

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD
1 JANUARY - 31 MARCH 2017**

(ORIGINALLY ISSUED IN TURKISH)

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

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AND ITS SUBSIDIARIES**

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF
FINANCIAL POSITION AS OF 31 MARCH 2017**

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

	Notes	<i>Not Audited</i> 31 March 2017	<i>Audited</i> 31 December 2016
ASSETS			
Current assets			
Cash and cash equivalents	5	683,538	661,541
Financial investments			
- Restricted bank balances	6	1,403	2,754
- Financial assets at fair value through profit and loss	6	1,110	1,082
Trade receivables			
- Trade receivables due from related parties	8	15,426	26,374
- Trade receivables due from third parties	9	377,388	313,720
Other receivables			
- Other receivables due from related parties		713	1,480
- Other receivables due from third parties		836	558
Derivative financial instruments		5,795	6,512
Inventories	10	132,496	128,248
Prepaid expenses	11	12,020	5,309
Current income tax assets	24	290	327
Other current assets	17	27,626	15,647
Total current assets		1,258,641	1,163,552
Non-current assets			
Trade receivables			
- Trade receivables due from third parties		-	7
Other receivables			
- Other receivables due from related parties		196	422
- Other receivables due from third parties		14	14
Financial investments			
- Financial assets at fair value through profit and loss	6	2,454	2,396
- Financial investments available for sale	6	2,158,705	2,157,822
Investments accounted for using equity method	3	92,368	83,693
Investment properties	12	360,075	363,017
Property, plant and equipment	13	122,172	122,388
Intangible assets			
- Goodwill		24,117	24,117
- Other intangible assets	14	34,292	35,066
Prepaid expenses	11	3,222	2,635
Deferred tax assets	24	21,234	23,727
Other non-current assets	17	693	13,847
Total non-current assets		2,819,751	2,829,151
Total assets		4,078,392	3,992,703

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

**EİS ECZACIBAŞI İLAÇ, SİNAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.
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**CONDENSED INTERIM CONSOLIDATED STATEMENT OF
FINANCIAL POSITION AS OF 31 MARCH 2017**

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

	Notes	<i>Not Audited</i> 31 March 2017	<i>Audited</i> 31 December 2016
LIABILITIES			
Current liabilities			
Short term borrowings			
- Short term borrowings due to related parties	8	131,256	121,726
- Short term borrowings due to third parties	7	104,531	86,086
Trade payables			
- Trade payables due to related parties	8	145,814	145,112
- Trade payables due to third parties	9	233,955	203,531
Employee benefit obligations	16	3,590	4,167
Other payables			
- Other payables due to third parties		10,300	9,623
Deferred income	11	835	700
Current income tax liabilities	24	6,576	18,162
Short term provisions			
- Short term provisions for employee benefits	16	6,565	5,928
- Other short term provisions	15	3,762	3,578
Other current liabilities		1,553	3,538
Total current liabilities		648,737	602,151
Non-current liabilities			
Long term borrowings			
- Long term borrowings due to third parties	7	33,458	32,081
Other payables			
- Other payables due to related parties		219	526
Deferred income	11	964	637
Long term provisions			
- Long term provisions for employee benefits	16	8,064	7,774
Deferred tax liabilities	24	103,781	105,044
Total non-current liabilities		146,486	146,062

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

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF
FINANCIAL POSITION AS OF 31 MARCH 2017**

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

	Notes	Not Audited 31 March 2017	Audited 31 December 2016
EQUITY			
Attributable to equity holders of the Company		3,291,135	3,250,755
Share capital	18	685,260	685,260
Adjustments to share capital	18	105,777	105,777
Items that will not be reclassified subsequently to profit or loss			
- Defined benefit plans re-measurement gains/losses		(4,228)	(4,228)
Items that may be reclassified subsequently to profit or loss			
- Foreign currency translation differences		10,010	10,010
- Gains / losses on available for sale financial assets due to revaluation or/and reclassification		1,917,206	1,912,833
Restricted reserves	18	277,913	277,913
Retained earnings		263,190	78,387
Net income for the period		36,007	184,803
Non-controlling interests		(7,966)	(6,265)
Total equity		3,283,169	3,244,490
Total liabilities and equity		4,078,392	3,992,703

The interim condensed consolidated financial statements for three month period ended 31 March 2017 were approved for issue by the Board of Directors on 10 May 2017 and signed on its behalf by Bülent Avcı, Financial Director and by, Gülnur Günbey Kartal, CMB Relations and Reporting Manager.

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

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

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AS OF 31 MARCH 2017**

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

	Notes	<i>Not Audited</i> 1 January - 31 March 2017	<i>Not Audited</i> 1 January - 31 March 2016
PROFIT OR LOSS			
Revenue	19	382,241	348,835
Cost of sales (-)	19	(283,817)	(256,811)
Gross profit		98,424	92,024
General administrative expenses (-)	20	(26,716)	(20,448)
Marketing expenses (-)	20	(50,682)	(44,219)
Research and development expenses (-)	20	(674)	(368)
Other operating income	22	89,187	24,046
Other operating expenses (-)	22	(63,905)	(28,619)
Operating profit		45,634	22,416
Income from investing activities		59	104
Expenses from investing activities (-)		(32)	(803)
Share of loss of investments accounted for using equity method	3	4,915	14,766
Operating income/ (loss) before finance expense		50,576	36,483
Financial income	23	3,956	2,431
Financial expenses (-)	23	(11,803)	(5,797)
Profit before tax		42,729	33,117
Tax expense from continuing operations		(8,988)	145
Income tax expense (-)	24	(7,672)	(1,410)
Deferred tax (expenses) / income	24	(1,186)	1,555
Profit for the period		33,871	33,262
Attributable to			
- Non-controlling interests		(2,136)	(2,467)
- Equity holders of the parent		36,007	35,729
Net profit / (loss) for the period		33,871	33,262
Weighted average number of ordinary shares with face value of KR 1 each	25	68,526,000,000	68,526,000,000
Basic and diluted earnings / (loss) per share	25	0.0525	0.0521

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

**EİS ECZACIBAŞI İLAÇ, SİNAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.
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**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE
THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2017**

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

Notes	<i>Not Audited</i> 1 January - 31 March 2017	<i>Not Audited</i> 1 January - 31 March 2016
Profit for the period	33,871	33,262
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
- Gain / (loss) on remeasurement of defined benefit plans of investments accounted for using equity method	-	12
3	-	12
Items that may be reclassified subsequently to profit or loss	4,808	282
- Gains / losses on available for sale financial assets due to revaluation or / and reclassification	883	331
6	883	331
- Group’s share in equity method accounted investments’ comprehensive income / (expenses)	3,969	(32)
5	3,969	(32)
- Tax relating to items that may be reclassified subsequently	(44)	(17)
24	(44)	(17)
Other comprehensive income (after tax)	4,808	294
Total comprehensive income	38,679	33,556
Total comprehensive income attributable to:		
- Non-controlling interest	(1,701)	(2,358)
- Equity holders of the parent	40,380	35,914
Total comprehensive income	38,679	33,556

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

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

CONDESED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR INTERIM PERIOD ENDED 31 MARCH 2017

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

	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 profit for the period	Attributable equity holders of the company	Non controlling interest	Total Equity
As of 1 January 2016	548,208	105,777	(4,646)	10,010	1,456,903	312,763	239,470	67,647	2,736,132	3,928	2,740,060
Transfers	-	-	-	-	-	-	67,647	(67,647)	-	-	-
Other (Effect of transactions with equity holders acting in their capacity as equity holders)	-	-	-	-	-	-	92,755	-	92,755	7,068	99,823
Total comprehensive income / (loss)	-	-	12	-	173	-	-	35,729	35,914	(2,358)	33,556
31 March 2016	548,208	105,777	(4,634)	10,010	1,457,076	312,763	399,872	35,729	2,864,801	8,638	2,873,439
As of 1 January 2017	685,260	105,777	(4,228)	10,010	1,912,833	277,913	78,387	184,803	3,250,755	(6,265)	3,244,490
Transfers	-	-	-	-	-	-	184,803	(184,803)	-	-	-
Total comprehensive income / (loss)	-	-	-	-	4,373	-	-	36,007	40,380	(1,701)	38,679
31 March 2017	685,260	105,777	(4,228)	10,010	1,917,206	277,913	263,190	36,007	3,291,135	(7,966)	3,283,169

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

**EİS ECZACIBAŞI İLAÇ, SİNAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD ENDED 31 MARCH 2017**

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

Notes	<i>Not Audited</i> 1 January - 31 March 2017	<i>Not Audited</i> 1 January - 31 March 2016
A. Cash flows from operating activities		
Profit for the period	33,871	33,262
Adjustments for reconciliation of profit/loss for the period		
Adjustments for depreciation and amortisation	12,13,14 4,957	4,979
Provision for employment termination benefits	16 1,843	1,566
Provision for litigations	15 184	444
Provision for doubtful receivables	9 107	18
Provision for diminution in value of inventories, net	10 2,116	359
Loss / (gain) on sale of property, plant and equipment, net	-	699
Group's share in the (profit) / loss of investments accounted for using equity method	3 (4,915)	(17,413)
Adjustments for interest incomes	23 (13,606)	(9,888)
Adjustments for interest expenses	23 8,812	9,088
Adjustments for income tax expense / (income)	24 8,858	(145)
Adjustments to related fair value gains on financial assets	(86)	-
Income from derivative financial instruments	23 (2,164)	(2,366)
Adjustments for unrecognized foreign exchange differences	(29,207)	5,878
Other adjustments related to non-cash items		
Income / expense accruals	15,670	(5,264)
	26,440	21,217
Changes in working capital:		
Adjustments for increase / decrease in trade receivables	(46,924)	(115,789)
Adjustments for increase / decrease in inventories	(6,364)	(8,733)
Adjustments for increase / decrease in trade payables	9,941	65,082
Adjustments for increase / decrease in other receivables related with operations	(17,209)	2,626
Adjustments for increase / decrease in prepaid expenses	(7,298)	2,633
Adjustments for increase / decrease in other liabilities related to operations	(841)	25,611
Adjustments for increase / decrease in deferred income	462	(17,103)
	(41,793)	(24,456)
Cash flows from operating activities:		
Interest received	7,832	9,887
Taxes paid	16 (19,221)	(98)
Employment termination benefits paid	(916)	(675)
Other cash inflows / (outflows)	3,046	(3,598)
	(51,052)	(18,940)

