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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT (ORIGINALLY ISSUED IN TURKISH)

Deloitte.

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

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

We have audited the accompanying consolidated statement of financial position of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiaries (together will be referred as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Group Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by Capital Markets Board and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and its subsidiaries as at 31 December 2014, and of their consolidated financial performance and their cash flows for the year then ended in accordance with Turkish Accounting Standards.

Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January - 31 December 2014 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

In accordance with paragraph four of the Article 398 of TCC, the Auditor's Report on the System and the Committee of Early Detection of Risk has been submitted to the Board of Directors of the Company on 11 March 2015.

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

Hasan Ali Bekçe
Partner

Istanbul, 11 March 2015

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

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

	Notes	31 December 2014	31 December 2013
ASSETS			
Current assets			
Cash and cash equivalents	7	648,606	719,594
Financial investments	8	763	308
Trade receivables			
- Trade receivables due from related parties	10	4,020	9,023
- Trade receivables due from third parties	11	208,084	198,791
Other receivables			
- Other receivables due from third parties	12	207	865
Inventories	13	154,790	198,343
Prepaid expenses	14	1,679	1,423
Current income tax assets	15	123	1,926
Other current assets	22	16,939	9,256
Total current assets		**1,035,211**	**1,139,529**
Non-current assets			
Trade receivables			
- Trade receivables due from third parties	11	325	1,930
Other receivables			
- Other receivables due from third parties	12	46	50
Financial investments	8	1,720,122	1,767,384
Investments accounted for using equity method	5	114,369	132,643
Investment properties	16	210,449	204,340
Property, plant and equipment	17	63,314	45,815
Intangible assets			
- Goodwill	19	28,159	39,511
- Other intangible assets	18	31,323	33,347
Prepaid expenses	14	7,025	3,118
Deferred income tax assets	30	10,667	9,628
Other non-current assets	22	42,475	59,924
Total non-current assets		**2,228,274**	**2,297,690**
Total assets		**3,263,485**	**3,437,219**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

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

	Notes	31 December 2014	31 December 2013
LIABILITIES			
Current liabilities			
Short term borrowings	9	113,116	65,353
Trade payables			
- Trade payables due to related parties	10	108,512	94,784
- Trade payables due to third parties	11	125,322	147,152
Employee benefit obligations	21	2,261	3,597
Other payables			
- Other payables due to related parties	10	-	38,166
- Other payables due to third parties	12	5,923	6,261
Deferred income	14	11,021	45,812
Current income tax liabilities	30	2,042	7,824
Short term provisions			
- Short term provisions for employee benefits	21	4,539	4,664
- Other short term provisions	20	3,018	2,122
Other current liabilities	22	206	458
Total current liabilities		**375,960**	**416,193**
Non-current liabilities			
Long term borrowings	9	31,244	-
Deferred income	14	2,943	5,695
Long term provisions			
- Long term provisions for employee benefits	21	3,293	3,436
Deferred income tax liabilities	30	81,500	84,218
Other non-current liabilities	22	7,500	7,500
Total non-current liabilities		**126,480**	**100,849**

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

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

	Notes	31 December 2014	31 December 2013
EQUITY			
Share capital	23	548,208	548,208
Adjustments to share capital	23	105,777	105,777
Items that will not be reclassified subsequently to profit or loss			
- Defined benefit plans re-measurement gains / losses		(2,534)	(182)
Items that may be reclassified subsequently to profit or loss			
- Cumulative translation differences		9,566	3,366
- Gains / losses on available for sale financial assets due to revaluation or/and reclassification		1,495,231	1,540,598
Restricted reserves	23	308,538	299,764
Retained earnings		322,348	322,336
Net (loss) / income for the period		(43,293)	61,414
Attributable to equity holders of the Company		**2,743,841**	**2,881,281**
Non-controlling interests		**17,204**	**38,896**
Total equity		**2,761,045**	**2,920,177**
Total liabilities and equity		**3,263,485**	**3,437,219**

The consolidated financial statements as of and for the year ended 31 December 2014 were approved for issue by the Board of Directors on 11 March 2015 and signed on its behalf by Bülent Avcı, Financial Director and by Gülnur Günbey Kartal, Internal Audit Manager. The consolidated financial statements are subject to approval of the General Assembly.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Notes	1 January- 31 December 2014	1 January- 31 December 2013
Revenue	24	1,046,781	1,126,009
Cost of sales (-)	24	(856,520)	(919,875)
Gross profit		**190,261**	**206,134**
General administrative expenses (-)	25	(78,434)	(74,183)
Marketing expenses (-)	25	(135,305)	(120,889)
Research and development expenses (-)	25	(1,098)	(1,053)
Other operating income	27	164,438	172,004
Other operating expenses (-)	27	(121,354)	(47,330)
Operating profit		**18,508**	**134,683**
Income from investing activities	28	9,454	9,251
Expenses from investing activities (-)	28	(11,748)	(51)
Share of loss of investments accounted for using equity method (-)	5	(53,796)	(50,649)
Operating income/ (loss) before finance expense		**(37,582)**	**93,234**
Financial income	29	-	-
Financial expenses (-)	29	(13,272)	(6,204)
Profit / (loss) before tax		**(50,854)**	**87,030**
Tax expense from continuing operations		**(10,390)**	**(28,996)**
Income tax expense (-)	30	(11,809)	(30,075)
Deferred tax income	30	1,419	1,079
Profit / (loss) for the period		**(61,244)**	**58,034**
Attributable to			
- Non-controlling interests		(17,951)	(3,380)
- Equity holders of the parent	31	(43,293)	61,414
Net profit / (loss) for the period		**(61,244)**	**58,034**
Weighted average number of ordinary shares with face value of KR 1 each	31	54,820,800,000	54,820,800,000
Basic and diluted earnings / (loss) per share	**31**	**(0.0790)**	**0.1120**

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Notes	1 January - 31 December 2014	1 January - 31 December 2013
Profit / (loss) for the period		**(61,244)**	**58,034**
Other comprehensive income / (expenses)			
Items that will not be reclassified subsequently to profit or loss			
- Gain / loss on remeasurement of defined benefit plans	21	-	484
- Gain / loss on remeasurement of defined benefit plans of investments accounted for using equity method	5	(2,352)	1,491
- Tax relating to items that will not be reclassified subsequently	30	-	(96)
Items that may be reclassified subsequently to profit or loss			
- Currency translation differences		4,134	(658)
- Gains / losses on available for sale financial assets due to revaluation or/and reclassification	8	(46,759)	12,045
- Group's share in equity method accounted investments' comprehensive income	5	1,581	2,065
- Tax relating to items that may be reclassified subsequently	30	2,338	(602)
Other comprehensive (expenses) / income (after tax)		**(41,058)**	**14,729**
Total comprehensive income / (expense)		**(102,302)**	**72,763**
Total comprehensive income / (loss) attributable to:			
- Non-controlling interest		(17,490)	(3,607)
- Equity holders of the parent		(84,812)	76,370
Total comprehensive income / (loss)		**(102,302)**	**72,763**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

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

			Items that will not be reclassified subsequently to profit or loss	Items that may be reclassified subsequently to profit or loss			Retained Earnings				
	Share Capital	Adjustment to share capital	Defined benefit plans re-measurement gains / losses	Cumulative translation differences	Financial assets' fair value reserve	Restricted reserves	Retained earnings	Net (loss)/ profit for the period	**Attributable to equity holders of the Company**	Non-controlling interest	**Total Equity**
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)**	(4,202)	**(56,830)**
Total comprehensive income / (loss)	-	-	(2,352)	6,200	(45,367)	-	-	(43,293)	**(84,812)**	(17,490)	**(102,302)**
31 December 2014	**548,208**	**105,777**	**(2,534)**	**9,566**	**1,495,231**	**308,538**	**322,348**	**(43,293)**	**2,743,841**	**17,204**	**2,761,045**
As of 1 January 2013	**548,208**	**105,777**	**-**	**1,877**	**1,528,836**	**258,084**	**384,261**	**32,689**	**2,859,732**	**47,158**	**2,906,890**
Changes in accounting policies	-	-	(1,887)	-	-	-	162	1,725	-	(1,255)	**(1,255)**
As restated as of 1 January 2013	**548,208**	**105,777**	**(1,887)**	**1,877**	**1,528,836**	**258,084**	**384,423**	**34,414**	**2,859,732**	**45,903**	**2,905,635**
Transfers	-	-	-	-	-	41,680	(7,266)	(34,414)	**-**	-	**-**
Dividends paid	-	-	-	-	-	-	(54,821)	-	**(54,821)**	(3,400)	**(58,221)**
Total comprehensive income / (loss)	-	-	1,705	1,489	11,762	-	-	61,414	**76,370**	(3,607)	**72,763**
31 December 2013	**548,208**	**105,777**	**(182)**	**3,366**	**1,540,598**	**299,764**	**322,336**	**61,414**	**2,881,281**	**38,896**	**2,920,177**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Notes	1 January - 31 December 2014	1 January - 31 December 2013
A. Cash flows from operating activities			
Loss / income for the period		**(61,244)**	**58,034**
Adjustments for reconciliation of profit / loss for the period:			
Adjustments for depreciation and amortisation	26	19,407	14,198
Provision for employment termination benefits	26	815	850
Provision for unused vacation	25	266	(139)
Provision for doubtful receivable	25	79	879
Loss / (gain) on sale of property, plant and equipment, net	28	(1,117)	(1,086)
Provision for diminution in value of inventories, net	27	957	3,343
Group's share in the associates' loss	5	53,796	50,649
Adjustments for interest income and expenses	27, 29	(12,477)	(26,401)
Adjustments for income tax expense / income	30	10,390	28,996
Dividend income	28	(7,941)	(8,114)
Provision for litigations	27	931	1,313
Provision for premiums and bonuses		-	1,440
Adjustments for unrecognized foreign exchange differences		(9,034)	(98,622)
Income / expense accruals	11	3,488	1,551
Impairment of goodwill	19	11,352	-
		9,668	**26,891**
Changes in working capital:			
Adjustments for increase / decrease in trade receivables		1,643	(33,688)
Adjustments for increase / decrease in inventories		42,638	(31,692)
Adjustments for increase / decrease in trade payables		(16,366)	26,062
Adjustments for increase / decrease in other receivables related with operations		8,105	13,619
Adjustments for increase / decrease in other payables related with operations		(39,504)	(45,850)
		6,184	**(44,658)**
Cash flows from operating activities:			
Interest received		34,894	37,720
Credit finance expenses		(8,698)	(7,139)
Taxes paid		(17,591)	(23,432)
Employment termination benefits paid	21	(958)	(712)
Unused vacation paid	21	(391)	(229)
Collections of doubtful receivables	11	275	302
		13,715	**(38,148)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

	Notes	1 January - 31 December 2014	1 January - 31 December 2013
B. Cash flows from investing activities			
Cash outflows from the purchase of tangible and intangible assets	16, 17, 18	(41,631)	(14,854)
Cash inflows from the sale of tangible and intangible assets	16, 17, 18, 28	1,715	2,382
Dividends received		7,941	8,114
Dividends received from investments accounted for using equity method	5	745	945
Changes in financial assets		48	487
Capital advance payments to joint ventures and associates	5, 10.a	(75,204)	(12,897)
Net cash flows due to investing activities		**(106,386)**	**(15,823)**
C. Cash flows from financing activities			
Cash inflows / (outflows) from bank borrowings		78,585	33,521
Interest paid		(12,205)	(5,341)
Dividends paid to non-controlling interests		(4,202)	(3,400)
Dividends paid	31	(52,628)	(54,821)
Net cash flows due to financing activities		**9,550**	**(30,041)**
Net increase / decrease in cash and cash equivalents before the impact of foreign currency translation differences (A+B+C)		**(83,121)**	**(84,012)**
D. Impact of foreign currency translation differences on cash and cash equivalents		**13,225**	**97,277**
Net increase/ (decrease) in cash and cash equivalents (A+B+C+D)		**(69,896)**	**13,265**
E. Cash and cash equivalents at the beginning of the period	**7**	**717,257**	**703,992**
Cash and cash equivalents at the end of the period (A+B+C+D+E)	**7**	**647,361**	**717,257**

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

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

NOTE 1 - ORGANISATION AND NATURE OF THE COMPANY

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

The Company's registered address is as follows:

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

The Company is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been quoted on the Borsa İstanbul A.Ş. ("BIST") since 1990. As of 31 December 2014, 23.54% (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 23).

