Eczacıbaşı Investment Holding Co.

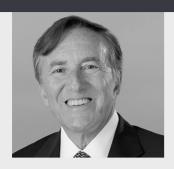
Annual Report 2019



Eczacıbaşı Investment Holding Co.

Annual Report 2019

# **Board of Directors**



# F. Bülent Eczacıbaşı

Eczacıbaşı Holding Chairman Bülent Eczacıbaşı began his professional career in 1974 and held numerous management positions in Eczacibasi Group companies before becoming chairman in 1996. He has also served at the senior level of prominent business 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); and the Turkish Pharmaceuticals Manufacturers Association (İEİS), where he was Chairman of the Board (2000-2008). Bülent Eczacıbaşı continues to serve both TÜSİAD and İEİS as Honorary Chairman. He is also an Honorary Member of the Foreign Economic Relations Board (DEİK) and Turkish Enterprise and **Business Confederation** (TÜRKONFED), and a member of the High Advisory Council of the Aegean Industrialists and Businessmen Association (ESİAD).

Bülent Eczacıbaşı is on the board of several major civic organizations, as well. He is Chairman of the Board of Trustees of the Istanbul Modern Art Foundation, Chairman of the Board of Directors of the Istanbul Foundation for Culture and Arts (IKSV), and a member of the High Advisory Board of the Turkish Economic and Social Studies Foundation (TESEV), which he previously served as the Founding Chairman (1993-1997).

Bülent Eczacıbaşı graduated from the Department of Chemistry of the Imperial College of Science and Technology, London, and obtained his master's degree in chemical engineering from the Massachusetts Institute of Technology. He has received French and Italian awards of merit, respectively the "Chevalier dans l'Ordre National de la Légiond'Honneur" and "Commendatore dell'Ordine della Stella d'Italia". He is the author of "İşim Gücüm Budur Benim" (That's My Job), a book about his experiences in business and the new roles and responsibilities of business leaders, published in



# R. Faruk Eczacıbaşı

Faruk Eczacıbaşı began working in the Eczacıbaşı Group in 1980 after completing his graduate work at Berlin Technical University, and for many years managed the Group's e-transformation process.

Faruk Eczacıbaşı is President of the Turkish Informatics Foundation (TBV) which he co-founded in 1995. In this role, he contributes to the preparation of numerous studies on related issues as well as the shaping of public policy.

In 1996, Faruk Eczacıbaşı assumed his current position as Vice Chairman of the Eczacıbaşı Group. In 1999, he also became President of the Eczacıbaşı Sports Club.

Faruk Eczacıbaşı has written a book on the transformational changes taking place in Turkey and around the world as a result of new digital technologies. Published in Turkish in 2018, the book considers the challenges for individuals, institutions and societies, and discusses ways to prepare for the positive and negative aspects of the digital future.



## Atalay M. Gümrah

Atalay Gümrah graduated from Galatasaray Lycée and Boğaziçi University's Industrial Engineering Department. After receiving a master's degree in Industrial Engineering from the same university, he completed the Harvard Business School

Personal Leadership Program.

Gümrah initiated his career in 1992 at Ekom Eczacıbası 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 Interna 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, Gümrah was appointed CEO of the Eczacıbaşı Group on 1 February

In addition to serving on the boards of several Eczacıbaşı Group companies, Gümrah was assigned the additional post of General Manager of Eczacıbaşı Holding on 1 January 2019. He is also the Chairman of the Clay, Ceramic, Cement and Glass Industry Employers Association of Turkey.



## M. Sacit Basmacı

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

Sacit Basmacı began his career in the Ministry of Finance as a tax accountant between 1974 and 1981. In 1981, he joined Eczacıbaşı Holding as an auditor, remaining here through 1983. In 1984, he moved to Cankurtaran Holding as Vice President of Financial and Administrative Affairs, later becoming a 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. M. Sacit Basmacı continues to serve as Chief Audit Executive.



# Seyfettin Sarıçam

Seyfettin Sarıçam graduated from Bosphorus University Industrial Engineering Department in 1995 and received his MBA degree from New York University Stern School ofBusiness in 1999.

Sarıçam started his career in the audit department of PwC Istanbul Office between 1995 and 1997. After completing his MBA, he worked respectively for JPMorgan Chase in New York and London as Investment Banking Associate (1999-2001), the 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 joined the Eczacıbaşı Group in July 2016 as Deputy Vice President of Strategic Planning and Finance and became Executive Vice President in October 2016. Seyfi Sarıçam continues to serve as Chief Financial Officer since January 2019.



# Simhan Savaşçın Basaran

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 & Savaşçın 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 Eczacıbaşı Holding Co.



## Ahmet Turgut Tokgöz

Turgut Tokgöz earned his BSc in Economics from the Middle East Technical University (METU) in 1989. Following his graduation from METU, he briefly worked for the Undersecretariat of Treasury and Foreign Trade as an assistant supervisor. In 1992, he completed his graduate study in international relations at The Johns Hopkins University (SAIS) followed by a graduate degree in economics from the University of California at Santa Barbara in 1993.

Between 1993 and 1996, he worked for TEB Research as economist and banking sector analyst. In the meantime, he held a part-time position as a lecturer in economics at Istanbul Bilgi University. In 1996 he joined Eczacibasi Securities and held executive positions until 2001. In May 2001, Turgut Tokgoz took the position of Secretary General at the Turkish Capital Markets Association. Meanwhile, he served as Board Member at Turkish Derivatives Exchange and The Central Registry Agency. In April 2004, Tokgöz was appointed to his current post as Secretary General of the Pharmaceutical Manufacturers Association of Turkey.

Turgut Tokgöz has been an independent member of Eczacibaşı Group's Board of Directors since 2018.



# Erkan Durusoy

A.Ş. in 1984.

Born in Balikesir in 1957, Erkan Durusoy completed his higher education at the Faculty of Economics of Istanbul University.
Erkan Durusoy, who started his career as the Financial Affairs Manager in Aldağ Soğutma Sanayii A.Ş. of Alarko Group, served as Financial Affairs Director in the same company in 1981 and as Financial Affairs

Director in Etaş Elektronik Tic.

Having joined Eczacıbaşı Group in 1985 as the Financial Affairs Director of Sunum Endüstriyel Temsilcilik ve Pazarlama A.Ş., Erkan Durusoy took office as the Financial Affairs Director of Intema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş. in 1987 and served in the same position until 2013 when he retired.





# 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 Eczacibaşı Yatırım Holding Ortaklığı A.Ş.

## 1. Opinion

We have audited the annual report of Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. (the "Company") for the 1 January - 31 December 2019 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 position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set 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 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 Financial Statements

We expressed an unqualified opinion in the auditor's report dated 28 February 2020 on the full set financial statements for the 1 January - 31 December 2019 period.



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

Company 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 Company'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 Company 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 Company'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 financial statements of the Company 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 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, 28 February 2020

### 1. GENERAL INFORMATION

## 1.1. Reporting Period

This report covers the period of 1st January 2019 - 31st December 2019.

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

**Trade Registration Number** : 12520972411

**Headquarters' Contact Details** : Kanyon Ofis Büyükdere Cad. No: 185 34394 Istanbul

**Branch's Contact Details**: None.

The Company's website : www.eyh.eczacibasi.com.tr , www.eczacibasi.com.tr

## 1.3. Capital and Shareholding Structure

Issued Capital : TL 105,000,000
Authorized Capital : TL 500,000,000

**Shareholding Structure**:

The Company's shareholding structure as of 31st December 2019 is as follows:

| 31.12.2019 31.12.2018 |
|-----------------------|
|-----------------------|

|                         | Share Ratio (%) | Share Amount (TL) | Share Ratio (%) | Share Amount (TL)        |
|-------------------------|-----------------|-------------------|-----------------|--------------------------|
| Eczacıbaşı Holding A.Ş. | 81.57           | 85,653,274        | 81.57           | 95 652 27 <i>1</i>       |
| Other                   | 18.43           | 19,346,726        | 18.43           | 85,653,274<br>19,346,726 |
|                         |                 |                   |                 | - ,,                     |
| Total                   | 100             | 105,000,000       | 100             | 105,000,000              |

The issued capital of the Company is divided into 105,000,000 shares with a nominal value of TL 1 each. There is no privileged share and each share has one voting right. The company has not acquired its own shares.

## Changes in Capital and Shareholding Structure During the Fiscal Period

No chance occurred in the capital and shareholding structure between 01 January 2019 - 31 December 2019.

# 1.4. Information on the Company's Organization, Board of Directors, Senior Executives, and Number of Personnel, Financial benefits provided to Members of the Board of Directors and Senior Executives

#### **Board of Directors**

| Name & Surname          | Position                                | Start Date of<br>Taking Office (*) | Independency<br>Status |
|-------------------------|---|------------------------------------|------------------------|
| F. Bülent Eczacıbaşı    | Chairman of the Board of Directors      | 11.04.2019                         | -                      |
| R. Faruk Eczacıbaşı     | Vice Chairman of the Board of Directors | 11.04.2019                         | -                      |
| Seyfettin Sarıçam       | Member/General Manager                  | 11.04.2019                         |                        |
| Atalay M. Gümrah        | Member                                  | 11.04.2019                         | -                      |
| M. Sacit Basmacı        | Member                                  | 11.04.2019                         | -                      |
| Simhan Savaşçın Başaran | Member                                  | 11.04.2019                         | -                      |
| Ahmet Turgut Tokgöz     | Member                                  | 11.04.2019                         | Independent Member     |
| Erkan Durusoy           | Member                                  | 11.04.2019                         | Independent Member     |

(\*) The Members of the Board of Directors were elected to be in charge for 1 year during the Ordinary General Shareholders' Meeting dated 11<sup>th</sup> April 2019, and will hold the office until the Ordinary General Shareholders' Meeting to be held in 2020.

The Board of Directors holds meetings as required by the Company businesses, as laid down in the Articles of Association of our Company. Agenda of meetings of the Board of Directors is determined upon notification of issues, explicitly ordered in the Articles of Association to be submitted to decision of the Board of Directors, by relevant departments to the Company's senior management and to the members of the Board of Directors.

The information on the Board committees, the working principles of the committees, the assessment of the Board of Directors related to the activity of the committees, positions held by the Board members outside the Company, and the benefits provided is given on pages 7-10 of the section entitled Corporate Governance in this annual report.

#### **Number of Personnel**

Our Company does not have any permanent employees and the management services are carried out by outsourced services and consultancy.

Total amount of the financial benefits provided to the Board members and senior executives, such as attendance fees, remunerations, premiums, dividends

In our Company, no fee and attendance fee is paid to the Board members, except for the independent members of the Board of Directors. A monthly gross attendance fee of TL 11,000 is paid to the independent members of the Board of Directors, as determined by the General Assembly.

Information on the total amount of the allowances, travel, accommodation and entertainment expenses, as well as opportunities in kind and in cash, insurances, and similar guarantees provided to the Board members and senior executives

There is no amount paid.

### Information on Activities of the Board Members within the Scope of the Prohibition of Competition

The members of the Board of Directors did not take any action against the prohibition of competition within the period of January 1<sup>st</sup> – December 31<sup>st</sup>, 2019.

# 2. ACTIVITIES, SUBSTANTIAL DEVELOPMENTS RELATED TO ACTIVITIES AND FINANCIAL POSITION

Eczacibaşı Yatırım Holding Ortaklığı A.Ş. was founded on December 29th, 1973 in Istanbul.

The main subject of actitivity of the Company is to participate in the capitals of existing or future equity companies with a profit making capability or potential, established in such areas as may be deemed appropriate by the Company, or to invest in shares and other securities issued or to be issued by such companies.

All shares of our Company and Ezcacibaşı Holding A.Ş. (49.54%) in the paid in capital (TL 4,835,000 in total) of Kaynak Tekniği Sanayi ve Ticaret A.Ş, (Kaynak Tekniği), a 15.86% owned subsidiary of our company, were sold to Lincoln Electric France S.A.S on July 1<sup>st</sup>, 2019. The sales price falling onto the share of our Company was USD 11,442,922.

Eczacıbaşı Yatırım Holding Ortaklığı has 5 affiliates which are wholly owned by Eczacıbaşı Group as of 31.12.2019.

#### **Information on Affiliates:**

| Trade Name                                     | Scope of Activity                      | Company's<br>Share in the<br>Capital (%) |
|--|--|--|
| İntema İnşaat ve Tesisat Malzemeleri Yatırım   | Sales of construction and installation |  |
| ve Pazarlama A.Ş.                              | materials and after-sales services     | 46.21                                    |
| E-Kart Elektronik Kart Sistemleri San. ve Tic. | Developing and producing smart card    |  |
| A.Ş.   | solutions                              | 31.01                                    |
| EİS Eczacıbaşı İlaç. Sınai ve Finansal         | Participating and making real estate   |  |
| Yatırımlar San. ve Tic. A.Ş.                   | investments                            | 29.67                                    |
|  | Manufacturing bathroom and kitchen     |  |
| Eczacıbaşı Yapı Gereçleri San. ve Tic. A.Ş.    | faucets and bathroom accessories       | 10.29                                    |
| Eczacıbaşı Holding A.Ş.*                       | Participating                          | 11.54                                    |

<sup>\*</sup>Our Company holds 11.54% of the shares in our main shareholder Eczacibaşi Holding A.Ş., and it does not have any directive effect or control over the organization and investment policies of Eczacibaşi Holding A.Ş.

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



|                     | <u>2019</u>    | <u>2018</u>     |
|---------------------|----------------|-----------------|
| Paid-in Capital     | TL 3,110,000   | TL 3,110,000    |
| <b>Total Assets</b> | TL 82,701,835  | TL 178,246,314  |
| Equity              | TL (4,337,958) | TL (21,255,897) |
| Revenue             | TL 206,927,645 | TL 163,395,804  |
| Net Profit          | TL 16,917,939  | TL (11,996,712) |

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

In today's modern world, where secure and uninterrupted connection experience is an indispensable part of our lives, an increasing number of people can connect securely and easily to the digital world and have an uninterrupted and secure exchange of information, ensuring that their personal information will not be altered, stolen, or used for any other purposes.

E-Kart was established in 1999 with the purpose of providing its 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 percent of shares in E-Kart Elektronik Kart Sistemleri were sold in 2001 to Giesecke & Devrient GmbH, the world's second largest enterprise in its field. Having started the production in 2001 and having the facility that is able to produce and personalize the first Visa/Europay-approved credit card in Turkey and the smart credit card, E-Kart has also become the first sim card production facility in Turkey. The annual card production capacity of E-Kart is 100 million. E-Kart incorporates within itself the daily card personalization operations of many banks thanks to the fast, quality and reliable service concept it offers to its customers, besides its smart card production.

E-Kart possesses an infrastructure that is capable of performing Visa/Europay, SAS, and other International security certification operations, as well as card production, software, and personalization operations. Holding ISO 27001 Information Security Management System Certificate, E-Kart added to its list AMEX certificate and ISO 14298 Secure Printing Processes Management certificate in 2014, and Diners Certificate in 2015. The organization led the way in Turkey with ISO 22301 Business Continuity Management System certificate to ensure the continuation of our products and services under exceptional circumstances. In 2011, it added ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Management System certificates to its ISO 9001 certificate that certifies it quality management system, and it was awarded ISO 10002 Customer Satisfaction Management System certificate in 2014.

In addition to its management system certificates, ISO 14064 Enterprise Greenhouse Gas Inventory Verification Audit was first carried out in 2011 for the Scope 1-2-3, and PAS 2050 Product Carbon Footprint Certificate was obtained in 2012, and the company became the organization that broke new ground in terms of both certificates in its sector. E-Kart continues to calculate and verify its enterprise carbon footprint every year.

A key player in all markets where it operates, E-Kart has become a large vendor in TRNC, Moldova, Ukraine, Azerbaijan, Georgia, and Kazakhstan thanks to the marketing and sales activities it carries out in line with its geographic growth target. E-Kart that is getting ready to penetrate into new markets in addition to the said countries aims to grow also in such markets.

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



|                     | <u>2019</u>      | <u>2018</u>      |
|---------------------|------------------|------------------|
| Paid-in Capital     | TL 685,260,000   | TL 685,260,000   |
| <b>Total Assets</b> | TL 4,837,337,000 | TL 4,456,472,000 |
| Equity              | TL 4.277.258.000 | TL 3,997,840,000 |
| Revenue             | TL 877,076,000   | TL 692,094,000   |
| Net Profit          | TL 162,728,000   | TL 240,089,000   |

Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar is not engaged in any actual manufacturing activity and it has a holding structure with its existing subsidiaries, business partnerships, and affiliates.

Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar was established in partnership (50%-50%) with İş Gayrimenkul Yatırım Ortaklığı A.Ş. in Istanbul Province, Şişli District, Büyükdere Caddesi Location and owns the half of Kanyon shopping center, which was realized as the first outdoor shopping center project in Turkey, and the entire 26-storey office block.

On December 31<sup>st</sup>, 2007, Eczacibaşi İlaç, Sınai ve Finansal Yatırımlar purchased the half of 22 building plots equal to 196,409.74 m² in total which were situated in Yorgancı Çiftliği Location, Uskumru Quarter of Sarıyer District. And the other half of them belongs to Eczacibaşi Holding A.Ş. The construction of 90 thousand m² in total was built on the mentioned real estates, and this project completed is mainly for residence purpose and it has partially commercial areas. The occupancy permits were obtained for all of the buildings (residence and commercial units).

- In Ormanada which was designed in collaboration with Torti Gallas and Partners, Kreatif Mimarlık and Rainer Schmidt Landscape Architects having İnternational knowledge and experience; the residences are of 170 to 700 square meters and the unit sales price for the residences is TL 7.8 million to TL 11.3 million.
- In Ormanada, there are 273 residences as 188 villas and 85 row houses; and there are 150 residences on the 1<sup>st</sup> Phase and 123 residences on the 2<sup>nd</sup> Phase. The delivery of the residences on the first phase started as of April 2013 and the delivery of the residences on the second phase started as of December 2013.
- As of December 31, 2019, 248 residences have been sold in total and rental income is generated from 12 of the existing residences.

## İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş.



|                     | <u>2019</u>    | <u>2018</u>     |
|---------------------|----------------|-----------------|
| Paid-in Capital     | TL 19,440,000  | TL 4,860,000    |
| <b>Total Assets</b> | TL 411,005,948 | TL 419,599,289  |
| Equity              | TL 24,380,507  | TL (17,301,280) |
| Revenue             | TL 747,451,738 | TL 825,291,983  |
| Net Profit          | TL (289,513)   | TL (37,862,724) |

Intema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş. ("İntema") was incorporated in 1978 and its actual scope of activities includes the marketing and sales of Eczacıbaşı Construction Group's products across Turkey, as well as the realization of the guiding and informative presentation, exhibition, consultancy, sales, and after-sales services, which start from the project and design, for the whole of products and services addressing the bathroom renovation market.

Intema carries out marketing and sales of bathroom products in the wholesale and retail markets and of tiles and construction chemicals in Turkey in the retail channel within the body of Ezacıbaşı Construction Group. The product groups marketed and sold consist of ceramic health tools, washbasins, bathtubs, bathroom furniture, ceramic coating products, construction chemicals and fittings.

The point of sale structure ensured through İntema stores is spread to the authorized dealer channel and the correct representation of the organization's and brand's reputation, as well as the standardization of the showcase and service quality, are ensured. İntema stores put their signatures under "turnkey" projects by carrying out all processes from the drawing to the assembly of a project. Carrying out their activities under the organization of İntema and being the first coordinated service organization in their sector, VitrA-Artema authorized services today provides aftersales service support for the construction group products to 94 points around Turkey.

İntema Yaşam Ev ve Mutfak Ürünleri Pazarlama Sanayi ve Ticaret A.Ş. (İntema Yaşam), a wholly owned subsidiary of Interna is engaged in household and kitchen products marketing and sales activities. İntema Yaşam renders presales guidance, consulting, projecting and architectural services as well as assembly and maintenance services in 23 points of sales Turkey-wide.

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



Being the first and the largest ceramic medical equipment manufacturer and exporter in Turkey, Eczacıbaşı Yapı Gereçleri (EYAP) has been manufacturing VitrA branded ceramic medical equipment since 1958 and bathroom furniture, bathtubs, and shower trays since 1991. EYAP's facility established in Bozüyük in 1977 is one of the world's largest manufacturing complexes carrying out activities under a single roof in the ceramic medical equipment sector. The facility is the first owner of TS EN 16001 Energy Management System Certificate, the latest and the most advanced International standard in its field, in its sector. In addition, EYAP is the first and only ceramic medical equipment manufacturer in Europe to have been awarded the Type-III Environmental Product Declaration that is the most comprehensive standard of eco-labels in the world.

Thanks to the faucets it has been producing since 1983, EYAP is one of the top 10 manufacturers of Europe. The slogan "Aç Kapa" of Artema, which produced the first "single-operated faucet" in Turkey, is used as the generic name of the product in the sector. Having started manufacturing also bathroom accessories in 1995, the organization develops its products together with Turkish and foreign designers. Artema products that offer the water and energy savings up to 90%, besides their designs addressing to different tastes, include also electronic, thermostatic, and time-control faucets for professional spaces.

In accordance with the "TSI Star" and "TSI Double Star" application started in 2014 by the Turkish Standards Institution (TSI), Artema documented its quality by becoming the first manufacturer in all sectors and the only manufacturer in its sector to obtain the certificate. Artema, almost the entire product range of which is of A energy class, is the first manufacturer to obtain the European Water Label certificate in the faucet sector in Turkey. The paid-up capital of EYAP is TL 112,830,900.

### Eczacıbaşı Holding A.Ş.

Established at the end of 1969, Eczacibaşi Holding carries out and directs the strategic planning, financial management, audit, and new project assessments of Eczacibaşi Group, in addition to its general investment activities. In addition, it serves as a consultant in the activities of organization and human resources, information technologies, and communication systems of the Group's companies and conducts the corporate communication activities of the Group.

# ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. BOARD OF DIRECTORS' REPORT FOR THE PERIOD OF JANUARY $1^{\rm ST}$ - DECEMBER $31^{\rm ST}$ , 2019

#### 3.1. Finansal Position

The main trends that have a significant impact on the global economy in 2019 turned out to be trade wars and the fear of recession. The mutual increase in customs duties and other commercial barriers between the USA and China had a negative impact on the global economy. In 2019, economic growth in global economy declined from 3.6% to 3.0% according to IMF estimates. European economies were affected by the shrinkage in the Chinese economy and the weakening demand in the European region. The German manufacturing industry entered the shrinkage zone due to the declining global trade. In the light of these developments, the global markets once again entered the expansionary policy cycle as of summer, as the direction of capital markets was turned to developing countries.

Turkish economy, which shrunk on an annual basis as from the last quarter of 2018, began to grow again annually following three quarterly periods. In line with the expectations, in 2019, the Turkish economy grew 0.9% on an annual basis in the third quarter of the year according to the chained volume index. Postponed with the positive effect of the rapid decline in interest rates which started in July 2019, consumer demand began to show its effect in all areas, especially in housing and automotive sectors, as from September. Annual CPI inflation, which completed 2018 at 20.30%, reached 11.84% by the end of 2019. The decline in inflation was driven by the limited domestic demand, policies under the Anti-Inflation Campaign and the relatively decreased exchange rate volatility after the exchange rate increase in 2018.

Eczacibaşı Yatırım Holding Ortaklığı A.Ş. has a portfolio diversified in terms of business lines and as of the end of 2019, the net profit for the year stood at TL 72,628,550.

# ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. BOARD OF DIRECTORS' REPORT FOR THE PERIOD OF JANUARY $1^{\rm ST}$ - DECEMBER $31^{\rm ST}$ , 2019

#### 3.1.2. Financial Indicators

| Summarized Profit & Loss Statement (TL)                 | 2019/12       | 2018/12       | 2017/12       |
|---|---------------|---------------|---------------|
| Sales Income  | -             | 27,032,805    | 65,002,023    |
| Gross Profit  | -             | 1,380,804     | 5,686,939     |
| Real Operating Profit                                   | 37.619.456    | 41,798,005    | 131,025,229   |
| Depreciation and Amortization                           | 15.971        | 1,903         | 34,116        |
| Operating Profit Before Depreciation                    | 37.635.427    | 41,799,908    | 131,059,345   |
| Net Profit for the Period                               | 72.628.550    | 100,782,169   | 183.128.614   |
| Summarized Balance-Sheet (TL)                           |               |               |               |
| Total Assets  | 2.374.536.772 | 2,152,239,332 | 1,897,578,018 |
| Total Equity  | 2.368.768.777 | 2,111,674,788 | 1,864,006,577 |
| Total Current Assets                                    | 105.925.218   | 44,976,142    | 87,311,271    |
| Total Short-Term Liabilities                            | 1.377.698     | 619,108       | 423,407       |
| Investment Expenditures                                 | -             | -             | -             |
| Financial Indicators (%)                                |               |               |               |
| Liquidity Ratios  |               |               |               |
| - Current Ratio   | 76.89         | 72.65         | 206.21        |
| - Liquidity Ratio                                       | 76.89         | 72.65         | 206.21        |
| Ratios Related to Financial Position                    |               |               |               |
| - Total Liabilities / Total Assets                      | 0.02          | 0.02          | 0.02          |
| - Total Shareholders' Equity / Total Assets             | 0.98          | 0.98          | 0.98          |
| - Total Shareholders' Equity / Total Liabilities        | 52,04         | 52.06         | 55.52         |
| Profitability Ratios                                    |               |               |               |
| - Net Profit for the Period / Total Shareholders' Equit | y 0,031       | 0.048         | 0.098         |
| - Net Profit for the Year / Total Assets                | 0,031         | 0.047         | 0.097         |
| - Net Profit for the Year / Net Sales                   | -             | 3.728         | 2.817         |

<sup>(\*)</sup> The Company sold on April 9<sup>th</sup>, 2018 its affiliate company Eczacibaşı Yatırım Ortaklığı A.Ş. that it had consolidated in the previous periods. For this reason, while the financial information issued as of December 31<sup>st</sup>, 2018 in the summary financial information table is provided as nonconsolidated financial information, the comparative financial information dated December 31<sup>st</sup>, 2017 provided is comprised of the consolidated financial information including also the financial results of Eczacibaşı Yatırım Ortaklığı A.Ş.

