24: Clarify how payments to entities providing management services are to be disclosed.

Annual Improvements to 2011-2013 Cycle

IFRS 3: Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13: Clarify the scope of the portfolio exception in paragraph 52.

IAS 40: Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Amortisation and Depreciation*

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 3 - INTERESTS IN OTHER ENTITIES

	30 September 2014	31 December 2013
Associates		
Vitra Karo	-	-
Ekom	17,293	16,679
ESH	-	-
Joint Ventures		
Eczacıbaşı-Monrol	35,376	44,507
ESK	2,371	1,702
EBX	61,338	69,755
	116,378	132,643
	2014	2013
As of 1 January	132,643	129,618
The Group’s share in investments accounted for using equity method’ profit / (loss)	(26,609)	(36,896)
Change in the fair value of available-for-sale financial assets	43	(20)
Increases due to currency translation differences	739	894
Capital advance payments	9,562	-
As of 30 September	116,378	93,596

The Group’s share in the assets, liabilities as of 30 September 2014 and 31 December 2013, net sales of the associates for the periods ended 30 September are presented below:

	30 September 2014					
	Assets	Liabilities	Goodwill attributable to equity holders	Net sales	Net profit / (loss) for the period	Total proportion of ownership interests (%)
Ekom	1,475,042	1,409,452	-	894,567	571	26%
Vitra Karo	873,650	1,006,169	-	645,841	(8,280)	25%
ESH	5,754	9,679	-	20,109	(405)	48%
Eczacıbaşı-Monrol	209,952	191,958	26,379	73,784	(10,748)	50%
ESK	12,375	7,330	-	16,805	669	47%
EBX	307,613	184,929	-	330,920	(8,416)	50%
					(26,609)	

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014

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

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

	31 December 2013		30 September 2013			
	Assets	Liabilities	Goodwill attributable to equity holders	Net sales	Net profit / (loss) for the period	Total proportion of ownership interest (%)
Ekom	1,436,270	1,373,013	-	786,330	602	26%
Vitra Karo	835,902	974,590	-	570,327	(2,866)	25%
ESH	7,052	7,535	-	15,713	(214)	48%
Eczacıbaşı-Monrol	201,607	165,349	26,379	65,565	(5,592)	50%
ESK	10,697	7,076	-	15,278	(135)	47%
EBX	349,848	210,330	-	296,714	(28,691)	50%
					(36,896)	

NOTE 4 - SEGMENT REPORTING

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

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

The Group continues to operate primarily in three reportable segments as of 30 September 2014:

1. Health:

Production and sale of human health and veterinary medicine.

2. Personal care:

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

3. Real estate development:

Kanyon:

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

Ormanada project:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014

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

NOTE 4 - SEGMENT REPORTING (Continued)

3. Real estate development (continued):

Ormanada project (continued):

Total planned construction area amounts to 90 thousand m² the details of the project are disclosed at Note 30. Acquisition value of the land and the costs attributable to this project are presented in inventories in the consolidated financial statements (Note 10). Sales and cost of residential units that the delivery started at April 2013 are presented in the revenue and cost of sales in the financial statements.

Ayazağa facilities leased to EBX:

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

Eczacıbaşı Gayrimenkul:

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

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

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

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

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

Segment assets and liabilities as of 30 September 2014 and 31 December 2013:

	30 September 2014		31 December 2013	
	Assets	Liabilities	Assets	Liabilities
Health	83,727	(92,697)	85,328	(88,802)
Personal care	420,911	(292,007)	363,594	(222,225)
Real estate development	338,396	(19,495)	385,846	(72,629)
Undistributed	2,497,047	(88,616)	2,602,451	(133,386)
Total	3,340,081	(492,815)	3,437,219	(517,042)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 4 - SEGMENT REPORTING (Continued)

Capital expenditures and non-cash expenses of segments for the interim periods ended 30 September:

1 January - 30 September 2014	Health	Personal care	Real estate development	Undistributed	Inter-segment elimination	Total
Capital expenditures (Notes 13, 14 and 15)	633	20,073	523	-	-	21,229
Non-cash expenses:						
- Depreciation and amortisation (Notes 13, 14 and 15)	1,907	5,004	6,880	-	-	13,791
- Provision for diminution in value of inventories (Note 10)	1,745	-	-	-	-	1,745
- Provision for employment termination benefits (Note 17)	407	48	100	-	-	555
- Provision for unused vacation (Note 17)	46	(114)	127	-	-	59
- Provision for litigations (Note 16)	83	234	-	-	-	317
- Provision for doubtful receivables (Note 9)	15	7	-	-	-	22
- Expense accruals (Note 9)	551	354	-	-	-	905
	4,754	5,533	7,107	-	-	17,394
1 January - 30 September 2013						
Capital expenditures (Notes 13, 14 and 15)	2,487	2,846	4,642	-	-	9,975
Non-cash expenses:						
- Depreciation and amortisation (Notes 13, 14 and 15)	1,536	3,565	4,506	-	-	9,607
- Provision for diminution in value of inventories (Note 10)	313	3,927	-	-	-	4,240
- Provision for employment termination (Note 17)	521	142	4	-	-	667
- Provision for unused vacation (Note 17)	19	(175)	(60)	-	-	(216)
- Provision for litigations (Note 16)	767	858	-	-	-	1,625
- Provision for doubtful receivables (Note 9)	1	651	-	-	-	652
- Expense accruals (Note 9)	203	588	-	-	-	791
	3,360	9,556	4,450	-	-	17,366

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 4 - SEGMENT REPORTING (Continued)

Segment results for the interim periods ended 30 September:

1 January - 30 September 2014	Health	Personal care	Real estate development	Undistributed	Inter-segment elimination	Total
Total sales	119,284	591,671	154,738	1	-	865,694
Elimination of sales within the Group (-)	-	(55,973)	(25,639)	-	-	(81,612)
Sales to third parties	119,284	535,698	129,099	1	-	784,082
Cost of sales (-)	(75,706)	(466,536)	(105,485)	-	-	(647,726)
Gross profit	43,578	69,163	23,614	1	-	136,356
General administrative expenses (-)	(21,208)	(27,808)	(4,800)	(5,171)	-	(58,987)
Marketing expenses (-)	(34,045)	(54,988)	(7,427)	-	-	(96,460)
Research and development expenses (-)	-	(870)	-	-	-	(870)
Other operating income	6,413	41,400	210	84,344	-	132,367
Other operating expenses (-)	(6,751)	(32,851)	(457)	(51,693)	-	(91,752)
Operating (loss) / profit	(12,013)	(5,954)	11,140	27,481	-	20,654
1 July - 30 September 2014						
Total sales	46,393	205,185	35,843	1	-	287,422
Elimination of sales within the Group (-)	-	(19,108)	(504)	-	-	(19,612)
Sales to third parties	46,393	186,077	35,339	1	-	267,810
Cost of sales (-)	(30,015)	(172,051)	(32,494)	-	-	(234,560)
Gross profit	16,378	14,026	2,845	1	-	33,250
General administrative expenses (-)	(6,660)	(9,436)	(1,160)	(1,490)	-	(18,746)
Marketing expenses (-)	(10,989)	(18,835)	(2,116)	-	-	(31,940)
Research and development expenses (-)	-	(244)	-	-	-	(244)
Other operating income	1,094	17,305	17	27,593	-	46,009
Other operating expenses (-)	(731)	(17,256)	(20)	(2,639)	-	(20,646)
Operating (loss) / profit	(908)	(14,440)	(434)	23,465	-	7,683

