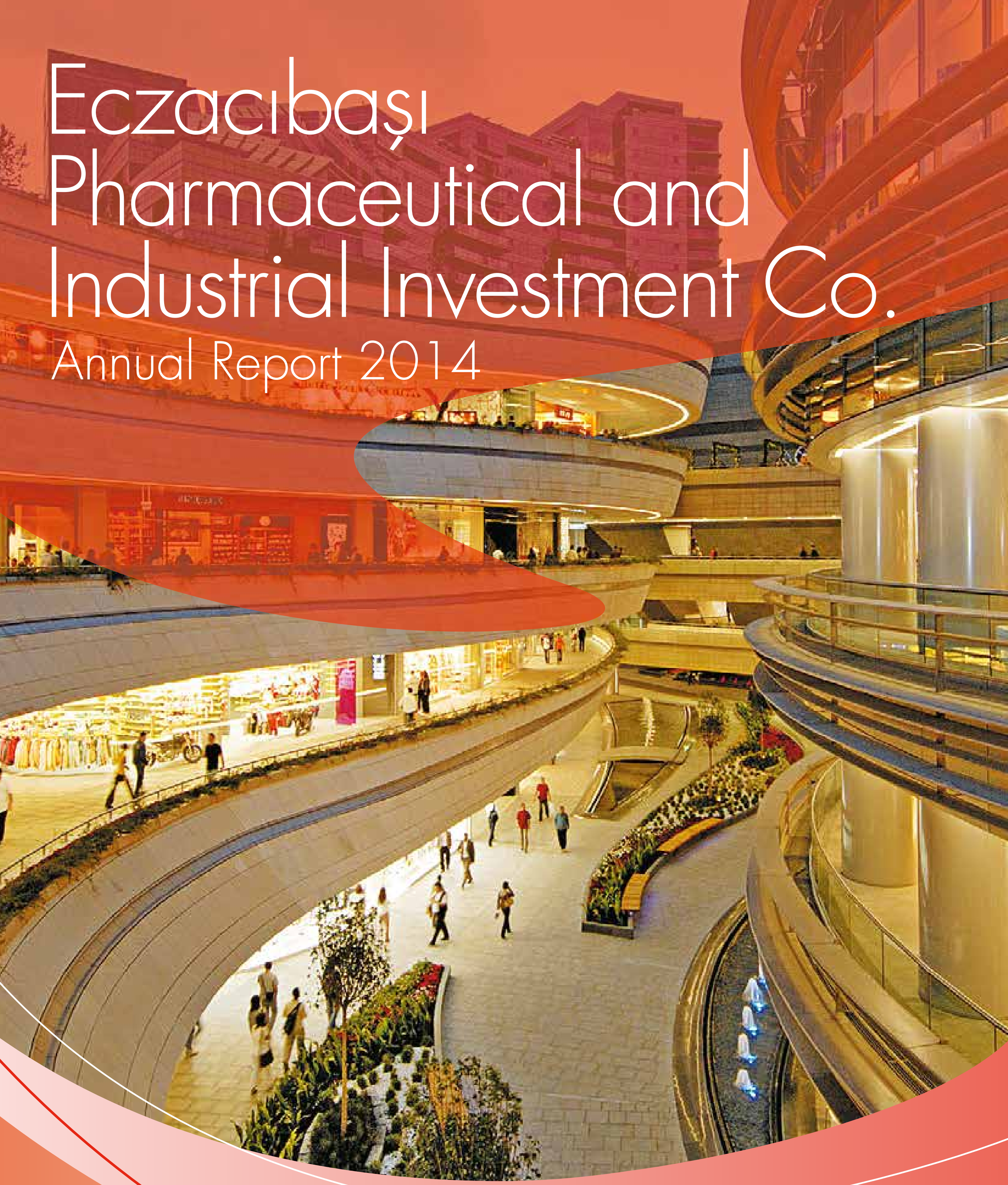
Eczacıbaşı Pharmaceutical and Industrial Investment Co.

Annual Report 2014



Eczacıbaşı Pharmaceutical and Industrial Investment Co. 2014 Annual Report

Board of Directors

F. Bülent Eczacıbaşı

Born in 1949 in Istanbul, Bülent Eczacıbaşı, Chairman of the Eczacıbaşı Group, graduated from the Imperial College of Science and Technology, London, and obtained his master's degree in chemical engineering from the Massachusetts Institute of Technology. After initiating his professional career in 1974 in Eczacıbaşı Holding, Bülent Eczacıbaşı held a variety of management positions in Eczacıbaşı Group companies.

Over the years, Bülent Eczacıbaşı has been involved in a large number of civic associations, including TÜSİAD, the Turkish Industry and Business Association, where he was Chairman of the Board (1991-1993) and Chairman of the High Advisory Council (1997-2001). He was also founding Chairman of the Turkish Economic and Social Studies Foundation (TESEV) (1993-1997) and Chairman of the Board of the Turkish Pharmaceuticals Manufacturers' Association (2000-2008).

Presently, Bülent Eczacıbaşı continues to serve TUSIAD as Honorary Chairman, TESEV (The Turkish Economic and Social Studies Foundation) as a member of the High Advisory Board, and the Turkish Pharmaceuticals Manufacturers' Association as Honorary President. He is also the Chairman of the Board of Trustees of the Istanbul Modern Art Foundation, the Chairman of the Board of Directors of Istanbul Foundation for Culture and Arts (İKSV).

R. Faruk Eczacıbaşı

Born in Istanbul in 1954, Faruk Eczacıbaşı is a graduate of the Istanbul German Lycee and Berlin Technical University's School of Management, where he earned his undergraduate and MBA degrees.

Faruk Eczacıbaşı began his professional career in the Eczacıbaşı Group in 1980. After working in the United States for several years, he served in various positions in the Eczacıbaşı Group.Currently Vice Chairman of Eczacıbaşı Holding, Faruk Eczacıbaşı was instrumental in the Group's e-Transformation as head of Eczacıbaşı's IT company, Eczacıbaşı Information and Communication Technologies.

Faruk Eczacıbaşı is Chairman of the Turkish Informatics Foundation (TBV), which was founded in 1995 to assist Turkey make the transformation to an information society. In this role, he has helped to prepare various research reports and contributed to the shaping of public policy. He served on the e-Transformation Executive Board established by the e-Transformation Turkey Action Plan and was influential in establishing jointly with the Turkish Industry and Business Association (TUSIAD) Turkey's first and only private sector awards for the public sector, the e-Turkey Awards. He participated in national efforts to align Turkey's legislation with the EU Acquis Communautaire and helped to establish Turkey's first company providing legal and technical infrastructure for secure e-commerce and e-government. He has also led efforts to generate public consensus in favor of EU internet standards in place of internet surveillance. Currently, he is working on a project to create Turkey's first technology map.

Faruk Eczacıbaşı is also President of the Eczacıbaşı Sports Club, a position he has held since 1999.

M. Sacit Basmacı

Born in 1952, Basmacı received his undergraduate degree from the Economics-Finance Department of the Faculty of Political Science of Ankara University in 1974.

Sacit Basmacı began his career in the Ministry of Finance as a tax accountant between 1974 and 1981. In 1981, he joined Eczacıbaşı Holding as an auditor, remaining here through 1983. In 1984, he moved to Cankurtaran Holding as Vice President of Financial and Administrative Affairs, later becoming Member of the Management and Executive Board, and Certified Public Accountant and Financial Advisor.

Basmacı returned to the Eczacıbaşı Group in 2003 as Assistant Vice President of Financial Affairs. Since January 2004, Basmacı has served as Executive Vice President, Head Comptroller and Legal Affairs, and General Manager of Eczacıbaşı Holding.

Ayşe Deniz Özger

Born in 1959, Ayşe Deniz Özger received her undergraduate degree from the Pharmaceuticals Faculty of Hacettepe University in 1981.

Özger commenced her career in 1982 at Eczacıbaşı Pharmaceuticals Manufacturing, where she served first as Product Manager and then Product Group Manager. In 1989, she was appointed Marketing Manager at Eczacıbaşı Pharmaceuticals Marketing, and, in 1992, Vice General Manager in charge of Marketing and Sales. In 1995, Özger became General Manager of Eczacıbaşı -Rhone Poulenc, and in 2003, General Manager of Eczacıbaşı Pharmaceuticals Marketing. In 2011, Özger was appointed Vice President of the Eczacıbaşı Groupis Healthcare Division in charge of Business Development, where she remained until January 2015.

Presently, Özger continues her involvement with the Eczacıbaşı Group an advisor to the Executive Vice President of the Healthcare Division.

Şenol S. Alanyurt

Born in Samsun in 1941, Şenol Alanyurt completed his undergraduate studies at Istanbul Technical University and his graduate studies at Istanbul University, Faculty of Economics, Institute of Business and Economics.

Şenol Alanyurt started his professional life in 1968 at Eczacıbaşı Pharmaceuticals Manufacturing as the Head of Business Studies Department. Alanyurt was appointed as Baxter Serum Department Head in 1971 and assumed the posts of Serum Plant Project Manager in 1979, Serum Plant Manager in 1982, Hospital Products General Manager in 1989, Board of Directors member and consultant of Eczacıbaşı-Baxter Hospital Products in 1994 and Eczacıbaşı Fine Chemical Products General Manager in 2000. Alanyurt retired in 2002.

Currently, Şenol Alanyurt is the independent board member of the company.

Akın Dinçsoy

Born in Erzincan in 1943, Akın Dinçsoy completed his undergraduate education in the department of Chemical Engineering at the Faculty of Chemistry in Istanbul University and his postgraduate education in the same department of the same university and thus, became a Chemical Engineer, MSc.

Starting to work in 1970 as the production supervisor at Eczacıbaşı Pharmaceuticals Manufacturing, Dinçsoy was appointed as the Production Planning Manager in 1980, Production Manager in 1989, Assistant General Manager for Production in 1990, and Production and Technical Assistant General Manager in 2001. After continuing to serve in this position at Eczacıbaşı Health Products, which was founded in 2004, he retired.

He served as a board member at Eczacıbaşı Fine Chemical Products between the years of 2003-2007 and at Eczacıbaşı Health Products between the years of 2004-2007. He also served as the advisor to the General Manager between the years of 2005-2007.

He served as the manager of Eczacıbaşı Pharmaceuticals Manufacturing responsible before the Ministry of Health between the years of 1985-2005; and in addition to this position, he has also acted as the Chairman of the Product Development Sub-Committee, Member of the Supreme Board of Product Development, the Chairman of the Occupational Health and Safety Committee, and the Chairman of GMP (Good Manufacturing Practice) Committee in the last 10 years.

Currently, Akın Dinçsoy is the independent board member of the company.

Consolidated Financial Highlights

Income Statement (TRL Thousand)	2014	2013	2012	2011	2010
Revenue	1,046,781	1,126,009	887,334	973,552	913,212
Gross Profit	190,261	206,134	163,319	261,419	266,494
Operating Profit	18,508	134,683	18,680	10,702	50,710
Depreciation and Amortization	19,407	14,198	10,740	20,659	19,341
Earnings Before Interest, Tax, Depreciation and Amortization	37,915	148,881	29,420	31,361	70,051
Net Income for the Year	(43,293)	61,414	34,414	88,510	60,380

Balance Sheet (TRL Thousand)	2014	2013	2012	2011	2010
Total Assets	3,263,485	3,437,219	3,360,701	3,031,767	2,662,224
Total Equity	2,761,045	2,920,177	2,905,635	2,617,204	2,387,311
Total Current Assets	1,035,211	1,139,529	1,069,213	1,112,121	966,170
Total Current Liabilites	375,960	416,193	343,995	304,427	184,184
Capital Expenditures	41,631	14,854	30,443	31,699	21,116

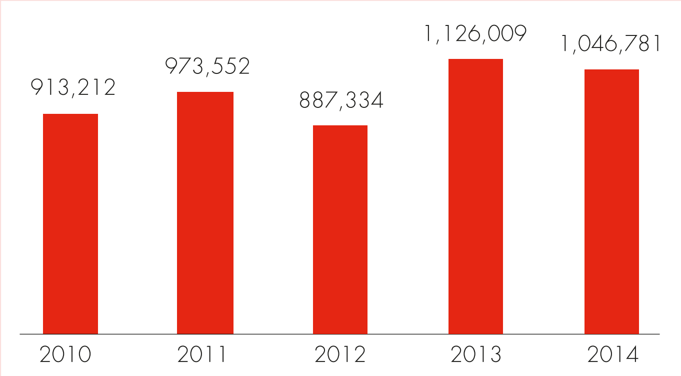
Liquidity Ratios (%)	2014	2013	2012	2011	2010
- Current Ratio	2.75	2.74	3.11	3.65	5.25
- Liquidity Ratio	2.34	2.26	2.61	3.21	4.72

Leverage Ratios (%)	2014	2013	2012	2011	2010
- Total Liabilities / Total Assets	0.15	0.15	0.14	0.14	0.10
- Total Equity / Total Assets	0.85	0.85	0.86	0.86	0.90
- Total Equity / Total Liabilities	5.50	5.65	6.39	6.31	8.68

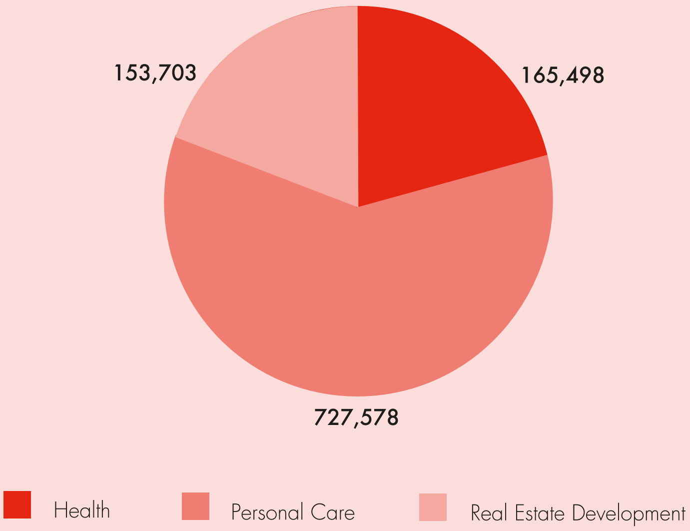
Profitability Ratios (%)	2014	2013	2012	2011	2010
- Net Income for the Year / Total Equity	(0.02)	0.02	0.01	0.03	0.03
- Net Income for the Year / Total Assets	(0.01)	0.02	0.01	0.03	0.02
- Net Income for the Year / Total Liabilities	(0.04)	0.05	0.04	0.09	0.07

Since the accounting policy changes as consequence of the new and revised Turkish accounting standards effective for the annual periods beginning on or after 1 January 2013 have been applied to the opening statement of financial position as of 1 January 2012 within the context of transitional provisions set out in the relevant standards, the figures related to financial years 2010 and 2011 have been presented in accordance with previous policies and practices.

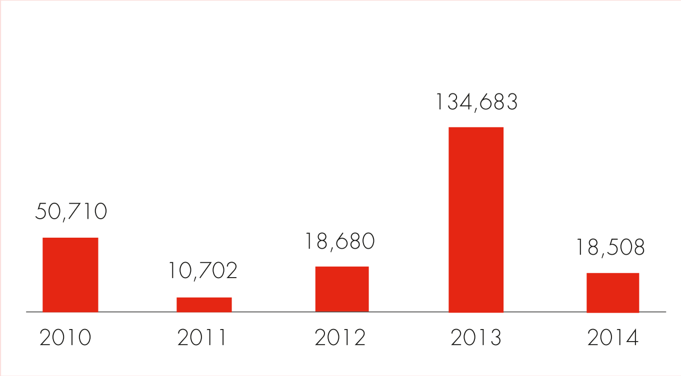
Revenue (TRL Thousand)



Revenue (TRL Thousand)



Operating Profit (TRL Thousand)



Board of Directors' Report

Deloitte.

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Ticari Sicil No: 304099

(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

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

Report on the Audit of Management's Annual Report in accordance with Independent Auditing Standards

We have audited the annual report 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") for the period ended 31 December 2014.

Board of Directors' Responsibility for the Annual Report

The Group Management is responsible for the preparation and fair presentation of the annual report which is consistent with the consolidated financial statements in accordance with the Article 514 of the Turkish Commercial Code No. 6102 ("TCC") and "Communiqué on Principles of Financial Reporting in Capital Markets" with No.14.1 of the Capital Markets Board (the "Communiqué"), and for such internal control as management determines relevant to the preparation and fair presentation of such annual report.

Auditor's Responsibility

Our responsibility is to express an opinion on the Group's annual report based on our audit conducted in accordance with the provisions of the Article 397 of the TCC and the Communiqué. Our audit involves whether the financial information provided in the annual report are fairly presented and consistent with the consolidated financial statements.

We conducted our audit in accordance with Independent Auditing Standards, which is a part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information provided in the annual report are fairly presented and consistent with the consolidated financial statements.

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Auditor's Responsibility (cont'd)

An audit involves performing procedures to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment.

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 financial information provided in the Board of Director's annual report, in all material respects, are fairly presented and consistent with the audited consolidated financial statements.

Other Legal and Regulatory Requirements

In accordance with paragraph three of the Article 402 of the TCC, nothing significant has come to our attention that may cause us to believe that the Group may not continue its activities for the foreseeable future in accordance with Independent Auditing Standard 570 "Going Concern".

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

Hasan Ali Bekçe, SMMM
Partner

Istanbul, 11 March 2015

EIS ECZACIBAŞI İLAÇ, SINAİ VE FİNANSAL YATIRIMLAR SAN. VE TİC. A.Ş.

REPORT OF BOARD OF DIRECTORS AS PREPARED IN ACCORDANCE WITH THE COMMUNIQUÉ NO. II-14.1 OF THE CAPITAL MARKETS BOARD ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS

EIS Eczacıbaşı İlaç, Sınai and Finansal Yatırımlar Sanayi ve Ticaret A.Ş. ("Company") has been established on October 24th, 1951. Company does not have an actual production and has an holding structure with its existing Subsidiaries, Joint Ventures and Affiliates. In this structure, it directly performs property development activities; and engages in healthcare, consumer products, cosmetics and personal care products sectors through its subsidiaries.

The registered address of the Company is Büyükdere Caddesi, Ali Kaya Sokak No.5, Levent 34394, Istanbul, Turkey and registered with Istanbul Trade Registry Office under Registry No. 44943. The Company's website is *www.eis.com.tr* and the investor details are available at *www.eczacibasi.com.tr*.

Report Period

This report has been prepared in accordance with the Capital Markets Board's Communiqué No. II-14.1, "Principles of Financial Reporting in Capital Markets" for EIS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş., its subsidiaries, joint ventures and affiliates; and it includes information on important developments that took place during the financial year January 1 - 31 December 2014, along with the impact of these particulars on financial statements and explanations on any critical risk or uncertainties that may be arising from these for the rest of the financial year.

