DEVA HOLDİNG A Ş.
ANNUAL REPORT 2018

60 years...

DEVA


"adding health to life..."
DEVA

CONTENTS

DEVA HOLDING IN BRIEF

Established in 1958, DEVA Holding is among the well-established pharmaceutical manufacturers in Turkey.

With the main area of operations including manufacturing and marketing medicinal products for human and use and raw materials, DEVA Holding also manufactures veterinary medicines, eau de cologne, and medical ampoules.

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

DEVA Holding is pacing rapidly toward its goal of being the first choice by offering innovative and unique products with a high-quality experience by creating giant pharmaceutical brands in areas where it competes, in order to make healthy living accessible to everyone around the world. With the new therapies it offers, DEVA holding makes difference by expanding its product diversity every year. Currently, DEVA Holding has over 600 products in its portfolio, spanning 13 therapy areas, ranging from oncology to cardiology and from the respiratory system to ophthalmology.

With progressively expanding regional growth and export operations, DEVA Holding is the holder of around 600 marketing authorizations in app. 60 countries, including the USA, Switzerland and Germany. Founded under the brand name of Devatis in Germany and then in Switzerland, the company received registration approval in 2018 and having been established in the USA under the same name, accelerated its activities.

DEVA Holding focuses on research and development to improve access to medicines for patients who need them, and its manufacturing facilities are certified compliant with the European GMP (Good Manufacturing Practice) and the US FDA (Food and Drug Administration) requirements, with exportations to app. 40 countries including the USA at present.

DEVA Holding develops high added value, innovative new forms and products with its highly-competent staff of experts trained in their areas and experienced in R&D in its full-fledged laboratories and manufacturing areas equipped with state-of-the-art technology at its award-winning DEVARGE Center.

With its manufacturing capabilities, DEVA Holding has become the domestic corporation with the most comprehensive production capabilities in Turkey. Undertaking manufacturing operations at facilities in Çerkezköy and Kartepe, DEVA Holding holds an annual output capacity of 515 million units of medicines.

Continuing to work for a healthier future, DEVA Holding also supports social responsibility projects.

FINANCIAL INDICATORS

FINANCIAL INDICATORS

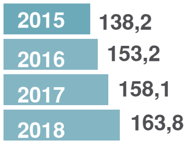
Primary financial and operational indicators (TL)	31.12.2018	31.12.2017
Total assets	1.668.440.329	1.256.406.869
Total liabilities	922.032.432	651.316.767
Total equity capital	746.407.897	605.090.102

	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Sales revenue (net)	1.040.677.048	800.295.112
Real operating profit	277.236.202	145.332.182
Net profit	136.361.117	92.542.675

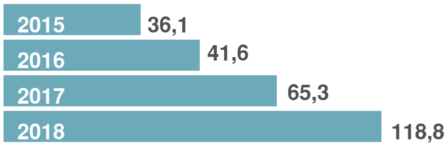
Basic rations (%)	31.12.2018	31.12.2017
Current ratio	1,65	1,48
Liquidity ratio	1,00	0,97
Precision ratio	0,21	0,19
Liabilities/Assets total (Financial leverage rate)	0,55	0,52
Equity/debt ratio	0,81	0,93

	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Gross profit margin	0,50	0,43
Net profit margin (sales profitability)	0,13	0,12
Equity profit margin (equity profitability)	0,18	0,15

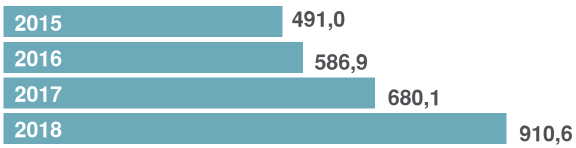
Total Domestic Sales of Medicine (Million Units)



Total Export (Million TL)



Total Domestic Medicine Sales (Million TL)



CAPITAL AND SHAREHOLDING STRUCTURE

Company's;

Registered capital ceiling : 500.000.000 TL

Issued capital : 200.019.288 TL

DEVA HOLDİNG A.Ş. SHAREHOLDING STRUCTURE (31.12.2018)

Corporate Name	Amount of Share (TL)	Rate of Share (%)
EastPharma S.a.r.l	164.424.760	82,20
Other Shareholders	35.594.528	17,80
TOTAL	**200.019.288**	**100,00**

MESSAGE BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Stakeholders,

2018 was a year of change in the economic balance across the world, and the developing economies were highly impacted from the resulting uncertainties. The exchange rate fluctuations, which we began seeing in Turkey in 2017 continued at a greater rate last year and because the inputs are priced in foreign currency, the pharmaceutical industry was one of the most affected by these fluctuations. Despite tough challenges, DEVA Holding completed year 2018 successfully ranking first in hospital business and second place with 6.4% market share in terms of volume, according to IQVIA sales volume data (free market + tenders).

In recent years, DEVA Holding has been undergoing a process of rapid change and growth. We have transformed from a mainly antibiotics-oriented company in early 2000s to, now, a company with a growing focus on respiratory, ophthalmology, cardiology and hematology/oncology therapy areas based on a better understanding of the evolving needs of patients. We have strengthened our product portfolio with new approvals and products for the medical community in 2018. As an indigenous pharmaceutical company, we are aware of our responsibility and the positive contribution that we have been making to the health economy with our equivalent products which add value by offering cost-effective treatments.

We are working to offer affordable treatments in not only Turkey but also on a global scale. We are working to expand our footprint in our current markets while taking business opportunities to expand to new markets. As of yearend 2018, we have more than 600 product approvals in nearly 60 countries. Also, we are exporting drugs and pharmaceutical raw materials to more than 40 countries. Our Swiss affiliate Devatis AG has been registered and become operational. After beginning export of two products to the USA, the world's largest pharmaceutical market, in 2017, we established our US affiliate, Devatis, Inc., increasing the momentum of our operations in that market. We are confident that the fruits of these efforts will be forthcoming in the near future.

During our times of growing importance of localization in the pharmaceutical industry, we are contributing to our national economy as a rare example of a company that adopted vertical integration and employing approximately 2200 people across our extensive facilities. We have grown our annual output to 240 million units, from 60 million units 10 years ago. We continue investing in different products / product forms, while increasing our output every year. Our manufacturing plants, boasting an annual output capacity of 515 million cartons, are regularly inspected by national and international health authorities. We take utmost care to meet the requirements of these inspections, which certify the quality and safety of our products at each instance, working to ensure sustainability of our accomplishments. Our new logistics hub, built to allow distribution of all products from a central location, has become operational and was recently granted EU GMP approval. We are proud to have established Turkey's largest pharmaceutical logistics hub.

At DEVA, the importance we place on R&D and our investments in this area are a key driver of success for a robust product portfolio. We maintain our focus in this area and continue our investments at a growing rate for sustainable success. In 2018, we reinvested approximately 6% of our sales in R&D. Our R&D teams, who are experts in their respective fields, work in state-of-the-art laboratories, developing innovative new forms and products, working in collaboration with reputable institutions and universities. We believe our investments make a difference in this area, and we pursue joint projects with TÜBİTAK in areas such as biotechnology.

We believe that healthy living is key to a healthy future, and we maintain our sensitivity to the social development of our community. We encourage broader awareness of healthy living, and support advances and improvements on environmental issues, developing projects in these areas. We will continue working with nongovernmental organizations on joint projects where we achieved good results.

As we are leaving 60 years behind us with pride and many accomplishments, we continue evolving with new investments, new markets and new products. We are continually taking growth opportunities while making plans to enhance efficiencies, supporting innovation and diversifying our human resources. In the future, we will continue setting the bar higher, achieving our growth targets and remaining a robust and reliable partner.

Very truly and respectfully yours,

Philipp Haas
Chairman of the Board of Directors & CEO



Board of Directors and Senior Executives

Philipp Haas

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


Chairman of BOD and CEO

Mesut Çetin

The Deputy Chairman of the Board of Directors and CFO of DEVA Holding, Mesut Çetin started his professional career within GEM Global Equities Management S.A., a fund management company, in 1999, and has served in various positions as clearing, research assistant, trader and management. Within the same group, he served actively in several private equity projects, and assumed the duty of project supervision in some projects. Mesut Çetin is the member of the BOD in Eastpharma Ltd. Ltd and Saba İlaç Sanayi ve Ticaret A.Ş. He also performs the duty of CFO in various companies within the group. Mesut Çetin is the graduate of Mathematics Teaching at Boğaziçi University and completed his EMBA program at Koç University.


Deputy Chairman of the BOD and CFO

Eşref Güneş Ufuk

Güneş Ufuk, an independent member of the Board of Directors of DEVA Holding, had worked within the sales and marketing departments of a number of Swiss companies after studying at the faculty of Business of Administration, St. Gallen University in Switzerland. He also worked in top management functions at Kemer Golf&Country Club, Superonline and YKS (which is also an affiliate of the Çukurova Group of Companies).

Upon putting an end to his professional career at Kemer Golf & Country Club while working as in General Manager Position, Ufuk started a new career as a consultant. He had worked as an Executive Officer and Consultant within MCT Company for over 6 years; and then founded k2 Consulting Company in April 2010 and provided various companies in Turkey with Management Consultation service as a Trainer and Speaker. By providing services with his k2 Consultancy team to 100+ leading companies operating in various areas in Turkey, Ufuk has become an expert in the fields of "Sales and Marketing", "Leadership" and "Strategy".

Ayşecik Haas

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

Tuncay Cem Akkuş

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

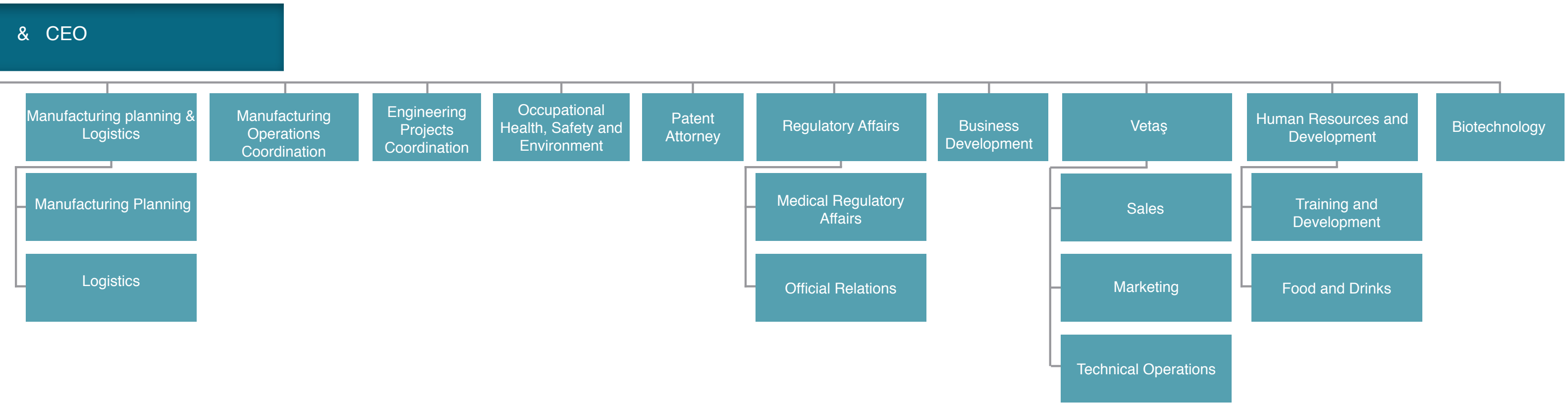
Changes in Memberships of the Board of Directors within the year
Members of the Board of Directors were elected in the Annual Ordinary General Assembly Meeting held on 18 May 2018 to hold office for a period of 3 years. Because Cüneyt Demirgüreş, the Independent Member of the Board of Directors, has resigned from the membership, since the time required by the legislation had expired, as of 27.09.2018 in accordance with the provisions of Article 4.3.6 (g) of the Corporate Governance Principles, Eşref Güneş Ufuk was appointed in his stead as the Independent Board Member by the Board of Directors to complete the remaining term.

Senior Executives
Philipp Haas - (CEO)
Mesut Çetin - (CFO)
Doğan Varinlioğlu - Deputy General Manager of Turkey and International Markets
Rıza Yıldız - Financial Reporting and Accounting Director
Hartwig Andreas Steckel – R&D and International Markets Technical Licensing Director
Tijen Kavlak – Marketing and Communications Director
İrfan Çinkaya – Biotechnology Director
Burç Kunter - Vetaş A.Ş. Director

ORGANIZATION CHART

CHAIRMAN OF THE BOARD OF DIRECTORS

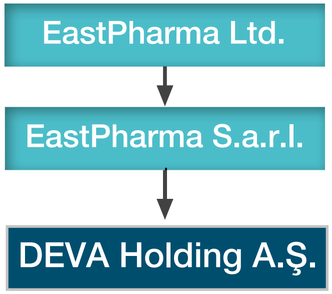
- Turkey and International Markets
  - Marketing and Communication
    - Medical
    - Communication
    - Marketing
  - Trade
  - Hospital Products
  - Sales and Marketing Excellence
  - Strategic planning
  - Promotion
  - International Markets
- Financing
  - Financial Reporting and Accounting
    - Accounting
  - Treasury and Budget Reporting
  - Hardware
  - Software
  - Manufacturing and Administrative Procurement
  - Audit
  - Legal Affairs
  - Project Management and Incentives Coordination
- Quality Operations
  - Quality Operations ÇK I
    - Quality Control ÇK I
    - Quality Assurance ÇK I
    - Microbiology ÇK I
    - Validation and Qualification ÇK1
  - Quality Operations ÇK II
    - Quality Control ÇK II
    - Quality Assurance ÇK II
    - Microbiology ÇK II
    - Validation and Qualification ÇKII
  - Quality Operations ÇK IV
  - Quality Operations Kartepe
    - Quality Control Kartepe
    - Quality Assurance Kartepe
    - Microbiology Kartepe
    - Validation and Qualification Kartepe
  - Quality Operations Headquarters
    - GMP Compliance
    - E-compliance
- ÇK I Manufacturing Site
  - Betalactam and Hormone Manufacturing
  - Main Manufacturing Solid and Liquid
  - Sterile Liquid Manufacturing and Inhaler Manufacturing
  - Technical Engineering
- ÇK II Manufacturing Site
  - Sterile Liquid Oncology & Solid Oncology
  - API & HSÜ Manufacturing
  - Technical Engineering
- ÇK IV Manufacturing Site
  - Manufacturing Planning & Logistics
    - Logistics
  - Technical Engineering
- Kartepe Manufacturing Site
  - Sterile Liquid Manufacturing
  - Sterile Liquid Manufacturing Projects
  - Empty Ampoules and Cologne Manufacturing
  - Empty Ampoules and Cologne Quality Control
  - Technical Engineering
- R&D International Markets Technical Licensing
  - Analytical Development
  - Pharmaceutical Development
  - API
  - Manufacturing Excellence
  - Patent
  - Bioequivalence
  - International Markets Technical Licensing



& CEO
Manufacturing planning & Logistics
Manufacturing Planning
Logistics
Manufacturing Operations Coordination
Engineering Projects Coordination
Occupational Health, Safety and Environment
Patent Attorney
Regulatory Affairs
Medical Regulatory Affairs
Official Relations
Business Development
Vetaş
Sales
Marketing
Technical Operations
Human Resources and Development
Training and Development
Food and Drinks
Biotechnology

SHAREHOLDING STRUCTURE AND SUBSIDIARIES

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

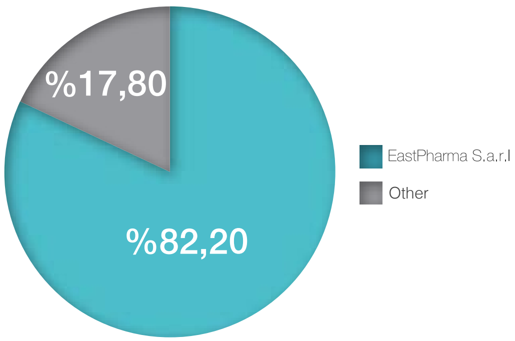


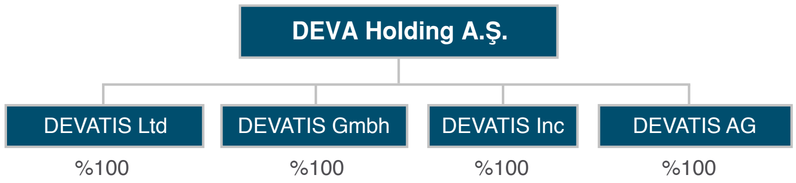
A Grubu
Direct Control %74,00

B Grubu
Direct Control %72,00

C Grubu
Direct Control %82,20

SHAREHOLDING STRUCTURE (Shares of Group C)





INFORMATION ON PREFERRED SHARES

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

Preferences in Dividend

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

Preference in terms of Right of Voting

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

Preference in Management

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

Our Mission

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

Our Vision

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

Our Values

- Endurance in the face of challenges
- Taking on accountability
- Openness to change and development
- Dependability
- People-orientation
- Team work

NOTES FROM THE PHARMACEUTICAL INDUSTRY

According to free market and overall tender data of IQVIA*, 2,482 million units and TL 33.3 billion** worth of medicines were sold in Turkish pharmaceutical market in 2018. The market achieved growth at a rate of 4.1% in number of units and at a rate of 26.3% in TL compared with the previous year.

Rate of prescription medicines to total pharmaceutical market in Turkish market is 94.1% in number of units and 93.2% in TL.

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

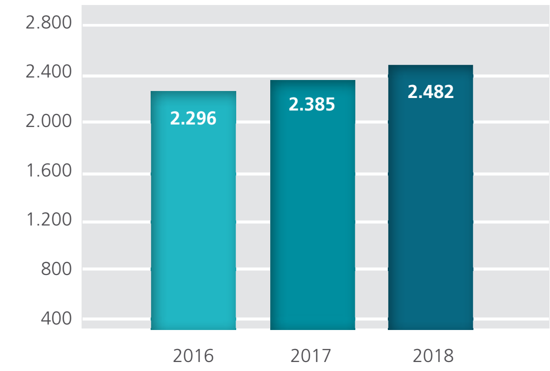
According to IQVIA data, the sector’s import increased by 2.2% on an unit basis and decreased by 2.5% on USD basis, resulting in USD 3.8 billion in 2018. The domestic pharmaceutical market grew by 4.6% on an unit basis and shrunk by 2.6% on USD basis, resulting in USD 3,2 billion. The rate of import to the total market is 21.5% on an unit basis and 54.3% on USD basis.

According to IQVIA data, the sector grew by 4.1% on an unit basis and shrunk by 2.6% on USD basis, resulting in USD 7 billion in 2018. The total pharmaceutical market reached TL 33,3 billion, with a growth of 26.3%.

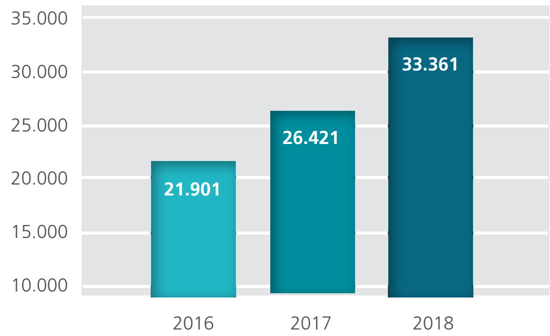
* The title of the company IMS HEALTH TIBBİ İSTATİSTİK TİCARET VE MÜŞAVİRLİK LTD. ŞTİ. was changed to IQVIA TIBBİ İSTATİSTİK TİCARET VE MÜŞAVİRLİK LTD. ŞTİ., as of 13.04.2018.

**“Surplus Goods” are included in the value in units but not included in the value in TL based on the IQVIA calculation method change.

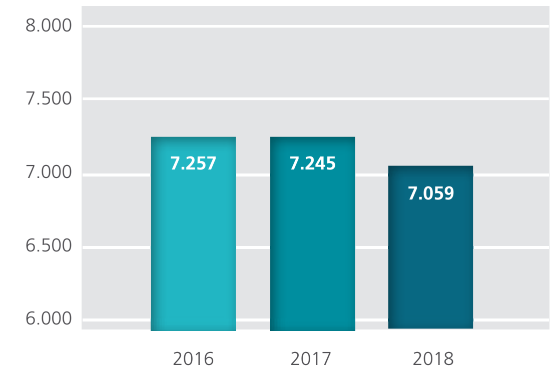
Total Market (Million Units)



Total Market (Million TL)



Total Market (Million USD)

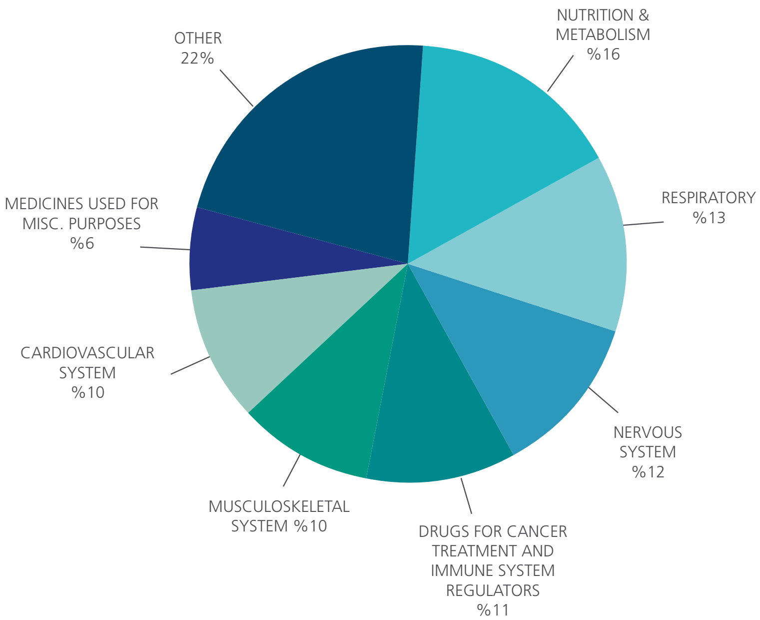


Source: IQVIA Free + Tender Data View

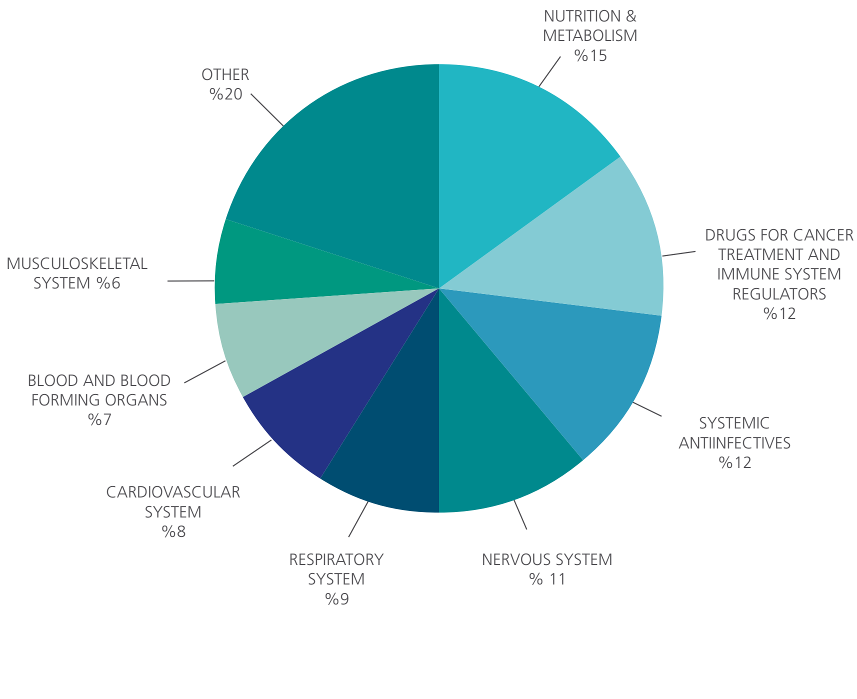
NOTES FROM THE PHARMACEUTICAL INDUSTRY

Market distribution according to medicine segments in our country in 2018 took place on unit and TL/USD basis as follows. On both unit and TL/USD basis, Nutrition & Metabolism segment has the biggest share.

Total Market Sales Distribution (%)



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



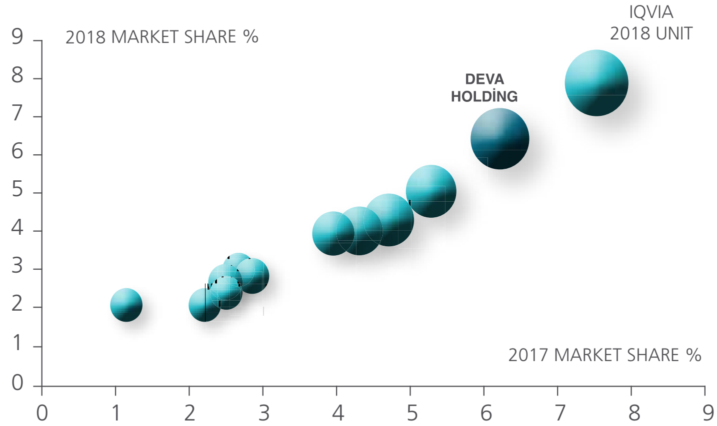
Kaynak: IQVIA Serbest + İhale Dataview

2018 IN DEVA

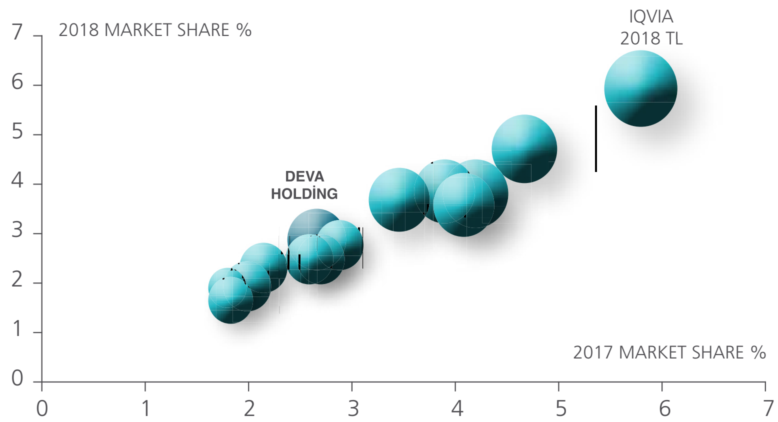
In 2018, DEVA Holding achieved growth by 7.6% with an IQVIA sale of 159.3 million (Free Market +Tender) on unit basis, and by 37% with an IQVIA sale of 965 million on TL basis compared with 2018.

