DEVA HOLDİNG A.Ş.
ANNUAL REPORT 2015

For every life that we helped save...

DEVA was chosen as the best R&D company of the pharmaceutical industry in the 4th Private Sector R&D Centers Summit organized by the Ministry of Science, Industry and Technology in 2015.

DEVA was deemed worthy of the **Golden Mortar** award by Eczacı, one of the prestigious magazines of the pharmaceutical sector in 2015.

Proud of our awards, we continue to work for health...

CONTENTS

DEVA HOLDİNG IN BRIEF

Having started its operations in 1958, DEVA Holding is one of the well-established pharmaceutical companies in Turkey.

DEVA Holding, the main area of activity of which comprises manufacturing and marketing of medicinal products for human use and raw materials, also carries out the manufacturing of veterinary drugs, eau de cologne and medical ampoules.

The majority shares of DEVA Holding were acquired through the funds managed by GEM Global Equities Management S.A., an international fund management company, in 2006 and, EastPharma Ltd. was established to assume the management in 2006.

DEVA Holding takes fast steps towards achieving its target of being the first choice by creating giant pharmaceutical brands in fields in which it competes, offering innovative and diversified products with high quality experience so that everybody can access a healthy life on a global level. Offering new products to market every year, DEVA Holding makes a difference by enriching its product range. Currently, there are approximately 350 products in its product portfolio in 13 different therapeutic fields from oncology to cardiology, respiratory system to nervous system.

DEVA Holding, whose regional growth operations and export activities increasingly continue, have registration in over 350 countries including Switzerland, Germany, the Netherlands, and the United Kingdom. In addition, it exports pharmaceuticals and pharmaceutical raw materials to over 25 countries including New Zealand.

The facilities of DEVA Holding, which focuses on research and development studies to facilitate patients' access to the drug they need, have received European GMP (Good Manufacturing Practices) compliance approval.

With its strong staff comprising of trained personnel who have expertise in their field, and laboratory equipped with cutting-edge technology as well as its manufacturing sites DEVA Holding develops innovative, new forms and products with high added value within the scope of its R&D activities. It was chosen as the company with the best R&D Center in the pharmaceutical Sector by the Ministry of Science, Industry and Technology.

With the manufacturing facilities it established, DEVA Holding has become the local pharmaceutical company with the most comprehensive manufacturing activities in Turkey. Continuing its manufacturing activities in the manufacturing facilities in Çerkezköy and Kartepe, DEVA Holding has an annual production capacity of 500 million boxes.

DEVA Holding, which continues to work for a healthy future, also supports social responsibility projects.

FINANCIAL INDICATORS

FINANCIAL INDICATORS

Primary financial and operational indicators (TL)

	31.12.2015	31.12.2014
Total assets	992.951.699	893.532.192
Total liabilities	539.840.158	481.623.020
Total equity capital	453.111.541	411.909.172

	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014
Sales revenue (net)	576.380.100	467.940.004
Real operating profit	98.404.211	45.155.802
Net profit	47.659.668	8.722.942

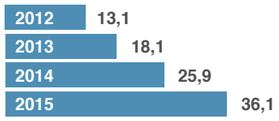
Basic rations (%)

	31.12.2015	31.12.2014
Current ratio	1,03	1,57
Liquidity ratio	0,65	0,98
Precision ratio	0,08	0,16
Liabilities/Assets total (Financial leverage rate)	0,54	0,54
Equity/debt ratio	0,84	0,86

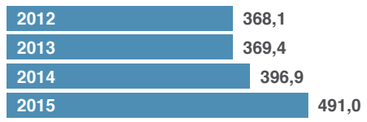
	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014
Gross profit margin	0,41	0,35
Net profit margin (sales profitability)	0,08	0,02
Equity profit margin (equity profitability)	0,11	0,02

Total Domestic Sales of Drug (Million Boxes)

Total Export (Million TL)



Total Domestic Drug Sales (Million TL)



CAPITAL AND SHARE HOLDING STRUCTURE

Company's:
Registered capital ceiling : 500.000.000 TL
Issued capital : 200.000.000 TL

DEVA HOLDİNG A.Ş. SHAREHOLDING STRUCTURE (31.12.2015)

Corporate Name	Amount of Share (TL)	Rate of Share (%)
EastPharma S.a.r.l	164.424.760	82,21
Other Shareholders	35.575.240	17,79
TOPLAM	**200.000.000**	**100,00**

MESSAGE BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear stakeholders,

In a period of growing fluctuations in the global economy, adapting to new developments in the world and shaping our business strategies accordingly has become all the more important. In 2015, we felt the adverse effects of devaluation of the Turkish currency, and this was a key determinant of our business strategy. But despite the formidable challenges of the pharmaceutical landscape, we have managed to successfully close the year in second place with 6% market share in volume, according to IMS Health data.

At DEVA, it is our main priority to manufacture every product locally in Turkey, whenever we can, and make those products available to patients. In 2015, we consolidated our product portfolio even further with innovative equivalent products in the oncology, cardiology and respiratory therapy areas. In ophthalmology, which we stepped into for the first time in 2013, we have grown rapidly, introducing a number of new products for use by the medical community.

Thanks to our vertical integration strategy, we are now the owner of one of the most comprehensive manufacturing facilities in Turkey, covering processing steps from the raw material to the finished product. The output growth we registered last year has been most welcome. We have begun manufacturing several new types of products, like solutions, on our lyophilized products and BFS manufacturing lines. Our facilities underwent inspections by various national and international health authorities; in particular, Çerkezköy II and Kartepe sites were inspected by the U.S. Food and Drug Administration, perhaps the most important official authority setting the standards for pharmaceutical manufacturing, which made this particular inspection crucially important to us. We are currently waiting for the final outcome of this inspection, which we believe will bring us one step closer to our goals.

The pharmaceutical sector is currently viewed as a driver of trade deficit due to imports far exceeding exports, but still, we believe it is possible to transform pharmaceuticals to an industry that contributes positively to the balance of trade with growing R&D investments, the use of advanced technology, and ability to drive exports. At DEVA, we are making an important contribution toward that end with our expertise in local manufacturing and export operations. Recognizing that access to health is a fundamental right, we are collaborating with business partners around the world to bring DEVA products to patients. Accordingly, we have implemented a two-pronged global growth strategy based on entering new markets and consolidating our position in current markets with new approvals. Throughout 2015, we had 216 filings in 33 countries, and gained a total of 82 approvals in 18 of them. Also, in Germany, we have established a new subsidiary, Devatis GmbH, after receiving certification of GMP compliance and manufacturing authorization, and we are getting ready to bid in public tenders. We will be reaping the rewards of these efforts in the years ahead.

We recognize the strategic value of R&D for the pharmaceutical industry, and we continue to invest in this area at a growing rate. While the annual R&D investments by the Turkish pharmaceutical industry is negligible compared to global benchmarks, in 2015 we allocated 7 percent of our sales to R&D. We believe that our investments in this area create value for DEVA, and we are exploring opportunities for joint projects with TÜBİTAK in biotechnology and other areas. Our achievements in R&D brought us two important recognitions in 2015: the Ministry of Science, Industry and Technology named DEVA as having the best R&D center in the pharmaceutical industry during the 4th Private Sector R&D Centers Summit, and Eczacı Magazine recognized DEVA as the best R&D company for "manufacturing active substances for the treatment of high blood pressure," during the 6th Golden Mortar Awards, which recognizes outstanding individuals and organizations in pharmaceuticals and pharmacy. It makes us very proud that our accomplishments in R&D are enriched by these important awards, and they support our ambitions. We are excited to do even better in this area.

We recognize that a healthy society is key to having a healthy future, and this motivates us to conduct awareness campaigns of certain diseases. We continue supporting our national diver Şahika Ercümen who makes us all proud as the holder of the world record in free diving, despite her living with allergic asthma since early childhood. We also continue offering scholarships to outstanding medical students, and work with non-governmental organizations like Çocukları Kurtaralım (Save the Children) and the Turkish Red Crescent Organization on projects serving the public interest.

We are aware that all of our achievements ultimately rest on the dedication of our associates, whom we appreciate and develop in the understanding that they will propel our company higher still.

At DEVA, we are creating value for our country and for a healthier future since 1958, and we will continue doing our part with passion and dedication in recognition of our responsibilities as a pharmaceutical company.

Very truly and respectfully yours,

Philipp Haas
Chairman & CEO

BOARD OF DIRECTORS AND SENIOR EXECUTIVES

Chairman of BOD and CEO

Chairman of the Board of Directors and CEO of DEVA Holding, Philipp Haas took MBA degree in the specialty of banking at St. Gallen Economy, Law and Business Administration University.
He speaks German, English, French, Spanish, Portuguese, Italian and Turkish fluently. Having served as investment consultant and director since 1992, Philipp D. Haas has a broad experience in markets of Eastern European Countries and particularly Turkish market. Having taken part in many restructuring projects in Ukraine and Turkey, Philipp D. Haas performed membership of many boards of directors on behalf of foreign corporate investors in 90s, among which are Rogan Brewery in Ukraine and Net Holding in Turkey. Having a broad experience in pharmaceutical industry, Philipp D. Haas served as consultant to funds in pharmaceutical industry in developing markets and oriented their investments to Eastern Europe. Among such firms is Slovakopharma named afterwards as Zentiva. Being the Chairman of the Board of Directors of Eastpharma Ltd and DEVA Holding, Haas also serves as the Chairman of BOD in Vetaş Veteriner ve Tarım İlaçları A.Ş., Saba İlaç Sanayi ve Ticaret A.Ş., New Life Yaşam Sigorta A.Ş., Eastpharma İlaç Üretim Pazarlama San. ve Tic. A.Ş., and member of BOD in Eastpharma S.a.r.l., Lypanosys Pte Limited. He also serves as a director in DEVA Holdings Australia PTY Ltd, DEVA Holdings NZ Ltd, EastPharma Canada Ltd, Devatis Gmbh, DEVA Health Care A.G and Devatis Inc. within Deva Holding. Philipp Haas is the vice-president of the Pharmaceutical Industry Association of Turkey.

for and on behalf of Vetaş Veteriner ve Tarım İlaçları A.Ş.Deputy Chairman of the BOD and CFO

The Deputy Chairman of the Board of Directors and CFO of DEVA Holding, Mesut Çetin worked as director responsible for operations within GEM Global Equities Management S.A. 2005 and 2007 and has served in various positions within the same group as analyst, trader and project manager since 1999. Mesut Çetin is the member of the BOD in Eastpharma Ltd. Ltd, EastPharma Canada Ltd, Vetaş Veteriner Ve Tarım İlaçları A.Ş., and Saba İlaç Sanayi ve Ticaret A.Ş. he also performs the duty of CFO in various companies within the group. Mesut Çetin is the graduate of Mathematics in Boğaziçi University and continues the EMBA program in Koç University.

BOARD OF DIRECTORS AND SENIOR EXECUTIVES

Member of the Board of Directors

The Independent Member of the Board of Directors of DEVA Holding, Cüneyt Demirgüreş completed the Master of Business Administration in Boğaziçi University after graduating from Electrical and Electronic Engineering of ODTÜ and took Finance Doctorate at University of Alabama between the years of 1990-1993. Having performed important duties at senior executive positions in financial organizations among which are Eczacıbaşı Menkul Değerler, Demir Yatırım ve Demirbank, İsviçre Portföy Yönetimi and Unicredit Menkul Değerler, Demirgüneş is the member of BOD in Baytur Motorlu Vas. Ticaret A.Ş. and Baylas Otomotive A.Ş and is a faculty member at Koç University.

Member of the Board of Directors

The Non-Executive Member of the Board of Directors of DEVA Holding, Ayşecik Haas completed her license degree in Electrical-Electronic Engineering in Doğu Akdeniz University after graduating Ankara Private Yükseliş College in 1991, then took her master degree in Economics branch in Texas Tech University. Having commenced the work life at various positions relating to engineering in Emek Elektrik and Beko Elektronik in Turkey, Ayşecik Haas worked in finance sector in New York after taking Economy Master degree after which she worked as investment specialist in Hattat Holding for a short period of time. Having commenced to perform as General Manager of NAR Group, a media company, in 2008, Ayşecik Haas is currently continuing this task.

Member of the Board of Directors

Tuncay Cem Akkuş, the independent member of the Board of Directors of DEVA Holding completed his undergraduate education in East Mediterranean University, Department of Electrical and Electronic Engineering. Akkuş, who began his business life as a system engineer at PTT General Directorate, was transferred to telecommunication industry after a short time. He worked as engineer, manager and consultant in infrastructure projects in the industry in the operation units of Siemens A.Ş, Sabancı Telekom, Global İletişim, Turkcell Superonline, and Millenicom respectively, and he still works at Millenicom.

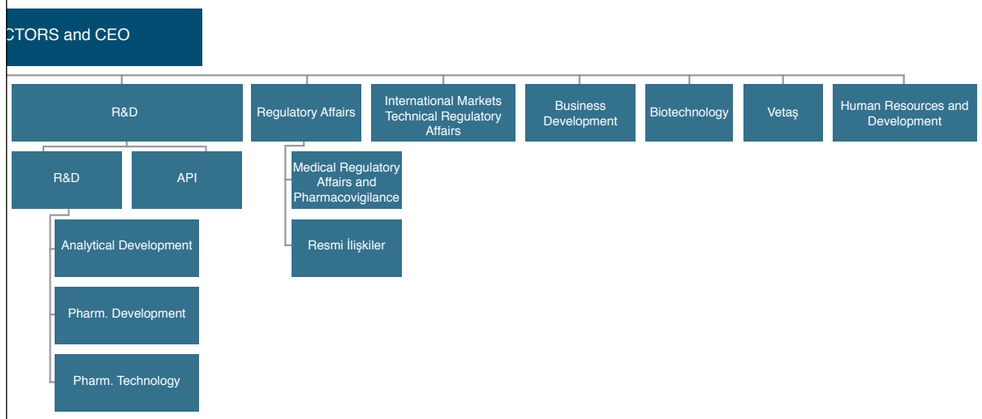
Changes in Memberships of the Board of Directors within the year

Members of the Board of Directors were elected in the Annual Ordinary General Assembly Meeting held on 22 May 2013 to hold office for a period of 3 years until the General Assembly Meeting to be held in 2016. Beat Martin Schlagenhauf, the independent member of the Board of Directors left his duty on 01.04.2015, and Tuncay Cem Akkuş was elected by the Board of Directors for his position. The voting was approved by the General Board on 28.04.2015.

Senior Executives

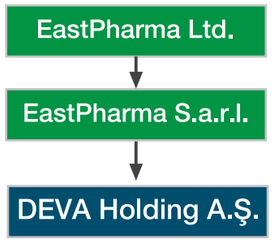
Philipp Haas - (CEO)
Mesut Çetin - (CFO)
Doğan Varinlioğlu - Deputy General Manager of Turkey and International Markets
Altuğ Uysal - Deputy General Manager of Technical Operations
Rıza Yıldız - Financial Reporting and Accounting Director
Hartwig Andreas Steckel - R&D Director
Tijen Kavlak - Marketing and Communication Director
Burç Kunter - Vetaş A.Ş. Director

ORGANIZATION CHART


CTORS and CEO
R&D
Regulatory Affairs
International Markets Technical Regulatory Affairs
Business Development
Biotechnology
Vetaş
Human Resources and Development
R&D
API
Analytical Development
Pharm. Development
Pharm. Technology
Medical Regulatory Affairs and Pharmacovigilance
Resmi İlişkiler

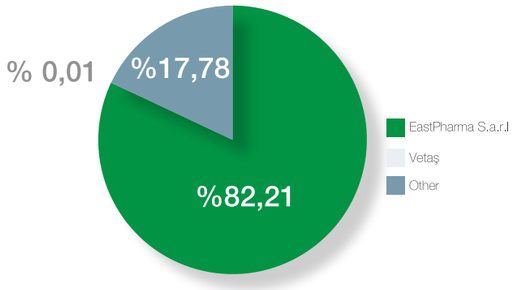
SHAREHOLDING STRUCTURE AND SUBSIDIARIES

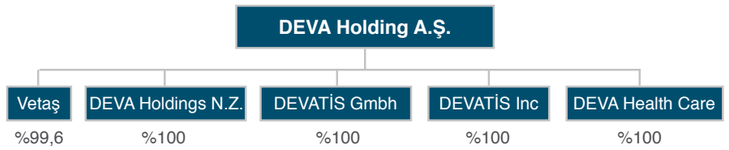
EastPharma Ltd. incorporates DEVA Holding and it holds **A, B and C group** shares.



Grubu A	**%100,00**
Direct Control	%74,00
Indirect Control	%26,00
Grubu B	**%92,00**
Direct Control	%72,00
Indirect Control	%20,00
Grubu C	**%82,22**
Direct Control	%82,21
Indirect Control	%0,01

Shareholding Structure (Shares of Group C)





INFORMATION ON PREFERRED SHARES

Our company's capital contains 10 preferred shares in total of TL 0.10, consisting of 5 Group A Shares and 5 Group B Shares, each with a value of TL 0.01. The preferences for these shares are as follows:

Preferences in Dividend

Group A Preferential Shares are entitled to receive 10% of the profit set aside from distributable profit according to the orders and principles referred to in the Articles of Association.

Preference in terms of Right of Voting

Group A and B preferred shares have a voting right ten times the voting right of Group C shares in terms of right of voting.

Preference in Management

Two members of the board of directors are elected by Group A and B preferential shareholders from amongst Group A preferential shareholders.

MISSION, VISION AND MAIN PRINCIPLES

our mission

We exist to offer innovative and diversified products with high quality experience with a view to everybody being able to reach healthy life at global scale.

our vision

To be the first choice in fields in which we compete by creating giant pharmaceutical brands.

our values

Transparency, Result Orientation and Taking on Responsibility.

our principles

DEVA Holding oversees its main principles in all business processes meticulously and reflects them on every field of its operations.

Integrity, Quality, Reliability, Customer Oriented, Conforming to Codes of Conduct, Decentralization, Employee Satisfaction, Creativity, Entrepreneurship, Teamwork, Environmentalism.

NOTES FROM THE PHARMACEUTICAL INDUSTRY

According to free market and tender data of IMS Health, 2,211 million boxes worth TL 19 Billion (*) were sold in Turkish Pharmaceutical Market in 2015. The market achieved growth at a rate of 7.42% in number of boxes and at a rate of 16.78% in TL compared with the previous year.

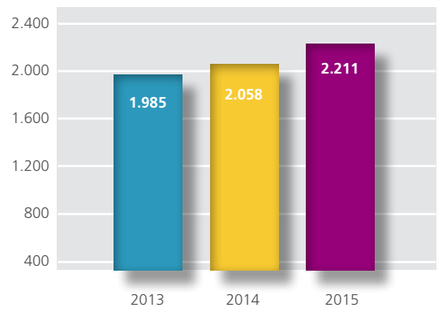
Rate of prescription drugs to total pharmaceutical market in Turkish market is 92% both in number of boxes and TL.

Although drugs from many treatment groups are imported in our country, preparations requiring new and advanced technology, some vaccines, blood factors, some controlled-release drugs, respiratory, insulin, and anti-cancer drugs are predominantly imported.

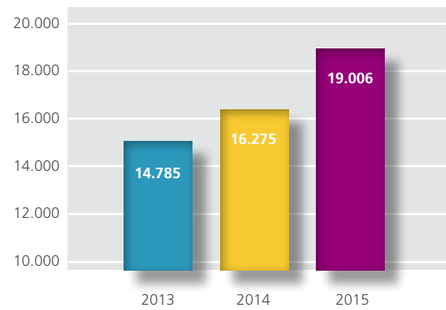
According to IMS Health data, the sector's import increased by 7.1% on a box basis; however, it decreased by 5.5%, remaining at USD 4.1 billion on USD basis. The domestic pharmaceutical market grew by 7.5 on a box basis; however, it shrank by 6.5%, remaining at USD 2.8 billion on USD basis. The rate of import to the total pharmaceutical market is 25% on a box basis and 60% on USD basis.

According to IMS Health data, the sector grew by 7.4 on a box basis; however it shrank by 5.9 on USD basis, remaining at USD6.9 billion. The total pharmaceutical market reached TL 19 billion, with a growth of 16.8.

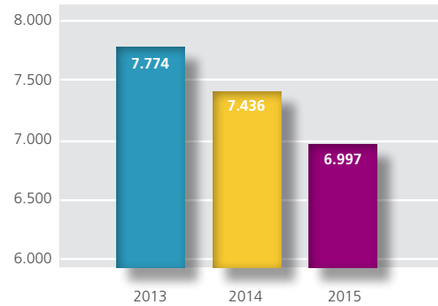
Total Market (Million Boxes)



Total Market (Million TL)



Total Market (Million USD)

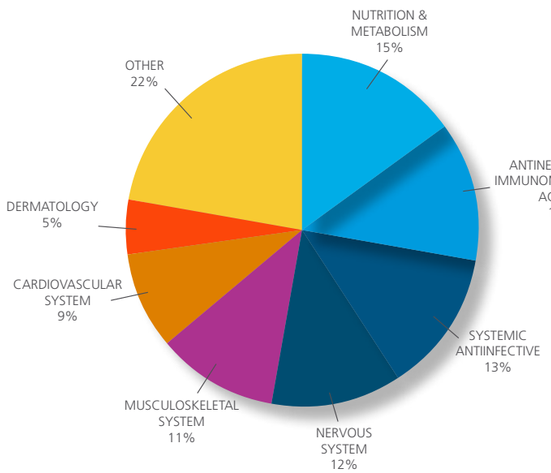


(*) "Surplus Goods" are included in the value in boxes but not included in the value in TL depending on the change in the calculation method of the IMS.

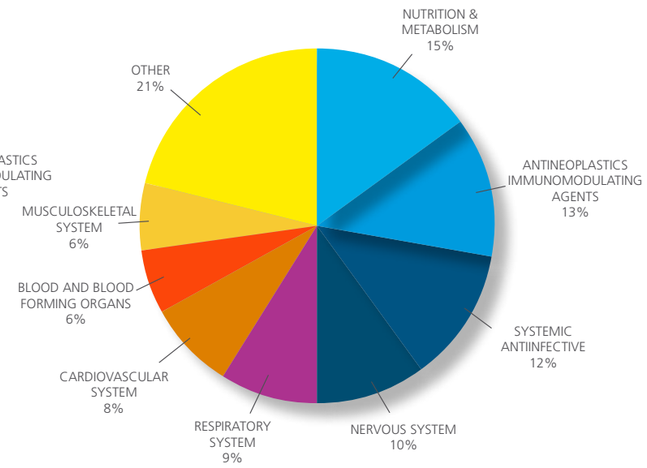
NOTES FROM THE PHARMACEUTICAL INDUSTRY

Market distribution according to drug segments in our country in 2015 took place on box and TL/USD basis as follows. On both box and TL/USD basis, Nutrition & Metabolism segment has the biggest share.

Total Market Sales Distribution (%) (Boxes)



Total Market Sales Distribution (%) (TL/USD)

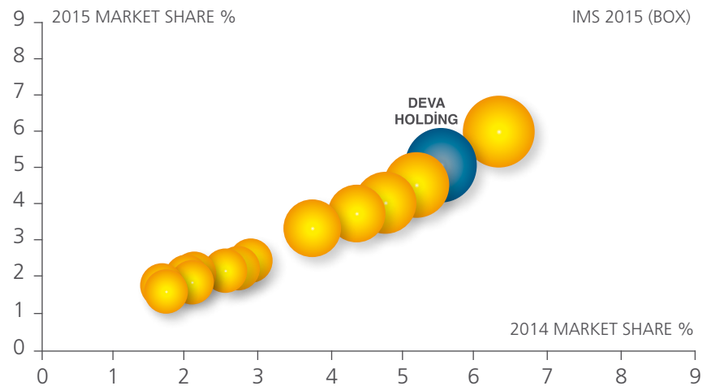


2015 IN DEVA

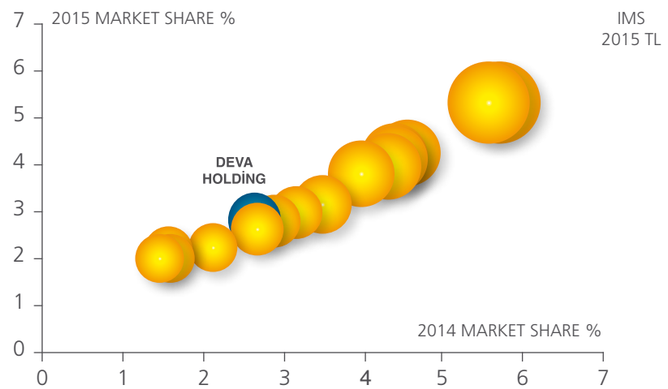
In 2015, DEVA Holding achieved growth by 6.5% with an IMS sale of 133.5 million (Free Market +Tender) on IMS box basis, and by 19.2 with an IMS sale of 524 million on TL basis compared with 2014.

DEVA Holding maintained its second place in 2015 with a market share of 6%; and rose from 11th place to 9th place with a market share of 2.8% on TL basis.

Market Share of Top 15 Firms (Box)

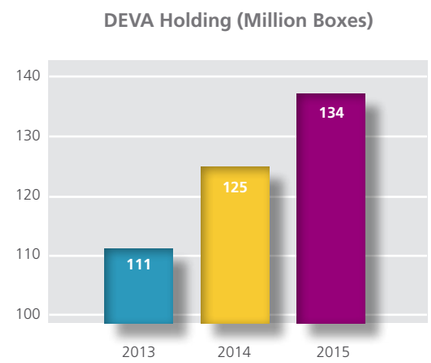


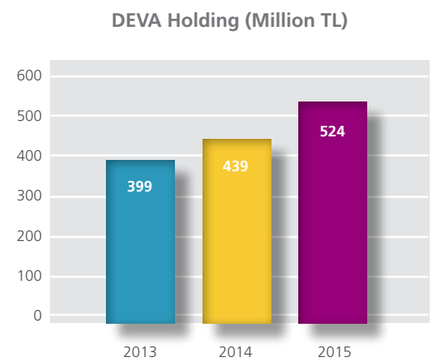
Market Share of Top 15 Firms (TL)

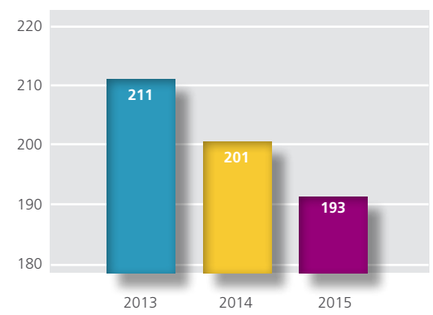


2015 IN DEVA

The progress for the last 3 years of the box/TL/USD values of DEVA Holding are as follows:







Source: IMS Health 2015 Free +Tender Data

2015 IN DEVA

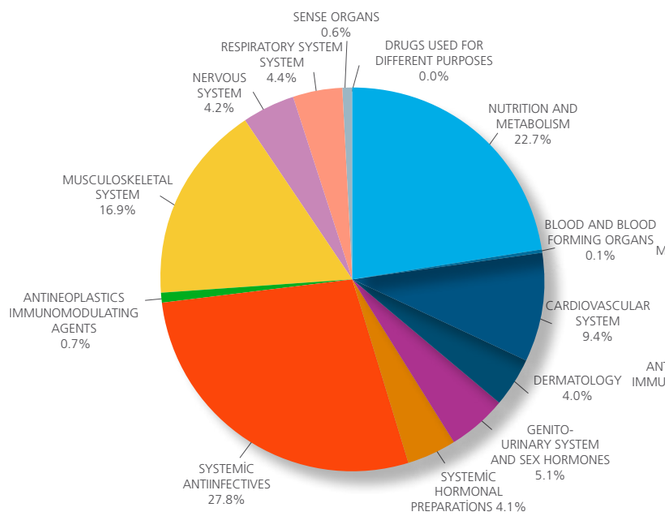
• In 2015, Deva Holding's Devit D3, Amoklavin, Dikloron, Desefin, Cefaks, Tilcotil, Dekort and Cezol, respectively was among the top 100 products of Turkish Pharmaceutical Market on a box basis. Amoklavin and Depores are among the top 100 products of Turkish Pharmaceutical Market on TL basis.

• According to IMS data, 12 products in total comprised the 50% of the company's revenues These products are Amoklavin, Depores, Devit D3, Cefaks, Dikloron, Dilatrend, Dodex, Biteral, Respiro, Candexil Plus, Imatis and Madopar, respectively.

