# Eczacıbaşı Investment Holding Co.

2017 Annual Report



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### **Board of Directors**



### F. Bülent Eczacıbaşı

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

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

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



### R. Faruk Eczacıbaşı

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

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

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

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



### Atalay M. Gümrah

Atalay Gümrah graduated from Galatasaray Lycée and Boğaziçi University's Industrial Engineering Department. He received a master's degree in Industrial Engineering from the same university.

Gümrah initiated his career in 1992 at Ekom Eczacıbaşı Foreign Trade as Regional Manager. In 1994, he was appointed Commercial Manager of VitrA UK, and in 1997, General Manager of the Group's newly established marketing and sales company in Russia, EBM Jsc., where he was given the responsibility of developing its business. In 1999, Gümrah joined Intema **Building Materials Marketing** and Sales, where he served respectively as Projects and Operation Manager, Sales Operation Manager, Assistant General Manager, and General Manager, a position he held between 2006 and 2011. In January 2011, he was appointed Vice President of the Eczacibasi Building **Products Division** (Bathrooms) and General Manager of Eczacıbaşı Building Products, and in October 2013, he was given the additional role of Executive Vice President of the Eczacıbaşı Building Products Division. A member of the Board of several **Building Products Division** companies, Gümrah was appointed CEO of the Eczacibasi Group effective as of 1 February 2017.

In addition to serving on the boards of several Eczacıbaşı Group companies, Gümrah is Chairman of the Clay, Ceramic, Cement and Glass Industry Employers' Association of Turkey. Atalay Gümrah is married, has two children, and speaks English, French and Italian.



### M. Sacit Basmacı

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

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

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



### Seyfettin Sarıçam

Seyfettin Sarıçam graduated from Bosphorus University Industrial Engineering Department in 1995 and started his career in the audit department of PwC Istanbul Office and worked there until 1997.

Through 1997-1999; Sarıçam received his MBA degree from New York University Stern School of Business and subsequently pursued a career in investment banking & advisory sectors. He worked respectively for JPMorgan Chase in New York and London offices as Investment Banking Associate (1999-2001), Istanbul based corporate finance and advisory boutique Antika Partners as Vice President (2002-2006), and Merrill Lynch Turkish Investment Banking department as Vice President (2006-2008) and Director (2008-2010). Sarıçam joined Deutsche Bank's Turkish Investment Banking department in 2010 and became Head of Turkish Corporate Advisory in 2014. Sarıçam completed several M&A, divestiture, equity and bond offering, and financing transactions for corporates, private equity houses, and sovereign wealth funds in Turkey and abroad. His track record includes strategic partnership and sale of stakes in Eczacıbaşı İlaç to Zentiva in 2007-2009.

Sariçam joined Eczacıbaşı Group as Deputy Head of Strategic Planning and Finance in July 2016 and became Head of Strategic Planning and Finance in October 2016.



### Simhan Savaşçın Başaran

Simhan Savaşçın Başaran was born in 1962, after completting her high school education at Izmir American High School; she graduated from Dokuz Eylül University Law School in 1984. Following her legal training, she began her professional career in 1985 as attorney at law. After 1993 she continued her legal career at Turunç & Savasçın law office as partner. Joining Eczacıbaşı Group in 2008, she worked as Assistant Chief Legal Counselor at Eczacıbaşı Holding Co. between 2008 and 2010; since January 2010 she is the Chief Legal Counselor at Eczacibasi Holding Co.



### Prof. Dr. Asaf Savaş Akat

Prof. Dr. Asaf Savas Akat was born in 1943 in Ankara, Turkey. He graduated from Galatasarav High School and received his BA degree in Economics from Istanbul University. He received his masters degree from Universty of East Anglia, UK and his PhD degree from Istanbul University. He attended to worldwide seminars, internships programs and certificate programs with scholarships granted by AFS, AISEC, OECD and US.

He was an associate professor at Istanbul University in 1973 and bacame a professor in 1980. He was also an instructor at Marmara University and served on the board of Istanbul School of International Studies. He was the Rector of Istanbul Bilgi University from 1996 to 1998 and is still a member of faculty at Bilgi University.

Asaf Savaş Akat was also actively engaged in business. He was a consultant for the Kavala Group from 1982 to 1992 and a partner and a board member of Çatı İnşaat Sirketi. He worked as an executive board member of the Kavala Group and also was a member of executive and administrative body of Kavala Investment. Later on, he became a member of management board of IMTAS Insurance. He worked as a consultant on executive board of Eczacıbaşı Pharmaceuticals Marketing Co. and was a member of the administrative board of Eczacıbaşı Holding. Mr. Akat has published a substantial body of work, including articles and essays published in several newspapers and on magazines. He gave speeches, conducted seminars abroad and participated in tv programs and in radio programs.



### D. Tamara Bozkuş

Born in Malatya, Turkey, in 1947, Dırahşan Tamara Bozkuş studied Business and Finance in the Economics Faculty of Istanbul Universty.

Bozkuş began her professional career as the Director of Finance at Tokar Tesisat Ltd. In 1971, she transferred to Aldağ Soğutma Sanayi ve Ticaret A.Ş, a subsidiary of Alarko Holding, as Finance Manager. Bozkuş joined the Eczacıbaşı Group in 1981 as the Finance Manager of Ekom Foreign Trade. In 1987, she was appointed Manager of Budget Planning Manager at İpek Kağıt Tissue Paper, later serving as Finance Manager at the same company for many years. A certified public accountant, Bozkuş currently holds a number of posts in NGOs.

1 January 2017-31 December 2017 Board of Directors Report



### CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.

#### 1. Opinion

We have audited the annual report of Eczacibaşı Yatırım Holding Ortaklığı A.Ş. (the "Company") and its subsidiary (collectively referred to as the "Group") for the 1 January - 31 December 2017 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Company's Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

### 2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Company Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

### 3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 12 March 2018 on the full set consolidated financial statements for the 1 January - 31 December 2017 period.



### 4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No: 14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- c) to include the matters below in the annual report:
  - events of particular importance that occurred in the Company after the operating year,
  - the Company's Group's research and development activities,
  - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Customs and Trade and other relevant institutions.



### 5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Company Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Didem Demer Kaya, SMMM

Partner

Istanbul, 12 March 2018

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4.12. If it is a company which is affiliated to the Companies Society; according to circumstances and conditions known in its own way when legal procedure mentioned in the (1) paragraph is carried out or; measure is taken or is avoided to be taken, the fact whether an adverse action is provided in each legal procedure or not; and measure taken or avoided to be taken damaged the company or not; if the company is damaged, such a situation is compensated or not

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#### 1. GENERAL INFORMATION

### 1.1. Reporting Account Period

This report covers the fiscal year of January 1, 2017-December 31, 2017.

**1.2. Trade Name** : Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.

**Trade Registration No** : 12520972411

Registered Office's Contact Info : Kanyon Ofis Büyükdere Cad. No:185 34394 İstanbul

**Branch's Contact Information**: None

Company's Web Address : www.eczacibasi.com.tr

### 1.3. Capital and Shareholding Structure

Issued Capital : 105.000.000-TL

Registered Capital : 200.000.000-TL

**Shareholding Structure**:

Shareholding Structure as of 31.12.2017 is as follows:

December 31, 2017	December 31, 2016

	Share Ratio (%)	Share Amount (TL)	Share Ratio (%)	Share Amount (TL)
	77.02	01.016.420	77.77	01 657 025
Eczacıbaşı Holding A.Ş.	77,92	81.816.429	77,77	81.657.935
Other	22,08	23.183.571	22,23	23.342.065
Total	100	105.000.000	100	105.000.000

Issued capital is divided into 105.000.000 fully registered shares with each nominal value of TL 1. There is no privileged share and every share have right to vote. The company has not acquired its own shares.

### Amendments to the Articles of Association during the Fiscal Period

After acquisitions made in 1 January - 31 December 2017 at ISE by Eczacibasi Holding A.S., share rate of Eczacibasi Yatırım Holsing AS. has increased from 77,77% to 77,92%.

# 1.4. Information on Company's Organization, Board of Directors, Senior Executives and Number of Personnel

#### **Board of Directors**

Name / Surname	Task	Task Commenceme nt Date	Bağımsızlık Durumu
F. Bülent Eczacıbaşı	Chairman of Board of Directors	13.04.2017	-
R. Faruk Eczacıbaşı	Vice President of Board of Directors	13.04.2017	-
Seyfettin Sarıçam	Member/General Manager	13.04.2017	
Atalay M. Gümrah	Member	13.04.2017	-
M. Sacit Basmacı	Member	13.04.2017	-
Simhan Savaşçın Başaran	Member	13.04.2017	-
Asaf Savaş Akat	Member	13.04.2017	Independent Member
Dırahşan Tamara Bozkuş	Member	13.04.2017	Independent Member

(\*)Members of Board of Directors have been elected for 1 year term of office at the Ordinary General Assembly Meeting held on 13.04.2017 and are in office until the Ordinary General Assembly Meeting to be held in 2018.

### **Committees Established Within the Body of Board Of Directors**

#### **Audit Committee**

Asaf Savaş Akat Cahirman Dırahşan Tamara Bozkuş Member

### **Corporate Governance Committee**

Dırahşan Tamara Bozkuş Chairman Mustafa Sacit Basmacı Member Gülnur Günbey Kartal Member

### Committee for Early Detection of Risk

Dırahşan Tamara Bozkuş Chairman Simhan Savaşcın Başaran Member

### **Evaluation by the Board of Directors related to efficiency of the Committees**

The Committees formed by the Board of Directors have taken care to meet at the frequency required for the effectiveness of the activities in the matters specified in their duties and working principles. The Board of Directors has provided all necessary resources and support for the fulfillment of the duties of the Committees. The Committees informed the Board of Directors in written or verbally on the works they fulfilled.

Our company has no permanent employee, management services are conducted with service and consultancy procurement from outside.

# 1.5. Information Related To Activities Performed By the Members of Board of Directors within the Scope of Noncompetition

Members of board of directors have not engaged in any business activity contrary to noncompetition within 1 January - 31 December 2017.

# 2. FINANCIAL RIGHTS PROVIDED TO MEMBERS OF MANAGING BODY AND SENIOR EXECUTIVES

# 2.1. Total Amount of Financial Interests Such As Daily allowance, wage, premium, bonus, profit share provided to members of board of directors and seniors executive

No wage and daily allowance is paid to the members of board of directors out of independent members of board of directors in our company. Independent members of board of directors are paid monthly wage in an amount determined by the general assembly.

# 2.2. Information Related To Total Amounts of Allowances, Travel, Accommodation and Representation Expenses and in cash and kind opportunities, Insurances and Similar Guarantees Given To The members of board of directors and seniors executive

There is no paid amount.

### 3. RESEARCH AND DEVELOPMENT STUDIES

We have no research and development studies in respect of subject of activity.

## 4. COMPANY ACTIVITIES AND IMPORTANT DEVELOPMENTS RELATED TO THE ACTIVITIES

Eczacibasi Yatırım Holding Ortaklığı has participation in 7 Eczacibasi Group companies.

### **Our Subsidiaries**

#### E-Kart Elektronik Kart Sistemleri Sanayi ve Ticaret A.S

Innovation-based security: We have the responsibility to connect individuals to the digital world without interruption.

In today's world, which is an indispensable fact of our daily life namely the experience of a uninterrupted connection to the digital world that can be carried out safely and easily, more increasingly people are able to connect securely and easily to the digital world ecosystem from anywhere and ensure uninterrupted and secure exchange of information, ensuring that personal information is not altered, stolen, or used for any other purposes.

E-Kart was established in 1999 so as to provide customers with innovative, secure and uninterrupted connectivity systems and processes that can be easily carried out anywhere / anytime and that protect the privacy and security of their personal information.

50 % of shares pertaining to E-Kart Electronic Card Systems were sold in 2001 to Giesecke & Devrient GmbH, the world's second largest enterprise in its field. E-Kart, owning smart credit card production and personalization facility in Turkey which started production in 2001 and has the first Visa / Europay approved credit card, also has the title of the first Sim card production facility in Turkey. E-Kart's

annual card production capacity is 100 million. In addition to E-Kart smart card production, it also has a multi-bank daily card personalization operation with its fast, quality and reliable service concept that it offers to customers.

E-Kart is equipped with an infrastructure in capable of card production, software and personalization thanks to Visa/Europay, SAS and other international security certifications. E-Kart, holding ISO-IEC 27001 Information Security Management System certificate, added to its list respectively AMEX certificate in 2014 and ISO 14298 Secure Print Process Management certificate in 2014 and Diners Certificate in 2015. The organization has leaded the way in Turkey with the ISO 22301 Business Continuity Management System certificate to ensure the continuation of our products and services in exceptional circumstances. In 2011, ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Management System certifications were added to the ISO 9001 certificate, which certifies the quality management system. In 2014, he was awarded the ISO 10002 Customer Satisfaction Management System certification.

ISO 14064 Establishment Greenhouse Gas Inventory Verification audit was first carried out in 2011 for Scope 1-2-3; PAS 2050 Product Carbon Footprint Certificate was taken in 2012 and became the institution that broke new ground for both certificates in the sector. E-Card continues to make correction by calculating foundation carbon footprint every year.

Continuing its leadership in both the banking and GSM cards markets, E-Kart has become a major seller in Moldova, Ukraine, Azerbaijan, Georgia and Kazakhstan in terms of its marketing and sales activities performed in line with its geographical growth target. E-Kart, which is about to play role in new markets in addition to these Countries, aims to grow in these markets as well.

The paid-up capital of the enterprise is TL 3,110,000. Our participation rate is 31,01%.

### EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş.

Eczacibaşı is not an actual production activity of Pharmaceuticals, Industrial and Financial Investments but is a holding structure with existing Subsidiaries, Joint Ventures and Affiliates.

Eczacibasi Ilaç, Sinai ve Finansal Yatırımlar has the whole Office block of 26 storied as well as Kanyon Shopping mall which has been built by taking in partnership in the rate of 50%-50% share with the Is Gayrimenkul Yatırım Irtaklıgı A.S. locating at Istanbul Province, Sisli District, Büyükdere Street and has been put into practice as the first open shopping mall in Turkey.

ORMANADA, which was established in cooperation with Torti Gallas and Partners, Kreatif Mimarlık and Rainer Schmidt Landscape Architect, having a global experience and expertise, and residing in the Province of Istanbul and in Zekeriyaköy namely the town of Sarıyer, belongs to Eczacıbası Ilac, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.S. at the rate of 50 % and to Eczacıbaşı Holding for the remaining rate of 50 %. The size of the houses in ORMANADA ranges between 170 and 700 square meters. In Ormanada, there are totally 273 residential units, 188 of which are villas and 85 were townhouses. 127 of the residential units in the 1st Phase and 97 of the residential units in total in the 2nd Phase were sold as of December 31, 2017.

Eczacibasi Yatırım Holding Ortaklıgı A.S' Share in the capital of Eczacibası Ilaç, Sınai ve Finansal Yatırımlar was 29,35% as of December 31,2017.

### Kaynak Tekniği Sanayi ve Ticaret A.Ş.

Eczacibaşi-Lincoln Electric Askaynak is a leading supplier of welding consumables and equipment in Turkey and has an equal sharing partnership with Lincoln Electric Company which is the world leader in the design, development and manufacture of welding products and equipment and robotic welding systems.

Since its founding in 1973, Askaynak has consistently contributed to the development of welding technologies and now supplies nearly one-third of the Turkish market.

Askaynak has received the TÜSİAD-KalDer Quality Award in Small-Scale and Medium-Scale Enterprises category in 1999 thanks to its long-lasting customer satisfaction and quality. The organization is also the first awarded Company in the welding sector by certificates respectively ISO 9001 (1995), ISO 14001 (2011), OHSAS 18001 (2013) ve ISO 27001 (2016). It has CE certificates as well as a number of product approvals from leading international certification bodies such as RWTUV, DB and Lloyds.

Askaynak's facility in Gebze is designed to reduce water, energy and material consumption and has advanced safety features that enable it to become a model for such other investments. Natural lighting and air circulation systems save about 750,000 kWh of energy annually, while the innovative central copper coating system significantly reduces operational water and chemical consumption. Askaynak also uses the chemical powder that is formed during the manufacturing process and sends a large part of the sludge to an energy producer for use as fuel from the waste treatment plant. Askaynak finds ways to further improve its competitive advantages while reducing environmental effects with small but intelligent investments in technologies that increase resource efficiency and reduce costs every year. In line with the automation initiatives it has taken to increase productivity, it has set up an automated robot packaging line.

The total capacity of the production facility of Askaynak is approximately 76 thousand tons with annual 40.000 tons of electrode, 5.000 tons of submerged welded wire, 30.000 tons of MIG / MAG welded wire and 1.500 tons of TIG welded wire. The newly installed inverter and conventional equipment assembly line have an annual capacity of 20,000 units. Askaynak markets these products and welding equipments with their brands, Askaynak, Kobatek and Focusweld, and Lincoln Electric and distributes them through more than 800 dealer networks throughout the country. Askaynak is a leader in the field of source electrode and wire exporting from Turkey and has a strong presence in the Middle East, Arabian Peninsula, North Africa, Balkans / Eastern Europe and Russia / CAC and sells to more than 80 countries worldwide.

The strong position of Askaynak in the highly competitive Turkish market reflects the quality and diversity of its main product groups and the strength of its brands. Askaynak addresses the top segment of the market with its own three brands as well as Lincoln Electric welding equipment, consumables and accessories. In addition, due to Hitachi Electrical Hand Tools for which exclusive distributorship rights were obtained in 2014 in Turkey, it offers a wide range of electrical hand tools.

In the consumables market, it has been marketing Askaynak and Lincoln Electric branded source electrodes and wires (MIG/MAG, submerged welding consumables, low alloyed cored wires and stainless steel and aluminum MIG / TIG wires), Askaynak branded abrasives and Kobatek branded welding products used in protective maintenance and repair weldings. The Askaynak brand also offers a range of welding equipment, accessories and additional products that meet the demand for quality equipment at affordable prices in the economy market segments.

In 2014, it has purchased SYS-RT, a well-known Turkish robot automation integrator, in line with solution generating strategy for each demand of metal manufacturing industry and re-branded it as "Askaynak Automation" in 2016.

In 2015, Askaynak released to the market two new inverter markets under the "CleanArc" brand, including a new smoke extraction system brand and low cost, high efficiency inverter technology. Pioneering new business models in the sector, Askaynak launched Turkey's first welding and robot equipment leasing program and first mobile application in 2015.

In recent years, Askaynak has developed products with sustainability characteristics. It released to the market in 2013 new generation copper-free gas-welded wire that provides higher productivity, improved weld quality and lower emissions of heavy metal fumes. It also switched to "soft-switched inverter" technology, which increases machine efficiency in equipment production, minimizes energy losses,

reduces machine size and weight, and meets electromagnetic compatibility (EMC) requirements without using additional components.

### Eczacıbaşı Yatırım Ortaklığı A.Ş..

Eczacibaşı Yatırım Ortaklıgı A.S. was founded on June 15, 1998. As of December 31, 2017, the shares are being traded on the BIST Collective Investment Products and Structured Products Market.

The main activity is to operate a portfolio of capital market instruments and gold and other precious metals that are traded on national and international stock exchanges or in non-exchange organized markets, provided that they do not dominate the capital and management of the partnerships they purchase securities under the Capital Markets Law and related legislation.

As of the end of October 2017, the total net assets of 9 investment trusts amounted to TL 472.06 million, while the net asset value of 9 securities investment partnerships in the beginning of 2017 was TL 442.01 million.

The net asset value of Eczacibaşi Yatırım Ortaklığı at the beginning of 2017, which was TL 44,945,438, increased to TL 47,220,089 at the end of December with the effect of dividend payment of TL 2,100,000 made on 2 May 2017. The total market value, which was TL 27.510.000 at the beginning of 2017, increased to TL 45.150.000 at the end of December 2017.

Our participation rate is 32.60%.

### İntema İnsaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.S.

Intema Insaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.S. (" Intema" or "Company") was established in 1978 and actual subject of activity is to carry out marketing and sales of products of Eczacıbası Construction Group across Turkey and directing and informative promotion, presentation, consultancy, sales and after sales services starting from project and design of product and the whole service for bathroom renovation market.

By adopting a partnership approach with authorized dealers, with the support given in marketing and sales issues, the possibility of presenting the products produced in Eczacibaşi Construction Group as a consumer package has been created. Intema, which has adopted "customer focused" service concept for years, has taken works in this field much further by improving its service tradition before and after sales.

The establishment of specialist point of sale, which has been started to be established with Intema stores, spreads to authorized dealer channel and provides the right representation of institution and brand image, standardization in showcase and service quality. Intema stores are leading "turn-key" projects by performing all steps until a project is assembled from drawing stage. VitrA-Artema Authorized Services, which are the first regular service organizations in the sector that conduct their activities under Intema organization, today provides after-sales service support to construction group products at 114 points throughout Turkey.

Issued capital of Intema having its registered office at Büyükdere Caddesi Ali Kaya Sokak No: 5 Levent/Istanbul/Turkey is TL 4.860.000 and our participation rate is 48,93%.