The stocks of Eczacibaşi Yatırım Holding Ortaklığı A.Ş. traded with the code "ECZYT" on the BİST were traded at TL 5.73 the lowest and TL 10.52 the highest in 2019, and stood at TL 10.11 at the end of the year, up 41.40% compared to a year ago. In the same period, BIST 100 Index appreciated by 25.37%.

# 3.1.3. Determination as to whether the Company's capital is fully covered or indebted, and assessments by the managing body

The company's issued capital is TL 2,329,768,776, 21.19% above the issued capital excluding equities amounting to TL 105,000,000.-

#### 3.1.4. Measures considered to be taken to improve the financial structure of the Company

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

#### 4. ONGOING INVESTMENTS:

The Company does not have any ongoing investments.

#### 5. RESEARCH AND DEVELOPMENT ACTIVITIES

Due to our scope of activities, we do not have any research and development activity.

# 6. INFORMATION ON THE COMPANY'S INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES, AND OPINION OF THE MANAGING BODY

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

Elements within the flow of business processes, including standard definitions, tasks and responsibilities, authorizations, policies and procedures, constitute the Internal Control System. This system, which also includes risk management, information systems and processes, is assessed under Internal audit activities and its effeciency is checked.

At Eczacibaşi Group, the İnternal audit activities have been structured under the roof of Eczacibaşi Holding A.Ş., the parent company. The Audit Board within Eczacibaşi Holding A.Ş. audits the activities of the organizations included in consolidation within the scope of the required processes and/or issues. The Audit Board works in coordination with the audit committees established in public companies of Eczacibaşi Group.

The Audit Committee is responsible for the accounting system, public disclosure of financial data, identification of the independent audit company, operation and effectiveness of the Internal control system, and observation of the independent audit processes. During the period, the Committee monitored the accounting and Internal control systems, independent audit and financial reporting processes, and encountered no irregular finding and concluded that operations were carried out properly.

In addition to the duties conducted by the Audit Committee, the legal records of the affiliate companies, the business partnerships and the subsidiaries included within consolidation are quarterly controlled by the Certified Public Accountancy company in accordance with the Turkish Commercial Code, the Uniform Accounting Plan and in terms of tax issues. In addition, compliance with the CMB legislation and the Turkish Accounting Standards published by the Public Oversight, Accounting and Audit Standards Authority of the financial statements for March, June and September and of the annual financial statements issued for consolidation by the companies included in consolidation are analyzed and audited by the independent audit company. The Audit Committee convened 6 times during the year.

#### 7. ASSESSMENT ON RISKS AND THE MANAGING BODY

### 7.1. Information on risk management policy

At Eczacibaşi Yatırım Holding Ortaklığı A.Ş., risk management is dealt with a holistic perspective, considering it's a part of activities. Operations are performed to identify, assess, monitor any potential risk elements that may affect the Company's achieving short, medium and long term targets, pose a threat to its development and sustainability and to manage respective risks in accordance with the Company's risk-taking profile.

The Corporate Risk Management unit, formed within the structure of Eczacibaşi Holding A.Ş Group Directorate of Financial Affairs and Financing to centrally manage risk management activities of Eczacibaşi Group, works in coordination with the Committee of Early Detection of Risk established at public companies. In the Eczacibaşi Group, the Corporate Risk Management process has been designed in accordance with International standards in order to bring a structural perspective on an organizational basis.

Corporate Risk Management is the management process that determines which risks should be managed to what extent in line with the determined goals and objectives and ensures that necessary actions are taken, reviewed and reported. In this way, it is possible to create a risk-oriented culture at all levels of the Company, to reduce the variability in revenues by avoiding events that can seriously harm the Company's value and thus to support sustainable growth.

The primary risks incurred by the Company are monitored under two main categories as financial risks (foreign exchange, interest, liquidity and credit) and nonfinancial risks (strategic, operational, compliance and sustainability).

#### **Financial Risks**

The company focuses on minimizing the effects of unpredictability of financial markets and potential negative results on the financial performance of the Company in order to manage various financial risks it's exposed to as a result of its activities and financial position.

The financial risks any positive or negative influence on financial outcomes of the organization caused by unstability in the markets such as exchange rate, interest, etc. In addition to these risks, liquidity risk and credit risk are also other financial risks that may play a role in deterioration of stability of the financial structure of the organization. The financial risks are analyzed under four titles as follows: foreign exchange risk, interest risk, liquidity risk, and credit risk.

## Foreign exchange risk

This refers to the risks arising from any financial or operational transactions in foreign currency of the Company where the company has assets, liabilities and off-the-balance-sheet liabilities in foreign currency. These risks are monitored by analyzing using exchange position and controlled by keeping the amount exposed to exchange risk within limits.

In order to manage foreign currency risk effectively, following sensitivity analyses and scenario studies, hedging transactions are made in accordance with the risk appetite and determined policies and limits. In addition, the market expectations are constantly followed in order to make the cash and credit portfolio of the Company be affected from the foreign exchange movements at a minimum level, and the portfolios are dynamically managed depending on the up-to-date data.

#### Interest risk

Interest risk is the effect of the change in interest rates on the Company's financial results due to its interest sensitive assets and liabilities. The Company primarily manages this risk by balancing its interest sensitive forward receivables and forward debts using natural precautions.

The decision is made to get loans as short or long, fixed or floating interest rate depending on the market expectations of the organization and on its pre-determined risk limits. In addition, duration calculations and sensitivity analyses are used in the management of the interest rate risk that the Company is exposed to, and derivative financial instruments are used when necessary, by preferring institutions that offer more favorable financing conditions.

### Liquidity risk

Liquidity risk is the risk that the Company may not fulfill its net funding obligations due to occurrence of events giving rise to the reduction of fund resources, such as deterioration of markets or rating downgrades. Unless effective planning is made, financial liabilities may not be met on time, cost-effectively and at sufficient levels.

The liquidity risk management consists of the ability to provide cash and cash-convertible instruments, securities of sufficient amount, provide funding through sufficient credit facilities and resource diversification and close short positions. The Company has aimed for flexibility in the funding through rendering the loan channels ready due to the dynamic nature of the business environment.

Liquidity risk is managed by monitoring credit usage, repayments, and cash flow projections and considering financial soundness indicators. The financial structure of the Company is analyzed by the indicators such as current ratio, liquidity ratio, total debt/total assets, net financial liability /equity, capability of the organization to pay interest, etc., and assessed from the weakest to the strongest; and actions are taken related to the working capital management as a result of the assessment.

#### Credit risk

Credit risk is the risk of financial loss to the Company as a result of the failure of a party involved in the commercial relationship to fulfill its obligations related to a financial instrument. The Company's priority in the management of this risk is to distribute the value exposed to credit risk in a balanced and manageable manner.

These risks are managed with credit rating studies based on historical data, inquiry studies, limiting the concentration on a single business partner within the total portfolio, and assurance structure to be applied for customers. Risk positions are constantly monitored by conducting detailed customer analyses and it is ensured that the domestic and foreign receivables are insured within the determined operation limits.

#### **Nonfinancial Risks**

In addition to getting the financial risks under control, the other important risks related to the activities of the companies are handled as strategic, compliance and sustainability risks.

### Strategic risks

Structural risks that may prevent the Company from reaching its short, medium and long term goals are evaluated under this heading. Strategic risks are addressed as fluctuations in the demand for products and services, changes in the market shares, market risks arising from the developments that may affect competition, brand and reputation risks, economic and political risks, governance risks such as business model, value chain, investment decisions, risks related to innovation and transformation, such as technological advances, product and business development.

Risk is managed with a rational and cautious risk management approach, keeping the balance of growth and returns at the optimum level and primarily considering long-term interests. In this context, necessary proactive measures are taken against potential risks with sectoral and geographical diversification, long-term dynamic portfolio management, feasibility studies regarding investment decisions, close monitoring of macro developments and market dynamics, and determination of innovative strategies in the fields of innovation and transformation.

#### Operational risks

Operational risks consist of risks affecting operations, arising from incidents that can cause business interruptions such as earthquake, fire, work or environmental health and safety, problems in information technology or infrastructure systems, management of business processes and interruptions in Internal controls, employees, etc.

These risks are reduced with the effective human resources management and the investments in technological infrastructure; and the coverable risks are frequently reviewed, covered based on a benefit and cost analysis, and transferred to the outside of the Company. Also, the Company processes and systems are periodically checked and audited against operational risks.

The Company attaches utmost importance to ensuring continuity of all business processes and corporate operations in order to provide the highest possible value to its stakeholders.

### Compliance risks

Compliance risks refer to legal sanctions and loss of image, reputation, material losses, etc. that may be encountered in case of non-compliance with all applicable laws, other legal regulations and legislations, codes of conduct, and defined rules such as Internal policies and regulations that are part of corporate governance.

All compliance risks related to changes in the legislation, lawsuits, possible legal disputes, competition rules, compliance with tax, customs and other regulations are effectively managed with coordination of relevant units in the Company.

# Sustainability risks

The Company has adopted the holistic sustainability approach of Eczacibaşi Group, of which it is a member, that focuses on balancing the business world and the needs of human life with the sustainability of natural resources.

The Group intends to carry out planning from today to the future with its economic, environmental and social dimensions within the framework of its holistic sustainable development approach. In this context; in all Eczacibaşi Group companies, management of sustainability risks including natural disasters, extraordinary weather events, biodiversity, efficient use of natural resources, employee rights and equal opportunities, contribution to the stakeholder economy and sustainable economic growth is conducted effectively.

## 7.2. Information on the employees and reports of the Committee of Early Detection of Risk

The Committee of Early Detection of Risk has two members and Mr. Erkan Durusoy was appointed as the president and Ms. Simhan Savaşçın Başaran was appointed as the member. 7 reports were issued for the period of January-December 2019.

# 7.3. Future risks regarding sales, productivity, revenue generating capacity, profitability, debt/equity ratio, and similar issues

No significant future risks are anticipated with respect to the sales, productivity, revenue generating capacity, profitability, debt/equity ratio, and similar issues.

#### 8. OTHER ISSUES AND EXPLANATIONS

8.1. Explanations on material events which took place in the Company after the end of the fiscal year and which may affect the rights of shareholders, creditors, and other related persons and entities

None.

8.2. Explanations regarding special audit and public audit

No public or special audit was conducted.

8.3. Information on lawsuits instituted against the Company which may influence the financial position and operations of the Company and potential consequences there of

There is no lawsuit instituted against our Company which may influence the financial position of our Company.

**8.4.** Explanations regarding administrative or judicial sanctions imposed on the Company and members of the managing body due to such practices contrary to the legislation provisions

No administrative or judicial fine was imposed due to practices contrary to the legislation provisions.

8.5. Information and evaluations as to whether or not targets set in the previous periods have been accomplished, whether or not resolutions of the general assembly have been enforced, if targets have not been accomplished or resolutions have not been enforced, the reasons thereof

The company has achieved the targets set in the previous periods and fulfilled the general assembly resolutions.

8.6. If an extraordinary general shareholders' meeting was held during the year, information on the extraordinary general shareholders' meeting including date of the meeting, decisions taken at the meeting, and transactions conducted in relation there to

The Company did not hold any extraordinary general shareholders' meeting from 1st January 2019 to 31st December 2019.

8.7. Information on donations and aids made by the Company, as well as the expenditures made within the scope of social responsibility projects during the year

There is no donation, aid or social responsibility expenditure from 1<sup>st</sup> January 2019 to 31<sup>st</sup> December 2019.

- 8.8. If it is a group company; the legal transactions conducted together with the controlling company, with a subsidiary of the controlling company, upon instruction by the controlling company or in favor of the controlling company or a subsidiary of the controlling company, and all other precautions taken or avoided for benefit of the controlling company or a subsidiary thereof within the previous financial year
- 81.57% of the Company's capital is held by Eczacıbaşı Holding A.Ş. The Company gets information processing support, system infrastructure support, and management services from the affiliates of Eczacıbaşı Group within the scope of the commercial relations. The controlling company did not have any influence on the decisions regarding the purchase of such services.

The transactions conducted with the controlling company and the affiliate companies within the group of companies are ordinary commercial activities and there was not any transaction conducted upon instruction by the controlling company or in favor of the controlling company or a subsidiary of the controlling company, or any precaution taken or avoided within the said scope.

8.9. If it is a group company; whether or not a suitable counter-action has been taken in each legal transaction, under the known circumstances, at the time of the legal transaction mentioned above was conducted or precaution was taken or avoided; and whether or not the precautions taken or avoided have caused any loss to the company, and if so, whether or not such loss was set off

Upon the Resolution of our Board of Directors numbered 5 and dated February 26<sup>th</sup>, 2020, and the report dated February 26<sup>th</sup>, 2020 which was issued, in accordance with article 199 of the Turkish Commercial Code number 6102, during the activity year regarding the relations of our Company with its controlling partner and subsidiaries of the controlling partner was assessed according to the situations and conditions known by us and within this scope, the commercial relations of our Corporation during the previous activity year with its controlling partner Eczacibaşi Holding A.Ş. and the subsidiaries of the controlling partner were examined in detail, and it was concluded that during the previous activity year, there was no transaction made with the controlling company or subsidiaries of the controlling company, upon instruction by the controlling company or in favor of the controlling company or a subsidiary of the controlling company, or that during the previous year, there was no precaution taken or avoided from being taken in favor of the controlling company or of a subsidiary of the controlling company; that the transactions made were performed in compliance with the commercial conditions and on arm's length principle; and that for this reason, there was no precaution that might cause loss on our Corporation, which was taken or avoided from being taken, and that there was no transaction or precaution to require offsetting.

8.10.Information on the Company's conflicts of interest with the organizations from which it gets services such as investment consultancy and rating services, and the measures taken to prevent the same

None.

## 8.11. Government incentives and supports

None.

## 8.12. Related Party Disclosures for the Period of January 1st-December 31st, 2019

The information on the Company's related party transactions is provided in detail in footnote number 3 to the financial statements.

#### 8.13. Other

During the period, no legislative change that might significantly affect the Company's activities took place.

#### 8.14. Amendments made in the articles of association during the year and their reasons

No changes were made during the period.

#### 9. PROFIT DISTRIBUTION POLICY

The Profit Distribution Policy of our Company is provided in the Report for Compliance with Corporate Governance Principles. The principles established by the Capital Markets Board are followed for the profit distribution of the Company.

During the Ordinary General Shareholders' Meeting held on April 11<sup>th</sup>, 2019 for the activities of 2018, it was resolved:

- 1) To distribute a cash dividend of TL 78,750,000 corresponding to 75% of the issued capital of our Company,
- 2) Of the dividend to be distributed,
  - a. To pay TL 78,236,902, which corresponds to 74.51% of the capital, from the distributable net profit for the period accrued according to the legal records;

- b. To pay TL 513,098, which corresponds to 0.49% of the capital, from the extraordinary reserves of 2017 on the legal financial statements, and from the retained earnings on the financial statements issued pursuant to the "Communiqué on Principles Related to Financial Reporting in the Capital Market";
- 3) To pay dividends of gross 75% in cash to a share with a par value of 1 TL, and 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 person partners,
- 4) And to start the dividend distribution on May  $22^{nd}$ , 2019.

Profit distribution was completed on May 24th, 2019.

#### 10. HUMAN RESOURCES POLICY, CODE OF CONDUCT AND SOCIAL RESPONSIBILITY

Our company is a part of the Eczacibaşi Group and implements the Human Resources Policy and the Code of Conduct that apply to the Eczacibaşi Group companies. Please visit <a href="https://www.eczacibasi.com.tr/tr/eczacibasi-toplulugu/insan-kaynaklari-politikamiz">https://www.eczacibasi.com.tr/tr/eczacibasi-toplulugu/insan-kaynaklari-politikamiz</a> for the Human Resources Policy of our Group and <a href="https://www.eczacibasi.com.tr/">https://www.eczacibasi.com.tr/</a> Media/Upload/eczacibasi-toplulugu-davranis-kurallari.pdf for the Code of Conduct.

### **Social Responsibility**

The social, cultural and some sports activities are supported by our Company within the scope of the principles of Eczacıbaşı Group. There is no legal action filed against our Company due to any alleged environmental damage. Environmental pollution has been adopted by our Company as our most important social responsibility and Eczacıbaşı environmental policy has been published and announced to all of our employees. Details of social responsibility activities carried out by our Group are given in detail at <a href="https://www.eczacibasi.com.tr/tr/toplumsal-sorumluluk/surdurulebilirlik">https://www.eczacibasi.com.tr/tr/toplumsal-sorumluluk/surdurulebilirlik</a>.

#### PROFIT DISTRIBUTION PROPOSAL

It was determined that our Company's distributable net profit for the period as of December 31, 2019 was TL 72,628,550 on the financial statements issued pursuant to the "Communiqué on Principles Related to Financial Reporting in Capital Market" number II-14.1 of the Capital Markets Board ("CMB"), and independently audited, and was TL 110,145,880 on the financial statements issued according to the legal records.

As regards the distribution of the profit for 2019, the Board of Directors resolved that profit distribution in the manner described below be submitted to the General Assembly in accordance with the regulations of the CMB on profit distribution, article 37 of our Articles of Incorporation, and the principles indicated in our Profit Distribution Policy and by taking into consideration the net distributable profit for the period in connection with the distribution of the profit for the period, as indicated in the financial statements.

Accordingly, it was unanimously resolved to submit a proposal to our shareholders during the Ordinary General Assembly for the year 2019 with regards to:

- 1) Distribution of a cash dividend amounting to TL 50,001,000 corresponding to 47.62% of the issued capital of our Company,
- 2) Payment of dividends of gross 47.62% in cash to a share with a par value of TL 1, and 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 person partners,
- 3) Transfer of the balance amount of TL 60,144,880, after deducting the dividend planned to be distributed from the net profit for the period of TL 110,145,880 accrued according to the records, to the Extraordinary Reserves,
- 4) To start the dividend distribution on May 20<sup>h</sup>, 2020;

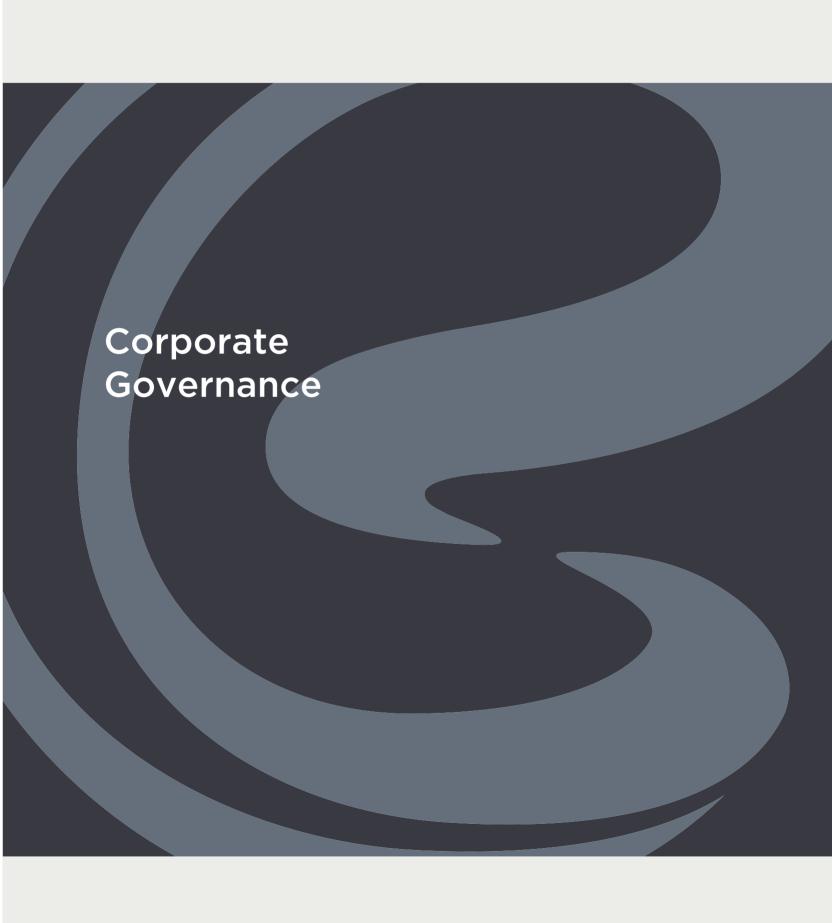
and to submit a proposal of the foregoing to our shareholders during the Ordinary General Shareholders' Meeting for 2019.

# ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş. BOARD OF DIRECTORS' REPORT FOR THE PERIOD OF JANUARY $1^{\rm ST}$ - DECEMBER $31^{\rm ST}$ , 2019

| ECZACIBAŞI YATIRIM HOLDİNG ORTAI<br>PROFIT DISTRIBUTION STATEMENT OR                           |                         |  |
|--|-------------------------|--|
| 1 Paid-up/Issued Capital   |                         | 105,000,000                                  |
| 2 General Legal Reserve Fund (According to Legal Records)                                      |                         | 21,000,000                                   |
| Information on privileges, if any, in the distribution of profits in accordance with the       | articles of association | Not applicable.                              |
|  | According to CMB        | According to<br>Legal Records<br>(LR)        |
| 3 Profit for the Period (*)  | 76,945,395              | 114,463,302                                  |
| 4 Taxes (-)  | (4,316,845)             | (4,317,422)                                  |
| 5 Net Profit for the Period (=)  | 72,628,550              | 110,145,880                                  |
| 6 Accumulated Losses (-)   | 0                       | 0  |
| 7 General Legal Reserve Fund (-)   | 0                       | 0  |
| 8 NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)  | 72,628,550              | 110,145,880                                  |
| 9 Donations during the Year (+)  | 0                       | 0  |
| 10 Net Distributable Profit for the Period Including Donations                                 | 72,628,550              | 110,145,880                                  |
| 11 First Dividend to the Shareholders  |                         |  |
| - Cash<br>- Bonus  | 50,001,000              | 50,001,000                                   |
| - Total  | 50,001,000              | 50,001,000                                   |
| 12 Profit Distributed to Privileged Shareholders   | 0                       | 0  |
| 13 Other Profit Distributed  | 0                       | 0  |
| - To Members of the Board of Directors   | 0                       | 0  |
| - To Employees   | 0                       | 0  |
| -To Persons Other Than Shareholders  |                         | 0  |
| 14 Profit Distributed to Holders of Dividend Shares  |                         | 0  |
| 15 Second Dividend to the Shareholders   |                         | 0  |
| 16 General Legal Reserve Fund  17 Statutory Reserves   |                         | 0  |
| 18 Special Reserves  |                         | 0  |
| 19 EXTRAORDINARY RESERVES  | 22,627,550              | 60,144,880                                   |
| 20 Other Resources Envisaged to Be Distributed   | 22,027,330              | 00,144,000                                   |
| STATEMENT OF PROFIT RATIOS   |                         |  |
| GROUP  TOTAL PROFIT DISTRIBUTED  DISTRIBUTED  TOTAL PROFIT DISTRIBUTABLE PROFIT FOR THE PERIOD | SHARE WITH NO           | ESPONDING TO A<br>MINAL VALUE OF<br>ISH LIRA |
| CASH (TL) BONUS (TL) RATIO (%)   | AMOUNT (TL)             | RATIO (%)                                    |
| <b>NET</b> (* - 42,500,850 0 58.52   | 0.40477                 | 40.477                                       |

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

Pursuant to the resolution of our Board of Directors dated July 01, 2019, it was resolved that 75% of the share sales profit arising from transfer of our shares held in Kaynak Tekniği San. ve Tic. A.Ş. in their entirety to Lincoln Electric France S.A.S. be transferred to a special fund account in order to take advantage of the exemption specified in clause (e), paragraph (1), article 5 of th Corporate Tax Law no. 5520. In this context, the exemption gain amounting to TL 47,577,461.37, which will be transferred to the special fund account, has been deducted from the profit for the period calculated according to legal records in the profit distribution table.



#### **CORPORATE GOVERNANCE**

#### I- DECLARATION FOR COMPLIANCE WITH PRINCIPLES OF CORPORATE GOVERNANCE

Eczacibaşi Yatırım Holding Ortaklığı A.Ş.s ("Company") Report for Compliance with Corporate Governance Principles pertaining to the accounting period of January 1<sup>st</sup>- December 31<sup>st</sup>, 2019 has been issued in accordance with the "Corporate Governance Communiqué No. II-17.1" ("Communiqué") of the Capital Markets Board ("CMB") published on the volume of Official Gazette dated January 3<sup>rd</sup>, 2014 and numbered 28871 and the Corporate Governance Compliance Report ("CRF") and Corporate Governance Information Form ("CGIF") as announced under its decision dated January 10<sup>th</sup>, 2019 and numbered 2/49.

