

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

CONSOLIDATED FINANCIAL
STATEMENTS FOR THE NINE MONTH
PERIOD ENDED 30 SEPTEMBER 2013

(Translated into English from the Original Turkish Report)

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEET
AS OF 30 SEPTEMBER 2013**

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

| | Footnote References | Unaudited 30 September 2013 | As restated Audited 31 December 2012 | As restated Audited 31 December 2011 |
|---------------------------------|--------------------------------|--|---|---|
| ASSETS | | | | |
| Current Assets | | 372.477.217 | 352.470.658 | 318.171.373 |
| Cash and cash equivalents | 4 | 33.300.820 | 16.578.628 | 17.635.947 |
| Trade receivables | 7 | 175.573.604 | 193.307.703 | 167.848.045 |
| <i>Due from related parties</i> | | 6.669.695 | 3.005.179 | 1.126.966 |
| <i>Other trade receivables</i> | | 168.903.909 | 190.302.524 | 166.721.079 |
| Other receivables | 8 | 811.581 | 691.158 | 416.866 |
| Inventories | 9 | 142.846.427 | 116.770.976 | 109.133.697 |
| Prepaid expenses | 10 | 11.042.505 | 10.381.417 | 6.193.953 |
| Assets relating to current tax | 11 | 263.021 | 586.767 | 456.816 |
| Other current assets | 19 | 8.639.259 | 14.154.009 | 16.486.049 |
| Non-Current Assets | | 411.465.557 | 370.785.620 | 348.081.911 |
| Property, plant and equipment | 12 | 272.649.549 | 262.221.601 | 229.896.238 |
| Intangible assets | | 107.308.799 | 84.935.437 | 68.964.987 |
| <i>Goodwill</i> | 14 | 1.782.731 | 1.782.731 | 1.782.731 |
| <i>Other intangible assets</i> | 13 | 105.526.068 | 83.152.706 | 67.182.256 |
| Prepaid expenses | 10 | 10.187.177 | 2.595.038 | 10.842.579 |
| Deferred tax assets | 27 | 21.320.032 | 21.033.544 | 27.876.476 |
| Other non-current assets | | - | - | 10.501.631 |
| TOTAL ASSETS | | 783.942.774 | 723.256.278 | 666.253.284 |

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2013

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

| | Footnote References | Unaudited 30 September 2013 | As restated Audited 31 December 2012 | As restated Audited 31 December 2011 |
|--|------------------------|-----------------------------------|---|---|
| LIABILITIES | | | | |
| Current Liabilities | | 214.775.382 | 271.891.553 | 231.415.746 |
| Short term financial liabilities | 5 | 118.249.668 | 168.227.072 | 115.226.053 |
| Current portion of long term financial liabilities | 5 | 43.599.534 | 46.707.343 | 39.999.924 |
| Trade payables | 7 | 22.691.832 | 24.216.472 | 35.908.562 |
| <i>Due to related parties</i> | | 995.989 | 1.753.370 | 1.204.709 |
| <i>Other trade payables</i> | | 21.695.843 | 22.463.102 | 34.703.853 |
| Payables relating to the benefits provided to employees | 18 | 4.667.339 | 4.083.913 | 6.019.307 |
| Other payables | 8 | 1.782.169 | 69.385 | 71.095 |
| <i>Due to related parties</i> | | 47.494 | 45.494 | 47.204 |
| <i>Other trade payables</i> | | 1.734.675 | 23.891 | 23.891 |
| Deferred revenue | 10 | 1.985.341 | 1.756.499 | 2.092.070 |
| Current tax payable | 27 | 103.634 | 276.357 | 483.203 |
| Short term provisions | | 21.695.865 | 26.554.512 | 31.615.532 |
| <i>Provisions for benefits provided to employees</i> | 18 | 5.780.287 | 7.515.115 | 4.327.451 |
| <i>Other provisions</i> | 16 | 15.915.578 | 19.039.397 | 27.288.081 |
| Non-Current Liabilities | | 177.780.137 | 72.735.002 | 90.395.892 |
| Long term financial liabilities | 5 | 158.020.647 | 53.881.346 | 73.711.717 |
| Deferred revenue | 10 | 14.683.462 | 13.420.505 | 10.908.438 |
| Long term provisions | | 5.076.028 | 5.433.151 | 5.775.737 |
| <i>Provisions for benefits provided to employees</i> | 18 | 5.076.028 | 5.090.015 | 4.403.194 |
| <i>Other provisions</i> | 16 | - | 343.136 | 1.372.543 |
| EQUITY | | 391.387.255 | 378.629.723 | 344.441.646 |
| Equity attributable to equity holders of the parent | | 391.318.052 | 378.551.799 | 344.365.399 |
| Paid-in capital | 20 | 200.000.000 | 200.000.000 | 200.000.000 |
| Inflation adjustment to share capital | 20 | 140.080.696 | 140.080.696 | 140.080.696 |
| Capital investment adjustment (-) | 20 | (28.847) | (28.847) | (28.847) |
| Premium in excess of par | 20 | 2.870.803 | 2.870.803 | 2.870.803 |
| Restricted reserves appropriated from profit | 20 | 150.864.955 | 150.864.955 | 150.864.955 |
| Other comprehensive income items that may be reclassified subsequently to profit or loss | | (90.697) | 92.706 | 147.149 |
| <i>Currency translation reserve</i> | | (90.697) | 92.706 | 147.149 |
| Accumulated deficit | 20 | (115.328.514) | (149.569.357) | (133.930.704) |
| Profit / (loss) for the period | | 12.949.656 | 34.240.843 | (15.638.653) |
| Non-controlling interests | | 69.203 | 77.924 | 76.247 |
| TOTAL LIABILITIES AND EQUITY | | 783.942.774 | 723.256.278 | 666.253.284 |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

| | Footnote References | Unaudited 1 January – 30 September 2013 | As restated Unaudited 1 July – 30 September 2013 | As restated Unaudited 1 January – 30 September 2012 | As restated Unaudited 1 July – 30 September 2012 |
|---|------------------------|--|--|---|--|
| Revenue | 21 | 308.229.404 | 84.732.310 | 309.408.591 | 97.336.300 |
| Cost of revenue (-) | 21 | (190.701.127) | (56.538.981) | (182.723.839) | (57.521.817) |
| GROSS PROFIT | | 117.528.277 | 28.193.329 | 126.684.752 | 39.814.483 |
| Marketing, sales and distribution expenses (-) | 22 | (62.964.789) | (19.128.461) | (56.408.590) | (17.304.480) |
| General administration expenses (-) | 22 | (22.461.997) | (7.105.875) | (21.964.708) | (6.657.502) |
| Research and development expenses (-) | 22 | (1.342.905) | (620.139) | (2.489.458) | (273.104) |
| Other operating income | 24 | 44.800.677 | 16.837.496 | 41.137.213 | 13.955.233 |
| Other operating expenses (-) | 24 | (36.053.816) | (11.381.274) | (37.629.903) | (12.528.285) |
| OPERATING PROFIT | | 39.505.447 | 6.795.076 | 49.329.306 | 17.006.345 |
| Investment income | 25 | 7.627 | - | 280.261 | 185.446 |
| PROFIT BEFORE FINANCE EXPENSES | | 39.513.074 | 6.795.076 | 49.609.567 | 17.191.791 |
| Finance expenses (-) | 26 | (26.858.627) | (11.860.963) | (17.731.805) | (6.260.182) |
| PROFIT / (LOSS) BEFORE TAXATION | | 12.654.447 | (5.065.887) | 31.877.762 | 10.931.609 |
| Tax income / (expense) | | 286.488 | 1.843.312 | (4.943.143) | (1.187.040) |
| Current tax expense | 27 | - | - | (622.398) | (145.223) |
| Deferred tax income / (expense) | 27 | 286.488 | 1.843.312 | (4.320.745) | (1.041.817) |
| PERIOD | | 12.940.935 | (3.222.575) | 26.934.619 | 9.744.569 |
| Distribution of profit / (loss) for the period | | | | | |
| Non-controlling interest | | (8.721) | (4.070) | 6.768 | 2.188 |
| Equity holders of the parent | | 12.949.656 | (3.218.505) | 26.927.851 | 9.742.381 |
| Profit / (loss) per share | 36 | 0,0006 | (0,0002) | 0,0013 | 0,0005 |
| Diluted profit / (loss) per share | | 0,0006 | (0,0002) | 0,0013 | 0,0005 |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

| | Unaudited 1 January – 30 September 2013 | As restated Unaudited 1 July – 30 September 2013 | As restated Unaudited 1 January – 30 September 2012 | As restated Unaudited 1 July – 30 September 2012 |
|--|--|--|---|--|
| Net profit / (loss) for the period | 12.940.935 | (3.222.575) | 26.934.619 | 9.744.569 |
| <i>Other Comprehensive (Loss) / Income:</i> | | | | |
| Items that may be reclassified subsequently to profit or loss | (183.403) | (24.455) | 76.628 | 129.229 |
| Change in foreign currency translation reserve | (183.403) | (24.455) | 76.628 | 129.229 |
| OTHER COMPREHENSIVE (LOSS) / INCOME (AFTER TAX) | (183.403) | (24.455) | 76.628 | 129.229 |
| TOTAL COMPREHENSIVE INCOME / (LOSS) | 12.757.532 | (3.247.030) | 27.011.247 | 9.873.798 |
| Total comprehensive income / (loss) attributable to: | | | | |
| Non - controlling interest | (8.721) | (4.070) | 6.768 | 2.188 |
| Equity holders of the parent | 12.766.253 | (3.242.960) | 27.004.479 | 9.871.610 |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

| Notes | Paid in capital | Inflation adjustment to share capital | Capital investment adjustment (-) | Premium in excess of par | Currency translation reserve | Restricted reserves appropriated from profit | Accumulated Deficit | | Total equity attributable to equity holders of the parent | Non - controlling interest | Total shareholder's equity | |
|-------------------------------------|-----------------|---|---|-----------------------------|------------------------------------|---|------------------------|--|--|----------------------------------|----------------------------------|-------------|
| | | | | | | | Accumulated deficit | Net profit / (loss) for the period | | | | |
| Balance as of 1 January 2012 | 20 | 200.000.000 | 140.080.696 | (28.847) | 2.870.803 | 147.149 | 150.864.955 | (133.930.704) | (15.638.653) | 344.365.399 | 76.247 | 344.441.646 |
| Transfer to retained earnings | | - | - | - | - | - | - | (15.638.653) | 15.638.653 | - | - | - |
| Total comprehensive income | | - | - | - | 76.628 | - | - | - | 26.927.851 | 27.004.479 | 6.768 | 27.011.247 |
| <i>Currency translation reserve</i> | | - | - | - | 76.628 | - | - | - | - | 76.628 | - | 76.628 |
| <i>Profit for the period</i> | | - | - | - | - | - | - | - | 26.927.851 | 26.927.851 | 6.768 | 26.934.619 |
| Balance as of 30 September 2012 | 20 | 200.000.000 | 140.080.696 | (28.847) | 2.870.803 | 223.777 | 150.864.955 | (149.569.357) | 26.927.851 | 371.369.878 | 83.015 | 371.452.893 |
| Balance as of 1 January 2013 | 20 | 200.000.000 | 140.080.696 | (28.847) | 2.870.803 | 92.706 | 150.864.955 | (149.569.357) | 34.240.843 | 378.551.799 | 77.924 | 378.629.723 |
| Transfer to retained earnings | | - | - | - | - | - | - | 34.240.843 | (34.240.843) | - | - | - |
| Total comprehensive income | | - | - | - | (183.403) | - | - | - | 12.949.656 | 12.766.253 | (8.721) | 12.757.532 |
| <i>Currency translation reserve</i> | | - | - | - | (183.403) | - | - | - | - | (183.403) | - | (183.403) |
| <i>Profit for the period</i> | | - | - | - | - | - | - | - | 12.949.656 | 12.949.656 | (8.721) | 12.940.935 |
| Balance as of 30 September 2013 | 20 | 200.000.000 | 140.080.696 | (28.847) | 2.870.803 | (90.697) | 150.864.955 | (115.328.514) | 12.949.656 | 391.318.052 | 69.203 | 391.387.255 |

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 30 SEPTEMBER 2013

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

| | <u>Footnote References</u> | <u>Unaudited 1 January – 30 September 2013</u> | <u>As restated Unaudited 1 January – 30 September 2012</u> |
|--|--------------------------------|--|--|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Net profit for the period | | 12.940.935 | 26.934.619 |
| Adjustments to reconcile profit to net cash provided / (used in) by operating activities: | | | |
| Depreciation of property, plant and equipment | 12 | 14.585.945 | 12.349.347 |
| Amortization of intangible assets | 13 | 3.187.236 | 3.726.317 |
| Impairment losses on intangible assets | 13 | 376.844 | 789.166 |
| Provision for employment termination benefits | 18 | 1.708.084 | 1.375.792 |
| Provisions charge for the period | 16 | 2.469.968 | 3.017.226 |
| Release for doubtful receivables | 7 | - | (1.190) |
| Allowance for diminution in value of inventories | 9 | 1.360.213 | 489.494 |
| Gain on sale of property, plant and equipment (net) | 25 | (7.627) | (280.261) |
| Loss on derivative financial instruments | | - | 1.597.903 |
| Income accruals | | (952.842) | (849.273) |
| Bank loans interest expenses | 26 | 13.054.853 | 17.870.642 |
| Bonds issued interest expenses | 26 | 5.505.927 | - |
| Loss / (gain) on foreign currency borrowings | 26 | 7.947.217 | (5.526.111) |
| Interest income | 24 | (1.599.651) | (1.787.168) |
| Tax (income) / expense | 27 | (286.488) | 4.943.143 |
| Changes in working capital: | | | |
| Decrease / (increase) in trade receivables | | 22.807.254 | (4.379.595) |
| Increase in inventories | | (22.524.859) | (4.558.728) |
| Increase due from related parties | | (3.664.516) | (137.361) |
| Decrease / (increase) in other receivables and assets | | 5.320.006 | (3.075.521) |
| Decrease in trade payables | | (767.259) | (14.691.139) |
| (Decrease) / increase in due to related parties | | (755.381) | 2.109.853 |
| Decrease in other provisions | | (14.597) | (4.400.102) |
| Increase in other liabilities | | 730.147 | 599.325 |
| Cash provided by operations | | 61.421.409 | 36.116.378 |
| Taxes paid | 11 - 27 | (539.378) | (1.029.946) |
| Interest paid | | (11.132.689) | (14.642.474) |
| Payment for legal provisions | 16 | (5.922.326) | (5.289.458) |
| Seniority incentive, management premium and retirement provision paid | 16 - 18 | (1.722.071) | (1.108.597) |
| Net cash provided by operating activities | | 42.104.945 | 14.045.903 |

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 30 SEPTEMBER 2013**

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

| | Footnote References | Unaudited 1 January – 30 September 2013 | As restated Unaudited 1 January – 30 September 2012 |
|---|--------------------------------|--|--|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | 24 | 1.599.651 | 1.787.168 |
| Cash received under the government incentives | 10 | 968.871 | 2.044.746 |
| Purchase of property, plant and equipment | 12 | (31.657.018) | (35.862.875) |
| Proceeds on sale of tangible and intangible assets | | 7.627 | 840.631 |
| Purchase of intangible assets | 13 | (24.205.122) | (14.393.156) |
| Change in long term non-current assets | 10 | (7.592.139) | 13.416.885 |
| Net cash used in investing activities | | <u>(60.878.130)</u> | <u>(32.166.601)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of borrowings | | (485.383.819) | (300.012.318) |
| Proceeds from borrowings | | 424.753.426 | 316.831.148 |
| Cash provided by bonds issued | | 96.309.173 | - |
| Foreign currency translation reserve | | (183.403) | 76.628 |
| Net cash provided by financing activities | | <u>35.495.377</u> | <u>16.895.458</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | 16.722.192 | (1.225.240) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 16.578.628 | 17.635.947 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | | <u>33.300.820</u> | <u>16.410.707</u> |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Deva Holding A.Ş. (“the Company”) and one of its subsidiaries (together “the Group”) Vetaş Veteriner ve Tarım İlaçları A.Ş. are operating in İstanbul, Turkey. The Company was incorporated on 22 September 1958. The Company’s principal activity is manufacturing and marketing of human pharmaceuticals. The registered office address and its principal place of business are as follows:

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

The average number of employees working in the Group for the period ended 30 September 2013 is 1.805 (31 December 2012: 1.655).