### Eczacıbaşı Yapı Gereçleri Sanayi ve Ticaret A.Ş.

Eczacibaşı Yapı Gerecleri (EYAP), Turkey's first and largest manufacturer and exporter of ceramic sanitary ware, has been manufacturing VitrA branded sanitary ware since 1958, bathrooms, bathtubs and shower boats since 1991. EYAP's plant established in Bozüyük in 1977; is one of the largest production complexes operating under the single roof in the field of greenhouse medical equipment in the world. The facility is the first owner of Energy Management System Certificate of TS EN 16001, the

newest and most advanced international standard in this field, in the sector. EYAP is also the first and only manufacturer of ceramic sanitary ware in Europe, deserved to receive the Type-III Environmental Product Statement, the most comprehensive standard of eco-labels in the world.

EYAP is among the top 10 producers in Europe with the armatures it has produced since 1983. "Open Shut" slogan of Artema which produces Turkey's first "single remote controlled armature" is being used as generic name of the product in the sector. In 1995, the company started to produce bathroom accessories develops its products with designers from Turkey and around the world. Besides designs that appeal to different types of people, Artema products, which provide water and energy savings of up to 90% include electronic, thermostatic and time-controlled batteries for professional use.

Artema, which draws attention with its features that push the standards, is the first company, which deserved to get certificate in all sectors within the framework of "TSI Star" and "TSI Double Star" application started in 2014 by the Turkish Standards Institute (TSI), and has been certified as the only manufacturer in the sector. Artema, whose almost all of the product range is in the A energy class, is the first manufacturer which has received European Water Label certificate in the armature sector in Turkey.

### Eczacıbaşı Holding A.Ş.

Eczacibaşi Holding, which was founded at the end of 1969, has been realizing and leading all of Eczacibaşi Group's strategic planning, financial and fiscal management, auditing and new project evaluations together with general investment activities. In addition to these, it also acts as a consultant in the activities of the Group Companies regarding the organization and human resources, information technologies and communication systems, as well as the corporate communication activities of the Group.

Eczacıbaşı Holding's paid-up capital is TL 213,000,000, which aims to provide new investments and international partnerships that are fully open to the globalizing World and delivers the integration in the production and working areas of the Eczacıbaşı Group in the years 2000 in a more advanced stage.

### 4.1. Company's Ongoing Investments

Company has no ongoing investment.

# 4.2. Information on the company's internal control system and internal audit activities and Managing Body's Opinion on this Issue

### **Internal Control System and Internal Audit**

Internal audit activities in the Eczacibasi Group have been structured within the body of the principal company; Eczacibasi Holding A.S. Activities of the companies that have entered the consolidation by the Supervisory Board within the body of Eczacibasi Holding A.S. are audited within the scope of the required processes and / or issues. The Supervisory Board works in coordination with audit committees established in the publicly traded companies of the Eczacibasi Group.

The Audit Committee; is responsible for accounting system, disclosure of financial information to the public, determination of independent audit company, operation and effectiveness of internal control system and supervision of independent audit processes. During the period, the Committee followed the accounting and internal control systems, independent auditing and financial reporting processes and did not find any negative findings and formed an opinion that it has been acted duly. Audit Committee has met 7 times in a year.

#### 4.3. Information Related To Direct and Indirect Subsidiaries and Share Rates of the Company

Trade Name	Company's Subject of Activity	Company's Share in the Capital (%)
İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş.	To produce construction and plumbing materials	48,93
E-Kart Elektronik Kart Sistemleri San. ve Tic. A.Ş.	To develop and produce smart card solutions	31,01
Eczacıbaşı Yatırım Ortaklığı A.Ş.***	To make investment for capital market instruments, gold and precious metal	32,60
EİS Eczacıbaşı İlaç. Sınai ve Finansal Yatırımlar San. ve Tic. A.Ş.	To associate and to make real estate property investment	29,35
Kaynak Teknigi San.ve Tic. A.Ş.	To produce and sell welding technology products	15,86
Eczacıbaşı Holding A.Ş.**	To associate	11,54
Eczacıbaşı Yapı Gereçleri San. ve Tic. A.Ş.	To produce bathroom and kitchen armatures and bathroom accessories	10,29

<sup>\*</sup> Shares in the rate of 0,99% at Ipek Kagıt Sanayi ve Ticaret A.S.has been sold to Eczacıbası Holding A.S. and 0,83% at the Vitra Karo Sanayi ve Ticaret A.S.

\*\*\* In our company's affiliated partners, a disclosure was made through public disclosure platform on 27.12.2017 related that Eczacibasi Yatırım Ortaklıgı A.S' whole 1.050.000 A-Group privileged shares, which we hold, will be sold to Metro Yatırım Menkul Degerler A.S. with a total price of TL 6.552.000 from TL 6,24 - unit price and whole 5.796.413,00 B-Group unprivileged shares with a total price of TL 9.042.404,00 from TL 1,56 and then applications have been made to the Capital Markets Board and Competition Authority.

(Relevant special circumstances disclosure can be reached at https://www.kap.org.tr/tr/index/647460).

The process for obtaining permission related to sale of our financial fixed asset from the Competition Authority and the Capital Markets Board is in progress.

### 4.4. Information on the Company's Own Shares which it has acquired

The company has not acquired its own shares.

#### 4.5. Descriptions Related To Special Audit and Public Audit

Public audit or special audit has not been done.

## 4.6. Lawsuits filed against the Company and possible consequences that could affect the Company's financial position and operations

There are no lawsuits filed against the Company in an extent that could affect the Company's financial position and operations.

4.7. Explanations on the administrative or judicial sanctions imposed on the Company and the members of the governing body due to practices contrary to the provisions of the legislation

<sup>\*\*</sup> Our company has 11,54% share of Eczacibasi Holding A.S., who is one of our shareholders, Eczacibasi Holding A.S. has no directing impact or control on the business and investment policies.

There are no administrative or judicial sanctions imposed on the Company and the members of the governing body due to practices contrary to the provisions of the legislation.

4.8. Information and Assessments Related Whether Objectives Determined In the Previous Periods are reached or not, resolutions of general assembly are carried out or not, information and to the justifications if the objectives are not reached or resolutions are not fulfilled

The company has reached the targets set in previous periods and conforms to the decisions of the general assembly.

4.9. Information on Meeting Date, Resolutions Taken at the Meeting, If Ordinary General Meeting is held within the year, and on Ordinary General Assembly including transactions performed related to those mentioned

The Company did not hold an extraordinary general meeting between 01 January 2017 and 31 December 2017.

4.10. Information on Expenditures Made Within the framework of donations and charities and social responsibility projects performed by the company within the year

The Company does not have donations, assistance and social responsibility expenses between 01 January 2017 and 31 December 2017.

4.11. If it is a company which is affiliated to the Companies Society; legal procedures made for its own or affiliated company's benefit by routing of a holding company with a holding company or its affiliated company and all other Measures Taken or Avoided to be taken for the benefit of the holding company or an affiliated company in the past activity year

77,92% of the company's capital is owned by Eczacıbası Holding A.S. The Company receives information processing support, system infrastructure support and management services from companies affiliated with the Eczacıbaşı Group within the scope of commercial relations. The decisions regarding the purchase of these services have not been influenced by the holding company.

The transactions carried out with the holding and affiliated companies within the body of group companies are common commercial activities, there is not any action taken in favor of the holding company or one of its affiliated companies or any measures taken in such a frame or avoided to be taken with or without direction of the holding company.

4.12. If it is a company which is affiliated to the Companies Society; according to circumstances and conditions known in its own way when legal procedure mentioned in the (1) paragraph is carried out or; measure is taken or is avoided to be taken, the fact whether an adverse action is provided in each legal procedure or not; and measure taken or avoided to be taken damaged the company or not; if the company is damaged, such a situation is compensated or not

07.03.2018 dated report issued on relations of our company with its controlling shareholder and affiliated companies of its controlling shareholder has been evaluated according to the circumstances and conditions known by us within the year of operation pursuant to 199.Article of 6102 numbered Turkish Trade Code with 07.03.2018 dated and 3 numbered resolution of board of directors. In this context, commercial relations of our company's controlling shareholder, Eczacibasi Holding A.S, and controlling shareholder's affiliated companies has been examined in detail in the last year of operation; it has been concluded that there is not any action taken in favor of the holding company or its affiliated company with the direction of controlling shareholder with the controlling shareholder or its affiliated companies in the past activity year or any measures taken or avoided to be taken in favor of the

controlling shareholder or its affiliated company in the past activity year; the transactions have been carried out in accordance with the commercial conditions and precedents and there are no precautions taken or avoided to be taken, which may damage our organization in this framework and that there is no action or precautions that need to be balanced.

### 5. FINANCIAL STATUS

# 5.1. Analysis and Assessment of Managing Body In Relation To Financial Status and Activity Results, realization level of planned activities, the company's status against strategic objectives determined

Turkey's economy has left behind a year in which industrial production and net export has made positive contribution to economic growth. Tax incentives implemented since the end of 2016, Credit Guarantee Fund coverage expansion, measures such as increasing investment and consumption expenditures of the Public support growth considerably in 2017. In our largest trade partner, Europe, economic growth has been showing its best performance since 2011; neighboring countries are recovering relatively when compared to previous years. With the positive contribution of these developments, our country's export shows an increase of over 10% in the last year. In 2017, participation of developing countries in global growth as USA economy and commodity exporter, demand increase in global trade and ongoing consolidation of funding sources, has taken their place as the most basic dynamics. Additionally, it is followed that a model based on sustainable growth driven by more industrial production and productive investment is stipulated against possible liquidity contraction in the upcoming period. The role of domestic consumption and public expenditures in the growth process of Turkey's economy is highly important; the increases in exports of goods and services also supported the domestic demand derived growth and diversified growth channels. Especially in the last quarter, increases in the investments particularly for machine and equipment which are added on those mentioned, are another indicator that leads us to look at the future with hope. Inflation, which has started to become in double digit within this positive table, rising market interest rates depending on this, possible contraction which may arise in global abundant and cheap liquidity conditions; geopolitical risks and countries' trade-offs and protectionist tendencies take their place in developments which are compelling and followed by us closely.

We, Eczacibasi Yatırım Holding Ortaklıgı A.S., have a diversified portfolio in terms of work areas. Positive developments experienced in Turkey's economy have reflected the results of our activity and our net profit for the period increased by 32.5% compared to the previous year and realized as TL 183.128.614.

In 2018, we aim to continue the value we added to our customers and shareholders and our critical role steadfastly in the growth of our country's economy and increase of extraneous income within this scope by giving priority to globalization, innovation, human orientation and digital transformation as community.

5.2. Information Related To Matters to Provide Insight on the Company's Sales, Productivity, Income Creation Capacity, Profitability and Debt / Equity Rate in the Fiscal Year In Comparison with Past Years and forward-looking expectations

SUMMARY FINANCIAL DETAILS	2017/12	2016/12
Sales Revenues	65.002.023	66.323.055
Gross Profit	5.686.939	5.141.048
Operating Profit	131.025.229	121.797.301
Depreciation Charge And Redemptions	34.116	53.201
Operating Profit Before Depreciation	131.059.345	121.850.502
Net Profit Of Period	183.128.614	138.181.748
Total Assets	1.897.578.018	1.565.373.455
Total Equities	1.864.006.577	1.513.524.485
Total Current Assets	87.311.271	73.696.972
Total Short-Term Liabilities	423.407	3.516.791
Investment Expenditures	-	-
Liquidity Ratios		
- Currenet Ratio	193,1	21,0
- Liquidity Ratio	193,1	21,0
Financial Structure Ratios		
Total Liabilities/Total Assets	0,02	0,03
Total Equities/Total Assets	0,98	0,97
Total Equities/Total Liabilities	55,52	29,19
Profitability		
- Net Profit Of Period//Total Equities	0,098	0,091
- Net Profit Of Period/ Total Assets	0,097	0,088
- Net Profit Of Period/Net Sales	2,817	2,083

Closing prices of the company's shares as of ends of month are shown in the table in December 2016 - December 2017 period.

Month	Closing Price
December	7,95
January	8,21
February	8,18
March	8,77
April	9,24
May	10,06
June	9,52
July	10,32
August	11,42
September	10,73
October	11,44
November	10,33
December	10,92

When taking into consideration closing prices in the mentioned period, share prices gained 37,4% value in December 2017 compared to the period of December 2016.

# 5.3. Determination related whether the company's capital is unreturned or not, or the company is heavily in debt or not and managing body assessments

The capital of the company is TL 105.000.000 and the amount of the equity is TL 1.864.006.577.

### 5.4. Measures considered to be taken for improving the financial structure of the company

There is no problem in the financial structure of the company.

# 5.5. Information related to profit share distribution policy and information about how to use profit not distributed on account of the fact that profit distribution will not be made

Our Company's Profit Distribution Policy is included in the corporate governance principles compliance report. The principles determined by the Capital Markets Board in the dividend distribution of the company are followed.

The following decision was taken at the general meeting held in relation to the activities of the year 2016 on April 13, 2017.

- 1) Cash dividends in the amount of TL 120.750.000 corresponding to 115% of the Company's issued share capital shall be distributed,
- 2) Profit share to be distributed;
  - shall be covered from net distributable profit of the part of 50.040.515 TL corresponding to 47,66% of the capital occurred according to legal records,

- TL 41.173.573 of the part in the amount of TL 70.709.485 corresponding to 67,37% of the capital shall be covered from extraordinary reserves of the year 2008 and TL 29.535.912 from extraordinary reserves of 2007 and before,
- 3) A gross 115% shall be paid in cash to the share certificate with nominal value of TL 1 and dividends in the net rate found after the withholding rates in tax laws have been deducted shall be paid to our legally obligated real partners and limited taxpayer real and legal entity partners.
- 4) Dividend distribution shall be started on 10.05.2017.

Dividend distribution has been started on 10.05.2017 and completed on 12.05.2017.

### 6. ASSESSMENT OF RISKS AND MANAGING BODY

# 6.1. Information on the Risk Management Policy to be implemented by the Company against the stipulated Risks, if any,

Due to the Group's operations, it is exposed to various financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and aims to minimize the potential adverse effects on the Group's financial performance.

#### Credit Risk

Credit risk is the risk of financial collapse of the other party in the event that one of the parties in a commercial relationship fails to meet its obligation as a financial instrument.

The credit risk of the Group mainly consists of commercial receivables, securities and deposits in banks. The deposits in the banks of the Group are placed for short-term less than 3 months. Securities consist of government debt securities issued by the Turkish Prime Ministry Undersecretariat of Treasury.

In determining the amounts included in the financial statements, factors were not considered ensuring increase in credit reliability such as guarantees received. There is not any asset subject to any value decrease within financial assets exposed to credit risk of the Group. In addition to that; Group does not have any facts including off-balance credit risk and the assets overdue but not depreciated.

### Liquidity risk

Liquidity risk is the possibility that the Group will not meet its net funding obligations. The deterioration of the markets or the occurrence of events allowing the result of decrease in fund resources such as deduction in the credit score can cause the liquidity risk to occur. The Group management directs the liquidity risk by maintaining sufficient cash and cash equivalents to meet its current and probable obligations by distributing fund resources.

### Explanation of interest position risk

Group management assesses interest-bearing assets in short-term investment instruments within the framework of the principle of managing with neutral measures by balancing the maturity of interest rate sensitive assets and liabilities.

Government bonds classified as related to the fair value difference income statement in the Consolidated Balance of the Group are not exposed to price risk due to interest rate changes. However, the Group may be exposed to risk of reinvestment in case the cash arising as a result of reimbursement of government bonds is directed to investment again.

#### **Exchange Rate Risk**

Foreign currency risk is the risk of exchange rate fluctuations arising from foreign currency assets, liabilities and off-balance sheet liabilities.

# 6.2. Information on Early Detection of Risk, if posed, and Employees of Managing Committee and the Reports,

Two members take charge in Early Risk Detection and Management Committee; Mr. Dırahsan Tamara Bozkus has been elected for chairmanship and Simhan Savasçın Basaran for the membership. Six examination reports have been prepared for the period 2017 January-December.

# 6.3. Sales, Productivity, income generation capacity, profitability, debt/equity rate and forward-looking risks on similar issues

There are no prospective significant and serious risks in sales, productivity, income generating capacity, profitability, debt / equity ratio and so on.

#### 7. OTHER MATTERS AND EXPLANATIONS

# 7.1. Explanations Related To Special Events which occur in the company after expiration of activity period and which may affect the rights of shareholders, creditors and other relevant person and institutions

Pursuant to the resolution taken by our Board of Directors on 2 January 2018

- In accordance with the provisions of the Registered Capital System Communiqué No: II-18.1 of the Capital Markets Board (CMB); our company's upper limit of registered capital of TL 200.000.000 shall be increased to TL 500.000.000 and the validity period of upper limit of registered capital shall be determined as 2018-2022,
- 7. Article of "Registered Capital" titled articles of association shall be amended in accordance with the above-mentioned principles and for this purpose, necessary permissions shall be taken from CMB and the Ministry of Customs and Trade,
- Upon receipt of the above-mentioned permits and approvals It has been decided to present the amendment of the Articles of Association to the approval of the shareholders at the first general assembly meeting to be held.

Capital Market Board has been applied on 04.01.2018 in relation to the increase of upper limit of registered capital. (Relevant special circumstances disclosure ttps://www.kap.org.tr/tr/Bildirim/649215)

Our application in question has been approved with 11.01.2018 dated 29833736-110.03.03-E.377 letter of the Capital Market Board and 16.01.2018 dated and 50035491-431.02 numbered letters of the Ministry of Customs and Trade.

### 7.2. 01 January-31 December 2017 Period related party disclosures

Information on company's related party transactions is presented in the footnotes of the financial statements in detail.

#### **7.3.** Other

There was no change in legislation that would significantly affect the company's activities during the period.

#### SUSTAINABILITY ACTIVITIES OF ECZACIBASI GROUP

The Eczacibaşi Group has adopted a holistic sustainability approach that focuses on balancing between the sustainability of natural resources and the needs of business world and human life. The Group interprets the sustainability as development of economic, social and environmental capital in a balance and develops sustainability practices in this direction.

Sustainable development, which may be characterized as an effective growth strategy for the business world, offers a wide variety of opportunities to create a difference in competition by focusing on sustainability in innovation. The concept of sustainable development has an important place in the agenda of the international organizations, business world, governments and civil society in the world.

The Eczacibaşi Group, which is a member of the Business World and the Sustainable Development Association, is among the organizations signing the UN Global Compact.

#### **Our Sustainable Strategy**

The Eczacibaci Group adopts sustainable development principles from production to marketing activities, from human resources to logistics with a holistic perspective and society and environment conscious. The Group aims at future-oriented planning with its economic, environmental and social dimensions within the framework of the holistic sustainable development approach. In this context, it continues its voluntary works in order to integrate service, brand, area of activity, business processes and use of technology.

The Eczacibasi Group has been at the front in this field by adopting the aim of reflecting the sustainability approach to all business processes and personal life preferences. On sustainability, established Sustainability Study Groups aims at building awareness and knowledge throughout the community in order to create community inventory, to be able to make a global positioning and to deepen the studies related to this issue on the basis of sectors for ensuring effective use of resources for the "sustainable success" of the community. Community organizations follow various data in many fields from human resources applications to production in quarterly indicators in accordance with determined special reporting technique and forward it to the central reporting system. This data is assessed to form improvement plans to be targeted in coming years by being examined on periodic and annual basis. Accordingly, measurement and monitoring of organization activities and planning of improvements, sharing and enhancing best practices in sustainable development studies are encouraged by determining appropriate parameters within the scope of sustainability.

Eczacibasi Group's studies in the field of sustainable development since 2006, when it signed the UN Global Compact, are reported in detail in the Community reports. In the Community Sustainability Reports, an independent auditing firm, PricewaterhouseCoopers, publishes consolidated energy consumption and carbon emission data, for which assurance study has been performed, as of 2010. Eczacibasi has been the first company which performs this work on the basis of group in Turkey.

#### **Profit Distribution Proposal**

In the meeting held on March 19th, 2018, our Board of Directors determined that the distributable net profit of our Company regarding the period as of December 31st 2017 was TL 183,128,614 on the consolidated financial statements, which were issued pursuant to the "Communique on Principles Related to Financial Reporting in Capital Market" number II - 14.1 of Capital Markets Board ("CMB") and which were independently audited, and was TL 136,261,681 in the financial statements issued according to the legal records.

Related to the distribution of the profit of 2017, the profit of the period included in the legal financial statements was used as a basis for the share distribution of the period in accordance with the regulations of CMB on profit distribution, the article 37 of our Articles of Association and the principles indicated in our Profit Distribution Policy; and it was deemed appropriate to distribute profit as indicated below, and it was decided to submit it to the General Assembly.

#### Within this framework;

- 1) To distribute cash dividend of TL 78,750,000 corresponding to 75% of the issued capital of our company,
- 2) To pay TL 78,750,000 of the dividend to be distributed which is corresponding to the 75% of the capital from the Net Distributable Profit of the Period accrued according to the legal records,
- 3) To pay dividend of gross 75% in cash to a stock certificate of 1 TL nominal value, and of the net amount found, after deducting the withholding rates included in the tax laws, to our full taxpayer real person partners and to our limited taxpayer real and legal entity partners,
- 4) To transfer the balance amount TL 52,110,579, after deducting the legal obligations and the dividend planned to be distributed from the period profit of TL 136,261,681 accrued according to the legal records, to the Extraordinary Reserves,
- 5) And to start the dividend distribution on May 28th, 2018

It was unanimously resolved by those present that the above mentioned items be submitted to the approval of the shareholders in the Ordinary General Assembly meeting.