DEVA Holding maintained its second place on unit basis in 2018 with a market share of 6.4%; and increased its ranking to 7th place with a market share of 2.9% on TL basis.

Market Share of Top 15 Companies (Unit)



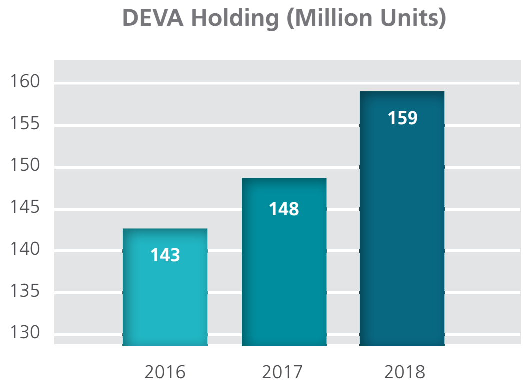
Market Share of Top 15 Companies (TL)

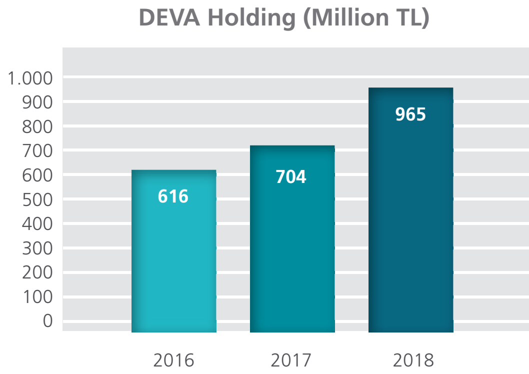


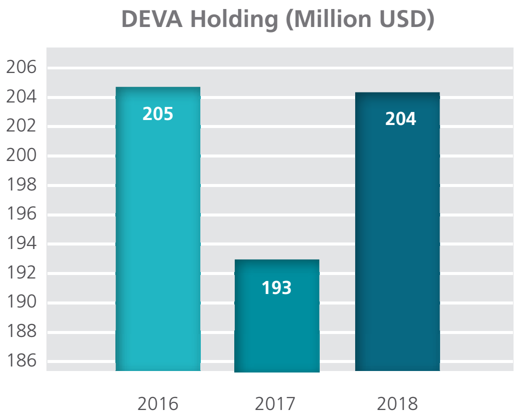
Source: IQVIA Free +Tender Data View

2018 IN DEVA

The progress for the last 3 years of the unit/TL/USD values of DEVA Holding and overall market are as follows:







Source: IQVIA Free +Tender Data View

2018 IN DEVA

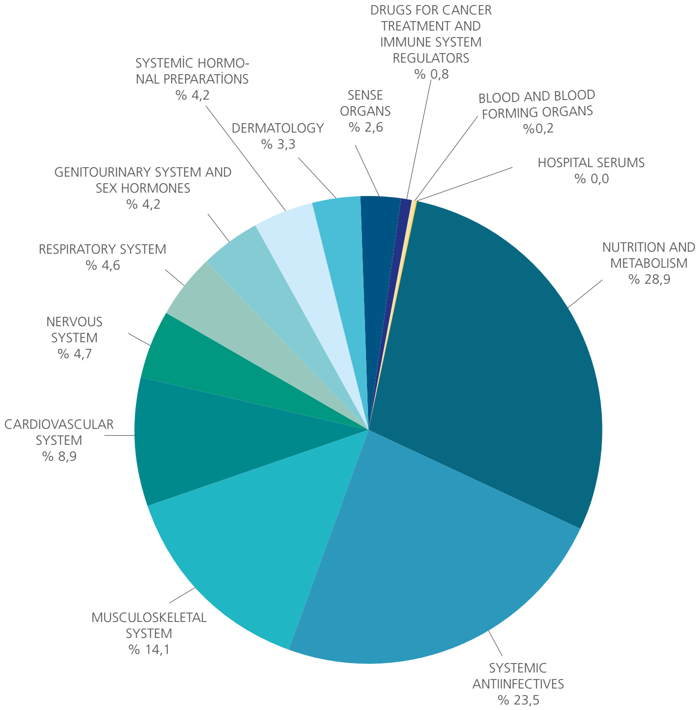
In 2018, DEVA Holding's Devit-3, Dikloron, Amoklavin, Cezol, Desefin, Tilcotil, Dekort and Dodex, respectively, were was among the top 100 products of Turkish pharmaceutical market on an unit basis. Deva Holding's Devit-3 was among the top 100 products of Turkish pharmaceutical market on TL basis.

According to 2018 IQVIA data, 15 products in total comprised the 50.7% of the company's revenues These products are Devit D3, Amoklavin, Dikloron, Rivelime, Depores, Benipin, Dodex, Dilatrend, Cefaks, Madopar, Candexil Plus, Respiro, Imatis, Biteral and Tilcotil, respectively.

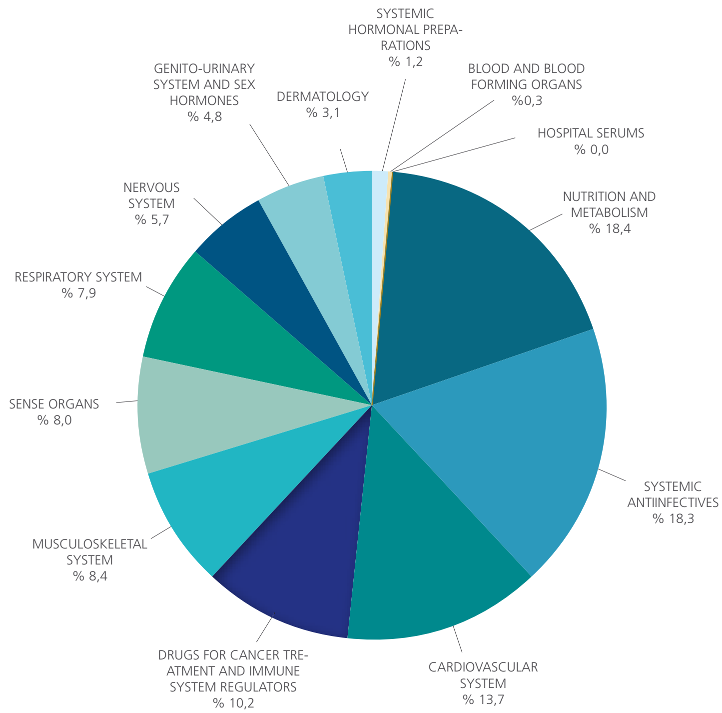
In 2018, product launches for 12 new products in 24 different forms have been accomplished, with 6 different forms added to the existing products as well.

Nutrition and metabolism group of medicines comprise the majority of DEVA Holding's medicine sales in 2018 on both medicine and TL/USD basis. The distribution of sales by segments on and TL/USD basis are as follows:

DEVA Holding's Distribution of Sales % (Unit) 2018



DEVA Holding % Satış Dağılımı (TL/USD) 2018



Source: IQVIA Free +Tender Data View

INTERNATIONAL MARKETS

GMP Inspections

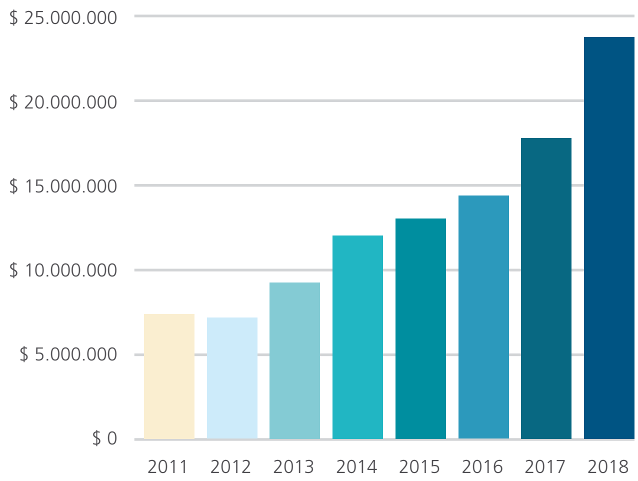
In 2018, our Kartepe, Çerkezköy-1 and Çerkezköy-2 facilities have been fully inspected for GMP compliance and approved by the Turkish, German and Yemen healthcare authorities.

In addition, Çerkezköy-1 and Çerkezköy-2 facilities have also been inspected for GMP compliance for veterinary medicinal products and approved by Turkish Agriculture and Livestock authority. Our Kartepe and Çerkezköy-I facilities have successfully completed the audit and was approved by the Ivory Coast Authority. Our Çerkezköy-I facility was inspected by the authorities of Uganda and Tanzania. In 2018, Çerkezköy-IV facility successfully passed the German authority audit and received EU GMP certificate. The facility also successfully passed the audit by the Turkish authority and received approval.

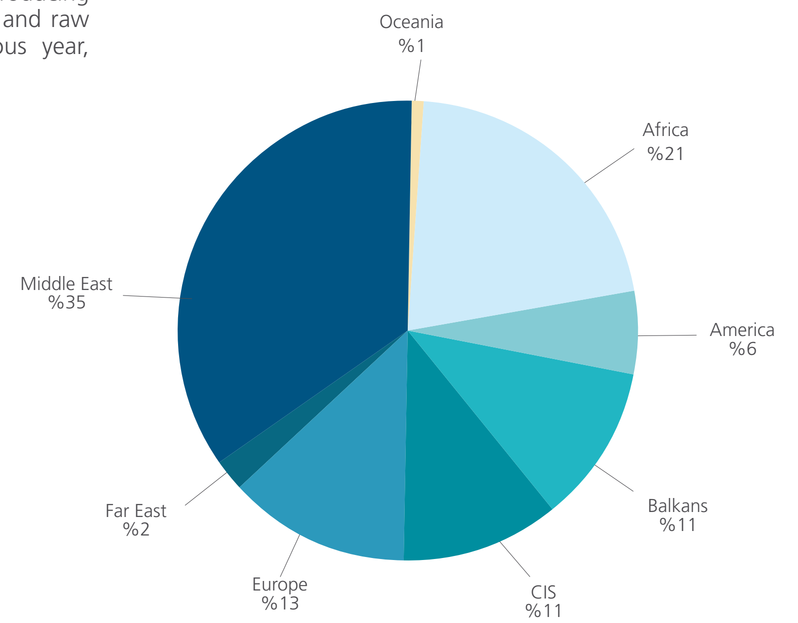
Export of Medicinal Products for Human Use and API

Agreements with overseas pharmaceutical companies and distributors were continued to be made, and sale of the products to overseas markets with DEVA brand and license agreements continued as main business models in 2018 as well.

In 2018, in which new agreements and strategies continued producing results, export of DEVA's medicinal products for human use and raw materials increased by 33.6% compared with the previous year,



Distribution of Export in 2018 by Regions;



2018 IN DEVA

The strategy for global growth is being maintained on two primary approaches, i.e. entering new markets and reinforcing our position in current markets with new approvals. In 2018, a total of 47 authorizations were approved in 17 countries, totaling 616 authorizations in 55 countries.

While we continue to grow with our own brand as DEVA, new projects have been signed with globally-operating companies and within this scope, the first shipment has been made to Angola.

Qatar was among the countries to which goods were exported for the first time, and new licenses were also obtained in Pakistan and Saudi Arabia and in many other countries as well, and contracts have been signed for initial exportations to Thailand, Ukraine, Belarus, Mozambique and Zimbabwe.

Our existing portfolio of respiratory, ophthalmology and oncology products has been expanded in the Balkans, Kenya, Libya and Ethiopia, where there are active sales, as well as in many other markets.

Cooperation agreements have been signed with the Ministry of Health in various countries in the Balkans, and thus DEVA has become known in hospital group products in these countries. In addition, our Company's recognition in many different therapeutic areas, particularly oncology gained in New Zealand, has been increased in Jordan, Iraq, Afghanistan and developed markets.

With Devatis, antibiotics and ophthalmology products were added to the product portfolio after hematology/oncology products in Germany. We continued to participate in Germany's leading insurance companies' auctions and won one of the largest for Imatinib.

Within the scope of the localization program, new agreements have been signed for subcontracting projects for the domestic market and for export. Growth was also achieved in API exports compared with the previous year.

Promotional Activities in the International Arena

As our business operations grow rapidly on the global scale, we also announce our presence in this market towards greater reputation through the expositions we took part. For this purpose, we participated in the CPhI WW, the world's largest pharmaceutical and medicinal product ingredient exposition held in Madrid this year, and reinforced our business contacts.

We accomplished important communications for the North America market during the DCAT Meetings which is held in New York and gathers the leading players of the pharmaceutical industry.

Participating in these and other similar international organizations throughout 2018, DEVA Holdings communications network in this field was extended, setting the groundwork for agreements with new business partners.

Major congresses and exhibitions participated:

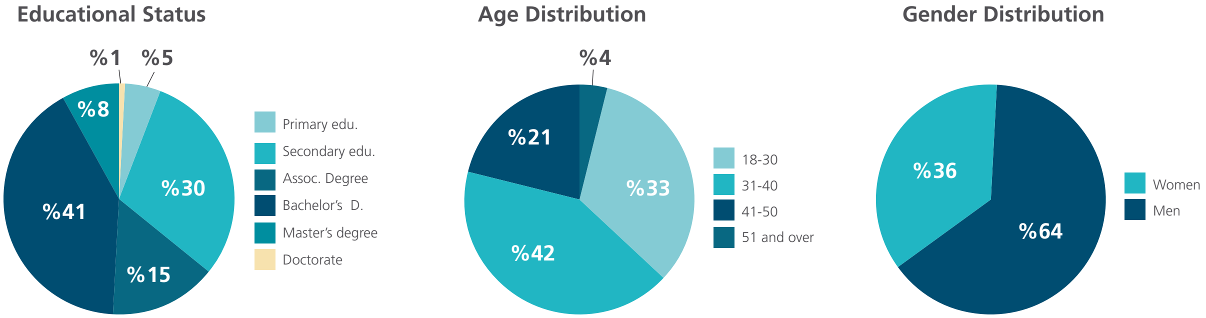
- CPhI North America - USA
- DCAT - USA
- CPhI Worldwide - Spain
- EuroPLX 66 - Spain
- Pharmavenue - Spain
- Vector Pharma - Mexico
- EuroPLX 67 - Holland
- EuroPLX 68 – Greece
- 4th Turkey & Uzbekistan Hematology Congress - Uzbekistan

Product training support was provided also in 2018 teams to the sales and marketing groups of our business partners by DEVA.

In addition, visits and meetings were held in DEVA manufacturing facilities with approximately 150 doctors/pharmacists from countries such as Bosnia, Macedonia, Afghanistan and Iraq where marketing activities are carried out actively.

HUMAN RESOURCES AND DEVELOPMENT

DEVA Holding, in view of the fact that it will gain more competitive power with a high-profile human capital, continues to generate employment, primarily in its manufacturing facilities, in 2018, its 60th anniversary, as well. Career opportunities are presented to the employees, and internal sources are prioritized, particularly in promotions. Through the employee evaluation center's practices and the evaluations of the Promotion Committee, implementation of systems for assignment of the employees to appropriate positions continued. The demographic structure of the company by the end of 2018 as a result of the above developments is as follows:



In 2018, recruitment of interns continued to contribute to the improvement of vocational high schools and shaping of the business lives of university students during their education within the scope of the Human Resources policy. Intern Contingent Rate Agreements were signed with the leading universities in Turkey. Internship opportunities were offered to university students in summer and to vocational high school students in winter in various departments in DEVA Holding, thereby contributing to the improvement of the young people, introducing them to business life before they graduated. In addition, career days were held in universities to familiarize the students attending to pharmacology and chemistry/chemical engineering departments of the universities with DEVA Holding and the pharmaceutical industry. Production facility trips were also organized for the students of relevant department.

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

Many events in the fields of culture, arts and sports were organized to increase the senses of motivation, unity, and solidarity of employees, and many organizations such as sports tournament, celebrations, vacations, happy hour etc. were organized. In addition, by implementing and awarding new ideas and projects, our employees' creativity was supported.

With our "suggest-win" application, our employees were given the opportunity to suggest candidates who are suitable for DEVA's corporate culture and values to open positions, and our employees who made such suggestions were rewarded when the suggested candidates are hired.

To support success, scholarships are now being awarded for the successful children of DEVA family who are attending to medicine, pharmacy, chemistry/chemical engineering, biology and veterinary departments of schools to help us look at the future with hope.

As part of the "Human Resources Integration Project" commenced with the motto, "We guide the Future TOGETHER", the implemented "DEVA Competency Evaluation" process continued to be advanced by integrating DEVA Performance Management System, Training and Development, Selection and Placement and Promotion processes.

As part of the "DEVA Performance Management System", competency-based performance review was performed for all patients in line with the established targets in 2018.

Many training activities have been planned and implemented to ensure continuous development of all employees by rapidly adapting to the changing dynamics of the sector in line with the company's targets and strategies. Employees were encouraged to participate in training activities, both at home and abroad, in order to increase their technical knowledge and skills as well as to improve their personal competencies.

Trainings on corporate values and infrastructure coaching were carried out in the manufacturing facilities as part of the We Guide the Future Together project in order to strengthen the internalization of corporate values.

DEVASIN project, which defines the DEVA's sales culture, was launched to support the efficiency of the sales teams. Leadership trainings for the first and mid-level managers were continued.

Foreign language education project has been implemented to support employees in following up the changing world and their personal development.

All Human Resources and Development activities were continued successfully in 2018, too.

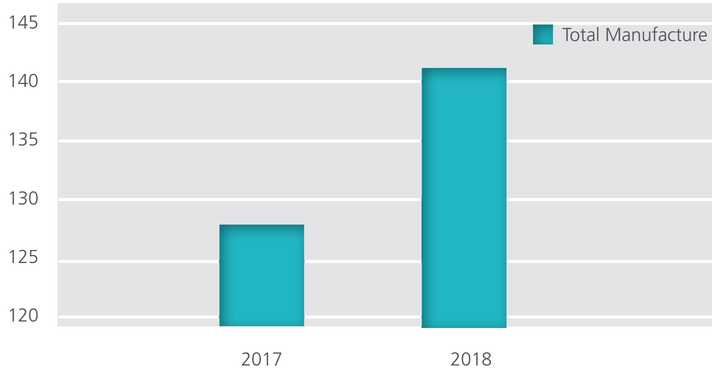
MANUFACTURING FACILITIES

DEVA HOLDING ÇERKEZKÖY-I MANUFACTURING FACILITIES

DEVA Holding Çerkezköy-I Manufacturing Facility, located approximately at a 100 km distance to Istanbul, is founded on an area of 52,000 m2 in Çerkezköy Organized Industrial Zone with closed facilities of 32,000 m2. The facility comprises of modern buildings where liquids/semi solids and solids, cephalosporin, penicillin, hormone-containing products, inhaled products, sterile liquid ampoules and vials, and soft gel capsules are manufactured.

In the production facility, a total of 128 million units were manufactured in 2017 compared to 141 million units in 2018. There has been a 10% increase in total production in 2018.

Total Manufacture



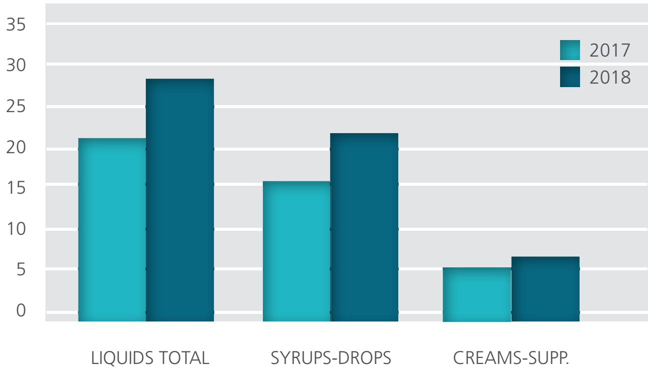
Liquid / Semi Solid and Solids Manufacturing Area

In the liquid and semi-solid area, syrup-drop and spray, creams and gels, suppository- and pessary-form products are manufactured using the state-of-art technology.

In the side, in which a total of 21.3 million units were manufactured in 2017, a total of 28.8 million units were manufactured in 2018, 21.7 million of which are syrup, suspensions and drops, and 7.1 million are creams, gels and suppositories.

There has been a 35% increase in the liquid / semi-liquid unit's production in 2018 compared with 2017.

Liquid / Semi Solid Manufacture (Units)



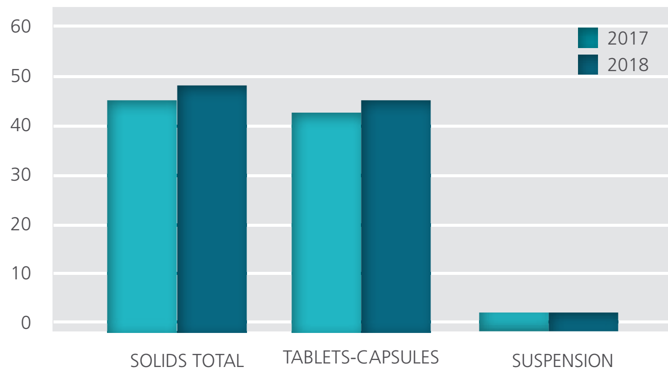
MANUFACTURING FACILITIES

In the solids area, tablets and film coated tablets, capsules and powder suspensions-form medicines are manufactured using the state-of-art technology.

In this side, in which 45.3 million units products were manufactured in 2017, a total of 48.9 million units were manufactured in 2018, of which 47 million units were tablets/capsules, and 1.9 million units were suspensions.

There has been a 7% increase in the solids unit's production in 2018 compared with 2017.

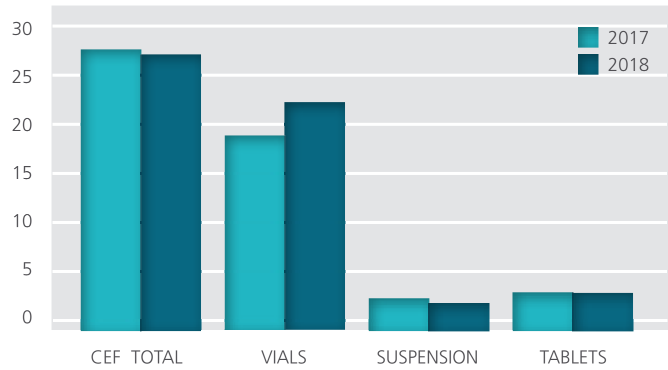
Solid Manufacture (Units)



Cephalosporin Manufacturing Area (Betalactam I)

Whereas, in the cephalosporin area, 27.5 million units were manufactured in 2017, a total of 27.2 million units of pharmaceutical products were manufactured in 2018; 22.8 million units of injectable sterile powder vials, 1.8 million units of oral suspensions, and 2.6 million units of film-coated tablets and capsules.

Cephalosporin Manufacture (Units)



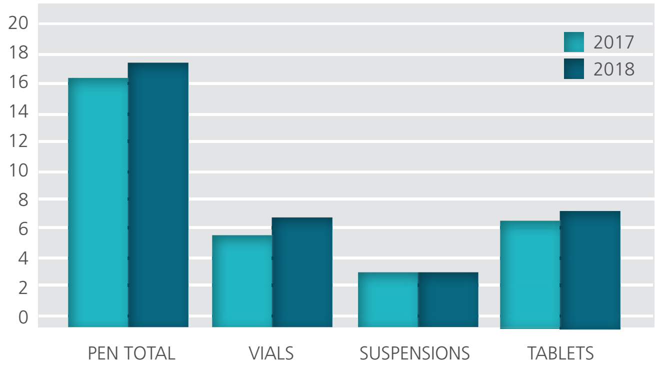
MANUFACTURING FACILITIES

Penicillin Manufacturing Area (Betalactam II)

Whereas, in the penicillin area, 16.3 million units were manufactured in 2017, a total of 17.3 million units of pharmaceutical products were manufactured in 2018; 6,8 million units of injectable sterile powder vials, 3.5 million units of oral suspensions, and 7 million units of film-coated tablets.

There has been a 6% increase in the penicillin unit's production in 2018 compared with 2017.

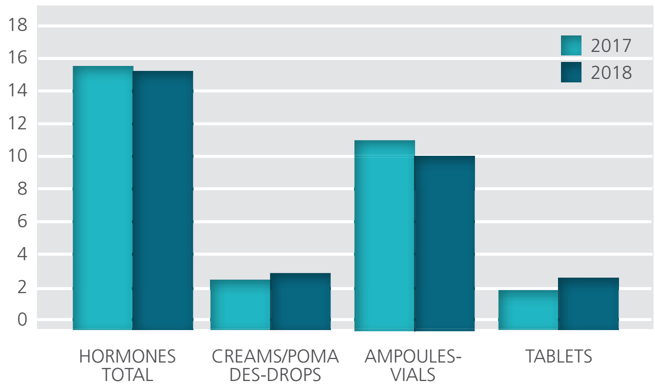
Penicillin Manufacture (Units)



Hormone Products Manufacturing Area

Whereas, in the hormone products area, 15.5 million units of products were manufactured in 2017; approximately 15,3 million units or product were manufactured in 2018; 2.7 million units of creams/pomades, 2.6 million units of tablets, and 10 million units of sterile ampoules, vials, and drops.

Hormone Products Manufacture (Units)

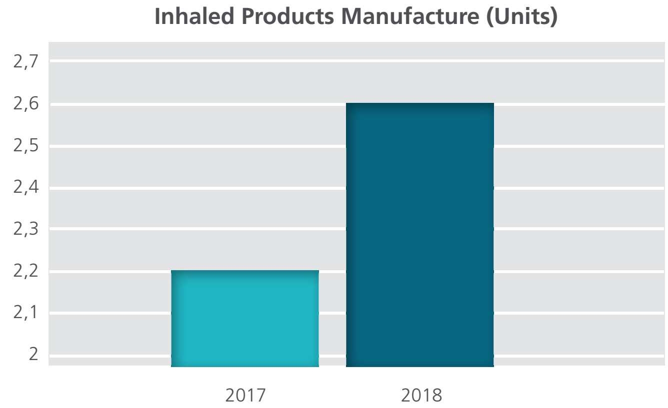


MANUFACTURING FACILITIES

Inhaled Products Manufacturing Area

Approved by the Ministry of Health in 2014, the facility has its own ventilation, water system and laboratory in a separate building. 2.2 million units of MDI and DPI were manufactured in 2017 compared with 2.6 million units in 2018.

There has been a 18% increase in the inhaler unit's production in 2018 compared with 2017.

