

**DEVA HOLDİNG A.Ş.
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015 AND
LIMITED REVIEW**

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



Building a better
working world

Güney Bağımsız Denetim ve
SMMM AŞ
Eski Büyükdere Cad.
Orjin Maslak No:27
Maslak, Sarıyer 34398
İstanbul - Turkey

Tel : +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com
Ticaret Sicil No: 479920-427502

Review Report on the Interim Financial Information

Deva Holding A.Ş.

Introduction

We have reviewed the accompanying consolidated financial statements of Deva Holding A.Ş. ("the Company") and its subsidiaries (all together referred to as "the Group") as of June 30, 2015, which comprise the statement of financial position and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month-period then ended and a summary of significant accounting policies and explanatory notes. The management of the Company is responsible for the preparation and fair presentation of the interim financial information in accordance with the Turkish Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Turkish Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention which may cause us to conclude that the accompanying interim consolidated financial information of Deva Holding A.Ş. does not give a true and fair view of financial position and financial performance of the Company as of June 30, 2015, and its cash flows for the six-month period then ended in accordance with the Turkish Accounting Standards.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst & Young Global Limited

Seda Akkuş Tezer, SMMM
Partner

August 13, 2015
İstanbul, Türkiye

(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 30 JUNE 2015

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

| | Footnote References | Reviewed 30 June 2015 | Audited 31 December 2014 |
|---------------------------------|------------------------|-----------------------------|--------------------------------|
| ASSETS | | | |
| Current Assets | | 442.470.321 | 412.977.017 |
| Cash and cash equivalents | 4 | 34.513.105 | 42.143.562 |
| Trade receivables | 7 | 234.029.984 | 195.592.409 |
| <i>Due from related parties</i> | 6 | 4.716.997 | 9.244.018 |
| <i>Other trade receivables</i> | | 229.312.987 | 186.348.391 |
| Other receivables | 8 | 575.378 | 725.806 |
| Inventories | 9 | 153.487.058 | 154.953.905 |
| Prepaid expenses | 10 | 9.318.502 | 10.354.107 |
| Assets relating to current tax | 11 | 62.568 | 216.418 |
| Other current assets | 19 | 10.483.726 | 8.990.810 |
| Non-Current Assets | | 489.927.704 | 480.555.175 |
| Property, plant and equipment | 12 | 293.951.130 | 298.276.248 |
| Intangible assets | | 169.021.903 | 154.837.667 |
| <i>Goodwill</i> | 14 | 1.782.731 | 1.782.731 |
| <i>Other intangible assets</i> | 13 | 167.239.172 | 153.054.936 |
| Prepaid expenses | 10 | 4.530.061 | 2.356.303 |
| Deferred tax assets | 27 | 22.424.610 | 25.084.957 |
| TOTAL ASSETS | | 932.398.025 | 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 BALANCE SHEET AS OF 30 JUNE 2015

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

| | Footnote References | Reviewed 30 June 2015 | Audited 31 December 2014 |
|--|------------------------|-----------------------------|--------------------------------|
| LIABILITIES | | | |
| Current Liabilities | | 389.778.452 | 262.838.941 |
| Short term financial liabilities | 5 | 173.182.094 | 156.357.253 |
| Current portion of long term financial liabilities | 5 | 136.354.036 | 41.907.645 |
| Trade payables | 7 | 43.024.685 | 35.986.454 |
| <i>Due to related parties</i> | 6 | 3.644.585 | 2.513.438 |
| <i>Other trade payables</i> | | 39.380.100 | 33.473.016 |
| Payables relating to the benefits provided to employees | 18 | 4.056.872 | 3.856.503 |
| Other payables | 8 | 681.547 | 675.475 |
| <i>Due to related parties</i> | 6 | 45.494 | 45.494 |
| <i>Other trade payables</i> | | 636.053 | 629.981 |
| Government grants and incentives | 15 | 2.562.609 | 2.348.435 |
| Deferred revenue | 10 | 1.284.596 | 481.306 |
| Short term provisions | | 26.082.397 | 19.517.584 |
| <i>Provisions for benefits provided to employees</i> | 18 | 14.714.958 | 10.279.256 |
| <i>Other provisions</i> | 16 | 11.367.439 | 9.238.328 |
| Other current liabilities | 19 | 2.549.616 | 1.708.286 |
| Non-Current Liabilities | | 102.509.620 | 218.784.079 |
| Long term financial liabilities | 5 | 82.464.557 | 197.213.233 |
| Government grants and incentives | 15 | 14.792.691 | 16.647.992 |
| Long term provisions | | 5.252.372 | 4.922.854 |
| <i>Provisions for benefits provided to employees</i> | 18 | 5.252.372 | 4.922.854 |
| EQUITY | | 440.109.953 | 411.909.172 |
| Equity attributable to equity holders of the parent | | 440.087.451 | 411.867.527 |
| Paid-in capital | 20 | 200.000.000 | 200.000.000 |
| Inflation adjustment to share capital | 20 | 140.080.696 | 140.080.696 |
| Capital investment adjustment (-) | 20 | (28.847) | (28.847) |
| Premium in excess of par | 20 | 2.870.803 | 2.870.803 |
| Other comprehensive income/(expense) not to be reclassified to profit or loss | | 401.231 | 287.622 |
| <i>Actuarial gain arising from defined benefit plans</i> | | 401.231 | 287.622 |
| Other comprehensive income/(expense) to be reclassified to profit or loss | | (348.539) | (205.800) |
| <i>Currency translation reserve</i> | | (348.539) | (205.800) |
| Restricted reserves appropriated from profit | 20 | 150.864.955 | 150.864.955 |
| Accumulated deficit | 20 | (82.001.902) | (90.724.844) |
| Profit for the period | | 28.249.054 | 8.722.942 |
| Non-controlling interests | | 22.502 | 41.645 |
| TOTAL LIABILITIES AND EQUITY | | 932.398.025 | 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 PERIOD ENDED 30 JUNE 2015

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

| | Footnote References | Reviewed 1 January – 30 June 2015 | Unaudited 1 April – 30 June 2015 | Reviewed 1 January – 30 June 2014 | Unaudited 1 April – 30 June 2014 |
|---|------------------------|--|---|--|---|
| Revenue | 21 | 293.890.955 | 148.924.656 | 232.506.349 | 120.405.921 |
| Cost of revenue (-) | 21 | (172.316.487) | (90.256.628) | (150.807.565) | (77.249.530) |
| GROSS PROFIT | | 121.574.468 | 58.668.028 | 81.698.784 | 43.156.391 |
| Marketing, sales and distribution expenses (-) | 22 | (48.459.182) | (25.258.015) | (43.848.001) | (24.585.358) |
| General administration expenses (-) | 22 | (20.094.180) | (11.143.994) | (15.111.871) | (7.729.434) |
| Research and development expenses (-) | 22 | (7.464.033) | (1.476.592) | (1.287.147) | (648.594) |
| Other operating income | 24 | 33.273.623 | 15.519.446 | 31.094.623 | 15.044.730 |
| Other operating expenses (-) | 24 | (24.752.994) | (12.818.343) | (29.867.667) | (15.199.780) |
| OPERATING PROFIT | | 54.077.702 | 23.490.530 | 22.678.721 | 10.037.955 |
| Investment income | 25 | 221.915 | 221.915 | 291.075 | 112.651 |
| PROFIT BEFORE FINANCE EXPENSES | | 54.299.617 | 23.712.445 | 22.969.796 | 10.150.606 |
| Finance expenses (-) | 26 | (23.437.761) | (12.011.872) | (20.045.756) | (7.204.910) |
| PROFIT BEFORE TAXATION | | 30.861.856 | 11.700.573 | 2.924.040 | 2.945.696 |
| Tax (expense) / income | | (2.631.945) | 117.358 | 1.879.351 | 792.300 |
| Deferred tax (expense) / income | 27 | (2.631.945) | 117.358 | 1.879.351 | 792.300 |
| NET PROFIT FOR THE PERIOD | | 28.229.911 | 11.817.931 | 4.803.391 | 3.737.996 |
| Distribution of profit for the period | | | | | |
| Non-controlling interest | | (19.143) | (12.420) | (5.744) | (7.643) |
| Equity holders of the parent | | 28.249.054 | 11.830.351 | 4.809.135 | 3.745.639 |
| | | 28.229.911 | 11.817.931 | 4.803.391 | 3.737.996 |
| Profit per share | 28 | 0,0014 | 0,0006 | 0,0002 | (0,0002) |
| Diluted profit per share | | 0,0014 | 0,0006 | 0,0002 | (0,0002) |

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 PERIOD ENDED 30 JUNE 2015**

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

| | Reviewed 1 January – 30 June 2015 | Unaudited 1 April – 30 June 2015 | Reviewed 1 January – 30 June 2014 | Unaudited 1 April – 30 June 2014 |
|--|--|---|--|---|
| Net profit for the period | 28.229.911 | 11.817.931 | 4.803.391 | 3.737.996 |
| Other Comprehensive Profit / (Loss): | | | | |
| Items not to be reclassified subsequently to profit or loss | | | | |
| Actuarial gain arising from defined benefit plans | 113.609 | 180.913 | 139.085 | 139.085 |
| Tax effect other comprehensive income not to be reclassified to profit or loss | 142.011 | 226.141 | 173.856 | 173.856 |
| | (28.402) | (45.228) | (34.771) | (34.771) |
| Items that may be reclassified subsequently to profit or loss | (142.739) | 20.455 | (133.504) | 21.978 |
| Change in foreign currency translation reserve | (142.739) | 20.455 | (133.504) | 21.978 |
| OTHER COMPREHENSIVE PROFIT / (LOSS) (AFTER TAX) | (29.130) | 201.368 | 5.581 | 161.063 |
| TOTAL COMPREHENSIVE INCOME | 28.200.781 | 12.019.299 | 4.808.972 | 3.899.059 |
| Total comprehensive income attributable to: | | | | |
| Non - controlling interest | (19.143) | (12.420) | (5.744) | |
| Equity holders of the parent | 28.219.924 | 12.031.719 | 4.814.716 | 3.899.059 |

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 HOLDING A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2015