Eastpharma S.A.R.L. is the main shareholder of the Company. Eastpharma S.A.R.L. was founded in Luxembourg in 2006 and is fully owned by Eastpharma Ltd., which was incorporated in Bermuda in 2006. Eastpharma S.A.R.L. acquired 52,6% of the Company’s shares on 27 November 2006. Subsequent to that date EP SARL increased its shareholdings and as of 30 September 2013, it owns 82,2% of the shares of Deva (31 December 2012: 82,2%). In 2011 the Company’s issued share capital is raised from TRY 180.070.656 to TRY 200.000.000. TRY 16.384.384 of the total amount raised was paid in cash by Eastpharma S.A.R.L. and the remaining amount, TRY 3.544.960, was paid by other shareholders .The ultimate shareholders of Eastpharma S.A.R.L. are the funds controlled by Global Equities Management S.A.

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

As of 30 September 2013, the Company’s share capital consists of 20.000.000.000 shares with an amount of TRY 0,01 for each (31 December 2012: 20.000.000.000). The Company’s nominal capital structure is as follows (Note 20):

| <u>Name</u> | <u>(%)</u> | <u>30 September</u> <u>2013</u> | <u>(%)</u> | <u>31 December</u> <u>2012</u> |
|---------------------------------------|------------|------------------------------------|------------|-----------------------------------|
| Eastpharma S.A.R.L. | 82,2 | 164.424.760 | 82,2 | 164.424.760 |
| Other | 17,8 | 35.575.240 | 17,8 | 35.575.240 |
| Nominal capital | 100,0 | 200.000.000 | 100,0 | 200.000.000 |
| Inflation adjustment to share capital | | 140.080.696 | | 140.080.696 |
| Capital investment adjustment (-) | | (28.847) | | (28.847) |
| Adjusted share capital | | <u>340.051.849</u> | | <u>340.051.849</u> |

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

Subsidiaries

As of 30 September 2013, the details of the subsidiaries in terms of ownership and principal business activities are as follows:

| <u>Company</u> | <u>Effective Ownership</u> | | <u>Line of activity</u> |
|------------------------|--------------------------------------|-------------------------------------|--|
| | <u>30 September 2013 (%)</u> | <u>31 December 2012 (%)</u> | |
| Vetaş | 99,6 | 99,6 | Production and sale of veterinary drugs and agrochemicals |
| Deva Holdings NZ (*) | 100,0 | 100,0 | Distribution and sale of human and veterinary pharmaceuticals in New Zealand and Australia |
| Deva Singapore (**) | 100,0 | 100,0 | Distribution and sale of human and veterinary pharmaceuticals in Singapore |
| Deva Holdings PTY (**) | 100,0 | 100,0 | Distribution and sale of human and veterinary pharmaceuticals in Australia |
| EastPharma Canada (**) | 100,0 | 100,0 | Distribution and sale of human and veterinary pharmaceuticals in Canada |

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

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

Full names of the Group subsidiaries are as follows:

Vetaş Veteriner ve Tarım İlaçları A.Ş.
Deva Holdings NZ Ltd.
Deva Holding Singapore PTE. Ltd.
Deva Holding PTY Ltd.
East Pharma Canada Ltd.

Vetaş
Deva NZ
Deva Singapore
Deva Holding PTY
EastPharma Canada

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

Subsidiaries (cont'd)

The Company and its subsidiaries (“the Group”) operate in the pharmaceutical industry and are one of the branded generic players in the market. The Group has a wide range product portfolio and a country-wide organized sales force. The Group has five production facilities in five different locations.

The Group has 128 pharmaceutical molecules in 250 pharmaceutical forms. Of these 13 molecules (in 21 presentation forms) are manufactured and marketed by using license rights.

As of 30 September 2013 the business segments are production and sale of human pharmaceuticals, veterinary products and other.

The human pharmaceuticals segment derives the majority of its revenues from the sale of branded generic and licensed products. Branded generic products are finished pharmaceutical products that Deva produces and sells under its trademark rather than the chemical name of the active pharmaceutical compound. Licensed products are finished pharmaceutical products that the Company produces and sells under licenses from other pharmaceutical companies that hold the rights to the pharmaceutical compound. The business encompasses a wide range of medicines combating diseases in the musculoskeletal, alimentary, metabolism and cardiovascular system and infections. Corporate expenses and assets are included in the human pharmaceuticals segment.

The human pharmaceuticals segment also contains API, which mainly derives its revenues from the manufacturing and sale of antibiotic active ingredients to local producers including the Company as well as to foreign pharmaceutical companies. In addition to its manufacturing activities, the Company conducts, at its microbiology laboratories, tests and research on the adaptation of raw materials, selection of micro-organisms, formulation of culture mediums, and executes various test and research fermentations on pilot fermentators.

Founded by the associated partners of the company in 1973, Vetaş operates in the animal health and agricultural pharmaceuticals sector. Vetaş has a wide product range fulfilling the needs of the veterinarians and animal breeders. The income of this segment is achieved by the sales of 55 registered products and 72 different forms.

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

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

Approval of the financial statements

The accompanying financial statements have been approved by the Board of Directors and are authorized for issue on 7 November 2013.

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Accounting Standards

The Company and its Turkish subsidiary maintain their books of accounts and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation. Subsidiaries operating in foreign country maintain their books of accounts in the currency of the country in which they operate and prepare their statutory financial statements in accordance with the legislation effective in these countries.

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

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

Presentation and Functional Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Turkish Lira, which is the functional and presentation currency of the Group. Financial statements of subsidiary operating in foreign country translated into presentation currency with the exchange rate prevailing at balance sheet date for balance sheet items except equity. Historical rates are used for the conversion of equity items and average rate for income statement items.

Preparation of Financial Statements in Hyperinflationary Periods

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

Consolidation

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

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

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

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

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

Consolidation (cont’d)

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

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

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

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

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

Changes in the Accounting Policies

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

Comparative Information and Restatement of Prior Period Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the consolidated financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes. In the current period, the Group made some reclassifications for the conformity with the format issued by CMB on 7 June 2013. The details of the reclassifications are as follows:

- In 2012, The Group presented amounting to TRY 17.985 of “Other trade receivables” in other receivables at its consolidated financial statements. In current year, the Group management has reclassified this amount under “Other trade receivables”.
- In 2012, The Group presented amounting to TRY 1.228.988 of “Income accruals” in other current assets at its consolidated financial statements. In current year, the Group management has reclassified this amount under “Other trade receivables”.
- In 2012, The Group presented amounting to TRY 7.786.677 of “Advances given for inventory”, amounting to TRY 2.357.422 of “Prepaid expenses” and amounting to TRY 237.298 of “Business advances given” in other current assets at its consolidated financial statements. In current year, the Group management has reclassified these amount under “Short term prepaid expenses”.
- In 2012, The Group presented amounting to TRY 587.767 of “Prepaid corporate tax” in other current assets at its consolidated financial statements. In current year, the Group management has reclassified this amount under “Assets relating to current tax”.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

Comparative Information and Restatement of Prior Period Financial Statements (cont'd)

- In 2012, The Group presented amounting to TRY 2.595.038 of “Advances given for tangibles”, in other non-current assets at its consolidated financial statements. In current year, the Group management has reclassified this amount under “Long term prepaid expenses”.
- In 2012, The Group presented amounting to TRY 154.378 of “Expense accruals”, in other current liabilities at its consolidated financial statements. In current year, the Group management has reclassified this amount under “Trade payables”.
- In 2012, The Group presented amounting to TRY 271.354 of “Due to personnel”, amounting to TRY 2.179.570 of “Taxes and funds payables” and amounting to TRY 1.632.989 of “Social security premiums payable” in other payables at its consolidated financial statements. In current year, the Group management has reclassified these amount under “Payables relating to the benefits provided to employees”.
- In 2012, The Group presented amounting to TRY 93.686 of “Advances received” in other payables at its consolidated financial statements. In current year, the Group management has reclassified this amount under “Short term deferred revenue”.
- In 2012, The Group presented amounting to TRY 23.091 of “Other current payables” in other current liabilities at its consolidated financial statements. In current year, the Group management has reclassified this amount under “Other payables”.
- In 2012, The Group presented amounting to TRY 1.662.813 of “Deferred revenue” in other current liabilities at its consolidated financial statements. In current year, the Group management has reclassified this amount under “Short term deferred revenue”.
- In 2012, The Group presented amounting to TRY 9.707.490 of “Provision for legal claims” and amounting to TRY 111.412 of “Provision for seniority incentive and management premium and indemnity” in provisions at its consolidated financial statements. In current year, the Group management has reclassified these amount under “Short term/ long term provisions”.
- In 2012, The Group presented amounting to TRY 3.519.596 of “Accrued vacation pay liability” in provisions for benefits provided to employees at its consolidated financial statements. In current year, the Group management has reclassified this amount under “Short term provisions”.
- In 2012, The Group presented amounting to TRY 1.122.250 of “Bonus given to personnel” and amounting to TRY 2.873.269 of “Other accruals and payables” in other current liabilities at its consolidated financial statements. In current year, the Group management has reclassified these amount under “Provisions for benefits provided to employees”.
- In 2012, The Group presented amounting to TRY 6.752.967 of “Expense accruals due to price regulation” and amounting to TRY 2.576.476 of “Accrued sales discounts” in other current liabilities at its consolidated financial statements. In current year, the Group management has reclassified these amount under “Short term provisions”.
- In 2012, The Group presented amounting to TRY 5.090.015 of “Retirement pay provision” in provisions for employment termination benefits at its consolidated financial statements. In current year, the Group management has reclassified this amount under “Provisions for employment termination benefits”.
- In 2012, The Group presented amounting to TRY 13.420.505 of “Deferred revenue” in other non-current liabilities at its consolidated financial statements. In current year, the Group management has reclassified this amount under “Long term deferred revenue”.

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

Comparative Information and Restatement of Prior Period Financial Statements (cont’d)

- In 2012, The Group presented amounting to TRY 94.816 of “Gain on sale of property, plant and equipment” in other operating income at its consolidated financial statements. In current year, the Group management has reclassified this amount under “Investment income”.
- In 2012, The Group presented amounting to TRY 1.205.989 of “Interest income”, amounting to TRY 819.750 of “Foreign exchange gain” and amounting to TRY 22.694.028 of “Discount interest income” in financial income at its consolidated financial statements. In current year, the Group management has reclassified these amount under “Other operating income”.
- In 2012, The Group presented amounting to TRY 1.281.588 of “Foreign exchange loss” and amounting to TRY 23.815.645 of “Discount interest expenses” in financial expenses at its consolidated financial statements. In current year, the Group management has reclassified these amount under “Other operating expenses”.

The application of these reclassifications did not have significant impact on profit for the period.

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

Comparative Information and Restatement of Prior Period Financial Statements (cont’d)

| | Reported formerly 31 December 2012 | As restated 31 December 2012 |
|--|--|------------------------------------|
| Current Assets | 352.470.658 | 352.470.658 |
| Cash and cash equivalents | 16.578.628 | 16.578.628 |
| Trade receivables | 192.060.730 | 193.307.703 |
| <i>Due from related parties</i> | 3.005.179 | 3.005.179 |
| <i>Other trade receivables</i> | 189.055.551 | 190.302.524 |
| Other receivables | 709.143 | 691.158 |
| Inventories | 116.770.976 | 116.770.976 |
| Prepaid Expenses | - | 10.381.417 |
| Prepaid corporate tax | - | 586.767 |
| Other current assets | 26.351.181 | 14.154.009 |
| Non-Current Assets | 370.785.620 | 370.785.620 |
| Property, plant and equipment | 262.221.601 | 262.221.601 |
| Intangible assets | 83.152.706 | - |
| Goodwill | 1.782.731 | - |
| Intangible assets | - | 84.935.437 |
| <i>Goodwill</i> | - | 1.782.731 |
| <i>Other intangible assets</i> | - | 83.152.706 |
| Prepaid Expenses | - | 2.595.038 |
| Deferred tax assets | 21.033.544 | 21.033.544 |
| Other non-current assets | 2.595.038 | - |
| Current Liabilities | 271.891.553 | 271.891.553 |
| Financial liabilities | 214.934.415 | - |
| Short term financial liabilities | - | 168.227.072 |
| Current portion of long term financial liabilities | - | 46.707.343 |
| Trade payables | 24.062.094 | 24.216.472 |
| <i>Due to related parties</i> | 1.753.370 | 1.753.370 |
| <i>Other trade payables</i> | 22.308.724 | 22.463.102 |
| Payables for benefits provided to employees | - | 4.083.913 |
| Other payables | 4.223.893 | 69.385 |
| <i>Due to related parties</i> | 45.494 | 45.494 |
| <i>Other trade payables</i> | 4.178.399 | 23.891 |
| Deferred revenue | - | 1.756.499 |
| Current tax payable | 276.357 | 276.357 |
| Provisions | 9.475.766 | - |
| Provisions for benefits provided to employees | 3.519.596 | - |
| Short term provisions | - | 26.554.512 |
| <i>Provisions for benefits provided to employees</i> | - | 7.515.115 |
| <i>Other provisions</i> | - | 19.039.397 |
| Other current liabilities | 15.399.432 | - |
| Non-Current Liabilities | 72.735.002 | 72.735.002 |
| Financial liabilities | 53.881.346 | - |
| Long term financial liabilities | - | 53.881.346 |
| Deferred revenue | - | 13.420.505 |
| Provisions for employment termination benefits | 5.090.015 | - |
| Provisions | 343.136 | - |
| Long term provisions | - | 5.433.151 |
| <i>Provisions for benefits provided to employees</i> | - | 5.090.015 |
| <i>Other provisions</i> | - | 343.136 |
| Other non-current liabilities | 13.420.505 | - |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

Changes in the Accounting Estimates and Errors

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

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

Adoption of New and Revised Standards and Interpretations

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported and disclosures in these financial statements. Details of other standards and interpretations adopted in these financial statements but that have had no material impact on the financial statements are set out in further sections.

(i) New and Revised TFRSs affecting presentation and disclosure only

Amendments to TAS 1 Presentation of Items of Other Comprehensive Income

The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to TAS 1, the ‘statement of comprehensive income’ is renamed the ‘statement of profit or loss and other comprehensive income’ and the ‘income statement’ is renamed the ‘statement of profit or loss’. The amendments to TAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to TAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments can be applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to TAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(ii) New and Revised TFRSs affecting the reported financial performance and/or financial position

None.

(iii) New and Revised TFRSs applied with no material effect on the consolidated financial statements

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including TFRS 10, TFRS 11, TFRS 12, TAS 27 (as revised in 2011) and TAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

TFRS 10 replaces the parts of TAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation - Special Purpose Entities will be withdrawn upon the effective date of TFRS 10. Under TFRS 10, there is only one basis for consolidation, that is control. In addition, TFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in TFRS 10 to deal with complex scenarios.

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

Adoption of New and Revised Standards and Interpretations (cont’d)

(iii) New and Revised TFRSs applied with no material effect on the consolidated financial statements (cont’d)

New and revised Standards on consolidation, joint arrangements, associates and disclosures (cont’d)

TFRS 11 replaces TAS 31 Interests in Joint Ventures. TFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers will be withdrawn upon the effective date of TFRS 11. Under TFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under TAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under TFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under TAS 31 can be accounted for using the equity method of accounting or proportional consolidation.

TFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in TFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to TFRS 10, TFRS 11 and TFRS 12 were issued to clarify certain transitional guidance on the application of these TFRSs for the first time.

The application of these five standards did not have significant impact on amounts reported in the consolidated financial statements.

TFRS 13 Fair Value Measurement

TFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of TFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other TFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in TFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under TFRS 7 Financial Instruments: Disclosures will be extended by TFRS 13 to cover all assets and liabilities within its scope.

The application of the new Standard did not have significant impact on the consolidated financial statements.

Amendments to TAS 1 Presentation of Financial Statements (as part of the Annual Improvements to TFRSs 2009-2011 Cycle issued in May 2012)

The amendments to TAS 1 as part of the Annual Improvements to TFRSs 2009-2011 Cycle are effective for the annual periods beginning on or after 1 January 2013.

TAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to TAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

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

Adoption of New and Revised Standards and Interpretations (cont'd)

(iii) New and Revised TFRSs applied with no material effect on the consolidated financial statements (cont'd)

TAS 19 Employee Benefits

The amendments to TAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of TAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of TAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to TAS 19 require retrospective application.

As the effect of the change in the standard was not significant, no change has been made (Note:18).

Amendments to TFRS 7 Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to TFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

Annual Improvements to TFRSs 2009 - 2011 Cycle issued in May 2012

- Amendments to TAS 16 *Property, Plant and Equipment*;
- Amendments to TAS 32 *Financial Instruments: Presentation*; and
- Amendments to TAS 34 *Interim Financial Reporting*.

Amendments to TAS 16

The amendments to TAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in TAS 16 and as inventory otherwise. The amendments to TAS 16 did not have a significant effect on the Group's consolidated financial statements.

Amendments to TAS 32

The amendments to TAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with TAS 12 Income Taxes. The amendments to TAS 32 did not have a significant effect on the Group's consolidated financial statements.

Amendments to TAS 34

The amendments to TAS 34 clarify that disclosure of the total assets and total liabilities for a particular reportable segment is only required if a measure of total assets or total liabilities (or both) is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amendments to TAS 34 did not have an effect on the Group's consolidated financial statements.

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

Adoption of New and Revised Standards and Interpretations (cont’d)

(iv) New and Revised TFRSs in issue but not yet effective

The Group has not applied the following new and revised TFRSs that have been issued but are not yet effective:

| | |
|---------------------------------|--|
| TFRS 9 | Financial Instruments ² |
| Amendments to TFRS 9 and TFRS 7 | Mandatory Effective Date of TFRS 9 and Transition Disclosures ² |
| Amendments to TAS 32 | Offsetting Financial Assets and Financial Liabilities ¹ |

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 January 2015.

TFRS 9 Financial Instruments

TFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. TFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of TFRS 9:

- All recognized financial assets that are within the scope of TAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, TFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under TAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Group management anticipates that the application of TFRS 9 in the future will not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Amendments to TAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to TAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realization and settlement’.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

Summary of Significant Accounting Policies

a. Revenue Recognition

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

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

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

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

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

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

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

Cost of sales - free of charge goods

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

Interest revenue

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

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

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

Summary of Significant Accounting Policies (cont’d)

b. Inventories

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

c. Property, Plant and Equipment

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

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in net income / (loss), but not classified as revenue, when the item is derecognised (unless TAS 17 requires otherwise on a sale and leaseback).

The disposal of an item of property, plant and equipment may occur in a variety of ways (eg by sale, by entering into a finance lease or by donation). In determining the date of disposal of an item, an entity applies the criteria in TAS 18 for recognising revenue from the sale of goods. TAS 17 applies to disposal by a sale and leaseback.

If an entity recognises in the carrying amount of an item of property, plant and equipment the cost of a replacement for part of the item, then it derecognises the carrying amount of the replaced part regardless of whether the replaced part had been depreciated separately. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

Summary of Significant Accounting Policies (cont’d)

d. Leasing Transactions

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

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

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

e. Intangible Assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development costs

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

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

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

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

Subsequent to initial recognition, internally-generated intangible assets are recognized at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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.

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

Summary of Significant Accounting Policies (cont'd)

f. Impairment of Assets

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

g. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recorded in the income statement in the period in which they are incurred. Assets that necessarily take a substantial period of time to get ready for intended use or sale of the Group are license development costs. Transformation of these costs to be ready for sale state may take more than one financial year. Borrowing costs incurred for development costs are added to cost of the related asset until it is ready for sale. During the nine month period ended 30 September 2013, TRY 752.150 (30 September 2012: TRY 590.343) amount was capitalized on these qualifying assets. The weighted average capitalization rate on funds borrowed generally is 6,6% for first nine month (30 September 2012: 4,3% for first nine month).

h. Financial Instruments

(i) Financial assets

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

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

Effective interest method

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

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

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. The Group has no financial asset at fair value through profit or loss as of balance sheet date.

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

Summary of Significant Accounting Policies (cont’d)

h. Financial Instruments (cont’d)

(i) Financial assets (cont’d)

Held-to-maturity investments

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

Available-for-sale financial assets

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

Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. The Group has no financial asset available for sale as of balance sheet date.

Loans and receivables

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

Impairment of financial assets

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

Summary of Significant Accounting Policies (cont’d)

h. Financial Instruments (cont’d)

(i) Financial assets (cont’d)

Impairment of financial assets (cont’d)

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

Cash and cash equivalents

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

(ii) Financial Liabilities

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

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

Financial liabilities at FVTPL

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

Bonds issued

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

Derivative financial instruments

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

Summary of Significant Accounting Policies (cont’d)

i. Business Combinations

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

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

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

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with TAS 39, or TAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

Summary of Significant Accounting Policies (cont'd)

i. Business Combinations (cont'd)

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

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

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

j. Goodwill

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

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

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

k. Treasury Shares

If an entity reacquires its own equity instruments, those instruments ("treasury shares") are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Such treasury shares may be acquired and held by the entity or by other members of the consolidated group. Consideration paid or received is recognised directly in equity. After merger of Deva and Deva İlaç in 2010, certain preference shares (TRY 0,013 nominal value of A type and TRY 0,01 nominal value of B type shares) and 28.847 nominal value of C type shares of Deva are owned by Vetaş.

l. Foreign Currency Transactions

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

Summary of Significant Accounting Policies (cont’d)

1. Foreign Currency Transactions (cont’d)

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

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

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

m. Earnings per Share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing “Bonus Shares” to shareholders from retained earnings. In computing earnings per share, such “bonus share” distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

n. Subsequent Events

Subsequent events comprise events between the balance sheet date and the publication date of the balance sheet even if they emerge after any announcement or declaration related with the financial results or other selected financial information.

o. Provisions, Contingent Liabilities, Contingent Assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

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.

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

Summary of Significant Accounting Policies (cont’d)

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

Restructuring

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

p. Related Parties

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

r. Segmental Information

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

s. Share Capital and Dividends

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

t. Taxation and Deferred Tax

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

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

Current tax

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

Deferred tax

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

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

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

Summary of Significant Accounting Policies (cont’d)

t. Taxation and Deferred Tax (cont’d)

Deferred tax (cont’d)

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.

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

u. Employment Termination Benefits

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

v. Statement of Cash Flows

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

y. Government Grants and Incentives

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

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

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

Summary of Significant Accounting Policies (cont'd)

z. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the entity's accounting policies

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

Recoverability of internally-generated intangible assets

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

During the period, management reconsidered the recoverability of its internally-generated intangible assets. Management believes the projects will continue as expected and based on this analysis management continues to anticipate similar revenues from the projects. Management is confident that the carrying amount of the assets will be recovered in full, even if estimated revenues are reduced. This situation is closely monitored by management, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate. During the nine month period ended 30 September 2013, the Group Management has recognized an impairment loss of TRY 376.844 (30 September 2012: TRY 789.166) (Note 13).

Intangible asset recognized on business combination

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

Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realised. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realise the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilise some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognised. As of 30 September 2013 and 31 December 2012, 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.

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

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

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

Summary of Significant Accounting Policies (cont’d)

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

Critical judgments in applying the entity’s accounting policies (cont’d)

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 2012, 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 12% per annum. Cash flows beyond that five-year period have been extrapolated by using a steady 7% per annum growth rate consisting of 5% inflation and real growth rate of 2%. 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.

At 30 September 2013, there were no indicators of impairment and therefore the Group did not test goodwill for impairment. As at 30 September 2013, no impairment loss is recognized in the accompanying consolidated financial statements.

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.

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

3. SEGMENTAL INFORMATION

As of 30 September 2013 the business segments are production and sale of human pharmaceuticals, veterinary products and other. Other segment includes sale of cologne products.

| 30 September 2013 | Human pharma | Veterinary products | Other | Total |
|------------------------------|---------------------|----------------------------|----------------|--------------------------|
| External sales | 292.461.852 | 9.901.009 | 5.866.543 | 308.229.404 |
| Cost of sales | (180.329.527) | (5.851.330) | (4.520.270) | (190.701.127) |
| Operating expenses | (81.880.464) | (4.347.704) | (541.523) | (86.769.691) |
| Segment results | <u>30.251.861</u> | <u>(298.025)</u> | <u>804.750</u> | <u>30.758.586</u> |
| Other operating income | | | | 44.800.677 |
| Other operating expenses (-) | | | | (36.053.816) |
| Investment income | | | | 7.627 |
| Finance expenses (-) | | | | (26.858.627) |
| Income tax income | | | | 286.488 |
| Profit for the period | | | | <u>12.940.935</u> |

Distribution of the Group's products by the two largest wholesalers in the Turkish market corresponded to approximately 31% and 33% of the revenues of the Human Pharmaceuticals business line derived from Turkey (30 September 2012: 27% and 36%). As of 30 September 2013, two customers represented 34% and 30% of the total trade and other receivables balance, respectively (31 December 2012: 30% and 35%).

| 30 September 2012 | Human pharma | Veterinary products | Other | Total |
|------------------------------|---------------------|----------------------------|----------------|--------------------------|
| External sales | 283.974.252 | 20.801.567 | 4.632.772 | 309.408.591 |
| Cost of sales | (167.551.074) | (11.714.183) | (3.458.582) | (182.723.839) |
| Operating expenses | (75.826.572) | (3.962.336) | (1.073.848) | (80.862.756) |
| Segment results | <u>40.596.606</u> | <u>5.125.048</u> | <u>100.342</u> | <u>45.821.996</u> |
| Other operating income | | | | 41.137.213 |
| Other operating expenses (-) | | | | (37.629.903) |
| Investment income | | | | 280.261 |
| Finance expenses (-) | | | | (17.731.805) |
| Income tax expense (-) | | | | (4.943.143) |
| Profit for the period | | | | <u>26.934.619</u> |

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

4. CASH AND CASH EQUIVALENTS

| | 30 September 2013 | 31 December 2012 |
|------------------------|----------------------|---------------------|
| Petty cash | 61.904 | 82.629 |
| Cash in banks | 33.238.916 | 16.495.999 |
| <i>Demand deposits</i> | 391.454 | 452.599 |
| <i>Time deposits</i> | 32.847.462 | 16.043.400 |
| | <u>33.300.820</u> | <u>16.578.628</u> |

As of 30 September 2013, the Group has Euro and USD time deposit. The average interest rate for Euro time deposit is 2,8% and USD time deposit is 0,5% (The Group has USD time deposit as of 31 December 2012 and it's average interest rate is 3,1%). All of the financial investments are short term and have a maturity of one month.

5. FINANCIAL LIABILITIES

| | 30 September 2013 | 31 December 2012 |
|--|----------------------|---------------------|
| Short term bank loans | 118.249.668 | 168.227.072 |
| Current portion of long term loans | 41.327.002 | 46.707.343 |
| Current portion of bonds issued (*) | 2.272.532 | - |
| Total short term financial liabilities | <u>161.849.202</u> | <u>214.934.415</u> |
| Long term portion of bank loans | 58.478.079 | 53.881.346 |
| Bonds issued (*) | 99.542.568 | - |
| Total long term financial liabilities | <u>158.020.647</u> | <u>53.881.346</u> |
| Total financial liabilities | <u>319.869.849</u> | <u>268.815.761</u> |

(*)The Group issued corporate bonds amounting to TRY 100.000.000 with three years maturity, quarterly floating interest rate and monthly coupon payments. The bonds were sold on 7 May 2013 only to qualified investors. Annual simple yield of the bond is calculated by adding 300 basis points over the annual simple yield of "reference government bond". As of issuance date, annual simple and compound bond yield were 8,09% and 8,40%, respectively.

The effective interest rate is 12,01% as at 30 September 2013 and discounted estimated future cash payments through the expected life of the financial liability is calculated as TRY 101.815.100.

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

5. FINANCIAL LIABILITIES (cont’d)

i) Bank loans and bonds issued

Repayment schedule of bank borrowings is as follows:

| | 30 September 2013 | 31 December 2012 |
|--|----------------------|---------------------|
| Less than 1 year or to be paid on demand | 161.849.202 | 214.934.415 |
| To be paid between 1-2 years | 26.428.240 | 31.955.181 |
| To be paid between 2-3 years | 123.999.907 | 15.827.731 |
| To be paid between 3-4 years | 4.352.500 | 6.098.434 |
| To be paid between 4-5 years | 3.240.000 | - |
| | <u>319.869.849</u> | <u>268.815.761</u> |

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

5. FINANCIAL LIABILITIES (cont'd)

i) Bank loans (cont'd)

Short term bank loans consist of the following:

| Currency Type | Weighted Average Interest Rate | Principal | 30 September 2013 | Currency Type | Weighted Average Interest Rate | Principal | 31 December 2012 |
|------------------|--------------------------------|-------------|--------------------|------------------|--------------------------------|-------------|--------------------|
| TRY | 8,7% | 117.439.540 | 117.439.540 | TRY | 8,3% | 166.821.370 | 166.821.370 |
| Accrued interest | | | 810.128 | Accrued interest | | | 1.405.702 |
| | | | <u>118.249.668</u> | | | | <u>168.227.072</u> |

Short term borrowings consist of spot and revolving line of credits with several banks and carry fixed and floating rate interests. As of 30 September 2013 and 31 December 2012, the total available lines of credits are TRY 717.184.226 and TRY 612.356.589, 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 Interest Rate | Principal | 30 September 2013 | Currency Type | Weighted Average Interest Rate | Principal | 31 December 2012 |
|------------------|--------------------------------|------------|-------------------|------------------|--------------------------------|------------|-------------------|
| TRY | 10,4% | 14.493.638 | 14.493.638 | TRY | 10,7% | 11.436.138 | 11.436.138 |
| US Dollar | 5,7% | 12.644.444 | 25.721.328 | US Dollar | 5,4% | 19.194.444 | 34.216.016 |
| Accrued interest | | | 1.112.036 | Accrued interest | | | 1.055.189 |
| | | | <u>41.327.002</u> | | | | <u>46.707.343</u> |

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

(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 Interest Rate | Principal | 30 September 2013 | Currency Type | Weighted Average Interest Rate | Principal | 31 December 2012 |
|---------------|--------------------------------|------------|-------------------|---------------|--------------------------------|------------|-------------------|
| TRY | 10,6% | 31.242.549 | 31.242.549 | TRY | 11,2% | 26.468.918 | 26.468.918 |
| US Dollar | 5,3% | 6.633.335 | 13.493.530 | US Dollar | 5,5% | 15.377.779 | 27.412.428 |
| EUR | 4,3% | 5.000.000 | 13.742.000 | EUR | - | - | - |
| | | | <u>58.478.079</u> | | | | <u>53.881.346</u> |