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 4 - SEGMENT REPORTING (Continued)

Segment results for the interim periods ended 30 September: (continued)

1 January - 30 September 2013	Health	Personal care	Real estate development	Undistributed	Inter-segment elimination	Total
Total sales	84,519	639,705	232,904	9	-	957,137
Elimination of sales within the Group (-)	-	(6,399)	(58,876)	-	-	(65,275)
Sales to third parties	84,519	633,306	174,028	9	-	891,862
Cost of sales (-)	(48,624)	(551,226)	(134,753)	-	-	(734,603)
Gross profit	35,895	82,080	39,275	9	-	157,259
General administrative expenses (-)	(22,112)	(23,299)	(1,273)	(4,560)	-	(51,244)
Marketing expenses (-)	(30,673)	(46,916)	(6,473)	-	-	(84,062)
Research and development expenses (-)	-	(803)	-	-	-	(803)
Other operating income	2,883	6,295	59	111,141	-	120,378
Other operating expenses (-)	(6,518)	(10,754)	(583)	(15,795)	-	(33,650)
Operating (loss) / profit	(20,525)	6,603	31,005	90,795	-	107,878
1 July - 30 September 2013						
Total sales	25,852	216,164	90,984	-	-	333,000
Elimination of sales within the Group (-)	-	(2,628)	(23,112)	-	-	(25,740)
Sales to third parties	25,852	213,536	67,872	-	-	307,260
Cost of sales (-)	(16,060)	(186,603)	(52,662)	-	-	(255,325)
Gross profit	9,792	26,933	15,210	-	-	51,935
General administrative expenses (-)	(6,783)	(7,061)	(575)	(1,088)	-	(15,507)
Marketing expenses (-)	(9,639)	(16,791)	(1,840)	-	-	(28,270)
Research and development expenses (-)	-	(288)	-	-	-	(288)
Other operating income	1,250	2,422	11	46,722	-	50,405
Other operating expenses (-)	(2,803)	(3,428)	(244)	(1,601)	-	(8,076)
Operating (loss) / profit	(8,183)	1,787	12,562	44,033	-	50,199

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Operating profits related to operating segments	(6,827)	(15,782)	17,083	6,166
Undistributed expenses (-)	27,481	23,465	90,795	44,033
Inter-segment elimination	-	-	-	-
Income from investing activities	166	43	8,679	26
Expenses from investing activities (-)	(28)	(1)	(39)	(17)
Losses shares from associates (-)	(26,609)	(19,783)	(36,896)	(6,403)
Financial expenses (-)	(8,607)	(3,408)	(4,381)	(2,144)
Profit before tax	(14,424)	(15,466)	75,241	41,661

NOTE 5 - CASH AND CASH EQUIVALENTS

	30 September 2014	31 December 2013
Cash in hand	40	62
Banks	643,060	719,531
- demand deposits	5,455	5,458
- time deposits	637,605	714,073
Other liquid assets	-	1
	643,100	719,594

Interest rates for TRL denominated time deposits vary between 9.00% and 10.00% (31 December 2013: 8.45% - 10.20%), whereas interest rates for foreign currency denominated time deposits vary between 2.05% and 2.55% (31 December 2013: 2.80% - 3.30%). The weighted average interest rates per annum for TRL, USD and EUR denominated time deposits are 9.80%, 2.22% and 2.12%, respectively (31 December 2013: 8.95%, 3.04% and 2.90%).

Cash and cash equivalents included in the consolidated statements of cash flows for the nine months interim period ended 30 September are presented below:

	30 September 2014	31 December 2013	30 September 2013	31 December 2012
Cash and cash equivalents	643,100	719,594	704,342	705,168
Interest accruals (-)	(675)	(2,337)	(1,860)	(1,176)
	642,425	717,257	702,482	703,992

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014

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

NOTE 6 - FINANCIAL INVESTMENTS

The details of financial investments included in current assets as of 30 September 2014 and 31 December 2013 are as follows:

	30 September 2014	31 December 2013
Financial assets at fair value through profit and loss	772	308
Financial investments, current	772	308
Financial assets available-for-sale	1,765,180	1,764,615
Financial assets at fair value through profit and loss	2,410	2,769
Financial investments, non-current	1,767,590	1,767,384

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:

30 September 2014	Level 1	Level 2	Level 3 (*)	Total
Financial assets at fair value through profit and loss	-	772	-	772
Financial investments, current	-	772	-	772
Financial assets available-for-sale	206,041	244,401	1,314,738	1,765,180
Financial assets at fair value through profit and loss	-	2,410	-	2,410
Financial investments, non-current	206,041	246,811	1,314,738	1,767,590
31 December 2013	Level 1	Level 2	Level 3 (*)	Total
Financial assets at fair value through profit and loss	-	308	-	308
Financial investments, current	-	308	-	308
Financial assets available-for-sale	205,570	244,401	1,314,644	1,764,615
Financial assets at fair value through profit and loss	-	2,769	-	2,769
Financial investments, non-current	205,570	247,170	1,314,644	1,767,384

(*) The movement of assets included in Level 3 is not presented since there is no change in the fair value of assets except capital increases.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014

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

NOTE 6 - FINANCIAL INVESTMENTS (Continued)

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

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

The Group expects to transfer the investments in foreign portfolio accounts amounted to TRL 772 thousand (31 December 2013: TRL 308 thousand) in one year period from balance sheet date, remaining balance of TRL 2,410 thousand (31 December 2013: TRL 2,769 thousand) in following periods to the depository accounts in Turkey.

b) Available-for-sale financial assets:

Long-term available-for-sale financial assets:

The list of long-term available for sale financial assets as of 30 September 2014 and 31 December 2013 is as follows:

Listed:	30 September		31 December	
	2014	%	2013	%
Eczacıbaşı Yatırım Ortaklığı A.Ş. (*)	3,245	15	3,056	15
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş. (*)	916	2	634	2
Türkiye İş Bankası A.Ş. (*)	23	<1	23	<1
Ak Enerji Elektrik Üretim A.Ş. (*) (**)	<1	<1	<1	<1
Eczacıbaşı Yapı Gereçleri San. ve Tic. A.Ş. (*) (**)	<1	<1	<1	<1
	4,184		3,713	
Not listed:				
Eczacıbaşı Holding A.Ş. (***)	1,760,038	37	1,760,038	37
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş. (***)	768	14	768	14
Eczacıbaşı Menkul Değerler A.Ş. (***)	162	1	68	1
Other (***)	28		28	
	1,760,996		1,760,902	
Total	1,765,180		1,764,615	

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

(**) As of 30 September 2014, the market prices of Ak Enerji Elektrik Üretim A.Ş. and Eczacıbaşı Yapı Gereçleri Sanayi ve Ticaret A.Ş. are TRL 111 and TRL 679 respectively (31 December 2013: TRL 121 and TRL 673).