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

| 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 holders of the parent | Non - controlling interest | Total shareholder's equity | Other comprehensive income/(expense) to be reclassified to profit or loss | |
|-------|-----------------|---------------------------------------|----------------------------------|--------------------------|---|------------------------------|--|---------------------|---------------------------|--|----------------------------|----------------------------|---|---|
| | | | | | | | | | | | | | Actuarial gain /loss arising from defined benefit plans | Other comprehensive income/(expense) to be reclassified to profit or loss |
| 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 | | |
| | - | - | - | - | - | - | - | 24 603 670 | (24 603 670) | - | - | - | - | - |
| | - | - | - | - | 139 085 | (133 504) | - | - | 4 809 135 | 4 814 716 | 5 744 | 4 808 972 | | |
| | - | - | - | - | 139 085 | - | - | - | - | 139 085 | - | 139 085 | | |
| | - | - | - | - | - | (133 504) | - | - | - | (133 504) | - | (133 504) | | |
| | - | - | - | - | - | - | - | - | 4 809 135 | 4 809 135 | (5 744) | 4 803 391 | | |
| | 200 000 000 | 140 080 696 | (28 847) | 2 870 803 | 139 085 | (209 216) | 150 864 955 | (90 724 844) | 4 809 135 | 407 801 767 | 57 184 | 407 858 951 | | |
| 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 | | |
| | - | - | - | - | - | - | - | 8 722 942 | (8 722 942) | - | - | - | | |
| | - | - | - | - | 113 609 | (142 739) | - | - | 28 249 054 | 28 219 924 | (19 143) | 28 200 781 | | |
| | - | - | - | - | 113 609 | - | - | - | - | 113 609 | - | 113 609 | | |
| | - | - | - | - | - | (142 739) | - | - | - | (142 739) | - | (142 739) | | |
| | - | - | - | - | - | - | - | - | 28 249 054 | 28 249 054 | (19 143) | 28 229 911 | | |
| | 200 000 000 | 140 080 696 | (28 847) | 2 870 803 | 401 231 | (348 539) | 150 864 955 | (82 001 902) | 28 249 054 | 440 087 451 | 22 502 | 440 109 953 | | |

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 ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2015**

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

| | Footnote References | Reviewed 1 January – 30 June 2015 | Reviewed 1 January – 30 June 2014 |
|---|--------------------------------|--|--|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Net profit for the period | | 28.229.911 | 4.803.391 |
| Adjustments to reconcile profit to net cash provided / (used in) by operating activities: | | | |
| Depreciation of property, plant and equipment | 12 | 8.920.243 | 8.550.681 |
| Amortization of intangible assets | 13 | 2.978.115 | 2.433.022 |
| Impairment losses on intangible assets | 13 | 7.473.316 | 456.567 |
| Provision for employment termination benefits | 18 | 1.657.446 | 983.346 |
| Provision charge for the period | 16 | 19.097.242 | 17.897.583 |
| Provision for other doubtful receivables | 8 | 77.713 | - |
| Change in allowance for diminution in value of inventories | 9 | (1.355.510) | 220.724 |
| Change in discounted value of bonds issued | | 809.781 | (642.072) |
| Gain on sale of property, plant and equipment (net) | 25 | (221.915) | (291.075) |
| Income accruals | | (2.403.425) | (849.838) |
| Bank loans interest expenses | 26 | 14.524.353 | 14.076.144 |
| Bonds issued interest expenses | 26 | 6.597.893 | 5.745.677 |
| Loss on foreign currency borrowings | 26 | 1.874.806 | 278.052 |
| Interest income | 24 | (1.767.854) | (2.238.276) |
| Tax expense / (income) | 27 | 2.631.945 | (1.879.351) |
| Changes in working capital: | | | |
| Increase in trade receivables | | (43.045.019) | (46.998.804) |
| Decrease in inventories | | 6.424.361 | 4.862.416 |
| Decrease in due from related parties | | 4.527.021 | 1.944.446 |
| Increase in other receivables and assets | | (230.746) | (3.247.410) |
| Increase in trade payables | | 5.907.084 | 17.820.132 |
| Increase in due to related parties | | 1.131.147 | 1.107.417 |
| Decrease in other provisions | | (15.675.391) | (17.367.645) |
| Increase / (decrease) in other liabilities | | 6.067.871 | (96.222) |
| Cash provided by operations | | 54.230.388 | 7.568.905 |
| Taxes paid | 11 - 27 | - | (234.697) |
| Payment for legal provisions | 16 | (1.292.740) | (1.849.987) |
| Retirement provision paid | 16 - 18 | (1.185.917) | (819.655) |
| Net cash provided by operating activities | | 51.751.731 | 4.664.566 |

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 ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2015**

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

| | Footnote References | Reviewed 1 January – 30 June 2015 | Reviewed 1 January – 30 June 2014 |
|---|--------------------------------|--|--|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash received under the government incentives | 15 | 1.061.613 | 2.332.635 |
| Purchase of property, plant and equipment | 12 | (9.675.772) | (26.807.738) |
| Proceeds on sale of tangible and intangible assets | | 305.903 | 1.235.639 |
| Purchase of intangible assets | 13 | (22.285.676) | (21.853.482) |
| Change in long term non-current assets | 10 | (2.173.758) | 237.308 |
| Net cash used in investing activities | | (32.767.690) | (44.855.638) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Interest received | 24 | 1.729.424 | 2.203.007 |
| Interest paid | | (16.326.690) | (7.380.145) |
| Repayment of borrowings | | (236.151.325) | (132.129.590) |
| Proceeds from borrowings | | 230.836.295 | 167.035.770 |
| Payments related to bonds issued | | (6.597.893) | (5.745.677) |
| Net cash (used in) /provided by financing activities | | (26.510.189) | 23.983.365 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCE | | | |
| | | (7.526.148) | (16.207.707) |
| Currency translation difference (net) | | (142.739) | (133.504) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | | |
| | | (7.668.887) | (16.341.211) |
| 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 | | | |
| | | 34.453.379 | 39.108.399 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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 period ended 30 June 2015 is 1.758 (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 30 June 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 İstanbul since 24 March 1986.

As of 30 June 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 | (%) | 30 June 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 | | <u>340.051.849</u> | | <u>340.051.849</u> |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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

Subsidiaries

As of 30 June 2015 and 31 December 2014, the details of the subsidiaries in terms of ownership and principal business activities are as follows:

| <u>Company</u> | <u>Effective Ownership</u> | | <u>Line of activity</u> |
|---------------------------|---------------------------------|-------------------------------------|--|
| | <u>30 June 2015 (%)</u> | <u>31 December 2014 (%)</u> | |
| 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 |

(*) 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.
Deva Holdings NZ Ltd.
Deva Holding Singapore PTE. Ltd.
Deva Holdings PTY Ltd.
East Pharma Canada Ltd.
Devatis GmbH
Deva Health Care A.G.

Vetaş
Deva NZ
Deva Singapore
Deva Holdings PTY
EastPharma Canada
Devatis
Deva Health Care

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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 117 pharmaceutical molecules in 214 pharmaceutical forms. Of these 12 molecules (in 19 presentation forms) are manufactured and marketed by using license rights.

As of 30 June 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 66 registered products and 92 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 13 August 2015. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issuance.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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 incorporate 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 circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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 ;
- Rights arising from other contractual arrangements ;and
- Any additional facts and circumstances that indicate that the company has ,or does not have,the current ability to direct the relevant activities at the time that decisions need to be made,including voting patterns at previous shareholder' meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of 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, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, 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 period.

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 period, the Group did not make any reclassifications.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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 interim consolidated financial statements as at 30 June 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 1 January 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 1 January 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. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. 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". The changes are effective for annual reporting periods beginning on or after 1 July 2014.

Annual Improvements - 2010-2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

(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.

Amendment to the Basis for Conclusions on 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 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

(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)

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 interim 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 1 January 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 1 January 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 1 January 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 February 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 1 January 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

(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)

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 1 January 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 1 January 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 1 January 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 1 January 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

(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)

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 is effective for reporting periods beginning on or after 1 January 2017, 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 1 January 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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.

c. 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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 period ended 30 June 2015, TRY 955.336 (30 June 2014: TRY 875.467) amount was capitalized on these qualifying assets (Note 12). The weighted average capitalization rate on funds borrowed is 6,8% for first six month (30 June 2014: 7,3% for first six month). This rate represents the weighted average borrowing cost of the Group's all borrowings used during the period. 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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).

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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

Summary of Significant Accounting Policies (cont'd)

i. 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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, 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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 period ended 30 June 2015, the Group Management has recognized an impairment loss of TRY 7.473.316 (30 June 2014: TRY 456.567) (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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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 30 June 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 2014, 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 10,7% per annum. Cash flows beyond that five-year period have been extrapolated by using a steady 7% per annum growth rate consisting of 6,5% inflation and real growth rate of 0,47%. 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 30 June 2015, there were no indicators of impairment and therefore the Group did not test goodwill for impairment. As at 30 June 2015 and 31 December 2014, no impairment loss is recognized in the accompanying consolidated financial statements.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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

| <u>30 June 2015</u> | <u>Human pharma</u> | <u>Veterinary products</u> | <u>Other</u> | <u>Total</u> |
|------------------------------|---------------------|----------------------------|---------------|--------------------------|
| External sales | 274.826.739 | 15.775.979 | 3.288.237 | 293.890.955 |
| Cost of sales | (156.079.498) | (13.642.454) | (2.594.535) | (172.316.487) |
| Operating expenses | (71.546.349) | (3.854.297) | (616.749) | (76.017.395) |
| Segment results | <u>47.200.892</u> | <u>(1.720.772)</u> | <u>76.953</u> | <u>45.557.073</u> |
| Other operating income | | | | 33.273.623 |
| Other operating expenses (-) | | | | (24.752.994) |
| Investment income | | | | 221.915 |
| Finance expenses (-) | | | | (23.437.761) |
| Income tax expense (-) | | | | (2.631.945) |
| Profit for the period | | | | <u>28.229.911</u> |

Distribution of the Group's products by the two largest wholesalers in the Turkish market corresponded to approximately 29% and 36% of the revenues of the Human Pharmaceuticals business line derived from Turkey (30 June 2014: 23% and 36%). As of 30 June 2015, two customers represented 29% and 32% 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

