

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018

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

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

**DEVA HOLDİNG A.Ş. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31
MARCH 2018**

Index	Page
Consolidated statement of financial position	1 - 2
Consolidated statement of profit or loss	3
Consolidated statement of comprehensive income	4
Consolidated statement of changes in equity	5
Consolidated statement of cash flows	6 - 7
Notes to the consolidated financial statements	8 - 84

(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 MARCH 2018

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

	Footnote References	Unaudited 31 March 2018	Audited 31 December 2017
ASSETS			
Current Assets			
Cash and cash equivalents	4	54.725.627	77.869.867
Trade receivables	7	343.241.452	292.032.347
<i>Due from related parties</i>	6	14.192.270	11.793.094
<i>Other trade receivables</i>		329.049.182	280.239.253
Other receivables	8	985.120	460.429
Inventories	9	256.452.104	215.644.519
Prepaid expenses	10	22.203.902	22.731.603
Assets relating to current tax	11	496.602	392.497
Other current assets	19	10.695.085	12.379.890
Non-Current Assets			
Property, plant and equipment	12	364.766.196	364.827.920
Intangible assets		241.703.196	240.294.847
<i>Goodwill</i>	14	1.782.731	1.782.731
<i>Other intangible assets</i>	13	239.920.465	238.512.116
Prepaid expenses	10	33.508.652	19.873.407
Deferred tax assets	27	12.301.832	9.899.543
TOTAL ASSETS		1.341.079.768	1.256.406.869

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

STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2018

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

	Footnote References	Unaudited 31 March 2018	Audited 31 December 2017
LIABILITIES			
Current Liabilities		450.254.845	418.736.092
Short term financial liabilities	5	73.186.947	85.579.373
Current portion of long term financial liabilities	5	215.430.951	211.358.682
Trade payables	7	95.137.235	67.025.460
<i>Due to related parties</i>	6	4.800.935	3.682.174
<i>Other trade payables</i>		90.336.300	63.343.286
Payables relating to the benefits provided to employees	18	12.525.397	9.516.685
Other payables	8	1.204.583	1.171.107
<i>Other trade payables</i>		1.204.583	1.171.107
Government grants and incentives	15	1.667.742	1.588.006
Deferred revenue	10	4.048.118	7.381.167
Current tax payable		9.969.729	335.180
Short term provisions		36.071.159	33.333.543
<i>Provisions for benefits provided to employees</i>	18	23.665.642	24.022.259
<i>Other provisions</i>	16	12.405.517	9.311.284
Other current liabilities	19	1.012.984	1.446.889
Non-Current Liabilities		251.548.610	232.580.675
Long term financial liabilities	5	208.485.687	191.355.369
Government grants and incentives	15	20.218.782	20.174.443
Deferred revenue	10	1.668.824	1.926.675
Long term provisions		21.175.317	19.124.188
<i>Provisions for benefits provided to employees</i>	18	21.175.317	19.124.188
EQUITY		639.276.313	605.090.102
Equity attributable to equity holders of the parent		639.276.313	605.090.102
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)	(6.655.491)
<i>Actuarial (loss) arising from defined benefit plans</i>		(6.655.491)	(6.655.491)
Other comprehensive income/(expense) to be reclassified to profit or loss		(621.226)	(446.344)
<i>Currency translation reserve</i>		(621.226)	(446.344)
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	20	118.531.542	25.988.867
Profit for the period		34.361.093	92.542.675
TOTAL LIABILITIES AND EQUITY		1.341.079.768	1.256.406.869

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 31 MARCH 2018

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

	Footnote References	Unaudited 1 January – 31 March 2018	Unaudited 1 January – 31 March 2017
Revenue	21	254.696.414	219.168.126
Cost of revenue (-)	21	(131.283.727)	(124.507.718)
GROSS PROFIT		123.412.687	94.660.408
Marketing, sales and distribution expenses (-)	22	(34.917.767)	(29.476.887)
General administration expenses (-)	22	(19.918.683)	(17.957.019)
Research and development expenses (-)	22	(11.383.387)	(8.571.127)
Other operating income	24	25.326.177	18.674.052
Other operating expenses (-)	24	(22.612.016)	(16.689.058)
OPERATING PROFIT		59.907.011	40.640.369
Investment income	25	75.332	270.878
Investment expenses (-)	25	-	(754.332)
PROFIT BEFORE FINANCE EXPENSES		59.982.343	40.156.915
Finance expenses (-)	26	(18.053.810)	(15.028.936)
PROFIT BEFORE TAXATION		41.928.533	25.127.979
Tax expense		(7.567.440)	(4.223.675)
Current tax expense	27	(9.969.729)	(2.572.876)
Deferred tax income / (expense)	27	2.402.289	(1.650.799)
NET PROFIT FOR THE PERIOD		34.361.093	20.904.304
Distribution of profit for the period			
Equity holders of the parent		34.361.093	20.904.304
		34.361.093	20.904.304
Profit per share	28	0,0017	0,0010
Diluted profit per share	28	0,0017	0,0010

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2018

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

	Footnote References	Unaudited 1 January – 31 March 2018	Unaudited 1 January – 31 March 2017
Net profit for the period		34.361.093	20.904.304
Other Comprehensive Loss			
Items not to be reclassified subsequently to profit or loss		-	-
Actuarial loss arising from defined benefit plans	18		
Tax effect other comprehensive income not to be reclassified to profit or loss	27		-
Items that may be reclassified subsequently to profit or loss		(174.882)	(59.124)
Change in foreign currency translation reserve		(174.882)	(59.124)
OTHER COMPREHENSIVE LOSS		(174.882)	(59.124)
TOTAL COMPREHENSIVE INCOME		34.186.211	20.845.180
Total comprehensive income attributable to:		34.186.211	20.845.180
Non - controlling interest		-	-
Equity holders of the parent		34.186.211	20.845.180

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 CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2018

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

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	Other comprehensive	
															Other comprehensive income/(expense) not to be reclassified to profit or loss	Other comprehensive income/(expense) to be reclassified to profit or loss
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)	-	-	-	
Purchase of shares of entities under common control		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Capital investment adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total comprehensive income		-	-	-	-	-	-	(59.124)	-	-	-	20.904.304	20.845.180	-	20.845.180	
<i>Actuarial loss arising from defined benefit plans</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<i>Currency translation reserve</i>		-	-	-	-	-	-	(59.124)	-	-	-	-	(59.124)	-	(59.124)	
<i>Profit for the period</i>		-	-	-	-	-	-	-	-	-	-	20.904.304	20.904.304	-	20.904.304	
Balance as of 31 March 2017	20	200.019.288	140.080.696	-	(28.847)	2.870.803	(6.560.413)	(300.460)	150.864.955	(146.500)	25.988.867	20.904.304	533.692.693	-	533.692.693	
Balance as of 1 January 2018	20	200.019.288	140.080.696	-	(28.847)	2.870.803	(6.655.491)	(446.344)	150.864.955	(146.500)	25.988.867	92.542.675	605.090.102	-	605.090.102	
Transfer to retained earnings		-	-	-	-	-	-	-	-	-	92.542.675	(92.542.675)	-	-	-	
Total comprehensive income		-	-	-	-	-	-	(174.882)	-	-	-	34.361.093	34.186.211	-	34.186.211	
<i>Actuarial loss arising from defined benefit plans</i>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<i>Currency translation reserve</i>		-	-	-	-	-	-	(174.882)	-	-	-	-	(174.882)	-	(174.882)	
<i>Profit for the period</i>		-	-	-	-	-	-	-	-	-	-	34.361.093	34.361.093	-	34.361.093	
Balance as of 31 March 2018	20	200.019.288	140.080.696	-	(28.847)	2.870.803	(6.655.491)	(621.226)	150.864.955	(146.500)	118.531.542	34.361.093	639.276.313	-	639.276.313	