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

5. FINANCIAL LIABILITIES (cont’d)

i) Bank loans (cont’d)

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

- a) A loan of US Dollar 933.333 (2012: US Dollar 3.733.333) was drawn down on 27 October 2009. Repayments of interest and principal commenced on 27 April 2010 and will continue till 28 October 2013 quarterly. The loan carries interest of 7%. This loan is also secured by the Group’s factory building located at Kocaeli Kartepe and other buildings’ mortgages at an amount of TRY 20.000.000 (Note 17).
- b) A loan of US Dollar 5.400.000 (2012: US Dollar 7.200.000) was drawn down on 24 December 2010. Repayments of interest and principal commenced on 24 June 2011 and will continue till 24 December 2014 on semiannual basis. The loan carries interest of 5%. This loan is also secured by the Group’s factory buildings located at Çerkezköy and other buildings’ mortgages at an amount of TRY 28.500.000 (Note 17).
- c) A loan of US Dollar 1.500.000 (2012: US Dollar 2.000.000) was drawn down on 24 December 2010. Repayments of interest and principal commenced on 24 June 2011 and will continue till 24 December 2014 on semiannual basis. The loan carries interest of 5%.
- d) A loan of US Dollar 3.611.113 (2012: US Dollar 5.055.556) was drawn down on 15 February 2011. Repayments of interest and principal commenced on 14 February 2012 and will continue till 9 February 2016 on semiannual basis. The loan carries interest of 5%.
- e) A loan of US Dollar 4.500.000 (2012: US Dollar 7.500.000) was drawn down on 29 March 2011. Repayments of interest and principal commenced on 29 March 2012 and will continue till 27 March 2015 on semiannual basis. The loan carries interest of 5%. This loan is also secured by the Group’s factory buildings located at Çerkezköy and other buildings’ mortgages at an amount of US Dollar 15.750.000 (Note 17).
- f) A loan of TRY 3.221.340 (2012: TRY 4.040.611) was drawn down on 26 January 2011. Repayments of interest and principal commenced on 25 April 2011 and will continue until 25 January 2016. The loan carries interest of 10,6%.
- g) A loan of TRY 395.431 (2012: TRY 957.159) was drawn down on 11 March 2011. Repayments of interest and principal commenced on 8 June 2011 and will continue until 21 February 2014. The loan carries interest of 9,7%.
- h) A loan of TRY 556.042 (2012: TRY 724.913) was drawn down on 26 August 2011. Repayments of interest and principal commenced on 24 November 2011 and will continue until 24 August 2015. The loan carries interest of 15,6%.
- i) A loan of TRY 1.906.705 (2012: TRY 2.469.527) was drawn down on 16 September 2011. Repayments of interest and principal commenced on 14 December 2011 and will continue until 14 September 2015. The loan carries interest of 17,4%.
- j) A loan of US Dollar 3.333.333 (2012: US Dollar 5.333.334) was drawn down on 28 December 2011. Repayments of interest and principal commenced on 28 March 2012 and will continue till 29 December 2014 quarterly. The loan carries interest of 8%.
- k) A loan of TRY 726.181 (2012: 1.001.747) was drawn down on 14 May 2012. Repayments of interest and principal commenced on 14 June 2012 and will continue till 14 May 2015. The loan carries interest of 13%. This loan is also secured by pledges on the purchased vehicles (Note 17).

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

5. FINANCIAL LIABILITIES (cont’d)

i) Bank loans (cont’d)

- l) A loan of TRY 14.462.500 (2012: 17.800.000) was drawn down on 23 October 2012. Repayments of interest and principal commenced on 23 January 2013 and will continue till 23 October 2016 quarterly. The loan carries interest of 11,2%. This loan is also secured by the Group’s factory building located at Kocaeli Kartepe and other buildings’ mortgages at an amount of TRY 20.000.000 (Note 17).
- m) A loan of TRY 6.750.000 (2012: 9.000.000) was drawn down on 24 December 2012. Repayments of interest and principal commenced on 24 March 2013 and will continue until 24 December 2015 quarterly. The loan carries interest of 9,4%.
- n) A loan of TRY 1.186.885 (2012: 1.549.400) was drawn down on 5 October 2012. Repayments of interest and principal commenced on 5 November 2012 and will continue till 5 October 2015. The loan carries interest of 10,8%. This loan is also secured by pledges on the purchased vehicles (Note 17).
- o) A loan of TRY 39.220 (2012: 51.202) was drawn down on 12 October 2012. Repayments of interest and principal commenced on 12 November 2012 and will continue till 12 October 2015. The loan carries interest of 10,8%. This loan is also secured by pledges on the purchased vehicles (Note 17).
- p) A loan of TRY 35.299 (2012: 46.094) was drawn down on 16 October 2012. Repayments of interest and principal commenced on 16 November 2012 and will continue till 16 October 2015. The loan carries interest of 10,8%. This loan is also secured by pledges on the purchased vehicles (Note 17).
- q) A loan of TRY 37.050 (2012: 48.368) was drawn down on 19 October 2012. Repayments of interest and principal commenced on 19 November 2012 and will continue till 19 October 2015. The loan carries interest of 10,8%. This loan is also secured by pledges on the purchased vehicles (Note 17).
- r) A loan of TRY 97.436 (2012: None) was drawn down on 15 January 2013. Repayments of interest and principal commenced on 15 February 2013 and will continue till 15 January 2016. The loan carries interest of 9%. This loan is also secured by pledges on the purchased vehicles (Note 17).
- s) A loan of TRY 122.098 (2012: None) was drawn down on 17 January 2013. Repayments of interest and principal commenced on 18 February 2013 and will continue till 15 January 2016. The loan carries interest of 9%. This loan is also secured by pledges on the purchased vehicles (Note 17).
- t) A loan of Euro 5.000.000 (2012: None) was drawn down on 10 July 2013. Principal will be commenced on 18 July 2016. Repayments of interest will be on semiannual basis. The loan carries interest of 4,3%.
- u) A loan of TRY 16.200.000 (2012: None) was drawn down on 1 August 2013. Repayments of interest and principal will be commenced on 3 January 2014 and will continue till 1 August 2018 on semiannual basis. The loan carries interest of 9,8%. This loan is also secured by the Group’s two lands located at Çerkezköy at an amount of TRY 16.200.000 (Note 17).
- v) The Group has spot loans amounting to TRY 113.605.000 (2012: TRY 165.072.284), with an average interest of 8,7%, and have loans with no interest amounting to TRY 3.859.297 (2012: TRY 1.735.426).

The Group uses its notes receivables as collaterals for its revolving loans. As of 30 September 2013, the amount of the notes receivables given as collateral is TRY 71.888.725 (31 December 2012: TRY 107.293.284).

ii) Obligations under finance leases

None (2012: None).

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

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

6. RELATED PARTY TRANSACTIONS

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

| | 30 September 2013 | | | | | | | |
|---|-------------------|------------------|-------------------|----------------|----------------|----------------------|-------------------|---------------|
| | Receivables | | | | Payables | | | |
| | Current | | Non-current | | Current | | Non-current | |
| Balances with related parties | Trading | Non-trading | Trading | Non-trading | Trading | Non-trading | Trading | Non-trading |
| <u>Shareholders</u> | | | | | | | | |
| East Pharma S.A.R.L. | - | - | - | - | 995.989 | - | - | - |
| Individual shareholders | - | - | - | - | - | 45.494 | - | - |
| <u>Other companies managed by ultimate parent</u> | | | | | | | | |
| Saba İlaç Sanayi ve Ticaret A.Ş. | 6.669.695 | - | - | - | - | 2.000 | - | - |
| | <u>6.669.695</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>995.989</u> | <u>47.494</u> | <u>-</u> | <u>-</u> |
| 1 January - 30 September 2013 | | | | | | | | |
| Transactions with related parties | Purchases | Sales | Interest received | Interest given | Rent income | Royalty expenses (*) | Other income (**) | Other expense |
| <u>Shareholders</u> | | | | | | | | |
| East Pharma S.A.R.L. | 5.978.020 | - | - | - | - | 3.703.560 | - | - |
| <u>Other companies managed by ultimate parent</u> | | | | | | | | |
| Saba İlaç Sanayi ve Ticaret A.Ş. | 39.062.284 | 3.743.765 | 1.062.141 | - | 147.810 | - | 1.198.715 | - |
| | <u>45.040.304</u> | <u>3.743.765</u> | <u>1.062.141</u> | <u>-</u> | <u>147.810</u> | <u>3.703.560</u> | <u>1.198.715</u> | <u>-</u> |

(*) Pursuant to the terms of the agreement related to the purchase of Roche product licenses signed between Deva Holding A.Ş. and its main shareholder EastPharma SARL, the Group is liable to pay a royalty amount for the product licenses acquired through Eastpharma SARL calculated over the net sales of the products. The royalty percentages have been arrived at on the basis of a valuation carried out by Kapital Karden Bağımsız Denetim ve YMM A.Ş. (“Kapital Karden”), independent valuers not connected with the Group (Valuation Report was updated as of Jan 2013, and Company started to use new rates after Jan 2013). Kapital Karden is one of the accredited independent auditors by Capital Markets Board. The valuation was arrived at by economic approach method predicated on discounted cash flow.

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

6. RELATED PARTY TRANSACTIONS (cont’d)

| | 31 December 2012 | | | | | | | |
|---|-------------------|------------------|-------------------|----------------|------------------|----------------------|-------------------|---------------|
| | Receivables | | | | Payables | | | |
| | Current | | Non-current | | Current | | Non-current | |
| Balances with related parties | Trading | Non-trading | Trading | Non-trading | Trading | Non-trading | Trading | Non-trading |
| <u>Shareholders</u> | | | | | | | | |
| East Pharma S.A.R.L. | - | - | - | - | 1.753.370 | - | - | - |
| Individual shareholders | - | - | - | - | - | 45.494 | - | - |
| <u>Other companies managed by ultimate parent</u> | | | | | | | | |
| Saba İlaç Sanayi ve Ticaret A.Ş. | 3.005.179 | - | - | - | - | - | - | - |
| | <u>3.005.179</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1.753.370</u> | <u>45.494</u> | <u>-</u> | <u>-</u> |
| 1 January - 30 September 2012 | | | | | | | | |
| Transactions with related parties | Purchases | Sales | Interest received | Interest given | Rent income | Royalty expenses (*) | Other income (**) | Other expense |
| <u>Shareholders</u> | | | | | | | | |
| East Pharma S.A.R.L. | 14.535.874 | - | - | - | - | 4.602.838 | - | - |
| <u>Other companies managed by ultimate parent</u> | | | | | | | | |
| Saba İlaç Sanayi ve Ticaret A.Ş. | 35.756.433 | 2.001.308 | 993.435 | - | 104.481 | - | 1.248.658 | - |
| | <u>50.292.307</u> | <u>2.001.308</u> | <u>993.435</u> | <u>-</u> | <u>104.481</u> | <u>4.602.838</u> | <u>1.248.658</u> | <u>-</u> |

(*) Pursuant to the terms of the agreement related to the purchase of Roche product licenses signed between Deva Holding A.Ş. and its main shareholder EastPharma SARL, the Group is liable to pay a royalty amount for the product licenses acquired through Eastpharma SARL calculated over the net sales of the products. The royalty percentages have been arrived at on the basis of a valuation carried out by Kapital Karden Bağımsız Denetim ve YMM A.Ş. (“Kapital Karden”), independent valuers not connected with the Group (Valuation Report was updated as of July 2011, and Company started to use new rates after July 2011). Kapital Karden is one of the accredited independent auditors by Capital Markets Board. The valuation was arrived at by economic approach method predicated on discounted cash flow.

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

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

6. RELATED PARTY TRANSACTIONS (cont’d)

Loans used by related parties for the period ended 30 September 2013 and 2012 are stated below:

| | 30 September 2013 | | | |
|--------------------------------------|----------------------|-------------------|--------------------|------------------------|
| | Original currency | Maturity (Day) | Interest Rate % | Short term Payables |
| <u>Loans used by related parties</u> | | | | |
| <u>Subsidiaries</u> | | | | |
| Deva Holdings NZ (*) | US Dollar | 90 | 3,5% | <u>279.264</u> |
| | | | | <u>279.264</u> |
| | | | | |
| 31 December 2012 | | | | |
| | Original currency | Maturity (Day) | Interest Rate % | Short term Payables |
| <u>Loans used by related parties</u> | | | | |
| <u>Subsidiaries</u> | | | | |
| Deva Holdings NZ (*) | US Dollar | 94 | 3,5% | <u>161.468</u> |
| | | | | <u>161.468</u> |

Benefits provided to key management personnel include the salaries, premiums and retirement pay for the period ended 30 September 2013 and 2012 are stated below:

| | 1 January- 30 September 2013 | 1 January- 30 September 2012 |
|---|------------------------------------|------------------------------------|
| <u>Compensation of key management personnel</u> | | |
| Short-term benefits | 5.332.269 | 3.256.773 |
| Long-term benefits | 102.715 | 87.292 |
| | <u>5.434.984</u> | <u>3.344.065</u> |

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

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

7. TRADE RECEIVABLES AND PAYABLES

Trade Receivables

| | 30 September 2013 | 31 December 2012 |
|--|----------------------|---------------------|
| <u>Current trade receivables</u> | | |
| Trade receivables | 40.142.643 | 52.318.730 |
| Notes receivable | 135.548.300 | 146.249.825 |
| Discount on notes receivables (-) | (2.583.610) | (2.604.265) |
| Due from related parties (Note: 6) | 6.669.695 | 3.005.179 |
| Other trade receivables | 81.428 | 17.985 |
| Income accruals | 2.623.887 | 1.228.988 |
| Provision for doubtful receivables (-) | (6.908.739) | (6.908.739) |
| | <u>175.573.604</u> | <u>193.307.703</u> |

As of 30 September 2013 and 31 December 2012, the Group provided for all its past due trade and other receivables. The rest of the receivable amount is neither past due nor impaired. During 2013, the average credit period on sales is 127 days (2012: 129 days).

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

| | 30 September 2013 | 31 December 2012 |
|-------------------------------|----------------------|---------------------|
| Letter of guarantees received | <u>17.396.974</u> | <u>15.281.594</u> |
| | <u>17.396.974</u> | <u>15.281.594</u> |

The Group’s principal financial assets are trade and other receivables, and investments. The Group’s credit risk is primarily attributable to its trade receivables. As of 30 September 2013, two customers represented 34% and 30% of the total trade and other receivables balance, respectively (31 December 2012: 30% and 35%).

The Company is the distributor of the Saba İlaç A.Ş.’s, a related party, pharmaceutical products. Receivable amounting to TRY 6.669.695 is related to this transaction (Note 6).

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

The movement of the allowance for doubtful receivables for the period ended 30 September 2013 and 2012 is as follows:

| | 1 January- 30 September 2013 | 1 January- 30 September 2012 |
|-------------------------|------------------------------------|------------------------------------|
| Balance at 1 January | 6.908.739 | 6.909.929 |
| Provision released | - | (1.190) |
| Balance at 30 September | <u>6.908.739</u> | <u>6.908.739</u> |

The effective interest rate used for the discount of TRY trade receivables is 11% (2012: 11%), and for foreign currency trade receivables period end libor rates have been used.

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7. TRADE RECEIVABLES AND PAYABLES (cont’d)

Trade Payables

| | 30 September 2013 | 31 December 2012 |
|--------------------------------------|----------------------|---------------------|
| <u>Current trade payables</u> | | |
| Trade payables | 21.380.616 | 22.305.749 |
| Notes payable | 3.396 | 2.975 |
| Due to related parties (Note: 6) (*) | 995.989 | 1.753.370 |
| Expense accruals | 311.831 | 154.378 |
| | <u>22.691.832</u> | <u>24.216.472</u> |

(*) As of 30 September 2013, royalty payable to Eastpharma S.A.R.L for the sale of products that Eastpharma S.A.R.L. holds the rights is TRY 995.989 (31 December 2012: TRY 1.098.397). Eastpharma S.A.R.L. holds Turkey rights of 17 Roche products acquired in 2008. Eastpharma S.A.R.L. also holds the right of one Roche product in 17 different foreign countries. As of 30 September 2013, there is no payable amount to Eastpharma S.A.R.L. related with the raw material purchase from F. Hoffman – La Roche Ltd (31 December 2012: TRY 654.973).