### **BOARD OF DIRECTORS**

ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. PROFIT DISTRIBUTION TABLE FOR 2017 (TRL)						
1.	Paid in / Issued Capital				105.000.000	
2.	General Legal Reserve Fund (According to Legal Reco			15.598.898		
_	Regarding privileges in the distribution of profits in accordance with the Articles of Association, if any			None.		
					According to CMB	According to Legal Records (LR)
3.	Profit for	r the Period (	*)		206.094.530	136.261.681
4.	Taxes (-	`	,		(22.965.916)	130.201.001
5.			ad (-)		,	126 261 691
6.	1	it for the Peri			183.128.614	136.261.681
7.	<u> </u>	Lagel Baser	. ,		5.401.102	5 401 102
8.		Legal Reserv		FOR THE PERIOD	177.727.512	5.401.102 130.860.579
9.		ns within the		TOR THE LEXIOD	0	130.800.379
10.		ributable Prof		Donotions	177.727.512	120 960 570
11.					177.727.312	130.860.579
11.	The First Dividend to the Shareholders - Cash		78.750.000	78.750.000		
	- Shares			0	0	
	- Total		78.750.000	78.750.000		
12.	Dividend	d Distributed	to Privileged	l Shareholders	0	0
13.		ividends Dist			0	0
	- Members of the Board Of Directors		0	0		
		loyees he Persons O	thar Than St	para holda rs	0	0
14.	1			f Founder Shares	0	0
15.		ond Dividend			0	
16.	1	Legal Reserv		noiders	0	0
17.		y Reserves	- Tuna		0	0
18.		Reserves			0	0
19.	EXTRAORDINARY RESERVES			98.977.512	52.110.579	
20.	ł	esources to b		d	0	0
STATEM	ENT OF D	IVIDEND RATIO	os			
	GROUP	SUM OF DIVIDEND DISTRIBUTED		SUM OF DIVIDEND DISTRIBUTED /NET DISTRIBUTABLE PERIOD PROFIT	SHARE WITH NOM	ESPONDING TO A MINAL VALUE OF 1 SH LIRA
		CASH (TRL)	SHARES (TRL)	RATIO (%)	AMOUNT (TRL)	RATIO (%)
NET (*)	-	66.937.500	0	37,66	0,63750	63,75
•				-		•

<sup>(\*)</sup> For the calculation of the net dividend amount, the withholding rate of Income Tax has been taken as 15%.

#### CORPORATE GOVERNANCE COMPLIANCE REPORT

#### PART I- CORPORATE GOVERNANCE COMPLIANCE DECLARATION

The Corporate Governance Principles Compliance Report covering the period of January 1 - December 31, 2017 was prepared in accordance with the "Corporate Governance Communiqué No. II-17.1" ("Communiqué") published in the Official Gazette No. 28871 dated January 3, 2014 of the Capital Markets Board ("CMB").

Necessary studies are carried out by adopting compliance of corporate governance report as one of the principal management principles and taking into consideration developments and applications in the legislation in accordance with the regulations of the Corporate Governance Communiqué. While fully complying with the principles required to comply with the applicable Communiqué, it has been adapted to the majority of the non-mandatory principles. Although full compliance is aimed with the nonmandatory Corporate Governance Principles, full compliance has not yet been achieved for reasons such as the difficulties in implementation in some of the principles, the adaptation to some principles, the ongoing debate in the international arena in our country, and some principles do not fully coincide with the market and the existing structure of the Company, ongoing discussions in both our Country and International Platform in respect of complying with some principles, some of the principles do not fully coincide with the market and the existing structure of the Company. The principles that have not yet been put into practice are being studied and administrative, legal and technical infrastructural activities are planned to be implemented after the completion of the administrative, legal and technical infrastructure works to contribute to the effective management of our organization. Principles that are not yet aligned with the studies conducted within the framework of corporate governance principles within our organization and, if any, conflicts of interest arising therefrom are disclosed on a principled basis in the relevant sections of the report.

#### In this context:

- Due to the current board structure of our company and the formation of three different committees, some members of the Board of Directors have taken part in several committees.
- As regards the principle of 4.3.9, a target rate and target time have not yet been determined for the rate of female members in the Board of Directors, and evaluation studies on this issue are continuing. Detailed information on the topic is given in section 5.1 of the report.

#### PART II-SHAREHOLDERS

#### 2.1. Investor Relations Department

### The details of the persons employed at the Investor Relations Department:

Name/Surname : Gülnur Günbey Kartal

Task : SPK Relations and Reporting Manager

Phone : 0 212 371 73 94
Fax : 0 212 371 72 22

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License Certificate Type / Number : Advanced Capital Market Activities / 204571

Corporate Governance Rating Expertise / 700606

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### The main activities carried out in the Investor Relations Department are:

- a) To ensure that correspondences made between investors and shareholders and relevant records of other information and document are kept healthy, secure and up to date,
- b) To meet all information requests related to the partnership from the shareholders
- c) To prepare documents required to be submitted for shareholders' information and examination in relation to the General Assembly Meeting and to take measures for the fact that the General Assembly meeting is held in accordance with the applicable legislation, the Articles of Association and other in-house regulations,
- d) To observe and monitor fulfillment of obligations arising from capital market legislation including all kinds of issues related to corporate governance and public disclosure.

The Investor Relations Department submitted the report prepared by it in relation to the activities carried out in 2017 on 19 January 2018 and the report reviewed by the Committee was evaluated by the Board of Directors on January 25, 2018.

The Investor Relations Department of the Company plays an active role in facilitating the protection and use of shareholder rights, in particular the right to obtain and review information for shareholders.

In 2017, there is no written information request made by the shareholders but in case of information request made orally, response was made within the framework of information policy.

### 2.2. Use of Shareholders' Right to Get Information

In the fulfillment of the requests regarding the exercise of shareholder rights, maximum attention is paid to compliance with the CMB legislation, the Articles of Association and other in-house regulations, measures are taken to ensure the exercise of these rights, and all shareholders are treated equally.

No distinction is made between the right of the shareholders to use the right to receive and review information, and all information necessary for the proper use of shareholder rights other than trade secrets is shared with shareholders. Information is given on time and elaborately so as to fully reflect the truth in an honest manner.

Inquiries sent to the Investor Relations Department during the year are answered in writing or by telephone, with the exception of confidential and trade secret information, by talking to the person in charge who is most concerned about the matter. For the purpose of extending the right of shareholders to obtain information, any information that may affect the exercise of the rights is currently available for the use of shareholders in the electronic environment. These qualities of information and developments affecting the exercise of shareholder rights are disclosed to the public through special case disclosures and are also published on the Company's website.

Although there is no regulation regarding the appointment of a special auditor as an individual right in our Articles of Association, pursuant to Article 438 of the Turkish Commercial Code, each shareholder, if deemed necessary for use of shareholding rights and right to take or examine information has been used before, may request from the General Assembly for certain events to be clarified by special audit even if it is not stated in the agenda. So far, shareholders have not received a request in this respect. In addition, the activities of the Company are periodically audited by the Independent Auditing Firm approved by the General Assembly.

#### 2.3. General Assembly Meetings

The General Assembly Meeting announcement is made by the Board of Directors at least 3 weeks prior to the date of the General Assembly Meeting, excluding the announcement and meeting dates, taking into account the Turkish Commercial Code, Capital Markets Legislation, the Company's Articles of Association and Corporate Governance Principles. Our Articles of Association was issued in accordance with that.

On the date of decision taken by our Board of Directors so as to make General Assembly Meeting, public disclosures are made through the necessary disclosures through the Public Disclosure Platform ("PDP") and the Electronic General Assembly System ("EGAS") to include the agenda items.

In addition to the procedures stipulated by the legislation, the invitation to the General Assembly Meeting is published on the Company's website and also in the Turkish press of a daily journal no later than 3 weeks before the General Assembly Meeting through any means of communication, including electronic communications so as to provide access to the maximum number of shares as much as possible.

The meetings are held in the city center and open to the public in order to facilitate participation in the General Assembly. Meetings can be monitored by our stakeholders and the media.

Financial statements and reports, including the annual activity report, profit distribution proposal, General Assembly Information Document prepared in connection with the agenda items of the general assembly meeting and other documents constituting basis for agenda items together with the last version of the Articles of Association and text of amendment to be made on Articles of association and its related justification are all kept open for auditing purposes at the Company's headquarters and on the internet, where our shareholders can reach the most convenient way, from the date of announcement made for the invitation to the General Assembly Meeting. The information provided for each agenda item in the informational documents related to the agenda items is presented to the shareholders.

Due to the fact that they will represent themselves through the deputy, samples of power of attorneys are announced and they are made available via Company's website so as to be used by the shareholders prior to General Assembly Meeting.

The topics on the agenda are mentioned in an objective and detailed manner in a clear and understandable way at the General Assembly Meeting; thus, shareholders are given the opportunity to explain their opinions and ask questions under equal conditions, and the opportunity to discuss the annual activity report and performance figures of the Company.

The minutes of the General Assembly Meeting are announced to the public via PDP and can also be accessed from the Company's internet address.

The Company held the Ordinary General Assembly Meeting once in 2017. The Ordinary General Assembly meeting held on April 13, 2017, when the activities of the year 2016 were discussed, was held with 83 percent quorum in WYNDHAM GRAND Istanbul Levent Hotel at 10:45. 1 real and 23 legal persons from publicly held shareholders have registered to the List of Participants. Our General Assembly Meeting was held under the supervision of the Ministry Representative appointed by the Istanbul Provincial Commercial Directorate of T.R. Istanbul Governor's Office. Our shareholders in the General Assembly have used their right to ask questions. The questions were answered by the members of the Board of Directors and the General Manager according to their subjects. There has not been any request from the shareholders for the inclusion of agenda items. All questions asked by our shareholders at the General Assembly Meeting were answered during the meeting. The Investor Relations Unit was not conveyed of the written question because it could not be answered at the General Assembly Meeting.

Information on donations and grants made during the period is provided in a separate agenda item at the General Assembly.

In order for the Board of Directors to make a decision in accordance with CMB regulations in 2017, there is not any operation available that positive vote of the majority of the Independent Board Member is required but due to negative votes by the said Members, the resolution is required to be given at the General Assembly Meeting.

In 2017, there is not any situation mentioned regarding that the shareholders who are in control of our Company, board members, executives with administrative responsibilities and their spouses and blood relatives and relatives by marriage up to second degree make important transactions that may cause conflict of interest with the Company or its subsidiaries and/or the Company or its subsidiaries conduct an operation of the type of commercial business entered into the business in its own account or on behalf of third persons and/or they engage in any other partnership dealing with the same type of commercial activity as an unlimited partner in terms of responsibility.

### 2.4. Voting Rights and Minority Rights

Our Company avoids practices that make it difficult to use voting rights, and provide equal, easy and convenient voting opportunities for all our shareholders, including those across borders. During the voting of the agenda items in our General Assembly Meetings, provided that the voting rights in the electronic environment are reserved, hand raising method and open voting method are used. Each agenda item is voted separately at the meeting.

There is no privilege in our Articles of Association for the exercise of voting rights; each share has one voting right. There is no regulation in our Company that will allow voting rights to be exercised after a certain period of time following the acquisition date. There is no provision in our Articles of association preventing non-shareholder person votes by proxy as a deputy.

Our parent company, Eczacibaşi Holding A.Ş., which owns 77.92 percent of the capital of our company and we have 11.54 percent of its capital at the same time, votes at our General Assembly Meeting.

There has not been any stakeholder so far stating that he owns the minority share. The cumulative voting method is not applicable.

### 2.5. Profit Share Right

The profit distribution policy of our Company and the annual profit distribution proposal of our Board of Directors are prepared together with the profit distribution table determined by the CMB and presented to the shareholders in the context of PDP simultaneously with the decision of our Board of Directors. This proposal is included in our Annual Activity Report and presented to the approval of the shareholders at the General Assembly Meeting. In addition, detailed information on the profit distribution table, profit distribution history and capital increases are disclosed to the public on the company's website. In 2017, a gross 115% cash dividend was distributed to the partners.

### **Profit Distribution Policy**

Our Board of Directors resolved at the Meeting date March 21, 2017 that; in accordance with the CMB's dividend distribution regulations, Article 26 of our Articles of Association and in accordance with the principles set forth in the "Profit Distribution Policy", a provision distribution policy shall be applied within the framework of below mentioned approach in respect of the profit distribution of Year 2016 and this policy shall be submitted for the approval of partners at Ordinary General Assembly Meeting to be held for Year 2016.

Within the framework of Profit Distribution Policy,

- In principle, the dividend distribution in the form of cash and / or bonus shares has been adopted on the basis of the "distributable profit for the period" calculated within the framework of the Capital Market Legislation and other relevant legislation, based on the net profit for the period in the financial statements prepared under the Capital Markets Legislation and subject to independent examination.

- In our Articles of Association, there is no special regulation for granting privileged shares, founder usufruct shares, dividend payments to our Board members and employees, in order to obtain a share from the profit.
- Profit distribution proposals submitted by our Board of Directors to the approval of our General Assembly are prepared by taking into consideration the precise balances among the current profitability situation of our organization and the possible expectations of our shareholders and the growth strategies envisaged by our Company.
- Care is taken to ensure that our dividend payments (cash and / or bonus shares) are made as soon as possible following the General Shareholders' Meeting, within the legal period and at the latest until the end of the period prescribed in the legislation.

This dividend policy is still being implemented and our Board of Directors has not made any changes in this regard.

#### 2.6. Transfer of shares

In our Articles of association, there is not any provision that restricts or complicates share transfer in a freely manner.

#### PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1. Corporate Website and Content

The corporate web site www.eczacibasi.com.tr is in use since April 2005. In the Investor Relations section of the site, information about our company has been opened for use.

In the Investor Relations department, information in Turkish and for the last 5 years at least are kept. The information contained herein is; constantly updated, consistent with the statements made in accordance with the provisions of the relevant legislation, and does not contain any inconsistent or incomplete information.

The Investor Relations Department is responsible for preparing the content on the website, updating the changed information and adding additional information. The studies allowing the website to provide a better service are still in progress. The company letterhead also contains the address of the website.

### 3.2. Acitivity Report

The Board of Directors' activity report is attempted to be prepared in the details in a way that will enable the public to reach full and accurate information about Company activities.

### PART IV - STAKEHOLDERS

### 4.1. Informing Stakeholders

Informing the stakeholders is done by means of responding to the General Assembly and personal applications provided that they are within the scope of CMB legislation. Public disclosures and speeches are made through the press conferences or the media. Informing the employees is done through various organizations such as Strategic Planning, General Manager Information and dissemination meetings (changes in target shares, wages, social rights, allowances are announced at these meetings). Eczacibaşi Group has a portal that employees can access, and they have access to all information and documents related to them, important announcements, management changes and press releases with this portal channel. Furthermore; Corporate Communication Unit within the body of Eczacibaşi Holding A.Ş.

publishes a periodical in-house magazine entitled "Life" in order to increase communication with employees.

The Company's corporate governance structure allows all stakeholders, including employees and representatives, to communicate their concerns related to legally and ethically inappropriate operations to the management. Among the duties of the Audit Committee there is a review of complaints to the company.

### 4.2. Participation of stakeholders into Management

No study has been made on the participation of stakeholders in the management. Shareholders from stakeholders are provided to participate in the General Assembly. Careful attention is paid to communicate with the stakeholder in important resolutions that will result in the interest of the stakeholders and to get their opinions.

### 4.3. Human Resources Policy

Considering Eczacibaşı values, our human resources policy, which places the human being at the center of all its activities as the most important factor providing competitive advantage, is based on the following principles:

- To provide an organization that is flexible and open to change requirements in line with the Corporate Strategic Plan and Objectives,
- To ensure the effective and efficient use of human resources in line with the Corporate Goals,
- To regularly review and improve human resources processes and systems,
- To increase the performance at the level of individuals, teams and organization through encouraging learning activities and developing knowledge, skills and behaviors of the employees,
- To create personal development and career development opportunities for employees in accordance with the needs of our organization and the results of performance evaluation studies,
- To continuously improve the level of satisfaction by making the necessary improvements in parallel with the measurement of employees' satisfaction perceptions and other related performance indicators,
- To provide our organization with the people who have the competencies required by the job, who are creative and innovative, who are open to participation, open to change, entrepreneurial, strong communication, transparent, energetic, aiming to develop themselves,
- To ensure that women and men are equally favored.

Due to the fact that our Company is a Corporation of Eczacıbaşı Group, the common policies, basic principles and guidelines established by the Human Resources Group Presidency within the body of Eczacıbaşı Holding A.Ş. are established for all organizations in the Group. These basic principles and guidelines are shared with the employees of Eczacıbaşı Group via the Corporate Portal.

So far, no complaints about discrimination have been received from the employees.

Our company does not have unionized personnel.

#### 4.4. Code of Ethics and Social Responsibility

The activities of the Company are carried out within the framework of the following ethical rules established by the Eczacıbaşı Group. These rules are published in the Corporate Governance Principles Compliance Report in compliance with the Corporate Governance Principles published by the CMB and in the company's website.

In order for our Company to be able to realize the basic objective of "having excellent human resources supported by best human resource practices", below mentioned policies were adopted;

- To ensure that the affiliated organizations of the Group are dynamic in their organizational structures in line with their strategic plans and targets and are ready for exchanges,
- To improve the individual and team performance through continuous quality improvement processes and systems so that human resources can be used in the most effective and efficient way and management power is directed towards Group goals; to create a professional business environment and career development opportunities for our employees,
- To bring people who have high educational level, open to innovations and exchanges, who have entrepreneurial ability, who are energetic, who aim to develop themselves and work, who bring up personnel, who will adopt and fulfill Group values.

For the implementation of these aims and policies, it focuses on quality, customer satisfaction, productivity, participatory management, teamwork, flexibility and open communication in these studies and developed systems related to human resources.

Employees are obliged to comply with the Group Business Ethics Principles, as described below, while performing their duties, to recognize and fulfill the importance of their responsibilities.

### Each Employee;

- 1. is responsible for fulfilling his work in an attentive and a meticulous manner, monitoring and understanding the legal rules and amendments to their work, obtaining the necessary information to perform their duties. If difficulties are encountered in these matters, the relevant authorities should be consulted.
- 2. Continues to work with the expected productivity and performance in accordance with the needs of the job and the qualities it demonstrates.
- 3. Is required to keep the benefits of the organization in the forefront while avoiding any acts or actions that could jeopardize the organization while deciding on his mission.
- 4. Is obliged to keep the information that he has learned about his duties, but which should be kept confidential and which is not appropriate so as to be disclosed.
- 5. Has to comply with the law and to avoid any kind of activities that will put the organization into a difficult station and damage the reputation of the organization.
- 6. Has to select persons or entities that are respected and will adopt and implement Group Business Ethics Principles in respect of employing persons for own staff or working with third parties or entities indirectly or directly related to their business.
- 7. Cannot try to provide benefits from private or legal persons due to his duties and cannot offer or present any illegal payment or assistance to any person or organization.
- 8. Has to always keep the Group Code of Business Ethics in the forefront in respect of his relations with the government and the customers and to avoid attempts that aim to influence the other party and the ones that damage the image of the Organization.
- 9. Is responsible for ensuring customer satisfaction by keeping quality, speed, ease, courtesy and respect in the forefront and treating every person and organization equally providing that he is

honest, trustworthy and honorable in respect of relations with the customers and business owners.

- 10. Is obliged to comply with the corporate working schedule of the workplace and its working hours, to comply with the start and end times and break periods of the working periods, and to fulfill the business obligation without any interruption in this direction.
- 11. Is responsible for using the entire working hours for the Group, in accordance with the working schedule and hours of the Group. He cannot perform any work in any other way to earn income, and cannot have management or consultancy duties in other organizations. He can be appointed with the approval of the CEO in the governing bodies of the chambers and voluntary organizations such as the association and the foundation. Payments related to subscription entitlements and annual fees belonging to the membership approved by the CEO are made by the employee's organization. Payments related to subscription entitlements and annual fees belonging to the membership approved by the CEO are made by the employee's organization. He cannot take part in the governing bodies of political parties in any way.
- 12. Unless authorized by the CEO, he may not make statements and give information to the media and broadcasting organizations with regard to their organization.
- 13. Is obliged to protect all kinds of money, official documents, tools and equipment related to the organization, to ensure their security and not to use them for his special requirements.
- 14. Is obliged to comply with the written and oral instructions, business discipline, occupational health and safety rules issued by the employer or the employer's deputies as regards the working conditions and the conduct of his work and his manners at the workplace, as determined by, the Labor Law Legislation, employment contract and this Regulations deemed as the annex of this employment contract.

Care should be taken to ensure that those acting in violation of the Group Code of Business Ethics are notified as soon as reasonably possible or objectively and are informed to the highest authority of the organization as soon as possible and that measures are taken accordingly.

In this context, employees are responsible for informing and giving timely information about personal, family or relatives based on all kinds of changes in family, civil and address situation, rights and obligations established by contracts and regulations, and the documents on which they are based. The responsibility for reporting changes in personal information is entirely up to the employee. The notification address is the address that the person has recently notified and the notification made to this address is deemed to have been made to him.

