DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 AND THE
INDEPENDENT AUDITOR ‘S REPORT

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

Building a better
working world

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(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Deva Holding A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Deva Holding A.Ş. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

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

Key Audit Matters	Auditor's response
Capitalization, valuation and realizability of Development cost	
Deva Holding's capitalized Development costs are mainly concentrated in the human pharma segments. This segment is subject to projects which take time to mature, which are key for future value creation by the Group. The capitalized Development costs are significant to our audit due to their size and judgement involved in the recoverability of those items. Explanations about intangible assets including the capitalized development costs have been disclosed in Note 13.	Our audit procedures included amongst others, a review of the Company's policies and procedures for evaluating the presence of impairment, challenging the main expectations and challenging the nature of capitalized expenses for each project. Our audit procedures included amongst others, evaluating the content of development costs capitalized for each project. For products in development, a key assumption is the probability of obtaining the necessary clinical and regulatory approvals. Our procedures for products in development included critically assessing the reasonableness of the Group's assumptions through consideration of trial readouts, regulatory announcements and the Group's internal governance and approval process. We also interviewed a range of key Research, Development and Commercial personnel and compared the assumptions with industry practice where available. For launched products we challenged their profitability based on products.
Inventory obsolescence provisions	
Inventories are stated at the lower of cost and net realizable value. Net realizable value is obtained by deducting the estimated completion cost from the estimated selling price in the ordinary course of business and the estimated costs to be incurred to realize the sale. Inventory balance is a material balance for the Group which requires management judgement in determining an appropriate level of inventory provisioning reflecting net realisable value of the inventory on hand at year end and consequenlty has been determined as a key audit matters. As of December 31, 2017, the Group has a gross inventory of TL 224.449.649 and has a provisions amounting to TL 9.805.130 on its inventories. Explanations about stocks have been disclosed in Note 9.	There are judgements required in determining inventory obsolescence provision as this is based on forecast inventory usage and assessing if the provision level is adequate. Besides, for an assessment of net realisable value of inventory, we also obtained the net realizable value calculations for finished goods and trade goods, agreed stock quantities in those calculations to the accounting records, and tested selling prices by reference to externally available data provided by the Ministry of Health of Turkey. Furthermore, we have also challenged management's judgement of cost to sell. We further assessed the adequacy of the Group's disclosures concerning inventory in note 9.

4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on March 9, 2018.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2017 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Zeynep Okuyan Özdemir.

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

Zeynep Okuyan Özdemir, SMMM
Partner

March 9, 2018
İstanbul, Türkiye

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2017

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

	Footnote References	Audited 31 December 2017	Audited 31 December 2016
ASSETS			
Current Assets		**621.511.152**	**449.634.143**
Cash and cash equivalents	4	77.869.867	27.476.002
Trade receivables	7	292.032.347	211.225.471
Due from related parties	*6*	*11.793.094*	*4.628.549*
Other trade receivables		*280.239.253*	*206.596.922*
Other receivables	8	460.429	370.338
Inventories	9	215.644.519	182.280.652
Prepaid expenses	10	22.731.603	12.053.984
Assets relating to current tax	11	392.497	92.927
Other current assets	19	12.379.890	16.134.769
Non-Current Assets		**634.895.717**	**567.892.876**
Property, plant and equipment	12	364.827.920	324.181.457
Intangible assets		240.294.847	220.552.960
Goodwill	*14*	*1.782.731*	*1.782.731*
Other intangible assets	*13*	*238.512.116*	*218.770.229*
Prepaid expenses	10	19.873.407	12.094.088
Deferred tax assets	27	9.899.543	11.064.371
TOTAL ASSETS		**1.256.406.869**	**1.017.527.019**

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2017

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

	Footnote References	Audited 31 December 2017	Audited 31 December 2016
LIABILITIES			
Current Liabilities		**418.736.092**	**245.445.843**
Short term financial liabilities	5	85.579.373	87.893.058
Current portion of long term financial liabilities	5	211.358.682	64.950.965
Trade payables	7	67.025.460	45.921.071
Due to related parties	*6*	*3.682.174*	*2.703.289*
Other trade payables		*63.343.286*	*43.217.782*
Payables relating to the benefits provided to employees	18	9.516.685	8.524.707
Other payables	8	1.171.107	875.686
Other trade payables		*1.171.107*	*875.686*
Government grants and incentives	15	1.588.006	1.740.365
Deferred revenue	10	7.381.167	3.092.118
Current tax payable		335.180	-
Short term provisions		33.333.543	28.853.369
Provisions for benefits provided to employees	*18*	*24.022.259*	*22.317.754*
Other provisions	*16*	*9.311.284*	*6.535.615*
Other current liabilities	19	1.446.889	3.594.504
Non-Current Liabilities		**232.580.675**	**259.233.663**
Long term financial liabilities	5	191.355.369	225.557.805
Government grants and incentives	15	20.174.443	14.346.297
Deferred revenue	10	1.926.675	2.534.887
Long term provisions		19.124.188	16.794.674
Provisions for benefits provided to employees	*18*	*19.124.188*	*16.794.674*
EQUITY		**605.090.102**	**512.847.513**
Equity attributable to equity holders of the parent		**605.090.102**	**512.847.513**
Paid-in capital	20	200.019.288	200.019.288
Inflation adjustment to share capital	20	140.080.696	140.080.696
Buy-backed shares (-)	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		(6.655.491)	(6.560.413)
Actuarial (loss) arising from defined benefit plans		*(6.655.491)*	(6.560.413)
Other comprehensive income/(expense) to be reclassified to profit or loss		(446.344)	(241.336)
Currency translation reserve		*(446.344)*	*(241.336)*
Restricted reserves appropriated from profit	20	150.864.955	150.864.955
Purchase of shares of entities under common control		*(146.500)*	*(146.500)*
Accumulated profit / (deficit)	20	25.988.867	(34.342.234)
Profit for the period		92.542.675	60.331.101
TOTAL LIABILITIES AND EQUITY		**1.256.406.869**	**1.017.527.019**

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Footnote References	Audited 1 January – 31 December 2017	Audited 1 January – 31 December 2016
Revenue	21	800.295.112	688.456.364
Cost of revenue (-)	21	(455.093.332)	(411.499.247)
GROSS PROFIT		**345.201.780**	**276.957.117**
Marketing, sales and distribution expenses (-)	22	(117.878.135)	(101.329.121)
General administration expenses (-)	22	(68.745.707)	(54.020.445)
Research and development expenses (-)	22	(28.830.671)	(11.962.392)
Other operating income	24	78.326.793	65.277.395
Other operating expenses (-)	24	(62.741.878)	(52.885.721)
OPERATING PROFIT		**145.332.182**	**122.036.833**
Investment income	25	10.195.637	1.710.458
Investment expenses (-)	25	(754.332)	-
PROFIT BEFORE FINANCE EXPENSES		**154.773.487**	**123.747.291**
Finance expenses (-)	26	(60.193.739)	(51.771.290)
PROFIT BEFORE TAXATION		**94.579.748**	**71.976.001**
Tax expense		**(2.037.073)**	**(11.644.900)**
Current tax expense	27	(904.478)	-
Deferred tax expense	27	(1.132.595)	(11.644.900)
NET PROFIT FOR THE PERIOD		**92.542.675**	**60.331.101**
Distribution of profit for the period			
Equity holders of the parent		92.542.675	60.331.101
		92.542.675	**60.331.101**
Profit per share	28	**0,0046**	**0,0030**
Diluted profit per share	28	**0,0046**	**0,0030**

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Footnote References	Audited 1 January – 31 December 2017	Audited 1 January – 31 December 2016
Net profit for the period		**92.542.675**	**60.331.101**
Other Comprehensive Loss			
Items not to be reclassified subsequently to profit or loss		**(95.078)**	**(600.402)**
Actuarial loss arising from defined benefit plans	18	(118.848)	(750.503)
Tax effect other comprehensive income not to be reclassified to profit or loss	27	23.770	150.101
Items that may be reclassified subsequently to profit or loss		**(205.008)**	**133.427**
Change in foreign currency translation reserve		(205.008)	133.427
OTHER COMPREHENSIVE LOSS		**(300.086)**	**(466.975)**
TOTAL COMPREHENSIVE INCOME		**92.242.589**	**59.864.126**
Total comprehensive income attributable to:		**92.242.589**	**59.864.126**
Non - controlling interest		-	-
Equity holders of the parent		92.242.589	59.864.126

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

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

							Other comprehensive income/(expense) not to be reclassified to profit or loss	Other comprehensive income/(expense) to be reclassified to profit or loss			Accumulated profit / (deficit)				
	Notes	Paid in capital	Inflation adjustment to share capital	Capital investment adjustment (-)	Buy-backed shares (-)	Premium in excess of par	Actuarial gain /loss arising from defined benefit plans	Currency translation reserve	Restricted reserves appropriated from profit	Purchase of shares of entities under common control	Accumulated profit / (deficit)	Net profit for the period	Total equity attributable to equity holders of the parent	Non - controlling interest	Total shareholder's equity
Balance as of 1 January 2016	20	200.000.000	140.080.696	-	(28.847)	2.870.803	(5.960.011)	(374.763)	150.864.955	-	(82.001.902)	47.659.668	453.110.599	942	453.111.541
Transfer to retained earnings		-	-	-	-	-	-	-	-	-	47.659.668	(47.659.668)	-	-	-
Purchase of shares of entities under common control		19.288	-	-	-	-	-	-	-	(146.500)	-	-	(127.212)	(942)	(128.154)
Capital investment adjustment		-	-	-	-	-	-	-	-		-	-	-	-	-
Total comprehensive income		-	-	-	-	-	(600.402)	133.427	-	-	-	60.331.101	59.864.126	-	59.864.126
Actuarial loss arising from defined benefit plans		-	-	-	-	-	(600.402)	-	-	-	-	-	(600.402)	-	*(600.402)*
Currency translation reserve		-	-	-	-	-	-	*133.427*	-	-	-	-	*133.427*	-	*133.427*
Profit for the period		-	-	-	-	-	-	-	-	-	-	*60.331.101*	*60.331.101*	-	*60.331.101*
Balance as of 31 December 2016	20	200.019.288	140.080.696	-	(28.847)	2.870.803	(6.560.413)	(241.336)	150.864.955	(146.500)	(34.342.234)	60.331.101	512.847.513	-	512.847.513
Balance as of 1 January 2017	20	200.019.288	140.080.696	-	(28.847)	2.870.803	(6.560.413)	(241.336)	150.864.955	(146.500)	(34.342.234)	60.331.101	512.847.513	-	512.847.513
Transfer to retained earnings		-	-	-	-	-	-	-	-	-	60.331.101	(60.331.101)	-	-	-
Total comprehensive income		-	-	-	-	-	(95.078)	(205.009)	-	-	-	92.542.675	92.242.588	-	92.242.588
Actuarial loss arising from defined benefit plans		-	-	-	-	-	*(95.078)*	-	-	-	-	-	*(95.078)*	-	*(95.078)*
Currency translation reserve		-	-	-	-	-	-	*(205.009)*	-	-	-	-	*(205.009)*	-	*(205.009)*
Profit for the period		-	-	-	-	-	-	-	-	-	-	*92.542.675*	*92.542.675*	-	*92.542.675*
Balance as of 31 December 2017	20	200.019.288	140.080.696	-	(28.847)	2.870.803	(6.655.491)	(446.345)	150.864.955	(146.500)	25.988.867	92.542.675	605.090.101	-	605.090.101