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

EİS ECZACIBAŞI İLAÇ, SİNAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 7 - FINANCIAL LIABILITIES

	30 September 2014		31 December 2013	
	Effective interest rate		Effective interest rate	
	per annum (%) (*)	TRL	per annum (%) (*)	TRL
TRL denominated bank borrowings	7.00 - 10.65	127,221	8.00 - 13.25	65,353
EUR denominated bank borrowings	2.60	7,299	-	-
Short-term bank borrowings		134,520		65,353
TRL denominated bank borrowings	-	-	-	-
Long-term bank borrowings		-		-
Total financial liabilities		134,520		65,353

(*) Annual weighted interest rate of TRL and EUR denominated short-term bank borrowings are 9.49% and 2.6%, respectively (31 December 2013: 8.38%).

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

	30 September 2014	31 December 2013
6 months and less	134,520	65,353
Total	134,520	65,353

EİS ECZACIBAŞI İLAÇ, SINAI VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES**a) Balances with related parties at 30 September 2014 and 31 December 2013:**

	30 September 2014	31 December 2013
Short-term trade receivables from related parties		
Due from shareholders		
Eczacıbaşı Holding A.Ş.	2,534	7,505
	2,534	7,505
Due from Joint Ventures		
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	279	408
Eczacıbaşı-Monrol Nükleer Ürünler Sanayi ve Ticaret A.Ş.	22	17
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	13	571
	314	996
Due from Associates		
Ekom Eczacıbaşı Dış Ticaret A.Ş.	171	367
Eczacıbaşı Sağlık Hizmetleri A.Ş.	8	-
	179	367
Due from other related parties		
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	2,432	68
İpek Kağıt Sanayi ve Ticaret A.Ş.	430	-
Esan Eczacıbaşı Endüstriyel Hammaddeler Sanayi ve Ticaret A.Ş.	65	-
Eczacıbaşı Yapı Gereçleri Sanayi ve Ticaret A.Ş.	-	51
Other	38	36
	2,965	155
Short-term due from related parties	5,992	9,023

Average maturity of the Group’s receivables from related parties is 17 days (31 December 2013: 18 days) and is amortised at 8.09% per annum (31 December 2013: 9.15%).

EİS ECZACIBAŞI İLAÇ, SINAI VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**a) Balances with related parties at 30 September 2014 and 31 December 2013 (continued):**

	30 September 2014	31 December 2013
Short-term trade payables to related parties		
Due to shareholders		
Eczacıbaşı Holding A.Ş.	2,821	1,962
	2,821	1,962
Due to Joint Ventures		
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	6,867	4,762
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	45	132
	6,912	4,894
Due to Associates		
Eczacıbaşı Sağlık Hizmetleri A.Ş.	32	10
Ekom Eczacıbaşı Dış Ticaret A.Ş.	1	4
	33	14
Due to other related parties		
İpek Kağıt Sanayi ve Ticaret A.Ş.	122,534	84,806
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş.	2,144	2,400
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	2,047	391
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	1,304	497
Eczacıbaşı Spor Kulübü Derneği	816	201
Other	524	77
	129,369	88,372
	139,135	95,242
Deferred credit finance expenses (-)	(263)	(458)
Short-term due to related parties	138,872	94,784

Average maturity of the Group’s payables to related parties is 122 days (31 December 2013: 96 days) and is amortised at 8.58% per annum (31 December 2013: 8.66%).

	30 September 2014	31 December 2013
Other payables due to related parties (Capital commitments)		
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	-	38,166
Short-term other payables to related parties	-	38,166

EİS ECZACIBAŞI İLAÇ, SINAI VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**b) Transactions with related parties for nine months period ended 30 September:**

Product sales	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Ekom Eczacıbaşı Dış Ticaret A.Ş.	2,020	564	1,501	538
Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş.	1,274	648	1,331	383
Other	364	204	53	16
	3,658	1,416	2,885	937

Service sales	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
İpek Kağıt Sanayi ve Ticaret A.Ş.	60,381	19,178	52,642	21,932
Eczacıbaşı Holding A.Ş.	26,707	730	67,984	24,886
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	5,646	1,973	5,275	1,883
Other	15	6	12	4
	92,749	21,887	125,913	48,705

Product purchases	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
İpek Kağıt Sanayi ve Ticaret A.Ş.	288,397	102,703	236,476	85,869
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	22,767	9,169	19,306	6,679
Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş.	857	48	960	299
Other	10	6	5	2
	312,031	111,926	256,747	92,849

Service purchases	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	3,554	573	3,586	1,174
İntema İnşaat ve Tesisat Mlz. Yatırım ve Paz. A.Ş.	3,019	10	5,915	1,609
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	1,179	144	1,150	612
Eczacıbaşı Holding A.Ş.	504	248	471	136
Eczacıbaşı Sağlık Hizmetleri A.Ş.	49	7	100	5
Other	417	40	73	25
	8,722	1,022	11,295	3,561

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

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

b) Transactions with related parties for nine months period ended 30 September (continued):

Financial income	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	29	7	10	3
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	19	1	34	12
Other	4	3	-	-
	52	11	44	15
Financial expenses	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
İpek Kağıt Sanayi ve Ticaret A.Ş.	3,446	1,283	1,716	495
Other	320	119	145	43
	3,766	1,402	1,861	538

c) Other transactions with related parties for nine months period ended 30 September:

Management and royalty fees paid to related parties	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Eczacıbaşı Holding A.Ş. (*)	8,856	3,061	7,598	2,401
	8,856	3,061	7,598	2,401

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

Rent income received from related parties	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Eczacıbaşı Holding A.Ş.	2,529	843	2,374	791
Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş.	1,480	494	1,284	454
İpek Kağıt Sanayi ve Ticaret A.Ş.	285	47	398	136
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	137	46	129	43
İntema İnşaat ve Tesisat Mlz. Yatırım ve Paz. A.Ş.	55	18	63	21
Other	150	48	123	64
	4,636	1,496	4,371	1,509
Rent expenses paid to related parties	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Eczacıbaşı Holding A.Ş.	1,694	608	1,495	532
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	252	74	163	63
	1,946	682	1,658	595

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014

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

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

c) Other transactions with related parties for nine months ended period 30 September (continued):

Benefits provided to top management (continued):

As of 30 September, detail of compensation amounts provided to key management personnel is as follows:

Key management personnel compensation	2014	2013
Short term benefits provided to key management personnel	14,054	15,621
Long term benefits provided to key management personnel	-	-
As of 30 September	14,054	15,621

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables:

Short-term trade receivables:	30 September 2014	31 December 2013
Trade receivables	222,317	178,607
Notes receivables	19,392	29,120
Income accruals	-	232
	241,709	207,959
Deferred credit finance income (-)	(769)	(1,107)
Provision for doubtful receivables (-)	(8,083)	(8,061)
Short-term trade receivables, net	232,857	198,791

As of 30 September 2014, long-term trade receivables amounting to TRL 660 thousand (31 December 2013: TRL 1,930 thousand), composed of the notes receivables obtained in exchange down payments of preliminary contracts related to real estates, which are built as a part of "Ormanada" real estate project with 50% ownership the Group and 50% ownership of Eczacıbaşı Holding A.Ş. in the province of Istanbul and in the district of Zekeriyaköy.