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

As of 30 September 2013 and 31 December 2012, the Group has no long term trade payables.

8. OTHER RECEIVABLES AND PAYABLES

| | 30 September 2013 | 31 December 2012 |
|----------------------------------|----------------------|---------------------|
| <u>Other current receivables</u> | | |
| Other receivables | 580.916 | 503.233 |
| Due from personnel | 150.468 | 135.235 |
| Deposits and guarantees given | 80.197 | 52.690 |
| | <u>811.581</u> | <u>691.158</u> |
| | | |
| | 30 September 2013 | 31 December 2012 |
| <u>Other current payables</u> | | |
| Due to related parties (Note 6) | 47.494 | 45.494 |
| Other current payables | 1.734.675 | 23.891 |
| | <u>1.782.169</u> | <u>69.385</u> |

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

9. INVENTORIES

| | 30 September 2013 | 31 December 2012 |
|--|----------------------|---------------------|
| Raw materials | 75.468.975 | 59.483.697 |
| Work-in-progress | 15.583.726 | 12.467.320 |
| Finished goods | 48.477.376 | 43.958.782 |
| Trade goods | 4.195.223 | 1.610.962 |
| Other inventories | 1.321.890 | 90.765 |
| Allowance for diminution in value of inventories | (2.200.763) | (840.550) |
| | <u>142.846.427</u> | <u>116.770.976</u> |

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

| | 1 January- 30 September 2013 | 1 January- 30 September 2012 |
|--------------------------|------------------------------------|------------------------------------|
| Balance at 1 January | 840.550 | 4.000.089 |
| Provision for the period | 1.747.344 | 3.817.705 |
| Provision utilized | (387.131) | (3.328.211) |
| Balance at 30 September | <u>2.200.763</u> | <u>4.489.583</u> |

10. PREPAID EXPENSES AND DEFERRED REVENUE

| | 30 September 2013 | 31 December 2012 |
|------------------------------------|----------------------|---------------------|
| <u>Short term prepaid expenses</u> | | |
| Advances given for inventory | 7.600.935 | 7.786.677 |
| Prepaid expenses | 909.780 | 2.357.443 |
| Business advances given | 2.531.790 | 237.297 |
| | <u>11.042.505</u> | <u>10.381.417</u> |

| | 30 September 2013 | 31 December 2012 |
|-----------------------------------|----------------------|---------------------|
| <u>Long term prepaid expenses</u> | | |
| Advances given for tangibles | 10.187.177 | 2.595.038 |
| | <u>10.187.177</u> | <u>2.595.038</u> |

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

10. PREPAID EXPENSES AND DEFERRED REVENUE (cont’d)

| | 30 September 2013 | 31 December 2012 |
|------------------------------------|----------------------|---------------------|
| <u>Short term deferred revenue</u> | | |
| Advances received | 398.857 | 93.686 |
| Deferred revenue (*) | 1.586.484 | 1.662.813 |
| | <u>1.985.341</u> | <u>1.756.499</u> |

| | 30 September 2013 | 31 December 2012 |
|-----------------------------------|----------------------|---------------------|
| <u>Long term deferred revenue</u> | | |
| Deferred revenue (*) | 14.683.462 | 13.420.505 |
| | <u>14.683.462</u> | <u>13.420.505</u> |

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

During the period ended 30 September 2013, the Group received TRY 968.871 grant related with its development costs.

11. ASSETS RELATING TO CURRENT TAX

| | 30 September 2013 | 31 December 2012 |
|-----------------------|----------------------|---------------------|
| Prepaid corporate tax | 263.021 | 586.767 |
| | <u>263.021</u> | <u>586.767</u> |

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

12. PROPERTY, PLANT AND EQUIPMENT

| | Land | Land Improvements | Buildings | Machinery and Equipment | Vehicles | Furniture and Fixtures | Leasehold Improvements | Construction in Progress | Total |
|---|------------|-------------------|--------------|-------------------------|-------------|------------------------|------------------------|--------------------------|---------------|
| <u>Acquisition cost</u> | | | | | | | | | |
| Opening balance, 1 January 2013 | 15.110.660 | 574.188 | 133.968.580 | 198.814.899 | 4.412.233 | 20.517.306 | 241.503 | 27.139.605 | 400.778.974 |
| Additions | 13.162.758 | 20.000 # | - | - | 1.347.488 | 799.127 | 6.310 | 16.321.335 | 31.657.018 |
| Disposals | - | - | - | - | (21.696) | - | - | - | (21.696) |
| Transfers from construction in progress | - | - | 1.615.361 | 34.153.778 | - | - | - | (35.769.139) | - |
| Closing balance, 30 September 2013 | 28.273.418 | 594.188 | 135.583.941 | 232.968.677 | 5.738.025 | 21.316.433 | 247.813 | 7.691.801 | 432.414.296 |
| <u>Accumulated depreciation</u> | | | | | | | | | |
| Opening balance, 1 January 2013 | - | (200.856) | (15.657.525) | (107.853.995) | (1.068.752) | (13.633.665) | (142.580) | - | (138.557.373) |
| Reclassifications (*) | - | - | - | (1.732.320) | - | - | - | - | (1.732.320) |
| Depreciation charge for the period | - | (25.230) | (2.375.820) | (14.899.747) | (651.402) | (1.527.232) | (17.319) | - | (19.496.750) |
| Disposals | - | - | - | - | 21.696 | - | - | - | 21.696 |
| Closing balance, 30 September 2013 | - | (226.086) | (18.033.345) | (124.486.062) | (1.698.458) | (15.160.897) | (159.899) | - | (159.764.747) |
| Carrying amount at 30 September 2013 | 28.273.418 | 368.102 | 117.550.596 | 108.482.615 | 4.039.567 | 6.155.536 | 87.914 | 7.691.801 | 272.649.549 |

(*) TRY 1.732.320, partial depreciation charge of machinery and equipment is directly attributable to development costs related to product licenses and rights. The balance is capitalized in cost value of intangible assets in respect of TAS 16 and TAS 38 (Note 13) as the projects are in progress as at 30 September 2013.

As of 30 September 2013, cost of the property, plant and equipment acquired through finance leases is TRY 1.429.828 and total accumulated depreciation of these property, plant and equipments are TRY 1.038.361. Net carrying amount of leased property plant and equipment is TRY 391.466 of machinery and equipment. During 2013, the Group does not have any disposed property plant and equipment previously acquired through leasing. There were no new finance leases during 2013.

The Group’s headquarter building and factory and other buildings located in Kocaeli Kartepe and Çerkezköy and land in Çerkezköy are pledged against the borrowings used at an amount of US Dollar 18.500.000, TRY 20.000.000, TRY 28.500.000, US Dollar 15.750.000 and TRY 16.200.000 (Note 17).

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

| | Land | Land Improvements | Buildings | Machinery and Equipment | Vehicles | Furniture and Fixtures | Leasehold Improvements | Construction in Progress | Total |
|--|------------|----------------------|--------------|----------------------------|-------------|---------------------------|---------------------------|-----------------------------|---------------|
| <u>Acquisition cost</u> | | | | | | | | | |
| Opening balance, 1 January 2012 | 14.986.522 | 574.188 | 129.661.683 | 180.677.640 | 2.061.904 | 18.520.881 | 235.308 | 870.464 | 347.588.590 |
| Additions | 124.138 | - | - | 6.443 | 1.818.023 | 1.115.597 | 6.195 | 32.792.479 | 35.862.875 |
| Disposals | - | - | - | (2.261.548) | (247.035) | (138.627) | - | - | (2.647.210) |
| Transfers from construction in progress | - | - | 2.260.333 | 10.233.902 | - | - | - | (12.494.235) | - |
| Closing balance, 30 September 2012 | 15.110.660 | 574.188 | 131.922.016 | 188.656.437 | 3.632.892 | 19.497.851 | 241.503 | 21.168.708 | 380.804.255 |
| <u>Accumulated depreciation</u> | | | | | | | | | |
| Opening balance, 1 January 2012 | - | (167.438) | (12.571.876) | (91.392.662) | (1.843.452) | (11.592.197) | (124.727) | - | (117.692.352) |
| Reclassifications (*) | - | - | - | (1.459.606) | - | - | - | - | (1.459.606) |
| Depreciation charge for the period | - | (25.064) | (2.307.371) | (12.008.684) | (206.465) | (1.603.752) | (13.132) | - | (16.164.468) |
| Disposals | - | - | - | 1.805.520 | 184.959 | 96.361 | - | - | 2.086.840 |
| Closing balance, 30 September 2012 | - | (192.502) | (14.879.247) | (103.055.432) | (1.864.958) | (13.099.588) | (137.859) | - | (133.229.586) |
| Carrying amount at 30 September 2012 | 15.110.660 | 381.686 | 117.042.769 | 85.601.005 | 1.767.934 | 6.398.263 | 103.644 | 21.168.708 | 247.574.669 |

(*) TRY 1.459.606, partial depreciation charge of machinery and equipment, is directly attributable to development costs related to product licenses and rights and is capitalized in cost value of intangible assets in respect of TAS 16 and TAS 38 as the projects are in progress as at 30 September 2012 (Note 13).

As of 30 September 2012, cost amount of the property, plant and equipment acquired through finance leases are TRY 2.401.992 and total accumulated depreciation of these property, plant and equipments are TRY 1.906.768. Net carrying amount of leased property plant and equipment consist of TRY 495.224 machinery and equipment. During 2012, the Group has disposed property plant and equipment previously acquired through leasing at an amount of TRY 36.484. There were no leased purchases during the period.

The Group’s headquarter building and factory and other buildings located in Kocaeli Kartepe, Çerkezköy and Topkapı are pledged against the borrowings used at an amount of US Dollar 18.500.000, TRY 14.250.000, TRY 28.500.000, US Dollar 15.750.000 and US Dollar 8.125.000.

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

Depreciation periods for property, plant and equipment, which approximate the useful lives of such assets, are as follows:

| | |
|-------------------------|-------------|
| Land improvements | 25-50 years |
| Buildings | 25-50 years |
| Machinery and equipment | 4-30 years |
| Vehicles | 5 years |
| Furniture and fixtures | 5 years |
| Leasehold improvements | 2-3 years |

Property, plant and equipment are depreciated principally on a straight-line basis except land and construction in progress. The estimated useful lives, residual values and depreciation method are reviewed at each year end for the possible effects of change in estimates, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation and amortization expense of TRY 12.399.500 (2012: TRY 10.253.185) has been charged to 'cost of goods sold', TRY 5.373.681 (2012: TRY 5.822.479) to 'operating expenses' and TRY 4.910.805 is capitalized on inventory (2012: TRY 3.815.121).

13. INTANGIBLE ASSETS

| | Product Licenses and Rights | Customer Relationship | Capitalized Development Costs | Total |
|------------------------------------|--------------------------------|--------------------------|----------------------------------|--------------|
| <u>Acquisition cost</u> | | | | |
| Opening balance, 1 January 2013 | 76.604.577 | 3.730.513 | 37.839.004 | 118.174.094 |
| Reclassifications (*) | - | - | 1.732.320 | 1.732.320 |
| Additions (**) | 6.294.137 | - | 17.910.985 | 24.205.122 |
| Closing balance, 30 September 2013 | 82.898.714 | 3.730.513 | 57.482.309 | 144.111.536 |
| <u>Accumulated amortization</u> | | | | |
| Opening balance, 1 January 2013 | (23.857.419) | (839.367) | (10.324.602) | (35.021.388) |
| Amortization charge for the period | (1.631.039) | (139.895) | (1.416.302) | (3.187.236) |
| Impairment | - | - | (376.844) | (376.844) |
| Closing balance, 30 September 2013 | (25.488.458) | (979.262) | (12.117.748) | (38.585.468) |
| Carrying amount, 30 September 2013 | 57.410.256 | 2.751.251 | 45.364.561 | 105.526.068 |

(*) TRY 1.732.320, partial depreciation charge of machinery and equipment, is directly attributable to development costs related to product licenses and rights and is capitalized in cost value of intangible assets in respect of TAS 16 and TAS 38 as the projects are in progress as at 30 September 2013 (Note 12).

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

Carrying amount of internally generated intangible assets consist of TRY 14.605.168 of rights and TRY 46.676.232 of capitalized development costs.

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

| | |
|-----------------------|------------|
| Licenses and Rights | 3-15 years |
| Customer relationship | 20 years |
| Development costs | 5 years |

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

13. INTANGIBLE ASSETS (cont'd)

| | Product Licences and Rights | Customer Relationship | Capitalized Development Costs | Total |
|------------------------------------|--------------------------------|--------------------------|----------------------------------|---------------------|
| <u>Acquisition cost</u> | | | | |
| Opening balance, 1 January 2012 | 64.807.127 | 3.730.513 | 28.027.614 | 96.565.254 |
| Reclassifications (*) | - | - | 1.459.606 | 1.459.606 |
| Additions (**) | 8.690.414 | - | 5.702.742 | 14.393.156 |
| Closing balance, 30 September 2012 | <u>73.497.541</u> | <u>3.730.513</u> | <u>35.189.962</u> | <u>112.418.016</u> |
| <u>Accumulated amortization</u> | | | | |
| Opening balance, 1 January 2012 | (20.151.508) | (652.840) | (8.578.650) | (29.382.998) |
| Amortization charge for the period | (2.898.943) | (139.895) | (687.480) | (3.726.317) |
| Impairment | - | - | (789.166) | (789.166) |
| Closing balance, 30 September 2012 | <u>(23.050.451)</u> | <u>(792.735)</u> | <u>(10.055.296)</u> | <u>(33.898.481)</u> |
| Carrying amount, 30 September 2012 | <u>50.447.091</u> | <u>2.937.779</u> | <u>25.134.666</u> | <u>78.519.535</u> |

(*) TRY 1.459.606, partial depreciation charge of machinery and equipment is directly attributable to development costs related to product licenses and rights and is capitalized in cost value of intangible assets in respect of TAS 16 and TAS 38 as the projects are in progress as at 30 September 2012 (Note 12).

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

Carrying amount of internally generated intangible assets consist of TRY 12.148.624 of rights and TRY 28.092.000 of capitalized development costs.

14. GOODWILL

| | 30 September 2013 | 31 December 2012 |
|----------|----------------------|---------------------|
| Goodwill | 1.782.731 | 1.782.731 |

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

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

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

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

The purchase price was funded through cash of TRY 18.897.646 net of cash received for the past termination rights of the personnel transferred to the Company. Goodwill impairment tests are performed annually and as of 30 September 2013 is no impairment test has been performed (Note 2) as there is no indicator of impairment.

Goodwill arising from the business combination is allocated to human pharma segment and there is no allocation to other segments as of 30 September 2013.

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

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

15. GOVERNMENT INCENTIVES AND GRANTS

The Group has 9 ongoing research and development projects approved by TÜBİTAK. Deva has started 1 new project in 2011, 4 new projects in 2012 and 4 in 2013. Total research and development expenses incurred during the nine month period ended 30 September 2013 related with these projects amounted to TRY 15.813.536.

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 2013 has been paid in cash. In addition, based on the approval of the expenses incurred in 2013 57% of the total expenses incurred related with projects has been recorded as income accrual.

In 2010, the Group has obtained the license of support of Research and Development Documents numbered 5594 and 5596. Total expenses related with the project numbered 5594 and 5596 in nine months period of 2013 amount to TRY 2.236.311 and TRY 5.369.611, respectively.