Within the framework of the Communiqué in force, the compulsory principles to be complied have been complied in full. Compliance has been also provided significantly with those principles not compulsory to be complied. The Company aims to fully comply with the noncompulsory Corporate Governance Principles. However, it has not been possible yet to achieve full compliance due to the reasons such as the discussions in terms of compliance with some principles both in our country and in the international platform, and some principles not fully overlapping with the current structure of the market and of the Company. The studies are conducted on compliance with the said noncompulsory principles and it is planned to put them into practice following the completion of the administrative, legal and technical infrastructure studies in a way to make a contribution to the effective management of our Company. There is no conflict of interest resulting from those principles that have not been put into practice yet. Our explanations about the said noncompulsory principles that could not be put into practice yet by the Company are provided below:

- Concerning the principle number 1.5.2; the provisions related to the protection of minority rights are complied with, and in parallel also with the general practices, there is no provision in our Articles of Association to expand minority rights.
- Concerning the principle number 3.1.3; while there are the principles set forth by our "Code of Conduct" regarding stakeholders' rights, and also there is not a separate policy and procedure addressing stakeholders' rights. Creating a separate stakeholder policy for stakeholders is among our long-term goals.
- Concerning the principle number 4.3.9; one of our current members of the Board of Directors is female (12.5%), and the minimum ratio of 25% stipulated in the principle has not been fulfilled. A target rate and a target time have not been determined for the female directors in the Board of Directors.
- Concerning the principle number 4.4.5; the meeting procedures of the Board of Directors are determined in accordance with the principles of the Turkish Commercial Code, article 17 of our Articles of Association, and the established practices of our Company. No separate written regulation has been needed in this regard. We are planning to make a written arrangement in the upcoming periods.
- Pursuant to principle numbered 4.4.7, duties to be assumed by board members outside the Group have been limited. If board members assume duties outside the Company, such duties are given in our annual report.
- Concerning the principle number 4.5.5; due to the existing structure of our Company's Board of Directors, some members of the Board had to take office in several committees within the scope of the compulsion to establish three different committees pursuant to the Capital Market legislation. The existing structure does not hinder the active fulfillment of duties by the committees, considering the qualifications and specialties required by committee membership. No change has been planned yet in this regard.
- Concerning the principle number 4.6.1; although our Board of Directors held a separate meeting in which it assessed the Company's activities and results within the year, there is not any written performance evaluation system or performance evaluation for the Board of Directors and/or its members. The performance evaluation of senior management is carried out under the performance evaluation system of the human resources. Accordingly, a separate performance evaluation was not performed under the principle number 4.6.1.

The studies on compliance with the Corporate Governance Principles that are not compulsory to be complied with in accordance with the Communiqué will continue.

### **CORPORATE GOVERNANCE**

Our company has relased;

-CGIF viahttps://www.kap.org.tr/tr/Bildirim/823095 -CRFviahttps://www.kap.org.tr/tr/Bildirim/823094

on the Public Disclosure Platform ("PDP") on February 28th, 2019, and they have also been included also in this section.

#### II- SHAREHOLDERS

## **Investor Relations Department**

Information regarding the executives in the Investor Relations Department:

Name & Surname : Gülnur Günbey Kartal

Position : Investor Relations Department Manager

Telephone : 0 212 371 73 94 Fax : 0 212 371 70 00

e-mail : gulnur.gunbey@eczacibasi.com.tr

Type / Number of License Certificate : Capital Market Activities Level 3 License / 204571

Corporate Governance Rating Specialization / 700606

Name & Surname : Zeynep Serttepe

Position : Accounting Specialist

Telephone : 0 212 371 72 19 Fax : 0 212 371 70 00

e-mail : <u>zeynep.serttepe@eczacibasi.com.tr</u>

Type / Number of License Certificate : Capital Market Activities Level 3 License / 204760

Corporate Governance Rating Specialization / 701369

Name & Surname : Ebru Tercan

Position : Financial Reporting Responsible Specialist

Telephone : 0 212 371 73 29 Fax : 0 212 371 70 00

e-mail : <u>ebru.tercan@eczacibasi.com.tr</u>

## The duties of the Investor Relations Department are mainly as follows:

- a) To ensure that correspondences exchanged between investors and the corporation and records pertaining to other information and documents are kept in a proper, secure and up-to-date fashion.
- b) To reply to the requests for information about the corporation by the corporation's shareholders.

### **CORPORATE GOVERNANCE**

- c) Preparing documents which need to be made available to shareholders for information and review in relation to the general assembly meeting, and taking measures to ensure that the general assembly meeting is held in accordance with the relevant legislation, the articles of association and other internal regulations.
- d) To observe and monitor that obligations arising from the Capital Market legislation, including any issue related to Corporate Governance and Public Disclosure, are met.

The Investor Relations Department submitted its report regarding its activities conducted in 2019 to the Corporate Governance Committee on January 17<sup>th</sup>, 2020, and the report submitted to the Committee was assessed by the Board of Directors on February 27<sup>th</sup>, 2020.

The Investor Relations Department of the Company plays an active role in protecting and facilitating the exercise of the shareholders' rights, particularly the right to obtain and examine information.

In 2019, the Company received 3 written demands of information from the shareholders and they were replied within framework of the disclosure policy.

# Exercise of Shareholders' Right to Obtain Information

In the satisfaction of demands for the exercise of shareholders' rights, utmost attention is paid for compliance with the effective regulations, the Articles of Association, and other internal regulations, measures are taken to procure the exercise of such rights, and all shareholders are treated equally.

The Company makes no distinction between the shareholders for the exercise of rights to obtain and examine information, and it shares all required information, excluding trade secrets, with the shareholders in order to properly exercise the shareholders' rights. Information is provided in a full timely and carefully way to fairly reflect the reality.

Questions received by the Investor Relations Department within the year are replied, excluding confidential information and trade secrets, both by phone and in writing following communication with the highest authority in the respective subject. In order to extend the shareholders' right to obtain information, care is exercised to ensure that any information that may affect the exercise of their rights is presented to the shareholders in updated form in electronic media. Such information and developments that may affect the exercise of shareholders' rights are disclosed to the public through material disclosures and are also published on the website.

Our Articles of Association does not include any regulation regarding the appointment of a special auditor as an individual right; however, pursuant to article 438 of the Turkish Commercial Code, each shareholder may request from the General Assembly the clarification of certain issues through special auditing, even though it is not included in the agenda, in order to exercise shareholders' rights, where necessary and if the rights to obtain and examine information have been exhausted. The shareholders have not made any such demand until today. In addition, the activities of the Company are periodically audited by the Independent Audit Firm approved during the General Shareholders' Meeting.

# **General Assembly Meetings**

Invitation to a General Shareholders' Meeting is announced at least 3 weeks prior to date of General Shareholders' Meeting, excluding the days of announcement and meeting, by considering the Turkish Commercial Code, the Capital Market legislation, our Articles of Association, and Corporate Governance Principles. The Company's Articles of Association has been issued pursuant thereto.

On the date when our Board of Directors decides to hold a General Shareholders' Meeting, the public is informed by making required disclosures, including the items of the agenda, through the Public Disclosure Platform ("PDP") and Electronic General Meeting System ("EGMS").

The announcement for invitation to the General Shareholders' Meeting is published on the Company's website and also on the Turkish edition of a daily newspaper no less than 3 weeks in advance of the date of the General Shareholders' Meeting using any means in addition to the methods set forth in the legislation to ensure that the invitation is received by the maximum number of shareholders.

In order to facilitate participating in the General Assembly meeting, meetings are held open to public in city center. It is possible also for the willing stakeholders to participate in General Shareholders' Meetings.

### **CORPORATE GOVERNANCE**

Financial statements and reports including annual reports, profit distribution proposal, General Assembly Information Document issued regarding general assembly agenda, other documents forming basis for the general assembly agenda, the last version of the Articles of Association and, if there shall be amendment to the Articles of Association, amendment text, and its reason, are kept open for examination in the places to which shareholders can reach in the easiest way, including the Company's headquarters and website, as of the date of announcement made for the invitation to the General Shareholders' Meeting. On the information documents related to agenda, information envisaged for each agenda item is provided to shareholders.

Power of attorney samples for those to be represented by attorney are announced before the General Shareholders' Meeting and are provided for the use of shareholders on the website.

At the General Shareholders' Meeting, the issues on the agenda are conveyed impartially, in detail, clearly and in a comprehensible manner; and shareholders are given the opportunity to express their opinions and to ask questions under equal circumstances, and the opportunity is given to discuss the annual report and performance indicators of the Company.

The minutes of General Shareholders' Meetings are disclosed to the public through PDP and can be also accessed from EGMS and the Company's website.

The Company held a General Shareholders' Meeting once in 2019, and the Ordinary General Assembly Meeting in which the activities of 2018 were discussed was held with a quorum of 83.06% on April 11<sup>th</sup>, 2019 at 11:00 a.m. at Wyndham Grand Istanbul Levent Hotel. Among the shareholders, 5 real persons and 13 legal entities registered themselves in the List of Attendants. Our General Shareholders' Meeting was held under the supervision of the Ministerial Representative appointed by Istanbul Provincial Directorate of Commerce of Istanbul Governorate of the Republic of Turkey. At the General Shareholders' Meeting, our shareholders exercised their rights to ask questions. The Company received no demand for the addition of an item to the agenda by the shareholders.No questions were raised by our shareholders at the General Shareholders' Meeting. Wishes and expectations were submitted.

Information was provided at the General Shareholders' Meeting under an individual agenda item about the donations and aids made in 2018; the upper limit for donations to be made in 2019 was determined as TL 100,000 and no change was made in the donation policy.

According to CMB regulations, in 2019, there was no transaction where the affirmative vote of the majority of the Independent Board Members was sought in order to make a decision at the Board of Directors but where the decision was left to the General Assembly due to the negative vote of the mentioned members.

In 2019, it was not in question the performance of any material transaction, by the shareholders having management control, or the Board members, or the senior executives having administrative responsibility, and their spouses and second degree relatives by blood and marriage, which might cause conflict of interests with the Company or its affiliate companies, and/or the performance of any transaction in type of commercial business within the subject of the business of the Company or its affiliate companies by the same on behalf of them or on behalf of others, or their participation in another partnership, engaging in the same type of commercial businesses, with the title of unlimited partner.

In 2019, there was no transaction, notified to the Board of Directors, made by the persons who have the opportunity to access the Company information in a privileged manner, on behalf of them within the scope of activities of our Company.

### **Voting Rights and Minority Rights**

In our Company, practices that make it difficult to exercise the voting rights are avoided, and each shareholder, even cross-border, is given the chance to exercise the voting right in a fair, easy and convenient way. With regards to the voting for agenda items during the General Shareholders' Meetings, open vote method by a show of hands is used, provided that the provisions for voting in electronic media are reserved. Each agenda item is individually voted during the meetings.

There is not any privilege in our Articles of Association regarding the exercise of voting rights and each share has one voting right. In our Company, there is no regulation prescribing that a voting right is to be used after a while from the date of acquisition. In our Articles of Association, there is no provision which prevents a person, who is not a shareholder, from voting by proxy as a representative. Cumulative vote method is not applied.

### **CORPORATE GOVERNANCE**

Our main partner Eczacıbaşı Holding A.Ş., which holds 81.57 percent of shares of our Company's capital and whose 11.54 percent of the capital is owned by our Company, votes at our general shareholders' meetings. However, our Company does not vote at the General Shareholders' Meetings of Eczacıbaşı Holding A.Ş. Our Articles of Association does not include any provision that prescribes or makes difficult the representation of minority in management, or that provides for the determination of minority in such a way that the minority would be less than one-twentieth of the capital.

#### **Transfer of Shares**

In our Articles of Association, there is not any provision restricting or making difficult the free transfer of shares.

### **Dividend Right**

The Profit Distribution Policy of our Company and the annual profit distribution proposal of our Board of Directors are prepared in accordance with the profit distribution statement determined by CMB and are submitted for the information of our shareholders in PDP concurrently with the decision of the Board of Directors. The mentioned proposal is available in our annual report and is submitted to the approval of the shareholders at the General Shareholders' Meetings. In addition, the profit distribution statement and the profit distribution history, as well as detailed information regarding capital increases are disclosed to the public on the website. In 2019, a gross cash dividend at the rate of 75% was distributed to the shareholders.

### **Profit Distribution Policy**

Within the scope of the provisions of the Turkish Commercial Code, the Capital Market Legislation, Tax Legislation, the relevant legislation, and the article related to profit distribution in the Articles of Association; the Board of Directors decided to apply a profit distribution policy within the framework of the following concept, and this decision was submitted to the approval of the shareholders and accepted by them during the Ordinary General Shareholders' Meeting held on May 14, 2013.

In accordance with our Company's Profit Distribution Policy;

- The principle was adopted to distribute dividend as cash and/or bonus share over the "distributable profit for the period", calculated within the scope of the Capital Market Legislation and the other relevant legislation, based on the net profit for the year in the financial statements issued within the scope of the Capital Market Legislation and made be subject to independent audit.
- In our Articles of Association, there is not a specific regulation envisaging the application of giving profit share to our employees and members of the Board of Directors together with preferred stock related to obtaining share from profit, and promoter's dividend share.
- The profit distribution proposals submitted by our Board of Directors to the approval of our General Assembly are issued by considering the current profitability of our corporation and the delicate balances between the possible expectations of our shareholders and the projected growth strategies of our corporation.
- The attention is paid to make the profit share payments (cash and/or bonus share) within the legal periods and as soon as possible following the General Shareholders' Meetings so as to be until the end of the period envisaged within the legislation at the latest.

This dividend policy is still applied and our Board of Directors has not made any change within this regard.

#### III- PUBLIC DISCLOSURE AND TRANSPARENCY

## **Corporate Website and Its Content**

A separate investor relations section has been created for publicly traded companies of the Group in the corporate website of Eczacibaşi Group (<a href="www.eczacibasi.com.tr">www.eczacibasi.com.tr</a>). Information and documents stipulated by the Corporate Governance Principles of CMB and other relevant legislation are available in the "Investor Relations" on the website www.eczacibasi.com.tr. This section can be accessed via the Company's legal website (<a href="www.eyh.eczacibasi.com.tr">www.eyh.eczacibasi.com.tr</a>).

### **CORPORATE GOVERNANCE**

The Investor Relations Section offers information in Turkish for the last 5 years as a minimum. Moreover, the documents related to the General Assembly meeting, annual board of directors reports and annual financial reports are also available in English. Care is taken to ensure that the information contained therein is constantly updated, is identical and consistent with the disclosures made in accordance with the relevant legislation, and does not contain any conflicting or missing information.

The Investor Relations Department is responsible for preparing the content on the website, updating the information changed, and adding additional information. The studies to provide better service of the website continue. In addition, the website address is stated on the letterhead of the Company.

#### **Annual Report**

The Annual Report is prepared in such a way that it contains the information set forth in the Corporate Governance Principles.

### IV- STAKEHOLDERS

### **Informing the Stakeholders**

Due to its holding structure, our Company does not have any direct relationship with stakeholders such as customers and dealers. Information is provided to the stakeholders who may be related to our Company through General Assembly and by replying personal applications, by inviting them to meetings for matters concerning to them or by using the Group's website and electronic communication means where necessary, provided that it is within the scope of Capital Market legislation. Information to the public is provided both during press conferences held and statements made through media, and information is provided to employees during various organizations such as Strategic Planning, General Manager information and dissemination meetings (in such meetings, changes such as target sharing, salary, social benefits, and allowances are announced). Eczacibaşi Group has a portal called "Port-e" accessed by the employees and it is ensured that the employees can access any information and document to concern them, the significant announcements, changes in management, and press releases through this portal. In addition, the Corporate Communications Department within Eczacibaşi Group publishes an internal periodic journal entitled "Yaşam" in order to increase the communication with the employees.

Moreover, with our General Shareholders' Meetings open to all stakeholders, the information provided on the corporate website, our annual reports, it is aimed to inform not only the shareholders but also all stakeholders.

The corporate governance structure of the Company gives the opportunity for all stakeholders including employees and representatives to convey their concerns regarding transactions not appropriate in terms of laws and ethics, through verbal-written and other means of communication. Stakeholders may submit those matters, which they believe do not comply with the legislation and are unethical, to the Compliance Board established within Eczacibaşı Group via the communication form available at www.eyh.eczacibasi.com.tr or www.eczacibasi.com.tr and through the address uyum@eczacibasi.com.tr. Such complaints may be communicated to the Audit Committee after being reviewed by the Audit Board of Eczacibasi Group. The Code booklet of Eczacıbaşı Group published Conduct is at the address https://www.eczacibasi.com.tr/ Media/Upload/eczacibasi-toplulugu-davranis-kurallari.pdf. addition. employees are able to submit those matters, which they believe do not comply with the issues on the Code of Conduct booklet of Eczacibasi Group and are unethical, to the Compliance Board established within Eczacibasi Group via the notification line on the corporate portal.

#### Participation of Stakeholders in Management

Models designed to encourage participation of Eczacibaşi Group stakeholders in the Company's management are being developed. On the other hand, requests and suggestions made during meetings held with employees and other stakeholders are assessed by the managers, and policies and applications for these are realized. Within this framework, it is ensured that the stakeholders participate in the management with information provided at the General Shareholders' Meetings for shareholders and with information provided through various meetings, Corporate Portal ("Port-e"), and electronic mail for employees. In addition, the evaluations of employees regarding applications are collected through the Employee Loyalty questionnaires made throughout Eczacibaşi Group once every two years and whose actions are followed annually, and the employee loyalty and satisfaction are measured. The improvement targets for questionnaire results are added to the performance cards of General Managers by also considering the Company's activities.

## **CORPORATE GOVERNANCE**

#### Human Resources Policy, Code Of Conduct And Social Responsibility

Our company is a part of the Eczacıbaşı Group and implements the Human Resources Policy and the Code of Conduct that apply to the Eczacıbaşı Group companies. Please visit <a href="https://www.eczacibasi.com.tr/tr/eczacibasi-toplulugu/insan-kaynaklari-politikamiz">https://www.eczacibasi.com.tr/tr/eczacibasi-toplulugu/insan-kaynaklari-politikamiz</a> for the Human Resources Policy of our Group and <a href="https://www.eczacibasi.com.tr/\_Media/Upload/eczacibasi-toplulugu-davranis-kurallari.pdf">https://www.eczacibasi.com.tr/\_Media/Upload/eczacibasi-toplulugu-davranis-kurallari.pdf</a> for the Code of Conduct.

#### V - BOARD OF DIRECTORS

### Structure and Composition of the Board of Directors

In accordance with the Articles of Association, the activities and management of the Company are conducted by a board of directors comprised of minimum five members to be elected among the shareholders upon the decision of the General Assembly pursuant to the provisions of the Turkish Commercial Code. The authorities and responsibilities of members of the Board of Directors and managers are explicitly defined in the Articles of Association. In our company, the Chairman of the Board of Directors and the General Manager are not the same person.

The majority of the Board members are non-executive members. A non-executive member of the Board of Directors is a person who does not hold any administrative duty in the Company other than being a member of the Board of Directors and who is not involved in the daily workflow and ordinary course of activities of the Company.

The Board of Directors is comprised of 8 members, including one executive member (General Manager).

| Name-Surname            | Position                                | Start Date of<br>Taking Office (*) | Independency<br>Status |
|-------------------------|---|------------------------------------|------------------------|
| F. Bülent Eczacıbaşı    | Chairman of the Board of Directors      | 11 April 2019                      | -                      |
| R. Faruk Eczacıbaşı     | Vice Chairman of the Board of Directors | 11 April 2019                      | -                      |
| Atalay M. Gümrah        | Member                                  | 11 April 2019                      | -                      |
| Simhan Savaşcın Başaran | Member                                  | 11 April 2019                      | -                      |
| Seyfettin Sarıçam       | Member / General Manager                | 11 April 2019                      | -                      |
| M. Sacit Basmacı        | Member                                  | 11 April 2019                      | -                      |
| Ahmet Turgut Tokgöz     | Member                                  | 11 April 2019                      | Independent<br>Member  |
| Erkan Durusoy           | Member                                  | 11 April 2019                      | Independent<br>Member  |

<sup>(\*)</sup> The Board of Directors was elected to be in charge for one year during the Ordinary General Assembly Meeting dated 11 April 2019, and will hold the office until the Ordinary General Assembly Meeting where operations of the year 2019 are to be discussed.

The external commitments of the Board members and the committees in which they take office are provided below:

| Name-Surname         | As of the Most Recent Situation Duties Performed outside the Corporation   | Committees Taken Part in and Duties |
|----------------------|--|-------------------------------------|
| F. Bülent Eczacıbaşı | Eczacıbaşı Holding A.Ş Chairman of the Board / Chairman of the Board of Presidents (Executive Board) of Eczacıbaşı Group / Chairman and Member of the Board in the companies of Eczacıbaşı Group                               |                                     |
| R. Faruk Eczacıbaşı  | Eczacıbaşı Holding A.Ş Vice Chairman of the Board of Directors Vice Chairman of the Board of Presidents (Executive Board) of Eczacıbaşı Group/ Chairman and Member of the Boards of Directors at companies of Eczacıbaşı Group |                                     |
| Atalay M. Gümrah     | Eczacıbaşı Group CEO / Eczacıbaşı Holding A.Ş General Manager<br>Member of the Boards of Directors at companies of Eczacıbaşı Group  |                                     |

### **CORPORATE GOVERNANCE**

| Simhan Savaşçın Başaran | Eczacıbaşı Holding A.Ş. Chief Legal Advisor, Member of the Boards of Directors at companies of Eczacıbaşı Group                            | Committee of Early<br>Detection of Risk - Member   |
|-------------------------|--|--|
| Seyfettin Sarıçam       | Eczacıbaşı Holding A.Ş Head of Financial Affairs and Financing Group<br>Member of the Boards of Directors at companies of Eczacıbaşı Group |  |
| M. Sacit Basmacı        | Eczacıbaşı Holding A.Ş Chairman of the Audit Board / Member of Board of Directors in Eczacıbaşı Group Companies                            | Corporate Governance<br>Committee - Member   |
| Ahmet Turgut Tokgöz     | (Independent Member)   | Audit Committee - President  |
| Erkan Durusoy           | (Independent Member)   | Audit Committee - Member<br>/ Corporate Governance<br>Committee - President /<br>Early Risk Detection<br>Committee - President |

Members of the Board of Directors can take office at companies affiliated with Eczacibaşi Group, however, as a principle, they may not take office outside the Group.

The curriculum vitae information of the members of the Board is provided in the preamble section of the annual report and on the website.

It is considered that having diversity in terms of knowledge, experience, and point of view in our Board of Directors will make a positive contribution to the Company's activities and to the effective working of the Board of Directors. Currently, a member of our Board of Directors is a woman.

During the Ordinary General Shareholders' Meeting dated April 11<sup>th</sup>, 2019, 2 independent members capable of fulfilling their duties without being influenced by anything were elected among the Board members in accordance with the Corporate Governance Principles of the Capital Markets Board. All of the Independent Members of the Board fully meet the "independency criteria" specified in the Communiqué. The candidates for Independent Member of the Board submitted their declarations of independence and their background information to the Corporate Governance Committee before the General Shareholders' Meeting and all of them were identified as independent members by the Board of Directors.

The declarations of independence of our Independent Members of the Board are provided at the end of the report.

### **Principles of Operation of the Board of Directors**

The Board of Directors holds meetings as required by the Company businesses, as laid down in the Articles of Association of our Company. Agenda of meetings of the Board of Directors is determined upon notification of issues, explicitly ordered in the Articles of Association to be submitted to decision of the Board of Directors, by relevant departments to the Company's senior management and to the members of the Board of Directors. Attention is paid that the information and documents related to the agenda of a Board meeting are submitted in such periods of time that members can carry out necessary examinations and assessments. In 2019, our Board of Directors held 20 meetings in total and the participation of members to such meetings was realized as 90.97% on average. Meetings are held in the Company's headquarters and the invitation to meetings is made by telephone and/or e-mail. No electronic portal is used for activities of the Board of Directors. In the event that the Board members cannot participate in meetings, they can submit their opinions in writing. Material decisions of the Board of Directors are disclosed to the public through PDP.

Each member of the Board of Directors has one voting right. No prevailing voting right and veto right has been granted to members of the Board of Directors. The resolutions taken in the Board of Directors meetings were unanimously taken by those present, and there was no member of the Board opposing to the resolutions taken. As no such opposition or view was declared at the meetings of the Board of Directors held in 2019, no public disclosure was made in this regard.

At the meetings of the Board of Directors, the issues on the agenda are discussed openly and in all respects. The Chairman of the Board of Directors makes his best efforts to guarantee active participation of non-executive members in the meetings of the Board of Directors. There is no Board member to whom authority was transferred upon allocation of duties. The Board of Directors holds an evaluation meeting to review whether it has duly discharged all its responsibilities. For the evaluation of 2019, independent experts were not employed.