As of 31 December 2014, the personnel number of the Group is 1,007 (31 December 2013: 977).

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

Subsidiaries:

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

Companies accounted by line by line consolidation:

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Joint Ventures

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

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

Associates

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

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

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of compliance

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

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

Functional currency

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

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give accurate trend analysis regarding financial position and performance. In order to maintain consistency with current year consolidated financial statements, comparative information is reclassified and significant changes are disclosed where necessary.

Going concern

The consolidated financial statements of the Group are prepared on a going concern basis, which presumes the realization of assets and settlement of liabilities in the normal course of operations and in the foreseeable future.

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

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

2.1 Basis of Presentation (continued)

Basis of Consolidation

Subsidiaries:

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

Subsidiaries	Proportion of voting power held by the Company and its Subsidiaries (%)		Proportion of voting power held by Eczacıbaşı Family members (%)		Total proportion of voting power held (%)		Total proportion of ownership interests (%)	
	2014	2013	2014	2013	2014	2013	2014	2013
EİP	99.94	99.94	0.02	0.02	99.96	99.96	99.93	99.93
EİT	99.88	99.88	-	-	99.88	99.88	99.82	99.82
Eczacıbaşı Cyprus	100.00	100.00	-	-	100.00	100.00	99.96	99.96
EHP	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Eczacıbaşı Girişim	48.13	48.13	4.00	4.00	52.13	52.13	48.13	48.13
Eczacıbaşı Hijyen	48.13	48.13	4.00	4.00	52.13	52.13	48.13	48.13
Eczacıbaşı Gayrimenkul	99.49	99.49	0.02	0.02	99.51	99.51	99.49	99.49

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

Control is achieved when the Company:

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

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

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

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

2.1 Basis of Presentation (continued)

Basis of Consolidation (continued)

Subsidiaries (continued):

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

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

2.1 Basis of Presentation (continued)

Basis of Consolidation (continued)

Investments in associates and joint ventures:

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

Joint Ventures	Proportion of voting power held by the Company and its Subsidiaries (%)		Proportion of voting power held by Eczacıbaşı Family members (%)		Total proportion of voting power held (%)		Total proportion of ownership interests (%)	
	2014	2013	2014	2013	2014	2013	2014	2013
EBX (*)	50.00	50.00	-	-	50.00	50.00	50.00	50.00
Eczacıbaşı-Monrol (**)	50.00	50.00	-	-	50.00	50.00	50.00	50.00
ESK	47.00	47.00	-	-	47.00	47.00	47.00	47.00

(*) All of the subsidiaries consolidated in the financial statements of EBX are operating in Turkey and presented below:

	Direct and indirect control of EBX (%)		Total proportion of ownership interests of EBX (%)	
	2014	2013	2014	2013
RTS Renal Tedavi Hizmetleri Sanayi ve Ticaret A.Ş. ("RTS Renal")	100.00	100.00	60.00	60.00
Transmed Diyaliz ve Tıbbi Hizmetler Ticaret A.Ş. ("Transmed")	100.00	100.00	60.00	60.00
Ren-Tıp Özel Sağlık Hizmetleri Ltd. Şti. ("Ren-Tıp")	100.00	100.00	60.00	60.00
RTS İzmit Renal Tedavi Hizmetleri A.Ş. ("RTS İzmit")	100.00	100.00	60.00	60.00
RTS Antalya Renal Tedavi Hizmetleri A.Ş. ("RTS Antalya")	100.00	100.00	60.00	60.00
Onur Diyaliz Hizmetleri A.Ş. ("Onur Diyaliz")	99.95	99.95	59.99	59.99
Renal Tedavi Sistemleri A.Ş. ("Renal")	99.40	99.40	59.64	59.64
Güneydoğu Özel Sağlık Hizmetleri Ltd. Şti. ("Özel Güneydoğu")	99.00	99.00	59.40	59.40
Almet Sağlık Hizmetleri Ticaret A.Ş. ("Almet")	80.00	80.00	48.00	48.00
RTS Beyhekim Renal Tedavi Servisleri A.Ş. ("RTS Beyhekim")	80.00	80.00	48.00	48.00
Özel Başar Tıp Teşhis ve Tedavi Kliniği Hizmetleri A.Ş. ("Özel Başar")	79.98	79.98	47.98	47.98
RTS Seyhan Renal Tedavi Hizmetleri A.Ş. ("RTS Seyhan")	73.00	73.00	43.80	43.80

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

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

2.1 Basis of Presentation (continued)

Basis of Consolidation (continued)

Investments in associates and joint ventures (continued):

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

	Country	Direct and indirect control of Eczacıbaşı-Monrol (%)		Total proportion of ownership interests of Eczacıbaşı-Monrol (%)	
		2014	2013	2014	2013
Monrol Poland Ltd.	Poland	100.00	100.00	100.00	100.00
Monrol Europe S.R.L	Romania	100.00	100.00	100.00	100.00
Moleküler Görüntüleme A.Ş.	Turkey	100.00	100.00	100.00	100.00
Monrol Egypt Ltd.	Egypt	100.00	100.00	100.00	100.00
Monrol Bulgaria Ltd.	Bulgaria	100.00	100.00	100.00	100.00
Eczacıbaşı Monrol Jordan	Jordan	100.00	100.00	100.00	100.00
Capintec Inc.	USA	100.00	100.00	100.00	100.00
Monrol Mena Ltd.	Dubai	100.00	-	100.00	-
Monrol Gulf DMCC	Dubai	80.00	-	80.00	-

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

Associates	Proportion of voting power held by the Company and its Subsidiaries (%)		Proportion of voting power held by Eczacıbaşı Family members (%)		Total proportion of voting power held (%)		Total proportion of ownership interests (%)	
	2014	2013	2014	2013	2014	2013	2014	2013
ESH	48.35	48.35	-	-	48.35	48.35	48.35	48.35
Ekom	26.36	26.36	1.72	1.72	28.08	28.08	26.36	26.36
OSGB (*)	48.35	48.35	-	-	48.35	48.35	48.35	48.35
Vitra Karo (**)	25.00	25.00	0.92	0.92	25.92	25.92	25.00	25.00

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

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

	Country	Direct or indirect control of Vitra Karo (%)	
		2014	2013
Engers Keramik Gmbh & Co. KG	Germany	100.00	100.00
Engers Keramik Verwaltungs GmbH	Germany	100.00	100.00
Vitra Plitka	Russia	100.00	100.00
Vitra Ireland Ltd.	Ireland	92.74	92.74
Villeroy & Boch Fliesen GmbH	Germany	90.00	90.00
ZAO Vitra Bath and Tiles JSC	Russia	50.00	50.00

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

2.1 Basis of Presentation (continued)

Basis of Consolidation (continued)

Investments in associates and joint ventures (continued):

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

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

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

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

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

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

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

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

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

2.2 Changes in accounting policies

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

2.3 Changes in the accounting estimates and errors

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

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

2.4 New and Revised Turkish Accounting Standards

a) Amendments to TASs affecting presentation and disclosures only

None.

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

Amendments to TFRS 10, 11, TAS 27	*Investment Entitiesi*[1]
Amendments to TAS 32	*Offsetting Financial Assets and Financial Liabilities* [1]
Amendments to TAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to TAS 39	*Novation of Derivatives and Continuation of Hedge Accounting* [1]
TFRIC 21	*Levies*[1]
Amendments to TAS 21	*Effects of Change in Foreign Exchange Rates*[2]

(1) Effective for annual periods beginning on or after 1 January 2014.
(2) Effective as of 12 November 2014.

Amendments to TFRS 10, 12, 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 has been changed.

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

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

2.4 New and Revised Turkish Accounting Standards (Continued)

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

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.

Amendments to TAS 21 ***Effects of Change in Foreign Exchange Rates***

TAS 21 Effects of Change in Foreign Exchange Rates’ subparagraph (b) of 39th paragraph is amended as follows:

“(b) Income and expenses for each profit or loss and other comprehensive income statement (including comparatives) are translated at exchange rates at the dates of the transactions.”

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

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

TFRS 9	*Financial Instruments*
Amendments to TFRS 9 and TFRS 7	*Mandatory Effective Date of TFRS 9 and Transition Disclosures*
Amendments to TAS 19	*Defined Benefit Plans: Employee Contributions* [1]
Annual Improvements to 2010-2012 Cycle	*TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 and TAS 38, TAS 24 ,*[1] *TFRS 9, TAS 37, TAS 39* [1]
Annual Improvements to 2011-2013 Cycle	*TFRS 1, TFRS 3, TFRS 13, TAS 40* [1]
Amendments to TAS 16 and TAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [2]
Amendments to TFRS 11 and TFRS 1	*Accounting for the Acquisition of an Interest in a Joint Operation* [2]

[1] Effective for annual periods beginning on or after 30 June 2014.
[2] Effective for annual periods beginning on or after 31 December 2015.

TFRS 9 ***Financial Instruments***

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

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

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

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

2.4 New and Revised Turkish Financial Reporting Standards (Continued)

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

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

This amendment to TAS 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

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

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

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

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

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

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

Annual Improvements to 2011-2013 Cycle

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

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

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

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

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.

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

2.4 New and Revised Financial Accounting Standards (Continued)

d) New and Revised TFRSs in issue but not yet effective (Continued)

Amendments to TFRS 11 ve TFRS 1 ***Accounting for the Acquisition of an Interest in a Joint Operation***

This amendment proposes the following accounting applications to a joint operator for the acquisition of an interest in a joint operation:

- Accounting in TFRS 3 and other TFRSs are all the principles on business combinations unless they conflict with the principles in TFRS 11
- Accounting in TFRS 3 and other Standards, and discloses the relevant information required by those Standards for business combinations.

This amendment to TFRS 11 caused consequential amendments to TFRS 1.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Where necessary, accounting policies for Subsidiaries, Joint Ventures and Associates has been changed to ensure consistency with the policies adopted by the Group. Except for the consolidation policies mentioned in "Group accounting" (Note 2.1), the significant accounting policies applied in the preparation of these consolidated financial statements are summarized below:

3.1 Cash and cash equivalents and statement of cash flows

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

3.2 Trade receivables and provision for doubtful receivables

Trade receivables that are originated by the Group by way of providing goods or services directly to a debtor are carried at amortised cost using the effective interest method. Short-term trade receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant (Note 11).

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

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

3.3 Credit finance income / expenses

Credit finance income / expenses represent imputed finance income/expenses on credit sales and purchases. Such income / expenses are recognized as financial income or expenses over the term of credit sale and purchases, and included under other operating income and expenses (Note 27).

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (Note 10).

a) A person or a close member of that person's family is related to a reporting entity if that person:

   i) has control or joint control over the reporting entity;
   ii) has significant influence over the reporting entity; or
   iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

   i) The entity and the company are members of the same group (each parent, subsidiary and fellow subsidiary is associated with others).
   ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   iii) Both entities are joint ventures of the same third party.
   iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
   vi) The entity is controlled or jointly controlled by a person identified in (a).
   vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

3.5 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average out basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, inventory is written down to net realizable value and expense is included in statement of income/(loss) in the period in which the write-down or loss occurred. When circumstances that previously caused inventories discounted to net realizable value no longer exist or when there is clear evidence of an increase in net realizable value because of the changes in economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the initial write-down (Note 13).

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

3.6 Financial assets

The Group classifies its financial assets in two groups:

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

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

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

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

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Business combinations and goodwill

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

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

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

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

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Business Combinations and Goodwill (continued)

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

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

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

3.8 Investment properties

Buildings and land held to earn rent or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property (Note 16). Investment properties are carried at cost less accumulated depreciation. Investment properties (except land) are depreciated on a straight-line basis.

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

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

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

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Property, plant and equipment and related depreciation

Property, plant and equipment acquired prior to 31 December 2004 are carried at acquisition costs adjusted for inflation; whereas those purchased after 2004 are carried at acquisition costs less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets (Note 17).