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

**EİS ECZACIBAŞI İLAÇ, SİNAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD ENDED 31 MARCH 2017**

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

	Notes	<i>Not Audited</i> 1 January - 31 March 2017	<i>Not Audited</i> 1 January - 31 March 2016
B. Cash flows from investing activities			
Cash outflows from the purchase of tangible and intangible assets	13,14	(2,446)	(17,599)
Cash inflows from the sale of tangible and intangible assets		1	1,480
Cash inflows from sale of investment property		1,533	-
Cash outflows from investment property purchases	12	(113)	-
Capital payments to associates		-	(8,475)
Other cash inflows (cash inflows from sales of financial asset)		-	134
		(1,025)	(24,460)
C. Cash flows from financing activities			
Cash inflows / (outflows) from bank borrowings		32,961	(35,205)
Cash flows from derivative financial instruments		2,881	157
Interest paid		(6,168)	(5,355)
Cash flows resulting from transactions with equity holders acting in their capacity as equity holders		-	99,823
		29,674	59,420
Net increase / (decrease) in cash and cash equivalents before the impact of foreign currency translation differences (A+B+C)		(22,403)	16,020
D. Impact of foreign currency translation differences on cash and cash equivalents		44,697	(5,837)
Net increase in cash and cash equivalents (A+B+C+D)		22,294	10,183
E. Cash and cash equivalents at the beginning of the period	5	660,502	698,404
Cash and cash equivalents at the end of the period (A+B+C+D+E)	5	682,796	708,587

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

**EİS ECZACIBAŞI İLAÇ, SİNAİ VE FİNANSAL YATIRIMLAR SANAYİ VE TİCARET A.Ş.
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2017**

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

NOTE 1 - ORGANISATION AND NATURE OF THE GROUP

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. (“BİST”) (formerly named as İstanbul Menkul Kıymetler Borsası (“İMKB”)) since 1990. As of 31 March 2017, 20.17% (31 December 2016: 20.17%) of total shares are quoted on the BİST. The ultimate parent company of the Group is Eczacıbaşı Holding A.Ş., which possesses 50.62% (31 December 2016: 50.62%) shares of the Company (Note 18).

As of 31 March 2017, the personnel number of the Group is 1,139 (31 December 2016: 1,160).

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
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 Profesyonel Ürün ve Hizmetler Sanayi ve Ticaret A.Ş. (“Eczacıbaşı Profesyonel”)	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 İlaç (Cyprus) Ltd. registered in Northern Cyprus Turkish Republic, are registered in Turkey.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousand of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF THE GROUP (Continued)

Joint Ventures

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

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

(*) On 31 January 2017, in the extraordinary general meeting of Eczacıbaşı Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş., the decision for the liquidation of the Company is taken and the legal title of the Company is registered as “Tasfiye Halinde Eczacıbaşı Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.” on 6 February 2017.

Associates

The Company’s associates (the “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
Eczacıbaşı Shire Sağlık Ürünleri Sanayi ve Ticaret A.Ş. (“Eczacıbaşı Shire”) (*)	Sales and marketing of pharmaceuticals

(*) The title of Eczacıbaşı-Baxalta Sağlık Ürünleri Sanayi ve Ticaret A.Ş. is changed and registered to Eczacıbaşı Shire Sağlık Ürünleri Sanayi ve Ticaret A.Ş. on 26 January 2017

NOTE 2 - BASIS OF PRESENTATION OF CONDENSED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of compliance

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE MONTHS INTERIM PERIOD ENDED 31 MARCH 2017**

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

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

2.1 Basis of Presentation (continued)

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 consolidated 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.

In accordance with the TAS, the entities are allowed to prepare a complete or condensed set of interim financial statements in accordance with TAS 34, “Interim Financial Reporting”. In this respect the Group preferred to present its interim condensed consolidated financial statements. The Group’s interim condensed consolidated financial statement does not include all disclosures and notes that should be included at year-end financial statements. Therefore the interim condensed consolidated financial statements should be examined together with the year-end financial statements.

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” 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.

2.2 Changes in accounting policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated. The Group’s significant accounting policies that are used for the preparation of condensed consolidated financial statements for the three months interim period ended 31 March 2017 are consistent with accounting policies presented in the consolidated financial statements as 31 December 2016.

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

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) Changes in TAS affecting the amounts and footnotes reported in condensed interim consolidated financial statements.

None.

B) New standards, amendments and interpretations to existing standards as of 31 March 2017:

Explanations of the financial statements of the new TAS / TFRS:

- a) Title of TMS/TFRS;
- b) The accounting policy change has been made in accordance with the relevant transition provisions;
- c) Clarification of changes in accounting policy;
- d) Disclosure of transitional provisions, if any;
- e) The effects of transitional provisions on future periods;
- f) As far as practicable, adjustments related to the current and each prior period presented:
 - i. Each affected financial statement should be presented for the item and
 - ii. If the "TAS 33 Earnings per Share" standard is met for the company, the amounts of ordinary shares and diluted earnings per share must be recalculated;
- g) If it is not possible, for the periods or periods in which the reversal is not possible and for which periods it is not possible to disclose the circumstances leading up to the reversal and disclose how and when the change in accounting policy has been applied.

C) Standards, amendments and interpretations issued as of 31 March 2017 that are not yet effective:

If a new TAS / TFRS that has been issued but not yet entered into force is not applied early:

- a) The said situation and;
- b) Information that is known or reasonably foreseeable to determine the probable effects of changes in the financial statements in the period in which a TAS / TFRS is first required should be disclosed in the financial statements.

- Amendments to TFRS 14, "Postponement accounts based on regulation"; Effective 1 January 2016 or the annual reporting periods beginning after that date. This amendment allows the first-time TFRS-applying companies to continue to reflect deferral account balances based on arrangements in accordance with previous generally accepted accounting principles. However, in order to provide comparability with other companies that have applied TFRS and will not account for the related amount, it is required that the effect of the tariff regulation be presented separately from other items.

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

2.4 New and Revised Turkish Accounting Standards (Continued)

- 2014 annual improvements; Effective January 1, 2016 or the annual reporting periods beginning after that date. Improvements made changes in 4 standards:
 - TFRS 5, ‘Assets held for sale and discontinued operations’, Amendment to sales methods,
 - TFRS 7, ‘Financial instruments: Disclosures’, (with consequential amendments to TFRS 1),
 - TAS 19, ‘Employee benefits’, Amendment to discount rates,
 - TAS 34, ‘Interim financial reporting’, Amendment to disclose information.
- Amendments to TFRS 11, “Joint arrangements”, on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendments to TAS 16 ‘Property, plant and equipment’, and TAS 41, ‘Agriculture’, regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41.
- Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- Amendments to TAS 27, ‘Separate financial statements’ on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendment to TFRS 10 ‘Consolidated financial statements’ and TAS 28, ‘Investments in associates and joint ventures’, effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- Amendment to TAS 1, ‘Presentation of financial statements’ on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the TASB initiative to improve presentation and disclosure in financial reports
- Amendments to TAS 7 ‘Statement of cash flows’ on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the TASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments TAS 12 ‘Income Taxes’, effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. It also clarify certain other aspects of accounting for deferred tax assets.

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

2.4 New and Revised Turkish Accounting Standards (Continued)

- Amendments to TFRS 2, ‘Share based payments’ on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.
- TFRS 9 ‘Financial instruments’, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- TFRS 15 ‘Revenue from contracts with customers’, effective from annual periods beginning on or after 1 January 2018. TFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the TASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- Amendment to TFRS 15, ‘Revenue from contracts with customers’, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The TASB has also included additional practical expedients related to transition to the new revenue standard.
- TFRS 16 ‘Leases’, effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a far reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The TASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the TASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- Amendments to TFRS 4, ‘Insurance contracts’ regarding the implementation of TFRS 9, ‘Financial Instruments’, effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
 - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and
 - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard - TAS 39.

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

2.4 New and Revised Turkish Accounting Standards (Continued)

**B) Standards, amendments and interpretations issued as of 31 March 2017 that are not yet effective:
(Continued)**

- Amendment to TAS 40, ‘Investment property’ relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:
 - TFRS 1, ‘First-time adoption of TFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
 - TFRS 12, ‘Disclosure of interests in other entities’ regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
 - TAS 28, ‘Investments in associates and joint ventures’ regarding measuring an associate or joint venture at fair value effective 1 January 2018.
 - IFRIC 22, ‘Foreign currency transactions and advance consideration’, effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice

These standards, amendments and improvements are assessed on the Group's financial position and its likely impact on its performance.