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

DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Footnote References	Audited 1 January – 31 December 2017	Audited 1 January – 31 December 2016
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**110.844.831**	**187.441.072**
Profit for the Year		92.542.675	60.331.101
Adjustments to Reconcile Profit (Loss)		**136.415.827**	**139.374.399**
Adjustments for depreciation and amortisation expense	21 - 23	30.887.897	27.469.806
Adjustments for Impairment Loss (Reversal of Impairment Loss)		**22.172.083**	**16.878.716**
Adjustments for Impairement Loss (Reversal of Impairment Loss) of Receivables	7-8	(1.918.933)	2.698.976
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	(1.859.774)	3.454.909
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Other Intangible Assets	13	25.950.790	10.724.831
Adjustments for Provisions		**48.888.928**	**44.661.469**
Adjustments for (Reversal of) Provisions Related with Employee Benefits	18	12.472.129	10.420.313
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	16	3.284.530	2.584.650
Adjustments for (Reversal of) Other Provisions	16	33.132.269	31.656.506
Adjustments for Interest (Income) Expenses		**48.494.903**	**44.442.252**
Adjustments for interest income	24	(5.008.140)	(4.132.978)
Adjustments for interest expense	26	53.503.043	48.575.230
Adjustments for Tax (Income) Expenses	27	**2.037.073**	**11.644.900**
Other Adjustments for Non-Cash Items		**(9.329.590)**	**(4.680.816)**
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		**(9.441.305)**	**(1.710.458)**
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets	25	(9.441.305)	(1.710.458)
Other adjustments for Which Cash Effects are Investing or Financing Cash Flow		**5.866.521**	**2.466.331**
Other Adjustments to Reconcile Profit (Loss)		**(3.160.683)**	**(1.797.801)**
Changes in Working Capital		**(83.760.613)**	**25.113.902**
Adjustments for Decrease (Increase) in Trade Accounts Receivable		**(78.383.414)**	**29.947.801**
Decrease (Increase) in Trade Accounts Receivables from Related Parties		(7.164.545)	8.579.757
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties		(71.218.869)	21.368.044
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		**1.828.842**	**(2.649.459)**
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations		1.828.842	(2.649.459)
Adjustments for Decrease (Increase) in Inventories		**(27.418.309)**	**(5.766.354)**
Decrease (Increase) in Prepaid Expenses		**(10.677.619)**	**1.015.562**
Adjustments for Increase (Decrease) in Trade Accounts Payable		**21.104.389**	**(3.591.386)**
Increase (Decrease) in Trade Accounts Payables to Related Parties		978.885	(515.270)
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties		20.125.504	(3.076.116)
Increase (Decrease) in Employee Benefit Liabilities		**991.978**	**3.634.865**
Adjustments for Increase (Decrease) in Other Operating Payables		**295.421**	**(243.366)**
Increase (Decrease) in Other Operating Payables to Unrelated Parties		295.421	(243.366)
Increase (Decrease) in Deferred Income		3.680.837	3.055.381
Other Adjustments for Other Increase (Decrease) in Working Capital		**4.817.262**	**(289.142)**
Decrease (Increase) in Other Assets Related with Operations		3.455.309	(5.870.149)
Increase (Decrease) in Other Payables Related with Operations		1.361.953	5.581.007
Cash Flows from (used in) Operations		**145.197.889**	**224.819.402**
Payments Related with Provisions for Employee Benefits	18	(10.053.521)	(6.636.741)
Payments Related with Other Provisions	16	(24.299.537)	(30.741.589)

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

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

	Footnote References	Audited 1 January – 31 December 2017	Audited 1 January – 31 December 2016
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**(113.203.174)**	**(99.370.726)**
Purchase of additional shares from subsidiaries		-	(128.154)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		**16.706.795**	**1.723.729**
Proceeds from Sales of Property, Plant and Equipment	12-25	16.706.795	1.723.729
Purchase of Property, Plant, Equipment and Intangible Assets		**(126.005.355)**	**(99.362.374)**
Purchase of Property, Plant and Equipment	12	(77.838.418)	(50.163.453)
Purchase of Intangible Assets	13	(48.166.937)	(49.198.921)
Cash Advances and Loans Made to Related Parties		**(7.779.319)**	**(3.109.298)**
Other Cash Advances and Loans Made to Other Parties	10	(7.779.319)	(3.109.298)
Proceeds from Government Grants	15	3.874.705	1.505.371
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**52.857.113**	**(97.094.870)**
Proceeds from Loans		**890.923.485**	**956.418.831**
Proceeds from borrowings		890.923.485	856.692.536
Proceeds From Issue of Debt Instruments		-	99.726.295
Loan Repayments		**(805.493.680)**	**(1.023.800.198)**
Repayments of borrowings		(790.551.535)	(910.127.551)
Payments of Issued Debt Instruments		(14.942.145)	(113.672.647)
Interest paid		**(37.480.729)**	**(33.808.059)**
Interest received	24	**4.908.037**	**4.094.556**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**50.498.770**	**(9.024.524)**
Effect of exchange rate changes on cash and cash equivalents		(205.008)	133.427
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**50.293.762**	**(8.891.097)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	**27.429.384**	**36.320.481**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**77.723.146**	**27.429.384**

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Deva Holding A.Ş. ("the Company") is 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 31 December 2017 is 2.036 (31 December 2016: 1.874).

Eastpharma S.A.R.L. is the main shareholder of the Company. Eastpharma S.A.R.L. was founded in Luxembourg in 2006 and is fully owned by Eastpharma Ltd., which was incorporated in Bermuda in 2006. Eastpharma S.A.R.L. acquired 52,6% of the Company's shares on 27 November 2006. Subsequent to that date EP SARL increased its shareholdings and as of 31 December 2017, it owns 82,2% of the shares of Deva (31 December 2016: 82,2%). In 2011 the Company's issued share capital is raised from TRY 180.070.656 to TRY 200.000.000. TRY 16.384.384 of the total amount raised was paid in cash by Eastpharma S.A.R.L. and the remaining amount, TRY 3.544.960, was paid by other shareholders .The ultimate shareholders of Eastpharma S.A.R.L. are the funds controlled by Global Equities Management S.A.

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

As of 31 December 2017, the Company's share capital consists of 20.001.928.778 shares with an amount of TRY 0,01 for each (31 December 2016: 20.001.928.778). The Company's nominal capital structure is as follows (Note 20):

Name	(%)	31 December 2017	(%)	31 December 2016
Eastpharma S.A.R.L.	82,2	164.424.760	82,2	164.424.760
Other	17,8	35.594.528	17,8	35.594.528
Nominal capital	100,0	200.019.288	100,0	200.019.288
Inflation adjustment to share capital		140.080.696		140.080.696
Buy-backed shares (-)		(28.847)		(28.847)
Adjusted share capital		340.071.137		340.071.137

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

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

Subsidiaries

As of 31 December 2017 and 31 December 2016, the details of the subsidiaries ("the Group") in terms of ownership and principal business activities are as follows:

	Effective Ownership		
Company	31 December 2017 (%)	31 December 2016 (%)	Line of activity
Devatis Ltd (*)	100	100	Distribution and sale of human and veterinary pharmaceuticals in New Zealand and Australia
Devatis GmbH (**)	100	100	Distribution and sale of human and veterinary pharmaceuticals in Germany
Devatis A.G (**)	100	100	Distribution and sale of human and veterinary pharmaceuticals in Switzerland
Devatis Inc (**)	100	100	Distribution and sale of human and veterinary pharmaceuticals in USA

(*) The Company is incorporated on 19 December 2007; has limited effect on the consolidated financial statements.

(**) The companies are non-operating and do not have material effect on the consolidated financial statements. Therefore, they are not included in the consolidation. The Group's subsidiaries operate outside Turkey.

Full names of the Group subsidiaries are as follows:

Devatis Ltd.
Devatis Gmbh
Devatis A.G
Devatis Inc.

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

Subsidiaries (cont'd)

The Company and its subsidiaries 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 172 pharmaceutical molecules in 345 pharmaceutical forms. Of these 12 molecules (in 19 presentation forms) are manufactured and marketed by using license rights.

As of 31 December 2017 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.

The income of veterinarians and animal breeders segment is achieved by the sales of 74 pharmaceutical molecules in 102 pharmaceutical forms.

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

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

Approval of the financial statements

The accompanying financial statements have been approved by the Board of Directors and are authorized for issue on 9 March 2018. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issuance.

Going Concern

The Group prepared consolidated financial statements in accordance with the going concern assumption.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Accounting Standards

The Group 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.

The Company and the group companies established in Turkey maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with rules and principles published by POA, the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. Subsidiaries that are registered in foreign countries maintain their books of account and prepare their statutory statements in accordance with the prevailing accounting principles in their registered countries. These consolidated financial statements have been prepared in Turkish Lira under the historical cost convention.

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 (Functional currency of Devatis Ltd is New Zelland Dollar) 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.

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

Consolidation

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

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

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

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

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

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company losses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statementof profit or loss other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

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

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

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

Changes in the Accounting Policies

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

Comparative Information and Restatement of Prior Year Financial Statements

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

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 December 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) <u>The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows</u>

TAS 7 Statement of Cash Flows (Amendments)

In December 2017, POA issued amendments to TAS 7 'Statement of Cash Flows'. The amendments are intended to clarify TAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group disclosed additional information in its annual consolidated financial statements for the year ended 31 December 2017.

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

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

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

The new standards, amendments and interpretations (cont'd)

ii) <u>The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows (cont'd)</u>

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group

i) <u>Standards issued but not yet effective and not early adopted</u>

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

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. 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). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

The Group's product segment generally has a single obligation to pay, and in line with the prior period applications, sales made will be recognized only as sales of goods and will be recognized when the product is delivered. Therefore, the amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

The new standards, amendments and interpretations (cont'd)

ii) <u>Standards issued but not yet effective and not early adopted (cont'd)</u>

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 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, TFRS 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. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

Impairment:

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has determined that, despite the unsecured nature of its loans and receivables, the loss allowance will not have an impact on the financial position or performance of the Group.

TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The interpretation is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

The new standards, amendments and interpretations (cont'd)

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

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:
a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

TAS 40 Investment Property: Transfers of Investment Property (Amendments)

In December 2017, POA issued amendments to TAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the the Group and will not have an impact on the financial position or performance of the Group.

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

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

The new standards, amendments and interpretations (cont'd)

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

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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 1 First-time Adoption of International Financial Reporting Standards

An entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. The amendment is effective immediately.

IFRS 16 Leases

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

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

The new standards, amendments and interpretations (cont'd)

iii) <u>The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA) (cont'd)</u>

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

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:
(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost. Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation. The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

The new standards, amendments and interpretations (cont'd)

iii) <u>The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA) (cont'd)</u>

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Plan Amendment, Curtailment or Settlement" (Amendments to IAS 19)

On 7 February 2018, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" to harmonise accounting practices and to provide more relevant information for decision-making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

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.

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. The Group exterminate the products in its inventory that have been expired and can not be reused based on R&D and quality evaluations, and allocates provision in the inventory accounts for the related products in the financial statements. As of 31 December 2017, the total amount of extermination and diminishing value of these provisions is TRY 9.805.130 (31 December 2016: TRY 11.664.904).

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 by straight-line method when assets are ready for their intended use, as their useful lifes explained in Note 12.

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) as investment income or expense, 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.

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

Summary of Significant Accounting Policies (cont'd)

d. Leasing Transactions

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

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

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

e. Intangible Assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development costs

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

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

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

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

Subsequent to initial recognition, internally-generated intangible assets are recognized at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately. Impairment losses related to these are recognised in the "Research and Development Expenses" account in the profit or loss table.

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.

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

Summary of Significant Accounting Policies (cont'd)

f. Impairment of Non-Financial Assets

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

g. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recorded in the income statement in the period in which they are incurred. Assets that necessarily take a substantial period of time to get ready for intended use or sale of the Group are license development costs. Transformation of these costs to be ready for sale state may take more than one financial year. Borrowing costs incurred for development costs are added to cost of the related asset until it is ready for sale. During the year ended 31 December 2017, TRY 2.572.956 (31 December 2016: TRY 2.599.213) amount was capitalized on these qualifying assets (Note 13). The weighted average capitalization rate on funds borrowed is 7,4% per annum (31 December 2016: 6,6% for first nine 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.

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.

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).

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.

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 to amount of goodwill is included in the determination of the profit or loss on disposal.

k. Treasury Shares (Buy-Backed 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. Following the Deva-Vetaş merger that realized as of 30.12.2016, Deva's A group shares with nominal value of 0,013-TRL and Deva's B group shares with a nominal value of 0,01-TRL and Deva's C group shares with 28.847-TRL nominal value which are owned by Vetaş have been transferred to Deva.

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

Summary of Significant Accounting Policies (cont'd)

l. Foreign Currency Transactions (cont'd)

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

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

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

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

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

m. Earnings per Share

Earnings per share disclosed in the accompanying consolidated statement of profit or loss 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. The Group adjusts the amounts recognised in its financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements.

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.

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

Summary of Significant Accounting Policies (cont'd)

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

Restructuring

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

p. Related Parties

A party is related to the Company if:

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

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

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

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

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

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

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

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

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

In the accompanying consolidated financial statements, EastPharma Ltd., EastPharma S.A.R.L., EastPharma İlaç Üretim Pazarlama A.Ş, East Pharma Canada Ltd., 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.

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.

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 by accrual basis, 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.

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 31 December 2017, the Group Management has recognized net book value of TRY 25.950.790 an impairment loss, and written-off the impaired amount from capitalized development costs and product licenses and rights (31 December 2016: TRY 10.724.831) (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.

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 tax assets

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realised. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realise the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilise some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognised. As of 31 December 2017 and 31 December 2016, 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 2017, 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 13,5% per annum. Cash flows beyond that five-year period have been extrapolated by using a steady 20% per annum growth rate consisting of 12% inflation and real growth rate of 7,14%. The impairment testing is performed annually.

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

As at 31 December 2017, there were no indicators of impairment and therefore the Group did not test goodwill for impairment. As at 31 December 2017, no impairment loss is recognized in the accompanying consolidated financial statements.

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.

Provision for litigations

In determining of provision for litigations, the Group considers the probability of legal cases to be resulted against the Group and in case it is resulted against the Group considers its consequences based on the assessments of legal advisor. The Group management makes its best estimates using the available data are provided in Note 16.

Provision for doubtful receivables

Provision for doubtful receivables is an estimated amount that management believes to reflect possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, are assessed with their prior year performances, their credit risk in the current market, their performance after the balance sheet date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. The provision for doubtful receivables is mentioned in the Note 7.

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

3. SEGMENTAL INFORMATION

As of 31 December 2017 the business segments are production and sale of human pharmaceuticals, veterinary products and other. Other segment includes sale of cologne and other products.

31 December 2017	Human pharma	Veterinary products	Other	Total
External sales	742.659.989	47.881.260	9.753.863	800.295.112
Cost of sales	(416.080.051)	(30.824.735)	(8.188.546)	(455.093.332)
Operating expenses	(205.147.454)	(8.838.069)	(1.468.990)	(215.454.513)
Segment results	121.432.484	8.218.456	96.327	129.747.267
Other operating income				78.326.793
Other operating expenses (-)				(62.741.878)
Investment income				10.195.637
Investment expenses (-)				(754.332)
Finance expenses (-)				(60.193.739)
Income tax expense (-)				(2.037.073)
Profit for the period				**92.542.675**

Distribution of the Group's products by the two largest wholesalers in the Turkish market corresponded to approximately 27% and 38% of the revenues of the Human Pharmaceuticals business line derived from Turkey (31 December 2016: 27% and 36%). As of 31 December 2017, two customers represented 24% and 29% of the total trade and other receivables balance, respectively (31 December 2016: 20% and 29%).

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

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

3. SEGMENTAL INFORMATION (cont'd)

31 December 2016	**Human pharma**	**Veterinary products**	**Other**	**Total**
External sales	641.331.266	38.413.600	8.711.498	688.456.364
Cost of sales	(377.070.850)	(27.098.339)	(7.330.058)	(411.499.247)
Operating expenses	(157.795.909)	(8.059.045)	(1.457.004)	(167.311.958)
Segment results	106.464.507	3.256.216	(75.564)	109.645.159
Other operating income				65.277.395
Other operating expenses (-)				(52.885.721)
Investment income				1.710.458
Finance expenses (-)				(51.771.290)
Income tax expense (-)				(11.644.900)
Profit for the period				**60.331.101**

4. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Petty cash	67.952	60.654
Cash in banks	77.655.194	27.368.730
Demand deposits	*7.252.121*	*9.428.117*
Time deposits	*70.403.073*	*17.940.613*
Cash and cash equivalents in cash flow statement	77.723.146	27.429.384
Interest income accruals	146.721	46.618
	77.869.867	27.476.002

As of 31 December 2017, the Group has Euro, US Dollar and TRY time deposits. The average interest rate for Euro time deposit is 2,33%, US Dollar time deposit is 4,29% and TRY time deposit is%12,09 (The Group has Euro and US Dollar time deposit as of 31 December 2016 and it's average interest rate for Euro time deposit is 2,45% and US Dollar time deposit is 3,30%). All of the financial investments are short term and have a maturity of one month.

The Group does not have any blocked deposits as of 31 December 2017 and 31 December 2016.

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

5. FINANCIAL LIABILITIES

	31 December 2017	31 December 2016
Short term bank loans	85.579.373	87.893.058
Current portion of long term loans	108.617.359	62.840.979
Current portion of bonds issued (*)	102.741.323	2.109.986
Total short term financial liabilities	296.938.055	152.844.023
Long term portion of bank loans	191.355.369	125.831.510
Bonds issued (*)	-	99.726.295
Total long term financial liabilities	191.355.369	225.557.805
Total financial liabilities	488.293.424	378.401.828

(*)The Group issued corporate bonds amounting to TRY 100.000.000 with two years maturity, quarterly floating interest rate and coupon payments. The bonds were sold on 9 June 2016 only to qualified investors. Annual simple yield of the bond is calculated by adding 325 basis points over the annual compound yield of "reference government bond". As of issuance date, annual simple and compound bond yield were 12,14% and 12,71%, respectively.

The effective interest rate is 14,64% as at 31 December 2017 and discounted estimated future cash payments through the expected life of the financial liability is calculated as TRY 101.905.002.

i) Bank loans and bonds issued

Repayment schedule of bank borrowings is as follows:

	31 December 2017	31 December 2016
Less than 1 year or to be paid on demand	296.938.055	152.844.023
To be paid between 1-2 years	66.909.471	138.035.332
To be paid between 2-3 years	57.478.137	40.097.878
To be paid between 3-4 years	47.189.983	29.097.878
To be paid between 4-5 years	19.777.778	18.326.717
	488.293.424	378.401.828

(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	31 December 2017	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2016
TRY	%14,3	73.202.828	73.202.828	TRY	%10,3	78.520.555	78.520.555
EUR	%0,8	2.500.000	11.288.750	EUR	%0,8	2.500.000	9.274.750
Accrued interest			1.087.795	Accrued interest			97.753
			85.579.373				87.893.058

Short term borrowings consist of spot and revolving line of credits with several banks and carry fixed and floating rate interests. As of 31 December 2017 and 31 December 2016, the total available lines of credits are TRY 1.253.243.255 and TRY 1.049.044.140, respectively. The principal and interest is paid on the maturity. The agreements have no expiration date unless there is a breach of contract which would include nonpayment of interest and principal within the maturity.