Average maturity of the Group's receivables is 69 days (31 December 2013: 55 days) and TRL denominated trade receivables are amortised at 9.07% per annum (31 December 2013: 8.91%).

Movement of provision for doubtful receivables is presented below:

	2014	2013
As of 1 January	8,061	7,484
Charge for the period (Note 21)	22	652
Collections (Note 23)	-	(19)
As of 30 September	8,083	8,117

Credit risk and aging analysis related to trade receivables are explained in Note 28.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

b) Trade payables:

Short-term trade payables	30 September 2014	31 December 2013
Trade payables	97,998	146,037
Notes payables	946	23
Expense accruals	905	1,783
Deferred credit finance expenses (-)	(1,022)	(691)
Short-term trade payables, net	98,827	147,152

Average maturity of the Group’s payables is 69 days (31 December 2013: 81 days) and TRL denominated trade payables are amortised at 9.07% per annum (31 December 2013: 8.75%). EUR denominated trade payables are amortised at 0.03% per annum (31 December 2013: 0.23%) and USD denominated payables are amortised at 0.20% per annum (31 December 2013: 0.21%).

NOTE 10 - INVENTORIES

	30 September 2014	31 December 2013
Raw materials and supplies	14,889	17,382
Work in progress	458	287
Finished goods	9,722	9,011
Merchandise	21,957	19,869
Scrap goods	4,167	2,748
Other inventories	3,805	1,986
Lands, completed and construction in progress houses	109,903	158,510
	164,901	209,793
Provision for diminution in value of inventories (-)	(13,195)	(11,450)
	151,706	198,343

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

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

	2014	2013
As of 1 January	11,450	8,152
Charge for the period (Note 23)	1,745	4,240
As of 30 September	13,195	12,392

EİS ECZACIBAŞI İLAÇ, SINAI VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses	30 September 2014	31 December 2013
Unearned revenue	3,436	602
Advances given	642	821
	4,078	1,423

Long-term prepaid expenses	30 September 2014	31 December 2013
Advances given to subcontractors	401	1,842
Other	2,441	1,276
	2,842	3,118

Short-term deferred income	30 September 2014	31 December 2013
Advances received (*)	7,236	45,567
Unearned revenue	365	245
	7,601	45,812

Long-term deferred income	30 September 2014	31 December 2013
Unearned revenue	2,943	3,765
Advances received (*)	676	1,930
	3,619	5,695

(*) Advances received presented in other non-current liabilities composed of down payments of preliminary contracts related to real estates, which are built as a part of “Ormanada” real estate project with 50% ownership the Group and 50% ownership of Eczacıbaşı Holding A.Ş. in the province of Istanbul and in the district of Zekeriyaköy. Advances received presented in current liabilities amounting to TRL 6,955 thousand (31 December 2013: TRL 45,448 thousand) is also related to the down payments received from clients for the same abovementioned project.

NOTE 12 - CURRENT INCOME TAX ASSETS

Current income tax assets	30 September 2014	31 December 2013
Prepaid taxes and withholding taxes	124	1,926
	124	1,926

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 13 - INVESTMENT PROPERTIES

Cost	1 January 2014	Additions	Transfers(*)	30 September 2014
Kanyon	229,394	27	-	229,421
Buildings	25,039	46	8,699	33,784
Lands and land improvements	3,082	-	-	3,082
	257,515	73	8,699	266,287

Accumulated depreciation

Kanyon	39,294	4,172	-	43,466
Buildings	13,608	2,477	-	16,085
Lands and land improvements	273	52	-	325
	53,175	6,701	-	59,876

Carrying amount	204,340			206,411
------------------------	----------------	--	--	----------------

Cost	1 January 2013	Additions	Disposals	30 September 2013
Kanyon	228,754	254	-	229,008
Buildings	20,507	4,371	-	24,878
Lands and land improvements	3,082	-	-	3,082
	252,343	4,625	-	256,968

Accumulated depreciation

Kanyon	33,811	4,107	-	37,918
Buildings	13,278	256	-	13,534
Lands and land improvements	257	12	-	269
	47,346	4,375	-	51,721

Carrying amount	204,997			205,247
------------------------	----------------	--	--	----------------

(*) The buildings that total value is TRL 8,699 are in scope of Ormanada project and they have been transferred to investment properties from inventories.

As of 31 December 2013, fair value of Kanyon is approximately TRL 521 million (consist of fair value of Kanyon shopping centre amounting TRL 243 million and fair value of Kanyon Office complex amounting TRL 278 million), which is calculated from net present value of estimated rent income of Kanyon shopping centre and office complex. Based on the impairment analysis performed for Kanyon during the interim period, the Group concluded that there isn't any indication for impairment. In this respect, fair value determination study performed as of 31 December 2013, has not been updated for interim period.

For the periods ending at 30 September, total rent income of Kanyon shopping centre and office complex is amounted to TRL 39,441 thousand (30 September 2013: TRL 35,507 thousand) and repair and maintenance expense of the related period is amounted to TRL 1,547 thousand (30 September 2013: TRL 292 thousand).

Depreciation expenses for the nine months period ended 30 September are included in cost of services sold.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

Cost	1 January 2014	Additions	Disposals	Transfers	30 September 2014
Land and land improvements	1,427	15,676	-	-	17,103
Buildings	27,824	17	-	-	27,841
Machinery, plant and equipment	48,156	473	(20)	-	48,609
Motor vehicles	774	-	(201)	-	573
Furniture and fixtures	15,171	607	(143)	-	15,635
Construction in progress	46	69	-	-	115
Leasehold improvements	3,552	1,350	(33)	-	4,869
Other tangible assets	9,596	1,204	(36)	-	10,764
	106,546	19,396	(433)	-	125,509
Accumulated depreciation					
Land improvements	19	2	-	-	21
Buildings	1,734	421	-	-	2,155
Machinery, plant and equipment	36,864	1,656	(12)	-	38,508
Motor vehicles	706	15	(190)	-	531
Furniture and fixtures	10,523	979	(43)	-	11,459
Leasehold improvements	2,045	263	(16)	-	2,292
Other tangible assets	8,840	148	(36)	-	8,952
	60,731	3,484	(297)	-	63,918
Carrying amount	45,815				61,591