#### Employees also have to;

- Take decisions by keeping the organization's own interests above all else in the performance of their duties, without being affected by the interests of themselves or their families.
- In this context, the relations and activities performed by the employees outside the Organization should not conflict with the responsibilities assumed as an individual of the Group and not be contrary to the Law.
- Employees are obliged not to abuse the resources of the Group and to disrupt the respectability of the Group.
- Employees shall, in terms of the Group, have to take into account the benefits and damages of their relations and activities outside the Group and possible conflicts of interest which may be caused by these activities.

### **Social Responsibility**

Social, cultural and some sports activities are supported by our organization within the principles of the Eczacıbaşı Group. We do not have any lawsuits filed against us against our company due to damages to the environment. Our organization has adopted environmental pollution as our most important social

responsibility and all our employees have been announced by publishing our environmental policy.

#### PART V- BOARD OF DIRECTORS

#### 5.1. The structure and the formation of the Board of Directors

According to the Articles of Association, the works of the Company are carried out by the Board of Directors consisting of at least three members to be elected among the shareholders under the provisions of the Turkish Commercial Code, as determined by the General Assembly. The powers and responsibilities of the members of the Board of Directors and managers are clearly defined in the Articles of Association. Chairman of Board of Directors and General Manager is not the same person.

The majority of the members of the Board of Directors consist of non-executive members. The members of the Board of Directors, who are not in charge of the execution, do not have any other administrative duties in the Company except for the Board Membership and do not interfere with the daily work flow and ordinary activities of the Company.

The Board of Directors consists of 8 persons, one of whom is executive (General Manager).

Our board members who are in office until 2017 Ordinary General Assembly Meeting:

Adı - Soyadı	Görevi	
F. Bülent Eczacıbaşı (*)	(Chairman)	non-executive
R. Faruk Eczacıbaşı (*)	(Vice Chairman)	non-executive
Atalay Muharrem Gümrah	(Member)	non-executive
Simhan Savaşcın Başaran	(Member)	non-executive
Seyfettin Sarıçam	(Member / General Manager)	executive
M. Sacit Basmacı	(Member)	non-executive
Asaf Savaş Akat	(Independent Member)	non-executive
Dırahşan Tamara Bozkuş	(Independent Member)	non-executive

The duties and functions of our board members outside the Company and the committees they participated in are as follows:

Name- Surname	Duties except the Partnership in the Context of the Current Situation	The committees he/she participated in and the related task
F. Bülent Eczacıbaşı	Eczacıbası Holding A.S.Chairman of Board of Directors/Chairman of the Presidency Board of Eczacıbası Group /Presidency and Membership of Board of Directors in Eczacıbaşı Group	
R. Faruk Eczacıbaşı	Executive Vice President of Eczacıbası Holding A.S./ Vice President of the Presidency of Eczacıbaşı Group/Chairmanship and Membership of Board of Directors in Eczacıbaşı Group	
Atalay M.Gümrah	CEO of Eczacıbaşı Group / membership of Eczacıbası Group companies	
Simhan Savaşçın Başaran	Chief legal counsel of Eczacıbası Holding A.S./Membership of the board of directors of Eczacıbaşı Group companies	Committee for Early Detection of Risk-Member
Seyfettin Sarıçam	Eczacıbası Holding Strategic Planning and Finance Group Chairman / membership of Eczacıbası Group companies	
M. Sacit Basmacı	Financial Affairs Group Chairman and General Manager of Eczacıbası Holding A.S./Membership of Board of Directors in Eczacıbası Group companies	Corporate Governance Committee- Member
Asaf Savaş Akat	Independent Member	Audit Committee-Member
Dırahşan Tamara Bozkuş	Independent Member	Audit Committee-Member Corporate Governance Committee- Member Committee for Early Detection of Risk- Member

Members of the Board of Directors can take part in companies affiliated to the Eczacıbaşı Group but cannot, in principle, take office outside the Group.

Providing diversity in terms of knowledge, experience and opinion in the Board of Directors is considered to contribute positively to the activities of the Company and the effective functioning of the

Board of Directors. We are still in the process of evaluating a target rate for female board members, which is an instrument for the representation of different opinions in the Board of Directors. In accordance with the Corporate Governance Principles of the Board of Directors, Simhane Savaşçın Başaran and Dıraşhan Tamara Bozkuş are acting as our female board members currently at our Board of Directors. Curriculum vitae of our members of the Board of Directors are listed on the entry page of the annual report and on the website.

The declarations of independence of our Independent Board of Directors are as follows:

### DECLARATION OF INDEPENDENCE

I hereby declare to be the candidate to serve as an "independent member" at the Board of Directors of the Company titled ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A. Ş. in the scope of the criteria stated in the legislation, the Articles of Association and the Capital Markets Board's Corporate Governance Communiqué. In this scope;

- In the last five years, significant duties and responsibilities have not been established in the executive position to be undertaken, no more than 5% of the capital or voting rights or preference shares are held together or alone or a commercial relationship has not been established in a significant manner by me, my husband and blood relatives and relatives by marriage up to second degree with the Company, the partnerships in which the Company has management control or significant influence and partners who control over the Company or have significant influence over the Company and legal entities in which these partners have management control,
- In the last five years, I have not been the partner (5 % or over), the employee working in the management position who will assume significant tasks and responsibilities or the Board Member during periods when service or product is purchased or sold in companies where the company has purchased or sold significant amounts of services or products within the framework of the agreements made, especially the audit (including tax audit, legal audit, internal audit), grading and consultancy of the Company,
- Due to the fact that I'm acting as an Independent Board Member, I have the vocational training, knowledge and experience to fulfill the tasks I will undertake,
- I will not work full-time in public institutions and organizations after being elected as a member, except for university faculty member, provided that the legislation is in compliance,
- According to Income Tax Law, I'm resident in Turkey,
- I have strong ethical standards, professional reputation and experience, which can allow me to make positive contributions to the Company's activities, to protect my impartiality in conflicts of interest between the company and shareholder, to freely decide upon the interests of the stakeholders,
- I will spare time for corporate activities that can interfere with the operation of the Company's activities and fully meet the requirements of the tasks I undertake,
- I have not been a member of the Board of Directors of the Company for more than six years in the last ten years,
- I have not been the Independent Board Member more than five out of the publicly-traded Companies in total and more than three out of the Companies in which the Organization or partners have management control who have management control over the Company,
- I have not been registered and announced on behalf of the legal entity elected as the Board Member.

March 7, 2018

Dırahsan Tamara Bozkus

[Signed]

### DECLARATION OF INDEPENDENCE

I hereby declare to be the candidate to serve as an "independent member" at the Board of Directors of the Company titled ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A. Ş. in the scope of the criteria stated in the legislation, the Articles of Association and the Capital Markets Board's Corporate Governance Communiqué. In this scope;

- In the last five years, significant duties and responsibilities have not been established in the executive position to be undertaken, no more than 5% of the capital or voting rights or preference shares are held together or alone or a commercial relationship has not been established in a significant manner by me, my husband and blood relatives and relatives by marriage up to second degree with the Company, the partnerships in which the Company has management control or significant influence and partners who control over the Company or have significant influence over the Company and legal entities in which these partners have management control,
- In the last five years, I have not been the partner (5 % or over), the employee working in the management position who will assume significant tasks and responsibilities or the Board Member during periods when service or product is purchased or sold in companies where the company has purchased or sold significant amounts of services or products within the framework of the agreements made, especially the audit (including tax audit, legal audit, internal audit), grading and consultancy of the Company,
- Due to the fact that I'm acting as an Independent Board Member, I have the vocational training, knowledge and experience to fulfill the tasks I will undertake,
- I will not work full-time in public institutions and organizations after being elected as a member, except for university faculty member, provided that the legislation is in compliance,
- According to Income Tax Law, I'm resident in Turkey,
- I have strong ethical standards, professional reputation and experience, which can allow me to make positive contributions to the Company's activities, to protect my impartiality in conflicts of interest between the company and shareholder, to freely decide upon the interests of the stakeholders,
- I will spare time for corporate activities that can interfere with the operation of the Company's activities and fully meet the requirements of the tasks I undertake,
- I have not been a member of the Board of Directors of the Company for more than six years in the last ten years,
- I have not been the Independent Board Member more than five out of the publicly-traded Companies in total and more than three out of the Companies in which the Organization or partners have management control who have management control over the Company,
- I have not been registered and announced on behalf of the legal entity elected as the Board Member.

March 7, 2018 Asaf Savaş Akat [Signed]

### 5.2. Operating Principles of the Board of Directors

The Board of Directors conducts its activities in a transparent, accountable, fair and responsible manner. The agenda of the meetings of the Board of Directors is determined by the general manager with the task assigned to him by the chairman of board of directors. Board of directors convenes as often as it can effectively fulfill its duties.

The Chairman of the Board and the General Manager are not the same person in our organization. The powers and responsibilities of the members of the Board of Directors and managers are clearly defined in the Articles of Association. Authorities are listed in more detail in the signature circular of our company.

The Board of Directors plays a leading role in maintaining effective communication between the Company and its shareholders, resolving disputes that may arise and delivering solutions, and is in close cooperation with the Investor Relations Department for this purpose.

The members of the Board of Directors are authorized to deal with the Company by the General Assembly within the framework of laws, but the members of the Board of Directors do not deal with the Company in line with the general principles of the Eczacibaşi Group.

Members of the Board of Directors and managers shall not make savings so as to reduce the assets of the Company with the intention of infringing the interests of the stakeholders.

### **Method of the Board Meetings**

As stated in the Company's Articles of Association, the Board of Directors convenes as long as Company works require. The agenda of the Board Meetings is determined by notifying the Company's top management and the members of the Board of Directors of the relevant departments that the Company's Articles of Association are clearly ordered to be decided by the Board of Directors. Our Board of Directors held a total of 21 meetings in 2017. Meetings were mostly held with the participation of all members. The meetings are held at the Company's headquarters and are held via phone, email and / or telephone. Decisions of the Board of Directors are announced to the public through PDP.

Every member of the Board of Directors has one vote. Members of the Board of Directors have no weighted voting right and veto right. The resolutions taken at the Board Meetings were taken unanimously and there was no member of the Board of Directors who opposed the decisions taken. Since the opposition or different opinions were not declared at the Board Meetings held in 2017, no public disclosure was made in this respect.

The topics on the agenda are discussed clearly and in all aspects at the meetings of the Board of Directors. The Chairman of the Board makes the best efforts to ensure the active participation of nonexecutive members in the meetings of the Board of Directors.

There is "manager liability insurance" for our Company's Board members and top managers.

# 5.3. Number, Structure and Independence of the Committees Established within the body of the Board of Directors

In our organization, there are committees to ensure that the duties and responsibilities of the Board of Directors are fulfilled in a healthy manner, and the committee's activities are carried out within the framework of the determined working principles.

The duties of the committees, the working principles and the members to be formed are determined by the Board of Directors and announced to the public on the Company's website.

All members of the Audit Committee and the chairmen of the other committees are elected from among the members of the independent Board of Directors. Chief executive officer and general manager cannot take part in committees.

All resources and support for the fulfillment of the duties of the committees are provided by the Board of Directors. The committees can invite the manager if deemed necessary, to their meetings and take his opinions.

The Committees benefit from the opinions of independent experts on the matters they deem necessary in relation to their activities and the Company pays the cost of consulting services.

The committees convene as often as is necessary for the effectiveness of the work and as described in the working principles.

When the structure of our Board of Directors is assessed, some members of our board of directors have to take part in more than one committee in the context of the necessity of forming three different committees, but this does not cause any conflict of interest.

### **Audit Committee**

The Audit Committee fulfills the duties stipulated in the Capital Market Legislation and the CMB Corporate Governance Principles. All members of the Audit Committee consist of the members of the Independent Board of Directors. At the Company's meeting of the Board of Directors dated April 13, 2017, it was decided that the committee should consist of 2 members and that Asaf Savaş Akat shall be appointed as the Chairman and Diraşhan Tamara Bozkuş as the Board Member. The working principles of the Committee are announced on the Company's website and the Committee meets regularly four times a year. It also reports to the Board of Directors the opinion of the independent auditor on the selection of the auditor and the opinion that the annual and interim financial statements to be disclosed to the public are based on the accounting principles followed by the partnership, taking into account the evaluations of the managers responsible for the partnership and independent auditors regarding the fairness and correctness. The Committee in Charge of Auditing held 7 meetings regarding the activities of the year 2017.

### **Corporate Management Committee**

Said committee was established to monitor compliance with the Company's corporate governance principles, to make improvements in this regard, and to submit recommendations to the Board of Directors. At our Company's Board Meeting held on April 13, 2017, it was decided Corporate Management Committee be consisted of three members and to elect Dıraşhan Tamara Bozkuş as the Chairman who is already acting as the Independent Board Member and Mustafa Sacit Basmacı as the Member and Gülnur Günbey Kartal as the Member who fulfills the task of investor relations. In the same decision, since a separate Nomination Committee and Remuneration Committee cannot be established due to organizational structure of the Board of Directors, it was decided that the Corporate Governance Committee would fulfill the duties of these committees.

The Corporate Governance Committee determines whether or not the corporate governance principles are implemented in the Company and if not, determines the reason together with conflicts of interest that arise from not fully complying with these principles, makes recommendations to the Board of Directors to improve the corporate governance practices and observes the works performed by Investor Relations Department. The Corporate Governance Committee held 6 meetings regarding the activities of the year 2017.

The working principles of the Committee have been announced on the Company's website.

### **Committee for Early Detection of the Risk**

Our Board of Directors removed the risk matter included into tasks and responsibilities of the Corporate Management Committee from the tasks and responsibilities of the said Committee in accordance with the Communiqué Serial: IV, No: 63 of CMB that entered into force by being published on Official Gazette dated February 22, 2013 numbered 28567 and decided to establish "the Committee for early

detection of the risk" so as to perform tasks in this regard. In the Board of Directors meeting dated April 13, 2017, it was decided that the committee should be composed of 2 members, to appoint Diraşhan Tamara Bozkuş as the Chairman (independent member) and Simhan Savaşçın Başaran as the Member (non-executive member). The working principles of the Committee were announced on the Company's website.

In order to comply with the regulations of the Capital Markets Board on Corporate Governance and with Article 378 of the Turkish Commercial Code numbered 6102, the Committee for early detection of the risk makes suggestions and proposals to the Board of Directors in respect of early detection and evaluation of all kinds of strategic, operational, financial, legal and other risks that may jeopardize the company's existence, development and continuation together with calculation of effects and possibilities; management and reporting of these risks in accordance with the Company's corporate risk taking profile; implementing the necessary measures related to the identified risks; taking decisionmaking mechanisms into consideration and formation and integration of effective internal auditing systems in this regard. The tasks and working principles of the Committee for early detection of the risk were specified in accordance with regulations, provisions and principles in the "Corporate Governance Principles" of the Capital Market Legislation, the Company's Articles of Association, the Turkish Commercial Code and the Capital Markets Board. In Article 378 of the Turkish Commercial Code, the Committee reports every two months and it is foreseen that the Company will assess the period covered by the risks that may affect its existence and continuation, if any, to point out the threats and show the solutions. In this context, the Committee for early detection of the risk convened six times for the activities of the year 2017.

### 5.4. Risk Management and Internal Audit Mechanism

Risk management of Eczacibaşı Yatırım Holding Ortaklığı A.Ş. is taken from a holistic perspective. All strategic, operational, financial and other elements that are considered to pose a risk to the company's short- and long-term goals are evaluated at all levels of the organization, starting from the Board level.

Risk Management cannot be considered different from managing business processes, and therefore applications related to risk management are carried out within the Company as much as possible and are not handed to external sources or consultants. Hence, one of the key tasks of process owners is to manage related risks.

The Board of Directors establishes internal control systems, including risk management, information systems and processes, which may minimize the effects of the risks that may affect the Company's stakeholders, primarily shareholders, taking into consideration the views of the relevant Board of Directors' committees.

The principal risks to which our organization is exposed are financial risks (foreign exchange, interest, liquidity and credit) and non-financial risks (strategic and operational), and the Board of Directors is periodically informed about these risks. Detailed information on risk management can be seen in the relevant section of the activity report.

### 5.5. Company's Strategic Goals

The Board of Directors of the Company manages and represents the Company by taking into consideration the long term interests of the Company with its rational and cautious risk management approach by keeping the risk, growth and return balance of the Company at the optimum level with the strategic decisions it takes.

The Board of Directors identifies the Company's strategic objectives, identifies the human and financial resources needed, and audits the management's performance.

The Board of Directors observes the Company's activities in compliance with the legislation, the Articles of Association, internal regulations and established policies. During the periodical meetings of

the Board of Directors and top management meetings, Company activities and actual activities are followed to include performance from previous periods. The company's current situation is monitored and new targets and strategies are being developed if it is deemed necessary under the current circumstances.

### 5.6. Financial Rights

The members of the independent board of directors elected at Ordinary General Assembly Meeting held on April 13, 2017 were resolved to be paid a fee on the basis of principles they will keep their independencies in the light of guidelines stated in the "Corporate Governance Communiqué"

No other fees are paid to the other members of the Board of Directors in line with the decisions of the General Assembly. None of the members of the Board of Directors made any financial transactions with the company. The Company has not given any loans or debts to any Board Member or manager during the activity period of 2017 and has not extended any loans.

Prior to the Ordinary General Assembly held on April 13, 2017, the principles of remuneration of the members of the Board of Directors and top executives were made in writing and presented to the shareholders as a separate item at the General Assembly Meeting.

The payment schedule based on the performance of the company is not used at the cost of the independent members of the Board of Directors.

Consolidated Financial Statements and Independent Auditor's Report



# CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

### INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.

### A. Audit of the Consolidated Financial Statements

### 1. Opinion

We have audited the accompanying consolidated financial statements of Eczacibaşi Yatırım Holding Ortaklığı A.Ş. (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

### 2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

### 3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key Audit Matters	How audit matters are handled
Financial investments and investments accounted for using the equity method - Fair value measurement of Eczacibaşı Holding A.Ş.	
The Group classified its stake in its ultimate parent, Eczacıbaşı Holding A.Ş. as long term available-for- sale financial investments and recorded at fair value	In summary, the following audit procedures are performed in the audit of fair value measurement study of Eczacibasi Holding A.S.:

in the accompanying consolidated financial statements. The Group also owns additional stake in Eczacibaşı Holding A.Ş. through its associate, accounted for using the equity accounting method, EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. ("EİS")'s, shares on Eczacıbaşı Holding A.Ş.

As a result of the fair value study performed by the Group as of 31 December 2017, the Group recognized its shares in Eczacıbaşı Holding A.Ş. at a fair value of TL 638,947,851 in the accompanying consolidated financial statements. In addition to this, though not presented as a sperate financial statement line item, fair value of the shares in Eczacıbaşı Holding A.Ş. that are classified as financial investment in the statement of financial position of EİS amounted to TL 759,401,653 calculated with the Group's ownership ratio on EİS.

We focused on this matter during our audit for the following reasons below:

- Eczacıbası Holding A.Ş. financial investment that is carried at fair value is material to the accompanying consolidated financial statements and the related fair value study requires specialist involvement.
- The fair value model includes future management estimates (ie. weighted average cost of capital rate, growth rate and minority discount) where realization of such management estimates in the future includes inherent uncertainties.

Please refer to Notes 2.3, 2.4, 3 and 21 to the consolidated financial statements for the relevant disclosures.

- Mathematical accuracy of the consistency of the information used in fair value study with the financial statements and related calculation are checked.
- Valuation methods and technical data used are evaluated, with the support of our specialists, by conducting interviews with the expert and the Group management who carried out the related work.
- The expertise of those, who carried out the valuation study, is assessed in accordance with SIA 500 "Audit Evidence".
- Data from external sources, such as "market value" and "similar acquisitions", used in the valuation models are compared to the relevant independent data sources.
- The reasonableness of the key management estimates used in the discounted cash flow models (ie. weighted average cost of capital rate, growth rates and minority discoun) are evaluated with the support of our specialists and the sensitivity analysis performed are checked. In addition, the future revenue estimates used in modeling are compared to the prior period results and future budgets of related companies.
- The compliance of the related disclosures with respect to financial investments with TAS are cecked.

Based on the above procedures performed we had no material finding on the financial investments.



### 4. Other Matter

The consolidated financial statements of the Group as at 31 December 2016 and for the year then ended were audited by another audit firm, whose audit report dated 21 March 2017 expressed an unqualified opinion.

# 5. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TAS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### 6. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:



# 6. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



# 6. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### B. Other Responsibilities Arising From Regulatory Requirements

- 1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
- 2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
- 3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 12 March 2018.

PwC Bağımsız Denetim ve

Serbest Muhasebeci Mali Müşavirlik A.Ş.