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

Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2017	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2016
TRY	%12,1	94.664.222	94.664.222	TRY	%10,8	55.278.150	55.278.150
EUR	%2,5	825.429	3.727.225	EUR	-	-	-
Accrued interest			10.225.912	Accrued interest		7.562.829	7.562.829
			108.617.359				62.840.979

(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	31 December 2017	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2016
TRY	%13,7	178.903.555	178.903.555	TRY	%13,4	112.538.938	112.538.938
EUR	%2,5	2.757.571	12.451.814	EUR	%2,5	3.583.000	13.292.572
			191.355.369				125.831.510

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

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 TRY 3.240.000 (2016: TRY 6.480.000) 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).

b) A loan of TRY 2.000.000 (2016: TRY 4.000.000) was drawn down on 4 December 2013. Repayments of interest and principal commenced on 4 June 2014 and will continue till 4 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 Kartepe and other buildings' mortgages at an amount of TRY 20.000.000 (Note 17).

c) A loan of TRY 4.000.000 (2016: TRY 8.000.000) was drawn down on 10 December 2013. Repayments of interest and principal will be commenced on 10 June 2014 and will continue till 10 December 2018 on semiannual basis. The loan carries interest of 11,5%. This loan is also secured by the Group's factory buildings located at Çerkezköy and other buildings' mortgages at an amount of TRY 35.000.000 (Note 17).

d) A loan of TRY 22.000.000 (2016: 33.000.000) was drawn down on 23 December 2014. Repayments of interest and principal commenced on 23 June 2015 and will continue till 23 December 2019 semi-annually. The loan carries interest of 11,15%. This loan is also secured by the Group's headquarter building located at Halkalı at an amount of TRY 55.000.000 (Note 17)

e) A loan of TRY 50.555.556 (2016: 65.000.000) was drawn down on 14 January 2016. Repayments of interest and principal commenced on 16 January 2017 and will continue till 14 January 2021. The loan carries interest of 14,60%. Repayments of interest and principal will be on semiannual basis. This loan is also secured by the Group's factory buildings located at Çerkezköy and other buildings' mortgages at an amount of TRY 35.000.000 (Note 17).

f) A loan of TRY 11.550.000 (2016: 14.850.000) was drawn down on 05 February 2016. Repayments of interest and principal commenced on 05 August 2016 and will continue till 05 February 2021. The loan carries interest of 14,83%. Repayments of interest and principal will be on semiannual basis. This loan is also secured by the Group's two lands located at Çerkezköy at an amount of TRY 8.400.000 (Note 17).

g) A loan of Euro 2.195.000 (2016: 2.195.000) was drawn down on 25 May 2016. Repayments of interest and principal will be commenced on 25 May 2018 and will continue till 25 May 2021. The loan carries interest of EURIBOR+%2,45. Repayments of interest and principal will be on semiannual basis.

h) A loan of TRY 30.222.222 (2016: 34.000.000) was drawn down on 23 September 2016. Repayments of interest and principal commenced on 22 September 2017 and will continue till 23 September 2021. The loan carries interest of 13,30%. Repayments of interest and principal will be on semiannual basis. This loan is also secured by the Group's factory buildings located at Çerkezköy and other buildings' mortgages at an amount of TRY 34.000.000 (Note 17).

i) A loan of Euro 1.388.000 (2016:1.388.000) was drawn down on 16 December 2016. Repayments of interest and principal will be commenced on 17 December 2018 and will continue till 16 December 2021 The loan carries interest of EURIBOR+%2,45. Repayments of interest and principal will be on semiannual basis.

j) A loan of TRY 40.000.000 (2016: None.) was drawn down on 16 January 2017. Repayments of interest and principal will be commenced on 16 January 2018 and will continue till 17 January 2022. The loan carries interest of 13,95%. Repayments of interest and principal will be on semiannual basis.

5. FINANCIAL LIABILITIES (cont'd)

i) Bank loans (cont'd)

k) A loan of TRY 30.000.000 (2016: None.) was drawn down on 27 April 2017. Repayments of interest and principal will be commenced on 27 April 2018 and will continue till 27 April 2022. The loan carries monthly interest of 1,15%. Repayments of interest and principal will be on semiannual basis.

l) A loan of TRY 20.000.000 (2016: None.) was drawn down on 9 October 2017. Repayments of interest and principal will be commenced on 9 January 2018 and will continue till 9 October 2019. The loan carries interest of 14,20%. Repayments of interest and principal will be on quarterly basis.

m) A loan of TRY 60.000.000 (2016: None) was drawn down on 28 December 2017. Repayments of interest and principal commenced on 28 June 2018 and will continue till 28 December 2022. The loan carries interest of 16,73%. Repayments of interest and principal will be on semiannual basis. As of 3 January 2017, this loan is also secured by the Group's land located at Çerkezköy at an amount of TRY 12.900.000

n) The Group has spot loans amounting to TRY 65.300.000 (2016: TRY 78.520.555), with an average interest of 14,31% and have loans with no interest amounting to TRY 7.902.828. (2016: None).

o) The Group has spot loans amounting to Euro 2.500.000 (2016: 2.500.000), with an average interest of 0,75%.

The Group uses its notes receivables as collaterals for its revolving loans. As of 31 December 2017, the amount of the notes receivables given as collateral is TRY 53.600.000 (31 December 2016: TRY 54.811.539).

ii) Obligations under finance leases

None (2016: None).

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

6. RELATED PARTY TRANSACTIONS

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

	31 December 2017							
	Receivables				Payables			
	Current		Non-current		Current		Non-current	
Balances with related parties	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading
Shareholders								
East Pharma S.A.R.L.	-	-	-	-	3.682.174	-	-	-
Other	-	-	-	-	-	-	-	-
Other companies managed by ultimate parent								
Saba İlaç Sanayi ve Ticaret A.Ş.	11.793.094	-	-	-	-	-	-	-
	11.793.094	-	-	-	3.682.174	-	-	-

	1 January - 31 December 2017							
Transactions with related parties	Purchases	Goods/Services Sales	Interest received	Interest given	Rent income	Royalty expenses (*)	Other income (**)	Other expense
Shareholders								
East Pharma S.A.R.L.	20.157.230	-	-	-	-	13.356.468	-	-
Other companies managed by ultimate parent								
Saba İlaç Sanayi ve Ticaret A.Ş.	66.066.578	10.315.522	1.918.763	-	451.657	-	1.423.525	-
	86.223.808	10.315.522	1.918.763	-	451.657	13.356.468	1.423.525	-

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

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

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

6. RELATED PARTY TRANSACTIONS (cont'd)

	31 December 2016							
	Receivables				Payables			
	Current		Non-current		Current		Non-current	
Balances with related parties	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading
Shareholders								
East Pharma S.A.R.L.	-	-	-	-	2.703.289	-	-	-
Other	-	-	-	-	-	45.494	-	-
Other companies managed by ultimate parent								
Saba İlaç Sanayi ve Ticaret A.Ş.	4.628.549	-	-	-	-	-	-	-
	4.628.549	-	-	-	2.703.289	45.494	-	-

	1 January - 31 December 2016							
Transactions with related parties	Purchases	Goods/Services Sales	Interest received	Interest given	Rent income	Royalty expenses (*)	Other income (**)	Other expense
Shareholders								
East Pharma S.A.R.L.	21.884.835	-	-	-	-	11.812.279	-	-
Other companies managed by ultimate parent								
Saba İlaç Sanayi ve Ticaret A.Ş.	87.491.280	10.636.065	3.014.060	-	845.795	-	2.143.727	381.388
	109.376.115	10.636.065	3.014.060	-	845.795	11.812.279	2.143.727	381.388

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

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

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

6. RELATED PARTY TRANSACTIONS (cont'd)

Loans used by related parties for the period ended 31 December 2017 and 31 December 2016 are stated below:

	31 December 2017			
	Original currency	Maturity (Day)	Interest Rate %	Short term Payables
Loans used by related parties				
Subsidiaries				
Devatis Ltd	US Dollar	93	2,0%	344.366
	NZ Dollar	93	2,0%	3.015.500

	31 December 2016			
	Original currency	Maturity (Day)	Interest Rate %	Short term Payables
Loans used by related parties				
Subsidiaries				
Devatis Ltd	US Dollar	93	2,0%	344.366
	NZ Dollar	93	2,0%	3.015.500

Total amount of compensation benefits provided to directors and upper level managers, include the salaries, premiums and retirement pay for the period ended 31 December 2017 and 2016 are stated below:

Compensation of key management personnel	1 January-31 December 2017	1 January-31 December 2016
Short-term benefits	25.279.015	19.947.745
Long-term benefits	321.594	239.224
	25.600.609	20.186.969

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

7. TRADE RECEIVABLES AND PAYABLES

Trade Receivables

Current trade receivables	31 December 2017	31 December 2016
Trade receivables	87.978.754	70.750.746
Notes receivable	195.208.998	140.629.767
Discount on notes receivables (-)	(2.850.525)	(2.061.839)
Due from related parties (Note 6)	11.793.094	4.628.549
Other trade receivables	48.722	184.438
Income accruals (*)	5.838.058	3.362.835
Provision for doubtful receivables (-)	(5.984.754)	(6.269.025)
	292.032.347	211.225.471

As of 31 December 2017 and 31 December 2016, 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 2017, the average credit period on sales is 100 days (31 December 2016: 109 days).

(*) The Group receives government grants related to development costs. The balance includes the income accrual for the grants received from TUBİTAK (Scientific and Technological Research Council of Turkey). As of 31 December 2017 TUBITAK income accrual amounts to TRY 5.506.024 (31 December 2016: TRY 3.182.665).

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

	31 December 2017	31 December 2016
Letter of guarantees received	27.980.140	22.071.810
	27.980.140	22.071.810

The Group's principal financial assets are trade and other receivables, and investments. The Group's credit risk is primarily attributable to its trade receivables. As of 31 December 2017, two customers represented 24% and 29% of the total trade and other receivables balance, respectively (31 December 2016: 20% and 29%).

The Company is the distributor of the Saba İlaç A.Ş's, a related party, pharmaceutical products, in addition, giving toll manufacturing, finance, administrative and R&D services. Receivable amounting to TRY 11.793.094 in related party transactions note, related to these transactions (Note 6).

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

The movement of the allowance for doubtful receivables for the period ended 31 December 2017 and 2016 is as follows:

	1 January-31 December 2017	1 January-31 December 2016
Balance at 1 January	6.269.025	6.330.575
Charge for the period	-	3.021.570
Provisions no longer required	-	(371.500)
Collections	(284.271)	(2.711.620)
Balance at 31 December	5.984.754	6.269.025

The effective interest rate used for the discount of TRY trade receivables is 14% per annum (2016: 11%), and for foreign currency trade receivables year end libor rates have been used.

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

7. TRADE RECEIVABLES AND PAYABLES (cont'd)

Trade Payables

Current trade payables	31 December 2017	31 December 2016
Trade payables	62.189.141	41.885.307
Notes payable	6.297	5.876
Due to related parties (Note: 6) (*)	3.682.174	2.703.289
Expense accruals (**)	614.025	950.559
Royalty expense accruals	533.823	376.040
	67.025.460	45.921.071

(*) As of 31 December 2017, royalty payable to Eastpharma S.A.R.L for the sale of products that Eastpharma S.A.R.L. holds the rights is TRY 2.995.249 (31 December 2016: TRY 2.703.289). Eastpharma S.A.R.L. holds Turkey rights of 17 Roche products acquired in 2008. Eastpharma S.A.R.L. also holds the right of one Roche product in 17 different foreign countries. As of 31 December 2017, there is TRY 686.925 payable amount to Eastpharma S.A.R.L. related with the raw material purchase from F. Hoffman – La Roche Ltd (31 December 2016: Nil).

(**)As of 31 December 2017, expense accruals include turnover premium provision amounts to TRY 434.204 (31 December 2016: TRY 311.883).