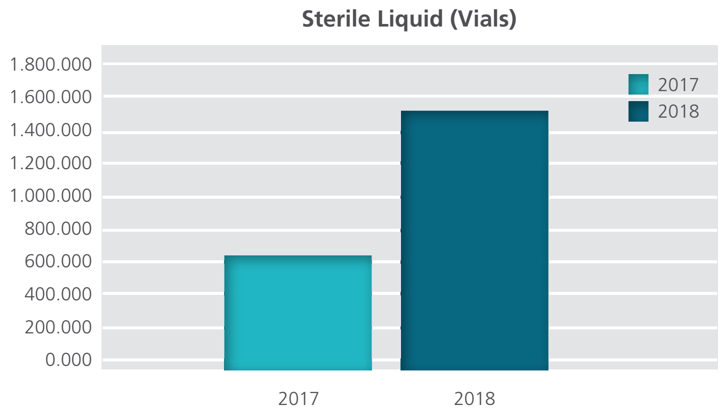


Sterile Liquid Ampoule and Vial and Soft Gel Capsule Products Manufacturing Area

In the sterile liquid ampoule and vial area, 640 thousand sterile liquid vials were manufactured in 2017, while 1.5 million units of vials were manufactured in 2018.

A 132% increase was achieved in 2018.

Çerkezköy-I Manufacturing Facility successfully underwent inspections in 2018 by the Turkish Ministry of Health, Turkish Ministry of Agriculture and Forestry GMP and GMP audit of Germany EU health authority and health authorities of Yemen, Russia, Ivory Coast, Uganda, Tanzania.



MANUFACTURING FACILITIES

DEVA HOLDING ÇERKEZKÖY-II MANUFACTURING FACILITIES

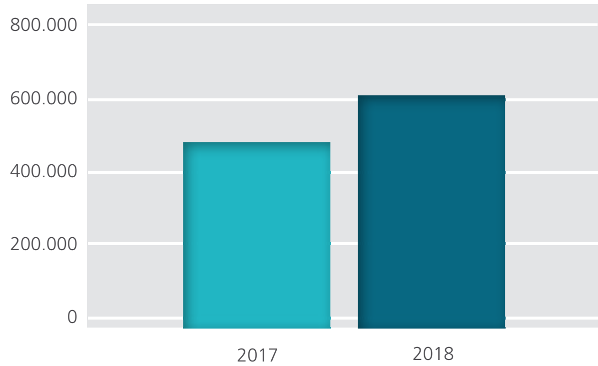
DEVA Holding Çerkezköy II manufacturing facilities located at the 110 km distance to Istanbul, founded on an area of 67,551 m2 in Çerkezköy Organized Industrial Zone, with closed facilities of 18,742 m2, comprise of state-of-the-art manufacturing buildings where solid oncology, sterile liquid oncology, animal health products and APIs are manufactured.

Solid Oncology Manufacturing Area

Products in tablet and capsule form are manufactured in the solid oncology manufacturing area.

The total manufacturing quantity, which was 482,824 units in 2017, was 603,163 units with a 25% increase in 2018.

Solid Oncology Manufacture (Units)

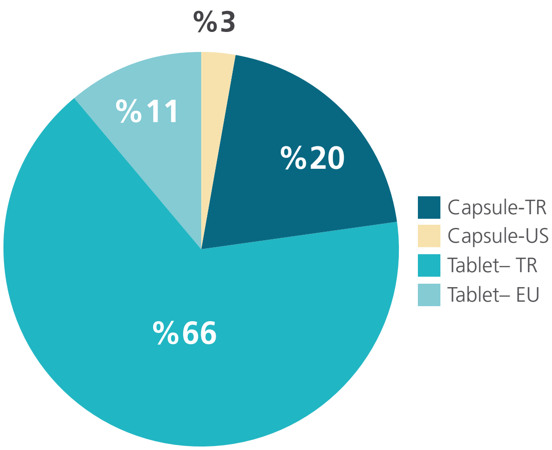


MANUFACTURING FACILITIES

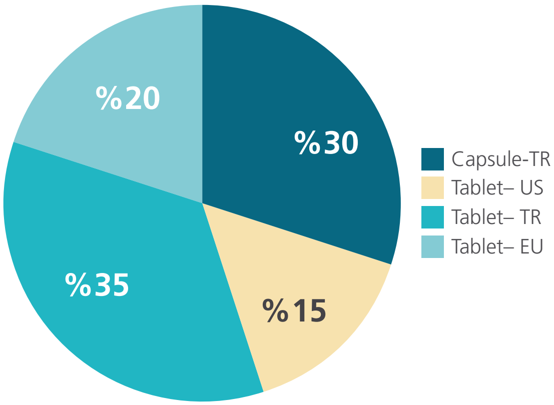
Of the total of 603,163 units of products manufactured in 2018, 274,226 units were capsules and 328,937 units were tablets.

In addition, of the 328,937 units of product manufactured in tablet form, 120,390 units were manufactured for the European market, and of the 274,226 capsules, 91,279 were manufactured for the US-American market.

Distribution of Solid Oncolytic Products in



Distribution of Solid Oncolytic Products in



MANUFACTURING FACILITIES

Sterile Liquid Oncology Manufacturing Area

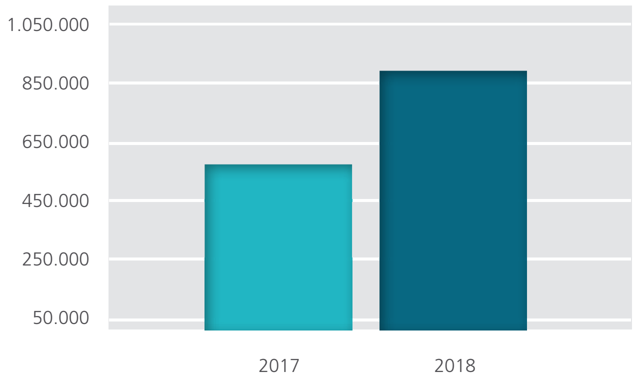
Products in sterile liquid and sterile lyophilized powder forms are manufactured in Sterile Liquid Oncology Manufacturing area
.

The manufacturing quantity of the area of 569,855 units in 2017 was 890,337 units in 2018 with a 56% increase.

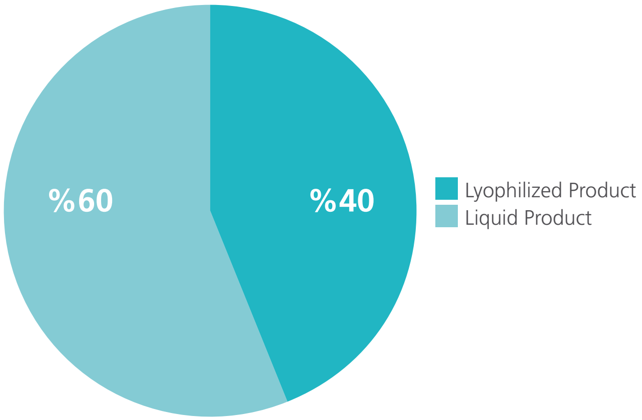
Of the 890,337 units of products, liquid products comprise 568,521 units and lyophilized products comprise 321,816 units.

In 2018, in the Liquid Oncology department, the following products were manufactured and marketed for the first time.

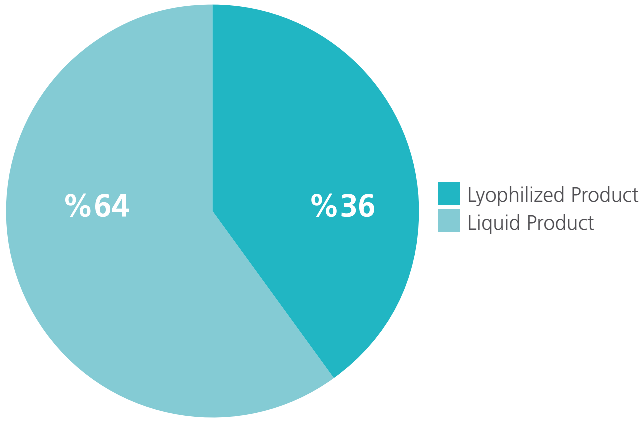
Sterile Liquid Oncology Manufacture (Units)



Distribution of Sterile Oncolytic Products in 2017



Distribution of Sterile Oncolytic Products in 2018

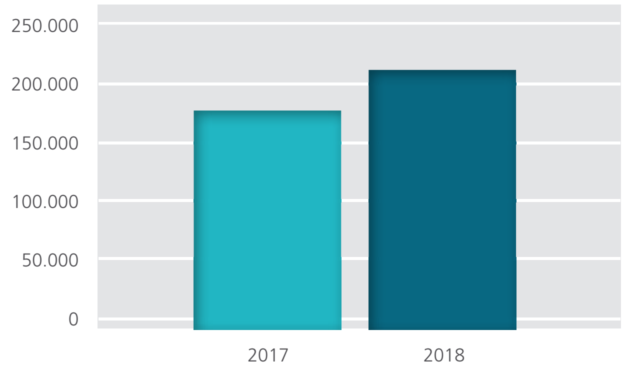


MANUFACTURING FACILITIES

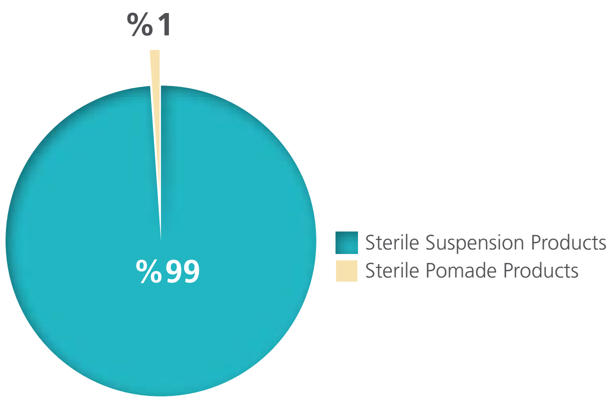
Sterile Animal Health Products Manufacturing Area

Products in sterile suspension and intramammary pomade form are manufactured in sterile animal health products manufacturing unit. The manufacturing quantity of the unit, which was 177,380 units in 2017, was 215,041 units in 2018, with a 21% increase.

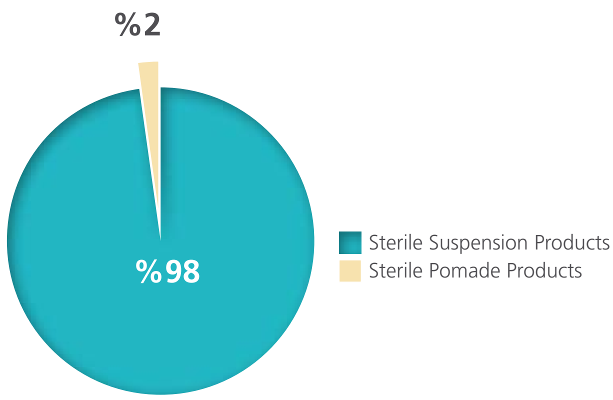
Sterile Animal Health Products (Units)



Distribution of Sterile Animal Health Products in 2017



Distribution of Sterile Animal Health Products in 2018



Of the 215,041 units of product, suspensions comprise 211,071 units and sterile intramammary pomade products comprise 3,970 units.

MANUFACTURING FACILITIES

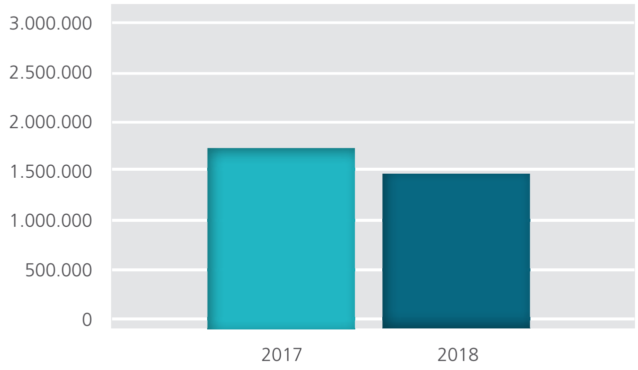
Non-Sterile (Solid) Animal Health Products Manufacturing Area

7 tablet-form products, 16 large and small powder fill-form products and 2 bag powder fill-form product are being produced in the non-sterile animal health products manufacturing area.

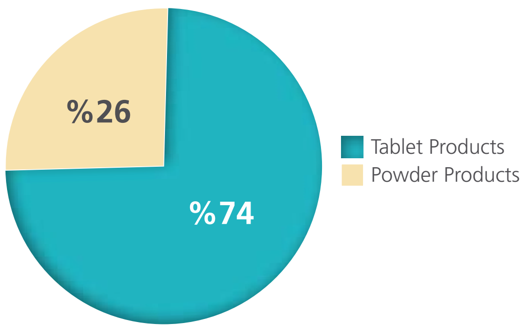
This unit is divided into two subunits; non-betalactams and betalactams. While animal health products in tablet, powder and pouch form are manufactured in the non-betalactam area, products in powder form are manufactured in the betalactams area.

The production output of the area was 1,731,356 units in 2017 and 1,478,543 units in 2018. Of these products, 1,299,322 units were tablets, and 179,221 units were powders.

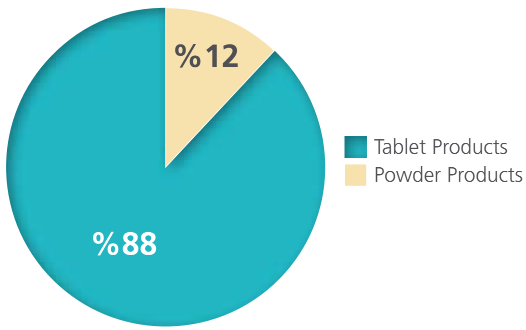
Non-Sterile Animal Health Products (Units)



Distribution of Non-Sterile Animal Health Products in 2017



Distribution of Non-Sterile Animal Health Products in 2018



MANUFACTURING FACILITIES

API Manufacturing Areas

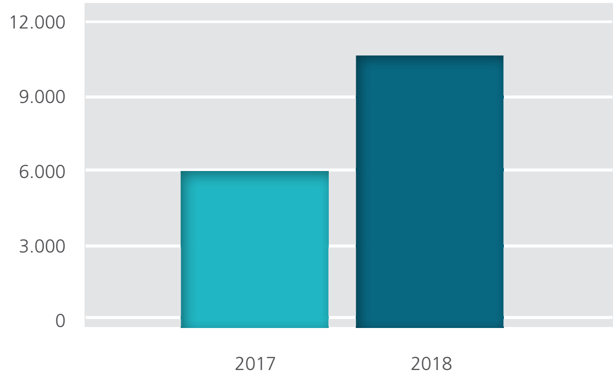
The facilities have four separate designated API manufacturing areas: non-betalactam API, betalactam non-sterile API, betalactam sterile API, and oncolytic API.

The API manufacturing quantity, which was 5,977 in 2017, was 10,742 in 2018, with an 80% increase. API productions are made according to internal and external customer demands.

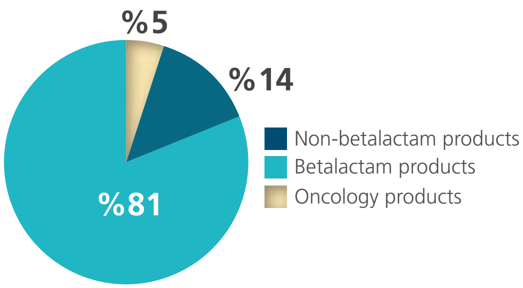
20 different APIs are produced in non-betalactam, betalactam and oncology API production areas.

Of the 10.742 kg of API produced in total in 2018, 9.523 kg was produced as non-betalactam, 1.104 kg as betalactam and 115 kg as oncology APIs.

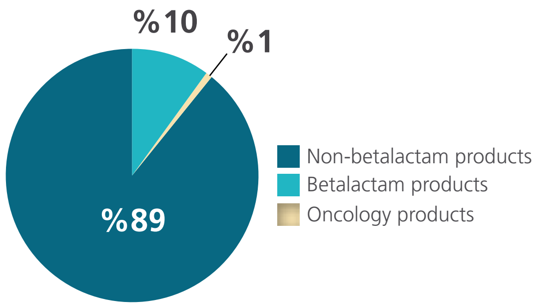
API Manufacturing (Kg)



Distribution of API Products in 2017



Distribution of API Products in 2018



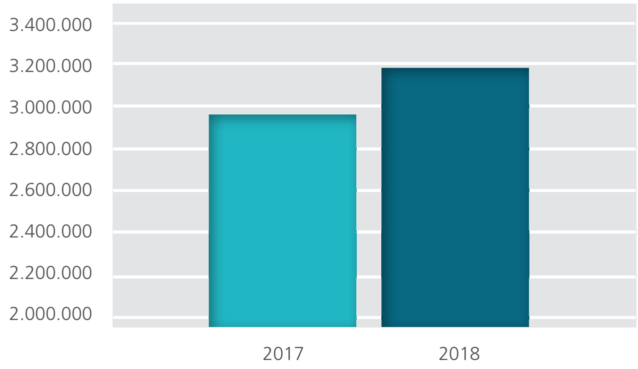
In 2018, validation production of the products Ricobendazole HCl and Indacaterol Maleate, and of the products Lenalidomide and Pomalidomide API were performed in the non-betalactam API production area, and in the Oncolytic API production area, respectively.

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

To summarize, finished products production output in DEVA Holding A.Ş. Çerkezköy II facilities increased by 8% from 2,961,433 units in 2017 to 3,187,084 units in 2018.

The capacity utilization rate of Çerkezköy Main and API Manufacturing facilities is 74%.

Çerkezköy II Production



MANUFACTURING FACILITIES

DEVA HOLDING KARTEPE MANUFACTURING FACILITIES

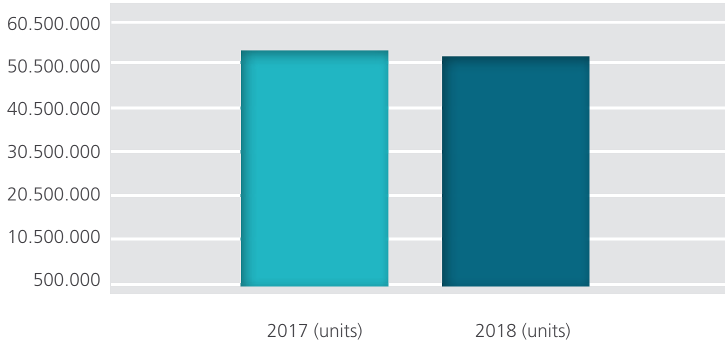
Deva Holding Kartepe Manufacturing Facilities, located on İzmit - Ankara highway, in Kocaeli Kartepe district, founded on an area of 32,000 m2, with a closed area of 16,500 m2, comprise of state-of-the-art buildings where sterile liquid drugs, empty medical ampoules, and colognes are manufactured.

Sterile Liquid Medicine Manufacturing Unit:

Sterile liquid ampoules for injection, sterile liquid vials for injection, sterile liquid lyophilized vials for injection, and sterile liquid eye drops in PE bottles, sterile liquid diluent vials and vials containing sterile inhalation powder for nebulization by BFS (blow-fill-seal) technology can be manufactured in Kartepe sterile liquid medicine manufacturing facilities.

In our facilities, in which 52.517,131 units of sterile liquid medicines were manufactured in 2017, a total of 51.841,601 units were manufactured in 2018.

Sterile Liquid Drug Manufacture



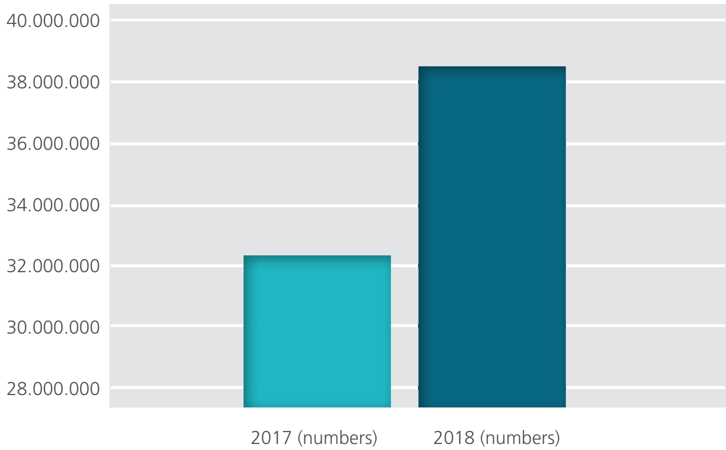
MANUFACTURING FACILITIES

Manufacture of Sterile Ampoules for Injection

In our facility, in which a total of 38,18 million units of ampoules and 32,22 million solvent ampoules were manufactured in 2017, a total of 35,65 million units of ampoules and 38,55 million solvent ampoules were manufactured in 2018. The total number of single ampoules we manufactured in 2018 is 168 million.

2017-2018 Number of Ampoules on Unit-Basis

2017-2018 Number of Solvent Ampoules



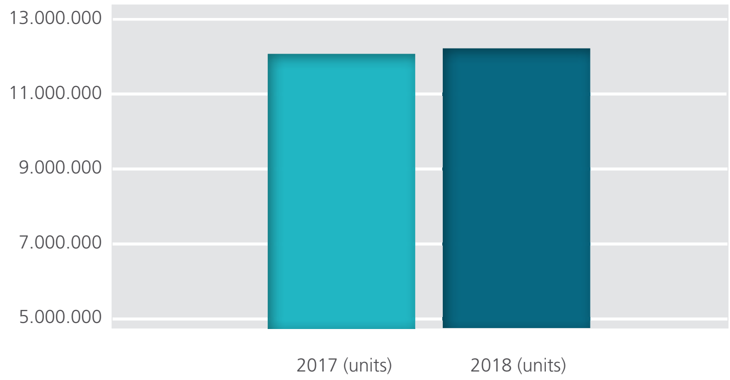
MANUFACTURING FACILITIES

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

On our production line for sterile liquid vials for injection and sterile liquid lyophilized vials for injection, on which a total of 12 million units of vials were manufactured in 2017, 12.13 million units of vials were manufactured in 2018.

Vial manufacture increased by approximately 1% in 2018, compared with 2017.

2017-2018 Number of Vials on Unit-Basis

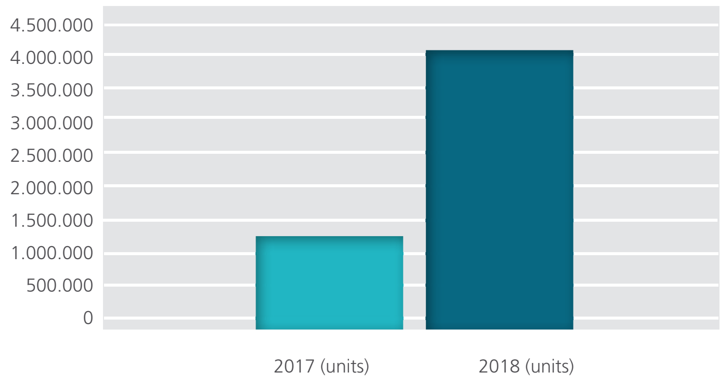


BFS-SVP Manufacture

On the BFS-SVP production line on which a total of 1,33 million units of production was achieved in 2017, 4,05 million units in total were produced in 2018, meaning that a very significant production increase was achieved compared with 2018.

Furthermore, our facility, which was approved by the Ministry of Health, Ministry of Food, Agriculture and Livestock, and German Ministry of Health (for BFS-SVP production line) and by US FDA (by United States Food and Drug Administration only for a sterile liquid vial and sterile liquid lyophilized vial production line) and Kenyan (for our ampoule line) and Southern African Authorities (for our sterile liquid vial production line) was also inspected during 2018 by the Ministry of Health, German Ministry of Health and the Ivory Coast health authorities, and successfully passed these inspections.

2017-2018 BFS-SVP
Lines Manufacturing Numbers on Unit-Basis



MANUFACTURING FACILITIES

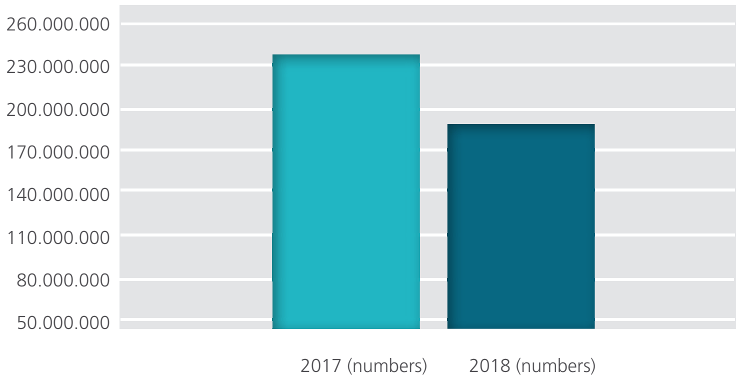
Manufacture of Empty Medical Ampoules

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

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

The number of empty ampoules we manufactured was 235,1 million in 2017, and 188,3 million in 2018.

2017-2018 Manufacturing Numbers of Empty Medical Ampoules



Manufacture of Cologne:

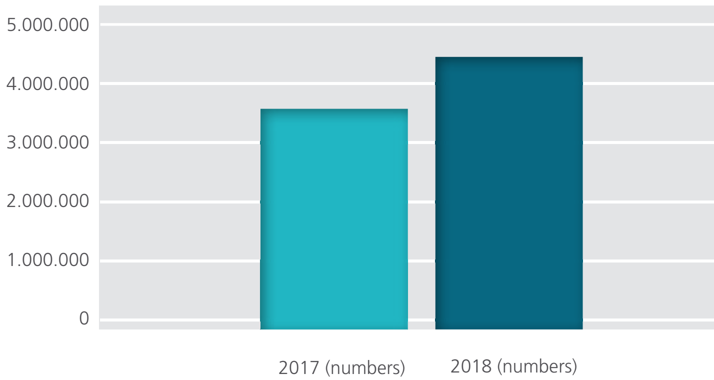
In the unit where Boğaziçi Colognes, one of the bestselling brands in Turkey, are manufactured, products appealing to different sections of society such as 80° lemon cologne and lavender are being produced.

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

Our production numbers for colognes was 3,6 million in 2017 and 4,5 million in 2017.

In Kartepe manufacturing facility, rate of capacity utilization was 82%.

2017 - 2018 Manufacturing Numbers of Cologne



PRODUCTION INDICATORS

The total human and veterinary products manufactured in our manufacturing facilities on an unit basis was 168.3 million units in 2015, 176.8 million units in 2016, 184.7 million units in 2017, and 197.7 million units in 2018.

And the total manufacturing value (medicines and other) was realized as 325.8 million TL in 2015, 359.6 million TL in 2016, 401.1 million TL in 2017, and 541.4 million TL in 2018.