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

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

Land is not depreciated due to having infinite useful life.

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

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

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

3.10 Intangible assets and amortisation

Intangible assets comprise acquired computer software, intellectual property, capitalised development costs and other identifiable rights. These are recorded at their acquisition costs and amortised using the straight-line method over their estimated useful lives for a period not exceeding 20 years from the date of acquisition. When the carrying amount of any intangible asset is greater than its recoverable amount, it is immediately written down to its recoverable amount (Note 18).

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Taxes

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

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

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

Deferred income tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised (Note 30).

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

3.12 Financial liabilities

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

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

3.13 Leases

Finance leases

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

Operational leases

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Leases (continued)

Operational leases - Group as the lessor

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

3.14 Employment termination benefits

Provision for employment termination benefits is provided as a requirement of Turkish Labour Law to each employee who has completed one year of service and retires, whose employment is terminated without due cause, who is called up for military service, or who dies; and represents the present value of the estimated total reserve of the future probable obligation of the Group (Note 21).

3.15 Foreign currency transactions

Foreign currency transactions during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into new Turkish lira at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and translation of foreign currency items have been included in the consolidated statements of income (Notes 27).

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

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

3.16 Revenue recognition

Revenue is recognized at the fair value of consideration received or receivable on an accrual basis at the time deliveries are made, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group (Note 24). Net revenues represent the invoiced value of goods shipped less sales returns, discounts and commissions. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal value of the consideration is recognized as interest income on a time proportion basis that takes into account the effective yield on the asset (Note 27).

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

3.17 Share capital and dividends

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Research and development costs

Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets if the project will be successful considering its commercial and technical feasibility and expenditures can reliably be measured. Other development expenditures that do not meet these criteria are recognized as expense when incurred. Development costs previously recognized as expense are not capitalised as an asset in subsequent periods. Capitalised development costs are amortised in line with estimated useful life, starting from the production of the product using the straight-line method (Notes 18 and 25).

3.19 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, one that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Borrowing costs that are not in this scope are recognized directly in the income statement (Note 29).

3.20 Provisions, contingent assets and liabilities

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

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in financial statements and treated as contingent assets or liabilities (Note 20).

3.21 Government grants

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

3.22 Financial instruments

Fair value of the financial instruments

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

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

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Financial instruments (continued)

Fair value of the financial instruments (continued)

Monetary assets

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

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

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

Monetary liabilities

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

3.23 Segment reporting

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

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

3.24 Earnings per share

Earnings per share disclosed in the consolidated statements of income are determined by dividing net profit for the period by the weighted average number of shares that have been outstanding during the period. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares are regarded as issued shares. Accordingly, when calculating the weighted average number of shares to be used in earnings per share computations, the retroactive effect of such bonus shares is taken into consideration for comparative purposes (Note 31).

3.25 Events after the balance sheet date

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.26 Derivatives

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

3.27 Impairment of assets

The Group reviews assets, except goodwill, for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount in the consolidated statements of income. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment losses are recognized in the consolidated income statements (Note 18).

3.28 Changes in accounting policies, accounting estimates and errors

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

3.29 Management's estimates

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

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

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

In accordance with the accounting policy for the intangible assets which have indefinite useful lives and goodwill, these assets are reviewed for impairment at least annually or whenever triggering events or changes in circumstances indicate impairment by the Group. The recoverable amounts of the cash-generating units are determined using the method of value in use. Certain estimates for expected cash flows were used in these calculations. Impairment determined based on these calculations is detailed in Note 19.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.29 Management's estimates (continued)

b) Fair values of the available for sale financial assets

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

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

Group classifies VAT receivables as non-current assets when recovery of such receivables is estimated to take more than one year in the ordinary course of business (Note 22). The total VAT receivables amount to TL 45,512 thousand as of 31 December 2014 (31 December 2013: TL 51,354 thousand). VAT receivables amounting to TL 28,904 thousand (31 December 2013: TL 42,115 thousand) have been classified as long-term receivables.

c) Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for CMB financial reporting standards purposes and its statutory tax financial statements. The subsidiary of the Group have deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized. As of 31 December 2014, EİP and Eczacıbaşı Girişim have carry forward tax losses amounting to TL 62,089 thousand (31 December 2013: TL 37,578 thousand). For the tax loss of EİP, the Group has not recognized deferred tax assets because it is not apparent that taxable profit will be available sufficient to recognize deferred tax assets. If future results of EİP operations exceed the Group's current expectations, the existing unrecognized deferred tax assets may be recognized, resulting in future tax benefits.

NOTE 4 - BUSINESS COMBINATIONS

None (31 December 2013: None).

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

NOTE 5 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

a) Subsidiaries

Group's composition:

Composition of the Group is disclosed at Note 1.

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

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

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Eczacıbaşı Girişim	Turkey	51.87	51.87	(15,460)	(652)	22,328	41,569
Eczacıbaşı Hijyen	Turkey	51.87	51.87	(2,480)	(2,753)	(5,173)	(2,719)
The subsidiaries with an insignificant amount of non-controlling interest				(11)	25	49	46
				(17,951)	**(3,380)**	**17,204**	**38,896**

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

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

Eczacıbaşı Girişim	**31 December 2014**	**31 December 2013**
Current assets	189,087	168,709
Non-current assets	115,800	109,455
Current liabilities	246,390	192,966
Non-current liabilities	4,099	5,057
Attributable to equity holders of the Company	54,398	80,141

	2014	**2013**
Revenue	733,723	777,472
Expenses	(752,177)	(778,413)
Profit / (Loss) for the period	(18,454)	(941)
Other comprehensive income/ (loss)	(423)	(482)

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

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

a) Subsidiaries (continued)

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

Eczacıbaşı Hijyen	**31 December 2014**	**31 December 2013**
Current assets	34,876	21,011
Non-current assets	26,515	8,188
Current liabilities	31,867	27,863
Non-current liabilities	31,907	683
Attributable to equity holders of the Company	(2,383)	653

	2014	**2013**
Revenue	72,548	62,107
Expenses	(76,242)	(67,349)
Profit / (Loss) for the period	(3,694)	(5,242)
Other comprehensive income/ (loss)	-	65

b) Associates and Joint Ventures

	31 December 2014	**31 December 2013**
Associates		
Vitra Karo	-	-
Ekom	16,443	16,679
ESH	-	-
Joint Ventures		
Eczacıbaşı-Monrol	34,754	44,507
ESK	1,706	1,702
EBX	61,466	69,755
	114,369	**132,643**

Cumulative share of loss of an associate	**31 December 2014**	**31 December 2013**
Vitra Karo	(20,663)	(35,094)
ESH	(1,617)	(593)
	(22,280)	**(35,687)**

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

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

b) Associates and Joint Ventures (continued)

	2014	2013
As of 1 January	132,643	129,618
The Group's share in investments accounted for using equity method' profit / (loss)	(53,796)	(50,649)
Decreases due to sales of associate's shares	-	-
Capital advance payments	37,038	51,063
Differences due to actuarial gain / (loss)	(2,352)	1,491
Change in the fair value of available-for-sale financial assets	(522)	(72)
Increases due to currency translation differences	2,103	2,137
Dividend payments	(745)	(945)
As of 31 December	**114,369**	**132,643**

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

	31 December 2014					
	Assets	Liabilities	Goodwill attributable to equity holders	Net sales	Net profit / (loss) for the period	Total proportion of ownership interest (%)
Ekom	1,263,073	1,200,705	-	1,205,470	879	26.36
Vitra Karo	822,331	904,982	-	820,052	(36,211)	25.00
ESH	7,823	10,471	-	29,038	(405)	48.35
Eczacıbaşı-Monrol	213,093	196,343	26,379	103,319	(11,111)	50.00
ESK	12,464	8,833	-	20,838	85	47.00
EBX	282,400	159,461	-	458,142	(7,033)	50.00
					(53,796)	

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

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

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

NOTE 6 - SEGMENT REPORTING

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

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

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

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 İstanbul with 50% ownership the Group and 50% ownership of Eczacıbaşı Holding A.Ş. Ormanada project 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.

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

NOTE 6 - SEGMENT REPORTING (Continued)

3. Real estate development (continued):

Ormanada project (continued):

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 consist of 188 villa and 85 houses. The Project will be completed in two different phases; first phase consists of 150 units and second phase will consist of 123 units. As at 31 December 2014, in the first phase, 111 units were sold and sales agreements were signed by sales connection for 64 units included in the second phase. The project is continuing in two different phases. The delivery of the units located in the first phase has been started from April 2013 and 110 units were delivered as of 31 December 2014. The delivery of the units located in the second phase has been started from December 2013 and 64 units were delivered as of 31 December 2014. Construction is completed in the Ormanada Project, only small revisions could be made. Acquisition value of the land and the costs attributable to this project are presented in inventories in the consolidated financial statements (Note 13). Sales and cost of residential units that the delivery started at April 2013 are presented in the revenue and cost of sales in the financial statements.

Ayazağa facilities leased to EBX:

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

Eczacıbaşı Gayrimenkul:

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

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

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

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

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

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

	31 December 2014		**31 December 2013**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Health	85,368	(98,287)	88,230	(88,802)
Personal care	403,033	(305,436)	363,594	(222,225)
Real estate development	333,417	(10,171)	382,944	(72,629)
Undistributed	2,441,667	(88,546)	2,602,451	(133,386)
Total	**3,263,485**	**(502,440)**	**3,437,219**	**(517,042)**

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

NOTE 6 - SEGMENT REPORTING (Continued)

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

1 January 2014 - 31 December 2014	**Health**	**Personal care**	**Real estate development**	**Undistributed**	**Inter-segment elimination**	**Total**
Capital expenditures (Notes 16, 17 and 18)	979	24,122	16,530	-	-	**41,631**
Non-cash expenses:						
- Depreciation and amortisation (Notes 16, 17 and 18)	2,398	6,814	10,195	-	-	**19,407**
- Provision for diminution in value of inventories (Note 13)	957	-	-	-	-	**957**
- Provision for employment termination benefits and actuarial loss (Note 21)	614	146	55	-	-	**815**
- Provision for unused vacation (Note 21)	32	58	176	-	-	**266**
- Provision for litigations (Note 20)	697	234	-	-	-	**931**
- Provision for doubtful receivables (Note 11)	-	79	-	-	-	**79**
- Expense accruals (Note 11)	424	7,724	22	-	-	**8,170**
	5,122	**15,055**	**10,448**	**-**	**-**	**30,625**

1 January 2013 - 31 December 2013						
Capital expenditures (Notes 16, 17 ve 18)	3,873	5,462	5,519	-	-	**14,854**
Non-cash expenses:						
- Depreciation and amortisation (Notes 16, 17 ve 18)	1,997	6,087	6,114	-	-	**14,198**
- Provision for diminution in value of inventories (Note 13)	586	2,757	-	-	-	**3,343**
- Provision for employment termination benefits and actuarial loss (Note 21)	474	(180)	72	-	-	**366**
- Provision for unused vacation (Note 21)	113	(382)	130	-	-	**(139)**
- Provision for litigations (Note 20)	455	858	-	-	-	**1,313**
- Provision for doubtful receivables (Note 11)	228	651	-	-	-	**879**
- Expense accruals (Note 11)	421	1,362	-	-	-	**1,783**
	4,274	**11,153**	**6,316**	**-**	**-**	**21,743**

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

NOTE 6 - SEGMENT REPORTING (Continued)

Segment results for the year ended at 31 December:

1 January - 31 December 2013	**Health**	**Personal care**	**Real estate development**	**Undistributed**	**Inter-segment elimination**	**Total**
Total sales	165,501	806,270	179,743	2	-	**1,151,516**
Elimination of sales within the Group (-)	(3)	(78,692)	(26,040)	-	-	**(104,735)**
Sales to third parties	165,498	727,578	153,703	2	-	**1,046,781**
Cost of sales (-)	(107,016)	(635,601)	(113,903)	-	-	**(856,520)**
Gross Profit	**58,482**	**91,977**	**39,800**	**2**		**190,261**
General administrative expenses (-)	(28,828)	(35,863)	(5,635)	(8,108)	-	**(78,434)**
Marketing expenses (-)	(47,398)	(78,270)	(9,637)	-	-	**(135,305)**
Research and development expenses (-)	-	(1,098)	-	-	-	**(1,098)**
Other operating income	7,273	22,014	290	134,861	-	**164,438**
Other operating expenses (-)	(12,309)	(10,005)	(536)	(98,504)	-	**(121,354)**
Operating (loss) / profit	**(22,780)**	**(11,245)**	**24,282**	**28,251**	**-**	**18,508**