3. SEGMENTAL INFORMATION (cont'd)

| 30 June 2014 | Human pharma | Veterinary products | Other | Total |
|------------------------------|---------------------|----------------------------|----------------|--------------------------------|
| External sales | 211.054.330 | 16.624.401 | 4.827.618 | 232.506.349 |
| Cost of sales | (135.075.216) | (11.694.672) | (4.037.677) | (150.807.565) |
| Operating expenses | (56.260.331) | (3.507.105) | (479.583) | (60.247.019) |
| Segment results | <u>19.718.783</u> | <u>1.422.624</u> | <u>310.358</u> | <u>21.451.765</u> |
| Other operating income | | | | 31.094.623 |
| Other operating expenses (-) | | | | (29.867.667) |
| Investment income | | | | 291.075 |
| Finance expenses (-) | | | | (20.045.756) |
| Income tax income | | | | 1.879.351 |
| Profit for the period | | | | <u><u>4.803.391</u></u> |

4. CASH AND CASH EQUIVALENTS

| | 30 June 2015 | 31 December 2014 |
|--|--------------------------|--------------------------|
| Petty cash | 78.885 | 61.130 |
| Cash in banks | 34.374.494 | 42.061.136 |
| <i>Demand deposits</i> | <i>1.046.184</i> | <i>4.903.848</i> |
| <i>Time deposits</i> | <u><i>33.328.310</i></u> | <u><i>37.157.288</i></u> |
| Cash and cash equivalents in cash flow statement | <u>34.453.379</u> | <u>42.122.266</u> |
| Interest income accruals | <u>59.726</u> | <u>21.296</u> |
| | <u><u>34.513.105</u></u> | <u><u>42.143.562</u></u> |

As of 30 June 2015, the Group has Euro and US Dollar time deposit. The average interest rate for Euro time deposit is 2,30% and US Dollar time deposit is 2,65% (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 30 June 2015 and 31 December 2014.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

5. FINANCIAL LIABILITIES

| | 30 June 2015 | 31 December 2014 |
|--|-----------------|---------------------|
| Short term bank loans | 173.182.094 | 156.357.253 |
| Current portion of long term loans | 35.715.313 | 42.002.465 |
| Current portion of bonds issued (*) | 100.638.723 | (94.820) |
| Total short term financial liabilities | 309.536.130 | 198.264.898 |
| Long term portion of bank loans | 82.464.557 | 97.289.471 |
| Bonds issued (*) | - | 99.923.762 |
| Total long term financial liabilities | 82.464.557 | 197.213.233 |
| Total financial liabilities | 392.000.687 | 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 12,15% as at 30 June 2015 (31 December 2014: 11,58%) and discounted estimated future cash payments through the expected life of the financial liability is calculated as TRY 100.638.723 (31 December 2014: TRY 99.828.942).

i) Bank loans and bonds issued

Repayment schedule of bank borrowings is as follows:

| | 30 June 2015 | 31 December 2014 |
|--|-----------------|---------------------|
| Less than 1 year or to be paid on demand | 309.536.130 | 198.264.898 |
| To be paid between 1-2 years | 39.864.172 | 143.246.145 |
| To be paid between 2-3 years | 21.480.385 | 22.727.088 |
| To be paid between 3-4 years | 15.620.000 | 20.240.000 |
| To be paid between 4-5 years | 5.500.000 | 11.000.000 |
| | 392.000.687 | 395.478.131 |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

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

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 | 30 June 2015 | Currency Type | Weighted Average Effective Interest Rate | Principal | 31 December 2014 |
|------------------|--|-------------|--------------------|------------------|--|-------------|--------------------|
| TRY | 10,6% | 170.027.946 | 170.027.946 | TRY | 10,5% | 152.666.807 | 152.666.807 |
| Accrued interest | | | 3.154.148 | Accrued interest | | | 3.690.446 |
| | | | <u>173.182.094</u> | | | | <u>156.357.253</u> |

Short term borrowings consist of spot and revolving line of credits with several banks and carry fixed and floating rate interests. As of 30 June 2015 and 31 December 2014, the total available lines of credits are TRY 830.860.700 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 | 30 June 2015 | Currency Type | Weighted Average Effective Interest Rate | Principal | 31 December 2014 |
|------------------|--|------------|-------------------|------------------|--|------------|-------------------|
| TRY | 10,6% | 30.373.230 | 30.373.230 | TRY | 10,6% | 33.402.025 | 33.402.025 |
| US Dollar | 4,9% | 1.444.446 | 3.880.217 | US Dollar | 4,9% | 2.944.444 | 6.827.871 |
| Accrued interest | | | 1.461.866 | Accrued interest | | | 1.772.569 |
| | | | <u>35.715.313</u> | | | | <u>42.002.465</u> |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

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

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 | 30 June 2015 | Currency Type | Weighted Average Effective Interest Rate | Principal | 31 December 2014 |
|---------------|--|------------|-------------------|---------------|--|------------|-------------------|
| TRY | 11,1% | 67.553.557 | 67.553.557 | TRY | 11,1% | 81.511.206 | 81.511.206 |
| US Dollar | - | - | - | US Dollar | 5,0% | 722.224 | 1.674.765 |
| EUR | 4,3% | 5.000.000 | 14.911.000 | EUR | 4,3% | 5.000.000 | 14.103.500 |
| | | | <u>82.464.557</u> | | | | <u>97.289.471</u> |

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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 1.444.446 (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 1.057.081 (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 78.818 (2014: TRY 228.312) was drawn down on 26 August 2011. Repayments of interest and principal commenced on 24 November 2011 and will continue until 24 August 2015. The loan carries interest of 15,6%.
- d) A loan of TRY 273.628 (2014: TRY 790.100) was drawn down on 16 September 2011. Repayments of interest and principal commenced on 14 December 2011 and will continue until 14 September 2015. The loan carries interest of 17,4%.
- e) A loan of TRY 6.675.000 (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).
- f) A loan of TRY 1.500.000 (2014: TRY 3.000.000) was drawn down on 24 December 2012. Repayments of interest and principal commenced on 24 March 2013 and will continue until 24 December 2015 quarterly. The loan carries interest of 9,4%.
- g) A loan of TRY 209.361 (2014: TRY 508.939) was drawn down on 5 October 2012. Repayments of interest and principal commenced on 5 November 2012 and will continue till 5 October 2015. The loan carries interest of 10,8%. This loan is also secured by pledges on the purchased vehicles (Note 17).
- h) A loan of TRY 6.918 (2014: TRY 16.818) was drawn down on 12 October 2012. Repayments of interest and principal commenced on 12 November 2012 and will continue till 12 October 2015. The loan carries interest of 10,8%. This loan is also secured by pledges on the purchased vehicles (Note 17).
- i) A loan of TRY 6.228 (2014: TRY 15.137) was drawn down on 16 October 2012. Repayments of interest and principal commenced on 16 November 2012 and will continue till 16 October 2015. The loan carries interest of 10,8%. This loan is also secured by pledges on the purchased vehicles (Note 17).

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

5. FINANCIAL LIABILITIES (cont'd)

i) Bank loans (cont'd)

- j) A loan of TRY 6.535 (2014: TRY 15.886) was drawn down on 19 October 2012. Repayments of interest and principal commenced on 19 November 2012 and will continue till 19 October 2015. The loan carries interest of 10,8%. This loan is also secured by pledges on the purchased vehicles (Note 17).
- k) A loan of TRY 26.417 (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).
- l) A loan of TRY 33.115 (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).
- m) 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%.
- n) A loan of TRY 11.340.000 (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).
- o) A loan of TRY 6.153.846 (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).
- p) A loan of TRY 7.000.000 (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%.
- q) A loan of TRY 14.000.000 (2014: TRY 16.000.000) was drawn down on 10 December 2013. Repayments of interest and principal will be commenced on 10 December 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).
- r) A loan of TRY 59.840 (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 11,40%. This loan is also secured by pledges on the purchased vehicles (Note 17).
- s) A loan of TRY 49.500.000 (2014: 55.000.000) was drawn down on 23 December 2014. Repayments of interest and principal will be 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).

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

5. FINANCIAL LIABILITIES (cont'd)

i) Bank loans (cont'd)

- t) The Group has spot loans amounting to TRY 167.275.000 (2014: TRY 150.615.000), with an average interest of 10,61% and have loans with no interest amounting to TRY 2.752.946 (2014: TRY 2.051.807).

The Group uses its notes receivables as collaterals for its revolving loans. As of 30 June 2015, the amount of the notes receivables given as collateral is TRY 113.125.215 (31 December 2014: TRY 86.424.286).

ii) Obligations under finance leases

None (2014: None).

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

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

6. RELATED PARTY TRANSACTIONS (cont'd)

Loans used by related parties for the period ended 30 June 2015 and 31 December 2014 are stated below:

| | 30 June 2015 | | | |
|--------------------------------------|----------------------|-------------------|--------------------|------------------------|
| | Original currency | Maturity (Day) | Interest Rate % | Short term Payables |
| <u>Loans used by related parties</u> | | | | |
| <u>Subsidiaries</u> | | | | |
| Deva Holdings NZ | US Dollar | 92 | 2,0% | 344.347 |
| | NZ Dollar | 92 | 2,0% | 3.015.333 |
| | | | | <u>3.359.680</u> |
| | | | | |
| | 31 December 2014 | | | |
| | Original currency | Maturity (Day) | Interest Rate % | Short term Payables |
| <u>Loans used by related parties</u> | | | | |
| <u>Subsidiaries</u> | | | | |
| Deva Holdings NZ | US Dollar | 93 | 3,5% | 345.694 |
| | NZ Dollar | 93 | 3,5% | 3.027.125 |
| | | | | <u>3.372.819</u> |

Benefits provided to key management personnel include the salaries, premiums and retirement pay for the period ended 30 June 2015 and 2014 are stated below:

| | 1 January- 30 June 2015 | 1 January- 30 June 2014 |
|---|-------------------------------|-------------------------------|
| <u>Compensation of key management personnel</u> | | |
| Short-term benefits | 5.748.198 | 3.946.151 |
| Long-term benefits | 121.982 | 109.310 |
| | <u>5.870.180</u> | <u>4.055.461</u> |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

7. TRADE RECEIVABLES AND PAYABLES

Trade Receivables

| | 30 June 2015 | 31 December 2014 |
|--|--------------------|---------------------|
| <u>Current trade receivables</u> | | |
| Trade receivables | 66.019.299 | 51.284.407 |
| Notes receivable | 170.140.589 | 141.507.811 |
| Discount on notes receivables (-) | (2.377.976) | (2.184.161) |
| Due from related parties (Note 6) | 4.716.997 | 9.244.018 |
| Other trade receivables | 33.824 | 37.826 |
| Income accruals (*) | 2.248.821 | 2.454.078 |
| Provision for doubtful receivables (-) | (6.751.570) | (6.751.570) |
| | <u>234.029.984</u> | <u>195.592.409</u> |

As of 30 June 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 117 days (2014: 117 days).