Boards and committees authorized during the period

Board of Directors

Name - Surname	Position	
F. Bülent Eczacıbaşı	Chairman of Board	Non Executive
R. Faruk Eczacıbaşı	Vice Chairman of Board of Directors	Non Executive
M. Sacit Basmacı	Member	Non Executive
Ayşe Deniz Özger	Member	Executive
Şenol S. Alanyurt	Independent Member	Non Executive
Akın Dinçsoy	Independent Member	Non Executive

- ❖ The members of the Board of Directors have been elected for a term of one year at the Ordinary General Assembly Meeting on 15 April 2014 to take office till the Ordinary General Assembly Meeting to be held in 2015.
- ❖ The Board of Directors is authorized to take all business decisions with the exception of decisions that must be taken at the General Assembly as specified in the Articles of Association.
- ❖ There are no Managing Directors at the Board of Directors.
- ❖ The members of the Board of Directors have not acted in contrary to the competition prohibition during the period of 1 January - 31 December 2014.

The curricula vitae of the members of the Board of Auditors are available in the introduction section of the annual report as well as in the Investor Relations section at *www.eczacibasi.com.tr*.

The independence statements of the Independent Members of Board of Directors are available in the General Assembly Info Document as well as the website of the Company, (*www.eczacibasi.com.tr*).

There are two senior officers holding signatory powers in addition to the members of the Board of Directors as of 31 December 2014.

Committee in charge of the Audit

Name - Surname	Position
Şenol S. Alanyurt	Chairman
Akın Dinçsoy	Member

Corporate Governance Committee

Name - Surname	Position
Akın Dinçsoy	Chairman
M. Sacit Basmacı	Member
Gülnur Günbey Kartal	Member

Early Detection of Risk Committee

Name - Surname	Position
Akın Dinçsoy	Chairman
Ayşe Deniz Özger	Member

Assessment of the Board of Directors regarding efficiency of the Committees

Committee established in order to ensure the Board of Directors perform its tasks and responsibilities gathered at a frequency as stipulated under the regulations of the Capital Markets Board and Turkish Commercial Code concerning the scope defined. The Board of Directors provided full support and resources required by the Committees. The committees informed the Board of Directors both orally and in writing about the activities they carried out.

Detailed information regarding the working principles of the Committees including the frequency of the meetings and activities carried out is given in Article 5.3 of Section V of the Corporate Governance Compliance Report.

Changes in key managerial positions during the year and name, surname and professional experience of current key managers

Mr. Sedat Birol, the head of Pharmaceutical Division, Eczacıbaşı Holding is also the General Manager of the Company. He is a Chemical Engineer, MS, and has 27 years of experience in managerial positions in the pharmaceutical and chemical sectors. Sedat Birol is also a member of the Board of Directors at Eczacıbaşı İlaç Pazarlama A.Ş., Eczacıbaşı İlaç Ticaret A.Ş., Eczacıbaşı Sağlık Hizmetleri A.Ş., Eczacıbaşı - Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş., RTS Renal Tedavi Hizmetleri San. ve Tic. A.Ş., Eczacıbaşı-Monrol Nükleer Ürünler Sanayi ve Ticaret A.Ş., Moleküler Görüntüleme Ticaret ve Sanayi A.Ş., Eczacıbaşı Ortak Sağlık ve Güvenlik Birimleri., Capintec Inc. and Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş. ve Ekom Eczacıbaşı Dış Ticaret A.Ş.

As from 1 August 2011, Ayse Deniz Ozger has been appointed as Deputy Chairman of Healthcare Group, in charge of Business Development activities. Ayşe Deniz Özger is also a member of the Board of Directors at Eczacıbaşı İlaç Pazarlama A.Ş., Eczacıbaşı İlaç Ticaret A.Ş and Eczacıbaşı Sağlık Hizmetleri A.Ş., and Eczacıbaşı Ortak Sağlık ve Güvenlik A.Ş.

The Financial Director of the Company, Bülent Avcı, used to be a Tax Accountant at the Ministry of Finance and he is qualified as a Certified Public Accountant. Bulent Avci is also a member of the Board of Auditors at Eczacıbaşı Holding A.Ş., and member of Board of Directors at Eczacıbaşı İlaç Ticaret A.Ş.

Amendments made to the Articles of Association during the reporting period and reasons

No amendment is made in the Articles of Association of the company.

Shareholding structure and changes in share capital

The Company's share capital is TRL 548,208,000 and it has not been changed during the reporting period. Our Company has not acquired its own shares.

Issued share capital of our Company is divided into 54,820,800,000 shares, each having a value of 1 Kr, all of which are bearer shares. There is no privileged share or voting rights in the share capital of our Company and the shareholding structure is as follows:

	31 December 2014		31 December 2013	
Shareholder	**Share Ratio (%)**	**Share Amount (TRL)**	**Share Ratio (%)**	**Share Amount (TRL)**
Eczacıbaşı Holding A.Ş.	50.62	277,476,368	50.62	277,476,368
Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. (*)	25.84	141,682,393	24.78	135,818,925
Diğer (halka açık kısım)	23.54	129,049,239	24.60	134,912,707
Total	**100.00**	**548,208,000**	**100.00**	**548,208,000**

(*) The amount and dates of share acquisitions made in 2014 by Eczacıbaşı Yatırım Holding Ortaklığı A.Ş., one of the shareholders of our company are as follows:

Share Purchase	
Date	**Quantity (lots)**
21 January 2014	659,454
18 February 2014	300,000
20 June 2014	333,847
23 June 204	443,076
24 June 2014	150,000
2 September 2014	946,433

Share Purchase	
Date	**Miktarı (lot)**
8 September 2014	298,471
17 September 2014	664,354
22 October 2014	1,125,000
6 November 2014	281,547
18 Nobember 2014	661,286

Profit distribution policy and ratio

In accordance with the CMB Communiqué (CMB), No.II- 14.1 “Principles of Financial Reporting in Capital Markets”, the Board of Directors have decided at the Ordinary General Assembly dated 18 March 2014 that distributable net profit for the year is TRL 55,161,497 in the consolidated financial statements audited and TRL 118,797,558 in the statutory financial statements .

In distribution of the profit of 2013, net distributable period profit specified in consolidated financial reports which was prepared in accordance with the regulations of CMB, is based on in accordance with regulations of the CMB, article 26 of the Articles of Incorporation and “Profit Distribution Policy”. Accordingly, it has been decided at the Ordinary General Assembly dated 15 April 2014 for the year 2013 that a dividend in the amount of TRL 52,627,968 corresponding to 9.6% of the issued capital of our Company be distributed and that the distribution commence on 6 May 2014.

The profit distribution made during recent last 5 years is shown below.

Year	Profit Distribution	Ratio (%)		Method (%)	
	Start Date	Gross	Net	Cash	Share
2009	25.05.2010	7	5.95	7	-
2010	24.05.2011	7	5.95	7	-
2011	19.06.2012	10	8.5	10	-
2012	28.05.2013	10	8.5	10	-
2013	06.05.2014	9.6	8.16	9.6	-

Financing Sources of the Company

The financial risks of Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar are closely monitored by the management of the Company. Date of 31 December 2014 the Company does not have any open credit lines. In the coming period and as is required credit lines from a number of banks may be used either to finance short term liquidity needs or investments.

Currently a majority of the Company's financial assets are managed in a tripod portfolio including Euro, US dollar and Turkish Lira components and weight is given to the foreign currency part of it.

The company, which constantly changes its foreign exchange balance in a dynamic manner taking into account the foreign exchange fluctuations, has completed September 2014 with a cash portfolio comprising 36% Euro, 51% US Dollars and 13% Turkish Lira.

Whether capital of Eczacıbaşı Sağlık Hizmetleri A.Ş. and EİP Eczacıbaşı İlaç Pazarlama A.Ş. is reciprocated in terms of Article 376 of the Turkish Commercial Code "loss of capital, being in debt" was assessed in accordance with financial restructuring and regulations and the current capital of Eczacıbaşı Sağlık Hizmetleri A.Ş, amounting to 1.300 TL was increased to 6.500 TL, the current capital of EIP Eczacıbaşı İlaç Pazarlama A.Ş amounting to 1.600 TL to 47.600 TL.

The Board of Directors assess Eczacıbaşı Hijyen Ürünleri Sanayi ve Ticaret A.Ş. and Vitra Karo Sanayi ve Ticaret A.Ş. in accordance with Article 376 of the Turkish Commercial Code.

Internal Control System and Internal Audit

Support is obtained in terms of internal control and internal audit from Audit Board comprising of two independent directors, Internal Audit Department which is affiliated to the Managing Director and also reports to the Committee in Charge of Audit, Financial Affairs Department, Strategic Planning and Business Development Department with Eczacibasi Holding A.Ş. and chartered financial advisor company. The official records of the subsidiaries, joint ventures and affiliates which are consolidated are audited by a Sworn Financial Advisory Company in terms of compliance with the Turkish Commercial Code, Uniform Chart of Accounts and taxation issues on a quarterly basis. The Internal Audit committee of the Eczacıbaşı Holding A.Ş. audits the consolidated companies' activities on the required processes and/or issues. The Board of Directors is of the opinion that such internal control and audit activities are adequate.

The company is supported in the risk of collecting its receivables in the property development sector by Kanyon Yönetim İşletim ve Pazarlama A.Ş. for the customers in Kanyon complex and Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım A.Ş. for the Ormanada Project. Since the Company has no open credit as of 31 December 2014 and its assets are well above its total commercial debt level, there is no debt risk.

Risk Management

It is accepted by Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar that risks constitute an integral part of business life and these risks are managed by balancing the same according to the risk-return expectations of the entities. In order to manage the sustainable growth and to this effect, to optimize the risks taken and determine these in an efficient manner, these risks are defined and classified from general to specific and then measured and studies are carried out to eliminate/reduce or transform risks into opportunities. As a result of these studies, it is continued to monitor risks and it is re-evaluated all the time whether measures are timely taken and whether these are effective.

With the aim of complying Article 378 of the Turkish Commercial Code, no.6102, the Board of Directors resolved ,at its meeting held on 17 May 2013, to establish " Early Risk Detection Committee" that would submit its proposals and recommendations to the Board of Directors in order to detect any operational, financial, legal and similar risks early that may pose hazard for the existence, development and sustainability of the Company, assess such risks and calculate any possibilities, manage, report such risks in accordance with the corporate risk assuming policy of the Company, take required measures for the risks so detected, consider such during decision making process and establish and integrate effective internal control systems. The committee consists of 2 members and Akın Dinçsoy (independent member) was appointed as the Head of the Committee and Ayşe Deniz Özger (executive member) as the member. The Committee held 7 meetings regarding its activities in 2014.

The primary risks that our company is exposed to are monitored under two main titles as financial risks (currency, interest, liquidity and credit) and non-financial risks (strategic and operational).

Financial Risks
Financial risks are the impact of the fluctuations of the variables in the market such as currency, interest, asset prices to the financials of the company in a positive or negative manner. In addition to these risks, liquidity risk and credit risk are also other financial risks that may lead the financial soundness of the company to be adversely affected. Financial risks are examined under four sub-titles: currency risk, interest risk, liquidity risk and credit risk.

Currency Risk
It means any kind of risks resulting from financial or operational interactions through foreign exchange. These risks are being closely watched out by being analyzed through exchange position and necessary cautions are taken after the analysis. After the analysis such as financial situation chart, exchange position / equity capital, the impact of changes in exchange rates scenarios to financials are performed, risk avoidance (hedging) operations are carried out, depending on the risk appetite of the institution. Hedging operations such as forward, option and swap, which are performed periodically and between the set limits, are shaped according to the risk taking desire of the institution. Besides, in order for the cash and credit portfolio of the institution to be the least affected, market expectations are constantly updated and depending on the latest data, portfolios are being dynamically managed.

Interest risk

The positive or negative impact that the upward or downward position of interests may cause on the financials of the Company are classified as interest risk. While the company primarily manages this risk by balancing its term receivables and term debts that are sensitive to interest rates, the decision on whether to utilize loans on a short, long, fixed or variable interest based on the market expetations of the company and the pre-determined risk limits.

Liquidity risk

Liquidity risk management is constituted of the ability to provide sufficient amount of cash and securities, to enable funding by way of sufficient lending opportunities and closing out market positions. Due to the dynamism of its working environment, the company aims flexibility in funding by keeping means of lending available. Liquidity risk is managed by taking into consideration the financial soundness indicators in the risk reports that are periodically prepared. The financial structure of the company is examined together with indicators such as the current ratio, liquidity ratio, total debt / total assets, NFB / Equity, the ability of the company to pay interest, and is subjected to assessment from the weakest to the strongest points and as a result of this assessment, the necessary actions relating to the working capital management are taken.

Credit risk

This is the risk arising from the joint ventures indebted to the company not being able to repay these debts. This risk is managed by credit rating studies based on historic data, intelligence work, limiting the concentration in a single joint venture in the total portfolio and the collateral structure to be applied to the customers. The company, if need be, carries out transactions for the early collection of its receivables through irrevocable factoring in order to eliminate such risk. It is ensured that the local and foreign receivables are insured within the designated transaction limits upon conducting detailed customer analysis.

Non-financial Risks

In addition to controlling financial risks, other significant risks relating to the operations of our entities are classified as strategic and operational risks.

Strategic risks

Risks such as fluctuations in the demand to the products and services of the company, changes in the market shares, risks resulting from competition-related developments and political risks are all evaluated as strategic risks. In order to reduce the impact of these risks, the markets where sales are made are diversified. Besides, competitive position should be maintained by preserving the quality in products and supporting innovation significantly. Analyses on the changes of dynamics in the market and on the competitors are constantly conducted and accordingly, the necessary measures against risks that may arise are taken

Operational risks

Operational risks include personnel risk, technological risks, organizational risk, legal risks and external risks. Such risks are reduced through efficient Human Resources Management and investments in technologic infrastructure, and insurable risks are frequently reviewed and these are transferred to out of the company by insuring the risks based on a benefit-cost analysis.

Important developments observed in between the end of the accounting period and the date when the financial tables would be announced

The Board of Directors resolved at the meeting held on 30 January 2015 that Ayşe Deniz Özger, Member of the Board of Directors and Vice President of Health Group, be leave from her position by 31 January 2014 due to retirement; but continue her involvement as part time with the title of "Advisor to the Executive Vice President of the Healthcare Division".

Nature and value of the capital markets instruments issued

None.

Information concerning donations during the year

As of 31 December 2014, the consolidated total donations to associations and foundations working for public good, universities, health establishments and institutions, social, scientific, artistic organizations and public service organizations with a mandate to support and promote other activities for the good of the nation, regional institutions with annexed budgets, and similar institutions, amounted to TRL 459 thousand (31 December 2013: TRL 774 thousand).

Basic ratios on financial position, profitability and debt servicing position calculated on the basis of the financial statements and information prepared in accordance with the articles of this Decree

	31 December 2014	31 December 2013
Liquidity Ratios		
❖ Current Ratio	2.75	2.74
❖ Liquidity Ratio	2.34	2.26
Ratios on Financial Structure		
❖ Total Liabilities / Total Assets	0.15	0.15
❖ Consolidated Equity / Total Assets	0.85	0.85
❖ Consolidated Equity / Total Liabilities	5.50	5.65
Profitability Ratios		
❖ Net Income / Consolidated Equity	-0.02	0.02
❖ Net Income / Total Assets	-0.01	0.02
❖ Net Income / Net Sales	-0.04	0.05

Personnel and worker changes, collective bargaining agreements, personnel and worker rights and benefits

As the Company has no manufacturing activity it does not employ any workers. As of 31 December 2014, the Company employs 16 (31 December 2013: 18), and they are all subject to the Labor Law. All employees of Ezcacıbaşı Group are subject to the common rights and benefits. These common applications are;

- 12 month salary and bonus (16 monthly salaries in total),
- Sales bonuses to sales staff based on their results in accordance with the sales premium regulation,
- Personal accident insurance for employees who need to use a vehicle,
- Group Private Health Insurance, and on a voluntary basis, Group Private Pension System,
- Clothing and moving support,
- Marriage, birth-death, child support,
- Meal benefit of TRL 16 per day,
- Seniority support premium,
- Depending on the nature of job, mobile phone line and car,
- And other rights and benefits like training programs for personal and professional development and career management.

Information on equity holders of the parent (cross shareholding)

The Company has a 37.28% shareholding in Eczacıbaşı Holding A.Ş., which in turn is the majority shareholder of the Company with a 50.62% shareholding. The Company has no impact or control over operational and managerial policies of Eczacıbaşı Holding A.Ş.

Explanations on the main elements of the Group's internal audit and risk management systems with regard to the preparation process of consolidated financial statements

Support is obtained in terms of internal audit and risk management from Auditing Board comprising of two independent directors, Internal Audit Department which is affiliated to the Managing Director and also reports to the Committee in Charge of Audit, Financial Affairs Department, Strategic Planning and Business Development Department with Eczacibasi Holding A.Ş. and chartered financial advisor company. The risk analysis for fixed assets is conducted externally while security, emergency and assets at risk position assessments are conducted at the meetings of Board of Directors.

The official records of the subsidiaries, joint ventures and affiliates which are consolidated are audited by a Certified Councillorship Company in terms of compliance with the Turkish Commercial Code, Uniform Chart of Accounts and taxation issues on a quarterly basis. The Internal

Audit committee of the Eczacıbaşı Holding A.Ş. audits the consolidated companies' activities on the required processes and/or issues. Additionally, the financial statements of the consolidated companies dated 30 June and 31 December as prepared for consolidation are audited by an independent audit company in terms of compliance with the CMB legislation and Turkish Accounting Standards issued by the Public Oversight Accounting and Auditing Standards Authority. The 31 March and 30 September dated financial statements of the consolidated companies are audited by the Internal Audit Department of Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar in line with the principles set by the independent audit company.

Investment and dividend policies implemented to enhance the Company's performance

Investment policy
Since having divested its manufacturing interests Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar has been pursuing growth aimed investments in health and real estate development sectors in addition to its current structure. With this aim on one hand it has been acquiring companies and products active in these fields and on the other hand it has been developing real estate projects.

Dividend policy

At its meeting held on 29 March 2013, our Board of Directors has decided to implement a profit distribution policy in line with the following approach in accordance with the provisions of the Turkish Commercial Code, Capital Markets Regulations, Tax Legislation, other applicable legislation and the provisions of the Articles of Association as related to the distribution of profits and this decision has been submitted to the approval of the shareholders at the Ordinary General Assembly held on date of 15 April 2014 for the year 2013 and ratified at the meeting

- In principle, based on the net profit of the period shown in the financial statements prepared and independently audited in accordance with the Capital Markets Legislation, it has been adopted to distribute dividends in cash and/or in terms of free shares over the "distributable profit of the period" as calculated according to the Capital Markets Legislation and other applicable legislation.
- Our Articles of Association does not contain a special provision about preferred shares, founder redeemed shares and distribution of profit to members of the Board of Directors and employees regarding distribution of profit.
- In preparing its recommendations on profit distribution for the general assembly, the Board of Directors takes into consideration the sensitive balance between the Company's existing profitability, the expectations of shareholders and prescribed growth strategies.
- Dividend payments (cash and / or bonus shares) are made as soon as possible after the General Assembly and within the legal time limit set by legislation.