NOTE 3 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

a) Shares in associates and joint ventures

	31 March 2017	31 December 2016
Associates		
Vitra Karo	-	-
Ekom	21,357	16,968
ESH	-	-
Eczacıbaşı Shire	43,710	38,074
Joint Ventures		
Eczacıbaşı-Monrol	-	-
ESK	-	-
EBX	27,510	28,651
	92,577	83,693

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

b) Shares in associates and joint ventures

	2017	2016
As of 1 January	83,693	86,348
The Group’s share in investments accounted for using equity method’ profit	4,915	17,413
Capital payments	-	8,475
Actuarial gains and losses	-	12
Change in the fair value of available-for-sale financial assets	3,969	(32)
As of 31 March	92,577	112,216

Assets and liabilities of the Group's associates and joint ventures in its condensed consolidated financial statements as at 31 March 2017 and 31 December 2016 and their net sales for the three months period ended 31 March are as follows:

31 March 2017						
	Assets	Liabilities	Goodwill attributable to equity holders	Net sales	Net profit/(loss) for the period	Total proportion of ownership interests (%)
Ekom	1,957,344	1,876,285	-	517,431	417	26.36
EBX	62,330	7,306	-	(50)	(1,141)	50.00
Eczacıbaşı Shire	147,291	59,865	-	72,092	5,639	50.00
					4,915	

		31 December 2016			31 March 2016	
	Assets	Liabilities	Goodwill attributable to equity holders	Net sales	Net profit/(loss) for the period	Total proportion of ownership interests (%)
Ekom	1,771,496	1,707,113	-	367,864	2,839	26.36
ESK	12,526	13,874	-	4,261	(572)	47.00
EBX	72,664	15,359	-	128,983	13,304	50.00
Eczacıbaşı Shire	143,081	66,934	-	39,476	(805)	50.00
					14,766	

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NOTE 4 - SEGMENT REPORTING

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

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

The Group continues to operate primarily in three reportable segments as of 31 March 2017:

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:

The Company acquired half of the 22 pieces of land with a total area of 196,409.74 m² in Yorgancı Çiftliği Mevkii, Uskumru Mahallesi, Sarıyer district in Istanbul. The size of houses varies between 170 and 700 square meters with sales price range from USD 500 thousand to USD 2,2 million in Ormanada.

Ayazağa facilities:

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

Lands:

In addition to the aforementioned lands of Ayazağa facilities, the Company acquired all the shares of Yeni Tekstil Sanayi A.Ş. which owns a land plot in Ayazağa Cendere Valley, Urban Transformation Area as well as merged with it by facilitated merging transaction method on 7 December 2015.

In addition to this, the Company has a total area of 5,250 m² on 1 March 2016 in the province of Silivri, Yoğurtdere Mevkii in İstanbul province, on 7 June 2016 with a total area of 685,026 m² in İstanbul, Silivri, Akören Village and Karasınan Caddesi and in the year 2015, 21 farms with a total area of 265.930 m², located in the province of Silivri, the village of Kurfalı, Uğur Bıçaker Street in Istanbul, were bought.

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NOTE 4 - SEGMENT REPORTING (Continued)

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 March 2017 and 31 December 2016:

	31 March 2017		31 December 2016	
	Assets	Liabilities	Assets	Liabilities
Health	229,308	(159,448)	179,862	(131,478)
Personal care	547,708	(562,388)	536,429	(484,247)
Real estate development	430,159	(7,530)	494,529	(6,878)
Undistributed	2,871,217	(65,857)	2,781,883	(125,610)
Total	4,078,392	(795,223)	3,992,703	(748,213)

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NOTE 4 - SEGMENT REPORTING (Continued)

Capital expenditures and non-cash expenses of segments for three months interim period ended 31 March:

1 January 2017 - 31 March 2017	Health	Personal care	Real estate development	Undistributed	Inter-segment elimination	Total
Capital expenditures (Note 12, 13 and 14)	1,619	805	135	-	-	2,559
Non-cash expenses:						
- Depreciation and amortisation (Note 12, 13 and 14)	875	2,513	1,569	-	-	4,957
- Provision for diminution in value of inventories (Note 10)	1,183	933	-	-	-	2,116
- Provision for employment termination benefits (Note 16)	252	863	25	-	-	1,140
- Provision for unused vacation (Note 16)	336	343	24	-	-	703
- Provision for litigations (Note 15)	49	-	135	-	-	184
- Provision for doubtful receivables (Note 9)	-	107	-	-	-	107
- Expense accruals (Note 9)	(96)	11,275	-	-	-	11,179
	2,599	16,034	1,753	-	-	20,386
1 January 2016 - 31 March 2016						
Capital expenditures (Note 12, 13 and 14)	4,592	13,596	3,337	-	-	21,525
Non-cash expenses:						
- Depreciation and amortisation (Note 12, 13 and 14)	700	2,378	1,901	-	-	4,979
- Provision for diminution in value of inventories (Note 10)	-	359	-	-	-	359
- Provision for employment termination benefits (Note 16)	235	184	23	-	-	442
- Provision for unused vacation (Note 16)	594	366	164	-	-	1,124
- Provision for litigations (Note 15)	(698)	1,142	-	-	-	444
- Provision for doubtful receivables (Note 9)	-	18	-	-	-	18
- Expense accruals (Note 9)	810	1,344	-	-	-	2,154
	1,641	5,791	2,088	-	-	9,520

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NOTE 4 - SEGMENT REPORTING (Continued)

1 January 2017 - 31 March 2017	Health	Personal care	Real estate development	Undistributed	Inter-segment elimination	Total
Total sales	132,369	264,086	22,770	-	-	419,225
Elimination of sales within the Group (-)	(91)	(36,488)	(405)	-	-	(36,984)
Sales to third parties	132,278	227,598	22,365	-	-	382,241
Cost of sales (-)	(91,132)	(189,052)	(3,633)	-	-	(283,817)
Gross profit	41,146	38,546	18,732	-	-	98,424
General administrative expenses (-)	(12,717)	(10,762)	(1,903)	(1,334)	-	(26,716)
Marketing expenses (-)	(22,182)	(25,894)	(2,606)	-	-	(50,682)
Research and development expenses (-)	-	(674)	-	-	-	(674)
Other operating income	7,900	5,669	380	75,238	-	89,187
Other operating expenses (-)	(8,897)	(8,016)	(91)	(46,901)	-	(63,905)
Operating profit / (loss)	5,250	(1,131)	14,512	27,003	-	45,634
1 January 2016 - 31 March 2016						
Total sales	109,860	235,020	24,499	-	-	369,379
Elimination of sales within the Group (-)	(7)	(20,177)	(360)	-	-	(20,544)
Sales to third parties	109,853	214,843	24,139	-	-	348,835
Cost of sales (-)	(67,704)	(181,507)	(7,600)	-	-	(256,811)
Gross profit	42,149	33,336	16,539	-	-	92,024
General administrative expenses (-)	(7,948)	(10,303)	(1,088)	(1,109)	-	(20,448)
Marketing expenses (-)	(21,246)	(20,198)	(2,775)	-	-	(44,219)
Research and development expenses (-)	-	(368)	-	-	-	(368)
Other operating income	3,113	2,182	201	18,550	-	24,046
Other operating expenses (-)	(2,058)	(5,100)	(2)	(21,459)	-	(28,619)
Operating profit / (loss)	14,010	(451)	12,875	(4,018)	-	22,416

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NOTE 4 - SEGMENT REPORTING (Continued)

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

	1 January - 31 March 2017	1 January - 31 March 2016
Operating profits related to operating segments	18,631	26,434
Undistributed (expenses) / income	27,003	(4,018)
Income from investing activities	59	104
Expenses from investing activities (-)	(32)	(803)
Profit / (Losses) shares from associates	4,915	14,766
Financial income	3,956	2,431
Financial expenses (-)	(11,803)	(5,797)
Profit before tax	45,729	33,117

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 March 2017	31 December 2016
Cash in hand	13	7
Banks	683,525	661,534
- demand deposits	2,722	2,908
- time deposits	680,803	658,626
	683,538	661,541

The annual interest rates applied to the Turkish Lira denominated time deposits range between 3.50% and 12.75% (31 December 2016: 10.75% and 11.95%), and the maturity date is between 3 April 2017 and 24 April 2017. The maturity dates for foreign currency time deposits are between 0.25% and 3.80% (31 December 2016: 1.75% to 3.75%), and between 3 April 2017 and 5 May 2017. The weighted annual interest rates of TL, USD and Euro denominated bank deposits are 9.37%, 2.03% and 1.65% respectively. (31 December 2016: 11.42%, 3.63% and 1.83%).

	31 March 2017	31 December 2016
TL denominated time deposits	30,740	86,918
TL Equivalent of USD denominated time deposits	460,681	439,544
TL Equivalent of EUR denominated time deposits	189,382	132,164
	680,803	658,626

Cash and cash equivalents included in the consolidated statements of cash flows for the periods ended 31 March 2017, 31 December 2016, 31 March 2016 and 31 December 2015 are presented below:

	31 March 2017	31 December 2016	31 March 2016	31 December 2015
Cash and cash equivalents	683,538	661,541	709,207	699,023
Interest accruals (-)	(742)	(1,039)	(620)	(619)
	682,796	660,502	708,587	698,404

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NOTE 6 - FINANCIAL ASSETS

The details of financial investments included in current assets as of 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
Restricted bank balances	1,403	2,754
Financial assets at fair value through profit and loss	1,110	1,082
Financial investments, current	2,513	3,836
Financial assets available-for-sale	2,158,705	2,157,822
Financial assets at fair value through profit and loss	2,454	2,396
Financial investments, non-current	2,161,159	2,160,218

TFRS 13 explains the classifications of valuation techniques.