(*) The Group receives government grants related to development costs. The balance includes the income accrual for the grants received from TÜBİTAK (Scientific and Technological Research Council of Turkey). As of 30 June 2015 TÜBİTAK income accrual amounts to TRY 2.029.791 (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:

| | 30 June 2015 | 31 December 2014 |
|-------------------------------|-------------------|---------------------|
| Letter of guarantees received | 19.720.023 | 16.155.095 |
| | <u>19.720.023</u> | <u>16.155.095</u> |

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 30 June 2015, two customers represented 29% and 32% 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. Receivable amounting to TRY 4.716.997 is related to this transaction (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 period ended 30 June 2015 and 2014 is as follows:

| | 1 January- 30 June 2015 | 1 January- 30 June 2014 |
|----------------------|-------------------------------|-------------------------------|
| Balance at 1 January | 6.751.570 | 6.908.739 |
| Balance at 30 June | <u>6.751.570</u> | <u>6.908.739</u> |

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

7. TRADE RECEIVABLES AND PAYABLES (cont'd)

Trade Payables

| | 30 June 2015 | 31 December 2014 |
|--------------------------------------|-------------------|---------------------|
| <u>Current trade payables</u> | | |
| Trade payables | 37.373.578 | 31.861.568 |
| Notes payable | 4.485 | 3.871 |
| Due to related parties (Note: 6) (*) | 3.644.585 | 2.513.438 |
| Expense accruals (**) | 1.558.871 | 1.192.190 |
| Royalty expense accruals | 443.166 | 415.387 |
| | <u>43.024.685</u> | <u>35.986.454</u> |

(*) As of 30 June 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 3.644.585 (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 30 June 2015, there is no 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 June 2015, expense accruals includes turnover premium provision amounts to TRY 1.445.608 (31 December 2014: TRY 1.067.264) .

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

As of 30 June 2015 and 31 December 2014, the Group has no long term trade payables.

8. OTHER RECEIVABLES AND PAYABLES

| | 30 June 2015 | 31 December 2014 |
|--|-----------------|---------------------|
| <u>Other current receivables</u> | | |
| Other receivables | 1.639.326 | 1.554.551 |
| Due from personnel | 311.274 | 469.866 |
| Provision for other doubtful receivables (-) | (1.435.020) | (1.357.307) |
| Deposits and guarantees given | 59.798 | 58.696 |
| | <u>575.378</u> | <u>725.806</u> |

The movement of the allowance for other doubtful receivables for the period ended 30 June 2015 and 2014 is as follows:

| | 1 January- 30 June 2015 | 1 January- 30 June 2014 |
|-----------------------|----------------------------|----------------------------|
| Balance at 1 January | 1.357.307 | - |
| Charge for the period | 77.713 | - |
| Balance at 30 June | <u>1.435.020</u> | <u>-</u> |

| | 30 June 2015 | 31 December 2014 |
|----------------------------------|-----------------|---------------------|
| <u>Other current payables</u> | | |
| Deposits and guarantees received | 135.115 | 116.745 |
| Due to related parties (Note 6) | 45.494 | 45.494 |
| Other current payables | 500.938 | 513.236 |
| | <u>681.547</u> | <u>675.475</u> |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

9. INVENTORIES

| | 30 June 2015 | 31 December 2014 |
|--|--------------------|---------------------|
| Raw materials | 84.168.696 | 97.626.092 |
| Work-in-progress | 13.419.166 | 18.303.992 |
| Finished goods | 57.673.643 | 42.036.615 |
| Trade goods | 951.392 | 1.068.555 |
| Allowance for diminution in value of inventories | (2.725.839) | (4.081.349) |
| | <u>153.487.058</u> | <u>154.953.905</u> |

As of 30 June 2015, insured inventory amounts to TRY 160.000.000 (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:

| | 30 June 2015 | 31 December 2014 |
|------------------|------------------|---------------------|
| Raw materials | 1.025.533 | 1.415.537 |
| Work-in-progress | 65.211 | 447.860 |
| Finished goods | 1.635.095 | 2.217.952 |
| | <u>2.725.839</u> | <u>4.081.349</u> |

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

| | 1 January- 30 June 2015 | 1 January- 30 June 2014 |
|------------------------------|-------------------------------|-------------------------------|
| Balance at 1 January | 4.081.349 | 1.416.433 |
| Provision for the period | 1.703.663 | 540.654 |
| Provision no longer required | (3.059.173) | (319.930) |
| Balance at 30 June | <u>2.725.839</u> | <u>1.637.157</u> |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

10. PREPAID EXPENSES AND DEFERRED REVENUE

| | 30 June 2015 | 31 December 2014 |
|---|------------------|---------------------|
| <u>Short term prepaid expenses</u> | | |
| Advances given for inventory | 5.643.059 | 7.884.019 |
| Prepaid expenses | 1.492.631 | 2.123.318 |
| Business advances given | 2.182.812 | 346.770 |
| | <u>9.318.502</u> | <u>10.354.107</u> |

| | 30 June 2015 | 31 December 2014 |
|---|------------------|---------------------|
| <u>Long term prepaid expenses</u> | | |
| Advances given for property, plant & equip. | 4.300.061 | 2.164.303 |
| Prepaid expenses | 230.000 | 192.000 |
| | <u>4.530.061</u> | <u>2.356.303</u> |

| | 30 June 2015 | 31 December 2014 |
|---|------------------|---------------------|
| <u>Short term deferred revenue</u> | | |
| Advances received | 1.284.596 | 481.306 |
| | <u>1.284.596</u> | <u>481.306</u> |

11. ASSETS RELATING TO CURRENT TAX

| | 30 June 2015 | 31 December 2014 |
|---|-----------------|---------------------|
| Current assets relating to current tax | | |
| Prepaid tax | 62.568 | 216.418 |
| | <u>62.568</u> | <u>216.418</u> |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

12. PROPERTY, PLANT AND EQUIPMENT

| Acquisition cost | Land | Land Improvements | Buildings | Machinery and Equipment | Vehicles | Furniture and Fixtures | Leasehold Improvements | Construction in Progress | Total |
|---|------------|-------------------|--------------|-------------------------|-------------|------------------------|------------------------|--------------------------|---------------|
| 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 | - | - | - | - | - | 457.715 | - | 9.218.057 | 9.675.772 |
| Disposals | - | - | - | (964.548) | - | (12.356) | - | - | (976.904) |
| Transfers from construction in progress | - | - | 536.314 | 23.143.426 | - | - | - | (23.679.740) | - |
| Closing balance, 30 June 2015 | 28.273.418 | 615.688 | 142.675.544 | 278.985.920 | 5.835.217 | 23.789.699 | 249.848 | 14.047.588 | 494.472.922 |
| 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 (*) | - | - | - | (1.394.655) | - | - | - | - | (1.394.655) |
| Depreciation charge for the period | - | (17.926) | (1.681.540) | (9.415.659) | (516.890) | (880.782) | (9.450) | - | (12.522.247) |
| Disposals | - | - | - | 881.008 | - | 11.908 | - | - | 892.916 |
| Closing balance, 30 June 2015 | - | (288.708) | (21.914.325) | (156.816.953) | (3.343.499) | (17.961.925) | (196.382) | - | (200.521.792) |
| Carrying amount at 30 June 2015 | 28.273.418 | 326.980 | 120.761.219 | 122.168.967 | 2.491.718 | 5.827.774 | 53.466 | 14.047.588 | 293.951.130 |

(*) TRY 1.394.655, 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 30 June 2015.

As of 30 June 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 30 June 2015, the leased property plant and equipment has totally been amortized. There were no new finance leases during 2015.

As of 30 June 2015, insured property, plant and equipment amounts to TRY 675.065.000 (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).

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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

| Acquisition cost | Land | Land Improvements | Buildings | Machinery and Equipment | Vehicles | Furniture and Fixtures | Leasehold Improvements | Construction in Progress | Total |
|---|------------|-------------------|--------------|-------------------------|-------------|------------------------|------------------------|--------------------------|---------------|
| 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 | - | - | - | - | - | 785.531 | 2.035 | 26.020.172 | 26.807.738 |
| Disposals | - | - | (219.153) | (3.223.933) | (77.802) | (318.521) | - | - | (3.839.409) |
| Transfers from construction in progress | - | - | 2.539.235 | 6.998.327 | - | - | - | (9.537.562) | - |
| Closing balance, 30 June 2014 | 28.273.418 | 615.688 | 136.261.815 | 244.302.085 | 5.715.446 | 22.607.239 | 249.848 | 30.087.497 | 468.113.036 |
| 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 (*) | - | - | - | (1.244.473) | - | - | - | - | (1.244.473) |
| Depreciation charge for the period | - | (17.926) | (1.608.882) | (9.003.755) | (504.925) | (869.564) | (11.088) | - | (12.016.140) |
| Disposals | - | - | 91.901 | 2.926.076 | 77.802 | 302.523 | - | - | 3.398.302 |
| Closing balance, 30 June 2014 | - | (252.856) | (18.608.753) | (136.535.431) | (2.316.462) | (16.215.216) | (177.286) | - | (174.106.004) |
| Carrying amount at 30 June 2014 | 28.273.418 | 362.832 | 117.653.062 | 107.766.654 | 3.398.984 | 6.392.023 | 72.562 | 30.087.497 | 294.007.032 |

(*) TRY 1.244.473, 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 30 June 2014 (Note 13).

As of 30 June 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 1.152.642. Net carrying amount of leased property plant and equipment consist of TRY 199.384 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 30 June 2014, insured property, plant and equipment amounts to TRY 572.810.000 (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 US Dollar 18.500.000, TRY 20.000.000, TRY 20.000.000, US Dollar 15.750.000 and TRY 16.200.000 (Note 17).

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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 7.549.631 (2014: TRY 7.092.353) has been charged to 'cost of goods sold', TRY 4.348.727 (2014: TRY 3.891.350) to 'operating expenses' and TRY 3.602.004 is capitalized on inventory (2014: TRY 3.465.459).