Allocation of depreciation expenses is as follows: TRL 379 thousand in cost of goods sold, TRL 2,009 thousand in general and administrative expenses, TRL 1,069 thousand in marketing expenses and TRL 27 thousand in research and development expenses.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Cost	1 January 2013	Additions	Disposals	Transfers	30 September 2013
Land and land improvements	1,427	-	-	-	1,427
Buildings	27,202	2	-	-	27,204
Machinery, plant and equipment	47,660	632	(148)	-	48,144
Motor vehicles	1,946	31	(1,205)	-	772
Furniture and fixtures	14,713	644	(169)	-	15,188
Construction in progress	46	537	-	-	583
Leasehold improvements	3,286	143	(35)	-	3,394
Other tangible assets	9,156	406	(23)	-	9,539
	105,436	2,395	(1,580)	-	106,251
Accumulated depreciation					
Land improvements	16	2	-	-	18
Buildings	1,175	410	-	-	1,585
Machinery, plant and equipment	35,066	1,617	(147)	-	36,536
Motor vehicles	1,373	70	(747)	-	696
Furniture and fixtures	9,576	1,079	(118)	-	10,537
Leasehold improvements	1,798	200	(28)	-	1,970
Other tangible assets	8,556	157	(7)	-	8,706
	57,560	3,535	(1,047)	-	60,048
Carrying amount	47,876				46,203

Allocation of depreciation expenses is as follows: TRL 1,215 thousand in cost of goods sold, TRL 1,455 thousand in general and administrative expenses, TRL 837 thousand in marketing expenses and TRL 28 thousand in research and development expenses.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 15 - INTANGIBLE ASSETS

Cost	1 January 2014	Additions	Disposals	Transfers	30 September 2014
Customer relations, licenses and royalty	20,370	-	-	-	20,370
Rights	11,604	1,279	-	323	13,206
Computer software	11,826	142	-	-	11,968
Construction in progress	4,658	339	-	(323)	4,674
Other intangible assets	129	-	-	-	129
	48,587	1,760	-	-	50,347
Accumulated amortisation					
Customer relations, licenses and royalty	1,358	1,019	-	-	2,377
Rights	4,485	1,322	-	-	5,807
Computer software	9,269	1,264	-	-	10,533
Other intangible assets	128	1	-	-	129
	15,240	3,606	-	-	18,846
Carrying amount	33,347				31,501

Allocation of amortisation charge is as follows: TRL 393 thousand in cost of goods sold, TRL 2,079 thousand in general and administrative expenses, TRL 1,107 thousand in marketing expenses and TRL 27 thousand in research and development expenses.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 15 - INTANGIBLE ASSETS (Continued)

Cost	1 January 2013	Additions	Disposals	Transfers	30 September 2013
Customer relations, licenses and royalty	20,370	-	-	-	20,370
Rights	7,023	735	-	-	7,758
Computer software	10,938	167	-	-	11,105
Construction in progress	4,718	2,048	-	-	6,766
Other intangible assets	129	-	-	-	129
	43,178	2,950	-	-	46,128
Accumulated amortisation					
Rights	3,648	658	-	-	4,306
Computer software	7,980	1,036	-	-	9,016
Other intangible assets	126	3	-	-	129
	11,754	1,697	-	-	13,451
Carrying amount	31,424				32,677

Allocation of amortisation charge is as follows: TRL 613 thousand in cost of goods sold, TRL 680 thousand in general and administrative expenses, TRL 391 thousand in marketing expenses and TRL 13 thousand in research and development expenses.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions:

	30 September 2014	31 December 2013
Provision for litigations	2,314	2,122
	2,314	2,122

Provision for litigations:

The Group has provided provision for the lawsuits filed against the Group in the amount of TRL 2,314 thousand (31 December 2013: TRL 2,122 thousand) based on the legal opinions taken on juridical, labour, commercial and administrative litigations and the assessment of similar litigations’ consequences in the past. Movement of the provision for litigations are stated below:

	2014	2013
As of 1 January	2,122	1,004
Charge for the period	317	1,625
Reversal of provision (-)	(125)	(143)
As of 30 September	2,314	2,486

b) Contingent assets:

Appeal for return of tax penalty paid:

The Competition Authority decided to conduct an inquiry for eight companies, including EİP, regarding tender of the Training Hospitals. As a result of the inquiry, a decision was made by the Competition Board at 19 January 2007 and announced to the parties. With this decision, an administrative penalty amounting to TRL 1,211 thousand, equivalent of 0,75% of the net sales of 2001, has been imposed on EİP. Regarding the penalty mentioned a reduced payment of TRL 908 thousand has been made for early payment; there are no additional liabilities attributable to the penalty. The Group has applied to the Council of State for the refund of the penalty.

c) Contingent liabilities:

I- Tax and tax related penalties of the Company:

Tax penalty notified as at 31 December 2007:

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

c) Contingent liabilities (continued):

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

Tax penalty notified as at 26 December 2008:

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

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

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

Tax penalty notified as at 12 June 2009:

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

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

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

Tax penalty notified as at 7 April 2011:

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

c) Contingent liabilities (continued):

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

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

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

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

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

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

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

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

c) Contingent liabilities (continued):

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

For the aforementioned notifications; a settlement has been reached in the meeting held on 30 October 2014 at Commission for Tax Settlements in the Ministry of Finance within the context of Tax Procedure Law and a provision of TRL 24,959 thousand is provided for the Group’s share in total amount of TRL 49,917 thousand calculated by considering tax and overdue interests, based on 50% share for equity method accounted investment in EBX.

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

Tax penalty notified as at 3 August 2012:

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

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

The lawsuit related to TRL 282 thousand attributable to corporate tax and TRL 282 thousand attributable to tax penalty was concluded against EIP despite other lawsuits concluded in favour of EIP. EIP has applied to the council of State and the lawsuit is concluded in favour of EIP. However, Tax Court insists on its conclusion and Tax Court applied to the Council of State for the appeal.

The lawsuit related to price differences from market values:

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

d) Guarantees given and taken:

	30 September 2014			
	USD	EUR	TRL	Total
Guarantees given				
Suretyship declaration for bank borrowings	-	-	-	-
Letters of guarantee	-	-	15,387	15,387
Guaranteed bills of exchange	-	-	-	-
	-	-	15,387	15,387

Guarantees taken				
Letters of guarantee	23,594	1,472	72,449	97,515
Mortgages	-	-	31,031	31,031
Guaranteed bills of exchange	335	-	4,251	4,586
	23,929	1,472	107,731	133,132

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014

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

NOTE 16 - PROVISIONS, 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 30 September 2014 and 31 December 2013 are as follows:

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

Proportion of other CPMs given to the Group’s equity as of 30 September 2014 is 0% (31 December 2013: 0%).

NOTE 17 - EMPLOYEE BENEFITS

Employee benefit obligations

	30 September 2014	31 December 2013
Wages payable to employees	29	2,272
Social security premiums payable	1,398	1,325
	1,427	3,597

Short term provisions for employee benefits

	30 September 2014	31 December 2013
Provision for unused vacations	4,392	4,664
	4,392	4,664

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014

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

NOTE 17 - EMPLOYEE BENEFITS (Continued)

Short term provisions for employee benefits (continued):

Provision for unused vacations:

Movements in the provision for unused vacation are as follows as of 30 September:

	2014	2013
As of 1 January	4,664	5,032
Charge for the period (Note 21)	59	(216)
Payments during the period (-)	(331)	(41)
As of 30 September	4,392	4,775

Long term provisions for employee benefits

Provision for employment termination benefits:

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

As of 30 September 2014, the amount payable consists of one month’s salary limited to a maximum of TRL 3,438.22 (31 December 2013: TRL 3,254.44) for each year of service.