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

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

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

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

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

31 March 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	-	1,110	-	1,110
Financial investments, current	-	1,110	-	1,110
Financial assets available-for-sale	44,161	266,656	1,847,888	2,158,705
Financial assets at fair value through profit and loss	-	2,454	-	2,454
Financial investments, non-current	44,161	269,110	1,847,888	2,161,159

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NOTE 6 - FINANCIAL ASSETS (Continued)

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	-	1,082	-	1,082
Financial investments, current	-	1,082	-	1,082
Financial assets available-for-sale	43,278	266,656	1,847,888	2,157,822
Financial assets at fair value through profit and loss	-	2,396	-	2,396
Financial investments, non-current	43,278	269,052	1,847,888	2,160,218

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 3,564 thousand as of 31 March 2017 (31 December 2016: TL 3,478 thousand). As of 31 March 2017, Group estimates to transfer TL 1.110 thousand (31 December 2016: TL 1,082 thousand) of these funds within 2016 and the remaining TL 2,454 thousand (31 December 2016: TL 2,396 thousand) after 2017. TL 3,564 thousand (31 December 2016: TL 3,478 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 list of long-term available for sale financial assets as of 31 March 2017 and 31 December 2016 is as follows:

Listed:	31 March 2017	(%)	31 December 2016	(%)
Eczacıbaşı Yatırım Ortaklığı A.Ş. (*)	5,040	15	4,158	15
Türkiye İş Bankası A.Ş., (*)	26	<1	25	<1
Ak Enerji Elektrik Üretim A.Ş. (*) (**)	<1	<1	<1	<1
	5,066		4,183	
Not listed:				
Eczacıbaşı Holding A.Ş. (***)	2,152,843	37	2,152,843	37
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş. (***)	768	14	768	14
Other (***)	28	<1	28	<1
	2,153,639		2,153,639	
Total	2,158,705		2,157,822	

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

(**) As of 31 March 2017, the market price of Ak Enerji Elektrik Üretim A.Ş. is TL 89 (31 December 2016: TL 86).

(***) Based on the impairment analysis performed for available for sale investments during the interim period, the Group concluded that there isn't any indication for impairment. In this respect, fair value determination study performed as of 31 December 2016, has not been updated for interim period

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NOTE 7 - FINANCIAL LIABILITIES

	<u>31 March 2017</u>		<u>31 December 2016</u>	
	Effective interest rate		Effective interest rate	
	per annum		per annum	
	(%) (*)	TL	(%) (*)	TL
TL denominated bank borrowings	8.60 - 12.81	97,917	7.34 - 11.91	79,808
Euro denominated bank borrowings	3.88	6,614	3.88	6,278
Short-term bank borrowings		104,531		86,086
Euro denominated bank borrowings	3.88	33,070	3.88	31,391
Finance lease payables		388		690
Long-term bank borrowings		33,458		32,081
Total financial liabilities		137,989		118,167

(*) Annual weighted interest rate of TL denominated short-term bank borrowings are 11.17% (31 December 2016: 11.20%). Annual weighted interest rate of Euro denominated short-term bank borrowings are 3.88%. (31 December 2016: 3.88%).

NOTE 8 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties at 31 March 2017 and 31 December 2016:

<u>Short-term trade receivables from related parties</u>	<u>31 March 2017</u>	<u>31 December 2016</u>
Due from shareholders		
Eczacıbaşı Holding A.Ş.	780	761
	780	761
Due from Joint Ventures		
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	280	3,396
Eczacıbaşı-Monrol Nükleer Ürünler Sanayi ve Ticaret A.Ş.	65	67
Tasfiye Halinde Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	8	1
	353	3,464
Due from Associates		
Ekom Eczacıbaşı Dış Ticaret A.Ş.	2,064	2,201
Eczacıbaşı Sağlık Hizmetleri A.Ş.	6	38
Vitra Karo Sanayi ve Ticaret A.Ş.	4	2
	2,074	2,241

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

Due from other related parties	31 March 2017	31 December 2016
İpek Kağıt Sanayi ve Ticaret A.Ş.	11,406	18,918
Kanyon Yönetim İşletim ve Pazarlama A.Ş.	736	886
Eczacıbaşı Yapı Gereçleri Sanayi ve Ticaret A.Ş.	4	56
Esan Eczacıbaşı Endüstriyel Hammaddeler Sanayi ve Ticaret A.Ş.	1	1
Other	72	47
	12,219	19,908
Short-term due from related parties	15,426	26,374
Average maturity of the Group's receivables from related parties is 20 days (31 December 2016: 15 days) and is amortised at 10.68% per annum (31 December 2016: 8.28%).		
Short-term trade payables to related parties	31 March 2017	31 December 2016
Due to shareholders		
Eczacıbaşı Holding A.Ş.	4,123	5,149
	4,123	5,149
Due to Joint Ventures		
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	9,477	10,985
Tasfiye Halinde Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	2	143
	9,479	11,128
Due to Associates		
Eczacıbaşı Sağlık Hizmetleri A.Ş.	19	62
	19	62
Due to other related parties		
İpek Kağıt Sanayi ve Ticaret A.Ş.	128,207	127,538
ESİ Eczacıbaşı Sigorta Acentalığı A.Ş.	3,290	37
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	590	514
Kanyon Yönetim İşletim ve Pazarlama A.Ş.	427	160
Eczacıbaşı Spor Kulübü Derneği	200	610
Ekom Eczacıbaşı Dış Ticaret A.Ş.	20	-
İntema İnşaat ve Tesisat Malzemeleri ve Pazarlama A.Ş.	-	7
Other	73	209
	132,807	129,075
	146,428	145,414
Deferred credit finance expenses (-)	(614)	(302)
Short-term due to related parties	145,814	145,112

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

Average maturity of the Group’s payables to related parties is 56 days (31 December 2016: 101 days) and is amortised at 10.79% per annum (31 December 2016: 9.97%).

Short term financial liabilities to related parties	31 March 2017	31 December 2016
Ekom Eczacıbaşı Dış Ticaret A.Ş.	131,256	121,726
Total short term financial liabilities to related parties	131,256	121,726

Amount of TL denominated loans obtained through Ekom is TL 131,256 and annual interest rates of these loans vary between 12.50% - 12.75 (31 December 2016: TL 91,823 and annual interest rates of these loans vary between 11.10% - 13.25). The Group has no EUR denominated loans as of 31 March 2017 (As of 31 December 2016 interest rates of EUR denominated loans amounting TL 29,903 vary between 1.90% and 1.95%).

b) Transactions with related parties for three months period ended 31 March:

Product sales	2017	2016
Ekom Eczacıbaşı Dış Ticaret A.Ş.	3,116	1,478
Tasfiye Halinde Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	2	836
Other	192	16
	3,310	2,330

Service Sales

İpek Kağıt Sanayi ve Ticaret A.Ş.	14,298	26,148
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	671	2,568
Eczacıbaşı Holding A.Ş.	263	443
Other	24	3
	15,256	29,162

Product purchases

İpek Kağıt Sanayi ve Ticaret A.Ş.	104,038	114,670
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	4,964	6,177
Tasfiye Halinde Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	-	18,548
Other	1	-
	109,003	139,395

Service purchases

Kanyon Yönetim İşletim ve Pazarlama A.Ş.	1,594	1,590
Eczacıbaşı Spor Kulübü Derneği	1,232	547
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	462	444
Eczacıbaşı Holding A.Ş.	96	153
Eczacıbaşı Ortak Sağlık ve Güvenlik Birimi A.Ş.	95	54
Eczacıbaşı Sağlık Hizmetleri A.Ş.	93	48
İntema İnşaat ve Tesisat Malzemeleri ve Pazarlama A.Ş.	-	4
Other	69	-
	3,641	2,840

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

c) Other transactions with related parties for three months period ended 31 March

Management and royalty fees paid to related parties	2017	2016
Eczacıbaşı Holding A.Ş. (*)	3,708	14,206
	3,708	14,206

(*) 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	2017	2016
Eczacıbaşı Holding A.Ş.	1,071	1,010
İpek Kağıt Sanayi ve Ticaret A.Ş.	130	118
Eczacıbaşı Sigorta Acenteliği A.Ş.	56	52
Tasfiye Halinde Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	-	659
Other	158	17
	1,415	1,856

Rent expenses paid to related parties	2017	2016
Eczacıbaşı Holding A.Ş.	1,093	715
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	222	146
	1,315	861

Other expenses paid to related parties	2017	2016
Kanyon Yönetim İşletim ve Pazarlama A.Ş.	198	223
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	83	79
Eczacıbaşı Holding A.Ş.	81	14
İpek Kağıt Sanayi ve Ticaret A.Ş.	1	-
Tasfiye Halinde Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	-	87
Other	105	57
	468	460

Donations paid to related parties	2017	2016
Dr. Nejat F. Eczacıbaşı Vakfi	373	17
	373	17

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

c) Other transactions with related parties for three months period ended 31 March

Fixed asset acquisitions from related parties	2017	2016
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	271	-
Tasfiye Halinde Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.	-	2,716
	271	2,716
Financial income	2017	2016
İpek Kağıt Sanayi ve Ticaret A.Ş.	20	-
Ekom Eczacıbaşı Dış Ticaret A.Ş.	4	2
Other	8	1
	32	3
Financial expenses	2017	2016
İpek Kağıt Sanayi ve Ticaret A.Ş.	1,049	1,112
Other	191	67
	1,240	1,179

Benefits provided to top management:

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.

Details of compensation provided to key management personnel for the three months periods ending as of 31 March 2017 and 31 March 2016 are as follows:

Benefits provided to top management	2017	2016
Short term benefits provided to key management personnel	3,924	4,223
Long term benefits provided to key management personnel	1,308	26
	5,232	4,249

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables:

Short-term trade receivables	31 March 2017	31 December 2016
Trade receivables	303,603	277,291
Notes receivables	79,564	45,681
Income accruals	2,871	3,054
	386,038	326,026
Deferred credit finance income (-)	(3,240)	(3,957)
Provision for doubtful receivables (-)	(5,410)	(8,349)
Short-term trade receivables, net	377,388	313,720

Average maturity of the Group’s receivables is 58 days (31 December 2016: 69 days) and TL denominated trade receivables are amortised at 10.68% per annum (31 December 2016: 8.28%).