The Group has obtained the license of support of Research and Development Documents numbered 111282 and 112159 for Çerkezköy facility for the period between May 28, 2013 and May 28, 2016. There has been no expense incurred during 2013 related with this project.

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.

16. PROVISIONS

| | 30 September 2013 | 31 December 2012 |
|---|----------------------|---------------------|
| <u>Short term provisions</u> | | |
| Expense accruals due to price regulation | 6.862.000 | 6.752.967 |
| Accrued sales discounts | 2.968.471 | 2.576.476 |
| Provision for legal claims | 5.562.406 | 9.364.353 |
| Royalty expense accruals | 276.465 | 234.188 |
| Provision for seniority incentive and management premium and indemnity | 127.138 | 111.413 |
| Other provisions | 119.098 | - |
| | <u>15.915.578</u> | <u>19.039.397</u> |
| | | |
| | 30 September 2013 | 31 December 2012 |
| <u>Long term provisions</u> | | |
| Provision for legal claims | - | 343.136 |
| | - | 343.136 |

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

16. PROVISIONS (cont'd)

| | Expense accruals due to price regulation | Provision for legal claims | Provision for seniority incentive and management premium (**) | Total |
|---------------------------------------|--|-------------------------------|--|-------------------|
| Opening balance, 1 January 2013 | 6.752.967 | 9.707.490 | 111.412 | 16.571.869 |
| Charge for the period (*) | 677.000 | 2.370.381 | 15.726 | 3.063.107 |
| Payments made during the period | (567.967) | (5.922.326) | - | (6.490.293) |
| Reversal of provision | - | (593.139) | - | (593.139) |
| Closing balance, 30 September 2013 | <u>6.862.000</u> | <u>5.562.406</u> | <u>127.138</u> | <u>12.551.544</u> |
| Opening balance, 1 January 2012 | 11.221.035 | 16.227.927 | 118.056 | 27.567.018 |
| Charge for the period (*) | 1.596.280 | 1.427.459 | - | 3.023.739 |
| Payments made during the period | (6.017.315) | (5.289.458) | - | (11.306.773) |
| Reversal of provision | - | - | (6.513) | (6.513) |
| Closing balance, 30 September 2012 | <u>6.800.000</u> | <u>12.365.928</u> | <u>111.543</u> | <u>19.277.471</u> |

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

Total provisions for the legal cases opened and currently pending against the Group represent the Management's best estimate of the Group's legal liability to claiming parties. The charge in the year of 2013 and 2012 include the provisions for the legal cases opened by the discharged personnel and fines received from tax authority as a result of general inspections in the pharmaceutical sector in Turkey. Since there is more than 1 legal case, potential cash outflows will be in the different periods. As of 30 September 2013, there are 286 pending legal cases. TRY 5.001.844 represents provision for legal cases opened by discharged personnel and TRY 560.562 represents provision for fines received from tax authority.

(**) The provision for seniority incentive and other benefits as of 30 September 2013 includes US Dollar 62.500 (TRY 127.138) related to special termination benefits granted to certain employees of Deva immediately prior to the acquisition by Eastpharma. The Company is required to pay these individuals incremental termination benefits, in addition to all other legal termination benefits, when the employee leaves the Company.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

17. COMMITMENTS

| | Currency Type | Balance | Currency Rate | 30 September 2013 |
|-------------------------|---------------|------------|---------------|--------------------|
| Mortgage | US Dollars | 34.250.000 | 2,0342 | 69.671.350 |
| | TRY | 64.700.000 | 1,0000 | 64.700.000 |
| | | | | <u>134.371.350</u> |
| Promissory notes (*) | TRY | 34.575.000 | 1,0000 | 34.575.000 |
| | US Dollars | 26.872.972 | 2,0342 | 54.665.000 |
| | | | | <u>89.240.000</u> |
| Guarantee letters given | TRY | 20.830.544 | 1,0000 | 20.830.544 |
| | | | | <u>20.830.544</u> |
| Pledges (**) | TRY | 2.244.171 | 1,0000 | 2.244.171 |
| | | | | <u>2.244.171</u> |
| | | | | <u>246.686.065</u> |
| | | | | <u>246.686.065</u> |
| | Currency Type | Balance | Currency Rate | 31 December 2012 |
| Mortgage | US Dollars | 42.375.000 | 1,7826 | 75.537.675 |
| | TRY | 48.500.000 | 1,0000 | 48.500.000 |
| | | | | <u>124.037.675</u> |
| Promissory notes (*) | TRY | 38.847.500 | 1,0000 | 38.847.500 |
| | EUR | 10.410.992 | 2,3517 | 24.483.530 |
| | US Dollars | 24.523.993 | 1,7826 | 43.716.471 |
| | | | | <u>107.047.501</u> |
| Guarantee letters given | TRY | 20.501.894 | 1,0000 | 20.501.894 |
| | | | | <u>20.501.894</u> |
| Pledges (**) | TRY | 2.696.810 | 1,0000 | 2.696.810 |
| | | | | <u>2.696.810</u> |
| | | | | <u>254.283.880</u> |
| | | | | <u>254.283.880</u> |

(*) Promissory notes are given as guarantees for the loans obtained.

(**) Pledges are given as guarantees for the vehicle loans obtained.

The legal, physical and administrative responsibilities of factory building located in Kartepe which belong to the period before 28 December 2011 when the building is sold is pertained by the Company. Any penalty to be applied for the Company's operations that have occurred as a result of matters that constitute a violation of environmental legislation till the date of delivery is limited by US Dollars 3.000.000 and any claim above this limit can not be demanded from the Company. The Group management does not expect any cash outflow for the corresponding matter and no provision is recognized to the consolidated financials as of balance sheet date.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

17. COMMITMENTS (cont'd)

The Group's Guarantees/Pledge/Mortgages ("GPM") are as follows:

| Guareentees/Pledge/Mortgages given by the Group (GPM) | 30 September 2013 | | | |
|--|---------------------------|--------------------------|--------------------------|---------------------------|
| | TRY Equivalent | US Dollars | EUR | TRY |
| A. GPM given on behalf of its own legal entity | | | | |
| -Guarantee | 18.945.544 | - | - | 18.945.544 |
| -Pledge | 2.244.171 | - | - | 2.244.171 |
| -Mortgage | 134.371.350 | 34.250.000 | - | 64.700.000 |
| | <u>155.561.065</u> | <u>34.250.000</u> | - | <u>85.889.715</u> |
| B. GPM given on behalf of subsidiaries that are included in full consolidation | | | | |
| -Guarantee | 91.125.000 | 26.872.972 | - | 36.460.000 |
| -Pledge | - | - | - | - |
| -Mortgage | - | - | - | - |
| | <u>91.125.000</u> | <u>26.872.972</u> | - | <u>36.460.000</u> |
| C. GPM's given on behalf of third parties for ordinary course of the business | - | - | - | - |
| D. Other GPM | - | - | - | - |
| Total | <u>246.686.065</u> | <u>61.122.972</u> | - | <u>122.349.715</u> |
| | | | | |
| | 31 December 2012 | | | |
| | TRY Equivalent | US Dollars | EUR | TRY |
| A. GPM given on behalf of its own legal entity | | | | |
| -Guarantee | 18.636.894 | - | - | 18.636.894 |
| -Pledge | 2.696.810 | - | - | 2.696.810 |
| -Mortgage | 124.037.676 | 42.375.000 | - | 48.500.000 |
| | <u>145.371.380</u> | <u>42.375.000</u> | - | <u>69.833.704</u> |
| B. GPM given on behalf of subsidiaries that are included in full consolidation | | | | |
| -Guarantee | 108.912.500 | 24.523.993 | 10.410.992 | 40.712.500 |
| -Pledge | - | - | - | - |
| -Mortgage | - | - | - | - |
| | <u>108.912.500</u> | <u>24.523.993</u> | <u>10.410.992</u> | <u>40.712.500</u> |
| C. GPM's given on behalf of third parties for ordinary course of the business | - | - | - | - |
| D. Other GPM | - | - | - | - |
| Total | <u>254.283.880</u> | <u>66.898.993</u> | <u>10.410.992</u> | <u>110.546.204</u> |

As of 30 September 2013, the Company's Other GPM / Equity ratio is nil (31 December 2012: Nil).

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

17. COMMITMENTS AND CONTINGENT LIABILITIES (cont'd)

As of 30 September 2013 and 31 December 2012, Group's irreversible operating lease liabilities are as follows:

| | EUR | TRY | 30 September 2013 |
|------------------------------|------------------|------------------|----------------------|
| Maturity less than 1 year | 292.012 | 1.707.908 | 2.510.475 |
| Maturity between 1 - 5 years | - | - | - |
| | <u>292.012</u> | <u>1.707.908</u> | <u>2.510.475</u> |
| | EUR | TRY | 31 December 2012 |
| Maturity less than 1 year | 1.348.335 | 1.707.908 | 4.878.787 |
| Maturity between 1 - 5 years | 89.007 | 1.280.931 | 1.490.249 |
| | <u>1.437.342</u> | <u>2.988.839</u> | <u>6.369.036</u> |

The Group's operational leases mainly consist of vehicles given to sales personnel and the total expense related with the operating lease payments for the period ended 30 September 2013 amounts to TRY 4.162.162 (1 January – 30 September 2012: TRY 4.400.607).

18. EMPLOYMENT BENEFITS

Short-term benefits provided to employees

| | 30 September 2013 | 31 December 2012 |
|--|----------------------|---------------------|
| <u>Payables for benefits provided to employees</u> | | |
| Due to personnel | 464.174 | 271.354 |
| Taxes and funds payables | 2.248.592 | 2.179.570 |
| Social security premiums payable | 1.954.573 | 1.632.989 |
| | <u>4.667.339</u> | <u>4.083.913</u> |
| | 30 September 2013 | 31 December 2012 |
| <u>Provisions for benefits provided to employees</u> | | |
| Accrued vacation pay liability | 3.779.492 | 3.519.596 |
| Bonus given to personnel | 751.192 | 1.122.250 |
| Other accruals and payables | 1.249.603 | 2.873.269 |
| | <u>5.780.287</u> | <u>7.515.115</u> |

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

18. 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 3.254,44 for each period of service at 30 September 2013 (31 December 2012: TRY 3.033,98).

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

The principal assumption is that the maximum liability for each year of service will increase parallel with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 30 September 2013, the provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates are calculated assuming an annual inflation rate of 7,00% and a discount rate of 9,00%, resulting in a real discount rate of approximately 1,87% (31 December 2012: 2,19%). The anticipated rate of retirement is considered as 89,94 % (2012: 91,00%). As the maximum liability is revised semi annually, the maximum amount of TRY 3.254,44 effective from 1 July 2013 is taken into consideration in the calculation of provision from employment termination benefits.

Below is the movement of employment termination provision:

| | 1 January - 30 September 2013 | 1 January - 30 September 2012 |
|---------------------------|-------------------------------------|-------------------------------------|
| Provision at 1 January | 5.090.015 | 4.403.194 |
| Service cost | 1.676.005 | 1.640.373 |
| Interest cost | 83.131 | 125.920 |
| Termination benefits paid | (1.722.071) | (1.108.597) |
| Actuarial gain | (51.052) | (390.501) |
| Provision at 30 September | <u>5.076.028</u> | <u>4.670.389</u> |

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

19. OTHER SHORT/LONG TERM ASSETS AND LIABILITIES

| | 30 September 2013 | 31 December 2012 |
|-----------------------------|----------------------|---------------------|
| <u>Other current assets</u> | | |
| Deferred VAT | 4.784.785 | 11.197.163 |
| Deductible VAT | - | 23 |
| Other VAT | 3.854.474 | 2.956.823 |
| | <u>8.639.259</u> | <u>14.154.009</u> |

20. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Capital

| Name | (%) | 30 September 2013 | (%) | 31 December 2012 |
|---------------------------------------|-------------|----------------------|-------------|---------------------|
| Eastpharma S.A.R.L. | 82,2 | 164.424.760 | 82,2 | 164.424.760 |
| Other | <u>17,8</u> | <u>35.575.240</u> | <u>17,8</u> | <u>35.575.240</u> |
| Nominal capital | 100,0 | 200.000.000 | 100,0 | 200.000.000 |
| Inflation adjustment to share capital | | 140.080.696 | | 140.080.696 |
| Capital investment adjustment (-) | | (28.847) | | (28.847) |
| Adjusted share capital | | <u>340.051.849</u> | | <u>340.051.849</u> |

As of 30 September 2013, the Company's capital consists of 19.999.999.990 Type C common shares each with a nominal value of TRY 0,01, 5 Type B preferred shares and 5 Type A preferred shares (31 December 2012: Company's capital consists of 19.999.999.990 Type C common shares each with a nominal value of TRY 0,01, 5 Type B preferred shares and 5 Type A preferred shares).

Common shares

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

Preferred shares

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

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

Capital (cont’d)

As of 30 September 2013 and 31 December 2012, the details of capital and other balances disclosed under equity are as follows:

| | 30 September 2013 | 31 December 2012 |
|--|----------------------|---------------------|
| Capital | 200.000.000 | 200.000.000 |
| Premium in excess of par | 2.870.803 | 2.870.803 |
| Restricted reserves assorted from profit | 150.864.955 | 150.864.955 |
| Capital investment adjustment (-) | (28.847) | (28.847) |
| | <u>353.706.911</u> | <u>353.706.911</u> |

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.

Retained earnings

The Group’s accumulated deficit as of 30 September 2013 and 31 December 2012 amounts to TRY 115.328.514 and TRY 149.569.357, respectively. The accumulated deficit balance also includes TRY 26.410.082 of extraordinary reserves (31 December 2012: TRY 26.410.082).