DEVARGE

As DEVARGE,

Our objectives are to be the pioneer in generic drug development, to make difference by developing value-added products, to develop products for regulated markets and have these products authorized and launched in these markets, to invest into future by adapting new technologies to our company, to develop products with high added value through university-industry cooperation and to make sure that the rights of our company are protected via patent registration.

We work to be the top generic drug manufacturer of Turkey and to develop high added value products exportable to international markets.

With our approximately 160 trained personnel who are experts in their fields as well as laboratories and manufacturing sites equipped with cutting-edge technology, we work to develop innovative products.

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

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

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

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

DEVARGE contains Pre-formulation and pilot manufacturing area, synthesis and scale-up laboratories, stability area, analytical development laboratories and biotechnology laboratories.

DEVARGE

• Forty-four marketing authorization dossiers for the Turkish market have been completed and transferred to the regulatory unit.

• Seven marketing authorization dossiers for the Turkish Veterinary market have been completed and transferred to the veterinary regulatory unit.

• Marketing authorization dossiers for 14 products for the European market have been prepared.

• Marketing authorization dossiers for 3 products for the New Zealand market have been prepared

• For the US market, ANDA batches of two products have been produced and dossier preparations have been completed.

• Forty-seven licenses were received in 17 countries in international markets.

• Fifteen bioequivalence studies have been completed successfully and proven equivalence to reference products. Four bioequivalence studies have been initiated.

• In order to reduce the cost of 20 commercial products, alternative sources for the active substances were studied.

• In order to increase the efficiency of 5 commercial products, improvement work was undertaken for the processes.

• Development studies for 16 products (Oncologic, inhalation and conventional) for the national and international markets have been initiated.

• Development work for 11 veterinary products has been commenced.

• Processes for the synthesis of an oncolytic and two inhaled drug active ingredients (APIs) have been developed and the validation series have been produced.

• In order to reduce the cost of 2 active ingredients (APIs), alternative sources of raw materials were sought.

• Process development studies have been initiated for the synthesis of two active substances (Oncology and Inhalation).

• 15 TÜBITAK TEYDEB applications were made and 16 of our TÜBITAK TEYDEB projects were approved.

• Within the scope of University-Industry cooperation, our TÜBİTAK SAN-TEZ and ARDEB 1003 projects are ongoing and applications have been made and accepted to TÜBİTAK BİDEB 2244 Industry Ph.D.

• Five patent applications have been made.

DEVA Turkey Regulatory Affairs Department includes the following groups;

• Technical Licensing
• Price and Reimbursement
• Government Affairs
• Medical Regulatory and Pharmacovigilance
• Packaging

Within the scope of licensing activities in DEVA, 38 license approvals were obtained in 2018 and 78 products are in the approval phase. In addition to the licensing activities, studies were carried out for various new products within the scope of localization.

VETAŞ

Merged with DEVA Holding in 2016 with no changes in its former structure, Vetaş, as a company that operates in the field of manufacturing and marketing veterinary drugs, is among the leading animal health companies in Turkey.

Offering high-quality solutions in the prevention, diagnosis and treatment of diseases, Vetaş has the widest range of products in the industry with its innovative products.

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

Vetaş continued to meet the needs in every sense with its superior technological infrastructure to manufacture high-quality, healthy, safe and efficient food of animal origin in 2018, as usual, and putting weight on new product studies, focused on studies of widening its product range based on the field dynamics.

The long-term business partnership activities in line with the goal of increasing our experience of over 44 years in the field of animal health products in international markets are continuing. EU GMP certifications for the production of animal health products for the ÇKI and ÇKII facilities gave a great momentum to the export of Vetaş products, and add new countries to the export portfolio every year.

Actively sustaining its licensing activities abroad, Vetaş also and continues its licensing works in Turkey, both as updates or for new products.

Vetaş participated as a sponsor in the congresses organized in our country and in TRNC in 2018. By participating in the Fertility and Mammary Health in Livestock held by Yakın Doğu University Faculty of Veterinary Medicine, the 5th National Herd Health and Management Congress and the 1st International Herd Health and Management Congress organized by the Association of Farm Animal Medicine in Antalya with a veterinary physician and by sponsoring the 9th National Congress of Reproduction and Artificial Insemination Scientific Congress organized by the Mustafa Kemal University Faculty of Veterinary Medicine in Hatay, Vetaş continued their leadership in the sector. Vetaş also participated as a sponsor in the 20th International Veterinary Medicine Students Scientific Research Congress organized by Istanbul University Faculty of Veterinary Medicine and "VetAnka-2018 Fifth Career Days and Meeting with the Industry organized by Ankara University Faculty of Veterinary Medicine. Vetaş organized a career days event for the intern students at Fırat University Faculty of Veterinary Medicine, Harran University Faculty of Veterinary Medicine and Mustafa Kemal University Faculty of Veterinary Medicine.

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

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

Vetaş

ADMINISTRATIVE ACTIVITIES

RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

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

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

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

In 2018, internal audit activities were carried out for the company's operations, the risk reports from all units were evaluated, and the findings and recommendations for improvement were presented to the Board of Directors.

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

No changes have been made in the articles of association.

REGARDING PARTNERSHIP:

Changes in the Capital Status of the Partnership within the Period

No changes have been made within the period.

Audits Carried Out within the Period

No audits have been performed during the 01.01.2018 – 31.12.2018 period within our company.

Information on legislative changes that may significantly affect company operations during the period

None

Cases filed against the company

The cases filed against our company include miscellaneous business cases and cases regarding tax penalties. Detailed information on the subject is provided in the footnote 16.

Information on conflicts of interest between the institutions from which the Company's receives services for investment consulting and rating, and information on measures taken by the company to prevent these conflicts of interest

There are no conflicts of interest between the relevant institutions and our company, and provisions that prevent conflicts of interest are included in the contracts made with the institutions.

Collective Agreement Practices

No Collective Agreement with employees exists.

Personnel and Labor Movements

No personnel or labor movements occurred.

Severance pay liability

The severance pay liability of DEVA Holding A.Ş. and Group Companies for 01.01.2018 - 31.12.2018 period was 20.539.235 TL, and provisions were made for the entire amount in accordance with the related legislation.

Right and benefits provided to the personnel and laborers

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

Information on the donations made within the period

Donations were made and aids amounting to 346,531 TL were provided to several institutions and associations in the 01.01.2018 - 31.12.2018 period.

Conscious of its responsibility of improving society's quality of life and supporting economic, environmental, cultural and social development, based on the principle "human health is our first priority no matter where in the world", our company continued the social responsibility activities it performed with non-profit organizations in 2018, and for that purpose, support was provided to meet equipment needs of several education and health institutions. In addition, as part of the projects to increase awareness of diseases and to emphasize healthy life style, sponsorship of Şahika Ercümen, our young national athlete with several records in diving, was undertaken.

COMMITTEES AND WORKING PRINCIPLES

Supervisory Committee	
Eşref Güneş Ufuk	Chairman (Independent Member of the Board of Directors)
Tuncay Cem Akkuş	Member (Independent Member of the Board of Directors)

The Supervisory Committee supervises the accounting system, disclosure of financial information, independent auditing and operation and effectiveness of the company's internal control system within the framework of the Capital Market Legislation. The Committee also evaluates the issues identified in the framework of their evaluations and reports to the Board of Directors.

Corporate Governance Committee	
Eşref Güneş Ufuk	Chairman (Independent Member of the Board of Directors)
Tuncay Cem Akkuş	Member (Independent Member of the Board of Directors)
Mesut Çetin	Member (Executive Member of the Board of Directors)

The Corporate Governance Committee monitors the Company's compliance with the Corporate Governance Principles in accordance with the Capital Market Legislation and the Capital Markets Board Corporate Governance Principles, and carries out improvement activities and presents recommendations to the Board of Directors. The Corporate Governance Committee convenes when deemed necessary. Since "Nomination Committee" or "Wage Committee" has not been established in our Company, the duties of these committees are also fulfilled by the Corporate Governance Committee.

Early Risk Detection Committee	
Eşref Güneş Ufuk	Chairman (Independent Member of the Board of Directors)
Tuncay Cem Akkuş	Member (Independent Member of the Board of Directors)
Mesut Çetin	Member (Executive Member of the Board of Directors)

The Early Risk Detection Committee reports to the Board of Directors by conducting studies for early detection of risks that may endanger the company's existence, development and continuity, the implementation of the necessary measures for the identified risks and the management of the risk.

In 2018, the Supervisory Committee convened 5 times, the Early Risk Detection Committee convened 6 times, and the Corporate Governance Committee convened 9 times and continued their activities within the framework of their obligations within the scope of CMB Legislation regulations.

The working principles of the committees are available at www.deva.com.tr.

No external consultancy services were received by the committees during the year.

ASSESSMENT OF RISKS AND ADMINISTRATIVE BODY

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

Financial Risks:

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

Customer Receivable Risk:

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

Strategic Risks:

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

Operational Risks:

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

Early Risk Detection Committee	
Eşref Güneş Ufuk	Chairman (Independent Member of the Board of Directors)
Tuncay Cem Akkuş	Member (Independent Member of the Board of Directors)
Mesut Çetin	Member (Executive Member of the Board of Directors)

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

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

In accordance with the decision of the Board of Directors of our Company dated 20.03.2018, an application has been made to the Capital Markets Board for the issuance of a debt instrument to be sold to qualified investors without public offering with a maturity of up to 3 years up to a nominal value of TL 150.000.000, and this investment demand of ours was approved by the Board of Directors' decision, dated 16.04.2018 and numbered 18/492. The sale of the bonds with a nominal value of TL 80 million, 728-day maturity, quarterly coupon payments and variable rate bonds, and with a nominal value of TL 65 million, 1,093-day maturity, monthly coupon payment and variable interest rate was completed on 04 May 2018. The interest rate of the bonds is calculated by adding 325 basis points for 728-day maturity bonds and 350 basis points for bonds with 1,093-day maturity bonds as additional return in the Annual Compound Interest Rate of the Indicative Government Domestic Debt Securities in the Market. As of the date of issue, the simple interest rates of bonds were 17,064% and 17,3138% respectively; and the compound interest rates were 18,1884% and 18,4719%. The fund obtained from the said issue has been used in the redemption and working capital of the TL 100.000.000 bond issued on 09.06.2016.

INVESTMENTS

In the 01.01.2018-31.12.2018 period, 69.760.130 was invested in DEVA Holding A.Ş. and Group Companies, for Management Building, Plant, Machinery and Equipment, and Fixtures, 96.486.831 TL for R&D, Registration and Licenses, amounting to a total of 166.246.961 TL.

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

As of 31.12.2018, the company has 12 TÜBİTAK-approved ongoing projects and incentivized expenses of 57.335.798 TL with the support of TÜBİTAK or within the scope of R&D center have been made in this period.

2.091.549 TL was spent within the scope of the incentive certificates no. 114407 and 112159 received for DEVA Kartepe Facilities; 11.871.539 TL was spent within the scope of the incentive no. 501317 received on 30.10.2018, and 7.147.465 TL was spent within the scope of the incentive no. 136611 received on 17.04.2018 for Çerkezköy facilities.

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


DEVA

DEVA Subsidiaries and Related Companies

DEVA SUBSIDIARIES AND RELATED COMPANIES

DEVA Subsidiaries

DEVATIS LTD
The company was established to sell and distribute medicinal products for human use and veterinary medicines in New Zealand and Australia.

DEVATIS Gmbh
The company was established to sell and distribute medicinal products for human use and veterinary medicines in Germany.

DEVATIS AG
The company was established to sell and distribute medicinal products for human use and veterinary medicines in Switzerland.

DEVATIS INC.
The company was established to sell and distribute medicinal products for human use and veterinary medicines in the USA.

INFORMATION ON THE SUBSIDIARIES AND RELATED COMPANIES

Subsidiaries

DEVA Holding holds 100% shares of the Devatis Ltd. it established in New Zealand to carry out sale and distribution of its own products in Australia and New Zealand, Devatis GmbH it established in Germany, DEVA Health Care AG it established in Switzerland, and Devatis Inc. it established in the USA.

Other Related Companies

Operating in field of production and marketing of medicinal products for human use, active pharmaceutical ingredients and veterinary medicines and having its registered office in Luxembourg, Eastpharma S.a.r.l. is the major shareholder of DEVA Holding with a share of 82.20%. Eastpharma S.a.r.l. is also the major shareholder of Saba İlaç San. ve Tic. A.Ş. operating in pharmaceutical industry in Turkey with a share of 99.99%.

Information on the Trade Relations with Subsidiaries and Related Companies

Eastpharma S.a.r.l. transferred the license and sale rights 14 products to DEVA Holding for which it holds the license and sale rights through the agreements signed with Roche, a company operating in the pharmaceutical sector. In this period, marketing of the said products was continued and Eastpharma S.a.r.l. generates royalty income from DEVA Holding and Saba İlaç through the sales of the said products in Turkey.

Saba products are manufactured and stored by DEVA Holding on a contract manufacturing basis. DEVA Holding performs R&D studies on Vetaş and Saba products and carries out pilot manufacturing in its R&D site. In addition, Vetaş and Saba purchases financial and administrative services from DEVA Holding. Marketing of Saba products outside Turkey is also performed by DEVA Holding.

Affiliation Report of Transactions made with the Holding Company and Subsidiaries

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

In this report issued by the board of directors of our Company, it has been concluded that, in all transactions made by our company with the holding company and subsidiaries of the holding company within 2018, a suitable counter performance was obtained in every transaction and there is not action taken or failed to be taken, resulting in a harm to the company, and within this framework, there is not any transaction or action, or non-action to require compensation according to circumstances and conditions known to us at the time of the transaction.

CONCLUSION

Operating Period;

Operating Period has resulted in:

• profit after tax in the amount of 136.361.117 TL according to consolidated financial statements drawn up in accordance with the provisions of the communiqué Number II-14.1 of the Capital Markets Board,

• and profit after tax in the amount of TL 116.652.426 TL according to the individual financial statements of DEVA Holding, drawn up within the framework of the relevant provisions of Tax Procedure Law Number 213 and Turkish Commercial Code.

By evaluating the conditions set forth in the Company's profit distribution policy, taking into consideration the long-term strategies, investment, cash flow and financing policies of the company and the long-term interests of our shareholders, our company and our employees, in line with the current economic conjuncture, and in order to avoid the need for new financing and to strengthen the financial structure, we hereby submit to the approval of the General Assembly our proposal of not distributing the distributable profit of 2018 accounting period but instead, transferring to extraordinary reserves (past year's profits account) the remaining amount after general legal reserve has been reserved.

DEVA HOLDİNG A.Ş.
Yönetim Kurulu

STATEMENT

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

RESOLUTION DATE : 08.03.2019
RESOLUTION NO : 2019/12

We hereby state that:

In accordance with "Communiqué on Principles in Relation to Financial Reporting in Capital Market (II-14.1)" (the Communiqué) of the Capital Markets Board ("CMB") for the accounting period of 01.01.2018 - 31.12.2018, prepared by our Company and independently audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., and based on the CMB regulations, the consolidated financial statements prepared in line with the formats specified by Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS/TFRS") and the annual report prepared in line with the Turkish Code of Commerce and CMB Communiqué;

a) have been reviewed by us,

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

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

Best Regards,

Eşref Güneş UFUK **Supervisory Committee Chairman**	**Mesut ÇETİN** **Board of Directors Vice-Chairman/CFO**	**Rıza YILDIZ** **Financial Reporting and Accounting Director**

DIVIDEND DISTRIBUTION

The "Profit Distribution Policy" of our company is determined in accordance with the Turkish Commercial Code, Capital Markets Legislation, Tax Legislation and other relevant legislation and in line with the proposal of the Board of Directors and the resolution of the General Assembly in accordance with the provisions of the articles of association.

The Company intends to distribute 5% of the issued capital as cash and / or share. However, this amount shall not exceed 30% of the net distributable profit for the period. In the implementation of this policy, the financial position of the Company, fund requirement due to mid- and long-term growth and investment strategies, conditions of the sector, the country and global economic conjunctures, capital requirements of its subsidiaries and affiliates, investment and financing policies, profitability and cash position are taken into consideration.

The Board of Directors decides on dividend distribution for each accounting period, the proposal for distribution of the profit or the proposal for not distributing of the profit together with its rationale is disclosed to the public in accordance with the legislation and announced on the website of the Company. The General Assembly may accept or reject the proposal.

In the profit distribution, each of our stakeholders has the right to receive dividends in proportion to its share. Dividends are distributed equally to all existing shares as of the date of distribution, regardless of their date of issue and acquisition.

Dividend distribution commences on the date to be determined by the Board of Directors, provided that it is authorized by the General Assembly or the General Assembly by the end of the year in which the General Assembly meeting is held at the latest.

Since the Company's articles of association do not contain any provision for advance dividend distribution, no advance dividend is distributed. The Company may consider paying dividends in equal installments or in different installments in accordance with applicable legislation.

According to our consolidated financial statements, a post-tax profit of 92.542.675 TL has been earned, and, according to the solo financial statements developed in line with the relevant provisions of the Turkish Commercial Code and the Tax Procedures Law no. 213, a profit of 101,417,644.96 TL has been earned in the 2017 operating period, and by evaluating the conditions set forth in the Company's profit distribution policy, it was decided not to distribute the distributable profit of the fiscal year of 2017, and to transfer the remaining amount to the extraordinary reserves (retained earnings account) after the primary legal reserves were set aside in order to support our growing balance sheet in 2017 accounting period.

BOARD OF DIRECTORS

Board of Directors	Task	Date of Initiation	Tasks in the Company
Philipp Haas	Chairman of the Board of Directors	14.07.2006	CEO
Mesut Çetin	Vice Chairman of the Board of Directors	14.03.2008	CFO
Eşref Güneş Ufuk	Independent Member of the Board of Directors	27.09.2018	
Tuncay Cem Akkuş	Independent Member of the Board of Directors	08.04.2015	
Ayşecik Haas	Non-Executive Member of the Board of Directors	22.05.2013	

Statement of Independence by the Members of the Board of Directors
Tuncay Cem Akkuş

STATEMENT OF INDEPENDENCE

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

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

a) No employment, capital or trade relation was established of a significant nature either directly or indirectly, within the past five years between myself, my spouse and blood relatives up to second degree, or relatives by marriage and DEVA Holding, A.Ş., any of the related parties of DEVA Holding A.Ş., or legal persons with which shareholders holding a share of 5% or more in the capital of DEVA Holding, A.Ş. have relationship
b) I have not worked nor performed duty as the member of the board of directors in companies carrying on the operation and organization of the company wholly or partially within the framework of agreements made, mainly in companies carrying out auditing, rating and consultancy of DEVA Holding, A.Ş. within the past five years,
c) I have the sufficient professional education, knowledge and experience to perform duly the tasks I will assume as an independent member of the board of directors,
d) I will not work full-time at public institutions and establishments after being elected as a member, except for academic membership of university in accordance with the legislation.
e) I am resident of Turkey in accordance with the Income Tax Law dated 31.12.1960 no. 193.
f) I have the strong ethical standards, professional reputation and experience to be able to make positive contributions to the operations of DEVA Holding A.Ş., to protect my independence in conflicts of interest between shareholders and to take decision freely taking into consideration benefit rights,
g) I will allocate sufficient time to follow-up the functioning of the activities of DEVA Holding A.Ş. and to fully meet the requirements of my duties,
h) I have not served as a member of the Board of Directors for more than 6 years within the last 10 years,
i) I do not serve as an independent member of the Board of Directors of more than three companies the management control of which is held by the shareholders who have the control or management control of the Company, or of more than a total of five companies that are publicly traded.
j) I have not been registered and announced on behalf of the legal person elected as a member of the Board of Directors

Date: 26.04.2016

Tuncay Cem Akkuş

Signature:

Statement of Independence by the Members of the Board of Directors
Eşref Güneş Ufuk

STATEMENT OF INDEPENDENCE

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

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

a) No employment, capital or trade relation was established of a significant nature either directly or indirectly, within the past five years between myself, my spouse and blood relatives up to second degree, or relatives by marriage and DEVA Holding, A.Ş., any of the related parties of DEVA Holding A.Ş., or legal persons with which shareholders holding a share of 5% or more in the capital of DEVA Holding, A.Ş. have relationship
b) I have not worked nor performed duty as the member of the board of directors in companies carrying on the operation and organization of the company wholly or partially within the framework of agreements made, mainly in companies carrying out auditing, rating and consultancy of DEVA Holding, A.Ş. within the past five years,
c) I have the sufficient professional education, knowledge and experience to perform duly the tasks I will assume as an independent member of the board of directors,
d) I will not work full-time at public institutions and establishments after being elected as a member, except for academic membership of university in accordance with the legislation.
e) I am resident of Turkey in accordance with the Income Tax Law dated 31.12.1960 no. 193.
f) I have the strong ethical standards, professional reputation and experience to be able to make positive contributions to the operations of DEVA Holding A.Ş., to protect my independence in conflicts of interest between shareholders and to take decision freely taking into consideration benefit rights,
g) I will allocate sufficient time to follow-up the functioning of the activities of DEVA Holding A.Ş. and to fully meet the requirements of my duties,
h) I have not served as a member of the Board of Directors for more than 6 years within the last 10 years,
i) I do not serve as an independent member of the Board of Directors of more than three companies the management control of which is held by the shareholders who have the control or management control of the Company, or of more than a total of five companies that are publicly traded.
j) I have not been registered and announced on behalf of the legal person elected as a member of the Board of Directors

Date: 26.09.2018

Güneş Ufuk

Signature:

CORPORATE GOVERNANCE PRACTICES

Duties and Authorities of the Members of the Board of Directors

The chairman and members of the Board of Directors possess the duties and authorities specified in the relevant articles of the Turkish Code of Commerce and the Company's Articles of Association

Board of Directors Meetings During The Period

Thirty-seven board meetings were held during the period. The meetings were held with the participation of all members and all decisions were taken unanimously.

Duties of the Members of the Board of Directors Outside the Company

Board of Directors	Task	Duties Outside the Company
Philipp Haas	Chairman of the Board of Directors	- Eastpharma Ltd./Saba İlaç Sanayi ve Ticaret A.Ş./ New Life Yaşam Sigorta A.Ş/ Eastpharma İlaç Üretim Pazarlama San. ve Tic. A.Ş (Chairman of the Board of Directors) -Eastpharma Sarl/ Lypanosys Pte Limited (Member of the Board of Directors) - Devatis Ltd/Devatis Gmbh/Devatis A.G ve Devatis Inc.(Director) - Pharmaceutical Industry Association of Turkey (Vice Chairman of the Board of Directors)
Mesut Çetin	Vice Chairman of the Board of Directors	- EastPharma Ltd (Member of the Board of Directors) - Saba İlaç Sanayi ve Ticaret A.Ş. (Member of the Board of Directors -CFO)
Eşref Güneş Ufuk	Independent Member of the Board of Directors	K2C Danışmanlık (Founding Member)
Tuncay Cem Akkuş	Independent Member of the Board of Directors	Millenicom (Engineering-Management)
Ayşecik Haas	Non-Executive Member of the Board of Directors	N.A.R.G Holding A.Ş/ New Life Yaşam Sigorta A.Ş (Member of the Board of Directors)

Financial Rights Provided to the Members of the Board of Directors and Senior Managers

The total amount of financial rights such as attendance fee, remuneration, premium, bonus, severance pay etc. provided to Members of the Board of Directors and Senior Executives within the period is as follows: 480.987 TL for the Members of the Board of Directors and 31.342.525 TL for Senior Executives, and the total amount of rights such as fuel, telephone, etc. is 50.449 TL for the Members of the Board of Directors and 65.844 TL for Senior Executives, amounting to 31.939.805 TL.

CORPORATE GOVERNANCE PRACTICES

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

DEVA Holding (“DEVA” or “the Company”), with the awareness of the responsibilities it carries towards its stakeholders, has adopted the notions of “equality”, “transparency”, “accountability” and “responsibility”, which form the basis of its corporate management during the activities, and makes maximal effort and shows utmost vigilance to comply with Capital Market Law (CML) and secondary rules and decisions of the Capital Market Board (CMB).

DEVA Holding believes in the importance of full compliance with Corporate Governance Principles. In the operating period that ended on December 31, 2018, the Company has adopted and put into practice the corporate governance principles which were set forth in the annex to the Corporate Governance Communiqué and are required by the relevant regulations. Maximal effort is also being made to comply with the voluntary principles that are not required by the relevant regulations, and there has been no conflicts of interest up until now between the stakeholders regarding those principles that have not been fully complied for the time being.

Statements regarding compliance and non-compliance with the corporate governance principles included in the annex to the Corporate Governance Communiqué in the operating period that ended on December 31, 2018 are provided in the Corporate Governance Compliance Report (“URF”) and Corporate Governance Information Form (“KYBF”) and in other relevant parts of the report.

In the future, efforts will continue to be made for better operating the mechanisms within the framework of the said principles of corporate governance practices of the partnership, and to improve our corporate governance practices, including the voluntary principles that are mandatory and a limited number of those that could not be implemented

Should any changes occur in URF or KYBF during the period, a special case announcement will be made and such changes will also be included in the interim activity reports.

CORPORATE GOVERNANCE PRACTICES

Corporate Governance Compliance Report	Compliance state					Comment
	Yes	Partially	No	Exempt	N/A	
1.1. FACILITATION OF THE USE OF SHAREHOLDER'S RIGHTS						
1.1.2 – Up-to-date information and statements which can affect the use of shareholder's rights are made available to investors on the corporate website of the partnership.	X					
1.2. RIGHT TO RECEIVE AND REVIEW INFORMATION						
1.2.1 – Company executives have avoided any actions that could make the auditing process more difficult.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 – The Company has ensured that the agenda of the General Assembly was stated clearly and each proposal was given under an individual heading.	X					
1.3.7 – The persons who have access to the partnership information in a privileged way have informed the Board of Directors about their operations within the scope of operations of the partnership on their part to ensure that these were added to the agenda of the General Assembly.					X	
1.3.8 – Regarding the topics that were of particular interest in the agenda, the board members, other related persons, authorized persons and auditors responsible for the preparation of financial statements were present at the General Assembly.	X					
1.3.10 – The amounts of all donations and grants and the persons who benefited from them were included in a separate article on the agenda of the General Assembly.		X				The donations and grants made during the period were categorized in the General Assembly and offered as information to the shareholders as they are very diverse in terms of institution and amount.
1.3.11 – The General Assembly meeting was held open to the public, including stakeholders and the media without the right to speak.					X	There has been no such demands in 2018.
1.4. RIGHT TO VOTE						
1.4.1 – There are no restrictions or practices that make it difficult for shareholders to exercise their rights to vote.	X					
1.4.2 – The Company has no privileged voting rights.			X			As per the Articles of Association, the Company has 10 times the voting right for group C shares have as compared with group A and group B privileged shares.
1.4.3 – The Company has not exercised its voting rights in the General Assembly of any partnership with which it has a mutual shareholding relationship which results in dominance in the relationship.					X	Our Company has no partnerships in which it is in a mutual shareholding relationship.
1.5. MINORITY RIGHTS						
1.5.1 – The Company paid utmost attention to ensure that minority rights were exercised.	X					
1.5.2 –Minority rights are also granted to those who have less than one-twentieth of the share capital and the scope of minority rights has been revised and extended in the articles of association.			X			The rate applicable to the minority rights in the capital market law is applied.