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

TAS 19 “Employee Benefits” published by 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:

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRL 3,438.22 effective from 1 July 2014 has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

Movements in the provision for employment termination benefits are as follows as of 30 September:

	2014	2013
As of 1 January	3,436	3,782
Charge for the period (Note 21)	555	667
Payments during the period (-)	(708)	(286)
As of 30 September	3,283	4,163

EİS ECZACIBAŞI İLAÇ, SİNAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 18 - OTHER ASSETS AND LIABILITIES

Other current assets	30 September 2014	31 December 2013
VAT receivables	11,067	9,239
Advances given to personnel	561	-
Other	105	17
	11,733	9,256

Other non-current assets	30 September 2014	31 December 2013
VAT receivables	36,665	42,115
Blocked amount due to subsidiary acquisition payables	7,500	7,500
Prepaid taxes under construction activities	6,071	10,309
	50,236	59,924

Other current liabilities	30 September 2014	31 December 2013
VAT payables	468	340
Other	96	118
	564	458

Other non-current liabilities	30 September 2014	31 December 2013
Deferred considerations due to subsidiary acquisition	7,500	7,500
	7,500	7,500

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014

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

NOTE 19 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Kr 1. There are no privileged shares, EİS Eczacıbaşı İlaç Sanayi ve Ticaret A.Ş.’s subscribed, historical and authorised share capital for the years ended at 30 September 2014 and 31 December 2013 are as follows:

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

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

At 30 September 2014 and 31 December 2013, the shareholders of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and their proportion of ownership interests in historical share capital are as follows:

Shareholders	%	30 September 2014	%	31 December 2013
Eczacıbaşı Holding A.Ş.	50.62	277,476	50.62	277,476
Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.	25.47	139,615	24.78	135,819
Other (listed) (*)	23.91	131,117	24.60	134,913
Total	100.00	548,208	100.00	548,208
Adjustment to share capital		105,777		105,777
Total authorised share capital		653,985		653,985

(*) Within the framework of Capital Markets Board’s decision, dated 23 July 2010 and numbered 21/655, actual rates of the shares in circulation of the listed companies in BIST are announced on a weekly basis starting from the period ended 30 September 2010, became effective as of 1 October 2010 by the Central Registry Agency (“CRA”). According to the report published by CRA on 30 September 2014, 23.84% (31 December 2013: 24.48%) of the Group’s shares in circulation are presented in the other group.

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

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

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company’s paid-in/authorised share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in/authorised share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in/authorised share capital. Total amount of legal reserves of the Company is TRL 49,401 thousand (31 December 2013: TRL 40,627 thousand).

The aforementioned legal reserves and special reserves shall be classified in “Restricted reserves” in accordance with POA. As at 30 September 2014 and 31 December 2013, details of the restricted reserves are as follows:

	30 September 2014	31 December 2013
Legal reserves	49,401	40,627
Gain on sale of shares of associates	259,137	259,137
	308,538	299,764

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 20 - REVENUE

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Domestic sales	1,223,765	447,427	1,350,155	485,613
Exports	11,125	3,634	11,946	4,048
Gross sales	1,234,890	451,061	1,362,101	489,661
Sales returns (-)	(23,112)	(7,099)	(47,115)	(16,557)
Sales discounts (-)	(427,696)	(176,152)	(423,124)	(165,844)
Net sales	784,082	267,810	891,862	307,260
Cost of sales (-)	(647,726)	(234,560)	(734,603)	(255,325)
Gross profit	136,356	33,250	157,259	51,935

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

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
General administrative expenses				
Personnel expenses	27,258	8,972	26,904	9,272
Consultancy expenses	11,045	3,769	9,958	3,293
Depreciation and amortisation expenses (Notes 14 and 15)	4,088	1,090	2,154	745
Rent expenses	3,802	1,256	3,164	1,122
Repair and maintenance expenses	2,627	800	1,381	428
Miscellaneous taxes	2,237	170	1,439	85
Provision for employment termination benefits expenses (Note 17)	555	(108)	667	(357)
Provision for unpaid vacation (Note 17)	59	(826)	(216)	(1,091)
Provision for doubtful receivables (Note 9)	22	(42)	652	466
Others	7,294	3,665	5,141	1,544
	58,987	18,746	51,244	15,507

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Marketing expenses				
Personnel expenses	38,502	12,575	36,147	12,208
Advertisement, presentation and promotion expenses	30,208	10,611	22,798	7,650
Transportation, distribution and warehousing expenses	8,586	2,707	8,021	2,805
Rent expenses	5,046	1,683	4,792	1,680
Fuel, energy and water expenses	2,867	969	2,972	1,007
Depreciation and amortisation expenses (Notes 14 and 15)	2,176	656	1,239	436
Travelling expenses	1,806	454	1,571	478
Consultancy expenses	694	222	524	180
Others	6,575	2,063	5,998	1,826
	96,460	31,940	84,062	28,270

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

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

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Research and development expenses				
Personnel expenses	816	226	762	274
Depreciation and amortisation expenses (Notes 14, 15)	54	18	41	14
	870	244	803	288

NOTE 22 - EXPENSES BY NATURE

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Purchase and consumption of inventories	614,574	222,257	699,184	243,316
Personnel expenses	75,509	24,785	73,312	25,590
Advertisement and promotion expenses	30,208	10,611	22,798	7,650
Depreciation and amortisation expense (Notes 13, 14 and 15)	13,791	4,351	9,607	3,246
Consultancy expense	11,739	3,991	10,482	3,473
Rent expense	8,848	2,939	7,956	2,802
Transportation, distribution and warehousing expenses	8,586	2,707	8,021	2,805
Contract manufacturing expense	6,133	2,873	5,062	1,232
Changes in commercial inventories	2,970	1,185	9,411	1,845
Provision for employment termination benefits	555	(108)	667	(357)
Others	31,130	9,899	24,212	7,788
	804,043	285,490	870,712	299,390

NOTE 23 - OTHER OPERATING INCOME / EXPENSES

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Other operating income				
Foreign exchange gains from bank deposits	89,136	36,897	88,687	38,971
Interest income from bank deposits	16,391	4,627	22,432	8,570
Other miscellaneous income (*)	10,028	-	-	-
Credit finance income	8,878	3,334	5,292	1,677
Foreign exchange gains from trade receivables and payables	3,463	628	1,940	1,112
Compensation income	48	13	305	39
Collections from doubtful receivables (Note 9)	-	-	19	4
Others	4,423	510	1,703	32
	132,367	46,009	120,378	50,405

(*) Consist of the amount arising from mutual agreement between the parties related to the termination of the distribution contract continued in the year 2013 after the sale of the Group’s joint venture EBC at 27 December 2012. The Group has revised income tax provision related to the fiscal year 2013 upon the realisation of contingent asset as indicated in Note 26.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 23 - OTHER OPERATING INCOME / EXPENSES (Continued)