Didem Demer Kaya, SMMM

Partner

Istanbul, 12 March 2018

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

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### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

 $(Amount\ expressed\ in\ Turkish\ Lira\ (``TL")\ unless\ otherwise\ indicated.$ 

	Note	Audited 31 December 2017	Audited 31 December 2016
ASSETS			
Cash and cash equivalents	24	54,659,435	48,610,663
Financial investments	21	31,372,472	20,290,986
Financial assets at fair value through profit or loss		31,372,472	20,290,986
- Financial assets held for trading		31,372,472	20,290,986
Trade receivables	4	-	3,994,701
- Trade receivables due from related parties	3	-	399,054
- Trade receivables due from other parties		_	3,595,647
Other receivables	5	284,452	759,139
- Other receivables due from other parties		284,452	759,139
Prepaid expenses	7	-	23,389
- Prepaid expenses due to other parties		_	23,389
Current tax assets	19	548,545	18,094
Other current assets	12	446,367	-
- Other current assets due to other parties		446,367	-
Total current assets		87,311,271	73,696,972
Financial investments	3, 21	777,781,469	622,491,584
Financial assets available for sale	3, 21	777,781,469	622,491,584
Investments accounted for using equity		777,701,102	022, 771,307
accounting method	3, 6	1,026,394,526	863,765,769
Tangible Assets	8	1,020,371,320	-
Intangible Assets	9	_	61,453
Computer Programmes		_	61,453
Prepaid Expenses	7	_	2,392
- Prepaid expenses due to other parties	,	_	2,392
Other Non Current Assets	12	6,090,752	5,355,285
- Other non-current assets due to other parties	12	6,090,752	5,355,285
- One non-current assets and to other parties		0,070,732	3,333,203
Total non-current assets		1,810,266,747	1,491,676,483
TOTAL ASSETS		1,897,578,018	1,565,373,455

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

(Amount expressed in Turkish Lira ("TL") unless otherwise indicated.

	Note	Audited 31 December 2017	Audited 31 December 2016
LIABILITIES			
Trade Payables	4	114,419	3,233,076
Trade payables due to related parties	3	111,085	398,648
Trade payables due to other parties		3,334	2,834,428
Employee benefits liabilities	11	-	24,335
Other payables	5	-	1,661
Other payables due to other parties		-	1,661
Short term provisions		-	76,090
Short term provisions for employee benefits	11	-	63,769
Other short term provisions	10	-	12,321
Other short term liabilities	12	308,988	181,629
Other short term provisions to other parties	12	308,988	181,629
Total current liabilities		423,407	3,516,791
Long term provisions		-	11,565
Long term provisions for employee			
termination benefits	11	-	11,565
Deferred tax liabilities	19	33,119,192	48,320,614
Other long term liabilities	12	28,842	-
Total non-current liabilities		33,148,034	48,332,179
Total Liabilities		33,571,441	51,848,970
Shara conital	13	105,000,000	105,000,000
Share capital Share premiums	13	43,834	43,834
	13	105,173,533	105,173,533
Adjustment to share capital			
Items that will not be reclassified subsequently to profit or los	·S	(757,564)	(862,202)
Defined benefit plans re-measurement gains/losses  Items that will be reclassified subsequently to profit or loss		(757,564) 1,165,032,872	(862,202) 880,661,222
		1,103,032,872	1,876,525
Foreign currency translation differences		1,163,156,347	1,870,525 878,784,697
Revaluation funds of financial assets		1,105,130,547	0/0,/04,09/
Gains on available for sale financial assets due to		1 162 156 247	979 794 607
revaluation or/and reclassification	13	1,163,156,347	878,784,697 27,269,021
Restricted reserves	13	30,221,683 30,221,683	27,269,021 27,269,021
Legal reserves			
Retained earnings Net income for the period		244,654,402 183,128,614	227,764,629 138,181,748
Equity attributable to equity holders of the parent		1,832,497,374	1,483,231,785
Non-controlling interest		31,509,203	30,292,700
Total Equity		1,864,006,577	1,513,524,485
TOTAL LIABILITIES AND EQUITY		1,897,578,018	1,565,373,455

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND IT'S SUBSIDIARY

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

	Notes	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
PROFOT OR LOSS			
Revenue	14	65,002,023	66,323,055
Cost of sales (-)	14	(59,315,084)	(61,182,007)
Gross Profit		5,686,939	5,141,048
GROSS PROFIT		5,686,939	5,141,048
General administrative expenses (-)	15	(6,098,259)	(6,447,440)
Marketing expenses (-)	15	(193,738)	(299,088)
Other operating income	16	135,080,432	125,128,912
Other operating expenses (-)	16	(3,450,145)	(1,726,131)
Operating profit		131,025,229	121,797,301
Share of income/(loss) of investments			
accounted for using equity accounting method	6, 17	31,769,404	31,107,442
Operating income before finance expense		162,794,633	152,904,743
Financial expenses (-)	18	(57)	(5,443)
Profit before tax from continuing oprations		162,794,576	152,899,300
Tax income/(expense) from continuing operations		22,965,916	(12,888,459)
Income tax expenses (-)	19	-	(462,272)
Deferred tax income/(expenses)	19	22,965,916	(12,426,187)
Net profit from continuing operations		185,760,492	140,010,841
Weighted average number of ordinary shares with face value of KR 1 each	20	1.74	1.33
Profit attributable to			
Non controlling interest		2,631,878	1,829,093
Equity holders of the parent		138,181,748	183,128,614

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND IT'S SUBSIDIARY

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

	Note	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
Profit for the period		185,760,492	140,010,841
Other comprehensive income/(expenses)			
Items that may be reclassified			
subsequently to profit or loss		104,638	78,361
Share of other comprehensive income of investments a for using the equity method that will not to be reclas			
to profit or loss (net)	6	104,638	78,361
Items that may be reclassified subsequently to profit or loss		283,161,072	211,371,456
Gains on available for sale financial assets due to revaluation or/and reclassification Share of other comprehensive income of investments		155,289,885	130,684,297
accounted for using equity method, that may be reclassibsequently to profit/loss	assified 6	135,635,681	87,221,374
Income tax relating to items that may be reclassified subsequently	10	(7,764,494)	(6,534,215)
Deffered tax expense (-)	19	(7,764,494)	(6,534,215)
Other comprehensive income		283,265,710	211,449,817
Total comprehensive income		469,026,202	351,460,658
Total Comprehensive Income for the period attributable to:		469,026,202	351,460,658
Non controlling interests Owners of the company		2,631,878 466,394,324	1,829,093 349,631,565
Earnings from continuing operations per share	20	4.44	3.38

# ECZACIBAȘI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND IT'S SUBSIDIARY

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

				Other Comprehensive Income or Expenses Not To Be Reclassified Subsequently To Profit or Loss	vve enses ssified y	Other Comprehensive Income or Expenses To Be Reclassified Subsequently To Profit or Loss						
Note	Share Capital	Inflation adjustment To Capital	Share discounts	Defined benefit plans re-measurement to gains/losses d	Foreign currency translation differences	Revaluation fund of financial assets fair value reseves	Restricted reserves	Retained earnings	Net profit /(loss)	Attributable to equity holders of Company	Non Controlling Interest	Total equity
Balances at 1 January 2016 Transfers Dividends	70,000,000	70,000,000 131,334,916	36,264	(940,563) 1,876,525	1,876,525	667,413,241	<b>26,151,987</b> 973,156	<b>269,341,367</b> 24,068,345 (84,000,000)	<b>25,041,501</b> (25,041,501)	1,190,255,238 - (84,000,000)	30,841,307	1,221,096,545 - (84,000,000)
Addition or disposal or subsidiary (Effect of changes in share in associate) Total comprehensive income/loss Capital increase	35,000,000	- (26,161,383)	7,570	78,361		211,371,456	143,878	966,595	138,181,748	1,118,043 349,631,565	(2,377,700) 1,829,093	(1,259,657) 351,460,658
Other (effect of transactions with equity holders acting in their capacity as equity holders) -Related to purent -Related to subsidiaries	1 1 1	1 1 1		1 1 1			8,838,617	26,226,939 - 17,388,322	8,838,617	26,226,939 - 17,388,322	8,838,617	26,226,939 17,388,322
Balances at 31 December 2016	105,000,000	105,173,533	43,834	(862,202) 1,876,525	1,876,525	878,784,697	27,269,021	227,764,629	138,181,748	1,483,231,785	30,292,700	1,513,524,485
Balances at 1 January 2017  Transfers  Dividends  Effect of disposal of subsidiaries  Total Comprehensive Income  - Net ProfitMoss  - Other comprehensive income	105,000,000	105,000,000 105,173,533	43,834	(862,202) 1,876,525 	1,876,525	878,784,697 - 1,210,578 283,161,072 283,161,072	<b>27,269,021</b> 2,952,662 - -	227,764,629 135,229,086 (120,750,000) 2,410,687	138,181,748 (138,181,748) - 183,128,614 183,128,614	1,483,231,785 (120,750,000) 3,621,265 466,394,324 183,128,614 283,265,710	30,292,700 - (1,415,375) - 2,631,878 2,631,878	1,513,524,485 (122,165,375) 3,621,265 469,026,202 185,760,492 283,265,710
Balances at 31 December 2017		105,000,000 105,173,533	43,834	(757,564) 1,876,525	1,876,525	1,163,156,347	30,221,683	244,654,402	183,128,614	1,832,497,374	31,509,203	1,864,006,577

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

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2017

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

		Audited 1 January -	Audited 1 January -
	Note	31 December 2017	31 December 2016
Cash flows from operating activities		128,124,728	45,082,398
Net Profit for the Period Income from continuing operations		162,794,576 162,794,576	140,010,841 140,010,841
Adjustments to reconcile net profit		(181,893,687)	(141,460,172)
Adjustments related to depreciation and amortization Adjustments related to provisions	8	36,307 49,136	53,201 66,743
<ul> <li>-Adjustments related to provision for employment termination benefits</li> </ul>	10	46,660	60,634
- Adjustments related to other provisions		2,476	6,109
Adjustments related to interest (income)/expense		(3,621,344)	(2,002,464)
Adjustments related to dividend income (-) Adjustments related to unrealized foreign currency differences		(36,518,665) (326,415)	(40,931,864) (2,861,688)
Adjustments related to taileanzed roteign currency differences  Adjustments related to fair value gain/loss	16	(88,678,451)	(76,664,660)
- Adjustments related to fair value gain/loss of financial assets	10	(88,678,451)	(76,664,660)
Adjustments related to undistributed profit of investments			
accounted for using the equity method		(31,769,404)	(31,107,442)
- Adjustments related to undistributed profit of assoicates	6	(31,769,404)	(31,107,442)
Adjustments related to tax (income)/expense Adjustments related to losses on sale of subsidiary	19 16	(22,965,916) 1,901,065	12,888,459
Other adjustments related to profit/loss reconciliations	15	1,901,003	(900,457)
Changes in operating assets and liabilities		6 402 804	2 920 760
Adjustments for (increase)/decrease in changes in short-term financial assets		<b>6,492,804</b> 4,120,485	<b>3,830,769</b> 5,520,884
Adjustments for (increase)/decrease in trade receivables		3,609,951	(3,905,201)
- (Increase)/decrease in trade receivables due from related parties		14,304	(399,054)
- (Increase)/decrease in trade receivables from due from other parties		3,595,647	(3,506,147)
Adjustments for (increase)/decrease in changes in other receivables		474,687	2,576
<ul> <li>(Increase)/decrease in short-term other receivables due to other parties</li> <li>Adjustments for (increase)/decrease on other current assets</li> </ul>		474,687	474,687
Adjustments for increase/(decrease) on trade payables		(43) (2,176,128)	21,469 2,754,424
- Increase/(decrease) in trade payables due to related parties		(284,660)	175,201
- Increase/(decrease) in trade payables due to other parties		(1,891,468)	2,579,223
Adjustments for other changes in working capital		459,713	(563,805)
- (Increase)/decrease in oter assets related with other operations		459,713	(702,458)
- (Increase)/decrease in liabilities related with other operations Adjustment for increase/(decrease) in other liabilities		-	138,653 369
- Increase/(decrease) in other liabilities related to other parties		-	369
Change in liabilities related to employee benefits		4,139	53
Cash flows from operating activities		(12,606,307)	2,381,438
Dividends received		137,741,954	40,931,864
Interest received		3,519,532	2,274,801
Payments related to provisions of employee benefits	10	<del>.</del>	(25,339)
Tax refunds/payments	19	(530,451)	(480,366)
Cash flows from investing activities Dividends received		-	<b>41,107,902</b> 41,107,902
Cash flows from financing activities		(122,165,375)	(76,421,040)
Dividend paid (-) Other cash inflows related to effect of transactions with equity holders		(122,165,375)	(84,000,000) 8,838,617
Cash outflows related to capital increase of subsidiary (-)		-	(1,259,657)
Net increase on cash and cash equivalents before			
the effect of foreign exchange differences		5,959,353	9,769,260
Effect of foreign exchange-rate changes on cash and cash equivalents		-	2,844,024
Net increase in cash and cash equivalents		5,959,353	12,613,284
Cash and cash equivalents at the			
beginning of the period	26	48,519,061	35,905,777
Cash and cash equivalents at the end of the period	26	54,478,414	48,519,061

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

### 1. ORGANISATION AND NATURE OF OPERATIONS

Eczacibaşı Yatırım Holding Ortaklığı A.Ş. ("the Company") was incorporated on 29 December 1973 in accordance with the Capital Markets Law and other related regulations to perform capital market operations.

The Company's principal activities are, joining the capital of companies which has the ability or potential to profit and invest the stocks of those companies to other securities.

At 31 December 2017, 22.23% of total shares of the Company are publicly listed (31 December 2016: 22.23%). The ultimate parent of the Company is Eczacibaşi Holding A.Ş., which has 77.92% of the shares of the Company (31 December 2016: 77.77%) (Note 13). Eczacibaşi Holding A.Ş., the main shareholder of the Company, helds the control of the Company.

In terms of consolidated financial statements, the Company and its subsidiary, Eczacibaşı Yatırım Ortaklığı A.Ş. and it's associates accounted for using the equity method, EİS Eczacibaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret Anonim Şirketi ("EİS"), İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş. ("İntema"), E-Kart Elektronik Kart Sistemleri San. ve Tic. A.Ş. ("E-kart"), were jointly described as the "Group". The Company is controlled by the main shareholder of the Company, Eczacibaşı Holding A.Ş..

Company's subsidiary Eczacıbaşı Yatırım Ortaklığı A.Ş.'s principal activity is to invest in securities without having the control power and also manage gold and other precious metal portfolio that are operated at international and domestic exchange markets within the framework of Capital Market Law and related regulations.

In accordance with the transfer agreement dated 27 December 2017 and signed among the Company, Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri Sanayi ve Ticaret A.Ş. and Metro Yatırım Menkul Değerler A.Ş., it has been decided to transfer the privileged A Group unlisted shares with a total value of 1,050,000 TL and equals to 5 % of the total capital of Eczacıbaşı Yatırım Ortaklığı A.Ş. and B Group shares which equal to 42.60 % of the total capital of Eczacıbaşı Yatırım Ortaklığı A.Ş.. The Company has applied to Capital Market Board ("CMB") for the required official permissions.

Within the subject of the company's principal activity;

- a) Forming, managing the participated portfolio and change portfolio when needed,
- b) Diversifying portfolio to decrease investment risk to minimum according to operating areas and statuses of partners,
- c) Following the developments of securities financial markets and institutions, partners continuously and taking necessary actions about management of portfolio,
- d) Making researches for protecting and increasing the value of portfolio.

The Group has 3 employees as at 31 December 2017 (31 December 2016: 3). The Group's registered address is as follows:

Kanyon Ofis Büyükdere Caddesi, No: 185 Levent, Şişli, İstanbul.

### **Approval of financial statements**

The consolidated financial statements for the period ended 31 December 2017 have been approved by the Board of Directors on 12 March 2018. General Assembly and specific regulatory institutions have the power to amend the financial statements.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

# 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.1 BASIS OF PRESENTATION

### 2.1.1 Statement of compliance

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

The consolidated financial statements and notes are presented in accordance with the format described in the announcement, dated 7 June 2013, by the CMB.

In accordance with the decleration of CMB, based on the decision taken at 17 March 2005, that there is no need to inflation accounting application for publicly listed companies effective after 1 January 2005. The consolidated financial statements of the Group were prepared within the framework of this decision.

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

The consolidated financial statements are prepared in accordance with historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

### 2.1.2 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.

### 2.1.3 Accounting for the effect of hyperinflation

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

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

# 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.1.4 Comparative Information and Restatement of Prior Period Financial Statements

The consolidated financial statements have been prepared in the comparative prior period to enable the determination of changes in financial position and performance. In order to comply with the presentation of current period consolidated financial statements, necessary comparative figures are reclassified and significant differences are explained.

Within this context, the Group has reclassified the financial assets amounting to TL 252,305,256 which was classified in current assets as at 31 December 2016, in non-current assets as at 31 December 2017 in the consolidated financial statements (Note 6).

### 2.1.5 Basis of Consolidation

Significant accounting policies applied in the preparation of consolidated financial statements are summarized below:

- i) The consolidated financial statements include the accounts of the parent company, Eczacibaşi Yatırım Holding Ortaklığı A.Ş., its subsidiary and its associates on the basis set out in paragraphs (ii) to (v) below. The financial statements of the companies included in the consolidation have been prepared based on the accounting policies and presentation formats adopted by the Group in accordance with the TAS. Results of the operations of the subsidiary and Associates are either included in or excluded from the consolidation from the date of their acquisition or disposal, respectively.
- ii) Subsidiary is the compmany in which Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. has power to control the financial and operating policies for the benefit of Eczacıbaşı Yatırım Holding Ortaklığı A.Ş either through the power to exercise more than 50% of the voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and/or by companies whereby Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. exercises control over the voting rights of (but does not have the economic benefit of) the shares held by them or although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

Shares of the Company and non controlling interest in the the Subsidiary of the Company are presented below:

		31 December 201	7		31 December 2010	6
Subsidary	Nominal capital	Direct shareholding by Group (%)	Non- controlling interest (%)	Nominal capital	Direct Shareholding by Group (%)	Non- contolling interest (%)
Eczacıbaşı Yatırım Ortaklığı A.Ş. (*)	21,000,000	32.60	67.40	21,000,000	32.60	67.40

<sup>(\*)</sup> TL 1,050,000 of the related balance consists of granted shares.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

# 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### **2.1.5** Basis of Consolidation (Continued)

The consolidated financial statements include the financial statements of the companies controlled by Company and the Company's subsidiary. Control is exist if the following requirements have been met.

- If the Company has power over the investee,
- If the Company has exposure, or rights to variable returns from its involvement with the investee.
- If the Company has the ability to use its power over the investee to effect the amount of investees return.

In case there is a change in the above mentioned requirements, a reassessment regarding to the control existence should be performed.

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

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

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

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

i) The Group consolidates its associates using the equity method ("equity method") under the following conditions:

An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Equity method is applied when the investor has significant influence over the investee. Under the equity accounting method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income (Note 6).

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

# 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### **2.1.5** Basis of Consolidation (Continued)

When necessary, adjustments are made to bring the accounting policies in line with those of the Company. After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate' in the income statement. Detailed explanations regardin to the impairment in assets are presented in Note 2.3.(o).

ii) Nominal capital of the associates accounted for using the equity method and the Company's shares in those associates' shares are presented below:

	31 Dece	<u>mber 2017</u>	31 Decer	nber 2016
		Direct		Direct
	Nominal capital	shareholding of parent (%)	Nominal capital	shareholding of parent (%)
EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar				
Sanayi ve Ticaret Anonim Şirketi İntema İnşaat ve Tesisat Malzemeleri	685,260,000	29.35	685,260,000	29.20
Yatırım ve Pazarlama A.Ş.	4,860,000	48.93	4,860,000	49.09
E-Kart Elektronik Kart Sistemleri San. ve Tic. A.Ş.	3,110,000	31.01	3,110,000	31.01

iii) Assets, liabilites, equity, net sale and profit/(loss) of the associates accounted for using the equity method as at 31 December 2017 and 31 December 2016 are as follows:

31 December 2017	Total assets	Total liabilities	Equity	Net Sales	Profit/(Loss)
EİS Eczacıbaşı İlaç, Sınai ve Finansal					
Yatırımlar Sanayi ve Ticaret Anonim Şirketi	3,831,375,000	350,720,000	3,480,655,000	234,432,578	146,095,000
İntema İnşaat ve Tesisat Malzemeleri					
Yatırım ve Pazarlama A.Ş.	416,144,112	406,181,954	9,962,158	72,838,867	(24,965,450)
E-Kart Elektronik Kart Sistemleri					
San. ve Tic. A.Ş.	63,119,159	72,804,207	(9,685,048)	135,579,707	6,129,372
31 December 2016	Total assets	Total liabilities	Equity	Net Sales	Profit/(Loss)
			Equity	Net Sales	Profit/(Loss)
EİS Eczacıbaşı İlaç, Sınai ve Finansal	assets		Equity 3,244,490,000		<u> </u>
		liabilities		Net Sales 1,412,645,000	Profit/(Loss)
EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret Anonim Şirketi	assets	liabilities			<u> </u>
EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret Anonim Şirketi İntema İnşaat ve Tesisat Malzemeleri	assets 3,992,703,000	1iabilities 748,213,000	3,244,490,000	1,412,645,000	165,433,000

### 2.1.6 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 proportion of consolidated financial statements for period ended 31 December 2017 are consistent with accounting policies presented in the consolidated financial statements as of 31 December 2016.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

# 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.1.7 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.

### 2.1.8 Going concern

The Group prepared its consolidated financial statements on a going concern basis.

### 2.2 New and revised Turkish Accounting Standards

- i. Standards, amendments and interpretations applicable as at 31 December 2017:
- 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 IASB'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.
- Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2017:
  - 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. This amendment clarifies that the disclosures requirement of TFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.