1 January - 31 December 2013						
Total sales	124,076	839,579	304,852	17	-	**1,268,524**
Elimination of sales within the Group (-)	-	(60,229)	(82,286)	-	-	**(142,515)**
Sales to third parties	124,076	779,350	222,566	17	-	**1,126,009**
Cost of sales (-)	(73,051)	(676,384)	(170,440)	-	-	**(919,875)**
Gross Profit	**51,025**	**102,966**	**52,126**	**17**	**-**	**206,134**
General administrative expenses (-)	(31,141)	(33,130)	(2,941)	(6,971)	-	**(74,183)**
Marketing expenses (-)	(41,686)	(69,877)	(9,326)	-	-	**(120,889)**
Research and development expenses (-)	-	(1,053)	-	-	-	**(1,053)**
Other operating income	5,285	9,383	19	157,317	-	**172,004**
Other operating expenses (-)	(10,275)	(12,881)	(802)	(23,372)	-	**(47,330)**
Operating (loss) / profit	**(26,792)**	**(4,592)**	**39,076**	**126,991**	**-**	**134,683**

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

NOTE 6 - SEGMENT REPORTING (Continued)

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

	1 January - 31 December 2014	1 January - 31 December 2013
Operating (loss) / profits related to operating segments	**(9,743)**	**7,692**
Undistributed income	28,251	126,991
Inter-segment elimination	-	-
Income from investing activities	9,454	9,251
Expenses from investing activities (-)	(11,748)	(51)
Losses shares from associates (-)	(53,796)	(50,649)
Financial income	-	-
Financial expenses (-)	(13,272)	(6,204)
(Loss) / profit before tax	**(50,854)**	**87,030**

NOTE 7 - CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Cash in hand	33	62
Banks	648,573	719,531
- demand deposits	13,054	5,458
- time deposits	635,519	714,073
Other liquid assets	-	1
	648,606	**719,594**

Interest rates for TL denominated time deposits vary between 9.50% and 11.50% (31 December 2013: 8.45% - 10.20%) whereas interest rates for foreign currency denominated time deposits vary between 1.90% and 2.60% (31 December 2013: 2.80% - 3.30%). The weighted average interest rates per annum for TL, USD and EUR denominated time deposits are 10.19%, 2.28% and 2.12%, respectively (31 December 2013: 8.95%, 3.04% and 2.90%). Currency denominations of time deposits are as follows:

	31 December 2014	31 December 2013
TL denominated time deposits	82,352	176,307
USD denominated time deposits (TL equivalent)	321,725	272,556
EUR denominated time deposits (TL equivalent)	231,442	265,210
	635,519	**714,073**

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

	31 December 2014	31 December 2013
Cash and cash equivalents	648,606	719,594
Interest accruals (-)	(1,245)	(2,337)
	647,361	**717,257**

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

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

NOTE 8 - FINANCIAL ASSETS

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

	31 December 2014	31 December 2013
Financial assets at fair value through profit and loss	763	308
Financial investments, current	**763**	**308**
Financial assets available-for-sale	1,717,856	1,764,615
Financial assets at fair value through profit and loss	2,266	2,769
Financial investments, non-current	**1,720,122**	**1,767,384**

TFRS 13 defines technical classifications for fair value measurement.

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

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

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

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

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

31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit and loss	-	763	-	763
Financial investments, current	**-**	**763**	**-**	**763**
Financial assets available-for-sale	217,108	228,798	1,271,950	1,717,856
Financial assets at fair value through profit and loss	-	2,266	-	2,266
Financial investments, non-current	**217,108**	**231,064**	**1,271,950**	**1,720,122**

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**

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

NOTE 8 - FINANCIAL ASSETS (Continued)

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

	2014	2013
As of 1 January	1,314,644	1,259,429
Total income accounted in other comprehensive income / (loss)	(74,601)	48,499
Classification from the 3rd level to other levels	(3,005)	-
Classification from the other levels to 3rd level	21,569	-
Effect of share purchases and rate changes	13,343	6,716
As of 31 December	**1,271,950**	**1,314,644**

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

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

The Company management has decided to transfer the assets in portfolio accounts considering their maturities and liquidity, to banks in Turkey in the second half of 2008. As of 31 December 2009, a significant portion of the funds have been transferred to banks in Turkey and transfer of remaining part of the funds is in progress. Total fair value of funds not yet transferred is TL 3,029 thousand as of 31 December 2014 (31 December 2013: TL 3,077 thousand). As of 31 December 2014, Group estimates to transfer TL 763 thousand (31 December 2013: TL 308 thousand) of these funds within 2014 and the remaining TL 2.266 thousand (31 December 2013: TL 2,769 thousand) after 2014. TL 3,029 thousand (31 December 2013: TL 3,077 thousand) of the aforementioned funds are in the funds in North America.

b) Available-for-sale financial assets:

Long-term available-for-sale financial assets:

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

	2014	2013
As of 1 January	1,764,615	1,752,570
Total income accounted in other comprehensive income	(46,759)	12,045
As of 31 December	**1,717,856**	**1,764,615**

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

NOTE 8 - FINANCIAL ASSETS (Continued)

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

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

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

Listed:	**31 December 2014**	**%**	**31 December 2013**	**%**
Eczacıbaşı Yatırım Ortaklığı A.Ş. (*)	3,686	15	3,056	15
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş. (*)	1,154	2	634	2
Türkiye İş Bankası A.Ş. (*)	25	<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
	4,865		**3,713**	
Not listed:				
Eczacıbaşı Holding A.Ş. (*****)	1,712,044	37	1,760,038	37
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş. (****)	768	14	768	14
Eczacıbaşı Menkul Değerler A.Ş. (****)	151	1	68	1
Other (***)	28		28	
	1,712,991		**1,760,902**	
Total	**1,717,856**		**1,764,615**	

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

(**) Market prices of Ak Enerji Elektrik Üretim A.Ş. and Eczacıbaşı Yapı Gereçleri Sanayi ve Ticaret A.Ş as of 31 December 2014 are TL 129 (31 December 2013: TL 121) and TL 717 (31 December 2013: TL 673), respectively

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

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

(*****) As of 31 December 2014 and 2013 the acquisition cost of Eczacıbaşı Holding A.Ş. shares including the restatement effect due to inflation accounting is TL 153,320 thousand. In fair value determination (Fair Value Measurement Methods (I));

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

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

NOTE 8 - FINANCIAL ASSETS (Continued)

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

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

Fair Value Measurement Methods	Code
Market price	(II)
Discounted cash flows	(III)
Current transaction price	(IV)
Net asset value	(V)
Net book value	(VI)

Entity Name	Proportion of ownership interests of Eczacıbaşı Holding A.Ş. (%) (*)		Fair value measurement method (**)			
	2014	2013	2014	2013	2014	2013
EİS Eczacıbaşı İlaç Sınai ve Finansal Yatırımlar San. ve Tic. A.Ş.	69.62	67.88	(I)	(I)	(I)	(I)
Eczacıbaşı Yapı Gereçleri San. ve Tic. A.Ş.	92.39	91.69	(II)	(II)	1. Level	1. Level
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş.	64.95	62.40	(II)	(II)	1. Level	1. Level
Eczacıbaşı Yatırım Ortaklığı A.Ş.	29.18	28.18	(II)	(II)	1. Level	1. Level
Esan Eczacıbaşı Endüstriyel Hammaddeleri San. ve Tic. A.Ş.	99.97	99.96	(III)	(III)	3. Level	3. Level
Eczacıbaşı Bilişim San. ve Tic. A.Ş.	95.63	95.37	(III)	(III)	3. Level	3. Level
Vitra Karo San. ve Tic. A.Ş.	90.75	89.62	(III)	(III)	3. Level	3. Level
Engers Keramik Gmbh & Co Kg	90.75	89.62	(III)	(III)	3. Level	3. Level
Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri San. ve Tic. A.Ş.	81.38	80.54	(III)	(III)	3. Level	3. Level
EİP Eczacıbaşı İlaç Pazarlama A.Ş.	69.61	67.88	(III)	(III)	3. Level	3. Level
Eczacıbaşı Portföy Yönetimi A.Ş.	73.68	69.91	(IV)	(III)	2. Level	3. Level
Eczacıbaşı Menkul Değerler A.Ş.	73.68	69.91	(IV)	(III)	2. Level	3. Level
İpek Kağıt San. ve Tic. A.Ş.	99.45	99.40	(III)	(III)	3. Level	3. Level
Villeroy & Boch Fliesen GmbH	81.68	80.65	(III)	(III)	3. Level	3. Level
Kaynak Tekniği San. ve Tic. A.Ş.	45.34	44.74	(III)	(III)	3. Level	3. Level
E-Kart Elektronik Kart Sistemleri San. ve Tic. A.Ş.	41.23	40.04	(III)	(III)	3. Level	3. Level
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	35.45	34.60	(III)	(III)	3. Level	3. Level
Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş.	34.81	33.94	(III)	(III)	3. Level	3. Level
Eczacıbaşı-Monrol Nükleer Ürünler San. ve Tic. A.Ş.	34.81	33.94	(III)	(III)	3. Level	3. Level
Capintec Inc.	34.81	33.94	(III)	(IV)	3. Level	2. Level
Eczacıbaşı Hijyen Ürünleri San. ve Tic. A.Ş.	81.38	80.54	(III)	(IV)	3. Level	2. Level

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

NOTE 8 - FINANCIAL ASSETS (Continued)

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

	Proportion of ownership interests of Eczacıbaşı Holding A.Ş. (%) (*)		Fair value measurement method (**)		Fair value hierarchy (**)	
Entity Name	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	4.22	4.12	(V)	(V)	3. Level	3. Level
Eczacıbaşı Havacılık A.Ş.	89.59	89.59	(V)	(V)	3. Level	3. Level
Eczacıbaşı Sağlık Hizmetleri A.Ş.	85.56	84.75	(V)	(V)	3. Level	3. Level
Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım A.Ş.	69.75	68.02	(V)	(V)	3. Level	3. Level
Eczacıbaşı İlaç Ticaret A.Ş.	69.64	67.91	(V)	(V)	3. Level	3. Level
Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.	73.52	69.72	(V)	(V)	2. Level	2. Level
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	50.00	50.00	(V)	(V)	3. Level	3. Level
Toplu Konut Holding A.Ş.	27.00	27.00	(V)	(V)	3. Level	3. Level
Ekom Eczacıbaşı Dış Ticaret A.Ş.	89.76	89.23	(V)	(V)	3. Level	3. Level
Vitra Bad GmbH	92.39	100.00	(VI)	(VI)	3. Level	3. Level
Vitra UK Limited	97.22	96.88	(VI)	(VI)	3. Level	3. Level
Vitra Ireland Limited	88.04	86.99	(VI)	(VI)	3. Level	3. Level
Vitra Plitka	90.75	89.62	(VI)	(VI)	3. Level	3. Level

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

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

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

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

In this context, the fair value has been calculated as TL 1,351,044 thousand as of 31 December 2014 (31 December 2013: TL 1,373,210 thousand). As of 31 December 2014, market/stock value of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. amounts to 1,271,843 TL thousand (31 December 2013: TL 1,156,719 thousand).

(II) The securities measured at market values are valued by the strike prices as at 31 December 2014 and 31 December 2013 on BIST. As of 31 December 2014 and 31 December 2013 there are no financial instruments listed in another stock exchange market.