Notes payables consist of cheques given to suppliers with maturities less than 1 year.
As of 31 December 2017 and 31 December 2016, the Group has no long term trade payables.

8. OTHER RECEIVABLES AND PAYABLES

Other current receivables	31 December 2017	31 December 2016
Other receivables	357.263	2.195.320
Due from personnel	88.224	80.560
Provision for other doubtful receivables (-)	(48.906)	(1.967.839)
Deposits and guarantees given	63.848	62.297
	460.429	370.338

The movement of the allowance for other doubtful receivables for the period ended 31 December 2017 and 2016 is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Balance at 1 January	1.967.839	1.918.933
Provisions no longer required	(1.918.933)	48.906
Balance at 31 December	48.906	1.967.839

Other current payables	31 December 2017	31 December 2016
Deposits and guarantees received	189.395	176.760
Other current payables	981.712	698.926
	1.171.107	875.686

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

9. INVENTORIES

	31 December 2017	31 December 2016
Raw materials	115.433.849	97.335.730
Work-in-progress	27.549.462	13.614.197
Finished goods	81.842.376	82.966.197
Trade goods	-	29.432
Other inventories	623.962	-
Allowance for diminution in value of inventories	(9.805.130)	(11.664.904)
	215.644.519	182.280.652

As of 31 December 2017, insured inventory amounts to TRY 230.000.000 (31 December 2016: TRY 210.000.000).

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

	31 December 2017	31 December 2016
Raw materials	7.165.619	8.410.458
Work-in-progress	502.448	816.117
Finished goods	2.137.063	2.438.329
	9.805.130	11.664.904

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

	1 January- 31 December 2017	1 January- 31 December 2016
Balance at 1 January	11.664.904	8.209.995
Provision for the period	6.055.477	15.491.909
Provision realised in period	(7.915.251)	(12.037.000)
Balance at 31 December	9.805.130	11.664.904

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

10. PREPAID EXPENSES AND DEFERRED REVENUE

Short term prepaid expenses	31 December 2017	31 December 2016
Advances given for inventory	16.721.657	7.778.477
Prepaid expenses	5.561.733	3.557.359
Business advances given	448.213	718.148
	22.731.603	12.053.984

Long term prepaid expenses	31 December 2017	31 December 2016
Advances given for property, plant & equip.	19.873.407	11.864.088
Prepaid expenses	-	230.000
	19.873.407	12.094.088

Short term deferred revenue	31 December 2017	31 December 2016
Advances received	5.066.617	1.351.006
Deferred income	2.314.550	1.741.112
	7.381.167	3.092.118

Long term deferred revenue	31 December 2017	31 December 2016
Deferred income	1.926.675	2.534.887
	1.926.675	2.534.887

11. ASSETS RELATING TO CURRENT TAX

Current assets relating to current tax	31 December 2017	31 December 2016
Prepaid withholding tax	392.497	92.927
	392.497	92.927

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

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
Acquisition cost									
Opening balance,1 January 2017	28.270.583	630.237	154.592.020	330.425.671	5.751.454	27.728.001	272.848	17.699.604	565.370.418
Additions	-	100.000	-	-	387.990	1.988.536	-	75.361.892	77.838.418
Disposals	-	-	-	(15.489.290)	(4.510.283)	(57.544)	-	-	(20.057.117)
Transfers from construction in progress	-	1.550.000	20.423.740	60.343.859	-	-	-	(82.317.599)	-
Closing balance, 31 December 2017	28.270.583	2.280.237	175.015.760	375.280.240	1.629.161	29.658.993	272.848	10.743.897	623.151.719
Accumulated depreciation									
Opening balance,1 January 2017	-	(342.684)	(27.169.961)	(188.634.368)	(4.681.956)	(20.141.139)	(218.853)	-	(241.188.961)
Reclassifications (*)	-	-	-	(1.930.575)	-	-	-	-	(1.930.575)
Depreciation charge for the period	-	(44.533)	(3.781.300)	(21.767.249)	(713.392)	(1.684.409)	(5.007)	-	(27.995.890)
Disposals	-	-	-	8.457.003	4.285.362	49.262	-	-	12.791.627
Closing balance, 31 December 2017	-	(387.217)	(30.951.261)	(203.875.189)	(1.109.986)	(21.776.286)	(223.860)	-	(258.323.799)
Carrying amount at 31 December 2017	28.270.583	1.893.020	144.064.499	171.405.051	519.175	7.882.707	48.988	10.743.897	364.827.920

(*) TRY 1.930.575, partial depreciation charge of machinery and equipment is directly attributable to development costs related to product licenses and rights. The balance is capitalized in cost value of intangible assets in respect of TAS 16 and TAS 38 (Note 13) as the projects are in progress as at 31 December 2017.

As of 31 December 2017, insured property, plant and equipment amounts to TRY 822.807.000 (31 December 2016: TRY 773.078.000).

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 35.000.000, TRY 34.000.000, TRY 8.400.000 and TRY 16.200.000 respectively (Note 17).

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

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

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Construction in Progress	Total
Acquisition cost									
Opening balance,1 January 2016	28.273.418	617.217	146.012.094	295.456.830	5.786.614	25.547.578	272.848	13.429.119	515.395.718
Additions	-	13.020	-	-	150.758	2.180.423	-	47.819.252	50.163.453
Disposals	(2.835)	-	-	-	(185.918)	-	-	-	(188.753)
Transfers from construction in progress	-	-	8.579.926	34.968.841	-	-	-	(43.548.767)	-
Closing balance, 31 December 2016	28.270.583	630.237	154.592.020	330.425.671	5.751.454	27.728.001	272.848	17.699.604	565.370.418
Accumulated depreciation									
Opening balance,1 January 2016	-	(306.625)	(23.622.136)	(167.727.095)	(3.834.321)	(18.505.736)	(204.340)	-	(214.200.253)
Reclassifications (*)	-	-	-	(2.665.303)	-	-	-	-	(2.665.303)
Depreciation charge for the period	-	(36.059)	(3.547.825)	(18.241.970)	(1.023.117)	(1.635.403)	(14.513)	-	(24.498.887)
Disposals	-	-	-	-	175.482	-	-	-	175.482
Closing balance, 31 December 2016	-	(342.684)	(27.169.961)	(188.634.368)	(4.681.956)	(20.141.139)	(218.853)	-	(241.188.961)
Carrying amount at 31 December 2016	28.270.583	287.553	127.422.059	141.791.303	1.069.498	7.586.862	53.995	17.699.604	324.181.457

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(*) TRY 2.665.303, 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 progres (Note 13).

As of 31 December 2016, insured property, plant and equipment amounts to TRY 714.985.000 (31 December 2015: TRY 714.985.000).

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 35.000.000, TRY 34.000.000, TRY 8.400.000 and TRY 16.200.000 (Note 17).

(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 19.606.037 (2016: TRY 17.051.961) has been charged to 'cost of goods sold', TRY 11.281.860 (2016: TRY 10.417.845) to 'operating expenses' and TRY 4.085.782 is capitalized on inventory (2016: TRY 4.657.702).

13. INTANGIBLE ASSETS

	Product Licenses and Rights	Customer Relationship	Capitalized Development Costs	Total
Acquisition cost				
Opening balance, 1 January 2017	144.258.265	3.730.513	143.115.486	291.104.264
Reclassifications (*)	-	-	1.930.575	1.930.575
Additions (**)	-	-	50.739.893	50.739.893
Transfers from construction in progress	33.331.465	-	(33.331.465)	-
Disposals	(7.882.944)	-	(20.450.335)	(28.333.279)
Closing balance, 31 December 2017	169.706.786	3.730.513	142.004.154	315.441.453
Accumulated amortization				
Opening balance, 1 January 2017	(52.827.611)	(1.585.466)	(17.920.958)	(72.334.035)
Amortization charge for the period	(6.791.267)	(186.524)	-	(6.977.791)
Disposals	2.382.489	-	-	2.382.489
Closing balance, 31 December 2017	(57.236.389)	(1.771.990)	(17.920.958)	(76.929.337)
Carrying amount, 31 December 2017	112.470.397	1.958.523	124.083.196	238.512.116

(*) TRY 1.930.575, partial depreciation charge of machinery and equipment, is directly attributable to development costs related to product licenses and rights and is capitalized in cost value of intangible assets in respect of TAS 16 and TAS 38 as the projects are in progress as at 31 December 2017 (Note 12).

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

As of 31 December 2017, capitalized financial expense amounts to TRY 2.572.956 (31 December 2016: TRY 2.599.213).

As of 31 December 2017, carrying amount of internally generated intangible assets consist of TRY 45.165.182 of rights and TRY 128.093.540 of capitalized development costs.

(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 2016	128.753.175	3.730.513	114.881.970	247.365.658
Reclassifications (*)	-	-	2.665.303	2.665.303
Additions (**)	-	-	51.798.134	51.798.134
Transfers from construction in progress	15.505.090	-	(15.505.090)	-
Disposals	-	-	(10.724.831)	(10.724.831)
Closing balance, 31 December 2016	144.258.265	3.730.513	143.115.486	291.104.264
Accumulated amortization				
Opening balance, 1 January 2016	(45.385.514)	(1.398.942)	(17.920.958)	(64.705.414)
Amortization charge for the period	(7.442.097)	(186.524)	-	(7.628.621)
Disposals	-	-	-	-
Closing balance, 31 December 2016	(52.827.611)	(1.585.466)	(17.920.958)	(72.334.035)
Carrying amount, 31 December 2016	91.430.654	2.145.047	125.194.528	218.770.229

(*) TRY 2.665.303, 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 (Note 12).

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

As of 31 December 2016, capitalized financial expense amounts to TRY 2.599.213 (31 December 2015: TRY 2.182.425).

As of 31 December 2016, carrying amount of internally generated intangible assets consist of TRY 33.286.425 of rights and TRY 126.732.595 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

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

14. GOODWILL

	31 December 2017	31 December 2016
Goodwill	1.782.731	1.782.731

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

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

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

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

The purchase price was funded through cash of TRY 18.897.646 net of cash received for the past termination rights of the personnel transferred to the Company. Based on the goodwill impairment test performed, there is no indication of impairment as of 31 December 2016 (Note 2).

Goodwill arising from the business combination is allocated to human pharma segment and there is no allocation to other segments as of 31 December 2017.

15. GOVERNMENT INCENTIVES AND GRANTS

	31 December 2017	31 December 2016
Short term government grants and incentives (*)	1.588.006	1.740.365
	1.588.006	1.740.365

	31 December 2017	31 December 2016
Long term government grants and incentives (*)	20.174.443	14.346.297
	20.174.443	14.346.297

(*) 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. (Note 10)

During the period ended 31 December 2017, the Group received TRY 3.722.835 grant related with its development costs. (31 December 2016: 4.026.599)

15. GOVERNMENT INCENTIVES AND GRANTS (cont'd)

The Group has 8 ongoing research and development projects approved by TÜBİTAK. The 11 new projects are on the process which on the evaluation phase of the TUBITAK. Deva has started 1 projects in 2015, 1 projects in 2016 and 6 new projects in 2017. Total research and development expenses incurred during the period ended 31 December 2017 related with these projects amounted to TRY 44.883.304.