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

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

DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2018

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

	Footnote References	Unaudited 1 January – 31 March 2018	Unaudited 1 January – 31 March 2017
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Profit for the Year		20.819.627	10.208.484
Adjustments to Reconcile Profit (Loss)			
Adjustments for depreciation and amortisation expense	21 - 23	6.569.229	5.777.435
Adjustments for Impairment Loss (Reversal of Impairment Loss)		15.266.388	14.550.275
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Receivables	7-8	515.530	(1.529.045)
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	1.923.387	2.488.807
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Other Intangible Assets	13	12.827.471	13.590.513
Adjustments for Provisions		25.752.107	14.429.094
Adjustments for (Reversal of) Provisions Related with Employee Benefits	18	9.338.360	4.658.247
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	16	2.447.685	1.051.332
Adjustments for (Reversal of) Other Provisions	16	13.966.062	8.719.515
Adjustments for Interest (Income) Expenses		14.313.436	11.740.875
Adjustments for interest income	24	(1.322.205)	(1.148.906)
Adjustments for interest expense	26	15.635.641	12.889.781
Adjustments for Tax (Income) Expenses	27	7.567.440	4.223.675
Other Adjustments for Non-Cash Items		(2.169.786)	(176.577)
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(75.332)	483.454
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets	25	(75.332)	483.454
Other adjustments for Which Cash Effects are Investing or Financing Cash Flow		1.595.245	1.481.973
Other Adjustments to Reconcile Profit (Loss)		(453.629)	(454.772)
Changes in Working Capital		(65.911.905)	(51.856.666)
Adjustments for Decrease (Increase) in Trade Accounts Receivable		(50.877.859)	(71.156.370)
Decrease (Increase) in Trade Accounts Receivables from Related Parties		(2.399.176)	2.525.533
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties		(48.478.683)	(73.681.903)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(1.040.221)	1.033.811
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations		(1.040.221)	1.033.811
Adjustments for Decrease (Increase) in Inventories		(40.096.908)	8.514.218
Decrease (Increase) in Prepaid Expenses		527.701	(1.603.881)
Adjustments for Increase (Decrease) in Trade Accounts Payable		28.111.775	5.717.251
Increase (Decrease) in Trade Accounts Payables to Related Parties		1.118.761	1.373.137
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties		26.993.014	4.344.114
Increase (Decrease) in Employee Benefit Liabilities		3.008.712	275.803
Adjustments for Increase (Decrease) in Other Operating Payables		33.476	66.629
Increase (Decrease) in Other Operating Payables to Unrelated Parties		33.476	66.629
Increase (Decrease) in Deferred Income		(3.590.900)	2.949.969
Other Adjustments for Other Increase (Decrease) in Working Capital		(1.987.681)	2.345.904
Decrease (Increase) in Other Assets Related with Operations		1.580.700	5.570.796
Increase (Decrease) in Other Payables Related with Operations		(3.568.381)	(3.224.892)
Cash Flows from (used in) Operations		36.814.286	21.103.070
Payments Related with Provisions for Employee Benefits	18	(4.845.473)	(3.803.112)
Payments Related with Other Provisions	16	(11.149.186)	(7.091.474)

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

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

DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2018 (CONT'D)

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

	Footnote References	Unaudited 1 January – 31 March 2018	Unaudited 1 January – 31 March 2017
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		(36.334.297)	(21.099.108)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		75.332	476.660
Proceeds from Sales of Property, Plant and Equipment	12-25	75.332	476.660
Purchase of Property, Plant, Equipment and Intangible Assets		(23.021.221)	(20.292.489)
Purchase of Property, Plant and Equipment	12	(7.879.439)	(5.988.709)
Purchase of Intangible Assets	13	(15.141.782)	(14.303.780)
Cash Advances and Loans Made to Related Parties		(13.635.245)	(1.283.279)
Other Cash Advances and Loans Made to Other Parties	10	(13.635.245)	(1.283.279)
Proceeds from Government Grants	15	246.837	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		(7.394.705)	40.650.362
Proceeds from Loans		251.044.386	288.735.543
Proceeds from borrowings		251.044.386	288.735.543
Loan Repayments		(245.847.180)	(237.672.747)
Repayments of borrowings		(242.345.543)	(233.929.167)
Payments of Issued Debt Instruments		(3.501.637)	(3.743.580)
Interest paid		(13.974.099)	(11.511.202)
Interest received	24	1.382.188	1.098.768
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		(22.909.375)	29.759.738
Effect of exchange rate changes on cash and cash equivalents		(174.882)	(59.124)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(23.084.257)	29.700.614
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	77.723.146	27.429.384
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	54.638.889	57.129.998

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

(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 March 2018 is 2.202 (31 December 2017: 2.036).

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 March 2018, 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 İstanbul since 24 March 1986.

As of 31 March 2018, the Company's share capital consists of 20.001.928.778 shares with an amount of TRY 0,01 for each (31 December 2017: 20.001.928.778). The Company's nominal capital structure is as follows (Note 20):

<u>Name</u>	<u>(%)</u>	<u>31 March</u> <u>2018</u>	<u>(%)</u>	<u>31 December</u> <u>2017</u>
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		<u>340.071.137</u>		<u>340.071.137</u>

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Subsidiaries

As of 31 March 2018 and 31 December 2017, the details of the subsidiaries ("the Group") in terms of ownership and principal business activities are as follows:

<u>Company</u>	<u>Effective Ownership</u>		<u>Line of activity</u>
	<u>31 March 2018 (%)</u>	<u>31 December 2017 (%)</u>	
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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Subsidiaries (cont'd)

The Company and its subsidiaries 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 175 pharmaceutical molecules in 351 pharmaceutical forms. Of these 11 molecules (in 16 presentation forms) are manufactured and marketed by using license rights.

As of 31 March 2018 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 66 pharmaceutical molecules in 100 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 4 May 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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 Zealand 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Consolidation

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

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

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

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

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

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

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

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

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

Changes in the Accounting Policies

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Changes in the Accounting Estimates and Errors

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

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

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim consolidated financial statements as at 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) The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows

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 period ended 31 March 2018.

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

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

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

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) **Standards issued but not yet effective and not early adopted**

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

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

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

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

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

iii) 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)

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

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

iii) 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)

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Summary of Significant Accounting Policies

a. Revenue Recognition

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

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

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

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

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

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

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

Cost of sales - free of charge goods

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

Interest revenue

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Summary of Significant Accounting Policies (cont'd)

b. Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with being valued on standard costing basis. At the end of the each reporting period, the standard costs are updated based on the actual costs. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. 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 March 2018, the total amount of extermination and diminishing value of these provisions is TRY 11.728.517 (31 December 2017: TRY 9.805.130).

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 lives 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Summary of Significant Accounting Policies (cont'd)

d. Leasing Transactions

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

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

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

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Summary of Significant Accounting Policies (cont'd)

f. Impairment of 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 period ended 31 March 2018, TRY 356.168 (31 March 2017: TRY 612.393) amount was capitalized on these qualifying assets (Note 13). The weighted average capitalization rate on funds borrowed is 5,3% per annum (31 March 2017: 8,2% for first three month). This rate represents the weighted average borrowing cost of the Group's all borrowings used during the period. All other borrowing costs are recorded in the profit or loss statement.

h. Financial Instruments

(i) Financial assets

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

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

Effective interest method

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

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

Financial assets at FVTPL

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Summary of Significant Accounting Policies (cont'd)

h. Financial Instruments (cont'd)

(i) Financial assets (cont'd)

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Summary of Significant Accounting Policies (cont'd)

h. Financial Instruments (cont'd)

(i) Financial assets (cont'd)

Impairment of financial assets (cont'd)

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

Cash and cash equivalents

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

Derecognition of financial assets

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

(ii) Financial Liabilities

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

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

Financial liabilities at FVTPL

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

Bonds issued

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Summary of Significant Accounting Policies (cont'd)

h. Financial Instruments (cont'd)

(ii) Financial Liabilities (cont'd)

Derivative financial instruments

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

i. Business Combinations

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

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

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

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

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Summary of Significant Accounting Policies (cont'd)

i. Business Combinations (cont'd)

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

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

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

j. Goodwill

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

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

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

On disposal of the relevant cash-generating unit, the attributable 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-TRY and Deva's B group shares with a nominal value of 0,01-TRY and Deva's C group shares with 28.847-TRY nominal value which are owned by Vetaş have been transferred to Deva.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Summary of Significant Accounting Policies (cont'd)

1. 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Summary of Significant Accounting Policies (cont'd)

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

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

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

Restructuring

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

p. Related Parties

A party is related to the Company if:

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

(i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

(ii) has an interest in the entity that gives it significant influence over the entity; or

(iii) has joint control over the entity;

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

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

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

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

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

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

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

In the accompanying consolidated financial statements, EastPharma Ltd., EastPharma S.A.R.L., EastPharma İlaç 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Summary of Significant Accounting Policies (cont'd)

r. Segmental Information

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

s. Share Capital and Dividends

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

t. Taxation and Deferred Tax

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

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

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Summary of Significant Accounting Policies (cont'd)

t. Taxation and Deferred Tax (cont'd)

Deferred tax (cont'd)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

u. Employment Termination Benefits

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

v. Statement of Cash Flows

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

y. Government Grants and Incentives

Grants from the government are recognized at their fair value 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Summary of Significant Accounting Policies (cont'd)

z. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the entity's accounting policies

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

Recoverability of internally-generated intangible assets

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

During the period, management reconsidered the recoverability of its internally-generated intangible assets. Management believes the projects will continue as expected and based on this analysis management continues to anticipate similar revenues from the projects. Management is confident that the carrying amount of the assets will be recovered in full, even if estimated revenues are reduced. This situation is closely monitored by management, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate. During the period ended 31 March 2018, the Group Management has recognized net book value of TRY 12.827.471 an impairment loss, and written-off the impaired amount from capitalized development costs and product licenses and rights (31 March 2017: TRY 13.590.513) (Note 13).

Intangible asset recognized on business combination

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Summary of Significant Accounting Policies (cont'd)

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

Deferred 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 March 2018 and 31 December 2017, 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 March 2018, 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Summary of Significant Accounting Policies (cont'd)

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

Net realizable value

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

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

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

3. SEGMENTAL INFORMATION

As of 31 March 2018 the business segments are production and sale of human pharmaceuticals, veterinary products and other. Other segment includes sale of cologne and other products.