Other Information

Information on Special Audit and Public Audit
The company was not undergone any special or public audit during 2014.

The lawsuits brought against the company that may affect financial situation and activities of the company

There are no lawsuits brought against the company that may affect the financial situation and activities of the company.

Information on administrative and judicial sanctions imposed on the company and the management due to practices not complying with relevant regulations

There are no sanctions imposed on the company and the management due to practices not complying with relevant regulations.

Affiliated Company Report

In accordance with the decision of the Board of Directors, dated 6 March 2015, numbered 4 and pursuant to the article 199 of the Turkish Commercial Code, no. 6102, the report concerning the status of our holding company and affiliated companies, dated 6 March 2015 was reviewed by us based on the conditions we already know and the commercial relations within the last fiscal year between Eczacıbaşı Holding A.Ş and its affiliated companies were evaluated in detail and it was understood that all transactions made were in compliance with the commercial conditions and the counterparts thereof and there were no transactions or activities between the holding company and the affiliated companies that might be of benefit to the holding company or any affiliated company thereof under the direction of the holding company and therefore, there were not any activities that may damage our company or measures avoided and we do not need to perform any expropriation or take any measures.

If five, ten, twenty, twenty-five, thirty three, fifty, sixty seven or hundred per cent of the capital of a stock corporation is owned directly or indirectly; or if ratio of such shares fall below such per cent, the reason thereof

Within the limits set forth in the Turkish Commercial Code, in 2014,

- ❖ Changes in participation rate of direct financial fixed assets of our corporation and the reasons thereof:

  None.

- ❖ Changes in participation rate of financial fixed assets owned indirectly by our corporation and the reasons thereof:

	Effective Shareholding rate (%)		
Title of the Partnership Owned	**2014**	**2013**	**Remarks**
Monrol MENA Ltd.	50,00	0	Incorporated.
Monrol Gulf DMCC	40,00	0	Incorporated.

In the event that a member of the Board of Directors requests, the conclusion section of the report as stipulated by the Article 199, item 4 of the Turkish Commercial Code

The members of the Board of Directors did not demand any such thing.

Evaluation of activities between 1 January - 31 December 2014

Our company is a kind of holding company and through its subsidiaries, joint ventures and affiliates in its current consolidated structure, is active in health and consumer products sectors and it is directly active in real estate development. Therefore, the Company's disclosures under this article are provided within the context of business segments it is involved in and the affiliates operating within these business segments as listed below:

Business Segment Segment/Market	**Company Name**
Health Sector	
Original pharmaceutical market:	EİP Eczacıbaşı İlaç Pazarlama A.Ş.
	Eczacıbaşı İlaç Ticaret A.Ş.
Hospital supplies	Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.
Dialysis treatment	RTS Renal Tedavi Hizmetleri Sanayi ve Ticaret A.Ş.
Health services	Eczacıbaşı Sağlık Hizmetleri A.Ş.
Nuclear medicine sector	Eczacıbaşı-Monrol Nükleer Ürünler Ticaret ve Sanayi A.Ş.
	Moleküler Görüntüleme Ticaret ve Sanayi A.Ş.
	Monrol Europe SRL
	Monrol Poland LTD
	Monrol Egypt LTD
	Monrol Bulgaria LTD
	Eczacıbaşı Monrol-Jordan
	Capintec, Inc.
	Monrol MENA LTD
	Monrol Gulf DMCC
Consumer Products Sector	
Hairdressers' products market	Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.
Consumer products market	Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri San. ve Tic. A.Ş.
Wet wipes market	Eczacıbaşı Hijyen Ürünleri Sanayi ve Ticaret Anonim Şirketi (i)
Real estate development:	
Property development	Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım A.Ş.
Kanyon	(i)
Ormanada Project	(ii)
Other	
Ceramic tiles market	Vitra Karo Sanayi ve Ticaret A.Ş.
Export services	Ekom Eczacıbaşı Dış Ticaret A.Ş.

(i) Includes the whole Kanyon Office Block and half of the Shopping Mall, which appear under the Company's assets

(ii) In December 2007, the Company bought half of 22 plots of land with a total area of 196,409.74 m^2 located at Sarıyer İlçesi, Uskumru Mahallesi, Yorgancı Çiftliği Mevkii. Project details are provided in the "Property Activities" section of the report.

Activities in Health Sector

Analysis and evaluation of the Management concerning the results of the activities

There has been significant developments, improvements and changes in health and medicine industry where Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar continues its operations through its affiliated companies, joint managed companies and subsidiaries.

In 2014, 98.8% of the population had social security. According to the data of the Ministry of Finance, while health spending was 13.6 billion TL in 2003, this figure was 59 billion TRL at the end of 2014. In 2003, 6.8 billion TRL was spent on medicine, while it was 17.5 billion TRL in 2014. The number of people referring to their doctors rose to 8.2 instead of 2. Improvement in access to health care services and drugs brought a target to restrict such expenditures. High public discount rates were maintained in 2014 as was the case in previous years. While Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar determined strategic decision and targets of the corporations within its structure, they took important developments in drug industry into consideration.

Eczacıbaşı Ilaç Pazarlama (EIP) has approximately 230 medical representatives around Turkey and markets and sells human medicine and auxiliary products in accordance with the license agreements signed by the leading. EIP has decided to focus on products especially for nephrology, oncology, hematology, allergy, pediatry, dermatology and currently seeks for new licensor and original products in order to implement this decision. In this regard¸ it signed 13 new agreements in 2014. In addition, it has started to sell and promote health and personal care products of Procter & Gamble since July 2014. According to cumulative IMS data for December 2014, while Turkish medicine industry grew by 8.8%; Eczacıbaşı İlaç Pazarlama achieved growth by 16.7%.

Eczacıbaşı-Baxter Hastane Ürünleri (EBX) produces 123 different products ranging from parenteral solutions and peritoneal dialysis solutions of vital importance at modern facilities having international standards and capacity of 65 million pieces and delivers peritoneal dialysis solutions to 3,000 peritoneal dialysis patient overall Turkey. In addition to these products, it imports critical products for Turkish patients used for hemophilia and malnutrition patients, anesthesia and intensive care, primary immune deficiency and other auto immune diseases and produced at Baxter global production centers. With this extensive scope of critical products, EBX is the leading organization in hospital products area and bring millions of people back to life.

Eczacıbaşı-Monrol Nükleer Ürünler, the leading corporation of nuclear medicine sector continues its production activities at the facilities located in Turkey such as Gebze, Ankara, Adana, Izmir, Istanbul, Antalya and Malatya provinces and abroad; Romania, Bulgaria and Egypt. It is planned that production facility in Poland will start production in the second half of 2015. It exports a total of 30 countries mainly to Egypt, India and Algeria. Furthermore, it has two subsidiaries; one in Turkey and the other is in the United States of America established in order to produce nuclear medicine devices and RE-DE. Also, it operates cyclotron facilities in Kuwait-Kuwait, Dubai-United Arab Emirates and Tripoli-Libya.

Eczacıbaşı Sağlık Hizmetleri (ESH), a leading corporation in home care services (home care services, disease management) opened its branches in Istanbul (Centre) and Bursa province in 2013 and Eczacıbaşı Ortak Sağlık ve Güvenlik Birimi A.Ş, 100% ESH subsidiary opened branches in Ankara, Izmir and Antalya in Istanbul (Centre) and Bursa in 2014. In accordance with the relevant regulations, it increased its area of activity in 47 cities as head office and branches render services in neighboring cities.

Key factors affecting the Company's performance, changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes, investment and dividend policies implemented to enhance the Company's performance

For the joint ventures active in the original pharmaceutical market;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**
  - ❖ The reference pricing system applied by the Ministry of Health and global budget application managed by the Social Security Institution,
  - ❖ The licensing process of the Ministry of Health,
  - ❖ Introduction of the GMP (Good Manufacturing Practices) requirement for the imported products pending license and consequently prolongation of the process
  - ❖ The speed of entry of licensed products to the Social Security Institution's (SSI) reimbursement list,
  - ❖ Obligatory discounts to state institutions imposed by the SSI are the key factors affecting performance.

  As a precaution to the possible negative impact of these, the Company has been adding OTC products to its portfolio, which are easier to license and unregulated.

- **Investment and dividend policies implemented to enhance the Company's performance:**
  Companies active in this segment are marketing and sales operations with except for contract manufacturing activity. Therefore, a policy to distribute all distributable profit has been adopted.

For our joint venture active in the hospital products market;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**
  The main factors affecting performance are competition conditions in the market, exchange rate, mandatory pricing and regulations concerning health industry. We hold on to competition without compromising the quality, price increase process is proceeded, manage product range and forms in accordance with profitability principle, focus on efficient tender management, work continuously on cost efficiency concerning the products and monitor operational costs closely against the unfavorable market conditions.

For our joint venture active in the dialysis treatment market;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**
  Market conditions, competition and the dialysis session charges announced by the Social Security Authority are the main factors affecting the performance of the Company. Session fees are determined by the Social Security Authority and on a Turkish Lira basis, the session charges were fixed from February 2005 to 2010 when a 5% increase bringing the price to TRL 145 became effective on April 1, 2010 and has not been revised until 18 March 2014. However, due to the fact that SGK has not increased the session fees since April 2010, the session fee has not been revised. Although price rose to TRL 155 by TRL 10 rise, this has fallen below the real cost and expectation.

  On the other hand, as energy and fuel expenses, which constitute 10% of operating expenses, recorded price increases above inflation and other expenses (personnel, rent etc.) increased as much as the rate of inflation; while session prices had no increase since April 2010, profitability was negatively affected. This being the case, increasing sales and reducing expenses has become a policy priority.

- **Investment and dividend policies implemented to enhance the Company's performance:**
  The main investment items are machinery procurement and rental improvements related to capacity increases or renovation. In principle, investments are financed through increases in equity capital. In line with a resolution on quota and planning measures in effect since February 2009, the Ministry of Health limited new dialysis center permits based on regional capacity occupation ratios.

For the affiliate active in the health services market;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**
  Key factors affecting the performance of Eczacıbaşı Sağlık Hizmetleri are;
  - Changing macroeconomic indicators (In an economic crisis, fewer patients go to hospitals creating problems in enrolling patients in nursing homes. Also, during such times, some patients receiving home care services opt for employing unqualified health personnel due to cost concerns.),
  - The problems observed in recruiting nurses, who constitute the majority of personnel.

- **Investment and dividend policies implemented to enhance the Company's performance:**
  In order to lower the impact of adversities and improve performance, Eczacıbaşı Sağlık Hizmetleri is continuously striving to decrease costs by operating more efficiently. Eczacıbaşı Sağlık Hizmetleri is a service company active exclusively in sales and marketing, with no manufacturing operations.

For our joint venture active in the nuclear medicine sector;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**
  In order to improve its performance, Eczacıbaşı-Monrol Nükleer Ürünler carries out promotional activities to introduce its products and enhance their usage. In line with this, it invests to increase its geographical coverage and provides service projects at home and abroad.

  Moreover, the Company carries out R&D activities to broaden its product portfolio and introduces the developed products to the market. In line with its aim at enhancing the efficiency of its R&D activities and maintaining its leading position with new products / technologies in local and overseas market, it has acquired:

  - 99.99% of the share capital of Moleküler Görüntüleme Ticaret ve Sanayi A.Ş., a company having its registered office in Gebze Technology Development Free Zone, on 29 July 2011;
  - the whole of Capintec, Inc, a company existing and organized under the laws of State of Delaware, the United States and operating in the manufacturing of energy metering devices and related services in nuclear medicine market on 11 December 2012.

  Moleküler Görüntüleme has been established in 2002 in Gebze TUBITAK Technology Free Zone in order to develop new devices, new chemicals and radiopharmaceuticals and design radiation-protection tools by conducting R&D activities in nuclear medicine and molecular imaging areas. As it is in operating in the Technology Free Zone, the changes made by the relevant authorities in their practices directly affect the performance of the company.

  The Company is intending to develop new high-tech products, raw materials and application tools for itself and other companies operating in the field of Nuclear Medicine including hospitals, private healthcare organizations and foreign markets and adds value to the market by employing the personnel with high level of technological knowledge and experience.

  In order to improve its performance, Moleküler Görüntüleme carries out promotional activities to introduce its products under development and makes investments as per R&D projects.

The Company's sources of finance and risk management policies

Original pharmaceutical market:
For companies operating in this sector, revenues from sales of pharmaceuticals, their main activity, constitute the main source of finance. The main risk they face is to import at a high exchange rate and have to sell at a fixed exchange rate determined by the Ministry of Health (the last fixed exchange rate was determined on April 1, 2009 when the Euro/TRL parity was fixed at TRL 1.9595) when exchange rate fluctuations are observed.

According to the Decree Regarding the Pricing of Pharmaceuticals for Human Use, changes in the exchange rate applicable are determined by the "Price Evaluation Commission" established by representatives of the Ministry of Finance, the Undersecretariat of the State Planning Organization, the Undersecretariat of Treasury, and the Social Security Institution under the coordination of the Ministry of Health.

The Commission holds its ordinary meetings once every three months, or may convene for an extraordinary meeting upon the invitation of any of the institutions represented, to establish regulations to implement this decree or to decide whether the pharmaceutical prices would need to be increased, reduced or kept stable. It also establishes the "Periodic Euro Value" and the "Periodic Euro Value Band" that would be used in calculating the pharmaceutical prices. The minimum value of the periodic Euro band is the periodic Euro value and the maximum value is 10% higher than the minimum value. Exchange rate changes within 5% less than the minimum value and 5% higher than the maximum value range would not constitute a price change requirement.

Hospital supplies market:
Eczacıbaşı-Baxter Hospital Products paid back all credits utilized thanks to capital increased by the shareholders in late 2013 and early 2014 and thus a sound capital structure was achieved. As of 31 December 2014, the daily credit sum that banks provide is TRL 900 thousand.

Receivables, payables and stock levels are kept under close scrutiny against the risk of operating cash being negatively affected by adverse market conditions. In order to minimize the impact of adverse market conditions, budgeted expenses have been reviewed and an additional set of austerity measures has been determined.

In 2014, warehouse system posing a risk both operationally and financially was simplified, total number of customers was reduced, distribution infrastructure was strengthened both operationally and financially. In 2013, Direct Debitin System ("DDS") was developed for key accounts for the management of credit risk and procurement warehouses were included to the system and it is planned to include other customers to the system in 2015. In this respect, improvements were made for timely collection of receivables.

Dialysis treatment market:
RTS Renal Tedavi Hizmetleri mostly finances new clinic investments from the establishment capital. Cash requirements for capacity increases, machinery renewals and similar items are financed through operating cash and short term bank loans when necessary. The credit balance as of the end of year is TRL 36,357 thousand.

Social Security Institution receivables constitute the most important working capital item and receivables due and operating cash generated are systematically monitored.

Health services:
The main source of finance for Eczacıbaşı Sağlık Hizmetleri is revenue collection from patients the Company serves. In order to minimize the risk of collections, cash collections are encouraged to the extent possible. The organization has 5,535 thousand TL credit by the

end of 2014 and 2,500 thousand TL of such is the spot loan, 3,035 thousand TL is rotative credit. As the organization does not have any credit in foreign exchange, there is exchange risk to be exposed to.

Nuclear Medicine sector:
Financial resources, capital, investment and capital loans are the main sources of finance for Eczacıbaşı-Monrol Nükleer Ürünler. The Company operates through a dealers' network at home and employs both a dealer network and direct sales abroad. Dealer risks are managed through contracts and partial letters of guarantee. Regular feasibility studies and investment performance monitoring are employed to avoid investment risks.

Main sources of finance for Moleküler Görüntüleme include its share capital, project supports and loans received. The completed and continuing projects of the company are to a great extent financed through investment loans / donations made by KOSGEB, TÜBİTAK, Ministry of Trade and TTGV.

Other issues not included in the financial statements, but useful to know for interested parties

In addition to the measures that were taken and had been implemented by the relevant Ministry and institutions, aiming to decrease health spending, additional measures were introduced as from 2009 that had a significant negative impact on the sector. These measures have been explained in chronological order below:

- The Decree on Pricing Pharmaceuticals for Human Use published on 3 December 2009 amending the reference system of pricing which was effective since 2004 (original pharmaceuticals which have generics and the generics in question would have ex-factory prices of 66% of the registered reference price),
- The additional 12% discount implemented on the existing 11% base discount for original and 20 years old pharmaceuticals which do not have reference prices and which have a retail price over TRL 10, enacted by a Decree Amendment published on 4 December 2009,
- The Decree Amendment published on 11 December 2010 increased the additional discount applicable to original and 20 years old pharmaceuticals which do not have reference prices and which have a retail price over TRL 10 to 20.5% and brought a 9.5% additional discount to generic pharmaceuticals.
- The discount rates have been increased as a result of amendment to the Healthcare Implementation Communiqué published on 5 November 2011. Accordingly, the additional discount rates have been increased from 20.5% to 28% in case of medicines of over 20 years with a retail price of more than TRL 10, 20.5% to 28% in original drugs with generic drugs and generic drugs and 32.5% to 41% in case of original drugs.
- The Decision on Pricing of Drugs for Human Use has been amended on 10 November 2011. While reference price is taken for medicines of over 20 years with a retail price of more than TRL 10, 80% of the reference price shall be taken according to that decision. While 66% was taken for original drugs with generic drugs and generic drugs, now 60% shall be taken.

- The discount rates have been revised as a result of amendment to the Healthcare Implementation Communiqué published on 24 March 2013. Accordingly, discount applied to the wholesaler has been discontinued for the medical products with prices of TRL 3.55 or lower. Furthermore, of the 20-year medicines, the discount rates have been decreased from 11% to 7% for the medicines with wholesale price between TRL 3.56 and TRL 6.78 and from 28% to 20% for the medicines with wholesale price between TRL 6.79 and TRL 10.21. Likewise, the discount rates have been decreased from 41% to 20% and 28% and 20% for original and generic medicines, respectively, with prices between TRL 3.56 and TRL 6.78. The effectiveness date of the said Communiqué is 1 May 2013.
- With the communique concerning Changes in Health Practices Directive published on Official Gazette, dated 25 July 2014, numbered 29071, practice of band on some equivalent groups was cancelled. Upon announcement of the Social Security Institution, “Floor Price Practice” was adopted on 1 October 2014 for 15 equivalent groups and payment of the cheapest product in the group was started.

It is predicted that these measures will hamper the growth of the sector.