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Other operating expenses				
Foreign exchange losses from bank deposits	74,019	15,673	15,953	1,762
Credit finance expenses	6,481	2,590	4,498	1,259
Foreign exchange losses from trade receivables and payables	3,046	(191)	4,905	2,929
Provision for diminution in value of inventories (Note 10)	1,745	(404)	4,240	433
Donation expenses	331	100	563	142
Provision expense for legal case	317	-	1,625	1,625
Others	5,813	2,878	1,866	(74)
	91,752	20,646	33,650	8,076

NOTE 24 - INCOME / EXPENSES FROM INVESTING ACTIVITIES

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Income from investing activities				
Gain from sales of fixed assets	166	43	448	26
Dividend income	-	-	8,114	-
Gain from sales of financial assets	-	-	117	-
	166	43	8,679	26

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Expenses from investing activities				
Loss on sales of fixed assets	28	1	39	17
	28	1	39	17

NOTE 25 - FINANCIAL EXPENSES

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Financial expenses				
Interest expense from bank borrowings	8,308	3,192	3,729	1,762
Commissions of letter of guarantees	188	78	157	63
Fair value changes recognised in profit and loss	108	135	484	318
Other	3	3	11	1
	8,607	3,408	4,381	2,144

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

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

a) Current income tax on profits:

	30 September 2014	31 December 2013
Corporate and income taxes payable	6,487	30,075
Prepaid taxes (-)	(6,474)	(22,251)
Current income tax liabilities (net)	13	7,824

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

Corporate Tax Law is changed with Law No, 5520 dated 13 June 2006, and most of the articles of mentioned law have become effective as of 1 January 2006. Accordingly, corporate tax rate in Turkey is 20% for 2013 (2012: 20%). Corporation tax is payable on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive allowance, etc.) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed except withholding tax at the rate of 19.8% on the investment incentive allowance utilised within the scope of the Income Tax Law transitional Article 61.

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

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

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

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

a) Current income tax on profits (continued):

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

The taxes on income reflected to the consolidated income statement of the nine months period ended 30 September 2014 and 2013 are summarized below:

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Current income tax charge	(6,487)	(4,292)	(22,497)	(10,660)
Previous period income tax charge (*)	(1,980)	-	-	-
Deferred tax (charge) / revenue	617	(183)	(1,135)	(447)
Total income tax charge (-)	(7,850)	(4,475)	(23,632)	(11,107)

(*) 2013 income tax provision has been revised upon the realisation of contingent asset related to the termination of distribution contract continued in the year 2013 after the sale of the Group’s joint venture EBC at 27 December 2012.

The reconciliation as of 30 September 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:

	30 September 2014	30 September 2013
Profit / (loss) before tax	(14,424)	75,241
Current year corporation tax expense	2,885	(15,048)
Disallowable expenses	(92)	(44)
Tax effect of exempt income	-	1,623
Financial losses disregarded in the calculation of deferred income tax	(5,313)	(2,549)
Items disregarded in the calculation of deferred income tax	(8)	(235)
Equity method accounting	(5,322)	(7,379)
Total income tax charge (-)	(7,850)	(23,632)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

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

b) Deferred income tax:

The Group recognises deferred income tax assets and liabilities based upon temporary differences arising between the financial statements prepared in accordance with 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 2013: 20%).

The breakdown of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided at 30 September 2014 and 31 December 2013 using the enacted tax rates is as follows:

	Cumulative temporary differences		Deferred income tax assets / (liabilities)	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
Provision for unused vacation	(4,392)	(4,664)	878	933
Provision for employment termination benefits	(3,283)	(3,436)	657	687
Provision for doubtful receivables	(6,435)	(6,414)	1,287	1,283
Differences between the tax base and carrying amount of inventories	(1,922)	(938)	384	188
Deferred credit finance income	(1,468)	(1,107)	294	221
Provision for litigations	(2,314)	(2,122)	463	424
Tax losses carried forward	(9,290)	(10,569)	1,858	2,114
Provision for bonuses	-	(1,440)	-	288
Others	(299)	(1,311)	149	53
Deferred income tax assets (**)	(29,403)	(32,001)	5,970	6,191
Fair value differences of available-for-sale financial assets (*)	1,606,404	1,605,981	(80,325)	(80,304)
Difference between the tax base and carrying amount of investment property, property, plant and equipment and intangible assets	(1,375)	3,472	629	(339)
Deferred credit finance expenses	1,339	691	(268)	(138)
Deferred income tax liabilities (-) (**)	1,606,368	1,610,144	(79,964)	(80,781)
Deferred income tax liabilities, net	1,576,965	1,578,143	(73,994)	(74,590)

(*) Difference between fair value and book value amounts to TRL 1,606,404 thousand (31 December 2013: TRL 1,605,981 thousand) and based on the 75% exemption from the corporate tax denoted in Article 5, subsection (1), clause (e) of Corporate Tax Law No, 5520, deferred tax is calculated by applying 5% effective tax rate.

(**) Since deferred tax assets and deferred tax liabilities in the schedule above are summarized by nature of the temporary differences subject to deferred tax, they express the offset of deferred tax asset amounting to TRL 9,957 thousand (31 December 2013: TRL 9,628 thousand) and deferred tax liability amounting to TRL 83,951 thousand (31 December 2013: TRL 84,218 thousand) presented in the financial statements, which are calculated on a separate entity basis for all companies included in the scope of consolidation.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014

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

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

b) Deferred income tax (continued):

Based on the assessment made, the Group has not recognized any deferred tax assets over deductible temporary differences amounting to TRL 62,955 thousand (31 December 2013: TRL 37,578 thousand) as of 30 September 2014 considering available evidence with respect to the utilization of those assets in the foreseeable future.

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

The movement of deferred income tax liabilities as of 30 September are as follows:

	2014	2013
As of 1 January	(74,590)	(74,971)
Current year deferred income tax (expense) / benefit	617	(1,135)
Deferred income tax liability accounted under equity resulting from increase in value of available-for-sale financial assets	(21)	36
As of 30 September	(73,994)	(76,070)

NOTE 27 - EARNINGS PER SHARE

	1 January - 30 September 2014	1 July - 30 September 2014	1 January - 30 September 2013	1 July - 30 September 2013
Net gain / (loss) attributable to equity holders of the Company	(16,681)	(12,237)	49,818	30,788
Weighted average number of ordinary shares with face value of Kr 1 each	54,820,800,000	54,820,800,000	54,820,800,000	54,820,800,000
Basic and diluted earnings / (loss) per share (Kr)	(0.0304)	(0.0223)	0.0909	0.0562

During the period, dividends amounting to TRL 52,628 thousand were distributed over 2013 profits (In 2013, dividend amounting to TRL 54,821 thousand were distributed over 2012 profits). For both dividend distributions, dividend paid per share is TRL 0.10 (In 2013, dividend paid per share is TRL 0.10).