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

21. REVENUE AND COST OF SALES

| | 1 January – 30 September 2013 | 1 July – 30 September 2013 | 1 January – 30 September 2012 | 1 July – 30 September 2012 |
|-------------------------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| <i>Revenue (net)</i> | | | | |
| Human pharma revenue | 292.461.852 | 79.975.548 | 283.974.252 | 90.787.640 |
| Veterinary products revenue | 9.901.009 | 2.453.016 | 20.801.567 | 5.462.088 |
| Other revenue | 5.866.543 | 2.303.746 | 4.632.772 | 1.086.572 |
| | <u>308.229.404</u> | <u>84.732.310</u> | <u>309.408.591</u> | <u>97.336.300</u> |
| <i>Cost of revenue</i> | | | | |
| Raw and other materials used | (92.878.378) | (22.024.907) | (91.374.472) | (30.688.404) |
| Direct labor cost | (10.765.775) | (4.007.589) | (9.310.486) | (3.316.333) |
| Production overheads | (55.309.173) | (21.050.801) | (42.207.225) | (13.099.784) |
| Depreciation expenses | (12.399.500) | (4.796.365) | (10.253.185) | (4.087.875) |
| Change in work in process | 3.116.406 | 2.761.435 | 3.141.975 | 1.379.072 |
| Change in finished goods | 4.518.594 | 356.130 | (3.130.426) | 1.470.442 |
| | <u>(163.717.826)</u> | <u>(48.762.097)</u> | <u>(153.133.819)</u> | <u>(48.342.882)</u> |
| Cost of merchandises sold (*) | <u>(26.983.301)</u> | <u>(7.776.884)</u> | <u>(29.590.020)</u> | <u>(9.178.935)</u> |
| | <u>(190.701.127)</u> | <u>(56.538.981)</u> | <u>(182.723.839)</u> | <u>(57.521.817)</u> |

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

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

| | 1 January – 30 September 2013 | 1 July – 30 September 2013 | 1 January – 30 September 2012 | 1 July – 30 September 2012 |
|--|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Marketing, sales and distribution expenses | (62.964.789) | (19.128.461) | (56.408.590) | (17.304.480) |
| General administration expenses | (22.461.997) | (7.105.875) | (21.964.708) | (6.657.502) |
| Research and development expenses | (1.342.905) | (620.139) | (2.489.458) | (273.104) |
| | <u>(86.769.691)</u> | <u>(26.854.475)</u> | <u>(80.862.756)</u> | <u>(24.235.086)</u> |

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

i) Research and development expenses

| | 1 January – 30 September 2013 | 1 July – 30 September 2013 | 1 January – 30 September 2012 | 1 July – 30 September 2012 |
|---|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Employee benefits expenses | (6.697.885) | (2.213.017) | (5.171.455) | (1.628.419) |
| Depreciation and amortization expenses | (106.120) | (35.435) | (107.621) | (35.435) |
| Travel, transportation and accommodation expenses | - | 9.453 | (70.773) | (23.975) |
| Other operating expenses | (1.181.051) | (600.170) | (1.617.277) | (76.449) |
| | <u>(7.985.056)</u> | <u>(2.839.169)</u> | <u>(6.967.126)</u> | <u>(1.764.278)</u> |
| Capitalized development costs | 6.642.151 | 2.219.030 | 4.477.668 | 1.491.174 |
| | <u>(1.342.905)</u> | <u>(620.139)</u> | <u>(2.489.458)</u> | <u>(273.104)</u> |

ii) Marketing, sales and distribution expenses

| | 1 January – 30 September 2013 | 1 July – 30 September 2013 | 1 January – 30 September 2012 | 1 July – 30 September 2012 |
|---|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Employee benefits expenses | (33.432.638) | (11.193.770) | (27.841.372) | (8.944.896) |
| Depreciation and amortization expenses | (842.679) | (354.881) | (627.003) | (302.564) |
| Royalty expenses | (4.755.341) | (1.448.544) | (4.536.492) | (1.667.549) |
| Rent expenses | (4.848.485) | (1.656.526) | (4.756.184) | (1.597.660) |
| Travel, transportation and accommodation expenses | (4.113.183) | (1.268.711) | (3.899.492) | (1.122.403) |
| Consultancy expenses | (1.153.760) | (332.987) | (783.103) | (283.594) |
| Promotional goods and advertising expenses | (15.706.743) | (4.322.842) | (11.185.321) | (3.304.632) |
| Other operating expenses | 1.888.040 | 1.449.800 | (2.779.623) | (81.182) |
| | <u>(62.964.789)</u> | <u>(19.128.461)</u> | <u>(56.408.590)</u> | <u>(17.304.480)</u> |

DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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

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

iii) General administration expenses

| | 1 January – 30 September 2013 | 1 July – 30 September 2013 | 1 January – 30 September 2012 | 1 July – 30 September 2012 |
|---|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Employee benefits expenses | (14.857.127) | (4.383.641) | (12.437.970) | (3.926.076) |
| Depreciation and amortization expenses | (4.424.882) | (1.486.368) | (5.087.855) | (1.728.639) |
| Rent expenses | (205.727) | (70.155) | (761.751) | (69.236) |
| Travel, transportation and accommodation expenses | (1.187.916) | (517.698) | (629.450) | (145.758) |
| Consultancy expenses | (898.793) | (284.088) | (949.289) | (299.562) |
| Promotional goods and advertising expenses | (523.654) | (140.243) | (266.628) | (66.932) |
| Other operating expenses | (2.914.904) | (1.223.401) | (2.418.714) | (624.227) |
| | <u>(25.013.003)</u> | <u>(8.105.594)</u> | <u>(22.551.657)</u> | <u>(6.860.430)</u> |
| Capitalized development costs | 2.551.006 | 999.719 | 586.949 | 202.928 |
| | <u>(22.461.997)</u> | <u>(7.105.875)</u> | <u>(21.964.708)</u> | <u>(6.657.502)</u> |

23. EXPENSES BY NATURE

| | 1 January – 30 September 2013 | 1 July – 30 September 2013 | 1 January – 30 September 2012 | 1 July – 30 September 2012 |
|---|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Employee benefits expenses | (54.987.650) | (17.790.428) | (45.450.797) | (14.499.392) |
| Depreciation and amortization expenses | (5.373.681) | (1.876.684) | (5.822.479) | (2.066.637) |
| Royalty expenses (*) | (4.755.341) | (1.448.544) | (4.536.492) | (1.667.549) |
| Rent expenses | (5.054.212) | (1.726.671) | (5.563.732) | (1.681.541) |
| Promotional goods and advertising expenses | (16.230.397) | (4.463.220) | (11.697.987) | (3.399.184) |
| Travel, transportation and accommodation expenses | (5.301.099) | (1.776.956) | (4.599.715) | (1.292.137) |
| Consultancy expenses | (2.052.553) | (617.075) | (1.733.992) | (583.156) |
| Other operating expenses | (2.207.915) | (373.646) | (6.522.179) | (739.592) |
| | <u>(95.962.848)</u> | <u>(30.073.224)</u> | <u>(85.927.373)</u> | <u>(25.929.188)</u> |
| Capitalized development costs | 9.193.157 | 3.218.749 | 5.064.617 | 1.694.102 |
| | <u>(86.769.691)</u> | <u>(26.854.475)</u> | <u>(80.862.756)</u> | <u>(24.235.086)</u> |

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

As of 30 September 2013, the Group realizes research and development expense amounting TRY 6.431.702 for tangible assets and TRY 18.319.096 for intangible assets with the total amount TRY 24.750.798 in total (30 September 2012: TRY 14.475.056). As of balance sheet date TRY 21.183.147 of the amount is about government grant and incentive (30 September 2012: TRY 11.312.468). Of this total amount TRY 23.622.074 was capitalized on development costs, of which TRY 6.642.151 consists of employee related capitalized development costs.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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24. OTHER OPERATING INCOME /EXPENSES

| | 1 January – 30 September 2013 | 1 July – 30 September 2013 | 1 January – 30 September 2012 | 1 July – 30 September 2012 |
|--------------------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Foreign exchange gain | 4.290.008 | 3.395.979 | 1.124.020 | 304.270 |
| Discount interest income | 35.588.797 | 11.838.898 | 34.655.524 | 11.961.496 |
| Commission income (*) | 1.209.881 | 344.260 | 1.268.657 | 379.946 |
| Interest income | 1.599.651 | 723.086 | 1.787.168 | 581.179 |
| Other income and profits | 2.112.340 | 535.273 | 2.301.844 | 728.342 |
| | <u>44.800.677</u> | <u>16.837.496</u> | <u>41.137.213</u> | <u>13.955.233</u> |

(*) Commission income consists of consideration received for the sale of Saba İlaç products, the Group's related party (1.198.715 TRY) (Note 6).

| | 1 January – 30 September 2013 | 1 July – 30 September 2013 | 1 January – 30 September 2012 | 1 July – 30 September 2012 |
|----------------------------|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Foreign exchange loss | (513) | 25.072 | (1.511.881) | (230.293) |
| Discount interest expenses | (35.421.666) | (11.246.491) | (35.609.539) | (11.793.894) |
| Other expense and losses | (631.637) | (159.855) | (508.483) | (504.098) |
| | <u>(36.053.816)</u> | <u>(11.381.274)</u> | <u>(37.629.903)</u> | <u>(12.528.285)</u> |

25. INVESTMENT INCOME

| | 1 January – 30 September 2013 | 1 July – 30 September 2013 | 1 January – 30 September 2012 | 1 July – 30 September 2012 |
|--|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Gain on sale of property, plant and equipment | 7.627 | - | 280.261 | 185.446 |
| | <u>7.627</u> | <u>-</u> | <u>280.261</u> | <u>185.446</u> |

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26. FINANCIAL EXPENSES

| | 1 January – 30 September 2013 | 1 July – 30 September 2013 | 1 January – 30 September 2012 | 1 July – 30 September 2012 |
|--|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
| Bank loans interest cost | (13.642.478) | (4.369.751) | (18.460.985) | (6.356.225) |
| Bonds issued interest and expenses | (5.505.927) | (3.649.169) | - | - |
| Total interest cost | (19.148.405) | (8.018.920) | (18.460.985) | (6.356.225) |
| Capitalized expenses (-) | 587.625 | 188.225 | 590.343 | 130.169 |
| | (18.560.780) | (7.830.695) | (17.870.642) | (6.226.056) |
| Foreign exchange (loss)/gain | (7.947.217) | (3.877.335) | 5.526.111 | 904.753 |
| Gain / (loss) on derivative instruments | 191.675 | - | (4.798.926) | (817.589) |
| Other expenses | (542.305) | (152.933) | (588.348) | (121.290) |
| | (26.858.627) | (11.860.963) | (17.731.805) | (6.260.182) |

27. TAX ASSETS AND LIABILITIES

Corporate tax

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% commencing from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

| | 30 September 2013 | 31 December 2012 |
|--|----------------------|---------------------|
| <u>Current tax payable</u> | | |
| Current tax liability | - | 119.780 |
| Effect of taxable base increase on corporate tax (*) | 103.634 | 276.357 |
| Prepaid taxes and dues | - | (119.780) |
| | 103.634 | 276.357 |

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27. TAX ASSETS AND LIABILITIES (cont'd)

(*)The law numbered 6111 which also contains the provisions regarding the tax amnesty was approved by the Parliamentary Counsel and announced at Trade Registry Gazette on 25 February 2011. Based on the provisions of the law in consideration, the Group applied for taxable base increase for 2006, 2007, 2008 and 2009. In years where taxable profit exists, corporate tax base was increased by the rates stated in law and corporate tax is calculated by applying 20% tax rate. In years where taxable profit does not exist, corporate tax is calculated by the minimum amounts stated in law. Additionally, the Group applied for an increase in the tax base calculated over its carryforward tax losses transferred to 2010 and TRY 50.779.055 of carryforward tax losses which represent 50% of the total previous year losses were written off. For the years where the Group applied for taxable base increase, no further tax investigation will be done.

| | 1 January- 30 September 2013 | 1 January- 30 September 2012 |
|---------------------------------|------------------------------------|------------------------------------|
| <u>Tax provision</u> | | |
| Current tax provision | - | 622.398 |
| Deferred tax (income) / expense | (286.488) | 4.320.745 |
| Total tax (income) / expense | <u>(286.488)</u> | <u>4.943.143</u> |

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

| | 1 January- 30 September 2013 | 1 January- 30 September 2012 |
|---|------------------------------------|------------------------------------|
| Profit before tax | 12.654.447 | 31.877.762 |
| Enacted tax rate | 20% | 20% |
| Expected taxation | 2.530.889 | 6.375.552 |
| Tax effects of: | | |
| - non-deductible expenses | 256.012 | 263.423 |
| - non-taxable income | (3.073.389) | (1.695.832) |
| Tax (income) / expense recognized in income statement | <u>(286.488)</u> | <u>4.943.143</u> |

Deferred tax

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

The effective tax rate used for the calculation of deferred tax in 2013 is 20% (2012: 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.

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27. TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax (cont'd)

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

| | 30 September 2013 | 31 December 2012 |
|---|----------------------|---------------------|
| <u>Deferred tax (assets) / liabilities</u> | | |
| Restatement and useful life differences of property, plant and equipment and intangible assets | 3.140.354 | 3.329.976 |
| Provision for employment termination benefits | (1.015.206) | (1.018.003) |
| Carry forward tax losses | (16.536.501) | (15.708.539) |
| Inventories | (485.969) | (187.805) |
| Accrued vacation pay liability | (755.898) | (703.919) |
| Accrued sales discounts and free samples | (593.694) | (515.295) |
| Expense accruals due to price regulation | (1.372.400) | (1.350.593) |
| Provision for doubtful receivables | (1.227.419) | (1.227.419) |
| Provision for legal cases | (1.025.797) | (1.714.645) |
| Other | (1.447.502) | (1.937.302) |
| | <u>(21.320.032)</u> | <u>(21.033.544)</u> |

The movement of deferred tax assets for the period ended as of 30 September 2013 and 2012 are as follows:

| | 1 January- 30 September 2013 | 1 January- 30 September 2012 |
|---|------------------------------------|------------------------------------|
| <u>Movements of deferred tax assets</u> | | |
| Balance at 1 January | 21.033.544 | 27.876.476 |
| Deferred tax expense | 286.488 | (4.320.745) |
| Closing balance, 30 September | <u>21.320.032</u> | <u>23.555.731</u> |

As of balance sheet date, the Group has unused tax losses of TRY 82.682.505 available for offset against future profits (31 December 2012: TRY 78.542.695). Deferred tax assets amounting to TRY 16.536.501 are recognized in respect of such losses at 30 September 2013, (31 December 2012: TRY 15.708.539). The total amount of these assets is recognized as management of the Group Management estimates that these losses are recoverable based on the Group's recent forecasts and budget.

28. PROFIT PER SHARE

| | 1 January- 30 September 2013 | 1 January- 30 September 2012 |
|--|------------------------------------|------------------------------------|
| Profit for the period | 12.949.656 | 26.927.851 |
| Weighted-average number of outstanding shares | 20.000.000.000 | 20.000.000.000 |
| Profit per share (TRY) | 0,0006 | 0,0013 |

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29. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

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

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

As of 30 September 2013 and 31 December 2012, equity/total financial liability rate is as follows:

| | 30 September 2013 | 31 December 2012 |
|---|----------------------|---------------------|
| Financial liability | 319.869.849 | 222.108.418 |
| Less: Cash and cash equivalents | <u>(33.300.820)</u> | <u>(16.578.628)</u> |
| Liability (net) | 286.569.029 | 205.529.790 |
| Total equity | 391.387.255 | 378.629.723 |
| Total invested capital | 750.572.751 | 706.599.726 |
| Liability (net) / Total invested capital rate | 38% | 29% |

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.

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

(b) Financial risk factors

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

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

(b.1) Credit risk management

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

Distribution of the Group's products by the two largest wholesalers in the Turkish market corresponded to approximately 31% and approximately 33% (30 September 2012: 27% and 36%) of the revenues of the Human Pharmaceuticals business line derived from Turkey. As of 30 September 2013, 34% and 30% of accounts receivable were from these two wholesalers respectively. (31 December 2012: 30% and 35%). The Group manages its credit risk by following up financial positions and their account receivables balances.

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

| | 30 September 2013 | 31 December 2012 |
|--------------------------------|----------------------|---------------------|
| <u>Trade Receivables</u> | | |
| (According to internal rating) | | |
| Customers in Group A | 139.164.908 | 169.356.957 |
| Customers in Group B | 14.020.325 | 3.827.771 |
| Customers in Group C | 15.718.676 | 17.117.796 |
| | <u>168.903.909</u> | <u>190.302.524</u> |

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

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

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

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

(b) Financial risk factors (cont’d)

(b.1) Credit risk management (cont’d)

Credit risks as to financial instrument types

| <u>30 September 2013</u> | <u>Receivables</u> | | | | <u>Bank Deposits</u> | <u>Derivative Instruments</u> |
|---|--------------------------|--------------|--------------------------|--------------|--------------------------|-----------------------------------|
| | <u>Trade Receivables</u> | | <u>Other Receivables</u> | | | |
| | <u>Related Party</u> | <u>Other</u> | <u>Related Party</u> | <u>Other</u> | | |
| Maximum credit limits as of balance sheet date (*) | 6.669.695 | 168.903.909 | - | 811.581 | 33.238.916 | - |
| Secured amount with letter of guarantee | - | 17.396.974 | - | - | - | - |
| A. Net book value of the not amortized financial assets | 6.669.695 | 168.903.909 | - | 811.581 | 33.238.916 | - |
| B. Net book value of the financial assets conditions are reset, otherwise impaired | - | - | - | - | - | - |
| C. Net book value of the overdue assets but not impaired | - | - | - | - | - | - |
| Secured amount with letter of guarantee | - | - | - | - | - | - |
| D. Net book value of the impaired assets | - | - | - | - | - | - |
| -Carrying value (due dates passed assets) | - | 6.908.739 | - | - | - | - |
| -Impairment(-) | - | (6.908.739) | - | - | - | - |
| -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.