Hospital supplies market:
As organizational capacity of the company increases and market conditions change, previous service and license agreements executed with the partners have been revised and service and license agreements have been renewed by December 2013.

The Company came to an agreement about the tax audit consequences conducted in the previous years related to the period 2007-2010, and at the end of the reconciliation made a payment at the amount of TRL 38.8 million regarding the criticized issues.

Nuclear Medicine sector:
The manufacturing plant licenses, product licenses of Eczacıbaşı-Monrol Nükleer Ürünler, operating license held by Moleküler Görüntüleme, ongoing R&D projects and their international reputation in the fields they operate are important information which are not to be found in the financial statements.

Development prospects for the Company

Original pharmaceutical market:
Following the transfer of sales rights of a number of products to Eczacıbaşı-Zentiva Sağlık Ürünleri in July 2007, Eczacıbaşı İlaç Pazarlama has started an intense effort to add new products/companies to its portfolio. Additionally it is working to add some CE certified semi product like items that are priced freely to its portfolio of pharmaceuticals.

The Company signed 55 contracts within the period 2007-2011 and 19 new contracts within 2012 and new products started to be included in the portfolio under such contracts. The Company has signed 13 new contracts as of the end of December 2014 and is planning to launch the related products to the market within 2014-2017. As from 2011, alternatives have been increased in the products to be added to the portfolio through joint marketing or acquisitions except for the products to be added to the new product range. In addition to this, in the second half of the year, health and individual care products of Procter & Gamble were started to be distributed to the drugstores by Eczacıbaşı İlaç Pazarlama.

Hospital supplies market:
Eczacıbaşı-Baxter Hastane Ürünleri operates in a highly competitive market. Consequently, ability to launch new products and market access are of vital importance for the Company's development. The Company is heavily involved in business development activities.

It is anticipated that there will be a growth in 2015 with the products to be launched. Furthermore, studies on optimization of profitability of the products manufactured as a result of strategic decision and efficiency of the factory are being carried out.

Dialysis treatment market:
RTS Renal Tedavi Hizmetleri will continue its optimization efforts in the coming period to ensure efficiency of its clinics.

Health Services
It is expected that Disease Management, one of the most important services of the Company will be implemented in a more serious way as a result of recent regulations and directives of the Ministry of Health and Eczacıbaşı Sağlık Hizmetleri will be affected from these developments favorably.

The number of people Eczacıbaşı Ortak Sağlık ve Güvenlik Birimi, founded in 2013 with 100% capital of Eczacıbaşı Sağlık Hizmetleri provided service increased 78% (14,880 persons) compared to the number at the end of 2013.

Nuclear Medicine sector:
Eczacıbaşı-Monrol Nükleer Ürünler has been growing with its domestic investments and will continue to grow through new investments and partnerships both at home and abroad.

Within the last three years three FDG production sites have been launched in 2011 and 2012. The FDG site located abroad in Egypt, and the FGD production site located abroad in Romania started production and sales in May 2012 and July 2012 respectively. As to the FDG production site, built in Poland, the company establishment was carried out in 2011. With the partnership of Eczacıbaşı-Monrol, two companies namely Monrol Bulgaria LTD and Eczacıbaşı Monrol-Jordan were established. Investments in Poland and Bulgaria are planned to be started in January and March 2015 respectively. Investment in Jordan has been re-evaluated and cancelled due to negative developments in market conditions there. In Dubai Jebel Ali Free Zone, a company namely Monrol MENA was founded through which investment and sales opportunities will be utilized around the nearby countries.

Apart from these, it is among the strategic targets to establish or acquire more production facilities abroad through international partnerships or act as installer or operator. This strategy will ensure the Company to develop fast with a wider geographical coverage and a wider product portfolio.

Moleküler Görüntüleme is planning to place on the market its developed Nuclear Medicine devices and raw materials as from the second half of 2015 upon completion of the ongoing R&D projects. It is also planned to carry out further R&D projects in this respect. The Company also offers consulting services in Nuclear Medicine area using its know-how and competencies and this shall continue in subsequent periods.

R&D activities realized

Original pharmaceutical market:
As Eczacıbaşı İlaç Pazarlama licenses original products in Turkey, it has no R&D activity. However, since 2008 it has been investing for production rights of three products in Turkey that are in PHASE III stage. One of these was licensed in EU and the licensing efforts in Turkey continue.

Hospital supplies and dialysis treatment market:
Our company operating in the hospital supplies and dialysis treatment market has no R&D activity.

Health services:
Eczacıbaşı Sağlık Hizmetleri has no R&D activity; however, efforts are under way to appropriate an innovative approach to improve service efficiency as part of the corporate culture.

Nuclear Medicine sector:
Eczacıbaşı-Monrol Nükleer Ürünler is active in development efforts for new products. The R&D activities financed by corporate resources are aimed at directly adding new products to the portfolio and improving existing products. On the other hand, R&D activities that are carried out with international institutions ("IAEA") are to improve knowledge, quality and efficiency. In addition, within the context of Santez projects, R&D activities for original and innovative products are being carried out in cooperation with Turkish universities.

Support has been received from TUBITAK for the R&D project titled "Obtaining I-124 and Cu-64 radioisotops from solid targets and development of radiopharmaceuticals marked by these radioisotops" planned to be launched in 2014 and to last for 2 years. It is anticipated that more focused study will be carried out at RE-DE Department which was restructured at the end of 2014 concerning product development and improvement of production processes.

At Moleküler Görüntüleme, two projects have been completed for the synthesis of the molecules which are active ingredients used in radiopharmaceutical manufacturing and for the design of the devices intended for the radioactive metering systems used in nuclear medicine, and the products so developed have been displayed at fairs.

The ongoing R&D projects of the company as summarized below:

- Robotic system to be used to prepare sterile compounds ready for IV injection
- Development of high purity ECD molecule for which R&D has been completed

The sector in which the Company operates in and its positioning

Original pharmaceutical market:
Eczacıbaşı İlaç Pazarlama is mainly active in the pharmaceuticals sector with its imported original products portfolio including the products of Sanofi-Aventis, Chugai-Sanofi Aventis, P&G, Astellas, Sandoz, Spirig, Sigma-Tau, Almirall, Tillots and Juvise. According to IMS period of December 2014, Eczacıbaşı İlaç Pazarlama has grown by 16.7% on TRL basis while Turkish pharmaceutical market has grown by 8.8%.

Hospital supplies market:
The institution continues operating as a main actor in the market of hospital products, renal products and biological products. Eczacıbaşı-Baxter Hospital Products is facing a challenging competition from domestic and foreign companies in all the markets that it operates.

Dialysis treatment market:
RTS Renal Tedavi Hizmetleri provides dialysis treatment services. The share of private sector investments is increasing in this market. However, as a result of the delays observed in price increases, some private centers started to close down or merge their operations. Particularly large and foreign owned chains are taking action in the direction of either closing down or merging their clinics with low capacity utilization ratios. The Company is the third largest chain amongst privately owned dialysis centers.

Health services:
Eczacıbaşı Sağlık Hizmetleri, operates in the health sector and offers the widest spectrum of health services (home-based nursing care, physician, therapy services, telehealth services, provision of medical equipment for patient treatment) in Turkey. Due to the nature of the services offered it is not possible to benchmark the Company with any other.

Nuclear Medicine sector:
Eczacıbaşı-Monrol Nükleer Ürünler operates within the medicine sector as a radiopharmaceutical producer. In the FDG market that constitutes 35.4% of domestic sales, three rivals operate in the sector and the institution is the market leader with a ratio of 52.2% winning record in public tenders.

In the SPECT product group which constitutes 30.7% of sales of 2014, it exports to 25 countries besides the domestic market. The biggest exporting markets are Egypt and India. Apart from the FDG and SPECT products, Eczacıbaşı Monrol also performs FDG site setup and management projects sales in the nearby regions. With all these developments, in 2014, monthly total sale sum has been TRL 101,237 thousand which means a 6% increase in total sale sum in comparison to the same period of the previous year.

Moleküler Görüntüleme is the first and only company in its sector. There is no other local company operating in R&D area in nuclear medicine sector.

Developments in investments, incentives used and the extent of incentive use

Original pharmaceutical market:
Incentives are not used.

Hospital supplies market:
Eczacıbaşı-Baxter Hastane Ürünleri, has no plans for any capacity increase and investment thereof for the IV and peritoneal dialysis solutions it produces. No incentives were used for modernization or other investments. Investments realized were mostly sales related machinery and IT investments. In addition, repair and maintenance activities are carried out in order to protect the existing investments.

Dialysis treatment market:
Although RTS Renal Tedavi Hizmetleri has not used any incentives at the present time, the investment deduction allowance carried from previous years amounts to TRL 2,317 thousand.

Health Services:
Although no incentive is yet utilized by the Company, a project application has been filed in order to enjoy TUBITAK incentives.

Nuclear Medicine sector:
Istanbul-Yildiz and Antalya investments of Eczacıbaşı-Monrol Nükleer Ürünler have been completed and production started in 2011. FDG production plant investments have been completed in Egypt in May 2012 and Malatya and Romania in July 2012, and production and sales started in these countries. In Bulgaria and Poland, company establishing process for FDG manufacturing facilities has been completed and the companies, namely, Monrol Bulgaria LTD and Eczacıbaşı Monrol-Poland LTD have been established as a 100% joint venture of Eczacıbaşı and Monrol. It is anticipated that the production facilities shall start operation in 2015.

Moleküler Görüntüleme is utilizing loans / donations made by KOSGEB, TTGV, TÜBİTAK, Ministry of Trade for its R&D projects. Other R&D projects and net operating capital requirements are financed through short term bank loans. The company also enjoys R&R rebate for staff income tax.

Characteristics of the Company’s manufacturing units, capacity utilization ratios and trends, overall capacity utilization ratio, explanations concerning developments observed in the production of goods and services, quantities, quality, demand and prices as compared to past terms in the field of activity

Original pharmaceutical market:
Eczacıbaşı İlaç Pazarlama and Eczacıbaşı İlaç Ticaret have no production activities. They either import their products or have them contract manufactured.

Hospital supplies market:
Due to fierce competition in the procurement market in parallel with improvement in market conditions and strategy for the solution products, in the glass and plastic bottling line, 7.5 million units of solutions were produced and the capacity utilization ratio has decreased to 59% from 51% in 2013; at the Medifleks lines 50.5 million units of solutions were produced and the capacity utilization decreased to 89% from 92% in the same period of 2013 and additionally, in terms of sets, 13.3 million products were produced with a capacity utilization rate decreased to 55% from 91%.

The products produced by Eczacıbaşı-Baxter Hastane Ürünleri are priced by the Ministry of Health and are subject to the reference pricing system, which are updated as per the pricing decree and are published on the Ministry of Health's web page. In 2014, price increase was approved by the Ministry for the product ranges in peritoneum dialysis, anesthesia, oncology, nutrition.

Dialysis treatment market:
As date of December 2014, RTS General Treatment Services has been serving a total of 1942 patients in 14 clinique, with 1,662 of them being hemodialysis ("HD") and 280 being Periton dialysis. Including the reserves, there are 482 HD machines in total (December 31 2013: 548). There are 3.44 patients per HD machines on average. (December 31, 2013: 3.3)

Health services:
Eczacıbaşı Sağlık Hizmetleri A.Ş. is a service provider. It has no production activity.

Nuclear Medicine sector:
Eczacıbaşı-Monrol Nükleer Ürünler has nine active production units located in Gebze, Ankara, Adana, İzmir, Istanbul, Antalya and Malatya at home and in Egypt and Romania. Production levels have not changed substantially both in the FDG anf SPECT product group as compared to previous period.

Moleküler Görüntüleme has been established in Gebze TÜBİTAK Technology Free Zone and consists of two main divisions. In the first division, rare molecules are synthesized. These molecules are not commercially available and they are specially synthesized by few companies producing radiopharmaceuticals. In the other division of the plant, the research, development and manufacturing of the radiation-protection devices and equipment are carried out.

Prices, sales turnover, sales terms of the goods and services in the field of activity, changes observed in these throughout the year, developments in efficiency and productivity indices, reasons for significant changes in these as compared to past years

Original pharmaceutical market:
Apart from the over-the-counter products that are freely priced, the products of Eczacıbaşı İlaç Pazarlama are priced by the pricing decree of the Ministry of Health. The Ministry of Health takes the lowest price available among the five reference countries selected, and converts the price to TRL by a Euro exchange rate the Ministry specifies.

Sales terms are not only affected by the market conditions, but are also defined by the compulsory institutional discounts applied by the state. During periods of stiff competition, limited campaigns are put into action for over the counter products, and sales are supported through side commercial benefits provided to the customers.

Hospital supplies market:
As of mid-November, 2011, the Social Security Authority ("SGK") has increased the discount rate by 8.5% for some original products and 7.5% for some 20-year products and lowered the price by 20%. Moreover, equivalent band for blood product has been lowered to 10%. The overall impact of the government decrees promulgated in 2011 on cumulative turnover of December 2014 of Eczacıbaşı-Baxter Hospital Group was realized as around TRL 18.9 million. On the other hand, due to the fierce competition in the solution procurement market, increase has occurred in the commercial discount rates. The adverse impact of increased discounts in the solutions is TRL 7.8 million.

Dialysis treatment market:
The service contract with the Social Security Institution stipulates a standard Hemodialysis session price of TRL 155 for all centers. The session price was raised to TRL 155 from TRL 145 as of 18 March 2014 by 6.9% rise. The Company also provides monitoring and diagnostic services to peritoneal dialysis patients.

Health services:
Eczacıbaşı Sağlık Hizmetleri establishes the prices of the services it provides at the beginning of the year, mainly taking the market conditions into consideration. These prices are applicable all throughout the year, to be revised again in the next term.

Nuclear Medicine sector:

It has expanded by 15% thanks to total sales revenues, increase in projects and service sales and new customers resulting from facility investments abroad Consolidated sales revenue increased by 6% thanks to spect product group and project-service sales domestically and sales of Capintec abroad. At the beginning of the year, there has occurred a problem in the supply of main raw material of one of the SPECT group products-it is radioactive and only produced by 5 nuclear reactors worldwide- and this caused an increase in material costs. This distress repeated itself in the following period. The incident reflected its negative impact on the financials of the institution. An increase in the prices of the SPECT group products was performed in order to reduce negative effect of raw material cost. In the homeland, due to the impact of competition in FDG prices, there has been a retreat by 5.5% in comparison to the previous year, whereas there is no negative sign for the sales prices in the markets abroad.

Major products sold at Moleküler Görüntüleme are Hot Pot, Dose Calibrator and Injector Shields, with a turnover of TRL 615,851 thousand during December 2014. Of this sum, TRL 469,162 has been received as TÜBİTAK support.

Measures planned to improve the financial structure of the Company

Original pharmaceutical market:
The financial structure would further be improved by signing new product contracts for over-the-counter products with no competitors, with high prices and high market potential and by quickly evaluating the joint marketing and license transfer options.

Hospital supplies market:
In an effort to improve financial structure of the company, operational capital, improvement plans are monitored monthly by the management and measures are taken to monitor risks and opportunities regularly that may affect working capital, cash flows and financial results of the activities. And measures are taken to focus on activities and maintain and increase product profitability.

Dialysis treatment market:
The Company continuously works to improve profitability by increasing sales and saving on expenses in order to strengthen its financial structure. Effective cash flow management is achieved through periodically monitoring receivables and keeping procurement under control

Health services:
The main policies applied to improve the financial structure of the Company are;

- Collecting service revenues in advance and in cash as much as possible,
- Spreading the loan repayment periods and making repayments in installments to the extent possible,
- Exerting efforts to lower the purchase costs,
- Improving productivity of the health personnel who serve the patients,
- Increasing the share of the service categories with lower costs as compared to other product categories in total sales.
- Launching new activities.

Additionally, continuous efforts are put forward to improve processes like eliminating collection problems.

Nuclear Medicine sector:
Areas of improvement for the financial structure of Eczacıbaşı-Monrol Nükleer Ürünler are the operating cash and the collection days on receivables. Operating cash and collection days are regularly monitored. Delays were observed in collections particularly from university hospitals and some overseas customers located in neighboring countries and appropriate measures are taken to lower the number of days for receivables and market conditions are regularly monitored.

The measures likely to be taken in order to improve the financial structure of Moleküler Görüntüleme include the reduction of financing and net operating capital requirement. For this purpose, efforts are made in order to increase the corporate sales and reduce the costs by assessing the loans on an ongoing basis.

At the Ordinary General Assembly of Moleküler Görüntüleme for the year 2012, it has been decided that the registered share capital be reduced from TRL 7,500,000 to TRL 770,000 by adding the accumulated losses due to the continuing R&D project into the capital, thus ensuring shareholders' equity to be sufficient commercially.

Personnel and worker changes, collective bargaining agreements, personnel and worker rights and benefits

Original pharmaceutical market:
Eczacıbaşı İlaç Pazarlama has been a sales and marketing company and has no unionized employees. The rights and benefits offered to the staff are in line with the human resources applications of the Eczacıbaşı Group and as of 31 December 2014, the Company had 331 (31 December 2013: 328) employees.

Hospital supplies market:
As of 31 December 2014, Eczacıbaşı-Baxter Hastane Ürünleri had 194 workers (31 December 2013: 224) and 386 white collars (31 December 2013: 412) bringing the total number of personnel to 580 (31 December 2013: 636) employees. The Company does not have collective bargaining agreements. The rights and benefits offered to the workers and employees are in line with the human resources applications of the Eczacıbaşı Group.

Dialysis treatment market:
Collective bargaining is applied neither at the headquarters nor the clinics of RTS Renal Tedavi Hizmetleri. As of 31 December 2014, a total of 9 (31 December 2013: 11) at headquarters, 416 at clinics (31 December 2013: 461) bringing the total number of personnel to 425 (31 December 2013: 472). The wage package of the personnel employed at the headquarters of RTS Renal Tedavi Hizmetleri is in line with the human resources applications of the Eczacıbaşı Group. The personnel employed at the clinics have a wage package based on 12 months' salary.

Health services:
Eczacıbaşı Sağlık Hizmetleri has no collective bargaining agreements. The rights and benefits offered to the staff are in line with the human resources applications of the Eczacıbaşı Group and as of 31 December 2014, the Company had 324 (31 December 2013: 299) employees

Nuclear Medicine sector:
Eczacıbaşı-Monrol Nükleer Ürünler has no collective bargaining agreements and the employees and workers receive an annual performance based bonus and private health insurance coverage in addition to the rights they have according to the law and regulations in effect. As of 31 December 2014 the Company employs 219 (31 December 2013: 218) employees.

Moleküler Görüntüleme has no collective bargaining agreements and the employees receive private health insurance coverage in addition to the rights they have according to the law and regulations in effect. As of 31 December 2014, the Company employs 15 (31 December 2013: 22) employees.