Movement of provision for doubtful receivables is presented below:

	2017	2016
As of 1 January	8,349	8,253
Current year additions	107	18
Provisions no longer required	(3,046)	-
As of 31 March	5,410	8,271

Maximum credit risk and aging analysis related to trade receivables are included in Note 26.

c) Trade payables:

Short-term trade payables	31 March 2017	31 December 2016
Trade payables	219,268	198,758
Expense accruals	18,541	7,362
Deferred credit finance expenses (-)	(3,854)	(2,589)
Short-term trade payables, net	233,955	203,531

Average maturity of the Group’s payables is 97 days (31 December 2016: 118 days) and TL denominated trade payables are amortised at 10.85% per annum (31 December 2016: 9.18%), EUR denominated trade payables are amortised at 0.07% per annum (31 December 2016: 0.06%) and USD denominated payables are amortised at 0.92% per annum (31 December 2016: 0.28%).

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NOTE 10 - INVENTORIES

	31 March 2017	31 December 2016
Raw materials and supplies	16,109	15,152
Work in progress	13,860	20,298
Finished goods	18,623	17,474
Merchandise	35,272	29,263
Scrap goods	131	3,063
Other inventories(*)	8,108	639
Lands and houses	54,704	54,554
	146,807	140,443
Provision for diminution in value of inventories (-)	(14,311)	(12,195)
	132,496	128,248

Lands and 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.

(*) Other inventories consist of stocks to be disposed of and an impairment loss record is established for the related amount.

The movements in the provision for impairment of inventories during the period are as follows:

	2017	2016
As of 1 January	12,195	11,136
Current year additions (Note 22)	2,116	359
Reversal of provisions (-)	-	(742)
As of 31 March	14,311	10,753

NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME

Short-term prepaid expenses	31 March 2017	31 December 2016
Prepaid expenses	9,778	2,467
Advances given	2,242	2,842
	12,020	5,309
Long-term prepaid expenses	31 March 2017	31 December 2016
Prepaid expenses	3,050	2,463
Advances given to subcontractors	172	172
	3,222	2,635

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NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)

Short-term deferred income	31 March 2017	31 December 2016
Advances received	577	439
Unearned revenue	258	261
	835	700

Long-term deferred income	31 March 2017	31 December 2016
Unearned revenue	964	637
	964	637

NOTE 12 - INVESTMENT PROPERTIES

Cost	1 January 2017	Additions	Disposals	31 March 2017
Kanyon	229,830	-	-	229,830
Buildings	59,887	15	-	59,902
Lands and land improvements	151,332	98	(1,590)	149,840
	441,049	113	(1,590)	439,572

Accumulated depreciation

Kanyon	55,828	1,286	-	57,114
Buildings	21,764	1	-	21,765
Lands and land improvements	440	235	(57)	618
	78,032	1,522	(57)	79,497

Carrying amount **363,017** **360,075**

Cost	1 January 2016	Additions	Disposals	31 March 2016
Kanyon	229,691	-	-	229,691
Buildings	54,294	2,793	(1,197)	55,890
Lands and land improvements	82,853	484	-	83,337
	366,838	3,277	(1,197)	368,918

Accumulated depreciation

Kanyon	50,442	1,397	-	51,839
Buildings	20,035	460	(22)	20,473
Lands and land improvements	390	6	-	396
	70,867	1,863	(22)	72,708

Carrying amount **295,971** **296,210**

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NOTE 12 - INVESTMENT PROPERTIES (Continued)

For the periods ending at 31 March, total rent income of Kanyon shopping centre and office complex is amounted to TL 18,957 thousand (31 March 2016: TL 17,377 thousand) and repair and maintenance expense of the related period is amounted to TL 131 thousand (31 March 2016: TL 57 thousand).

Total rent income from other investment properties is amounting to TL 1,442 thousand (31 March 2016: TL 1.048 thousand) for the period ending at 31 March 2017.

As of 31 March 2017 and 31 December 2016, there are no pledges or liens on Group’s investment property.

Fair Value

Kanyon

As of 31 December 2016, fair value of Kanyon is approximately TL 687 million which consist of fair value of Kanyon shopping centre amounting TL 275 million and fair value of Kanyon Office complex amounting TL 412 million which is calculated from net present value of estimated rent income of Kanyon shopping centre and office complex by the Group Management. (31 December 2015: fair value of Kanyon is TL 658 million which consist of fair value of Kanyon shopping centre amounting TL 281 million and fair value of Kanyon Office complex amounting TL 377 million, which is calculated from net present value of estimated rent income of Kanyon shopping centre and office complex).

Other

Fair value of other investment properties is amounting to TL 291,044 thousand. Aforementioned fair values are determined for properties that generating rent income from the net present value of anticipated rent income by the Company Management, whereas they are estimated for lands, which are purchased in current period by an independent evaluation company. This evaluation company that authorised by CMB, provides real estate valuation services pursuant to capital market legislation and has adequate experience and demonstrable knowledge in valuation of relevant areas. Upon valuation report, fair value of acquired properties is determined by comparing the imputed values that is reflected the actual transaction values of similar properties.

Group Management believes that the valuation studies as of 31 December 2016 are still valid and there is no need for new valuation studies considering that the market conditions as of the reporting date are not fluctuated.

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

Cost	1 January 2017	Additions	Disposals	Transfers	31 March 2017
Land and land improvements	19,286	1	-	-	19,287
Buildings	71,800	59	-	-	71,859
Machinery, plant and equipment	45,015	95	-	23	45,133
Motor vehicles	425	-	-	-	425
Furniture and fixtures	21,630	239	(125)	-	21,744
Construction in progress	245	271	-	(23)	493
Leasehold improvements	3,661	57	-	-	3,718
Other tangible assets	21,220	1,000	(3)	-	22,217
	183,282	1,722	(128)	-	184,876
Accumulated depreciation					
Land improvements	166	42	-	-	208
Buildings	4,259	332	-	-	4,591
Machinery, plant and equipment	27,294	397	-	-	27,691
Motor vehicles	385	6	-	-	391
Furniture and fixtures	14,351	517	(125)	-	14,743
Leasehold improvements	1,962	28	-	-	1,990
Other tangible assets	12,477	615	(2)	-	13,090
	60,894	1,937	(127)	-	62,704
Carrying amount	122,388				122,172

Allocation of depreciation and amortisation expenses for three months interim period is as follows: TL 2.546 thousand in cost of goods sold, TL 1.351 thousand in general and administrative expenses, TL 1.044 thousand in marketing expenses and TL 16 thousand in research and development expenses.

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Cost	1 January 2016	Additions	Disposals	Transfers	31 March 2016
Land and land improvements	17,225	-	-	1,765	18,990
Buildings	29,093	-	-	32,397	61,490
Machinery, plant and equipment	49,505	9,141	(229)	-	58,417
Motor vehicles	611	-	-	-	611
Furniture and fixtures	18,495	2,745	(849)	438	20,829
Construction in progress	36,691	432	-	(34,699)	2,424
Leasehold improvements	4,003	47	(1,904)	-	2,146
Other tangible assets	16,791	3,412	(3)	44	20,244
	172,414	15,777	(2,985)	(55)	185,151
Accumulated depreciation					
Land improvements	25	12	-	-	37
Buildings	2,876	209	-	-	3,085
Machinery, plant and equipment	40,289	631	(104)	-	40,816
Motor vehicles	539	6	-	-	545
Furniture and fixtures	13,219	584	(718)	-	13,085
Leasehold improvements	2,847	88	(1,157)	-	1,778
Other tangible assets	10,438	467	(2)	-	10,903
	70,233	1,997	(1,981)	-	70,249
Carrying amount	102,181				114,902

Allocation of depreciation and amortization expenses for three months interim period is as follows: TL 2.544 thousand in cost of goods sold, TL 1.613 thousand in general and administrative expenses, TL 805 thousand in marketing expenses and TL 17 thousand in research and development expenses.

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NOTE 14 - INTANGIBLE ASSETS

Cost	1 January 2017	Additions	Disposals	Impairment	Transfers	31 March 2017
Customer relations, licences and royalty	20,370	-	-	-	-	20,370
Rights	19,766	513	-	-	-	20,279
Computer software	19,184	71	-	-	-	19,255
Construction in progress	3,437	140	-	-	-	3,577
Other intangible assets	226	-	-	-	-	226
	62,983	724	-	-	-	63,707
Accumulated amortisation						
Customer relations, licences and royalty	5,432	340	-	-	-	5,772
Rights	9,057	544	-	-	-	9,601
Computer software	13,269	606	-	-	-	13,875
Other intangible assets	159	8	-	-	-	167
	27,917	1,498	-	-	-	29,415
Carrying amount	35,066					34,292

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NOTE 14 - INTANGIBLE ASSETS (Continued)

Cost	1 January 2016	Additions	Disposals	Impairment	Transfers	31 March 2016
Customer relations, licences and royalty	20,370	-	-	-	-	20,370
Rights	16,215	184	-	-	656	17,055
Computer software	16,043	180	(29)	-	188	16,382
Construction in progress	3,461	2,097	-	-	(789)	4,769
Other intangible assets	160	10	-	-	-	170
	56,249	2,471	(29)	-	55	58,746
Accumulated amortisation						
Customer relations, licences and royalty	4,074	340	-	-	-	4,414
Rights	7,038	437	-	-	-	7,475
Computer software	11,657	339	(29)	-	-	11,967
Other intangible assets	132	3	-	-	-	135
	22,901	1,119	(29)	-	-	23,991
Carrying amount	33,348					34,755

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NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

a) Provisions:

	31 March 2017	31 December 2016
Provision for litigations	3,762	3,578
	3,762	3,578

Provision for litigations:

The Group has provided provision for the lawsuits filed against the Group in the amount of TL 3,762 thousand (31 December 2016: TL 3,578 thousand) based on the legal opinions taken on juridical, labour, commercial and administrative litigations and the assessment of similar litigations’ consequences in the past. Movement of the provision for litigations are stated below

	2017	2016
As of 1 January	3,578	3,199
Charge for the period	184	444
Reversal of provision (-)	-	(53)
As of 31 March	3,762	3,590

b) Contingent assets:

Appeal for return of tax penalty paid:

The Competition Authority decided to conduct an inquiry for 8 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 TL1,211 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.