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

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

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

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

NOTE 8 - FINANCIAL ASSETS (Continued)

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

(III) During performing company valuations, risk-free return rates, risk premiums and borrowing costs are determined. If as of 31 December 2014 the calculated weighted average cost of capital had been higher by 10%, the fair value would have been lower by TL 149,558 thousand (31 December 2013: lower by TL 115,726 thousand). If the average cost of capital had been lower by 10%, the fair value would have been higher by TL 192,859 thousand (31 December 2013: higher by TL 213,185 thousand). After calculating average cost of capital, the discount rates are determined by using "debt/equity" ratio, average cost of capital and cost of equity ratio. In this context, the discount rates used for companies of which the functional unit of currency is TL vary between %14.1 - %19.4 (31 December 2013: 15.2% - 21.0%), whereas the discount rates used for companies of which the functional unit of currency is EUR 9.1 % (31 December 2013: 10.3%).

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

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

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

	31 December 2014	**31 December 2013**
Total fair value of Eczacıbaşı Holding (*)	4,000,477	4,148,400
The share of the Group within the total fair value of Eczacıbaşı Holding (**)	1,491,419	1,546,567
The effect of cross ownership	522,752	524,067
Fair value before liquidity discount	**2,014,171**	**2,070,634**
Liquidity discount (-)	(302,127)	(310,596)
Fair value of the Group in consolidated financials	**1,712,044**	**1,760,038**

(*) Reflects the amount multiplied with the total proportion of ownership interests.
(**) As of 31 December 2014 the direct capital share of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. within Eczacıbaşı Holding totals to 37.28 % (31 December 2013: 37.28%).

As presented in the table above, the share of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. in the fair value of Eczacıbaşı Holding before liquidity discount amounting to TL 4,000,477 thousand (31 December 2013: TL 4,148,400 thousand) has been calculated by using the fair value of Eczacıbaşı Holding amounting to TL 1,491,419 thousand (31 December 2013: TL 1,546,567 thousand) by multiplying this fair value with EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş.'s proportion of ownership interest in Eczacıbaşı Holding equaling 37.28% and amounting to 31 December 2014 TL 522,752 thousand (31 December 2013: TL 524,067 thousand) and adding the effect of cross ownership between EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and Eczacıbaşı Holding amounting to TL 2,014,171 thousand (31 December 2013: TL 2,070,634 thousand). The fair value presented in consolidated financial statements amounting to TL 1,712,044 thousand (31 December 2013: TL 1,760,038 thousand) has been calculated by deducting the liquidity discount at the rate of 15% from this amount.

The effect of a 10% change in liquidity discount rate on the fair value of the financial instruments valued by discounted cash-flow method is calculated as TL 201,417 thousand as of 31 December 2014 (31 December 2013: TL 207,063 thousand).

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

NOTE 9 - FINANCIAL LIABILITIES

	31 December 2014		31 December 2013	
	Effective interest rate per annum (%) (*)	**TL**	**Effective interest rate per annum (%) (*)**	**TL**
TL denominated bank borrowings	7.00 - 10.65	108,124	8.00 - 13.25	65,353
EUR denominated bank borrowings	3.00	4,992	-	-
Short-term bank borrowings		**113,116**		**65,353**
EUR denominated bank borrowings	3.49	31,244	-	-
Long-term bank borrowing	-	**31,244**		**-**
Total financial liabilities		**144,360**		**65,353**

(*) Annual weighted average interest rate of TL denominated short-term bank borrowings is 9.53 %, (31 December 2013: 8.38%). Annual weighted average interest rate of EUR denominated short-term bank borrowings is 3,00%. Annual weighted average interest rate of EUR denominated long-term bank borrowings is 3.49 %.

Long term bank borrowings of the Group are denominated in EUR financial liabilities of Eczacıbaşı Hijyen. The long term borrowings will be used to finance investments which will commence in 2015 and later. Maturity of borrowing is October 2022 and the borrowing has semi-annually principal payments after April 2016.

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

	31 December 2014	31 December 2013
To be paid within 1 year	113,116	65,353
To be paid in 1-2 years	4,807	-
To be paid in 2-3 years	4,807	-
To be paid in 3-4 years	4,807	-
To be paid in 4-5 years	4,807	-
5 years and more	12,016	-
Total	**144,360**	**65,353**

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

NOTE 10 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties at 31 December:

Short-term trade receivables due from related parties	**31 December 2014**	**31 December 2013**
Due from shareholders		
Eczacıbaşı Holding A.Ş.	2,526	7,505
	2,526	**7,505**
Due from Joint Ventures		
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	225	408
Eczacıbaşı-Monrol Nükleer Ürünler Sanayi ve Ticaret A.Ş.	13	17
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	458	571
	696	**996**
Due from Associates		
Ekom Eczacıbaşı Dış Ticaret A.Ş.	416	367
Eczacıbaşı Sağlık Hizmetleri A.Ş.	3	-
Vitra Karo Sanayi ve Ticaret A.Ş.	4	-
	423	**367**
Due from other related parties		
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	269	68
Eczacıbaşı Yapı Gereçleri Sanayi ve Ticaret A.Ş.	38	51
Other	68	36
	375	**155**
Short-term trade receivables due from related parties	**4,020**	**9,023**

Average maturity of the Group's receivables from related parties is 18 days (31 December 2013: 18 days) and is amortised at per 8.39% annum (31 December 2013: 9.15%)

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

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

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

Short-term trade payables due to related parties	**31 December 2014**	**31 December 2013**
Due to shareholders		
Eczacıbaşı Holding A.Ş.	3,087	1,962
	3,087	**1,962**
Due to Joint Ventures		
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	5,593	4,762
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	1	132
	5,594	**4,894**
Due to Associates		
Ekom Eczacıbaşı Dış Ticaret A.Ş.	5	4
Eczacıbaşı Sağlık Hizmetleri A.Ş.	7	10
	12	**14**
Due to other related parties		
İpek Kağıt Sanayi ve Ticaret A.Ş.	97,507	84,806
İntema İnşaat ve Tesisat Mlz. Yatırım ve Paz. A.Ş.	70	2,400
Eczacıbaşı Spor Kulübü Derneği	614	201
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	1,341	497
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	612	391
Other	38	77
	100,182	**88,372**
	108,875	**95,242**
Deferred credit finance expenses (-)	(363)	(458)
Short-term trade payables due to related parties	**108,512**	**94,784**

Average maturity of the Group's payables to related parties is 90 days (31 December 2013: 96 days) and is amortised at 8.55 % per annum (31 December 2013: 8.66%).

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

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

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

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

Product sales	**2014**	**2013**
Ormanada house sales (key management and Eczacıbaşı Group's employees)	6,189	3,086
Ekom Eczacıbaşı Dış Ticaret A.Ş.	2,907	2,380
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	1,764	1,693
Other	567	91
	11,427	**7,250**

Service sales		
İpek Kağıt Sanayi ve Ticaret A.Ş.	113,726	77,924
Eczacıbaşı Holding A.Ş.	27,038	92,004
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	10,651	7,406
Other	30	16
	151,445	**177,350**

Product purchases		
İpek Kağıt Sanayi ve Ticaret A.Ş.	408,456	333,145
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	29,651	26,711
Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş.	1,191	1,238
Other	12	5
	439,310	**361,099**

Service purchases		
İntema İnşaat ve Tesisat Malzemeleri	3,097	7,908
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	4,602	4,990
Eczacıbaşı Spor Kulübü Derneği	2,246	1,795
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	1,757	1,232
Eczacıbaşı Holding A.Ş.	760	637
Other	594	156
	13,056	**16,718**

The Group purchases computer hardware, computer by products and related consumable products from Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.; sanitary ware and related consumable products from İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş. and various raw materials, finished goods and merchandise from other group companies.

The Group renders services related to administration of Kanyon complex from Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.; IT consultancy services and technical services related to maintenance, operation, update, breakdown and system support from Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.; financial audit and consultancy, human resources, social affairs, finance, budget, corporate communication, legal, IT systems, communication, technical training etc. services from Eczacıbaşı Holding A.Ş.; advertisement services from Eczacıbaşı Spor Kulübü; custom clearance and brokerage services for export registered sales from Ekom Eczacıbaşı Dış Ticaret A.Ş. health services from Eczacıbaşı Sağlık Hizmetleri A.Ş.; and various other services from other group companies.

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

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

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

Within the context of real estate operations, the Group provide audit, follow-up and subcontractor management services to Eczacıbaşı Holding A.Ş. related to construction process of co-executed Ormanada Project as detailed in Note 34.

The Group generates rent income from offices located in Kanyon and real estates located in Ayazağa.

The Group performs the sale and distribution of medical, healthcare and consumer products of Eczacıbaşı Group. In this context Group makes merchandise purchase from İpek Kağıt Sanayi ve Ticaret A.Ş. and Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş. and generates revenue from the services related to storage, transportation and sale of those merchandises.

As of 31 December 2014 and 2013, the Group does not have any contingent asset or liabilities arising from transactions with related parties.

Dividend income from related parties	2014	2013
Eczacıbaşı Holding A.Ş.	7,941	7,941
Eczacıbaşı Yatırım Ortaklığı A.Ş.	-	173
	7,941	**8,114**

Interest paid within the context of operating activities		
İpek Kağıt Sanayi ve Ticaret A.Ş.	4,916	2,763
Other	443	151
	5,359	**2,914**

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

Management and royalty fees paid to related parties	2014	2013
Eczacıbaşı Holding A.Ş. (*)	11,721	10,770
	11,721	**10,770**

(*) 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	2014	2013
Eczacıbaşı Holding A.Ş.	3,437	3,183
Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	1,991	1,749
İpek Kağıt Sanayi ve Ticaret A.Ş.	546	542
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş.	55	84
Other	339	224
	6,368	**5,782**

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

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

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

Rent expenses paid to related parties	2014	2013
Eczacıbaşı Holding A.Ş.	2,400	2,066
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	384	234
	2,784	**2,300**

Other expenses paid to related parties		
Eczacıbaşı Holding A.Ş.	377	296
Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	1,306	289
Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş.	243	67
Other	574	262
	2,500	**914**

Donations paid to related parties		
Dr. Nejat F. Eczacıbaşı Vakfı	16	461
	16	**461**

Key management personnel compensation:

The Group has determined key management personnel as board members, group presidents, vice-presidents and general manager.

Short term benefits provided to key management personnel consists of salaries, premiums, social insurance related payments, health insurance and seniority incentive award. Long term benefits provided to key management personnel consists of employee termination benefits paid to discharged key management personnel due to retirement and/or transfer and service award payments.

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

Key management personnel compensation	2014	2013
Short term benefits provided to key management personnel	18,916	20,009
Long term benefits provided to key management personnel	48	-
	18,964	**20,009**

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

NOTE 11 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables:

Short-term trade receivables:	**31 December 2014**	**31 December 2013**
Trade receivables	180,926	178,607
Notes receivables	31,463	29,120
Income accruals	4,682	232
	217,071	**207,959**
Deferred credit finance income (-)	(1,122)	(1,107)
Provision for doubtful receivables (-)	(7,865)	(8,061)
Short-term trade receivables, net	**208,084**	**198,791**

As of 31 December 2013, long-term trade receivables amounting to TL 325 thousand (31 December 2013: TL 1,930 thousand), composed of the notes receivables obtained in exchange down payments of preliminary contracts related to real estates, which will be built as a part of "Ormanada" real estate project with 50% ownership the Group and 50% ownership of Eczacıbaşı Holding A.Ş. in the province of Istanbul and in the district of Zekeriyaköy.

Average maturity of the Group's receivables is 62 days (31 December 2013: 55 days) and TL denominated trade receivables are amortised at 8.39 % 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
Current year additions (Note 25)	79	879
Collections (Notes 27)	(275)	(302)
As of 31 December	**7,865**	**8,061**

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

b) Trade payables:

Short-term trade payables	**31 December 2014**	**31 December 2013**
Trade payables	115,919	146,037
Note payables	2,390	23
Expense accruals	8,170	1,783
Deferred credit finance expenses (-)	(1,157)	(691)
Short-term trade payables, net	**125,322**	**147,152**

Average maturity of the Group's payables is 93 days (31 December 2013: 81 days) and TL denominated trade payables are amortised at 8.54% per annum (31 December 2013: 8.75%), EUR denominated trade payables are amortised at 0.06% per annum (31 December 2013: 0.23%) and USD denominated payables are amortised at 0.26% per annum (31 December 2013: 0.21%).