31 March 2018	Human pharma	Veterinary products	Other	Total
External sales	230.819.877	21.451.142	2.425.395	254.696.414
Cost of sales	(115.536.075)	(13.608.172)	(2.139.480)	(131.283.727)
Operating expenses	(63.597.886)	(2.325.341)	(296.610)	(66.219.837)
Segment results	51.685.916	5.517.629	(10.695)	57.192.850
Other operating income				25.326.177
Other operating expenses (-)				(22.612.016)
Investment income				75.332
Finance expenses (-)				(18.053.810)
Income tax expense (-)				(7.567.440)
Profit for the period				34.361.093

Distribution of the Group's products by the two largest wholesalers in the Turkish market corresponded to approximately 30% and 38% of the revenues of the Human Pharmaceuticals business line derived from Turkey (31 March 2017: 29% and 39%). As of 31 March 2018, two customers represented 22% and 32% of the total trade and other receivables balance, respectively (31 December 2017: 24% and 29%).

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

3. SEGMENTAL INFORMATION (cont'd)

31 March 2017	Human pharma	Veterinary products	Other	Total
External sales	202.111.089	16.088.940	968.097	219.168.126
Cost of sales	(114.290.113)	(9.253.265)	(964.340)	(124.507.718)
Operating expenses	<u>(53.620.396)</u>	<u>(2.088.050)</u>	<u>(296.587)</u>	<u>(56.005.033)</u>
Segment results	<u>34.200.580</u>	<u>4.747.625</u>	<u>(292.830)</u>	<u>38.655.375</u>
Other operating income				18.674.052
Other operating expenses (-)				(16.689.058)
Investment income				270.878
Investment expenses (-)				(754.332)
Finance expenses (-)				(15.028.936)
Income tax expense (-)				(4.223.675)
Profit for the period				<u><u>20.904.304</u></u>

4. CASH AND CASH EQUIVALENTS

	31 March 2018	31 December 2017
Petty cash	65.518	67.952
Cash in banks	54.573.371	77.655.194
<i>Demand deposits</i>	7.580.212	7.252.121
<i>Time deposits</i>	46.993.159	70.403.073
Cash and cash equivalents in cash flow statement	<u>54.638.889</u>	<u>77.723.146</u>
Interest income accruals	86.738	146.721
	<u>54.725.627</u>	<u>77.869.867</u>

As of 31 March 2018, the Group has Euro, US Dollar and TRY time deposits. The average interest rate for Euro time deposit is 2,38%, US Dollar time deposit is 4,23% and TRY time deposit is %7,50 (The Group has Euro US Dollar and TRY time deposit as of 31 December 2017 and it's average interest rate for Euro time deposit is 2,33% US Dollar time deposit is 4,29% and TRY time deposit is 12,09%). 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 March 2018 and 31 December 2017.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

5. FINANCIAL LIABILITIES

	31 March 2018	31 December 2017
Short term bank loans	73.186.947	85.579.373
Current portion of long term loans	113.222.591	108.617.359
Current portion of bonds issued (*)	102.208.360	102.741.323
Total short term financial liabilities	<u>288.617.898</u>	<u>296.938.055</u>
Long term portion of bank loans	208.485.687	191.355.369
Bonds issued (*)	-	-
Total long term financial liabilities	<u>208.485.687</u>	<u>191.355.369</u>
Total financial liabilities	<u><u>497.103.585</u></u>	<u><u>488.293.424</u></u>

(*)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 14,63% as at 31 March 2018 and discounted estimated future cash payments through the expected life of the financial liability is calculated as TRY 101.344.614.

i) Bank loans and bonds issued

Repayment schedule of bank borrowings is as follows:

	31 March 2018	31 December 2017
Less than 1 year or to be paid on demand	288.617.898	296.938.055
To be paid between 1-2 years	72.288.968	66.909.471
To be paid between 2-3 years	67.250.045	57.478.137
To be paid between 3-4 years	44.201.576	47.189.983
To be paid between 4-5 years	24.745.098	19.777.778
	<u>497.103.585</u>	<u>488.293.424</u>

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

(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 March 2018	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2017
TRY	%14,3	60.704.326	60.704.326	TRY	%14,3	73.202.828	73.202.828
EUR	%0,7	2.500.000	12.168.250	EUR	%0,8	2.500.000	11.288.750
Accrued interest			314.371	Accrued interest			1.087.795
			<u>73.186.947</u>				<u>85.579.373</u>

Short term borrowings consist of spot and revolving line of credits with several banks and carry fixed and floating rate interests. As of 31 March 2018 and 31 December 2017, the total available lines of credits are TRY 1.280.779.850 and TRY 1.253.243.255, 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 March 2018	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2017
TRY	%12,4	99.689.571	99.689.571	TRY	%12,1	94.664.222	94.664.222
EUR	%2,5	825.429	4.017.611	EUR	%2,5	825.429	3.727.225
Accrued interest			9.515.409	Accrued interest			10.225.912
			<u>113.222.591</u>				<u>108.617.359</u>

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

(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 March 2018	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2017
TRY	%15,0	195.063.762	195.063.762	TRY	%14,6	178.903.555	178.903.555
EUR	%2,5	2.757.571	13.421.925	EUR	%2,5	2.757.571	12.451.814
			<u>208.485.687</u>				<u>191.355.369</u>

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

5. FINANCIAL LIABILITIES (cont'd)

i) Bank loans (cont'd)

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

- a) A loan of TRY 1.620.000 (2017: TRY 3.240.000) 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 (2017: TRY 2.000.000) 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 (2017: TRY 4.000.000) 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 (2017: TRY 22.000.000) 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 43.333.333 (2017: TRY 50.555.556) 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 9.900.000 (2017: TRY 11.550.000) 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 (2017: EUR 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 26.444.444 (2017: TRY 30.222.222) 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 (2017: EUR 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

5. FINANCIAL LIABILITIES (cont'd)

i) Bank loans (cont'd)

- j) A loan of TRY 35.555.556 (2017: TRY 40.000.000) 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.
- k) A loan of TRY 30.000.000 (2017: TRY 30.000.000) 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 19.900.000 (2017: TRY 20.000.000) 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 (2017: TRY 60.000.000) 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) A loan of TRY 40.000.000 (2017: None) was drawn down on 19 March 2018. Repayments of interest and principal will be commenced on 19 March 2019 and will continue till 20 March 2023. The loan carries interest of 16,95%. Repayments of interest and principal will be on quarterly basis.
- o) The Group has spot loans amounting to TRY 60.704.326 (2017: TRY 65.300.000), with an average interest of 14,31% and not used to loans with no interest. (2017: TRY 7.902.828).
- p) The Group has spot loans amounting to Euro 2.500.000 (2017: EUR 2.500.000), with an average interest of 0,65%.

The Group uses its notes receivables as collaterals for its revolving loans. As of 31 March 2018, the amount of the notes receivables given as collateral is TRY 66.627.203 (31 December 2017: TRY 53.600.000).

ii) Obligations under finance leases

None (2016: None).

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

(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 March 2018							
	Receivables				Payables			
	Current		Non-current		Current		Non-current	
	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading
<u>Balances with related parties</u>								
<u>Shareholders</u>								
East Pharma S.A.R.L.	-	-	-	-	4.800.935	-	-	-
Other	-	-	-	-	-	-	-	-
<u>Other companies managed by ultimate parent</u>								
Saba İlaç Sanayi ve Ticaret A.Ş.	14.192.270	-	-	-	-	-	-	-
	<u>14.192.270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4.800.935</u>	<u>-</u>	<u>-</u>	<u>-</u>
	1 January - 31 March 2018							
<u>Transactions with related parties</u>	<u>Purchases</u>	<u>Goods/Services Sales</u>	<u>Interest received</u>	<u>Interest given</u>	<u>Rent income</u>	<u>Royalty expenses (*)</u>	<u>Other income (**)</u>	<u>Other expense</u>
<u>Shareholders</u>								
East Pharma S.A.R.L.	7.064.802	-	-	-	-	3.453.384	-	-
<u>Other companies managed by ultimate parent</u>								
Saba İlaç Sanayi ve Ticaret A.Ş.	125.215	2.865.763	430.710	-	157.573	-	76.568	162.016
	<u>7.190.017</u>	<u>2.865.763</u>	<u>430.710</u>	<u>-</u>	<u>157.573</u>	<u>3.453.384</u>	<u>76.568</u>	<u>162.016</u>