13. INTANGIBLE ASSETS

| | Product Licenses and Rights | Customer Relationship | Capitalized Development Costs | Total |
|---|--------------------------------|--------------------------|----------------------------------|--------------|
| <u>Acquisition cost</u> | | | | |
| Opening balance, 1 January 2015 | 101.429.533 | 3.730.513 | 94.462.859 | 199.622.905 |
| Reclassifications (*) | - | - | 1.394.655 | 1.394.655 |
| Additions (**) | - | - | 23.241.012 | 23.241.012 |
| Transfers from construction in progress | 10.444.341 | - | 10.444.341 | - |
| Disposals | - | - | - | - |
| Closing balance, 30 June 2015 | 111.873.874 | 3.730.513 | 108.654.185 | 224.258.572 |
| <u>Accumulated amortization</u> | | | | |
| Opening balance, 1 January 2015 | (39.315.150) | (1.212.418) | (6.040.401) | (46.567.969) |
| Amortization charge for the period | (2.884.853) | (93.262) | - | (2.978.115) |
| Disposals | - | - | - | - |
| Impairment | - | - | (7.473.316) | (7.473.316) |
| Closing balance, 30 June 2015 | (42.200.003) | (1.305.680) | (13.513.717) | (57.019.400) |
| Carrying amount, 30 June 2015 | 69.673.871 | 2.424.833 | 95.140.468 | 167.239.172 |

(*) TRY 1.394.655, 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 30 June 2015 (Note 12).

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

As of 30 June 2015, capitalized financial expense amounts to TRY 955.336 (30 June 2014: TRY 875.467).

As of 30 June 2015, carrying amount of internally generated intangible assets consist of TRY 26.662.290 of rights and TRY 85.203.188 of capitalized development costs.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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 (*) | - | - | 1 244 473 | 1 244 473 |
| Additions (**) | - | - | 22 728 949 | 22 728 949 |
| Transfers from construction in progress | 4 306 353 | - | 4 306 353 | - |
| Disposals | (81 849) | - | (436 960) | (518 809) |
| Closing balance, 30 June 2014 | <u>91 779 706</u> | <u>3 730 513</u> | <u>80 197 111</u> | <u>175 707 330</u> |
| Accumulated amortization | | | | |
| Opening balance, 1 January 2014 | (34 468 430) | (1 025 894) | (4 749 129) | (40 243 453) |
| Amortization charge for the period | (2 339 760) | (93 262) | - | (2 433 022) |
| Disposals | 15 352 | - | - | 15 352 |
| Impairment | - | - | (456 567) | (456 567) |
| Closing balance, 30 June 2014 | <u>(36 792 838)</u> | <u>(1 119 156)</u> | <u>(5 205 696)</u> | <u>(43 117 690)</u> |
| Carrying amount, 30 June 2014 | <u>54 986 868</u> | <u>2 611 357</u> | <u>74 991 415</u> | <u>132 589 640</u> |

(*) TRY 1.244.473, 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 30 June 2014 (Note 12).

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

As of 30 June 2014, capitalized financial expense amounts to TRY 875.467 (30 June 2013: TRY 399.400).

As of 30 June 2014, carrying amount of internally generated intangible assets consist of TRY 18.374.404 of rights and TRY 63.747.979 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 |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

14. GOODWILL

| | 30 June 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 30 June 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 30 June 2015.

15. GOVERNMENT INCENTIVES AND GRANTS

| | 30 June 2015 | 31 December 2014 |
|---|-------------------|---------------------|
| Short term government grants and incentives (*) | 2.562.609 | 2.348.435 |
| | <u>2.562.609</u> | <u>2.348.435</u> |
| | 30 June 2015 | 31 December 2014 |
| Long term government grants and incentives (*) | 14.792.691 | 16.647.992 |
| | <u>14.792.691</u> | <u>16.647.992</u> |

(*) 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 period ended 30 June 2015, the Group received TRY 1.061.613 grant related with its development costs.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

15. GOVERNMENT INCENTIVES AND GRANTS (cont'd)

The Group has 7 ongoing research and development projects approved by TÜBİTAK. Deva has started 1 new projects in 2013, 2 new projects in 2014 and 4 new projects in 2015. Total research and development expenses incurred during 2015 related with these projects amounted to TRY 12.815.930.

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 365.640 and TRY 1.663.188, 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 615.884.

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

16. PROVISIONS

| <u>Short term provisions</u> | 30 June 2015 | 31 December 2014 |
|--|-------------------|---------------------|
| Expense accruals due to price regulation | 4.012.024 | 1.862.500 |
| Accrued sales discounts | 3.086.705 | 3.385.655 |
| Provision for legal claims | 3.953.111 | 3.990.173 |
| Campaign discount provisions | 315.599 | - |
| | <u>11.367.439</u> | <u>9.238.328</u> |

| | Expense accruals due to price regulation | Accrued sales discounts | Provision for legal claims (*) | Campaign discount provisions | Total |
|------------------------------------|---|----------------------------|-----------------------------------|---------------------------------|-------------------|
| Opening balance, 1 January 2015 | 1.862.500 | 3.385.655 | 3.990.173 | - | 9.238.328 |
| Charge for the period | 2.496.226 | 21.541.749 | 1.666.014 | 315.599 | 26.019.588 |
| Payments made during the period | (346.702) | (15.328.689) | (1.292.740) | - | (16.968.131) |
| Reversal of provision | - | (6.512.010) | (410.336) | - | (6.922.346) |
| Closing balance, 30 June 2015 | <u>4.012.024</u> | <u>3.086.705</u> | <u>3.953.111</u> | <u>315.599</u> | <u>11.367.439</u> |
| Opening balance, 1 January 2014 | 3.903.556 | 2.834.512 | 5.553.532 | - | 12.291.600 |
| Charge for the period | 113.230 | 28.205.582 | 938.747 | 953.114 | 30.210.673 |
| Payments made during the period | (178.556) | (17.137.664) | (1.849.987) | - | (19.166.207) |
| Reversal of provision | - | (11.002.941) | (1.310.149) | - | (12.313.090) |
| Closing balance, 30 June 2014 | <u>3.838.230</u> | <u>2.899.489</u> | <u>3.332.143</u> | <u>953.114</u> | <u>11.022.976</u> |

(*) 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 30 June 2015, there are 216 pending legal cases. TRY 3.731.220 represents provision for legal cases opened by discharged personnel and TRY 221.891 represents provision for fines received from tax authority.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

17. COMMITMENTS

| | Currency Type | Balance | Currency Rate | 30 June 2015 |
|-------------------------|---------------|-------------|---------------|--------------------|
| Mortgage | US Dollar | 15.750.000 | 2,6863 | 42.309.225 |
| | TRY | 111.200.000 | 1,0000 | 111.200.000 |
| | | | | <u>153.509.225</u> |
| Promissory notes (*) | TRY | 89.627.500 | 1,0000 | 89.627.500 |
| | EUR | 1.262.491 | 2,9822 | 3.765.001 |
| | US Dollar | 11.374.381 | 2,6863 | 30.555.000 |
| | | | | <u>123.947.501</u> |
| Guarantee letters given | TRY | 30.109.063 | 1,0000 | 30.109.063 |
| | US Dollar | 64.000 | 2,6863 | 171.923 |
| | | | | <u>30.280.986</u> |
| Pledges (**) | TRY | 348.414 | 1,0000 | 348.414 |
| | | | | <u>348.414</u> |
| | | | | <u>308.086.126</u> |
| | | | | <u>308.086.126</u> |
| | 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 |
| | | | | <u>147.722.675</u> |
| 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 |
| | | | | <u>107.987.500</u> |
| Guarantee letters given | TRY | 25.959.003 | 1,0000 | 25.959.003 |
| | US Dollar | 64.000 | 2,3189 | 148.410 |
| | | | | <u>26.107.413</u> |
| Pledges (**) | TRY | 932.718 | 1,0000 | 932.718 |
| | | | | <u>932.718</u> |
| | | | | <u>282.750.306</u> |
| | | | | <u>282.750.306</u> |

(*) 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

17. COMMITMENTS (cont'd)

As of 30 June 2015 and 31 December 2014, the Group's Guarantees/Pledge/Mortgages ("GPM") are as follows:

Guarentees/Pledge/Mortgages given by the Group (GPM)

| | 30 June 2015 | | | |
|--|---------------------------|--------------------------|-------------------------|---------------------------|
| | TRY Equivalent | US Dollar | EUR | TRY |
| A. GPM given on behalf of its own legal entity | | | | |
| -Guarantee | 25.839.987 | 64.000 | - | 25.668.063 |
| -Pledge | 348.414 | - | - | 348.414 |
| -Mortgage | 153.509.225 | 15.750.000 | - | 111.200.000 |
| | <u>179.697.626</u> | <u>15.814.000</u> | - | <u>137.216.477</u> |
| B. GPM given on behalf of subsidiaries that are included in full consolidation | | | | |
| -Guarantee | 128.388.500 | 11.374.381 | 1.262.491 | 94.068.500 |
| -Pledge | - | - | - | - |
| -Mortgage | - | - | - | - |
| | <u>128.388.500</u> | <u>11.374.381</u> | <u>1.262.491</u> | <u>94.068.500</u> |
| C. GPM's given on behalf of third parties for ordinary course of the business | - | - | - | - |
| D. Other GPM | - | - | - | - |
| Total | <u>308.086.126</u> | <u>27.188.381</u> | <u>1.262.491</u> | <u>231.284.977</u> |
| | | | | |
| | 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 |
| | <u>172.351.806</u> | <u>15.814.000</u> | - | <u>135.680.721</u> |
| 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 | - | - | - | - |
| | <u>110.398.500</u> | <u>12.559.834</u> | <u>1.772.610</u> | <u>76.273.500</u> |
| C. GPM's given on behalf of third parties for ordinary course of the business | - | - | - | - |
| D. Other GPM | - | - | - | - |
| Total | <u>282.750.306</u> | <u>28.373.834</u> | <u>1.772.610</u> | <u>211.954.221</u> |

As of 30 June 2015, the Company's Other GPM / Equity ratio is nil (31 December 2014: Nil).