Information on organizational units apart from the headquarters

Original pharmaceutical market:
The Headquarters of Eczacıbaşı İlaç Pazarlama, where it manages all the staff is located in Levent/Istanbul. It operates throughout Turkey with other cities where it has got settled agents.

Hospital supplies market:
Eczacıbaşı-Baxter Hastane Ürünleri has regional offices and technical services apart from its headquarters. In addition to 4 regional offices (Istanbul, Ankara, İzmir, Adana), there are technical service building organizations in Ankara regions.

Dialysis treatment market:
RTS Renal Tedavi Hizmetleri has 2 branches apart from its headquarters. In addition it has 11 subsidiaries and 2 branches of these.

Health services:
Eczacıbaşı Sağlık Hizmetleri has no organization apart from its headquarters.

Nuclear Medicine sector:
Eczacıbaşı-Monrol Nükleer Ürünler has seven branches in Istanbul, Ankara, Adana, Izmir, Antalya and Malatya, apart from its headquarters. Its affiliates and shareholding percentages are given in the table below. In addition, the Company has a sales and distribution network of 15 resellers in Turkey and 1 distributors in 32 points of sales abroad.

Country	Affiliate's Name	Shareholding Structure	%
Romania	Monrol Europe SRL	Eczacıbaşı Monrol	100
Poland	Monrol Poland LTD	Eczacıbaşı Monrol Monrol Europe SRL	49 51
Egypt	Monrol Egypt LTD	Eczacıbaşı Monrol Monrol Europe SRL	99.8 0.2
Bulgaria	Monrol Bulgaria LTD	Eczacıbaşı Monrol	100
Jordan	Eczacıbaşı Monrol-Jordan	Eczacıbaşı Monrol	100
Turkiye	Moleküler Görüntüleme Tic. ve San. A.Ş.	Eczacıbaşı Monrol	99.99
USA	Capintec, Inc.	Eczacıbaşı Monrol	100
Dubai	Monrol MENA LTD	Eczacıbaşı Monrol	100
Dubai	Monrol Gulf DMCC	Monrol MENA LTD Mohd & Obaid Al Mulla LLC	80 20

Moleküler Görüntüleme has is headquarter in Şişli with a branch office in Gebze TUBİTAK Technology Free Zone.

Activities in Consumer Products Sector

Analysis and evaluation of the Management concerning the results of the activities

Personal care products market where Eczacıbaşı Consumer Products Group operates has been growing in our country in parallel with the global trends. According to FMCG* Track Report in which A.C Nielsen measure the total trade, personal care market in Turkey has grown by 16,5% in the current basis. This growth has been realized by 6,3% in terms of quantity, 6,9% in terms of figures net of inflation. The potential in the market attracts the attention of both global and local actors and creates an intensive competition environment. Eczacıbaşı Girişim Pazarlama, Eczacıbaşı Schwarzkopf and Eczacıbaşı Hijyen Ürünleri have obtained successful results in 2013 within this competition environment.

Eczacıbaşı-Schwarzkopf Kuaför Ürünleri operates in Professional hair cosmetics area. It is estimated that there are 25-30 thousand hair saloon registered in hairdressing market. Eczacıbaşı-Schwarzkopf Kuaför Ürünleri is enlarging in way that it can maintain its competitive power and leading position.

Eczacıbaşı Girişim Pazarlama is one of the firms in Turkey with extensive retail potential thanks to the products manufactured by Eczacıbaşı Group as well as imported ones through agreements made with the companies outside the group. In 2014, Eczacıbaşı Girişim made marketing investment in Okey ve Detan/Defans brands and thus started to act as a global actor and protected its leading position in preservative market where competition is on the rise. It also increased its share in insecticide market despite its fight against a powerful global actor. In addition, it renewed Egos, a hair styling product having a powerful brand image, and enabled such brand gain power for sales. As a result of new agreements made, the organization included Bahlsen, a 125 year old leading German biscuits brand among its companies in 2014 as well as Essence, a cosmetic brand it started to distribute last year.

Eczacıbaşı Profesyonel Değer Zinciri which was established under restructuring process at the end of 2012, operating in non-domestic consumer products completed its organizational structure in 2013. Setting out its journey with the aim of growing in the market and customer-oriented service understanding, Eczacıbaşı Profesyonel ended the years 2013 and 2014 with high growth rate and increasing number of customers.

Integration of Ataman Group, known as the most innovative organization of wet wipes sector, was procured by the end of 2012 with Eczacıbaşı Tüketim Ürünleri Grubu was completed in 2013 and the company started its operations under the name of Eczacıbaşı Hijyen Ürünleri. The branding architecture was restructured for “Uni”, the most important brand of Eczacıbaşı Hijyen Ürünleri, logo and image of the brand were renewed and launched. Besides new-born products that have high value in baby products, baby care was also focused on.

Although it is anticipated that intensive competition will go on in personal care and non-domestic use in the consumer industry; the main target is to focus on profitable growth and reinforcing its competitive position in baby products market by getting into market with Uni brand in Eczacıbaşı Hijyen Ürünleri. As for professional (non domestic use) products, it is aimed to increase customer orientation and growth as well as enrichment of product portfolio with new distributable products.

Also, among the targets are the protection of leading position, improvement in market share in other categories and increasing brand value.

Key factors affecting the Company's performance, changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes, investment and dividend policies implemented to enhance the Company's performance

For our joint venture active in the hairdresser products market;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**
  The key factors affecting the performance of Eczacıbaşı-Schwarzkopf Kuaför Ürünleri are the activities of the competitors and, as almost all of the products are imported, economic variables starting with the foreign exchange rates. Precautionary policies include following up market data closely and making use of financial instruments to hedge foreign exchange risks.

  In order to increase market share new products are imported in line with the health and fashion trends; training programs are offered to hairdressers to improve their skills and promote the use of products; support activities are organized to tie in more hair salons and periodic promotional campaigns are developed.

For our subsidiary active in the consumer products market;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**
  As of year-end 2007 Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri moved its production to a modern plant within the Gebze Organized Industrial Zone, from its old production facility located at Çerkezköy. The fact that the new manufacturing plant is located close to the main warehouse as well as having its own warehouse resulted in significant improvements in storage and transportation costs.

  The Company keeps investing in new systems to improve its current sales infrastructure. Within this context, to manage the dealers effectively, a dealer automation system was established where dealers' sales and stocks can be monitored daily on a product basis.

  The company has now discontinued the sales and distribution of SMA brand infant food as of 2013, which had started to be produced and distributed in April 2011. Moreover, during this period, the sales and distribution of Huhtamaki brand food service packaging products started last year has been discontinued. As of December 2012, Uni brand products of Eczacıbaşı Hijyen Ürünleri started to be sold and distributed. Moreover, in 2013, the sales and distribution of Demko and Unifood brand food products started.

  In this period, food products with Heinz and Bahlsen brand are started to be sold and distributed. By the end of 2013, the agreement on sale and distribution of Beiersdorf and Nivea branded cosmetic products was terminated.

For subsidiary active in the wet wipes market;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**
  Eczacıbaşı Hijyen Ürünleri has been producing hygienic and personal care products, in particular wet wipes and towels, and has been realizing the marketing; sales and distribution thereof in the Turkish market as well as abroad.

  Eczacıbaşı Hijyen Ürünleri produces its rich product portfolio consisting of products such as personal and baby care products, wet towel, wet wipes, make-up removal products, baby shampoo and creams, acetone, cologne, vaseline, etc. with its own brands (Uni, Unimed, Premax, Şelale), and also produces toll manufactured products for local and international select chain stores. The performance of the company is dependent on the market growth, brand and competition power in Turkey and the growth at the export markets of its products.

  In order to strengthen its performance, Eczacıbaşı Hijyen Ürünleri carries out promotional activities to introduce its products and marketing activities to enhance their usage. The Company carries out R&D activities to broaden its product portfolio and introduces the developed products to the market. The Company focuses on customer satisfaction with its high quality products and innovative strengths. Closely chasing the technological developments in its market, it is trying to offer the highest possible quality with the best possible technology. Development of new products and renovation of existing products by means of know-how and technology enhance the product and sales capacity.

The Company's sources of finance and risk management policies

Hairdressers' products market:
The main financial policy of Eczacıbaşı-Schwarzkopf Kuaför Ürünleri is to avoid working capital deficits. As all products are imported, certain measures are taken against foreign currency risks.

Consumer products market:
Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri finances receivables, stocks and fixed assets through equity. Loan has been borrowed in order to purchase new office building in 2012, and as of 31 December 2014, the outstanding loan amount is TRL 56,677 thousand.

Receivables are guaranteed by sales channels. Real estate mortgages and letter of guarantees from banks are collected from clients as payment guarantees. As of 31 December 2014, 74% of the risk for receivables from wholesale resellers has been secured with existing guarantees.

The company makes its purchases from abroad in cash, so there is no currency risk. Sudden currency fluctuations are closely monitored, and cost increases due to currency increases are compensated by price increases or savings measures. The ratio of budgeted versus actual expenses of all departments of the Company are monitored and it is expected that any deviation in sales would be matched by corresponding expense cuts.

Wet wipes market:
The receivables, stocks and fixed assets of the entities active in this market are funded from their own resources as well as with short-term borrowings. As of 31 December 2014, the outstanding loan amount borrowed by Eczacıbaşı Hijyen Ürünleri is TRL 41,587 thousand. 11 Million Euro of this loan is 8-years investment loan regarding factory.

Foreign sales are directly realized by Eczacıbaşı Hijyen Ürünleri to 53 countries and domestic sales are realized by Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri. An increase in the number of distribution centers and sales is targeted with the use of the efficient and wide-spread domestic distribution power of Eczacıbaşı Venture Marketing.

In connection with the inputs imported from abroad and locally purchased over foreign currency, the risk that may be caused by the sudden increase in foreign currencies to the indebtedness over foreign currency is being balanced with the receivables from foreign sales.

Development prospects for the Company

Hairdressers' products market:
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri performs in line with the market trends, where particularly the products retailed at the hair salons are showing growth potential. A market share increase in this segment is targeted.

Consumer products market:
Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri manufactures industrial liquid detergents, cosmetics and eau de cologne at its own plant. All these products are manufactured by the best available processing and management applications to be found in this sector. ISO 9000 certification is completed and file preparation has been started to become the first GMP ("Good Manufacturing Practices") certified manufacturer in this sector.

New sales of the organization in December 2014 dropped by 6% due to termination of the contract for sales and distribution of Beiersdorf and Nivea cosmetic products. It is planned that the growth in next three years will be realized by approximately 14%.

Wet wipes market:
The company will continue to grow with the investments and cooperation in internal markets and abroad. It is expected that the power of brands of the company will increase with their participation to the Eczacıbaşı Holding as a result of marketing investment to be made into these brands.

It will continue to be a leader and reputable company in the sector with its quality and safe products and services. It will enhance its position as the leader of its sector for years with improvements in the upcoming years. Based on demands, use of capacity and OEM product manufacturing and sales will be continued in several brands that are with cost-reduction effect.

As of May, 2014, in the Region of Gebze Organized Industry, an industrial land has been purchased and a site of its own is to be started. The total investment value has been planned as USD 22 million.

R&D activities realized

Hairdressers' products market:
All products in this market are imported from Germany. R&D activities are carried out by the original manufacturers.

Consumer products market:
The production facility and R&D structure of Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri is established to develop certain formulae completely by the Company rather than buying these from elsewhere. At this manufacturing plant, 70% of the formulae have been renewed within three years. Formulae optimization for Egos branded products and new product development efforts for Selin, Detan, Defans and Hijyenmax branded products are ongoing.

Wet wipes market:
Eczacıbaşı Hijyen Ürünleri is always active in development efforts for new products. The R&D activities financed by corporate resources are aimed at directly adding new products to the portfolio and improving existing products. It always closely follows the consumer needs and developments in the sector in order to lead the market with its innovative products. It launches new products every year through its expertise, quality and know-how. With the technological developments, it steadily increases its production quality.

The sector in which the Company operates in and its positioning

Hairdressers' products market:
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri, operates in the wholesale hairdressers' products market. It is the market leader in hair coloring products. It has been increasing its market share in shampoo and other hair care products markets. The Company is active in importing, marketing and sales of hair cosmetics products that are only used by hairdressers or sold through hair salons.

Eczacıbaşı-Schwarzkopf Kuaför Ürünleri, operates in the hairdressers' sector and along with Schwarzkopf products it also sells Indola branded products which were bought by Henkel KGaA, the parent company of Schwarzkopf in 2005. The Company is the market leader with its portfolio of pioneering brands like Igora, Indola, Bonacure, Osis, Blond Me.

Consumer products market:
Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri, is active in sales and distribution in the consumer products market and is responsible from brand management and manufacturing of Eczacıbaşı's own consumer and away-from-home brands. It is the consumer product company which has the highest retail coverage in Turkey with its range of more than 1,500 products.

It is the market leader in 12 of the 20 product categories it distributes. According to AC Nielsen retail panel distribution data, the Company has a 80%-95% coverage ratio around Turkey, reaching 4,800 sales points directly, 67,000 sales points through exclusive or general dealer teams responsible for Eczacıbaşı Girişim Pazarlama products, and 160,000 sales points in total including sales through wholesalers.

Consumer products manufacturing plant is in full compliance with the new cosmetics law published in 2006 parallel to European Standards, and for liquid detergent production, it has the most developed infrastructure and manufacturing conditions within the country. The plant was established with the most optimal solutions for energy and water consumption, and is equipped with an automation system to ensure production quality consistency. R&D, Quality Control and Microbiology laboratories are equipped with all tools and systems that the sector may require.

Wet wipes market:
Eczacıbaşı Hijyen Ürünleri is the first local producer in particular in the wet wipes category. Since 1994, it has maintained its leader position with the innovative products it launched to the market. The size of the wet wipes sector, which accounts for more than 50% of its sales, is expected to be around TRL 325 million this year in Turkey as per 2014 AC Nielsen data. At the same time, it has an innovative and sound position in the markets of those countries to which it realizes exports.

Developments in investments, incentives used and the extent of incentive use

Consumer products market:
The new cleansing agents and cosmetics manufacturing plant of Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri started its production and became operational in December 2007. Investment spending as of 31 December 2014 amounted to TRL 8,423 thousand. No incentives were used.

Wet wipes market:
Eczacıbaşı Hijyen Ürünleri has moved in 2009 to the facilities that it currently operates and thus has gained the opportunity to realize high standard production and an infrastructure that will double its current production without making a significant investment in the upcoming years. In the fourth quarter of 2014, Eczacıbaşı Hijyen Ürünleri has made an investment for machinery and equipment amounting to TRL 877 thousand, 51 thousand TL Vehicles, fixed assets amounting to TRL 273 thousand and software amounting to TRL 355 thousand and TRL 16,999 thousand investments for land. No incentives were used.

Characteristics of the Company’s manufacturing units, capacity utilization ratios and trends, overall capacity utilization ratio, explanations concerning developments observed in the production of goods and services, quantities, quality, demand and prices as compared to past terms in the field of activity

Hairdressers’ products market:
As all products are imported, there is no manufacturing activity.

Consumer products market:
At its new manufacturing plant, Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri focuses on new products and system products that would increase the tonnages. With the specially developed thinning and dosage systems, the Company is able to offer economic options, particularly for customers operating at large professional service points.

Wet wipes market:
Eczacıbaşı Hijyen Ürünleri manufactures its products at its production facilities in Kırac-Esenyurt. It has some cosmetic products, corresponding to 2-3% of its total turnover and products similar to acetone toll manufactured.

Prices, sales turnover, sales terms of the goods and services in the field of activity, changes observed in these throughout the year, developments in efficiency and productivity indices, reasons for significant changes in these as compared to past years

Hairdressers' products market:
Sales are promoted by means of the activities within the context of the annual contracts signed with the hair salons and monthly campaigns targeting both end users and hair dressers. Eczacıbaşı-Schwarzkopf Kuaför Ürünleri's products are sold and distributed through dealers by Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri.

Consumer products market:
The price increases in the products of Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri are determined based on reasons such as inflation, competition. Sales terms differ by distribution channels and customer categories. While sales terms are established in individual customer contracts with regard to competitive prices and market conditions, discounts are offered under invoices as service invoices. A cash discount is offered to cash payments. A guarantee to cover products to be bought is expected from the customers that the Company works with.

Wet wipes market:
Product prices are increased taking into account factors like inflation and competition. Sales conditions vary based on distribution channel and customer groups and are determined by taking into consideration competitor prices and market conditions in accordance with the agreements entered into with the customers. While net sales of Eczacıbaşı Hijyen Ürünleri were TRL 56,472 thousand in the 3rd quarter of 2014, it was realized as TRL 72,547 thousand in the 4th quarter.

Measures planned to improve the financial structure of the Company

Hairdressers' products market:
Having extended payment periods from suppliers and offering shorter payment periods to customers are among the planned measures.

Consumer products market:
Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri started applying a direct debit system to prevent the risk of delayed payments. Efforts are underway in order to expand this system and it is aimed to implement Debit Insurance system in order to reduce the risks by 2015.

The total stock levels are kept under control by eliminating SKUs ("Stock Keeping Unit") deemed unproductive by pre-determined criteria when adding new ones. Alternatives are being evaluated to manufacture by definite orders so that no manufactured product stocks would be kept. Packaging and content changes within product categories continue within the scope of reducing production costs.

The unfavorable situation in the financial statements of Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri compared to that of in 2013 results from lowering the stocks of dealers which was applied for the improvement of operations and gaining a competitive position in NHC market. It is anticipated that positive results of this practice will affect financial statements.

Wet wipes market:
The domestic sales of Eczacıbaşı Hijyen Ürünleri have been realized as from 2013 through Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri. In this way, the commercial receivables previously remaining out of guarantee to a great extent are now secured substantially. On the other hand, reduction has occurred in number of sales days in receivables due to both the sales due date being shortened and the cash sales having increased proportionately. Compared to previous years, it is expected that net financing debt shall be reduced.

On one hand side, it is expected that the credit amounts will decrease with the collection of receivables on shorter terms and on the other hand in addition to the deduction in the loan interests, borrowing opportunities with lower costs are available due to being a company within the Eczacıbaşı Holding; and as a result of all of these, it is estimated for the borrowing costs to be significantly reduced.

Personnel and worker changes, collective bargaining agreements, personnel and worker rights and benefits

Hairdressers' products market:
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri has no collective bargaining agreements. The rights and benefits offered to the staff are in line with the human resources applications of the Eczacıbaşı Group and as of 31 December 2014, Eczacıbaşı-Schwarzkopf Kuaför Ürünleri has 22 (31 December 2013: 18) employees.

Consumer products market:
As of the end of 31 December 2014, Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri employed 430 (31 December 2013: 386) employees. The Company has no collective bargaining applications. The rights and benefits offered to the staff are in line with the human resources applications of the Eczacıbaşı Group.