On 20 August 2014, as a result of an investigation initiated by the Competition Board, 2 companies, including EİP were fined amounting to TL 930 thousand, based on the grounds that the Company violated competition rules. The Company benefited from the early payment option in 2015 and paid TL 698 thousand.

There are no additional liabilities attributable to the penalty. The Company filed a lawsuit for the cancellation of the Competition Board’s decision and the reimbursement of the aforementioned amount.

c) Contingent liabilities:

I- Tax and tax related penalties 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, TL13,517 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. 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.

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**NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS
(Continued)**

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

On 29 December 2011, a VAT report is prepared by tax inspectors of Ministry of Finance in connection with tax inspection report related to 2006 which was resulted in favour of the Company. Based on that report, 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.

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 lawsuit 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 61,808 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.

- 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.

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**NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS
(Continued)**

c) Contingent liabilities (Continued):

- vi) TL 1,223 thousand, which was offset in 2011 and included in VAT required to be reimbursed due to deliveries subject to reduced rates, was paid with overdue interest on 7 January 2016 with regards to payment order notified on 4 April 2015.

VAT Receivables

EBX Management has not calculated any additional impairment for VAT receivables in the current year and decreased previously recognized impairment amount by TL 26 thousand.

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 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 concluded in favour of EIP. However, Tax Court insisted on their decision by not accepting the decision of the Council of State. EİP has applied to the Plenary Session of the Tax Law Chamber of the Council of State for the appeal of this decision.

The appeal of EİP has accepted by the Plenary Session of the Tax Law Chamber of the council of State; also decided to reversal insistent decision by a majority vote to re-decide after more detailed study has been made on the side of Tax Court.

Tax Court demand additional information and documents from EİP and reconsiderated the case after the court file was sent back to Istanbul 8.Tax Court. Council of State Tax Case Office accept the resolution of general assembly and cancel the amount with penalty.

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(Continued)**

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.

d) Guarantees given and taken:

Guarantees given	31 March 2017			Total
	USD	EUR	TL	
Suretyship declaration for bank borrowings	-	-	-	-
Letters of guarantee	-	-	14,265	14,265
Guaranteed bills of exchange	-	-	-	-
	-	-	14,265	14,265
Guarantees taken				
Letters of guarantee	9,842	679	189,244	181,331
Mortgages	-	-	3,450	3,450
Guaranteed bills of exchange	535	-	3,450	3,450
	10,377	679	193,182	204,238
31 December 2016				
Guarantees given	USD	EUR	TL	Total
Suretyship declaration for bank borrowings	-	-	-	-
Letters of guarantee	-	-	15,031	15,031
Guaranteed bills of exchange	-	-	-	-
	-	-	15,031	15,031
Guarantees taken				
Letters of guarantee	7,511	88	112,525	120,124
Mortgages	-	-	26,137	26,137
Guaranteed bills of exchange	517	-	3,836	4,353
	8,028	88	142,498	150,614

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.

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**NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS
(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 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
A. CPMs given for Company’s own legal personality	14,265	15,031
- Collateral (Fully denominated in TL)	14,265	15,031
- 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	-	-
	14,265	15,031

Proportion of other CPMs given to the Group’s equity as of 31 March 2017 is 0% (31 December 2016: 0%).

NOTE 16 - EMPLOYEE BENEFITS

Employee benefit obligations	31 March 2017	31 December 2016
Social security premiums payable	3,179	3,024
Wages payable to employees	411	1,143
	3,590	4,167
Short term provisions for employee benefits	31 March 2017	31 December 2016
Provision for unused vacations	6,565	5,928
	6,565	5,928

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

Provision for unused vacations:

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

	2017	2016
As of 1 January	5,928	5,042
Charge for the period	703	1,124
Payments during the period (-)	(66)	(53)
As of 31 March	6,565	6,113

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 March 2016, the amount payable consists of one month’s salary limited to a maximum of TL 4,426.19 (31 December 2016: TL 4,297.21) 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 POA 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:

	31 March 2017	31 December 2016
Discount rate (%)	4.11	4.11
Turnover rate to estimate the probability of retirement (%) (*)	89 - 98	89 - 98

(*) *For the estimation of the probability of retirement, the turnover rate was used for employees with services up to 15 years, and for employees with 16 years of service and over, it was taken as 100%.*

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. The discount rate thus applied represents the expected rate of actual inflation.

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

	2017	2016
As of 1 January	7,774	7,533
Charge for the period (Note 21)	1,140	442
Payments during the period (-)	(850)	(622)
As of 31 March	8,064	7,353

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NOTE 17 - OTHER ASSETS AND LIABILITIES

Other current assets	31 March 2017	31 December 2016
VAT receivables	24,411	15,555
Advances given to personnel	3,029	81
Other	186	11
	27,626	15,647

Other non-current assets	31 March 2017	31 December 2016
VAT receivables	693	13,847
	693	13,847

NOTE 18 - 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 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
Limit on registered share capital (historical value)	1,920,000	1,920,000
Authorised share capital approved with nominal value	685,260	685,260

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

At 31 March 2017 and 31 December 2016, 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 March 2017	(%) 31 December 2016
Eczacıbaşı Holding A.Ş.	50.62	50.62
Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.	29.20	29.20
Other (Listed) (*)	20.18	20.18
Total	100.00	100.00
Adjustment to share capital	105,777	105,777
Total authorised share capital	791,037	791,037

(*) 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 31 March 2010, became effective as of 1 October 2010 by the Central Registry Agency (“CRA”). According to the report published by CRA on 31 March 2017, 20.17% (31 December 2016: 20.17%) of the Group’s shares in circulation are presented in the other group.

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NOTE 18 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

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 78,111 thousand (31 December 2016: TL 78,111 thousand).

The aforementioned legal reserves and special reserves shall be classified in “Restricted reserves” in accordance with POA Financial Reporting Standards. Details of the restricted reserves as of 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
Legal reserves	78,111	78,111
Gain on sale of shares of associates	199,802	199,802
	277,913	277,913

NOTE 19 - REVENUE

	1 January- 31 March 2017	1 January- 31 March 2016
Domestic sales	586,105	503,695
Exports	2,979	1,893
Gross sales	589,084	505,588
Sales returns (-)	(9,248)	(4,735)
Sales discounts (-)	(197,595)	(152,018)
Net sales	382,241	348,835
Cost of sales (-)	(283,817)	(256,811)
Gross profit	98,424	92,024

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NOTE 20 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

Marketing expenses	1 January- 31 March 2017	1 January- 31 March 2016
Personnel expenses	21,161	19,182
Advertisement, presentation and promotion expenses	13,381	12,274
Transportation, distribution and warehousing expenses	3,596	3,547
Rent expenses	2,283	1,841
Training expenses	1,842	1,104
Fuel, energy and water expenses	1,123	666
Travelling expenses	1,028	874
Depreciation and amortisation expenses (Note 12, 13 and 14)	1,044	805
Other	5,224	3,926
	50,682	44,219

General administrative expenses	1 January- 31 March 2017	1 January- 31 March 2016
Personnel expenses	12,339	9,681
Consultancy expenses	6,576	3,721
Rent expenses	2,381	1,775
Depreciation and amortisation expenses (Note 12, 13 and 14)	1,351	1,613
Provision for employment termination benefits (Note 16)	1,140	442
Repair and maintenance expenses	716	546
Provision for unpaid vacation (Note 16)	703	1,124
Other	1,510	1,546
	26,716	20,448

Research and development expenses	1 January- 31 March 2017	1 January- 31 March 2016
Personnel expenses	287	351
Depreciation and amortisation expenses (Note 12, 13 and 14)	16	17
Other	371	-
	674	368

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NOTE 21 - EXPENSES BY NATURE

	1 January- 31 March 2017	1 January- 31 March 2016
Purchase and consumption of inventories	278,148	235,346
Personnel expenses	34,930	31,930
Advertisement, presentation and promotion expense	14,649	12,274
Consultancy expense	6,693	3,834
Changes in commercial inventories	6,009	10,940
Depreciation and amortisation expense (Note 12, 13 and 14)	4,957	4,979
Rent expenses	4,664	3,616
Fason product cost	4,126	3,619
Transportation, distribution and warehousing expenses	3,596	3,547
Provision for employment termination benefits (Note 16)	1,140	442
Other	2,977	11,319
	361,889	321,846

NOTE 22 - OTHER OPERATING INCOME / EXPENSES

Other operating income	1 January- 31 March 2017	1 January- 31 March 2016
Foreign exchange gains from bank deposits	69,905	12,520
Interest income from bank deposits	7,535	7,108
Interest income from sales on credit	6,071	2,780
Foreign exchange gains from trade receivables and payables	4,932	30
Other	744	1,608
	89,187	24,046

Other operating expenses	1 January- 31 March 2017	1 January- 31 March 2016
Foreign exchange losses from bank deposits	47,106	19,972
Foreign exchange losses from trade receivables and payables	8,632	1,854
Interest expense from purchases on credit	2,644	3,598
Provision for diminution in value of inventories (Note 10)	2,116	359
Donation expenses	17	32
Other	3,390	2,804
	63,905	28,619

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NOTE 23 - FINANCIAL INCOME / EXPENSES

Financial income	1 January- 31 March 2017	1 January- 31 March 2016
Derivative transactions income	2,164	2,366
Foreign exchange gains from bank borrowings	1,792	65
	3,956	2,431
Financial expenses	1 January- 31 March 2017	1 January- 31 March 2016
Interest expense from bank borrowings	6,168	5,490
Foreign exchange losses from bank borrowings	5,401	41
Commissions of letter of guarantees	164	189
Other	70	77
	11,803	5,797

NOTE 24 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)

a) Current income tax on profits:

	31 March 2017	31 December 2016
Corporate and income taxes payable (Company)	7,673	32,392
Prepaid taxes (-) (Company)	(1,097)	(14,230)
	6,576	18,162
Corporate and income taxes payable (Subsidiary)	-	-
Prepaid taxes (-) (Subsidiary)	(290)	(327)
	(290)	(327)
Current income tax liabilities, (net)	6,286	17,835

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 2017 (2016: 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.

