DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR PERIOD ENDED 31 MARCH 2022

(**Convenience translation of consolidated financial statements originally issued in Turkish)**

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DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2022

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

	Footnote References	Current Year Unaudited 31 March 2022	Prior Year Audited 31 December 2021
ASSETS			
Current Assets		**3.925.512.420**	**3.373.444.633**
Cash and cash equivalents	4	1.405.494.526	1.310.974.419
Trade receivables		1.206.929.033	971.104.658
Due from related parties	*6*	*80.631.544*	*68.045.894*
Due from third parties	*7*	*1.126.297.489*	*903.058.764*
Other receivables	8	2.521.483	1.422.041
Inventories	9	1.206.149.033	975.785.591
Prepaid expenses	10	69.223.702	91.683.109
Assets relating to current tax	11	663.089	290.599
Other current assets	20	34.531.554	22.184.216
Non-Current Assets		**1.929.081.165**	**1.706.487.244**
Property, plant and equipment	12	1.065.276.637	997.005.689
Right of use assets	13	66.507.165	62.743.859
Intangible assets		386.082.992	356.120.395
Goodwill	*15*	*1.782.731*	*1.782.731*
Other intangible assets	*14*	*384.300.261*	*354.337.664*
Prepaid expenses	10	309.398.614	250.992.378
Deferred tax assets	28	101.815.757	39.624.923
TOTAL ASSETS		**5.854.593.585**	**5.079.931.877**

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

DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2022

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

	Footnote References	Current Year Unaudited 31 March 2022	Prior Year Audited 31 December 2021
LIABILITIES			
Current Liabilities		**2.104.339.138**	**1.632.487.265**
Short term financial liabilities		1.131.034.881	784.780.593
Bank borrowings	*5*	*1.131.034.881*	*784.780.593*
Current portion of long term financial liabilities		380.903.845	329.354.951
Bank borrowings	*5*	*242.030.897*	*183.631.506*
Lease liabilities	*5*	*1.538.042*	*6.688.237*
Debt bond in issue	*5*	*137.334.906*	*139.035.208*
Trade payables		410.068.245	350.632.403
Due to related parties	*6*	*30.901.616*	*14.295.155*
Due to third parties	*7*	*379.166.629*	*336.337.248*
Payables relating to the benefits provided to employees	19	22.299.507	15.556.978
Other payables		3.188.398	1.228.416
Other trade payables	*8*	*3.188.398*	*1.228.416*
Derivative instruments	31	*997.728*	-
Government grants and incentives	16	2.287.299	2.217.773
Deferred revenue	10	18.203.508	19.420.405
Current tax payable	28	2.349.003	2.796.463
Short term provisions		125.335.251	117.899.333
Provisions for benefits provided to employees	*19*	*47.991.450*	*65.401.737*
Other provisions	*17*	*77.343.801*	*52.497.596*
Other current liabilities	20	7.671.473	8.599.950
Non-Current Liabilities		**663.718.763**	**719.667.767**
Long term financial liabilities		554.273.010	620.045.484
Bank borrowings	*5*	*290.387.012*	*356.804.690*
Lease liabilities	*5*	*164.106.351*	*163.461.147*
Debt bond in issue	*5*	*99.779.647*	*99.779.647*
Government grants and incentives	16	47.753.809	48.176.400
Deferred revenue	10	8.188.691	7.503.593
Long term provisions		53.503.253	43.942.290
Provisions for benefits provided to employees	*19*	*53.503.253*	*43.942.290*
EQUITY		**3.086.535.684**	**2.727.776.845**
Equity attributable to equity holders of the parent		**3.086.535.684**	**2.727.776.845**
Paid-in capital	21	200.019.288	200.019.288
Inflation adjustment to share capital	21	140.080.696	140.080.696
Treasury shares (-)	21	(28.847)	(28.847)
Premium in excess of par	21	2.870.803	2.870.803
Other comprehensive expense not to be reclassified to profit or loss		(5.252.460)	(5.252.460)
Actuarial loss arising from defined benefit plans		*(5.252.460)*	*(5.252.460)*
Other comprehensive expense to be reclassified to profit or loss		35.624.410	27.972.911
Currency translation reserve		*35.624.410*	*27.972.911*
Restricted reserves appropriated from profit	21	150.864.955	150.864.955
Accumulated profit	21	2.211.249.499	1.041.162.023
Profit for the period		351.107.340	1.170.087.476
TOTAL LIABILITIES AND EQUITY		**5.854.593.585**	**5.079.931.877**

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

DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 31 MARCH 2022

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

	Footnote References	Current Year Unaudited 1 January – 31 March 2022	Prior Year Unaudited 1 January – 31 March 2021
Revenue	22	884.045.184	548.432.155
Cost of revenue (-)	22	(408.443.632)	(248.106.769)
GROSS PROFIT		**475.601.552**	**300.325.386**
Marketing, sales and distribution expenses (-)	23	(100.387.678)	(54.616.889)
General administration expenses (-)	23	(70.279.821)	(41.799.807)
Research and development expenses (-)	23	(50.958.984)	(9.593.418)
Other operating income	25	121.914.495	74.303.951
Other operating expenses (-)	25	(6.917.658)	(29.143.851)
OPERATING PROFIT		**368.971.906**	**239.475.372**
Investment income	26	4.209.976	8.246.185
PROFIT BEFORE FINANCE EXPENSES		**373.181.882**	**247.721.557**
Finance expenses (-)	27	(82.141.410)	(24.798.908)
PROFIT BEFORE TAXATION		**291.040.472**	**222.922.649**
Tax income		**60.066.868**	**287.553**
Current tax expense (-)	28	(2.123.966)	(1.106.566)
Deferred tax income	28	62.190.834	1.394.119
Net profit for the period		**351.107.340**	**223.210.202**
Distribution of profit for the period			
Equity holders of the parent		351.107.340	223.210.202
		351.107.340	**223.210.202**
Earning per share	29	**0,0176**	**0,0112**

DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2022

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

	Footnote References	Current Year Unaudited 1 January – 31 March 2022	Prior Year Unaudited 1 January – 31 March 2021
Net profit for the period		**351.107.340**	**223.210.202**
OTHER COMPREHENSIVE INCOME / (LOSS)			
Items not to be reclassified subsequently to profit or loss		**-**	**-**
Actuarial (loss) / gain arising from defined benefit plans	19	-	-
Tax effect other comprehensive income not to be reclassified to profit or loss	28	-	-
Items that may be reclassified subsequently to profit or loss		**7.651.499**	**3.368.774**
Change in foreign currency translation reserve		7.651.499	3.368.774
OTHER COMPREHENSIVE INCOME		**7.651.499**	**3.368.774**
TOTAL COMPREHENSIVE INCOME		**358.758.839**	**226.578.976**
Total comprehensive income attributable to:		**358.758.839**	**226.578.976**
Equity holders of the parent		358.758.839	226.578.976

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

DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2022

(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			
	Notes	Paid in capital	Inflation adjustment to share capital	Treasury shares (-)	Premium in excess of par	Actuarial loss arising from defined benefit plans	Currency translation reserve	Restricted reserves appropriated from profit	Accumulated profit	Net profit for the period	Total equity attributable to equity holders of the parent	Total shareholder's equity
Balance as of 1 January 2021	21	200.019.288	140.080.696	(28.847)	2.870.803	(5.105.245)	5.878.100	150.864.955	488.354.120	651.448.684	1.634.382.554	1.634.382.554
Transfer to retained earnings		-	-	-	-	-	-	-	651.448.684	(651.448.684)	-	-
Total comprehensive income		-	-	-	-	-	3.368.774	-	-	223.210.202	226.578.976	226.578.976
Actuarial gain arising from defined benefit plans		-	-	-	-	-	-	-	-	-	-	-
Currency translation reserve		-	-	-	-	-	*3.368.774*	-	-	-	*3.368.774*	*3.368.774*
Profit for the period		-	-	-	-	-	-	-	-	*223.210.202*	*223.210.202*	*223.210.202*
Balance as of 31 March 2021	21	200.019.288	140.080.696	(28.847)	2.870.803	(5.105.245)	9.246.874	150.864.955	1.139.802.804	223.210.202	1.860.961.530	1.860.961.530
Balance as of 1 January 2022	21	200.019.288	140.080.696	(28.847)	2.870.803	(5.252.460)	27.972.911	150.864.955	1.041.162.023	1.170.087.476	2.727.776.845	2.727.776.845
Transfer to retained earnings		-	-	-	-	-	-	-	1.170.087.476	(1.170.087.476)	-	-
Total comprehensive income		-	-	-	-	-	7.651.499	-	-	351.107.340	358.758.839	358.758.839
Actuarial gain arising from defined benefit plans		-	-	-	-	-	-	-	-	-	-	-
Currency translation reserve		-	-	-	-	-	*7.651.499*	-	-	-	*7.651.499*	*7.651.499*
Profit for the period		-	-	-	-	-	-	-	-	351.107.340	351.107.340	*351.107.340*
Balance as of 31 March 2022	21	200.019.288	140.080.696	(28.847)	2.870.803	(5.252.460)	35.624.410	150.864.955	2.211.249.499	351.107.340	3.086.535.684	3.086.535.684

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

DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2022
(Amounts expressed in Turkish Lira "TRY" unless otherwise stated.)