### ii) Standards, amendments and interpretations effective after 1 January 2018:

• 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.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

# 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- ii) Standards, amendments and interpretations effective after 1 January 2018 (Continued):
- 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 IASB 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 IASB has also included additional practical expedients related to transition to the new revenue standard.
- 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.
- 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.
- 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.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

# 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- ii) Standards, amendments and interpretations effective after 1 January 2018 (Continued):
- Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:
  - TFRS 1, 'First time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, IAS 19 and TFRS 10,
  - IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or
    joint venture at fair value.
- 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.
- Amendment to TFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.
- Amendment to TAS 28, 'Investments in associates and joint venture'; effective from annual
  periods beginning on or after 1 January 2019. These amendments clarify that companies account
  for long-term interests in associate or joint venture to which the equity method is not applied
  using TFRS 9.
- 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 farreaching 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 recognize a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB 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 IASB 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.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

# 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- ii) Standards, amendments and interpretations effective after 1 January 2018 (Continued):
- IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.
- TFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The following standards and amendments have been published by the POB as public draft text:

TFRS 16 "Lease accounting"

The following standards and amendments have not been published by the POB yet;

TFRS 2, "Share-based payment" change, TAS 7, "Cash flow" statements changes, TAS 12, "Income taxes" change, TAS 40, 'Investment property',

Annual improvements 2014-2016

TFRS 17 'Insurance contracts'
Amendment to TFRS 23 'Uncertainties in tax practices'

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements. The new standards, amendments and interpretations which will be effective on or after 1 January 2018 are not expected to have a material impact on the Group's consolidated financial statements except the adoption of TFRS 9 as discussed above.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

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

# 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.3 Summary of significant accounting policies

Except for the consolidation policies mentioned in Note 2.1.5, the significant accounting policies applied in the preparation of these consolidated financial statements are summarized below:

### (a) Recognition of income and expenses

The Group records sales income at the time of sale; dividend and similar income when they are entitled to receive.

Interest income on all interest bearing instruments is reflected to the comprehensive income statement on an accrual basis by using the effective interest rate method on the initial cost. Interest income includes coupon rates from fixed income securities, accumulated interest and premiums on treasury bills, redemption interests of non-coupon securities, interest rates arising from exchange market transactions and reverse repo transactions, deferral of futures collateral, and increases in purchase and sale profits of mutual funds.

Other income and expense are accounted for an accrual basis.

The cost of sales consists of the selling costs, commission and clearing expenses of the securities in the portfolio.

### (b) Property and equipment

Property and equipment are measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment are carried at cost less accumulated depreciation and provision for value decrease, if any.

Depreciation is provided on restated amounts of property and equipment using the straight-line method based on the useful lives of such assets (Note 9).

### (c) Financial assets

The Group accounts its investments as described below.

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

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

# 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.3 Summary of significant accounting policies (Continued)

"Financial assets available for sale", intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates are classified as available-for-sale. These financial assets are included in non-current assets unless management has the intention of holding the investment for less than 12 months from the balance sheet date, or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its financial assets at the time of the purchase and reevaluates such designation on a regular basis (Note 21).

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

The fair value of quoted investments is calculated based on current market prices. If the financial asset is not traded in an active market, the Group establishes fair value by using valuation techniques. These valuation techniques include the use of recent arm's length transactions or reference to other instruments that are substantially the same and discounted cash flow analysis considering the specific conditions of the company invested in (Note 21).

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

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

### (d) Foreign currency transactions

Foreign currency transactions during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Foreign exchange gains and losses arising from translation of monetary assets and liabilities are reflected in the consolidated statement of profit or loss.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

# 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.3 Summary of significant accounting policies (Continued)

### (e) Earnings per share

Earnings per share disclosed in the consolidated statements of profit or loss are determined by dividing net profit by the weighted average number of shares that have been outstanding during the year concerned (Note 20).

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares "bonus shares" to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period.

### (f) Subsequent events

Subsequent events cover any events which arise between the reporting date and the statement of financial position date, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Group adjusts its financial statements if such subsequent events arise which require an adjustment to the financial statements.

### (g) Related parties

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

- a) A person or a close member of that person's family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
  - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - vi. The entity is controlled or jointly controlled by a person identified in (a).
  - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged (Note 3).

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

# 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.3 Summary of significant accounting policies (Continued)

### (h) Provisions, contingent assets and liabilities

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 10).

### (i) Taxation and deferred income taxes

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting.

According to the Article 32 of the Corporate Tax Law No. 5520, announced in the Official Gazette dated 21 June 2006, the corporate tax rate is 20% in Turkey for 2017 and 2016. However, the corporate income tax rate will be applied as 22% for the years 2018, 2019 and 2020 regarding to the "Law on Amendment of Certain Tax Laws and Some Other Laws" numbered 7061 and published in the Official Gazette on 5 December 2017.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

# 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.3 Summary of significant accounting policies (Continued)

### Deferred tax

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future (Note 19)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

# 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.3 Summary of significant accounting policies (Continued)

### j) Employment termination benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("TAS 19").

The provision for employment termination benefits represents the present value of the estimated total reserve of the future probable obligation of the Group arising from the retirement of the employees with calculation in accordance with the Turkish Labour Law. All actuarial loss and gain related with provision are recognized in other comprehensive income. (Note 11)

### (k) Cash and cash equivalents and statement of cash flows

Cash and cash equivalents comprise cash in hand, bank deposits and short-term investments, which can easily be converted into cash for a known amount, and which have high liquidity and insignificant conversion risk with maturities of three months or less (Note 24). Cash flow statements as an integral part of other financial statements are prepared to inform financial statement users about changes in group net assets, financial structure and capability to direct the amount and timing of cash flows in accordance with changing conditions.

### (l) Share capital and dividends

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

### (m) Derivative exchange market transactions

The cash collateral deposited to be able to operate in derivative exchange market is classified as cash and cash equivalents. The profit or loss of the transactions made during the fiscal period is recorded as income/expense or profit/loss in the statement of profit or loss. The interest income accrued of the valuation differences, commissions paid and remaining collateral amount those recorded in the statement of income that consist due to the open transactions made are netted off and are recorded as cash and cash equivalents (Note 23).

### (n) Impairment of assets

Except for financial asset, all type of assets are subject to tests for indicators of impairment. Accordingly, when the carrying value of the assets exceeds its net recoverable value an impairment is recognized. Net recoverable value is the higher of the net sales value or value in use. Value in use of an asset is estimated as the total of projected future cash inflows and salvage value at the end of the useful life of the asset.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

# 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2.3 Summary of significant accounting policies (Continued)

The Group management assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group management estimates the recoverable amount of the asset and recognizes an impairment loss for the exceed portion of the asset carrying value. In the subsequent period, if there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased, the impairment may is reversed under certain conditions.

In assessing whether there is any indication that an asset may be impaired, the Group considers, as a minimum, the following indications:

- (a) there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.
- (b) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- (c) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (d) the carrying amount of the net assets of the entity is more than its market capitalisation.

The Group considers for all of its assets, except goodwill, whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased at each reporting period and, if such a conditions exists, the Group reverses the impairment loss recognized in prior periods for an individual asset. Unless the related asset is accounted and measured under a different standard, reversal of the impairment is accounted under statement of comprehensive income.

### 2.4 Significant accounting assumptions, estimations and judgements

Preparation of financial statements requires the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the statement of financial position date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during financial period. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

The Group prepares its consolidated financial statements according to the going convern principle.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### 2.4 Significant accounting assumptions, estimations and judgements (Continued)

#### Fair value of the financial assets on available for sale

The Group subsequently measures its financial assets available-for sale on their fair values in its consolidated financial statements. The Group accounts the fair value of its listed financial investments by multiplying the nominal ownership values with best market price announced at Borsa Istanbul A.S.. In addition to this, when a price for an identical financial asset is not observable it is estimated that the fair value of the related asset can not be reliably determined and the fair value of the related financial assets shall be found by using another valuation technique. With in this context, the Group measures the fair vale of its financial assets available for sale by discounting the free cashflows of its financial assets by the weighed average cost of capital. The fair vaule calculation of the Group's financial assets is based on the Group management's approved projections and is sensitive to the estimations and assumptions that are used in the projected cash flows. The Group reviews its financial assets available for sale portfolio where any impairment indicator would occur. Impairment assessment of the financial assets, for which any independent valutions techniques can not be applied due to the lack of observable market, requires ceratin assumptions of the Gorup's management. These estimations and assumptions include the investment's financial perspevtive and the importance of the any impairment on financial asset when occurs. Sensitivity analyse of the financial assets whose fair values are determined by using free discounted cashflows are presented in Note 21.

### Determination the effect of recoverable amount

The Group, assess its assets that are accounted in its consolidated financial statements at each balance sheet date in order to determine whether any of the assets's carrying value exceed the amount to be recovered through use or sale of the asset. In assessing whether there is any indication that an asset may be impaired and in determing the recoverable amount of the asset, the Group uses both internal and external sources. Within this context, the Group estimates, at each balance sheet date, cash inflows and outflows through use or sale of assets and when the carrying value of any asset exceed the recoverable amount, the Group reduces the carrying value of the asset to its recoverable amount.

#### 2.5 Segment reporting

The Group determined its operating segments based on report reviewed by the Board of Directors and used in strategic decisions. Since the core business of the Company is to participate in the capital of companies that have the ability or potential to generate profits and to invest in shares of these companies and since the operations of company is in Turkey, segment reporting for the period 1 January - 31 December 2017 was not prepared in the consolidated financial statements.

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

#### 3. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Details of transactions between the Group and other related parties as at 31 December 2017 and 31 December 2016 are disclosed below.

	31 December 2017		
	Short-term	Short-term	
	Receivables	Payables	
Eczacıbaşı Holding A.Ş. (Note 4)	-	111,085	
	-	111,085	
	31 Decen	nber 2016	
	Short-term receivables	Short-term payables	
Eczacıbaşı Holding A.Ş.	397,080	397,080	
Eczacıbaşı Bilişim San. ve Tic. A.Ş.	1,266	860	
Eczacıbaşı Ortak Sağlık ve Güvenlik Birimi A.Ş.	708	708	
	399,054	398,648	
Available for sale financial assets (Note 21)	31 December 2017	<b>31 December 2016</b>	
,			
Eczacibaşı Holding A.Ş.	638,947,851	531,963,898	
Eczacibaşı Yapı Gereçleri A.Ş.	117,629,209	69,710,617	
Kaynak Tekniği San. ve Tic. A.Ş.	21,204,409	19,102,741	
Tasfiye Halinde Eczacıbaşı-Baxter Hastane Ürünleri Sanayi ve Ticaret A.Ş.		523	
İpek Kağıt San. ve Tic. A.Ş. (*)	-	1,713,805	
ipek ixagii bali. ve 11c. A.y. ( )	-	1,713,003	
	777,781,469	622,491,584	

<sup>(\*)</sup> At 29 December 2017, İpek Kağıt San. and Tic. A.Ş., Eczacıbaşı Girişim Pazarlama Tüketim Ürünleri Sanayi and Ticaret A.Ş., Eczacıbaşı Hijyen Ürünleri San. and Tic. A.Ş. and Eczacıbaşı Profesyonel Ürün and Hizmetler San. ve Tic. A.Ş. have merged under Tüketim Ürünleri A.Ş.

#### Investments accounted for using equity accounting method

All of the investments of the Group accounted for using the equity method consists of related party investment and presented in detail in Note 6. In addition to this, fair value of the Eczacibaşı Holding A.Ş., classified as financial investment in the financial statement of the EİS - the Group's investment accounted for using equity method- amounts to TL 759,401,653 when calculated with the Group's ownership ratio on EİS.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

### 3. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	Services obtained and rental expenses		
Transactions with related parties	1 January - 31 December 2017	1 January - 31 December 2016	
Eczacıbaşı Holding A.Ş. (*) (Note 15)	3,803,995	3,597,875	
Eczacıbaşı Spor Kulübü	166,000	145,000	
EİS Eczacıbaşı İlaç. Sınai ve			
Finansal Yatırımlar Sanayi ve Ticaret Anonim Şirketi	46,746	18,796	
Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.	17,158	12,056	
Kanyon Yönetim İşletim ve Pazarlama A.Ş.	12,076	-	
Eczacıbaşı Ortak Sağlık ve Güvenlik Birimi A.Ş.	5,753	4,392	
Eczacıbaşı Sağlık Hizmetleri A.Ş.	2,107		
	4,053,835	3,778,119	

<sup>(\*)</sup> Contains Groups' legal, financial, corporate identity, budgeting, auditing and human resources services received from Eczacıbaşı Holding A.Ş.. These expenses are billed back to Eczacıbaşı Holding A.Ş. accordingly to the time spent for the relevant service.

#### Other operating income/(loss)

Transactions with related parties	1 Ja arties 31 December		1 January - 31 December 2016
Fair value increase on financial assets and recoverability effect regarding to associates Dividend income (**) (Note 16)	(Note 6, 16)	88,678,451 36,518,665	76,664,660 40,931,864
Dividend meome ( ) (Note 10)		127,522,687	117,596,524

<sup>(\*\*)</sup> The Group received dividend income amounting to TL 36,518,665 from Eczacibaşı Holding A.Ş. and TL 5,793,222 from Eczacibaşı Yapı Gereçleri A.Ş. through the period 1 January - 31 December 2017.

In accordance with the decision taken at the Board of Directors' meeting held on 1 June 2017, the Group has classified Ipek Kağıt San. and Tic. (with the title of Tüketim Ürünleri A.Ş. as of 29 December 2017) sold its shares with a nominal value of 104,914,575 to Eczacıbaşı Holding at a price of TL 1,800,000.

In accordance with the decision taken at the Board of Directors meeting held on 20 June 2017, the Group sold shares of Vitra Karo Sanayi ve Ticaret AS, which is classified as available-for-sale financial assets in the consolidated financial statements, at a nominal value of TL 3,747,345 to Eczacıbaşı Holding.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

### 3. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

#### Benefits paid to management

There is no long-term benefit of key management for the year ended 31 December 2017 and 31 December 2016. Short-term benefit of key management for the year ended 31 December 2017 and 31 December 2016 are stated below;

	1 January - 31 December 2017	1 January - 31 December 2016
Salaries and other benefits	1,003,174	958,989
	1,003,174	958,989

#### 4. TRADE RECEIVABLES AND PAYABLES

#### a) Trade Receivables:

Trade receivables of the Group as at 31 December 2017 and 31 December 2017 are as follows;

Short-term trade receivables	<b>31 December 2017</b>	<b>31 December 2016</b>
Receivales from securities (*)	-	2,844,147
Receivables from Borsa Istanbul futures and options market	-	751,500
Receivables from related parties		399,054
Total	-	3,994,701

<sup>(\*)</sup> The amount of the receivable from the sale and purchase of marketable securities stems from the shares purchased or sold by İş Yatırım Menkul Değerler A.Ş. on behalf of the Group in the last two business days as of the reporting date.

#### b) Trade Payables:

Trade payables of the Group as at 31 December 2017 and 31 December 2017 are as follows;

Short-term trade payables	<b>31 December 2017</b>	<b>31 December 2016</b>
Liabilities due to related parties	111,085	398,648
Suppliers	3,334	23,751
Payables arising from fund management fee	-	74,611
Payables arising from purchase of securities (*)	-	2,736,066
Total	114,419	3,233,076

<sup>(\*)</sup> Receivables and payables arising from the sale and purchase of marketable securities are arising from shares purchased and sold by İş Yatırım Menkul Değerler A.Ş. on behalf of the Group in the last two working days as of the reporting date and Eurobond transactions.

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

#### 5. OTHER RECEIVABLES AND PAYABLES

#### a) Other Receivables

#### **Short-term other receivables**

	31 December 2017	31 December 2010
Receivables from tax office	284,452	759,126
Other	<u>-</u>	13
Total	284,452	759,139
b) Other Payables		
Other short-term payables	31 December 2017	31 December 2016

31 December 2017 31 December 2016

Other liabilities	-	1,661

Total - 1,661

### 6. INVESTMENTS ACCOUNTED FOR USING EQUITY ACCOUNTING METHOD

	<b>31 December 2017</b>	<b>31 December 2016</b>
Investments accounted for using equity method (Note 3) Effect of Recoverability (-) (Note 16)	1,026,394,526	952,444,220 (88,678,451)
Total	1,026,394,526	863,765,769

As at 31 December 2016, Group's shares in its associates, EIS Eczacibaşı İlaç, Sinai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş. and İntema İnşaat ve Tesis Malzemeleri A.Ş. are equal to 29.35% and 48.93% respectively including the shares acquired from market. Shares related to acquisionts from market are equal to 10.60% for EIS and 28.07% for Intema (31 December 2016: EİS 10.45% and for Intema 28.23%). The carrying values of EIS Eczacibaşı Ilac, Sanayi ve Financial Yatırımları Sanayi ve Ticaret A.Ş. and Intema Insaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş. determined in accordance with equity method as at 31 December 2017 are TL 1,021,520,043 and TL 4,874,483.

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

## 6. INVESTMENTS ACCOUNTED FOR USING EQUITY ACCOUNTING METHOD (Continued)

Movements of investments in associates through the period are as follows:	2017
Opening - 1 January	863,765,769
Group's share in the associate's profit (Note 17) Eleminated dividend payments of associates (-) Effect of changes in fair value of available-for-sale	31,769,404 (101,223,471)
financial assets that are recognized in other comprehensive income Recoverability effect (Note 16)	135,635,681 88,678,451
Cost of shares acquired through the period Actuarial (loses)/gains, net	5,354,887 104,638
Effect of other changes recognized in comprehensive income	2,309,167
Closing - 31 December	1,026,394,526
	2016
Opening - 1 January	516,772,916
Transfers from the short-term investments (Note 2.1.4) Groups's share in the associate's profit (Note 17) Eliminated dividend payments of associates (-) Fair value changes of financial assets Effect of under common control transactions Actuarial (loses)/gains, net	252,305,256 31,107,442 (41,107,902) 87,221,374 17,388,322 78,361
Closing - 31 December	863,765,769
7. PREPAID EXPENSES Short-term prepaid expenses 31 December 2017	31 December 2016
Prepaid expenses fort he following months -	23,389
Total -	23,389
Long-term prepaid expenses 31 December 2017	31 December 2016
Prepaid expenses for the following years -	2,392

2,392

**Total** 

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

## 8. TANGIBLE ASSET

	Furniture and fixtures	Ongoing investments	Special Costs machine and equipment	Total
Cost				
Opening balance as of 1 January 2017	1,729	-	-	1,729
Additions	7,172	-	-	7,172
Affiliate sales effect	(8,901)	-	-	(8,901)
Closing balance as of 31 December 2017	-	-	-	_
Accumulated depreciation				
Opening balance as of 1 January 2017	(1,729)	_	_	(1,729)
Period Cost	(2,191)	_	_	(2,191)
Affiliate sales effect	3,920	-	-	3,920
Closing balance as of 31 December 2017	-	-	-	-
Net book value as of 31 December 2017	-	-	-	_
	Furniture		Special Costs	
	and fixtures	Ongoing investments	machine and equipment	Total
Cost				
Opening balance as of 1 January 2016	1,729	-	-	1,729
Closing balance as of 31 December 2016	1,729	-	-	1,729
Accumulated depreciation				
Opening balance as of 1 January 2016	(1,729)	-	-	(1,729)
Closing balance as of 31 December 2016	(1,729)	-	-	(1,729)
Net book value as of 31 December 2016	-	-	-	-

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

## 9. INTANGIBLE ASSETS

	Computer software	Rights	Total
Cost			
Opening balance as of 1 January 2017	199,899	16,987	216,886
Additions	5,221	-	5,221
Affiliate sales effect (-)	(130,760)	<u> </u>	(130,760)
Closing balance as of 31 December 2017	74,360	16,987	91,347
Accumulated depreciation			
Opening balance as of 1 January 2017	(138,446)	(16,987)	(155,433)
Period cost	(34,116)	-	(34,116)
Affiliate sales effect (-)	98,202	-	98,202
Closing balance as of 31 December 2017	(74,360)	(16,987)	(91,347)
Net book value as of 31 December 2017	-	-	_
	Computer Software	Rights	Total
Cost			
Opening balance as of 1 January 2016	199,899	16,987	216,886
Closing balance as of 31 December 2016	199,899	16,987	216,886
Accumulated Depreciation			
Opening balance as of 1 January 2016 Period expenses (*)	(85,245) (53,201)	(16,987)	(102,232) (53,201)
Closing balance as of 31 December 2016	(138,446)	(16,987)	(155,433)
Net book value as of 31 December 2016	61,453		61,453

<sup>(\*)</sup> As at 31 December 2016, depreciation expense amounting to TL 53,201 is recognized under general administrative expenses.

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

### 10. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) The detail of short term provisions of the Group as of 31 December 2016 and 31 December 2017 is as follows:

Short-term provisions	31 December 2017	<b>31 December 2016</b>
Audit dee accruals	-	6,490
Commission fee accruals	-	809
Other	-	5,022
Total	-	12,321

- b) As of 31 December 2017 in the group's portfolio, there are no government bonds kept in the blocked account by Takasbank and CBRT in remuneration for stock exchange transactions limit and as capital blockage (31 December 2016: None).
- c) As of 31 December 2017, the group has letters of guarantee given amounting to TL 56,000 (31 December 2016: has letters of guarantee given amounting to TL 30,000).
- d) As of 31 December 2017 the group has no lawsuits againts the group (31 Aralık 2016: None).