As of January 2013, Eczacıbaşı Professional has been established within Girişim Pazarlama Tüketim Ürünleri in order to further focus on Non-Home Consumer goods ("NHC") channel. The relevant marketing department in cooperation with the General Manager who will head this organization has been established and new employees have been increased in other departments in an effort to take more share in NHC market. Such employees work in Girişim Pazarlama Tüketim Ürünleri by the date of report.

Wet wipes market:
As of 31 December, Eczacıbaşı Hygiene Products employed 207 (31 December 2013: 214) employees. The Company has no collective bargaining applications. The rights and benefits offered to the staff shall be in line with the human resources applications of the Eczacıbaşı Group in 2013.

Information on organizational units apart from the headquarters

Hairdressers' products market:
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri has no organization apart from its headquarters.

Consumer products market:
Apart from its headquarters, Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri has a manufacturing plant in Gebze and 6 regional sales offices. Real Estate Operations

Wet wipes market:
Eczacıbaşı Hygiene Products has no organization apart from its headquarters.

Real Estate Activities

Analysis and evaluation of the Management concerning the results of the activities

Ormanada Project planned for Istanbul, Uskumruköy - Zekeriyaköy location was completed on 31 December 2014 as planned. All houses sold were delivered to the owners and sales proceed.

Monetary depreciation of TRL in 2014, stiffening monetary policies and other macro measures caused decrease in special consumption, reduce in credit increase rate and slow down in private sector investments and growth. Furthermore, due to weakening in special consumption expenses, positive course in net export and decline in oil prices, there was improvement in current deficit. Although construction industry went on growing in 2014, this was not as much as that of in 2013. Along with slowing down in economy, growth in construction and real estate industry slowed down as well. In this period, urban transformation and large infrastructure projects contributed to the construction sector.

Ormanada Project is very distinct due to its features and construction quality and thus it can be utilized as a means of reliable investment without being influenced by the developments in real estate sector with the life style it offers. Moreover, as the construction phase is completed, it will not be affected unfavorable from increasing Exchange rates, nor does it will be affected from cost increase. It can offer easier alternatives to its customers thanks to its pricing based on dollar.

With respect to the land owned by Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar in Ayazağa – Cendere, the works are being monitored by KAYADER, to which we are a member of; the process is going on as anticipated. Master plan by 1/5000 scale and 1/1000 scale of implementary development plan were approved and land arrangement will be made in accordance with Article 18 of the Development La, no.3194.

Key factors affecting the Company's performance, changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes, investment and dividend policies implemented to enhance the Company's performance

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**

Kanyon:
Competition has been intensifying with the opening of new shopping centers in different districts. Despite this, Kanyon still is able to differentiate itself from the competition and manages to attract a loyal customer base. In response to increasing competition and the economic fluctuations, the marketing plan is enriched, and by means of applying an optimum stand rental pricing policy, operations in this area are being developed.

Kanyon's strong and weak points within this market structure can be summarized as follows:

STRENGTHS	WEAKNESSES
Central location / Being preferred at summer weather conditions	Affected by adverse weather conditions in winter
Different architectural design	Traffic density
Open air shopping	Gaps in the brand mix
Heavy emphasis on leisure, culture and art elements	
OPPORTUNITIES	**THREATS**
Vicinity to a dense office population	New shopping centers
High income region	Kanyon's luxury image

The strong demand the retail market had shown to shopping centers caused the rental rates to rise and the retailers that rented their spaces at these high prices started facing difficulties at the end of 2008, when the impact of the economic crisis started to be felt, to the extent that some had to close down their stores. In this crisis environment retailers have become reluctant to open new stores and the shopping centers have started evaluating applications more meticulously. To replace the shops that closed down, Kanyon is now looking for brands that have higher potential to attract consumers and create more traffic. At the same time efforts concentrate on strengthening the brand mix and the brand gaps have already been filled.

Kanyon is a center of attraction for customers with its regular activities, and among the leading activities are art events, concerts, works for children, digital marketing and social media projects, organizations for youngsters and shopping campaigns.

Some entities such as WWF, Greenpeace, LOSEV are given stands in terms of social responsibility. As stores are regarded significant stakeholders for Kanyon, any type of store activities that may contribute to the image of Kanyon are supported.

Kanyon constitutes a "benchmark" in the marketing world as well by the projects that it has put into effect. It was awarded silver prize for its WeBubble projects in the category of developing technology in 2014 in ICSC Awards event which awards marketing projects worldwide. In IPRA Golden World Awards, Kanyon won gold rewards with its new year activity called "Beatles in Kanyon" in the category of Events Management and with its Instagram project called "One day in Kanyon" in the category of Social Media. Furthermore, WeBubble was awarded 3 gold medals in 3 different categories at Stevie Awards; PR Innovation, Mobile Marketing Campaign and Shopping Application. Again at Stevie Awards, Kanyon was awarded bronze medals for "A day in Canyon" in media oriented communication category, "My Little Black Dress" in low cost communication campaign, Kanyon, key point of our love" in event-focused communication category, "Beatles in Kanyon" in customer-oriented event category and "Short is in this season" in video communication category. It was awarded for its Flea Market activity and Love Fountain in PR category in Felis Awards. The application of Kanyon for mobile phones was switched on in IOS and Android telephones by October 2014. Kanyon Fit, another digital application provides services as a fitness advisor for the visitors of Kanyon who adopted healthy life style.

Kanyon has been increasing its competitive strength through recently added new brands to its brand mixture. From 2012 onwards, a new settlement and revision period has been started by the project called V2.0, new anchor brands and youth popular brands have been added to Kanyon's brand mixture and the current brand shops have been renewed in the name of visitor circulation and visual perception.

Real estate development:
Key factors affecting the performance of Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım are the investment decisions of the investors it is serving with real estate development projects and the overall outlook of the sector. Ongoing real estate development projects are proceeding as planned.

As the clients served have decided land development and building would be their primary area of activity, their investment decisions are expected to remain intact in the short to medium term. The Company will keep its unique standing in the market with its high quality orientation, outstanding architectural approach and the projects it develops with an aspiration to establish brand names.

The Company's sources of finance and risk management policies

Real estate development:
As of 31 December 2014 Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım had neither foreign exchange risks nor open loans. The Company covers all its expenses with its operating revenue. Operating revenue includes consultancy and land development contract income along with building site revenues.

Development prospects for the Company

Kanyon:
The occupancy rate of stores and offices at Kanyon is 100%. Efforts continue to bring in brands with a high potential and achieve a stronger brand mix to occupy these. New brands are given space through short-term Pop-up store and stand rentals. These brands include New Franks, Krispy Kreme, Kent Optik, Pappa Bubble, Kiehl's, Galata Muhallebicisi, Pinkberry, Happy Socks, Agatha, Cremeria Milano and Hartford

Marketing activities mainly focus on events, advertising, public relations and customer relationship management. Event plan is developed to cover the whole year and create additional client traffic.

Ads are basically designed towards the activities, and by taking advantage of the activities, PR (Public Relations) possibilities are being considered. Works on CRM (Customer Relationship Management) are kept on going by being developed at the same time. Within the scope of the Kanyon image campaign, ads are still on SKYLIFE, Time Out, The Guide, Where Istanbul and other magazines. Kanyon's new written image campaign of "I wish everywhere were Kanyon" took its ultimate shape in August 2013 and shown on media ads. In 2015, different images for each season will be studied for further use.

Real estate development:
Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım has participated in Ormanada Project, a joint investment between Eczacıbaşı Holding A.Ş. and Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar A.Ş. as project manager and lead contractor. This development will make favorable contribution to the expertise and financial status of the company.

R&D activities realized

Real estate development:
Land development studies in Kartal are being carried out by Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım as part of the real estate development contract. The business development department continues to search for new projects in compliance with the Group's approach to develop privileged projects in real estate.

The sector in which the Company operates in and its positioning

Kanyon:
Shopping centers and retailing sector have been developing fast in the last few years in Turkey and the competition is intensifying. Although the ratio of shopping center m^2 to population is still half of European average, particularly in Istanbul, and at certain neighborhoods, there is a density causing high competition.

Kanyon differs from other shopping centers in its region with its architecture, events and brands. The trends observed at the market at large are as follows:

- Too many shopping centers targeting the same segment are launched
- There is an effort to move away from the traditional shopping center concept and leisure elements within the shopping centers are gaining importance
- Customers are becoming more demanding
- A higher quality and wider brand mix is expected
- Shopping is in competition with other activities as a means to spend spare time
- Famous chain restaurants recently opened at rival shopping malls.

The Company fully owns the 26 story office block at Kanyon, which as the first open-air shopping center project in Turkey, had received great acclaim both at home and abroad.

Kanyon and Kanyon Office building have fully met the criteria laid down for international "BREEAM In-Use" certificate commonly used in England and worldwide and found eligible to receive the certificate in September 2012. Kanyon has been assessed in categories such as material, energy, water, health and well-being, site use, ecology, waste management and transportation in line with "BREEAM In-Use" criteria and rated "Excellent" in building management performance.

15 of 192 "BREEAM In-Use" certificates granted so far all over the world are rated excellent in building management performance and Kanyon and Kanyon Office buildings have ranked 16th in the world and first in Turkey which have "Excellent" certificates in shopping mall and office building categories. In March 2013, Kanyon has once again been awarded "Excellent" certificate by Breeam awards.

Real estate development:
Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım, operates in the real estate sector, and is active in real estate development and project management. Apart from managing Eczacıbaşı Group's existing real estate portfolio within the country, the Company aims to establish "Eczacıbaşı Real Estate" as a brand in the sector by developing projects that are authentic, ecological and sustainable taking into consideration architectural genius, pioneering design and lifestyles; through solution oriented partnerships like flat-for-land and profit sharing.

Other real estate development activities:
The Company owns and receives rental revenues from the manufacturing plant and administration building of its 50% joint venture, Eczacıbaşı-Baxter Hastane Ürünleri, at Ayazağa.

Developments in investments, incentives used and the extent of incentive use

On 31 December 2007, the Company bought half of 22 plots of land with a total area of 196,409.74 m^2 located at Sarıyer İlçesi, Uskumru Mahallesi, Yorgancı Çiftliği Mevkii. The remaining 50% belongs to Eczacıbaşı Holding A.Ş. The real estate in question is qualified as building land for residential and, partially, commercial developments.

Application and interior decoration project works carried out by different architectural groups were completed for the total planned construction area of 90 thousand m^2 for Ormanada project and, project works and licensing process have been completed and occupation permits have been obtained.

- ❖ Ormanada project located in Istanbul Zekeriyaköy, has been designed by experts possessing international knowledge and experience, by blending the themes peace, comfort, neighbor relations, trust, sustainability, healthy lifestyles and nature around the "living together" concept.
- ❖ Ormanada combines a sustainable life philosophy, the simple beauty of nature and modern architecture and design, and was planned by renowned experts in these fields. Ormanada offers a very special living place in Istanbul and is designed in collaboration with some of the leading international companies in the field of urban planning, architectural design and landscape architecture - Torti Gallas and Partners, Kreatif Mimarlık ve Rainer Schmidt Landscape Architects - to represent an encounter between global architectural values and local needs and customs. We hope that the people who will live in Ormanada, our second living project after Kanyon, will enjoy nature to its fullest.
- ❖ 25 acres of Ormanada project has been designed as green area. Ormanada has a total of 2,500 square meters of social living space with pedestrian and bicycle paths, two tennis courts - one of which can be covered, a basketball and multi-purpose sports field, eight playgrounds and two recreational areas. The social living spaces called Adameydan, Adamekan and Adaçarşı include a café-restaurant, shops, one outdoor and one covered swimming pool, a pilates-fitness center, sauna, steam room and massage rooms.
- ❖ The project will require an investment of USD 300 Million. The residential units will vary from 170 to 700 square meters in size and would be priced in the range of USD 500 thousand to USD 2.2 million per unit.
- ❖ The project covers 188 villas, 85 detached houses totaling to 273 residential units. The project will be completed in two phases and there would be 150 residential units in the 1st phase, and it is projected that the 2nd phase will include 123 residential units.
- ❖ As of 30 December 2014, sales deals have been made and sales contracts signed for 111 residential units in the first phase and 64 units in the second phase.
- ❖ In this project which consists of two separate phases;
  - The delivery of the units located in the first phase has been started from April 2013 and 110 units were delivered and transferred as of 31 December 2014
  - The delivery of the units located in the second phase has been started from December 2013 and 61 units were delivered and transferred as of 31 December 2014
- ❖ Construction works were completed by the end of year; however, small reviews still proceed.

Real estate development:
Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım was not involved as an investor in any of the projects it executed in 2014, and thus, no incentives were used.

Characteristics of the Company's manufacturing units, capacity utilization ratios and trends, overall capacity utilization ratio, explanations concerning developments observed in the production of goods and services, quantities, quality, demand and prices as compared to past terms in the field of activity

Kanyon:
Kanyon aims to provide services at higher quality standards than available at other shopping centers and office buildings. Since it has started operating in June 2006, Kanyon has been showing utmost care to keep the quality-cost balance at an optimal level without sacrificing from service standard quality of the services it provides with its personnel (training, workers' health, importance given to work safety, health services like ambulance availability, hygiene inspections, high level of security measures, hi-tech devices used).

Real estate development:
Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım provides its services with its experienced, qualified and proficient management and technical staff. All the production stages of the projects are subcontracted.

Prices, sales turnover, sales terms of the goods and services in the field of activity, changes observed in these throughout the year, developments in efficiency and productivity indices, reasons for significant changes in these as compared to past years

Kanyon:
As of 31 December 2014 the total rental income received from Kanyon is TRL 53,524 thousand (31 December 2013: TRL 48,375 thousand). As the rental contracts were made for 5-10 years since 2006 it is expected that rental income will increase in the coming years along with contract renewals.

Real estate development:
The revenues earned from the projects managed through service contracts constitute the operating income of Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım. The revenue in the 2014 has been derived mainly from the construction works carried out as part of Ormanada project.

As of 31 December 2014, Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım realized an operating revenue of TRL 4,887 thousand. This decrease in revenues in 2014 as compared to the preceding year is caused by the fact that superstructure works have finished in Ormanada project by September 2014.

Measures planned to improve the financial structure of the Company

Kanyon:
Existing financial and technical information technology programs were revised to provide effective budgetary and financial control. Having extended payment periods from suppliers and applying shorter collection periods are among the measures planned.

Real estate development:
Due to the fact that the construction activities at the Ormanada project contracted by the Company will reach maximum speed in 2014, it is expected that such revenues will strengthen the Company's financial structure.

Personnel and worker changes, collective bargaining agreements, personnel and worker rights and benefits

Real estate development:
As of 31 December 2014, Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım had 23 (31 December 2013: 31), and has no collective bargaining agreements. The rights and benefits offered to the staff are in line with the human resources applications of the Eczacıbaşı Group.

Information on organizational units apart from the headquarters

Real estate development:
Apart from its headquarters, Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım has a site office within the context of the Ormanada project.

Other Activities

Key factors affecting the Company's performance, changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes, investment and dividend policies implemented to enhance the Company's performance

For our affiliate active in the ceramic tiles market;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes:**
  Vitra Karo's sales have been realized more than 14% higher than the previous year's. Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) in comparison to last year; with the effect of drop in foreign currency rates (especially in Ruble) has been 2.5% when compared to net sales.

  In V&B Fliesen, another big producer of Karo Group, sales were realized 1% lower at foreign currency base compared to that of last year's. EBITDA fell behind the last year's although problems were solved to a great extend since the low rates in sales.

  According to consolidated results of Tiles Group, the sales were 15% more than last year. The most important reason was that sales within the group sales were replaced by sales outside the group. Even though operating expenses were controlled, EBITDA was realized only 0.3% more than last year due to regression in foreign exchange and negative exchange rate. DAs for period profit, the cost of Exchange difference of foreign currency loans utilized by Vitro Karo reduced; however, there ,incurred period loss-yet this loss is approximately 7% behind the loss of previous year.

- **Investment and dividend policies implemented to enhance the Company's performance:**
  The Company has adopted a dividend policy of distributing profits after growth related investment finance requirements are met.

For our affiliate active in the export sales services;

- **Key factors affecting the Company's performance, significant changes that took place in the operating environment of the Company and the policies adopted by the Company in response to these changes**
  As the foreign trade capital company of the Eczacıbaşı Group, Ekom aims to provide most effective export, customs, finance and risk management services to the Group companies which make use of its services in export sales of Eczacıbaşı products.

  The performance of the Company is to some extent affected by changes in macroeconomic indicators. Particularly, fluctuations in foreign exchange rate policies have an impact on sales commissions, and directly affect the Company's financial results.

The Company's sources of finance and risk management policies

Ceramic tiles market:
In 2014, the export sales of Vitra Karo accounted for 58.1% in terms of quantity and 59.6% in value of its total sales. As most of its income is foreign currency based, the Company covers its financing requirements by foreign exchange loans. In addition, other financial hedge instruments (forward, collar, etc.) are used to lower the risks as and when required.

Export services:
Since Ekom acts as an intermediary and it undertakes minimum risks carrying out its activities for which its equity is large enough to bear it does not need to use any outside finance. However, with the financial intermediary services it provides, Ekom has access to a wide network of banks and enjoys high credibility; it may use such outside finance should there be the need.

Development prospects for the Company

Ceramic tiles market:
Vitra Karo operates in an intensely competitive market where innovative products and maximum customer satisfaction are crucial. In this regard, the Company endeavors to design new products, which once developed, are presented to customers in major international fairs. In addition, the operational processes are continuously developed and improved to increase customer satisfaction.

The slowdown suffered in the rate of sales of existing residential stock in Turkish domestic market as envisaged toward the end of last year still continues in the first quarter of the year. The slowdown in domestic sales and order entries affirms that fact. The uncertainty in terms of VAT, some measures expected to be taken to protect the consumer, etc. have created disquiet in the construction sector and among the consumers. However, among the headings in which the company expects favorable effect in the mid and long term is the status of so-called “2B” lands, laws governing the urban transformation as part of earthquake measures and granting rights to foreigners to acquire property in Turkey. While growth is expected in the renovation market in Germany, one of the strategic markets of Vitra Karo, it is observed that sales have increased rapidly in Russia, another strategic market, once the facilities are put into operation.

In order to increase the efficiency and profitability, development activities shall continue so that reasonably priced substitutes of some raw materials the prices of which have increased in excess of expectations, and cost improvement activities are conducted in other areas in order to minimize the impact of possible increases in natural gas and electricity prices.

On the other hand, efforts continue which are aimed at minimizing the adverse impact observed at gross profit level due to sales and cost increases due to lower currency rates at the level of operating profit before depreciation by means of controlled expenditures in the operating costs and savings measures.

Export services:
Ekom increases its business volume in line with the development of the export activities of the Eczacıbaşı Group. Necessary measures are taken to improve efficiency in this process. Activities in line with and in a complementary manner to the current business line are being pursued and put into action upon approval by the board of the Main Shareholder Eczacıbaşı Holding A.Ş.