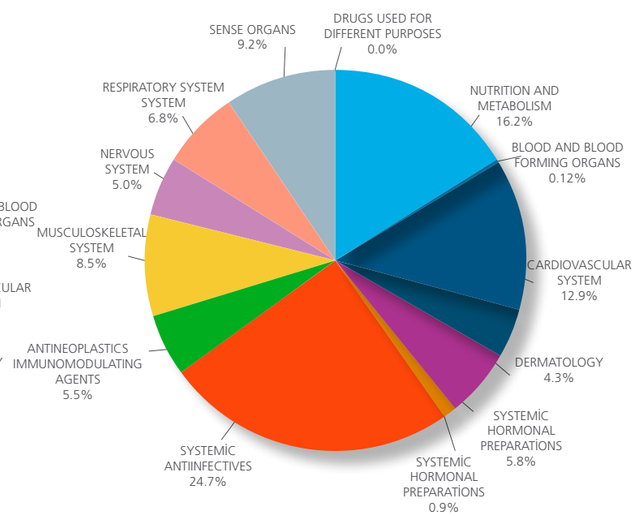
• In 2015, 10 new molecules were launched in 16 different forms, and 19 different forms were added to the existing molecules.

• Systemic anti-infectives comprise the majority of DEVA Holding's drug sales in 2015 on both box and TL/USD basis. The distribution of sales by segments on box and TL/USD basis are as follows:

DEVA Holding's Distribution of Sales % (Box) 2015



DEVA Holding's Distribution of Sales % (TL/USD) 2015



2015 IN DEVA

INTERNATIONAL MARKETS

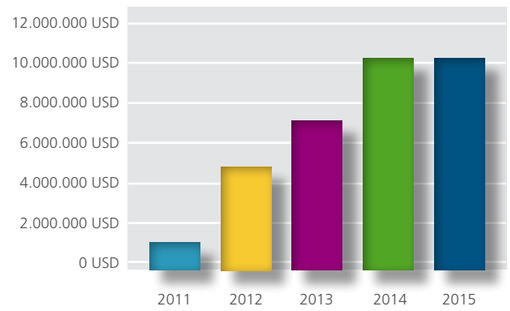
GMP Inspections

Our manufacturing facilities have been inspected for GMP by the Health Authorities of Europe, New Zealand and USA (FDA) in 2015. In addition, an independent audit firm visited our sites for 23 African countries.

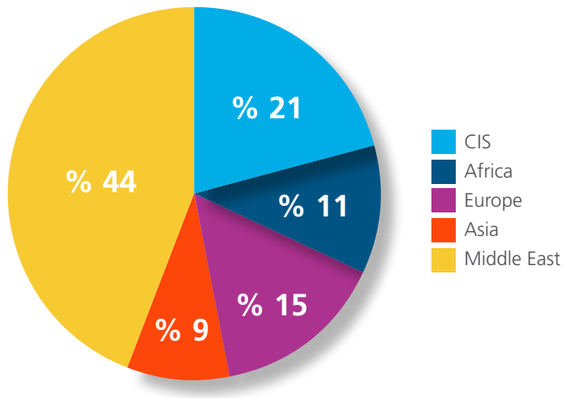
Export of Medicinal Products for Human Use

Making agreements with overseas pharmaceutical firms and distributors, sale of the products to overseas markets with DEVA brand and License agreements continued as main business models in 2015 as well.

In 2015, in which new agreements and strategies continued producing results, export of medicinal products for human use of DEVA was realized at similar rates with the previous year, amounting USD 10.7 Million.



Distribution of Export in 2015 by regions;



We have implemented a two-pronged global growth strategy based on entering new markets and consolidating our position in current markets with new approvals. In 2015, 216 applications for registration were submitted in 33 countries in developing markets, and a total of 82 registrations were received in 18 countries.

In 2015, Africa, Commonwealth of Independent States, Middle East, Balkan and Far East countries with pharmaceutical markets that gained importance with their growth rate have become prominent. In that regard, North Africa, Kyrgyzstan, Kazakhstan, Serbia, and Montenegro are new markets with which distributorship agreements were signed.

Our company came into operation in Germany with the name Devatis GmbH. Our operations for the USA market are also in progress.

Raw Material Export

The non-sterile raw material export in 2015 was realized as USD 2.6 billion.

Empty Ampoule and Contract Manufacturing

DEVA Holding, using a major part of its empty ampoule capacity in its own manufacturing activities, sold approximately 10 million ampoules to the leading drug manufacturers of Turkey in 2015 to utilize its capacity.

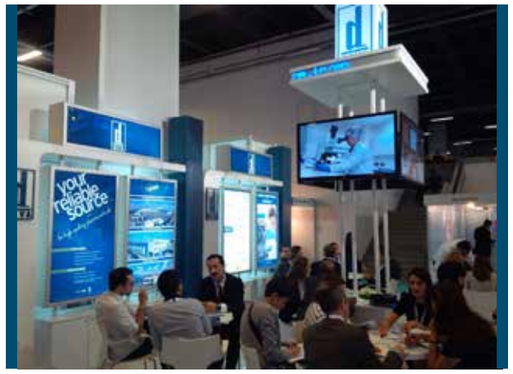
Promotional Activities in the International Arena

DEVA Holding had the opportunity to demonstrate its products, R&D and manufacturing competencies to 36,000 healthcare professionals from approximately 150 countries by opening a stand at CPhI Worlwide, the biggest and most extensive exposition of the pharmaceutical industry held in Italy in October with the participation of 2,500 firms, and continued its efforts to increase its recognition on the global level

In addition, DEVA Holding participated in important international organizations during 2015, thereby expanding its communication network and pawing way to agreements with new business partners. Congresses and expositions DEVA participated in:

- EuroPLX - Spain and Portugal
- Pharmavenue - Spain
- Arabhealth - United Arab Emirates
- DCAT - USA
- CPhI Istanbul - Turkey
- CPhI Worldwide - Spain
- Health Exhibition - Turkmenistan
- Vector Pharma - Mexico

As previously, product training was given to the sales and marketing teams of our partners in 2015 with the support of our medical and product managers. In addition, DEVA manufacturing facilities were visited by over 100 physicians from the countries where marketing operations are conducted actively.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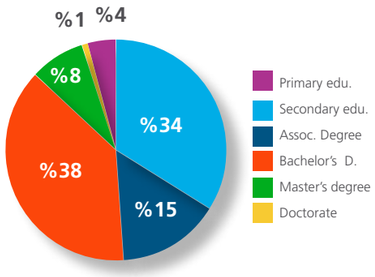
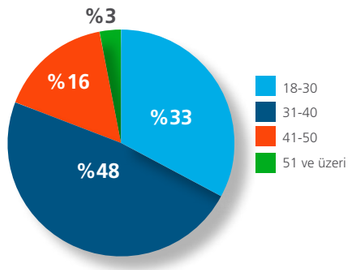
HUMAN RESOURCES AND DEVELOPMENT

DEVA Holding, in view of the fact that it will gain more competitive power with a high-profile human capital, has been continuing to generate employment, primarily in its manufacturing facilities in 2015. Career opportunities are presented to the employees, and internal sources are prioritized, particularly in promotions. Through the employee evaluation center's practices and the evaluations of the Promotion Committee established in 2015, development and implementation of systems for assignment of the employees to appropriate positions continued. The demographic structure of the company as a result of the above developments is as follows:

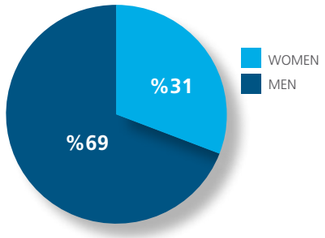
Educational Status



Age Distribution



Gender Distribution



In 2015, recruitment of interns continued to contribute to the improvement of vocational high schools and shaping of the business lives of university students during their education within the scope of the Human Resources policy. Intern Contingent Rate Agreements were signed with the leading universities in Turkey. Internship opportunities were offered to university students in summer and to vocational high school students in winter in various departments in DEVA Holding, thereby contributing to the improvement of the young people, introducing them to business life before they graduated.

In the blood donation campaign organized in the General Directorate and all manufacturing facilities, the blood donations made by the employees were delivered to the patients in need free of charge by the Red Crescent. These social responsibility projects set examples, demonstrating DEVA employees' ethical and responsible behaviors towards society, and emphasized the importance of human health and the fact that leading firms should pioneer continuous aids at hard times with a sense of corporate responsibility.

Within the scope of "DEVA Performance Management System", all employees were subjected to performance evaluation in 2015 in accordance with the targets set.

Many events in the field of culture, arts and sports were organized to increase the senses of motivation, unity, and solidarity of employees, and many organizations such as sports tournaments, picnics, celebrations, painting contests, vacations, etc. were organized.

In 2015, participations in both internal training, and training, conferences and seminars abroad continued to improve technical knowledge and skills and develop personal competencies of employees. Training sessions were held by actively using DEVAKADEMİ education portal to access the employees in all locations by occupational and personal improvement training.

Employees' improvement was supported by putting weight on education planning in accordance with particularly occupational development needs.

All Human Resources and Development activities were continued successfully in 2015, too, implementing the "Human Resources Integration Project" to create new Human Resources processes with the motto "Shaping the future together" and integrate the current processes with each other.

MANUFACTURING FACILITIES

DEVA HOLDING ÇERKEZKÖY I MANUFACTURING FACILITIES

DEVA Holding Çerkezköy I manufacturing facilities, located at a 100 km distance to Istanbul, founded on an area of 52,000 m2 in Organized Industrial Zone with closed facilities of 32,000 m2, comprise of modern buildings where liquids/semi solids, inhaled products, solid, betalactam 1, betalactam 2 and hormone products are manufactured.

Liquid / Semi Solid Manufacturing Unit

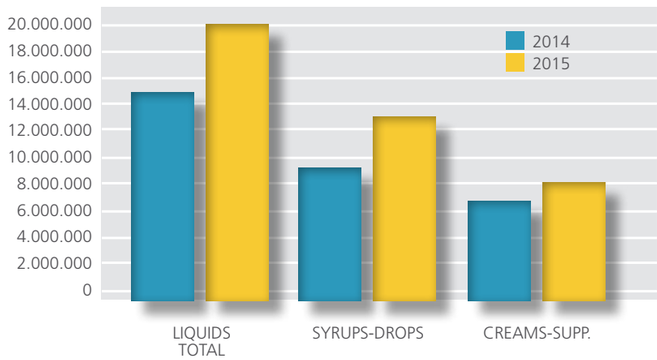
Non-sterile liquid and semi solid products are manufactured in Çerkezköy manufacturing facilities.

All syrups, drops, and sprays are manufactured in the liquid unit, creams and gels are manufactured in pomade unit, and suppository and pessaries are manufactured in the pessary unit.

In the unit, in which a total of 15 million boxes were manufactured in 2014, a total of 19.9 million boxes were manufactured in 2015, 12.3 million of which are syrups, suspensions and drops, and 7.1 million are creams, gels and suppositories.

An increase of 32% was achieved in liquid-semi solid manufacture in 2015.

Liquid / Semi Solid Manufacture (Boxes)



MANUFACTURING FACILITIES

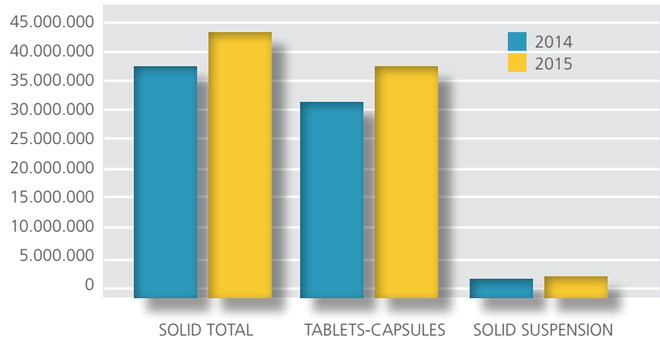
Solids Unit

Çerkezköy I manufacturing facilities, designed for the manufacture of solid forms (tablets, film tablets, capsules, powder suspensions, etc.) have a packaging capacity of 35 million boxes of finished products annually in a single shift.

In this unit, in which 37 million boxes of products were manufactured in 2014, a total of 44.7 million boxes of finished products, 42.8 million boxes of tablets/capsules, and 1.9 million boxes of suspensions were packaged in 2015.

An increase of 21% was achieved in total solid manufacture in 2015.

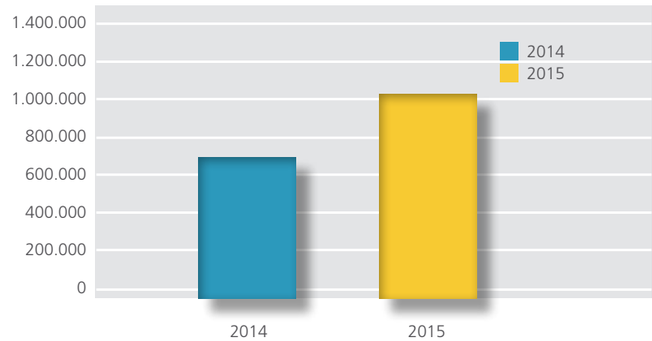
Solid Manufacture (Boxes)



Inhaled Products Manufacturing Facility

In the facility which was approved by the Ministry of Health in 2014 which has its own ventilation, water system and laboratory in a separate building, 1.2 million boxes were manufactured in 2015, with an increase of 68%, compared with the manufacture of 725 thousand boxes of MDI and DPI in 2014. In the first half of 2016, nebules for inhalation will be manufactured by the state-of-the-art technology. In the first half of 2016, nebules for inhalation will be manufactured by the state-of-the-art technology (BFS).

Inhaled Products Manufacture (Boxes)



MANUFACTURING FACILITIES

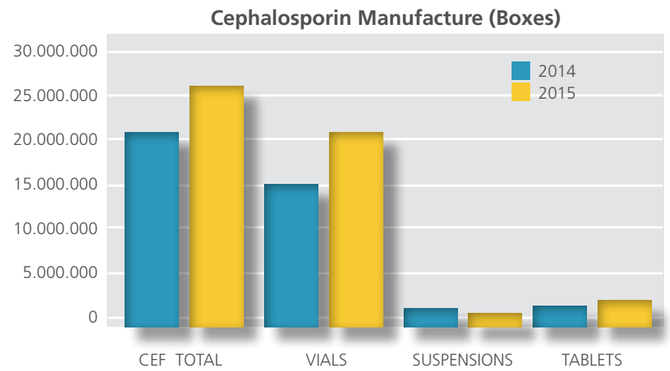
Betalactam Unit

Çerkezköy Betalactam Manufacturing Facilities, designed for manufacturing drugs in non sterile solid (tablets/film tablets, powder suspensions, capsules) and sterile powder injectable pharmaceutical forms.

Cephalosporin Manufacturing Unit (Betalactam I)

Whereas, in the cephalosporin unit, 22.5 million boxes were manufactured in 2014, a total of 26.9 million boxes of pharmaceutical products were manufactured in 2015; 20.6 million boxes of injectable sterile powder vials, 2 million boxes of oral suspensions, and 4.3 million boxes of coated film tablets, and capsules.

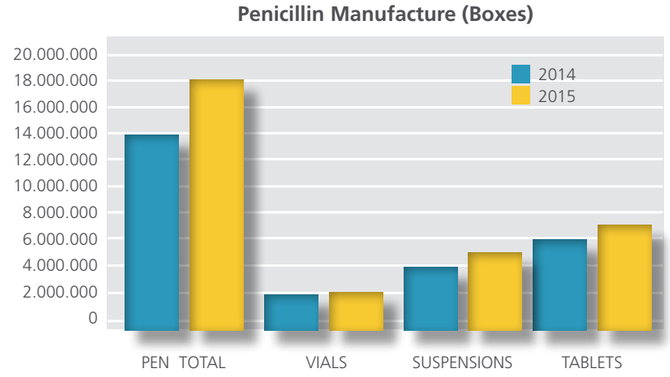
An increase of 19% was achieved in this unit in 2015.



Penicillin Manufacturing Unit (Betalactam II)

Whereas, in the penicillin unit, 14.4 million boxes were manufactured in 2014, a total of 18.6 million boxes of pharmaceutical products were manufactured in 2015; 3.2 million boxes of injectable sterile powder vials, 5.8 million boxes of oral suspensions, and 9.6 million boxes of coated film tablets.

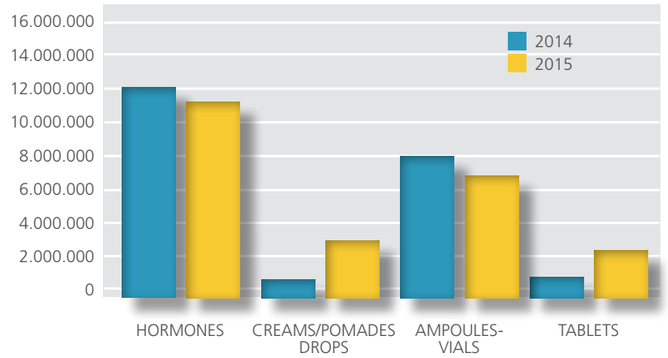
An increase of 29% was achieved in this unit in 2015.



Hormone Products Manufacturing Facility

Approximately 12.4 million boxes of products were manufactured in the hormone products manufacturing unit in 2015; 2.9 million boxes of creams/pomades, 2.2 million boxes of tablets, and 7.2 million boxes of sterile ampoules, vials, and drops.

Hormone Products Manufacture (Boxes)



Our facilities successfully passed the GMP inspections by New Zealand (Medsafe), South Africa (MCC) and RoT Ministry of Health, and Abbott's customer inspection.

DEVA HOLDING ÇERKEZKÖY II MANUFACTURING FACILITIES

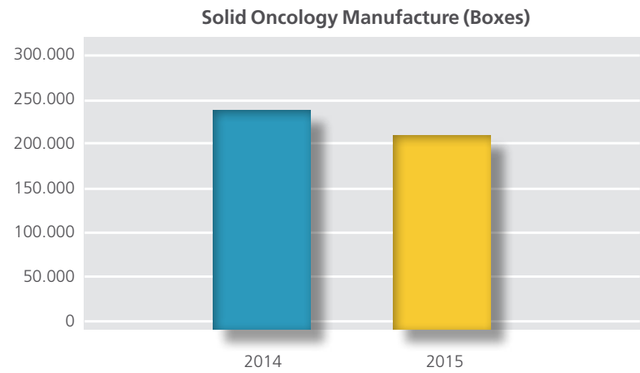
DEVA Holding Çerkezköy II manufacturing facilities located at the 110 km distance to Istanbul, founded on an area of 67.551 m2 in Çerkezköy Organized Industrial Zone, with closed facilities of 18.742 m2, comprise of state-of-the-art manufacturing buildings where solid oncology, sterile liquid oncology, animal health products and APIs are manufactured.

Solid Oncology Manufacturing Unit

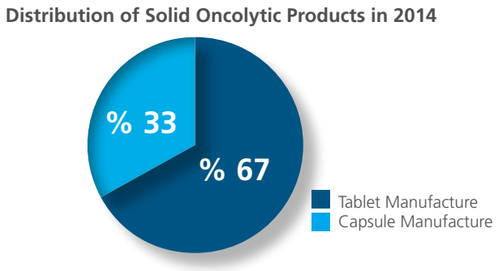
Products in tablet and capsule form are manufactured in the solid oncology manufacturing unit. The manufacturing activities, which were conducted with 22 products in 8 molecules, were realized with 29 products in 8 molecules in 2015, with the 7 additional products.

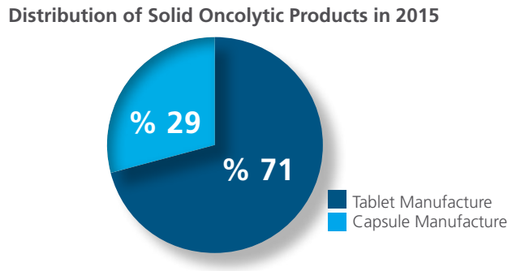
The manufacturing quantity, which was 249,792 boxes in 2014, was 219,119 boxes in 2015.

MANUFACTURING FACILITIES



Of the 219,119 boxes manufactured in 2015, 77,686 were capsules, and 141,433 were tablets.





ANDA products for the USA market as well as the registration application products for the EU market are manufactured in this unit, and the US FDA inspections and German MoH inspections for Europe were held for this manufacturing unit.

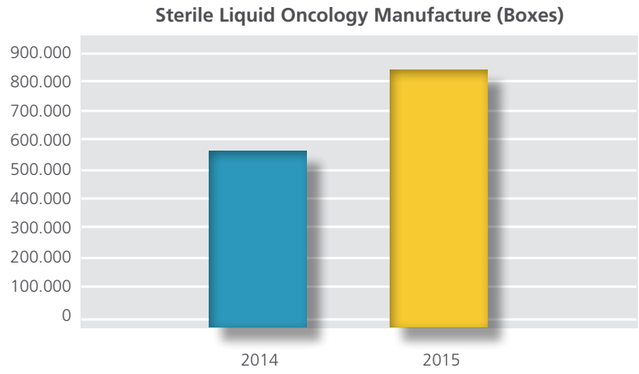
Solid oncology unit was included in the scope of the inspections conducted by US FDA in August 2015 and German Ministry of Health in December 2015.

In 2015, new products including Midizol 100 mg 5 capsules, Midizol 20 mg 5 capsules, Midizol 250 mg 5 capsules, Midizol 5 mg 5 capsules, Midizol 140 mg 5 capsules, Midizol 180 mg 5 capsules, and Imatis 200 mg 60 film tablets were manufactured. Registration activities for Rivelime 5 mg capsules, Rivelime 10 mg capsules, Rivelime 15 mg capsules, and Rivelime 25 mg capsules are ongoing for 2016.

Sterile Liquid Oncology Manufacturing Unit

Sterile liquid and sterile lyophilized powder forms are manufactured in sterile liquid oncology manufacturing unit. The manufacturing activities, which were conducted with 14 products in 7 molecules, were realized with 15 products in 7 molecules in 2015, with 7 additional products.

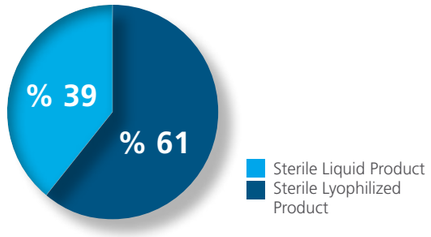
The manufacturing quantity of the unit, which was 571,060 boxes in 2014, was 831,591 boxes in 2015, with an increase of 46%.



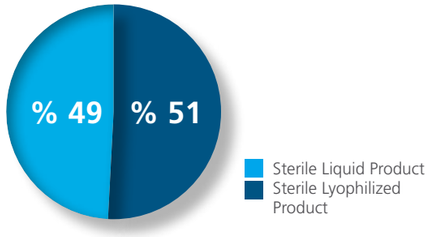
MANUFACTURING FACILITIES

Of 831,591 boxes, liquid products comprise 427,456 boxes and lyophilized products comprise 404,135 boxes.

Distribution of Sterile Oncolytic Products in 2014



Distribution of Sterile Oncolytic Products in 2015

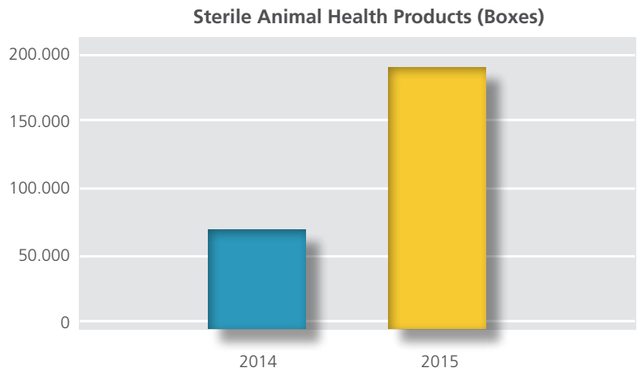


In 2016, ANDA products for the US market and registration application products for the European market are going to be manufactured in this unit.

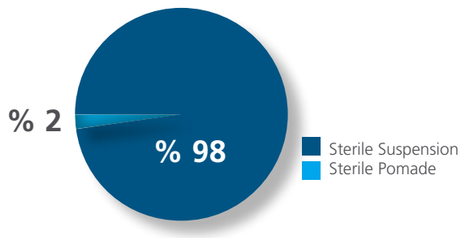
MANUFACTURING FACILITIES

Sterile Animal Health Products Manufacturing Unit

Products in sterile suspension and pomade form are manufactured in Sterile Animal Health Products Manufacturing Unit.
The manufacturing quantity of the unit, which was 74,587 boxes in 2014, was 194,302 boxes in 2015, with an increase of 160%.



Of 194,302 boxes, suspensions comprise 190,390 boxes and pomades comprise 3,912 boxes.



MANUFACTURING FACILITIES

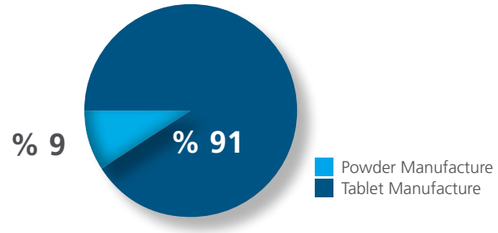
Non-Sterile Animal Health Products Manufacturing Unit

Non-sterile animal health products manufacturing unit is divided into two subunits; non-betalactams and betalactams. While animal health products in powder and tablet form are manufactured in non-betalactam subunit, products in powder form are manufactured in betalactams subunit.

At the end of 2014, the opening inspection of the unit was performed by the Ministry of Food, Agriculture and Livestock, and following the successful inspection, manufacturing activities began in 2015. The manufacturing site change operations of seven large-volume powder, two small-volume powder, and five tablet products were completed and these products were manufactured during 2015. Application files of three large-volume powder, one small-volume powder and two tablet products have been submitted and awaiting approval. In Q1 2016, the submission batches of the remaining five products are going to be manufactured and their files are going to be submitted to the Ministry of Food, Agriculture and Livestock. The total number of products manufactured in the unit is 25.

A total of 564,293 boxes of products were manufactured in 2015, 517,921 boxes of which were tablets, and 46,372 boxes of which were in powder form.

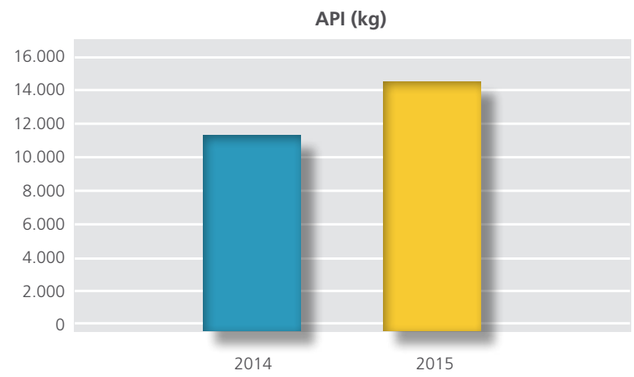
Distribution of Solid Animal Health Products in 2015



MANUFACTURING FACILITIES

API Manufacturing Units

The facilities have four separate designated API manufacturing units: Non-betalactam API, betalactam non-sterile API, betalactam sterile API, and oncolytic API. The API manufacturing quantity, which was 11,526 kg in 2014, was 14,465 kg in 2015, with an increase of 25%. 13 different APIs are manufactured in accordance with customer requests.



In API manufacturing, the toxic gases arising from reaction are neutralized before being released to the atmosphere to minimize the environmental effects resulting from manufacturing activities.

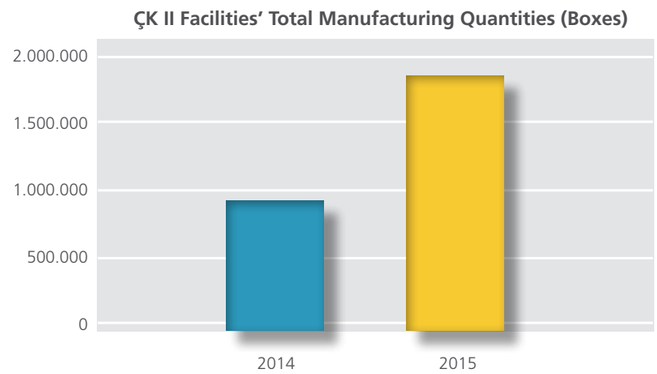
MANUFACTURING FACILITIES

The new API named Benidipine HCl was manufactured in 2015.

The API manufacturing units successfully passed four different European customers' inspections in 2015.

To sum up, the manufacturing quantities in DEVA Holding's Çerkezköy II facilities increased by 100% compared with the previous year.

The capacity utilization rate of Çerkezköy Main Manufacturing and API Manufacturing facilities in 2015 were 90%.