#### 11. EMPLOYEE BENEFITS

#### Payables for employee benefits

	<b>31 December 2017</b>	31 December 2016
Taxes and funds payables	-	18,226
Social security premiums payables	-	6,109
Total	_	24,335
Total		
Short-term provisions for employee benefits		
	31 December 2017	31 December 2016
	31 December 2017	31 December 2016 63,769

21 Daniel - 2017 21 Daniel - 2017

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

#### 11. EMPLOYEE BENEFITS (Continued)

2017	2016
63,769	35,429
(63,769)	-
-	32,207
-	(3,867)
<u> </u>	63,769
	63,769

#### Long term provisions for employee benefits

#### Provision for employment termination:

Provision for employment termination benefits is allocated in accordance with the disclosures given below:

In accordance with the provisions of the current Labor Code, employees are obliged to pay legal termination benefits to their employees who are entitled to termination benefits. Furthermore, in accordance with the Social Insurance Law No: 506 dated 6 March 1981, numbered 2422 and dated 25 August 1999, numbered 4447 and amended article 60 of the Social Insurance Law numbered 506, those who are entitled to termination benefits are obliged to pay their legal severance payments. Some transitional provisions related to pre-retirement service conditions

Was amended by law on 23 May 2002.

As of 31 December 2017, the amount payable consists of one month's salary limited to a maximum of 4,732.48 TL (31 December 2016: 4,297.16 TL) for each year of service.

The liability is not funded as there is no legal funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees.

TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly actuarial assumptions were used in the calculation of the total liability as these actuarial assumptions apply to each individual company's defined benefit plan and legal framework in which those companies operate:

Important estimations for calculation of employee termination benefits are discount rate and rate of retirement pay not paid due to voluntary leaves.

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

### 11. EMPLOYEE BENEFITS (Continued)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 5,001.76 effective from 1 January 2018 (1 January 2017: 4,426.16 TL) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

	<b>31 December 2017</b>	<b>31 December 2016</b>
Employee termination benefit provison	-	11,565
Total	-	11,565
Movements in the provision for employment benfi	ts are as follow:	
	2017	2016
Opening - 1 January	11,565	4,610
Service cost	13,351	28,238
Interest Cost	3,173	189
Paid severance cost	-	(21,472)
Actuarial gain / loss	753	-
Disposal effect of subsidiary (-)	(28,842)	-
Closing - 31 December  12. OTHER ASSETS AND LIABILITIES	<u> </u>	11,565
Other current asset	31 Dember 2017	31 December 2016
Classification due to sale of subsidiary	446,367	
Total	446,367	
Other non-current asset	31 December 2017	<b>31 December 2016</b>
Deferred VAT	6,090,752	5,355,285
Total	6,090,752	5,355,285

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

### 12. OTHER ASSETS AND LIABILITIES (Continued)

Other short-term liabilities		
	<b>31 December 2017</b>	<b>31 December 2016</b>
Classification due to sale of subsidiary	230,798	-
Taxes and funds to be paid	78,190	181,629
Total	308,988	181,629
Othe long-term liabilities	31 December 2017	31 December 2016
Classification due to sale of subsidiary	28,842	
Total	28,842	181,629

### 13. SHARE CAPITAL, RESERVES VE OTHER EQUITY ITEMS

#### a) Paid in capital

The paid-in capital of the Company is TL 105,000,000 (31 December 2016: TL 105,000,000) divided by 105,000,000 shares each with a nominal value of TL 1(31 December 2016: 1 TL).

The Company has no preferred stock as of 31 December 2017 (31 December 2016: None).

The Company's registered share capital is TL 200,000,000 (31 December 2016: TL 200,000,000). The registered capital ceiling permission is effective between 2013 and 2017 (5 years).

The shareholders and their shareholding percentages as of 31 December 2017 and 31 December 2016 are as follows with the historical amounts:

	31 December 2017		31 December 2016	
	Total	Share (%)	Total	Share (%)
Eczacıbaşı Holding A.Ş.	81,816,429	77,92	81,659,416	77,77
Other (Listed)	23,183,571	22,08	23,340,584	22,23
Capital	105,000,000	100,00	105,000,000	100,00
Adjustment to share capital	105,173,533		105,173,533	
Adjusted capital	210,173,533		210,173,533	

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

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

### 13. SHARE CAPITAL, RESERVES VE OTHER EQUITY ITEMS (Continued)

The profits accumulated under legal books that do not qualify for the below clause, can be distributed.

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 Group's paid-in/authorized 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/authorized 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/authorized share capital.

#### b) Restricted reserves

As of 31 December 2017 and 31 December 2016 restricted reserves appropriated from profit is as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Legal reserves	15,740,438	12,787,776
Fund from sale of equity investment	887,495	887,495
Gain on sale of real estate fund	13,593,750	13,593,750
Total	30,221,683	27,269,021

#### **Dividend Distribution:**

In accordance with the decision take on 13 April 2017, it has been decided to pay dividend amounting to TL 120,750,000, with an equivalent of TL 1.15 per each per share and dividends were paid out on 12 May 2017.

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

## 14. REVENUE AND COST OF SALES

	1 Ocak -	1 Ocak -
Sales income	31 Aralık 2017	31 Aralık 2016
Income on private sector bonds sales	33,796,346	-
Income on common stock sales	18,956,979	50,356,882
Income on government bonds sales	8,814,627	11,000,000
Income on investment fund sales	1,500,453	
Total	63,068,405	61,356,882
Cost of sales		
Private sector bonds sales (-)	(33,340,945)	_
Common stock sales (-)	(15,871,013)	(50,177,798)
Government bond sales (-)	(8,603,172)	(11,004,209)
Investment fund sales (-)	(1,499,954)	
Total	(59,315,084)	(61,182,007)
Other income/(expense) from sales activities, net		
Interest income	2,724,953	839,630
Government bond rediscount income	907,241	202,214
Government bond reverse repo sales profits	535,427	994,233
Dividend Income	212,246	528,051
Shares unrealized increase / (decrease) of value	30	574,595
VIOP transaction profit / (loss), net	(1,669,385)	(667,603)
Previous years share value (increase) / decrease cancellation	(574,595)	2,552,220
Previous years rediscount (income) / cancellation of securities	(202,214)	(74,711)
Other	(85)	17,544
	1,933,618	4,966,173
Gross profit	5,686,939	5,141,048

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS **AS AT 31 DECEMBER 2017**

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

15	CENERAL	ADMINISTRAT	IVE AND MARKETING EXPENSES
15.	TTP/NP/KAL	AIDVIINISIKAI	IVE AINIJIVIAKKE IIINITE AKERINSES

15. GENERAL ADMINISTRATIVE AND MARKETING EXPENSES				
	1 January - 31 December 2017	1 January - 31 December 2016		
General adminisrative expense	6,098,259	6,447,440		
Marketing expense	193,738	299,088		
	6,291,997	6,746,528		
a) Detail of general administrative expenses				
	1 January - 31 December 2017	1 January - 31 December 2016		
Services received from related parties (Note 3)	3,803,995	3,597,875		
Personnel expenses	1,217,428	1,133,449		
Outsourced service expenses	464,526	178,741		
Portfolio management expense	239,135	850,197		
IT expenses	90,539	68,839		
Rent expense	38,506	10,777		
Depreciation and amortization expense (Note 8, 9)	36,307	53,201		
Dues and membership	29,773	22,025		
Provisions for severance pay expence (Note 11)	16,524	28,427		
Paid severance pay (Note 11)	-	21,472		
Other	161,526	482,437		
	6,098,259	6,447,440		
b) Marketing expenses details				
	1 January -	1 January -		
	<b>31 December 2017</b>	<b>31 December 2016</b>		
Commissions given to brokerage house	94,854	213,503		
Custody and commission expenses	64,970	55,670		
Advertising and marketing expenses	17,293	12,669		
Other	16,621	17,246		
Ollici	10,021	17,240		

193,738

299,088

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

#### 16. OTHER OPERATING INCOME AND EXPENSES

The detail of other operating income as of 31 December 2017 and 31 December 2016 is as follows:

	1 Ocak -	1 Ocak -
	31 Aralık 2017	31 Aralık 2016
Other operating income		
Fair value increase on financial assets		
and recoverability effect regarding to associates (Note 3)	88,678,451	76,664,660
Dividend income (Note 3)	36,518,665	40,931,864
Bank interest income	3,621,344	2,002,464
Exchange difference income	1,471,518	4,587,636
Securities trading profit	608,532	900,457
Other	4,181,922	41,831
	135,080,432	125,128,912

The details of other expenses from main operations for the years ended 31 December 2017 and 31 December 2016 are as follows:

Other operating expense (-)	1 January - 31 December 2017	1 January - 31 December 2016
Loss on sale of financial assets (-) (*)	(1,901,065)	-
Foreign Exchange loses (-)	(1,145,103)	(1,725,948)
Other expenses (-)	(393,992)	(183)
	(3,450,145)	(1,726,131)

<sup>(\*)</sup> In accordance with the decision taken at the Board of Directors' meeting held on 1 June 2017, the Group has sold its shares with a nominal value of 104,914,575 on Ipek Kağıt San. ve Tic. A.Ş.,which was classified as financial assets avaliable for sale consolidated financial statements and whose title was changed to Tüketim Ürünleri A.Ş. and as at 29 December 2017, to Eczacıbaşı Holding A.Ş. with a total amount of TL 1,800,000. Additoally, In accordance with the decision taken at the Board of Directors' meeting held on 20 June 2017, the Group sold its shares with a nominal value of TL 3,747,345 on Vitra Karo Sanayi ve Ticaret A.S., which was classified as financia assets available-for-sale in the consolidated financial statements, to Eczacıbaşı Holding Holding with a total of TL 1,600,000 (Note 3).

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

#### 17. INCOME AND EXPENSES FROM INVESTMENT OPERATIONS

The details of income and expenses from investment activities as of 31 December 2017 and 31 December 2016 are as follows:

31 December 2010 are as follows.	1 January - 31 December 2017	1 January - 31 December 2016
Shares on investments accounted	21.7(2.404	21 107 112
for using the equity method	31,769,404	31,107,442
	31,769,404	31,107,442
18. FINANCE EXPENSES	1 January - 31 December 2017	1 January - 31 December 2016
Financial Expenses	57	5,443
	57	5,443

#### 19. TAXATION

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

#### **Corporate Tax**

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2017 is 20% (2016: 20%) for the Group.

The effective tax rate applied in 2017 is 20% (2016: 20%). In addition, with the Article 91 of the Law No. 7061 on the Amendment of Certain Tax Laws and Some Other Laws, published in the Official Gazette dated 5 December 2017 and numbered 30261, the corporate tax rate currently applied as 20% Has been revised to 22% to be applied to earnings generated in the 2018, 2019 and 2020 fiscal periods. A provisional tax declaration of 22% for the same years shall apply.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

#### 19. TAXATION

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2017 is 20% (2016: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 - 25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

#### Withholding taxation

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 - 22 July 2006 is 10% and commencing from 22 July 2006, this rate has been changed to 15% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

Turkish Corporate Law No. 5520 effective from 1 January 2006, published in Official Gazette No 26205 at 21 June 2006. According to this, the corporate tax rate in Turkey for the year 2009 is 20% from 1 January 2006. The corporate tax rate applied the tax base consist the corporates' income with addition to expenses that are not deductible according to tax laws and exemptions (participation exemption) and allowances that located in tax laws. No further tax is payable unless the profit is distributed.

The taxes distribution on the consolidated statement of financial position for the periods 1 January - 31 December 2017 and 2016 are summarized below:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Current period corporate tax liability (-)	_	(462,272)
Prepaid taxes	548,545	480,366
Current period income tax asset	548,545	18,094
	1 January -	1 January -
	•	31 December 2016
Current period corporate tax (-)	•	•
Current period corporate tax (-) Deferred income tax (change) / benefit	•	31 December 2016

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

#### 19. TAXATION (Continued)

The reconciliation of taxation income/(expense) recognized in the consolidated statement of comprehensive income and taxation expense calculated with the current tax rate for the periods ended 31 December 2017 and 31 December 2016 is presented below:

	1 January - 31 December 2017	1 January - 31 December 2016
Profit before tax	162,794,576	152,899,300
Theoretical tax expense with rate of 20% (-)	(32,558,915)	(30,579,860)
Cancellation of deferred tax liability in the current period	22,965,916	-
Recoverability effect	17,735,690	-
Shares of associates accounted for using		
equity accounting method	6,344,881	6,221,488
Tax-exempt gain on subsidiary	7,303,733	542,767
Tax-exempt dividend income	780,973	8,186,373
Other	393,638	2,740,773
Total tax income/(expense)	22,965,916	(12,888,459)

#### Deferred taxation

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%). In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017," Law on the Amendment of Some Tax Acts and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards, however since the effect of change in tax rate on financial statements is immaterial, calculated amount is not accunted in financial statements as of 31 December 2017.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

#### 19. TAXATION (Continued)

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

	Total temporary differences		Deferro assets / lis	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Deferred tax assets				
Other	-	36,785	-	7,356
Deferred tax aseets	-	36,785	-	7,356
Temporary differences of available-for-sale financial assets (-) (*) Temporary differences on	(662,383,840)	(507,093,962)	(33,119,192)	(25,354,698)
financial assets held for trading (-)	-	(114,866,361)	-	(22,973,272)
Deferred tax liabilities (-)		(621,960,323)	(33,119,192)	(48,327,970)
Deferred tax liabilities, net			(33,119,192)	(48,320,614)

<sup>(\*)</sup> The Corporate Taxaxation Law numbered 5520 ("KVK"), which was be implemented as at 1 January 2006, has amended the old KVK application numbered 5422 on "Tax Exemption of Immovable and Subsidiary Sales Revenues". Only 75% of the profits arising from the sale of immovable properties (real estates) and participation shares, founding shares, usufruct shares and preferential rights in the assets of the institutions for at least two full years are taxable exceptions. As the Group management expects to hold the profit that would be earned from related financial inestments under equity at least for 2 years, begining from 1 January 2006, the taxation rate used in deferred tax rate is determined as 5% in the deferred tax calculaiton. As the related temporary differences are accounted under equity, related deferred tax liability is also net-off from financial assets fair value fund under the equity.

The movement of deferred income tax liabilities as at 31 December 2017 and 31 December 2016 is as follows:

	2017	2016
Opening - 1 January	(48,320,614)	(29,360,212)
Recognized under statement of comprehensive income	22,965,916	(12,426,187)
Recognized under statement of other comprehensive income	(7,764,494)	(6,534,215)
Closing - 31 December	(33,119,192)	(48,320,614)

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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#### 20. **EARNINGS PER SHARE**

Earnings per share	1 January - 31 December 2017	1 January - 31 December 2016
Average number of shares for period	105,000,000	103,547,077
Net profit from continuing operations attributable to parent Company's shareholders	183,128,614	138,181,748
Earning per share form continuing operations	1.74	1.33
Other comprehensive income of parent company shareholders'	466,394,324	349,631,565
Earnings per share from continuing operating activities -thousand ordinary shares (TL)	4.44	3.38

### 21. FINANCIAL INVESTMENTS

#### **Financial investments**

Short-term financial investments	<b>31 December 2017</b>	<b>31 December 2016</b>
Financial assets held-for-trading	31,372,472	20,290,986
	31,372,472	20,290,986
Long-term financial investments	31 Aralık 2017	31 Aralık 2016
Available-for-sale financial assets	777,781,469	622,491,584
	777,781,469	622,491,584

	777,02,102	022,1,2,001
a) Available-for-sale financial assets		
	<b>31 December 2017</b>	<b>31 December 2016</b>
Debt securities		
Private sector debt instruments	23,278,670	-
Foreign debt security instruments (Eurobond)	7,730,901	-
Receivables from Money Market Operations ("MMO") (*)	362,809	-
Government bond and treasury bills	-	8,800,304
Sub-total	31,372,380	8,800,304
Stocks		
Listed stocks	92	11,490,682
Total	31,372,472	20,290,986

<sup>(\*)</sup> Maturity of the receivables of the Money Market Operations are longer than three months.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

#### 21. FINANCIAL INVESTMENTS (Continued)

#### b) Available-for-sale financial investmetns

	Share (%)	31 December 2017	Share (%)	31 December 2016
Eczacıbaşı Holding A.Ş. (**)	11.54	638,947,851	11.54	531,963,898
Eczacıbaşı Yapı Gereçleri A.Ş.	10.29	117,629,209	10.29	69,710,617
Kaynak Tekniği San. ve Tic. A.Ş.	15.86	21,204,409	15.86	19,102,741
İpek Kağıt San. ve Tic. A.Ş. (***)	-	-	0.99	1,713,805
Eczacibaşı-Baxter Hastane				
Ürünleri Sanayi ve Ticaret A.Ş.	-	<u>-</u>	<1	523
		777,781,469		622,491,584

- (\*\*) In fair value determination of Eczacibaşı Holding A.Ş., the methods shown below are used;
  - i) Rent income; discounted cash flows (Level 3),
  - ii) Real estates; current transaction cost, arm's length price and expertise values (Level 2 and 3),
  - iii) Net asset values of remaining assets and liabilities in cash (Level 3),
  - iv) The multiplication of ownership interest rates of Eczacıbaşı Holding with the fair values of all subsidiaries, joint ventures and associates.
- (\*\*\*) In line with the decision taken at the Board of Directors' meeting held on 1 June 2017 the Group has classified Ipek Kağıt San. and Tic. (with the title of Tüketim Ürünleri A.Ş. as of 29 December) sold its shares with a nominal value of 104,914,575 to Eczacıbaşı Holding at a price of TL 1,800,000.

In accordance with the decision taken at the Board of Directors' meeting held on 1 June 2017, the Group has classified Ipek Kağıt San. and Tic. (with the title of Tüketim Ürünleri A.Ş. as of 29 December 2017) sold its shares with a nominal value of 104,914,575 to Eczacıbaşı Holding at a price of TL 1,800,000.

In accordance with the decision taken at the Board of Directors meeting held on 20 June 2017, the Group sold shares of Vitra Karo Sanayi ve Ticaret AS, which is classified as available-for-sale financial assets in the consolidated financial statements, at a nominal value of TL 3,747,345 to Eczacıbaşı Holding.

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

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

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

### 21. FINANCIAL INVESTMENTS (Continued)

	Proportion of power held by Eczacıbaşı Holding (%) (***)		method (**)		Fair value hieracy	
Entity Name	2017	2016	2017	2016	2017	2016
Eczacıbaşı Holding A.Ş.	100	100	(I)	(I)	(I)	(I)
EİS Eczacıbaşı İlaç, Sınai ve Finansal				( )	( )	( )
Yatırımlar San. ve Tic. A.Ş.	73.48	73.33	(I)	(I)	(I)	(I)
İntema İnşaat ve Tesisat Malz. Yatırım ve Pazarlama A.Ş.	77.81	76.27	(II)	(II)	Level 1	Level 1
Eczacıbaşı Yapı Gereçleri San. ve Tic. A.Ş.	96.47	96.37	(III)	(III)	Level 3	Level 3
Esan Eczacıbaşı Endüstriyel Hammaddeler San. ve Tic. A.Ş.	99.69	99.97	(III)	(III)	Level 3	Level 3
Vitra Karo San. ve Tic. A.Ş.	92.45	92.23	(III)	(III)	Level 3	Level 3
Eczacıbaşı Tüketim Ürünleri Sanayi ve Ticaret A.Ş. (*)	100	-	(III)	-	Level 3	-
Eczacıbaşı Girişim Pazarlama Tüketim						
Ürünleri San. ve Tic. A.Ş. (*)	-	83.16	(III)	(III)	-	Level 3
EİP Eczacıbaşı İlaç Pazarlama A.Ş.	73.48	73.34	(III)	(III)	Level 3	Level 3
Kaynak Tekniği San. ve Tic. A.Ş.	46.04	46.02	(III)	(III)	Level 3	Level 3
E-Kart Elektronik Kart Sistemleri San. ve Tic. A.Ş.	43.09	43.05	(III)	(III)	Level 3	Level 3
Eczacıbaşı Shire Sağlık Ürünleri Sanayi ve Ticaret A.Ş.	36.74	-	(III)	-	Level 3	-
ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.	4.92	4.92	(V)	(V)	Level 3	Level 3
Eczacıbaşı Havacılık A.Ş.	91.33	91.33	(V)	(V)	Level 3	Level 3
Eczacıbaşı Sağlık Hizmetleri A.Ş.	87.88	87.30	(V)	(V)	Level 3	Level 3
Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım A.Ş.	73.60	73.44	(V)	(V)	Level 3	Level 3
Eczacıbaşı İlaç Ticaret A.Ş.	73.50	73.35	(V)	(V)	Level 3	Level 3
Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.	77.92	77.77	(V)	(V)	Level 2	Level 2
Kanyon Yönetim İşletim ve Pazarlama A.Ş.	50	50	(V)	(V)	Level 3	Level 3
Toplu Konut Holding A.Ş.	27	27	(V)	(V)	Level 3	Level 3
Ekom Eczacıbaşı Dış Ticaret A.Ş.	89.38	90.82	(V)	(V)	Level 3	Level 3
Eczacıbaşı-Monrol Nükleer Ürünler San. ve Tic. A.Ş. (**)	61.73	36.66	(V)	(III)	Level 3	Level 3
Villeroy & Boch Fliesen GmbH (***)	90.34	90.12	(V)	(III)	Level 3	Level 3
Tasfiye Halinde Eczacıbaşı-Baxter Hastane						
Ürünleri San. ve Tic. A.Ş.	36.74	36.66	(V)	(IV)	Level 3	Level 2
Eczacıbaşı Bilişim San. ve Tic. A.Ş.	96.41	96.45	(V)	(V)	Level 3	Level 3
Vitra Plitka (**)	92.23	92.23	(V)	(III)	Level 3	Level 3
Eczacıbaşı Yatırım Ortaklığı A.Ş.	40.40	33.45	(IV)	(II)	Level 2	Level 1
İpek Kağıt San. ve Tic. A.Ş. (*)	-	99.49	-	(III)	-	Level 3
Eczacıbaşı-Schwarzkopf Kuaför Ürünleri Pazarlama A.Ş.	-	38.24	-	(III)	-	Level 3
Eczacıbaşı Hijyen Ürünleri San. ve Tic. A.Ş. (*)	-	83.16	-	(III)	-	Level 3
Eczacıbaşı Profesyonel Ürün ve Hizmetler San. ve Tic. A.Ş. (*)	-	83.16	-	(III)	-	Level 3

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

<sup>(\*\*)</sup> Valuation method of the companies has changed to net asset from discounted cash flow method.