R&D activities realized

Ceramic tiles market:
Eczacıbaşı Building Products Division has completed the process of establishing an R&D center at Bozüyük to serve both Vitra Karo and Eczacıbaşı Yapı Ürünleri as the "Innovation Center" of Building Products Division has started its activities in May 2011. Efforts to use substitute raw materials and materials so as to reduce the costs in tiles sector continue increasingly.

Export services:
Export services: Ekom has no R&D activity.

The sector in which the Company operates in and its positioning

Ceramic tiles market:
The market share of Vitra and Villeroy&Boch has become 9.2% in terms of turnover in the year 2013 in Turkey. In foreign markets, Tile Group also supplies 8.0% of 112.5 million m^2 consumption at the Germany, 3.8% of 48.3 million m^2 consumption in the UK market, 1.8% of 112.5 million m^2 in France and 1.1% of 167 million m^2 in Russia.

The said market share data are based on market research data provided by GFK in terms of turnover for Turkey and BRG Research Company in square mater for overseas markets. By the date of this report, data on market share in 2014 was not available and therefore not included herein.

Export services:
Ekom, provides operation, customs, finance and risk management support services to Eczacıbaşı Group companies under an export agency scheme. Due to the specific nature of the business and the fact that only group companies are served, it is not meaningful to benchmark or position the Company at a sectoral level.

Developments in investments, incentives used and the extent of incentive use

Ceramic tiles market:
The Ceramic Tile factory investment in Russia, expected to cost around 37 million Euro in total, has been completed substantially. 5% of Tiles Group's sales is covered by Russian facility

Investment incentive certificate, which is 12.3 million TL in value and applied for Bozüyük investment, was approved in the beginning of 2011. Works to close out this certificate initiated in the end of 2012 and closing out application was made in the first half of 2013 and finally closed out in 2014.

Investment Incentive Certificate dated 14 November 2013, numbered 112448 amounting to 5 million TL obtained for General Modernization in Bozüyük was approved by the Ministry and procurement under the certificate is in progress. The validity of the certificate expires on 24 October 2016.

Investment Incentive Certificate dated 23 December 2014, numbered 117194 amounting to 4.7 million TL obtained for the revision of the 10^{th} Furnace Line in Bozüyük was approved by the Ministry and procurement under the certificate started by December 2014. The validity of the certificate expires on 25 November 2017.

Export services:
Ekom makes limited investments mostly covering operational service requirements. The Company's status as a Foreign Trade Capital Company provides some advantages that the Group companies benefit from.

These advantages are:

- Letter of guarantee convenience for VAT rebates,
- Letter of guarantee convenience for Inward Processing Regime,
- Discounted interest rates on TRL or foreign currency based Eximbank loans, letter of guarantee convenience on obtaining loans,
- Benefit from some state export support schemes,
- Through the approved entity status provided, convenience and speed in customs operations.

Characteristics of the Company's manufacturing units, capacity utilization ratios and trends, overall capacity utilization ratio, explanations concerning developments observed in the production of goods and services, quantities, quality, demand and prices as compared to past terms in the field of activity

Ceramic tiles market:
Vitra Karo has a wide range of products in terms of tile dimensions offered. Currently, the Company, together with its associates abroad, has a production capacity of 32-34 million m^2 and a capacity utilization ratio of 90-95% depending on the production diversity. Every year 8-10 new products are added to the manufacturing portfolio.

Export services:
As the Company acts as an intermediary, it has no involvement in the manufacturing, marketing and sales policies of the products it acts as an agent for. The cost and quality of the intermediary agency services provided are regularly evaluated.

Prices, sales turnover, sales terms of the goods and services in the field of activity, changes observed in these throughout the year, developments in efficiency and productivity indices, reasons for significant changes in these as compared to past years

Ceramic tiles market:
In 2014, the consolidated sales of Tiles Group have increased 15% over the last year in TRL. Total production of floor and wall tiles of the Tiles Group has increased by 6.3 % when compared to that of in 2013.

Export services:
As the marketing and sales organizations are carried out by the manufacturing companies served, developments in these areas are beyond the reach of the Company.

Measures planned to improve the financial structure of the Company

Ceramic tiles market:
Vitra Karo has been realizing its growth oriented investments abroad through establishing new companies or acquiring existing ones, so its revenues are not limited to the home market. Within the context of the measures taken on all controllable expense and net operating capital items, an effective control mechanism is in place, aiming to increase profitability and operating cash.

Export services:
Managerial and technical measures are continuously applied to decrease the general expenses.

Personnel and worker changes, collective bargaining agreements, personnel and worker rights and benefits

Ceramic tiles market:
As of 31 December 2014, Vitra Karo, together with its affiliates, employed 2,350 people (31 December 2013: 2,145) including both white and blue collars (excluding employment by subcontractors). The Company has collective bargaining agreements for its home-based operations and the blue collar personnel is subject to the rights and benefits as outlined in collective bargaining agreements.

The rights and benefits offered to white collar personnel are those determined by the Eczacıbaşı Group. The salaries of white collar personnel at Vitra Karo were increased by 8% on annual basis in 2014. In accordance with collective bargaining covering blue collar workers, wages of workers increased by 8.14% in 2014.

Export services:
Ekom employed 16 people as of 31 December 2014 (31 December 2013: 16), and has no collective bargaining agreements. The rights and benefits offered to the staff are in line with the human resources applications of the Eczacıbaşı Group.

Information on organizational units apart from the headquarters

Ceramic tiles market:
Vitra Karo has showrooms both at home and abroad, located in Istanbul, Russia, the USA, Italy and Bulgaria. In addition, it has outlet sales points at Tuzla, Diyarbakır and Bozüyük

Export services:
Ekom has no organization apart from its headquarters. Offices in Moscow and China registered under its name carry out marketing and import operations on behalf of manufacturers.

Şenol Süleyman Alanyurt	Akın Dinçsoy
Independent Board Member	**Independent Board Member**

PROFIT DISTRIBUTION PROPOSAL

The Board of Directors determined at its meeting held on 19 March 2015 that the Company's net distributable profit as of 31 December 2014 was nil based on the consolidated financial statements prepared as per the Communiqué no. II-14.1 of the Capital Markets Board ("CMB") on "Principles of Financial Reporting in Capital Markets" and approved by independent auditors; whereas, it was TRL 49,023,286 based on financial statements prepared as per statutory records.

"Retained Earnings" in the consolidated financial statements and "extraordinary reserves for 2013" in the statutory financial statements have been taken into account in distribution of the profit for the year 2014 pursuant to the regulations of the CMB as related to the profit distribution, Article 26 of the Articles of Association and the principles laid down in the "Dividend Distribution Policy" of our company as disclosed to the public.

Accordingly it was resolved to present the following proposal to shareholders at the Ordinary General Assembly Meeting to be held for the 2014 on 13 April 2015:

1) Dividends in the amount of TRL 43,856,640 corresponding to 8% of the Company's issued share capital will be distributed,

2) Dividend per share for TRL 1 nominal value will be 8% gross; for our resident individual shareholders and for our non-resident individual or corporate shareholders the net dividend calculated by deducting the withholding ratios as per the tax legislation will be paid,

3) After deducting the legal obligations from TRL 61,432,737 net profit for the term based on statutory records, the remaining amount will be transferred to Extraordinary Reserves,

4) Distribution will start on 5 May 2015.

EİS ECZACIBAŞI İLAÇ, SINAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.
PROFIT DISTRIBUTION TABLE FOR 2014 (TRL)

1.	Paid-in/Authorised Share Capital		548,208,000
2.	General Legal Reserves (as per Statutory Records)		50,432,526
Information concerning preferred shares, if, as per the Company's Articles of Association, there are any exceptions for preferred shares in distribution of dividend			There are no preferred shares.
		As per Capital Markets Board	As per Statutory Records
3.	Profit for the Period	(32,903,000)	61,432,737
4.	Taxes (-)	(10,390,000)	(9,829,278)
5.	Net Profit for the Period (=)	(43,293,000)	51,603,459
6.	Prior Years' Losses (-)	0	0
7.	Legal Reserve Fund (-)	(2,580,173)	(2,580,173)
8.	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	(45,873,173)	49,023,286
9.	Grants made during the year (+)	1,550	
10.	Net distributable profit including grants	(45,871,623)	
11.	First Category Dividend to Shareholders	0	
	- Cash	0	
	- Shares	0	
	- Total	**0**	
12.	Dividends Distributed to Preferred Shareholdres	0	
13.	OtherDividends Distributed	0	
	- Members of theBoard of Directors	0	
	- Employees	0	
	- Non-shareholders	0	
14.	Dividends Distributed to Holders of Usufruct Right Certificate	0	
15.	Second Category Dividend to Shareholders	0	
16.	Legal Reserve Fund	1,644,624	
17.	Status Reserves	0	
18.	Special Reserves	0	
19.	EXTRAORDINARY RESERVES	0	49,023,286
20.	Other Sources Planned for Distribution	43,856,640	43,856,640

INFORMATION ON DIVIDEND PER SHARE

	GROUP	TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND AMOUNT / NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDEND PER SHARE FOR 1 TRL NOMINAL VALUE	
		CASH (TRL)	SHARES (TRL)	RATIO (%)	AMOUNT (TRL)	SHARE (%)
NET (*)	-	37,278,144	0	(81.26)	0.06800	6.800

(*) *In calculating the net dividend, Income Tax witholding ratio was taken as 15%.*

Report of Compliance with Corporate Governance Principles

SECTION I - DECLARATION FOR THE COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE

Corporate Governance Principles Compliance Report for the period of 1 January - 31 December 2014 has been issued issued pursuant to “II-17.1 Communique on Corporate Governance” (“Communiqué”) as published in the Official Gazette dated 3 January 2014 and numbered 28871.

Corporate Governance Principles Not Yet Applied

Full compliance with the mandatory principles under the current Communiqué has been achieved and most of the principles not being mandatory have also been complied with. However due to challenges encountered in the implementation of some principles, as well as the ongoing discussions in our country and in the international platform regarding compliance with certain principles and the failure of the current market and corporate structure to meet such principles in a proper fashion, full compliance has not yet been achieved. The principles, which have not yet been fully implemented, are being worked on, and implementation is planned following completion of the administrative, legal and technical infrastructure works in a manner to contribute to the efficient management of our company. The comprehensive efforts of our company within the framework of the corporate governance principles and the principles, which have not yet fully been complied with under the respective sections, and any conflicts of interest arising therefrom are explained below on the basis of principles. For example;

❖ Due to the shareholding structure of our Company and the formation of three different committee, some of the members of the Board of Directors have taken charge in a couple of committees.

❖ With respect to the item 4.3.9; there is ongoing assessment as to the ratio of female members in the Board of Directors since no target ratio and time has been defined so far. Detailed information is given in section 5.1 of the report.

Efforts made to comply with the principles during the period

❖ Principal studies concerning corporate governance in 2014 include adaptation process to the Capital Markets Law covering governance principles and new regulations and the Communiques based on such law.

❖ Our Board of Directors and Committees thereof has been established in accordance with the regulations in the Corporate Governance Communique. In this regard; Investors Relations Manager of the Company was appointed as the member of the Corporate Governance Committee at the Meeting of the Board of Directors held on 18 April 2014.

❖ “Remuneration Policy” for the Board of Directors and key management personnel was created and was submitted to the information of the shareholders during General Assembly.

❖ By the informing document prepared for the General Assembly, General Assembly information such as the voting rights and organizational changes, CV's of the candidates for membership to the board of directors, remuneration policy for the board of directors and top managers, the reports that should be issued about related party transactions and the information that should be disclosed were made available to the investors 3 weeks in advance of the General Assembly.

- ❖ All our related party transactions were submitted to the board of directors for information and it was resolved that such transactions continue with the approval of the members of the board of directors.
- ❖ Moreover, the website and activity report of our Company were reviewed, and necessary revisions were made as needed in terms of full compliance with the principles.

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

SECTION II - SHAREHOLDERS

2.1 Investor Relations Department

EIS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. ("the Company") manages its investor relations through the Capital Markets and Investor Relations Department, which was established in 1993, under the Financial Affairs Department. However; as a result of organizational and operational alterations made in 2006, the tasks of this department was taken over by the Internal Audit Manager of the Company as from 1 November 2006 and Financial Reporting Specialist also gave support to Internal Audit Manager taking office on 1 August 2007 in this regard.

In parallel with the amendments made in regulations of Capital Markets Board, the name of this department was updated as "Investors Relations department" and Investors Relations Manager of the Company was appointed as the member of the Corporate Governance Committee at the Meeting of the Board of Directors held on 18 April 2014.

Particulars of the persons in Investor Relations Department:

Manager of the Investor Relations Department:

Name and Surname	: Gülnur Günbey Kartal
Title	: Internal Audit Manager
Telephone	: 0 212 371 73 94
Fax	: 0 212 371 73 99
e-mail	: *gulnur.gunbey@eczacibasi.com.tr*
Licence Type/Number	: Capital Market Activities Advanced Level Licence / 204571 Corporate Governance Rating Specialist Licence / 700606

Officer of the Investor Relations Department (*):

Name and Surname	: Ceyla Özgen
Title	: Financial Reporting Specialist
License Type/Number	: Capital Market Activities Advanced Level Licence / 207075 Corporate Governance Rating Specialist Licence / 701321

(*) The officer of the Investors Relations Department was appointed for this task on 12 January 2015.

The Department of Investor Relations of the Company has played an effective role in terms of obtaining information and right to inspect as well as protection of the shareholders' rights and facilitating the use of such rights.

Main activities carried out by the Investor Relations Department:

- ❖ To ensure that shareholders' records are kept in a sound, secure and up-to-date manner,
- ❖ To respond to all requests of the shareholders for information in writing or orally except for the information not yet disclosed to public, confidential information or trade secrets and in a manner not to cause any information inequality,
- ❖ To ensure that the General Assembly complied with the current legislation, the Company's Articles of Association and other internal regulations,
- ❖ To prepare the documents that can be beneficial of shareholders attending the General Assembly,
- ❖ To ensure that the voting results have are recorded and that reports related to these results are sent to the requesting shareholders,
- ❖ To monitor and follow up on all matters related to public disclosure, including legislation and the Company's disclosure policy,
- ❖ To provide information to the analysts conducting an evaluation about of the Company,
- ❖ To provide information to the academics who conduct studies about the company and the market,
- ❖ To prepare in Turkish and English and frequently update Investor Relations Section, which is found within the corporate Internet site (www.eczacibasi.com.tr) of the Company and to ensure easy and quick access by investors to information concerning the Company through the Internet,
- ❖ To ensure two-way communication between the shareholders and Top-Level Managers and the members of the Board of Directors,
- ❖ To make available any information and disclosure, which may affect the exercise of the shareholding rights in nature, to the shareholders on Company's website in an updated manner,
- ❖ To disclose to the public by communicating the required Material Statement Disclosures to the BIST through the Public Disclosure Platform ("PDP") with due consideration of the II-15.1 of the Capital Market Board,
- ❖ To follow up any amendments to the Capital Market Code and any relevant legislation and present the same to the attention of the relevant departments,
- ❖ To represent the Company before the Capital Markets Board, Istanbul Stock Exchange and Central Registry Agency.

Investor Relations Department submitted its report on the activities carried out in 2014 to the Corporate Governance Committee on 20 February 2015 and upon evaluation of the report by the Committee, the report was then evaluated by the Board of Directors on 25 February 2015.

2.2 Exercise of the Right to Information by the Shareholders

The Company pays utmost care to comply with all CMB regulations, Articles of Association and other in-house regulations related to the satisfaction of the requests of our shareholders for the exercise of their rights and appropriate steps are taken in order to ensure that such rights are exercised properly and all the shareholders are treated fairly. As far as we are concerned, in 2014, there was no administrative and/or legal proceedings against our company concerning the use of shareholding rights, nor oral or written complaints.

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

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

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

2.3 General Assembly Meetings

The invitations to the General Assembly meetings are made by the Board of Directors at least 3 weeks in advance of the date of meeting, excluding the days of announcement and meeting, in accordance with the provisions of the Turkish Commercial Code, the Capital Market Law, the Company's Articles of Association and the Corporate Governance Principles. The Articles of Association of our Company has been prepared accordingly.

Our Board of Directors informs the public via a disclosure statement published on the Public Disclosure Platform ("PDP") and Electronic General Meeting ("e-GEM") along with the items of the agenda on the date of resolution taken for convening the General Assembly meeting.

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

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

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

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

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

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

In 2014, the Company held one General Assembly Meeting. The Ordinary General Assembly meeting held for 2013 was held on 14 April 2014 with a meeting quorum of 86 percent. Of the shareholders holding public shares, 2 real and 81 legal persons were registered in the List of Attendants. Our General Assembly meeting has been held under the surveillance of the Ministry Observer assigned by the Provincial Directorate of the Governorship of Istanbul. In the General Assembly meeting, our shareholders exercised their rights to ask questions. The questions were answered by the members of the Board of Directors and the General Manager depending on the subject matter. No demand has been received from our shareholders to add anything to the items of the agenda in this respect.

As for the donations made within the period, information was given in a separate item during Assembly and upper limits for donations made in 2014 was defined.

2.4 Voting Rights and Minority Rights

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

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

Eczacıbaşı Holding A.Ş., which has a reciprocal stake and controlling interest in the Company greater than 50.62 percent and in which we hold 37.28 percent share exercises its vote at the General Assembly of our Company.

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

2.5 The Right to Dividends

The profit distribution policy of our Company and the annual profit distribution proposal of our Board of Directors are prepared together with the profit distribution statement designated by the CMB; and they are made available to our shareholders via the PDP for information purposes at the same time with the publication our Board of Directors' decision. The said proposal is included in our annual report and presented to the shareholders in the General Assembly for their approval. In addition, they are also publicly disclosed in the Company's Internet website together with the detailed information regarding the profit distribution statement, the profit distribution history and the increases of capital. Cash dividend with a gross rate of 9.6 % has been distributed to our shareholders in 2014.

Dividend Distribution Policy

At the meeting held on 18 March 2014, our Board of Directors resolved to implement a profit distribution policy in accordance with the profit distribution regulations of the Capital markets Board and regulations set forth in Section 26 of the Articles of Incorporation "Principles to be complied for profit distribution" as disclosed to the public and to present such policy to the approval of the shareholders at the Ordinary General Assembly to be held for the year 2013.

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

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

2.6 Transfer of Shares

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

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Corporate Web Site and its Content

www.eis.com.tr, corporate web site of the company has been actively used since April 2005 in compliance with the principles stipulated by the CMB with the aim of maintaining relations with the shareholders in an effective way and provide continuous communication with the shareholders. In this way, information about our company, human resources, subsidiaries, investors' relations are disclosed for the access of the public. As a result of restructuring of our organization in 2007, our web site was updated completely in 2008. Information on Investor Relations that can be found at *www.eis.com.tr* was directed to the *www.eczacibasi.com.tr* In Investor Relations section which is accessible through this link, there is more detailed information both in English and Turkish.