CORPORATE GOVERNANCE PRACTICES

	Compliance state					Comment
	Yes	Partially	No	Exempt	N/A	
1.6 RIGHT TO DIVIDEND						
1.6.1 – The dividend distribution policy approved by the General Assembly is publicly disclosed on the corporate website of the Company.	X					
1.6.2 – The profit distribution policy should include minimum information that would enable shareholders to learn the principles and procedures for distribution of profits to be obtained in the future periods of the partnership.	X					
1.6.3 – The reasons for not distributing profits and the use of undistributed profits were specified in the related agenda item.	X					
1.6.4 – The Board of Directors has reviewed whether a balance is ensured between the interests of the shareholders and the interests of partnership in the dividend distribution policy.	X					
1.7. TRANSFER OF SHARES						
1.7.1 – There are no restrictions to make transfer of shares difficult.	X					
2.1. CORPORATE WEBSITE						
2.1.1 – The corporate website of the company includes all the elements in the principle of corporate method 2.1.1.	X					
2.1.2 – The shareholding structure (the names, privileges, share number and rate of non-actual shareholders owning more than 5% of the issued capital) is updated on the corporate website at least every 6 months.	X					
2.1.4 – The information on the corporate website of the company was also prepared in foreign languages selectable on need basis with the exactly same content as Turkish.		X				The content of the English website is not exactly the same as the Turkish website, and contains more general information.
2.2. ANNUAL REPORT						
2.2.1 – The Board of Directors ensures that the annual report fully and accurately reflects the company's operations.	X					
2.2.2 – The annual report includes all the elements in the principle 2.2.2..	X					
3.1. COMPANY POLICY FOR STAKEHOLDERS						
3.1.1 – Stakeholders' rights are protected in accordance with relevant regulations, contracts and rules of good will.	X					
3.1.3 – Policies and procedures related to the rights of stakeholders are published on the company's corporate website.		X				The policies foreseen to be developed in the Corporate Governance Principles are published on the website.
3.1.4 – Stakeholders have established the required mechanisms to report transactions which breach relevant legislations and which are not ethically acceptable.	X					
3.1.5-The company addresses conflicts of interest among stakeholders in a balanced manner.	X					

CORPORATE GOVERNANCE PRACTICES

	Compliance state					Comment
	Yes	Partially	No	Exempt	N/A	
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1-The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.		X				Although there is no provision in the articles of association, employees participate in the management by taking part in the boards.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them		X				Asking the opinions of the stakeholders in important decisions was adopted as principle and the demands and suggestions of the stakeholders were taken into consideration.
3.3. COMPANY'S HUMAN RESOURCES POLICY						
3.3.1- The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.		X				Although our company does not have a written employment policy, there are systems to ensure business continuity in terms of organizational structure.
3.3.2-Recruitment criteria are documented in written.	X					
3.3.3 - The company has a policy on human resources development, and organizes trainings for employees.	X					
3.3.4-Meetings have been organized to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.		X				Since no collective bargaining agreement was made with employees, no representative was appointed, and notifications were made directly to employees.
3.3.6 - Job descriptions and performance criteria have been prepared in detail for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 – Measures, e.g. procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms, have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company supports the recognition of the freedom to establish association and the right of collective bargaining efficiently.		X				Supported within the legal framework.
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.					X	

CORPORATE GOVERNANCE PRACTICES

	Compliance state					Comment
	Yes	Partially	No	Exempt	N/A	
3.4.2 – Customers are notified in case of any delays in processing their requests regarding the goods and services they purchased.					X	
3.4.3 - The company adheres to the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place controls to protect the confidentiality of sensitive information considered business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1-The Board of Directors has adopted a code of ethics and disclosed on the corporate website.		X				Ethical rules of conduct are specified in internal regulations and are not published on the website.
3.5.2-The partnership is mindful of social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors ensures strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of meetings indicate that the board of directors discussed and approved strategy, identified the required resources, and the performance of the management was monitored.	X					
4.2. PRINCIPLES OF ACTIVITY OF THE BOARD OF DIRECTORS						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2-Duties and authorities of the members of the board of directors are disclosed in the annual report.		X				It is stated in the annual report, that the Turkish Commercial Code was complied with regarding the duties and authorities of the members of the board of directors and that a counting method was not adopted.
4.2.3-The board of directors has established an internal control framework adequate for the size and complexity of the company.	X					
4.2.4- Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer (director-general) are separated and defined.			X			The Chairman of the Board of Directors also serves as the CEO because he is the Chairman of the Board of Directors of the main shareholder Eastpharma Ltd and because of his knowledge of the sector from his prior experience.
4.2.7 - The board of directors ensures that the investor relations department and the corporate governance committee work effectively and has worked in close cooperation with the investor relations department and the corporate governance committee in settling disputes with shareholders and in communicating with them.	X					

	Compliance state					Comment
	Yes	Partially	No	Exempt	N/A	
4.2.8 - The company has subscribed to a Directors and officers' liability insurance covering more than 25% of the capital for any damage that may be caused due to the faults of the board of directors during the charge of their duties..		X				Our director's liability insurance has been fulfilled by our main shareholder.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9-The board of directors has set a minimal target of 25% for female directors and developed a policy to attain this target. The board annually evaluates its composition and the process of identifying candidates is performed compliant with the policy.		X				Although a target rate of at least 25% and target time regarding the female member percentage in the Board of Directors was not set by our Company, there is one female member in our board of directors.
4.3.10-At least one member of the audit committee has 5 years of experience in audit/ accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1- All members of the board of directors attended the majority of the board meetings in person.	X					
4.4.2-The board of directors has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members		X				Although there is no minimum period based on a documented rule, it was ensured that all members of the Board of Directors were informed before the meeting.
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	There was no member of the Board of Directors stating opinion in this manner.
4.4.4-Each member of the board has one vote.	X					
4.4.5-How board of directors meetings will be held was documented in internal regulations.			X			Although the Board of Directors meetings are held under certain rules, these rules are not documented in writing.
4.4.6-Board of directors meeting minutes demonstrate that all items on the agenda were discussed, and board resolutions are prepared so that dissenting opinions are also included.	X					

	Compliance state					Comment
	Yes	Partially	No	Exempt	N/A	
4.4.7-There are limits to which the members of the board of directors may have external duties. Shareholders are informed of board members' external duties at the General Meeting.		X				The members of the Board of Directors outside the company are not restricted with respect to external commitments. On the other hand, the duties taken by the members outside the company are presented to the shareholders with the annual report.
4.5. COMMITTEES FORMED WITHIN THE STRUCTURE OF THE BOARD OF DIRECTORS						
4.5.5-Each member of the board of directors serve in only one committee.			X			Since the board of directors of our company consists of 5 people, the same members take charge in different committees.
4.5.6 - Committees have invited persons to the meetings as deemed necessary and obtained their views.	X					
4.5.7-Information on the independence of the person/institution the committee received consultancy services is included in the annual report.					X	No consultancy services were received for committees.
4.5.8-Reports of the outcomes of committee meetings were kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS PROVIDED FOR MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES						
4.6.1-The board of directors has conducted a board of directors performance evaluation to review whether it has discharged all its responsibilities effectively.			X			Board of directors performance evaluation was not carried out.
4.6.4 - Corporation shall not loan money, make credit available, enlarge the term of the loan money or credit, improve conditions, make credit available via a third party as a personal credit or grant securities such as surety to any of its members of the board of directors or executives	X					
4.6.5 - Remunerations provided for members of the board of directors and executives were disclosed in the annual report on individual basis.		X				In parallel with the general practice, wages are disclosed on a individual basis and are given in the breakdown of the Board of Directors and the Senior Executives.

CORPORATE GOVERNANCE PRACTICES

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholder Rights	
The number of investor conferences and meetings held by the company over one year	10
1.2. Right to Obtain and Review Information	
Number of private auditor requests	0
Number of special auditor requests accepted at the general assembly meeting	0
1.3. General Assembly	
The link to the PDP announcement that announced the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/tr/Bildirim/668228
Whether the materials concerning the general assembly meeting were presented in English simultaneously with Turkish	Not presented.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	No situation requiring explanation occurred.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	No situation requiring explanation occurred.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	No situation requiring explanation occurred.
The name of the section on the corporate website that demonstrates the donation policy of the company	Investor Relations-Policies
The link to the PDP announcement with minute of the general assembly meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/220035
The number of the provisions of the articles of association that discuss the participation of stakeholders to the general assembly	There is no such provision in the articles of association.
Information regarding General Shareholders' Meeting,	
1.4. Voting Rights	
Whether there are privileges in voting rights	Yes
In case that there are voting privileges, the owner and percentage of the voting majority of shares.	Group A and B privileged shares have a voting right ten times the voting right of Group C shares in terms of right of voting.
The percentage of ownership of the largest shareholder	82.2%
1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, please specify the relevant provision of the articles of association.	

1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	Investor Relations-Profit Distribution Policy
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	As proposed by the Board of Directors decision dated 09.03.2018 and numbered 2018/12; and according to our consolidated financial statements for the accounting period 01.01.2017 - 31.12.2017 prepared by our Company in line with TCC and CMB provisions and in accordance with Turkish Accounting/Financial Reporting Standards and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a post-tax profit of 92.542.675 TL has been earned, and, according to the solo financial statements developed in line with the relevant provisions of the Turkish Commercial Code and the Tax Procedures Law no. 213, a profit of 101,417,644.96 TL has been earned, and by evaluating the conditions set forth in the Company's profit distribution policy, it was decided not to distribute the distributable profit of the fiscal year of 2017, and to transfer the remaining amount to the extraordinary reserves (retained earnings account) after the primary legal reserves were set aside in order to support our growing balance sheet in 2017 accounting period, with 170.222.009.225295 positive votes versus 2.490.376,92 negative votes unanimously/by large majority.
The link to the PDP announcement containing general assembly minutes in case the board of directors proposed to the general assembly not to distribute dividends	https://www.kap.org.tr/tr/Bildirim/673827

General Assembly Date	The number of information requests received by the company regarding the clarification of the agenda of the General Assembly	Shareholder participation rate to the General Assembly	Percentage of shares directly represented	Percentage of shares represented by proxy	The name of the section of the corporate website that contains the General Assembly minutes, and also indicates votes for or against for each agenda item	The name of the section of the corporate website that contains all questions asked in the general assembly and all responses to them	The number of the relevant item or paragraph of General Assembly minutes in relation to related parties	The number of persons who have access to partnership information in a privileged way (insider learners list)	The link to the related general assembly notification on PDP
05/04/2018	0	86.35%	1.27%	85.08%	Investor Relations -General Assembly ¬2017	Investor Relations -General Assembly ¬2017	-	66	https://www.kap.org.tr/tr/Bildirim/668228

2. DISCLOSURE AND TRANSPARENCY	
2.1. Corporate Website	
The names of the sections of the corporate website providing the information requested by the corporate governance principle 2.1.1.	Investor Relations
The sections of the corporate website providing the list of natural person shareholders who directly or indirectly own more than 5% of the shares.	Investor Relations-Shareholder Structure
Languages for which the website is available	Turkish-English
2.2. Annual Report	
The page numbers or name of the sections in the annual report that demonstrate the information requested by corporate governance principle 2.2.2.	
a) The page numbers or name of the sections that demonstrate the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Corporate Governance Practices¬-Statements of Independence of Independent Members of the Board of Directors-Duties of the Members of the Board of Directors Outside the Company
b) The page numbers or name of the sections that demonstrate the information on committees formed within the board structure	Administrative Activities
c) The page numbers or name of the sections that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Corporate Governance Practices¬-Board of Directors Meetings held within the period
d) The page numbers or name of the sections that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Administrative Activities-Information on Legislative Changes That Can Significantly Affect Company Activities within the Period
e) The page numbers or name of the sections that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Administrative Activities-Cases-Consolidated Financial Statements-Litigation Provisions
f) The page numbers or name of the sections that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken in order to avoid from these conflicts of interest	Administrative Activities-Conflicts of Interest Between the Institutions that the Company Receives Services on Matters such as Investment Consultancy and Rating and Information about the Measures Taken by the Company to Prevent these Conflicts of Interest
g) The page numbers or name of the sections that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	There is no cross shareholding relationship in our Company's capital.
h) The page numbers or name of the sections that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Human Resources and Development-Administrative Activities-Rights and Interests Provided to the Personnel and Employees-Information on donations made in the period
3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Investor Relations-Policies-Compensation Policy

The number of definitive judicial decisions against the company due to violation of employee rights	23
Position of the person responsible for the alert mechanism	Vice Chairman of the Board-CFO
Contact details of the company alert mechanism	mcetin@deva.com.tr
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	-
Corporate bodies where employees are represented	Occupational Health and Safety Board, Discipline Committee
3.3. Company's Human Resources Policy	
The role of the board of directors in developing a succession plan for the key management positions	-
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles, and a summary of relevant parts of the policy.	DEVA Human Resources
Whether there is an employee stock ownership program	There is no employee stock ownership program
The name of the section on the corporate website that demonstrates the human resource policy covering the measures to prevent discrimination and mistreatments, and also a summary of relevant parts of the policy.	Our company attaches great importance to creating a working environment which is free from any verbal and physical harassment against race, ethnicity, religion, physical or sexual characteristics, sexual orientation or any other factor prohibited by law. Any behavior of abusive nature that may arise in terms of age, language, race, health, gender and marital status, behaviors arising from sexual harassment acts of verbal, physical or behavioral nature are evaluated by the Disciplinary Committee.
The number of definitive judicial decisions against the company in relation to occupational accident liabilities	1
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	In-house regulation is in place.
The name of the section on the company website that demonstrates the corporate social responsibility report. If a social responsibility report does not exist, measures taken on environmental, social and corporate governance issues.	We evaluate and control the environmental impacts that occur as a result of our activities and use appropriate technologies to minimize these effects to support the "Environmentalism" approach, which is among the principles of our company, and to leave a more livable world to future generations. We ensure that waste is minimized for a sustainable environment, support recycling and use energy and natural resources efficiently. We periodically organize various activities to raise awareness among our stakeholders about the environment. In addition, ISO 14001 Environmental Management System Certificate has been obtained in order to be an exemplary company in environmentalism and to show the value we give to the environment.
Any measures taken to fight against any kind of corruption including embezzlement and bribery	Our company meticulously avoids unethical behaviors such as bribery, corruption and misconduct. The "Ethical Principles" procedure of our company was shared with all of our employees via intranet and mechanisms were established to ensure compliance with related issues.
BOARD OF DIRECTORS-I	
4.2. Operating Principles of the Board of Directors	
Date of the last board evaluation conducted	-
Whether independent experts were utilized in the performance evaluation of the board of directors	No
Whether all board members released from their duties	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Philipp Daniel Haas-CEO, Mesut Çetin-CFO. They are authorized to represent and bind the company with their joint signature in the broadest sense in all aspects.

Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	6
The name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Administrative Activities-Risks and Evaluation of the Governing Body
Name of the chairman of the executive board	Philipp Daniel Haas
Name of the chief executive officer/director-general	Philipp Daniel Haas
The link to the relevant PDP announcement providing the rationale that the chairman of the executive board and chief executive officer/director-general are the same person	https://www.kap.org.tr/tr/Bildirim/541423
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	-
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	-
The number and ratio of female directors	1 person 20%

Name, Surname of the Member of the Board of Directors	Whether Executive Or Not	Whether Independent Member Or Not	The First Election Date To Board of Directors	Link to PDP Notification That Includes The Independency Declaration	Whether the Independent Member Considered By The Nomination Committee	The name of the section of the corporate website that contains all questions asked in the general assembly and all responses to them	Whether She/he is a Member Who Lost Independence
PHILIPP DANIEL HAAS	Executive	Not Independent	14/07/2006		Not considered	No	Yes
MESUT ÇETİN	Executive	Not Independent	14/03/2008		Not considered	No	Yes
TUNCAY CEM AKKUŞ	Non-executive	Independent	27/09/2018		Considered	No	Yes
TUNCAY CEM AKKUŞ	Non-executive	Independent	08/04/2015	https://www.kap.org.tr/tr/Bildirim/667557	Considered	No	No
AYŞECİK HAAS	Non-executive	Not Independent	22/05/2013		Not considered	No	Yes

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of board or directors meetings in person in the reporting period	37
Average attendance rate to the board of directors meetings	100%
Whether an electronic portal is used to support to facilitate the work of the board of directors	No
Number of days ahead of the board of directors meeting to provide information to directors, as per the board charter	-
The name of the section on the corporate website that provides information about the in-house procedures that define how board of directors meetings are to be held	None
The upper limit defined in the policy restricting the duties to be held by the members out of the Company	-
4.5. Committees Formed within the Board of Directors	
Page number or the name of the relevant section of the annual report providing information about the board of directors committees	Administrative Activities-Committees and Working Principles
Link to the PDP announcement listing the working principles of the committee	https://www.kap.org.tr/tr/Bildirim/688585

Names Of The Board of Directors Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Audit Committee		EŞREF GÜNEŞ	Yes	Board member
Audit Committee		TUNCAY CEM AKKUŞ	No	Board member
Corporate Governance Committee		EŞREF GÜNEŞ UFUK	Yes	Board member
Corporate Governance Committee		TUNCAY CEM AKKUŞ	No	Board member
Corporate Governance Committee		MESUT ÇETİN	No	Board member
Early Risk Detection Committee		EŞREF GÜNEŞ UFUK	Yes	Board member
Early Risk Detection Committee		TUNCAY CEM AKKUŞ	No	Board member
Early Risk Detection Committee		MESUT ÇETİN	No	Board member

BOARD OF DIRECTORS-III	
4.5. Committees Formed within the Board of Directors-II	
Specify where information on the activities of the audit committee are presented in your annual report or corporate website (page number or section name)	Administrative Activities-Committees and Working Principles
Specify where information on the activities of the corporate governance committee are presented in your annual report or corporate website (page number or section name)	Administrative Activities-Committees and Working Principles
Specify where information on the activities of the nomination committee are presented in your annual report or corporate website (page number or section name)	-
Specify where information on the activities of the early risk detection committee are presented in your annual report or corporate website (page number or section name)	Administrative Activities-Committees and Working Principles
Specify where information on the activities of the remuneration committee are presented in your annual report or corporate website (page number or section name)	-
4.6. Financial Rights Provided to Board of Directors Members And Managers with Administrative Responsibility	
Page number or name of the section of the annual report providing information on the operational and financial targets and their achievement in the annual report	Consolidated Financial Statements
Name of the section of the annual report providing remuneration policy for executive and non-executive members.	Investor Relations-Policies-Board Remuneration Policy
Page numbers or name of the section of the annual report providing information on remuneration for board of directors members and directors with executive functions	Corporate Governance Practices¬-Financial Rights provided to the Members of the Board of Directors and Senior Management

Names Of The Board of Directors Committees	Name Of Committees Defined As "Other" In The First Column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Audit Committee		100%	100%	5	5
Corporate Governance Committee		67%	67%	9	9
Early Risk Detection Committee		67%	67%	6	6

INFORMATION FOR THE SHAREHOLDERS

Contact Details:

Address	: Halkalı Merkez Mah. Basın Ekspres Cad. No.1 Küçükçekmece-ISTANBUL
Phone	: +90 212-692 92 92
Fax	: +90 212-697 02 08
Website	: www.deva.com.tr
E-Mail address	: deva@deva.com.tr

Trade Registry Information of the Company

Trade Register	: Istanbul Commerce Registry Office
Register No.	: 70061

Independent Auditor

Ernst & Young
Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Phone	: +90 212 315 30 00
Fax	: +90 212 230 82 91

Tax Attestation

PwC YMM A.Ş.

Phone:	+90 212 326 60 60
Fax:	+90 212 326 60 50

2018 Performance of DEVA Holding Shares

The issued capital of DEVA Holding is 200,019,287,78 TL. The capital of the company is divided into 20,001,928,778 shares, each with a value of 1 kuruş.

In 01.01.2018 - 31.12.2018 period, 1 lot of shares of DEVA Holding traded at Borsa Istanbul (BİST) was traded at 3.24 TL as the lowest value and at 4.95 TL as the highest value, and closed the year at 3.29 TL.

The graph showing the performance of DEVA Holding shares in 2018 by closing prices is presented below:

DEVA HOLDING A.Ş.			
2018 Profit Distribution Table (TL)			
1	**Issued Capital**	**200,019,287.78**	
2	General Legal Reserve (based on legal records)	10.656.677,04	
If privilege exists in profit distribution in accordance with the Articles of Association, information on such privilege		*Of the distributable profit, 10% of the profit to be allocated based on the order and principles in the Articles of Association will be distributed to Group A privileged shareholders*	
		Based on CMB	**Based on Legal Records (LR)**
3	Profit for the Period	155.969.567,46	132.609.614,53
4	Taxes (-)	19.608.450,00	15.957.188,21
5	**Net Profit for the Period**	**136.361.117,46**	**116.652.426,32**
6	Losses from the Previous Periods (-)	-	-
7	General Legal Reserve (-)	5.832.621,32	5.832.621,32
8	**Net Distributable Profit/Loss for the Period**	**130.528.496,14**	**110.819.805,01**
9	Donations made within the year (+)	346.531,07	
10	Net Distributable Profit/Loss for the Period with Donations added	130.875.027,21	
11	First Profit to Shareholders	-	
12	Profit distributed to Privileged Shareholders	-	
13	Other Profit Distributed	-	
14	Profit distributed to Dividend Shareholders	-	
15	Second Profit to Shareholders	-	
16	General Legal Reserve	-	
17	Statutory Reserves	-	
18	Special Reserves	-	
19	Extraordinary Reserves	**130.528.496,14**	**110.819.805,01**
20	Other Resources Foreseen to be Distributed		

TABLE OF PROFIT RATES

DETAILS OF PROFIT PER SHARE

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

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Ticaret Sicil No : 479920

(Convenience translation of a report originally issued in Turkish)

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

To the Shareholders of Deva Holding Anonim Şirketi

1) Opinion

We have audited the annual report of Deva Holding Anonim Şirketi ("the Company") and its subsidiaries ("the Group") for the period of 1/1/2018-31/12/2018.

In our opinion, the consolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

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

3) Our Auditor's Opinion on the Full Set consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated March 8, 2019 on the full set consolidated financial statements of the Group for the period of 1/1/2018-31/12/2018.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting in Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

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5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the consolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with IAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated financial statements.