MANUFACTURING FACILITIES

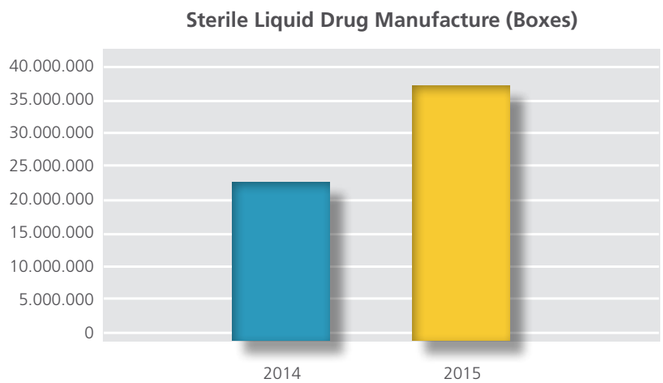
DEVA HOLDING KARTEPE MANUFACTURING FACILITIES

DEVA Holding Kartepe Manufacturing Facilities, located on İzmit - Ankara highway, in Kocaeli Kartepe district, founded on an area of 32.000 m2 , with a closed area of 16.500 m2, comprise of state-of-the-art buildings where sterile liquid drugs, empty medical ampoules, and colognes are manufactured.

Sterile Liquid Drug Manufacturing Unit:

Sterile liquid ampoules for injection, sterile liquid vials for injection, sterile liquid lyophilized vials for injection, and large volume (LVP) and small volume (SVP) parenteral solutions by BFS (Blow-Fill-Seal) technology are manufactured in Kartepe Sterile Liquid Drug Manufacturing Facilities. (sterile liquid solution for infusion in PE bottle, sterile liquid eye drop in PE bottle and sterile liquid diluent vial).

In our facilities, in which 22.3 million boxes of sterile liquid drugs were manufactured in 2014, 37.1 million boxes were manufactured in 2015, with an increase of 66%.

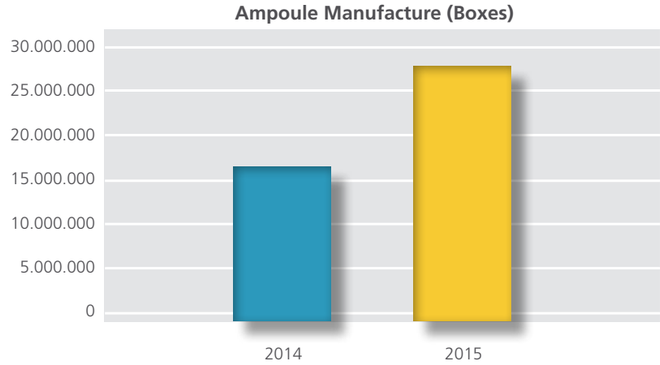


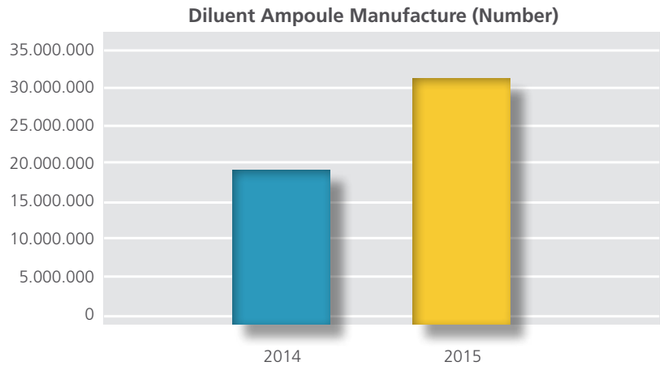
MANUFACTURING FACILITIES

Manufacture of Sterile Ampoules for Injection

In our facility, in which a total of 16 million boxes of ampoules and 19 million diluent ampoules were manufactured in 2014, a total of 27,2 million boxes of ampoules and 31,3 million diluent ampoules were manufactured in 2015. The total number of single ampoules manufactured in 2015 is 135,9 million.

There was a 46% increase in the total number of single ampoules we manufactured in 2015 compared with 2014.





Manufacture of Sterile Liquid Vials for Injection and Sterile Liquid Lyophilized Vials for Injection

On our production line for sterile liquid vials for injection and sterile liquid lyophilized vials for injection, on which a total of 5.9 million boxes of vials were manufactured in 2014, 9 million boxes of vials were manufactured in 2015.

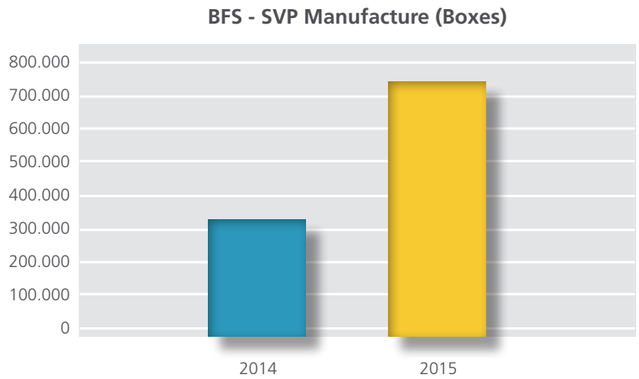
Vial manufacture increased by 53% approximately in 2015, compared with 2014.

MANUFACTURING FACILITIES

BFS-SVP Manufacture

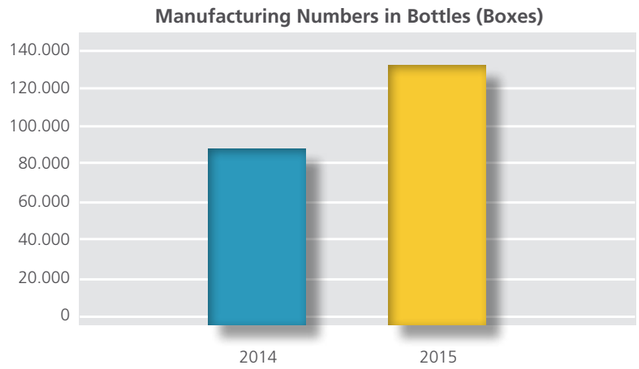
In this unit, which began its manufacturing activities in 2014, with a total of 310,514 boxes, a total of 719,327 boxes were manufactured in 2015.

In 2015, a significant increase occurred in BFS - SVP manufacture, over two folds of the manufacture in 2014.



BFS-LVP Manufacture

On our BFS-LVP production line, on which 87,859 bottles were manufactured in 2014, a total of 136,412 bottles were manufactured in 2015.



MANUFACTURING FACILITIES

Furthermore, our sterile liquid drug manufacturing facilities approved by the Ministry of Health, Ministry of Food, Agriculture and Livestock, and German Ministry of Health (BFS - SVP and BFS - LVP lines) successfully passed the inspections of the Ministry of Health, Ministry of Food, Agriculture and Livestock, FDA (the inspection performed by United States Food and Drug Administration only on sterile liquid vial and sterile liquid lyophilized vial production line), and Gabon Ministry of Health in 2015.

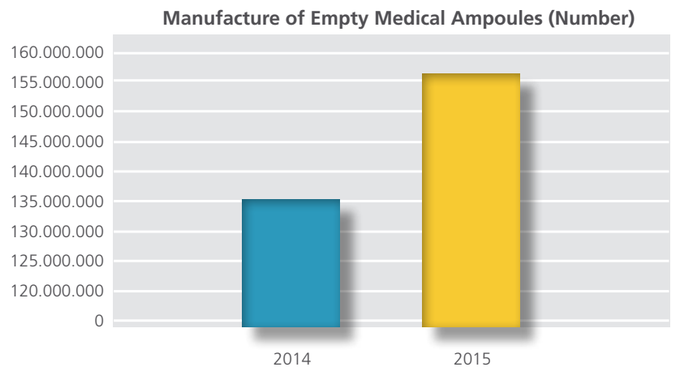
Manufacture of Empty Medical Ampoules

Our empty medical ampoule manufacturing unit meets a substantial part of the market's need as one of the three leading medical ampoule manufacturing companies in our country.

Our facilities, which holds ISO 9001:2008 certificate, is audited by Bureau Veritas on a periodical basis.

A substantial part of the medical ampoules manufactured in our unit, which has been implementing ISO 9001 quality management system since 2001, is sold to the leading pharmaceutical companies in Turkey other than DEVA Holding.

The number of empty ampoules we manufactured was 134.5 million in 2014, and 156.6 million in 2015.

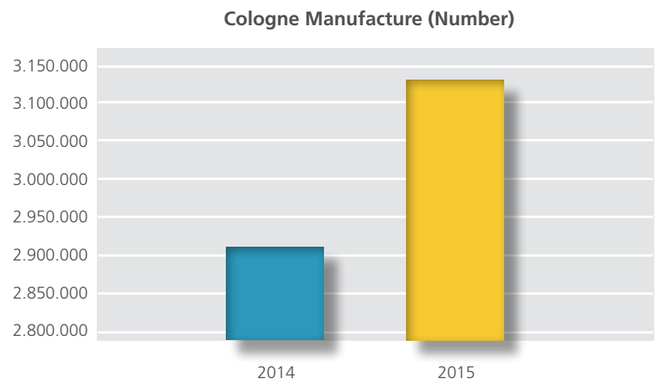


MANUFACTURING FACILITIES

Cologne Manufacture

In our unit, in which Boğaziçi Colognes, one of the best selling cologne brands in Turkey, are manufactured, a wide range of products such as 80° lemon, lavender, and shaving colognes are manufactured.

The number of colognes we manufactured was 2.92 million in 2014, and 3.14 million in 2015.



The capacity utilization rate of our Kartepe manufacturing facilities in 2015 is 86%.

PRODUCTION INDICATORS

The total human and veterinary products manufactured in our manufacturing facilities on a box basis was 119.8 million boxes in 2012, 123.7 million boxes in 2013, 131 million boxes in 2014, and 168.3 million boxes in 2015.

And the total manufacturing value (drugs and other) was realized as 212.3 million TL in 2012, 226.8 TL in 2013, 260.6 million TL in 2014, and 325.8 million TL in 2015.

DEVARGE (DEVA R&D)

DEVARGE continues its activities with the vision of becoming the top generic drug manufacturer of Turkey. It mainly develops products exportable to international markets and high quality affordable products.

With our strong staff of 153 trained personnel who are experts in their fields and fully fledged laboratories and manufacturing sites equipped with cutting-edge technology , we aim to develop new forms with high added value and innovative products.

On the other hand, we work to perform R&D activities in compliance with all ethical and legal principles in a manner to meet the expectations of the concerned authorities; prove that the safety, efficacy and quality of the products do not change throughout the shelf life , increase product accessibility, develop sustainable methods to increase efficiency and adapt production to new technologies.

The operating principle requires product quality meeting current standards, and finding new formulations, new dosage forms, and different routes of synthesis and/or new polymorph methods that do not infringe patents for raw materials.

Our long-term goal is to become a pioneer in developing generic drugs, ensure vertical integration in strategic products, compete with the world in developing active ingredients and new polymorphs, create a difference by developing products with added value, to continue to develop products for regulated markets (EMA and FDA), invest in our future by adapting new technologies to our company, develop products with high value by means of cooperation between universities and the industry, and ensure protection of our rights by patent registration.

DEVARGE comprises of Analytical Development, Pharmaceutical Development, Pharmaceutical Technology, API Development, CMC Documentation, Patent and Biotechnology units.

DEVARGE contains Pre-formulation and Pilot Manufacturing Area, Synthesis and Scale-Up Laboratories, Stability Area, Analytical Development Laboratories, Biotechnology Laboratories, Oncolytic and Hormone Manufacturing Area, Pilot Manufacture Weighing Area, Raw Materials, Packaging Materials and Finished Products Storage Areas, and CMC Documentation archives, covering a total area of 7,000 m^2.

DEVARGE (DEVA R&D)

The bioequivalence studies of 28 products which is an indicator of equivalence of the product to the innovator product were completed and it was determined that the products obtained by the unit formula and the manufacturing method developed were identical with the reference product in terms of efficacy and safety. As of the end of 2015, the development projects and the CTD file preparations of 56 new products have been completed.

In 2015, technology transfer studies were performed for 10 products, gaining new technologies to our country. Alternative raw material resources studies were performed for 32 products, resulting in a decrease in costs.

ANDA registration application files were prepared for 5 products to be submitted to FDA, the US Health Authority. Applications were submitted to EMA, the European Union Medical Agency, for 2 products. The development studies for two new active pharmaceutical ingredients (APIs) were completed in 2015. Validation charges were produced for the two APIs developed by our company.

The Drug Master Files (DMFs) for the two active pharmaceutical ingredients developed were prepared in the CDT format.

Three articles written by compiling the results of the API R&D studies were published in an international journal (Journal of Pharmaceutical and Biomedical Analysis).

The impurities were synthesized for some APIs we currently manufacture and commercially sold. In 2015, 6 patent applications were submitted, 2 of which were APIs and 4 of which were finished products.
In 2015, application for support was submitted to TÜBİTAK for a total of 5 innovative projects.

Within the scope of the cooperation between universities and the industry, joint studies have been being conducted with several universities.

DEVA was chosen as the best site of the year by the Ministry of Science, Industry and Technology in 2015, and two times deemed worthy of the Golden Mortar Award granted by Eczacılık journal.

REGULATORY ACTIVITIES

REGULATORY ACTIVITIES

DEVA Holding submitted an application for registration to the Ministry of Health in 2015 for the registration of 63 medicinal products for human use, and 56 products were registered. Approximately 373 applications for variation were submitted for the products for the purpose of decreasing our present costs and increase our profitability, and renewal applications for 18 products were submitted within the scope of registration renewal activities.

INVESTMENTS

In 01.01.2015-31.12.2015 period, 31.244.380 TL was invested in DEVA Holding A.Ş. and Group Companies, for Management Building, Plant, Machinery and Equipment, and Fixtures, 47.742.753 TL for R&D, Registration and Licenses, amounting to a total of 78.987.133 TL.

Our company, which holds a R&D center certificate, benefits from monetary support provided for Tübitak-approved R&D projects as well as tax and social security institution discounts for all projects under the R&D center. Maximum 60% of the total amount of expenses that are evaluated and approved by TÜBİTAK are paid as monetary support.

The company has 9 TÜBİTAK-approved ongoing projects and made incentivized expenses of 25.891.930 TL with the support of TÜBİTAK or within the scope of R&D center.

In addition, within the scope of the incentive certificates no. 111282 and 112159 received for DEVA Çerkezköy Facilities, effective between 28 May 2013 and 28 May 2016, 3,779,962 TL and 8,385,005 TL were spent, respectively. Within the same period, 2,593,736 TL was spent within the scope of the incentive certificate no. 114407, which was received for Kartepe facilities.

Incentivized expenses have various advantages in terms of exemption from VAT and customs duties, corporate tax, and other taxes.

ADMINISTRATIVE ACTIVITIES

RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

The risk management activities of our company are performed under the coordination of Risk Management Committee. Risk Management Committee evaluates the information from the Credit Committee and Internal Audit within the framework of Corporate Risk Management, and prepares and the results of the evaluation and any action plans to mitigate risks and presents them to the Board of Directors.

The credit committee sets the credit limits to be allocated to customers in product purchases and the bases for the securities to be received. It uses the partnership structure, immovable properties, financial status, and the customer intelligence activities in setting limits and securities It is aimed to keep the security rates on desired levels and minimize doubtful receivable risks by continuous management of customers' open accounts.

Internal Audit Management audits the compliance of the activities carried out by the company with international auditing principles and generally accepted management standards, company's articles of association as well as written policies and practices. Internal Audit Management evaluates all units in terms of management within the framework of the audit plan, and presents audit results to the Risk Management Committee and the Committee Responsible for Audits on a regular basis.

In 2015, internal audit activities were carried out for the company's operations, the risk reports from all units were evaluated, and the findings and recommendations for improvement were presented to the Board of Directors.

THE AMENDMENTS MADE IN THE ARTICLES OF ASSOCIATION WITHIN THE PERIOD AND THEIR RATIONALE

No amendments were made in the articles of association within the period.

Changes in the capital status of the partnership within the period No change occurred in the capital status within the period. Audits carried out within the period No audit was carried out in our company within the period.

Cases filed against the company

The cases filed against our company include business cases and cases regarding tax penalties. Business cases comprise the reemployment lawsuits, actions of debt arising from employment contract, and actions for compensation, while tax cases comprise value added taxes with penalty, corporate tax, stamp tax, advance tax and default interest and tax loss issues. Detailed information on the subject is provided in the footnote 16.

Collective Agreement Practices

No collective agreement with employees exists.

Personnel and Labor Movements

No personnel or labor movements occurred.

Severance pay liability

The severance pay liability of DEVA Holding A.Ş. and Group Companies for 01.01.2015 - 31.12.2015 period was 13.739.879 TL, and provisions were made for the entire amount in accordance with the related legislation.

ADMINISTRATIVE ACTIVITIES

Right and benefits provided to the personnel and laborers

In addition to their wages, according to the requirements and necessities of their duties, lunch, clothing, personnel transportation service, holiday allowance, child and education support, food, fuel, marriage aid, family allowance were provided to our employees and life insurance and optional group health insurance practices were continued.

Information on the donations made within the period

Donations were made and aids amounting to 437,030 TL were provided to several institutions and associations in the 01.01.2015 - 31.12.2015 period.

Conscious of its responsibility of improving society's quality of life and supporting economic, environmental, cultural and social development, based on the principle "human health is our first priority no matter where in the world", our company continued the social responsibility activities it performed with non-profit organizations in 2015, and for that purpose, support was provided to meet equipment needs of several education and health institutions.

COMMITTEES AND WORKING PRINCIPLES

Supervisory Committee	
Cüneyt Demirgüreş	Chairman (Independent Member of the Board of Directors)
Tuncay Cem Akkuş	Member (Independent Member

Early Risk Detection Committee	
Cüneyt Demirgüreş	Chairman (Independent Member of the Board of Directors)
Mesut Çetin	Member (Executive Member of the Board of Directors)
Ayşecik Haas	Member (Non-Executive Member of the Board of Directors)

Corporate Governance Committee	
Cüneyt Demirgüreş	Chairman (Independent Member of the Board of Directors)
Mesut Çetin	Member (Executive Member of the Board of Directors)
Ayşecik Haas	Member (Non-Executive Member of the Board of Directors)

The "Corporate Governance Principles" regarding the working principles of committees are provided in the "Corporate Governance Principles Compliance Report".

ASSESSMENT OF RISKS AND ADMINISTRATIVE BODY

Early Risk Detection Committee was formed to detect the risks that may compromise the existence early, growth and continuation of our company, to implement the necessary measures against the risks detected, and to perform studies to manage risks.

Financial Risks:

The operating capital need of our company is met by its shareholders' equity, Short- and long-term bank loans in Turkish Lira and foreign currencies, and debt instruments. The increases in exchange rates and interests as a result of possibility of negative market conditions increase the financing costs of the company. For the purpose of managing the interest risks the company is exposed to, the gains and losses to occur in case of potential changes in interests are measured using sensitivity analyses on the basis of credit portfolio and cash flow projections. In addition, efforts are made to keep the floating rate loans among the total loans at a reasonable rate. Derivative products may be used for protection against exchange risks that may result from both bank loans in foreign currencies and purchases in foreign currencies.

Customer Receivable Risk:

The distribution and payment terms of trade receivables are of great importance in terms of risk management. The company tries to decrease receivable risk by performing its transactions only with credible parties , and wherever possible, obtaining securities. While transactions are carried out without any security with Group A customers, securities are requested from Group B and Group C customers such as bank letters of guarantee or collaterals. To minimize the credit risks the company is exposed to, the financial statuses, credit limits and securities of customers are monitored on a regular basis by the Credit Committee.

Strategic Risks:

The drug pricing policy set/to be set by the Ministry of Health (increase in institution discount rates and/or reduction in reference prices, non-revision of the reference exchange rate) may have negative effects on the industry, and consequently on our company. We try to overcome these negative effects by means of new markets, increasing product range, new sales policies, and effectively managed cost-limiting policies.

Operational Risks:

Operational risks are related with events affecting activities such as earthquakes, fire, and environmental accidents and smooth functioning of business processes. Insurable risks are revised on an annual basis and excluded by being insured.

Early Risk Detection Committee	
Cüneyt Demirgüreş	Chairman (Independent Member of the Board of Directors)
Mesut Çetin	Member (Executive Member of the Board of Directors)
Ayşecik Haas	Member (Non-Executive Member of the Board of Directors)

THE NATURE AND AMOUNT OF THE FINANCING SOURCES AND ISSUED CAPITAL MARKET INSTRUMENTS OF THE ORGANIZATION

The financing sources of our company consist of equity capital, the funds arising from its operations and short- and long-term debts from money and capital markets.

Our company issued bonds of 100.000.000 TL with 3-year maturity and quarterly floating interest and monthly coupon payment by sale to investors on 07.05.2013. The interest pf the bond is found by adding a return of 300 base points to the annual simple interest of the "benchmark government debt securities" on the market. As of the date of issue, the simple interest of the bond is 8.09%, and the compound interest is 8.40%. The funds obtained from the said issue were used for paying off short-term bank loans.

for healthy generations...

Vetaş

DEVA SUBSIDIARIES

VETAŞ VETERİNER VE TARIM İLAÇLARI A.Ş.

Vetaş, established under DEVA Holding to operate in the field f manufacturing and marketing veterinary drugs and pesticides, is one of the leading firms in Turkish animal health industry. Vetaş has the broadest product line in the industry with its innovative product range producing high-quality solutions for prevention, diagnosis and treatment of diseases.

Evaluating all developments in the industry, which is extremely sensitive to economic developments, and meat, milk and livestock prices, in a timely manner with the right strategies, Vetaş puts weight on future projects with a view to maintain and improve its strong position.

Vetaş continued to meet the needs in every sense with its superior technological infrastructure to manufacture high-quality, healthy, safe and efficient food of animal origin in 2015, as usual, and putting weight on new product studies, focused on studies of widening its product range.

The long-term business partnership activities in line with the goal of increasing its experience of over 40 years in the field of animal health products in international markets are continuing. The company participated and opened a stand in international AgraME 2015 (Dubai) and VIV Russia expositions. In 2015, distributorship agreements were signed with two foreign firms for the sale of our products abroad.

Vetaş found the chance to promote its products by participating in the symposiums and congresses organized in our country. It participated in the IVth National Congress of Turkish Veterinary Gynecology Association as platinum sponsor, in the 2nd Sheep and Goat Health and Management Symposium organized by Farm Animal Veterinarians Association as silver sponsor, in the TVHB 32nd World Veterinary Congress, held in Turkey for the first time, as stand sponsor, and in the XVIIth International Veterinary Students Scientific Research Congress organized by Istanbul University, Faculty of Veterinary Science as bronze sponsor. In addition, it sponsored the International Mycoplasma Congress organized by Pendik Veterinary Control Institute and the 11th National Veterinary Internal Diseases Congress organized by Ondokuz Mayıs University. The company participated in the event "VetAnka2015 Sectoral Panorama in Veterinary Medicine" held at Ankara University Faculty of Veterinary Science with a stand.

Vetaş also held acquaintance and career days meetings for intern students at Uludağ University Faculty of Veterinary Science, Harran University Faculty of Veterinary Science, and Kocatepe University Faculty of Veterinary Science, giving information on the development of veterinary drugs industry.

Vetaş continued to act as a bridge in meeting scientific needs through Vetakademi Campus programs which it has implemented with the motto "in the light of science" by which it reaches many veterinarians on a local and general basis.

Contact Details:
Halkalı Merkez Mahallesi Basın Ekspres Cad. No:1 K.Çekmece - İstanbul
Phone: +90 (212) 692 92 92 Fax: +90 (212) 697 02 08 Website: www.vetas.com.tr

DEVA HOLDINGS NZ LIMITED
The company was established to sell and distribute medicinal products for human use and veterinary drugs in New Zealand and Australia.

DEVATIS Gmbh(*)
The company was established to sell and distribute medicinal products for human use and veterinary drugs in Germany.

DEVA HEALTH CARE AG
The company was established to sell and distribute medicinal products for human use and veterinary drugs in Switzerland.

DEVATIS INC.
The company was established to sell and distribute medicinal products for human use and veterinary drugs in the USA.
(*) The title of Fairfax Pharma GmbH established in Germany in 2014 was changed to Devatis GmbH.

DEVA SUBSIDIARIES AND RELATED COMPANIES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DEVA SUBSIDIARIES AND RELATED COMPANIES

Subsidiaries

DEVA Holding is the majority shareholder of Vetaş Veteriner ve Tarım İlaçları A.Ş. operating in field of production and marketing of veterinary drugs and pesticides in Turkey with a shareholding of 99.61%. In addition, it is, with a shareholding of 100%, the owner of DEVA Holdings NZ Limited it established in New Zealand to carry out sale and distribution of its own products in Australia and New Zealand, Devatis GmbH it established in Germany (*), DEVA Health Care AG it established in Switzerland, and Devatis Inc. it established in the USA.

(*) The title of Fairfax Pharma GmbH established in Germany in 2014 was changed to Devatis GmbH.

Other Related Companies

Operating in field of production and marketing of medicinal products for human use, active pharmaceutical ingredients and veterinary drugs and having its registered office in Luxembourg, Eastpharma S.a.r.l. is the major shareholder of DEVA Holding with a share of 82.21%. Eastpharma S.a.r.l. is also the major shareholder of Saba İlaç San. ve Tic. A.Ş. operating in pharmaceutical industry in Turkey with a share of 99.99%.

Information on the Trade Relations with Subsidiaries and Related Companies

Eastpharma S.a.r.l. acquired the license and selling rights 18 Roche products through the agreement signed with Roche, which operates in the pharmaceutical sector. It assigned the license and selling rights of 16 products out of the 18 products to DEVA Holding, and other 2 to Saba İlaç. Eastpharma S.a.r.l. generates royalty income from DEVA Holding and Saba İlaç through the sales of the said products in Turkey.

A great majority of Vetaş and Seba products are manufactured and stored by DEVA Holding on a contract manufacturing basis. DEVA Holding performs R&D studies on Vetaş and Saba products and carries out pilot manufacturing in its R&D site. In addition, Vetaş and Saba receives financial and administrative services from DEVA Holding.

Besides, the marketing, sale and distribution of Saba products is carried out by means of DEVA Holding.

Affiliation Report of Transactions made with the Holding Company and Subsidiaries

In accordance with Article 199 of Turkish Commercial Code No. 6102 effective as of 1 July 2012, the Board of Directors of DEVA Holding is obliged to prepare a report regarding its relationship with the holding company and subsidiaries affiliated with holding company in the previous operating year within the first three months of the operating year and include the conclusion of this report in the annual report. The necessary explanations regarding the transactions made by DEVA Holding with the related parties are included in the footnote of the financial table no. 6. Besides, the Board of Directors of DEVA Holding has prepared this Affiliation Report in accordance with related provision of the said law.

In this report issued by the board of directors of our Company, it has been concluded that, in all transactions made by our company with the holding company and subsidiaries of the holding company within 2015, a suitable counter performance was obtained in every transaction and there is not action taken or failed to be taken, resulting in a harm to the company, and within this framework, there is not any transaction or action, or non-action to require compensation according to circumstances and conditions known to us at the time of the transaction.

CONCLUSION

Operating Period has resulted in:

• Profit after tax in the amount of TL 47,659,668 TL according to consolidated financial statements drawn up in accordance with the provisions of the communiqué Number II-14.1 of the Capital Markets Board,

• and profit in the amount of TL 49.413.277 TL according to the individual financial statements of DEVA Holding, drawn up within the framework of the relevant provisions of Tax Procedure Law Number 213 and Turkish Commercial Code.

We hereby submit to the approval of Esteemed General Assembly the fact that dividends will not be distributed since the profit accrued in the operating period 01.01.2015 – 31.12.2015 will be set off against the losses of the previous periods according to the consolidated financial statements drawn up in accordance with provisions of the communiqué Number II-14.1 of the Capital Markets Board and individual financial statements of DEVA Holding drawn up within the framework of the relevant provisions of Turkish Commercial Code and Tax Procedure Law No. 213

DEVA HOLDİNG A.Ş.
Board of Directors

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS REGARDING ACCEPTANCE OF FINANCIAL STATEMENTS AND ANNUAL REPORTS IN ACCORDANCE WITH ARTICLE 9 OF THE SECTION TWO OF "THE COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKET" OF CAPITAL MARKETS BOARD

RESOLUTION DATE : 09.03.2016
RESOLUTION NO : 2016/10

We hereby state that:

a) the independently audited consolidated financial statement and annual report prepared within the framework of Turkish Accounting Standards / Turkish Financial Reporting Standards published by Public Oversight Accounting and Auditing Standards Authority in accordance with "Communiqué on Principles in relation to Financial Reporting in Capital Market (II-14.1)" and in compliance with the legislation for the period January-December 2015 approved by the Board of Directors and Auditing Committee of our Company have been reviewed by us,

b) is within the framework of information we have in our field of duty and responsibility in our company, and do not contain explanations contrary to facts on significant subjects or do not contain any deficiency which may result in the explanation being misleading as of the date on which it is made,

c) within the framework of information we have in field of duty and responsibility in our company, consolidated financial statements prepared according to financial reporting standards in force reflect the real situation relating to assets, liabilities, financial position and profit and loss of our company fairly and the annual report reflects the development and performance of the business, financial position of our Company fairly, including the significant risks and uncertainties faced by our company.