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

17. COMMITMENTS AND CONTINGENT LIABILITIES (cont'd)

As of 30 June 2015 and 31 December 2014, Group's irreversible operating lease liabilities are as follows:

| | | | 30 June |
|------------------------------|------------------|------------------|-------------------|
| | EUR | TRY | 2015 |
| Maturity less than 1 year | 838.768 | 2.681.408 | 5.182.782 |
| Maturity between 1 - 5 years | 839.417 | 5.576.254 | 8.079.563 |
| | <u>1.678.185</u> | <u>8.257.662</u> | <u>13.262.345</u> |
| | | | 31 December |
| | EUR | TRY | 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 |
| | <u>1.732.700</u> | <u>8.207.560</u> | <u>13.094.987</u> |

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 period ended 30 June 2015 amounts to TRY 2.550.310 (1 January – 30 June 2014: TRY 2.446.071).

18. EMPLOYMENT BENEFITS

Short-term benefits provided to employees

| | 30 June | 31 December |
|---|-------------------|-------------------|
| | 2015 | 2014 |
| <u>Payables for benefits provided to employees</u> | | |
| Due to personnel | 168.709 | 166.851 |
| Taxes and funds payables | 1.612.291 | 1.644.387 |
| Social security premiums payable | 2.275.872 | 2.045.265 |
| | <u>4.056.872</u> | <u>3.856.503</u> |
| | 30 June | 31 December |
| | 2015 | 2014 |
| <u>Provisions for benefits provided to employees</u> | | |
| Accrued vacation pay liability | 6.142.609 | 4.330.894 |
| Bonus given to personnel | 1.899.751 | 1.973.058 |
| Provision for seniority incentive and management premium(*) | 154.462 | 133.337 |
| Other accruals and payables | 6.518.136 | 3.841.967 |
| | <u>14.714.958</u> | <u>10.279.256</u> |

(*) The provision for seniority incentive and other benefits as of 30 June 2015 includes US Dollar 57.500 (TRY 154.462) 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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 | 1.866.986 | 1.899.751 | 21.125 | 3.787.862 |
| Payments during the period | (55.271) | (1.973.058) | - | (2.028.329) |
| Provision at 30 June | <u>6.142.609</u> | <u>1.899.751</u> | <u>154.462</u> | <u>8.196.822</u> |
| Provision at 1 January | 3.828.852 | 646.158 | 133.394 | 4.608.404 |
| Charge for the period | 1.080.156 | 1.711.257 | (681) | 2.790.732 |
| Payments during the period | (81.158) | (697.526) | (10.617) | (789.301) |
| Provision at 30 June | <u>4.827.850</u> | <u>1.659.889</u> | <u>122.096</u> | <u>6.609.835</u> |

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 3.541,37 for each period of service at 30 June 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 30 June 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 7,00% and a discount rate of 11,00%, resulting in a real discount rate of approximately 3,74% (31 December 2014: 3,74%). The anticipated rate of retirement is considered as 89,72% (2014: 90,08%). As the maximum liability is revised semi annually, the maximum amount of TRY 3.709,98 effective from 1 July 2015 is taken into consideration in the calculation of provision from employment termination benefits.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

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

18. EMPLOYMENT BENEFITS (cont'd)

Provision for employment termination benefits (con'd)

Below is the movement of employment termination provision:

| | 1 January - 30 June 2015 | 1 January - 30 June 2014 |
|---------------------------|--------------------------------|--------------------------------|
| Provision at 1 January | 4.922.854 | 4.873.079 |
| Service cost | 1.566.483 | 893.363 |
| Interest cost | 90.963 | 89.983 |
| Termination benefits paid | (1.185.917) | (819.655) |
| Actuarial gain | (142.011) | (173.856) |
| Provision at 30 June | <u>5.252.372</u> | <u>4.862.914</u> |

19. OTHER CURRENT ASSETS

| | 30 June 2015 | 31 December 2014 |
|------------------------------------|-------------------|---------------------|
| <u>Other current assets</u> | | |
| Deferred VAT | 6.956.655 | 7.293.575 |
| Other VAT | 3.527.071 | 1.697.235 |
| | <u>10.483.726</u> | <u>8.990.810</u> |

| | 30 June 2015 | 31 December 2014 |
|---|------------------|---------------------|
| <u>Other current liabilities</u> | | |
| Taxes and funds payables | 2.423.197 | 1.582.682 |
| Other VAT | 126.419 | 125.604 |
| | <u>2.549.616</u> | <u>1.708.286</u> |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

20. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Capital

| <u>Name</u> | <u>(%)</u> | <u>30 June 2015</u> | <u>(%)</u> | <u>31 December 2014</u> |
|---------------------------------------|------------|-------------------------|------------|-----------------------------|
| 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 | | <u>340.051.849</u> | | <u>340.051.849</u> |

As of 30 June 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 30 June 2015 and 31 December 2014, the details of capital and other balances disclosed under equity are as follows:

| | <u>30 June 2015</u> | <u>31 December 2014</u> |
|--|-------------------------|-----------------------------|
| 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) |
| | <u>353.706.911</u> | <u>353.706.911</u> |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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 30 June 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).

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

21. REVENUE AND COST OF SALES

| | 1 January – 30 June 2015 | 1 April – 30 June 2015 | 1 January – 30 June 2014 | 1 April – 30 June 2014 |
|-------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| <i>Revenue (net)</i> | | | | |
| Human pharma revenue | 274.826.739 | 141.197.151 | 211.054.330 | 112.265.336 |
| Veterinary products revenue | 15.775.979 | 5.222.189 | 16.624.401 | 5.161.701 |
| Other revenue | 3.288.237 | 2.505.316 | 4.827.618 | 2.978.884 |
| | <u>293.890.955</u> | <u>148.924.656</u> | <u>232.506.349</u> | <u>120.405.921</u> |
| <i>Cost of revenue</i> | | | | |
| Raw and other materials used | (98.339.465) | (51.360.092) | (72.929.913) | (38.583.169) |
| Direct labor cost | (8.151.839) | (4.109.721) | (7.545.582) | (3.958.050) |
| Production overheads | (46.107.570) | (24.674.714) | (43.192.681) | (21.881.475) |
| Depreciation expenses | (7.549.631) | (4.639.678) | (7.092.353) | (4.406.982) |
| Change in work in process | (4.884.826) | 1.410.481 | (1.221.824) | 654.483 |
| Change in finished goods | 15.637.028 | 6.089.427 | 401.273 | 1.203.073 |
| | <u>(149.396.303)</u> | <u>(77.284.297)</u> | <u>(131.581.080)</u> | <u>(66.972.120)</u> |
| Cost of merchandises sold (*) | <u>(22.920.184)</u> | <u>(12.972.331)</u> | <u>(19.226.485)</u> | <u>(10.277.410)</u> |
| | <u>(172.316.487)</u> | <u>(90.256.628)</u> | <u>(150.807.565)</u> | <u>(77.249.530)</u> |

(*) 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 – 30 June 2015 | 1 April – 30 June 2015 | 1 January – 30 June 2014 | 1 April – 30 June 2014 |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|
| Marketing, sales and distribution expenses | (48.459.182) | (25.258.015) | (43.848.001) | (24.585.358) |
| General administration expenses | (20.094.180) | (11.143.994) | (15.111.871) | (7.729.434) |
| Research and development expenses | (7.464.033) | (1.476.592) | (1.287.147) | (648.594) |
| | <u>(76.017.395)</u> | <u>(37.878.601)</u> | <u>(60.247.019)</u> | <u>(32.963.386)</u> |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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

i) Research and development expenses

| | 1 January – 30 June 2015 | 1 April – 30 June 2015 | 1 January – 30 June 2014 | 1 April – 30 June 2014 |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|
| Employee benefits expenses | (6.174.230) | (3.318.747) | (5.681.063) | (3.029.254) |
| Depreciation and amortization expenses | - | - | (70.869) | (35.434) |
| Cancelled projects | (7.240.521) | (1.292.290) | (1.167.448) | (613.160) |
| | <u>(13.414.751)</u> | <u>(4.611.037)</u> | <u>(6.919.380)</u> | <u>(3.677.848)</u> |
| Capitalized personnel expenses | 5.950.718 | 3.134.445 | 5.632.233 | 3.029.254 |
| | <u>(7.464.033)</u> | <u>(1.476.592)</u> | <u>(1.287.147)</u> | <u>(648.594)</u> |

As of 30 June 2015, the Group realized research and development expenses of TRY 602.939 for tangible assets and TRY 17.058.636 for intangible assets with the total amount TRY 17.661.575 (30 June 2014: TRY 19.502.702). As of balance sheet date TRY 12.815.930 of the amount is for the government grants and incentives (30 June 2014: TRY 15.501.258). Of this total amount TRY 10.197.542 was capitalized on development costs, of which TRY 5.950.718 consists of employee related expenses.

ii) Marketing, sales and distribution expenses

| | 1 January – 30 June 2015 | 1 April – 30 June 2015 | 1 January – 30 June 2014 | 1 April – 30 June 2014 |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|
| Employee benefits expenses | (22.422.538) | (11.825.847) | (20.071.495) | (10.905.005) |
| Depreciation and amortization expenses | (491.475) | (245.748) | (507.127) | (282.744) |
| Royalty expenses | (6.570.070) | (3.134.282) | (5.059.379) | (2.952.072) |
| Rent expenses | (3.175.318) | (1.602.319) | (2.983.643) | (1.450.455) |
| Travel, transportation and accommodation expenses | (2.329.806) | (1.207.584) | (3.494.939) | (1.592.676) |
| Consultancy expenses | (1.120.001) | (411.149) | (626.597) | (365.478) |
| Promotional goods and advertising expenses | (10.017.623) | (6.313.998) | (9.889.743) | (6.693.021) |
| Other expenses | (2.332.351) | (517.088) | (1.215.078) | (343.907) |
| | <u>(48.459.182)</u> | <u>(25.258.015)</u> | <u>(43.848.001)</u> | <u>(24.585.358)</u> |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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

iii) General administration expenses

| | 1 January – 30 June 2015 | 1 April – 30 June 2015 | 1 January – 30 June 2014 | 1 April – 30 June 2014 |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|
| Employee benefits expenses | (12.333.687) | (6.574.140) | (10.221.160) | (5.541.491) |
| Depreciation and amortization expenses | (3.857.252) | (1.969.885) | (3.313.354) | (1.673.153) |
| Rent expenses | (145.213) | (72.257) | (108.427) | (57.045) |
| Travel, transportation and accommodation expenses | (960.309) | (617.089) | (768.088) | (483.558) |
| Consultancy expenses | (816.770) | (449.000) | (556.472) | (310.329) |
| Promotional goods and advertising expenses | (157.073) | (111.131) | (98.717) | (62.560) |
| Other expenses | (3.662.062) | (2.260.982) | (2.078.613) | (637.998) |
| | <u>(21.932.366)</u> | <u>(12.054.484)</u> | <u>(17.144.831)</u> | <u>(8.766.134)</u> |
| Capitalized personnel expenses | 1.838.186 | 910.490 | 2.032.960 | 1.036.700 |
| | <u>(20.094.180)</u> | <u>(11.143.994)</u> | <u>(15.111.871)</u> | <u>(7.729.434)</u> |