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

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

Zeynep Okuyan Özdemir, SMMM
Partner

March 8, 2019
İstanbul, Türkiye

A member firm of Ernst & Young Global Limited


DEVA

DEVA Holding A.Ş. And Subsidiaries
Consolidated Financial Statements
For The Year Ended 31 December 2018

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Deva Holding A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Deva Holding A.Ş. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

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

3) Key Audit Matters

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

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Key Audit Matters	Auditor's response
Capitalization, valuation and realizability of Development cost	
Deva Holding's capitalized development costs are mainly concentrated in the human pharma segments. This segment is subject to projects which take time to mature, which are key for future value creation by the Group. The capitalized development costs are significant to our audit due to their size and judgement involved in the recoverability of those items. Explanations about intangible assets including the capitalized development costs have been disclosed in Note 13.	Our audit procedures included amongst others, a review of the Company's policies and procedures for evaluating the presence of impairment, challenging the main expectations and challenging the nature of capitalized expenses for each project. Our audit procedures included amongst others, evaluating the content of development costs capitalized for each project. For products in development, a key assumption is the probability of obtaining the necessary clinical and regulatory approvals. Our procedures for products in development included critically assessing the reasonableness of the Group's assumptions through consideration of trial readouts, regulatory announcements and the Group's internal governance and approval process. We also interviewed a range of key Research, Development and Commercial personnel and compared the assumptions with industry practice where available. For launched products we challenged their profitability based on products.
Inventory obsolescence provisions	
Inventories are stated at the lower of cost and net realizable value. Net realizable value is obtained by deducting the estimated completion cost from the estimated selling price in the ordinary course of business and the estimated costs to be incurred to realize the sale. Inventory balance is a material balance for the Group which requires management judgement in determining an appropriate level of inventory provisioning reflecting net realizable value of the inventory on hand at year end and consequently has been determined as a key audit matters. As of December 31, 2018, the Group has a gross inventory of TL 375.439.718 and has a provisions amounting to TL 9.593.628 on its inventories. Explanations about stocks have been disclosed in Note 9.	During the audit, procedures performed for inventory obsolesce procedures are listed below: - Understanding of accounting policy and its assessment for its convenience - Comparison of inventory turnover with the prior year - Assessing the competence of the current year provision by comparing the realization of the prior year provision - Observation of non-moving or damaged inventories during year-end inventory counts - Testing of discounted sales prices that are used in net realizable value calculation through sampling

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on March 8, 2019.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2018 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

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

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

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

Zeynep Okuyan Özdemir, SMMM
Partner

March 8, 2019
İstanbul, Türkiye

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2018

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

	Footnote References	Current Year Audited 31 December 2018	Prior Year Audited 31 December 2017
ASSETS			
Current Assets		**962.287.348**	**621.511.152**
Cash and cash equivalents	4	121.115.624	77.869.867
Trade receivables	7	404.061.560	292.032.347
Due from related parties	*6*	*11.620.379*	*11.793.094*
Other trade receivables		*392.441.181*	*280.239.253*
Other receivables	8	474.273	460.429
Inventories	9	375.439.716	215.644.519
Prepaid expenses	10	37.676.273	22.731.603
Assets relating to current tax	11	157.381	392.497
Other current assets	19	23.362.521	12.379.890
Non-Current Assets		**706.152.981**	**634.895.717**
Property, plant and equipment	12	401.535.401	364.827.920
Intangible assets		273.764.900	240.294.847
Goodwill	*14*	*1.782.731*	*1.782.731*
Other intangible assets	*13*	*271.982.169*	*238.512.116*
Prepaid expenses	10	25.190.986	19.873.407
Deferred tax assets	27	5.661.694	9.899.543
TOTAL ASSETS		**1.668.440.329**	**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 FINANCIAL POSITION (CONT'D)
AS OF 31 DECEMBER 2018

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

	Footnote References	Current Year Audited 31 December 2018	Prior Year Audited 31 December 2017
LIABILITIES			
Current Liabilities		**584.100.327**	**418.736.092**
Short term financial liabilities	5	307.211.508	85.579.373
Current portion of long term financial liabilities	5	135.655.554	211.358.682
Trade payables	7	85.699.382	67.025.460
Due to related parties	*6*	*5.713.990*	*3.682.174*
Other trade payables		*79.985.392*	*63.343.286*
Payables relating to the benefits provided to employees	18	6.339.968	9.516.685
Other payables	8	2.493.842	1.171.107
Other trade payables		*2.493.842*	*1.171.107*
Government grants and incentives	15	1.777.379	1.588.006
Deferred revenue	10	3.229.696	7.381.167
Current tax payable	27	897.933	335.180
Short term provisions		38.851.048	33.333.543
Provisions for benefits provided to employees	*18*	*25.384.459*	*24.022.259*
Other provisions	*16*	*13.466.589*	*9.311.284*
Other current liabilities	19	1.944.017	1.446.889
Non-Current Liabilities		**337.932.105**	**232.580.675**
Long term financial liabilities	5	284.710.473	191.355.369
Government grants and incentives	15	31.755.886	20.174.443
Deferred revenue	10	926.511	1.926.675
Long term provisions		20.539.235	19.124.188
Provisions for benefits provided to employees	*18*	*20.539.235*	*19.124.188*
EQUITY		**746.407.897**	**605.090.102**
Equity attributable to equity holders of the parent		**746.407.897**	**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 expense not to be reclassified to profit or loss		(4.670.933)	(6.655.491)
Actuarial loss arising from defined benefit plans		*(4.670.933)*	*(6.655.491)*
Other comprehensive expense to be reclassified to profit or loss		(696.642)	(446.344)
Currency translation reserve		*(696.642)*	*(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	121.753.960	25.988.867
Profit for the year		136.361.117	92.542.675
TOTAL LIABILITIES AND EQUITY		**1.668.440.329**	**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 OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Footnote References	Current Year Audited 1 January – 31 December 2018	Prior Year Reclassified (*) Audited 1 January – 31 December 2017
Revenue	21	1.040.677.048	800.295.112
Cost of revenue (-)	21	(518.658.672)	(455.093.332)
GROSS PROFIT		**522.018.376**	**345.201.780**
Marketing, sales and distribution expenses (-)	22	(148.395.640)	(117.878.135)
General administration expenses (-)	22	(92.408.761)	(68.745.707)
Research and development expenses (-)	22	(35.783.934)	(28.830.671)
Other operating income	24	48.479.653	22.704.331
Other operating expenses (-)	24	(16.673.492)	(7.119.416)
OPERATING PROFIT		**277.236.202**	**145.332.182**
Investment income	25	551.139	10.195.637
Investment expenses (-)	25	-	(754.332)
PROFIT BEFORE FINANCE EXPENSES		**277.787.341**	**154.773.487**
Finance expenses (-)	26	(121.817.774)	(60.193.739)
PROFIT BEFORE TAXATION		**155.969.567**	**94.579.748**
Tax income / (expense)		**(19.608.450)**	**(2.037.073)**
Current tax expense	27	(16.839.235)	(904.478)
Deferred tax expense	27	(2.769.215)	(1.132.595)
NET PROFIT FOR THE YEAR		**136.361.117**	**92.542.675**
Distribution of profit for the year			
Equity holders of the parent		136.361.117	92.542.675
		136.361.117	**92.542.675**
Profit per share	28	**0,0068**	**0,0046**
Diluted profit per share	28	**0,0068**	**0,0046**

(*) Explanations on reclassification of prior period financial statements are made in Note 2.4

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Footnote References	Current Year Audited 1 January – 31 December 2018	Prior Year Audited 1 January – 31 December 2017
Net profit for the year		**136.361.117**	**92.542.675**
Other Comprehensive Loss			
Items not to be reclassified subsequently to profit or loss		**1.984.558**	**(95.078)**
Actuarial gain / (loss) arising from defined benefit plans	18	2.544.305	(118.848)
Tax effect other comprehensive income not to be reclassified to profit or loss	27	(559.747)	23.770
Items that may be reclassified subsequently to profit or loss		**(250.298)**	**(205.008)**
Change in foreign currency translation reserve		(250.298)	(205.008)
OTHER COMPREHENSIVE (LOSS) / INCOME		**1.734.260**	**(300.086)**
TOTAL COMPREHENSIVE INCOME		**138.095.377**	**92.242.589**
Total comprehensive income attributable to:		**138.095.377**	**92.242.589**
Non - controlling interest		-	-
Equity holders of the parent		138.095.377	92.242.589

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 YEAR ENDED 31 DECEMBER 2018

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

						Other comprehensive income (expense) not to be reclassified to profit or loss	Other comprehensive income (expense) to be reclassified to profit or loss			Accumulated profit / (deficit)				
	Notes	Paid in capital	Inflation adjustment to share capital	Buy-backed shares (-)	Premium in excess of par	Actuarial 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 year	Total equity attributable to equity holders of the parent	Non - controlling interest	Total shareholder's equity
Balance as of 1 January 2017	20	200.019.288	140.080.696	(28.847)	2.870.803	(6.360.413)	(241.336)	150.884.955	(346.500)	(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		-	-	-	-	(95.078)	(205.008)	-	-	-	92.542.675	92.242.589	-	92.242.589
Actuarial loss arising from defined benefit plans		-	-	-	-	(95.078)	-	-	-	-	-	(95.078)	-	(95.078)
Currency translation reserve		-	-	-	-	-	(205.008)	-	-	-	-	(205.008)	-	(205.008)
Profit for the year		-	-	-	-	-	-	-	-	-	92.542.675	92.542.675	-	92.542.675
Balance as of 31 December 2017	20	200.019.288	140.080.696	(28.847)	2.870.803	(6.455.491)	(446.344)	150.884.955	(346.500)	25.988.867	92.542.675	605.090.102	-	605.090.102
Balance as of 1 January 2018	20	200.019.288	140.080.696	(28.847)	2.870.803	(6.455.491)	(446.344)	150.884.955	(346.500)	25.988.867	92.542.675	605.090.102	-	605.090.102
Adjustment for change in accounting policy (Note 2)		-	-	-	-	-	-	-	-	3.222.418	-	3.222.418	-	3.222.418
Transfer to retained earnings		-	-	-	-	-	-	-	-	92.542.675	(92.542.675)	-	-	-
Total comprehensive income		-	-	-	-	1.984.558	(250.298)	-	-	-	136.361.117	138.095.377	-	138.095.377
Actuarial gain arising from defined benefit plans		-	-	-	-	1.984.558	-	-	-	-	-	1.984.558	-	1.984.558
Currency translation reserve		-	-	-	-	-	(250.298)	-	-	-	-	(250.298)	-	(250.298)
Profit for the year		-	-	-	-	-	-	-	-	-	136.361.117	136.361.117	-	136.361.117
Balance as of 31 December 2018	20	200.019.288	140.080.696	(28.847)	2.870.803	(4.470.933)	(696.642)	150.884.955	(346.500)	121.753.960	136.361.117	746.407.897	-	746.407.897

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 YEAR ENDED 31 DECEMBER 2018
(Amounts expressed in Turkish Lira "TRY" unless otherwise stated.)

	Footnote References	Current Year Audited 1 January – 31 December 2018	Prior Year Audited 1 January – 31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES		**130.983.784**	**110.844.831**
Profit for the year		136.361.117	92.542.675
Adjustments to Reconcile Profit (Loss)		**326.687.697**	**136.084.873**
Adjustments for depreciation and amortisation expense	21 - 23	34.893.326	30.887.897
Adjustments for Impairment Loss (Reversal of Impairment Loss)		**54.018.027**	**22.172.083**
Adjustments for Impairement Loss (Reversal of Impairment Loss) of Receivables	7-8	1.298.137	(1.918.933)
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	(211.502)	(1.859.774)
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Other Intangible Assets	13	52.931.392	25.950.790
Adjustments for Provisions		**63.688.618**	**48.557.974**
Adjustments for (Reversal of) Provisions Related with Employee Benefits	18	22.639.400	12.141.175
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	16	5.816.813	3.284.530
Adjustments for (Reversal of) Other Provisions	16	35.232.405	33.132.269
Adjustments for Interest (Income) Expenses		**101.736.953**	**48.494.903**
Adjustments for interest income	24	(7.128.919)	(5.008.140)
Adjustments for interest expense	26	108.865.872	53.503.043
Adjustments for Tax (Income) Expenses	27	**19.608.450**	**2.037.073**
Other Adjustments for Non-Cash Items		**(8.761.095)**	**(9.329.590)**
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		**(551.139)**	**(9.441.305)**
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets	25	(551.139)	(9.441.305)
Other adjustments for Which Cash Effects are Investing or Financing Cash Flow		**64.068.902**	**5.866.521**
Other Adjustments to Reconcile Profit (Loss)		**(2.014.345)**	**(3.160.683)**
Changes in Working Capital		**(284.952.999)**	**(83.429.659)**
Adjustments for Decrease (Increase) in Trade Accounts Receivable		**(100.971.290)**	**(78.383.414)**
Decrease (Increase) in Trade Accounts Receivables from Related Parties		172.715	(7.164.545)
Decrease (Increase) in Trade Accounts Receivables from Other Parties		(101.144.005)	(71.218.869)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		**(1.311.981)**	**1.828.842**
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations		(1.311.981)	1.828.842
Adjustments for Decrease (Increase) in Inventories		**(154.528.259)**	**(27.418.309)**
Decrease (Increase) in Prepaid Expenses		**(14.944.670)**	**(10.677.619)**
Adjustments for Increase (Decrease) in Trade Accounts Payable		**18.673.922**	**21.104.389**
Increase (Decrease) in Trade Accounts Payables to Related Parties		2.031.816	978.885
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties		16.642.106	20.125.504
Increase (Decrease) in Employee Benefit Liabilities		**(3.176.717)**	**991.978**
Adjustments for Increase (Decrease) in Other Operating Payables		**1.322.735**	**295.421**
Increase (Decrease) in Other Operating Payables to Other Parties		1.322.735	295.421
Increase (Decrease) in Deferred Income		(5.151.635)	3.680.837
Other Adjustments for Other Increase (Decrease) in Working Capital		**(24.865.104)**	**5.148.216**
Decrease (Increase) in Other Assets Related with Operations		(10.747.515)	3.455.309
Increase (Decrease) in Other Payables Related with Operations		(14.117.589)	1.692.907
Cash Flows from (used in) Operations		**178.095.815**	**145.197.889**
Payments Related with Provisions for Employee Benefits	18	(18.979.755)	(10.053.521)
Payments Related with Other Provisions	16	(28.132.276)	(24.299.537)

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 YEAR ENDED 31 DECEMBER 2018 (CONT'D)

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

	Footnote References	Current Year Audited 1 January – 31 December 2018	Prior Year Audited 1 January – 31 December 2017
CASH FLOWS FROM INVESTING ACTIVITIES		**(156.963.627)**	**(113.203.174)**
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		**600.939**	**16.706.795**
Proceeds from Sales of Property, Plant and Equipment	12-25	600.939	16.706.795
Purchase of Property, Plant, Equipment and Intangible Assets		**(159.105.130)**	**(126.005.355)**
Purchase of Property, Plant and Equipment	12	(69.760.130)	(77.838.418)
Purchase of Intangible Assets	13	(89.345.000)	(48.166.937)
Cash Advances and Loans Made		**(5.317.579)**	**(7.779.319)**
Other Cash Advances and Loans Made to Other Parties	10	(5.317.579)	(7.779.319)
Proceeds from Government Grants	15	6.858.143	3.874.705
CASH FLOWS FROM FINANCING ACTIVITIES		**69.536.516**	**52.857.113**
Proceeds from Loans		**1.129.699.805**	**890.923.485**
Proceeds from borrowings		985.232.680	890.923.485
Proceeds From Issue of Debt Instruments		144.467.125	-
Loan Repayments		**(985.393.640)**	**(805.493.680)**
Repayments of borrowings		(854.624.049)	(790.551.535)
Payments of Issued Debt Instruments		(130.769.591)	(14.942.145)
Interest paid		**(81.959.186)**	**(37.480.729)**
Interest received	24	**7.189.537**	**4.908.037**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**43.556.673**	**50.498.770**
Effect of exchange rate changes on cash and cash equivalents		(250.298)	(205.008)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**43.306.375**	**50.293.762**
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	**121.029.521**	**77.723.146**

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 YEAR ENDED 31 DECEMBER 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 year ended 31 December 2018 is 2.176 (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 December 2018, it owns 82,2% of the shares of Deva (31 December 2016: 82,2%). In 26 May 2011 the Company's issued share capital is raised from TRY 180.070.656 to TRY 200.000.000. TRY 16.384.384 of the total amount raised was paid in cash by Eastpharma S.A.R.L. and the remaining amount, TRY 3.544.960, was paid by other shareholders .The ultimate shareholders of Eastpharma S.A.R.L. are the funds controlled by Global Equities Management S.A.

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

As of 31 December 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):

Name	(%)	31 December 2018	(%)	31 December 2017
Eastpharma S.A.R.L.	82,2	164.424.760	82,2	164.424.760
Other	17,8	35.594.528	17,8	35.594.528
Nominal capital	100,0	200.019.288	100,0	200.019.288
Inflation adjustment to share capital		140.080.696		140.080.696
Buy-backed shares (-)		(28.847)		(28.847)
Adjusted share capital		340.071.137		340.071.137

(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 YEAR ENDED 31 DECEMBER 2018

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

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

Subsidiaries

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

	Effective Ownership		
Company	31 December 2018 (%)	31 December 2017 (%)	Line of activity
Devatis Ltd	100	100	Distribution and sale of human and veterinary pharmaceuticals in New Zealand and Australia
Devatis Inc	100	100	Distribution and sale of human and veterinary pharmaceuticals in USA
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

(*) 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 Inc.
Devatis Gmbh
Devatis A.G

(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 YEAR ENDED 31 DECEMBER 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 177 pharmaceutical molecules in 343 pharmaceutical forms. Of these 9 molecules (in 12 presentation forms) are manufactured and marketed by using license rights.

As of 31 December 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 76 pharmaceutical molecules in 112 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 8 March 2019. 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 YEAR ENDED 31 DECEMBER 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 ("TCC") and tax legislation. Subsidiaries operating in foreign country maintain their books of accounts in the currency of the country in which they operate and prepare their statutory financial statements in accordance with the legislation effective in these countries.

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

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

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

Presentation and Functional Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Turkish Lira, which is the functional and presentation currency of the Group. Financial statements of subsidiary operating in foreign country (Functional currency of Devatis Ltd is New Zelland Dollar and functional currency of Devatis Inc is U.S. 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.

As of December 31, 2018 and December 31, 2017, the details for the period end and average US dollar, Euro and New Zealand dollar are as follows:

	Year ended		Average	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
USD/TRY	5,2609	3,7719	4,8301	3,6445
EUR/TRY	6,0280	4,5155	5,6789	4,1159
NZD/TRY	3,5488	2,6887	3,3425	2,5911

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 Economics" 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 YEAR ENDED 31 DECEMBER 2018

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

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

Consolidation

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

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

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

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

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

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

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

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

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

Changes in the Accounting Policies

Changes made in the accounting policies are applied retrospectively and prior year financial statements are restated. There are no changes in the Group's accounting policies during the reporting period except for restating the previous periods of TFRS 9 and TFRS 15.

(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 YEAR ENDED 31 DECEMBER 2018

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

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

2.1 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.

2.2 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2018 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, 2018. 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, 2018 are as follows:

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 is effective for annual periods beginning on or after 1 January 2018. The Group adopted TFRS 15 using modified retrospective approach and disclosed the impact of the standard on financial position and performance of the Group.

- TFRS 15's effects as of December 31, 2018 are as follows:

	Before the change	The effect of new standard	After the change
Trade receivables	133.210.820	5.950.299	139.161.119
Discount on notes receivables (-)	(5.958.037)	5.958.037	-
Deferred tax assets	8.281.528	(2.619.834)	5.661.694
Total assets	***1.659.151.827***	***9.288.502***	**1.668.440.329**
Retained earning	*(118.531.542)*	*(3.832.851)*	*(122.364.393)*
Other operating income	*6.994.424*	*(6.994.424)*	-
Deferred tax expense	*1.230.441*	*1.538.773*	*2.769.214*
Equity	***(737.119.395)***	***(9.288.502)***	***(746.407.897)***

(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 YEAR ENDED 31 DECEMBER 2018

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

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

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

i) The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows (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. The Group adopted TFRS 9 using modified retrospective approach and disclosed the impact of the standard on financial position or performance of the Group in below:

	1 January 2018 – Before the change	The effect of new standard	1 January 2018– After the change
Deferred tax assets	9.899.543	172.174	10.071.717
Provision for doubtful receivables	(5.984.754)	(782.607)	(6.767.361)
Total Assets	***1.256.406.867***	***(610.433)***	***1.255.796.434***
Retained Earnings	*(118.531.543)*	*610.433*	*(117.921.109)*
Equity	***(605.090.102)***	***610.433***	***(604.479.669)***

The effects of TFRS 9 has evaluated as of January 1, 2018 and any additional provision for trade receivable impairment has not been recorded as of December 31, 2018.

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 applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did 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 19 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. The interpretation did 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 YEAR ENDED 31 DECEMBER 2018

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

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

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

i) The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows (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 applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the 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 applied for annual periods beginning on or after 1 January 2018. The amendments did not have an impact on the financial position or performance of the Group.

Annual Improvements to TFRSs - 2014-2016 Cycle

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

- 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 applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

ii) 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

(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 YEAR ENDED 31 DECEMBER 2018

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

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

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

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

TFRS 16 Leases

The IASB has published a new standard, TFRS 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 TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. The Group is in the process of assessing the impact of the standard on the financial position and performance of the Group, the explanation of preliminary analyses is as follows:

Transition to TFRS 16:

The Group plans to adopt TFRS 16 using the modified retrospective approach. The Group will elect to apply the standard to contracts that were previously identified as leases applying TAS 17. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17. The Group plans to elect to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

The Group has performed a detailed impact assessment of TFRS 16 in 2018. In summary the impact of TFRS 16 adoption is expected to be, as follows:

Impact on the consolidated statement of financial position (increase/(decrease)) as at 31 December 2018:

Assets	
Property, plant and equipment (right-of-use assets)	18.724.552
Liabilities	
Lease liabilities	18.724.552

Due to the adoption of TFRS 16, the Group's operating profit will improve, while its finance cost will increase. This is due to the change in accounting for expenses of leases that were classified as operating leases under TAS 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 YEAR ENDED 31 DECEMBER 2018

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

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

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

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

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 amendments are not applicable for 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. The Group will wait until the final amendment to assess the impacts of the changes.

TFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "TAS 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.

(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 YEAR ENDED 31 DECEMBER 2018

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

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

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

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

Annual Improvements – 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

- TFRS 3 Business Combinations and TFRS 11 Joint Arrangements — The amendments to TFRS 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 TFRS 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.
- TAS 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.
- TAS 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 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.

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

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement" 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, early 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.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying TFRS 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 YEAR ENDED 31 DECEMBER 2018

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

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

2.2 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)

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.

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.

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. 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.

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and 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

(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 YEAR ENDED 31 DECEMBER 2018

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

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

2.3 Summary of Significant Accounting Policies

a. Revenue Recognition

Group recognizes revenue when the goods or services are transferred to the customer and when performance obligation is fulfilled. Goods are counted to be transferred when the control belongs to the customer.

Group recognizes revenue based on the following five main principles:

(a) Identification of customer contracts
(b) Identification of performance obligations
(c) Determination of transaction price in the contract
(d) Allocation of price to performance obligations
(e) Recognition of revenue when the performance obligations are fulfilled

Pharmacy warehouses are the customers whose normal operating output is obtained by the Group. Revenues are obtained from product sales to these distribution warehouses. Revenue is recognized on an accrual basis at the fair value of the consideration expected to be received or received as a result of delivery, reliable determination of the amount of revenue and the probable economic benefits to be transferred to the Group. There are no separate contracts with pharmaceutical warehouses and the warehouses are considered as a single group.

The Group, which has a single performance obligation within the scope of the goods and services decomposition, does not make a distinction in terms of individual performance criteria and obligations.

Pharmaceuticals prices are determined in accordance with the Communiqué on the Pricing of Pharmaceuticals for Human Use published by the Ministers. Gross sales; includes sales discounts, sales volume discounts and free product incentives. These variables are deducted from the proceeds at the first registration stage.

Sales discounts are issued instantly with a fixed percentage and the period is deducted from sales revenue. Sales discount percentage varies according to the product sold.

Volume discount is determined by a fixed percentage of sales during the period and total sales made during the period. Volume discount percentages vary according to pharmaceutical warehouses. Estimates of volume discounts are based on a fixed rate of realized invoiced sales in each period and the period is deducted from sales revenue.

There is no application in the form of a refund with the pharmaceutical warehouses for the recovery of the products. At the end of the period, if such products are available and possible, they are sent to the pharmaceutical warehouses instead of the return application by means of free product promotion.

In addition, the Group provides incentives in the form of free products to pharmaceutical warehouses. The free product incentives provide the distribution of the products provided by the pharmaceutical warehouses to the customers free of charge. At the end of each period, pharmaceutical warehouses shall inform the Group of the total amount of free products they provide to their customers. The discount amount (the amount to be deducted from the debt of the pharmaceutical store) is estimated and deducted from the income according to the amount of free products given within the period.

(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 YEAR ENDED 31 DECEMBER 2018

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

a. Revenue Recognition (cont'd)

Group recognizes revenue from its customers only when all of the following criteria are met:

(a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
(b) Group can identify each party's rights regarding the goods or services to be transferred,
(c) Group can identify the payment terms for the goods or services to be transferred;
(d) The contract has commercial substance,
(e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

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.

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 cannot be reused based on R&D and quality evaluations, and allocates provision in the inventory accounts for the related products in the financial statements. As of 31 December 2018, the total amount of extermination and diminishing value of these provisions is TRY 9.593.628 (31 December 2017: TRY 9.805.130). (Note 9)

c. Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated amortization and any permanent impairment loss. Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences by straight-line method when assets are ready for their intended use, as their useful lifes explained in Note 12.

(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 YEAR ENDED 31 DECEMBER 2018

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

b. Property, Plant and Equipment (cont'd)

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 or 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).

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.

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.

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

(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 YEAR ENDED 31 DECEMBER 2018

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

e. Intangible Assets (cont'd)

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.

f. Impairment of Non-Financial Assets

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

g. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recorded in the income statement in the period in which they are incurred. Assets that necessarily take a substantial period of time to get ready for intended use or sale of the Group are license development costs. Transformation of these costs to be ready for sale state may take more than one financial year. Borrowing costs incurred for development costs are added to cost of the related asset until it is ready for sale. During the year ended 31 December 2018, TRY 4.002.358 (31 December 2017: TRY 2.572.956) amount was capitalized on these qualifying assets (Note 13). The weighted average capitalization rate on funds borrowed is 5,5% per annum (31 December 2017: 7,4% for twelve months period). 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.

(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 YEAR ENDED 31 DECEMBER 2018

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

h. Financial Instruments

(i) Financial assets

Classification

The Group classifies its financial assets in three categories; through amortization, through fair value difference reflected in other comprehensive income and through financial assets at fair value through profit and loss. The classification is based on the business model used by the entity for the management of financial assets and the characteristics of the contractual cash flows of the financial assets. The Group classifies its assets at the date of the purchase.

Financial assets are not reclassified after initial recognition unless the business model that the Group uses in the management of financial assets change, and in case of a change in business model, the financial assets are reclassified on the first day of the following reporting period.

Recognition and Measurement

Financial assets measured at amortised cost is a non-derivative financial asset that is held as part of a business model that aims to collect contractual cash flows and that have cash flows that include interest payments on principal dates and principal balances on certain dates under contractual terms. The Group's financial assets which are recognized at amortised cost include, "cash and cash equivalents", "trade receivables", "trade payables", "other receivables", "financial investments. The aforementioned assets are measured at their fair values in the initial recognition of financial assets and discounted values by using the effective interest rate method in the subsequent accounting. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortised cost are recognized in the consolidated statement of profit and loss

"Financial assets whose fair value difference is reflected in other comprehensive income", is a non-derivative financial asset that includes cash flows that are held only on principal dates and interest on certain dates under contractual terms and that are held within a business model aimed at collecting contractual cash flows and selling the financial assets. Gains or losses arising from the aforementioned financial assets are recognized in other comprehensive income with the exception of impairment gain or loss and foreign exchange gain or loss. For investments in equity-based financial assets, the Group may irrevocably choose the method of reflecting the subsequent changes in the fair value of other comprehensive income in the financial statements for the first time. In the event that such preference is made, dividends received from related investments are recognized in the consolidated statement of profit and loss. Financial assets at fair value through profit and loss are comprised of financial assets measured at amortized cost except for the financial assets at fair value through profit and loss. Gains and losses arising from the valuation of the aforementioned assets are recognized in the consolidated income statement.

Financial Exclusion

The Group derecognizes a financial asset when the Group discontinues its rights to cash flows in accordance with the contract for financial assets or, when the related rights are transferred by a trading transaction to the ownership of all risks and rewards of the financial asset. Any rights created or held by the Group in respect of the financial assets transferred by the Group are recognized as a separate asset or liability.

(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 YEAR ENDED 31 DECEMBER 2018

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

h. Financial Instruments (cont'd)

Impairment

Impairment on financial assets and contractual assets is calculated by using a method called Expected Loan Loss (ELL). This impairment model is applied to amortised cost financial assets and contractual assets.

Loss provisions were measured on the following basis;

12 month ELL; is the ELL of the possible default events within 12 months of the reporting date.
Lifetime ELL; is the expected loss of loans resulting from all possible default events during the expected life of a financial instruments.

The expected lifetime loan loss measurement is applied when the credit risk associated with a financial asset is significantly increased at the reporting date. In all other cases where the related increase has not occurred, 12-Month ELL calculation has been applied. The Group may determine that the credit risk of the financial asset does not increase significantly if the credit risk of the financial asset has a low credit risk at the reporting date. Nevertheless, the ELL measurement (with a simplified approach) is always applicable to trade receivables and contract assets without a significant financing element.