### **CORPORATE GOVERNANCE**

Our Company offers a "Directors and Officers liability insurance" to members of the Board of Directors and senior executives under the umbrella insurance of the Group.

#### **Number, Composition and Independence of Board Committees**

Our Company has committees to enable the Board of Directors to effectively and efficiently fulfill its duties and responsibilities, and the committees conduct their activities within the framework of the determined working principles.

The fields of duty and the working principles of the committees, as well as the members to form such committees are determined by the Board of Directors and announced to the public on the website.

All the members of the Audit Committee and the presidents of the other committees are elected among the independent members of the Board of Directors. The CEO and the General Manager cannot take charge in committees.

Considering the structure of our Board of Directors, some members of the Board had to take office in several committees within the scope of the compulsion to establish three different committees; however, this does not cause any conflict of interest.

The Board of Directors provides the committees with any resource and support required for the fulfillment of their duties. The committees can invite any manager they deem required to their meetings and receive the opinion of such manager.

The committees make use of independent expert views on issues which they deem necessary in relation to their activities, and fees for consultancy services are borne by the Company. In 2019, the Board of Directors did not get any consultancy services from any independent person and/or organization.

The committees convene in such frequencies required by the effectiveness of their works and stipulated in their working principles.

#### **Audit Committee**

The Audit Committee fulfills the duties stipulated in the Capital Market Legislation and the CMB Corporate Governance Principles. All the members of the Audit Committee are independent members of the Board of Directors. During the meeting of our company's Board of Directors held on April 12<sup>th</sup>, 2019, it was resolved that the committee be composed of 2 members and Ahmet Turgut Tokgöz be appointed as the President and Erkan Durusoy be appointed as member. The working principles of the Committee are announced on our website and the Committee holds regular meetings four times a year. Moreover, it submits its opinion, to the Board of Directors, with regards to election of independent auditor and its opinion built regarding accuracy, authenticity and compliance of annual and interim financial statements, to be disclosed to public, with the accounting principles followed by the partnership also by considering the assessments of the responsible managers of the partnership and of the independent auditors. The Audit Committee held 6 meetings related to its activities in 2019.

The activities carried out by the Committee in 2019 are mainly as follows:

- It prepared its proposal regarding the Independent Audit Firm it determined for the audit of the financial statements and the annual report issued in 2019 and the reports related to the Committee of Early Detection of Risk, and submitted it to Board of Directors for approval.
- It made its own assessment regarding the accuracy, authenticity and compliance of the financial statements of 2019, disclosed to public, with the accounting principles followed by the Company by receiving opinions from the Company's responsible managers and also from the independent auditor in June and December, and submitted it to the Board of Directors for approval.
- It obtained the necessary information about the internal control and internal audit activities of the Company from the Audit Board.

#### **Corporate Governance Committee**

It was established in order to monitor the Company's compliance with the corporate governance principles, to perform improvement studies in this regard, and to make suggestions to the Board of Directors. During the

### **CORPORATE GOVERNANCE**

meeting of our company's Board of Directors dated April 12<sup>th</sup>, 2019, it was decided to form a Corporate Governance Committee consisting of three members and to appoint Erkan Durusoy, the independent member of the Board of Directors, as President and Mustafa Sacit Basmacı and Gülnur Günbey Kartal (Investor Relations Manager) as members.

As individual Nomination Committee and Remuneration Committee could not be established due to the structure of the Board of Directors, it was decided upon the same decision that the Corporate Governance Committee would fulfill also the duties of these committees.

The Corporate Governance Committee determines whether the corporate governance principles are applied in the Company, if not, the reason therefor, and the conflicts of interest arising from not fully observing these principles, and makes suggestions to the Board of Directors for improving the practices, and oversees the activities of the Investor Relations Department. The Corporate Governance Committee held 5 meetings related to its activities in 2019.

The working principles of the Committee are found on our website.

#### Committee of Early Detection of Risk

In accordance with the Communiqué, with series IV number 63, of CMB that entered into force after its publication on the volume of the Official Gazette number 28567 dated February 22<sup>nd</sup>, 2013; our Board of Directors removed the risk issue, included within the duties and responsibilities of the Corporate Governance Committee, from the duties and responsibilities of this committee and decided to establish the "Committee of Early Detection of Risk" to work in this regard. During the meeting of our Company's Board of Directors held on April 12<sup>th</sup>, 2019, it was resolved that the committee be composed of 2 members and Dirahşan Erkan Durusoy (independent member) be appointed as the President and Simhan Savaşçın Başaran (non-executive member) be appointed as member. The working principles of the Committee are announced on our website.

The Committee of Early Detection of Risk makes suggestions and recommendations to the Board of Directors for the issues related to the early determination and assessment of any strategic, operational, financial, legal and any other risks to endanger the existence, development, and continuance of the Company; the calculation of effects and possibilities of such risks; the management of such risks in accordance with the corporate risk taking profile of the Company; reporting of such risks; implementing the required precautions related to the determined risks; taking such precautions into consideration in the decision mechanisms; and creating effective internal control systems accordingly and the integration thereof, in order to comply both with the regulations of the Capital Markets Board on Corporate Governance and article 378 of the Turkish Commercial Code number 6102. The duties and the working principles of the Committee of Early Detection of Risk have been determined within the framework of the Capital Market Legislation, the Company's Articles of Association, the Turkish Commercial Code and the regulations, provisions, and principles included in the "Corporate Governance Principles" of the Capital Markets Board. The Article 378 of the Turkish Commercial Code stipulates that, with its bimonthly report to be submitted, the Committee will assess the relevant period regarding the risks that may affect the existence and the continuation of the Company, will refer hazards, if any, and will show solutions. Within this framework, the Committee of Early Detection of Risk held 7 meetings related to its activities in 2019.

#### Assessment of the Board of Directors Related to the Activities of the Committees

Established by the Board of Directors, the committees discharged their duties and responsibilities set forth in their duty and working principles and took care to convene at frequencies deemed necessary for effective work. The committees informed the Board of Directors, verbally and in writing, about their works.

#### Risk Management and Internal Control Mechanism

The risk management of Eczacibaşi Yatırım Holding Ortaklığı A.Ş. is dealt with a holistic perspective, and a continous and systematic process is applied. The strategic, operational, financial, compliance and sustainability related risks and all other risks likely to affect achievement by the Company of its short and long-term objectives and endanger its development and continuity are assessed at each level of the organization starting from the Board of Directors level.

#### **CORPORATE GOVERNANCE**

In order to manage the risks in accordance with the corporate risk-taking profile of the Company, process owners perform the necessary analysis and studies, follow up the results and report them regularly. Care is taken at all levels to take into account the risks and their effects in decision-making mechanisms by implementing the necessary measures related to the identified risks.

The Board of Directors creates internal control systems to include risk management, information systems, and processes that are able to minimize risks that may affect the Company's stakeholders, including, notably the shareholders, by also considering the views of the relevant committees of the Board of Directors. Necessary improvements are made by following up effectiveness in order to ensure integration of risk management and internal control systems into the Company's corporate structure.

The primary risks incurred by the Company are monitored under two main titles as financial risks (foreign exchange, interest, liquidity, and credit) and nonfinancial risks (strategic, operational, compliance and sustainability), and the Board of Directors is periodically informed about these risks. Detailed information related to risk management is available in the relevant section of the annual report.

#### **Strategic Targets of the Company**

The Board of Directors manages and represents the Company through strategic decisions by observing, in the first place, long-term interests of the Company, using a reasonable and cautious risk management approach that keeps the Company's risk, growth and yield balance at the right level.

The Board of Directors defines the strategic targets of the Company, determines the needed human and financial resources, and audits the performance of the management.

The Board of Directors observes that the Company's activities are in compliance with the legislation, the Articles of Association, internal regulations, and the adopted policies. During the Board of Directors and Senior Management meetings held periodically, the Company's objectives and its activities realized are monitored so as to include the performances of the previous periods. The current situation of the Company is reviewed and new targets and strategies are developed where deemed necessary as a result of existing conditions.

### **Financial Rights**

It was resolved that the Independent Members of the Board of Directors elected during the Ordinary General Shareholders' Meeting held on April 11<sup>th</sup>, 2019 be paid a fee in accordance with the principles under which they shall maintain their status of independence in the light of the principles set forth in the "Corporate Governance Communiqué".

Other members of the Board of Directors are paid with no fee in accordance with the decisions of the General Assembly. None of the Board members made any financial transaction related to the Company. During the period of 1<sup>st</sup> January 2019 - 31<sup>st</sup> December 2019, the Company did not give security or lend to and did not make loan available to any Board member or executive.

Prior to the Ordinary General Shareholders' Meeting held on April 11<sup>th</sup>, 2019, the remuneration principles of the Board members and senior executives were put down in writing and was submitted as a separate item on the agenda to the attention of the shareholders during the General Shareholders' Meeting.

Regarding the compensation for the independent members of the Board of Directors, no payment plan based on the Company's performance is used.

#### Benefits provided to members of the Board of Directors and senior executives

There are long-term benefits provided to the senior executives during the interim accounting periods that ended on 31st December 2019 and 2018, and the short-term benefits provided are as follows:

| Benefits provided to senior executives | 2019    | 2018 (*) |
|--|---------|----------|
| Wages and other short-term benefits    | 261,000 | 412,998  |
|  | 261,000 | 412,998  |

<sup>(\*)</sup> The respective amount includes the benefits provided to the executives who take office in the Company's affiliate company sold.

# CORPORATE GOVERNANCE

# CORPORATE GOVERNANCE INFORMATION FORM (CGIF)

| 1. SHAREHOLDERS   |   |
|---|---|
| 1.1. Facilitating the Exercise of Shareholders' Rights  |   |
| The number of investor meetings (conference, seminar, etc.) organised by the company during the year  | -   |
| 1.2. Right to Obtain and Examine Information  |   |
| The number of special audit request(s)  | -   |
| The number of special audit requests that were accepted at the General Shareholders' Meeting  | -   |
| 1.3. General Assembly   |   |
| Link to the PDP announcement that<br>demonstrates the information requested by<br>Principle 1.3.1. (a-d)  | https://www.kap.org.tr/tr/Bildirim/748091<br>https://www.kap.org.tr/tr/Bildirim/750427  |
| Whether the company provides materials for the<br>General Shareholders' Meeting in English and<br>Turkish at the same time  | The English and Turkish versions of documents were not provided concurrently on PDP, but the English versions of the documents related to the General Shareholders' Meetings were uploaded to the Company's website following the announcement of their Turkish versions on PDP.  |
| The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9 | There is no transaction in this regard.   |
| The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)   | There is no transaction in such nature.   |
| The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)  | https://www.kap.org.tr/tr/Bildirim/772242   |
| The name of the section on the corporate website that demonstrates the donation policy of the company   | The donation and aid policy, and upper limit for donations and aids are submitted to the general assembly for approval every year, and such information are contained in the General Assembly Information Documents.  Investor Relations / Eczacıbaşı Yatırım Holding / General Assembly / General Assembly Information Document 2019 - p.16  |
| The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved   | https://www.kap.org.tr/tr/Bildirim/755205   |
| The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting   | -   |
| Identified stakeholder groups that participated in the General Shareholders' Meeting, if any  | The General Shareholders' Meetings are held open to the public and thus, it is possible for willing stakeholders to participate in meetings without any right to speak. Apart from the shareholders who are counted in the meeting quorum, members of the Board of Directors, some employees from the Eczacibaşi Group, and an independent audit company representative attended the General Assembly Meeting where the 2018 activities were discussed. |
| 1.4. Voting Rights  |   |
|   |   |

# CORPORATE GOVERNANCE

| Whether the shares of the company have differential voting rights   | No  |  |
|---|---|--|
| In case that there are voting privileges, indicate<br>the owner and percentage of the voting majority<br>of shares.   | -   |  |
| The percentage of ownership of the largest shareholder  | 81.57%  |  |
| 1.5. Minority Rights  |   |  |
| Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association   | No  |  |
| If yes, specify the relevant provision of the articles of association.  | -   |  |
| 1.6. Dividend Right   |   |  |
| The name of the section on the corporate website that describes the dividend distribution policy  | Investor Relations / Eczacıbaşı Yatırım Holding / Corporate Governance - Profit Distribution Policy |  |
| Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend |   |  |
| PDP link to the related general shareholder<br>meeting minutes in case the board of directors<br>proposed to the general assembly not to<br>distribute dividends  | -   |  |

# **General Assembly Meetings**

| General<br>Board<br>Date | The number of informationrequest sreceivedby the company regarding the clarification of the agenda of the General Shareholders' Meeting | Shareholder<br>participation rateto<br>the General<br>Shareholders'<br>Meeting | Percentage of<br>shares directly<br>presentat the<br>GSM | Percentage of<br>sharesrepresente<br>dby proxy | of the corporate website that<br>contains the General  | Specify the name of the<br>page of the corporate<br>website that contains<br>all questions asked in<br>the general assembly<br>meeting and all<br>responses to them | The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions | Thenumberof<br>declarations by<br>insiders<br>received by the<br>board of directors | The link to the related PDP general shareholder meeting notification  |
|--------------------------|---|--|--|--|--|---|---|---|---|
| 11/04/2019               | 0   | 83.06%   | 0.558%   | 81.84%   | Investor Relations /<br>Eczacıbaşı Yatırım Holding /<br>General Assembly - General<br>Assembly Minutes | Investor Relations /<br>Eczacibasi Yatırım<br>Holding / General<br>Assembly General<br>Assembly Minutes   | None.   | 0   | https://www.kap.org.tr/tr/Bildiri<br>m/748091;<br>https://www.kap.org.tr/tr/Bildiri<br>m/750427;<br>https://www.kap.org.tr/tr/Bildiri<br>m/755205;<br>https://www.kap.org.tr/tr/Bildiri<br>m/760341 |

| 2. DISCLOSURE AND TRANSPARENCY   |  |
|--|--|
| 2.1. Corporate Website   |  |
| Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.  | Investor Relations / Eczacıbaşı Yatırım Holding / Financial Information -<br>Announcements and Presentations - Corporate Governance - General Assembly -<br>Contact  |
| If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.  | Investor Relations / Eczacibaşı Yatırım Holding / Corporate Governance /<br>Shareholding Structure   |
| List of languages for which the website is available   | Turkish. Annual Report, Annual Financial Reports, Minutes of the General Assemb<br>Meetings, General Meeting Information Document, General Assembly Invitation an<br>Proxy Form for the Casting of Votes are also available in English on the website. |
| 2.2. Annual Report   |  |
| The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.   |  |
| a) The page numbers and/or name of the sections in<br>the Annual Report that demonstrate the information<br>on the duties of the members of the board of<br>directors and executives conducted out of the<br>company and declarations on independence of<br>board members  | The duties of the members of the Board of Directors conducted out of the Company are presented in the Annual Report / Corporate Governance section, page 7; and the declarations on independence of Board members are given on its pages 25 and 26.    |
| b) The page numbers and/or name of the sections in<br>the Annual Report that demonstrate the information<br>on committees formed within the board structure  | Described in the Annual Report / Corporate Governance Section / Board of Directors.  |
| c) The page numbers and/or name of the sections in<br>the Annual Report that demonstrate the information<br>on the number of board meetings in a year and the<br>attendance of the members to these meetings   | Described in the Annual Report / Corporate Governance Section / Board of director / Operating Principles of the Board of Directors.  |
| ç) The page numbers and/or name of the sections in<br>the Annual Report that demonstrate the information<br>on amendments in the legislation which may<br>significantly affect the activities of the corporation   | There is no legislative changs that may significantly affect the Company's activities  |
| d) The page numbers and/or name of the sections in<br>the Annual Report that demonstrate the information<br>on significant lawsuits filed against the corporation<br>and the possible results thereof  | There is no lawsuit brought against the company that may affect its financial position.  |
| e) The page number or name of the section of information about the Company's conflicts of interest with the organizations from which it receives services such as investment consultancy and rating services and about the measures taken to prevent such conflicts  | There is no such condition.  |
| f) The page numbers and/or name of the sections in<br>the Annual Report that demonstrate the information<br>on the cross ownership subsidiaries that the direct<br>contribution to the capital exceeds 5%  | It is explained on page 1 of the Annual Report.  |
| g) The page numbers and/or name of the sections in<br>the Annual Report that demonstrate the information<br>on social rights and professional training of the<br>employees and activities of corporate social<br>responsibility in respect of the corporate activities<br>that arises social and environmental results | Described in the Human Resources Policy, Code Of Conduct and Social Responsibility Section of the Annual Report.   |

| 3. STAKEHOLDERS  |   |
|--|---|
| 3.1. Corporation's Policy on Stakeholders  |   |
| The name of the section on the corporate website that demonstrates the employee remedy or severance policy   | The internal regulations do not include any written employee remedy or severance policy.  |
| The number of definitive convictions the company was subject to in relation to breach of employee rights   | None.   |
| The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)   | Compliance Board of Eczacıbaşı Group  |
| The contact detail of the company alert mechanism.   | uyum@eczacibasi.com.tr  |
| 3.2. Supporting the Participation of the Stakeholders in the Corporation's Management  |   |
| Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies.   | None.   |
| Corporate bodies where employees are actually represented  | -   |
| 3.3. Human Resources Policy  |   |
| The role of the board on developing and ensuring that the company has a succession plan for the key management positions   | Developing a succession plan for the key management positions is determine<br>by the Company's Human Resources Planning Board and monitored by<br>Eczacibaşı Group's Talents and Remuneration Committee.  |
| The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.                                  | The equal opportunities policy of Eczacıbaşı Group is published atwww.eczacibasi.com.tr / Social Responsibility / Sustainability / Gender Equality, and the human resources policy covering hiring principles of Eczacıbaşı Group is published at <a href="https://www.eczacibasi.com.tr">www.eczacibasi.com.tr</a> / Group / Human Resources / Talent Selection / Recruitment. |
| Whether the company provides an employee stock ownership programme   | The Company does not provide an employee stock ownership programme.  (There isn't an employee stock ownership programme)  |
| The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.          | Eczacıbaşı Group's policy covering discrimination and mistreatment and the measures to prevent them is published at <a href="https://www.eczacibasi.com.tr">www.eczacibasi.com.tr</a> / Home / Coo of Conduct.  |
| The number of definitive convictions the company is subject to in relation to health and safety measures   | 0   |
| 3.5. Ethical Rules and Social Responsibility   |   |
| The name of the section on the corporate website that demonstrates the code of ethics  | Investor Relations / Eczacıbaşı Yatırım Holding / Corporate Governance - Wo   |
| The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues. | The activities carried out for corporate social responsibility issues in Eczaciba Group are published at <a href="https://www.eczacibasi.com.tr">www.eczacibasi.com.tr</a> / Social Responsibility.   |
| Any measures combating any kind of corruption including embezzlement and bribery   | The measures taken by Eczacıbaşı Group for combating corruption are includ in the Code of Conduct Policy and published on the website www.eczacibasi.com.tr/ Home / Code of Conduct.  |

| 4. BOARD OF DIRECTORS-I  |   |
|--|---|
| 4.2. Principles of Operation of the Board of Directors   |   |
| Date of the last board evaluation conducted  | -   |
| Whether the board evaluation was externally facilitated  | No  |
| Whether all board members released from their duties at the GSM  | Yes.  |
| Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties | There is no Board member to whom authority was transferred upon allocation of duties. Any two of members of the Board of Directors are authorized to jointly sign on behalf of the Company. |
| Number of reports presented by internal auditors to the audit committee or any relevant committee to the board | 0   |

# CORPORATE GOVERNANCE

| Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls  | Information on the Annula Report, the Company's Internal Control System and Internal Audit Activities, and Opinion of the Managing Body in that regard   |  |
|--|--|--|
| Name of the Chairman   | F. Bülent Eczacıbaşı   |  |
| Name of the CEO  | Seyfettin Sarıçam  |  |
| If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles   | They are not the same person.  |  |
| Link to the PDP notification stating that any damage that<br>may be caused by the members of the board of directors<br>during the discharge of their duties is insured for an<br>amount exceeding 25% of the company's capital | Insurance was subscribed under the umbrella insurance of the Group and the sum insured is above 25% of the Company capital. Since it is covered by the Group's umbrella insurance, no PDP disclosure was made. |  |
| The name of the section on the corporate website that demonstrates current diversity policy targeting women directors  | There is not a written diversity policy targeting women directors.   |  |
| The number and ratio of female directors within the Board of Directors   | Number: 1; Ratio: 12.5%  |  |

# **Composition of Board of Directors**

| Name,<br>Surname<br>of Board<br>Member | With Executive Duty<br>Or Not                | Whether an Independent<br>Director Or Not | The<br>First<br>Election<br>Date<br>To Board | Link to<br>PDP Notification<br>That Includes<br>The Independency<br>Declaration | Whether theIndependent<br>Director Considered By The<br>Nomination Committee | Whether She/he is<br>the Director who<br>Ceased to<br>Satisfy Independence<br>Criterion or Not | Whether the<br>Director<br>HasAt Least<br>5 Years'<br>Experience<br>On Audit,<br>Accounting<br>And/OrFinan<br>ce Or Not |
|--|--|---|--|---|--|--|---|
| F.Bülent<br>Eczacıbaşı                 | Without Executive<br>Duty<br>(Non-executive) | Not independent<br>director               | 15/04/1993                                   | -   | -  | -  | Yes<br>(Yes)  |
| R. Faruk<br>Eczacıbaşı                 | Without Executive<br>Duty<br>(Non-executive) | Not independent director                  | 15/04/1996                                   | -   | -  | -  | Yes<br>(Yes)  |
| M.Sacit<br>Basmacı                     | Without Executive<br>Duty<br>(Non-executive) | Not independent director                  | 18/05/2004                                   | -   | -  | -  | Yes<br>(Yes)  |
| Atalay<br>Muharrem<br>Gümrah           | Without Executive<br>Duty<br>(Non-executive) | Not independent director                  | 13/04/2017                                   | -   | -  | -  | Yes<br>(Yes)  |
| Seyfettin<br>Sarıçam                   | Executive                                    | Not independent director                  | 01/10/2016                                   | -   | -  | -  | Yes<br>(Yes)  |
| Simhan<br>Savaşcın<br>Başaran          | Without Executive<br>Duty<br>(Non-executive) | Not independent director                  | 15/04/2014                                   | -   | -  | -  | Yes<br>(Yes)  |
| Erkan<br>Durusoy                       | Without Executive<br>Duty<br>(Non-executive) | Independent director                      | 11/04/2019                                   | https://www.kap.org.tr/tr/Bil<br>dirim/750427                                   | Considered   | No<br>(No)   | Yes<br>(Yes)  |
| Ahmet Turgut<br>Tokgöz                 | Without Executive<br>Duty<br>(Non-executive) | Independent director                      | 12/04/2018                                   | https://www.kap.org.tr/tr/Bil<br>dirim/669982                                   | Considered   | No<br>(No)   | Yes<br>(Yes)  |

# CORPORATE GOVERNANCE

| 4. BOARD OF DIRECTORS-II  |  |
|---|--|
| 4.4. Meeting Procedures of the Board of Directors   |  |
| Number of physical board meetings in the reporting period (meetings in person)  | 20   |
| Director average attendance rate at board meetings  | 90.97%   |
| Whether the board uses an electronic portal to support its work or not  | No   |
| Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter                     | There is not a written regulation; these are submitted to members of the board of directors in such periods of time so that the members can carry out necessary examinations and assessments.  |
| The name of the section on the corporate website that demonstrates information about the board charter                              | There is not a written regulation, except for the Articles of Association. The principles regarding the meetings of the Board of Directors are set forth in article 17 of our Company's Articles of Association. Investor Relations / Eczacibaşı Yatırım Holding / Corporate Governance / General Information - Articles of Association/Article 17/Meetings and Working Principles |
| Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors | Members of the Board of Directors can take office at companies affiliated with Eczacıbaşı Group, however, as a principle, they may not take office outside the Group.  |
| 4.5. Committees Established within the Board of Directors   |  |
| Page numbers or section names of the annual report where information about the board committees are presented.                      | Described in the Annual Report / Corporate Governance Section / Board of Directors.  |
| Link(s) to the PDP announcement(s) with the board committee charters  | https://www.kap.org.tr/tr/Bildirim/207248<br>https://www.kap.org.tr/tr/Bildirim/817981<br>https://www.kap.org.tr/tr/Bildirim/820333  |

### Composition of Board Committees-I

| Names of the Board Committees  | Name Of Committees<br>Defined As "Other" In<br>The First Column | Name-Surname of<br>Committee Members | Whether<br>Committee<br>Chair Or Not | Whether Board Member Or<br>Not           |
|--|---|--------------------------------------|--------------------------------------|--|
| Audit Committee<br>Audit Committee   | -   | Ahmet Turgut Tokgöz                  | Yes<br>(Yes)                         | Board Member<br>Board Member             |
| Audit Committee<br>Audit Committee   | -   | Erkan Durusoy                        | No<br>(No)                           | Board member                             |
| Corporate Governance Committee<br>Corporate Governance Committee             | -   | Erkan Durusoy                        | Yes<br>(Yes)                         | Board member                             |
| Corporate Governance Committee<br>Corporate Governance Committee             | -   | Mustafa Sacit Basmacı                | No<br>(No)                           | Board member                             |
| Corporate Governance Committee<br>Corporate Governance Committee             | -   | Gülnur Gunbey Kartal                 | No<br>(No)                           | Not a board member<br>(Not board member) |
| Committee of Early Detection of Risk<br>Committee of Early Detection of Risk | -   | Erkan Durusoy                        | Yes<br>(Yes)                         | Board member                             |
| Committee of Early Detection of Risk<br>Committee of Early Detection of Risk | -   | Simhan Savaşçın Başaran              | No<br>(No)                           | Board member                             |