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

a) Credit risk

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

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

a) Credit risk (continued)

Details of credit and receivable risk as of 30 September 2014 and 31 December 2013 are as follows:

30 September 2014	Trade receivables from		Other receivables from		Deposit in banks	Other (*)
	Related parties	Other	Related parties	Other		
Maximum credit risk exposed as of balance sheet date (**)	5,992	233,517	-	3,042	643,060	3,182
- Secured portion of the maximum credit risk by guarantees (-)	-	71,484	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	4,897	199,410	-	3,042	643,060	-
B. Carrying value of financial assets that are past due but not impaired (***)	1,095	34,107	-	-	-	3,182
C. Net book value of the impaired assets						
- Past due (gross carrying amount)	-	8,083	-	-	-	-
- Impairment (-)	-	(8,083)	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-	-
- Not overdue (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-

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

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

(***) As of 30 September 2014, the aging explanations related with past due but not impaired assets indicated in the aging table of “Past due but not impaired trade receivables”.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

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

a) Credit risk (continued)

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

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

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

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

EİS ECZACIBAŞI İLAÇ, SİNAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**a) Credit risk (continued)**

Details of the past due but not impaired receivables for the years ended at 30 September 2014 and 31 December 2013 are as follows:

30 September 2014	Trade receivables from		
	Related parties	Other	Other
Past due up to 30 days	1,004	11,935	-
Past due 1 - 3 months	79	11,749	-
Past due 3 - 12 months	12	6,882	-
Past due 1 - 5 year (*)	-	3,541	3,182
	1,095	34,107	3,182

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014

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

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

b) Liquidity risk

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

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

30 September 2014						
Financial liabilities (non-derivative)	Carrying value	Contractual cash outflows	Contractual terms			
			Up to 3 months	3 - 12 months	1 - 5 years	More than 5 years
Other financial liabilities	134,520	134,691	108,334	26,357	-	-
Trade payables due to related parties	138,872	139,135	139,135	-	-	-
Other trade payables	98,827	99,849	94,095	5,754	-	-
Other payables	5,932	5,932	5,932	-	-	-
Total non-derivative financial liabilities	378,151	379,607	347,496	32,111	-	-

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

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

c) Market risk

i) Cash flow and fair value interest rate risk

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

The Group is exposed to cash flow interest rate risk through floating interest rates bank borrowings. The Group is also exposed to fair value interest risk through fixed rate bank borrowings. As of 30 September 2014 and 31 December 2013, the Group’s financial liabilities with floating interest rates are TRL, USD and EUR denominated.

	30 September 2014	31 December 2013
Financial instruments with fixed interest rates:		
Financial assets		
- Cash and cash equivalents	643,100	719,594
- Fair value changes recognised in to profit and loss	504	2
Financial liabilities		
- Financial liabilities	134,520	65,353

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

At 30 September 2014, if interest rates at contractual re-pricing dates of TRL denominated financial liabilities with variable interest rates has strengthened / weakened by 100 basis points (1%) against TRL with all other variables held constant, profit before tax would have been TRL 1,345 thousand (30 September 2013: TRL 484 thousand) higher / lower as a result of interest expenses.

ii) Foreign exchange risk

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014

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

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

c) Market risk (continued)

ii) Foreign exchange risk (continued)

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

	30 September 2014			
	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)	30,754	(30,754)	30,754	(30,754)
Secured position (-)	-	-	-	-
USD net effect	30,754	(30,754)	30,754	(30,754)
In case of 10% change in EUR against TRL:				
EUR net asset / (liability)	25,087	(25,087)	25,087	(25,087)
Secured position (-)	-	-	-	-
EUR net effect	25,087	(25,087)	25,087	(25,087)
In case of 10% change in other foreign exchange rates against TRL:				
Other foreign currency net asset / (liability)	(4)	4	(4)	4
Secured position (-)	-	-	-	-
Other foreign currencies net effect	(4)	4	(4)	4
	55,837	(55,837)	55,837	(55,837)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

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

c) Market risk (continued)

ii) Foreign exchange risk (continued)

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

TRL equivalents of assets and liabilities held by the Group denominated in foreign currency at 30 September 2014 and 31 December 2013 in consideration of foreign exchange rates are as follows:

	30 September 2014	31 December 2013
USD	2.2789	2.1343
EUR	2.8914	2.9365

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

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

c) Market risk (continued)

ii) Foreign exchange risk (continued)

The amounts of assets and liabilities denominated in original and foreign currencies and their TRL equivalents as of 30 September 2014 were as follows:

	30 September 2014			
	Total TRL equivalent	Original amounts		
		USD	EUR	GBP
Trade receivables	3,311	844	480	-
Monetary financial assets	578,167	137,193	91,830	-
Current Assets	581,478	138,037	92,310	-
Trade receivables	312	137	-	-
Monetary financial assets	2,409	1,057	-	-
Non-current Assets	2,721	1,194	-	-
Total Assets	584,199	139,231	92,310	-
Trade payables	13,405	2,856	2,371	11
Monetary other liabilities	12,118	1,290	3,174	-
Current Liabilities	25,523	4,146	5,545	11
Monetary other liabilities	312	137	-	-
Non-current Liabilities	312	137	-	-
Total Liabilities	25,835	4,283	5,545	11
Net asset / (liability) position of derivative financial assets (A-B)	-	-	-	-
A. Total amount of off-balance sheet derivative financial assets	-	-	-	-
B. Total amount of off-balance sheet derivative financial liabilities	-	-	-	-
Net foreign currency asset / (liability) position	558,364	134,948	86,765	(11)
Net foreign currency asset / (liability) position of monetary items	558,364	134,948	86,765	(11)
Fair value of hedged funds of foreign currency	-	-	-	-
Hedged amount of foreign currency assets	-	-	-	-
Hedged amount of foreign currency liabilities	-	-	-	-

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

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

c) Market risk (continued)

ii) Foreign exchange risk (continued)

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR NINE MONTHS INTERIM PERIOD ENDED 30 SEPTEMBER 2014**

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

NOTE 29 – EVENTS AFTER THE REPORTING PERIOD

The Group’s shareholder Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. increased its share capital from %25.47 to %25.72 due to stock purchases during 2014.

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

A real estate project under the name “Ormanada” which is on the land in the province of Istanbul and in the district of Sarıyer / Zekeriyaköy with 50% ownership the Group and 50% ownership of Eczacıbaşı Holding A.Ş.; has an investment amount of approximately USD 300 million and the size of houses varies between 170 and 700 square meters with sales price range from USD 500 thousand to USD 2,2 million. Ormanada Project has created in collaboration with international knowledge and experience of Torti Gallas and Partners, Kreatif Mimarlık and Rainer Schmidt Landscape Architects. In the context of the contract signed with the Company’s subsidiary Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım A.Ş. and in its control, the project is outsourced to contractors or subcontractors chosen by one of the methods such as receiving tender on unit price or negotiation and lump-sum deal method. The number of houses is 273 which consists of 188 villa and 85 houses. The Project will be completed in two different phases; first phase consists of 150 units and second phase consists of 123 units. As of 30 September 2014, sales agreements were signed by sales connection for 107 units in the first phase and 67 units included in the second phase. The delivery of the units located in the first phase has been started from April 2013 and 110 units were delivered as of 30 September 2014. The delivery of the units located in the second phase has been started from December 2013 and 61 units were delivered as of 30 September 2014. The termination process of Ormanada Project’s infrastructure works (construction of roads, electricity, water, sewer, natural gas, telephone, etc.) and top structure works (construction of buildings) have been continued.

.....