Recognition and Measurement

Financial assets that are purchased and sold normally are recorded at the date of sale. The date of the purchase is the date is the date which the Group commits to purchase or sell the asset. Financial assets except for financial assets at fair value through profit and loss are initially recognized at fair value plus transaction costs. When the cash flow purchase rights arising from financial assets expire or are transferred and the Group transfers all the risks and rewards, the financial assets are excluded from the balance sheet. Financial assets that are available for sale are subsequently accounted for at their fair values. Loans and receivables are carried at amortised cost using the effective interest method.

(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.

(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 YEAR ENDED 31 DECEMBER 2018

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

h. Financial Instruments (cont'd)

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).

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.

Non-controlling interests that represent the shareholder shares and give the owners the right to exercise a certain share of the net assets of the enterprise in the event of liquidation are first measured at their fair values or at the amount of the identifiable net assets of the acquired entity that are accounted for in the non-controlling interests. The measurement basis is determined by each process. Other types of non-controlling interests are measured at fair value, or, where applicable, in accordance with the procedures specified in another TFRS standard. Where the price transferred by the Group in a business combination also includes the contingent consideration, the contingent consideration is measured at its fair value on the acquisition date and included in the consideration transferred in the business combination. If adjustments are required to be made in the fair value of the contingent consideration as a result of additional information generated during the measurement period, this correction is corrected retrospectively from goodwill. The measurement period is the period after which the acquirer can correct the temporary amounts recognized by the acquirer in the business combination. This period cannot be more than 1 year from the date of purchase.

(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 YEAR ENDED 31 DECEMBER 2018

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

i. Business Combinations (cont'd)

The subsequent recognition of changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments shall vary according to the classification for the contingent consideration. Contingent consideration that is classified as equity is not remeasured and the subsequent payment is recognized in equity. If the contingent consideration classified as an asset or a liability is a financial instrument and is within the scope of TAS 39 Financial Instruments: Recognition and Measurement, the contingent consideration is measured at fair value and the gain or loss arising from the change is recognized in profit or loss or other comprehensive income. Those who are not included in TAS 39 are accounted for in accordance with TAS 37 Provisions, Contingent Liabilities and Assets or other appropriate IFRS.

In a progressive business combination, the Group is re-measured at the date of acquisition (ie on the date of control of the Group) to bring the equity share held by the Group at fair value to the fair value and, if any, the gain / loss arising, if any, in profit / loss It accounted for. Amounts arising from the share of the acquired entity recognized prior to the acquisition date in other comprehensive income are transferred to profit / loss under the assumption that such shares are disposed.

Where the acquisition accounting for a business combination cannot be completed at the end of the reporting period at which the merger occurred, the Group reports temporary amounts for items for which the accounting transaction could not be completed. These provisional reported amounts are adjusted in the measurement period or additional assets or liabilities are recognized to reflect the new information that may have an impact on the amounts recognized at the date of acquisition and related to the events and circumstances that occurred at that time.

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. 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 YEAR ENDED 31 DECEMBER 2018

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

l. Foreign Currency Transactions

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.

(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 YEAR ENDED 31 DECEMBER 2018

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

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.

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.

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., 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 YEAR ENDED 31 DECEMBER 2018

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

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

2.3 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 YEAR ENDED 31 DECEMBER 2018

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

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

2.3 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 YEAR ENDED 31 DECEMBER 2018

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

z. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the entity's accounting policies

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

Recoverability of internally-generated intangible assets

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

During the period, management reconsidered the recoverability of its internally-generated intangible assets. Management believes the projects will continue as expected and based on this analysis management continues to anticipate similar revenues from the projects. Management is confident that the carrying amount of the assets will be recovered in full, even if estimated revenues are reduced. This situation is closely monitored by management, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate. During the year ended 31 December 2018, the Group Management has recognized net book value of TRY 52.931.392 an impairment loss, and written-off the impaired amount from capitalized development costs and product licenses and rights (31 December 2017: TRY 25.950.790) (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 YEAR ENDED 31 DECEMBER 2018

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

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

Deferred tax assets

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realised. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realise the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilise some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognised. As of 31 December 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 2018, 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 20.9% per annum. Cash flows beyond that five-year period have been extrapolated by using a steady real growth rate of 7.7% which inflation rate forecast between the years 2024-2028 for Turkey. The impairment testing is performed annually.

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

As at 31 December 2018, there were no indicators of impairment and therefore the Group did not test goodwill for impairment. As at 31 December 2018, 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 YEAR ENDED 31 DECEMBER 2018

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

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

2.3 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 YEAR ENDED 31 DECEMBER 2018

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

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

2.4 Comparative informations and restatement of prior period financial statements

The Group's current period financial statements are prepared comparatively with the previous period. Rediscount interest income and rediscount interest expense recognized under prior year other operating income and prior year other operating expense have been netted off in order to confirm with presentation of current year financial statements.

	1 January 2018 – Previously report	**Reclassified amount**	**Reclassified**
Other operating income	55.622.462	(55.622.462)	-
Other operating expense (-)	(56.751.873)	55.622.462	(1.129.411)

(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 YEAR ENDED 31 DECEMBER 2018

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

3. SEGMENTAL INFORMATION

As of 31 December 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 December 2018	Human pharma	Veterinary products	Other	Total
External sales	962.599.626	61.090.115	16.987.307	1.040.677.048
Cost of sales	(467.201.147)	(39.521.654)	(11.935.871)	(518.658.672)
Operating expenses	(265.966.252)	(9.472.024)	(1.150.059)	(276.588.335)
Segment results	229.432.227	12.096.437	3.901.377	245.430.041
Other operating income				48.479.653
Other operating expenses (-)				(16.673.492)
Investment income				551.139
Finance expenses (-)				(121.817.774)
Income tax expense (-)				(19.608.450)
Profit for the year				**136.361.117**

Distribution of the Group's products by the two largest wholesalers in the Turkish market corresponded to approximately 26% and 39% of the revenues of the Human Pharmaceuticals business line derived from Turkey (31 December 2017: 27% and 38%). As of 31 December 2018, two customers represented 20% and 30% 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 YEAR ENDED 31 DECEMBER 2018

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

3. SEGMENTAL INFORMATION (cont'd)

31 December 2017	Human pharma	Veterinary products	Other	Total
External sales	742.659.989	47.881.260	9.753.863	800.295.112
Cost of sales	(416.080.051)	(30.824.735)	(8.188.546)	(455.093.332)
Operating expenses	(205.147.454)	(8.838.069)	(1.468.990)	(215.454.513)
Segment results	121.432.484	8.218.456	96.327	129.747.267
Other operating income				22.704.331
Other operating expenses (-)				(7.119.416)
Investment income				10.195.637
Investment expenses (-)				(754.332)
Finance expenses (-)				(60.193.739)
Income tax expense (-)				(2.037.073)
Profit for the year				**92.542.675**

4. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Petty cash	91.959	67.952
Cash in banks	120.937.562	77.655.194
Demand deposits	*20.365.590*	*7.252.121*
Time deposits	*100.571.972*	*70.403.073*
Cash and cash equivalents in cash flow statement	121.029.521	77.723.146
Interest income accruals	86.103	146.721
	121.115.624	77.869.867

As of 31 December 2018, the Group has Euro US Dollar and TRY time deposits. The average interest rate for, Euro time deposit is 2,98% US Dollar time deposit is 2,24% and TRY time deposit is %23,22 (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 December 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 YEAR ENDED 31 DECEMBER 2018

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

5. FINANCIAL LIABILITIES

	31 December 2018	31 December 2017
Short term bank loans	307.211.508	85.579.373
Current portion of long term loans	124.438.885	108.617.359
Current portion of bonds issued (*)	11.216.669	102.741.323
Total short term financial liabilities	442.867.062	296.938.055
Long term portion of bank loans	140.115.298	191.355.369
Bonds issued (*)	144.595.175	-
Total long term financial liabilities	284.710.473	191.355.369
Total financial liabilities	727.577.535	488.293.424

(*)The Group issued corporate bonds amounting to TRY 80.000.000 with two years maturity, quarterly floating interest rate and coupon payments and 65.000.000 with three years maturity, quarterly floating interest rate and coupon payments. The bonds were sold on 7 May 2018 only to qualified investors. Annual simple yield of the bond is calculated by adding 325 basis points for TRY 80.000.000 bond and 350 basis points for TRY 65.000.000 bond over the annual compound yield of "reference government bond". As of issuance date, annual simple bond yield were %17,06 and %17,31 and compound bond yield were %18,19 and %18,47, respectively.

The effective interest rate of TRY 80.000.000 is 23,58% as at 31 December 2018 and discounted estimated future cash payments through the expected life of the financial liability is calculated as TRY 85.970.007.

The effective interest rate of TRY 65.000.000 is 23,86% as at 31 December 2018 and discounted estimated future cash payments through the expected life of the financial liability is calculated as TRY 69.841.837.

i) Bank loans and bonds issued

Repayment schedule of bank borrowings is as follows:

	31 December 2018	31 December 2017
Less than 1 year or to be paid on demand	442.867.062	296.938.055
To be paid between 1-2 years	195.492.151	66.909.471
To be paid between 2-3 years	57.675.839	57.478.137
To be paid between 3-4 years	29.189.542	47.189.983
To be paid between 4-5 years	2.352.941	19.777.778
	727.577.535	488.293.424

(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 YEAR ENDED 31 DECEMBER 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 December 2018	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2017
TRY	25,5%	288.547.668	288.547.668	TRY	14,3%	73.202.828	73.202.828
EUR	0,7%	2.500.000	15.070.000	EUR	0,8%	2.500.000	11.288.750
Accrued interest			3.593.840	Accrued interest			1.087.795
			307.211.508				85.579.373

Short term borrowings consist of spot and revolving line of credits with several banks and carry fixed and floating rate interests. As of 31 December 2018 and 31 December 2017, the total available lines of credits are TRY 1.478.610.515 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 December 2018	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2017
TRY	13,3%	110.408.617	110.408.617	TRY	12,1%	94.664.222	94.664.222
EUR	2,5%	1.023.714	6.170.948	EUR	2,5%	825.429	3.727.225
Accrued interest			7.859.320	Accrued interest			10.225.912
			124.438.885				108.617.359

(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 YEAR ENDED 31 DECEMBER 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 December 2018	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2017
TRY	15,3%	129.663.608	129.663.608	TRY	14,6%	178.903.555	178.903.555
EUR	2,5%	1.733.857	10.451.690	EUR	2,5%	2.757.571	12.451.814
			140.115.298				191.355.369

(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 YEAR ENDED 31 DECEMBER 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 short term and long term borrowings are as follows:

a) A loan of TRY 11.000.000 (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)

b) A loan of TRY 36.111.112 (2017: TRY 50.555.555) 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).

c) A loan of TRY 8.250.000 (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).

d) A loan of Euro 1.567.857 (2017: EUR 2.195.000) was drawn down on 25 May 2016. Repayments of interest and principal 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.

e) A loan of TRY 22.666.667 (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).

f) A loan of Euro 1.189.714 (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.

g) A loan of TRY 31.111.111 (2017: TRY 40.000.000) was drawn down on 16 January 2017. Repayments of interest and principal 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.

h) A loan of TRY 23.333.335 (2017: TRY 30.000.000) was drawn down on 27 April 2017. Repayments of interest and principal 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.

i) A loan of TRY 19.600.000 (2017: TRY 20.000.000) was drawn down on 9 October 2017. Repayments of interest and principal 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.

j) A loan of TRY 48.000.000 (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

(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 YEAR ENDED 31 DECEMBER 2018

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

5. FINANCIAL LIABILITIES (cont'd)

i) Bank loans (cont'd)

k) 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.

l) The Group has spot loans amounting to TRY 284.776.776 (2017: TRY 65.300.000), with an average interest of 25,50% and TRY 3.770.892 used to loans with no interest. (2017: TRY 7.902.828).

m) 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 December 2018, the amount of the notes receivables given as collateral is TRY 209.747.000 (31 December 2017: TRY 53.600.000).

ii) Obligations under finance leases

None (2017: 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 YEAR ENDED 31 DECEMBER 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 December 2018							
	Receivables				Payables			
	Current		Non-current		Current		Non-current	
Balances with related parties	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading
Shareholders								
East Pharma S.A.R.L.	-	-	-	-	5.713.990	-	-	-
Other	-	-	-	-	-	-	-	-
Other companies managed by ultimate parent								
Saba İlaç Sanayi ve Ticaret A.Ş.	11.620.379	-	-	-	-	-	-	-
	11.620.379	-	-	-	5.713.990	-	-	-

	1 January - 31 December 2018							
Transactions with related parties	Purchases	Goods/Services Sales	Interest received	Interest given	Rent income	Royalty expenses (*)	Other income (**)	Other expense
Shareholders								
East Pharma S.A.R.L.	19.443.925	-	-	-	-	22.216.464	-	-
Other companies managed by ultimate parent								
Saba İlaç Sanayi ve Ticaret A.Ş.	1.258.358	15.683.229	2.827.729	-	687.685	1.797.038	364.134	412.677
	20.702.283	15.683.229	2.827.729	-	687.685	24.013.502	364.134	412.677

(*) 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 10 August 2018, with an updated Valuation Report which is effective by April 2018. 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 YEAR ENDED 31 DECEMBER 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
Shareholders								
East Pharma S.A.R.L.	-	-	-	-	3.682.174	-	-	-
Other	-	-	-	-	-		-	-
Other companies managed by ultimate parent								
Saba İlaç Sanayi ve Ticaret A.Ş.	11.793.094	-	-	-	-	-	-	-
	11.793.094	-	-	-	3.682.174	-	-	-

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

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

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

(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 YEAR ENDED 31 DECEMBER 2018

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

6. RELATED PARTY TRANSACTIONS (cont'd)

Loans used by related parties for the year ended 31 December 2018 and 31 December 2017 are stated below:

	31 December 2018			
	Original currency	Maturity (Day)	Interest Rate %	Short term Payables
Loans used by related parties				
Subsidiaries				
Devatis Ltd	US Dollar	93	2,0%	344.366
	NZ Dollar	93	2,0%	3.015.500

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

Total amount of compensation benefits provided to directors and upper level managers, include the salaries, premiums and retirement pay for the year ended 31 December 2018 and 2017 are stated below:

Compensation of key management personnel	1 January-31 December 2018	1 January-31 December 2017
Salaries and short-term benefits	31.569.668	25.279.015
Long-term benefits	370.137	321.594
	31.939.805	25.600.609

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

7. TRADE RECEIVABLES AND PAYABLES

Trade Receivables

Current trade receivables	31 December 2018	31 December 2017
Trade receivables	146.347.107	87.978.754
Notes receivable	240.387.242	195.208.998
Discount on notes receivables (-)	-	(2.850.525)
Due from related parties (Note 6)	11.620.379	11.793.094
Other trade receivables	29.206	48.722
Income accruals (*)	12.863.613	5.838.058
Provision for doubtful receivables (-)	(7.185.987)	(5.984.754)
	404.061.560	292.032.347

As of 31 December 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 TUBİTAK (Scientific and Technological Research Council of Turkey). As of 31 December 2018 TUBITAK income accrual amounts to TRY 12.493.260 (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 December 2018	31 December 2017
Letter of guarantees received	42.752.699	27.980.140
	42.752.699	27.980.140

The Group's principal financial assets are trade and other receivables, and investments. The Group's credit risk is primarily attributable to its trade receivables. As of 31 December 2018, two customers represented 20% and 30% 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 11.620.379 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 year ended 31 December 2018 and 2017 is as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Balance at 1 January	5.984.754	6.269.025
Charge for the year	515.530	-
The effect of TFRS 9 (Note 2)	782.607	-
Collections	(96.904)	(284.271)
Balance at 31 December	7.185.987	5.984.754

(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 YEAR ENDED 31 DECEMBER 2018

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

7. TRADE RECEIVABLES AND PAYABLES (cont'd)

Trade Payables

Current trade payables	31 December 2018	31 December 2017
Trade payables	78.698.251	62.189.141
Notes payable	8.783	6.297
Due to related parties (Note: 6) (*)	5.713.990	3.682.174
Expense accruals (**)	1.195.786	614.025
Royalty expense accruals	82.572	533.823
	85.699.382	67.025.460

(*) As of 31 December 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 5.713.990 (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 December 2018, there is no payable amount to Eastpharma S.A.R.L. related with the raw material purchase from F. Hoffman – La Roche Ltd (31 December 2017: TRY 686.925).

(**)As of 31 December 2018, expense accruals include turnover premium provision amounts to TRY 613.287 (31 December 2017: TRY 434.204).

Notes payables consist of cheques given to suppliers with maturities less than 1 year. As of 31 December 2018 and 31 December 2017, the Group has no long term trade payables.

8. OTHER RECEIVABLES AND PAYABLES

Other current receivables	31 December 2018	31 December 2017
Other receivables	367.401	357.263
Due from personnel	92.541	88.224
Provision for other doubtful receivables (-)	(48.906)	(48.906)
Deposits and guarantees given	63.237	63.848
	474.273	460.429

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

	1 January-31 December 2018	1 January-31 December 2017
Balance at 1 January	48.906	1.967.839
Provisions no longer required	-	(1.918.933)
Balance at 31 December	48.906	48.906

Other current payables	31 December 2018	31 December 2017
Deposits and guarantees received	263.845	189.395
Other current payables	2.229.997	981.712
	2.493.842	1.171.107

(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 YEAR ENDED 31 DECEMBER 2018

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

9. INVENTORIES

	31 December 2018	31 December 2017
Raw materials	239.575.020	115.433.849
Work-in-progress	33.616.071	27.549.462
Finished goods	111.842.253	81.842.376
Other inventories	-	623.962
Allowance for diminution in value of inventories (-)	(9.593.628)	(9.805.130)
	375.439.716	215.644.519

As of 31 December 2018, insured inventory amounts to TRY 425.000.000 (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 December 2018	31 December 2017
Raw materials	5.918.977	7.165.619
Work-in-progress	788.665	502.448
Finished goods	2.885.986	2.137.063
	9.593.628	9.805.130

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

	1 January-31 December 2018	1 January-31 December 2017
Balance at 1 January	9.805.130	11.664.904
Provision for the year	9.599.814	6.055.477
Provision realised in year	(9.811.316)	(7.915.251)
Balance at 31 December	9.593.628	9.805.130

(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 YEAR ENDED 31 DECEMBER 2018

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

10. PREPAID EXPENSES AND DEFERRED REVENUE

Short term prepaid expenses	31 December 2018	31 December 2017
Advances given for inventory	28.770.977	16.721.657
Prepaid expenses	8.846.212	5.561.733
Business advances given	59.084	448.213
	37.676.273	22.731.603

Long term prepaid expenses	31 December 2018	31 December 2017
Advances given for property, plant & equip.	25.190.986	19.873.407
	25.190.986	19.873.407

Short term deferred revenue	31 December 2018	31 December 2017
Advances received	565.251	5.066.617
Deferred income	2.664.445	2.314.550
	3.229.696	7.381.167

Long term deferred revenue	31 December 2018	31 December 2017
Deferred income	926.511	1.926.675
	926.511	1.926.675

11. ASSETS RELATING TO CURRENT TAX

Current assets relating to current tax	31 December 2018	31 December 2017
Prepaid withholding tax	157.381	392.497
	157.381	392.497

(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 YEAR ENDED 31 DECEMBER 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
Acquisition cost									
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	-	-	-	-	281.221	5.284.495	-	64.194.414	69.760.130
Disposals	-	-	(96.585)	(7.077)	-	(4.553)	-	-	(108.215)
Transfers from construction in progress	-	162.675	6.880.826	36.258.193	-	-	-	(43.301.694)	-
Closing balance, 31 December 2018	28.270.583	2.342.912	181.800.001	411.531.356	1.910.382	34.938.935	272.848	31.736.617	692.803.634
Accumulated depreciation									
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 (*)	-	-	-	(3.139.473)	-	-	-	-	(3.139.473)
Depreciation charge for the year	-	(118.014)	(4.270.529)	(23.214.484)	(149.536)	(2.105.806)	(5.007)	-	(29.863.376)
Disposals	-	-	52.800	1.062	-	4.553	-	-	58.415
Closing balance, 31 December 2018	-	(505.231)	(35.168.990)	(230.228.084)	(1.259.522)	(23.877.539)	(228.867)	-	(291.268.233)
Carrying amount at 31 December 2018	28.270.583	1.837.681	146.631.011	181.303.272	650.860	11.061.396	43.981	31.736.617	401.535.401

(*) TRY 3.139.473, partial depreciation charge of machinery and equipment is directly attributable to development costs related to product licenses and rights. The balance is capitalized in cost value of intangible assets in respect of TAS 16 and TAS 38 (Note 13) as the projects are in progress as at 31 December 2018.

As of 31 December 2018, insured property, plant and equipment amounts to TRY 1.156.171.000 (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 YEAR ENDED 31 DECEMBER 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
Acquisition cost									
Opening balance,1 January 2017	28.270.583	630.237	154.592.020	330.425.671	5.751.454	27.728.001	272.848	17.699.604	565.370.418
Additions	-	100.000	-	-	387.990	1.988.536	-	75.361.892	77.838.418
Disposals	-	-	-	(15.489.290)	(4.510.283)	(57.544)	-	-	(20.057.117)
Transfers from construction in progress	-	1.550.000	20.423.740	60.343.859	-	-	-	(82.317.599)	-
Closing balance, 31 December 2017	28.270.583	2.280.237	175.015.760	375.280.240	1.629.161	29.658.993	272.848	10.743.897	623.151.719
Accumulated depreciation									
Opening balance,1 January 2017	-	(342.684)	(27.169.961)	(188.634.368)	(4.681.956)	(20.141.139)	(218.853)	-	(241.188.961)
Reclassifications (*)	-	-	-	(1.930.575)	-	-	-	-	(1.930.575)
Depreciation charge for the year	-	(44.533)	(3.781.300)	(21.767.249)	(713.392) 0	(1.684.409) 0	(5.007) #	-	(27.995.890)
Disposals	-	-	-	8.457.003	4.285.362	49.262	-	-	12.791.627
Closing balance, 31 December 2017	-	(387.217)	(30.951.261)	(203.875.189)	(1.109.986)	(21.776.286)	(223.860)	-	(258.323.799)
Carrying amount at 31 December 2017	28.270.583	1.893.020	144.064.499	171.405.051	519.175	7.882.707	48.988	10.743.897	364.827.920

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

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

The Group's headquarter building and factory and other buildings located in Kocaeli Kartepe and Tekirdağ Çerkezköy and land in Çerkezköy are pledged against the borrowings used at an amount of TRY 55.000.000, TRY 20.000.000, TRY 35.000.000, TRY 34.000.000, TRY 8.400.000 and TRY 16.200.000 respectively (Note 17).

(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 YEAR ENDED 31 DECEMBER 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 21.039.519 (2017: TRY 19.606.037) has been charged to 'cost of goods sold', TRY 13.853.807 (2017: TRY 11.281.860) to 'operating expenses' and TRY 5.055.436 is capitalized on inventory (2017: TRY 4.085.782).

13. INTANGIBLE ASSETS

	Product Licenses and Rights	Customer Relationship	Capitalized Development Costs	Total
Acquisition cost				
Opening balance, 1 January 2018	169.706.786	3.730.513	142.004.154	315.441.453
Reclassifications (*)	-	-	3.139.473	3.139.473
Additions (**)	22.061.763	-	71.285.595	93.347.358
Transfers from construction in progress	13.844.883	-	(13.844.883)	-
Disposals	(14.874.720)	-	(41.698.354)	(56.573.074)
Closing balance, 31 December 2018	190.738.712	3.730.513	160.885.985	355.355.210
Accumulated amortization				
Opening balance, 1 January 2018	(57.236.389)	(1.771.990)	(17.920.958)	(76.929.337)
Amortization charge for the year	(9.898.862)	(186.524)	-	(10.085.386)
Disposals	3.641.682	-		3.641.682
Closing balance, 31 December 2018	(63.493.569)	(1.958.514)	(17.920.958)	(83.373.041)
Carrying amount, 31 December 2018	127.245.143	1.771.999	142.965.027	271.982.169

(*) TRY 3.139.473, partial depreciation charge of machinery and equipment is directly attributable to development costs related to product licenses and rights and is capitalized in cost value of intangible assets in respect of TAS 16 and TAS 38 as the projects are in progress as at 31 December 2018 (Note 12).

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

As of 31 December 2018, capitalized financial expense amounts to TRY 4.002.358 (31 December 2017: TRY 2.572.956).

(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 YEAR ENDED 31 DECEMBER 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
Acquisition cost				
Opening balance, 1 January 2017	144.258.265	3.730.513	143.115.486	291.104.264
Reclassifications (*)	-	-	1.930.575	1.930.575
Additions (**)	-	-	50.739.893	50.739.893
Transfers from construction in progress	33.331.465	-	(33.331.465)	-
Disposals	(7.882.944)	-	(20.450.335)	(28.333.279)
Closing balance, 31 December 2017	169.706.786	3.730.513	142.004.154	315.441.453
Accumulated amortization				
Opening balance, 1 January 2017	(52.827.611)	(1.585.466)	(17.920.958)	(72.334.035)
Amortization charge for the year	(6.791.267)	(186.524)	-	(6.977.791)
Disposals	2.382.489	-	-	2.382.489
Closing balance, 31 December 2017	(57.236.389)	(1.771.990)	(17.920.958)	(76.929.337)
Carrying amount, 31 December 2017	112.470.397	1.958.523	124.083.196	238.512.116

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

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

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

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 YEAR ENDED 31 DECEMBER 2018

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

14. GOODWILL

	31 December 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 additional three plus 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 2018 (Note 2).

Goodwill arising from the business combination is allocated to human pharma segment and there is no allocation to other segments as of 31 December 2018.

15. GOVERNMENT INCENTIVES AND GRANTS

	31 December 2018	31 December 2017
Short term government grants and incentives (*)	1.777.379	1.588.006
	1.777.379	1.588.006

	31 December 2018	31 December 2017
Long term government grants and incentives (*)	31.755.886	20.174.443
	31.755.886	20.174.443

(*) 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 amortized over useful life of the asset to match the related expense in the income statement.

During the year ended 31 December 2018, the Group received TRY 6.858.143 grant related with its development costs. (31 December 2017: 3.874.705)

(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 YEAR ENDED 31 DECEMBER 2018
(Amounts expressed in Turkish Lira "TRY" unless otherwise stated.)

15. GOVERNMENT INCENTIVES AND GRANTS (cont'd)

The Group has 12 ongoing research and development projects approved by TÜBİTAK. The 5 new projects are on the process which on the evaluation phase of the TUBITAK. The all ongoing projects has been approved in 2018. Total research and development expenses incurred during the year ended 31 December 2018 related with these projects amounted to TRY 57.335.798.