	Footnote References	Current Year Unaudited 1 January – 31 March 2022	Prior Year Unaudited 1 January – 31 March 2021
CASH FLOWS FROM OPERATING ACTIVITIES		**87.573.353**	**51.228.042**
Profit for the period		351.107.340	223.210.202
Adjustments to Reconcile Profit (Loss)		**147.224.975**	**27.269.460**
Adjustments for depreciation and amortisation expense	12,13,14, 22,24	18.783.352	14.345.279
Adjustments for Impairment Loss (Reversal of Impairment Loss)		**91.697.494**	**45.232.110**
Adjustments for Impairement Loss (Reversal of Impairment Loss) of Receivables	7-8	-	716.077
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	9	28.106.537	20.372.222
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Other Intangible Assets	14	63.590.957	24.143.811
Adjustments for Provisions		**48.409.748**	**27.288.581**
Adjustments for (Reversal of) Provisions Related with Employee Benefits	19	(2.802.255)	8.953.747
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	17	6.625.348	3.069.557
Adjustments for (Reversal of) Other Provisions	17	44.586.655	15.265.277
Adjustments for Interest (Income) Expenses		**72.394.739**	**39.300.164**
Adjustments for interest income	25	(10.090.865)	(6.080.985)
Adjustments for interest expense	27	82.485.604	45.381.149
Adjustments for Fair Value (Income) Expenses:		-	**(22.832.293)**
Increase (Decrease) in Derivatives	31	-	(22.832.293)
Adjustments for Tax (Income) Expenses	28	**(60.066.868)**	**(287.553)**
Other Adjustments for Non-Cash Items	17	**(13.535.154)**	**(3.330.988)**
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		**(4.209.976)**	**(8.246.185)**
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets	26	(4.209.976)	(8.246.185)
Other adjustments for Which Cash Effects are Investing or Financing Cash Flow		**(1.482.732)**	**(62.669.126)**
Other Adjustments to Reconcile Profit (Loss)		**(4.765.628)**	**(1.530.529)**
Changes in Working Capital		**(399.315.506)**	**(187.715.312)**
Adjustments for Decrease (Increase) in Trade Accounts Receivable		**(231.352.382)**	**(137.887.400)**
Increase (Decrease) in Trade Accounts Receivables from Related Parties	6	(12.585.650)	(54.717.245)
Decrease (Increase) in Trade Accounts Receivables from Other Parties		(218.766.732)	(83.170.155)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		**(1.099.442)**	**(134.106)**
Decrease (Increase) in Other Third Party Receivables Related with Operations		(1.099.442)	(134.106)
Adjustments for Decrease (Increase) in Inventories		**(246.441.373)**	**(54.562.812)**
Decrease (Increase) in Prepaid Expenses		**22.459.407**	**21.407.494**
Adjustments for Increase (Decrease) in Trade Accounts Payable		**59.435.842**	**(28.862.788)**
Increase (Decrease) in Trade Accounts Payables to Related Parties	7	16.606.461	8.040.539
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties	7	42.829.381	(36.903.327)
Increase (Decrease) in Employee Benefit Liabilities	19	**6.742.529**	**3.687.125**
Adjustments for Increase (Decrease) in Other Operating Payables		**1.959.982**	**677**
Increase (Decrease) in Other Operating Payables to Other Parties		1.959.982	677
Increase (Decrease) in Derivative Liabilities	31	997.728	(3.852.138)
Increase (Decrease) in Deferred Income	10	(531.799)	5.230.589
Other Adjustments for Other Increase (Decrease) in Working Capital		**(11.485.998)**	**7.258.047**
Decrease (Increase) in Other Assets Related with Operations		(12.719.828)	347.098
Increase (Decrease) in Other Payables Related with Operations		1.233.830	6.910.949
Cash Flows from (used in) Operations		**99.016.809**	**62.764.350**
Interest received	4,25	6.434.257	6.269.318
Payments Related with Provisions for Employee Benefits	19	(5.047.069)	(3.568.563)
Payments Related with Other Provisions	17	(12.830.644)	(14.237.063)

DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2022
(Amounts expressed in Turkish Lira "TRY" unless otherwise stated.)

	Footnote References	Current Year Unaudited 1 January – 31 March 2022	Prior Year Unaudited 1 January – 31 March 2021
CASH FLOWS FROM INVESTING ACTIVITIES		**(246.665.673)**	**(91.496.646)**
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		**4.209.976**	**8.838.647**
Proceeds from Sales of Property, Plant and Equipment	12,26	4.209.976	8.838.647
Purchase of Property, Plant, Equipment and Intangible Assets		**(192.469.413)**	**(73.287.631)**
Purchase of Property, Plant and Equipment	12	(90.520.853)	(35.374.475)
Purchase of Intangible Assets	14,27	(101.948.560)	(37.913.156)
Cash Advances and Loans Made		**(58.406.236)**	**(30.860.037)**
Other Cash Advances and Loans Made to Other Parties	10	(58.406.236)	(30.860.037)
Proceeds from Government Grants	16	-	3.812.375
CASH FLOWS FROM FINANCING ACTIVITIES		**242.304.320**	**7.336.308**
Proceeds from Loans		**840.853.504**	**373.738.555**
Proceeds from Borrowings	5	840.853.504	373.738.555
Debt Repayments		**(520.757.226)**	**(322.839.633)**
Cash outflows regarding repayments of borrowings	5	(520.757.226)	(322.839.633)
Cash outflows related with payments of lease liabilities	**5**	**(12.253.476)**	**(4.789.752)**
Interest paid	**5,27**	**(65.538.482)**	**(38.772.862)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**83.212.000**	**(32.932.296)**
Effect of exchange rate changes on cash and cash equivalents		7.651.499	3.368.774
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**90.863.499**	**(29.563.522)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	**1.310.128.102**	**609.012.357**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**1.400.991.601**	**579.448.835**

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

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

The average number of employees working in the Group for the period ended 31 March 2022 is 2.771 (31 December 2021: 2.536).

Eastpharma S.A.R.L. is the main shareholder of the Company. Eastpharma S.A.R.L. was founded in Luxembourg in 2006 and is fully owned by Eastpharma Ltd., which was incorporated in Bermuda in 2006. Eastpharma S.A.R.L. acquired 52,6% of the Company's shares on 27 November 2006. Subsequent to that date EP SARL increased its shareholdings and as of 31 March 2022, it owns 82,2% of the shares of Deva (31 December 2020: 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 March 2022, the Company's share capital consists of 20.001.928.778 shares with an amount of TRY 0,01 for each (31 December 2021: 20.001.928.778). The Company's nominal capital structure is as follows (Note 21):

Name	(%)	31 March 2022	(%)	31 December 2021
Eastpharma S.A.R.L.	82,2	164.424.760	82,2	164.424.760
Shares held by public	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
Treasury shares (-)		(28.847)		(28.847)
Adjusted share capital		340.071.137		340.071.137

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

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

Subsidiaries

As of 31 March 2022 and 31 December 2021, the details of the subsidiaries ("the Group") in terms of ownership and principal business activities are as follows:

	Effective Ownership (%)		
Company	31 March 2022	31 December 2021	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 PTY Ltd(*)	100	100	Distribution and sale of human and veterinary pharmaceuticals in Australia
Devatis A.G(*)	100	100	Distribution and sale of human and veterinary pharmaceuticals in Switzerland
Devatis de Mexico(*)	100	100	Distribution and sale of human and veterinary pharmaceuticals in Mexico
Devatis Canada Inc.(*)	100	100	Distribution and sale of human and veterinary pharmaceuticals in Canada

(*) The companies 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.

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 4 production facilities in 4 different locations.

The Group has 194 pharmaceutical molecules in 381 pharmaceutical forms. Of these 8 molecules (in 9 presentation forms) are manufactured and marketed by using license rights.

As of 31 March 2022 the business segments are production and sale of human pharmaceuticals, veterinary and agricultural 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 86 pharmaceutical molecules in 127 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 6 May 2022.

Going Concern

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

Necessary actions have been taken by the Group management to minimize the possible effects of COVID-19, which has affected the whole world, on the Group's activities and financial situation. While preparing its consolidated financial statements as of 31 March 2022, the Group evaluated the possible effects of the COVID-19 outbreak on the consolidated financial statements and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. In this context, the Group has evaluated the possible impairments that may occur in financial assets, inventories, right-of-use assets, tangible fixed assets, goodwill and intangible fixed assets in its consolidated financial statements as of 31 March 2022, and no impairment has been detected except for those reflected in the consolidated financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED 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 countries 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 the accompanying consolidated financial statements are prepared in accordance with resolution No. 30 TAS taxonomy published by POAASA on 2 June 2016 and in accordance with the TAS taxonomy announced by POAASA as current "2019 TFRS" including TFRS- 15 Revenue from contracts with customers and TFRS- 16 Leases on 15 April 2019.

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

Presentation and Functional Currency

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

2022 and 2021, the details for the year end and average US dollar, Euro and New Zealand dollar are as follows:

	Period ended		Average	
	31 March 2022	31 December 2021	31 March 2022	31 March 2021
USD/TRY	14,6371	13,329	13,9388	7,3720
EUR/TRY	16,2855	15,0867	15,6358	8,8918
NZD/TRY	10,1541	9,1139	9,4438	5,3074

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Preparation of Financial Statements in Hyperinflationary Periods

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

As per the announcement published by the Public Oversight, Accounting and Auditing Standards Authority (“POA”) on 20 January 2022, since the cumulative change in the general purchasing power of the last three years has been 74.41% according to the Consumer Price Index (“CPI”) rates, it has been stated that entities applying the Turkish Financial Reporting Standards (“TFRS”) are not required to make any restatements in their financial statements for 2021 within the scope of TAS 29 “Financial Reporting in High Inflation Economies”.

Basis of Consolidation

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

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

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

- The size of the Group‘s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders or other parties ;
- Rights arising from other contractual agreements ;and
- Any additional facts and circumstances that indicate that the Group 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 Group 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 statement of profit or loss other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

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

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

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

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

2. BASIS OF PRESENTATION OF CONSOLIDATED 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 New and Revised Turkish Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at March 31, 2022 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, 2021. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) <u>Amendments that are mandatorily effective from 2021:</u>

Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform — Phase 2

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

The Group assessed that the adoption of this amendment does not have any effect on the Group's consolidated financial statements.

ii) <u>New and revised TFRSs in issue but not yet effective</u>

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	*Insurance Contracts*
Amendments to TAS 1	*Classification of Liabilities as Current or Non-Current*
Amendments to TFRS 3	*Reference to the Conceptual Framework*
Amendments to TAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*
Amendments to TAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to TFRS Standards 2018-2020	*Amendments to TFRS 1, TFRS 9 and TAS 41*
Amendments to TFRS 4	*Extension of the Temporary Exemption from Applying IFRS 9*
Amendments to TFRS 16	*Continuing Concessions in Rent Payments Related to COVID-19 After 30 June 2021*
Amendments to TAS 1	*Disclosure of Accounting Policies*
Amendments to TAS 8	*Definition of Accounting Estimates*
Amendments to TAS 12	*Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

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

2.2 New and Revised Turkish Financial Reporting Standards (cont'd)

ii) New and revised TFRSs in issue but not yet effective (cont'd)

TFRS 17 - The new Standard for insurance contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2023.

Amendments to TAS 1 Classification of Liabilities as Current or Non-Current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendment defers the effective date by one year. Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to TAS 16 Property, Plant and Equipment - Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TAS 37 Onerous Contracts – Cost of Fulfilling a Contract

With the amendment in TAS 37, it is ensured that the estimated contract fulfillment costs consist of both the variable costs incurred to fulfill the contract and the amounts distributed from other costs directly related to the fulfillment of the contract in order to determine whether the contract is an economically disadvantaged contract.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

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

2.2 New and Revised Turkish Financial Reporting Standards (cont'd)

ii) New and revised TFRSs in issue but not yet effective (cont'd)

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 1 First time adoption of International Financial Reporting Standards

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to TFRSs.

Amendments to TFRS 9 Financial Instruments

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amendments to TAS 41 Agriculture

The amendment removes the requirement in paragraph 22 of TAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in TFRS 13.

The amendments to TFRS 1, TFRS 9, and TAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TFRS 4 Extension of the Temporary Exemption from Applying IFRS 9

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 Insurance Contracts from applying TFRS 9 Financial Instruments, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023.

Amendments to TFRS 16 COVID-19 Related Rent Concessions beyond 30 June 2021

Public Oversight Accounting and Auditing Standards Authority ("KGK") published COVID-19 Continuing Concessions on Lease Payments After 31 March 2022 – Changes Related to TFRS 16, published in June 2020, extending the exemption for tenants from determining whether certain concessions in lease payments due to COVID-19 should not determine whether a lease has changed or not.

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period one year which the practical expedient is available for use.

This new change will be applied by tenants for annual accounting periods beginning on or after 1 April 2021, but early application is permitted.