(*) 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

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

6. RELATED PARTY TRANSACTIONS (cont'd)

	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
<u>Shareholders</u>								
East Pharma S.A.R.L.	-	-	-	-	3.682.174	-	-	-
Other	-	-	-	-	-	-	-	-
<u>Other companies managed by ultimate parent</u>								
Saba İlaç Sanayi ve Ticaret A.Ş.	11.793.094	-	-	-	-	-	-	-
	<u>11.793.094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3.682.174</u>	<u>-</u>	<u>-</u>	<u>-</u>
1 January - 31 March 2017								
Transactions with related parties	Purchases	Goods/Services Sales	Interest received	Interest given	Rent income	Royalty expenses (*)	Other income (**)	Other expense
<u>Shareholders</u>								
East Pharma S.A.R.L.	6.638.066	-	-	-	-	2.927.642	-	-
<u>Other companies managed by ultimate parent</u>								
Saba İlaç Sanayi ve Ticaret A.Ş.	22.800.618	2.222.150	534.605	-	158.557	-	438.457	-
	<u>29.438.684</u>	<u>2.222.150</u>	<u>534.605</u>	<u>-</u>	<u>158.557</u>	<u>2.927.642</u>	<u>438.457</u>	<u>-</u>

(*) 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

(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 March 2018 and 31 December 2017 are stated below:

	31 March 2018			
	Original currency	Maturity (Day)	Interest Rate %	Short term Payables
<u>Loans used by related parties</u>				
<u>Subsidiaries</u>				
Devatis Ltd	US Dollar	93	2,0%	344.366
	NZ Dollar	93	2,0%	3.015.500
	31 December 2017			
	Original currency	Maturity (Day)	Interest Rate %	Short term Payables
<u>Loans used by related parties</u>				
<u>Subsidiaries</u>				
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 March 2018 and 2017 are stated below:

	1 January- 31 March 2018	1 January- 31 March 2017
<u>Compensation of key management personnel</u>		
Short-term benefits	7.773.129	6.886.016
Long-term benefits	346.065	245.002
	<u>8.119.194</u>	<u>7.131.018</u>

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

7. TRADE RECEIVABLES AND PAYABLES

Trade Receivables

	31 March 2018	31 December 2017
<u>Current trade receivables</u>		
Trade receivables	133.703.882	87.978.754
Notes receivable	198.646.308	195.208.998
Discount on notes receivables (-)	(2.976.012)	(2.850.525)
Due from related parties (Note 6)	14.192.270	11.793.094
Other trade receivables	14.570	48.722
Income accruals (*)	6.160.718	5.838.058
Provision for doubtful receivables (-)	(6.500.284)	(5.984.754)
	<u>343.241.452</u>	<u>292.032.347</u>

As of 31 March 2018 and 31 December 2017, 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 2017: 100 days).

(*) The Group receives government grants related to development costs. The balance includes the income accrual for the grants received from TÜBİTAK (Scientific and Technological Research Council of Turkey). As of 31 March 2018 TÜBİTAK income accrual amounts to TRY 5.897.253 (31 December 2017: TRY 5.506.024).

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

	31 March 2018	31 December 2017
Letter of guarantees received	31.232.172	27.980.140
	<u>31.232.172</u>	<u>27.980.140</u>

The Group's principal financial assets are trade and other receivables, and investments. The Group's credit risk is primarily attributable to its trade receivables. As of 31 March 2018, two customers represented 22% and 32% of the total trade and other receivables balance, respectively (31 December 2017: 24% 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 14.192.270 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 March 2018 and 2017 is as follows:

	1 January- 31 March 2018	1 January- 31 March 2017
Balance at 1 January	5.984.754	6.269.025
Charge for the period	515.530	-
Provisions no longer required	-	-
Collections	-	(284.271)
Balance at 31 December	<u>6.500.284</u>	<u>5.984.754</u>

The effective interest rate used for the discount of TRY trade receivables is 14% per annum (2017: 14%), and for foreign currency trade receivables year end libor rates have been used.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

7. TRADE RECEIVABLES AND PAYABLES (cont'd)

Trade Payables

	31 March 2018	31 December 2017
<u>Current trade payables</u>		
Trade payables	88.067.399	62.189.141
Notes payable	6.593	6.297
Due to related parties (Note: 6) (*)	4.800.935	3.682.174
Expense accruals (**)	2.175.078	614.025
Royalty expense accruals	87.230	533.823
	<u>95.137.235</u>	<u>67.025.460</u>

(*) As of 31 March 2018, royalty payable to Eastpharma S.A.R.L for the sale of products that Eastpharma S.A.R.L. holds the rights is TRY 2.959.861 (31 December 2017: TRY 2.995.249). 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 March 2018, there is TRY 1.841.073 payable amount to Eastpharma S.A.R.L. related with the raw material purchase from F. Hoffman – La Roche Ltd (31 December 2017: TRY 686.925).

(**)As of 31 March 2018, expense accruals include turnover premium provision amounts to TRY 1.205.286 (31 December 2017: TRY 434.204).

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

As of 31 March 2018 and 31 December 2017, the Group has no long term trade payables.

8. OTHER RECEIVABLES AND PAYABLES

	31 March 2018	31 December 2017
<u>Other current receivables</u>		
Other receivables	359.676	357.263
Due from personnel	614.871	88.224
Provision for other doubtful receivables (-)	(48.906)	(48.906)
Deposits and guarantees given	59.479	63.848
	<u>985.120</u>	<u>460.429</u>

The movement of the allowance for other doubtful receivables for the period ended 31 March 2018 and 2017 is as follows:

	1 January- 31 March 2018	1 January- 31 March 2017
Balance at 1 January	48.906	1.918.933
Provisions no longer required	-	(1.529.045)
Balance at 31 December	<u>48.906</u>	<u>389.888</u>

	31 March 2018	31 December 2017
<u>Other current payables</u>		
Deposits and guarantees received	198.245	189.395
Other current payables	1.006.338	981.712
	<u>1.204.583</u>	<u>1.171.107</u>

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

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

9. INVENTORIES

	31 March 2018	31 December 2017
Raw materials	151.333.083	115.433.849
Work-in-progress	31.011.099	27.549.462
Finished goods	85.836.439	81.842.376
Trade goods	-	-
Other inventories	-	623.962
Allowance for diminution in value of inventories	(11.728.517)	(9.805.130)
	<u>256.452.104</u>	<u>215.644.519</u>

As of 31 March 2018, insured inventory amounts to TRY 230.000.000 (31 December 2017: TRY 230.000.000).

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 March 2018	31 December 2017
Raw materials	8.767.269	11.664.904
Work-in-progress	654.501	6.055.477
Finished goods	2.306.747	(7.915.251)
	<u>11.728.517</u>	<u>9.805.130</u>

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

	1 January- 31 March 2018	1 January- 31 March 2017
Balance at 1 January	9.805.130	11.664.904
Provision for the period	2.231.222	2.848.932
Provision realised in period	(307.835)	(360.125)
Balance at 31 March	<u>11.728.517</u>	<u>14.153.711</u>

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

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

10. PREPAID EXPENSES AND DEFERRED REVENUE

	31 March 2018	31 December 2017
<u>Short term prepaid expenses</u>		
Advances given for inventory	15.900.997	16.721.657
Prepaid expenses	4.179.947	5.561.733
Business advances given	2.122.958	448.213
	<u>22.203.902</u>	<u>22.731.603</u>

	31 March 2018	31 December 2017
<u>Long term prepaid expenses</u>		
Advances given for property, plant & equip.	33.508.652	19.873.407
Prepaid expenses	-	-
	<u>33.508.652</u>	<u>19.873.407</u>

	31 March 2018	31 December 2017
<u>Short term deferred revenue</u>		
Advances received	1.655.725	5.066.617
Deferred income	2.392.393	2.314.550
	<u>4.048.118</u>	<u>7.381.167</u>

	31 March 2018	31 December 2017
<u>Long term deferred revenue</u>		
Deferred income	1.668.824	1.926.675
	<u>1.668.824</u>	<u>1.926.675</u>

11. ASSETS RELATING TO CURRENT TAX

	31 March 2018	31 December 2017
<u>Current assets relating to current tax</u>		
Prepaid withholding tax	496.602	392.497
	<u>496.602</u>	<u>392.497</u>

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

(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
<u>Acquisition cost</u>									
Opening balance, 1 January 2018	28.270.583	2.180.237	175.015.760	375.280.240	1.629.161	29.658.993	272.848	10.843.897	623.151.719
Additions	-	-	-	-	-	629.031	-	7.250.408	7.879.439
Disposals	-	-	-	-	-	-	-	-	-
Transfers from construction in progress	-	8.000	565.273	7.015.243	-	-	-	(7.588.516)	-
Closing balance, 31 March 2018	28.270.583	2.188.237	175.581.033	382.295.483	1.629.161	30.288.024	272.848	10.505.789	631.031.158
<u>Accumulated depreciation</u>									
Opening balance, 1 January 2018	-	(387.217)	(30.951.261)	(203.875.189)	(1.109.986)	(21.776.286)	(223.860)	-	(258.323.799)
Reclassifications (*)	-	-	-	(694.380)	-	-	-	-	(694.380)
Depreciation charge for the period	-	(29.131)	(1.063.275)	(5.697.721)	(38.363)	(417.041)	(1.252)	-	(7.246.783)
Disposals	-	-	-	-	-	-	-	-	-
Closing balance, 31 March 2018	-	(416.348)	(32.014.536)	(210.267.290)	(1.148.349)	(22.193.327)	(225.112)	-	(266.264.962)
Carrying amount at 31 March 2018	28.270.583	1.771.889	143.566.497	172.028.193	480.812	8.094.697	47.736	10.505.789	364.766.196

(*) TRY 694.380, 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 March 2018.