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**NOTE 24 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)
(Continued)**

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 three months interim periods ended 2017 and 2016.

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.

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 three months period ended 31 March 2017 and 2016 are summarized below:

	1 January- 31 March 2017	1 January- 31 March 2016
Current income tax expense (-)	(7,672)	(1,410)
Deferred tax (expenses) / income	(1,186)	1,555
Total tax (expenses) / income	(8,858)	145

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**NOTE 24 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)
(Continued)**

The reconciliation as of 31 March 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 March 2017	31 March 2016
Profit before tax	42,729	33,117
Current year corporation tax expense	(8,546)	(6,623)
Disallowable expenses	(34)	(54)
Tax losses used in the current period and disregarded in the calculation of deferred tax assets in the previous periods	-	3,303
Tax losses disregarded in the calculation of deferred tax assets in the previous periods and recognised in the current period	-	682
Tax losses disregarded in the calculation of deferred tax	(994)	(357)
Items disregarded in the calculation of deferred tax	1,580	(290)
Equity method accounting	-	3,484
Other	(864)	-
Total tax (expenses) / income	(8,858)	145

b) Deferred tax:

The Group recognises deferred tax assets and liabilities based upon temporary differences arising between the financial statements prepared in accordance with TAS / TFRS and the tax financial statements. Such temporary differences generally arise due to revenues and expenses being recognised in different fiscal periods in accordance with tax regulations and TAS / TFRS. The tax rate used for deferred tax assets and liabilities is 20% (31 December 2016: 20%).

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**NOTE 24 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)
(Continued)**

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities provided at 31 March 2017 and 31 December 2016 using the enacted tax rates is as follows:

	<u>Cumulative temporary differences</u>		<u>Deferred tax assets/ (liabilities)</u>	
	<u>31 March 2017</u>	<u>31 December 2016</u>	<u>31 March 2017</u>	<u>31 December 2016</u>
Carry forward tax losses	(43,635)	(34,457)	8,727	6,891
Difference between the tax base and carrying amount of investment property, property, plant and equipment and intangible assets	(30,530)	(30,895)	6,106	6,179
Difference between the tax base and carrying amount of inventories	(2,596)	-	519	-
Provision for doubtful receivables	(30)	(6,319)	6	1,264
Provision for unused vacation	(6,565)	(5,928)	1,313	1,186
Provision for employment termination benefits	(8,064)	(7,774)	1,613	1,555
Provision for litigations	(3,762)	(3,578)	752	716
Deferred credit finance income	(3,240)	(3,964)	648	793
Other	-	(335)	-	67
Deferred tax assets (**)			19,684	18,651
Fair value differences of available-for-sale financial assets (*)	1,997,688	1,999,530	(99,884)	(99,981)
Difference between the tax base and carrying amount of inventories	-	3,557	-	(711)
Income accruals for derivative financial instruments	5,795	6,512	(1,159)	1,302
Deferred credit finance expenses	3,854	2,892	(771)	(578)
Other	2,085	-	(417)	-
Deferred tax liabilities (-) (**)			(102,231)	(99,968)
Deferred tax liabilities, net			(82,547)	(81,317)

(*) Difference between fair value and book value amounts to TL 1,997,688 thousand (31 December 2016: TL 1,999,530 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 21,234 thousand (31 December 2016: TL 23,727 thousand) and deferred tax liability amounting to TL 103,781 thousand (31 December 2016: TL 105,044 thousand) presented in the financial statements, which are calculated on a separate entity basis for all companies included in the scope of consolidation.

As a result of the evaluations made, it is probable that the Group will be able to deduct the temporary differences that can be deducted from the deductible temporary differences amounting to TL 27.863 thousand (31 December 2016: TL 22.085 thousand) as of 31 March 2017 from the deductible temporary differences amounting to TL 5.573 thousand (31 December 2016: TL 4.417 thousand) have not been recognized in the deferred tax asset.

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**NOTE 24 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)
(Continued)**

The expiry date of the right to use deferred tax assets for which no deferred tax asset is allocated is as follows

	31 March 2017	31 December 2016
Ends in 2017	2,546	2,546
Ends in 2018	2,556	2,556
Ends in 2019	-	-
Ends in 2020	1,706	1,706
Ends in 2021	15,227	15,277
Ends in 2022	5,828	-
	27,863	22,085

Since each of the Subsidiaries is taxpayers separately, a net deferred tax asset or liability is calculated for each taxpayer, but these amounts are not offset in the statement of financial position.

Movement of deferred tax liability as of 31 March is as follows:

	2017	2016
As of 1 January	(81,317)	(60,071)
Current year deferred tax (expense) / benefit	(1,186)	1,555
Deferred tax liability accounted under equity resulting from increase in value of available-for-sale financial assets (*)	(44)	(17)
As of 31 March	(82,547)	(58,533)

(*) It consists of tax that is recognized directly in shareholders' equity. In shareholders' equity, no tax is transferred to the profit and loss account.

NOTE 25 - EARNINGS PER SHARE

	1 January 31 March 2017	1 January- 31 March 2016
Net gain attributable to equity holders of the Company	36,007	35,729
Weighted average number of ordinary shares with face value of Kr 1 each	68,526,000,000	68,526,000,000
Basic and diluted earnings per share (Kr)	0.0525	0.0521

NOTE 26 - 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.

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Details of credit and receivable risk as of 31 March 2017 and 31 December 2016 are as follows:

31 March 2017	Trade receivables		Other receivables		Deposit in banks	Other (*)
	Related parties	Other	Related parties	Other		
Maximum credit risk exposed as of balance sheet date (**)	15,426	377,388	909	850	683,525	3,564
<i>- Secured portion of the maximum credit risk by guarantees (-)</i>	<i>(34)</i>	<i>(45,830)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
A. Net book value of financial assets that are neither past due not impaired	7,455	300,261	909	850	683,525	-
B. Carrying value of financial assets that are past due but not impaired (***)	7,971	77,127	-	-	-	3,564
C. Net book value of the impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	5,410	-	-	-	-
- Impairment (-)	-	(5,410)	-	-	-	-
- 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 March 2017, the aging explanations related with past due but not impaired assets indicated in the aging table of “Past due but not impaired trade receivables”.

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2016	Trade receivables		Other receivables		Deposit in banks	Other (*)
	Related parties	Other	Related parties	Other		
Maximum credit risk exposed as of balance sheet date (**)	26,374	313,727	1,902	572	661,534	3,478
<i>- Secured portion of the maximum credit risk by guarantees (-)</i>	-	<i>(39,599)</i>	-	-	-	-
A. Net book value of financial assets that are neither past due not impaired	26,033	245,360	1,902	572	661,534	-
B. Carrying value of financial assets that are past due but not impaired (***)	341	68,367	-	-	-	3,478
C. Net book value of the impaired assets						
- Past due (gross carrying amount)	-	8,349	-	-	-	-
- Impairment (-)	-	(8,349)	-	-	-	-
- 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 2016, the aging explanations related with past due but not impaired assets indicated in the aging table of “Past due but not impaired trade receivables”.

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Details of the past due but not impaired receivables for the years ended at 31 March 2017 and 31 December 2016 are as follows:

31 March 2017	Trade receivables from		Other
	Related parties	Other	
Past due up to 30 days	7,971	65,366	-
Past due 1 - 3 months	-	4,244	-
Past due 3 - 12 months	-	7,184	-
Past due 1 - 5 year (*)	-	333	3,564
	7,971	77,127	3,564

31 December 2016	Trade receivables from		Other
	Related parties	Other	
Past due up to 30 days	341	29,780	-
Past due 1 - 3 months	-	27,820	-
Past due 3 - 12 months	-	10,036	-
Past due 1 - 5 year (*)	-	731	3,478
	341	68,367	3,478

(*) 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.

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:

Financial liabilities (non-derivative)	Carrying value	31 March 2017				
		Contractual cash outflows	Up to 3 months	3 - 12 months	1 - 5 years	More than 5 years
Financial liabilities to related parties	131,256	131,256	-	131,256	-	-
Other financial liabilities	137,989	138,108	84,522	20,206	310	33,070
Trade payables due to related parties	145,814	145,814	145,814	-	-	-
Other trade payables	233,955	237,809	147,698	90,111	-	-
Other payables and liabilities	1,403	1,403	-	1,403	-	-
Total non-derivative financial liabilities	650,417	654,002	377,646	242,976	310	33,070

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial liabilities (non-derivative)	31 December 2016					
	Carrying value	Contractual cash outflows	Contractual terms			
			Up to 3 months	3 - 12 months	1 - 5 years	More than 5 years
Financial liabilities to related parties	121,726	122,483	85,846	36,637	-	-
Other financial liabilities	118,167	127,318	50,205	42,329	34,784	-
Trade payables due to related parties	145,112	146,321	146,321	-	-	-
Other trade payables	203,531	205,148	178,199	26,949	-	-
Other payables and liabilities	2,754	2,754	-	2,754	-	-
Total non-derivative financial liabilities	591,290	604,024	460,571	108,669	34,784	-

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 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 March 2017 and 31 December 2016, the Group's financial liabilities with floating interest rates are TL (31 December 2016: TL, USD and EUR) denominated.