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 Kartepe facility for the year 2018 amount to TRY 2.091.549.

Total expenses related with project number 136611 that has been obtained at 17.04.2018 for Deva Çerkezköy facility for the year 2018 amount to TRY 7.147.465.

Total expenses related with project number 501317 that has been obtained at 30.10.2018 for Deva Çerkezköy facility for the year 2018 amount to TRY 11.871.539.

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, payments of TRY 1.232.101 and 1.455.710 in 2018 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 YEAR ENDED 31 DECEMBER 2018
(Amounts expressed in Turkish Lira "TRY" unless otherwise stated.)

16. PROVISIONS

Short term provisions	31 December 2018	31 December 2017
Expense accruals due to price regulation / change	2.910.002	1.463.110
Accrued sales discounts	4.338.690	3.979.391
Provision for legal claims	6.217.897	3.868.783
	13.466.589	9.311.284

	Expense accruals due to price regulation	Accrued sales discounts	Provision for legal claims (*)	Total
Opening balance, 1 January 2018	1.463.110	3.979.391	3.868.783	9.311.284
Charge for the year	2.267.393	32.965.012	5.816.813	41.049.218
Payments made during the year	(820.501)	(24.759.432)	(2.552.343)	(28.132.276)
Reversal of provision	-	(7.846.281)	(915.356)	(8.761.637)
Closing balance, 31 December 2018	2.910.002	4.338.690	6.217.897	13.466.589
Opening balance, 1 January 2017	866.100	2.877.941	2.791.574	6.535.615
Charge for the year	928.858	32.203.411	3.284.530	36.416.799
Payments made during the year	(331.848)	(22.194.062)	(1.773.627)	(24.299.537)
Reversal of provision	-	(8.907.899)	(433.694)	(9.341.593)
Closing balance, 31 December 2017	1.463.110	3.979.391	3.868.783	9.311.284

(*) 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 December 2018, TRY 6.210.997 represents provision for legal cases opened by discharged personnel and TRY 6.900 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 YEAR ENDED 31 DECEMBER 2018

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

17. COMMITMENTS AND CONTINGENT LIABILITIES

	Currency Type	Balance	Currency Rate	31 December 2018
Mortgage	US Dollar	-	5,9902	-
	TRY	181.500.000	1,0000	181.500.000
				181.500.000
Promissory notes (*)	TRY	4.040.000	1,0000	4.040.000
	EUR	-	6,0280	-
	US Dollar	-	5,2609	-
				4.040.000
Guarantee letters given	TRY	10.472.396	1,0000	10.472.396
	AVRO	5.780.107	6,0280	34.842.486
	US Dollar	203.032	5,2609	1.068.130
				46.383.012
Pledges (**)	TRY	-	1,0000	-
				-
				231.923.012

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

(*) Promissory notes are given as guarantees for the loans obtained. As of 31 December 2018 our company has given TRY 1.440.000 guarantee on behalf of Saba İlaç Sanayi ve Ticaret A.Ş. (2017: None)

(**) 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 cannot 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 YEAR ENDED 31 DECEMBER 2018
(Amounts expressed in Turkish Lira "TRY" unless otherwise stated)

17. COMMITMENTS AND CONTINGENT LIABILITIES (cont'd)

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

Guarentees/Pledge/Mortgages given by the Group (GPM)	31 December 2018			
	TRY Equivalent	US Dollar	EUR	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	46.383.012	203.032	5.780.107	10.472.396
-Pledge	-	-	-	-
-Mortgage	181.500.000	-	-	181.500.000
	227.883.012	203.032	5.780.107	191.972.396
B. GPM given on behalf of subsidiaries that are included in full consolidation				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	-	-	-	-
C. GPM's given on behalf of third parties for ordinary course of the business	4.040.000	-	-	4.040.000
D. Other GPM	-	-	-	-
Total	**231.923.012**	**203.032**	**5.780.107**	**196.012.396**

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

As of 31 December 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 YEAR ENDED 31 DECEMBER 2018

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

17. COMMITMENTS AND CONTINGENT LIABILITIES (cont'd)

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

	EUR	TRY	31 December 2018
Maturity less than 1 year	-	9.344.635	9.344.635
Maturity between 1 - 5 years	-	17.551.358	17.551.358
	-	26.895.994	26.895.994

	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
	16.874	22.637.144	22.713.338

The Group's operational leases mainly consist of vehicles given to sales personnel and the total expense related with the operating lease payments for the year ended 31 December 2018 amounts to TRY 11.448.859 (1 January – 31 December 2017: TRY 7.138.512).

18. EMPLOYMENT BENEFITS

Short-term benefits provided to employees

Payables for benefits provided to employees	31 December 2018	31 December 2017
Due to personnel	344.039	359.893
Taxes and funds payables	2.767.017	2.509.172
Social security premiums payable	3.228.912	6.647.620
	6.339.968	9.516.685

Provisions for benefits provided to employees	31 December 2018	31 December 2017
Accrued vacation pay liability	5.768.017	5.763.672
Bonus given to sales personnel	2.538.516	2.662.861
Provision for seniority incentive and management premium	-	179.165
Other accruals and payables	17.077.926	15.416.561
	25.384.459	24.022.259

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 YEAR ENDED 31 DECEMBER 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 year	3.154.962	12.901.802	-	16.056.764
Payments during the year	(3.150.617)	(13.026.147)	(179.707)	(16.356.471)
Foreign currency translation	-	-	542	542
Provision at 31 December 2018	5.768.017	2.538.516	-	8.306.533
Provision at 1 January	6.476.942	2.072.603	167.162	8.716.707
Charge for the year	2.140.993	4.278.928	-	6.419.921
Payments during the year	(2.854.263)	(3.688.670)	-	(6.542.933)
Foreign currency translation	-	-	12.003	12.003
Provision at 31 December 2017	5.763.672	2.662.861	179.165	8.605.698

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 6.017,60 for each period of service at 31 December 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 December 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 10% and a interest rate of 14,50%, resulting in a real discount rate of approximately 4,09% (31 December 2017: 2,78%). The anticipated rate of retirement is considered as 88,00% (2017: 88,15%). As the maximum liability is revised semi annually, the maximum amount of TRY 6.017,60 effective from 1 January 2019 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 YEAR ENDED 31 DECEMBER 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 December 2018	1 January - 31 December 2017
Provision at 1 January	19.124.188	16.794.674
Service cost	5.965.726	5.179.489
Interest cost	616.910	541.765
Termination benefits paid	(2.623.284)	(3.510.588)
Actuarial (gain)/loss	(2.544.305)	118.848
Provision at 31 December	20.539.235	19.124.188

19. OTHER CURRENT ASSETS

Other current assets	31 December 2018	31 December 2017
Deferred VAT	22.134.878	11.345.758
Other VAT	1.227.643	1.034.132
	23.362.521	12.379.890

Other current liabilities	31 December 2018	31 December 2017
Taxes and funds payables	1.944.017	1.446.889
	1.944.017	1.446.889

(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 YEAR ENDED 31 DECEMBER 2018
(Amounts expressed in Turkish Lira "TRY" unless otherwise stated.)

20. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Capital

Name	(%)	31 December 2018	(%)	31 December 2017
Eastpharma S.A.R.L.	82,2	164.424.760	82,2	164.424.760
Other	17,8	35.594.528	17,8	35.594.528
Nominal capital	100,0	200.019.288	100,0	200.019.288
Inflation adjustment to share capital		140.080.696		140.080.696
Buy-backed shares (-)		(28.847)		(28.847)
Adjusted share capital		340.071.137		340.071.137

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

Common shares

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

Preferred shares

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

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

	31 December 2018	31 December 2017
Capital	200.019.288	200.019.288
Premium in excess of par	2.870.803	2.870.803
Restricted reserves assorted from profit	150.864.955	150.864.955
Buy-backed shares (-)	(28.847)	(28.847)
	353.726.199	353.726.199

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

Restricted reserves appropriated from profit

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

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

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

Currency translation reserve

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

Retained earnings

The Group's accumulated profit as of 31 December 2018 and accumulated deficit 31 December 2017 amounts to TRY 121.753.960 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 YEAR ENDED 31 DECEMBER 2018

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

21. REVENUE AND COST OF SALES

Revenue (net)	1 January – 31 December 2018	1 January – 31 December 2017
Human pharma revenue	962.599.626	742.659.989
Veterinary products revenue	61.090.115	47.881.260
Other revenue	16.987.307	9.753.863
	1.040.677.048	800.295.112

Cost of revenue	1 January – 31 December 2018	1 January – 31 December 2017
Raw and other materials used	(336.451.658)	(251.621.211)
Direct labor cost	(26.496.743)	(22.728.333)
Production overheads	(163.448.299)	(121.125.570)
Depreciation expenses (Note 12)	(21.039.519)	(19.606.037)
Change in work in process	6.066.609	13.935.265
Change in finished goods	29.999.877	(1.123.821)
	(511.369.733)	(402.269.707)
Cost of merchandises sold (*)	(7.288.939)	(52.823.625)
	(518.658.672)	(455.093.332)

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

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

	1 January – 31 December 2018	1 January – 31 December 2017
Marketing, sales and distribution expenses (-)	(148.395.640)	(117.878.135)
General administration expenses (-)	(92.408.761)	(68.745.707)
Research and development expenses (-)	(35.783.934)	(28.830.671)
	(276.588.335)	(215.454.513)

(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 YEAR ENDED 31 DECEMBER 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 December 2018	1 January – 31 December 2017
Employee benefits expenses	(19.325.573)	(15.767.179)
Cancelled projects	(35.721.054)	(28.766.587)
	(55.046.627)	(44.533.766)
Capitalized personnel expenses	19.262.693	15.703.095
	(35.783.934)	(28.830.671)

As of 31 December 2018, the Group realized research and development expenses of TRY 18.175.849 for tangible assets and TRY 54.277.978 for intangible assets with the total amount TRY 72.453.827 (31 December 2017: TRY 56.193.329). As of balance sheet date TRY 57.335.798 of the amount is for the government grants and incentives (31 December 2017: TRY 44.888.304). Of this total amount TRY 68.571.302 was capitalized on development costs, of which TRY 19.262.693 consists of employee related expenses. TRY 3.882.526 portion of the total TRY 35.721.054 cancelled project and other expenses is expended of the year 2018.

ii)Marketing, sales and distribution expenses

	1 January – 31 December 2018	1 January – 31 December 2017
Employee benefits expenses	(63.873.395)	(52.920.405)
Depreciation and amortization expenses	(358.025)	(559.834)
Royalty expenses	(24.530.993)	(15.322.115)
Rent expenses	(10.461.015)	(8.714.898)
Travel, transportation and accommodation expenses	(8.105.107)	(6.528.618)
Consultancy expenses	(3.142.671)	(2.598.518)
Promotional goods and advertising expenses	(24.313.802)	(23.460.653)
Other expenses	(13.610.632)	(7.773.094)
	(148.395.640)	(117.878.135)

(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 YEAR ENDED 31 DECEMBER 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 December 2018	1 January – 31 December 2017
Employee benefits expenses	(54.797.853)	(45.927.553)
Depreciation and amortization expenses	(13.495.782)	(10.722.026)
Rent expenses	(1.231.112)	(571.033)
Travel, transportation and accommodation expenses	(4.029.744)	(3.426.412)
Consultancy expenses	(8.488.334)	(4.389.477)
Promotional goods and advertising expenses	(313.047)	(298.792)
Other expenses	(14.371.347)	(7.470.290)
	(96.727.219)	(72.805.583)
Capitalized personnel expenses	4.318.458	4.059.876
	(92.408.761)	(68.745.707)

23. EXPENSES BY NATURE

	1 January – 31 December 2018	1 January – 31 December 2017
Employee benefits expenses	(137.996.821)	(114.615.137)
Depreciation and amortization expenses	(13.853.807)	(11.281.860)
Royalty expenses (*)	(24.530.993)	(15.322.115)
Rent expenses	(11.692.127)	(9.285.931)
Promotional goods and advertising expenses	(24.626.849)	(23.759.445)
Travel, transportation and accommodation expenses	(12.134.851)	(9.955.030)
Consultancy expenses	(11.631.005)	(6.987.995)
Cancelled projects	(35.721.054)	(28.766.587)
Other expenses	(27.981.979)	(15.243.384)
	(300.169.486)	(235.217.484)
Capitalized personnel expenses	23.581.151	19.762.971
	(276.588.335)	(215.454.513)

(*) 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 YEAR ENDED 31 DECEMBER 2018

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

24. OTHER OPERATING INCOME / EXPENSES

	1 January – 31 December 2018	1 January – 31 December 2017
Foreign exchange gain	30.254.875	7.145.182
Discount interest income	249.992	-
Commission income (*)	364.134	1.423.525
Interest income	5.859.829	4.421.292
Interest on deferred settlement sales	1.269.090	586.848
Other income and profits	10.481.733	9.127.484
	48.479.653	22.704.331

(*) Commission income consists of consideration received for the sale of Saba İlaç products, the Group's related party (364.134 TRY) (Note 6).

	1 January – 31 December 2018	1 January – 31 December 2017
Foreign exchange loss	(10.113.445)	(3.812.195)
Discount interest expenses	-	(1.129.411)
Other expense and losses	(6.560.047)	(2.177.810)
	(16.673.492)	(7.119.416)

25. INVESTMENT INCOME

	1 January – 31 December 2018	1 January – 31 December 2017
Profit on sale of property, plant and equipment	551.139	10.195.637
Loss on sale of property, plant and equipment	-	(754.332)
	551.139	9.441.305

(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 YEAR ENDED 31 DECEMBER 2018

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

26. FINANCIAL EXPENSES

	1 January – 31 December 2018	1 January – 31 December 2017
Bank loans interest cost	(82.098.639)	(41.133.854)
Bonds issued interest and expenses	(30.769.591)	(14.942.145)
Total interest cost	(112.868.230)	(56.075.999)
Capitalized expenses (-)	4.002.358	2.572.956
	(108.865.872)	(53.503.043)
Foreign exchange loss	(10.998.381)	(4.961.479)
Loss on derivative instruments	-	(470.540)
Other expenses	(1.953.521)	(1.258.677)
	(121.817.774)	(60.193.739)

27. TAX ASSETS AND LIABILITIES

Current and deferred income tax

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

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

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

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

As of December 31, 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 December 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 YEAR ENDED 31 DECEMBER 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 to 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

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

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

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

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of December 31, 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 YEAR ENDED 31 DECEMBER 2018

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

27. TAX ASSETS AND LIABILITIES (cont'd)

Current tax payable	31 December 2018	31 December 2017
Current tax liability	309.902	335.180
Effect of taxable base increase on corporate tax (*)	588.031	-
	897.933	335.180

(*) The law numbered 7143 which also contains the provisions regarding the tax amnesty was approved by the Parlimenary Counsel and announced at Trade Registy Gazette on 18 May 2018 in Turkey. Based on the provisions of the law in consideration, the group applied for taxable base increase for 2016 and 2017. In years where taxable profit exists, corporate taxe base was increased by the rates stated in law and corporate tax is calculated by appliying 15% tax rate.

For the years where the Group appled for taxable base increase, no further tax investigation will be done.

Tax expense	1 January- 31 December 2018	1 January- 31 December 2017
Current tax expense	16.839.235	904.478
Deferred tax income / (expense)	2.769.215	1.132.595
Total tax expense	19.608.450	2.037.073

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

	1 January- 31 December 2018	1 January- 31 December 2017
Profit before tax	155.969.567	94.579.748
Enacted tax rate	22%	20%
Expected taxation	34.313.305	18.915.950
Tax effects of:		
- r&d incentives deductions	(8.696.329)	(14.326.683)
- used discounted tax rate effect, other than effective tax rate	(2.028.575)	(1.345.517)
- effect of taxable base increase	(882.047)	-
- other	(3.097.904)	(1.206.677)
Tax expense recognized in income statement	19.608.450	2.037.073

(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 YEAR ENDED 31 DECEMBER 2018
(Amounts expressed in Turkish Lira "TRY" unless otherwise stated)

27. TAX ASSETS AND LIABILITIES (cont'd)

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% (31 December 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.

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

Deferred tax assets / (liabilities)	31 December 2018	31 December 2017
Restatement and useful life differences of property, plant and equipment and intangible assets	11.325.642	7.342.126
Provision for employment termination benefits	(4.518.632)	(4.207.321)
Inventories	(2.935.871)	(3.107.444)
Accrued vacation pay liability	(1.268.964)	(1.268.008)
Accrued sales discounts and free samples	(954.512)	(875.466)
Expense accruals due to price regulation	(640.200)	(321.884)
Provision for doubtful receivables	(1.591.676)	(1.327.405)
Provision for legal cases	(1.367.937)	(851.132)
Other	(3.709.544)	(5.283.009)
	(5.661.694)	(9.899.543)

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

Movements of deferred tax assets / (liabilities)	1 January- 31 December 2018	1 January- 31 December 2017
Balance at 1 January	9.899.543	11.064.371
Deferred tax income / (expense) recognized in income statement	(2.769.215)	(1.132.595)
Tax expense / (income) recognized in other comprehensive income	(559.747)	23.770
The tax effect of TFRS 9 (Note 2)	172.174	
The tax effect of TFRS 15 (Note 2)	(1.081.061)	-
Currency translation expense	-	(56.003)
Closing balance, 31 December	5.661.694	9.899.543

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 December 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 YEAR ENDED 31 DECEMBER 2018
(Amounts expressed in Turkish Lira "TRY" unless otherwise stated.)

28. PROFIT PER SHARE

	1 January– 31 December 2018	1 January– 31 December 2017
Profit for the year	136.361.117	92.542.675
Weighted-average number of outstanding shares	20.001.928.778	20.001.928.778
Profit per share (TRY)	0,0068	0,0046

29. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

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

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

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

	31 December 2018	31 December 2017
Financial liability	727.577.535	488.293.424
Less: Cash and cash equivalents	(121.115.624)	(77.869.867)
Liability (net)	606.461.911	410.423.557
Total equity	746.407.897	605.090.102
Total invested capital	1.547.324.705	1.178.537.002
Liability (net) / Total invested capital rate	39%	35%

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

The Group's overall strategy remains unchanged from prior year.

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

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

(b) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the Board of Directors under policies approved with forward purchase and sale contracts. Policies and risks are regularly reviewed by Audit Committee. As a result of this procedure the Group evaluates the risk performance.

(b.1) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee monthly.

Distribution of the Group's products by the two largest wholesalers in the Turkish market corresponded to approximately 26% and 39% of the revenues of the Human Pharmaceuticals business line derived from Turkey (31 December 2017: 27% and 38%). As of 31 December 2018, two customers represented 20% and 30% of the total trade and other receivables balance, 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:

Trade Receivables	31 December 2018	31 December 2017
(According to internal rating)		
Customers in Group A	310.330.544	238.640.500
Customers in Group B	43.765.452	4.554.616
Customers in Group C	38.345.185	37.044.137
	392.441.181	280.239.253

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 YEAR ENDED 31 DECEMBER 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

	Receivables				
	Trade Receivables		Other Receivables		
31 December 2018	Related Party	Other	Related Party	Other	Bank Deposits
Maximum credit limits as of balance sheet date (*)	11.620.379	392.441.181	-	474.273	121.023.665
Secured amount with letter of guarantee	-	42.752.699	-	-	-
A.Net book value of the not amortized financial assets	11.620.379	392.441.181	-	474.273	121.023.665
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)	-	7.185.987	-	48.906	-
-Impairment(-)	-	(7.185.987)	-	(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 YEAR ENDED 31 DECEMBER 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

	Receivables				
	Trade Receivables		Other Receivables		
31 December 2017	**Related Party**	**Other**	**Related Party**	**Other**	**Bank Deposits**
Maximum credit limits as of balance sheet date (*)	11.793.094	280.239.253	-	460.429	77.801.915
Secured amount with letter of guarantee	-	27.980.140	-	-	-
A.Net book value of the not amortized financial assets	11.793.094	280.239.253	-	460.429	77.801.915
B. Net book value of the financial assets conditions are reset, otherwise impaired	-	-	-	-	-
C. Net book value of the overdue assets but not impaired	-	-	-	-	-
Secured amount with letter of guarantee	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-
-Carrying value (due dates passed assets)	-	5.984.754	-	48.906	-
-Impairment(-)	-	(5.984.754)	-	(48.906)	-
-Secured amount with letter of guarantee	-	-	-	-	-
-Carrying value (unexpired assets)	-	-	-	-	-
-Impairment(-)	-	-	-	-	-
-Secured amount with letter of guarantee	-	-	-	-	-
E. Off balance sheet items that have credit risk	-	-	-	-	-

(*) Components increasing credit safety are not taken into consideration in determination of the amount.

(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 YEAR ENDED 31 DECEMBER 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 December 2018	Trade Receivables	Other Receivables	Bank deposits	Other	Total
Less than a month	-	-	-	-	-
1-3 month	-	-	-	-	-
3-12 month	515.529	-	-	-	515.529
1- 5 year	940.717	-	-	48.906	989.623
5+ years	5.729.741	-	-	-	5.729.741
Total	7.185.987	-	-	48.906	7.234.893
Secured with letter of guarantee and other	-	-	-	-	-

Overdue Receivables

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

(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 YEAR ENDED 31 DECEMBER 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 December 2018

Due dates according to the agreements	Carrying value	Cashflow according to the agreement	Less than 3 months	Between 3-12 months	1-5 years
Non-derivative financial liabilities					
Bank loans and bonds issued	727.577.535	869.491.993	328.772.583	167.785.291	372.934.119
Trade payables	85.699.382	86.264.674	82.269.812	3.994.862	-
Total financial liabilities	813.276.917	955.756.667	411.042.395	171.780.153	372.934.119

31 December 2017

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

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 YEAR ENDED 31 DECEMBER 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 2018					
	TRY Equivalent	USD	EUR	CHF	GBP	Other
1. Trade receivables	40.530.973	5.983.695	1.498.737	-	-	16.962
2a. Monetary financial assets	117.648.198	17.282.061	4.431.589	1.043	1.476	-
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	27.521.128	9.296	4.534.995	3.823	17.267	-
4. CURRENT ASSETS	185.700.299	23.275.052	10.465.321	4.866	18.743	16.962
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	68.201	3.600	6.225	2.200	-	-
8. NON-CURRENT ASSETS	68.201	3.600	6.225	2.200	-	-
9. TOTAL ASSETS	185.768.500	23.278.652	10.471.546	7.066	18.743	16.962
10. Trade payables	37.174.639	3.617.661	2.946.887	272	56.698	-
11. Financial liabilities	21.271.426	-	3.523.714	-	-	-
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
13. CURRENT LIABILITIES	58.446.065	3.617.661	6.470.601	272	56.698	-
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	10.451.691	-	1.733.857	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	10.451.691	-	1.733.857	-	-	-
18. TOTAL LIABILITIES	68.897.756	3.617.661	8.204.458	272	56.698	-
19 Net asset/liability position of off-balance sheet items (19a-19b)	-	-	-	-	-	-
19.a Total asset amount of hedging items	-	-	-	-	-	-
19b. Total liability amount of hedging items	-	-	-	-	-	-
20. Net foreign currency position (9-18)	116.870.744	19.660.991	2.267.088	6.794	(37.955)	16.962
21. Monetary items net foreign curreny position	89.281.415	19.648.095	(2.274.132)	771	(55.222)	16.962
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	-	-	-	-	-	-
25. Export	118.771.215	18.678.345	4.201.677	-	-	399
26. Import	458.677.942	44.028.712	31.907.388	3.644.918	689.821	2.344

(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 YEAR ENDED 31 DECEMBER 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	2.094.128	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	2.094.128	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	2.094.128	7.230.167	104.608	-	-
19.Net asset/liability position of off-balance sheet items (19a-19b)	-	-	-	-	-	-
19.a Total asset amount of hedging items	-	-	-	-	-	-
19b. Total liability amount of hedging items türev ürünlerin tutarı	-	-	-	-	-	-
20. Net foreign currency position (9-18)	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	-	-	-	-	-	-
25. Export	68.997.371	18.292.471	-	-	-	-
26. Import	264.615.632	32.846.534	25.391.444	5.875.588	672.698	-

(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 YEAR ENDED 31 DECEMBER 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 20% increase and decrease in the TRY against the relevant foreign currencies. 20% 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 2017: 10%). The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss. There is no equity effect.

Foreign Currency Sensitivity	**31 December 2018**	
	Profit / (Loss)	
	If foreign currency appreciates	If foreign currency depreciates
If US Dollar changes 20%		
1- US Dollar net asset/liability	20.673.333	(20.673.333)
2- Amount protected from US Dollar risk (-)	-	-
3- US Dollar net effect (1+2)	20.673.333	(20.673.333)
If EUR changes 20%		
4- EUR net asset/liability	(2.741.692)	2.741.692
5- Amount protected from EUR risk (-)	-	-
6- EUR net effect (4+5)	(2.741.692)	2.741.692
If other currencies change 20%		
7- Other net asset/liability	(69.262)	69.262
8- Amount protected from other currency risk (-)	-	-
9- Other net effect (7+8)	(69.262)	69.262
Total (3 + 6 +9)	17.862.379	(17.862.379)

(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 YEAR ENDED 31 DECEMBER 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 December 2018, 29% 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 YEAR ENDED 31 DECEMBER 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)

Interest Position

	31 December 2018	31 December 2017
Fixed Rated Instruments		
Financial Assets	-	-
Financial Liabilities	518.593.051	369.373.299
Floating Rated Instruments		
Financial Assets	-	-
Financial Liabilities	208.984.484	118.920.125
	727.577.535	488.293.424

If Libor and Euribor had been higher by 50 basis points and all other variables were held constant, profit for the year ended at 31 December 2018 would decrease by TRY 1.090.180 (31 December 2017: decrease by TRY 761.286). The equity effect is nil. If Libor and Euribor had been lower by 50 basis points, the profit of the Group for the year 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 YEAR ENDED 31 DECEMBER 2018

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

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

31 December 2018	Loans measured according to effective interest rate and receivables	Financial liabilities at amortized cost	Carrying Value	Note
Financial Assets				
Cash and cash equivalents	121.115.624	-	121.115.624	4
Trade receivables (including related parties)	404.061.560	-	404.061.560	7
Financial Liabilities				
Borrowings	-	727.577.535	727.577.535	5
Trade payables (including related parties)	-	85.699.382	85.699.382	7

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

(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 YEAR ENDED 31 DECEMBER 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 December 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

None.

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