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

2.2 New and Revised Turkish Financial Reporting Standards (cont'd)

ii) <u>New and revised TFRSs in issue but not yet effective (cont'd)</u>

Amendments to TAS 1 Disclosure of Accounting Policies

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 8 Definition of Accounting Estimates

With this amendment, the definition of "a change in accounting estimates" has been replaced with the definition of "an accounting estimate", sample and explanatory paragraphs regarding estimates have been added, and the differences between application of an estimate prospectively and correction of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 12 Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

2.3 Summary of Significant Accounting Policies

a. Revenue

The 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.

The 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 that owned by same company and the warehouses are considered as a single group.

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

2.3 Summary of Significant Accounting Policies (cont'd)

a. Revenue (cont'd)

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 that have short expiry dates. At the end of the period, if such products are available and possible, they are sent to the pharmaceutical warehouse via free product incentive instead of refund implementation.

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.

The 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.

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

2.3 Summary of Significant Accounting Policies (cont'd)

b. Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with being valued on standard costing basis. At the end of the each reporting period, the standard costs are updated based on the actual costs. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. The Group exterminates 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 March 2022, the total amount of extermination and diminishing value of these provisions is TRY 99.676.946 (31 December 2021: TRY 71.570.409) (Note 9).

c. Property, Plant and Equipment

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

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in net income or loss as investment income or expense, but not classified as revenue, when the item is derecognised (unless TAS 16 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. 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.

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

2.3 Summary of Significant Accounting Policies (cont'd)

d. Intangible Assets (cont'd)

Internally-generated intangible assets – research and development costs

Research costs are recognised as expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

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

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

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

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.

e. Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:
a) the amount of lease liabilities recognised,
b) lease payments made at or before the commencement date less any lease incentives received,
c) initial direct costs incurred.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment assessment.

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

2.3 Summary of Significant Accounting Policies (cont'd)

f. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

At the commencement date of the lease, the measurement of the lease liabilities includes:
The lease payments include
(a) fixed payments (including in-substance fixed payments) less any lease incentives receivable,
(b) The variable lease payments that depend on an index,
(c) The amounts expected to be paid under residual value guarantees,
(d) The exercise price of a purchase option reasonably certain to be exercised by the Group,
(e) Payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

g. 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.

h. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recorded in the income statement in the period in which they are incurred. Assets that necessarily take a substantial period of time to get ready for intended use or sale of the Group are license development costs. Transformation of these costs to be ready for sale state may take more than one financial year. Borrowing costs incurred for development costs are added to cost of the related asset until it is ready for sale. During the period ended 31 March 2022, TRY 1.308.772 (31 March 2021: TRY 352.721) amount was capitalized on these qualifying assets (Note 14). The weighted average capitalization rate on funds borrowed is 8,0% for three months (31 March 2021: 6,3% for three months period).

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

2.3 Summary of Significant Accounting Policies (cont'd)

i. 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.

Derecognition of Financial Assets and Liabilities

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.

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

2.3 Summary of Significant Accounting Policies (cont'd)

i. 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 assets at FVTPL

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

i. Financial Instruments (cont'd)

(ii) Financial liabilities (cont'd)

<u>*Bonds issued*</u>

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).

<u>*Derivative financial instruments*</u>

Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the consolidated financial statements. The fair value changes for these derivatives are recognised in the consolidated income statement.

j. 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.

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

2.3 Summary of Significant Accounting Policies (cont'd)

j. Business Combinations (cont'd)

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.

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 TFRS.

In a progressive business combination, the Group is re-measured at the date of acquisition (i.e. 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.

k. 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.

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

2.3 Summary of Significant Accounting Policies (cont'd)

l. Treasury Shares

If an entity reacquires its own equity instruments, those instruments ("treasury shares") are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Such treasury shares may be acquired and held by the entity or by other members of the consolidated group. Consideration paid or received is recognised directly in equity. Following the Deva-Vetaş merger that realized as of 30 December 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.

m. 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.

n. 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.

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

2.3 Summary of Significant Accounting Policies (cont'd)

o. 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.

p. 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.

r. 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.

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

2.3 Summary of Significant Accounting Policies (cont'd)

s. Segment 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.

t. 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.

u. 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.

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.

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

2.3 Summary of Significant Accounting Policies (cont'd)

u. Taxation and Deferred Tax (cont'd)

Deferred tax (cont'd)

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.

v. 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 Turkish 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.

y. 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.

z. Government Grants and Incentives

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

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

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

aa. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the entity's accounting policies

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

Recoverability of internally-generated intangible assets

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

During the period, management reconsidered the recoverability of its internally-generated intangible assets. Management believes the projects will continue as expected and based on this analysis management continues to anticipate similar revenues from the projects. Management is confident that the carrying amount of the assets will be recovered in full, even if estimated revenues are reduced. This situation is closely monitored by management, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate. During the period ended 31 March 2022, the Group Management has recognized net book value of TRY 63.590.957 an impairment loss, and written-off the impaired amount from capitalized development costs and product licenses and rights (31 March 2021: TRY 24.143.811) (Note 14).

Intangible asset recognized on business combination

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

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

Deferred tax assets

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realised. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realise the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilise some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognised. As of 31 March 2022 and 31 December 2021, 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 2021, 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 28,3% per annum. Cash flows beyond that five-year period have been extrapolated by using a steady real growth rate of 9,0% 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 March 2022, there were no indicators of impairment and therefore the Group did not test goodwill for impairment. No impairment loss is recognized in the accompanying consolidated financial statements.

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

2.3 Summary of Significant Accounting Policies (cont'd)

aa. 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 17.

Expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The expected credit losses are mentioned in the Note 7.

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

3. SEGMENT INFORMATION

Group started to apply TFRS 8 as of 1 January 2009 and determined operating segments based on internal reports that are regularly reviewed by the Group's decision-making authority. Group's decision-making authority is Group Management.

The Group's decision-making authority examines the results and activities on the basis of product types in order to make decisions regarding the resources to be allocated to the departments and to evaluate the performance of the departments. The business segments are production and sale of human pharmaceuticals, veterinary products and other. Other segment includes sale of cologne and other products.

31 March 2022	**Human pharma**	**Veterinary products**	**Other**	**Total**
External sales	787.054.762	78.001.874	18.988.548	884.045.184
Cost of sales	(346.435.351)	(48.764.583)	(13.243.698)	(408.443.632)
Operating expenses	(213.277.696)	(7.478.223)	(870.564)	(221.626.483)
Segment results	227.341.715	21.759.068	4.874.286	253.975.069
Other operating income				121.914.495
Other operating expenses (-)				(6.917.658)
Investment income				4.209.976
Finance expenses (-)				(82.141.410)
Tax income				60.066.868
Profit for the period				**351.107.340**

Distribution of the Group's products by the predominately two largest wholesalers in the Turkish market corresponded to approximately 27% and 36% of the revenues of the Human Pharmaceuticals business line derived from Turkey (31 March 2021: 25% and 34%).

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

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

3. SEGMENT INFORMATION (cont'd)

31 March 2021	**Human pharma**	**Veterinary products**	**Other**	**Total**
External sales	482.785.348	58.819.378	6.827.429	548.432.155
Cost of sales	(208.793.141)	(35.447.940)	(3.865.688)	(248.106.769)
Operating expenses	(100.656.860)	(5.076.247)	(277.007)	(106.010.114)
Segment results	173.335.347	18.295.191	2.684.734	194.315.272
Other operating income				74.303.951
Other operating expenses (-)				(29.143.851)
Investment income				8.246.185
Finance expenses (-)				(24.798.908)
Tax income				287.553
Profit for the period				**223.210.202**

4. CASH AND CASH EQUIVALENTS

	31 March 2022	31 December 2021
Petty cash	197.378	186.749
Cash in banks	1.400.794.223	1.309.941.353
Demand deposits	*87.829.252*	*84.202.223*
Time deposits- maturity less than three months	*1.312.964.971*	*1.225.739.130*
Cash and cash equivalents in cash flow statement	1.400.991.601	1.310.128.102
Interest income accruals	4.502.925	846.317
	1.405.494.526	1.310.974.419

As of 31 March 2022, the Group has Euro, US Dollar and TRY time deposits. The average interest rate for, Euro time deposit is 1,45%, US Dollar time deposit is 1,59% and TRY time deposit is 17,20% (The Group has Euro, US Dollar and TRY time deposit as of 31 December 2021 and it's average interest rate for Euro time deposit is 0,59% US Dollar time deposit is 0,86% and TRY time deposit is 21,47%). All of the financial investments are short term and have a maturity of one month.

The Group does not have any blocked deposits as of 31 March 2022 and 31 December 2021.

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

5. FINANCIAL LIABILITIES

	31 March 2022	31 December 2021
Short term bank loans	1.131.034.881	784.780.593
Current portion of long term loans	242.030.897	183.631.506
Current portion of leases	1.538.042	6.688.237
Current portion of bonds issued (*)	137.334.906	139.035.208
Total short term financial liabilities	1.511.938.726	1.114.135.544
Long term portion of bank loans	290.387.012	356.804.690
Long term portion of leases	164.106.351	163.461.147
Bonds issued (*)	99.779.647	99.779.647
Total long term financial liabilities	554.273.010	620.045.484
Total financial liabilities	2.066.211.736	1.734.181.028

(*)The Group issued 2 corporate bonds amounting to TRY 130.000.000 with two years maturity, quarterly floating interest rate and coupon payments and 100.000.000 with two years maturity, quarterly floating interest rate and coupon payments. The bonds were sold on 4 May 2020 and 14 May 2021 only to qualified investors. Annual simple yield of the bond is calculated by adding 225 basis points for TRY 130.000.000 bond for over the annual compound yield of "Reference Government Bond"and 200 basis points for TRY 100.000.000 bond for over "BİST TLREF" index. As of issuance and coupont payment date, annual simple bond yield were %10,85 and %21,46 and compound bond yield were %11,29 and %23,25, respectively.

Repayment schedule of bank borrowings is as follows:

	31 March 2022	31 December 2021
Less than 1 year or to be paid on demand	1.511.938.726	1.114.135.544
To be paid between 1-2 years	419.897.441	479.892.712
To be paid between 2-3 years	52.907.046	52.656.034
To be paid between 3-4 years	38.439.342	39.936.146
To be paid between 4-5 years	43.029.181	47.560.592
	2.066.211.736	1.734.181.028

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

5. FINANCIAL LIABILITIES (cont'd)

i) Bank loans

Short term bank loans consist of the following:

Currency Type	Weighted Average Effective Interest Rate	Principal	31 March 2022	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2021
TRY	18,4%	1.094.127.650	1.094.127.650	TRY	19,3%	765.274.954	765.274.954
Accrued interest			36.907.231	Accrued interest			19.505.639
			1.131.034.881				784.780.593

The Group has spot loans amounting to TRY 1.094.127.650 (2021: TRY 765.274.954), with an average interest of 18,40 %. Not used to loans with no interest. (2021: None). The principal amount and interest paid on due date.