Best Regards,

Cüneyt DEMİRGÜREŞ Supervisory Committee Chairman	Mesut ÇETİN Board of Directors Vice-Chairman/CFO	Rıza YILDIZ Financial Reporting and Accounting Director

SECTION I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Our company adopts the principles of equality, transparency, accountability and responsibility in its management criteria, through which it arranges the relations with all stakeholders, and has been, in 2015, and will be, in the future, in compliance with the subjects, as set in the Corporate Governance Principles stated in the Corporate Governance Communique no. II.17.1 issued by the Capital Market Board (CMB).

a) Our company complied with the principles the application of which is mandatory.

b) The principles the application of which is not mandatory were complied with, except those included in the clause (c). The inapplicable corporate governance principles did not cause any conflict of interest between our stakeholders. No finding was obtained by the Corporate Governance Committee of our company. Our company, which is aware of the importance of full compliance with the principles, could not comply with some non-mandatory principles due to the conditions of both the Company and the market. The evaluations for ensuring full compliance in the future period will continue on a principle basis.

c) The non-mandatory principles the company failed to comply are provided below:

- Our Articles of Association does not contain a provision on holding the general meetings open to public including the stakeholders and the media, without the right to speak.
- Our Articles of Association does not contain a provision on granting minority rights to those holding a share lower than one twentieth of the capital.
- The special case statements that should be announced to the public in accordance with the capital market legislation are simultaneously disclosed in English on the PDP.
- The company has a website in English the contents of which are exactly the same as the Turkish website.
- The compensation policy regarding the compensation rights of the employees has not been drawn up, and the provisions of the Labor Law and the other legislations are taken as basis in that regard.
- The Board of Directors responsibility insurance was not explained in the PDP as it was taken out by the majority shareholder to cover our company.
- Although our company does not set a target rate or target time for the number of the women members in the board of Directors not less than 25%, we take care to have woman members in our Board of Directors.
- As the Board of Directors of our company comprise of five members, the same members take roles in different committees.

SECTION II - SHAREHOLDERS

2.1. Investor Relations Division

In order to reply the questions of shareholders relating to shareholding rights and exercise of such rights and to play the intermediary role in relations between the company and shareholders within the company, the company has the "Shareholder Relations" division. The responsibilities of the said division are fulfilled by the persons whose contact details are given below under the management of Mesut Çetin, Chairman of the Board of Directors, CFO and Corporate Governance Committee Member. A report was submitted to the Board of Directors on January 27, 2016 with respect to the activities carried out.

Rıza Yıldız - Financial Reporting and Accounting Director

Phone: 0212-692 94 20
Fax: 0212-697 40 32
E-mail address: ryildiz@deva.com.tr

Gülseren Mahmutoğlu - Deputy Manager of Treasury and Shareholder Relations:
Phone: 0212-692 94 21
Fax: 0212-697 02 08
E-mail address: gmahmutoglu@deva.com.tr

The above people have Capital Market Board Advanced and Corporate Governance Rating Licenses.

During the period, the documents to be submitted to the shareholders for review were prepared, and it was ensured that the general meeting be held in accordance with the related laws and regulations; necessary clarifications were made through the Public Disclosure Platform (PDP), and about 80 investors were interviewed in person or by various communication means.

2.2. Exercise of the Right to Obtain Information by Shareholders

Within the period, the requests of all shareholders or potential investors were concluded within the shortest time possible either by means of various means of communication and in meetings held at the headquarters of the company in person on condition that the demands remained within the framework of the legislation.

Regarding any subjects concerning the shareholders, it has been ensured that shareholders exercise their right to obtain information by means of explanations made via Public Disclosure Platform (PDP) and website of the company www.deva.com.tr within the framework of Corporate Governance Principles.

There is no provision in the Articles of Association of the Company on appointment by the shareholders of a special auditor, as this is regulated in the article 438 of the Turkish Commercial Code (TCC). No request was made within the period to that effect.

2.3. General Meetings:

The General Meeting of the Company for 2014 accounting period was held at the company headquarters located at Halkalı Merkez Mah. Basın Ekspres Cad. No.1 Küçükçekmece-İSTANBUL on April 28, 2015, at 10:30 in physical and electronic environment pursuant to the Article 1527 of the Turkish Commercial Code No. 6102. Approximately 85.40 of the company's capital was represented in the meeting. The stakeholders and media members did not participate in the meeting.

The Board of Directors convoked the participants 21 days prior to the general meeting through Turkish Trade Registry Journal, issue no. 8528 dated 06.04.2015, on the website of the company on www.deva.com.tr and on Electronic General Meeting System (EGMS) in accordance with the considerations envisaged in Turkish Commercial Code, Capital Markets Board and Articles of Association in a manner to ensure that as many shareholders as possible were reached. Furthermore, the agenda, power of attorney, information document, balance sheet, profit and loss statement and reports of the Board of Directors and Auditors were presented for review by the shareholders at the company's headquarters, on the website of the company, on Public Disclosure Platform (PDP), and on Electronic General Meeting System (EGMS) 21 days prior to the meeting.

The subjects included in the agenda of general meetings are conveyed in detail and shareholders are given the opportunity to express their opinion and ask their questions. In the meeting, some shareholders asked some questions about the performance and strategies of the company, which were answered by the chairman of the meeting. All questions asked by the shareholders at the general meeting were answered, and there were no questions answered in writing by the Shareholder Relations Division due to failure in the meeting to do so. The proposals of the shareholders regarding the items of the agenda were accepted unanimously/by majority of the members present, and entered in the related General Meeting minutes.

General assembly meetings are held at the headquarters of the company and shareholders to participate in the meeting are provided with transportation means to ensure participation at the highest level. The minutes of meeting are sent to the requesting shareholders by mail, and also provided to the shareholders at the headquarters, on the company website, and on PDP and EGMS.

As a separate agenda item, it was presented for the information of the shareholders that donations and aids amounting 1,613,931 TL were made in 2014 within the scope of administrative activities and social responsibility projects.

In addition, no transactions were made in 2014 of a nature to cause conflict of interest between the shareholders controlling the management, members of the board of directors, executive directors, and their spouses and blood relatives, and relatives by marriage up to the second degree and the company and its subsidiaries. Our subsidiary, Vetaş Veteriner ve Tarım İlaçları A.Ş., 99.61% of the shares of whom we own, manufactures and sells animal health drugs and pesticides, and a substantial part of Vetaş A.Ş.'s manufacture is carried out in the facilities of DEVA Holding A.Ş. as contract manufacturing. Our majority shareholder EastPharma Sarl owns 99.9% of Saba İlaç Sanayi ve Ticaret A.Ş., the area of activity of whom is manufacture of pharmaceuticals. The sale and marketing of Saba İlaç is carried out by DEVA Holding A.Ş., and contract manufacturing services are also provided to Saba İlaç. The fees of the service provided to both companies are invoiced to the respective companies at arm's length prices.

2.4. Voting Rights and Minority Rights

In accordance with Article 27 of the Company's Articles of Association, each of the Group A and Group B preferential shares of 0,10 TL in total has a 10-fold voting right of those of Group C, namely, the right to vote 10 times.

Among the shareholders of our company, no partnership with reciprocal participation relationship exists that brings about a control relationship. Minority shares are not represented in the management. Minority rights are not set to be lower than one twentieth of the capital in the Articles of The Association.

2.5. Dividend Right

In accordance with the Article 348 of the Turkish Commercial Code and in accordance with the Articles 10 and 43 of Articles of Associations of the company, 10% of the amount to be found after setting aside the taxes to be paid and 5% legal reserve and making a deduction at 6% of the paid up capital from the net profit is appropriated to Group A privileged shareholders on condition that the first dividend from the annual profit of the company is preserved.

DEVA Holding's Profit Distribution Policy:

Our company distributes profit in accordance with the Turkish Commercial Code, the Capital Market Regulations, Tax Regulations and other related regulations, and the related provisions of the articles of association.

Profit Distribution Principles:

1- A policy is pursued according to the delicate balance between the expectations of shareholders and the interests of our Company, and the profitability status. The profit amount to be is determined by the Board of Directors taking into consideration the growth trend, profitability status, strategic targets, investment projects and funds requirements of the working capital of the Company, and submitted to the General Assembly for approval.
2- Profit may be distributed in cash or in the form of a bonus share.
3- Profit distribution shall commence on the date determined by the General Assembly after the approval thereof, provided that it shall not be later than the end of the accounting period in which the general meeting where the distribution was decided was held.
4- As there is no arrangement in the Articles of Association of our Company regarding "Dividend Advance", no "Dividend Advance" shall be distributed.
5- If no profit will be distributed, the reason why and for what purpose the undistributed profit is to be used shall be disclosed to the public.

Profit Distribution Policy may be reviewed on an annual basis considering the financial performance, anticipated investment projects and economic conditions of the Company.

The dividend policy was presented to the shareholders at the general meeting, and also disclosed to the public through the annual report and the website.

Since the profit from 2014 was set off against the losses from the previous years, profit could not be distributed.

2.6. Transfer of Shares

In accordance with Article 9 of the Articles of Association of the company, the resolution of the Board of Directors is needed for the transfer of Group A and C preferential shares.

In addition, in the event that the share transfer transactions to be made either directly or indirectly by a natural or legal person who owns preferential shares, or other natural or legal persons acting together with such natural or legal person who own preferential shares, reaches 5% of the preferential shares, the Board of Directors is entitled to decline the approval request or to propose to the transferor to acquire shares on account of the company or other shareholders or third parties at their actual value at the time of application in accordance with Article 493 of the Turkish Commercial Code.

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Corporate Website and Its Contents

The corporate web site of the Company is accessible at www.deva.com.tr. The web site contains the considerations set forth under the "Investor Relations" section of the Corporate Governance Principles, and the improvement works of the English version of the website is ongoing.

3.2 Annual Report

The annual report of the company is prepared in compliance with Corporate Governance Principles and the provisions of the legislation to ensure that stakeholders have access to detailed information on the operations of the Company.

SECTION IV - STAKEHOLDERS

4.1. Informing the Stakeholders

The stakeholders are regularly informed in accordance with the disclosure policy of the Company. The stakeholders of the company are informed by the company, to the extent of the points that concern them, through meetings and discussions made in the company when required and/or upon their request. Requests and expectations of the customers are identified through customer visits, and the activities are developed accordingly. In addition, opinions are exchanged with customers and suppliers through the expositions the company participates in.

The company's employees are informed via intranet, electronic mail, meetings or announcements.

Stakeholders may convey the illegitimate or unethical transactions of the company to the Corporate Governance Committee through meetings, telephone and/or electronic mail.

4.2. Participation of Stakeholders in Management

Although there is no arrangement regarding the participation of the stakeholders in the management, the company makes efforts to achieve the best and most satisfying results in setting the working conditions, rights and benefits of the employees by seeking their opinion. Likewise, the company tries to provide more efficient working conditions to its customers and suppliers by holding meetings and discussions when required.

4.3. Human Resources Policy

DEVA Holding, as a company aware of the fact that the greatest supporter of it is human resources to come to the forefront in competition, forms strategies to put its name on the top ranks among corporations most preferred to work with.

Employing the most qualified employee profile in manufacture of medicinal products for human use in Turkey, DEVA Holding has adopted the policy of improving its employees as individuals taking on responsibility in line with its values, developing and improving with a transparent management approach, and working in their area of expertise in a result-oriented and efficient manner. This policy is supported by training and development practices based on performance evaluation processes, scientific measurement and development center applications as well as lifelong learning.

At DEVA Holding, we aim at recruiting success-oriented, innovative, customer and quality-oriented teamworkers with problem solving skills, and developing our employees accordingly.

Since a collective bargaining agreement is not made with the employees, no representative has been assigned to continue the negotiations. No complaint of discrimination was filed todate by our employees.

Task definitions and distribution of company's employees as well as performance and rewarding criteria have been formed and announced by directors and via the intranet.

4.4. Codes of Conduct and Social Responsibility

The mission and principles of our company have been shared with public on our website.

Our company is aware that the environment we live in is being destroyed because of technology and industrialization, and therefore assesses the environmental impacts arising from its manufacturing activities, and employs appropriate technologies to minimize them. It takes measures to minimize the waste, uses energy and natural resources effectively, and support recycling for a sustainable environment. It has obtained ISO 14001 Environmental Management System Certification to document the importance we attach to the environment.

Conscious of its responsibility of improving society's quality of life and supporting economic, environmental, cultural and social development, based on the principle "human health is our first priority no matter where in the world", our company continued the social responsibility activities it performed with non-profit organizations in 2015. For that purpose, support was provided to meet equipment needs of several education and health institutions.

SECTION V - BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

The information on the members taking part in the Board of Directors of our Company is as follows:

Members of the Board of Directors:

Philipp Haas - Chairman of Board of Directors – Executive

Chairman of the Board of Directors and CEO of DEVA Holding, Philipp Haas took MBA degree in the specialty of banking at St. Gallen Economy, Law and Business Administration University. He speaks German, English, French, Spanish, Portuguese, Italian and Turkish fluently. Having served as investment consultant and director since 1992, Philipp D. Haas has a broad experience in markets of Eastern European Countries and particularly Turkish market. Having taken part in many restructuring projects in Ukraine and Turkey, Philipp D. Haas performed membership of many boards of directors on behalf of foreign corporate investors in 90s, among which are Rogan Brewery in Ukraine and Net Holding in Turkey. Having a broad experience in pharmaceutical industry, Philipp D. Haas served as consultant to funds in pharmaceutical industry in developing markets and oriented their investments to Eastern Europe. Among such firms is Slovakopharma named afterwards as Zentiva. Being the Chairman of the Board of Directors of Eastpharma Ltd and DEVA Holding, Haas also serves as the Chairman of BOD in Vetaş Veteriner ve Tarım İlaçları A.Ş., Saba İlaç Sanayi ve Ticaret A.Ş., New Life Yaşam Sigorta A.Ş., Eastpharma İlaç Üretim Pazarlama San. ve Tic. A.Ş., and member of BOD in Eastpharma S.a.r.l., Lypanosys Pte Limited. He also serves as a director in DEVA Holdings Australia PTY Ltd, DEVA Holdings NZ Ltd, EastPharma Canada Ltd, Devatis Gmbh, DEVA Health Care A.G and Devatis Inc. within Deva Holding. Philipp Haas is the vice-president of the Pharmaceutical Industry Association of Turkey.

Term of Office: 22.05.2013 – 22.05.2016

Mesut Çetin for and on behalf of Vetaş Veteriner ve Tarım İlaçları A.Ş. - Deputy Chairman of the Board of Directors - Executive

The Deputy Chairman of the Board of Directors and CFO of DEVA Holding, Mesut Çetin worked as director responsible for operations within GEM Global Equities Management S.A. 2005 and 2007 and has served in various positions within the same group as analyst, trader and project manager since 1999. Mesut Çetin is the member of the BOD in Eastpharma Ltd. Ltd, EastPharma Canada Ltd, Vetaş Veteriner Ve Tarım İlaçları A.Ş., and Saba İlaç Sanayi ve Ticaret A.Ş. He also performs the duty of CFO in various companies within the group. Mesut Çetin is the graduate of Mathematics Teaching at Boğaziçi University and completed his EMBA program at Koç University.

Term of Office: 22.05.2013 – 22.05.2016

Ayşecik Haas - Member of the Board of Directors - Non-Executive

The Non-Executive Member of the Board of Directors of DEVA Holding, Ayşecik Haas completed her license degree in Electrical-Electronic Engineering in Doğu Akdeniz University after graduating Ankara Private Yükseliş College in 1991, then took her master degree in Economics branch in Texas Tech University. Having commenced her work life at various positions relating to engineering at Emek Elektrik and Beko Elektronik in Turkey, Ayşecik Haas worked the finance sector in New York after taking Economy Master degree after which she worked as investment specialist at Hattat Holding for a short period of time. Having performed as the General Manager of NAR Group, from 2008 to 2015, Ayşecik Haas served as the Group General Manager.

Term of Office: 22.05.2013 - 22.05.2016

Cüneyt Demirgüreş - Member of the Board of Directors - Independent

The Independent Member of the Board of Directors of DEVA Holding, Cüneyt Demirgüreş completed the Master of Business Administration in Boğaziçi University after graduating from Electrical and Electronic Engineering of ODTÜ and took Finance Doctorate at University of Alabama between the years of 1990-1993. Having performed important duties at senior executive positions in financial organizations among which are Eczacıbaşı Menkul Değerler, Demir Yatırım ve Demirbank, İsviçre Portföy Yönetimi and Unicredit Menkul Değerler, Demirgüneş is the member of BOD in Baytur Motorlu Vas. Ticaret A.Ş. and Baylas Otomotive A.Ş and is a senior faculty member at Koç University.

Term of Office: 22.05.2013 - 22.05.2016

Tuncay Cem Akkuş - Member of the Board of Directors - Independent

Tuncay Cem Akkuş, the independent member of the Board of Directors of DEVA Holding completed his undergraduate education in East Mediterranean University, Department of Electrical and Electronic Engineering. Akkuş, who began his business life as a system engineer at PTT General Directorate, was transferred to telecommunication industry after a short time. He worked as engineer, manager and consultant in infrastructure projects in the industry in the operation units of Siemens A.Ş, Sabancı Telekom, Global İletişim, Turkcell Superonline, and Millenicom respectively, and he still works at Millenicom.

Term of Office: 08.04.2015 - 22.05.2016

STATEMENT OF INDEPENDENCE

DEVA Holding A.Ş. To the Corporate Governance Committee,

In accordance with Corporate Governance Principles of Capital Markets Board, because of the fact that I have been nominated in the capacity of "Independent Member" to the Membership of the Board of Directors in the General Meeting held on 22 May 2013 in your company, I hereby declare for the information of your committee, shareholders and all related parties that:

a) I have not served as a member of the Board of Directors of DEVA Holding for more than 6 years within the last 10 years,

b) No employment, capital or trade relation was established of a significant nature either directly or indirectly, within the past five years between myself, my spouse and blood relatives up to second degree, or relatives by marriage and DEVA Holding, A.Ş., any of the related parties of DEVA Holding A.Ş., or legal persons with which shareholders holding a share of 10% or more in the capital of DEVA Holding, A.Ş. have relationship

c) I have not worked nor performed duty as the member of the board of directors in companies carrying on whole or a certain part of the operation and organization of DEVA Holding, A.Ş. within the framework of agreements made, especially in companies carrying on auditing, rating and consultancy of DEVA Holding, A.Ş. within the past five years,

d) I have not been a partner to, employee or member of the board of directors of any of the firms providing a significant amount of goods and services to DEVA Holding, A.Ş. within the past five years,

e) I do not hold a share of more than 1% in the capital of DEVA Holding, A.Ş. and that such shares are not preferential,

f) I have the sufficient professional education, knowledge and experience to perform duly the tasks I will assume as an independent member of the board of directors,

g) I did not work full time at public institutions and establishments,

h) I am resident of Turkey in accordance with the Income Tax Law;

i) I have the strong ethical standards, professional reputation and experience to be able to make positive contributions to the operations of DEVA Holding, A.Ş., to protect my independence in conflicts of interest between shareholders and to take decision freely taking into consideration benefit rights,

j) I will allocate sufficient time to follow-up the functioning of the activities of DEVA Holding A.Ş. and to fully meet the requirements of my duties.

Best Regards,
CÜNEYT DEMİRGÜREŞ

STATEMENT OF INDEPENDENCE

DEVA Holding A.Ş. To the Corporate Governance Committee,

I have been nominated in the General Meeting of your company in the capacity of "Independent Member" of the Board of Directors within the framework of the criteria set in the Corporate Governance Communiqué of the Capital Markets Board. Within this scope, I hereby declare that

a) No employment, capital or trade relation was established of a significant nature either directly or indirectly, within the past five years between myself, my spouse and blood relatives up to second degree, or relatives by marriage and DEVA Holding, A.Ş., any of the related parties of DEVA Holding A.Ş., or legal persons with which shareholders holding a share of 5% or more in the capital of DEVA Holding, A.Ş. have relationship

b) I have not worked nor performed duty as the member of the board of directors in companies carrying on the operation and organization of the company wholly or partly within the framework of agreements made, mainly in companies carrying out auditing, rating and consultancy of DEVA Holding, A.Ş. within the past five years,

c) I have the sufficient professional education, knowledge and experience to perform duly the tasks I will assume as an independent member of the board of directors,

d) I will not work full-time at public institutions and establishments after being elected as a member, except for academic membership of university in accordance with the legislation.

e) I am resident of Turkey in accordance with the Income Tax Law dated 31.12.1960 no. 193.

f) I have the strong ethical standards, professional reputation and experience to be able to make positive contributions to the operations of DEVA Holding A.Ş., to protect my independence in conflicts of interest between shareholders and to take decision freely taking into consideration benefit rights,

g) I will allocate sufficient time to follow-up the functioning of the activities of DEVA Holding A.Ş. and to fully meet the requirements of my duties,

h) I have not served as a member of the Board of Directors for more than 6 years within the last 10 years,

i) I do not serve as an independent member of the Board of Directors of more than three companies the management control of which is held by the shareholders who have the control or management control of the Company, or of more than a total of five companies that are publicly traded.

j) I have not been registered and announced on behalf of the legal person elected as a member of the Board of Directors

Best Regards,

Tuncay Cem Akkuş
03.04.2015

Prior to the General Assembly Meeting of 2012, for the Independent Membership of Board of Directors, the application of two candidates filed with the Corporate Governance Committee which also assumes the task of the Nomination Committee have been evaluated and the report with number 2013/3 dated 29.04.2013 confirming that they met the criteria of independence has been submitted to the Board of Directors and it has been resolved with resolution number 2013/16 dated 29.04.2013 of the Board of Directors that they be nominated as the independent members to the Board of Directors in the General Assembly.

A candidate applied to the Corporate Governance committee for the vacated seat of the independent member Beat Martin Schlagenhauf in the Board of Directors, and in accordance with the report of the Corporate Governance Committee that the person meets the criteria of independence dated 07.04.2015 no. 2015/2, it was decided that Tuncay Cem Akkuş be elected the independent member for the vacated seat by the resolution of the Board of Directors dated 08.04.2015 No. 2015/12.

No circumstance to remove the independence of the Independent Members of the Board of Directors arose within the period. The Chairman of the Board of Directors also serves as the CEO as he is also the Chairman of the Board of Directors of Eastpharma Ltd., our majority shareholder, and he knows the sector well from his previous experiences.

In General Assembly meetings held, the newly elected members of the Board are permitted to carry out the transactions referred to in Articles 395 and 396 of Turkish Commercial Code. Because of this permit, there is not any situation to prevent the members of the Board of Directors from undertaking other tasks outside the company. The tasks undertaken by the Members of the Board of Directors outside the company are explained in their CVs and Cüneyt Demirgüreş, Ayşecik Haas, and Tuncay Cem Akkuş, the three members of the Board of Directors, have duties in companies outside the Group.

Although our company does not set a target rate or target time for the number of the women members in the board of Directors not less than 25%, there is minimum one woman member in our Board of Directors.

5.2.Principles of Activity of the Board of Directors

In cases where businesses require so, the Board of Directors convenes under the coordination of the Legal Affairs. Members are convoked via telephone and/or e-mail. In the meetings, the subjects relating to the company are discussed and resolved. Within the period comprised by this report, 30 meetings of Board of Directors were held with full participation. The agenda of the meeting is formed taking into consideration the subjects of resolution and taking the preliminary opinions of other members of the Board of Directors. The resolutions taken in the meetings of the Board of Directors were taken with quorums referred to in the Articles of Association and no dissenting vote has been cast.

In the Articles of Association, majority voting right or veto right was not vested in the Members of the Board of Directors.

Damages that may be caused by the members of the Board of Directors and the senior executives of the company during the fulfillment of their duties are insured at an amount of USD 20 million.

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

The Board of Directors formed the "Supervisory Committee", "Corporate Governance Committee" and "Early Risk Detection Committee". Committees carry out their activities in accordance with the working principles regulated in detail.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE

SUPERVISORY COMMITTEE		
Name and Surname	Position	Description
Cüneyt Demirgüreş	Chairman	Independent Member of the Board of Directors
Tuncay Cem Akkuş	Üye	Member Independent Member of the Board of Directors

Supervisory Committee carries out the supervision of the accounting system of the partnership, disclosure of financial information to public, independent audit and functioning and efficiency of internal audit system within the framework of the Capital Market Legislation. It reports the issues it determines to the Board of Directors within the framework of its assessments. Supervisory Committee convenes 4 times a year.

CORPORATE GOVERNANCE COMMITTEE		
Name and Surname	Position	Description
Cüneyt Demirgüreş	Chairman	Independent Member of the Board of Directors
Mesut Çetin	Member	Executive Member of the Board of Directors
Ayşecik Haas	Member	Non-Executive Member of the Board of Directors

The Corporate Governance Committee monitors the compliance of the Company with Corporate Governance Principles in accordance with the bases in the Capital Markets Board Corporate Governance Principles and Capital Market Legislation, performs improvement studies, and presents recommendations to the Board of Directors. The Corporate Governance Committee convenes when it deems necessary. Since "Nomination Committee" and "Wage Committee" have not been formed in our company, the tasks of these committees are also carried out by "the Corporate Governance Committee".

EARLY RISK DETECTION COMMITTEE		
Name and Surname	Position	Description
Cüneyt Demirgüreş	Chairman	Independent Member of the Board of Directors
Mesut Çetin	Member	Executive Member of the Board of Directors
Ayşecik Haas	Member	Non-Executive Member of the Board of Directors

Early Risk Detection Committee conducts studies to detect the risks that may compromise the existence, growth and continuation of our company, to implement the necessary measures against the risks detected, and to manage the risk. Early Risk Detection Committee convenes bimonthly.

As the Board of Directors of our company comprise of 5 members, the same members take roles in different committees.

5.4. Risk Management and Internal Control Mechanism

The risk management activities of our company are performed under the coordination of Risk Management Committee. Risk Management Committee evaluates the information from the Credit Committee and Internal Audit within the framework of Corporate Risk Management, and prepares and the results of the evaluation and any action plans to mitigate risks and presents them to the Board of Directors.

The credit committee that convenes on a monthly basis sets the credit limits to be allocated to customers in product purchases and the bases for the securities to be received. It uses the partnership structure, immovable properties, financial status, and the customer intelligence activities in setting limits and securities It is aimed to keep the security rates on desired levels and minimize doubtful receivables by continuous management of customers' open accounts.

INFORMATION FOR THE SHAREHOLDERS

Contact Details:
Address : Halkalı Merkez Mah. Basın Ekspres Cad. No.1 Küçükçekmece-ISTANBUL
Phone : 0212-692 92 92
Fax : 0212-697 02 08
Website : www.deva.com.tr
E-Mail address : deva@deva.com.tr

Trade Registry Information of the Company
Trade Register : Istanbul Commerce Registry Office
Register No. : 70061

Independent Auditor
Ernst & Young
Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Phone : 212 315 30 00
Fax : 212 230 82 91

Tax Attestation
Başaran Nas YMM A.Ş.
Phone : 212 326 60 60
Fax : 212 326 60 50

2015 Performance of DEVA Holding Shares

The issued capital of DEVA Holding is 200.000.000 TL. The capital of the company is divided into 20.000.000.000 shares, each with a value of 1 kuruş.

In 01.01.2015 - 31.12.2015 period, 1 lot of shares of DEVA Holding traded at Borsa Istanbul (BİST) was traded at 2.09 TL as the lowest value and at 4.66 TL as the highest value, and closed the year at 3.88 TL.

The graph showing the performance of DEVA Holding shares in 2015 by closing prices is presented below:

PROFIT DISTRIBUTION TABLE

DEVA HOLDİNG A.Ş.