# CORPORATE GOVERNANCE

| 4. BOARD OF DIRECTORS-III  |   |
|--|---|
| 4.5. Committees Established within the Board of Directors-II   |   |
| Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)                            | Described in the Annual Report / Corporate Governance Section / Board of Directors / Audit Committee heading.   |
| Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)             | Described in the Annual Report / Corporate Governance Section / Board of Directors / Corporate Governance Committee heading.  |
| Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)                       | No separate nomination committee was established in accordance with article 4.5.1 of the Communiqué number II.17-1. The duties of the nomination committee are fulfilled by the corporate governance committee. |
| Specify where the activities of the early detection of risk<br>committee are presented in your annual report or website<br>(Page number or section name in the annual<br>report/website) | Described in the Annual Report / Corporate Governance/ Board of Directors/ Committee of Early Detection of Risk heading.  |
| Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)                     | No separate compensation committee was established in accordance with article 4.5.1 of the Communiqué number II.17-1. The duties of this committee are fulfilled by the corporate governance committee.         |
| 4.6. Financial Rights Offered to Members of the Board of Directors and Executives  |   |
| Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)                         | Described in the Financial position section of the Annual Report.   |
| Specify the section of website where remuneration policy for executive and non-executive directors are presented.  | Investor Relations / Eczacıbaşı Yatırım Holding / Corporate Governance - Remuneration Policy  |
| Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)                 | Annual Report / Corporate Governance Section / Benefits provided to members of the Board of Directors and senior executives are explained in the benefits section   |

### **Board Committees - II**

| Names of the Board Committees  | Name of The<br>Committee<br>Defined As<br>"Other" In The<br>First Column | ThePercentageof<br>Non-executives |      | The Number of<br>Meetings Held by the<br>Committee In Person | The Number of Report son its Activities Submitted to the Board |
|--|--|-----------------------------------|------|--|--|
| Audit Committee<br>Audit Committee   | -  | 0%                                | 100% | 6  | 6  |
| Corporate Governance Committee<br>Corporate Governance Committee             | -  | 0%                                | 33%  | 5  | 5  |
| Committee of Early Detection of Risk<br>Committee of Early Detection of Risk | -  | 0%                                | 50%  | 7  | 7  |

|   |     | Comp    | pliance ! | Status     |                       | Remarks   |
|---|-----|---------|-----------|------------|-----------------------|---|
|   | Yes | Partial | No        | Exemp<br>t | Not<br>applic<br>able |   |
| CORPORATE GOVERNANCE COMPLIANCE REPORT (CRF)  |     |         |           |            |                       |   |
| 1.1. FACILITATING THE EXERCISE OF SHAREHOLDERS' RIGHTS  |     |         |           |            |                       |   |
| 1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.   | X   |         |           |            |                       |   |
| 1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION   |     |         |           |            |                       |   |
| 1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.   | X   |         |           |            |                       |   |
| 1.3. GENERAL ASSEMBLY   |     |         |           |            |                       |   |
| 1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.  | X   |         |           |            |                       |   |
| 1.3.7 - Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.           |     |         |           |            | X                     |   |
| 1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting. | X   |         |           |            |                       |   |
| 1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.   | X   |         |           |            |                       |   |
| 1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.  | X   |         |           |            |                       | ·   |
| 1.4. VOTING RIGHTS  |     |         |           |            |                       |   |
| 1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.   | X   |         |           |            |                       |   |
| 1.4.2 - The company does not have shares that carry privileged voting rights.   | X   |         |           |            |                       |   |
| 1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.  | X   |         |           |            |                       |   |
| 1.5. MINORITY RIGHTS  |     |         |           |            |                       |   |
| 1.5.1 - The company pays maximum diligence to the exercise of minority rights.  | X   |         |           |            |                       |   |
| 1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.  |     |         | X         |            |                       | Our Company's Articles of<br>Association does not include any<br>regulation in this regard. |
| 1.6. DIVIDEND RIGHT   |     |         |           |            |                       |   |
| 1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.   | X   |         |           |            |                       |   |

|  |     | Comp    | oliance S | Status     |                       | Remarks  |
|--|-----|---------|-----------|------------|-----------------------|--|
|  | Yes | Partial | No        | Exemp<br>t | Not<br>applic<br>able |  |
| 1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.  | X   |         |           |            |                       |  |
| 1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.   |     |         |           |            | X                     |  |
| 1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.   | X   |         |           |            |                       |  |
| 1.7. TRANSFER OF SHARES  |     |         |           |            |                       |  |
| 1.7.1 - There are no restrictions preventing shares from being transferred.  | X   |         |           |            |                       |  |
| 2.1. CORPORATE WEBSITE   |     |         |           |            |                       |  |
| 2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.  | X   |         |           |            |                       |  |
| 2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months. | X   |         |           |            |                       |  |
| 2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.  |     | X       |           |            |                       | Annual Report, Annual Financial<br>Reports, Minutes of the General<br>Assembly Meetings, General Meeting<br>Information Document, General<br>Assembly Invitation and Proxy Form<br>for the Casting of Votes are also<br>available in English on the website. |
| 2.2. ANNUAL REPORT   |     |         |           |            |                       | ·  |
| 2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.   | X   |         |           |            |                       |  |
| 2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.  | X   |         |           |            |                       |  |
| 3.1. CORPORATION'S POLICY ON STAKEHOLDERS  |     |         |           |            |                       |  |
| 3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.  | X   |         |           |            |                       |  |
| 3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.   |     | X       |           |            |                       | There is not a separate policy and procedure in this regard, and it is included in the sections of the Eczacıbaşı Group Code of Conduct on our website.  |
| 3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.   | X   |         |           |            |                       |  |
| 3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.   | X   |         |           |            |                       |  |
| 3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT  |     |         |           |            |                       |  |
| 3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.  |     |         |           |            | X                     | Our Company does not have any permanent employees and the management services are carried out by outsourced services and consultancy.  |

| 3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.                                      |     |         |         |            | X                     |   |
|--|-----|---------|---------|------------|-----------------------|---|
|  |     | Com     | pliance | Status     |                       | Remarks   |
|  | Yes | Partial | No      | Exemp<br>t | Not<br>applic<br>able |   |
| 3.3. HUMAN RESOURCES POLICY  |     |         |         |            |                       |   |
| 3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.   | X   |         |         |            |                       |   |
| 3.3.2 - Recruitment criteria are documented.   | X   |         |         |            |                       |   |
| 3.3.3 - The company has a policy on human resources development, and organises trainings for employees.  | X   |         |         |            |                       |   |
| 3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.  |     |         |         |            | X                     | Our Company does not have any permanent employees but the Eczacıbaşı Group's policies and practices in this regard apply also to our Company. |
| 3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken. The opinion of the related trade unions was also taken in this regard.             |     |         |         |            | X                     | Our Company does not have any permanent employees but the Eczacıbaşı Group's policies and practices in this regard apply also to our Company. |
| 3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.   |     |         |         |            | X                     | Our Company does not have any permanent employees but the Eczacıbaşı Group's policies and practices in this regard apply also to our Company. |
| 3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment. |     |         |         |            | X                     | Our Company does not have any permanent employees but the Eczacıbaşı Group's policies and practices in this regard apply also to our Company. |
| 3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.   |     |         |         |            | X                     | Our Company does not have any permanent employees but the Eczacıbaşı Group's policies and practices in this regard apply also to our Company. |
| 3.3.9 - A safe working environment for employees is maintained.  |     |         |         |            | X                     | Our Company does not have any permanent employees but the Eczacıbaşı Group's policies and practices in this regard apply also to our Company. |
| 3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS  |     |         |         |            |                       |   |
| 3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.   |     |         |         |            | X                     |   |
| 3.4.2 - Customers are notified of any delays in handling their requests.   |     |         |         |            | X                     |   |
| 3.4.3 - The company complied with the quality standards with respect to its products and services.   |     |         |         |            | X                     |   |
| 3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.  | X   |         |         |            |                       |   |
| 3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY   |     |         |         |            |                       |   |

| 3.5.1 - The board of the corporation has adopted a code of   |     |         |         |            |                       |  |
|--|-----|---------|---------|------------|-----------------------|--|
| ethics, disclosed on the corporate website.  | X   |         |         |            |                       |  |
| 3.5.2 - The company has been mindful of its social responsibility. It has adopted measures to prevent corruption and bribery.  | X   |         |         |            |                       |  |
|  |     | Com     | pliance | Status     |                       | Remarks  |
|  | Yes | Partial | No      | Exemp<br>t | Not<br>applic<br>able |  |
| 4.1. ROLE OF THE BOARD OF DIRECTORS  |     |         |         |            |                       |  |
| 4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.  | X   |         |         |            |                       |  |
| 4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.                            | X   |         |         |            |                       |  |
| 4.2. PRINCIPLES OF OPERATION OF THE BOARD OF DIRECTORS   |     |         |         |            |                       |  |
| 4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.  |     | X       |         |            |                       | No report other than the annual reports is submitted to the shareholders.  |
| 4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.  | X   |         |         |            |                       |  |
| 4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.  | X   |         |         |            |                       |  |
| 4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.  | X   |         |         |            |                       |  |
| 4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.   | X   |         |         |            |                       |  |
| 4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.             | X   |         |         |            |                       |  |
| 4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.  | X   |         |         |            |                       | Insurance was procured under the umbrella insurance of Eczacibaşı Group and exceeds 25%.   |
| 4.3. STRUCTURE OF THE BOARD OF DIRECTORS   |     |         |         |            |                       |  |
| 4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy. |     |         | X       |            |                       | A target rate and a target time have not been determined yet for the female directors in the Board of Directors, and the ratio of female directors of the Board of Directors is 12.5%. |
| 4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.   | X   |         |         |            |                       |  |
| 4.4. BOARD MEETING PROCEDURES  |     |         |         |            |                       |  |
| 4.4.1 - Each board member attended the majority of the board meetings in person.   | X   |         |         |            |                       |  |
| 4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.  |     |         | X       |            |                       | No minimum time has been defined.  |

| 4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members. |   |  | X |  |
|---|---|--|---|--|
| 4.4.4 - Each member of the board has one vote.  | X |  |   |  |

|   |     | Com     | pliance | Status |                       | Remarks   |
|---|-----|---------|---------|--------|-----------------------|---|
|   | Yes | Partial | No      | Exempt | Not<br>applic<br>able |   |
| 4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.  |     |         | X       |        |                       | There is not a written regulation, except for the Articles of Association. The meeting procedures of the Board of Directors are determined in accordance with the principles of the Turkish Commercial Code, article 17 of our Articles of Association, and the established practices of our Company.   |
| 4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.                           | X   |         |         |        |                       |   |
| 4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting. |     | X       |         |        |                       | Members of the Board of Directors can take office at companies affiliated with Eczacıbaşı Group, however, as a principle, they may not take office outside the Group. The external commitments of Board members have not been included as an individual item on the agenda at the General Shareholders' Meetings. However, such information is provided in the annual report. |
| 4.5. BOARD COMMITTEES   |     |         |         |        |                       |   |
| 4.5.5 - Board members serve in only one of the Board's committees.  |     |         | X       |        |                       | Considering the existing structure of the Company's board of directors, some members of the Board had to take office in several committees within the scope of the compulsion to establish 3 different committees pursuant to the Capital Market legislation.   |
| 4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.  | X   |         |         |        |                       |   |
| 4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.   |     |         |         |        | X                     |   |
| 4.5.8 - Minutes of all committee meetings are kept and reported to board members.   | X   |         |         |        |                       |   |

|   | Compliance Status |         |    |            |                       | Remarks  |
|---|-------------------|---------|----|------------|-----------------------|--|
|   | Yes               | Partial | No | Exemp<br>t | Not<br>applic<br>able |  |
| 4.6. FINANCIAL RIGHTS OFFERED TO<br>MEMBERS OF THE BOARD OF DIRECTORS AND<br>EXECUTIVE MANAGERS   |                   |         |    |            |                       |  |
| 4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.   |                   | X       |    |            |                       | Although our Board of Directors held<br>a separate meeting in which it assessed<br>its activities within the year, there is<br>not any written performance<br>evaluation system or performance<br>evaluation report for the Board of<br>Directors. |
| 4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them. | X                 |         |    |            |                       |  |
| 4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.  | X                 |         |    |            |                       |  |

#### **CORPORATE GOVERNANCE**

#### 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 2, 2020

Turgut Tokgöz

#### **CORPORATE GOVERNANCE**

#### 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 2, 2020

Erkan Durusoy





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

#### INDEPENDENT AUDITOR'S REPORT

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

#### A. Audit of the Financial Statements

#### 1. Opinion

We have audited the accompanying financial statements of Eczacibaşi Yatırım Holding Ortaklığı A.Ş. (the "Company"), which comprise the statement of financial position as at 31 December 2019 and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements and a summary of significant accounting policies and financial statement notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

#### 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 Financial Statements" section of our report. We hereby declare that we are independent of the Company 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 financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the 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

# Financial investments and investments accounted for using the equity method - Fair value measurement of Eczacibasi Holding A.S.

The Company classified its stake in its ultimate parent, Eczacıbaşı Holding A.Ş. as long term financial assets at fair value through other comprehensive income and recorded at fair value in the accompanying financial statements. The Company also owns additional stake in Eczacıbaşı 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 Company as of 31 December 2019, the Company recognized its shares in Eczacıbaşı Holding A.Ş. at a fair value of TL 826,040,560 in the accompanying 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 994,565,388 calculated with the Company's ownership ratio on EİS as of 31 December 2019.

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

- Eczacibaşi Holding A.Ş. financial investment that is carried at fair value is material to the accompanying 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 19 to the financial statements for the relevant disclosures.

#### How audit matters are handled

In summary, the following audit procedures are performed in the audit of fair value measurement study of Eczacıbaşı Holding A.Ş.:

- 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 Company 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 TFRS are cecked.

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



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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

Our aim is to obtain reasonable assurance about whether the 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 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:

- Identify and assess the risks of material misstatement in the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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 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 2019 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 28 February 2020.

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

Didem Demer Kaya, SMMM Partner

Istanbul, 28 February 2020

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 1 JANUARY - 31 DECEMBER 2019

(ORIGINALLY ISSUED IN TURKISH)

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

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# ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş.

# STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

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

|   | Note  | Audited<br>31 December 2019 | Audited<br>31 December 2018 |
|---|-------|-----------------------------|-----------------------------|
| ASSETS  |       |                             |                             |
| Cash and cash equivalents                       | 22    | 105,678,582                 | 44,729,543                  |
| Other receivables                               | 5     | 246,636                     | 246,599                     |
| - Other receivables due from other parties      |       | 246,636                     | 246,599                     |
| Total current assets                            |       | 105,925,218                 | 44,976,142                  |
| Financial investments                           | 3, 19 | 980,475,892                 | 914,290,504                 |
| Financial assets at fair value through          |       |                             |                             |
| other comprehensive income                      |       | 980,475,892                 | 914,290,504                 |
| Right-of-use assets                             | 2.1.7 | 25,578                      | -                           |
| Investments accounted for using equity          |       |                             |                             |
| accounting method                               | 3, 6  | 1,280,190,754               | 1,186,031,630               |
| Intangible assets                               |       | 4,497                       | 7,697                       |
| Other intangible assets                         |       | 4,497                       | 7,697                       |
| Prepaid Expenses                                | 7     | 29,518                      | 24,510                      |
| - Prepaid expenses due to other parties         |       | 29,518                      | 24,510                      |
| Other non-current assets                        | 10    | 7,885,315                   | 6,908,849                   |
| - Other non-current assets due to other parties |       | 7,885,315                   | 6,908,849                   |
| Total non-current assets                        |       | 2,268,611,554               | 2,107,263,190               |
| TOTAL ASSETS                                    |       | 2,374,536,772               | 2,152,239,332               |

# ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş.

# STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

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

|   | Note | Audited<br>31 December 2019 | Audited<br>31 December 2018 |
|---|------|-----------------------------|-----------------------------|
| LIABILITIES   |      |                             |                             |
| Short term borrowings   |      | 12,625                      | -                           |
| Short term lease liabilities due from related parties                           |      | 12,625                      | -                           |
| Short term trade payables   | 4    | 617,292                     | 429,308                     |
| Short term trade payables due to related parties                                | 3    | 616,991                     | 428,355                     |
| Short term trade payables due to other parties                                  |      | 301                         | 953                         |
| Other short-term liabilities  | 10   | 110,913                     | 70,117                      |
| Other short-term liabilities to other parties                                   |      | 110,913                     | 70,117                      |
| Tax liability for the period  | 17   | 636,868                     | 119,683                     |
| Total current liabilities   |      | 1,377,698                   | 619,108                     |
|   |      |                             |                             |
| Long term borrowings  |      | 15,248                      | -                           |
| Lease liabilities due from related parties                                      |      | 15,248                      | -                           |
| Deferred income   |      | 383                         | 383                         |
| Deferred income due from related parties  | 1.7  | 383                         | 383                         |
| Deferred tax liabilities  | 17   | 43,374,667                  | 39,945,053                  |
| Total non-current liabilities   |      | 43,390,298                  | 39,945,436                  |
| Total Liabilities   |      | 44,767,996                  | 40,564,544                  |
| Chara conital   | 11   | 105 000 000                 | 105 000 000                 |
| Share capital Adjustment to share capital                                       | 11   | 105,000,000<br>105,173,533  | 105,000,000<br>105,173,533  |
| Items that will not be reclassified subsequently to profit or loss              | 11   | 1,580,366,570               | 1,419,587,862               |
| Gains on financial assets measured at fair value                                |      | 1,360,300,370               | 1,419,367,802               |
| through other comprehensive income  |      | 1,581,124,134               | 1,420,345,426               |
| Defined benefit plans re-measurement gains/losses                               |      | (757,564)                   | (757,564)                   |
| Items that will be reclassified subsequently to profit or loss                  |      | 1,876,525                   | 1,876,525                   |
| Foreign currency translation differences  |      | 1,876,525                   | 1,876,525                   |
| Restricted reserves   | 11   | 35,622,785                  | 35,622,785                  |
| Retained earnings   |      | 429,100,813                 | 343,631,914                 |
| Net income for the period   |      | 72,628,550                  | 100,782,169                 |
| Equity attributable to equity holders of the parent<br>Non-controlling interest |      | 2,329,768,776               | 2,111,674,788               |
| Total Equity  |      | 2,329,768,776               | 2,111,674,788               |
| TOTAL LIABILITIES AND EQUITY  |      | 2,374,536,772               | 2,152,239,332               |

# ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş.

### STATEMENT OF PROFIT OR LOSS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

|   | Notes  | Audited<br>1 January -<br>31 December 2019 | Audited<br>1 January -<br>31 December 2018 |
|---|--------|--|--|
|   | 110165 | 31 December 2017                           | 31 December 2010                           |
| PROFIT OR LOSS                                  |        |  |  |
| Revenue   | 12     | -  | 27,032,805                                 |
| Cost of sales (-)                               | 12     | -  | (25,652,001)                               |
| Gross profit                                    |        | <u>-</u>                                   | 1,380,804                                  |
| GROSS PROFIT                                    |        | -  | 1,380,804                                  |
| General administrative expenses (-)             | 13     | (5,540,758)                                | (5,748,463)                                |
| Marketing expenses (-)                          | 13     | -  | (46,324)                                   |
| Other operating income                          | 14     | 49,627,248                                 | 46,517,285                                 |
| Other operating expenses (-)                    | 14     | (6,467,034)                                | (575,297)                                  |
| Operating profit                                |        | 37,619,456                                 | 41,798,005                                 |
| Share of income/(loss) of investments           |        |  |  |
| accounted for using equity accounting method    | 6, 15  | 39,332,050                                 | 61,594,713                                 |
| Operating income before finance expense         |        | 76,951,506                                 | 103,392,718                                |
| Financial expenses (-)                          | 16     | (6,111)                                    | <u>-</u>                                   |
| Profit before tax from continuing oprations     |        | 76,945,395                                 | 103,392,718                                |
| Tax (expense)/income from continuing operations |        | (4,316,845)                                | (2,062,088)                                |
| Income tax expenses (-)                         | 17     | (4,317,422)                                | (2,062,088)                                |
| Deferred tax income/(expenses)                  | 17     | 577  |  |
| Net profit from continuing operations           |        | 72,628,550                                 | 101,330,630                                |
| Weighted average number of ordinary shares      |        |  |  |
| with face value of KR 1 each                    | 18     | 0,69                                       | 0.97                                       |
| Profit attributable to                          |        |  |  |
| Non controlling interest                        |        | _  | 548,461                                    |
| Equity holders of the parent                    |        | 72,628,550                                 | 100,782,169                                |

<sup>(\*)</sup> As explained in Note 1 and Note 23, the Company sold its consolidated subsidiary, Eczacibaşı Yatırım Ortaklığı A.Ş., on April 9, 2018. Therefore, the financial statements prepared as of 31 December 2019 are presented as unconsolidated financial statements whereas the comparative statement of profit or loss for the period ended at 31 December 2018 which includes financial results of Eczacibaşı Yatırım Ortaklığı A.Ş. is consisted of consolidated financial statements. The Company has left consolidating its subsidiary from 1 April 2018 on. Thus, the statement of profit or loss of the Company for the period between 1 January - 31 March 2018 includes consolidated financial results whereas the financial results for the accounting period of 1 April - 31 December 2019 includes unconsolidated financial results.

# ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş.

# STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

|   | Note | Audited<br>1 January -<br>31 December 2019 | Audited<br>1 January -<br>31 December 2018 |
|---|------|--|--|
| Profit for the period   |      | 72,628,550                                 | 101,330,630                                |
| Other comprehensive income/(expenses)   |      |  |  |
| Items that may be reclassified subsequently to profit or loss   |      | 224,215,438                                | 257,189,079                                |
| Gains on fair value through other comprehensive income financial assets due to revaluation (**)  Gains on other comprehensive income of investments accounted   |      | 96,770,085                                 | 136,517,226                                |
| for using the equity method that will not to be reclassified to profit or loss due to revaluation  Share of other comprehensive income of investments accounted | 6    | 96,605,194                                 | 127,497,714                                |
| for using the equity method that will not to be reclassified to profit or loss (net)  Tax liabilities due to items that will not be                             |      | 35,270,350                                 | -  |
| reclassified subsequently to profit or loss   |      | (3,430,191)                                | (6,825,861)                                |
| Deferred tax expense (-)  | 17   | (3,430,191)                                | (6,825,861)                                |
| Other comprehensive income  |      | 224,215,438                                | 257,189,079                                |
| Total comprehensive income  |      | 296,843,988                                | 358,519,709                                |
| Total Comprehensive Income for the period Attributable To:  |      | 296,843,988                                | 358,738,540                                |
| Non-controlling interests   |      | _  | 548,461                                    |
| Owners of the company   |      | 296,843,988                                | 357,971,248                                |
| Earnings from continuing operations per share   | 18   | 2,83                                       | 3.41                                       |

<sup>(\*)</sup> As explained in Note 1 and Note 23, the Company sold its consolidated subsidiary, Eczacibaşi Yatırım Ortaklığı A.Ş., on April 9, 2018. Therefore, the financial statements prepared as of 31 December 2019 are presented as unconsolidated financial statements whereas the comparative statement of other comprehensive income for the period ended at 31 December 2018 which includes financial results of Eczacibaşi Yatırım Ortaklığı A.Ş. is consisted of consolidated financial statements. The Company has left consolidating its subsidiary from 1 April 2018 on. Thus, the statement of other comprehensive income of the Company for the period between 1 January - 31 March 2018 includes consolidated financial results whereas the financial results for the accounting period of 1 April - 31 December 2019 are consisted of unconsolidated financial results.

<sup>(\*\*) &</sup>quot;Gains/losses on financial assets measured at fair value through other comprehensive income" is presented under "Other revaluation on remeasurement gains" in PDP (KAP) templates.

# ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş.

### STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

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

|   | Note  | Share<br>Capital           | Inflation<br>adjustment<br>to Capital | Share<br>discounts | Compr<br>Income o<br>Not o Be<br>Subseq | ther chensive r Expenses Reclassified uently to or Loss Gains and losses On financial Assets measured At fair value through other comprehensive income (**) | Com<br>Income<br>To Be<br>Subs | Other prehensive or Expenses Reclassified equently to it or Loss Gains and loses On financial Assets measured at fair value through other comprehensive income (**) | Restricted<br>reserves                  | Net<br>Retained<br>earnings                         | to equity<br>profit<br>/(loss)                        | Attributable<br>Non<br>holders of<br>Company                           | Controlling<br>Interest                 | Total equity  |
|---|-------|----------------------------|---------------------------------------|--------------------|---|---|--------------------------------|---|---|---|---|--|---|---|
| Balances at 1 January 2018  |       | 105,000,000                | 105,173,533                           | 43,834             | (757,564)                               | -   | 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   |
| Effect of Changes in acconting policies (**)  |       | -                          |                                       | -                  | -                                       | 1,163,156,347   |                                | (1,163,156,347)   | -                                       |   | -   | -  | -                                       |   |
| Balances at 1 January 2018  |       | 105,000,000                | 105,173,533                           | 43,834             | (757,564)                               | 1,163,156,347   | 1,876,525                      | -   | 30,221,683                              | 244,654,402   | 183,128,614   | 1,832,497,374  | 31,509,203                              | 1,864,006,577   |
| Transfers Dividends Disposals due to other changes Total Comprehensive Income - Net Profit/loss - Other comprehensive income Disposal or (purchase) of subsidiaries | 11 23 | -<br>-<br>-<br>-<br>-<br>- | -<br>-<br>-<br>-<br>-                 | (43,834)           |   | 257,189,079<br>257,189,079  | -<br>-<br>-<br>-<br>-          | :<br>:<br>:   | 5,401,102<br>-<br>-<br>-<br>-<br>-<br>- | 177,727,512<br>(78,750,000)<br>-<br>-<br>-          | (183,128,614)<br>-<br>100,782,169<br>100,782,169<br>- | (78,750,000)<br>(43,834)<br>357,971,248<br>100,782,169<br>257,189,079  | 548,461<br>548,461<br>-<br>(32,057,664) | (78,750,000)<br>(43,834)<br>358,519,709<br>101,330,630<br>257,189,079<br>(32,057,664) |
| Balances at 31 December 2018  | 11    | 105,000,000                | 105,173,533                           | -                  | (757,564)                               | 1,420,345,426   | 1,876,525                      | -   | 35,622,785                              | 343,631,914   | 100,782,169   | 2,111,674,788  | -                                       | 2,111,674,788   |
| Balances at 1 January 2019  |       | 105,000,000                | 105,173,533                           | -                  | (757,564)                               | 1,420,345,426   | 1,876,525                      | -   | 35,622,785                              | 343,631,914   | 100,782,169   | 2,111,674,788  | -                                       | 2,111,674,788   |
| Transfers Dividends Total Comprehensive Income - Net Profit/loss - Other comprehensive income Increase (decrease) through other changes (***)                       | 11    | -<br>-<br>-<br>-           | -<br>-<br>-<br>-                      |                    |   | 187,536,776<br>187,536,776<br>(26,758,068)  |                                | -   | -<br>-<br>-<br>-<br>-                   | 100,782,169<br>(78,750,000)<br>-<br>-<br>63,436,730 | (100,782,169)<br>-<br>72,628,550<br>72,628,550<br>-   | (78,750,000)<br>260,165,326<br>72,628,550<br>187,536,776<br>36,678,662 |   | (78,750,000)<br>260,165,326<br>72,628,550<br>187,536,776<br>36,678,662                |
| Balances at 31 December 2019  | 11    | 105,000,000                | 105,173,533                           |                    | (757,564)                               | 1,581,124,134   | 1,876,525                      |   | 35,622,785                              | 429,100,813   | 72,628,550  | 2,329,768,776  |   | 2,329,768,776   |

<sup>(\*)</sup> As explained in Note 1 and Note 23, the Company sold its consolidated subsidiary, Eczacibaşi Yatırım Ortaklığı A.Ş., on April 9, 2018. Therefore, the financial statements prepared as of 31 December 2019 are presented as unconsolidated financial statements whereas the comparative statement of changes in equity for the period ended at 31 December 2018 which includes financial results of Eczacibaşi Yatırım Ortaklığı A.Ş. is consisted of consolidated financial statements. The Company has left consolidating its subsidiary from 1 April 2018 on. Thus, the statement of changes in equity of the Company for the period between 1 January - 31 March 2018 includes consolidated financial results whereas the financial results for the accounting period of 1 April - 31 December 2019 are consisted of unconsolidated financial results.

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

<sup>(\*\*)</sup> In accordance with initial application of TFRS 9 and its business models, the Company has reclassified equity based financial investments under "Financial assets at fair value through other comprehensive income" as of 1 January 2018 in its statement of financial position. Accordingly, the Company, has reclassified the "gains and losses on financial assets measured at fair value through other comprehensive income" which were classified under "Items that will be reclassified subsequently to profit or loss" as of 31 December 2017 under "Items that will not be reclassified subsequently to profit or loss".

<sup>(\*\*\*)</sup> In accordance with the Board of Directors decision on 15 May 2019, Kaynak Tekniği Sanayi ve Ticaret A.Ş. ("Kaynak Tekniği"), which represents 15.86% of the capital of Kaynak Tekniği, has a total of 766,811 shares, each of which has a nominal value of 1 TL, and all of the shares of Group B with a nominal value of 766,811 TL. Pursuant to the principles included in the contract, it has been transferred to Lincoln Electric France S.A.S for \$11,442,922. Due to the sale of the asset, fair valuation differences accounted under other comprehensive income are classified in previous years' profits.

# ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI A.Ş.

# STATEMENT OF CASH FLOWS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

|   | Note         | Audited<br>1 January -<br>31 December 2019     | Audited<br>1 January -<br>31 December 2018 |
|---|--------------|--|--|
| Cash flows from operating activities  | 11000        | (9,392,529)                                    | (7,478,997)                                |
| Net Profit for the Period   |              | 72,628,550                                     | 101,330,630                                |
| Income from continuing operations   |              | 72,628,550                                     | 101,330,630                                |
| Adjustments to reconcile net profit   |              | (84,948,423)                                   | (105,641,006)                              |
| Adjustments related to depreciation and amortization  |              | (3,200)  | 36,709                                     |
| Adjustments related to provisionsAdjustments related to provision for employment  |              | -  | 187,461                                    |
| termination benefits  |              | -  | 187,461                                    |
| Adjustments related to interest (income)/expense  | 14           | (5,491,086)                                    | (8,499,423)                                |
| Adjustments related to unrealized foreign currency translation differences<br>Adjustments related to dividend income (-)                  | 14           | (10,642,449)<br>(34,141,947)                   | (30,600,836)                               |
| Adjustments related to undistributed profit of investments  | 14           | (34,141,947)                                   | (30,000,830)                               |
| accounted for using the equity method   | 6            | (48,142,289)                                   | (61,594,713)                               |
| - Adjustments related to undistributed profit of associates   | 17           | (48,142,289)                                   | (61,594,713)                               |
| Adjustments related to tax (income)/expense Adjustments related to losses on sale of subsidiary   | 17<br>14, 23 | 4,317,422                                      | 2,062,088<br>64,623                        |
| Other adjustments related to profit/loss reconciliations  | 14, 23       | 9,155,126                                      | (7,296,915)                                |
|   |              |  |  |
| Changes in operating assets and liabilities   |              | (765,683)                                      | ( <b>9,673,938</b> )<br>(9,717,733)        |
| Adjustments for (increase)/decrease in changes in short-term financial assets<br>Adjustments for (increase)/decrease in trade receivables |              | -<br>-   | (9,717,733)                                |
| - (Increase)/decrease in trade receivables from due from other parties  |              | -  | (998,200)                                  |
| Adjustments for (increase)/decrease in changes in other receivables   |              | (25,615)                                       | 26,582                                     |
| - (Increase)/decrease in short-term other receivables due to other parties Adjustments for (increase)/decrease on other current assets    |              | (25,615)<br>(5,006)                            | 26,582<br>(51,463)                         |
| Adjustments for increase/decrease on other current assets  Adjustments for increase/(decrease) on trade payables                          |              | 187,984  | 225,176)                                   |
| - Increase/(decrease) in trade payables due to related parties  |              | 188,636  | 206,338                                    |
| - Increase/(decrease) in trade payables due to other parties  |              | (652)  | 18,838                                     |
| Adjustments for other changes in working capital - (Increase)/decrease in oter assets related with other operations                       |              | (923,046)<br>(976,466)                         | 841,700<br>993,859                         |
| - (Increase)/decrease in liabilities related with other operations  |              | 53,420   | (152,159)                                  |
| Cash flows from operating activities  |              | (13,085,556)                                   | (13,984,314)                               |
| Interest received   |              | 5,431,176                                      | 8,666,553                                  |
| Tax refunds/payments  |              | (1,738,149)                                    | (2,161,236)                                |
| Cash flows from investing activities  |              | 138,356,797                                    | 76,781,423                                 |
| Dividends received  |              | 95,130,323                                     | 70,940,232                                 |
| Cash outflows related to share purchase or capital increase of subsidiaries and associate   | S            | (20,210,256)                                   | (7,651,805)                                |
| Cash inflows related to sale of shares or capital decrease of subsidiaries and associates   | 22           | -  | 4,118,313                                  |
| Cash inflows related to sale of subsidiary resulting in loss of control<br>Cash inflows related to sale of other long-term assets         | 23           | 63,436,730                                     | 15,594,404                                 |
| Other cash inflows/(outflows)   | 23           | -  | (6,219,723)                                |
| Cook flows from financing activities  |              | (79.750.000)                                   | (78,750,000)                               |
| Cash flows from financing activities Dividend paid (-)  | 11           | ( <b>78,750,000</b> )<br>( <b>78,750,000</b> ) | (78,750,000)                               |
| Net increase on cash and cash equivalents before  |              |  |  |
| the effect of foreign exchange differences  |              | 50,214,268                                     | (9,447,574)                                |
| Effect of foreign exchange-rate changes on cash and cash equivalents  |              | 10,642,449                                     | -  |
| Net increase in cash and cash equivalents   |              | 60,856,717                                     | (9,447,574)                                |
| Cash and cash equivalents at the beginning of the period  | 22           | 44,704,615                                     | 54,152,189                                 |
| Cash and cash equivalents at the end of the period  | 22           | 105,561,332                                    | 44,704,615                                 |
| - The same of the period  |              | 100,001,002                                    | ,. 0-1,010                                 |

<sup>(\*)</sup> As explained in Note 1 and Note 23, the Company sold its consolidated subsidiary, Eczacibaşi Yatırım Ortaklığı A.Ş., on April 9, 2018. Therefore, the financial statements prepared as of 31 December 2019 are presented as unconsolidated financial statements whereas the comparative statement of cashflows for the period ended at 31 December 2018 which includes financial results of Eczacibaşi Yatırım Ortaklığı A.Ş. is consisted of consolidated financial statements. The Company has left consolidating its subsidiary from 1 April 2018 on. Thus, the statement of cashflows of the Company for the period between 1 January - 31 March 2018 includes consolidated financial results whereas the financial results for the accounting period of 1 April - 31 December 2018 are consisted of unconsolidated financial results.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

#### 1. ORGANISATION AND NATURE OF OPERATIONS

Eczacıbaşı 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 2019, 18.43% of total shares of the Company are publicly listed (31 December 2018: 18.43%). The ultimate parent of the Company is Eczacibaşi Holding A.Ş., which has 81.57% of the shares of the Company (31 December 2018: 81.57%) (Note 11). Eczacibaşi Holding A.Ş., the main shareholder of the Company, helds the control of the Company. As stated in note 2.1 the Company classifies and accounts EİS Eczacibaşi İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret Anonim Şirketi ("EİS"), İntema İnşaat ve Tesisat Malzemeleri Yatırım ve Pazarlama A.Ş. ("İntema") and E-Kart Elektronik Kart Sistemleri San. ve Tic. A.Ş. ("E-kart") Investments accounted for using equity accounting method.

An agreement has been signed among the Company, Eczacıbaşı Tüketim Ürünleri Sanayi ve Ticaret A.Ş. ile Metro Yatırım Menkul Değerler A.Ş. on 27 December 2017 for the purpose of transferring of the Company's subsidiary's, Eczacıbaşı Yatırım Ortaklığı A.Ş., preferred shares (A Group) which equal to %5 of Eczacıbaşı Yatırım Ortaklığı A.Ş.'s total capital and have a nominal value of 1,050,000 and value of TL 1,050,000 and Eczacıbaşı Yatırım Ortaklığı A.Ş., B Group shares which equal to 42.60% of Eczacıbaşı Yatırım Ortaklığı A.Ş.'s total capital and have a nominal value of 8,946,413 and value of TL 8,946,413 to Metro Yatırım Menkul Değerler A.Ş. and the application has been made to Capital Market Board ("CMB") and to Competition Authority in order to obtain a for the transfer of A Group and B Group shares. Upon CMB's approval of the share transfer application dated 30 March 2018, sale of A Group shares with a total value of TL 6,552,000 and unit value per share of TL 6.24 and of B Group shares with a total value of TL 5,796,413 and unit value per share of TL 1.56 to Metro Yatırım Menkul Değerler A.Ş. has been completed on 9 April 2018 (Note 23).

The Group does not have any employees as of 31 December 2019 and management activities are carried out through the procurement of services (31 December 2018: None). The Group's registered address is as follows:

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

#### **Approval of financial statements**

The financial statements for the period ended 31 December 2019 have been approved by the Board of Directors on 28 February 2020. General Assembly and specific regulatory institutions have the power to amend the financial statements

# ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

#### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

#### 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").

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. Financial statements of the Company were prepared within the framework of this decision.

The Company's financial statements have been prepared in accordance with the 2016 TAS Taxonomy dated June 2, 2016 by the Board of Ministers dated 30 June 2016, based on paragraph (b) of Article 9 of the Decree-Law no. 660 (2 Decree Law').

The Company 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 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 Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in TL, which is the functional currency of the Company and the presentation currency of the Company.

#### 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

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

### 2.1 BASIS OF PRESENTATION (Continued)

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

The 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 financial statements, necessary comparative figures are reclassified, and significant differences are explained.

As explained in Note 1 and Note 23, the Company sold its consolidated subsidiary Eczacibaşı Yatırım Ortaklığı A.Ş. on April 9, 2018. Therefore, the financial statements prepared as of 31 December 2019 are presented as unconsolidated financial statements whereas the comparative financial statements prepared as of 31 December 2018, "Statement of Profit or Loss", "Statement of Comprehensive Income", "Statement of Changes in Equity" and "Statement of Cash Flows" which include the financial results of Eczacibaşı Yatırım Ortaklığı A.Ş are consisted of consolidated financial statements.

#### 2.1.5 Basis of Consolidation

- i) The consolidated financial statemens as of 31 December 2018 include the accounts of The Company's subsidiary and associates. 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) As of 31 December 2018 Eczacibaşı Yatırım Ortaklığı A.Ş. is the company in which Eczacibaşı Yatırım Holding Ortaklığı A.Ş. has power to control the financial and operating policies for the benefit of Eczacibaşı 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 Eczacibaşı 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.

The financial statements include the financial statements of the companies controlled by Company and the Company's subsidiary. Control is existing 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 affect the number of investees return.

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

# ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

#### 2.1 BASIS OF PRESENTATION (Continued)

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

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

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

As stated in detail in Note 1, The Company has lost its control over its subsidiary Eczacibaşı Yatırım Ortaklığı A.Ş. as of 9 April 2018. Therefore, the company has started to prepare solo financial statements and have ceased to apply the consolidation principles stated above.

#### 2.1.6 Investments accounted for using equity accounting method

i) The Company accounts 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).

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 regarding to the impairment in assets are presented in Note 2.3.(o).

# ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

### 2.1 BASIS OF PRESENTATION (Continued)

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 December                         | · 2019                             | 31 Aralık 2018     |                                     |                                    |  |
|---|--------------------|-------------------------------------|------------------------------------|--------------------|-------------------------------------|------------------------------------|--|
|   | Nominal<br>capital | Direct<br>shareholding<br>of parent | Stock market<br>quotation<br>value | Nominal<br>capital | Direct<br>shareholding<br>of parent | Stock market<br>quotation<br>value |  |
| EİS Eczacıbaşı İlaç, Sınai ve Finansal  |                    |                                     |                                    |                    |                                     |                                    |  |
| Yatırımlar Sanayi ve Ticaret Anonim Şirketi<br>İntema İnşaat ve Tesisat Malzemeleri | 685,260,000        | 29.67                               | 754,304,742                        | 685,260,000        | 29.67                               | 557,027,161                        |  |
| Yatırım ve Pazarlama A.Ş.<br>E-Kart Elektronik Kart Sistemleri                      | 19,440,00          | 46.21                               | 83,184,654                         | 4,860,000          | 46.21                               | 13,632,042                         |  |
| 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 2019 and 31 December 2018 are as follows:

| 31 December 2019  | Total assets  | Total<br>liabilities | Equity                      | Net Sales                | Profit/(Loss)             |
|---|---------------|----------------------|-----------------------------|--------------------------|---------------------------|
| EİS Eczacıbaşı İlaç, Sınai ve Finansal  |               |                      |                             |                          |                           |
| Yatırımlar Sanayi ve Ticaret Anonim Şirketi<br>İntema İnşaat ve Tesisat Malzemeleri   | 4,838,337,000 | 561,079,000          | 4,277,258,000               | 315,814,000              | 162,728,000               |
| Yatırım ve Pazarlama A.Ş.   | 411,005,948   | 386,625,441          | 24,380,507                  | 77,588,303               | (289,513)                 |
| E-Kart Elektronik Kart Sistemleri<br>San. ve Tic. A.S.                                | 82,701,835    | 87,039,793           | (4,337,958)                 | 47,816,328               | 16,917,939                |
| ,   |               |                      | ,                           |                          |                           |
|   | Total         | Total                |                             |                          |                           |
| 31 December 2018  | Total assets  | Total<br>liabilities | Equity                      | Net Sales                | Profit/(Loss)             |
|   |               |                      | Equity                      | Net Sales                | Profit/(Loss)             |
| EİS Eczacıbaşı İlaç, Sınai ve Finansal<br>Yatırımlar Sanayi ve Ticaret Anonim Şirketi |               |                      | <b>Equity</b> 3,997,844,000 | Net Sales<br>244,402,000 | Profit/(Loss) 240,119,000 |
| EİS Eczacıbaşı İlaç, Sınai ve Finansal  | assets        | liabilities          |                             |                          |                           |

#### 2.1.7 Changes in accounting policies

Significant changes in accounting policies and significant accounting errors detected are applied retrospectively and prior period financial statements are restated. There was no change in accounting policies in 2018 except for accounting policy changes required by TFRS 9 "Financial Instruments" standard.

Accounting policy changes arising from the first application of a new TFRS are applied retrospectively or prospectively in accordance with the transitional provisions of that TFRS. Significant accounting errors (if any) are applied retrospectively and prior period financial statements are restated. Changes in accounting estimates are applied in the current period when the change is made only for a period, and both in the period when the change is made and prospectively.

# ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

### 2.1 BASIS OF PRESENTATION (Continued)

The Company has performed the accounting policy changes that have been valid as of January 1, 2019 and which have been caused by the first application of the "TFRS 16 Leases" standard, in line with the transition provisions of the related standard.

The accounting policy changes originating from the mentioned standards and the effects of the application of the related standards for the first time are as follows:

The Company as the lessee

At inception of a contract, the Company assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The Company considers the following matters when assessing whether the agreement transfers the right to control the use of an identified asset for a limited period:

- a) the contract contains an identified asset: this may be specified explicitly or implicitly.
- b) the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- c) the Company has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use and
- d) the Company has the right to direct use of the asset. The Company concludes to have the right of use, when it is predetermined how and for what purpose the Company will use the asset. The Company has the right to direct use of asset if either:
  - i. the Company has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
  - ii. the customer designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

At the commencement date, the Company recognize a right-of-use asset and a lease liability in financial statements.

Right-of-use asset

The cost of the right-of-use asset shall comprise:

- a) the amount of the initial measurement of lease liability,
- b) any lease payments made at or before the commencement date, less any lease incentives received.
- c) any initial direct costs incurred by the lessee and
- d) restoration costs.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

### 2.1 BASIS OF PRESENTATION (Continued)

To apply a cost model, the Company measure the right-of-use asset at cost:

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) adjusted for any remeasurement of the lease liability.

The Company apply the depreciation requirements in IAS 16 "Property, Plant and Equipment" in depreciating the right-of-use asset, subject to the requirements. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the Company depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, The Company depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company apply IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

#### Lease liability

At the commencement date, the Company measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company use the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) fixed payments, less any lease incentives receivable;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- d) payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

After the commencement date, the Company measure the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

#### 2.1 BASIS OF PRESENTATION (Continued)

The Company shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

- a) There is a change in the lease term. The Company determine the revised lease payments based
- b) There is a change in the assessment of an option to purchase the underlying asset. The Company determine the revised lease payments to reflect the change in amounts payable under the purchase option.

The Company determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

The Company remeasure the lease liability by discounting the revised lease payments, if either:

- a) There is a change in the amounts expected to be payable under a residual value guarantee. The Company determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.
- b) There is a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

The Company remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows.

The Company account for a lease modification as a separate lease if both:

- a) The Company determines its revised lease payments related to the remaining leasing period considering its payments related to the revised agreement. Under these circumstances, the Company uses an unadjusted interest rate.
- b) The Company remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows.

The Company determines its revised lease payments related to the remaining leasing period considering its payments related to the revised agreement. Under these circumstances, the Company uses an unadjusted interest rate.

The Company recognises the restructuring of the lease as a separate leasing if both of the following are met:

- a) The restructuring extends the scope of the leasing by including the right of use of one or more underlying assets and
- b) The lease payment amount increases as much as the appropriate adjustments to the price mentioned individually so that the increase in scope reflects the individual price and the terms of the relevant agreement.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

### 2.1 BASIS OF PRESENTATION (Continued)

The Company as the lessor

All the leasings of the Company as lessor are operational leasings. For operational leasings, leased assets are classified under tangible assets or other current assets in the balance sheet and rental income is accounted in the income statement in equal amounts for the leasing period. Rental income is accounted in the income statement for the leasing period on a straight-line basis.

The Company distributes an amount that takes place in an agreement which includes an item that has or has not one or more extra leasing qualities along with a leasing item through applying the TFRS 15 "Revenue arising from agreements made with customers" standard.

The Company distributes an amount that takes place in an agreement which includes an item that has or has not one or more extra leasing qualities along with a leasing item through applying the TFRS 15 "Revenue arising from agreements made with customers" standard.

### First adoption to TFRS 16

The Company has adopted TFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition method defined in the standard. With this method, use of rights are measured based on the leasing debts (which are adjusted according to leasing costs paid in cash or accrued) in the transition period.

On adoption of TFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of TAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 21.12%, 3.87%, 9.29% for TL, EUR and USD contracts, respectively.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

|                                    | Buildings | Total    |
|------------------------------------|-----------|----------|
| 1 January 2019                     | 30,203    | 30,203   |
| Additions in the current period    | 8,146     | 8,146    |
| Depreciation in the current period | (12,771)  | (12,771) |
| 31 December 2019                   | 25,578    | 25,578   |

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

### 2.1 BASIS OF PRESENTATION (Continued)

The Company's amount of interest expense on lease liabilities is TL 6,111.

As of 31 December 2019, the Company has recognized TL 25,578 right-of use asset and TL 27,873 lease liabilities.

Regarding the lease contracts within the scope of TFRS 16, the Company has recognized TL 12,771 depreciation expense and TL 6,111 interest expense instead of operating lease expense amounting to TL 16,588 in the period ended 31 December 2019.

Extension and termination options

Lease liability is determined considering the extension and termination options in the agreements. Most of the extension and termination options held are by the Company and by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

### 2.1.8 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,

### 2.1.9 Going concern

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

### 2.1.10 Segment reporting

Since the operations of the company is in Turkey and operates in one field segment reporting is not prepared for the period.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

### 2.2 New standards, amendments and interpretations

### a. Standards, amendments and interpretations as of 31 December 2019:

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

- a) the context and the objective of TAS/TFRS,
- b) the accounting policy change, if any, was made in accordance with the relevant transitional provisions,
- c) disclosure of change in accounting policy,
- d) disclosure of transitional provisions, if any
- e) effects of transition provisions to future periods, if any
- f) adjustment amounts for each current and current period, as much as possible
  - i. each financial statement item affected and
  - ii. If "TAS 33, Earnings Per Share" standard is valid for the company, ordinary shares and diluted earnings per share must be recalculated.
- g) Adjustment amounts for the periods before periods not presented, if possible and
- h) If retrospective application is not possible for any period or periods, the events that lead to this situation should be explained and from what date and how the change in accounting policy was applied.
- 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 amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized 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 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.
- **TFRS 16, ''Leases''**; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The 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 IFRS 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

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

### 2.2 New standards, amendments and interpretations (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 IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise 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.
- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
  - TFRS 3, 'Business combinations', a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - TFRS 11, 'Joint arrangements', a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12, 'Income taxes' a company accounts for all income tax consequences of dividend payments in the same way.
  - IAS 23, 'Borrowing costs' a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any
    reduction in a surplus, even if that surplus was not previously recognised because of the
    impact of the asset ceiling.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

- 2.2 New standards, amendments and interpretations (Continued)
- b. Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:
- Amendments to TAS 1 and TAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:
  - Use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
  - Clarify the explanation of the definition of material and

Incorporate some of the guidance in TAS 1 about immaterial information

- Amendments to TFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Amendments to TFRS 9, TAS 39 and TFRS 7 - Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

**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 Company management will evaluate the effects of the above-mentioned standards and standard changes that have not yet come into effect, on their operations and apply them from the effective date.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

### 2.3 Summary of significant accounting policies

Except for the consolidation policies mentioned in Note 2.1.5, 2.1.6 the significant accounting policies applied in the preparation of these financial statements are summarized below:

#### Cash and cash equivalents

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 22).