As of 31 March 2018, insured property, plant and equipment amounts to TRY 822.807.000 (31 December 2017: TRY 822.807.000).

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, TRY 16.200.000 and 12.900.000 respectively (Note 17).

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

(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
<u>Acquisition cost</u>									
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	-	-	-	-	-	383.991	-	5.604.718	5.988.709
Disposals	-	-	-	(4.676.442)	-	(15.093)	-	-	(4.691.535)
Transfers from construction in progress	-	-	608.419	6.919.900	-	-	-	(7.528.319)	-
Closing balance, 31 March 2017	28.270.583	630.237	155.200.439	332.669.129	5.751.454	28.096.899	272.848	15.776.003	566.667.592
<u>Accumulated depreciation</u>									
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 (*)	-	-	-	(634.481)	-	-	-	-	(634.481)
Depreciation charge for the period	-	(9.206)	(930.469)	(5.021.226)	(250.004) #	(418.412) #	(1.252) #	-	(6.630.569)
Disposals	-	-	-	3.716.328	-	15.093	-	-	3.731.421
Closing balance, 31 March 2017	-	(351.890)	(28.100.430)	(190.573.747)	(4.931.960)	(20.544.458)	(220.105)	-	(244.722.590)
Carrying amount at 31 March 2017	28.270.583	278.347	127.100.009	142.095.382	819.494	7.552.441	52.743	15.776.003	321.945.002

(*) TRY 634.481, 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 March 2017.

As of 31 March 2017, insured property, plant and equipment amounts to TRY 773.078.000 (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).

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

(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 3.520.502 (2017: TRY 3.106.447) has been charged to 'cost of goods sold', TRY 3.048.727 (2017: TRY 2.670.988) to 'operating expenses' and TRY 2.634.064 is capitalized on inventory (2017: TRY 2.802.992).

13. INTANGIBLE ASSETS

	Product Licenses and Rights	Customer Relationship	Capitalized Development Costs	Total
<u>Acquisition cost</u>				
Opening balance, 1 January 2018	169.706.786	3.730.513	142.004.154	315.441.453
Additions (**)	-	-	694.380	694.380
Transfers from construction in progress	5.868.212	-	(5.868.212)	-
Disposals	(8.345.897)	-	(6.287.402)	(14.633.299)
Closing balance, 31 March 2018	167.229.101	3.730.513	146.040.870	317.000.484
<u>Accumulated amortization</u>				
Opening balance, 1 January 2018	(57.236.389)	(1.771.990)	(17.920.958)	(76.929.337)
Amortization charge for the period	(1.909.879)	(46.631)	-	(1.956.510)
Disposals	1.805.828	-	-	1.805.828
Closing balance, 31 March 2018	(57.340.440)	(1.818.621)	(17.920.958)	(77.080.019)
Carrying amount, 31 March 2018	109.888.661	1.911.892	128.119.912	239.920.465

(*) TRY 694.380, 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 March 2018 (Note 12).

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

As of 31 March 2018, capitalized financial expense amounts to TRY 356.168 (31 March 2017: TRY 612.393).

As of 31 March 2018, carrying amount of internally generated intangible assets consist of TRY 46.667.103 of rights and TRY 137.694.949 of capitalized development costs.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

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

13. INTANGIBLE ASSETS (cont'd)

	Product Licences and Rights	Customer Relationship	Capitalized Development Costs	Total
<u>Acquisition cost</u>				
Opening balance, 1 January 2017	144.258.265	3.730.513	143.115.486	291.104.264
Reclassifications (*)	-	-	634.481	634.481
Additions (**)	-	-	14.916.173	14.916.173
Transfers from construction in progress	2.450.296	-	(2.450.296)	-
Disposals	(4.474.889)	-	(10.687.997)	(15.162.886)
Closing balance, 31 March 2017	<u>142.233.672</u>	<u>3.730.513</u>	<u>145.527.847</u>	<u>291.492.032</u>
<u>Accumulated amortization</u>				
Opening balance, 1 January 2017	(52.827.611)	(1.585.466)	(17.920.958)	(72.334.035)
Amortization charge for the period	(1.903.227)	(46.631)	-	(1.949.858)
Disposals	1.572.373	-	-	1.572.373
Closing balance, 31 March 2017	<u>(53.158.465)</u>	<u>(1.632.097)</u>	<u>(17.920.958)</u>	<u>(72.711.520)</u>
Carrying amount, 31 March 2017	<u>89.075.207</u>	<u>2.098.416</u>	<u>127.606.889</u>	<u>218.780.512</u>

(*) TRY 634.481, 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 March 2017 (Note 12).

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

As of 31 March 2017, capitalized financial expense amounts to TRY 612.393 (31 March 2016: TRY 660.452).

As of 31 March 2017, carrying amount of internally generated intangible assets consist of TRY 34.191.752 of rights and TRY 138.075.355 of capitalized development costs.

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

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

14. GOODWILL

	31 March 2018	31 December 2017
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 2017 (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 March 2018.

15. GOVERNMENT INCENTIVES AND GRANTS

	31 March 2018	31 December 2017
Short term government grants and incentives (*)	1.667.742	1.588.006
	<u>1.667.742</u>	<u>1.588.006</u>
	31 March 2018	31 December 2017
Long term government grants and incentives (*)	20.218.782	20.174.443
	<u>20.218.782</u>	<u>20.174.443</u>

(*) The Group receives government grants related to development costs. The balance consists of the income accrual for the grants received from TUBITAK (Scientific and Technological Research Council of Turkey). As the grant related to the assets is capitalized as development cost, consideration received or receivable is recorded as deferred revenue. Deferred revenue is amortised over useful life of the asset to match the related expense in the income statement. (Note 10)

During the period ended 31 March 2018, the Group received TRY 246.837 grant related with its development costs. (31 December 2017: Nil.)

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

15. GOVERNMENT INCENTIVES AND GRANTS (cont'd)

The Group has 9 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 2016, 5 projects in 2017 and 3 new projects in 2018. Total research and development expenses incurred during the period ended 31 March 2018 related with these projects amounted to TRY 12.094.271.

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 2018, 57% of the total expenses incurred related with projects has been recorded as income accrual.

Total expenses related with project number 114407 that has been obtained for Deva Köseköy facility for the year 2018 amount to TRY 48.498 .

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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

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

16. PROVISIONS

	31 March 2018	31 December 2017
<u>Short term provisions</u>		
Expense accruals due to price regulation / change	1.807.223	1.463.110
Accrued sales discounts	6.048.840	3.979.391
Provision for legal claims	4.267.305	3.868.783
Campaign discount provisions	282.149	-
	<u>12.405.517</u>	<u>9.311.284</u>

	Expense accruals due to price regulation	Accrued sales discounts	Provision for legal claims (*)	Campaign discount provisions	Total
Opening balance, 1 January 2018	1.463.110	3.979.391	3.868.783	-	9.311.284
Charge for the period	489.113	13.194.800	2.447.685	282.149	16.413.747
Payments made during the period	(145.000)	(9.351.463)	(1.652.723)	-	(11.149.186)
Reversal of provision	-	(1.773.888)	(396.440)	-	(2.170.328)
Closing balance, 31 March 2018	<u>1.807.223</u>	<u>6.048.840</u>	<u>4.267.305</u>	<u>282.149</u>	<u>12.405.517</u>
Opening balance, 1 January 2017	866.100	2.877.941	2.791.574	-	6.535.615
Charge for the period	254.640	8.412.742	1.051.332	52.133	9.770.847
Payments made during the period	-	(5.979.971)	(1.111.503)	-	(7.091.474)
Reversal of provision	-	(182.249)	-	-	(182.249)
Closing balance, 31 March 2017	<u>1.120.740</u>	<u>5.128.463</u>	<u>2.731.403</u>	<u>52.133</u>	<u>9.032.739</u>

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

Total provisions for the legal cases opened and currently pending against the Group represent the Management's best estimate of the Group's legal liability to claiming parties. The charge in the year of 2018 and 2017 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 March 2018, TRY 4.177.402 represents provision for legal cases opened by discharged personnel and TRY 89.900 represents provision for fines received from tax authority.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