2014 Profit Distribution Table (TL)

1	**Issued Capital**	**200,000,000.00**	
2	General Legal Reserve (based on legal records) If privilege exists in profit distribution in accordance with the Articles of Association, information on such privilege	7,411,510.00 *Of the distributable profit, 10% of the profit to be allocated based on the order and principles in the Articles of Association will be distributed to Group A privileged shareholders .*	
		Based on CMB	**Based on Legal Records (LR)**
3	Profit for the Period	51,504,734	49,413,277
4	Taxes	(4,085,769)	
5	**Net Profit for the Period**	**47,659,668**	**49,413,277**
6	Losses from the Previous Periods	(82,001,902)	(123,842,686)
7	General Legal Reserve	-	-
8	**Net Distributable Profit/Loss for the Period**	**(34,342,234)**	**(74,429,409)**
9	Donations made within the year	437,030	
10	Net Distributable Profit/Loss for the Period with Donations added	(33,905,204)	
11	First Profit to Shareholders - Cash - Free of charge - Total		
12	Profit distributed to Privileged Shareholders		
13	Other Profit Distributed - to Members of the Board of Directors - to Employees - Persons other than Shareholders		
14	Profit distributed to Dividend Shareholders		
15	Second Profit to Shareholders		
16	General Legal Reserve		
17	Statutory Reserves		
18	Special Reserves		
19	Extraordinary Reserves		
20	Other Resources foreseen to be distributed		

TABLE OF PROFIT RATES

DETAILS OF PROFIT PER SHARE

	GROUP	**TOTAL PROFIT DISTRIBUTED**		**TOTAL PROFIT DISTRIBUTED/NET DISTRIBUTABLE PROFIT FOR THE PERIOD**	**PROFIT CORRESPONDING TO SHARE WITH NOMINAL VALUE OF TL 1**	
		Cash (TL)	**Free (TL)**	**Rate (%)**	**Amount (TL)**	**Rate (%)**
NET	**A**					
	B					
	TOTAL	**0.00**				**0.00**

* Consolidated net profit amount for the period excluding the shares with no controlling power

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ey.com
Ticaret Sicil No: 479920-427502

(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OFTHE BOARD OF DIRECTORS

To the Board of Directors of
Deva Holding A.Ş.

Report on the Audit of the Annual Report of the Board of Directors in accordance with the Independent Auditing Standards

We have audited the annual report of Deva Holding A.Ş. ("the Company") and its subsidiaries (together referred to as "the Company") for the year ended December 31, 2015.

The responsibility of the Board of Directors on the Annual Report

In accordance with Article 514 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Company is responsible for the preparation and fair presentation of the annual report consistent with the financial statements and for the internal controls considered for the preparation of a report of such quality.

Responsibility of the Independent Auditor

Our responsibility is to express and opinion, based on the independent audit we have performed on the Company's annual report in accordance with article 397 of the TCC and the Communiqué, on whether the financial information provided in this annual report is presented fairly and consistent with the Company's financial statements there on which auditor's report dated March 9, 2016has been issued.

Our independent audit has been performed in accordance with the Independence Auditing Standards as endorsed by CMB and Independent Auditing Standards which are a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the financial statements. This independent audit involves the application of auditing procedures in order to obtain audit evidence on the historical financial information. The selection of these procedures is based in the professional judgment of the independent auditor. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited financial statements in all material respects.

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Independent auditor's responsibilities arising from other regulatory requirements

In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code ("TCC") 6102, within the framework of the Independent Auditing Standards 570 "Going Concern", no material uncertainty has come to our attention which causes us to believe that the Company will not be able to continue as a going concern in the foreseeable future.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Zeynep Okuyan, SMMM
Partner

March 9, 2016
Istanbul, Turkey

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES
CONSOLIDE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Translated into English from the Original Turkish Report)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Board of Directors of DEVA Holding A.Ş.,

Report on the Audit of the Annual Report of the Board of Directors within the framework of Independent Auditing Standards

We have audited the annual report of DEVA Holding A.Ş. ("Company") and its subsidiaries (to be jointly referred to as "Company") for the year ended on December 31, 2015.

The responsibility of the Board of Directors for the Annual Report

In accordance with Article 514 of the Turkish Commercial Code No. 6102 ("TCC") and the provisions of the Communiqué 11-14.1 on the Principles of Financial Reporting In Capital Markets" ("Communiqué") of the Capital Market Board ("CMB"), the group management is responsible for the preparation and of the annual report in consistency with the consolidated financial statements, and for the internal audits it deems necessary for the preparation of a report of such quality.

Responsibility of the Independent Auditor

Our responsibility is to express and opinion, based on the independent audit we have performed on the Company's annual report in accordance with article 397 of the TCC and the Communiqué, on whether the financial information provided in this annual report is consistent with the Company's consolidated financial statements subject to the independent auditor's report dated March 9, 2015 of the Group or not, and whether it reflects the truth or not.

The independent audit has been carried out in accordance with the Independent Auditing Standards published by Capital Markets Board and Independent Auditing Standards (IAS) which are a part of Turkish Auditing Standards published by the Public Oversight, Accounting and Auditing Standards Authority. These standards require compliance with ethical principles and the independent audit to be planned and performed to obtain reasonable assurance on whether or not the financial information provided in the annual report consistent with the consolidated financial statements and reflects the truth. This independent audit involves the application of auditing procedures in order to obtain audit evidence on the historical financial information. The selection of these procedures is based in the professional judgment of the independent auditor. We believe that the audit evidence we have obtained during our independent audit is sufficient and suitable for providing a basis for our opinion.

Opinion

In our opinion, the financial information provided in the annual report of the Board of Directors is consistent with the consolidated financial tables audited, and reflects the truth in terms of all material aspects.

Other Liabilities Arising from the Legislations

In accordance with paragraph three of Article 402 of the Turkish Commercial Code ("TCC") No. 6102, within the framework of IAS 570 "Going Concern", no material uncertainty has been detected which causes us to believe that the Company will not be able to continue its activities in the foreseeable future.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

(Sealed and Signed)
Zeynep Okuyan SMMM
Responsible Auditor

March 9, 2016
Istanbul, Turkey

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2015

(Amounts expressed in Turkish Lira "TRY" unless otherwise stated.)

	Footnote References	Audited 31 December 2015	Audited 31 December 2014
ASSETS			
Current Assets		**475.767.372**	**412.977.017**
Cash and cash equivalents	4	36.328.677	42.143.562
Trade receivables	7	240.280.242	195.592.409
Due from related parties	*6*	*13.208.306*	*9.244.018*
Other trade receivables		*227.071.936*	*186.348.391*
Other receivables	8	419.855	725.806
Inventories	9	175.311.505	154.953.905
Prepaid expenses	10	13.069.546	10.354.107
Assets relating to current tax	11	132.961	216.418
Other current assets	19	10.224.586	8.990.810
Non-Current Assets		**517.184.327**	**480.555.175**
Property, plant and equipment	12	301.195.465	298.276.248
Intangible assets		184.442.975	154.837.667
Goodwill	*14*	*1.782.731*	*1.782.731*
Other intangible assets	*13*	*182.660.244*	*153.054.936*
Prepaid expenses	10	8.984.790	2.356.303
Deferred tax assets	27	22.561.097	25.084.957
TOTAL ASSETS		**992.951.699**	**893.532.192**

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

onvenience translation of the independent auditors' report and consolidated financial statements
iginally issued in Turkish)

EVA HOLDİNG A.Ş. AND SUBSIDIARIES

ONSOLIDATED BALANCE SHEET
S OF 31 DECEMBER 2015

nounts expressed in Turkish Lira "TRY" unless otherwise stated.)

	Footnote References	Audited 31 December 2015	Audited 31 December 2014
IABILITIES			
urrent Liabilities		**463.414.167**	**262.838.940**
ıort term financial liabilities	5	223.578.221	156.357.253
urrent portion of long term financial liabilities	5	153.788.214	41.907.645
rade payables	7	49.512.457	35.986.454
Due to related parties	*6*	*3.218.559*	*2.513.438*
Other trade payables		*46.293.898*	*33.473.016*
ayables relating to the benefits provided to employees	18	4.889.842	3.856.503
ther payables	8	1.119.052	675.475
Due to related parties	*6*	*45.494*	*45.494*
Other trade payables		*1.073.558*	*629.981*
overnment grants and incentives	15	1.810.186	1.584.839
eferred revenue	10	2.216.625	1.244.901
ıort term provisions		24.891.471	19.517.584
Provisions for benefits provided to employees	*18*	*17.139.440*	*10.279.256*
Other provisions	*16*	*7.752.031*	*9.238.328*
ther current liabilities	19	1.608.099	1.708.286
on-Current Liabilities		**76.425.991**	**218.784.080**
ong term financial liabilities	5	48.584.045	197.213.233
overnment grants and incentives	15	13.747.068	15.707.696
eferred revenue	10	354.999	940.297
ong term provisions		13.739.879	4.922.854
Provisions for benefits provided to employees	*18*	*13.739.879*	*4.922.854*
QUITY		**453.111.541**	**411.909.172**
quity attributable to equity olders of the parent		**453.110.599**	**411.867.527**
aid-in capital	20	200.000.000	200.000.000
flation adjustment to share capital	20	140.080.696	140.080.696
apital investment adjustment (-)	20	(28.847)	(28.847)
remium in excess of par	20	2.870.803	2.870.803
ther comprehensive income/(expense) not to be classified to profit or loss		(5.960.011)	287.622
Actuarial (loss) / gain arising from defined nefit plans		*(5.960.011)*	287.622
ther comprehensive income/(expense) to be classified to profit or loss		(374.763)	(205.800)
Currency translation reserve		*(374.763)*	*(205.800)*
estricted reserves appropriated from profit	20	150.864.955	150.864.955
ccumulated deficit	20	(82.001.902)	(90.724.844)
rofit for the period		47.659.668	8.722.942
on-controlling interests		**942**	**41.645**
OTAL LIABILITIES AND EQUITY		**992.951.699**	**893.532.192**

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

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts expressed in Turkish Lira "TRY" unless otherwise stated.)

	Footnote References	Audited 1 January – 31 December 2015	Audited 1 January – 31 December 2014
Revenue	21	576.380.100	467.940.004
Cost of revenue (-)	21	(341.450.039)	(304.010.757)
GROSS PROFIT		**234.930.061**	**163.929.247**
Marketing, sales and distribution expenses (-)	22	(94.767.692)	(87.864.003)
General administration expenses (-)	22	(43.208.657)	(31.931.264)
Research and development expenses (-)	22	(13.120.229)	(4.425.496)
Other operating income	24	65.307.963	56.492.251
Other operating expenses (-)	24	(50.737.235)	(51.044.933)
OPERATING PROFIT		**98.404.211**	**45.155.802**
Investment income	25	872.274	866.010
Investment expenses (-)	25	(86.907)	(196.642)
PROFIT BEFORE FINANCE EXPENSES		**99.189.578**	**45.825.170**
Finance expenses (-)	26	(47.484.844)	(40.777.308)
PROFIT BEFORE TAXATION		**51.704.734**	**5.047.862**
Tax (expense) / income		**(4.085.769)**	**3.653.797**
Deferred tax (expense) / income	27	(4.085.769)	3.653.797
NET PROFIT FOR THE PERIOD		**47.618.965**	**8.701.659**
Distribution of profit for the period			
Non-controlling interest		(40.703)	(21.283)
Equity holders of the parent		47.659.668	8.722.942
		47.618.965	**8.701.659**
Profit per share	28	**0,0024**	**0,0004**
Diluted profit per share		**0,0024**	**0,0004**

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

(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts expressed in Turkish Lira "TRY" unless otherwise stated.)

	Audited 1 January – 31 December 2015	Audited 1 January – 31 December 2014
Net profit for the period	**47.618.965**	**8.701.659**
Other Comprehensive Profit / (Loss):		
Items not to be reclassified subsequently to profit or loss	**(6.247.633)**	**287.622**
Actuarial gain arising from defined benefit plans	(7.809.542)	359.528
Tax effect other comprehensive income not to be reclassified to profit or loss	1.561.909	(71.906)
Items that may be reclassified subsequently to profit or loss	**(168.963)**	**(130.088)**
Change in foreign currency translation reserve	(168.963)	(130.088)
OTHER COMPREHENSIVE (LOSS) / PROFIT (AFTER TAX)	**(6.416.596)**	**157.534**
TOTAL COMPREHENSIVE INCOME	**41.202.369**	**8.859.193**
Total comprehensive income attributable to:		
Non - controlling interest	(40.703)	(21.283)
Equity holders of the parent	41.243.072	8.880.476

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts expressed in Turkish Lira "TRY" unless otherwise stated.)

						Other comprehensive income/(expense) not to be reclassified to profit or loss	Other comprehensive income/(expense) to be reclassified to profit or loss		Accumulated Deficit				
	Notes	Paid in capital	Inflation adjustment to share capital	Capital investment adjustment( )	Premium in excess of par	Actuarial gain /loss arising from defined benefit plans	Currency translation reserve	Restricted reserves appropriated from profit	Accumulated deficit	Net profit for the period	Total equity attributable to equity holders of the parent	Non - controlling interest	Total shareholder's equity
Balance as of 1 January 2014	20	200.000.000	140.080.696	(28.847)	2.870.803	-	(75.712)	150.864.955	(115.328.514)	24.603.670	402.987.051	62.928	403.049.979
Transfer to retained earnings		-	-	-	-	-	-	-	24.603.670	(24.603.670)	-	-	-
Total comprehensive income		-	-	-	-	287.622	(130.088)	-	-	8.722.942	8.880.476	(21.283)	8.859.193
Actuarial gain arising from defined benefit plans		-	-	-	-	287.622	-	-	-	-	287.622	-	*287.622*
Currency translation reserve		-	-	-	-	-	*(130.088)*	-	-	-	*(130.088)*	-	*(130.088)*
Profit for the period		-	-	-	-	-	-	-	-	*8.722.942*	*8.722.942*	*(21.283)*	*8.701.659*
Balance as of 31 December 2014	20	200.000.000	140.080.696	(28.847)	2.870.803	287.622	(205.800)	150.864.955	(90.724.844)	8.722.942	411.867.527	41.645	411.909.172
Balance as of 1 January 2015	20	200.000.000	140.080.696	(28.847)	2.870.803	287.622	(205.800)	150.864.955	(90.724.844)	8.722.942	*411.867.527*	41.645	411.909.172
Transfer to retained earnings		-	-	-	-	-	-	-	8.722.942	(8.722.942)	-	-	-
Total comprehensive income		-	-	-	-	(6.247.633)	(168.963)	-	-	47.659.668	41.243.072	(40.703)	41.202.369
Actuarial loss arising from defined benefit plans		-	-	-	-	*(6.247.633)*	-	-	-	-	*(6.247.633)*	-	*(6.247.633)*
Currency translation reserve		-	-	-	-	-	*(168.963)*	-	-	-	*(168.963)*	-	*(168.963)*
Profit for the period		-	-	-	-	-	-	-	-	*47.659.668*	*47.659.668*	*(40.703)*	*47.618.965*
Balance as of 31 December 2015	20	200.000.000	140.080.696	(28.847)	2.870.803	(5.960.011)	(374.763)	150.864.955	(82.001.902)	47.659.668	453.110.599	942	453.111.541

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

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DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts expressed in Turkish Lira "TRY" unless otherwise stated.)

	Footnote References	Audited 1 January – 31 December 2015	Audited 1 January – 31 December 2014
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		47.618.965	8.701.659
Adjustments to reconcile profit to net cash provided / (used in) by operating activities:			
Depreciation of property, plant and equipment	12	20.416.591	20.149.356
Amortization of intangible assets	13	6.256.888	5.048.641
Impairment losses on intangible assets	13	11.880.557	1.291.272
Provision for employment termination benefits	18	3.379.888	2.327.002
Provision charge for the year	16	30.380.337	29.457.137
Reversal of doubtful receivables	7	(420.995)	(157.169)
Provision for other doubtful receivables	8	561.626	1.357.307
Change in allowance for diminution in value of inventories	9	4.128.647	2.664.916
Change in discounted value of bonds issued		1.764.737	(1.296.303)
Gain on sale of property, plant and equipment (net)	25	(785.367)	(669.368)
Income accruals		(3.705.241)	(1.642.023)
Bank loans interest expenses	26	30.412.717	27.834.168
Bonds issued interest expenses	26	13.176.784	11.109.993
Loss on foreign currency borrowings	26	2.970.875	1.517.196
Interest income	24	(3.773.764)	(3.756.109)
Tax expense / (income)	27	4.085.769	(3.653.797)
Changes in working capital:			
Increase in trade receivables		(40.136.237)	(16.318.115)
Increase in inventories		(19.466.448)	(7.582.040)
Increase in due from related parties		(3.964.288)	(410.030)
Increase in other receivables and assets		(4.121.433)	(3.449.528)
Increase in trade payables		12.820.882	7.831.823
Increase in due to related parties		705.121	1.209.816
Decrease in other provisions		(31.011.905)	(30.702.848)
Increase in other liabilities		8.632.330	4.639.323
Cash provided by operations		**91.807.036**	**55.502.279**
Taxes paid	11 - 27	-	(285.507)
Payment for legal provisions	16	(854.729)	(1.807.561)
Retirement provision paid	16 - 18	(2.372.405)	(1.917.699)
Net cash provided by operating activities		**88.579.902**	**51.491.512**

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DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts expressed in Turkish Lira "TRY" unless otherwise stated.)

	Footnote References	Audited 1 January – 31 December 2015	Audited 1 January – 31 December 2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received under the government incentives	15	1.794.656	2.836.184
Purchase of property, plant and equipment	12	(31.244.380)	(44.473.018)
Proceeds on sale of tangible and intangible assets		900.784	2.461.531
Purchase of intangible assets	13	(42.786.972)	(43.795.955)
Change in long term non-current assets	10	(6.628.487)	9.531.444
Net cash used in investing activities		**(77.964.399)**	**(73.439.814)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest received	24	3.786.864	3.734.813
Interest paid		(34.419.554)	(24.695.274)
Repayment of borrowings		(553.036.975)	(455.011.213)
Proceeds from borrowings		580.598.124	495.832.713
Payments related to bonds issued		(13.176.784)	(11.109.993)
Net cash (used in) /provided by financing activities		**(16.248.325)**	**8.751.046**
NET CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCE		**(5.632.822)**	**(13.197.256)**
Currency translation difference (net)		(168.963)	(130.088)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(5.801.785)**	**(13.327.344)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**42.122.266**	**55.449.610**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**36.320.481**	**42.122.266**

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

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DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts expressed in Turkish Lira "TRY" unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Deva Holding A.Ş. ("the Company") and one of its subsidiaries (together "the Group") Vetaş Veteriner ve Tarım İlaçları A.Ş. are operating in İstanbul, Turkey. The Company was incorporated on 22 September 1958. The Company's principal activity is manufacturing and marketing of human pharmaceuticals. The registered office address and its principal place of business are as follows:

Deva Holding A.Ş. Halkalı Merkez Mahallesi Basın Ekspres Caddesi No: 1 K.Çekmece / İstanbul.

The average number of employees working in the Group for the year ended 31 December 2015 is 1.755 (31 December 2014: 1.809).

Eastpharma S.A.R.L. is the main shareholder of the Company. Eastpharma S.A.R.L. was founded in Luxembourg in 2006 and is fully owned by Eastpharma Ltd., which was incorporated in Bermuda in 2006. Eastpharma S.A.R.L. acquired 52,6% of the Company's shares on 27 November 2006. Subsequent to that date EP SARL increased its shareholdings and as of 31 December 2015, it owns 82,2% of the shares of Deva (31 December 2014: 82,2%). In 2011 the Company's issued share capital is raised from TRY 180.070.656 to TRY 200.000.000. TRY 16.384.384 of the total amount raised was paid in cash by Eastpharma S.A.R.L. and the remaining amount, TRY 3.544.960, was paid by other shareholders .The ultimate shareholders of Eastpharma S.A.R.L. are the funds controlled by Global Equities Management S.A.

The shares of the Company have been traded on Borsa Istanbul since 24 March 1986.

As of 31 December 2015, the Company's share capital consists of 20.000.000.000 shares with an amount of TRY 0,01 for each (31 December 2014: 20.000.000.000). The Company's nominal capital structure is as follows (Note 20):

Name	(%)	31 December 2015	(%)	31 December 2014
Eastpharma S.A.R.L.	82,2	164.424.760	82,2	164.424.760
Other	17,8	35.575.240	17,8	35.575.240
Nominal capital	100,0	200.000.000	100,0	200.000.000
Inflation adjustment to share capital		140.080.696		140.080.696
Capital investment adjustment (-)		(28.847)		(28.847)
Adjusted share capital		340.051.849		340.051.849

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DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts expressed in Turkish Lira "TRY" unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

Subsidiaries

As of 31 December 2015 and 31 December 2014, the details of the subsidiaries in terms of ownership and principal business activities are as follows:

	Effective Ownership		
	31 December 2015	31 December 2014	
Company	(%)	(%)	Line of activity
Vetaş	99,6	99,6	Production and sale of veterinary drugs and agrochemicals
Deva Holdings NZ (*)	100	100	Distribution and sale of human and veterinary pharmaceuticals in New Zealand and Australia
Deva Singapore (****)	-	100	Distribution and sale of human and veterinary pharmaceuticals in Singapore
Deva Holdings PTY (***)	-	100	Distribution and sale of human and veterinary pharmaceuticals in Australia
EastPharma Canada (***)	-	100	Distribution and sale of human and veterinary pharmaceuticals in Canada
Devatis GmbH (**)	100	100	Distribution and sale of human and veterinary pharmaceuticals in Germany
Deva Health Care A.G (**)	100	100	Distribution and sale of human and veterinary pharmaceuticals in Switzerland
Devatis Inc (**)	100	-	Distribution and sale of human and veterinary pharmaceuticals in USA

(*) The Company is incorporated on 19 December 2007; has limited effect on the consolidated financial statements.
(**) The companies are non-operating and do not have material effect on the consolidated financial statements. Therefore, they are not included in the consolidation. Excluding Vetaş, the Group's subsidiaries operate outside Turkey.
(***) The Companies have continued their operations as subsidiaries of EastPharma Ltd. as of January 2015.
(****)The Company has ended its operations as of 12 January 2015.

Full names of the Group subsidiaries are as follows:

Vetaş Veteriner ve Tarım İlaçları A.Ş.	Vetaş
Deva Holdings NZ Ltd.	Deva NZ
Deva Holding Singapore PTE. Ltd.	Deva Singapore
Deva Holdings PTY Ltd.	Deva Holdings PTY
East Pharma Canada Ltd.	EastPharma Canada
Devatis Gmbh	Devatis
Deva Health Care A.G.	Deva Health Care
Devatis Inc	Devatis

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DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

Subsidiaries (cont'd)

The Company and its subsidiaries ("the Group") operate in the pharmaceutical industry and are one of the branded generic players in the market. The Group has a wide range product portfolio and a country-wide organized sales force. The Group has four production facilities in four different locations.

The Group has 124 pharmaceutical molecules in 227 pharmaceutical forms. Of these 12 molecules (in 19 presentation forms) are manufactured and marketed by using license rights.

As of 31 December 2015 the business segments are production and sale of human pharmaceuticals, veterinary products and other.

The human pharmaceuticals segment derives the majority of its revenues from the sale of branded generic and licensed products. Branded generic products are finished pharmaceutical products that Deva produces and sells under its trademark rather than the chemical name of the active pharmaceutical compound. Licensed products are finished pharmaceutical products that the Company produces and sells under licenses from other pharmaceutical companies that hold the rights to the pharmaceutical compound. The business encompasses a wide range of medicines combating diseases in the musculoskeletal, alimentary, metabolism and cardiovascular system and infections. Corporate expenses and assets are included in the human pharmaceuticals segment.

The human pharmaceuticals segment also contains API, which mainly derives its revenues from the manufacturing and sale of antibiotic active ingredients to local producers including the Company as well as to foreign pharmaceutical companies. In addition to its manufacturing activities, the Company conducts, at its microbiology laboratories, tests and research on the adaptation of raw materials, selection of micro-organisms, formulation of culture mediums, and executes various test and research fermentations on pilot fermentators.

Founded by the associated partners of the company in 1973, Vetaş operates in the animal health and agricultural pharmaceuticals sector. Vetaş has a wide product range fulfilling the needs of the veterinarians and animal breeders. The income of this segment is achieved by the sales of 73 registered products and 98 different forms.

The operations in the other segment include production and sale of cologne products.

Further segment information on the Group operations is presented in Note 3.

Approval of the financial statements

The accompanying financial statements have been approved by the Board of Directors and are authorized for issue on 9 March 2016. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issuance.

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DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts expressed in Turkish Lira "TRY" unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Accounting Standards

The Company and its Turkish subsidiary maintain their books of accounts and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation. Subsidiaries operating in foreign country maintain their books of accounts in the currency of the country in which they operate and prepare their statutory financial statements in accordance with the legislation effective in these countries.

The attached consolidated financial statements are prepared in accordance with the decree Series II No: 14.1 "Principals Relating to the Financial Reporting Standards in Capital Markets" ("Decree") issued by Capital Markets Board ("CMB") on 13 June 2013 and published in the Official Gazette numbered 28676 and are based on the Turkish Accounting Standards/ Turkish Financial Reporting Standards and relating interpretations which became effective with the 5th Article of the Decree in consideration by Public Oversight Accounting and Auditing Standards Authority.

Additionally consolidated financial statements and disclosures are presented in accordance with the formats published by CMB on 7 June 2013.

Presentation and Functional Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Turkish Lira, which is the functional and presentation currency of the Group. Financial statements of subsidiary operating in foreign country translated into presentation currency with the exchange rate prevailing at balance sheet date for balance sheet items except equity. Historical rates are used for the conversion of equity items and average rate for income statement items.

Preparation of Financial Statements in Hyperinflationary Periods

The CMB decision No: 11/367 issued at 17 March 2005 requires all companies operating in Turkey and preparing their financial statements in accordance with the Turkey Accounting Standards (including companies adopting TAS/ TFRS) to cease the inflation accounting application as of 1 January 2005. Based on this requirement, the application of TAS 29 "Financial Reporting in Hyperinflationary Economies" is ceased as of 1 January 2005.

Consolidation

The consolidated financial statement incorparate the financial statements of the company and the entities (including structure entities) controlled by company. Control is achieved when the company :

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

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

When the company has less than a majority of the voting of the rights of an investee,it has power of the investee when the voting rights are suffient to give it practical ability to direct the relevant activities of the investee unilaterally.The company considers all relavant facts and circumstances in assessing whether or not the Company's voting rigths in an investee are sufficient to give it power,including;

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts expressed in Turkish Lira "TRY" unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Consolidation (cont'd)

- The size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the company,other vote holders or other parties ;
- Rigths arising from other contructual arregements ;and
- Any additional facts and circumtances that indicate that thre company has ,or does not have,the current ability to direct the relevant activities at the time that decisions need to be made,including voting patterns at previous shareholder' meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company losses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statementof profit or loss 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 result in the non-controlling interests having a deficit balance.

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

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

Changes in the Accounting Policies

Changes made in the accounting policies are applied retrospectively and prior year financial statements are restated.There are no changes in the accounting policies of the Group during the year.

Comparative Information and Restatement of Prior Year Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with the prior year in order to give information about financial position and performance. If the presentation or classification of the consolidated financial statements is changed, in order to maintain consistency, financial statements of the prior years are also reclassified in line with the related changes. In the current year, the Group did not make any reclassifications.

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DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Changes in the Accounting Estimates and Errors

If changes in the accounting estimates are related to only one period, they are applied in the current year; if they are related to the future period, they are applied both in current and future periods. The Group has no significant changes to the accounting estimates in the current period.

When a significant accounting error occurs, it is corrected retrospectively and the prior year financial statements are restated.

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2015 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2015. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

(i) The new standards, amendments and interpretations which are effective as at January 1, 2015 are as follows:

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendment did not have a significant impact on the consolidated financial statements of the Group.

Annual Improvements to TAS/TFRSs

In September 2014, POA has issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle.

Annual Improvements - 2010–2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to performance and service conditions which are vesting conditions are clarified. The amendment is effective prospectively.

TFRS 3 Business Combinations

The amendment clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective for business combinations prospectively.

TFRS 8 Operating Segments

The changes are as follows: i) An entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

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DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira "TRY" unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Adoption of New and Revised Standards and Interpretations (cont'd)

(i) The new standards, amendments and interpretations which are effective as at 1 January 2015 are as follows (cont'd)

Annual Improvements to TAS/TFRSs (cont'd)

Annual Improvements - 2010–2012 Cycle (cont'd)

TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. . In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is effective retrospectively.

Annual Improvements – 2011–2013 Cycle

TFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

TFRS 13 Fair Value Measurement

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

TAS 40 Investment Property

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 in determining whether the transaction is the purchase of an asset or business combination. The amendment is effective prospectively.

The amendments did not have a significant impact on the consolidated financial statements of the Group.

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DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Adoption of New and Revised Standards and Interpretations (cont'd)

ii) Standards issued but not yet effective and not early adopted (cont'd)

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012 and February 2015, the new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)

In April 2015, Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

• At cost
• In accordance with IFRS 9,
Or
• Using the equity method defined in TAS 28

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after January 1, 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Adoption of New and Revised Standards and Interpretations (cont'd)

ii) Standards issued but not yet effective and not early adopted (cont'd)

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In February 2015, amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

In February 2015, amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TAS 1: Disclosure Initiative (Amendments to TAS 1)

In February 2015, amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after January 1, 2016.
Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Group.