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 2016 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.

Total expenses related with the project numbered 111282 and 112159 that has been obtained for Deva Çerkezköy facility for the year 2017 amount to TRY 473.991 and TRY 17.139.204, respectively.The Group has obtained the license of support of Research and Development Document numbered 114407 for Köseköy facility in 2017. Total expenses related with project number 114407 for the year 2017 amount to TRY 5.956.286.

The company also has a biotechnology project within the Tübitak program. Supporting Public Institutions Research and Development Projects For the project supported by the 1007 Program, advance payment of TRY 2.521.228 in 2016, advance payment of TRY 1.368.742 and additional support payment of TRY 151.870 in 2017 were taken from Tübitak. In this project, the amounts eligible for support are supported by 40% for the equipment and 100% for the other expenditures which are decided to be supported.

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.

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

16. PROVISIONS

Short term provisions	31 December 2017	31 December 2016
Expense accruals due to price regulation / change	1.463.110	866.100
Accrued sales discounts	3.979.391	2.877.941
Provision for legal claims	3.868.783	2.791.574
	9.311.284	6.535.615

	Expense accruals due to price regulation	Accrued sales discounts	Provision for legal claims (*)	Total
Opening balance, 1 January 2017	866.100	2.877.941	2.791.574	6.535.615
Charge for the period	928.858	32.203.411	3.284.530	36.416.799
Payments made during the period	(331.848)	(22.194.062)	(1.773.627)	(24.299.537)
Reversal of provision	-	(8.907.899)	(433.694)	(9.341.593)
Closing balance, 31 December 2017	1.463.110	3.979.391	3.868.783	9.311.284
Opening balance, 1 January 2016	1.178.310	2.640.395	3.933.326	7.752.031
Charge for the period	2.115.486	29.541.020	2.584.650	34.241.156
Payments made during the period	(1.423.696)	(26.864.961)	(2.452.932)	(30.741.589)
Reversal of provision	(1.004.000)	(2.438.513)	(1.273.470)	(4.715.983)
Closing balance, 31 December 2016	866.100	2.877.941	2.791.574	6.535.615

(*) 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 2017 and 2016 include the provisions for the legal cases opened by the discharged personnel and fines received from tax authority as a result of general inspections in the pharmaceutical sector in Turkey. Since there is more than 1 legal case, potential cash outflows will be in the different periods. As of 31 December 2017, TRY 3.778.880 represents provision for legal cases opened by discharged personnel and TRY 89.900 represents provision for fines received from tax authority.

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

17. COMMITMENTS

	Currency Type	Balance	Currency Rate	31 December 2017
Mortgage	US Dollar	-	3,7719	-
	TRY	168.600.000	1,0000	168.600.000
				168.600.000
Promissory notes (*)	TRY	-	1,0000	-
	EUR	-	4,5155	-
	US Dollar	-	3,7719	-
				-
Guarantee letters given	TRY	12.850.807	1,0000	12.850.807
	AVRO	6.284.750	4,5155	28.378.789
	US Dollar	127.167	3,7719	479.661
				41.709.257
Pledges (**)	TRY	-	1,0000	-
				-
				210.309.257

	Currency Type	Balance	Currency Rate	31 December 2016
Mortgage	US Dollar	-	3,5192	-
	TRY	168.600.000	1,0000	168.600.000
				168.600.000
Promissory notes (*)	TRY	-	1,0000	-
	EUR	-	3,7099	-
	US Dollar	-	3,5192	-
				-
Guarantee letters given	TRY	20.889.226	1,0000	20.889.226
	EUR	6.344.750	3,7099	23.538.388
	US Dollar	196.885	3,5192	692.878
				45.120.492
Pledges (**)	TRY	25.549	1,0000	25.549
				25.549
				213.746.041

(*) Promissory notes are given as guarantees for the loans obtained. Since as of 30.12.2016 our company merged with its affiliated company Vetaş Tarım İlaçları A.Ş by way of acquisition, there is no outstanding guarantee.

(**) 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.

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

17. COMMITMENTS (cont'd)

As of 31 December 2017 and 31 December 2016, the Group's Guarantees/Pledge/Mortgages ("GPM") are as follows:

Guarentees/Pledge/Mortgages given by the Group (GPM)	31 December 2017			
	TRY Equivalent	US Dollar	EUR	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	41.709.257	127.167	6.284.750	12.850.807
-Pledge	-	-	-	-
-Mortgage	168.600.000	-	-	168.600.000
	210.309.257	127.167	6.284.750	181.450.807
B. GPM given on behalf of subsidiaries that are included in full consolidation				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	-	-	-	-
C. GPM's given on behalf of third parties for ordinary course of the business	-	-	-	-
D. Other GPM	-	-	-	-
Total	**210.309.257**	**127.167**	**6.284.750**	**181.450.807**

	31 December 2016			
	TRY Equivalent	US Dollar	EUR	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	45.120.492	196.885	6.344.750	20.889.226
-Pledge	25.549	-	-	25.549
-Mortgage	168.600.000	-	-	168.600.000
	213.746.041	196.885	6.344.750	189.514.775
B. GPM given on behalf of subsidiaries that are included in full consolidation				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	-	-	-	-
C. GPM's given on behalf of third parties for ordinary course of the business	-	-	-	-
D. Other GPM	-	-	-	-
Total	**213.746.041**	**196.885**	**6.344.750**	**189.514.775**

As of 31 December 2017, the Company's Other GPM / Equity ratio is nil (31 December 2016: Nil).

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

17. COMMITMENTS AND CONTINGENT LIABILITIES (cont'd)

As of 31 December 2017 and 31 December 2016, Group's irreversible contingent liabilities of operating leases are as follows:

	EUR	TRY	31 December 2017
Maturity less than 1 year	23.081	5.419.146	5.523.368
Maturity between 1 - 5 years	16.874	6.042.084	6.118.278
	39.955	11.461.230	11.641.646

	EUR	TRY	31 December 2016
Maturity less than 1 year	90.707	5.419.146	5.755.659
Maturity between 1 - 5 years	16.874	6.042.084	6.104.685
	107.581	11.461.230	11.860.344

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 31 December 2017 amounts to TRY 7.138.512 (1 January – 31 December 2016: TRY 5.645.254).

18. EMPLOYMENT BENEFITS

Short-term benefits provided to employees

Payables for benefits provided to employees	31 December 2017	31 December 2016
Due to personnel	359.893	435.505
Taxes and funds payables	2.509.172	2.635.276
Social security premiums payable	6.647.620	5.453.926
	9.516.685	8.524.707

Provisions for benefits provided to employees	31 December 2017	31 December 2016
Accrued vacation pay liability	5.763.672	6.476.942
Bonus given to sales personnel	2.662.861	2.072.603
Provision for seniority incentive and management premium(*)	179.165	167.162
Other accruals and payables	15.416.561	13.601.047
	24.022.259	22.317.754

(*)The provision for seniority incentive and other benefits as of 31 December 2017 includes US Dollar 47.500 (TRY 179.165) 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.

(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	6.476.942	2.072.603	167.162	8.716.707
Charge for the period	2.140.993	4.609.882	-	6.750.875
Payments during the period	(2.854.263)	(3.688.670)	-	(6.542.933)
Foreign currency translation	-	-	12.003	12.003
Provision at 31 December 2017	5.763.672	2.993.815	179.165	8.936.652
Provision at 1 January	5.227.436	1.807.637	167.187	7.202.260
Charge for the period	2.952.107	2.946.841	-	5.898.948
Payments during the period	(1.702.601)	(2.681.875)	(35.192)	(4.419.668)
Foreign currency translation	-	-	35.167	35.167
Provision at 31 December 2016	6.476.942	2.072.603	167.162	8.716.707

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 5.001,76 for each period of service at 31 December 2017 (31 December 2016: TRY 4.297,21).

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

The principal assumption is that the maximum liability for each year of service will increase parallel with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2017, the provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates are calculated assuming an annual inflation rate of 8% and a discount rate of 11%, resulting in a real discount rate of approximately 2,78% (31 December 2016: 2,78%). The anticipated rate of retirement is considered as 88,15% (2016: 88,12%). As the maximum liability is revised semi annually, the maximum amount of TRY 5.001,76 effective from 1 January 2018 is taken into consideration in the calculation of provision from employment termination benefits.

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

18. EMPLOYMENT BENEFITS (cont'd)

Provision for employment termination benefits (cont'd)

Below is the movement of employment termination provision:

	1 January - 31 December 2017	1 January - 31 December 2016
Provision at 1 January	16.794.674	13.739.879
Service cost	5.179.489	4.076.929
Interest cost	541.765	444.436
Termination benefits paid	(3.510.588)	(2.217.073)
Actuarial loss	118.848	750.503
Provision at 31 December	19.124.188	16.794.674

19. OTHER CURRENT ASSETS

Other current assets	31 December 2017	31 December 2016
Deferred VAT	11.345.758	15.182.895
Other VAT	1.034.132	951.874
	12.379.890	16.134.769

Other current liabilities	31 December 2017	31 December 2016
Taxes and funds payables	1.446.889	3.359.375
Other VAT	-	235.129
	1.446.889	3.594.504

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

20. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Capital

Name	(%)	31 December 2017	(%)	31 December 2016
Eastpharma S.A.R.L.	82,2	164.424.760	82,2	164.424.760
Other	17,8	35.594.528	17,8	35.594.528
Nominal capital	100,0	200.019.288	100,0	200.019.288
Inflation adjustment to share capital		140.080.696		140.080.696
Buy-backed shares (-)		(28.847)		(28.847)
Adjusted share capital		340.071.137		340.071.137

As of 31 December 2017, the Company's capital consists of 20.001.928.768 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 2016: Company's capital consists of 20.001.928.768 Type C common shares each with a nominal value of TRY 0,01, 5 Type B preferred shares and 5 Type A preferred shares).

Common shares

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

Preferred shares

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

As of 31 December 2017 and 31 December 2016, the details of capital and other balances disclosed under equity are as follows:

	31 December 2017	31 December 2016
Capital	200.019.288	200.019.288
Premium in excess of par	2.870.803	2.870.803
Restricted reserves assorted from profit	150.864.955	150.864.955
Buy-backed shares (-)	(28.847)	(28.847)
	353.726.199	353.726.199

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 profit as of 31 December 2017 and accumulated deficit 31 December 2016 amounts to TRY 25.988.867 and TRY 34.342.234, respectively. The accumulated profit / (deficit) balance also includes TRY 26.410.082 of extraordinary reserves (31 December 2016: TRY 26.410.082).