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

NOTE 12 - OTHER RECEIVABLES AND PAYABLES

Other current assets	**31 December 2014**	**31 December 2013**
Receivables from tax office	127	661
Deposits and collaterals given	8	11
Other	72	193
	207	**865**

Other non-current assets	**31 December 2014**	**31 December 2013**
Deposits and collaterals given	46	50
	46	**50**

Short-term other liabilities	**31 December 2014**	**31 December 2013**
Taxes payable	3,045	3,883
Deposits and collaterals received	2,343	1,880
Other	535	498
	5,923	**6,261**

NOTE 13 - INVENTORIES

	31 December 2014	**31 December 2013**
Raw materials and supplies	14,318	17,382
Work in progress	1,265	287
Finished goods	13,646	9,011
Merchandise	26,299	19,869
Scrap goods	4,613	2,748
Other inventories	3,136	1,986
Lands, completed and construction in progress houses	103,499	158,510
	166,776	**209,793**
Provision for diminution in value of inventories (-)	(11,986)	(11,450)
	154,790	**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
Current year additions (Note 27)	957	3,343
Reversals and inventories destroyed	(421)	(45)
As of 31 December	**11,986**	**11,450**

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

NOTE 14 - PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses	31 December 2014	31 December 2013
Unearned revenue	1,486	602
Advances given	193	821
	1,679	**1,423**

Long-term prepaid expenses	31 December 2014	31 December 2013
Advances given to subcontractors	1,032	1,842
Prepaid expenses	5,993	1,276
	7,025	**3,118**

Short-term deferred income	31 December 2014	31 December 2013
Advances received (*)	10,751	45,567
Unearned revenue	270	245
	11,021	**45,812**

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

(*) Advances received presented in other non-current liabilities composed of down payments of preliminary contracts related to real estates, which will be built as a part of "Ormanada" real estate project with 50% ownership the Group and 50% ownership of Eczacıbaşı Holding A.Ş. in the province of Istanbul and in the district of Zekeriyaköy. Advances received presented in current liabilities amounting to TL 306 thousand (31 December 2013: TL 45,448 thousand) is also related to the down payments received from clients for the same above mentioned project.

NOTE 15 – CURRENT INCOME TAX ASSETS

Current income tax assets	31 December 2014	31 December 2013
Prepaid taxes and withholding taxes	123	1,926
	123	**1,926**

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

NOTE 16 - INVESTMENT PROPERTIES

Cost	1 January 2014	Additions	Disposals	31 December 2014
Kanyon	229,394	235	-	229,629
Buildings	25,039	15,823	-	40,862
Lands and land improvements	3,082	-	-	3,082
	257,515	**16,058**	**-**	**273,573**
Accumulated depreciation				
Kanyon	39,294	5,563	-	44,857
Buildings	13,608	4,303	-	17,911
Lands and land improvements	273	83	-	356
	53,175	**9,949**	**-**	**63,124**
Carrying amount	**204,340**			**210,449**

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

As of 31 December 2014, fair value of Kanyon is approximately TL 557 million which consist of fair value of Kanyon shopping centre amounting TL 256 million and fair value of Kanyon Office complex amounting TL 301 million (31 December 2013: fair value of Kanyon is TL 521 million which consist of fair value of Kanyon shopping centre amounting TL 243 million and fair value of Kanyon Office complex amounting TL 278 million, which is calculated from net present value of estimated rent income of Kanyon shopping centre and office complex and the method used in fair value measurement is 3 (Note 8).

For the periods ending at 31 December, total rent income of Kanyon shopping centre and office complex is amounted to TL 53,524 thousand (31 December 2013: TL 48,375 thousand) and repair and maintenance expense of the related period is amounted to TL 2,325 thousand (31 December 2013: TL 858 thousand).

As of 31 December 2014 and 31 December 2013, there are no pledges or liens on Group's investment property.

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

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

NOTE 17 - PROPERTY, PLANT AND EQUIPMENT

Cost	**1 January 2014**	**Additions**	**Disposals**	**Transfers**	**31 December 2014**
Lands and land improvements	1,427	15,729	-	-	17,156
Buildings	27,824	17	-	-	27,841
Machinery, plant and equipment	48,156	1,038	(432)	-	48,762
Motor vehicles	774	65	(201)	-	638
Furniture and fixtures	15,171	967	(482)	11	15,667
Construction in progress	46	576	-	(121)	501
Leasehold improvements	3,552	488	(33)	-	4,007
Other tangible assets	9,596	3,823	(36)	110	13,493
	106,546	**22,703**	**(1,184)**	**-**	**128,065**
Accumulated depreciation					
Land improvements	19	3	-	-	22
Buildings	1,734	561	-	-	2,295
Machinery, plant and equipment	36,864	2,158	(378)	-	38,644
Motor vehicles	706	28	(190)	-	544
Furniture and fixtures	10,523	1,464	(436)	-	11,551
Leasehold improvements	2,045	363	(16)	-	2,392
Other tangible assets	8,840	477	(14)	-	9,303
	60,731	**5,054**	**(1,034)**	**-**	**64,751**
Carrying amount	**45,815**				**63,314**

Allocation of depreciation expenses is as follows: TL 1,257 thousand in cost of goods sold, TL 2,181 thousand in general and administrative expenses, TL 1,575 thousand in marketing expenses and TL 41 thousand in research and development expenses.

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

NOTE 17 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

NOTE 18 - INTANGIBLE ASSETS

Cost	**1 January 2014**	**Additions**	**Disposals**	**Impairment**	**Transfers**	**31 December 2014**
Customer relations, licences and royalty	20,370	-	-	-	-	20,370
Rights	11,604	1,831	-	(141)	390	13,684
Computer software	11,826	252	-	-	74	12,152
Construction in progress	4,658	787	(448)	-	(464)	4,533
Other intangible assets	129	-	-	-	-	129
	48,587	**2,870**	**(448)**	**(141)**	**-**	**50,868**
Accumulated amortisation						
Customer relations, licences and royalty	1,358	1,358	-	-	-	2,716
Rights	4,485	1,555	-	(99)	-	5,941
Computer software	9,269	1,490	-	-	-	10,759
Other intangible assets	128	1	-	-	-	129
	15,240	**4,404**	**-**	**(99)**	**-**	**19,545**
Carrying amount	**33,347**					**31,323**

Allocation of amortisation charge is as follows: TL 1,095 thousand in cost of goods sold, TL 1,901 thousand in general and administrative expenses, TL 1,372 thousand in marketing expenses and TL 36 thousand in research and development expenses.

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

NOTE 18 - INTANGIBLE ASSETS (Continued)

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

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

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

NOTE 19 - GOODWILL

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

	2014	2013
As of 1 January	39,511	39,511
Impairment of goodwill (-)	(11,352)	-
As of 31 December	**28,159**	**39,511**

The goodwill carried in the statement of financial position as of reporting date is arisen from the acquisition of Eczacıbaşı Hijyen in 2012.

The Company determined each subsidiary as the cash generating unit and the Company assesses the impairment of goodwill allocated to each cash-generating units annually considering their future cash flows. The Company performed impairment analysis s of 31 December 2014 and goodwill impairment amounting to TL 11,352 thousand has been determined.

The impairment assessment is analysed by using discounted cash flow. Weighted average cost of capital is calculated with the consideration of periodic risk-free rate of return, the risk of the entity and debt premium. During the analysis based on the valuation studies, weighted average cost of capital of 14.1% was applied to the projections. As a result, as of 31 December 2014 goodwill impairment amounting to TL 11,352 thousand is observed.

NOTE 20 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions:

	31 December 2014	31 December 2013
Provision for litigations	2,906	2,122
Provision for revision	112	-
	3,018	**2,122**

Provision for litigations:

The Group has provided provision for the lawsuits filed against the Group in the amount of TL 2,906 thousand (31 December 2013: TL 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. Movements of the provision for litigations are stated below:

	2014	2013
As of 1 January	2,122	1,004
Charge for the period (Note 27)	931	1,313
Reversal of provision (-)	(147)	(195)
As of 31 December	**2,906**	**2,122**

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

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 TL 1,211 thousand, equivalent of 7.5‰ of the net sales of 2001, has been imposed on EİP. Regarding the penalty mentioned a reduced payment of TL 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, TL 3,656 thousand regarding the additional corporate income tax and its associated withholding tax and TL 5,877 penalty (TL 3,656 thousand of the penalty is attributable to additional corporate income tax and TL 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.

Tax penalty notified as at 26 December 2008:

Upon inspections to companies in pharmaceuticals industry by Tax Inspectors Board of Ministry of Finance, TL 8,896 thousand regarding the corporate income tax (TL 5,709 thousand of the amount is attributable to additional corporate income tax and TL 3,187 thousand relate to temporary income tax) and TL 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.

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

c) Contingent liabilities (continued):

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

Tax penalty notified as at 12 June 2009:

Upon inspections of companies in pharmaceuticals industry by the Tax Inspectors Board of the Ministry of Finance, TL 7,256 thousand regarding the corporate income tax (TL 2,340 thousand of the amount is attributable to additional corporate income tax and TL 4,916 thousand relate to temporary income tax) and TL 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, TL 13,517 thousand regarding the corporate income tax (TL 3,033 thousand of the amount is attributable to additional corporate income tax and TL 10,484 thousand relate to temporary income tax) and TL 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.

The request for appeal has been dismissed in the Council of State and the decisions of the Tax Court has been ratified and the lawsuit has been concluded in terms of all assessments in favour of the Company.

Tax and tax penalties which were notified for 31 December 2007, 26 December 2008, 12 June 2009 and 7 April 2011 are resulted in favour of the Company and all accrued income taxes and penalties have been cancelled.

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, TL 3,113 thousand regarding the tax and TL 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 and the lawsuits resulted in favour of the Company.

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

c) Contingent liabilities (continued):

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

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

Büyük Mükellefler Tax Administration has applied to the Council of State for the appeal of this lawsuit. The Company responded to the petition of the defendant and sent to the State Council. The lawsuits is still in progress in Council of State.

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

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

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

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.

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 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 TL 35,046 thousand (the Group's share is TL 17,523 thousand), which consists of TL 8,272 thousand of tax base (TL 4,159 thousand attributable to corporate income tax, TL 1,223 thousand attributable to withholding tax and TL 2,890 thousand attributable to VAT) and TL 26,774 thousand of tax penalty were notified.

iii) On 4 April 2013, tax and tax losses penalties for the year 2008 amounting to TL 33,195 thousand (the Group's share is TL 16,597 thousand), which consists of TL 8,094 thousand of tax base (TL 4,565 thousand attributable to corporate income tax and TL 1,230 thousand attributable to withholding tax and TL 2,299 thousand attributable to VAT) and TL 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 TL 18,424 thousand (the Group's share is TL 30,904 thousand), which consists of TL 18,424 thousand of tax base (TL 11,366 thousand attributable to corporate income tax and TL 7,058 thousand attributable to VAT) and TL 43,384 thousand of tax penalty were notified.

As at 30 October 2014, EBX settled for the tax and tax losses penalties for the years 2007, 2008, 2009 and 2010 since settlement was reached in the Commission for Tax Settlements in the Ministry of Finance for an amount of TL 49,917 thousand. EBX paid TL 38,832 thousand for the tax and its interest after deduction of repetitive payments in aforementioned periods. The Group Management was recognized TL 38,000 thousand as provision in the previous period consolidated financial statements.

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

c) Contingent liabilities (continued):

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

v) EBX filed a lawsuit against Büyük Mükellefler Tax Administration related to offsetting 2012 VAT with 2010 VAT receivable amounting to TL 4,104 thousand in Istanbul Tax Court, lawsuits concluded against EBX. In this respect, EBX has applied to the Council of State for the appeal of this lawsuit and the lawsuits is still in progress in Council of State.