Short term borrowings consist of spot and revolving line of credits with several banks. As of 31 March 2022 and 31 December 2021, the total available lines of credits are TRY 3.600.211.940 and TRY 3.018.830.274, respectively. The principal and interest is paid on the maturity. The agreements have no expiration date unless there is a breach of contract which would include nonpayment of interest and principal within the maturity.

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

Currency Type	Weighted Average Effective Interest Rate	Principal	31 March 2022	Currency	Weighted Average Effective Interest Rate	Principal	31 December 2021
TRY	15,0%	224.090.036	224.090.036	TRY	14,4%	166.544.947	166.544.947
Accrued interest			17.940.861	Accrued interest			17.086.559
			242.030.897				183.631.506

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

5. FINANCIAL LIABILITIES (cont'd)

i) Bank loans (cont'd)

Long term bank loans consist of the following:

Currency Type	Weighted Average Effective Interest Rate	Principal	31 March 2022
TRY	17,7%	290.387.012	290.387.012
			290.387.012

Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2021
TRY	18,6%	356.804.690	356.804.690
			356.804.690

The Group uses its notes receivables as collaterals for its revolving loans. As of 31 March 2022, the amount of the notes receivables given as collateral is TRY 406.184.856 (31 December 2021: TRY 292.364.486). These loans are also secured by the Group's headquarter building and Group's factory buildings that are located Çerkezköy and Kartepe mortgages at respectively amounts 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, TRY 12.900.000 (Note 18).

Loan movement:

	2022	2021
Beginning of the year - 1 January	1.325.216.789	821.252.703
Additons	840.853.504	243.738.555
Repayments of borrowings	(520.757.226)	(257.839.633)
Currency translation differences	(116.171)	166.872
Changes in interest accruals	18.255.894	6.064.767
End of the period - 31 March	**1.663.452.790**	**813.383.264**

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

5. FINANCIAL LIABILITIES (cont'd)

ii) Lease liabilities

Short term portion of long term lease liabilities consists of the following:

Currency Type	Weighted Average Effective Interest Rate	Principal	31 March 2022	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2021
TRY	14,7%	1.204.301	1.204.301	TRY	14,3%	1.162.161	1.162.161
Accrued interest			333.741	Accrued interest			5.526.076
			1.538.042				6.688.237

Long term lease liabilities consist of the following:

Currency Type	Weighted Average Effective Interest Rate	Principal	31 March 2022	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2021
TRY	16,7%	164.106.351	164.106.351	TRY	16,3%	163.461.147	163.461.147
			164.106.351				163.461.147

The Group recognizes right-of-use assets at the commencement date of the lease in accordance with TFRS 16; when the underlying asset is available for use. Since the fixed asset which is subject to the leasing agreement, amounting to Euro 10.717.000 and Euro 4.850.000, are not available for use as at the balance sheet date; the Company has not recognized the total amount of right-of-use asset and lease liability in the consolidated financial statements in 31 March 2022. The Group has only recognized the advance payment by the leasing company under the lease contract in 2021 and 2022 on behalf of Deva Holding. The advance payment, amounting to TRY 118.373.715 (2021: TRY 118.373.715) (Note 10), has been recognized in long term prepaid expenses and lease liabilities. The commencement dates of the lease contracts are 21 December 2020 and 15 December 2021; and termination dates are 25 December 2026 and 15 December 2026. The total borrowing amount of the lease contract is TRY 333.005.111.

Lease liabilities movement:

	2022	2021
Beginning of the year - 1 January	170.149.384	71.077.740
Additons	7.414.744	10.939.632
Repayments of borrowings	(12.253.476)	(4.789.752)
Changes in interest accruals	333.741	896.241
End of the period - 31 March	**165.644.393**	**78.123.861**

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

5. FINANCIAL LIABILITIES (cont'd)

iii) Debt bond in issue

Short term portion of long term debt bonds issued consists of the following:

Currency Type	Weighted Average Effective Interest Rate	Principal	31 March 2022	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2021
TRY	17,9%	129.138.285	129.138.285	TRY	18,0%	129.138.285	129.138.285
Accrued interest			8.196.621	Accrued interest			9.896.923
			137.334.906				139.035.208

Long term debt bonds issued consist of the following:

Currency Type	Weighted Average Effective Interest Rate	Principal	31 March 2022	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2021
TRY	19,2%	99.779.647	99.779.647	TRY	20,5%	99.779.647	99.779.647
			99.779.647				99.779.647

Bonds issued movement:

	2022	2021
Beginning of the year - 1 January	238.814.855	201.391.045
Changes in interest accruals	(1.700.302)	2.164.002
End of the period - 31 March	**237.114.553**	**203.555.047**

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

6. RELATED PARTY TRANSACTIONS

	31 March 2022							
	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.	-	-	-	-	30.437.322	-	-	-
Subsidiaries								
Devatis AG	22.928.666	-	-	-	464.294	-	-	-
Other companies managed by ultimate parent								
Saba İlaç Sanayi ve Ticaret A.Ş.	57.702.878	-	-	-	-	-	-	-
	80.631.544	-	-	-	30.901.616	-	-	-

	1 January - 31 March 2022							
Transactions with related parties	Purchases	Goods/Services Sales	Interest received	Interest given	Rent income	Royalty expenses (*)	Other income (**)	Other expense
Shareholders								
East Pharma S.A.R.L.	14.331.044	-	-	-	-	16.899.875	-	-
Subsidiaries								
Devatis AG	-	6.127.516	-	-	-	-	-	-
Other companies managed by ultimate parent								
Saba İlaç Sanayi ve Ticaret A.Ş.	897.524	16.243.402	1.906.700	-	394.047	-	239.724	443
	15.228.568	22.370.918	1.906.700	-	394.047	16.899.875	239.724	443

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

(*) 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 related with the Group and one of the accredited independent auditors by Capital Markets Board on 23 June 2021, with an updated Valuation Report which is effective by January 2021. The valuation method used was profit-sharing economic approach based on discounted cash flow.

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

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

6. RELATED PARTY TRANSACTIONS (cont'd)

	31 December 2021							
	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.	-	-	-	-	13.866.400	-	-	-
Subsidiaries								
Devatis AG	18.738.340	-	-	-	428.755	-	-	-
Other companies managed by ultimate parent								
Saba İlaç Sanayi ve Ticaret A.Ş.	49.307.554	-	-	-	-	-	-	-
	68.045.894	-	-	-	14.295.155	-	-	-

	1 January - 31 March 2021							
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.	5.775.928	-	-	-	-	11.512.050	-	-
Subsidiaries								
Devatis AG	-	-	-	-	-	-	-	-
Other companies managed by ultimate parent								
Saba İlaç Sanayi ve Ticaret A.Ş.	328.653	13.681.904	1.574.283	-	292.286	-	129.271	-
	6.104.581	13.681.904	1.574.283	-	292.286	11.512.050	129.271	-

(*) 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 related with the Group and one of the accredited independent auditors by Capital Markets Board on 23 June 2021, with an updated Valuation Report which is effective by January 2021. The valuation method used was profit-sharing economic approach based on discounted cash flow.

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

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

6. RELATED PARTY TRANSACTIONS (cont'd)

Total amount of compensation benefits provided to directors and upper level managers, include the salaries, premiums and retirement pay for the period ended 31 March 2022 and 2021 are stated below:

Compensation of key management personnel	1 January-31 March 2022	1 January-31 March 2021
Salaries and short-term benefits	30.063.058	16.247.127
Long-term benefits	1.377.355	551.645
	31.440.413	16.798.772

7. TRADE RECEIVABLES AND PAYABLES

Trade Receivables

Current trade receivables	31 March 2022	31 December 2021
Trade receivables	533.312.888	322.905.181
Notes receivable	577.142.665	568.926.758
Due from related parties (Note 6)	80.631.544	68.045.894
Other trade receivables	220.811	281.369
Income accruals (*)	22.795.253	18.119.584
Expected credit losses (-)	(7.174.128)	(7.174.128)
	1.206.929.033	971.104.658

As of 31 March 2022 and 31 December 2021, 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 2022, the average credit period on sales is 85 days (31 December 2021: 98 days).

(*) The Group receives government grants related to development costs. The balance includes the income accrual for the grants received from TUBİTAK. As of 31 March 2022 TUBITAK income accrual amounts to TRY 16.232.751 (31 December 2021: TRY 15.417.367).

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

	31 March 2022	31 December 2021
Letter of guarantees received	93.582.588	78.534.082
	93.582.588	78.534.082

The Group's principal financial assets are trade and other receivables, and investments. The Group's credit risk is primarily attributable to its trade receivables. As of 31 March 2022, two customers represented 18% and 20% of the total trade and other receivables balance, respectively (31 December 2021: 22% and 23%).

Deva Holding 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 57.702.878 (31 December 2021: TRY 49.307.554) in related party transactions note, related to these transactions (Note 6).

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

7. TRADE RECEIVABLES AND PAYABLES (cont'd)

Trade Receivables (cont'd)

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 expected credit losses for the period ended 31 March 2022 and 2021 is as follows:

	2022	2021
Balance at 1 January	7.174.128	7.185.988
Charge for the period	-	716.077
Written off uncollectible receivables	-	(25.680)
Balance at 31 March	7.174.128	7.876.385

Trade Payables

Current trade payables	31 March 2022	31 December 2021
Trade payables	375.742.350	335.002.766
Notes payable	24.436	22.253
Due to related parties (Note 6) (*)	30.901.616	14.295.155
Expense accruals (**)	3.124.157	1.148.011
Royalty expense accruals	275.686	164.218
	410.068.245	350.632.403

(*) As of 31 March 2022, royalty payable to Eastpharma S.A.R.L for the sale of products that Eastpharma S.A.R.L. holds the rights is TRY 15.209.887 (31 December 2021: TRY 13.866.400). Eastpharma S.A.R.L. holds Turkey rights of 17 Roche products acquired in 2008. Eastpharma S.A.R.L. also holds the right of one Roche product in 17 different foreign countries. As of 31 March 2022, there is payable amount to TRY 15.227.435 Eastpharma S.A.R.L. related with the raw material purchase from F. Hoffman – La Roche Ltd (31 December 2021: TRY Nil). Devatis AG, a subsidiary of the Company, charges its expenses related with products and licenses to Deva Holding. As of 31 March 2022, the payable amount related to these expenses is TRY 464.294 (31 December 2021: TRY 428.755).

(**) As of 31 March 2022, expense accruals include turnover premium provision amounts to TRY 2.227.848 (31 December 2021: TRY 864.034).

Notes payables consist of cheques given to suppliers with maturities less than 1 year. As of 31 March 2022 and 31 December 2021, the Group has no long term trade payables.