	31 March 2017	31 December 2016
Financial instruments with fixed interest rates:		
Financial assets		
- Cash and cash equivalents	683,538	661,541
Financial liabilities		
- Financial liabilities	204,670	172,462
Financial Instruments with floating exchange rates		
Financial liabilities		
- Financial liabilities	64,575	67,431

As disclosed above the Group's financial instruments have fixed interest rates. However as indicated in Note 7, 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 March 2017, 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 646 thousand (31 December 2016: TL 674 thousand) higher / lower as a result of interest expenses.

Sensitivity analyzes related to liquidity exposures and fair values used in discounted cash flows are shown in Note 6.

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	31 March 2017			
	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)	38,354	(38,354)	38,354	(38,354)
Secured position (-)	-	-	-	-
USD net effect	38,354	(38,354)	38,354	(38,354)
In case of 10% change in EUR against TL:				
EUR net asset / (liability)	16,803	(16,803)	16,803	(16,803)
Secured position (-)	-	-	-	-
EUR net effect	16,803	(16,803)	16,803	(16,803)
In case of 10% change in other foreign exchange rates against TL:				
Other foreign currency net asset / (liability)	-	-	-	-
Secured position (-)	-	-	-	-
Other foreign currencies net effect	-	-	-	-
	55,157	(55,157)	55,157	(55,157)

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 March 2016			
	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)	41,861	(41,861)	41,861	(41,861)
Secured position (-)	-	-	-	-
USD net effect	41,861	(41,861)	41,861	(41,861)
In case of 10% change in EUR against TL:				
EUR net asset / (liability)	15,943	(15,943)	15,943	(15,943)
Secured position (-)	-	-	-	-
EUR net effect	15,943	(15,943)	15,943	(15,943)
In case of 10% change in other foreign exchange rates against TL:				
Other foreign currency net asset / (liability)	(56)	56	(56)	56
Secured position (-)	-	-	-	-
Other foreign currencies net effect	(56)	56	(56)	56
	57,748	(57,748)	57,748	(57,748)

TL equivalents of assets and liabilities held by the Group denominated in foreign currency at 31 March 2017 and 2016 in consideration of foreign exchange rates are as follows:

	31 March 2017	31 March 2016
USD	3.6386	2.8334
EUR	3.9083	3.2081
GBP	4.3189	4.0766

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The amounts of assets and liabilities denominated in original and foreign currencies and their TL equivalents as of 31 March 2017 were as follows:

	31 March 2017			
	Original amounts			
	Total TL equivalent	USD	EUR	GBP
Trade receivables	2,632	448	254	2
Monetary financial assets	651,760	127,075	48,457	-
Other	133	-	34	-
Current Assets	654,525	127,523	48,745	2
Trade receivables	-	-	-	-
Monetary financial assets	2,452	674	-	-
Non-current Assets	2,452	674	-	-
Total Assets	656,977	128,197	48,745	2
Trade payables	72,070	13,625	5,753	2
Financial liabilities	30,077	8,266	-	-
Monetary other liabilities	3,260	896	-	-
Current Liabilities	105,407	22,787	5,753	2
Monetary other liabilities	-	-	-	-
Non-current Liabilities	-	-	-	-
Total Liabilities	105,407	22,787	5,753	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	551,570	105,410	42,992	-
Net foreign currency asset / (liability) position of monetary items	551,570	105,410	42,992	-
Fair value of hedged funds of foreign currency	-	-	-	-
Hedged amount of foreign currency assets	-	-	-	-
Hedged amount of foreign currency liabilities	-	-	-	-

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The amounts of assets and liabilities denominated in original and foreign currencies and their TL equivalents as of 31 December 2016 were as follows:

	31 December 2016			
	Original amounts			
	Total TL equivalent	USD	EUR	GBP
Trade receivables	2,683	542	209	-
Monetary financial assets	573,729	125,455	35,642	-
Other	1,855	-	500	-
Current Assets	578,267	125,997	36,351	-
Trade receivables	-	-	-	-
Monetary financial assets	2,397	681	-	-
Non-current Assets	2,397	681	-	-
Total Assets	580,664	126,678	36,351	-
Trade payables	125,377	19,759	15,052	190
Financial liabilities	6,278	-	1,692	-
Monetary other liabilities	3,164	896	3	-
Current Liabilities	134,819	20,655	16,747	190
Monetary other liabilities	31,391	-	8,461	-
Non-current Liabilities	31,391	-	8,461	-
Total Liabilities	166,210	20,655	25,208	190
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	413,633	106,023	11,143	(190)
Net foreign currency asset / (liability) position of monetary items	413,633	106,023	11,143	(190)
Fair value of hedged funds of foreign currency	-	-	-	-
Hedged amount of foreign currency assets	-	-	-	-
Hedged amount of foreign currency liabilities	-	-	-	-

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

ii) Foreign exchange derivative transactions

	<u>31 March 2017</u>		<u>31 December 2016</u>	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	5,795	-	6,512	-
	5,795	-	6,512	-

The Group utilizes currency derivatives to hedge significant future transactions and cash flows. The Group is party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group’s principal markets.

At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

	<u>31 March 2017</u>	<u>31 December 2016</u>
Forward foreign exchange contracts	108,000	84,000
As of 31 December	108,000	84,000

At 31 March 2017, the fair value of the Group’s currency derivatives is estimated to be approximately TL 5,795 thousand (31 December 2016: TL 6,512). These amounts are based on quoted market prices for equivalent instruments at the balance sheet date.

Amounts of TL 2,164 thousand (31 March 2016: TL 2,366) respectively have been transferred to the statement of profit or loss in respect of contracts matured during the period.

Changes in the fair value of non-hedging currency derivatives amounting to TL 5,795 thousand have been charged to income in the current year (31 December 2016: 6,512).

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

e) Categories and fair values of financial instruments

31 March 2017	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 Amount	Note
Financial assets						
Cash and cash equivalents	-	683,538	-	-	683,538	5
Trade receivables	-	377,388	-	-	377,388	9
Receivables from related parties	-	15,426	-	-	15,426	8
Financial investments	3,564	-	2,158,705	-	2,162,269	6
Other financial assets	-	1,403	-	-	1,403	6
Financial liabilities						
Financial liabilities	-	-	-	137,989	137,989	7
Financial liabilities to related parties	-	-	-	131,256	131,256	8
Trade payables	-	-	-	233,955	233,955	9
Payables to related parties	-	-	-	145,814	145,814	8
Other financial liabilities	-	1,403	-	-	1,403	-

(*) Group Management believes that the carrying amount of financial instruments represent their fair values.

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2016	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 Amount	Note
Financial assets						
Cash and cash equivalents	-	661,534	-	-	661,541	5
Trade receivables	-	313,727	-	-	313,720	9
Receivables from related parties	-	26,374	-	-	26,374	8
Financial investments	3,478	-	2,157,822	-	2,161,300	6
Other financial assets	-	2,754	-	-	2,754	6
Financial liabilities						
Financial liabilities	-	-	-	118,167	118,167	7
Payables from related parties	-	-	-	121,726	121,726	8
Trade payables	-	-	-	203,531	203,531	9
Payables to related parties	-	-	-	145,638	145,112	8
Other financial liabilities	-	-	-	2,754	2,754	

(*) Group Management believes that the carrying amount of financial instruments represent their fair values.

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NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

d) 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 7, 8 and 20, cash and cash equivalents disclosed in Note 5 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 21.

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 Group 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 March 2017 and 31 December 2016, the Group’s net debt / total equity ratio is detailed as follows:

	31 March 2017	31 December 2016
Financial liabilities	269,245	239,893
Less: cash and cash equivalents and current financial investments	683,538	(661,541)
Net debt	(414,293)	(421,648)
Total equity	3,283,169	3,244,490
Total capital	2,868,876	2,822,842
Net debt / Total capital	(14%)	(15%)

The general strategy of the Group does not differ from the previous period.

NOTE 27 - EVENTS AFTER THE REPORTING PERIOD

At the Ordinary General Assembly Meeting held on 13 April 2017, it was resolved to distribute dividend by TL 342,630 thousand. The commencement date of dividend distribution is determined as 8 May 2017.

Negotiations for transfer of the shares belonging to Group in Eczacıbaşı Schwarzkopf which contribute 47% of total shares to joint venturer of Eczacıbaşı Schwarzkopf Henkel KGaA who holds 50% of total shares has been started as of reporting date.

At the Board Of Director’s meeting held on 28 April 2017, it was resolved to sale of the Group’s share in Eczacıbaşı Girişim which contribute 48.13% of total shares to Eczacıbaşı Holding A.Ş.. The sale price will be determined after valuation of shares by a CMB certified valuation company.

Eczacıbaşı Yatırım Holding Ortaklığı A.Ş., shareholder of the Group, has purchased 1,000,000 shares of the Group which is traded on BIST on 31 March 2017, however, it is not recognized in the financial statements since the settlement did not occur at the balance sheet date. With this transaction, share of Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. in total capital has reached to 29.35% of total shares.

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NOTE 27 - EVENTS AFTER THE REPORTING PERIOD (Continued)

At the Ordinary General Assembly Meeting of Eczacıbaşı Holding A.Ş. held on 8 May 2017, it was resolved to distribute dividend by TL 266,250 thousand. Dividend will be received is amounting to TL 99,261 thousand.

At the Ordinary General Assembly Meeting of Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş. held on 20 April 2017, it was resolved to distribute dividend by TL 1,000 thousand. Dividend will be received is amounting to TL 112 thousand.

At the Ordinary General Assembly Meeting of Ekom Eczacıbaşı Dış Ticaret A.Ş. held on 8 May 2017, it was resolved to distribute dividend by TL 6,565 thousand. Dividend will be received is amounting to TL 1,731 thousand.

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