17. COMMITMENTS

	<u>Currency Type</u>	<u>Balance</u>	<u>Currency Rate</u>	<u>31 March 2018</u>
Mortgage	US Dollar	-	3,9489	-
	TRY	181.500.000	1,0000	<u>181.500.000</u>
				<u>181.500.000</u>
Promissory notes (*)	TRY	-	1,0000	-
	EUR	-	4,8673	-
	US Dollar	-		-
				<u>-</u>
Guarantee letters given	TRY	12.401.896	1,0000	12.401.896
	AVRO	6.378.500	4,8673	31.046.073
	US Dollar	330.199	3,9489	<u>1.303.923</u>
				<u>44.751.892</u>
Pledges (**)	TRY	-	1,0000	-
				-
				<u>-</u>
				<u>226.251.892</u>
				<u>226.251.892</u>
	<u>Currency Type</u>	<u>Balance</u>	<u>Currency Rate</u>	<u>31 December 2017</u>
Mortgage	US Dollar	-	3,7719	-
	TRY	168.600.000	1,0000	<u>168.600.000</u>
				<u>168.600.000</u>
Promissory notes (*)	TRY	-	1,0000	-
	EUR	-	4,5155	-
	US Dollar	-	3,7719	-
				<u>-</u>
Guarantee letters given	TRY	12.850.807	1,0000	12.850.807
	EUR	6.284.750	4,5155	28.378.789
	US Dollar	127.167	3,7719	<u>479.661</u>
				<u>41.709.257</u>
Pledges (**)	TRY	-	1,0000	-
				-
				<u>-</u>
				<u>210.309.257</u>
				<u>210.309.257</u>

(*) 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

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

17. COMMITMENTS (cont'd)

As of 31 March 2018 and 31 December 2017, the Group's Guarantees/Pledge/Mortgages ("GPM") are as follows:

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

	31 March 2018			
	TRY Equivalent	US Dollar	EUR	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	44.751.892	330.199	6.378.500	12.401.896
-Pledge	-	-	-	-
-Mortgage	181.500.000	-	-	181.500.000
	<u>226.251.892</u>	<u>330.199</u>	<u>6.378.500</u>	<u>193.901.896</u>
B. GPM given on behalf of subsidiaries that are included in full consolidation				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
C. GPM's given on behalf of third parties for ordinary course of the business	-	-	-	-
D. Other GPM	-	-	-	-
Total	<u>226.251.892</u>	<u>330.199</u>	<u>6.378.500</u>	<u>193.901.896</u>
	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
	<u>210.309.257</u>	<u>127.167</u>	<u>6.284.750</u>	<u>181.450.807</u>
B. GPM given on behalf of subsidiaries that are included in full consolidation				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
C. GPM's given on behalf of third parties for ordinary course of the business	-	-	-	-
D. Other GPM	-	-	-	-
Total	<u>210.309.257</u>	<u>127.167</u>	<u>6.284.750</u>	<u>181.450.807</u>

As of 31 March 2018, the Company's Other GPM / Equity ratio is nil (31 December 2017: Nil).

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

17. COMMITMENTS AND CONTINGENT LIABILITIES (cont'd)

As of 31 March 2018 and 31 December 2017, Group's irreversible contingent liabilities of operating leases are as follows:

	EUR	TRY	31 March 2018
Maturity less than 1 year	13.806	8.184.527	8.251.725
Maturity between 1 - 5 years	-	12.025.663	12.025.663
	<u>13.806</u>	<u>20.210.190</u>	<u>20.277.388</u>
	EUR	TRY	31 December 2017
Maturity less than 1 year	16.874	8.572.653	8.648.847
Maturity between 1 - 5 years	-	14.064.491	14.064.491
	<u>16.874</u>	<u>22.637.144</u>	<u>22.713.338</u>

The Group's operational leases mainly consist of vehicles given to sales personnel and the total expense related with the operating lease payments for the period ended 31 March 2018 amounts to TRY 2.518.880 (1 January – 31 March 2017: TRY 1.517.594).

18. EMPLOYMENT BENEFITS

Short-term benefits provided to employees

	31 March 2018	31 December 2017
<u>Payables for benefits provided to employees</u>		
Due to personnel	575.239	359.893
Taxes and funds payables	4.606.329	2.509.172
Social security premiums payable	7.343.829	6.647.620
	<u>12.525.397</u>	<u>9.516.685</u>
	31 March 2018	31 December 2017
<u>Provisions for benefits provided to employees</u>		
Accrued vacation pay liability	7.725.892	5.763.672
Bonus given to sales personnel	3.322.106	2.662.861
Provision for seniority incentive and management premium	-	179.165
Other accruals and payables	12.617.644	15.416.561
	<u>23.665.642</u>	<u>24.022.259</u>

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

(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	5.763.672	2.662.861	179.165	8.605.698
Charge for the period	1.962.220	4.789.646	-	6.751.866
Payments during the period	-	(4.130.401)	(179.707)	(4.310.108)
Foreign currency translation	-	-	542	542
Provision at 31 March 2018	<u>7.725.892</u>	<u>3.322.106</u>	<u>0</u>	<u>11.047.998</u>
Provision at 1 January	6.476.942	2.072.603	167.162	8.716.707
Charge for the period	976.475	2.119.204	-	3.095.679
Payments during the period	(717.224)	(2.310.026)	-	(3.027.250)
Foreign currency translation	-	-	5.672	5.672
Provision at 31 March 2017	<u>6.736.193</u>	<u>1.881.781</u>	<u>172.834</u>	<u>8.790.808</u>

Provision for employment termination benefits

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

The amount payable consists of one month's salary limited to a maximum of TRY 5.001,76 for each period of service at 31 March 2018 (31 December 2017: TRY 5.001,76).

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 March 2018, 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 2017: 2,78%). The anticipated rate of retirement is considered as 88,01% (2017: 88,05%). 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

(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 March 2018	1 January - 31 March 2017
Provision at 1 January	19.124.188	16.794.674
Service cost	2.455.506	1.435.193
Interest cost	130.988	127.375
Termination benefits paid	(535.365)	(775.862)
Actuarial loss	-	-
Provision at 31 December	<u>21.175.317</u>	<u>17.581.380</u>

19. OTHER CURRENT ASSETS

	31 March 2018	31 December 2017
<u>Other current assets</u>		
Deferred VAT	9.870.945	11.345.758
Other VAT	824.140	1.034.132
	<u>10.695.085</u>	<u>12.379.890</u>
	31 March 2017	31 December 2017
<u>Other current liabilities</u>		
Taxes and funds payables	1.012.984	1.446.889
	<u>1.012.984</u>	<u>1.446.889</u>

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

20. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Capital

<u>Name</u>	<u>(%)</u>	<u>31 March 2018</u>	<u>(%)</u>	<u>31 December 2017</u>
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		<u>340.071.137</u>		<u>340.071.137</u>

As of 31 March 2018, 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 March 2018 and 31 December 2017, the details of capital and other balances disclosed under equity are as follows:

	<u>31 March 2018</u>	<u>31 December 2017</u>
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)
	<u>353.726.199</u>	<u>353.726.199</u>

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

Restricted reserves appropriated from profit

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

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

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

Currency translation reserve

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

Retained earnings

The Group's accumulated profit as of 31 March 2018 and accumulated deficit 31 December 2017 amounts to TRY 118.531.542 and TRY 25.988.867, respectively. The accumulated profit balance also includes TRY 26.410.082 of extraordinary reserves (31 December 2017: TRY 26.410.082).

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

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

21. REVENUE AND COST OF SALES

	1 January – 31 March 2018	1 January – 31 March 2017
<i>Revenue (net)</i>		
Human pharma revenue	230.819.877	202.111.089
Veterinary products revenue	21.451.142	16.088.940
Other revenue	2.425.395	968.097
	<u>254.696.414</u>	<u>219.168.126</u>
	1 January – 31 March 2018	1 January – 31 March 2017
<i>Cost of revenue</i>		
Raw and other materials used	(86.740.068)	(66.367.500)
Direct labor cost	(6.768.157)	(5.656.530)
Production overheads	(40.275.172)	(33.139.721)
Depreciation expenses (Note 12)	(3.520.502)	(3.106.447)
Change in work in process	3.461.637	10.388.581
Change in finished goods	3.994.063	(10.049.282)
	<u>(129.848.199)</u>	<u>(107.930.899)</u>
Cost of merchandises sold (*)	<u>(1.435.528)</u>	<u>(16.576.819)</u>
	<u>(131.283.727)</u>	<u>(124.507.718)</u>

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

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

	1 January – 31 March 2018	1 January – 31 March 2017
Marketing, sales and distribution expenses	(34.917.767)	(29.476.887)
General administration expenses	(19.918.683)	(17.957.019)
Research and development expenses	(11.383.387)	(8.571.127)
	<u>(66.219.837)</u>	<u>(56.005.033)</u>

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

(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 March 2018	1 January – 31 March 2017
Employee benefits expenses	(4.766.430)	(3.998.175)
Cancelled projects	(11.383.387)	(8.571.127)
	<u>(16.149.817)</u>	<u>(12.569.302)</u>
Capitalized personnel expenses	4.766.430	3.998.175
	<u>(11.383.387)</u>	<u>(8.571.127)</u>

As of 31 March 2018, the Group realized research and development expenses of TRY 3.043.654 for tangible assets and TRY 12.101.022 for intangible assets with the total amount TRY 15.144.677 (31 March 2017: TRY 11.366.468). As of balance sheet date TRY 12.094.271 of the amount is for the government grants and incentives (31 March 2017: TRY 6.501.805). Of this total amount TRY 15.144.677 was capitalized on development costs, of which TRY 4.766.430 consists of employee related expenses. Any portion of the total TRY 11.383.387 cancelled project and other expenses is not expended of the year 2018.