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

8. OTHER RECEIVABLES AND PAYABLES

Other current receivables	31 March 2022	31 December 2021
Other receivables	1.256.837	1.161.467
Due from personnel	1.110.418	119.818
Provision for other expected credit losses (-)	(48.906)	(48.906)
Deposits and guarantees given	203.134	189.662
	2.521.483	1.422.041

The movement of the allowance for other expected credit losses for the period ended 31 March 2022 and 2021 is as follows:

	2022	2021
Balance at 1 January	48.906	48.906
Balance at 31 March	48.906	48.906

Other current payables	31 March 2022	31 December 2021
Other current payables	3.188.398	1.228.416
	3.188.398	1.228.416

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

9. INVENTORIES

	31 March 2022	31 December 2021
Raw materials	822.309.730	648.518.581
Work-in-progress	76.549.111	55.742.052
Finished goods	406.967.138	343.095.367
Allowance for diminution in value of inventories (-)	(99.676.946)	(71.570.409)
	1.206.149.033	975.785.591

As of 31 March 2022, insurance coverage on inventory amounts to TRY 1.000.000.000 (31 December 2021: TRY 1.000.000.000).

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

	31 March 2022	31 December 2021
Raw materials	67.829.906	50.742.238
Work-in-progress	11.542.191	7.539.655
Finished goods	20.304.849	13.288.516
	99.676.946	71.570.409

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

	2022	2021
Balance at 1 January	71.570.409	60.097.884
Provision for the period	39.890.378	20.832.108
Provision realised in year	(11.783.841)	(459.886)
Balance at 31 March	99.676.946	80.470.106

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

10. PREPAID EXPENSES AND DEFERRED REVENUE

Short term prepaid expenses	31 March 2022	31 December 2021
Advances given for inventory	53.552.100	73.668.352
Prepaid expenses	10.146.644	16.916.362
Job advances	5.524.958	1.098.395
	69.223.702	91.683.109

Long term prepaid expenses	31 March 2022	31 December 2021
Advances given for property, plant & equip.	309.283.375	250.877.138
Prepaid expenses	115.239	115.240
	309.398.614	250.992.378

Short term deferred revenue	31 March 2022	31 December 2021
Advances received	15.158.300	16.477.863
Deferred income	3.045.208	2.942.542
	18.203.508	19.420.405

Long term deferred revenue	31 March 2022	31 December 2021
Deferred income	8.188.691	7.503.593
	8.188.691	7.503.593

11. ASSETS RELATING TO CURRENT TAX

Current assets relating to current tax	31 March 2022	31 December 2021
Prepaid withholding tax	663.089	290.599
	663.089	290.599

(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 2022	33.715.317	2.506.562	292.900.694	851.347.579	7.031.020	62.971.256	402.848	180.900.175	1.431.775.451
Additions	-	-	-	-	2.486.438	3.155.648	-	84.878.767	90.520.853
Disposals	-	-	-	-	-	-	-	-	-
Transfers from construction in progress	-	38.000	80.000	42.594.077	-	-	-	(42.712.077)	-
Closing balance, 31 March 2022	33.715.317	2.544.562	292.980.694	893.941.656	9.517.458	66.126.904	402.848	223.066.865	1.522.296.304
Accumulated depreciation									
Opening balance,1 January 2022	-	(928.024)	(53.482.764)	(344.618.815)	(2.743.813)	(32.744.508)	(251.838)	-	(434.769.762)
Reclassifications (*)	-	-	-	(2.621.581)	-	-	-	-	(2.621.581)
Depreciation charge for the period	-	(37.984)	(3.176.225)	(14.419.176)	(408.011)	(1.580.428)	(6.500)	-	(19.628.324)
Disposals	-	-	-	-	-	-	-	-	-
Closing balance, 31 March 2022	-	(966.008)	(56.658.989)	(361.659.572)	(3.151.824)	(34.324.936)	(258.338)	-	(457.019.667)
Carrying amount at 31 March 2022	33.715.317	1.578.554	236.321.705	532.282.084	6.365.634	31.801.968	144.510	223.066.865	1.065.276.637

(*) TRY 2.621.581, 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 14) as the projects are in progress as at 31 March 2022.

As of 31 March 2022, insurance coverage on property, plant and equipment amounts to TRY 2.247.897.000 (31 December 2021: TRY 2.247.897.000).

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 18).

(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 2021	34.307.779	2.388.912	227.875.929	616.228.383	5.247.184	43.971.269	272.848	165.678.383	1.095.970.687
Additions	-	-	-	-	-	2.150.444	-	33.224.031	35.374.475
Disposals	(592.462)	-	-	-	(85.602)	-	-	-	(678.064)
Transfers from construction in progress	-	92.650	1.197.716	35.456.681	-	-	-	(36.747.047)	-
Closing balance, 31 March 2021	33.715.317	2.481.562	229.073.645	651.685.064	5.161.582	46.121.713	272.848	162.155.367	1.130.667.098
Accumulated depreciation									
Opening balance,1 January 2021	-	(781.099)	(44.449.560)	(292.676.299)	(1.922.280)	(28.503.498)	(236.670)	-	(368.569.406)
Reclassifications (*)	-	-	-	(1.271.504)	-	-	-	-	(1.271.504)
Depreciation charge for the period	-	(36.523)	(1.393.943)	(9.574.868)	(202.698)	(913.732)	-	-	(12.121.764)
Disposals	-	-	-	-	85.602	-	-	-	85.602
Closing balance, 31 March 2021	-	(817.622)	(45.843.503)	(303.522.671)	(2.039.376)	(29.417.230)	(236.670)	-	(381.877.072)
Carrying amount at 31 March 2021	33.715.317	1.663.940	183.230.142	348.162.393	3.122.206	16.704.483	36.178	162.155.367	748.790.026

(*) TRY 1.271.504, 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 14) as the projects are in progress as at 31 March 2021.

As of 31 March 2021, insurance coverage on property, plant and equipment amounts to TRY 1.298.881.214 (31 December 2020: TRY 1.298.881.214).

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, TR 35.000.000, TRY 34.000.000, TRY 8.400.000, TRY 16.200.000 and 12.900.000 respectively (Note 18).

(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.

13. RIGHT OF USE ASSETS

	Vehicles	Machinery	Total
Acquisition cost			
Opening balance,1 January 2022	67.173.622	17.370.032	84.543.654
Additions	7.414.744	1.182.847	8.597.591
Classifications (*)	(123.799)	-	(123.799)
Closing balance, 31 March 2022	74.464.567	18.552.879	93.017.446
Accumulated depreciation			
Opening balance,1 January 2022	(20.595.537)	(1.204.258)	(21.799.795)
Classifications (*)	123.799	-	123.799
Depreciation charge for the period (**)	(4.632.202)	(202.083)	(4.834.285)
Closing balance, 31 March 2022	(25.103.940)	(1.406.341)	(26.510.281)
Carrying amount at 31 March 2022	49.360.627	17.146.538	66.507.165

(*) The Group has netted off the right of use asset accounts due to the expiration of the lease contracts. The netting of has no effect on income statement.

(**) Depreciation charge for period is given Note 22 and Note 23.

	Vehicles	Machinery	Total
Acquisition cost			
Opening balance, 1 January 2021	46.451.716	16.362.324	62.814.040
Additions	10.939.632	99.702	11.039.334
Classifications (*)	-	-	-
Closing balance, 31 March 2021	57.391.348	16.462.026	73.853.374
Accumulated depreciation			
Opening balance,1 January 2021	(23.140.480)	(395.927)	(23.536.407)
Classifications (*)	-	-	-
Depreciation charge for the period (**)	(3.409.108)	(202.083)	(3.611.191)
Closing balance, 31 March 2021	(26.549.588)	(598.010)	(27.147.598)
Carrying amount at 31 March 2021	30.841.760	15.864.016	46.705.776

(*) The Group has netted off the right of use asset accounts due to the expiration of the lease contracts. The netting of has no effect on income statement.

(**) Depreciation charge for period is given Note 22 and Note 23.

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

13. RIGHT OF USE ASSETS (cont'd)

Depreciation periods for right of use assets, which contract period for vehicles, approximate the useful lives of such machineries, are as follows:

Machinery	4-30 years
Vehicles	5 years

14. INTANGIBLE ASSETS

	Product Licenses and Rights	Customer Relationship	Capitalized Development Costs	Total
Acquisition cost				
Opening balance,1 January 2022	192.059.581	3.730.513	263.688.325	459.478.419
Reclassifications (*)	-	-	2.621.581	2.621.581
Additions (**)	-	-	94.659.741	94.659.741
Transfers from construction in progress	21.886.277	-	(21.886.277)	-
Disposals	(3.461.924)	-	(61.862.403)	(65.324.327)
Closing balance, 31 March 2022	210.483.934	3.730.513	277.220.967	491.435.414
Accumulated amortization				
Opening balance, 1 January 2022	(84.701.711)	(2.518.086)	(17.920.958)	(105.140.755)
Amortization charge for the period	(3.681.137)	(46.631)	-	(3.727.768)
Disposals	1.733.370	-	-	1.733.370
Closing balance, 31 March 2022	(86.649.478)	(2.564.717)	(17.920.958)	(107.135.153)
Carrying amount at 31 March 2022	123.834.456	1.165.796	259.300.009	384.300.261

(*) TRY 2.621.581, partial depreciation charge of machinery and equipment is directly attributable to development costs related to product licenses and rights and is capitalized in cost value of intangible assets in respect of TAS 16 and TAS 38 as the projects are in progress as at 31 March 2022 (Note 12).

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

As of 31 March 2022, in the quarter capitalized financial expense amounts to TRY 1.308.772 (31 March 2021: TRY 352.721).

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

14. INTANGIBLE ASSETS (cont'd)

	Product Licences and Rights	Customer Relationship	Capitalized Development Costs	Total
Acquisition cost				
Opening balance, 1 January 2020	174.083.864	3.730.513	205.087.274	382.901.651
Reclassifications (*)	-	-	1.271.504	1.271.504
Additions (**)	-	-	38.265.877	38.265.877
Transfers from construction in progress	4.933.544	-	(4.933.544)	-
Disposals	(677.053)	-	(23.505.073)	(24.182.126)
Closing balance, 31 March 2021	178.340.355	3.730.513	216.186.038	398.256.906
Accumulated amortization				
Opening balance, 1 January 2021	(76.203.871)	(2.331.562)	(17.920.958)	(96.456.391)
Amortization charge for the period	(2.771.975)	(46.631)	-	(2.818.606)
Disposals	38.315	-	-	38.315
Closing balance, 31 March 2021	(78.937.531)	(2.378.193)	(17.920.958)	(99.236.682)
Carrying amount at 31 March 2021	99.402.824	1.352.320	198.265.080	299.020.224

(*) TRY 1.271.504, partial depreciation charge of machinery and equipment is directly attributable to development costs related to product licenses and rights and is capitalized in cost value of intangible assets in respect of TAS 16 and TAS 38 as the projects are in progress as at 31 March 2021 (Note 12).

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

As of 31 March 2021, capitalized financial expense amounts to TRY 352.721 (31 March 2020: TRY 224.135).

Depreciation and amortization expense of tangible assets, right of use assets and intangible assets are TRY 7.537.035 (2021: TRY 5.279.575) has been charged to 'cost of goods sold', TRY 11.246.317 (2021: TRY 9.065.704) to 'operating expenses' and TRY 12.028.606 is capitalized on inventory (2021: TRY 5.275.703).

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

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

15. GOODWILL

	31 March 2022	31 December 2021
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 16 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 March 2022 (Note 2).