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

21. REVENUE AND COST OF SALES

Revenue (net)	1 January – 31 December 2017	1 January – 31 December 2016
Human pharma revenue	742.659.989	641.331.266
Veterinary products revenue	47.881.260	38.413.600
Other revenue	9.753.863	8.711.498
	800.295.112	688.456.364

Cost of revenue	1 January – 31 December 2017	1 January – 31 December 2016
Raw and other materials used	(251.621.211)	(217.589.263)
Direct labor cost	(22.728.333)	(20.717.146)
Production overheads	(121.125.570)	(103.350.954)
Depreciation expenses (Note 12)	(19.606.037)	(17.051.961)
Change in work in process	13.935.265	(926.066)
Change in finished goods	(1.123.821)	11.708.826
	(402.269.707)	(347.926.564)
Cost of merchandises sold (*)	(52.823.625)	(63.572.683)
	(455.093.332)	(411.499.247)

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

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

	1 January – 31 December 2017	1 January – 31 December 2016
Marketing, sales and distribution expenses	(117.878.135)	(101.329.121)
General administration expenses	(68.745.707)	(54.020.445)
Research and development expenses	(28.830.671)	(11.962.392)
	(215.454.513)	(167.311.958)

(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 – 31 December 2017	1 January – 31 December 2016
Employee benefits expenses	(15.767.179)	(12.180.140)
Cancelled projects	(28.766.587)	(11.944.729)
	(44.533.766)	(24.124.869)
Capitalized personnel expenses	15.703.095	12.162.477
	(28.830.671)	(11.962.392)

As of 31 December 2017, the Group realized research and development expenses of TRY 6.174.772 for tangible assets and TRY 50.018.557 for intangible assets with the total amount TRY 56.193.329 (31 December 2016: TRY 47.192.730). As of balance sheet date TRY 44.888.304 of the amount is for the government grants and incentives (31 December 2016: TRY 30.714.278). Of this total amount TRY 54.057.817 was capitalized on development costs, of which TRY 15.703.095 consists of employee related expenses. TRY 2.135.512 portion of the total TRY 28.766.587 cancelled project and other expenses is expended of the year 2017.

ii)Marketing, sales and distribution expenses

	1 January – 31 December 2017	1 January – 31 December 2016
Employee benefits expenses	(52.920.405)	(48.481.482)
Depreciation and amortization expenses	(559.834)	(929.204)
Royalty expenses	(15.322.115)	(13.581.883)
Rent expenses	(8.714.898)	(7.380.254)
Travel, transportation and accommodation expenses	(6.528.618)	(5.658.427)
Consultancy expenses	(2.598.518)	(2.452.636)
Promotional goods and advertising expenses	(23.460.653)	(20.992.667)
Other expenses	(7.773.094)	(1.852.568)
	(117.878.135)	(101.329.121)

(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 – 31 December 2017	1 January – 31 December 2016
Employee benefits expenses	(45.927.553)	(31.778.313)
Depreciation and amortization expenses	(10.722.026)	(9.488.641)
Rent expenses	(571.033)	(285.290)
Travel, transportation and accommodation expenses	(3.426.412)	(2.183.293)
Consultancy expenses	(4.389.477)	(1.443.003)
Promotional goods and advertising expenses	(298.792)	(236.714)
Other expenses	(7.470.290)	(11.786.721)
	(72.805.583)	(57.201.975)
Capitalized personnel expenses	4.059.876	3.181.530
	(68.745.707)	(54.020.445)

23. EXPENSES BY NATURE

	1 January – 31 December 2017	1 January – 31 December 2016
Employee benefits expenses	(114.615.137)	(92.439.935)
Depreciation and amortization expenses	(11.281.860)	(10.417.845)
Royalty expenses (*)	(15.322.115)	(13.581.883)
Rent expenses	(9.285.931)	(7.665.544)
Promotional goods and advertising expenses	(23.759.445)	(21.229.381)
Travel, transportation and accommodation expenses	(9.955.030)	(7.841.720)
Consultancy expenses	(6.987.995)	(3.895.639)
Cancelled projects	(28.766.587)	(11.944.729)
Other expenses	(15.243.384)	(13.639.289)
	(235.217.484)	(182.655.965)
Capitalized personnel expenses	19.762.971	15.344.007
	(215.454.513)	(167.311.958)

(*) 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.

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

24. OTHER OPERATING INCOME / EXPENSES

	1 January – 31 December 2017	1 January – 31 December 2016
Foreign exchange gain	7.145.182	4.922.978
Discount interest income	55.622.462	50.074.278
Commission income (*)	1.423.525	2.143.727
Interest income	4.421.292	3.644.927
Interest on deferred settlement sales	586.848	488.051
Other income and profits	9.127.484	4.003.434
	78.326.793	65.277.395

(*) Commission income consists of consideration received for the sale of Saba İlaç products, the Group's related party (1.423.525 TRY) (Note 6).

	1 January – 31 December 2017	1 January – 31 December 2016
Foreign exchange loss	(3.812.195)	(1.989.087)
Discount interest expenses	(56.751.873)	(49.780.228)
Other expense and losses	(2.177.810)	(1.116.406)
	(62.741.878)	(52.885.721)

25. INVESTMENT INCOME

	1 January – 31 December 2017	1 January – 31 December 2016
Profit on sale of property, plant and equipment	10.195.637	1.710.458
Loss on sale of property, plant and equipment	(754.332)	-
	9.441.305	1.710.458

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

26. FINANCIAL EXPENSES

	1 January – 31 December 2017	1 January – 31 December 2016
Bank loans interest cost	(41.133.854)	(37.501.796)
Bonds issued interest and expenses	(14.942.145)	(13.672.647)
Total interest cost	(56.075.999)	(51.174.443)
Capitalized expenses (-)	2.572.956	2.599.213
	(53.503.043)	(48.575.230)
Foreign exchange loss	(4.961.479)	(2.223.729)
Loss on derivative instruments	(470.540)	-
Other expenses	(1.258.677)	(972.331)
	(60.193.739)	(51.771.290)

27. TAX ASSETS AND LIABILITIES

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In such case, the tax is also recognised in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of the Group operate. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot retrospectively offset against the profits of previous years.

Furthermore, provisional corporate taxes are paid at 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax.

As of December 31, 2017 and 2016, income tax provisions have been accrued in accordance with the prevailing tax legislation.75% of the income derived by the Company from the sale of participation shares, preferential rights, founders' shares and redeemed shares and 50% of the income derived by the Company from the sale of immovable property which are carried in assets for at least for two years is exempt from corporate tax with the condition that the relevant income should be added to the share capital or kept under a special reserve account under equity for 5 years in accordance with the Corporate Tax Law.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of 31 December 2017 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.Provided that deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and it is legally eligible, they may be offset against one another.

27. TAX ASSETS AND LIABILITIES (cont'd)

Tax assets and liabilities

Corporation tax

The Group is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey.

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their to 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset. Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax.

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of December 31, 2017 and 2016, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statements.

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

27. TAX ASSETS AND LIABILITIES (cont'd)

Tax expense	1 January- 31 December 2017	1 January- 31 December 2016
Current tax expense	904.478	-
Deferred tax expense	1.132.595	11.644.900
Total tax expense	2.037.073	11.644.900

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

	1 January- 31 December 2017	1 January- 31 December 2016
Profit before tax	94.579.748	71.976.001
Enacted tax rate	20%	20%
Expected taxation	18.915.950	14.395.200
Tax effects of:		
- r&d incentives deductions	(14.326.683)	(5.980.066)
- used discounted tax rate effect, other than effective tax rate	(1.345.517)	-
- other	(1.206.677)	3.229.766
Tax expense recognized in income statement	2.037.073	11.644.900

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 2017 is 20% (2016: 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.

(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:

Deferred tax (assets) / liabilities	31 December 2017	31 December 2016
Restatement and useful life differences of property, plant and equipment and intangible assets	7.342.126	8.196.559
Provision for employment termination benefits	(4.207.321)	(3.358.935)
Carry forward tax losses	-	(3.946.091)
Inventories	(3.107.444)	(2.944.555)
Accrued vacation pay liability	(1.268.008)	(1.295.388)
Accrued sales discounts and free samples	(875.466)	(575.588)
Expense accruals due to price regulation	(321.884)	(173.220)
Provision for doubtful receivables	(1.327.405)	(1.647.373)
Provision for legal cases	(851.132)	(558.315)
Other	(5.283.009)	(4.761.465)
	(9.899.543)	(11.064.371)

The movement of deferred tax assets for the period ended as of 31 December 2017 and 2016 are as follows:

Movements of deferred tax assets / (liabilities)	1 January- 31 December 2017	1 January- 31 December 2016
Balance at 1 January	11.064.371	22.561.097
Deferred tax expense recognized in income statement	(1.132.595)	(11.644.900)
Tax income recognized in other comprehensive income	23.770	150.101
Currency translation expense	(56.003)	(1.927)
Closing balance, 31 December	9.899.543	11.064.371

As of balance sheet date, the Group has no unused tax losses available for offset against future profits (31 December 2016: TRY 19.730.455). Deferred tax assets are not recognized in respect of such losses at 31 December 2017 (31 December 2016: TRY 3.946.091). 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.

(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:

	31 December 2017	31 December 2016
2020	-	9.467.121
2021	-	10.263.334
	-	19.730.455

28. PROFIT PER SHARE

	1 January– 31 December 2017	1 January– 31 December 2016
Profit for the period	92.542.675	60.331.101
Weighted-average number of outstanding shares	20.001.928.778	20.000.000.000
Profit per share (TRY)	0,0046	0,0030

29. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

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

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

As of 31 December 2017 and 31 December 2016, equity/total financial liability rate is as follows:

	31 December 2017	31 December 2016
Financial liability	488.293.424	378.401.828
Less: Cash and cash equivalents	(77.869.867)	(27.476.002)
Liability (net)	410.423.557	350.925.826
Total equity	605.090.102	512.847.513
Total invested capital	1.178.537.002	990.051.017
Liability (net) / Total invested capital rate	35%	35%

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.

(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 27% and approximately 38% (31 December 2016: 27% and 36%) of the revenues of the Human Pharmaceuticals business line derived from Turkey. As of 31 December 2017, 24% and 29% of accounts receivable were from these two wholesalers respectively. (31 December 2016: 20% and 29%). The Group manages its credit risk by following up financial positions and their account receivables balances.