VAT Receivables

EBX Management is recognized an impairment for the VAT receivables which were settled for the years 2007 to 2010 and VAT carrying the risk for return and/or offsetting for the years 2011 and 2012 for an amount of TL 17,715 thousand as of 31 December 2014. A provision of TL 8,858 thousand has been recognized in the consolidated financial statements for the Group's share, which is calculated considering 50% equity method accounting for 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 TL 570 thousand regarding VAT and TL 855 thousand for its activities of the 2010 - 2011 periods. Based on on-going inspection process, tax penalties for TL 282 thousand of Corporate Tax, TL 365 thousand VAT and TL 917 thousand penalty have been notified for financial year 2010.

EIP filed lawsuits for the related tax and tax penalties since no settlement was reached in Büyük Mükellefler Büyük Mükellefler Tax Administration. The lawsuits amounting to TL 570 thousand VAT, TL 855 thousand penalty and TL 365 thousand VAT, TL 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 TL 282 thousand attributable to corporate tax and TL 282 thousand attributable to tax penalty was concluded against EIP despite other lawsuits concluded in favour of EIP. EIP has applied to the council of State and the lawsuit is still in progress.

The lawsuit related to price differences from market values:

Various public hospitals governed by Turkish Ministry of Health ("MoH") claimed approximately TL 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 TL 403 thousand; preliminary hearings and discovery proceedings in these lawsuits are in progress. Considering the continuing legal process and uncertainty regarding the ultimate outcome of the matter, no provision has been provided in the consolidated financial statements.

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

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

d) Guarantees given and taken:

	31 December 2014			
Guarantees given	**USD**	**EUR**	**TL**	**Total**
Suretyship declaration for bank borrowings	-	-	-	-
Letters of guarantee	-	-	10,259	10,259
Guaranteed bills of exchange	-	-	-	-
	-	**-**	**10,259**	**10,259**
Guarantees taken				
Letters of guarantee	20,356	925	80,871	102,152
Mortgages	-	-	31,031	31,031
Guaranteed bills of exchange	341	-	202	543
	20,697	**925**	**112,104**	**133,726**

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

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

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

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

d) Guarantees given and taken (continued):

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

	31 December 2014	**31 December 2013**
A. CPMs given for Company's own legal personality	3,119	3,119
- Collateral (Fully denominated in TL)	*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 31 December 2014 is 0% (31 December 2013: 0%).

NOTE 21 - EMPLOYEE BENEFITS

Employee benefit obligations

	31 December 2014	**31 December 2013**
Wages payable to employees	819	2,272
Social security premiums payable	1,442	1,325
	2,261	**3,597**

Short term provisions for employee benefits

	31 December 2014	**31 December 2013**
Provision for unused vacations	4,539	4,664
	4,539	**4,664**

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

NOTE 21 - EMPLOYEE BENEFITS (Continued)

Short term provisions for employee benefits (continued)

Provision for unused vacations:

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

	2014	2013
As of 1 January	4,664	5,032
Charge for the period (Note 25)	266	(139)
Payments during the period (-)	(391)	(229)
As of 31 December	**4,539**	**4,664**

Long term provisions for employee benefits

Provision for employment termination benefits:

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

As of 31 December 2014, the amount payable consists of one month's salary limited to a maximum of 3,438.22 TL (31 December 2013: TL 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 TASB 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. The reserve for employment termination benefit and the maximum liability of the Group is revised semi-annually.

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

	2014	2013
As of 1 January	3,436	3,782
Charge for the period (Note 25)	815	850
Actuarial gain / loss	-	(484)
Payments during the period (-)	(958)	(712)
As of 31 December	**3,293**	**3,436**

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

NOTE 22 - OTHER ASSETS AND LIABILITIES

Other current assets	**31 December 2014**	**31 December 2013**
VAT receivables	16,608	9,239
Advances given to personnel	317	-
Others	14	17
	16,939	**9,256**

Other non-current assets	**31 December 2014**	**31 December 2013**
VAT receivables	28,904	42,115
Blocked amount due to subsidiary acquisition payables	7,500	7,500
Prepaid taxes under construction activities	6,071	10,309
	42,475	**59,924**

Other current liabilities	**31 December 2014**	**31 December 2013**
VAT payables	188	340
Others	18	118
	206	**458**

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

NOTE 23 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

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

	31 December 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.

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

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

At 31 December 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	%	31 December 2014	%	31 December 2013
Eczacıbaşı Holding A.Ş.	50.62	277,476	50.62	277,476
Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.	25.84	141,682	24.78	135,819
Other (Listed) (*)	23.54	129,050	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 31 December 2014, 23.45 % (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 TL 49,401 thousand (31 December 2013: TL 40,627 thousand).

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

	31 December 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**

Retained earnings

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

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

Retained earnings (continued)

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

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

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

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

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

Dividend Distribution

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

According to the Article 19 of the Capital Market Law, numbered 6362 and effective from 30 December 2012, and Dividend Communiqué of CMB, numbered II-19.1 and effective from 1 February 2014, listed companies shall distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the prevailing regulations. Regarding the profit distribution policies of the listed companies, CMB may set different principles on companies with similar qualifications.

In accordance with the Turkish Commercial Code, unless the required reserves and the dividend for shareholders as determined in the Articles of Association or in the dividend distribution policy of the company are set aside; no decision may be taken to set up other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct shares, to the members of the board of directors or to the employees; and no dividend can be distributed to these people unless the determined dividend for shareholders is paid in cash.

For the listed companies, dividend distribution is made evenly to all existing shares as of the date of dividend distribution without considering the dates of issuance and acquisition of the shares. Companies shall distribute their profits through general assembly decisions in accordance with the profit distribution policies to be determined by their general assemblies as well as the related provisions of the prevailing regulations. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their articles of associations or profit distribution policies. Furthermore, dividends may be paid in instalments with same or different amounts and profit share advances may be distributed over the profit in the interim financial statements.

In accordance with Article 26 of the Company's Articles of Association, decision to be taken by the General Assembly, the dividends are distributed after the first legal reserves set aside over income before tax, financial obligations and first level dividends based on Capital Markets Board legislation. As of 31 December 2014, the distributable profit of the Company is TL 49,023 thousand (31 December 2013: TL 118,797 thousand) and available distributable resources amount to TL 318,750 thousand (31 December 2013: TL 255,102 thousand) according to the statutory financial statements.

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

NOTE 24 - REVENUE

	2014	2013
Domestic sales	1,681,435	1,744,111
Exports	15,463	16,269
Gross sales	**1,696,898**	**1,760,380**
Sales returns (-)	(37,425)	(62,094)
Sales discounts (-)	(612,692)	(572,277)
Net sales	**1,046,781**	**1,126,009**
Cost of sales (-)	(856,520)	(919,875)
Gross profit	**190,261**	**206,134**

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

Marketing expenses	**2014**	**2013**
Personnel expenses	52,839	49,473
Advertisement, presentation and promotion expenses	41,651	36,087
Transportation, distribution and warehousing expenses	13,940	11,637
Rent expenses	6,649	6,599
Fuel, energy and water expenses	3,751	3,932
Travelling expenses	2,527	2,064
Depreciation and amortisation expenses (Notes 17 and 18)	2,947	1,949
Consultancy expenses	1,042	771
Other	9,959	8,377
	135,305	**120,889**

General administrative expenses	**2014**	**2013**
Personnel expenses	35,853	35,668
Consultancy expenses	15,583	13,679
Rent expenses	5,119	4,468
Depreciation and amortisation expenses (Notes 17 and 18)	4,082	4,076
Miscellaneous taxes	4,174	3,691
Repair and maintenance expenses	3,821	2,301
Provision expense for doubtful receivables (Note 11)	79	879
Provision for employment termination benefits (Note 21)	815	850
Provision for unpaid vacation (Note 21)	266	(139)
Other	8,642	8,710
	78,434	**74,183**

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

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

Research and development expenses	2014	2013
Personnel expenses	1,021	997
Depreciation and amortisation expenses (Notes 17 and 18)	77	56
	1,098	**1,053**

NOTE 26 - EXPENSES BY NATURE

	2014	2013
Purchase and consumption of inventories	796,274	881,754
Personnel expenses	105,921	99,916
Advertisement and promotion expense	41,651	36,087
Consultancy expense	16,625	14,450
Depreciation and amortisation expense (Notes 16, 17 and 18)	19,407	14,198
Transportation, distribution and warehousing expenses	13,940	11,637
Rent expenses	11,768	11,067
Changes in commercial inventories	12,043	5,188
Contract manufacturing expense	6,133	5,062
Provision for employment termination benefits (Note 21)	815	850
Other	46,780	35,791
	1,071,357	**1,116,000**

NOTE 27 - OTHER OPERATING INCOME / EXPENSES

Other operating income	2014	2013
Foreign exchange gains from bank deposits	112,804	126,587
Interest income from bank deposits	21,389	30,665
Credit finance income	12,413	8,216
Foreign exchange gains from trade receivables and payables	4,197	3,615
Other miscellaneous income (*)	10,028	-
Compensation income	53	358
Collections from doubtful receivables (Note 11)	275	302
Other	3,279	2,261
	164,438	**172,004**

(*) 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 30.

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

NOTE 27 - OTHER OPERATING INCOME / EXPENSES (Continued)

Other operating expenses	2014	2013
Foreign exchange losses from bank deposits	97,525	23,511
Foreign exchange losses from trade receivables and payables	8,169	8,062
Credit finance expenses	8,698	7,139
Provision for diminution in value of inventories (Note 13)	957	3,343
Provision expense for legal case (Note 20)	931	1,313
Donation expenses	459	774
Other	4,615	3,188
	121,354	**47,330**

NOTE 28 - INCOME / EXPENSES FROM INVESTING ACTIVITIES

Income from investing activities	2014	2013
Dividend income (Note 10.b)	7,941	8,114
Gain on sales of fixed assets	1,513	1,137
	9,454	**9,251**

Expenses from investing activities	2014	2013
Loss on sales of fixed assets	396	51
Impairment of goodwill	11,352	-
	11,748	**51**

NOTE 29 - FINANCIAL INCOME / EXPENSES

Financial income	2014	2013
Derivative transactions incomes	-	-
Other financial income	-	-
	-	**-**

Financial expenses	2014	2013
Interest expense from bank borrowings	12,627	5,341
Fair value changes recognized in profit and loss	315	628
Commissions of letter of guarantees	242	213
Other	88	22
	13,272	**6,204**

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

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

a) Current income tax on profits:

	31 December 2014	31 December 2013
Corporate and income taxes payable	9,829	30,075
Prepaid taxes (-)	(7,787)	(22,251)
Current income tax liabilities (net)	**2,042**	**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 2014 (2013: 20%). Corporation tax is payable on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive allowance, etc.) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed except withholding tax at the rate of 19.8% on the investment incentive allowance utilised within the scope of the Income Tax Law transitional Article 61.

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

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

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

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

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

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

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

a) Current income tax on profits (continued):

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

The taxes on income reflected to the consolidated income statement of the nine months period ended 31 December 2014 and 2013 are summarized below:

	2014	2013
Current income tax charge (-)	(9,829)	(30,075)
Previous year's income tax charge (-) (*)	(1,980)	-
Deferred tax (charge) / revenue	1,419	1,079
Total income tax charge (-)	**(10,390)**	**(28,996)**

(*) 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 Eczacıbaşı – Beiersdorf Kozmetik Ürünleri Sanayi ve Ticaret A.Ş. at 27 December 2012.

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

	31 December 2014	31 December 2013
Profit / (loss) before tax	**(50,854)**	**87,030**
Current year corporation tax expense	10,171	(17,406)
Disallowable expenses	(394)	(221)
Tax effect of exempt income	1,588	1,623
Tax losses disregarded in the calculation of deferred income tax	(8,958)	(2,879)
Items disregarded in the calculation of deferred income tax	(2,038)	17
Equity method accounting	(10,759)	(10,130)
Total income tax charge (-)	**(10,390)**	**(28,996)**

b) Deferred income tax:

The Group recognizes 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 recognized 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%).