23. EXPENSES BY NATURE

| | 1 January – 30 June 2015 | 1 April – 30 June 2015 | 1 January – 30 June 2014 | 1 April – 30 June 2014 |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|
| Employee benefits expenses | (40.930.455) | (21.718.734) | (35.973.718) | (19.475.750) |
| Depreciation and amortization expenses | (4.348.727) | (2.215.633) | (3.891.350) | (1.991.331) |
| Royalty expenses (*) | (6.570.070) | (3.134.282) | (5.059.379) | (2.952.072) |
| Rent expenses | (3.320.531) | (1.674.576) | (3.092.070) | (1.507.500) |
| Promotional goods and advertising expenses | (10.174.696) | (6.425.129) | (9.988.460) | (6.755.581) |
| Travel, transportation and accommodation expenses | (3.290.115) | (1.824.673) | (4.263.027) | (2.076.234) |
| Consultancy expenses | (1.936.771) | (860.149) | (1.183.069) | (675.807) |
| Cancelled projects | (7.240.521) | (1.292.290) | (1.167.448) | (613.160) |
| Other expenses | (5.994.413) | (2.778.070) | (3.293.691) | (981.905) |
| | <u>(83.806.299)</u> | <u>(41.923.536)</u> | <u>(67.912.212)</u> | <u>(37.029.340)</u> |
| Capitalized personnel expenses | 7.788.904 | 4.044.935 | 7.665.193 | 4.065.954 |
| | <u>(76.017.395)</u> | <u>(37.878.601)</u> | <u>(60.247.019)</u> | <u>(32.963.386)</u> |

(*) 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

24. OTHER OPERATING INCOME / EXPENSES

| | 1 January – 30 June 2015 | 1 April – 30 June 2015 | 1 January – 30 June 2014 | 1 April – 30 June 2014 |
|---------------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| Foreign exchange gain | 3.549.440 | 652.839 | 161.103 | (332.213) |
| Discount interest income | 23.580.067 | 12.632.162 | 26.100.969 | 13.322.662 |
| Commission income (*) | 1.049.992 | 591.140 | 876.961 | 455.615 |
| Interest income | 1.578.728 | 749.564 | 2.021.077 | 859.928 |
| Interest on deferred settlement sales | 189.126 | 67.661 | 217.199 | 66.891 |
| Other income and profits | 3.326.270 | 826.080 | 1.717.314 | 671.847 |
| | <u>33.273.623</u> | <u>15.519.446</u> | <u>31.094.623</u> | <u>15.044.730</u> |

(*) Commission income consists of consideration received for the sale of Saba İlaç products, the Group's related party (1.049.992 TRY) (Note 6).

| | 1 January – 30 June 2015 | 1 April – 30 June 2015 | 1 January – 30 June 2014 | 1 April – 30 June 2014 |
|----------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| Foreign exchange loss | (82.128) | 27.874 | (2.908.280) | (2.277.911) |
| Discount interest expenses | (24.165.258) | (12.503.678) | (26.088.673) | (12.734.086) |
| Other expense and losses | (505.608) | (342.539) | (870.714) | (187.783) |
| | <u>(24.752.994)</u> | <u>(12.818.343)</u> | <u>(29.867.667)</u> | <u>(15.199.780)</u> |

25. INVESTMENT INCOME

| | 1 January – 30 June 2015 | 1 April – 30 June 2015 | 1 January – 30 June 2014 | 1 April – 30 June 2014 |
|---------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| Gain on sale of property, plant | 221.915 | 221.915 | 291.075 | 112.651 |
| | <u>221.915</u> | <u>221.915</u> | <u>291.075</u> | <u>112.651</u> |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

26. FINANCIAL EXPENSES

| | 1 January – 30 June 2015 | 1 April – 30 June 2015 | 1 January – 30 June 2014 | 1 April – 30 June 2014 |
|------------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| Bank loans interest cost | (15.479.689) | (7.601.121) | (14.951.611) | (7.525.357) |
| Bonds issued interest and expenses | (6.597.893) | (3.944.205) | (5.745.677) | (1.371.964) |
| Total interest cost | (22.077.582) | (11.545.326) | (20.697.288) | (8.897.321) |
| Capitalized expenses (-) | 955.336 | 662.089 | 875.467 | 550.633 |
| | (21.122.246) | (10.883.237) | (19.821.821) | (8.346.688) |
| Foreign exchange loss | (1.874.806) | (871.259) | (278.052) | 953.856 |
| Gain on derivative instruments | (112.356) | (112.356) | 452.900 | 351.400 |
| Other expenses | (328.353) | (145.020) | (398.783) | (163.478) |
| | (23.437.761) | (12.011.872) | (20.045.756) | (7.204.910) |

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

27. TAX ASSETS AND LIABILITIES (cont'd)

| <u>Tax provision</u> | 1 January- 30 June 2015 | 1 January- 30 June 2014 |
|---------------------------------|-------------------------------|-------------------------------|
| Deferred tax expense / (income) | 2.631.945 | (1.879.351) |
| Total tax expense / (income) | <u>2.631.945</u> | <u>(1.879.351)</u> |

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

| | 1 January- 30 June 2015 | 1 January- 30 June 2014 |
|---|-------------------------------|-------------------------------|
| Profit before tax | 30.861.856 | 2.924.040 |
| Enacted tax rate | 20% | 20% |
| Expected taxation | 6.172.371 | 584.808 |
| Tax effects of: | | |
| - non-deductible expenses | 122.594 | 99.086 |
| - non-taxable income | (182.899) | (154.951) |
| - r&d incentives deductions | (3.480.121) | (2.408.294) |
| Tax income / (expense) recognized in income statement | <u>2.631.945</u> | <u>(1.879.351)</u> |

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

27. TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax (cont'd)

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

| <u>Deferred tax (assets) / liabilities</u> | 30 June 2015 | 31 December 2014 |
|--|---------------------|---------------------|
| Restatement and useful life differences of property, plant and equipment and intangible assets | 5.001.162 | 4.578.917 |
| Provision for employment termination benefits | (1.050.474) | (984.571) |
| Carry forward tax losses | (2.999.473) | (7.775.731) |
| R&D incentives deductions | (14.554.649) | (13.119.500) |
| Inventories | (974.984) | (1.159.184) |
| Accrued vacation pay liability | (1.228.522) | (866.179) |
| Accrued sales discounts and free samples | (617.341) | (677.131) |
| Expense accruals due to price regulation | (802.405) | (372.500) |
| Provision for doubtful receivables | (1.637.318) | (1.621.775) |
| Provision for legal cases | (790.622) | (798.035) |
| Other | (2.769.984) | (2.289.268) |
| | <u>(22.424.610)</u> | <u>(25.084.957)</u> |

The movement of deferred tax assets for the period ended as of 30 June 2015 and 2014 are as follows:

| <u>Movements of deferred tax assets / (liabilities)</u> | 1 January- 30 June 2015 | 1 January- 30 June 2014 |
|--|-------------------------------|-------------------------------|
| Balance at 1 January | 25.084.957 | 21.503.066 |
| Deferred tax (expense) / income recognized in income statement | (2.631.945) | 1.879.351 |
| Tax expense recognized in other comprehensive income | (28.402) | (34.771) |
| Closing balance, 30 June | <u>22.424.610</u> | <u>23.347.646</u> |

As of balance sheet date, the Group has unused tax losses of TRY 14,997,365 available for offset against future profits (31 December 2014: TRY 38,878,655). Deferred tax assets amounting to TRY 2,999,473 are recognized in respect of such losses at 30 June 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 72,773,245 available for offset against future profits (31 December 2014: TRY 65,597,500). Deferred tax assets amounting to TRY 14,554,649 are recognized in respect of such incentives at 30 June 2015 (31 December 2014: TRY 13,119,500).

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

27. TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax (cont'd)

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

| | 30 June 2015 | 31 December 2014 |
|------|-------------------|---------------------|
| 2016 | - | 28.723.232 |
| 2018 | 4.562.817 | 4.562.817 |
| 2019 | 5.619.709 | 5.592.608 |
| 2020 | 4.814.841 | - |
| | <u>14.997.367</u> | <u>38.878.657</u> |

28. PROFIT PER SHARE

| | 1 January– 30 June 2015 | 1 January– 30 June 2014 |
|--|-------------------------------|-------------------------------|
| Profit for the period | 28.249.054 | 4.809.135 |
| Weighted-average number of outstanding shares | 20.000.000.000 | 20.000.000.000 |
| Profit per share (TRY) | 0,0014 | 0,0002 |

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

| | 30 June 2015 | 31 December 2014 |
|---|---------------------|---------------------|
| Financial liability | 392.000.687 | 395.478.131 |
| Less: Cash and cash equivalents | <u>(34.513.105)</u> | <u>(42.143.562)</u> |
| Liability (net) | 357.487.582 | 353.334.569 |
| Total equity | 440.109.953 | 411.909.172 |
| Total invested capital | 897.862.418 | 851.346.985 |
| Liability (net) / Total invested capital rate | 40% | 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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 29% and approximately 36% (30 June 2014: 23% and 36%) of the revenues of the Human Pharmaceuticals business line derived from Turkey. As of 30 June 2015, 29% and 32% 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:

| | 30 June 2015 | 31 December 2014 |
|---|--------------------|---------------------|
| Trade Receivables (According to internal rating) | | |
| Customers in Group A | 203.627.880 | 161.111.043 |
| Customers in Group B | 4.007.502 | 147.061 |
| Customers in Group C | 21.677.605 | 25.090.287 |
| | <u>229.312.987</u> | <u>186.348.391</u> |