#### **Recognition of income and expenses**

The Company 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.

#### Financial assets

Financial assets and liabilities are recognized in the statement of financial position of the Company when the Company is a legal party to these financial instruments.

#### a) Non-derivative financial assets

The Company classifies its financial assets in the following categories: "Financial Assets at Fair Value Through Profit or Loss"; "Financial Assets Measured at Fair Value Through Other Comprehensive Income" or "Financial Assets Measured at Amortised Cost". The financial assets are recognized or derecognized in accordance with the "Recognition and Derecognition" principles defined in Section 3 related to the classification and measurement of financial instruments of the "IFRS 9 Financial Instruments" standard. At initial recognition, financial assets are measured at fair value. In the case of financial assets are not measured at fair value through profit or loss, transaction costs are added or deducted to/from their fair value. The Company recognizes a financial asset in the financial statement when, and only when, the Company becomes a party to the contractual provisions of the instrument. When the Company first recognizes a financial asset, the business model and the characteristics of contractual cash flows of the financial asset are considered by management.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

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

### b) Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss are financial assets that are managed by business model other than the business model that aims to "hold to collect" and "hold & sell" the contractual cash flows; acquired for the purpose of generating profit from short-term fluctuations in price, or regardless of this purpose, the financial assets that are a part of a portfolio with evidence of short-time profit-taking; and the financial assets, whose terms do not give rise to cash flows that are solely payments of principal of interest at certain dates. Financial assets at fair value through profit or loss are initially recognized at fair value and are subsequently measured at fair value. Gain and losses upon their valuation are accounted under the profit or loss accounts.

Equity securities classified as financial assets at fair value through profit or loss are recognized at fair value.

### c) Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets are classified as financial assets at fair value through other comprehensive income where the business models aim to hold financial assets in order to collect the contractual cash flows and selling assets and the terms of financial asset give rise to cash flows that are solely payments of principal of interest at certain dates.

Financial assets at fair value through other comprehensive income are recognized at acquisition costs that reflect their fair value by adding transaction costs. Financial assets at fair value through other comprehensive income are subsequently measured at their fair value. The interest income of financial assets at fair value through other comprehensive income that are calculated using effective interest rate method is reflected in the statement of income. The difference between the fair value of the financial assets at fair value through other comprehensive income and the amortized cost of the financial assets, i.e. "Unrealized gains and losses", is not recognized in the statement of income until the realization of the financial asset, the sale of the asset, i.e. the disposal of the asset or being impaired of the asset are accounted under "Other Accumulated Comprehensive Income or Expenses that will be reclassified at Profit or Loss" under shareholders' equity. Accumulated fair value differences under equity are reflected to the statement of income when such securities are collected or disposed.

The Company may elect at initial recognition to irrevocably designate an equity investment at fair value other comprehensive income where those investments are hold for purposes other than to generate investments returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss. Dividends that represent a return on the investment continue to be recongnised in profit or loss in the financial statements.

All equity instruments classified as financial assets at fair value through other comprehensive income are measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

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

#### *d)* Financial investments measured at amortised cost:

A financial asset is classified as a financial asset measured at amortized cost when the Company's policy within a business model is to hold the asset to collect contractual cash flows and the terms give rise to cash flows that are solely payments of principal of interest at certain dates.

Financial asset measured at amortised cost is recognized at cost which represents its fair value at initial recognition by adding the transaction costs and subsequently measured at amortised cost by using the effective interest rate method. Interest income related to the financial asset measured at amortized cost is recognized in the statement of income.

### e) Explanations on Impairment of Financial Assets

As of 1 January 2018, a loss allowance for expected credit losses is provided for all financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, all financial assets, which are not measured at fair value through profit or loss, loan commitments and financial guarantee contracts in accordance with TFRS 9 principles. Equity instruments are not subject to impairment assessment as they are measured at fair value.

Measurement of the expected credit losses reflects:

- Definition of criterias regarding to the increase in credit risk
- Reasonable and supportable information on past events, current conditions and forecasts of future economic conditions at the reporting date
- Definition of similar financial asset groups for calculation of expected credit loss

Within this scope, the Company has assumed that the impact of the impairment on financial assets are not material as the Company has not identified significant increase in credit risk of the related financial assets as of 31 December 2018 and 31 December 2019. Thus, the Company has not booked any impairment provision in its financial statements as of 31 December 2019 and 31 December 2018.

#### f) Recognition and derecognition of Financial Instruments

The Company recognizes a financial asset or financial liability in the balance sheet only when it becomes a party to the contractual provisions of the instrument.

The Company recognizes all regular way purchases and sales of financial assets on the settlement date i.e. the date that the asset is delivered. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets i.e. for assets carried at cost or amortized cost; change in value is not recognized.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

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

The Company derecognizes a financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) when the rights to receive cash flows from the asset have expired; or while retaining the right to receive cash flows from the asset the Company has also assumed an obligation to pay them in full without material delay to a third party; or the Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has transferred the control of the asset.

### g) Financial assets available for sale

As explained in detail in Note 2.1, together with the implementation of TFRS 9 from 1 January 2018 on, the Company has reclassified its financial assets which were previously classified under "Financial assets held for sale" under "Financial assets measured at fair value through other comprehensive income.

"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

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.

#### 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.

#### Earnings per share

Earnings per share disclosed in the 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 18).

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.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

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

#### **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 Company adjusts its financial statements if such subsequent events arise which require an adjustment to the financial statements.

#### 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).

#### 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,

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

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

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 9).

#### Taxation and deferred income taxes

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 2018 and 2017, 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.

### 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.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

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

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 17).

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,

### 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,

### 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.

The Company 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 Company 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,

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

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

In assessing whether there is any indication that an asset may be impaired, the Company 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 soon, 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 Company 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 Company prepares its consolidated financial statements according to the going concern principle.

#### Fair values of equity based financial assets

The Company subsequently measures its equity based financial assets on their fair values in its consolidated financial statements, The Company accounts the fair value of its listed financial investments by multiplying the nominal ownership values with best market price announced at Borsa Istanbul A,Ş,, 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 Company measures the fair value of its fair value through other comprehensive income assets by discounting the free cashflows of its financial assets by the weighed average cost of capital, The fair vaule calculation of the Company's financial assets is based on the Company management's approved projections and is sensitive to the estimations and assumptions that are used in the projected cash flows, The Company reviews its equity based financial assets 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 Company'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 19.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

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

#### Determination the effect of recoverable amount

The Company, 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 Company uses both internal and external sources, Within this context, the Company 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 Company reduces the carrying value of the asset to its recoverable amount,

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

Details of transactions between the Company and other related parties as at 31 December 2019 and 2018 are disclosed below.

|   | 31 December 2019        |                         |
|---|-------------------------|-------------------------|
|   | Short-term              | Short-term              |
|   | Receivables             | Payables                |
| Eczacıbaşı Holding A.Ş. (Note 4)        | -                       | 616,991                 |
|   | -                       | 616,991                 |
|   | 31 Decen                | nber 2018               |
|   | Short-term              | Short-term              |
|   | receivables             | payables                |
| Eczacıbaşı Holding A.Ş. (Note 4)        | -                       | 428,355                 |
|   | -                       | 428,355                 |
|   | <b>31 December 2019</b> | <b>31 December 2018</b> |
| Equity based financial assets (Note 19) |                         |                         |
| Eczacıbaşı Holding A.Ş.                 | 826,040,560             | 743,594,063             |
| Eczacıbaşı Yapı Gereçleri A.Ş.          | 154,435,332             | 140,111,745             |
| Kaynak Tekniği San. ve Tic. A.Ş.        | <u> </u>                | 30,584,696              |
|   | 980,475,892             | 914,290,504             |

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

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 Eczacibaşi Holding A.Ş., classified as financial investment in the financial statement of the EİS the Company's investment accounted for using equity method- amounts to TL 994,565,388 when calculated with the Group's ownership ratio on EİS (31 December 2018: TL 895,298,827).

#### Investments accounted for using equity accounting method

|   | <b>31 December 2019</b>        | <b>31 December 2018</b>         |
|---|--------------------------------|---------------------------------|
| EİS   | 1,268,924,522                  | 1,186,031,630                   |
| İntema  | 11,266,232                     |                                 |
| Total   | 1,280,190,754                  | 1,186,031,630                   |
| Dividend income                               |                                |                                 |
|   | 1 January-<br>31 December 2019 | 1 January -<br>31 December 2018 |
| EİS Eczacıbaşı İlaç, Sınai ve Finansal        |                                |                                 |
| YatırımlarSanayi ve Ticaret A.Ş. (Note 6) (*) | 60,988,376                     | 40,339,396                      |
| Eczacibaşı Holding A.Ş. (Note 14)             | 24,580,209                     | 22,122,128                      |
| Eczacıbaşı Yapı Gereçleri A.Ş. (Note 14)      | 9,561,738                      | 8,478,648                       |
| Total   | 95,130,323                     | 70,940,172                      |

<sup>(\*)</sup> Related amounts are eliminated from the financial statements in accordance with the accounting policies applied for the investments accounted for in accordance with the Equity method explained in Note 2.1 and are not reflected in the Company's statement of profit or loss.

| General administrative expenses Services obtained and rental |                                 | nd rental expenses              |
|--|---------------------------------|---------------------------------|
| Transactions with related parties                            | 1 January -<br>31 December 2019 | 1 January -<br>31 December 2018 |
| Eczacıbaşı Holding A.Ş. (**)                                 | 4,549,413                       | 4,161,255                       |
| Eczacıbaşı Spor Kulübü                                       | 170,000                         | 145,000                         |
| EİS Eczacıbaşı İlaç, Sınai ve                                |                                 |                                 |
| Finansal Yatırımlar Sanayi ve Ticaret Anonim Şirketi         | 12,771                          | 13,064                          |
| Eczacıbaşı Bilişim Sanayi ve Ticaret A.Ş.                    | 16,988                          | 17,240                          |
| Total (Note 13)  | 4,749,172                       | 4,336,559                       |

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

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

(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 2019 and 2018. Short-term benefit of key management for the year ended 31 December 2019 and 2018 are stated below;

|                                   | • | 1 January -<br>31 December 2018 |
|-----------------------------------|---|---------------------------------|
| Salaries and other benefits (***) | - | 412,998                         |
|                                   | - | 412,998                         |

<sup>(\*\*\*)</sup> The related amount includes the benefits provided to the executives of the Company's subsidiary in the period of 1 January- 31 March 2018.

### Fixed asset purchases

|                                      | 1 January -<br>31 December 2019 | 1 January -<br>31 December 2018 |
|--------------------------------------|---------------------------------|---------------------------------|
| Eczacıbaşı Bilişim San. ve Tic. A.Ş. | -                               | 9,600                           |
|                                      | -                               | 9,600                           |

#### 4, TRADE PAYABLES

### a) Trade Payables:

Trade payables of the Group as at 31 December 2019 and 2018 are as follows;

| Short-term trade payables          | <b>31 December 2019</b> | <b>31 December 2018</b> |
|------------------------------------|-------------------------|-------------------------|
| Liabilities due to related parties | 616,991                 | 428,355                 |
| Suppliers                          | 301                     | 953                     |
| Total                              | 617,292                 | 429,308                 |

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

#### 5. OTHER RECEIVABLES

#### a) Other Receivables

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

|                             | <b>31 December 2019</b> | <b>31 December 2018</b> |
|-----------------------------|-------------------------|-------------------------|
| Receivables from tax office | 246,636                 | 246,599                 |
| Total                       | 246,636                 | 246,599                 |

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

|  | <b>31 December 2019</b> | <b>31 December 2018</b> |
|--|-------------------------|-------------------------|
| Investments accounted for using equity method (Note 3) | 1,280,190,754           | 1,186,031,630           |
| Total  | 1,280,190,754           | 1,186,031,630           |

As of 31 December 2019, Company's shares in its associates, EİS Eczacıbaşı İlaç, Sinai ve Finansal Yatırımlar Sanayi ve Ticaret A,Ş, and İntema İnşaat ve Tesis Malzemeleri A,Ş, are equal to 29.67% and 46.21% respectively (31 December 2018: 29.67% and 46.21% respectively). The carrying value of of EIS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A,Ş and İntema İnşaat Yatırım ve Pazarlama A.Ş., determined in accordance with equity method, as of 31 December 2019 is TL 1,268,924,522 and TL 11,266,232 respectively (31 December 2018: TL 1,186,031,630 for EİS Eczacıbaşı İlaç, Sinai ve Finansal Yatırımlar Sanayi ve Ticaret A,Ş.).

Movements of investments in associates through the period are as follows:

| 31  | 1 January -<br>December 2019 | 1 January -<br>31 December 2018 |
|---|------------------------------|---------------------------------|
| Opening 1 January   | 1,186,031,630                | 1,026,394,526                   |
| Company's share in the associate's profit (Note 15)             | 48,142,289                   | 61,594,713                      |
| Eleminated dividend payments of associates (-)                  | (60,988,376)                 | (40,339,396)                    |
| Effect of changes in fair value of available-for-sale           |                              |                                 |
| financial assets that are recognized in other                   |                              |                                 |
| comprehensive income  | 95,249,194                   | 127,497,714                     |
| Deduction of previous year's participation losses with          |                              |                                 |
| capital increase (Note 15) (*)                                  | (8,810,239)                  | -                               |
| Negative goodwill effect arising from additional share purchase | es -                         | 3,476,365                       |
| Cost of shares acquired through the period                      | -                            | 7,407,708                       |
| Effect of capital increase (*)                                  | 20,210,256                   | -                               |
| Effect of other changes recognized in comprehensive income      | 356,000                      |                                 |
| Closing - 31 December   | 1,280,190,754                | 1,186,031,630                   |

<sup>(\*)</sup> Related amounts are due to capital increase to subsidiary of the Company, İntema İnşaat and Tesisat Malz. Yatırım ve Pazarlama A.Ş.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

#### 7. PREPAID EXPENSES

#### Short-term prepaid expenses

| Short-term prepaid expenses                | <b>31 December 2019</b> | <b>31 December 2018</b> |
|--|-------------------------|-------------------------|
| Prepaid expenses fort the following months | 29,518                  | 24,510                  |
| Total                                      | 29,518                  | 24,510                  |

### 8. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

- a) The details of short-term provisions of the Company as of 31 December 2019 and 31 December 2018 is presented in Note 9.
- b) The company does not have any blocked accounts as of 31 December 2019. (31 December 2018: None).
- c) As of 31 December 2019, the group has letters of guarantee given amounting to TL 30,000 (31 December 2018: TL 30,000)
- d) As of 31 December 2019 the group has no lawsuits againts the group (31 December 2018: None).

#### 9. EMPLOYEE BENEFITS

#### Payables for employee benefits:

As of 31 December 2019 and 31 December 2018, the Company does not have any payables to employees.

### **Provisions for employee benefits**

As explained in Note 1 and Note 23, the Company has completed the transfer of subsidiary shares as of 9 April 2018. In this context, as the Company does not have any employees, there are no provisions for benefits provided to employees in the current period. The details of the provisions for the benefits provided to the employees that the Company has accounted for in the previous period are presented 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.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

### 9. EMPLOYEE BENEFITS (Continued)

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.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The liability is revised two times in a year and in the year end calculation, the effective amount as of 1 January 2019 of TL 6,730.15 (1 January 2018 - TL 6,017.60).

Movement of provision for employee benefits during the period are as follows:

|                                   | 2019 | 2018     |
|-----------------------------------|------|----------|
| Opening - 1 January               | -    | 28,842   |
| Service cost                      | -    | -        |
| Interest Cost                     | -    | -        |
| Actuarial gain / loss             | -    | -        |
| Disposal effect of subsidiary (-) | -    | (28,842) |
| Closing - 31 December             | -    | -        |

#### 10. OTHER ASSETS AND LIABILITIES

# Other current assets 31 Dember 2019 31 December 2018 Deferred VAT 7,885,315 6,908,849 Total 7,885,315 6,908,849

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

#### Other short-term liabilities

| other short term nammers | <b>31 December 2019</b> | <b>31 December 2018</b> |
|--------------------------|-------------------------|-------------------------|
| Taxes and funds payable  | 110,913                 | 70,117                  |
| Total                    | 110,913                 | 70,117                  |

### 11. 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 2018: TL 105,000,000) divided by 105,000,000 shares each with a nominal value of TL 1 (31 December 2018: TL 1).

The Company has no preferred stock as of 31 December 2019 (31 December 2018: None).

The Company's registered share capital ceiling is TL 500,000,000 (31 December 2018: TL 500,000,000). The registered capital ceiling permission is effective until 2022.

The shareholders and their shareholding percentages as of 31 December 2019 and 31 December 2018 are as follows with the historical amounts:

|                             | 31 Decem    | <u>ber 2019</u> | 31 Decemb   | <u>er 2018                                    </u> |
|-----------------------------|-------------|-----------------|-------------|--|
|                             | Total       | Share (%)       | Total       | Share (%)  |
| Eczacıbaşı Holding A.Ş.     | 85,653,274  | 81.57           | 85,653,274  | 81.57  |
| Other (Listed)              | 19,346,726  | 18.43           | 19,346,726  | 18.43  |
| 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.

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.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

#### b) Restricted reserves

As of 31 December 2019 and 2018 restricted reserves appropriated from profit is as follows:

|                                     | <b>31 December 2019</b> | <b>31 December 2018</b> |
|-------------------------------------|-------------------------|-------------------------|
| Legal reserves                      | 21,141,540              | 21,141,540              |
| Gain on sale of real estate fund    | 13,593,750              | 13,593,750              |
| Fund from sale of equity investment | 887,495                 | 887,495                 |
| Total                               | 35,622,785              | 35,622,785              |

#### **Dividend Distribution:**

In accordance with the decision taken on 11 April 2019, it has been decided to pay dividends amounting to 78,750,000 with an equivalent of TL 0.75 per each share. (During the period enden at 31 December 2018, in accordance with the decision taken on 12 April 2018 it has been decided to pay dividend amounting to TL 78,750,000, with an equivalent of TL 0.75 per each share and dividends were paid out on 30 May 2018).

### 12. REVENUE AND COST OF SALES

|                                      | 1 January -<br>31 December 2019 |                |
|--------------------------------------|---------------------------------|----------------|
| Sales income                         | of Beechioer 2019               | or become 2010 |
| Income on private sector bonds sales | -                               | 10,635,529     |
| Income on common stock sales         | -                               | 1,882,061      |
| Income on government bonds sales     | -                               | -              |
| Income on investment fund sales      | -                               | 7,935,174      |
| Income on Eurobond                   | -                               | 5,876,876      |
| Total                                | -                               | 26,329,640     |
|                                      | 1 January -<br>31 December 2019 |                |
| Cost of sales                        |                                 |                |
| Private sector bonds sales (-)       | -                               | (10,272,395)   |
| Common stock sales (-)               | -                               | (1,826,444)    |
| Government bond sales (-)            | -                               | -              |
| Investment fund sales (-)            | -                               | (7,975,197)    |
| Eurobond sales (-)                   | -                               | (5,577,965)    |
| Total                                | -                               | (25,652,001)   |

## ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

### 12. REVENUE AND COST OF SALES (Continued)

|   | 1 January -<br>31 December 2019 | •         |
|---|---------------------------------|-----------|
| Other income/(expense) from sales activities, net             |                                 |           |
| Interest income   | -                               | 858,370   |
| Unrealized gains on   |                                 |           |
| corporate bonds   | -                               | 149,009   |
| Unrealized gains on   |                                 |           |
| investment funds  | -                               | 134,933   |
| Unrealized gains on Eurobonds                                 | -                               | 5,698     |
| Government bond sales income                                  | -                               | 87,692    |
| Government bond rediscount income                             | -                               | -         |
| Government bond reverse repo sales profits                    |                                 | -         |
| Cancellation of past years securities value increase          | -                               | 4,327     |
| Dividend Income   | -                               | -         |
| Shares unrealized increase / (decrease) of value              | -                               | 8,098     |
| VIOP transaction profit / (loss), net                         |                                 | (583,526) |
| Previous years share value (increase) / decrease cancellation | · -                             | -         |
| Previous years rediscount (income) / cancellation of securiti | es -                            | -         |
| Other   |                                 | 38,564    |
|   | -                               | 703,165   |
| Gross profit  | -                               | 1,380,804 |

<sup>(\*)</sup> Sales income and other income/expense from sales are classified as ''Revenue'' on Income Statement.

### 13. GENERAL ADMINISTRATIVE AND MARKETING EXPENSES

|                               | 1 January -<br>31 December 2019 | 1 January -<br>31 December 2018 |
|-------------------------------|---------------------------------|---------------------------------|
| General adminisrative expense | 5,540,758                       | 5,478,463                       |
| Marketing expense             | <u> </u>                        | 46,324                          |
|                               | 5,540,758                       | 5,524,787                       |

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

### 13. GENERAL ADMINISTRATIVE AND MARKETING EXPENSES (Continued)

### a) General administrative expenses

|   | 1 January -<br>31 December 2019 | 1 January -<br>31 December 2018 |
|---|---------------------------------|---------------------------------|
| Services received from related parties (Note 3) | 4,749,172                       | 4,336,559                       |
| Outsourced service expenses                     | 409,011                         | 220,868                         |
| Bonus expenses (*)                              | -                               | 187,967                         |
| Portfolio management expense                    | -                               | 62,845                          |
| Rent expense                                    | -                               | 13,344                          |
| Other   | 382,575                         | 656,880                         |
|   | 5,540,758                       | 5,478,463                       |

<sup>(\*)</sup> The related amount includes the expenses of the employees who are employed in the subsidiary sold by the Company.

### b) Marketing expenses details

| , G 1                                | 1 January -<br>31 December 2019 | 1 January -<br>31 December 2018 |
|--------------------------------------|---------------------------------|---------------------------------|
| Advertising and marketing expenses   | -                               | 27,047                          |
| Custody and commission expenses      | -                               | 19,277                          |
| Commissions given to brokerage house | -                               | -                               |
| Other                                | -                               |                                 |
|                                      | -                               | 46,324                          |

### 14. OTHER OPERATING INCOME AND EXPENSES

The detail of other operating income as of 31 December 2019 and 2018 is as follows:

|  | 1 January -<br>31 December 2019 | 1 January -<br>31 December 2018 |
|--|---------------------------------|---------------------------------|
| Other operating income                 |                                 |                                 |
| Dividend income (Note 3)               | 34,141,947                      | 30,600,776                      |
| Exchange difference income             | 9,994,215                       | 72,635                          |
| Bank interest income                   | 5,491,086                       | 8,499,423                       |
| Securities trading profit and negative |                                 |                                 |
| goodwill income                        | -                               | 7,296,915                       |
| Other                                  | -                               | 47,536                          |
|  | 49,627,248                      | 46,517,285                      |

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

#### 14. OTHER OPERATING INCOME AND EXPENSES (Continued)

The details of other expenses from main operations for the years ended 31 December 2019 and 2018 are as follows:

|  | 1 January -<br>31 December 2019 | 1 January -<br>31 December 2018 |
|--|---------------------------------|---------------------------------|
| Other operating expense (-)                    |                                 |                                 |
| Foreign Exchange loses (-)                     | 6,175,234                       | 3,929                           |
| Other expenses (-)                             | 291,800                         | 506,745                         |
| Loss on sale of financial assets (-) (Note 23) | -                               | 64,623                          |
|  | 6,467,034                       | 575,297                         |

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

The details of income and expenses from investment activities as of 31 December 2019 and 2018 are as follows:

|  | 1 January -<br>31 December 2019 | 1 January -<br>31 December 2018 |
|--|---------------------------------|---------------------------------|
| Shares on investments accounted for using the equity method (Note 6) | 39,332,050                      | 61,594,713                      |
|  | 39,332,050                      | 61,594,713                      |

#### 16 FINANCE EXPENSES

| 10. FINANCE EAFENSES                    | •     | 1 January -<br>31 December 2018 |
|---|-------|---------------------------------|
| Interest expenses from leasing payables | 6,111 | <u>-</u>                        |
|   | 6,111 | <u>-</u>                        |

### 17. TAXATION

The Company 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.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

#### 17. TAXATION (Continued)

### **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 2019 is 22% (2018: 22%) for the Company.

The effective tax rate applied in 2019 is 22% (2018: 22%). 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.

In Turkey, advance tax returns are filed on a quarterly basis, Advance corporate income tax rate applied in 2019 is 22% (2018: 22%), 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,

Corporate Tax Law numbered 5422 was altered by Law No.5520 on 13 June 2006 which is published at the Official Gazette numbered 26205 and dated 21 June 2006 and many of its articles have become effective retrospectively starting from 1 January 2006. Corporation tax rate in Turkey starting from 1 January 2006 is 20%. Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption and investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction).

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

### 17 TAXATION (Continued)

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. 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.