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

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

b) Deferred income tax (continued):

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

	Cumulative temporary differences		**Deferred income tax assets / (liabilities)**	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
Tax losses carried forward	(14,372)	(10,569)	2,874	2,114
Provision for doubtful receivables	(6,203)	(6,414)	1,241	1,283
Provision for unused vacation	(4,539)	(4,664)	908	933
Provision for employment termination benefits	(3,293)	(3,436)	659	687
Provision for litigations	(2,906)	(2,122)	581	424
Wage and bonus accruals	-	(1,440)	-	288
Deferred credit finance income	(1,129)	(1,107)	226	221
Differences between the tax base and carrying amount of inventories	(487)	(938)	97	188
Deferred income tax assets (**)	**(32,929)**	**(30,690)**	**6,586**	**6,138**
Fair value differences of available-for-sale financial assets (*)	1,559,222	1,605,981	(77,966)	(80,304)
Difference between the tax base and carrying amount of investment property, property, plant and equipment and intangible assets	(2,202)	3,472	795	(339)
Deferred credit finance expenses	1,520	691	(304)	(138)
Other	(280)	(1,311)	56	53
Deferred income tax liabilities (-) (**)	**1,558,260**	**1,608,833**	**(77,419)**	**(80,728)**
Deferred income tax liabilities, net	**1,525,331**	**1,578,143**	**(70,833)**	**(74,590)**

(*) Difference between fair value and book value amounts to TL 1,559,222 thousand (31 December 2013: TL 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 TL 81,500 thousand (31 December 2013: TL 84,218 thousand) and deferred tax liability amounting to TL 10,667 thousand (31 December 2014: TL 9,628 thousand) presented in the financial statements, which are calculated on a separate entity basis for all companies included in the scope of consolidation.

Based on the assessment made, the Group has not recognized any deferred tax assets over deductible temporary differences amounting to TL 62,089 thousand (31 December 2013: TL 37,578 thousand) as of 31 December 2014 considering available evidence with respect to the utilization of those assets in the foreseeable future. Hence the amount of TL 12,418 thousand deferred tax assets which are calculated over deductible temporary differences has not recognized (31 December 2013: TL 7,516 thousand).

Expiration schedule of carry forward tax losses is as follows:

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

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

b) Deferred income tax (continued):

	31 December 2014	31 December 2013
To expire in 2016	-	14,954
To expire in 2017	8,464	8,464
To expire in 2018	14,160	14,160
To expire in 2019	39,465	-
	62,089	**37,578**

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

The movement of deferred income tax liabilities in the period is as follows:

	2014	2013
As of 1 January	(74,590)	(74,971)
Effect of subsidiary acquisition	-	-
Current year deferred income tax (expense) / benefit	1,419	1,079
Deferred income tax liability accounted under equity resulting from actuarial gain / loss	-	(96)
Deferred income tax liability accounted under equity resulting from increase in value of available-for-sale financial assets	2,338	(602)
As of 31 December	**(70,833)**	**(74,590)**

NOTE 31 - EARNINGS PER SHARE

	2014	2013
Net gain / (loss) attributable to equity holders of the Company	(43,293)	61,414
Weighted average number of ordinary shares with face value of Kr 1 each	54,820,800,000	54,820,800,000
Basic and diluted earnings / (loss) per share	**(0.0790)**	**0.1120**

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

a) Credit risk

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

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

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

a) Credit risk (continued)

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

	Trade receivables from		Other receivables from			
31 December 2014	**Related parties**	**Other**	**Related parties**	**Other**	**Deposit in bank**	**Other (*)**
Maximum credit risk exposed as of balance sheet date (**)	**4,020**	**208,409**	**-**	**253**	**648,573**	**3,029**
- Secured portion of the maximum credit risk by guarantees	***-***	***119,585***	***-***	***-***	***-***	***-***
A. Net book value of financial assets that are neither past due nor impaired	3,981	162,613	-	253	648,573	-
B. Carrying value of financial assets that are past due but not impaired (***)	39	45,796	-	-	-	3,029
C. Net book value of the impaired assets			-	-	-	-
- Past due (gross carrying amount)	-	7,865	-	-	-	-
- Impairment (-)	-	(7,865)	-	-	-	-
- 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 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".

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

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

a) Credit risk (continued)

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

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

(**) The area implies the sum of A, B, C, 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".

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

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

a) Credit risk (continued)

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

	Trade receivables from		
31 December 2014	**Related parties**	**Other**	**Other**
Past due up to 30 days	39	10,740	-
Past due 1 - 3 months	-	28,147	-
Past due 3 - 12 months	-	5,574	-
Past due 1 - 5 year (*)	-	1,335	3,029
	39	**45,796**	**3,029**

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

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

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

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

b) Liquidity risk

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

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

	31 December 2014					
			Contractual terms			
Financial liabilities (non-derivative)	**Carrying value**	**Contractual cash outflows**	**Up to 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**
Other financial liabilities	144,360	208,594	103,876	66,582	23,602	14,750
Trade payables due to related parties	108,512	108,875	108,875	-	-	-
Other trade payables	125,322	126,479	112,137	14,342	-	-
Other payables	5,923	5,923	5,923	-	-	-
Total non-derivative financial liabilities	**384,117**	**449,871**	**330,811**	**80,924**	**23,602**	**14,750**

	31 December 2013					
			Contractual terms			
Financial liabilities (non-derivative)	**Carrying value**	**Contractual cash outflows**	**Up to 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**
Other financial liabilities	65,353	65,642	59,146	6,496	-	-
Trade payables due to related parties	94,784	95,242	95,242	-	-	-
Other trade payables	147,152	147,843	141,069	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**	**348,773**	**335,503**	**13,270**	**-**	**-**

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

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

c) Market risk

i) Cash flow and fair value interest rate risk

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

The Group is exposed to 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 31 December 2014 and 31 December 2013, the Group's financial liabilities with floating interest rates are EUR denominated.

	31 December 2014	31 December 2013
Financial instruments with fixed interest rates:		
Financial assets		
- Cash and cash equivalents	648,606	719,594
- Fair value changes recognized in to profit and loss	511	2
Financial liabilities		
- Financial liabilities	113,116	65,353
Financial instruments with floating interest rates:		
Financial liabilities		
- Financial liabilities	31,244	-

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

At 31 December 2014, if interest rates at contractual re-pricing dates of TL denominated financial liabilities with variable interest rates has strengthened/weakened by 100 basis points (1%) against TL with all other variables held constant, profit before tax would have been TL 1,444 thousand (31 December 2013: TL 654 thousand) higher / lower as a result of interest expenses.

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

ii) Foreign exchange risk

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

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

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

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

c) Market risk (continued)

ii) Foreign exchange risk (continued)

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

	31 December 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 TL:				
USD net asset / (liability)	31,869	(31,869)	31,869	(31,869)
Secured position (-)	-	-	-	-
USD net effect	**31,869**	**(31,869)**	**31,869**	**(31,869)**
In case of 10% change in EUR against TL:				
EUR net asset / (liability)	18,944	(18,944)	18,944	(18,944)
Secured position (-)	-	-	-	-
EUR net effect	**18,944**	**(18,944)**	**18,944**	**(18,944)**
In case of 10% change in other foreign exchange rates against TL:				
Other foreign currency net asset / (liability)	(11)	11	(11)	11
Secured position (-)	-	-	-	-
Other foreign currencies net effect	**(11)**	**11**	**(11)**	**11**
	50,802	**(50,802)**	**50,802**	**(50,802)**

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

NOTE 32 - 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 TL:				
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 TL:				
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 TL:				
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)**

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

	31 December 2014	31 December 2013
USD	2.3189	2.1343
EUR	2.8207	2.9365

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

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

c) Market risk (continued)

ii) Foreign exchange risk (continued)

The amounts of assets and liabilities denominated in original and foreign currencies and their TL equivalents as of 31 December 2014 were as follows:

	31 December 2014			
		Original Amounts		
	Total TL equivalent	USD	EUR	GBP
Trade receivables	2,478	604	382	-
Monetary financial assets	559,920	139,219	84,052	-
Other	127	-	45	-
Current Assets	**562,525**	**139,823**	**84,479**	**-**
Trade receivables	-	-	-	-
Monetary financial assets	2,266	977	-	-
Non-current Assets	**2,266**	**977**	**-**	**-**
Total Assets	**564,791**	**140,800**	**84,479**	**-**
Trade payables	18,410	2,450	4,473	31
Financial liabilities	4,992	-	1,770	-
Monetary other liabilities	2,131	919	-	-
Current Liabilities	**25,533**	**3,369**	**6,243**	**31**
Monetary other liabilities	31,244	-	11,077	-
Non-current Liabilities	**31,244**	**-**	**11,077**	**-**
Total Liabilities	**56,777**	**3,369**	**17,320**	**31**
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	**508,014**	**137,431**	**67,159**	**(31)**
Net foreign currency asset / (liability) position of monetary items	**508,014**	**137,431**	**67,159**	**(31)**
Fair value of hedged funds of foreign currency	-	-	-	-
Hedged amount of foreign currency assets	-	-	-	-
Hedged amount of foreign currency liabilities	-	-	-	-

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

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

c) Market risk (continued)

ii) Foreign exchange risk (continued)

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

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

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

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

d) Categories and fair values of financial instruments

31 December 2014	Financial assets at fair value through profit or loss	Loans and receivables (including cash and cash equivalents)	Available for sale financial assets	Financial liabilities stated at amortised cost	Carrying Value	Fair Value	Note
Financial assets							
Cash and cash equivalents	-	648,573	-	-	648,573	648,573	7
Trade receivables	-	208,409	-	-	208,409	208,409	11
Receivables from related parties	-	4,020	-	-	4,020	4,020	10
Financial investments	3,029	-	1,717,856	-	1,720,885	1,720,885	8
Other financial assets	-	7,500	-	-	7,500	7,500	22
Financial liabilities							
Financial liabilities	-	-	-	144,360	144,360	144,360	9
Trade payables	-	-	-	125,322	125,322	125,322	11
Payables to related parties	-	-	-	108,512	108,512	108,512	10
Other financial liabilities	-	-	-	7,500	7,500	7,500	22

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

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

d) Categories and fair values of financial instruments (continued)

31 December 2013	Financial assets at fair value through profit or loss	Loans and receivables (including cash and cash equivalents)	Available for sale financial assets	Financial liabilities stated at amortised cost	Carrying Value	Fair Value	Note
Financial assets							
Cash and cash equivalents	-	719,531	-	-	719,531	719,531	7
Trade receivables	-	200,721	-	-	200,721	200,721	11
Receivables from related parties	-	9,023	-	-	9,023	9,023	10
Financial Investments	3,077	-	1,764,615	-	1,767,692	1,767,692	8
Other Financial Assets	-	7,500	-	-	7,500	7,500	22
Financial liabilities							
Financial liabilities	-	-	-	65,353	65,353	65,353	9
Trade payables	-	-	-	147,152	147,152	147,152	11
Payables to related parties	-	-	-	132,950	132,950	132,950	10
Other financial liabilities	-	-	-	7,500	7,500	7,500	22

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

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

e) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of debts including the borrowings and other debts disclosed in Notes 9, 10 and 22, cash and cash equivalents disclosed in Note 7 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 23.

The Group Management considers the cost of capital and risks associated with each class of capital. The Company Management aims to balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the redemption of existing debt.

The Company controls its capital using the net debt / total equity ratio. This ratio is the calculated as net debt divided by the total equity amount. Net debt is calculated as total liability amount (comprises of financial liabilities, leasing and trade payables as presented in the balance sheet) less cash and cash equivalents.

As of 31 December 2014 and 31 December 2013, the Company's net debt / total equity ratio is detailed as follows:

	31 December 2014	**31 December 2013**
Financial liabilities	120,822	111,477
Less: cash and cash equivalents and current financial investments	(656,106)	(727,094)
Net debt	(535,284)	(615,617)
Total equity	2,761,045	2,920,177
Total capital	2,225,761	2,304,560
Net debt / Total capital	**-**	**-**

During 2014, the Group's general strategy remained unchanged from 2013.

NOTE 33 - EVENTS AFTER THE REPORTING PERIOD

The Group's associate Eczacıbaşı Sağlık Hizmetleri A.Ş.'s capital has increased for an amount of TL 5,200 thousand.

The Group's subsidiary EİP Eczacıbaşı İlaç Pazarlama A.Ş.'s capital has increased for an amount of TL 46,000 thousand.