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)

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

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

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

| 30 June 2015 | Receivables | | | | Bank Deposits |
|--|-------------------|-------------|-------------------|-------------|------------------|
| | Trade Receivables | | Other Receivables | | |
| | Related Party | Other | Related Party | Other | |
| Maximum credit limits as of balance sheet date (*) | 4.716.997 | 229.312.987 | - | 575.378 | 34.374.494 |
| Secured amount with letter of guarantee | - | 19.720.023 | - | - | - |
| A. Net book value of the not amortized financial assets | 4.716.997 | 229.312.987 | - | 575.378 | 34.374.494 |
| 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 | - | 1.435.020 | - |
| -Impairment(-) | - | (6.751.570) | - | (1.435.020) | - |
| -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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

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

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 |
| Maximum credit limits as of balance sheet date (*) | 9.244.018 | 186.348.391 | - | 725.806 |
| 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 |
| 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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

| 30 June 2015 | <u>Trade</u> <u>Receivables</u> | <u>Other</u> <u>Receivables</u> | <u>Bank deposits</u> | <u>Other</u> | <u>Total</u> |
|--|------------------------------------|------------------------------------|----------------------|------------------|------------------|
| Less than a month | - | - | - | - | - |
| 1-3 month | - | - | - | - | - |
| 3-12 month | - | - | - | - | - |
| 1- 5 year | 286.003 | - | - | 1.435.020 | 1.721.023 |
| 5+ years | 6.465.567 | - | - | - | 6.465.567 |
| Total | 6.751.570 | - | - | 1.435.020 | 8.186.590 |
| Secured with letter of guarantee and other | - | - | - | - | - |

Overdue Receivables

| 31 December 2014 | <u>Trade</u> <u>Receivables</u> | <u>Other</u> <u>Receivables</u> | <u>Bank deposits</u> | <u>Other</u> | <u>Total</u> |
|--|------------------------------------|------------------------------------|----------------------|------------------|------------------|
| 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

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

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)

30 June 2015

| <u>Due dates according to the agreements</u> | <u>Carrying value</u> | <u>Cashflow according to the agreement</u> | <u>Less than 3 months</u> | <u>Between 3-12 months</u> | <u>1-5 years</u> |
|---|------------------------------|---|----------------------------------|-----------------------------------|-------------------------|
| Non-derivative financial liabilities | | | | | |
| Bank loans and bonds issued | 392.000.687 | 433.479.476 | 130.957.380 | 198.482.087 | 104.040.009 |
| Trade payables | 43.024.685 | 43.189.554 | 42.865.086 | 324.468 | - |
| Total financial liabilities | 435.025.372 | 476.669.030 | 173.822.466 | 198.806.555 | 104.040.009 |

31 December 2014

| <u>Due dates according to the agreements</u> | <u>Carrying value</u> | <u>Cashflow according to the agreement</u> | <u>Less than 3 months</u> | <u>Between 3-12 months</u> | <u>1-5 years</u> |
|---|------------------------------|---|----------------------------------|-----------------------------------|-------------------------|
| 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 |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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 period, 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:

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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

| | <u>30 June 2015</u> | | | | | |
|--|---------------------|-----------|-----------|-----------|-----------|---------|
| | TRY Equivalent | USD | EUR | CHF | GBP | Other |
| 1. Trade receivables | 4.606.367 | 1.469.976 | 170.558 | - | - | 148.932 |
| 2a. Monetary financial assets | 33.986.292 | 4.688.562 | 7.137.509 | 5.419 | 2.752 | 78.823 |
| 2b. Non-monetary financial assets | - | - | - | - | - | - |
| 3. Other | 9.757.444 | 1.438.042 | 1.588.431 | 69.121 | 227.883 | - |
| 4. CURRENT ASSETS | 48.350.103 | 7.596.580 | 8.896.498 | 74.540 | 230.635 | 227.755 |
| 6a. Monetary financial assets | - | - | - | - | - | - |
| 6b. Non-monetary financial assets | - | - | - | - | - | - |
| 7. Other | 2.066.401 | 196.621 | 468.870 | 6.600 | 28.752 | - |
| 8. NON-CURRENT ASSETS | 2.066.401 | 196.621 | 468.870 | 6.600 | 28.752 | - |
| 9. TOTAL ASSETS | 50.416.504 | 7.793.201 | 9.365.368 | 81.140 | 259.387 | 227.755 |
| 10. Trade payables | 11.748.611 | 775.358 | 2.626.646 | 480.566 | 106.040 | 9.965 |
| 11. Financial liabilities | 3.880.215 | 1.444.446 | - | - | - | - |
| 12a. Other monetary liabilities | - | - | - | - | - | - |
| 12b. Other non-monetary liabilities | - | - | - | - | - | - |
| 13. CURRENT LIABILITIES | 15.628.826 | 2.219.804 | 2.626.646 | 480.566 | 106.040 | 9.965 |
| 14. Trade payables | - | - | - | - | - | - |
| 15. Financial liabilities | 14.911.000 | - | 5.000.000 | - | - | - |
| 16a. Other monetary liabilities | - | - | - | - | - | - |
| 16b. Other non-monetary liabilities | - | - | - | - | - | - |
| 17. NON-CURRENT LIABILITIES | 14.911.000 | - | 5.000.000 | - | - | - |
| 18. TOTAL LIABILITIES | 30.539.826 | 2.219.804 | 7.626.646 | 480.566 | 106.040 | 9.965 |
| 19. Net asset/liability position of off-balance sheet items (19a-19b) | - | - | - | - | - | - |
| 19 a. Total asset amount of hedging items | - | - | - | - | - | - |
| 19 b. Total liability amount of hedging items | - | - | - | - | - | - |
| 20. Net foreign currency position (9-18) | 19.876.678 | 5.573.397 | 1.738.722 | (399.426) | 153.347 | 217.790 |
| 21. Monetary items net foreign currency position | 8.052.833 | 3.938.734 | (318.579) | (475.147) | (103.288) | 217.790 |
| 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 | - | - | - | - | - | - |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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 | 31.904.987 | 5.257.567 | 5.016.081 | 3.615 | 2.752 | 5.545.999 |
| 2b. Non-monetary financial assets | - | - | - | - | - | - |
| 3. Other | 9.066.015 | 1.539.984 | 1.661.276 | 37.350 | 200.661 | - |
| 4. CURRENT ASSETS | 47.264.498 | 9.312.377 | 6.779.573 | 40.965 | 203.413 | 5.719.544 |
| 5. Trade receivables | - | - | - | - | - | - |
| 6a. Monetary financial assets | - | - | - | - | - | - |
| 6b. Non-monetary financial assets | - | - | - | - | - | - |
| 7. Other | 1.100.678 | 349.596 | 90.581 | 4.600 | 6.600 | - |
| 8. NON-CURRENT ASSETS | 1.100.678 | 349.596 | 90.581 | 4.600 | 6.600 | - |
| 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) | - | - | - | - | - | - |
| 19a. 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) | 8.831.505 | 3.844.528 | (1.710.934) | (291.938) | (81.766) | 5.719.544 |
| 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 | - | - | - | - | - | - |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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 | 30 June 2015 | |
|--|---------------------------------|---------------------------------|
| | Profit / (Loss) | |
| | If foreign currency appreciates | If foreign currency depreciates |
| If US Dollar changes 10% | | |
| 1- US Dollar net asset/liability | 1.058.062 | (1.058.062) |
| 2- Amount protected from US Dollar risk (-) | - | - |
| 3- US Dollar net effect (1+2) | 1.058.062 | (1.058.062) |
| If EUR changes 10% | | |
| 4- EUR net asset/liability | (95.007) | 95.007 |
| 5- Amount protected from EUR risk (-) | - | - |
| 6- EUR net effect (4+5) | (95.007) | 95.007 |
| If other currencies change 10% | | |
| 7- Other net asset/liability | (157.772) | 157.772 |
| 8- Amount protected from other currency risk (-) | - | - |
| 9- Other net effect (7+8) | (157.772) | 157.772 |
| Total (3 + 6 +9) | 805.283 | (805.283) |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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 | 474.246 | (474.246) |
| 8- Amount protected from other currency risk (-) | - | - |
| 9- Other net effect (7+8) | 474.246 | (474.246) |
| Total (3 + 6 +9) | 883.151 | (883.151) |

(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 30 June 2015, 26% 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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)

| | <u>Interest Position</u> | |
|-----------------------------------|--------------------------|-----------------------------|
| | <u>30 June 2015</u> | <u>31 December 2014</u> |
| Fixed Rated Instruments | | |
| Financial Assets | - | - |
| Financial Liabilities | 291.361.964 | 295.649.189 |
| Floating Rated Instruments | | |
| Financial Assets | - | - |
| Financial Liabilities | 100.638.723 | 99.828.942 |
| | <u>392.000.687</u> | <u>395.478.131</u> |

If Libor and Euribor had been higher by 50 basis points and all other variables were held constant, profit for the period ended at 30 June 2015 would decrease by TRY 255.274 (30 June 2014: TRY 217.030). 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**

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

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

| <u>30 June 2015</u> | <u>Loans and receivables</u> | <u>Financial liabilities through profit and loss</u> | <u>Financial liabilities at amortized cost</u> | <u>Carrying Value</u> | <u>Note</u> |
|---|------------------------------|--|--|-----------------------|-------------|
| <u>Financial Assets</u> | | | | | |
| Cash and cash equivalents | 34.513.105 | - | - | 34.513.105 | 4 |
| Trade receivables (including related parties) | 234.029.984 | - | - | 234.029.984 | 7 |
| <u>Financial Liabilities</u> | | | | | |
| Borrowings | - | - | 392.000.687 | 392.000.687 | 5 |
| Trade payables (including related parties) | - | - | 43.024.685 | 43.024.685 | 7 |
| <u>31 December 2014</u> | | | | | |
| <u>Financial Assets</u> | | | | | |
| Cash and cash equivalents | 42.143.562 | - | - | 42.143.562 | 4 |
| Trade receivables (including related parties) | 195.592.409 | - | - | 195.592.409 | 7 |
| <u>Financial Liabilities</u> | | | | | |
| Borrowings | - | - | 395.478.131 | 395.478.131 | 5 |
| Trade payables (including related parties) | - | - | 35.986.454 | 35.986.454 | 7 |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015

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

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 30 June 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.