Annual Improvements to TFRSs - 2012-2014 Cycle

In February 2015, POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Adoption of New and Revised Standards and Interpretations (cont'd)

ii) Standards issued but not yet effective and not early adopted (cont'd)

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

Annual Improvements – 2011–2013 Cycle

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 original effective date was January 1, 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Adoption of New and Revised Standards and Interpretations (cont'd)

ii) Standards issued but not yet effective and not early adopted (cont'd)

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (PO) (cont'd)

Annual Improvements – 2011–2013 Cycle (cont'd)

IFRS 16 Leases

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company/Group applies this relief, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IAS 7 'Statement of Cash Flows (Amendments)

In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company/Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies

a. Revenue Recognition

Revenue is generated from the sale of pharmaceutical goods to third party warehouse distributors. Revenue is measured at the fair value of the consideration received or receivable for goods provided in the normal course of business, net of related taxes, and incentives.

Standard prices for pharmaceutical products in Turkey are established by the Ministry of Health based on the Decree Related with the Pricing of Human Pharmaceutical Products. Gross product sales are subject to sales discounts, volume discounts and free of charge goods incentives.

Sales discounts are granted at the point of sale based on a fixed percentage and are recorded as a reduction of revenue in the period of the sale. Sale discount percentages vary depending on the product sold.

Volume discounts are granted in the period of sale based on a fixed percentage and the total sales made in the period. Volume discount percentages vary depending on the distributor. The estimate for volume discounts is based on actual invoiced sales within each period at a fixed discount rate and is recorded as a reduction of revenue in the period of the sale.

The Company also provides distributors with sales incentives in the form of free products (free of charge goods). Free of charge good incentive allows distributors to provide its customers with free products at no cost to the distributor as the Company will provide an equivalent amount of product to the distributor. At the end of each period, distributors provide the Company with a total amount of goods provided to customers for free. The estimate for sales credit is measured based on the actual number of products given for free during the period and is recorded as a reduction of revenue.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods which occurs upon delivery of the goods to the customer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Cost of sales - free of charge goods

Free goods provided to distributors are estimated based on the actual number of free products given by the distributors to its customers during the period and the cost of the free goods are included as part of cost of sales.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

b. Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with being valued on standard costing basis. At the end of the each reporting period, the standard costs are updated based on the actual costs. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale.

c. Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated amortization and any permanent impairment loss. Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when assets are ready for their intended use.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in net income / (loss), but not classified as revenue, when the item is derecognised (unless TAS 17 requires otherwise on a sale and leaseback).

The disposal of an item of property, plant and equipment may occur in a variety of ways (eg by sale, by entering into a finance lease or by donation). In determining the date of disposal of an item, an entity applies the criteria in TAS 18 for recognising revenue from the sale of goods. TAS 17 applies to disposal by a sale and leaseback.

If an entity recognises in the carrying amount of an item of property, plant and equipment the cost of a replacement for part of the item, then it derecognises the carrying amount of the replaced part regardless of whether the replaced part had been depreciated separately. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

d. Leasing Transactions

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

e. Intangible Assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development costs

Research costs are recognised as expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The Group has development activities related to licenses of new medicines. The amount initially recognised for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development cost is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are recognized at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

f. Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

g. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recorded in the income statement in the period in which they are incurred. Assets that necessarily take a substantial period of time to get ready for intended use or sale of the Group are license development costs. Transformation of these costs to be ready for sale state may take more than one financial year. Borrowing costs incurred for development costs are added to cost of the related asset until it is ready for sale. During the year ended 31 December 2015, TRY 2.182.425 (31 December 2014: TRY 2.324.121) amount was capitalized on these qualifying assets (Note 13). The weighted average capitalization rate on funds borrowed is 6,3% per annum (31 December 2014: 6,6% per annum). This rate represents the weighted average borrowing cost of the Group's all borrowings used during the year. All other borrowing costs are recorded in the profit or loss statement.

h. Financial Instruments

(i) Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. The Group does not have any financial asset at fair value through profit or loss as of balance sheet date.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

h. Financial Instruments (cont'd)

(i) Financial assets (cont'd)

Held-to-maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The Group has no held-to-maturity investments as of balance sheet date.

Available-for-sale financial assets

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being available- for-sale financial assets and are stated at fair value. The Group also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value can't be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or the investment is determined to be impaired totally, the cumulative gain or loss previously accumulated in the investments revaluation reserve account is being reclassified to profit or loss.

The Group has no financial asset available for sale as of balance sheet date.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

h. Financial Instruments (cont'd)

(i) Financial assets (cont'd)

Impairment of financial assets (cont'd)

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which have an original maturity of three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(ii) Financial Liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. The Group has no financial liability at FVTPL as of balance sheet date.

Bonds issued

Bonds issued, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period (Note 5).

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

h. Financial Instruments (cont'd)

(ii) Financial Liabilities (cont'd)

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group may use derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Group does not use any derivative financial instruments for speculative purposes.

i. Business Combinations

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

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

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

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with TAS 39, or TAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

i. Business Combinations (cont'd)

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of TFRS 3.

j. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

k. Treasury Shares

If an entity reacquires its own equity instruments, those instruments ("treasury shares") are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Such treasury shares may be acquired and held by the entity or by other members of the consolidated group. Consideration paid or received is recognised directly in equity. After merger of Deva and Deva İlaç in 2010, certain preference shares (TRY 0,013 nominal value of A type and TRY 0,01 nominal value of B type shares) and 28.847 nominal value of C type shares of Deva are owned by Vetaş.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

l. Foreign Currency Transactions (cont'd)

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRY, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than TRY (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and;
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

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

m. Earnings per Share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing "Bonus Shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

n. Subsequent Events

Subsequent events comprise events between the balance sheet date and the publication date of the balance sheet even if they emerge after any announcement or declaration related with the financial results or other selected financial information.

o. Provisions, Contingent Liabilities, Contingent Assets

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

o. Provisions, Contingent Liabilities, Contingent Assets (cont'd)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where 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 recognised as an asset if it is actually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restructuring

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan and announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

p. Related Parties

A party is related to the Company if:

(a) Directly, or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
(ii) has an interest in the entity that gives it significant influence over the entity; or
(iii) has joint control over the entity;

(b) the party is an associate of the entity;

(c) the party is a joint venture in which the entity is a venturer;

(d) the party is a member of the key management personnel of the entity or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

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

In the accompanying consolidated financial statements, EastPharma Ltd., EastPharma S.A.R.L., EastPharma İlaç Üretim Pazarlama A.Ş, East Pharma Canada Ltd., Deva Holdings PTY Ltd., Lypanosys Pte Ltd and Saba İlaç Sanayi ve Ticaret A.Ş, the key management personnel and Board of Directors, close members of the family of any individual who directly or indirectly controls the Company are considered and referred to as related parties.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

r. Segmental Information

The Group classifies its operations into three business segments: production and sale of human pharmaceuticals, veterinary products and other. These segments are prepared according to the TFRS 8. The Group does not have any significant asset outside Turkey.

s. Share Capital and Dividends

Ordinary and preferred shares are classified as equity. Dividends distributed on ordinary shares and preferred stocks are recognised less any retained earnings in the period in which they are announced.

t. Taxation and Deferred Tax

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 are calculated on a separate-entity basis.

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and 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 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 recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

t. Taxation and Deferred Tax (cont'd)

Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group 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 Group intends to settle its current tax assets and liabilities on a net basis.

u. Employment Termination Benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No: 19 (revised) "Employee Benefits" ("TAS 19"). The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses.

v. Statement of Cash Flows

In statement of cash flow, cash flows are classified as from operating, investment and finance activities. Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments.

y. Government Grants and Incentives

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment and intangible assets are included current and non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

The Group receives assistance from Scientific and Technological Research Council of Turkey ("TUBITAK"). TUBITAK runs a program to organize and regulate the Republic of Turkey's support to encourage research and technology development activities of the industries in Turkey. Within the framework of this program, a certain portion of the development expenditures of the industrial companies are reimbursed.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

z. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the entity's accounting policies

In the process of applying the entity's accounting policies, the Group Management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements.

Recoverability of internally-generated intangible assets

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized only if the technical feasibility and the intention to complete the intangible asset, the ability to use or sell the intangible asset are demonstrated, how the intangible asset will generate probable future economic benefits is determined, adequate technical, financial and other resources to complete the development and to use or sell the intangible asset is available and the expenditure attributable to the intangible asset during its development can be reliably measured. Other development expenditures that do not meet these criteria are recognized as expense when incurred.

During the period, management reconsidered the recoverability of its internally-generated intangible assets. Management believes the projects will continue as expected and based on this analysis management continues to anticipate similar revenues from the projects. Management is confident that the carrying amount of the assets will be recovered in full, even if estimated revenues are reduced. This situation is closely monitored by management, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate. During the year ended 31 December 2015, the Group Management has recognized an impairment loss of TRY 11.880.557 (31 December 2014: TRY 1.291.272) (Note 13).

Intangible asset recognized on business combination

The acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Valuation was conducted to serve as a basis for allocation of the purchase price to the various classes of assets acquired in accordance with TFRS 3 "Business Combinations" and TAS 38 "Intangible Assets". For TFRS 3 and TAS 38 purposes, the standard of value is fair value defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties. In determining the fair value of the intangible assets, the three traditional approaches to valuation were considered: the cost approach, the market approach and the income approach. The cost approach was utilized in the valuation of the Group's customer relationships as well as in valuing the total assembled workforce, which is not considered as a separately identifiable intangible asset for financial reporting purposes. The income approach was utilized in arriving at the value of the acquired product rights, license and supply agreement.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

z. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (cont'd)

Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realised. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realise the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilise some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognised. As of 31 December 2015 and 31 December 2014, as a result of the assessment made, the Group has recognized deferred tax assets because it is probable that taxable profit will be available sufficient to recognize deferred tax assets.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (CGU) and a suitable discount rate in order to calculate present value. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are the discount rates, growth rates and expected changes to selling prices and direct costs during the period.

The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

As of 31 December 2015, the recoverable amount of the cash-generating units is determined based on the value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 12,2% per annum. Cash flows beyond that five-year period have been extrapolated by using a steady 10% per annum growth rate consisting of 8,5% inflation and real growth rate of 1,38%. The impairment testing is performed annually.

For the impairment testing the Company considered the higher of the fair value less costs to sell of the cash-generating unit or its value in use. The fair value less costs to sell is determined by using market approach which included guideline company method, guideline transaction method and publicly traded stock of the cash-generating unit. Fair value less cost to sell also incorporated the value in use calculated from the cash flow projections approved by the management. Weighting factors were utilized to conclude on the fair value of the cash-generating unit.

As at 31 December 2015, there were no indicators of impairment and therefore the Group did not test goodwill for impairment. As at 31 December 2015 and 31 December 2014, no impairment loss is recognized in the accompanying consolidated financial statements.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

Summary of Significant Accounting Policies (cont'd)

z. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (cont'd)

Net realizable value

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with being valued on standard costing basis. At the end of the each reporting period, the standard costs are updated based on the actual costs. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale.

When the net realizable value of inventory is less than its cost, the inventory is written down to the net realizable value and the expense is included in statement of income / (loss) in the period the write-down or loss occurred. According to the calculations based on the management's assumptions, a part of the inventories are written down to their net realizable value since the net realizable value of these inventories is less than their cost.

3. SEGMENTAL INFORMATION

As of 31 December 2015 the business segments are production and sale of human pharmaceuticals, veterinary products and other. Other segment includes sale of cologne and other products.

31 December 2015	Human pharma	Veterinary products	Other	Total
External sales	536.798.277	31.891.942	7.689.881	576.380.100
Cost of sales	(307.605.594)	(27.547.097)	(6.297.348)	(341.450.039)
Operating expenses	(142.151.630)	(7.703.229)	(1.241.719)	(151.096.578)
Segment results	87.041.053	(3.358.384)	150.814	83.833.483
Other operating income				65.307.963
Other operating expenses (-)				(50.737.235)
Investment income				872.274
Investment expenses (-)				(86.907)
Finance expenses (-)				(47.484.844)
Income tax expense (-)				(4.085.769)
Profit for the period				**47.618.965**

Distribution of the Group's products by the two largest wholesalers in the Turkish market corresponded to approximately 26% and 38% of the revenues of the Human Pharmaceuticals business line derived from Turkey (31 December 2014: 26% and 36%). As of 31 December 2015, two customers represented 25% and 31% of the total trade and other receivables balance, respectively (31 December 2014: 26% and 31%).

Group management has emphasised segmental reporting on operational profit, therefore the Group does not allocate its other expenses on segment base.

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3. SEGMENTAL INFORMATION (cont'd)

31 December 2014	Human pharma	Veterinary products	Other	Total
External sales	432.735.269	28.220.761	6.983.974	467.940.004
Cost of sales	(277.518.568)	(20.675.323)	(5.816.866)	(304.010.757)
Operating expenses	(116.317.506)	(6.985.359)	(917.898)	(124.220.763)
Segment results	38.899.195	560.079	249.210	39.708.484
Other operating income				56.492.251
Other operating expenses (-)				(51.044.933)
Investment income				866.010
Investment expenses (-)				(196.642)
Finance expenses (-)				(40.777.308)
Income tax income				3.653.797
Profit for the period				**8.701.659**

4. CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Petty cash	59.961	61.130
Cash in banks	36.260.520	42.061.136
Demand deposits	*483.725*	*4.903.848*
Time deposits	*35.776.795*	*37.157.288*
Cash and cash equivalents in cash flow statement	36.320.481	42.122.266
Interest income accruals	8.196	21.296
	36.328.677	42.143.562

As of 31 December 2015, the Group has Euro and US Dollar time deposit. The average interest rate for Euro time deposit is 2,35% and US Dollar time deposit is 2,96% (The Group has Euro, NZD, US Dollar and TRY time deposit as of 31 December 2014 and it's average interest rate for Euro time deposit is 2,78%, NZD time deposit is 4,25%, US Dollar time deposit is 3,05% and TRY time deposit is 10,75%). All of the financial investments are short term and have a maturity of one month.

The Group does not have any blocked deposits as of 31 December 2015 and 31 December 2014.

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5. FINANCIAL LIABILITIES

	31 December 2015	31 December 2014
Short term bank loans	223.578.221	156.357.253
Current portion of long term loans	52.194.535	42.002.465
Current portion of bonds issued (*)	101.593.679	(94.820)
Total short term financial liabilities	377.366.435	198.264.898
Long term portion of bank loans	48.584.045	97.289.471
Bonds issued (*)	-	99.923.762
Total long term financial liabilities	48.584.045	197.213.233
Total financial liabilities	425.950.480	395.478.131

(*)The Group issued corporate bonds amounting to TRY 100.000.000 with three years maturity, quarterly floating interest rate and monthly coupon payments. The bonds were sold on 7 May 2013 only to qualified investors. Annual simple yield of the bond is calculated by adding 300 basis points over the annual simple yield of "reference government bond". As of issuance date, annual simple and compound bond yield were 8,09% and 8,40%, respectively.

The effective interest rate is 12,39% as at 31 December 2015 (31 December 2014: 11,58%) and discounted estimated future cash payments through the expected life of the financial liability is calculated as TRY 101.593.679 (31 December 2014: TRY 99.828.942).

i) Bank loans and bonds issued

Repayment schedule of bank borrowings is as follows:

	31 December 2015	31 December 2014
Less than 1 year or to be paid on demand	377.366.435	198.264.898
To be paid between 1-2 years	17.344.045	143.246.145
To be paid between 2-3 years	20.240.000	22.727.088
To be paid between 3-4 years	11.000.000	20.240.000
To be paid between 4-5 years	-	11.000.000
	425.950.480	395.478.131

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5. FINANCIAL LIABILITIES (cont'd)

i) Bank loans (cont'd)

Short term bank loans consist of the following:

Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2015	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2014
TRY	12,8%	220.890.811	220.890.811	TRY	10,5%	152.666.807	152.666.807
Accrued interest			2.687.410	Accrued interest			3.690.446
			223.578.221				156.357.253

Short term borrowings consist of spot and revolving line of credits with several banks and carry fixed and floating rate interests. As of 31 December 2015 and 31 December 2014, the total available lines of credits are TRY 871.990.840 and TRY 794.148.740, respectively. The principal and interest is paid on the maturity. The agreements have no expiration date unless there is a breach of contract which would include nonpayment of interest and principal within the maturity.

Short term portion of long term bank loans consists of the following:

Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2015	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2014
TRY	10,7%	32.927.161	32.927.161	TRY	10,6%	33.402.025	33.402.025
US Dollar	4,9%	722.224	2.099.939	US Dollar	4,9%	2.944.444	6.827.871
EUR	4,2%	5.000.000	15.888.000	EUR	-	-	-
Accrued interest		1.279.435	1.279.435	Accrued interest			1.772.569
			52.194.535				42.002.465

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5. FINANCIAL LIABILITIES (cont'd)

i) Bank loans (cont'd)

Long term bank loans consist of the following:

Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2015	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2014
TRY	%11,1	48.584.045	48.584.045	TRY	11,1%	81.511.206	81.511.206
US Dollar	-	-	-	US Dollar	5,0%	722.224	1.674.765
EUR	-	-	-	EUR	4,3%	5.000.000	14.103.500
			48.584.045				97.289.471

The fair value of the Group's borrowings approximates the carrying amount.

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5. FINANCIAL LIABILITIES (cont'd)

i) Bank loans (cont'd)

The details of the Group's long term borrowings are as follows:

a) A loan of US Dollar 722.224 (2014: US Dollar 2.166.668) was drawn down on 15 February 2011. Repayments of interest and principal commenced on 14 February 2012 and will continue till 9 February 2016 on semiannual basis. The loan carries interest of 5%.

b) A loan of TRY 360.998 (2014: TRY 1.717.486) was drawn down on 26 January 2011. Repayments of interest and principal commenced on 25 April 2011 and will continue until 25 January 2016. The loan carries interest of 10,6%.

c) A loan of TRY 4.450.000 (2014: TRY 8.900.000) was drawn down on 23 October 2012. Repayments of interest and principal commenced on 23 January 2013 and will continue till 23 October 2016 quarterly. The loan carries interest of 11,2%. This loan is also secured by the Group's factory building located at Kocaeli Kartepe and other buildings' mortgages at an amount of TRY 20.000.000 (Note 17).

d) A loan of TRY 3.865 (2014: TRY 47.929) was drawn down on 15 January 2013. Repayments of interest and principal commenced on 15 February 2013 and will continue till 15 January 2016. The loan carries interest of 9%. This loan is also secured by pledges on the purchased vehicles (Note 17).

e) A loan of TRY 4.848 (2014: TRY 60.074) was drawn down on 17 January 2013. Repayments of interest and principal commenced on 18 February 2013 and will continue till 15 January 2016. The loan carries interest of 9%. This loan is also secured by pledges on the purchased vehicles (Note 17).

f) A loan of Euro 5.000.000 (2014: Euro 5.000.000) was drawn down on 10 July 2013. Principal will be commenced on 18 July 2016. Repayments of interest will be on semiannual basis. The loan carries interest of 4,3%.

g) A loan of TRY 9.720.000 (2014: TRY 12.960.000) was drawn down on 1 August 2013. Repayments of interest and principal commenced on 3 February 2014 and will continue till 1 August 2018 on semiannual basis. The loan carries interest of 9,8%. This loan is also secured by the Group's two lands located at Çerkezköy at an amount of TRY 16.200.000 (Note 17).

h) A loan of TRY 4.923.077 (2014: TRY 7.384.615) was drawn down on 24 October 2013. Repayments of interest and principal will be commenced on 24 October 2014 and will continue till 19 October 2017 quarterly. The loan carries interest of 11,0%. This loan is also secured by the Group's factory buildings located at Çerkezköy and other buildings' mortgages at an amount of US Dollar 15.750.000 (Note 17).

i) A loan of TRY 6.000.000 (2014: TRY 8.000.000) was drawn down on 4 December 2013. Repayments of interest and principal will be commenced on 4 June 2014 and will continue till 4 December 2018 on semiannual basis. The loan carries interest of 11,5%.

j) A loan of TRY 12.000.000 (2014: TRY 16.000.000) was drawn down on 10 December 2013. Repayments of interest and principal will be commenced on 10 June 2014 and will continue till 10 December 2018 on semiannual basis. The loan carries interest of 11,5%. This loan is also secured by the Group's factory buildings located at Çerkezköy and other buildings' mortgages at an amount of TRY 20.000.000 (Note 17).

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5. FINANCIAL LIABILITIES (cont'd)

i) Bank loans (cont'd)

k) A loan of TRY 48.418 (2014: 70.651) was drawn down on 31 October 2014. Repayments of interest and principal commenced on 28 November 2014 and will continue till 31 October 2017. The loan carries interest of 11,4%. This loan is also secured by pledges on the purchased vehicles (Note 17).

l) A loan of TRY 44.000.000 (2014: 55.000.000) was drawn down on 23 December 2014. Repayments of interest and principal commenced on 23 June 2015 and will continue till 23 December 2019 semi-annually. The loan carries interest of 11,15%. This loan is also secured by the Group's headquarter building located at Halkalı at an amount of TRY 55.000.000 (Note 17)

m) The Group has spot loans amounting to TRY 218.607.000 (2014: TRY 150.615.000), with an average interest of 12,81% and have loans with no interest amounting to TRY 2.283.811 (2014: TRY 2.051.807).

The Group uses its notes receivables as collaterals for its revolving loans. As of 31 December 2015, the amount of the notes receivables given as collateral is TRY 147.236.939 (31 December 2014: TRY 86.424.286).

ii) Obligations under finance leases

None (2014: None).

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6. RELATED PARTY TRANSACTIONS

All intra-group transactions, balances, income and expenses are eliminated on consolidation; therefore they are not disclosed in this note.

	31 December 2015							
	Receivables				Payables			
	Current		Non-current		Current		Non-current	
Balances with related parties	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading
Shareholders								
East Pharma S.A.R.L.	-	-	-	-	3.218.559	-	-	-
Individual shareholders	-	-	-	-	-	45.494	-	-
Other companies managed by ultimate parent								
Saba İlaç Sanayi ve Ticaret A.Ş.	13.208.306	-	-	-	-	-	-	-
	13.208.306	-	-	-	3.218.559	45.494	-	-

	1 January - 31 December 2015							
Transactions with related parties	Purchases	Goods/Services Sales	Interest received	Interest given	Rent income	Royalty expenses (*)	Other income (**)	Other expense
Shareholders								
East Pharma S.A.R.L.	24.970.371	-	-	-	-	10.234.002	-	-
Other companies managed by ultimate parent								
Saba İlaç Sanayi ve Ticaret A.Ş.	59.380.714	7.739.185	2.525.469	-	476.083	-	2.117.644	40.777
	84.351.085	7.739.185	2.525.469	-	476.083	10.234.002	2.117.644	40.777

(*) Pursuant to the terms of the agreement related to the purchase of Roche product licenses signed between Deva Holding A.Ş. and its main shareholder EastPharma SARL, the Group is liable to pay a royalty amount for the product licenses acquired through Eastpharma SARL calculated over the net sales of the products. The royalty percentages have been arrived at on the basis of a valuation carried out by an independent valuer not connected with the Group and one of the accredited independent auditors by Capital Markets Board on 27 February 2015, with an updated Valuation Report which is effective by January 2015. The valuation was arrived at by economic approach method predicated on discounted cash flow.

(**) Other income consists of commission income received from the sale of Saba İlaç products, the Group's related party.

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6. RELATED PARTY TRANSACTIONS (cont'd)

	31 December 2014							
	Receivables				Payables			
	Current		Non-current		Current		Non-current	
Balances with related parties	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading
Shareholders								
East Pharma S.A.R.L.	-	-	-	-	2.513.438	-	-	-
Individual shareholders	-	-	-	-	-	45.494	-	-
Other companies managed by ultimate parent								
Saba İlaç Sanayi ve Ticaret A.Ş.	9.244.018	-	-	-	-	-	-	-
	9.244.018	-	-	-	2.513.438	45.494	-	-

	1 January - 31 December 2014							
Transactions with related parties	Purchases	Goods/Services Sales	Interest received	Interest given	Rent income	Royalty expenses (*)	Other income (**)	Other expense
Shareholders								
East Pharma S.A.R.L.	14.072.037	-	-	-	-	8.666.556	-	-
Other companies managed by ultimate parent								
Saba İlaç Sanayi ve Ticaret A.Ş.	48.294.454	6.724.800	2.161.799	-	376.577	-	1.713.062	-
	62.366.491	6.724.800	2.161.799	-	376.577	8.666.556	1.713.062	-

(*) Pursuant to the terms of the agreement related to the purchase of Roche product licenses signed between Deva Holding A.Ş. and its main shareholder EastPharma SARL, the Group is liable to pay a royalty amount for the product licenses acquired through Eastpharma SARL calculated over the net sales of the products. The royalty percentages have been arrived at on the basis of a valuation carried out by an independent valuer not connected with the Group and one of the accredited independent auditors by Capital Markets Board on 5 February 2014, with an updated Valuation Report which is effective by January 2014. The valuation was arrived at by economic approach method predicated on discounted cash flow.

(**) Other income consists of commission income received from the sale of Saba İlaç products, the Group's related party.

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6. RELATED PARTY TRANSACTIONS (cont'd)

Loans used by related parties for the year ended 31 December 2015 and 31 December 2014 are stated below:

	31 December 2015			
Loans used by related parties	Original currency	Maturity (Day)	Interest Rate %	Short term Payables
Subsidiaries				
Deva Holdings NZ	ABD Doları	93	%2,0	344.366
	NZ Doları	93	%2,0	3.015.500
				3.359.866

	31 December 2014			
Loans used by related parties	Original currency	Maturity (Day)	Interest Rate %	Short term Payables
Subsidiaries				
Deva Holdings NZ	US Dollar	93	3,5%	345.694
	NZ Dollar	93	3,5%	3.027.125
				3.372.819

Benefits provided to key management personnel include the salaries, premiums and retirement pay for the year ended 31 December 2015 and 2014 are stated below:

Compensation of key management personnel	1 January-31 December 2015	1 January-31 December 2014
Short-term benefits	11.194.326	6.530.041
Long-term benefits	138.229	109.831
	11.332.555	6.639.872

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7. TRADE RECEIVABLES AND PAYABLES

Trade Receivables

Current trade receivables	31 December 2015	31 December 2014
Trade receivables	64.675.688	51.284.407
Notes receivable	168.898.616	141.507.811
Discount on notes receivables (-)	(2.589.296)	(2.184.161)
Due from related parties (Note 6)	13.208.306	9.244.018
Other trade receivables	54.375	37.826
Income accruals (*)	2.363.128	2.454.078
Provision for doubtful receivables (-)	(6.330.575)	(6.751.570)
	240.280.242	195.592.409

As of 31 December 2015 and 31 December 2014, the Group provided provision for uncollectable part of its past due trade and other receivables. The rest of the receivable amount is neither past due nor impaired. During 2015, the average credit period on sales is 120 days (2014: 117 days).

(*) The Group receives government grants related to development costs. The balance includes the income accrual for the grants received from TUBİTAK (Scientific and Technological Research Council of Turkey). As of 31 December 2015 TUBITAK income accrual amounts to TRY 2.328.057 (31 December 2014: TRY 2.149.768).

Collaterals held for trade receivables that are neither past nor due as at the balance sheet date, are as follows:

	31 December 2015	31 December 2014
Letter of guarantees received	22.935.739	16.155.095
	22.935.739	16.155.095

The Group's principal financial assets are trade and other receivables, and investments. The Group's credit risk is primarily attributable to its trade receivables. As of 31 December 2015, two customers represented 25% and 31% of the total trade and other receivables balance, respectively (31 December 2014: 26% and 31%).

The Company is the distributor of the Saba İlaç A.Ş's, a related party, pharmaceutical products, in addition, giving toll manufacturing, finance, administrative and R&D services. Receivable amounting to TRY 13.208.306 is related to these transactions (Note 6).

The allowance for trade receivables is provided based on the estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience and current financial structure of customers.

The movement of the allowance for doubtful receivables for the year ended 31 December 2015 and 2014 is as follows:

	1 January-31 December 2015	1 January-31 December 2014
Balance at 1 January	6.751.570	6.908.739
Charge for the period	434.337	(157.169)
Provisions no longer required	(855.332)	-
Balance at 31 December	6.330.575	6.751.570

The effective interest rate used for the discount of TRY trade receivables is 11,5% (2014: 10,5%), and for foreign currency trade receivables year end libor rates have been used.