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

- Detailed information on corporate identity
- Information regarding the members of the Board of Directors and the top management of the Company
- Committees within the structure of the Board of Directors
- Company organization and shareholding structure
- Company's Articles of Association
- Trade registry details
- Details on shares and share performance
- Financial data and indicators
- Press disclosures
- Material event disclosures
- Information document on the meeting date, agenda and the items of the agenda of General Assembly
- The minutes of the General Assembly and the list of attendants
- Form of Proxy
- Presentations made in the General Assembly meeting

- ❖ Corporate governance practices and compliance report
- ❖ Dividend distribution policy, history and increases of capital
- ❖ Information disclosure policy
- ❖ Remuneration policy for the Board of Directors and key management personnel
- ❖ Ethic rules disclosed to the public as part of the disclosure policy
- ❖ Detailed information on corporate social responsibility

In this context, the information for at least the last 5 years is provided on the Internet website. The data contained herein are regularly updated and kept consistent with the disclosure made pursuant to the applicable legislation and no conflicting or incomplete data are contained.

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

3.2 Annual Report

The annual report of our Company is prepared in accordance with sufficient details to enable the public to access accurate and complete information about the activities of our Company. In addition to the matters stipulated in the legislation and Corporate Governance Principles, the annual reports contain:

- ❖ Information about the offices held by the members of the Board of Directors and officers outside the Company and statements related to the independence of the members of the Board of Directors,
- ❖ The assessment of the Board of Directors with respect to the working principles and efficiency of the Committees including the members, frequency of the meetings and activities carried out by the Committee established under the Board of Directors.
- ❖ Number of meetings of the Board of Directors held during the year and the attendance of the members of the Board of Directors,
- ❖ Information about the changes in the legislation so as to have a material effect on the operations of the Company,
- ❖ Information about the material litigation against the Company and possible outcomes thereof,
- ❖ Information about reciprocal participation in which direct contribution to the capital in excess of 5%,
- ❖ Information about social benefits of employees, their occupational training and corporate social responsibility activities regarding company operations leading to other social and environmental results.

SECTION IV - STAKEHOLDERS

4.1 Informing Stakeholders

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

The problems of the tenants of Kanyon, the most important clients of our Company are solved through direct meetings as well as Kanyon Yönetim İşletim Pazarlama Ltd. Şti., which provides management services to the Kanyon complex also provides support in solving such problems.

Corporate structure of the company enables all stakeholders including employees and representatives communicate the management their concerns on improper procedures both ethically and legally. Among the duties of the Committee in charge of Audit is examinint the complaints submitted. Besides, Internal Audit Manager deals with such concerns and communicates such concerns to the Committee in charge of Audit.

4.2 Participation of the Stakeholders in Management

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

4.3 Human Resources Policy

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

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

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

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

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

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

4.4 Code of Ethical Conduct and Social Responsibility

Code of Ethics

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

With a view to carrying out the primary objective which reads as **"to have the excellent human resource supported by the best human resources practices"**, our company has adopted the following policies:

- ❖ To ensure that the companies affiliated with the Group maintain their organizational structures in dynamic condition in line with their strategic plans and targets and that they are prepared for changes;
- ❖ For the purpose of using human resources in the most effective and productive way and directing management power in accordance with the Group targets, to develop individual and team performances with the processes and systems designed to improve the quality in a continuous manner and to create a professional work atmosphere and career development opportunities for our employees;
- ❖ To bring individuals in the Group with high education levels, who are open to innovations and changes, holding entrepreneurial abilities, vigorous, committed to improving themselves and their jobs, who train employees and adopt and create Group values.

In achieving such objectives and policies, and as to the operations applied and the systems developed with respect to human resources, focus is placed on quality, customer satisfaction, efficiency, participatory management, team work, flexibility and open communication.

The employees in the course of performing their duties are obliged to observe the Group's Code of Ethics as particularized below, to comprehend the importance of responsibilities assigned to them and to fulfill their responsibilities. All employees:

1. Are responsible for performing their duties with precision and meticulousness, for keeping track of and understanding legal regulations governing their jobs and amendments made therein and for obtaining information required to do their job. In the event that any inconvenience is encountered in this regard, seeking advice from the authorized officers of the relevant organization is necessary.
2. Shall continue to do their works with such efficiency and performance expected of them in accordance with the requirements of the job and qualifications of the employees.
3. Must prioritize the benefits of the company and abstain from any actions and procedures whatsoever which would bring damage to the company, when making decisions relating to their jobs.
4. Are obliged to protect information of which they have gained knowledge by virtue of their jobs but considered prejudicial if disclosed, and hence which should remain confidential.
5. Are liable to comply with the laws and to refrain from any activities that would put the company in a difficult position and damage its reputation.
6. When recruiting staff for their positions or in the course of works executed with direct/indirect third party individuals or organizations in connection with company's business, should exercise care to select persons and entities who have reputation and who will adopt and implement the Group's Code of Ethics.
7. By virtue of their duties, may neither attempt to secure benefits from natural persons and legal entities and nor offer and provide any illegal payments or advantages to any person or organization.
8. Are obliged to prioritize the Group's Code of Ethics at all times both in their relations with the government or customers, and when representing the company at these environments, to avoid approaches though intended to impress counter parties but impairing the image of company.
9. Have a duty to secure customer satisfaction by giving particular importance to quality, promptness, simplicity, courtesy and respect on the condition that the employee remains honest, reliable and self-respecting in their relations with the customers and business owners, and to treat every person and organization equally.
10. Are liable to comply with the working order and working hours, work starting and closing times and rest breaks at the business place of the company and, without interruption in this regard, to perform service obligations on their part.
11. Are responsible to comply with the working order and working hours of the Group and to dedicate his entire working hours to the Group. They may not pursue an occupation to earn income from another sources and they may not assume managerial or consulting positions in other organizations. With the authorization from CEO, they may serve in administrative bodies of non-profit organizations such as fraternities and foundations and of the chambers. Payments of admission fees and annual subscription fees relating to memberships approved

by CEO shall be effected by the employees' company. They are not permitted to serve in governing bodies of the political parties under any circumstances.

12. Unless authorized by CEO, they may not make any statement and convey information to press and broadcasting organizations regarding the company.
13. Have the obligation to protect and ensure the security of currencies, official documents, tools and equipment belonging to the company and not to use them for their personal necessities.
14. Are under obligation to observe their employment conditions as regulated by labor legislation, contract of employment, and these rules qualifying as a supplement to employment contract, and to follow written and verbal instructions given by employer or employer's representatives regarding the work performance and conduct at the workplace, and to adhere to work discipline, occupational health and safety rules.

Due diligence shall be exercised to report to the company's highest level executive those employees acting in contravention to Group's Code of Ethics by documenting such acts to the extent possible or by making an objective assessment thereon and to take relevant precautions in this respect.

In this context, the employees are responsible for reporting and giving information about any changes in their family, marital status and addresses, as well as information concerning their identity, family and relatives, which information are regarded as reference in terms of rights and obligations governed by agreements and by-laws and for giving the documents which support those information. The responsibility to report changes in the personal information entirely belongs to employee. The address for notices is the last address provided by the employee and notices made to such address shall be considered to have been made to that employee.

Furthermore, the employees:

- In fulfillment of their duties, must make decisions without being under the influence of benefits with regard to themselves or their families and in doing so, they shall prefer company's own benefits over anything.
- In this context, employee's involvement and activities outside the company should not conflict with responsibilities which employee bears as an individual of Group and should not be contrary to the laws.
- The employees are obliged not to misappropriate the Group's resources and not to damage the reputation of Group.
- With regard to the Group; the benefits, disadvantages of employees' involvement and activities taking place outside the company and likely conflicts of interest arising from those involvement and activities must be taken into account by the employees.

Social Responsibility

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

Relations with Society and Other Companies

The Company, as a corporation embracing its social responsibility:

- ❖ Ensures, before all else, compliance with legal and ethical rules in its relations with society and other companies, just as it has in all relationships it has established with its stakeholders,
- ❖ Cooperates with the local community and wider parts of the society to take advantage of opportunities that provide mutual benefit,
- ❖ Takes advantage of cooperation opportunities with other establishments within the framework of continuous and mutual development principles.

Environmental Policy

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

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

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

Participation in Educational and Training Activities

The Company assists and provides resources to university students who request help with their school projects and research. The Company makes donations of computers and hardware to various educational and training institutions. Our company provides internship opportunities to students of technical high schools and universities

Support of Sports and Recreational Activities

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

SECTION V - BOARD OF DIRECTORS

5.1 Structure and Constitution of the Board of Directors

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

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

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

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

There are executive and non-executive members in the Board of Directors. Non-executive Board members does not assume any other administrative duty in the Company except for their Board membership and they do not intervene in the Company's daily work flow and ordinary activities. Our Board of Directors does not have any executive members. The majority of our Board members consists of non-executive members. Ayşe Deniz Özger was the only executive member of the Board of Directors in 2014. Company Manager may be elected as the member of the Board of Directors.

In the Ordinary General Assembly held for 2014, two independent non-executive members of the Board of Directors have been elected who are qualified so as to perform their duties at their sole discretion without being influenced in accordance with the Corporate Governance Principles of the Capital Market Board. Independent members of the Board of Directors fully satisfy the "independence criteria" as laid down under. The candidates for independent membership have submitted to the Corporate Governance Committee their independence statements and curriculum vitae and all of the candidates were defined as independent members by the Board of Directors.

The Board of Directors of Company consists of six members. The members of our Board of Directors that will take office until the Ordinary General Assembly Meeting for 2014:

Name- Surname	Position	
F. Bülent Eczacıbaşı (*)	Chairman of Board	Non Executive
R. Faruk Eczacıbaşı (*)	Vice Chairman of Board of Directors	Non Executive
M. Sacit Basmacı	Member	Non Executive
Ayşe Deniz Özger	Member	Executive
Şenol S. Alanyurt	Independent Member	Non Executive
Akın Dinçsoy	Independent Member	Non Executive

(*) Chairman and Vice Chairman of the Board of Directors of our organization also act as the Chief Executive Officer and Deputy Chief Executive Officer.

The Members of the Board of Directors have been granted under the decision of the General Assembly dated 14 May 2013 the authority to undertake transactions as stipulated in Articles 395 and 396th of the Turkish Commercial Code. The Board Members may take offices in the companies under the structure of Eczacıbaşı Group; but in principle, they cannot take any office outside the Group.

It is thought that increasing various background information, experience and opinions of the Board of Directors may be of great benefit fort he activities of the Company and effective work of the Board of Directors. Our studies to set a target ratio fort female board members that are regarded as intermediary in terms of representation of different opinions at the Board of Directors are going on. Currently, Ayşe Deniz Özger is our female member of the Board of Directors in accordance with Corporate Governance Principles. Curriculum vitae of the members of the Board of Directors were mentioned in the introduction section of the Annual Report.

5.2 The Performance Principles of the Board of Directors

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

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

Support is obtained in terms of internal audit and risk management from Audit Committee comprising of two directors, Internal Audit Department which is affiliated to the Managing Director and also reports to the Committee in Charge of Audit, Financial Affairs Department, Strategic Planning and Business Development Department with Eczacıbası Holding and chartered financial advisor company. The risk analysis for fixed assets is conducted externally while security, emergency and assets at risk position assessments are conducted at the meetings of Board of Directors.

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

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

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

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

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

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

Form of Meetings of the Board of Directors

As specified in our Company's Articles of Association, the Board of Directors convenes as required by the affairs of the Company. The agenda of the Board of Directors meetings is determined by the communication of the issues, which are clearly made mandatory for the Board of Directors to decide upon under the Articles of Association, to the Senior Management and Board of Directors of the Company by the relevant departments. Our Board of Directors made 21 meetings in total in the year 2014. The meetings have been held by participation of all members in most of the cases. The notification of and communication with the Board Members is handled by the Chief Financial Officer. The meetings are held at the head office of the Company and the call for the meetings is made via telephone and / or e-mail. Important Board decisions are publicly disclosed via the PDP and published on the Internet website in Turkish and English languages.

Each member of the Board of Directors has one voting right. The members of the Board of Directors does not have a privileged voting or a veto right. The decisions taken in the Board meetings were taken by the unanimity of the attendants and there were no Board Members dissenting to the decisions taken. Since there were no dissent votes or statements of different opinions in the Board meetings held in 2014, no public disclosures to that end have been made.

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

There is "management liability insurance" for the Board of Directors and key management personnel.

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

In our Company, there are committees established to ensure that the duties and responsibilities of the Board of Directors are fulfilled in a healthy manner and such committees function according to the working principles. Decisions adopted as a result of activities independently carried out by our committees are submitted to the Board of Directors and final decision is adopted by the Board of Directors. The members taking office in more than one committee ensures the communication between the committees in related matters and increases the cooperation possibilities. The Board of Directors is of the opinion that the benefits expected of the committees have been obtained.

Duties, working principles and names of the members of the committees are determined by the Board of Directors and publicly disclosed at the Company's website.

All members of the Committee in charge of audit and the chairpersons of other committees are selected among the Independent Board Members. CEO and managing director may not take part in the committees.

Any resources and support that are necessary for the Committees to perform their respective tasks are provided by the Board of Directors. Committees may invite and take the opinions of the executive who may be deemed necessary.

Committees benefit from the opinions of the independent experts for the matters needed in relation to their activities, and cost of such consulting services are borne by the Company.

Committees document their activities in writing and keep such records. Committees hold meetings as frequently as required for their activities and as specified in their working principles. They submit the report containing information about their activities and meeting results to the Board of Directors.

Audit Committee

The Audit Committee that has been established by virtue of the decision of the Board of Directors dated 6 May 2003 for the first time conducts its activities as stipulated in the Capital Market Laws and the CMB Corporate Governance Principles. All members of the Committee in charge of audit are selected among the Independent Board Members. At the meeting of the Board of Directors dated 18 April 2014, it has been decided that the committee has 2 members and Şenol S. Alanyurt be assigned as the chairman and Akın Dinçsoy as the member thereof. The working principles of the Committee have been published in the website of the Company, and it convenes four times a year. Moreover, the committee provides the Board of Directors with its written opinion on the election of the independent auditor and on the compliance of the annual and interim financial statements to be publicly disclosed with the accounting principles of the company and accuracy and correctness of such financial statements with the account taken of the assessments made by the officers and independent auditors of the company. The Committee in charge of Audit held 5 meetings concerning their activities in 2014.

Corporate Governance Committee

This committee has been established by virtue of the decision of the Board of Directors dated 31 May 2012 in order to monitor the compliance of the Company with the corporate governance principles, to carry out improving activities in that respect and to make proposals to the Board of Directors. It has been decided at the Board of Directors meeting dated 18 April 2014 that the Corporate Governance Committee be composed of three members and Akin Dinçsoy, an Independent Board Member, be assigned as the Chairman and Mustafa Sacit Basmaci (non-executive member) and Gülnur Günbey Kartal (Manager of Investor Relations Department) as the members. In the same decision, since no Nomination Committee and Wage Committee have been established due to the structure of the Board of Directors, it has been decided that Corporate Governance Committee will also assume the duties of such committees.

The Corporate Governance Committee determines whether or not the corporate governance principles are duly implemented, if not the reasons therefor and conflicts of interests arising from the failure to implement such principles as required, makes recommendations to the Board of Directors in an effort to improve the corporate governance practices and it is overseeing the activities of Investor Relations Department.

The Board of Directors of our organization appointed Gülnur Günbey Kartal with the aim of fulfilling obligations that may arise under the regulations of the capital markets in accordance with the criteria specified in article 8 of the CMB's Communiqué No. IV/41 on Principles to be observed by Joint Stock Companies Subject to Capital Market Law that was enforced upon its publication in the Official Gazette no. 26821 dated 19 March 2008 and appointed her as the member of the Committee at the meeting held on 18 April 2014 pursuant to article 11 of the Corporate Governance Communique.

The working principles of the Committee have been published on the website of the company and Corporate Governance Committee held 4 meetings concerning its activities in 2014.

Early Detection of Risk Committee

The risk item included among the duties and responsibilities of the Corporate Governance Committee has been removed from the duties and responsibilities of that Committee in accordance with Communiqué Serial No. IV/63 published in the Official Gazette No. 28567 of 22 February 2013 and the Early Detection of Risk Committee be formed to carry out such duties by the Board of Directors at its meeting dated 17 May 2013.

At the Board of Directors meeting held on 18 April 2014, it was resolved that the committee should consist of 2 members and further resolved to appoint Akın Dinçsoy (independent member) as the Head of the Committee and Ayşe Deniz Özger (Executive member) as the member. Working orinciples of the committee was announced at the web site of the company.

In order to ensure compliance with Corporate Governance regulations of the Capital Markets Board and Article 378 of the Turkish Commercial Code No. 6102, the Committee for Early Identification of Risk “makes recommendations and suggestions to the Board of Directors on the early identification of any and all risks that may threaten the existence, development and continuance of the Company including strategic, operational, financial, legal and other risks, evaluation and calculation of the impacts and possibilities thereof; on the managing of these risks in line with the corporate profile of the Company on taking risks, on the reporting of these and implementing the necessary measures on the risks that are identified, ensuring that these are taken into consideration by the decisive mechanisms and accordingly, forming efficient internal control systems and integration thereof.” The duties and working principles of the Early Detection of Risk Committee are have been determined in accordance with the regulations, provisions and principles laid down in the Capital Markets Legislation, the Articles of Association of the Company, the Turkish Commercial Code and the “Corporate Management Principles” of the Capital Markets Board. Article 378 of the Turkish Commercial Code requires the Committee to evaluate the then-current period in respect of the risks that may impact the existence and continuity of the Company and point out to the threats, if any and show solutions in a report that will be submitted every two months and within this framework, the Committee convened 7 times in 2014.

5.4 Risk Management and Internal Control Mechanism

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

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

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

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

5.5 Strategic Goals of the Company

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

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

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

5.6 Financial Rights

The Board of Directors is responsible for achievement of the operational and financial performance objectives determined by the Company and disclosed to the public. The "Remuneration Policy for Members of the Board of Directors and Senior Managers" of our Company, which contains any rights, interests and remuneration provided to the members of the Board of Directors and the senior managers and the criteria for determining them and the principles of remuneration, was made available to the shareholders for examination by "Information Document" published three weeks in advance of our Ordinary General Assembly dated 15 April 2014 on our website for the review by our shareholders.

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

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

The Company explains in the footnotes to the financial statements the overall benefits provided for the Top-Level Managers in line with fits general practices.

Consolidated Financial Statements and Independent Auditor's Report

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

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

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**

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**

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**

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
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)**

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

(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. (%) (*) 2014	2013	Fair value measurement method (**) 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.

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