Goodwill arising from the business combination is allocated to human pharma segment and there is no allocation to other segments as of 31 March 2022.

Sensitivity to changes in assumptions used in the goodwill impairment test

In the calculation of the present value of future cash flows, long term growth rate and discount rates are taken into account. Originally, the long term growth rate is assumed to be 9,0%. Had the rate been assumed to be 8,0%, the recoverable amount would have been above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for. Originally, the discount rate is assumed to be 28,3%. Had the rate been assumed to be 29,3%, the recoverable amount would have been above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

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

16. GOVERNMENT INCENTIVES AND GRANTS

	31 March 2022	31 December 2021
Short term government grants and incentives (*)	2.287.299	2.217.773
	2.287.299	2.217.773

	31 March 2022	31 December 2021
Long term government grants and incentives (*)	47.753.809	48.176.400
	47.753.809	48.176.400

(*) The Group receives government grants related to development costs. The balance consists of the income accrual for the short/long term grants received from TUBITAK. 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 period ended 31 March 2022, the Group has not received grant related with its development costs (31 March 2021: TRY 3.812.375).

The Group has 4 ongoing research and development projects approved by TÜBİTAK. The 2 ongoing projects has been approved in 2019, 2 in 2020. Total incentive research and development expenses incurred in 2021 related with these projects amounted to TRY 83.605.420.

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.

Total expenses related with project number 136611 that has not been obtained at 17 April 2018 for Deva Çerkezköy facility for the year 2022.

Total expenses related with project number 501317 that has been obtained at 30 October 2018 for Deva Kartepe facility for the year 2022 amount to TRY 3.986.429.

Total expenses related with project number 525422 that has been obtained at 26 May 2021 for Deva Çerkezköy facility for the year 2022 amount to TRY 80.616.764.

The Company also has a biotechnology project within the Tübitak program that have been completed in 2021.

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

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

17. PROVISIONS

Short term provisions	31 March 2022	31 December 2021
Expense accruals due to price regulation / change	15.505.597	-
Accrued sales discounts	12.155.324	9.248.311
Provision for legal claims	13.489.229	11.860.178
Campaign discount provisions	34.860.462	30.775.063
Other	1.333.189	614.044
	77.343.801	52.497.596

	Expense accruals due to price regulation	Accrued sales discounts	Provision for legal claims (*)	Campaign discount provisions	Total
Opening balance, 1 January 2022	-	9.248.311	11.860.178	30.775.063	51.883.552
Charge for the period	15.505.597	24.276.514	6.625.348	4.085.399	50.492.858
Payments made during the period	-	(8.490.081)	(4.340.563)	-	(12.830.644)
Reversal of provision	-	(12.879.420)	(655.734)	-	(13.535.154)
Closing balance, 31 March 2022	15.505.597,00	12.155.324	13.489.229	34.860.462	76.010.612
Opening balance, 1 January 2021	2.575.402	7.510.140	6.513.062	-	16.598.604
Charge for the period	541.218	14.724.059	3.069.557	-	18.334.834
Payments made during the period	-	(11.248.247)	(2.988.816)	-	(14.237.063)
Reversal of provision	-	(2.944.255)	(386.733)	-	(3.330.988)
Closing balance, 31 March 2021	3.116.620	8.041.697	6.207.070	-	17.365.387

(*) 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.

The Group has been a party to multiple lawsuits as a defendant and plaintiff within the scope of its ordinary activities during the period. In this context, as of 31 March 2022, the Group Management considers the probability of a loss is low in line with the opinions received from independent legal advisors regarding the lawsuits other than the provision for the 185 legal cases amounting to TRY 13.489.229 (31 March 2021: TRY 6.207.070).

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

18. COMMITMENTS AND CONTINGENT LIABILITIES

As of 31 March 2022 and 31 December 2021, the Group's Guarantees/Pledge/Mortgages ("GPM") are as follows:

Guarentees/Pledge/Mortgages given by the Group (GPM)	31 March 2022			
	TRY Equivalent	US Dollar	EUR	TRY
A. GPM given on behalf of its own legal				
-Guarantee	19.958.678	347.092	-	14.878.258
-Pledge	-	-	-	-
-Mortgage	181.500.000	-	-	181.500.000
	201.458.678	347.092	-	196.378.258
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	5.350.000	-	-	5.350.000
D. Other GPM	-	-	-	-
Total	**206.808.678**	**347.092**	**-**	**201.728.258**

	31 December 2021			
	TRY Equivalent	US Dollar	EUR	TRY
A. GPM given on behalf of its own legal				
-Guarantee	17.616.026	358.800	-	12.833.581
-Pledge	-	-	-	-
-Mortgage	181.500.000	-	-	181.500.000
	199.116.026	358.800	-	194.333.581
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	11.670.000	-	-	11.670.000
D. Other GPM	-	-	-	-
Total	**210.786.026**	**358.800**	**-**	**206.003.581**

As of 31 March 2022, the Company's Other GPM / Equity ratio is nil (31 December 2021: Nil).

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

19. EMPLOYMENT BENEFITS

Payables for benefits provided to employees	31 March 2022	31 December 2021
Due to personnel	1.102.834	694.056
Taxes and funds payables	11.523.611	6.617.335
Social security premiums payable	9.673.062	8.245.587
	22.299.507	15.556.978

Provisions for benefits provided to employees	31 March 2022	31 December 2021
Accrued vacation pay liability	13.427.547	8.051.513
Bonus given to sales personnel	6.956.345	6.491.543
Other accruals and payables	27.607.558	50.858.681
	47.991.450	65.401.737

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.

	Accrued vacation pay liability	Bonus given to personnel	Total
Provision at 1 January	8.051.513	6.491.543	14.543.056
Charge for the period	5.376.034	4.694.918	10.070.952
Payments during the period	-	(4.230.116)	(4.230.116)
Provision at 31 March 2022	13.427.547	6.956.345	20.383.892
Provision at 1 January	7.551.726	4.379.187	11.930.913
Charge for the period	2.742.601	2.240.237	4.982.838
Payments during the period	-	(3.046.533)	(3.046.533)
Provision at 31 March 2021	10.294.327	3.572.891	13.867.218

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

19. EMPLOYMENT BENEFITS (cont'd)

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 10.848,59 for each period of service at 31 March 2022 (31 December 2021: TRY 8.284,51).

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 ("Employment Benefits"), requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 March 2022, 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 15% and an interest rate of 19,15%, resulting in a real discount rate of approximately 3,61% (31 December 2021: 3,61%). The anticipated rate of retirement is considered as 87,28% (2021: 87,29%). As the maximum liability is revised semiannually, the maximum amount of TRY 10.848,59 effective from 1 January 2022 is taken into consideration in the calculation of provision from employment termination benefits (1 January 2021: TRY 7.638,96).

Below is the movement of employment termination provision:

	2022	2021
Provision at 1 January	43.942.290	33.218.834
Service cost	9.986.911	3.707.898
Interest cost	391.005	263.011
Termination benefits paid	(816.953)	(522.030)
Provision at 31 March	53.503.253	36.667.713

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

20. OTHER CURRENT ASSETS AND LIABILITIES

Other current assets	31 March 2022	31 December 2021
Deferred VAT	33.925.642	21.586.175
Other VAT	605.912	598.041
	34.531.554	22.184.216

Other current liabilities	31 March 2022	31 December 2021
Taxes and funds payables	7.518.584	8.447.061
Other VAT	152.889	152.889
	7.671.473	8.599.950

21. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Capital

Name	(%)	31 March 2022	(%)	31 December 2021
Eastpharma S.A.R.L.	82,2	164.424.760	82,2	164.424.760
Shares held by public	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
Treasury shares (-)		(28.847)		(28.847)
Adjusted share capital		340.071.137		340.071.137

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.

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

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

Capital (cont'd)

As of 31 March 2022 and 31 December 2021, the details of capital and other balances disclosed under equity are as follows:

	31 March 2022	31 December 2021
Capital	200.019.288	200.019.288
Premium discounts in excess of par	2.870.803	2.870.803
Restricted reserves assorted from profit	150.864.955	150.864.955
Treasury shares (-)	(28.847)	(28.847)
	353.726.199	353.726.199

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

Retained earnings

The Group's accumulated profit as of 31 March 2022 and 31 December 2021 amounts to TRY 2.211.249.499 and TRY 1.041.162.023, respectively. The accumulated profit balance also includes TRY 26.410.082 of extraordinary reserves as of 31 March 2022 (31 December 2021: TRY 26.410.082).

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

22. REVENUE AND COST OF SALES

Revenue (net)	1 January – 31 March 2022	1 January – 31 March 2021
Human pharma revenue	787.054.762	482.785.348
Veterinary products revenue	78.001.874	58.819.378
Other revenue	18.988.548	6.827.429
	884.045.184	548.432.155

Cost of revenue	1 January – 31 March 2022	1 January – 31 March 2021
Raw and other materials used	(273.672.020)	(173.703.385)
Direct labor cost	(17.955.229)	(11.865.098)
Production overheads	(157.192.886)	(70.624.436)
Depreciation expenses (Note 12,14)	(7.537.035)	(5.279.575)
Change in work in process(*)	20.807.059	(7.079.691)
Change in finished goods(*)	63.871.771	27.709.654
	(371.678.340)	(240.842.531)
Cost of merchandise and service sold (**)	(36.765.292)	(7.264.238)
	(408.443.632)	(248.106.769)

(*) Depreciation and amortization expense of TRY 12.028.606 (2021: TRY 5.275.703) has been capitalized on inventories.

(**) Cost of merchandise and service sold consists of production of Saba İlaç products and cost of contract manufacturing services to Saba İlaç. Current period revenue to Saba İlaç is TRY 16.243.402 (Note 6).