<sup>(\*\*\*)</sup> The Companies have merged as of 29 December 2017 and renamed as Eczacibaşı Tüketim Ürünleri Sanayi ve Ticaret A.Ş.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

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

### 21. FINANCIAL INSTRUMENTS (Continued)

- (I) In the fair value measurement of Eczacibaşi Holding, for the stand-alone fair value of EİS Eczacibaşi İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş., the effect of the mutual subsidiary with Eczacibaşi Holding has been taken into consideration. In the related stand-alone fair value determination:
  - i) Kanyon Shopping Mall and Office Building; discounted cash flows of rent incomes (Level 3).
  - ii) Financial assets; current transaction cost (Level 2) and current market prices (Level 1).
  - iii) Real estates; current transaction cost, arm's length price and expertise values (Level 2 and 3).
  - iv) Net asset value of remaining assets in cash (Level 2) and liabilities in cash (Level 3).
- (II) The securities measured at market values are valued by the strike price as of 31 December 2017 in Borsa Istanbul ("BIST"). As of year-end, there are no financial instruments listed in a stock exchange other than BIST.
- (III) The discount rates used in discounted cash-flow method are determined for each entity separately taking into consideration the following factors:
  - i) The countries in which each entity is located and the risk premiums of these countries,
  - ii) The market risk premiums for each entity and
  - iii) The industry risk premiums for the sectors in which each entity operates.

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

For the calculation of discount rates used for companies valuated with discounted cash flow method cost of equity and cost of capital have been evaluated considering to risk free return rate and risk premiums. Accordingly weighted average cost of capital ("WACC") rates are calculated with regards to sustainable debt to equity ratios of each industry of related company. As of 31 December 2017 if WACC would be 100 base point higher/lower, fair value of asset held for sale would be thousand TL 305,737 lower / thousand TL 258,448 higher.

In this context, the discount rates used for companies with functional currency TL are changed between 16% - 19.2% (31 December 2016: 15.9% - 20.7%) while the discount rate used for companies with functional currency USD is 10.1% (31 December 2016: 6.9%).

- (IV) Current transaction price consists of the financial instruments of which fair values are measured by comparable costs of current transactions as of the statement of financial position date.
- (V, VI) The fair values of these companies are determined by net asset values and net book values. The net asset value is calculated by deducting liabilities from monetary assets, whereas net book values are calculated by their cost values.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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### 21. FINANCIAL INSTRUMENTS (Continued)

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

	<b>31 December 2017</b>	<b>31 December 2016</b>
Total fair value of Eczacıbaşı Holding A.Ş. (*)	6,298,677,046	4,936,508,206
Total share of the Group within the total fair value		
Of Eczacıbaşı Holding A.Ş (**)	726,867,331	569,673,259
The effect of mutual subsidiary	71,817,483	56,166,621
Fair value before liquidity discount	798,684,814	625,839,880
Miniority discount (-)	(159,736,963)	(93,875,982)
Fair value of the Group in consolidated financials	638,947,851	531,963,898

- (\*) Reflects the amount multiplied with the total proportion of ownership interests.
- (\*\*) As of 31 December 2017 and as of 31 December 2016 the direct capital share of Eczacibaşı Yatırım Holding Ortaklığı A.Ş. within Eczacibaşı Holding A.Ş. is 11.54%.

As presented in the table above, TL 6,298,677,046 of fair value before minority discount is calculated by using the fair value of Eczacibaşi Holding A.Ş. which amounts to TL 726,867,331 which is multiplied by 11.54%, the share participation of Yatırım Holding Ortaklığı A.Ş in Eczacibaşi Holding A.Ş. and the result equals to TL 71,817,483 is added to TL 798,684,814, which is calculated as the effect of reciprocal shares between Eczacibaşi Yatırım Holding Ortaklığı A.Ş. and Eczacibaşi Holding A.Ş is discounted from the total amount and fair value of TL 638,947,851 is reflected in the consolidated financial statements.

#### Financial liabilities

As of 31 December 2017, the Group has no bank loans (As of 31 December 2016, the Group has no bank loans).

#### Sensitivity analysis of variables used in valuation of financial investments:

	31 Aralık 2017				
	Currency	Discount rate (%)	Final growth rate (%)	Discount rate %1 Change Effect +/-	Final Growth rate %1 change effect +/-
Kaynak Tekniği San. ve Tic. A.Ş.	TL	18,9-19,0	5	(15,747)/18,152	4,753/(4,118)
EİP Eczacıbaşı İlaç Pazarlama A.Ş.	TL	16,0-16,1	5	(22,822)/26,939	12,395/(10,344)
E-Kart Elektronik Kart Sistemleri					
San. ve Tic. A.Ş.	TL	16,1	5	(14,079)/17,753	9,380/(7,835)
Esan Eczacıbaşı Endüstriyel					
Hammaddeleri San. ve Tic. A.Ş.	TL	19,2-19,3	5	(37,517)/45,068	7,043/(4,887)
Eczacıbaşı Girişim Pazarlama					
Tüketim Ürünleri San. ve Tic. A.Ş.	TL	16,9-17,0	5	(118,492)/134,724	75,933/(69,123)
Vitra Karo San. ve Tic. A.Ş.	TL	16,6-16,7	5	(49,791)/63,101	35,960/(27,222)
Eczacıbaşı Shire Sağlık Ürünleri					
Sanayi ve Ticaret A.Ş.	USD	9,2-9,3	-	(2,003)/2,002	-

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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#### 22. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

#### (i) Credit risk

Credit risk, is the risk of financial loss of the creditor in the case that the lender fails to meet its financial obligations to the creditor.

The majority of the Group's credit risk arises from the trade receivables, marketable securities and time deposits in the banks. The bank deposits got off less than three months. Marketable securities comprise the government bonds those are issued by the Turkish Republic Prime Ministry Undersecretariat for the Treasury.

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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## 22. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

			Receiva	bles			
		Trade Receiv	ables	Other Receivables			
31 December 2017		Related party	Other	Related party	Other	Financial instruments (*)	Cash and cash rquivalent
Max	ximum credit risk exposure as of reporting date (A+B+C+D)	-	-	-	284,452	809,153,941	54,659,435
-	Collateralized or secured with guarantees part of maximum credit risk	-	-	-	-	-	-
A.	Neither past due nor impaired net book value	-	-	-	284,452	809,153,941	54,659,435
В.	Past due but not impaired net book value	-	-	-	-	-	-
C.	Net book value of impaired assets	-	-	-	-	-	-
-	Past due (gross amount)	-	-	-	-	-	-
-	Impairment (-)	-	-	-	-	-	-
-	The part of the net value secured by guarantee etc.	-	-	-	-	-	-
-	Undue (gross amount)	-	-	-	-	-	-
-	Impairment (-)	-	-	-	-	-	-
-	Collateralized or guaranteed part of net value	-	-	-	-	-	-
D.	Off balance sheet items with credit risk	-	_	-	-	_	_

<sup>(\*)</sup> As of 31 December 2017, TL 777,781,469 of the related amount is composed of financial instruments of related parties.

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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#### 22. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

		Receivables					
		Trade Rece	ivables	Other Receivables			
31 December 2016		Related Partiy	Other	Related Partiy	Other	Financial instruments	Cash and cash Equivalent
Max	ximum credit risk exposure as of reporting date (A+B+C+D)	399,054	3,595,647	-	759,139	642,782,570	48,610,663
-	Collateralized or secured with guarantees part of maximum credit risk	· -	-	-	-	642,782,570	-
A.	Neither past due nor impaired net book value	399,054	3,595,647	-	759,139	642,782,570	48,610,663
В.	Past due but not impaired net book value	-	-	-	-	-	-
C.	Net book value of impaired assets	-	-	-	-	-	-
-	Past due (gross amount)	-	-	-	-	-	-
-	Impairment (-)	-	-	-	-	-	-
-	The part of the net value secured by guarantee etc.	-	-	-	-	-	-
-	Undue (gross amount)	-	-	-	-	-	-
-	Impairment (-)	-	-	-	-	-	-
-	Collateralized or guaranteed part of net value	-	-	-	-	-	-
D.	Off balance sheet items with credit risk	-	_	-	-	-	-

<sup>(\*)</sup> As of 31 December 2016, TL 622,491,584 of the related amount consists of financial instruments of related parties.

In determining the above amounts, factors that increase credit reliability, such as collateral received, are not considered. The Group's financial assets exposed to credit risk do not have any impaired assets. In addition, the Group does not have assets that involve risks other than those of the non-statement of financial position and have not been impaired.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

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## 22. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The Company's management has tried to manage the credit risk of receivables according to customer-specific credit risk analysis through such methods as advances obtained from customer or work with letter of credit. The Company protects itself from any dispute by analysing the reliability of their customers, putting required sales terms to sales contracts. Furthermore, the Company management follows the delays in collections from its customers by analysing aging analyses and takes precautions to such kind of delays.

Trade receivables are spread out to various sectors and geographical clients. The Company reviews customers' collection risk and insure the receivable if needed.

#### b) Price risk of shares

Group's balance sheet consists of shares which was classified as financial assets at fair value through profit and loss are traded in Borsa Istanbul (Istanbul Stock Exchange) The Group's sensitivity analysis based on 10% increase and decrease in BIST on the assumption that share portfolio of the Group will increase/decrease accordingly and all other variables were held constant, Group's net profit/loss would increase/decrease by TL 9 (31 December 2016: TL 1,149,068 increase/decrease).

### Credit quality of financial assets

The credit quality of financial assets neither past due nor impaired net book value is reviewed by and rating data and previous year experiences.

#### c) Liquidity risk management

Liquidity risk is the inability of the Group to match the net funding requirements with sufficient liquidity. A decrease in funding sources mainly due to market instability or a decrease in credit risk results in liquidity risk. The Group manages the liquidity risk by maintaining sufficient cash and other liquid assets in order to fund the current and prospective debt requirements.

The distribution of expiration of the financial liabilities as of 31 December 2017 and 31 December 2016 according to their contract dates is as follows:

Retween

Retween

More

Contractual

#### **31 December 2017**

Maturities of contractual terms	Book Value	cash flow Total (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	than 5 years (IV)
Trade payables	114,419	114,419	114,419	-	-	
Trade liabilities	114,419	114,419	114,419	-	-	
31 December 2016  Maturities of contractual terms	Book Value	Contractual Cash Flow Total (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 months (III)	More than 5 years (IV)
Trade payables	3,233,076	3,233,076	3,233,076	-	-	
Trade liabilities	3,233,076	3,233,076	3,233,076	_	_	_

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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## 22. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### d) Market Risk

In the case of owning of foreign currency assets, liabilities and non-balance sheet liabilities, the risk that is exposed to resulting from the currency movements is defined as the foreign exchange risk. As of 31 December 2017 and 31 December 2016, the monetary assets and liabilities of foreign currency are as follows;

are as follows,		,—-· \			_		~~~
31 December 2017	Functional Curre	eny (TL)		USD	Eu	ro	GBP
Cash and banks	7	,730,901	2,049,604			-	-
<b>Total Assets</b>	7	,730,901	2,	049,604		-	-
<b>Total Liabilities</b>		-		-		-	-
Net foreign currency position	7	,730,901	2,	049,604		-	-
31 December 2016	Functional Curre	eny (TL)		USD	Eu	ıro	GBP
Cash and banks	16,549,710		4,702,691			-	-
<b>Total Assets</b>	16	,549,710	4,702,691			-	-
<b>Total Liabilities</b>		-		-		-	-
Net yabancı para pozisyonu	16	,549,710	4,	702,691		-	
			31 Dece	mber 2017			
	<u>Profit</u>					Equity	
	Appreciation of Foreign currency		ciation of currency	Apprecia Foreign cu			eciation of currency
10% change in USD against TL 1 – USD net asset / liability 2- Hedge Positions(-)	773,090		(773,090)	7	773,090		(773,090)
3- ABD Doları net etki (1 + 2)	773,090		(773,090)	7	73,090		(773,090)
TOPLAM (3)	773,090		(773,090)	7	73,090		(773,090)
	31 Aralık 2016						
	Profit				Equ		
	Appreciation of Foreign currency		ciation of currency	Apprecia Foreign cu			eciation of currency
10% abongs in LISD against TI							

Profit	/Loss	Equ	iity
Appreciation of Foreign currency	Depreciation of Foreign currency	Appreciation of Foreign currency	Depreciation of Foreign currency
1,654,971	(1,654,971)	1,654,971	(1,654,971)
1,654,971	(1,654,971)	1,654,971	(1,654,971)
1,654,971	(1,654,971)	1,654,971	(1,654,971)
	Appreciation of Foreign currency  1,654,971  - 1,654,971	Appreciation of Foreign currency  1,654,971 (1,654,971)  1,654,971 (1,654,971)	Appreciation of Foreign currency         Depreciation of Foreign currency         Appreciation of Foreign currency           1,654,971         (1,654,971)         1,654,971           1,654,971         (1,654,971)         1,654,971           1,654,971         (1,654,971)         1,654,971

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

## 22. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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

	31 December 2017	<b>31 December 2016</b>
USD	3,7719	3,5192

### (b) Interest rate risk

The Group management chose the short term-investment tools to make use of its assets that generate interest income, to be able to balance the maturity of assets and liabilities those are sensitive to interest rate by the method of natural precautions.

The government bonds those are classified as financial assets at fair value through profit and loss are exposed to the interest rate risk due to the fluctuation of the interest rates. However, the Group, can be re-exposed to the investment rate risk in the case of the re-investing the cash generated from the amortization of those government bonds.

The interest rate applied to the financial assets as of the 31 December 2017 and 31 December 2016 is as follows:

	31 December 2017 TL (%)	31 December 2016 TL (%)
Assets		
Time deposits	15.25	11.50
Government bonds	15.25	-
Stock exchange money market receivables	13.51	12.40
Reverse repo	12.27	8.40
Foreign borrowing instruments	4.66	-
Government borrowing instruments	-	9.14
	<b>31 December 2017</b>	<b>31 December 2016</b>
Financial instruments with fixed interest		
Time deposits	41,545,720	21,966,131
Financial assets at fair value through profit or loss	18,660,338	16,607,164
Financial instruments with variable interest		
Financial assets at fair value through profit or loss	12,712,042	3,683,822

As of 31 December 2017, if the interest in TL denominated interest rate was 100 basis points higher / lower and all other variables were constant, profit before tax would decrease to TL 127,120 (31 December 2016: 11,812) or increase to TL 127,120 (31 December 2016: TL 11,962).

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## 23. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

#### Fair value of financial instruments

The classification of financial assets at fair value is shown as follows:

- 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).

#### Level classifications of financial assets and liabilities given at their fair values:

Certain financial assets and financial liabilities of the Group are reflected to the financial statements at their fair values at each balance sheet date. The following table provides information on how to determine the fair value of the financial assets and liabilities:

31 December 2017	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss		8,093,710	23,278,670
Private sector borrowing instruments	-	23,278,670	,,
Foreign borrowing instruments (Eurobond)	7,730,901	-	-
MMO receivables	362,809	-	-
Stocks (open to public)	92	-	-
Financial assets Available-for-sale	7,209,888	4,626,624	765,944,956
Stocks (*) (**)	7,209,888	4,626,624	765,944,956
	15,303,598	27,905,294	765,944,956
31 December 2016	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	20,290,986	-	-
Government bonds and treasury bonds	8,800,304	-	-
Stocks (open to public)	11,490,682	-	-
Financial assets Available-for-sale	9,777,899	80,381,538	532,332,147
Stocks (*) (**)	9,777,899	80,381,538	532,332,147
	30,068,885	80,381,538	532,332,147

<sup>(\*)</sup> Detailed information about the valuation technique is given in Note 22.

<sup>(\*\*)</sup> The detailed information required for Levels 2 and 3 is given in Note 22.

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

## 23. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (Continued)

Reconciliation of assets and liabilities that are measured at Level 3 fair value are presented as follow:

	2017	2016
Opening - 1 January	532,332,147	413,362,098
Total gain / loss recognized in other comprehensive income	226,675,619	118,970,049
Closing - 31 December	759,007,766	532,332,147

#### **Derivative transactions:**

The details of the Group's open agreements as of 31 December 2017 and 31 December 2016 are as follows:

#### **31 December 2017**

Contract description	Due	Position	Nominal value	Settlement Price	Market Value
F_USDTRY0218	28 February 2018	Short	2,025	3,85	7,796
Net position					7,796

As of 31 December 2016, the details of the contracts that are open in VIOP are as follows:

#### **31 December 2016**

Contract description	Due	Position	Nominal value	Settlement price	Market value
F_XU0300217S0	28 February 2017	Short	1,200	96,28	11,553,000
Net position					11,553,000

As of 31 December 2016, the Group has a TL 11,553,000 open agreement due to the VIOP transactions. The amount of the guarantee for the contract, which is covered by the bet, is 2,178,180 TL.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

#### 24. DISCLOSURES RELATED TO STATEMENT OF CASH FLOWS

	<b>31 December 2017</b>	<b>31 December 2016</b>
Cash	181	68
Cash in banks	41,609,146	25,092,833
Demand deposits	63,426	3,126,702
Time deposits less than 3 months	41,545,720	21,966,131
Receivables from MMO (*)	7,034,016	-
Reverse repo receivables (**)	3,043,066	22,091,082
Investment funds (***)	1,551,445	-
Cash collateral of VIOP (****)	1,421,581	1,426,680
Total	54,659,435	48,610,663

- (\*) As of 31 December 2017, the weighted average interest rate of Takasbank money market receivables which are included in cash and cash equivalents is 13,41% (31 December 2016: None) and the coupon is 3 months short.
- (\*\*) As of 31 December 2017 the maturities of reverse repos are 3 days and the weighted average interest rate is 12,27% (31 December 2016: weighted avarege interest rate is 8,40% and the maturity is 3 days).
- (\*\*\*) As of 31 December 2017, there is an investment fund of "Is Portfolio PF Private Sector Borrowing Instruments Special Fund" amounting to TL 1,551,445 (31 December 2016: None).
- (\*\*\*\*) Forward transactions are cash collateral given for trading on the VIOP market. Profit and losses are recognized in profit or loss as a result of transactions made during the period and valuation differences reflected in profit or loss as a result of valuation of open transactions at market prices are netted off with interest income generated after payment of commissions paid and remaining guarantee amount.

As of 31 December 2017, interest rates for Turkish lira denominated time deposits vary between 14,95% - 15,30% (31 December 2016: 10,75% - 11,50%) and their maturities are less than a month (31 December 2016: less than a month). As of December 2017, the Group does not have foreign currency time deposits (31 December 2016: interest rate for foreign currency time deposits is 3.10% and maturity date is 12 January 2017)

As of 31 December 2017 and 31 December 2016 cash and cash equivalents included in the consolidated statements of cash flows are presented below:

	31 December 2017	<b>31 December 2016</b>
Cash and cash equivalents	54,659,435	48,610,663
Rediscount (-)	(253,623)	(91,602)
Total	54,152,189	48,519,061

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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

### 25. SUBSEQUENT EVENTS

- i) The company applied CMB at 4 January 2018 in accordance with the "Registered Capital System Communiqué" No II-18.1, in order to renew the Company's registered capital ceiling for the 5 years period and to be allowed to amend Article 7 of the Main Contract titled "Registered Capital" and to increse the maximum limit from 200,000,000 to 500,000,000. This application was approved by the Capital Markets Board with the letters of 29833736-110.03.03-E.377 dated 11 January 2018 and the letter of 50035491-431.02 dated 16 January 2015 of the Ministry of Customs and Trade.
- ii) As stated in Note 1, the Company agreed to sale 1,050,000 units of the Group A preferred shares amounting to TL 6.24 from the unit price for a total of TL 6,552,000 and 5,796,413 units for the entirety of the non-preferred shares of Group B TL 1.56 from the unit price amounting to TL 9,042,404 to Metro Yatırım Menkul Değerler A.Ş. and the Company applied CMB and Competition Authority for approval of the relevant sales transaction which the Company made an explanation about via Public Disclosure Platform at 27 December 2017. The process regarding obtaining permission from the Competition Authority and CMB regarding the sale of financial fixed assets related to sale of subsidiary is ongoing.

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