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7. TRADE RECEIVABLES AND PAYABLES (cont'd)

Trade Payables

Current trade payables	31 December 2015	31 December 2014
Trade payables	45.344.781	31.861.568
Notes payable	4.854	3.871
Due to related parties (Note: 6) (*)	3.218.559	2.513.438
Expense accruals (**)	554.807	1.192.190
Royalty expense accruals	389.456	415.387
	49.512.457	35.986.454

(*) As of 31 December 2015, royalty payable to Eastpharma S.A.R.L for the sale of products that Eastpharma S.A.R.L. holds the rights is TRY 1.914.224 (31 December 2014: TRY 2.513.438). Eastpharma S.A.R.L. holds Turkey rights of 17 Roche products acquired in 2008. Eastpharma S.A.R.L. also holds the right of one Roche product in 17 different foreign countries. As of 31 December 2015, there is TRY 1.304.335 payable amount to Eastpharma S.A.R.L. related with the raw material purchase from F. Hoffman – La Roche Ltd (31 December 2014: None).

(**)As of December 2015, expense accruals includes turnover premium provision amounts to TRY 378.557 (31 December 2014: TRY 1.067.264).

Notes payables consist of cheques given to suppliers with maturities less than 1 year.

As of 31 December 2015 and 31 December 2014, the Group has no long term trade payables.

8. OTHER RECEIVABLES AND PAYABLES

Other current receivables	31 December 2015	31 December 2014
Other receivables	2.145.967	1.554.551
Due from personnel	127.243	469.866
Provision for other doubtful receivables (-)	(1.918.933)	(1.357.307)
Deposits and guarantees given	65.578	58.696
	419.855	725.806

The movement of the allowance for other doubtful receivables for the year ended 31 December 2015 and 2014 is as follows:

	1 January-31 December	1 January-31 December
Balance at 1 January	1.357.307	-
Charge for the year	561.626	1.357.307
Balance at 31 December	1.918.933	1.357.307

Other current payables	31 December 2015	31 December 2014
Deposits and guarantees received	146.180	116.745
Due to related parties (Note 6)	45.494	45.494
Other current payables	927.378	513.236
	1.119.052	675.475

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9. INVENTORIES

	31 December 2015	31 December 2014
Raw materials	97.445.126	97.626.092
Work-in-progress	14.540.263	18.303.992
Finished goods	71.257.371	42.036.615
Trade goods	278.741	1.068.555
Allowance for diminution in value of inventories	(8.209.996)	(4.081.349)
	175.311.505	154.953.905

As of 31 December 2015, insured inventory amounts to TRY 180.000.000 (31 December 2014: TRY 160.000.000).

Allowance for diminution in value of inventories has been recognized as expense in cost of goods sold and the distribution of allowance by inventory item is as follows:

	31 December 2015	31 December 2014
Raw materials	4.224.200	1.415.537
Work-in-progress	981.162	447.860
Finished goods	3.004.634	2.217.952
	8.209.996	4.081.349

The movement of allowance for diminution in value of inventories is as follows:

	1 January-31 December 2015	1 January-31 December 2014
Balance at 1 January	4.081.349	1.416.433
Provision for the year	7.601.156	3.025.555
Provision no longer required	(3.472.509)	(360.639)
Balance at 31 December	8.209.996	4.081.349

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10. PREPAID EXPENSES AND DEFERRED REVENUE

Short term prepaid expenses	31 December 2015	31 December 2014
Advances given for inventory	10.082.232	7.884.019
Prepaid expenses	2.926.828	2.123.318
Business advances given	60.486	346.770
	13.069.546	10.354.107

Long term prepaid expenses	31 December 2015	31 December 2014
Advances given for property, plant & equip.	8.754.790	2.164.303
Prepaid expenses	230.000	192.000
	8.984.790	2.356.303

Short term deferred revenue	31 December 2015	31 December 2014
Advances received	524.994	481.306
Deferred income	1.691.631	763.595
	2.216.625	1.244.901

Long term deferred revenue	31 December 2015	31 December 2014
Deferred income	354.999	940.297
	354.999	940.297

11. ASSETS RELATING TO CURRENT TAX

Current assets relating to current tax	31 December 2015	31 December 2014
Prepaid tax	132.961	216.418
	132.961	216.418

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12. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
Acquisition cost									
Opening balance,1 January 2015	28.273.418	615.688	142.139.230	256.807.042	5.835.217	23.344.340	249.848	28.509.271	485.774.054
Additions	-	1.600	-	-	-	2.510.372	23.000	28.709.408	31.244.380
Disposals	-	(71)	-	(1.266.908)	(48.603)	(307.134)	-	-	(1.622.716)
Transfers from construction in progress	-	-	3.872.864	39.916.696	-	-	-	(43.789.560)	-
Closing balance, 31 December 2015	28.273.418	617.217	146.012.094	295.456.830	5.786.614	25.547.578	272.848	13.429.119	515.395.718
Accumulated depreciation									
Opening balance,1 January 2015	-	(270.782)	(20.232.785)	(146.887.647)	(2.826.609)	(17.093.051)	(186.932)	-	(187.497.806)
Reclassifications (*)	-	-	-	(2.773.356)	-	-	-	-	(2.773.356)
Depreciation charge for the period	-	(35.878)	(3.389.351)	(19.246.347)	(1.028.773)	(1.718.633)	(17.408)	-	(25.436.390)
Disposals	-	35	-	1.180.255	21.061	305.948	-	-	1.507.299
Closing balance, 31 December 2015	-	(306.625)	(23.622.136)	(167.727.095)	(3.834.321)	(18.505.736)	(204.340)	-	(214.200.253)
Carrying amount at 31 December 2015	28.273.418	310.592	122.389.958	127.729.735	1.952.293	7.041.842	68.508	13.429.119	301.195.465

(*) TRY 2.773.356, partial depreciation charge of machinery and equipment is directly attributable to development costs related to product licenses and rights. The balance is capitalized in cost value of intangible assets in respect of TAS 16 and TAS 38 (Note 13) as the projects are in progress as at 31 December 2015.

As of 31 December 2015, cost of the property, plant and equipment acquired through finance leases is TRY 1.352.026 and total accumulated depreciation of these property, plant and equipments are TRY 1.352.026. As of 31 December 2015, the leased property plant and equipment has totally been amortized. There were no new finance leases during 2015.

As of 31 December 2015, insured property, plant and equipment amounts to TRY 714.985.000 (31 December 2014: TRY 675.065.000).

The Group's headquarter building and factory and other buildings located in Kocaeli Kartepe and Tekirdağ Çerkezköy and land in Çerkezköy are pledged against the borrowings used at an amount of TRY 55.000.000, TRY 20.000.000, TRY 20.000.000, US Dollar 15.750.000 and TRY 16.200.000 respectively (Note 17).

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12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
Acquisition cost									
Opening balance,1 January 2014	28.273.418	615.688	133.941.733	240.527.691	5.793.248	22.140.229	247.813	13.604.887	445.144.707
Additions	-	-	-	-	119.771	1.526.894	2.035	42.824.318	44.473.018
Disposals	-	-	(219.153)	(3.223.933)	(77.802)	(322.783)	-	-	(3.843.671)
Transfers from construction in progress	-	-	8.416.650	19.503.284	-	-	-	(27.919.934)	-
Closing balance, 31 December 2014	28.273.418	615.688	142.139.230	256.807.042	5.835.217	23.344.340	249.848	28.509.271	485.774.054
Accumulated depreciation									
Opening balance,1 January 2014	-	(234.930)	(17.091.772)	(129.213.279)	(1.889.339)	(15.648.175)	(166.198)	-	(164.243.693)
Reclassifications (*)	-	-	-	(2.615.265)	-	-	-	-	(2.615.265)
Depreciation charge for the period	-	(35.852)	(3.232.914)	(17.985.179)	(1.015.072)	(1.750.361)	(20.734)	-	(24.040.112)
Disposals	-	-	91.901	2.926.076	77.802	305.485	-	-	3.401.264
Closing balance, 31 December 2014	-	(270.782)	(20.232.785)	(146.887.647)	(2.826.609)	(17.093.051)	(186.932)	-	(187.497.806)
Carrying amount at 31 December 2014	28.273.418	344.906	121.906.445	109.919.395	3.008.608	6.251.289	62.916	28.509.271	298.276.248

(*) TRY 2.615.265, partial depreciation charge of machinery and equipment, is directly attributable to development costs related to product licenses and rights and is capitalized in cost value of intangible assets in respect of TAS 16 and TAS 38 as the projects are in progress as at 31 December 2014 (Note 13).

As of 31 December 2014, cost amount of the property, plant and equipment acquired through finance leases are TRY 1.352.026 and total accumulated depreciation of these property, plant and equipments are TRY 1.280.696. Net carrying amount of leased property plant and equipment consist of TRY 71.329 machinery and equipment. During 2014, the Group has disposed TRY 77.802 amounted property plant and equipment previously acquired through leasing. There were no new finance leases during 2014.

As of 31 December 2014, insured property, plant and equipment amounts to TRY 675.065.000 (31 December 2013: TRY 572.810.000).

The Group's headquarter building and factory and other buildings located in Kocaeli Kartepe and Tekirdağ Çerkezköy and land in Çerkezköy are pledged against the borrowings used at an amount of TRY 55.000.000, TRY 20.000.000, TRY 20.000.000, US Dollar 15.750.000 and TRY 16.200.000 (Note 17).

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12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Depreciation periods for property, plant and equipment, which approximate the useful lives of such assets, are as follows:

Land improvements	25-50 years
Buildings	25-50 years
Machinery and equipment	4-30 years
Vehicles	5 years
Furniture and fixtures	5 years
Leasehold improvements	2-3 years

Property, plant and equipment are depreciated principally on a straight-line basis except land and construction in progress. The estimated useful lives, residual values and depreciation method are reviewed at each year end for the possible effects of change in estimates, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation and amortization expense of TRY 17.670.501 (2014: TRY 17.288.068) has been charged to 'cost of goods sold', TRY 9.002.978 (2014: TRY 7.909.929) to 'operating expenses' and TRY 5.019.799 is capitalized on inventory (2014: TRY 3.890.756).

13. INTANGIBLE ASSETS

	Product Licenses and Rights	Customer Relationship	Capitalized Development Costs	Total
Acquisition cost				
Opening balance, 1 January 2015	101.429.533	3.730.513	94.462.859	199.622.905
Reclassifications (*)	-	-	2.773.356	2.773.356
Additions (**)	-	-	44.969.397	44.969.397
Transfers from construction in progress	27.323.642	-	(27.323.642)	-
Disposals	-	-	-	-
Closing balance, 31 December 2015	128.753.175	3.730.513	114.881.970	247.365.658
Accumulated amortization				
Opening balance, 1 January 2015	(39.315.150)	(1.212.418)	(6.040.401)	(46.567.969)
Amortization charge for the period	(6.070.364)	(186.524)	-	(6.256.888)
Disposals	-	-	-	-
Impairment	-	-	(11.880.557)	(11.880.557)
Closing balance, 31 December 2015	(45.385.514)	(1.398.942)	(17.920.958)	(64.705.414)
Carrying amount, 31 December 2015	83.367.661	2.331.571	96.961.012	182.660.244

(*) TRY 2.773.356, partial depreciation charge of machinery and equipment, is directly attributable to development costs related to product licenses and rights and is capitalized in cost value of intangible assets in respect of TAS 16 and TAS 38 as the projects are in progress as at 31 December 2015 (Note 12).

(**) Additions mainly consist of own-developed and inlicensed products.

As of 31 December 2015, capitalized financial expense amounts to TRY 2.182.425 (31 December 2014: TRY 2.324.121).

As of 31 December 2015, carrying amount of internally generated intangible assets consist of TRY 30.562.191 of rights and TRY 95.023.645 of capitalized development costs.

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13. INTANGIBLE ASSETS (cont'd)

	Product Licences and Rights	Customer Relationship	Capitalized Development Costs	Total
Acquisition cost				
Opening balance, 1 January 2014	87.555.202	3.730.513	60.967.002	152.252.717
Reclassifications (*)	-	-	2.615.265	2.615.265
Additions (**)	-	-	46.120.076	46.120.076
Transfers from construction in progress	13.956.759	-	- 13.956.759	-
Disposals	(82.428)	-	(1.282.725)	(1.365.153)
Closing balance, 31 December 2014	101.429.533	3.730.513	94.462.859	199.622.905
Accumulated amortization				
Opening balance, 1 January 2014	(34.468.430)	(1.025.894)	(4.749.129)	(40.243.453)
Amortization charge for the period	(4.862.117)	(186.524)	-	(5.048.641)
Disposals	15.397	-	-	15.397
Impairment	-	-	(1.291.272)	(1.291.272)
Closing balance, 31 December 2014	(39.315.150)	(1.212.418)	(6.040.401)	(46.567.969)
Carrying amount, 31 December 2014	62.114.383	2.518.095	88.422.458	153.054.936

(*) TRY 2.615.265, partial depreciation charge of machinery and equipment is directly attributable to development costs related to product licenses and rights and is capitalized in cost value of intangible assets in respect of TAS 16 and TAS 38 as the projects are in progress as at 31 December 2014 (Note 12).

(**) Additions mainly consist of own-developed and inlicensed products.

As of 31 December 2014, capitalized financial expense amounts to TRY 2.324.121 (31 December 2013: TRY 855.519).

As of 31 December 2014, carrying amount of internally generated intangible assets consist of TRY 23.354.250 of rights and TRY 76.478.479 of capitalized development costs.

Amortization periods for intangible assets, which approximate the useful lives of such assets, are as follows:

Licenses and rights	3-15 years
Customer relationship	20 years
Development costs	15 years

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14. GOODWILL

	31 December 2015	31 December 2014
Goodwill	1.782.731	1.782.731

On 14 March 2008, the Company's parent Eastpharma S.A.R.L signed a definitive Asset Purchase Agreement with F. Hoffmann-La Roche Ltd ("Roche") relating to the purchase of all rights, liabilities and registrations for eight Roche products registered in Turkey.

In addition, on 16 May 2008, the Eastpharma S.A.R.L signed a License and Supply Agreement allowing Eastpharma S.A.R.L to license an additional eight Roche products on an exclusive basis for Turkey. Company is a party to the agreements signed by its ultimate parent company, Eastpharma S.A.R.L.

There is no termination date for the Asset Purchase Agreement. The License and Supply Agreement will remain in force for five years as of effective date. At the expiry date, the Company has used the right to extend the agreement for an additional three years.

The necessary regulatory approvals of the Turkish Competition Board were obtained on 16 May 2008 and the agreement has become effective as of 19 September 2008. The Company's parent Eastpharma S.A.R.L transferred the rights and registration of 14 pharmaceuticals products in Turkey to Deva Holding A.Ş. within the scope of Asset Purchase and License and Supply Agreement.

The purchase price was funded through cash of TRY 18.897.646 net of cash received for the past termination rights of the personnel transferred to the Company. Based on the goodwill impairment test performed, there is no indication of impairment as of 31 December 2015 (Note 2).

Goodwill arising from the business combination is allocated to human pharma segment and there is no allocation to other segments as of 31 December 2015.

15. GOVERNMENT INCENTIVES AND GRANTS

	31 December 2015	31 December 2014
Short term government grants and incentives (*)	1.810.186	1.584.839
	1.810.186	1.584.839

	31 December 2015	31 December 2014
Long term government grants and incentives (*)	13.747.068	15.707.696
	13.747.068	15.707.696

(*) The Group receives government grants related to development costs. The balance consists of the income accrual for the grants received from TUBITAK (Scientific and Technological Research Council of Turkey). As the grant related to the assets is capitalized as development cost, consideration received or receivable is recorded as deferred revenue. Deferred revenue is amortised over useful life of the asset to match the related expense in the income statement.

During the year ended 31 December 2015, the Group received TRY 1.794.656 grant related with its development costs.

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15. GOVERNMENT INCENTIVES AND GRANTS (cont'd)

The Group has 6 ongoing research and development projects approved by TÜBİTAK. Deva has started 6 new projects in 2015. Total research and development expenses incurred during the year ended 31 December 2015 related with these projects amounted to TRY 25.891.930.

In May 2010, the Group obtained the license of Research and Development Center within the scope of the Support of Research and Development Document numbered 5746. This license permits expenses related to TÜBİTAK and research and development center projects to be partially funded and exempt from tax. The cash based payments to be made to Deva are identified by TÜBİTAK within the context of each project based on the period expense. 60% of the total amount of approved expenses incurred in 2015 has been paid in cash. In addition, based on the approval of the expenses incurred in 2015, 57% of the total expenses incurred related with projects has been recorded as income accrual.

The Group has obtained the license of support of Research and Development Documents numbered 111282 and 112159 for Çerkezköy facility for the period between May 28, 2013 and May 28, 2016. Total expenses related with the project numbered 111282 and 112159 for the year 2015 amount to TRY 3.779.962 and TRY 8.385.005, respectively.The Group has obtained the license of support of Research and Development Document numbered 114407 for Köseköy facility in 2015. Total expenses related with project number 114407 for the year 2015 amount to TRY 2.593.736.

The expenses within the scope of research incentive are exempt from value added tax and custom tax, and have different advantages in scope of other tax.

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16. PROVISIONS

Short term provisions	31 December 2015	31 December 2014
Expense accruals due to price regulation	1.178.310	1.862.500
Accrued sales discounts	2.640.395	3.385.655
Provision for legal claims	3.933.326	3.990.173
	7.752.031	9.238.328

	Expense accruals due to price regulation	Accrued sales discounts	Provision for legal claims (*)	Total
Opening balance, 1 January 2015	1.862.500	3.385.655	3.990.173	9.238.328
Charge for the period	2.593.521	30.879.459	2.975.099	36.448.079
Payments made during the period	(1.415.211)	(29.596.694)	(854.729)	(31.866.634)
Reversal of provision	(1.862.500)	(2.028.025)	(2.177.217)	(6.067.742)
Closing balance, 31 December 2015	1.178.310	2.640.395	3.933.326	7.752.031
Opening balance, 1 January 2014	3.903.556	2.834.512	5.553.532	12.291.600
Charge for the period	193.998	34.334.488	2.327.626	36.856.112
Payments made during the period	(372.554)	(30.330.294)	(1.807.561)	(32.510.409)
Reversal of provision	(1.862.500)	(3.453.051)	(2.083.424)	(7.398.975)
Closing balance, 31 December 2014	1.862.500	3.385.655	3.990.173	9.238.328

(*) Provisions include amounts related to labor and tax cases against the Group. Labor cases are related to re-employment, debt related to labor contracts and damage related to labor contract. Tax cases are related with value added taxes, corporate tax, stamp duty and the related tax penalties.

Total provisions for the legal cases opened and currently pending against the Group represent the Management's best estimate of the Group's legal liability to claiming parties. The charge in the year of 2015 and 2014 include the provisions for the legal cases opened by the discharged personnel and fines received from tax authority as a result of general inspections in the pharmaceutical sector in Turkey. Since there is more than 1 legal case, potential cash outflows will be in the different periods. As of 31 December 2015, there are 218 pending legal cases. TRY 3.782.128 represents provision for legal cases opened by discharged personnel and TRY 151.198 represents provision for fines received from tax authority.

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17. COMMITMENTS

	Currency Type	Balance	Currency Rate	31 December 2015
Mortgage	US Dollar	15.750.000	2,9076	45.794.700
	TRY	111.200.000	1,0000	111.200.000
				156.994.700
Promissory notes (*)	TRY	110.122.500	1,0000	110.122.500
	EUR	-	3,1776	-
	US Dollar	23.519.397	2,9076	68.385.000
				178.507.500
Guarantee letters given	TRY	21.134.253	1,0000	21.134.253
	US Dollar	-	2,9076	-
				21.134.253
Pledges (**)	TRY	57.131	1,0000	57.131
				57.131
				356.693.584

	Currency Type	Balance	Currency Rate	31 December 2014
Mortgage	US Dollar	15.750.000	2,3189	36.522.675
	TRY	111.200.000	1,0000	111.200.000
				147.722.675
Promissory notes (*)	TRY	73.862.500	1,0000	73.862.500
	EUR	1.772.610	2,8207	5.000.000
	US Dollar	12.559.834	2,3189	29.125.000
				107.987.500
Guarantee letters given	TRY	25.959.003	1,0000	25.959.003
	US Dollar	64.000	2,3189	148.410
				26.107.413
Pledges (**)	TRY	932.718	1,0000	932.718
				932.718
				282.750.306

(*) Promissory notes are given as guarantees for the loans obtained.
(**) Pledges are given as guarantees for the vehicle loans obtained.
The legal, physical and administrative responsibilities of factory building located in Kartepe which belong to the period before 28 December 2011 when the building is sold is pertained by the Company. Any penalty to be applied for the Company's operations that have occurred as a result of matters that constitute a violation of environmental legislation till the date of delivery is limited by US Dollar 3.000.000 and any claim above this limit can not be demanded from the Company. The Group management does not expect any cash outflow for the corresponding matter and no provision is recognized to the consolidated financials as of balance sheet date.

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17. COMMITMENTS (cont'd)

As of 31 December 2015 and 31 December 2014, the Group's Guarantees/Pledge/Mortgages ("GPM") are as follows:

Guarentees/Pledge/Mortgages given by the Group (GPM)	31 December 2015			
	TRY Equivalent	US Dollar	EUR	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	17.238.253	-	-	17.238.253
-Pledge	57.131	-	-	57.131
-Mortgage	156.994.700	15.750.000	-	111.200.000
	174.290.084	15.750.000	-	128.495.384
B. GPM given on behalf of subsidiaries that are included in full consolidation				
-Guarantee	182.403.500	23.519.397	-	114.018.500
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	182.403.500	23.519.397	-	114.018.500
C. GPM's given on behalf of third parties for ordinary course of the business	-	-	-	-
D. Other GPM	-	-	-	-
Total	**356.693.584**	**39.269.397**	**-**	**242.513.884**

	31 December 2014			
	TRY Equivalent	US Dollar	EUR	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	23.696.413	64.000	-	23.548.003
-Pledge	932.718	-	-	932.718
-Mortgage	147.722.675	15.750.000	-	111.200.000
	172.351.806	15.814.000	-	135.680.721
B. GPM given on behalf of subsidiaries that are included in full consolidation				
-Guarantee	110.398.500	12.559.834	1.772.610	76.273.500
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	110.398.500	12.559.834	1.772.610	76.273.500
C. GPM's given on behalf of third parties for ordinary course of the business	-	-	-	-
D. Other GPM	-	-	-	-
Total	**282.750.306**	**28.373.834**	**1.772.610**	**211.954.221**

As of 31 December 2015, the Company's Other GPM / Equity ratio is nil (31 December 2014: Nil).

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17. COMMITMENTS AND CONTINGENT LIABILITIES (cont'd)

As of 31 December 2015 and 31 December 2014, Group's irreversible operating lease liabilities are as follows:

	EUR	TRY	31 December 2015
Maturity less than 1 year	811.097	2.687.002	5.264.342
Maturity between 1 - 5 years	82.010	2.889.252	3.149.847
	893.107	5.576.254	8.414.190

	EUR	TRY	31 December 2014
Maturity less than 1 year	866.026	2.683.816	5.126.614
Maturity between 1 - 5 years	866.675	5.523.744	7.968.373
	1.732.700	8.207.560	13.094.987

The Group's operational leases mainly consist of vehicles given to sales personnel and the total expense related with the operating lease payments for the year ended 31 December 2015 amounts to TRY 5.240.508 (1 January – 31 December 2014: TRY 5.097.255).

18. EMPLOYMENT BENEFITS

Short-term benefits provided to employees

Payables for benefits provided to employees	31 December 2015	31 December 2014
Due to personnel	564.077	166.851
Taxes and funds payables	2.069.623	1.644.387
Social security premiums payable	2.256.142	2.045.265
	4.889.842	3.856.503

Provisions for benefits provided to employees	31 December 2015	31 December 2014
Accrued vacation pay liability	5.227.436	4.330.894
Bonus given to personnel	1.807.637	1.973.058
Provision for seniority incentive and management premium(*)	167.187	133.337
Other accruals and payables	9.937.180	3.841.967
	17.139.440	10.279.256

(*)The provision for seniority incentive and other benefits as of 31 December 2015 includes US Dollar 57.500 (TRY 167.187) related to special termination benefits granted to certain employees of Deva immediately prior to the acquisition by Eastpharma. The Company is required to pay these individuals incremental termination benefits, in addition to all other legal termination benefits, when the employee leaves the Company.

The Group, has recognized provision for vacation pay liability, due to the tendency to be used within one year, as short term provisions in Group financial statements.

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18. EMPLOYMENT BENEFITS (cont'd)

	Accrued vacation pay liability	Bonus given to personnel	Provision for seniority incentive and management premium	Total
Provision at 1 January	4.330.894	1.973.058	133.337	6.437.289
Charge for the period	2.258.561	1.807.637	33.850	4.100.048
Payments during the period	(1.362.019)	(1.973.058)	-	(3.335.077)
Provision at 31 December 2015	5.227.436	1.807.637	167.187	7.202.260
Provision at 1 January	3.828.852	646.158	133.394	4.608.404
Charge for the period	1.477.445	1.973.058	10.560	3.461.063
Payments during the period	(975.403)	(646.158)	(10.617)	(1.632.178)
Provision at 31 December 2014	4.330.894	1.973.058	133.337	6.437.289

Provision for employment termination benefits

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions in accordance with the provisions set out in law no: 2422 issued at 6 March 1981, law no: 4447 issued at 25 August 1999 and the amended Article 60 of the existing Social Insurance Law No: 506. Some transitional provisions related to the pre-retirement service term were excluded from the law since the related law was amended as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of TRY 3.828,37 for each period of service at 31 December 2015 (31 December 2014: TRY 3.438,22).

The provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2015, the provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates are calculated assuming an annual inflation rate of 8,50% and a discount rate of 12,00%, resulting in a real discount rate of approximately 3,23% (31 December 2014: 3,74%). The anticipated rate of retirement is considered as 88,75% (2014: 90,08%). As the maximum liability is revised semi annually, the maximum amount of TRY 4.092,53 effective from 1 January 2016 is taken into consideration in the calculation of provision from employment termination benefits.

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18. EMPLOYMENT BENEFITS (cont'd)

Provision for employment termination benefits (cont'd)

Below is the movement of employment termination provision:

	1 January - 31 December 2015	1 January - 31 December 2014
Provision at 1 January	4.922.854	4.873.079
Service cost	3.196.455	2.145.429
Interest cost	183.433	181.573
Termination benefits paid	(2.372.405)	(1.917.699)
Actuarial loss / (gain)	7.809.542	(359.528)
Provision at 31 December	13.739.879	4.922.854

19. OTHER CURRENT ASSETS

Other current assets	31 December 2015	31 December 2014
Deferred VAT	9.390.390	7.293.575
Other VAT	834.196	1.697.235
	10.224.586	8.990.810

Other current liabilities	31 December 2015	31 December 2014
Taxes and funds payables	1.490.648	1.582.682
Other VAT	117.451	125.604
	1.608.099	1.708.286

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20. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Capital

Name	(%)	31 December 2015	(%)	31 December 2014
Eastpharma S.A.R.L.	82,2	164.424.760	82,2	164.424.760
Other	17,8	35.575.240	17,8	35.575.240
Nominal capital	100,0	200.000.000	100,0	200.000.000
Inflation adjustment to share capital		140.080.696		140.080.696
Capital investment adjustment (-)		(28.847)		(28.847)
Adjusted share capital		340.051.849		340.051.849

As of 31 December 2015, the Company's capital consists of 19.999.999.990 Type C common shares each with a nominal value of TRY 0,01, 5 Type B preferred shares and 5 Type A preferred shares (31 December 2014: Company's capital consists of 19.999.999.990 Type C common shares each with a nominal value of TRY 0,01, 5 Type B preferred shares and 5 Type A preferred shares).

Common shares

Each common share has one voting right. Dividend distribution is based on the approval of the decision taken by the Board of Directors, by the General Assembly within the rules of Turkish Commercial Code, Capital Markets Board (CMB) regulations and the Company's main agreement.

Preferred shares

Each one of the type A and B preferred share certificates have a voting right 10 times that of the common shares. Pursuant to the Articles of Association of the Company, 10% of the amount calculated after deducting the 5% of first legal reserves, statutory tax payments and 6% of the paid-in capital is distributed to holders of Type A shares. The remaining profit amount, in full or partial, is allocated equally to each ordinary share. A and B type shares do not have liquidation preferences. Liquidation is carried out based on the terms of the Turkish Commercial Code. In the general assembly meeting dated 27 April 2007, nominal value of shares has been changed to TRY 0,01. As a result, the number of preferred shares decreased to 10 from 100 in respect of 5274 numbered law.