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

	1 January – 31 March 2022	1 January – 31 March 2021
Marketing, sales and distribution expenses (-)	(100.387.678)	(54.616.889)
General administration expenses (-)	(70.279.821)	(41.799.807)
Research and development expenses (-)	(50.958.984)	(9.593.418)
	(221.626.483)	(106.010.114)

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

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

i)Research and development expenses

	1 January – 31 March 2022	1 January – 31 March 2021
Employee benefits expenses	(21.563.420)	(11.941.165)
Cancelled projects	(50.821.654)	(9.593.416)
	(72.385.074)	(21.534.581)
Capitalized personnel expenses	21.426.090	11.941.163
	(50.958.984)	(9.593.418)

As of 31 March 2022, the Group realized research and development expenses of TRY 13.894.526 for tangible assets and TRY 89.552.539 for intangible assets with the total amount TRY 103.447.065 (31 March 2021: TRY 32.263.171). As of balance sheet date TRY 83.605.420 of the amount is for the government grants and incentives (31 March 2021: TRY 28.019.443). Of this total amount TRY 103.447.065 was capitalized on development costs, of which TRY 21.426.090 consists of employee related expenses. Total TRY 50.821.654 cancelled project and other expenses have no part of expense in entrance of 2022 .

ii)Marketing, sales and distribution expenses

	1 January – 31 March 2022	1 January – 31 March 2021
Employee benefits expenses	(37.873.230)	(24.225.142)
Depreciation and amortization expenses	(4.440.320)	(3.563.835)
Royalty expenses	(17.226.709)	(11.668.086)
Rent expenses	(1.325.578)	(474.396)
Travel, transportation and accommodation expenses	(4.788.063)	(1.329.954)
Consultancy expenses	(5.143.946)	(1.304.965)
Promotional goods and advertising expenses	(8.927.329)	(3.262.598)
Energy expenses	(2.336.470)	(600.521)
Customs expenses	(2.393.052)	(1.274.111)
Export commissions	(354.155)	(1.581.503)
Subcontractor expenses	(2.862.679)	(1.452.906)
Material usage expenses	(2.018.435)	(671.926)
Other expenses	(10.697.712)	(3.206.946)
	(100.387.678)	(54.616.889)

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

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

iii)General administration expenses

	1 January – 31 March 2022	1 January – 31 March 2021
Employee benefits expenses	(49.593.458)	(29.871.404)
Depreciation and amortization expenses	(6.805.997)	(5.501.869)
Rent expenses	(140.405)	(81.664)
Travel, transportation and accommodation expenses	(551.965)	(122.933)
Consultancy expenses	(7.979.808)	(4.516.923)
Promotional goods and advertising expenses	(242.670)	(69.425)
Other expenses	(6.969.169)	(2.957.941)
	(72.283.472)	(43.122.159)
Capitalized personnel expenses	2.003.651	1.322.352
	(70.279.821)	(41.799.807)

24. EXPENSES BY NATURE

	1 January – 31 March 2022	1 January – 31 March 2021
Employee benefits expenses	(109.030.108)	(66.037.711)
Depreciation and amortization expenses (Note 12,13,14)	(11.246.317)	(9.065.704)
Royalty expenses (*)	(17.226.709)	(11.668.086)
Rent expenses	(1.465.983)	(556.060)
Promotional goods and advertising expenses	(9.169.999)	(3.332.023)
Travel, transportation and accommodation expenses	(5.340.028)	(1.452.887)
Consultancy expenses	(13.123.754)	(5.821.888)
Energy expenses	(2.336.470)	(600.521)
Customs expenses	(2.393.052)	(1.274.111)
Export commissions	(354.155)	(1.581.503)
Subcontractor expenses	(2.862.679)	(1.452.906)
Material usage expenses	(2.018.435)	(671.926)
Cancelled projects	(50.821.654)	(9.593.416)
Other expenses	(17.666.881)	(6.164.887)
	(245.056.224)	(119.273.629)
Capitalized personnel expenses	23.429.741	13.263.515
	(221.626.483)	(106.010.114)

(*) TRY 16.899.875 part of royalty expenses consist of the amount paid to Eastpharma S.A.R.L for the sale of Roche products in the current year. Eastpharma S.A.R.L. holds Turkey rights of 9 of the 17 Roche products acquired in 2008. Eastpharma S.A.R.L. also holds the right of 1 Roche product in 17 different foreign countries (Note 6).

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

25. OTHER OPERATING INCOME / (EXPENSES)

Other operating income	1 January – 31 March 2022	1 January – 31 March 2021
Foreign exchange gain from operations	106.076.415	63.902.924
Discount interest income	128.796	-
Commission income (*)	239.724	129.271
Interest income	10.090.865	6.080.985
Other income and profits	5.378.695	4.190.771
	121.914.495	74.303.951

(*) Commission income consists of service consideration to Saba İlaç, the Group's related party TRY 239.724 (31 March 2021: TRY 129.271) (Note 6).

Other operating expenses	1 January – 31 March 2022	1 January – 31 March 2021
Foreign exchange loss from operations	(3.812.065)	(9.696.369)
Discount interest expenses	-	(112.615)
Other expense	(3.105.593)	(19.334.867)
	(6.917.658)	(29.143.851)

26. INVESTMENT INCOME / (EXPENSES)

	1 January – 31 March 2022	1 January – 31 March 2021
Profit on sale of property, plant and equipment	4.209.976	8.246.185
	4.209.976	8.246.185

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

27. FINANCIAL EXPENSES

	1 January – 31 March 2022	1 January – 31 March 2021
Bank loans interest cost	(74.094.471)	(34.360.918)
Lease liabilities interest cost	(333.741)	(896.241)
Bonds issued interest and expenses	(9.366.164)	(10.476.711)
Total interest cost	(83.794.376)	(45.733.870)
Capitalized expenses (-)	1.308.772	352.721
	(82.485.604)	(45.381.149)
Foreign exchange gain / (loss)	116.171	(166.872)
Gain on derivative instruments	2.535.552	22.043.881
Other expenses	(2.307.529)	(1.294.768)
	(82.141.410)	(24.798.908)

28. 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 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 23% (will be applied as 20% for 2023 tax period) over profits declared for interim periods in order to be deducted from the final corporate tax.

As of March 31, 2022 and December 31, 2021, 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.

28. TAX ASSETS AND LIABILITIES (cont'd)

Current and deferred income tax (cont'd)

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.

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%, according to Article 32 of the Corporate Tax Law (KVK). This rate had returned to the legal rate of 20% at the beginning of 2021, after being applied as 22% for the corporate earnings of the institutions for 2018, 2019, and 2020 taxation periods under the temporary article 10 of the KVK. With the temporary article 13 added to the KVK with the 11th article of the Law on the Collection Procedure of Public Receivables and Other Laws No. 7316, the corporate tax rate has been increased for a period of 2 years once again. According to the aforementioned temporary article, the legal corporate tax rate of 20% will be applied as 25% for the corporate earnings of the corporations for the 2021 taxation period, and as 23% for the corporate earnings for the 2022 taxation period. Unless a new legal regulation will be made, Article 32 of the KVK will come into effect, and the corporate tax rate will be back to the legal rate of 20% from the beginning of 2023. Within the scope of the aforementioned law, deferred tax assets and liabilities in the consolidated financial statements as of December 31, 2021, 23% for the amount that will have tax effect in 2022 and for the part that will have a tax effect in the following periods calculated with 20% rate.

Corporate tax 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 23% (2021 – 25%) to be calculated based on earnings generated for each period. Temporary tax is declared by the 17th day of the second month following each period and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

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

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

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of March 31, 2022 and December 31, 2021, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statements.

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

28. TAX ASSETS AND LIABILITIES (cont'd)

Current tax payable	31 March 2022	31 December 2021
Current tax liability	7.686.934	5.580.920
Prepaid taxes and dues	(5.338.643)	(2.785.169)
Effect of taxable base increase on corporate tax (*)	712	712
	2.349.003	2.796.463

(*) The law numbered 7143 which also contains the provisions regarding the tax amnesty was approved by the Parliamentary Counsel and announced at Trade Registry 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 tax base was increased by the rates stated in law and corporate tax is calculated by applying 15% tax rate.

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

Tax income	1 January-31 March 2022	1 January-31 March 2021
Current tax (expense)	(2.123.966)	(1.106.566)
Deferred tax income	62.190.834	1.394.119
Total tax income	60.066.868	287.553

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

	1 January-31 March 2022	1 January-31 March 2021
Profit before tax	291.040.472	222.922.649
Enacted tax rate	23%	20%
Expected taxation	(66.939.309)	(44.584.530)
Tax effects of:		
- non-deductible expenses	1.243.475	(1.615.899)
- r&d incentives deductions	14.885.630	4.939.368
- investment incentives	112.351.092	38.685.397
- other	(1.474.020)	2.863.217
Tax income recognized in income statement	60.066.868	287.553

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

28. 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 tax rate used in the calculation of deferred tax assets and liabilities is 23%, and 20% over temporary timing differences that are expected to reverse in 2022 (2021: 20%).

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

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

Deferred tax assets / (liabilities)	31 March 2022	31 December 2021
Restatement and useful life differences of property, plant and equipment and intangible assets	8.421.031	(9.692.738)
Provision for employment termination benefits	10.700.651	8.788.458
Inventories	70.701.533	31.137.299
Accrued vacation pay liability	3.088.336	1.851.848
Accrued sales discounts and free samples	(4.117.327)	(6.518.540)
Expense accruals due to price regulation	3.566.287	-
Expected credit losses	1.650.049	1.650.049
Provision for legal cases	3.073.566	2.726.484
Other	4.731.631	9.682.063
	101.815.757	39.624.923

The movement of deferred tax assets for the year ended as of 31 March 2022 and 2021 are as follows:

Movements of deferred tax assets / (liabilities)	2022	2021
Balance at 1 January	39.624.923	22.063.173
Deferred tax income recognized in income statement	62.190.834	1.394.119
Closing balance, 31 March	101.815.757	23.457.292

As of balance sheet date, the Group has no unused tax losses available for offset against future profits (31 March 2021: None).

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

29. PROFIT PER SHARE

<u>**Earning per share**</u>	1 January– 31 March 2022	1 January– 31 December 2021
Profit for the period	351.107.340	223.210.202
Weighted-average number of outstanding shares	20.001.928.778	20.001.928.778
Profit per share (TRY)	0,0176	0,0112

30. 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 21, comprising issued capital, reserves and retained earnings.

As of 31 March 2022 and 31 December 2021, equity/total financial liability rate is as follows:

	31 March 2022	31 December 2021
Financial liability	2.066.211.736	1.734.181.028
Less: Cash and cash equivalents	(1.405.494.526)	(1.310.974.419)
Liability (net)	660.717.210	423.206.609
Total equity	3.086.535.684	2.727.776.845
Total capital	3.747.252.894	3.150.983.454
Liability (net) / Total capital rate	18%	13%

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.)

30. 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.

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

Trade Receivables	31 March 2022	31 December 2021
According to internal rating;		
Customers in Group A	935.374.903	729.857.714
Customers in Group B	42.313.540	35.245.771
Customers in Group C	148.609.046	137.955.279
	1.126.297.489	903.058.764

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

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

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

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

30. 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 March 2022	**Related Party**	**Other**	**Related Party**	**Other**	**Bank Deposits**	**Derivative Instruments**
Maximum credit limits as of balance sheet date (*)	80.631.544	1.126.297.489	-	2.521.483	1.405.297.148	-
Secured amount with letter of guarantee	-	93.582.588	-	-	-	-
A.Net book value of the not amortized financial assets	80.631.544	1.126.297.489	-	2.521.483	1.405.297.148	-
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)	-	7.174.128	-	48.906	-	-
-Impairment(-)	-	(7.174.128)	-	(48.906)	-	-
-Secured amount with letter of guarantee	-	-	-	-	-	-
-Carrying value (unexpired assets)	-	-	-	-	-	-
-Impairment(-)	-	-	-	-	-	-
-Secured amount with letter of guarantee	-	-	-	-	-	-
E. Off balance sheet items that have credit risk	-	-	-	-	-	-

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

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

30. 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 2021	Related Party	Other	Related Party	Other	Bank Deposits	Derivative Instruments
Maximum credit limits as of balance sheet date (*)	68.045.894	903.058.764	-	1.422.041	1.310.787.670	-
Secured amount with letter of guarantee	-	78.534.082	-	-	-	-
A.Net book value of the not amortized financial assets	68.045.894	903.058.764	-	1.422.041	1.310.787.670	-
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)	-	7.174.128	-	48.906	-	-
-Impairment(-)	-	(7.174.128)	-	(48.906)	-	-
-Secured amount with letter of guarantee	-	-	-	-	-	-
-Carrying value (unexpired assets)	-	-	-	-	-	-
-Impairment(-)	-	-	-	-	-	-
-Secured amount with letter of guarantee	-	-	-	-	-	-
E. Off balance sheet items that have credit risk	-	-	-	-	-	-

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

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

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

(b) Financial risk factors (cont'd)

(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.