ii) Marketing, sales and distribution expenses

	1 January – 31 March 2018	1 January – 31 March 2017
Employee benefits expenses	(17.570.942)	(13.135.487)
Depreciation and amortization expenses	(89.725)	(222.743)
Royalty expenses	(3.555.836)	(3.316.254)
Rent expenses	(2.681.488)	(2.181.801)
Travel, transportation and accommodation expenses	(2.047.928)	(1.498.049)
Consultancy expenses	(704.559)	(340.524)
Promotional goods and advertising expenses	(4.473.939)	(6.270.283)
Other expenses	(3.793.350)	(2.511.746)
	<u>(34.917.767)</u>	<u>(29.476.887)</u>

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

(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 March 2018	1 January – 31 March 2017
Employee benefits expenses	(13.269.304)	(12.297.943)
Depreciation and amortization expenses	(2.959.002)	(2.448.245)
Rent expenses	(372.503)	(80.943)
Travel, transportation and accommodation expenses	(818.612)	(546.902)
Consultancy expenses	(1.524.342)	(918.350)
Promotional goods and advertising expenses	(14.489)	(3.273)
Other expenses	(2.354.976)	(2.752.446)
	<u>(21.313.228)</u>	<u>(19.048.102)</u>
Capitalized personnel expenses	1.394.545	1.091.083
	<u>(19.918.683)</u>	<u>(17.957.019)</u>

23. EXPENSES BY NATURE

	1 January – 31 March 2018	1 January – 31 March 2017
Employee benefits expenses	(35.606.676)	(29.431.605)
Depreciation and amortization expenses	(3.048.727)	(2.670.988)
Royalty expenses (*)	(3.555.836)	(3.316.254)
Rent expenses	(3.053.991)	(2.262.744)
Promotional goods and advertising expenses	(4.488.428)	(6.273.556)
Travel, transportation and accommodation expenses	(2.866.540)	(2.044.951)
Consultancy expenses	(2.228.901)	(1.258.874)
Cancelled projects	(11.383.387)	(8.571.127)
Other expenses	(6.148.326)	(5.264.192)
	<u>(72.380.812)</u>	<u>(61.094.291)</u>
Capitalized personnel expenses	6.160.975	5.089.258
	<u>(66.219.837)</u>	<u>(56.005.033)</u>

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

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

24. OTHER OPERATING INCOME / EXPENSES

	1 January – 31 March 2018	1 January – 31 March 2017
Foreign exchange gain	4.108.925	1.948.041
Discount interest income	17.788.405	13.077.982
Commission income (*)	76.568	438.457
Interest income	1.051.031	991.760
Interest on deferred settlement sales	271.174	157.146
Other income and profits	2.030.074	2.060.666
	<u>25.326.177</u>	<u>18.674.052</u>

(*) Commission income consists of consideration received for the sale of Saba İlaç products, the Group's related party (76.568 TRY) (Note 6).

	1 January – 31 March 2018	1 January – 31 March 2017
Foreign exchange loss	(1.769.345)	(1.020.968)
Discount interest expenses	(19.803.380)	(13.910.555)
Other expense and losses	(1.039.291)	(1.757.535)
	<u>(22.612.016)</u>	<u>(16.689.058)</u>

25. INVESTMENT INCOME

	1 January – 31 March 2018	1 January – 31 March 2017
Profit on sale of property, plant and equipment	75.332	270.878
Loss on sale of property, plant and equipment	-	(754.332)
	<u>75.332</u>	<u>(483.454)</u>

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

26. FINANCIAL EXPENSES

	1 January – 31 March 2018	1 January – 31 March 2017
Bank loans interest cost	(12.490.172)	(9.758.594)
Bonds issued interest and expenses	(3.501.637)	(3.743.580)
Total interest cost	(15.991.809)	(13.502.174)
Capitalized expenses (-)	356.168	612.393
	(15.635.641)	(12.889.781)
Foreign exchange loss	(2.128.208)	(1.207.579)
Loss on derivative instruments	-	(518.280)
Other expenses	(289.961)	(413.296)
	(18.053.810)	(15.028.936)

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 March 31, 2018 and 2017, 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 March 2018 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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 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 March 31, 2018 and 2017, 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

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

27. TAX ASSETS AND LIABILITIES (cont'd)

	1 January- 31 March 2018	1 January- 31 March 2017
<u>Tax expense</u>		
Current tax expense	9.969.729	2.572.876
Deferred tax expense	(2.402.289)	1.650.799
Total tax expense	<u>7.567.440</u>	<u>4.223.675</u>

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

	1 January- 31 March 2018	1 January- 31 March 2017
Profit before tax	41.928.533	25.127.979
Enacted tax rate	22%	20%
Expected taxation	9.224.277	5.025.596
Tax effects of:		
- r&d incentives deductions	(2.029.299)	(1.556.094)
- used discounted tax rate effect, other than effective tax rate	(340.921)	-
- other	713.383	754.173
Tax expense recognized in income statement	<u>7.567.440</u>	<u>4.223.675</u>

Deferred tax

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

The effective tax rate used for the calculation of deferred tax in 2018 is 22% (2017: 22%).

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

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

27. TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax (cont'd)

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

<u>Deferred tax (assets) / liabilities</u>	31 March 2018	31 December 2017
Restatement and useful life differences of property, plant and equipment and intangible assets	6.307.781	7.342.126
Provision for employment termination benefits	(4.658.570)	(4.207.321)
Inventories	(2.849.865)	(3.107.444)
Accrued vacation pay liability	(1.699.696)	(1.268.008)
Accrued sales discounts and free samples	(1.330.745)	(875.466)
Expense accruals due to price regulation	(397.589)	(321.884)
Provision for doubtful receivables	(1.440.822)	(1.327.405)
Provision for legal cases	(938.807)	(851.132)
Other	(5.293.519)	(5.283.009)
	(12.301.832)	(9.899.543)

The movement of deferred tax assets for the period ended as of 31 March 2018 and 2017 are as follows:

<u>Movements of deferred tax assets / (liabilities)</u>	1 January- 31 March 2018	1 January- 31 March 2017
Balance at 1 January	9.899.543	11.064.371
Deferred tax expense recognized in income statement	2.402.289	(1.650.799)
Tax income recognized in other comprehensive income	-	-
Currency translation expense		(56.003)
Closing balance, 31 March	12.301.832	9.357.569

As of balance sheet date, the Group has no unused tax losses available for offset against future profits (31 December 2017: TRY Nil). Deferred tax assets are not recognized in respect of such losses at 31 March 2018.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

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

28. PROFIT PER SHARE

	1 January– 31 March 2018	1 January– 31 December 2017
Profit for the period	34.361.093	20.904.304
Weighted-average number of outstanding shares	20.001.928.778	20.001.928.778
Profit per share (TRY)	0,0017	0,0010

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 March 2018 and 31 December 2017, equity/total financial liability rate is as follows:

	31 March 2018	31 December 2017
Financial liability	497.103.585	488.293.424
Less: Cash and cash equivalents	<u>(54.725.627)</u>	<u>(77.869.867)</u>
Liability (net)	442.377.958	410.423.557
Total equity	639.276.313	605.090.102
Total invested capital	1.286.354.141	1.178.537.002
Liability (net) / Total invested capital rate	34%	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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

(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 30% and approximately 38% (31 March 2017: 29% and 39%) of the revenues of the Human Pharmaceuticals business line derived from Turkey. As of 31 March 2018, 22% and 32% of accounts receivable were from these two wholesalers respectively. (31 December 2017: 24% 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:

	31 March 2018	31 December 2017
<u>Trade Receivables</u>		
(According to internal rating)		
Customers in Group A	279.686.004	238.640.500
Customers in Group B	7.431.271	4.554.616
Customers in Group C	41.931.907	37.044.137
	<u>329.049.182</u>	<u>280.239.253</u>

Customers in Group A: Customers of which credit limit defined without an indemnity and approved by CEO after credit committee confirmation.

Customers in Group B: Customers of which credit limit defined with an existing indemnity and approved by CEO after credit committee confirmation.