As of 31 December 2015 and 31 December 2014, the details of capital and other balances disclosed under equity are as follows:

	31 December 2015	31 December 2014
Capital	200.000.000	200.000.000
Premium in excess of par	2.870.803	2.870.803
Restricted reserves assorted from profit	150.864.955	150.864.955
Capital investment adjustment (-)	(28.847)	(28.847)
	353.706.911	353.706.911

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20. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (cont'd)

Restricted reserves appropriated from profit

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code, are not distributable to shareholders. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

In accordance with the CMB's requirements which were effective until 1 January 2008, the amount generated from the first-time application of inflation adjustments on financial statements, and followed under the "accumulated loss" item was taken into consideration as a reduction in the calculation of profit distribution based on the inflation adjusted financial statements within the scope of the CMB's regulation issued on profit distribution. The related amount that was followed under the "accumulated loss" item could also be offset against the profit for the period (if any) and undistributed retained earnings and the remaining loss amount could be offset against capital reserves arising from the restatement of extraordinary reserves, legal reserves and equity items, respectively.

In addition, in accordance with the CMB's requirements which were effective until 1 January 2008, at the first-time application of inflation adjustments on financial statements, equity items, namely "Capital issue premiums", "Legal reserves", "Statutory reserves", "Special reserves" and "Extraordinary reserves" were carried at nominal value in the balance sheet and restatement differences of such items were presented in equity under the "Shareholders' equity inflation restatement differences" line item in aggregate. "Shareholders' equity inflation restatement differences" related to all equity items could only be subject to the capital increase by bonus issue or loss deduction, while the carrying value of extraordinary reserves could be subject to the capital increase by bonus issue; cash profit distribution or loss deduction.

Currency translation reserve

Financial statements of subsidiaries, operating in countries other than Turkey, are adjusted to TAS for the purpose of fair presentation. Subsidiaries' assets and liabilities are translated into TRY from the foreign exchange rate at the balance sheet date and income and expenses are translated into TRY at the average foreign exchange rate. Exchange differences arising from the translation of the opening net assets and differences between the average and balance sheet date rates are included in the "currency translation difference" under the shareholders' equity.

Retained earnings

The Group's accumulated deficit as of 31 December 2015 and 31 December 2014 amounts to TRY 82.001.902 and TRY 90.724.844, respectively. The accumulated deficit balance also includes TRY 26.410.082 of extraordinary reserves (31 December 2014: TRY 26.410.082).

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21. REVENUE AND COST OF SALES

Revenue (net)	1 January – 31 December 2015	1 January – 31 December 2014
Human pharma revenue	536.798.277	432.735.269
Veterinary products revenue	31.891.942	28.220.761
Other revenue	7.689.881	6.983.974
	576.380.100	467.940.004

Cost of revenue	1 January – 31 December 2015	1 January – 31 December 2014
Raw and other materials used	(201.089.187)	(146.249.442)
Direct labor cost	(16.290.009)	(14.854.341)
Production overheads	(86.994.521)	(81.659.669)
Depreciation expenses	(17.670.501)	(17.288.068)
Change in work in process	(3.763.729)	(516.372)
Change in finished goods	29.220.756	(5.288.557)
	(296.587.191)	(265.856.449)
Cost of merchandises sold (*)	(44.862.848)	(38.154.308)
	(341.450.039)	(304.010.757)

(*) Cost of merchandise sold consists of products of Saba İlaç.

22. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATION EXPENSES

	1 January – 31 December 2015	1 January – 31 December 2014
Marketing, sales and distribution expenses	(94.767.692)	(87.864.003)
General administration expenses	(43.208.657)	(31.931.264)
Research and development expenses	(13.120.229)	(4.425.496)
	(151.096.578)	(124.220.763)

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22. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATION EXPENSES (cont'd)

i)Research and development expenses

	1 January – 31 December 2015	1 January – 31 December 2014
Employee benefits expenses	(11.219.392)	(11.035.757)
Depreciation and amortization expenses	-	(141.356)
Cancelled projects	(13.011.725)	(4.235.311)
	(24.231.117)	(15.412.424)
Capitalized personnel expenses	11.110.888	10.986.928
	(13.120.229)	(4.425.496)

As of 31 December 2015, the Group realized research and development expenses of TRY 2.550.076 for tangible assets and TRY 34.784.701 for intangible assets with the total amount TRY 37.334.777 (31 December 2014: TRY 39.004.196). As of balance sheet date TRY 25.891.930 of the amount is for the government grants and incentives (31 December 2014: TRY 23.957.118). Of this total amout TRY 24.214.548 was capitalized on development costs, of which TRY 11.110.888 consists of employee related expenses.

ii)Marketing, sales and distribution expenses

	1 January – 31 December 2015	1 January – 31 December 2014
Employee benefits expenses	(42.912.841)	(40.528.750)
Depreciation and amortization expenses	(980.146)	(1.008.003)
Royalty expenses	(12.220.652)	(10.452.254)
Rent expenses	(6.582.392)	(5.954.066)
Travel, transportation and accommodation expenses	(4.780.652)	(6.106.716)
Consultancy expenses	(1.955.068)	(1.491.749)
Promotional goods and advertising expenses	(21.705.626)	(20.104.238)
Other expenses	(3.630.315)	(2.218.227)
	(94.767.692)	(87.864.003)

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22. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATION EXPENSES (cont'd)

iii)General administration expenses

	1 January – 31 December 2015	1 January – 31 December 2014
Employee benefits expenses	(23.539.736)	(19.117.450)
Depreciation and amortization expenses	(8.022.832)	(6.760.570)
Rent expenses	(291.894)	(248.067)
Travel, transportation and accommodation expenses	(1.958.675)	(1.524.201)
Consultancy expenses	(2.251.330)	(1.263.594)
Promotional goods and advertising expenses	(251.567)	(127.999)
Other expenses	(10.698.174)	(6.882.253)
	(47.014.208)	(35.924.134)
Capitalized personnel expenses	3.805.551	3.992.870
	(43.208.657)	(31.931.264)

23. EXPENSES BY NATURE

	1 January – 31 December 2015	1 January – 31 December 2014
Employee benefits expenses	(77.671.969)	(70.681.957)
Depreciation and amortization expenses	(9.002.978)	(7.909.929)
Royalty expenses (*)	(12.220.652)	(10.452.254)
Rent expenses	(6.874.286)	(6.202.133)
Promotional goods and advertising expenses	(21.957.193)	(20.232.237)
Travel, transportation and accommodation expenses	(6.739.327)	(7.630.917)
Consultancy expenses	(4.206.398)	(2.755.343)
Cancelled projects	(13.011.725)	(4.235.311)
Other expenses	(14.328.489)	(9.100.480)
	(166.013.017)	(139.200.561)
Capitalized personnel expenses	14.916.439	14.979.798
	(151.096.578)	(124.220.763)

(*) Royalty expenses consist of the amount paid to Eastpharma S.A.R.L for the sale of Roche products in the current period. Eastpharma S.A.R.L. holds Turkey rights of 17 Roche products acquired in 2008. Eastpharma S.A.R.L. also holds the right of one Roche product in 17 different foreign countries.

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24. OTHER OPERATING INCOME / EXPENSES

	1 January – 31 December 2015	1 January – 31 December 2014
Foreign exchange gain	6.507.492	637.822
Discount interest income	47.328.128	47.648.155
Commission income (*)	2.117.644	1.746.613
Interest income	3.350.665	3.404.934
Interest on deferred settlement sales	423.099	351.175
Other income and profits	5.580.935	2.703.552
	65.307.963	56.492.251

(*) Commission income consists of consideration received for the sale of Saba İlaç products, the Group's related party (2.117.644 TRY) (Note 6).

	1 January – 31 December 2015	1 January – 31 December 2014
Foreign exchange loss	(1.199.102)	(1.992.960)
Discount interest expenses	(47.944.768)	(47.014.831)
Other expense and losses	(1.593.365)	(2.037.142)
	(50.737.235)	(51.044.933)

25. INVESTMENT INCOME

	1 January – 31 December 2015	1 January – 31 December 2014
Gain on sale of property, plant and equipment	872.274	866.010
Loss on sale of property, plant and equipment	(86.907)	(196.642)
	785.367	669.368

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26. FINANCIAL EXPENSES

	1 January – 31 December 2015	1 January – 31 December 2014
Bank loans interest cost	(32.595.142)	(30.158.289)
Bonds issued interest and expenses	(13.176.784)	(11.109.993)
Total interest cost	(45.771.926)	(41.268.282)
Capitalized expenses (-)	2.182.425	2.324.121
	(43.589.501)	(38.944.161)
Foreign exchange loss	(3.083.231)	(1.517.196)
Gain on derivative instruments	(112.356)	452.900
Other expenses	(699.756)	(768.851)
	(47.484.844)	(40.777.308)

27. TAX ASSETS AND LIABILITIES

Corporate tax

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

Corporate tax 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.

Income withholding tax

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 resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% commencing from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

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27. TAX ASSETS AND LIABILITIES (cont'd)

Tax provision	1 January-31 December 2015	1 January-31 December 2014
Deferred tax expense / (income)	4.085.769	(3.653.797)
Total tax expense / (income)	4.085.769	(3.653.797)

Total charge for the year can be reconciled to the accounting profit as follows:

	1 January-31 December 2015	1 January-31 December 2014
Profit before tax	51.704.734	5.047.862
Enacted tax rate	20%	20%
Expected taxation	10.340.947	1.009.572
Tax effects of:		
- non-deductible expenses	383.339	614.057
- non-taxable income	(1.202.616)	(531.318)
- r&d incentives deductions	(5.435.901)	(4.746.108)
Tax expense / (income) recognized in income statement	4.085.769	(3.653.797)

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported in accordance with TFRS and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

The effective tax rate used for the calculation of deferred tax in 2015 is 20% (2014: 20%).

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

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27. TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax (cont'd)

Deferred tax balances in the balance sheet are presented as follows:

Deferred tax (assets) / liabilities	31 December 2015	31 December 2014
Restatement and useful life differences of property, plant and equipment and intangible assets	6.957.767	4.578.917
Provision for employment termination benefits	(2.747.976)	(984.571)
Carry forward tax losses	(4.345.147)	(7.775.731)
R&D incentives deductions	(12.595.019)	(13.119.500)
Inventories	(2.171.600)	(1.159.184)
Accrued vacation pay liability	(1.045.487)	(866.179)
Accrued sales discounts and free samples	(528.079)	(677.131)
Expense accruals due to price regulation	(235.662)	(372.500)
Provision for doubtful receivables	(1.649.902)	(1.621.775)
Provision for legal cases	(786.665)	(798.035)
Other	(3.413.327)	(2.289.268)
	(22.561.097)	(25.084.957)

The movement of deferred tax assets for the year ended as of 31 December 2015 and 2014 are as follows:

Movements of deferred tax assets / (liabilities)	1 January-31 December 2015	1 January-31 December 2014
Balance at 1 January	25.084.957	21.503.066
Deferred tax (expense) / income recognized in income statement	(4.085.769)	3.653.797
Tax income / (expense) recognized in other comprehensive income	1.561.909	(71.906)
Closing balance, 31 December	22.561.097	25.084.957

As of balance sheet date, the Group has unused tax losses of TRY 21.725.735 available for offset against future profits (31 December 2014: TRY 38.878.655). Deferred tax assets amounting to TRY 4.345.147 are recognized in respect of such losses at 31 December 2015 (31 December 2014: TRY 7.775.731). The total amount of these assets is recognized as management of the Group Management estimates that these losses are recoverable based on the Group's recent forecasts and budget.

As of balance sheet date, the Group has research-development incentives amounting to TRY 62.975.095 available for offset against future profits (31 December 2014: TRY 65.597.500). Deferred tax assets amounting to TRY 12.595.019 are recognized in respect of such incentives at 31 December 2015 (31 December 2014: TRY 13.119.500).

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27. TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax (cont'd)

The maturity analysis of carry forward tax losses is as follows:

	31 December 2015	31 December 2014
2016	-	28.723.232
2018	4.562.817	4.562.817
2019	5.619.709	5.592.606
2020	11.543.209	-
	21.725.735	38.878.655

28. PROFIT PER SHARE

	1 January– 31 December 2015	1 January– 31 December 2014
Profit for the year	47.659.668	8.722.942
Weighted-average number of outstanding shares	20.000.000.000	20.000.000.000
Profit per share (TRY)	0,0024	0,0004

29. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

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

The capital structure of the Group consists of debt, which includes the financial borrowings disclosed in Note 5, cash and cash equivalents disclosed in Note 4 and equity attributable to equity holders of the parent disclosed in Note 20, comprising issued capital, reserves and retained earnings.

As of 31 December 2015 and 31 December 2014, equity/total financial liability rate is as follows:

	31 December 2015	31 December 2014
Financial liability	425.950.480	395.478.131
Less: Cash and cash equivalents	(36.328.677)	(42.143.562)
Liability (net)	389.621.803	353.334.569
Total equity	453.111.541	411.909.172
Total invested capital	956.622.080	851.346.985
Liability (net) / Total invested capital rate	41%	42%

The Group's management reviews the capital structure on a quarterly basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from prior year.

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29. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Board of Directors under policies approved with forward purchase and sale contracts. Policies and risks are regularly reviewed by Audit Committee. As a result of this procedure the Group evaluates the risk performance.

(b.1) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee monthly.

Distribution of the Group's products by the two largest wholesalers in the Turkish market corresponded to approximately 26% and approximately 38% (31 December 2014: 26% and 36%) of the revenues of the Human Pharmaceuticals business line derived from Turkey. As of 31 December 2015, 25% and 31% of accounts receivable were from these two wholesalers respectively. (31 December 2014: 26% and 31%). The Group manages its credit risk by following up financial positions and their account receivables balances.

Credit quality of undue financial assets evaluated based on to retrospective internal rating consideration is as follows:

Trade Receivables (According to internal rating)	31 December 2015	31 December 2014
Customers in Group A	188.883.818	161.111.043
Customers in Group B	4.306.586	147.061
Customers in Group C	33.881.532	25.090.287
	227.071.936	186.348.391

Customers in Group A: Customers of which credit limit defined without an indemnity and approved by CEO after credit committee confirmation.

Customers in Group B: Customers of which credit limit defined with an existing indemnity and approved by CEO after credit committee confirmation.

Customers in Group C: Customers of which credit limit defined with an indemnity directly attributable (Letter of warranty or credit limit of 70% of mortgage amount)

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29. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk factors (cont'd)

(b.1) Credit risk management (cont'd)

Credit risks as to financial instrument types

	Receivables				
	Trade Receivables		Other Receivables		
31 December 2015	**Related Party**	**Other**	**Related Party**	**Other**	**Bank Deposits**
Maximum credit limits as of balance sheet date (*)	13.208.306	227.071.936	-	419.855	36.268.716
Secured amount with letter of guarantee	-	22.935.739	-	-	-
A.Net book value of the not amortized financial assets	13.208.306	227.071.936	-	419.855	36.268.716
B. Net book value of the financial assets conditions are reset, otherwise impaired	-	-	-	-	-
C. Net book value of the overdue assets but not impaired	-	-	-	-	-
Secured amount with letter of guarantee	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-
-Carrying value (due dates passed assets)	-	6.330.575	-	1.918.933	-
-Impairment(-)	-	(6.330.575)	-	(1.918.933)	-
-Secured amount with letter of guarantee	-	-	-	-	-
-Carrying value (unexpired assets)	-	-	-	-	-
-Impairment(-)	-	-	-	-	-
-Secured amount with letter of guarantee	-	-	-	-	-
E. Off balance sheet items that have credit risk	-	-	-	-	-

(*) Components increasing credit safety are not taken into consideration in determination of the amount.

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29. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk factors (cont'd)

(b.1) Credit risk management (cont'd)

Credit risks as to financial instrument types

	Receivables				
	Trade Receivables		Other Receivables		
31 December 2014	**Related Party**	**Other**	**Related Party**	**Other**	**Bank Deposits**
Maximum credit limits as of balance sheet date (*)	9.244.018	186.348.391	-	725.806	42.082.432
Secured amount with letter of guarantee	-	16.155.095	-	-	-
A.Net book value of the not amortized financial assets	9.244.018	186.348.391	-	725.806	42.082.432
B. Net book value of the financial assets conditions are reset, otherwise impaired	-	-	-	-	-
C. Net book value of the overdue assets but not impaired	-	-	-	-	-
Secured amount with letter of guarantee	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-
-Carrying value (due dates passed assets)	-	6.751.570	-	1.357.307	-
-Impairment(-)	-	(6.751.570)	-	(1.357.307)	-
-Secured amount with letter of guarantee	-	-	-	-	-
-Carrying value (unexpired assets)	-	-	-	-	-
-Impairment(-)	-	-	-	-	-
-Secured amount with letter of guarantee	-	-	-	-	-
E. Off balance sheet items that have credit risk	-	-	-	-	-

(*) Components increasing credit safety are not taken into consideration in determination of the amount.

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29. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk factors (cont'd)

(b.1) Credit risk management (cont'd)

Overdue Receivables

31 December 2015	Trade Receivables	Other Receivables	Bank deposits	Other	Total
Less than a month	-	-	-	-	-
1-3 month	413.083	-	-	-	413.083
3-12 month	21.254	-	-	-	21.254
1- 5 year	382.306	-	-	1.918.933	2.301.239
5+ years	5.513.932	-	-	-	5.513.932
Total	6.330.575	-	-	1.918.933	8.249.508
Secured with letter of guarantee and other	-	-	-	-	-

Overdue Receivables

31 December 2014	Trade Receivables	Other Receivables	Bank deposits	Other	Total
Less than a month	-	-	-	-	-
1-3 month	-	-	-	-	-
3-12 month	-	-	-	-	-
1- 5 year	2.008.608	-	-	1.357.307	3.365.915
5+ years	4.742.962	-	-	-	4.742.962
Total	6.751.570	-	-	1.357.307	8.108.877
Secured with letter of guarantee and other	-	-	-	-	-

(b.2) Liquidity risk management

The responsibility of the liquidity risk management belongs to the Board of Directors. The Group's management has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements.

The Group's liquidity requirements arise primarily from the need to fund working capital due to the research and development investments mainly factory, machinery and equipment investments and pharma licence investments.

The Board of Directors has formed appropriate liquidity risk management for the Group management's short, medium and long term funding and liquidity needs. The Group manages the liquidity risk estimate and actual cash flows by regularly following up and matching the maturities of financial assets and liabilities in order to keep continuance of funds and borrowing reserves.

Liquidity analysis

The following table details the Group's expected maturity for its non derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities except where the Group is entitled and intense to repay the liability before its maturity.

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29. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk factors (cont'd)

(b.2) Liquidity risk management (cont'd)

31 December 2015

Due dates according to the agreements	Carrying value	Cashflow according to the agreement	Less than 3 months	Between 3-12 months	1-5 years
Non-derivative financial liabilities					
Bank loans and bonds issued	425.950.480	455.333.287	232.718.957	153.317.180	69.297.150
Trade payables	49.512.457	49.693.191	49.133.448	559.743	-
Total financial liabilities	475.462.937	505.026.478	281.852.405	153.876.923	69.297.150

31 December 2014

Due dates according to the agreements	Carrying value	Cashflow according to the agreement	Less than 3 months	Between 3-12 months	1-5 years
Non-derivative financial liabilities					
Bank loans and bonds issued	395.478.131	449.232.150	87.103.464	131.359.316	230.769.370
Trade payables	35.986.454	36.094.449	35.984.455	109.994	-
Total financial liabilities	431.464.585	485.326.599	123.087.919	131.469.310	230.769.370

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29. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk factors (cont'd)

(b.3) Market Risk Management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see b.3.1) and interest rates (see b.3.2). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk.

Market risk exposures are supplemented by sensitivity analysis.

In the current year, there has been no change in the market risk the Group is exposed or in the risk management and assessment policies of the Group.

(b.3.1) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise from future trade transactions and difference between assets and liabilities. Exchange rate exposures are managed within the approved policy parameters utilising forward foreign exchange contracts.

The Group's foreign currency position is as follows:

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29. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk factors (cont'd)

(b.3) Market risk management (cont'd)

(b.3.1) Foreign currency risk management (cont'd)

Foreign Currency Position	31 December 2015					
	TRY Equivalent	USD	EUR	CHF	GBP	Other
1. Trade receivables	10.521.941	3.274.300	263.763	-	-	163.453
2a. Monetary financial assets	36.068.532	4.657.023	7.057.901	2.699	2.652	81.279
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	15.089.535	1.568.560	2.596.564	604.913	117.860	-
4. CURRENT ASSETS	61.680.008	9.499.883	9.918.228	607.612	120.512	244.732
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	251.269	71.790	4.865	9.100	100	-
8. NON-CURRENT ASSETS	251.269	71.790	4.865	9.100	100	-
9. TOTAL ASSETS	61.931.277	9.571.673	9.923.093	616.712	120.612	244.732
10. Trade payables	20.552.196	4.472.187	1.812.900	515.216	65.047	-
11. Financial liabilities	17.987.939	722.224	5.000.000	-	-	-
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
13. CURRENT LIABILITIES	38.540.135	5.194.411	6.812.900	515.216	65.047	-
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	-	-	-	-	-	-
18. TOTAL LIABILITIES	38.540.135	5.194.411	6.812.900	515.216	65.047	-
19.Net asset/liability position of off-balance sheet items (19a-19b)	-	-	-	-	-	-
19.a Total asset amount of hedging items	-	-	-	-	-	-
19b. Total liability amount of hedging items	-	-	-	-	-	-
20. Net foreign currency position (9-18)	23.391.142	4.377.262	3.110.193	101.496	55.565	244.732
21. Monetary items net foreign curreny position	8.050.338	2.736.912	508.764	(512.517)	(62.395)	244.732
22. Fair value of the financial instruments used in foreign currency hedging	-	-	-	-	-	-
23. Hedged part of foreign currency assets	-	-	-	-	-	-
24. Hedged part of foreign currency liabilities	-	-	-	-	-	-

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29. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk factors (cont'd)

(b.3) Market risk management (cont'd)

(b.3.1) Foreign currency risk management (cont'd)

Foreign Currency Position	31 December 2014					
	TRY Equivalent	USD	EUR	CHF	GBP	Other
1. Trade receivables	6.293.496	2.514.826	102.216	-	-	173.545
2a. Monetary financial assets	26.450.687	5.257.567	5.016.081	3.615	2.752	91.699
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	9.066.015	1.539.984	1.661.276	37.350	200.661	-
4. CURRENT ASSETS	41.810.198	9.312.377	6.779.573	40.965	203.413	265.244
5. Trade receivables						
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	6.554.978	349.596	90.581	4.600	6.600	5.454.300
8. NON-CURRENT ASSETS	6.554.978	349.596	90.581	4.600	6.600	5.454.300
9. TOTAL ASSETS	48.365.176	9.661.973	6.870.154	45.565	210.013	5.719.544
10. Trade payables	6.760.842	261.197	1.829.231	295.553	84.518	-
11. Financial liabilities	6.827.871	2.944.444	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
13. CURRENT LIABILITIES	13.588.713	3.205.641	1.829.231	295.553	84.518	-
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	15.778.265	722.224	5.000.000	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	15.778.265	722.224	5.000.000	-	-	-
18. TOTAL LIABILITIES	29.366.978	3.927.865	6.829.231	295.553	84.518	-
19.Net asset/liability position of off-balance sheet items (19a-19b)	-	-	-	-	-	-
19.a Total asset amount of hedging items	-	-	-	-	-	-
19b. Total liability amount of hedging items türev ürünlerin tutarı	-	-	-	-	-	-
20. Net foreign currency position (9-18)	18.998.198	5.734.108	40.923	(249.988)	125.495	5.719.544
21. Monetary items net foreign currency position (1+2a+5+6a-10-11-12a-14-15-16a)	3.377.205	3.844.528	(1.710.934)	(291.938)	(81.766)	265.244
22. Fair value of the financial instruments used in foreign currency hedging	-	-	-	-	-	-
23. Hedged part of foreign currency assets	-	-	-	-	-	-
24. Hedged part of foreign currency liabilities	-	-	-	-	-	-

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29. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk factors (cont'd)

(b.3) Market Risk Management (cont'd)

(b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity

The functional currency of the Group companies is TRY. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro.

The following table details the Group's sensitivity to a 10% increase and decrease in the TRY against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates (31 December 2014: 10%). The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss. There is no equity effect.

	Foreign Currency Sensitivity	**31 December 2015**	
		Profit / (Loss)	
		If foreign currency appreciates	If foreign currency depreciates
	If US Dollar changes 10%		
1-	US Dollar net asset/liability	795.785	(795.785)
2-	Amount protected from US Dollar risk (-)	-	-
3-	**US Dollar net effect (1+2)**	795.785	(795.785)
	If EUR changes 10%		
4-	EUR net asset/liability	161.665	(161.665)
5-	Amount protected from EUR risk (-)	-	-
6-	**EUR net effect (4+5)**	161.665	(161.665)
	If other currencies change 10%		
7-	Other net asset/liability	(152.416)	152.416
8-	Amount protected from other currency risk (-)	-	-
9-	**Other net effect (7+8)**	(152.416)	152.416
	Total (3 + 6 +9)	805.034	(805.034)

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29. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk factors (cont'd)

(b.3) Market Risk Management (cont'd)

(b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity (cont'd)

Foreign Currency Sensitivity	**31 December 2014**	
	Profit / (Loss)	
	If foreign currency appreciates	If foreign currency depreciates
If US Dollar changes 10%		
1- US Dollar net asset/liability	891.508	(891.508)
2- Amount protected from US Dollar risk (-)	-	-
3- US Dollar net effect (1+2)	891.508	(891.508)
If EUR changes 10%		
4- EUR net asset/liability	(482.603)	482.603
5- Amount protected from EUR risk (-)	-	-
6- EUR net effect (4+5)	(482.603)	482.603
If other currencies change 10%		
7- Other net asset/liability	(71.184)	71.184
8- Amount protected from other currency risk (-)	-	-
9- Other net effect (7+8)	(71.184)	71.184
Total (3 + 6 +9)	337.721	(337.721)

(b.3.2) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

As of 31 December 2015, 29% of total indebtedness was floating rate and denominated in TRY.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. 50 basis points is the sensitivity rate used when reporting interest rate risk internally to key management personnel.

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29. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk factors (cont'd)

(b.3) Market Risk Management (cont'd)

(b.3.2) Interest rate risk management (cont'd)

Interest rate sensitivity (cont'd)

Interest Position

	31 December 2015	31 December 2014
Fixed Rated Instruments		
Financial Assets	-	-
Financial Liabilities	301.749.801	295.649.189
Floating Rated Instruments		
Financial Assets	-	-
Financial Liabilities	124.200.679	99.828.942
	425.950.480	395.478.131
	-	-

If Libor and Euribor had been higher by 50 basis points and all other variables were held constant, profit for the year ended at 31 December 2015 would decrease by TRY 465.760 (31 December 2014: TRY 425.085). The equity effect is nil. If Libor and Euribor had been lower by 50 basis points, the profit of the Group for the period ended would increase with the same absolute amount.

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30. FINANCIAL INSTRUMENTS

Categories of financial instruments

31 December 2015	Loans and receivables	Financial liabilities through profit and loss	Financial liabilities at amortized cost	Carrying Value	Note
Financial Assets					
Cash and cash equivalents	36.328.677	-	-	36.328.677	4
Trade receivables (including related parties)	240.280.242	-	-	240.280.242	7
Financial Liabilities					
Borrowings	-	-	425.950.480	425.950.480	5
Trade payables (including related parties)	-	-	49.512.457	49.512.457	7

31 December 2014	Loans and receivables	Financial liabilities through profit and loss	Financial liabilities at amortized cost	Carrying Value	Note
Financial Assets					
Cash and cash equivalents	42.143.562	-	-	42.143.562	4
Trade receivables (including related parties)	195.592.409	-	-	195.592.409	7
Financial Liabilities					
Borrowings	-	-	395.478.131	395.478.131	5
Trade payables (including related parties)	-	-	35.986.454	35.986.454	7

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30. FINANCIAL INSTRUMENTS (cont'd)

Categories of financial instruments (cont'd)

The fair value of the Group's financial assets and liabilities approximate the carrying amount.

The fair values of financial assets and financial liabilities are determined as follows:

• Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

• Level 2: the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

• Level 3: the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

As of 31 December 2015, the Group has no financial assets and liabilities that are categorized based on the fair value hierarchy mentioned above (31 December 2014: None).

31. SUBSEQUENT EVENTS

None.

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For every life that we helped save...

Please contact our company for further information. **DEVA HOLDING A.S.** Halkalı Merkez Mah. Basın Ekspres Cad. No:1 34303 Küçükçekmece - İSTANBUL / TURKEY Pbx: +90 212 692 92 92

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