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.

31 March 2022

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	2.066.211.736	2.330.085.908	681.525.852	985.690.135	662.869.921
Trade payables	410.068.245	411.475.034	403.811.858	7.663.176	-
Payables relating to the benefits provided to employees	22.299.507	22.299.507	22.299.507	-	-
Total financial liabilities	2.498.579.488	2.763.860.449	1.107.637.217	993.353.311	662.869.921

31 December 2021

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	1.734.181.028	2.002.434.207	396.578.450	834.919.625	770.936.132
Trade payables	350.632.403	351.910.395	346.865.130	5.045.265	-
Payables relating to the benefits provided to employees	15.556.978	15.556.978	15.556.978	-	-
Total financial liabilities	2.100.370.409	2.369.901.580	759.000.558	839.964.890	770.936.132

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

(b) Financial risk factors (cont'd)

(b.2) Market Risk Management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see b.2.1) and interest rates (see b.2.2). 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.2.1) Foreign currency risk management

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

The Group's foreign currency position is as follows:

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

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

(b) Financial risk factors (cont'd)

(b.2) Market risk management (cont'd)

(b.2.1) Foreign currency risk management (cont'd)

Foreign Currency Position	31 March 2022					
	TRY Equivalent	USD	EUR	CHF	GBP	Other
1. Trade receivables	303.511.565	3.883.501	13.720.605	1.454.209	-	251.633
2a. Monetary financial assets	1.232.188.008	39.004.553	40.364.245	248.247	72	-
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	262.587.290	2.735.750	13.480.301	-	132.870	461.865
4. CURRENT ASSETS	1.798.286.863	45.623.804	67.565.151	1.702.456	132.942	713.498
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	29.124.570	28.759	1.762.527	-	-	-
8. NON-CURRENT ASSETS	29.124.570	28.759	1.762.527	-	-	-
9. TOTAL ASSETS	1.827.411.433	45.652.563	69.327.678	1.702.456	132.942	713.498
10. Trade payables	171.384.716	6.435.035	3.749.612	1.011.026	7.140	23.654
11. Financial liabilities	-	-	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
13. CURRENT LIABILITIES	171.384.716	6.435.035	3.749.612	1.011.026	7.140	23.654
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	-	-	-	-	-	-
18. TOTAL LIABILITIES	171.384.716	6.435.035	3.749.612	1.011.026	7.140	23.654
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)	1.656.026.717	39.217.528	65.578.066	691.430	125.802	689.844
21. Monetary items net foreign curreny position	1.364.314.857	36.453.019	50.335.238	691.430	(7.068)	227.979
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	111.460.085	4.683.689	2.545.764	415.451	-	-
26. Import	402.720.002	13.101.053	11.576.430	1.157.837	215.953	-

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

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

(b) Financial risk factors (cont'd)

(b.2) Market risk management (cont'd)

(b.2.1) Foreign currency risk management (cont'd)

Foreign Currency Position	31 December 2021					
	TRY Equivalent	USD	EUR	CHF	GBP	Other
1. Trade receivables	145.780.952	4.293.508	4.618.470	1.286.956	-	136.976
2a. Monetary financial assets	1.269.603.934	46.524.687	43.047.307	2.296	72	-
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	165.272.045	520.067	10.127.661	-	307.319	25.581
4. CURRENT ASSETS	1.580.656.931	51.338.262	57.793.438	1.289.252	307.391	162.557
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	1.151.898	15.319	64.915	-	-	-
8. NON-CURRENT ASSETS	1.151.898	15.319	64.915	-	-	-
9. TOTAL ASSETS	1.581.808.829	51.353.581	57.858.353	1.289.252	307.391	162.557
10. Trade payables	190.183.614	7.656.416	5.757.412	80.682	2.815	45.576
11. Financial liabilities	-	-	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
13. CURRENT LIABILITIES	190.183.614	7.656.416	5.757.412	80.682	2.815	45.576
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	-	-	-	-	-	-
18. TOTAL LIABILITIES	190.183.614	7.656.416	5.757.412	80.682	2.815	45.576
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)	1.391.625.215	43.697.165	52.100.941	1.208.570	304.576	116.981
21. Monetary items net foreign currency position (1+2a+5+6a-10-11-12a-14-15-16a)	1.225.201.272	43.161.779	41.908.365	1.208.570	(2.743)	91.400
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	370.363.976	27.848.196	9.239.204	294.893	-	-
26. Import	1.231.879.736	47.322.540	37.211.382	2.095.691	512.446	-

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

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

(b) Financial risk factors (cont'd)

(b.2) Market Risk Management (cont'd)

(b.2.1) 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 2021: 20%). The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year 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 March 2022**	
		Profit / (Loss)	
		If foreign currency appreciates	If foreign currency depreciates
	If US Dollar changes 20%		
1-	US Dollar net asset/liability	114.806.175	(114.806.175)
2-	Amount protected from US Dollar risk (-)	-	-
3-	**US Dollar net effect (1+2)**	**114.806.175**	**(114.806.175)**
	If EUR changes 20%		
4-	EUR net asset/liability	213.594.318	(213.594.318)
5-	Amount protected from EUR risk (-)	-	-
6-	**EUR net effect (4+5)**	**213.594.318**	**(213.594.318)**
	If other currencies change 20%		
7-	Other net asset/liability	2.804.850	(2.804.850)
8-	Amount protected from other currency risk (-)	-	-
9-	**Other net effect (7+8)**	**2.804.850**	**(2.804.850)**
	Total (3+6+9)	**331.205.343**	**(331.205.343)**

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

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

(b) Financial risk factors (cont'd)

(b.2) Market Risk Management (cont'd)

(b.2.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity (cont'd)

	Foreign Currency Sensitivity	**31 December 2021**	
		Profit / (Loss)	
		If foreign currency appreciates	If foreign currency depreciates
	If US Dollar changes 20%		
1-	US Dollar net asset/liability	116.487.900	(116.487.900)
2-	Amount protected from US Dollar risk (-)	-	-
3-	**US Dollar net effect (1+2)**	**116.487.900**	**(116.487.900)**
	If EUR changes 20%		
4-	EUR net asset/liability	157.206.251	(157.206.251)
5-	Amount protected from EUR risk (-)	-	-
6-	**EUR net effect (4+5)**	**157.206.251**	**(157.206.251)**
	If other currencies change 20%		
7-	Other net asset/liability	4.637.248	(4.637.248)
8-	Amount protected from other currency risk (-)	-	-
9-	**Other net effect (7+8)**	**4.637.248**	**(4.637.248)**
	Total (3+6+9)	**278.331.399**	**(278.331.399)**

(b.2.2) 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. Hedging strategies are regularly evaluated to be in line with the interest rate expectation and the defined risk. Thus, it is aimed to create an optimal hedging strategy, to review the balance sheet position and to keep interest expenditures under control at different interest rates.

As of 31 March 2022, 32% of total indebtedness was floating rate and denominated in TRY and Euro.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. 50 basis points is the sensitivity rate used when reporting interest rate risk internally to key management personnel.

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

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

(b) Financial risk factors (cont'd)

(b.2) Market Risk Management (cont'd)

(b.2.2) Interest rate risk management (cont'd)

Interest rate sensitivity (cont'd)

Interest Position

	31 March 2022	31 December 2021
Fixed Rated Instruments		
Financial Assets	1.312.964.971	1.225.739.130
Financial Liabilities	1.407.181.688	977.397.485
Floating Rated Instruments		
Financial Assets	-	-
Financial Liabilities	659.030.048	756.783.543

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 March 2022 would decrease by TRY 1.759.422 (31 March 2021: decrease by TRY 1.719.199). The equity effect is nil. If Libor and Euribor had been lower by 50 basis points, the profit of the Group for the period ended would increase with the same absolute amount.

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

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

31 March 2022	Financial assets are measured at amortised cost	Financial liabilities are measured at amortised cost	Financial assets are measured at fair value through profit or loss	Financial liabilities are measured at fair value through profit or loss	Carrying Value
Financial Assets					
Cash and cash equivalents	1.405.494.526	-	-	-	1.405.494.526
Trade receivables (including related parties)	1.206.929.033	-	-	-	1.206.929.033
Other receivables	2.521.483	-	-	-	2.521.483
Financial Liabilities					
Borrowings	-	2.066.211.736	-	-	2.066.211.736
Trade payables (including related parties)	-	410.068.245	-	-	410.068.245
Other payables	-	3.188.398	-	-	3.188.398
Derivative instruments	-	-	-	997.728	997.728

31 December 2021	Financial assets are measured at amortised cost	Financial liabilities are measured at amortised cost	Financial assets are measured at fair value through profit or loss	Financial liabilities are measured at fair value through profit or loss	Carrying Value
Financial Assets					
Cash and cash equivalents	1.310.974.419	-	-	-	1.310.974.419
Trade receivables (including related parties)	971.104.658	-	-	-	971.104.658
Other receivables	1.422.041	-	-	-	1.422.041
Financial Liabilities					
Borrowings	-	1.734.181.028	-	-	1.734.181.028
Trade payables (including related parties)	-	350.632.403	-	-	350.632.403
Other payables	-	1.228.416	-	-	1.228.416
Derivative instruments	-	-	-	-	-

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

31. FINANCIAL INSTRUMENTS (cont’d)

Categories of financial instruments (cont’d)

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

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

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

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

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

As of 31 March 2022 and 31 December 2021, the Group has derivative instruments as follows:

	31 March 2022		31 December 2021	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forward contracts	-	997.728	-	-
	-	997.728	-	-

	1 January- 31 March 2022	1 January- 31 March 2021
Fair value difference recognized to profit or loss table (*)	(997.728)	22.832.293
Net Asset/ (Liability)	(997.728)	22.832.293

(*) For the period between 1 January and 31 March 2022, foreign exchange gain is recognized in financial expenses.

As of 31 March 2022, Group has forward contract that long position in Euro long / TL short position (EUR 2.000.000), indexed to except functional currency position.

Fair values of derivative instruments have been calculated by using level 2 inputs.

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

32. FEES FOR SERVICES RECEIVED FROM THE INDEPENDENT AUDIT FIRM

Fees for services received from the independent audit firm

Group, based on the Board Decision of the Public Oversight, Accounting and Auditing Standards Authority published in the "KGK" Official Gazette, the fees related to the services received from the independent auditor/independent audit firm as of the reporting period are as follows:

	1 January- 31 March 2022	1 January- 31 March 2021
Audit fee for the reporting period	305.000	195.000
	305.000	195.000

33. SUBSEQUENT EVENTS

None.