Customers in Group C: Customers of which credit limit defined with an indemnity directly attributable (Letter of warranty or credit limit of 70% of mortgage amount)

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

(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

	<u>Receivables</u>				<u>Bank Deposits</u>
	<u>Trade Receivables</u>		<u>Other Receivables</u>		
<u>31 March 2018</u>	<u>Related Party</u>	<u>Other</u>	<u>Related Party</u>	<u>Other</u>	
Maximum credit limits as of balance sheet date (*)	14.192.270	329.049.182	-	985.120	54.660.109
Secured amount with letter of guarantee	-	31.232.172	-	-	-
A. Net book value of the not amortized financial assets	14.192.270	329.049.182	-	985.120	54.660.109
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)	-	6.500.284	-	48.906	-
-Impairment(-)	-	(6.500.284)	-	(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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

(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

	<u>Receivables</u>				<u>Bank Deposits</u>
	<u>Trade Receivables</u>		<u>Other Receivables</u>		
<u>31 December 2017</u>	<u>Related Party</u>	<u>Other</u>	<u>Related Party</u>	<u>Other</u>	
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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

(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 March 2018	<u>Trade</u> <u>Receivables</u>	<u>Other</u> <u>Receivables</u>	<u>Bank deposits</u>	<u>Other</u>	<u>Total</u>
Less than a month	-	-	-	-	-
1-3 month	515.530	-	-	-	515.530
3-12 month	-	-	-	-	-
1- 5 year	255.013	-	-	48.906	303.919
5+ years	5.729.741	-	-	-	5.729.741
Total	6.500.284	-	-	48.906	6.549.190
Secured with letter of guarantee and other	-	-	-	-	-

Overdue Receivables

31 December 2017	<u>Trade</u> <u>Receivables</u>	<u>Other</u> <u>Receivables</u>	<u>Bank deposits</u>	<u>Other</u>	<u>Total</u>
Less than a month	-	-	-	-	-
1-3 month	-	-	-	-	-
3-12 month	-	-	-	-	-
1- 5 year	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	-	-	-	-	-

(b.2) Liquidity risk management

The responsibility of the liquidity risk management belongs to the Board of Directors. The Group's management has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements.

The Group's liquidity requirements arise primarily from the need to fund working capital due to the research and development investments mainly factory, machinery and equipment investments and pharma licence investments.

The Board of Directors has formed appropriate liquidity risk management for the Group management's short, medium and long term funding and liquidity needs. The Group manages the liquidity risk estimate and actual cash flows by regularly following up and matching the maturities of financial assets and liabilities in order to keep continuance of funds and borrowing reserves.

Liquidity analysis

The following table details the Group's expected maturity for its non derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities except where the Group is entitled and intense to repay the liability before its maturity.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

(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 March 2018

<u>Due dates according to the agreements</u>	<u>Carrying value</u>	<u>Cashflow according to the agreement</u>	<u>Less than 3 months</u>	<u>Between 3-12 months</u>	<u>1-5 years</u>
Non-derivative financial liabilities					
Bank loans and bonds issued	497.103.585	603.069.800	90.814.060	210.407.142	301.848.598
Trade payables	95.137.235	95.586.322	93.782.261	1.804.061	-
Total financial liabilities	592.240.820	698.656.122	184.596.321	212.211.203	301.848.598

31 December 2017

<u>Due dates according to the agreements</u>	<u>Carrying value</u>	<u>Cashflow according to the agreement</u>	<u>Less than 3 months</u>	<u>Between 3-12 months</u>	<u>1-5 years</u>
Non-derivative financial liabilities					
Bank loans and bonds issued	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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

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

(b) Financial risk factors (cont'd)

(b.3) Market Risk Management

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

Market risk exposures are supplemented by sensitivity analysis.

In the current 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:

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

(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 March 2018

	TRY Equivalent	USD	EUR	CHF	GBP	Other
1. Trade receivables	14.064.110	1.625.805	1.276.472	-	-	1.430.997
2a. Monetary financial assets	53.352.396	6.616.838	5.590.010	1.111	1.862	-
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	48.561.733	1.828.618	6.265.882	2.541.477	61.364	-
4. CURRENT ASSETS	115.978.238	10.071.261	13.132.364	2.542.588	63.227	1.430.997
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	1.627.464	208.988	137.020	32.600	100	-
8. NON-CURRENT ASSETS	1.627.464	208.988	137.020	32.600	100	-
9. TOTAL ASSETS	117.605.702	10.280.249	13.269.384	2.575.188	63.327	1.430.997
10. Trade payables	42.229.746	6.870.996	2.582.016	608.458	2.692	-
11. Financial liabilities	16.324.560	-	3.353.925	-	-	-
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
13. CURRENT LIABILITIES	58.554.306	6.870.996	5.935.941	608.458	2.692	-
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	13.421.927	-	2.757.571	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	13.421.927	-	2.757.571	-	-	-
18. TOTAL LIABILITIES	71.976.234	6.870.996	8.693.513	608.458	2.692	-
19. Net asset/liability position of off-balance sheet items (19a-19b)	-	-	-	-	-	-
19.a Total asset amount of hedging items	-	-	-	-	-	-
19.b. Total liability amount of hedging items	-	-	-	-	-	-
20. Net foreign currency position (9-18)	45.629.469	3.409.253	4.575.871	1.966.731	60.635	1.430.997
21. Monetary items net foreign currency position	(4.559.729)	1.371.646	(1.827.030)	(607.346)	(830)	1.430.997
22. Fair value of the financial instruments used in foreign currency hedging	-	-	-	-	-	-
23. Hedged part of foreign currency assets	-	-	-	-	-	-
24. Hedged part of foreign currency liabilities	-	-	-	-	-	-

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

(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
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	105.051.344	12.817.805	9.991.774	2.552.641	178.890	899.912
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	-	-	-	-	-	-
19.b Total liability amount of hedging items türev ürünlerin tutarı	-	-	-	-	-	-
20. Net foreign currency position (9-18)	70.709.228	10.783.677	2.761.607	2.448.033	178.890	899.912
21. Monetary items net foreign currency position (1+2a+5+6a-10-11-12a-14-15-16a)	37.951.762	9.101.423	(724.955)	(102.524)	1.862	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	-	-	-	-	-	-

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

(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 March 2018	
	Profit / (Loss)	
	If foreign currency appreciates	If foreign currency depreciates
If US Dollar changes 10%		
1- US Dollar net asset/liability	541.649	(541.649)
2- Amount protected from US Dollar risk (-)	-	-
3- US Dollar net effect (1+2)	541.649	(541.649)
If EUR changes 10%		
4- EUR net asset/liability	(889.271)	889.271
5- Amount protected from EUR risk (-)	-	-
6- EUR net effect (4+5)	(889.271)	889.271
If other currencies change 10%		
7- Other net asset/liability	(108.352)	108.352
8- Amount protected from other currency risk (-)	-	-
9- Other net effect (7+8)	(108.352)	108.352
Total (3 + 6 +9)	(455.974)	455.974

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

(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 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)

(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 March 2018, 28% 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.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

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

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

(b) Financial risk factors (cont'd)

(b.3) Market Risk Management (cont'd)

(b.3.2) Interest rate risk management (cont'd)

Interest rate sensitivity (cont'd)

	<u>Interest Position</u>	
	31 March 2018	31 December 2017
Fixed Rated Instruments		
Financial Assets	-	-
Financial Liabilities	377.455.689	369.373.299
Floating Rated Instruments		
Financial Assets	-	-
Financial Liabilities	119.647.896	118.920.125
	<u>497.103.585</u>	<u>488.293.424</u>

If Libor and Euribor had been higher by 50 basis points and all other variables were held constant, profit for the period ended at 31 March 2018 would decrease by TRY 408.821 (31 March 2017: decrease by TRY 436.166). The equity effect is nil. If Libor and Euribor had been lower by 50 basis points, the profit of the Group for the period ended would increase with the same absolute amount.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

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

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

31 March 2018	Loans measured according to effective interest rate and receivables	Financial liabilities through profit and loss	Financial liabilities at amortized cost	Carrying Value	Note
<u>Financial Assets</u>					
Cash and cash equivalents	54.725.627	-	-	54.725.627	4
Trade receivables (including related parties)	343.241.452	-	-	343.241.452	7
<u>Financial Liabilities</u>					
Borrowings	-	-	497.103.585	497.103.585	5
Trade payables (including related parties)	-	-	95.137.235	95.137.235	7
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
<u>Financial Assets</u>					
Cash and cash equivalents	77.869.867	-	-	77.869.867	4
Trade receivables (including related parties)	292.032.347	-	-	292.032.347	7
<u>Financial Liabilities</u>					
Borrowings	-	-	488.293.424	488.293.424	5
Trade payables (including related parties)	-	-	67.025.460	67.025.460	7

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

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

30. FINANCIAL INSTRUMENTS (cont'd)

Categories of financial instruments (cont'd)

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

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

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

As of 31 March 2018, the Group has no financial assets and liabilities that are categorized based on the fair value hierarchy mentioned above (31 December 2017: None).

31. SUBSEQUENT EVENTS

Due to our company's board decision dated 20.03.2018, an application for the issuance of bond, at a nominal total amounting up to TRY 150.000.000 with a maturity term up to 3 years, for sale to qualified investors without a security offering, has been made to Capital Markets Board and this issuance application has been accepted by Capital Markets Board by a decision dated 16.04.2018 and numbered 18/492. The sale of bonds at TRY 80 million nominal value with a maturity term of 728 days, bearing a coupon payment once per 3 months, on floating rate and at TRY 65 million nominal value with a maturity term of 1.093 days, bearing a coupon payment once per 3 months, on floating rate have been completed as of May 4th, 2018.