Credit quality of undue financial assets evaluated based on to retrospective internal rating consideration is as follows:

Trade Receivables	31 December 2017	31 December 2016
(According to internal rating)		
Customers in Group A	238.640.500	173.968.827
Customers in Group B	4.554.616	5.112.583
Customers in Group C	37.044.137	27.515.512
	280.239.253	206.596.922

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)

(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 2017	**Related Party**	**Other**	**Related Party**	**Other**	**Bank Deposits**
Maximum credit limits as of balance sheet date (*)	11.793.094	280.239.253	-	460.429	77.801.915
Secured amount with letter of guarantee	-	27.980.140	-	-	-
A.Net book value of the not amortized financial assets	11.793.094	280.239.253	-	460.429	77.801.915
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)	-	5.984.754	-	48.906	-
-Impairment(-)	-	(5.984.754)	-	(48.906)	-
-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.

(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 2016	**Related Party**	**Other**	**Related Party**	**Other**	**Bank Deposits**
Maximum credit limits as of balance sheet date (*)	4.628.549	206.596.922	-	370.338	27.415.348
Secured amount with letter of guarantee	-	22.071.810	-	-	-
A.Net book value of the not amortized financial assets	4.628.549	206.596.922	-	370.338	27.415.348
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)	-	6.269.025	-	1.967.839	-
-Impairment(-)	-	(6.269.025)	-	(1.967.839)	-
-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.

(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

31 December 2017	Trade Receivables	Other Receivables	Bank deposits	Other	Total
Less than a month	-	-	-	-	-
1-3 month	-	-	-	-	-
3-12 month	-	-	-	-	-
1- 5 year	255.013	-	-	48.906	303.919
5+ years	5.729.741	-	-	-	5.729.741
Total	5.984.754	-	-	48.906	6.033.660
Secured with letter of guarantee and other	-	-	-	-	-

Overdue Receivables

31 December 2016	Trade Receivables	Other Receivables	Bank deposits	Other	Total
Less than a month	-	-	-	-	-
1-3 month	-	-	-	-	-
3-12 month	309.950	-	-	-	309.950
1- 5 year	434.338	-	-	1.967.839	2.402.177
5+ years	5.524.737	-	-	-	5.524.737
Total	6.269.025	-	-	1.967.839	8.236.864
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.

(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)

31 December 2017

Due dates according to the agreements	Carrying value	Cashflow according to the agreement	Less than 3 months	Between 3-12 months	1-5 years
Non-derivative financial liabilities					
Bank loans and bonds issued	488.293.424	588.975.641	115.700.374	198.653.370	274.621.897
Trade payables	67.025.460	69.211.811	68.279.516	932.295	-
Total financial liabilities	555.318.884	658.187.452	183.979.890	199.585.665	274.621.897

31 December 2016

Due dates according to the agreements	Carrying value	Cashflow according to the agreement	Less than 3 months	Between 3-12 months	1-5 years
Non-derivative financial liabilities					
Bank loans and bonds issued	378.401.828	453.662.639	98.079.169	62.958.623	292.624.847
Trade payables	45.921.071	46.128.774	45.750.280	378.494	-
Total financial liabilities	424.322.899	499.791.413	143.829.449	63.337.117	292.624.847

29. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk factors (cont'd)

(b.3) Market Risk Management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see b.3.1) and interest rates (see b.3.2). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk.

Market risk exposures are supplemented by sensitivity analysis.

In the current year, there has been no change in the market risk the Group is exposed or in the risk management and assessment policies of the Group.

(b.3.1) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise from future trade transactions and difference between assets and liabilities. Exchange rate exposures are managed within the approved policy parameters utilising forward foreign exchange contracts.

The Group's foreign currency position is as follows:

(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 2017**			
	TRY Equivalent	**USD**	**EUR**	**CHF**	**GBP**	**Other**
1. Trade receivables	19.710.860	1.851.780	2.619.027	-	-	899.912
2a. Monetary financial assets	52.583.018	9.283.771	3.886.185	2.084	1.862	-
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	32.394.714	1.665.254	3.429.656	2.531.957	170.608	-
4. CURRENT ASSETS	104.688.592	12.800.805	9.934.868	2.534.041	172.470	899.912
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	601.548	64.500	52.550	31.250	100	-
8. NON-CURRENT ASSETS	601.548	64.500	52.550	31.250	100	-
9. TOTAL ASSETS	105.290.140	12.865.305	9.987.418	2.565.291	172.570	899.912
10. Trade payables	27.915.279	4.775.756	1.972.612	228.152	22.596	-
11. Financial liabilities	15.015.973	-	3.325.429	-	-	-
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
13. CURRENT LIABILITIES	42.931.252	4.775.756	5.298.041	228.152	22.596	-
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	12.451.814	-	2.757.571	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	12.451.814	-	2.757.571	-	-	-
18. TOTAL LIABILITIES	55.383.066	4.775.756	8.055.612	228.152	22.596	-
19.Net asset/liability position of off-balance sheet items (19a-19b)	-	-	-	-	-	-
19.a Total asset amount of hedging items	-	-	-	-	-	-
19b. Total liability amount of hedging items	-	-	-	-	-	-
20. Net foreign currency position (9-18)	49.907.074	8.089.549	1.931.806	2.337.139	149.974	899.912
21. Monetary items net foreign curreny position	16.910.812	6.359.795	(1.550.400)	(226.068)	(20.734)	899.912
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	-	-	-	-	-	-

(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 2016**					
	TRY Equivalent	**USD**	**EUR**	**CHF**	**GBP**	**Other**
1. Trade receivables	12.048.906	2.786.832	416.797	-	-	695.212
2a. Monetary financial assets	24.693.680	2.599.850	2.481.915	1.735	1.449.205	71.677
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	15.975.571	641.422	3.693.565	-	657	12.683
4. CURRENT ASSETS	52.718.157	6.028.104	6.592.277	1.735	1.449.862	779.572
5. Trade receivables						
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	362.752	17.000	56.906	18.600	6.420	-
8. NON-CURRENT ASSETS	362.752	17.000	56.906	18.600	6.420	-
9. TOTAL ASSETS	53.080.909	6.045.104	6.649.183	20.335	1.456.282	779.572
10. Trade payables	11.774.794	2.034.128	1.147.167	104.608	-	-
11. Financial liabilities	9.274.750	-	2.500.000	-	-	-
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
13. CURRENT LIABILITIES	21.049.544	2.034.128	3.647.167	104.608	-	-
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	13.292.572	-	3.583.000	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	13.292.572	-	3.583.000	-	-	-
18. TOTAL LIABILITIES	34.342.116	2.034.128	7.230.167	104.608	-	-
19.Net asset/liability position of off-balance sheet items (19a-19b)	-	-	-	-	-	-
19.a Total asset amount of hedging items	-	-	-	-	-	-
19b. Total liability amount of hedging items türev ürünlerin tutarı	-	-	-	-	-	-
20. Net foreign currency position (9-18)	18.738.793	4.010.976	(580.984)	(84.273)	1.456.282	779.572
21. Monetary items net foreign currency position (1+2a+5+6a-10-11-12a-14-15-16a)	2.400.470	3.352.554	(4.331.455)	(102.873)	1.449.205	766.889
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	-	-	-	-	-	-

(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 2016: 10%). The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss. There is no equity effect.

	Foreign Currency Sensitivity	**31 December 2017**	
		Profit / (Loss)	
		If foreign currency appreciates	If foreign currency depreciates
	If US Dollar changes 10%		
1-	US Dollar net asset/liability	2.398.851	(2.398.851)
2-	Amount protected from US Dollar risk (-)	-	-
3-	**US Dollar net effect (1+2)**	2.398.851	(2.398.851)
	If EUR changes 10%		
4-	EUR net asset/liability	(700.083)	700.083
5-	Amount protected from EUR risk (-)	-	-
6-	**EUR net effect (4+5)**	(700.083)	700.083
	If other currencies change 10%		
7-	Other net asset/liability	(7.687)	7.687
8-	Amount protected from other currency risk (-)	-	-
9-	**Other net effect (7+8)**	(7.687)	7.687
	Total (3 + 6 +9)	1.691.081	(1.691.081)

(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 2016**	
		Profit / (Loss)	
		If foreign currency appreciates	If foreign currency depreciates
	If US Dollar changes 10%		
1-	US Dollar net asset/liability	1.179.831	(1.179.831)
2-	Amount protected from US Dollar risk (-)	-	-
3-	**US Dollar net effect (1+2)**	1.179.831	(1.179.831)
	If EUR changes 10%		
4-	EUR net asset/liability	(1.606.926)	1.606.926
5-	Amount protected from EUR risk (-)	-	-
6-	**EUR net effect (4+5)**	(1.606.926)	1.606.926
	If other currencies change 10%		
7-	Other net asset/liability	667.143	(667.143)
8-	Amount protected from other currency risk (-)	-	-
9-	**Other net effect (7+8)**	667.143	(667.143)
	Total (3 + 6 +9)	240.048	(240.048)

(b.3.2) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

As of 31 December 2017, 23% of total indebtedness was floating rate and denominated in TRY and Euro.

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.

(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)

Interest Position

	31 December 2017	31 December 2016
Fixed Rated Instruments		
Financial Assets	-	-
Financial Liabilities	369.373.299	225.757.975
Floating Rated Instruments		
Financial Assets	-	-
Financial Liabilities	118.920.125	152.643.853
	488.293.424	378.401.828

If Libor and Euribor had been higher by 50 basis points and all other variables were held constant, profit for the period ended at 31 December 2017 would decrease by TRY 761.286 (31 December 2016: decrease by TRY 897.340). 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.

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

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

31 December 2017	Loans measured according to effective interest rate and receivables	Financial liabilities through profit and loss	Financial liabilities at amortized cost	Carrying Value	Note
Financial Assets					
Cash and cash equivalents	77.869.867	-	-	77.869.867	4
Trade receivables (including related parties)	292.032.347	-	-	292.032.347	7
Financial Liabilities					
Borrowings	-	-	488.293.424	488.293.424	5
Trade payables (including related parties)	-	-	67.025.460	67.025.460	7

31 December 2016	Loans measured according to effective interest rate and receivables	Financial liabilities through profit and loss	Financial liabilities at amortized cost	Carrying Value	Note
Financial Assets					
Cash and cash equivalents	27.476.002	-	-	27.476.002	4
Trade receivables (including related parties)	211.225.471	-	-	211.225.471	7
Financial Liabilities					
Borrowings	-	-	378.401.828	378.401.828	5
Trade payables (including related parties)	-	-	45.921.071	45.921.071	7

30. FINANCIAL INSTRUMENTS (cont'd)

Categories of financial instruments (cont'd)

The fair value of the Group's financial assets and liabilities approximate the carrying amount.

The fair values of financial assets and financial liabilities are determined as follows:

• Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

• Level 2: the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

• Level 3: the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

As of 31 December 2017, the Group has no financial assets and liabilities that are categorized based on the fair value hierarchy mentioned above (31 December 2016: None).

31. SUBSEQUENT EVENTS

None