The taxes distribution on the consolidated statement of financial position for the periods 1 January - 31 December 2019 and 2018 are summarized below:

|  | <b>31 December 2019</b>         | <b>31 December 2018</b>         |
|--|---------------------------------|---------------------------------|
| Current period corporate tax liability (-)   | (4,317,422)                     | (2,062,088)                     |
| Prepaid taxes  | 3,680,554                       | 1,942,405                       |
| Current period income tax asset/(liability)  | (636,868)                       | (119,683)                       |
|  | 1 January -<br>31 December 2019 | 1 January -<br>31 December 2018 |
| Current period corporate tax (-)   | (4,317,422)                     | (2,062,088)                     |
| Deferred income tax (change) / benefit   | 577                             | <del>-</del>                    |
| Total tax expense  | (4,316,845)                     | (2,062,088)                     |
|  | 1 January -<br>31 December 2019 | 1 January -<br>31 December 2018 |
| Profit before tax  | 76,945,395                      | 103,392,718                     |
| Theoretical tax expense with rate of 22% (-)<br>Shares of associates accounted for using | (16,927,987)                    | (22,746,398)                    |
| equity accounting method   | 10,284,337                      | 13,550,837                      |
| Tax-exempt dividend income   | 7,511,228                       | 6,732,184                       |
| Tax-exempt gain on subsidiary  | (3,929,014)                     | -                               |
| Other  | (1,255,409)                     | 401,289                         |
| Total tax income/(expense)   | (4,316,845)                     | (2,062,088)                     |

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

### 17 TAXATION (Continued)

#### **Deferred taxation**

The Company 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 22% (31 December 2018 : 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 2019 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 accounted in financial statements as of 31 December 2019.

The breakdown of cumulative temporary differences and deferred income tax assets and liabilities accounted as at 31 December 2019 and 31 December 2018 using the enacted tax rates is as follows:

|   | Total temporary differences |                     | Deferre<br>liabili |                     |
|---|-----------------------------|---------------------|--------------------|---------------------|
|   | 31 December 2019            | 31 December<br>2018 | 31 December 2019   | 31 December<br>2018 |
| Temporary differences related to fair value through other comprehensive income assets (-) (*) | (867,504,780)               | (798,901,066)       | (43,375,244)       | (39,945,053)        |
| Deferred tax liabilities (-)  |                             |                     | (43,375,244)       | (39,945,053)        |

<sup>(\*)</sup> The Corporate Taxation 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 2019 and 2018 is as follows:

|  | 2019               | 2018         |
|--|--------------------|--------------|
| Opening - 1 January  | (39,945,053)       | (33,119,192) |
| Recognized under statement of comprehensive income<br>Recognized under statement of other comprehensive income | (3,430,191)<br>577 | (6,825,861)  |
| Closing - 31 December  | (43,374,667)       | (39,945,053) |

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

### 18. EARNINGS PER SHARE

| Earnings per share                                      | 1 January -<br>31 December 2019 | 1 January -<br>31 December 2018 |
|---|---------------------------------|---------------------------------|
| Average number of                                       |                                 |                                 |
| shares for period                                       | 105,000,000                     | 105,000,000                     |
| Net profit from continuing operations                   |                                 |                                 |
| attributable to parent Company's shareholders           | 72,628,550                      | 103,392,718                     |
| Earning per share from continuing operations            | 0.69                            | 0.97                            |
| Darming per share from continuing operations            | 0.07                            | 0.57                            |
| Other comprehensive income of                           |                                 |                                 |
| parent company shareholders'                            | 296,843,988                     | 358,190,079                     |
| Earnings per share from continuing operating activities |                                 |                                 |
| -thousand ordinary shares (TL)                          | 2.83                            | 3.41                            |
| 19 FINANCIAL INVESTMENTS                                |                                 |                                 |

### 19. FINANCIAL INVESTMENTS

#### **Financial investments**

| Long-term financial investments   | <b>31 December 2019</b> | <b>31 December 2018</b> |
|---|-------------------------|-------------------------|
| Fair value through profit or loss financial assets<br>Equity settled financial assets | 980,475,892             | 914,290,504             |
|   | 980,475,892             | 914,290,504             |

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

### 19. FINANCIAL INVESTMENTS (Continued)

#### **Equity settled financal assets**

|                                  | Share<br>(%) | 31 December 2019 | Share (%) | 31 December 2018 |
|----------------------------------|--------------|------------------|-----------|------------------|
| Eczacıbaşı Holding A.Ş. (*)      | 11.54        | 826,040,560      | 11.54     | 743,594,063      |
| Eczacıbaşı Yapı Gereçleri A.Ş.   | 10.29        | 154,435,332      | 10.29     | 140,111,745      |
| Kaynak Tekniği San, ve Tic, A.Ş. | -            | -                | 15.86     | 30,584,696       |
|                                  |              | 980,475,892      |           | 914,290,504      |

- (\*) In fair value determination of Eczacıbaşı 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.

The methods used in fair value measurement of Eczacibaşı 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

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

#### 19. FINANCIAL INVESTMENTS (Continued)

|   | Propor<br>power h<br>Eczacibaşi Ho | eld by | measur | r value<br>rement<br>od (**) |      |         |
|---|------------------------------------|--------|--------|------------------------------|------|---------|
| Entity Name   | 2019                               | 2018   | 2019   | 2018                         | 2019 | 2018    |
| Eczacibasi Holding A.S.   | 100                                | 100    | (I)    | (I)                          | (I)  | (I)     |
| EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar San. ve Tic. A.Ş. | 74.82                              | 74.82  | (I)    | (I)                          | (I)  | (I)     |
| İntema İnşaat ve Tesisat Malz. Yatırım ve Pazarlama A.Ş.            | 77.38                              | 77.38  | (II)   | (II)                         | . ,  | Level 1 |
| Eczacıbaşı Yapı Gereçleri San. ve Tic. A.Ş.                         | 98.10                              | 98.10  | (III)  | (III)                        |      | Level 3 |
| Esan Eczacıbaşı Endüstriyel Hammaddeler San. ve Tic. A.Ş.           | 99.69                              | 99.69  | (III)  | (III)                        |      | Level 3 |
| Vitra Karo San. ve Tic. A.Ş.  | 92.79                              | 92.79  | (III)  | (III)                        |      | Level 3 |
| Eczacıbaşı Tüketim Ürünleri Sanayi ve Ticaret A.Ş.                  | 100                                | 100    | (III)  | (III)                        |      | Level 3 |
| EİP Eczacıbaşı İlaç Pazarlama A.Ş.                                  | 74.82                              | 74.82  | (III)  | (III)                        |      | Level 3 |
| Kaynak Tekniği San. ve Tic. A.Ş. (**)                               | -                                  | 46.62  | (III)  | (III)                        |      | Level 3 |
| E-Kart Elektronik Kart Sistemleri San. ve Tic. A.Ş.                 | 44.23                              | 44.23  | (III)  | (III)                        |      | Level 3 |
| Eczacıbaşı Shire Sağlık Ürünleri Sanayi ve Ticaret A.Ş. (***)       | -                                  | 37.41  | (IV)   | (IV)                         |      | Level 3 |
| ESİ Eczacıbaşı Sigorta Acenteliği A.Ş.                              | 4.92                               | 4.92   | (V)    | (V)                          |      | Level 3 |
| Eczacıbaşı Havacılık A.Ş. (****)                                    | 100                                | 91.33  | (V)    | (V)                          |      | Level 3 |
| Eczacıbaşı Sağlık Hizmetleri A.Ş.                                   | 88.48                              | 88.48  | (V)    | (V)                          |      | Level 3 |
| Eczacıbaşı Gayrimenkul Geliştirme ve Yatırım A.Ş.                   | 74.92                              | 74.92  | (V)    | (V)                          |      | Level 3 |
| Eczacıbaşı İlaç Ticaret A.Ş.  | 74.83                              | 74.83  | (V)    | (V)                          |      | Level 3 |
| Eczacıbaşı Yatırım Holding Ortaklığı A.Ş.                           | 81.57                              | 81.57  | (V)    | (V)                          |      | Level 2 |
| Kanyon Yönetim İşletim ve Pazarlama A.Ş.                            | 50.00                              | 50.00  | (V)    | (V)                          |      | Level 3 |
| Toplu Konut Holding A.Ş.  | 27.00                              | 27.00  | (V)    | (V)                          |      | Level 3 |
| Ekom Eczacıbaşı Dış Ticaret A.Ş.                                    | 89.73                              | 89.73  | (V)    | (V)                          |      | Level 3 |
| Eczacıbaşı-Monrol Nükleer Ürünler San. ve Tic. A.Ş.                 | 62.85                              | 62.85  | (V)    | (V)                          |      | Level 3 |
| Villeroy & Boch Fliesen GmbH  | 90.66                              | 90.66  | (V)    | (V)                          |      | Level 3 |
| Tasfiye Halinde Eczacıbaşı-Baxter Hastane Ürünleri San. ve Tic. A.Ş | 5. 37.41                           | 37.41  | (V)    | (V)                          |      | Level 3 |
| Eczacıbaşı Bilişim San. ve Tic. A.Ş.                                | 96.62                              | 96.59  | (V)    | (V)                          |      | Level 3 |
| Vitra Plitka  | 92.79                              | 92.79  | (V)    | (V)                          |      | 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.

- (I) In the fair value measurement of Eczacıbaşı Holding, for the stand-alone fair value of EİS Eczacıbaşı İlaç, Sınai ve Finansal Yatırımlar Sanayi ve Ticaret A.Ş., the effect of the mutual subsidiary with Eczacıbaşı 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 2019 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,

<sup>(\*\*)</sup> The company has been sold at 1 July 2019.

<sup>(\*\*\*)</sup> The company has been sold at 29 March 2019.

<sup>(\*\*\*\*)</sup> The name of the company, whose former commercial name was Eczacıbaşı Havacılık A.Ş. has been changed to Eczacıbaşı Momentum Teknoloji Yatırımları A.Ş. ("Momentum") at 15 October 2019.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

#### 19. FINANCIAL INVESTMENTS (Continued)

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 2019, if WACC would be 100 base point higher/lower, fair value of asset held for sale would be thousand TL 68,193,952 lower / thousand TL 85,999,762 higher.

In this context, the discount rates used for companies with functional currency TL are changed between 15% - 18% (31 December 2018: 20% - 26%) while the discount rate used for companies with functional currency USD is 9.5% (31 December 2018: 7.2%), EUR is 6.9% (31 December 2018: 6%), and GBP is 7.2% (31 December 2018: 7.4%).

- (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.
- (VII) In the discounted cash flow method used within the scope of the valuation, the long-term growth rate for the Turkish Lira was used as 5%. If this rate was 50 basis points higher / lower, the amounts were TL 65,291,828 and TL 60,264,781 (31 December 2018: TL 124,702,561 and TL 109,239,209) respectively.

The fair value of Eczacıbaşı Holding A,Ş, has been calculated by multiplying the proportion of ownership interest of Eczacıbaşı 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 2019</b> | <b>31 December 2018</b> |
|--|-------------------------|-------------------------|
| Total fair value of Eczacıbaşı Holding A.Ş. (*) Total share of the Group within the total fair value | 8,105,277,900           | 7,296,299,060           |
| Of Eczacıbaşı Holding A.Ş. (**)  | 935,349,412             | 841,992,912             |
| The effect of mutual subsidiary  | 97,201,288              | 87,499,668              |
| Fair value before liquidity discount   | 1,032,550,700           | 929,492,579             |
| Miniority discount (-)   | (206,510,140)           | (185,898,516)           |
| Fair value of the Group in consolidated financials   | 826,040,560             | 743,594,063             |

<sup>(\*)</sup> Reflects the amount multiplied with the total proportion of ownership interests,

<sup>(\*\*)</sup> As of 31 December 2019, and as of 31 December 2018 the direct capital share of Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. within Eczacıbaşı Holding A.Ş. is 11.54%.

### ECZACIBAŞI YATIRIM HOLDİNG ORTAKLIĞI

# NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

#### 19. FINANCIAL INVESTMENTS (Continued)

As presented in the table above, TL 8,105,277,900 (31 December 2018: TL 7,296,299,060) of fair value before minority discount is calculated by using the fair value of Eczacibaşı Holding A,Ş, which amounts to TL 935,349,412 (31 December: TL 841,992,912) which is multiplied by 11.54% (31 December 2018: 11.54%), the share participation of Yatırım Holding Ortaklığı A,Ş in Eczacibaşı Holding A,Ş, and the result equals to TL 97,201,288 (31 December 2018: TL 87,499,668) is added to TL 1,032,550,700 (31 December 2018: TL 929,492,579), which is calculated as the effect of reciprocal shares between Eczacibaşı Yatırım Holding Ortaklığı A,Ş, and Eczacibaşı Holding A,Ş is discounted from the total amount and fair value of (31 December 2018: TL 743,594,063) is reflected in the consolidated financial statements. By deducting 20% minority discount from this amount, the fair value of TL 826,040,560 in the financial statements has been obtained.

As of 31 December 2019, the effect of a change of 100 basis points in the minority discount applied for financial investments whose fair value is determined by the discounted cash flow method is TL 10.325.502 (31 December 2018: TL 9,294,927).

#### **Financial liabilities**

As of 31 December 2019, the Group has no bank loans (31 December 2018: None).

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

The Company'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 Company'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 Company.

#### (a) 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.

Most of the the Company'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

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

#### (a) Credit risk (Continued)

Off balance sheet items with credit risk

|    |   | Receivables |         |                   |         |                 |               |
|----|---|-------------|---------|-------------------|---------|-----------------|---------------|
|    |   | Trade Rece  | ivables | Other Receivables |         |                 |               |
|    |   | Related     |         | Related           |         | Financial       | Cash and cash |
| 31 | December 2019   | party       | Other   | party             | Other   | instruments (*) | rquivalent    |
|    |   |             |         |                   |         |                 |               |
| Ma | ximum credit risk exposure as of reporting date (A+B+C+D)     | -           | =       | -                 | 246,636 | 980,475,892     | 105,678,582   |
| -  | Collateralized or secured with guarantees part of maximum cre | edit risk - | -       | -                 | -       | -               | -             |
| A, | Neither past due nor impaired net book value                  | -           | -       | -                 | 246,636 | 980,475,892     | 105,678,582   |
| В, | Past due but not impaired net book value                      | -           | -       | -                 | -       | =               | =             |
| C, | Net book value of impaired assets                             | -           | -       | -                 | -       | -               | =             |
| -  | Past due (gross amount)                                       | -           | -       | -                 | -       | =               | =             |
| -  | Impairment (-)  | -           | -       | -                 | -       | -               | -             |

<sup>(\*)</sup> As of 31 December 2019, TL 980,475,892 of the related amount is composed 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

### NOTES TO THE AUDITED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

|                            |  |                   | Receiv   | ables   |            |                 |               |
|----------------------------|--|-------------------|----------|---------|------------|-----------------|---------------|
|                            |  | Trade Receivables |          | Other R | eceivables |                 |               |
|                            |  | Related           | <u> </u> | Related | _          | Financial       | Cash and cash |
| 31 Decemb                  | per 2018   | party             | Other    | party   | Other      | instruments (*) | rquivalent    |
| 3.6                        |  |                   |          |         | 246.500    | 014 200 504     | 44.700.540    |
|                            | credit risk exposure as of reporting date (A+B+C+D)      | -                 | -        | -       | 246,599    | 914,290,504     | 44,729,543    |
| <ul> <li>Collat</li> </ul> | teralized or secured with guarantees part of maximum cre | edit risk -       | -        | -       | -          | -               | -             |
| A, Neith                   | er past due nor impaired net book value                  | -                 | -        | =       | 246,599    | 914,290,504     | 44,729,543    |
| B, Past d                  | ue but not impaired net book value                       | -                 | -        | -       | -          | -               | -             |
| C, Net be                  | ook value of impaired assets                             | -                 | -        | =       | -          | -               | -             |
| <ul> <li>Past d</li> </ul> | ue (gross amount)  | -                 | -        | =       | -          | -               | -             |
| - Impai                    | rment (-)  | -                 | -        | -       | -          | -               | -             |
| D, Off ba                  | alance sheet items with credit risk                      | -                 | -        | -       | =          | -               | _             |

<sup>(\*)</sup> As of 31 December 2018, TL 914,290,504 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

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

### (a) Credit risk (Continued)

The Company's management has tried to manage the credit risk of receivables according to customerspecific 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 ensure the receivable if needed.

### b) 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 2019 and 31 December 2018 according to their contract dates is as follows:

### **31 December 2019**

|                                 |               | Contractual cash flow  | Less<br>than 3   | Between 3-12   | Between<br>1-5 | More<br>than 5 |
|---------------------------------|---------------|------------------------|------------------|----------------|----------------|----------------|
| Maturities of contractual terms | Book<br>Value | Total<br>(I+II+III+IV) | months<br>(I)    | months<br>(II) | years<br>(III) | years<br>(IV)  |
| Trade payables                  | 617,292       | 617,292                | 617,292          | -              | -              | _              |
| Trade liabilities               | 617,292       | 617,292                | 617,292          |                |                |                |
| 31 December 2018                |               | Contractual            | Less             | Between        | Between        | More           |
|                                 | Book          | Cash Flow<br>Total     | than 3<br>months | 3-12<br>months | 1-5<br>months  | than 5         |
| Maturities of contractual terms | Value         | (I+II+III+IV)          | (I)              | (II)           | (III)          | years<br>(IV)  |
| Trade payables                  | 429,308       | 429,308                | 429,308          | -              | -              | -              |
| Trade liabilities               | 429,308       | 429,308                | 429,308          | -              | -              | -              |

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

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

#### c) 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 2019, and 31 December 2018 the monetary assets and liabilities of foreign currency are as follows:

|                                  |  | USD E  | uro GBP  |
|----------------------------------|--|--|--|
| 03                               | 062 952 15   | 666 700  |  |
| 73,                              | 003,833 13   | ,000,788   |  |
| 93,                              | 063,853 15   | ,666,788   |  |
|                                  | -  | -  |  |
| 93,                              | 063,853 15   | ,666,788   |  |
|                                  |  | mber 2019  |  |
|                                  |  |  | uity   |
| Appreciation of foreign currency | Depreciation of foreign currency                   | Appreciation of foreign currency   | Depreciation of foreign currency   |
| 9,306,385                        | (9,306,385)  | 9,306,385  | (9,306,385)  |
| 9,306,385                        | (9,306,385)  | 9,306,385  | (9,306,385)  |
|                                  | Profit Appreciation of foreign currency  9,306,385 | 93,063,853 15.  93,063,853 15.  93,063,853 15.  31 Dece  Profit/Loss Appreciation of foreign currency  9,306,385 | Curreny (TL)       USD       E         93,063,853       15,666,788         -       -         93,063,853       15,666,788         31 December 2019         Profit/Loss       Eq         Appreciation of foreign currency       Appreciation of foreign currency         9,306,385       (9,306,385)       9,306,385 |

As of 31 December 2019 there are no assets or liabilities in foreign currency. Therefore, exchange rates of 31 December 2019 are not presented. (TL equivalents of assets and liabilities held by the Company denominated in foreign currency at 31 December 2018 in consideration of foreign exchange rates are as follows).

**31 December 2019** 

USD 5.9402

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

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

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

#### (d) Interest risk

The Company 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,

As of 31 December, there are no financial assets exposed to interest rate risk other than time deposits in the financial statement of the Company. In addition to this, the Company is exposed to interest rate risk due to change in weighted average cost of capital included in free cash flow models used in valuation of equity based financial investments at Eczacibaşi Holding A.Ş. classified as financial assets measured at fair value through other comprehensive income. The Company presents the possible expected effects of the changes in interest rates or in components of interest in Note 19. In addition to these, as the Company does not have a financial assets or liabilities with variable interest rate and the effect of the possible repricing would have not material effect on carrying value of the time deposits, the Company has not presented sensitivity analyze on time deposits. (31 December 2018: According to the analyses of the Company where, all other variables are kept as constant, the effects of a 10% base point increase/decrease in interest rates, net income for the period and equity would be TL 127,120 increase/decrease).

The interest rate applied to the financial assets as of the 31 December 2019 and 31 December 2018 is as follows:

|                      | 31 December 2019<br>TL (%)  | 31 December 2018<br>TL (%)  |
|----------------------|-----------------------------|-----------------------------|
| Assets Time deposits | 10.25                       | 24.00                       |
|                      | 31 December 2019<br>USD (%) | 31 December 2018<br>USD (%) |
| Time deposits        | 2.25                        | -                           |

Interest rate types of the Company's financial instruments as of 31 December 2019 and 31 December 2018 are presented below.

|   | <b>31 December 2019</b> | <b>31 December 2018</b> |
|---|-------------------------|-------------------------|
| Financial instruments with fixed interest |                         |                         |
| Time deposits                             | 101,800,250             | 44,624,928              |

#### e) Price risk

The Company is not subject to price risk as there is no equity investment that are classified under financial assets measured on fair value through profit and loss (31 December 2018: None).

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

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

# 21. 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 2019                           | Level 1     | Level 2     | Level 3     |
|--|-------------|-------------|-------------|
| Fair value throughother comprehensive inc  | ome assets  |             |             |
| Equity instruments (*) (**)                | 14,196,107  | 332,086,372 | 634,193,413 |
|  | 14,196,107  | 332,086,372 | 634,193,413 |
| 31 December 2018                           | Level 1     | Level 2     | Level 3     |
| Fair value through other comprehensive inc | come assets |             |             |
| Equity inctruments (*) (**)                | 7,140,494   | 295,661,961 | 611,488,049 |
|  | 7,140,494   | 295,661,961 | 611,488,049 |

<sup>(\*)</sup> The detailed information required for Levels 2 and 3 is given in Note 19.

Fair value of the Company's investments that are accounted for using the equity accounting method is equals to TL 980,475,892 as of 31 December 2019 (31 Aralık 2018: TL 914.290.504).

<sup>(\*\*)</sup> The detailed information on methods used in the determination of fair value is given in Note 19.

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

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

# 21. 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:

|  | 2019         | 2018          |
|--|--------------|---------------|
| Opening - 1 January                                      |              |               |
|  | 611,488,049  | 765,944,957   |
| Total income recognized under other comprehensive income | 35,142,213   | 117,915,148   |
| Classification changes within the period (-)             | (12,436,849) | (272,383,291) |
| Effect of changes in share in associate                  | -            | 11,235        |
| Closing 31 December                                      | 634,193,413  | 611,488,049   |

#### Derivative transactions

The Company has no derivative agreements as of 31 December 2019 (31 December 2018: None).

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

|                     | 31 December 2019 | <b>31 December 2018</b> |
|---------------------|------------------|-------------------------|
| Cash                | -                | 3,142                   |
| Cash in banks       | 105,678,582      | 44,726,401              |
| Demand deposits (*) | 101,800,250      | 101,473                 |
| Time deposits       | 3,878,332        | 44,624,928              |
| Total               | 105,678,582      | 44,729,543              |

<sup>(\*)</sup> As of 31 December 2019, the average maturity for time deposits is less than 1 month and the average interest rates is 24% for TL and 2.25% for USD (As of 31 December 2018: None).

As of 31 December 2019, and 2018 cash and cash equivalents included in the consolidated statements of cash flows are presented below:

|                           | <b>31 December 2019</b> | <b>31 December 2018</b> |
|---------------------------|-------------------------|-------------------------|
| Cash and cash equivalents | 105,678,582             | 44,729,543              |
| Rediscount (-)            | (117,250)               | (24,928)                |
| Total                     | 105,561,332             | 44,704,615              |

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

#### **EXPLANATIONS ON DISPOSAL OF THE SUBSIDIARY** 23.

As given in Note 1, details regarding to the impact of the disposal of the subsidiary on the financial statements are disclosed below:

2018

(64,623)

| Sale amount         | 15,594,404 |
|---------------------|------------|
| Contingent payments | -          |

Net sale amount 15,594,404

Sale amount does not contain any other cost than explained above. Fair value of the assets and liabilities as of purchase date are as follows:

#### 2018

Net profit/(loss) (\*)

| Net cash inflow due to the disposal          | 15,594,404 |
|--|------------|
| Attributable to equity holders of the parent | 15,659,027 |
| Net disposed assets                          | 48,033,829 |
| Other payables (-)                           | (252,491)  |
| Trade payables (-)                           | (90,096)   |
| Intangible assets                            | 29,012     |
| Other receivables                            | 39,279     |
| Trade receivables                            | 998,200    |
| Financial investments                        | 41,090,205 |
| Cash and cash equivalents                    | 6,219,720  |

The Company accounted all the loss amount which is equal to TL 64,623 in the statement of profit or loss as of 31 December 2018.

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

# NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019

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

#### 23. EXPLANATIONS ON DISPOSAL OF THE SUBSIDIARY (Continued)

Sale of shares have been completed at BİST's "Total sale purchase transactions" on 9 April 2018 with the permission of CMB regarding to the transfer of all of the shares owned by Eczacıbaşı Yatırım Holding Ortaklığı A.Ş. ve Eczacıbaşı Tüketim Ürünleri Sanayi ve Ticaret A.Ş. to the Metro Yatırım Menkul Değerler A.Ş. Subsequent to transfer of shares, the capital structure of the Company has been changed as following:

|  | Share in capital | Share (%) |
|--|------------------|-----------|
| Metro Yatırım Menkul Değerler A.Ş. (*) | 9,996,413        | 48        |
| Other                                  | 11,003,587       | 52        |
| Total                                  | 21,000,000       | 100       |

<sup>(\*)</sup> TL 1,050,000 and TL 8,946,413 portions of the shares transferred to Metro Yatırım Menkul Değerler A.Ş. consist of A Group and B Group shares, respectively.

### 24. SUBSEQUENT EVENTS

| • \ | TA T    |
|-----|---------|
| 1 1 | None.   |
| 11  | INCHIC. |
|     |         |

Eczacıbaşı Investment Holding Co.

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