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

(b) Financial risk factors (cont’d)

(b.1) Credit risk management (cont’d)

Credit risks as to financial instrument types

| <u>31 December 2012</u> | <u>Receivables</u> | | | | | |
|---|--------------------------|--------------|--------------------------|--------------|--------------------------|-----------------------------------|
| | <u>Trade Receivables</u> | | <u>Other Receivables</u> | | <u>Bank Deposits</u> | <u>Derivative Instruments</u> |
| | <u>Related Party</u> | <u>Other</u> | <u>Related Party</u> | <u>Other</u> | | |
| Maximum credit limits as of balance sheet date (*) | 3.005.179 | 190.302.524 | - | 691.158 | 16.495.999 | - |
| Secured amount with letter of guarantee | - | 15.281.594 | - | - | - | - |
| A. Net book value of the not amortized financial assets | 3.005.179 | 190.302.524 | - | 691.158 | 16.495.999 | - |
| B. Net book value of the financial assets conditions are reset, otherwise impaired | - | - | - | - | - | - |
| C. Net book value of the overdue assets but not impaired | - | - | - | - | - | - |
| Secured amount with letter of guarantee | - | - | - | - | - | - |
| D. Net book value of the impaired assets | - | - | - | - | - | - |
| -Carrying value (due dates passed assets) | - | 6.908.739 | - | - | - | - |
| -Impairment(-) | - | (6.908.739) | - | - | - | - |
| -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.

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

(b) Financial risk factors (cont'd)

(b.1) Credit risk management (cont'd)

Overdue Receivables

| 30 September 2013 | <u>Trade</u> <u>Receivables</u> | <u>Other</u> <u>Receivables</u> | <u>Bank deposits</u> | <u>Other</u> | <u>Total</u> |
|---|------------------------------------|------------------------------------|----------------------|--------------|--------------|
| Less than a month | - | - | - | - | - |
| 1-3 month | - | - | - | - | - |
| 3-12 month | - | - | - | - | - |
| 1- 5 year | 3.686.642 | - | - | - | 3.686.642 |
| 5+ years | 3.222.097 | - | - | - | 3.222.097 |
| Total | 6.908.739 | - | - | - | 6.908.739 |
| Secured with letter of guarantee and other | - | - | - | - | - |

Overdue Receivables

| 31 December 2012 | <u>Trade</u> <u>Receivables</u> | <u>Other</u> <u>Receivables</u> | <u>Bank deposits</u> | <u>Other</u> | <u>Total</u> |
|---|------------------------------------|------------------------------------|----------------------|--------------|--------------|
| Less than a month | - | - | - | - | - |
| 1-3 month | - | - | - | - | - |
| 3-12 month | - | - | - | - | - |
| 1- 5 year | 5.434.342 | - | - | - | 5.434.342 |
| 5+ years | 1.474.397 | - | - | - | 1.474.397 |
| Total | 6.908.739 | - | - | - | 6.908.739 |
| Secured with letter of guarantee and other | - | - | - | - | - |

(b.2) Liquidity risk management

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

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

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

Liquidity analysis

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

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

(b) Financial risk factors (cont’d)

(b.2) Liquidity risk management (cont’d)

30 September 2013

| <u>Due dates according to the agreements</u> | <u>Carrying value</u> | <u>Cashflow according to the agreement</u> | <u>Less than 3 months</u> | <u>Between 3-12 months</u> | <u>1-5 years</u> |
|--|-----------------------|--|-------------------------------|--------------------------------|--------------------|
| Non-derivative financial liabilities | | | | | |
| Bank loans and bonds issued | 319.869.849 | 368.104.361 | 76.917.545 | 101.581.307 | 189.605.509 |
| Liabilities under the law numbered 6111 | 560.562 | 591.909 | 197.303 | 394.606 | - |
| Trade payables | 22.691.832 | 22.691.832 | 22.523.708 | 168.124 | - |
| Total financial liabilities | 343.122.243 | 391.388.102 | 99.638.556 | 102.144.037 | 189.605.509 |

31 December 2012

| <u>Due dates according to the agreements</u> | <u>Carrying value</u> | <u>Cashflow according to the agreement</u> | <u>Less than 3 months</u> | <u>Between 3-12 months</u> | <u>1-5 years</u> |
|--|-----------------------|--|-------------------------------|--------------------------------|-------------------|
| Non-derivative financial liabilities | | | | | |
| Bank loans | 268.815.761 | 283.901.544 | 162.958.547 | 56.997.545 | 63.945.452 |
| Liabilities under the law numbered 6111 | 1.245.678 | 1.578.424 | 394.606 | 789.212 | 394.606 |
| Trade payables | 24.216.472 | 24.216.472 | 20.693.612 | 3.522.860 | - |
| Total financial liabilities | 294.277.911 | 309.696.440 | 184.046.765 | 61.309.617 | 64.340.058 |

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

(b) Financial risk factors (cont’d)

(b.3) Market Risk Management

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

Market risk exposures are supplemented by sensitivity analysis.

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

(b.3.1) Foreign currency risk management

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

The Group’s foreign currency position is as follows:

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

(b) Financial risk factors (cont'd)

(b.3) Market risk management (cont'd)

(b.3.1) Foreign currency risk management (cont'd)

| Foreign Currency Position | 30 September 2013 | | | | | |
|--|-------------------|--------------|------------|---------|--------|-------|
| | TRY Equivalent | USD | EUR | CHF | GBP | Other |
| 1. Trade receivables | 2.123.448 | 1.000.206 | 32.320 | - | - | - |
| 2a. Monetary financial assets | 33.082.626 | 641.734 | 11.550.349 | 3.502 | 7.469 | - |
| 2b. Non-monetary financial assets | - | - | - | - | - | - |
| 3. Other | 14.703.465 | 1.401.621 | 3.910.394 | 447.659 | 31.699 | - |
| 4. CURRENT ASSETS | 49.909.539 | 3.043.561 | 15.493.063 | 451.161 | 39.168 | - |
| 6a. Monetary financial assets | - | - | - | - | - | - |
| 6b. Non-monetary financial assets | - | - | - | - | - | - |
| 7. Other | 2.481.010 | 334.787 | 654.922 | - | - | - |
| 8. NON-CURRENT ASSETS | 2.481.010 | 334.787 | 654.922 | - | - | - |
| 9. TOTAL ASSETS | 52.390.549 | 3.378.348 | 16.147.985 | 451.161 | 39.168 | - |
| 10. Trade payables | 1.263.376 | 168.331 | 334.701 | 9 | 320 | - |
| 11. Financial liabilities | 25.721.328 | 12.644.444 | - | - | - | - |
| 12a. Other monetary liabilities | - | - | - | - | - | - |
| 12b. Other non-monetary liabilities | - | - | - | - | - | - |
| 13. CURRENT LIABILITIES | 26.984.704 | 12.812.775 | 334.701 | 9 | 320 | - |
| 14. Trade payables | - | - | - | - | - | - |
| 15. Financial liabilities | 27.235.529 | 6.633.334 | 5.000.000 | - | - | - |
| 16a. Other monetary liabilities | - | - | - | - | - | - |
| 16b. Other non-monetary liabilities | - | - | - | - | - | - |
| 17. NON-CURRENT LIABILITIES | 27.235.529 | 6.633.334 | 5.000.000 | - | - | - |
| 18. TOTAL LIABILITIES | 54.220.233 | 19.446.109 | 5.334.701 | 9 | 320 | - |
| 19. Net asset/liability position of off-balance sheet items (19a-19b) | - | - | - | - | - | - |
| 19.a Total asset amount of hedging items | - | - | - | - | - | - |
| 19.b. Total liability amount of hedging items | - | - | - | - | - | - |
| 20. Net foreign currency position (9-18) | (1.829.684) | (16.067.761) | 10.813.284 | 451.152 | 38.848 | - |
| 21. Monetary items net foreign currency position | (19.014.159) | (17.804.169) | 6.247.968 | 3.493 | 7.149 | - |
| 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 | - | - | - | - | - | - |

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

(b) Financial risk factors (cont'd)

(b.3) Market risk management (cont'd)

(b.3.1) Foreign currency risk management (cont'd)

| Foreign Currency Position | 31 December 2012 | | | | | |
|--|------------------|--------------|-----------|-----------|--------|---------|
| | TRY Equivalent | USD | EUR | CHF | GBP | Other |
| 1. Trade receivables | 6.775.824 | 3.516.024 | 216.082 | - | - | - |
| 2a. Monetary financial assets | 16.270.669 | 9.071.389 | 29.473 | 4.182 | 7.864 | - |
| 2b. Non-monetary financial assets | - | - | - | - | - | - |
| 3. Other | 4.216.120 | 355.830 | 1.381.306 | 116.270 | 37.442 | - |
| 4. CURRENT ASSETS | 27.262.613 | 12.943.243 | 1.626.861 | 120.452 | 45.306 | - |
| 5. Trade receivables | - | - | - | - | - | - |
| 6a. Monetary financial assets | - | - | - | - | - | - |
| 6b. Non-monetary financial assets | - | - | - | - | - | - |
| 7. Other | 424.719 | 203.250 | 25.586 | 1.150 | - | - |
| 8. NON-CURRENT ASSETS | 424.719 | 203.250 | 25.586 | 1.150 | - | - |
| 9. TOTAL ASSETS | 27.687.332 | 13.146.493 | 1.652.447 | 121.602 | 45.306 | - |
| 10. Trade payables | 4.492.649 | 624.143 | 1.149.505 | 343.653 | 320 | 8.125 |
| 11. Financial liabilities | 34.216.016 | 19.194.444 | - | - | - | - |
| 12a. Other monetary liabilities | - | - | - | - | - | - |
| 12b. Other non-monetary liabilities | - | - | - | - | - | - |
| 13. CURRENT LIABILITIES | 38.708.665 | 19.818.587 | 1.149.505 | 343.653 | 320 | 8.125 |
| 14. Trade payables | - | - | - | - | - | - |
| 15. Financial liabilities | 27.412.428 | 15.377.779 | - | - | - | - |
| 16a. Other monetary liabilities | - | - | - | - | - | - |
| 16b. Other non-monetary liabilities | - | - | - | - | - | - |
| 17. NON-CURRENT LIABILITIES | 27.412.428 | 15.377.779 | - | - | - | - |
| 18. TOTAL LIABILITIES | 66.121.093 | 35.196.366 | 1.149.505 | 343.653 | 320 | 8.125 |
| 19. Net asset/liability position of off-balance sheet items (19a-19b) | - | - | - | - | - | - |
| 19.a Total asset amount of hedging items | - | - | - | - | - | - |
| 19.b Total liability amount of hedging items türev ürünlerin tutarı | - | - | - | - | - | - |
| 20. Net foreign currency position (9-18) | (38.433.761) | (22.049.873) | 502.942 | (222.051) | 44.986 | (8.125) |
| 21. Monetary items net foreign currency position (1+2a+5+6a-10-11-12a-14-15-16a) | (43.074.600) | (22.608.953) | (903.950) | (339.471) | 7.544 | (8.125) |
| 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 | - | - | - | - | - | - |

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

(b) Financial risk factors (cont'd)

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

(b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity

The functional currency of the Group companies is TRY. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro.

The following table details the Group's sensitivity to a 10% increase and decrease in the TRY against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates (31 December 2012: 10%). The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss. There is no equity effect.

| Foreign Currency Sensitivity | 30 September 2013 | |
|--|---------------------------------|---------------------------------|
| | Profit / (Loss) | |
| | If foreign currency appreciates | If foreign currency depreciates |
| If US dollar changes 10% | | |
| 1- US dollar net asset/liability | (3.621.724) | 3.621.724 |
| 2- Amount protected from US dollar risk (-) | - | - |
| 3- US Dollar net effect (1+2) | (3.621.724) | 3.621.724 |
| If EUR changes 10% | | |
| 4- EUR net asset/liability | 1.717.192 | (1.717.192) |
| 5- Amount protected from EUR risk (-) | - | - |
| 6- EUR net effect (4+5) | 1.717.192 | (1.717.192) |
| If other currencies change 10% | | |
| 7- Other net asset/liability | 3.117 | (3.117) |
| 8- Amount protected from other currency risk (-) | - | - |
| 9- Other net effect (7+8) | 3.117 | (3.117) |
| Total (3 + 6 +9) | (1.901.415) | 1.901.415 |

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

(b) Financial risk factors (cont'd)

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

(b.3.1) Foreign currency risk management (cont'd)

Foreign currency sensitivity (cont'd)

| Foreign Currency Sensitivity | 31 December 2012 | |
|--|---------------------------------|---------------------------------|
| | Profit / (Loss) | |
| | If foreign currency appreciates | If foreign currency depreciates |
| If US dollar changes 10% | | |
| 1- US dollar net asset/liability | (4.030.272) | 4.030.272 |
| 2- Amount protected from US dollar risk (-) | - | - |
| 3- US Dollar net effect (1+2) | (4.030.272) | 4.030.272 |
| If EUR changes 10% | | |
| 4- EUR net asset/liability | (212.582) | 212.582 |
| 5- Amount protected from EUR risk (-) | - | - |
| 6- EUR net effect (4+5) | (212.582) | 212.582 |
| If other currencies change 10% | | |
| 7- Other net asset/liability | (64.606) | 64.606 |
| 8- Amount protected from other currency risk (-) | - | - |
| 9- Other net effect (7+8) | (64.606) | 64.606 |
| Total (3 + 6 +9) | (4.307.460) | 4.307.460 |

(b.3.2) Interest rate risk management

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

As of 30 September 2013, 33,8% of total indebtedness was floating rate and mainly denominated in US Dollar, EUR and TRY.

Interest rate sensitivity

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

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

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

(b) Financial risk factors (cont'd)

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

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

Interest rate sensitivity (cont'd)

| | <u>Interest Position</u> | |
|-----------------------------------|------------------------------|-----------------------------|
| | <u>30 September 2013</u> | <u>31 December 2012</u> |
| Fixed Rated Instruments | | |
| Financial Assets | - | - |
| Financial Liabilities | 211.819.749 | 229.628.728 |
| Floating Rated Instruments | | |
| Financial Assets | - | - |
| Financial Liabilities | 108.050.100 | 39.187.033 |
| | <u>319.869.849</u> | <u>268.815.761</u> |

If Libor and Euribor had been higher by 50 basis points and all other variables were held constant, profit for the period ended at 30 September 2013 would decrease by TRY 186.691, (31 December 2012: TRY 157.178). 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.

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

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

| | Loans and receivables | Financial liabilities through profit and loss | Financial liabilities at amortized cost | Carrying Value | Note |
|---|--------------------------|---|--|----------------|------|
| <u>30 September 2013</u> | | | | | |
| <u>Financial Assets</u> | | | | | |
| Cash and cash equivalents | 33.300.820 | - | - | 33.300.820 | 4 |
| Trade receivables (including related parties) | 175.573.604 | - | - | 175.573.604 | 7 |
| <u>Financial Liabilities</u> | | | | | |
| Borrowings | - | - | 319.869.849 | 319.869.849 | 5 |
| Liabilities under the Law Numbered 6111 | - | - | 560.562 | 560.562 | 16 |
| Trade payables (including related parties) | - | - | 22.691.832 | 22.691.832 | 7 |
| | | | | | |
| | Loans and receivables | Financial liabilities through profit and loss | Financial liabilities at amortized cost | Carrying Value | Note |
| <u>31 December 2012</u> | | | | | |
| <u>Financial Assets</u> | | | | | |
| Cash and cash equivalents | 16.578.628 | - | - | 16.578.628 | 4 |
| Trade receivables (including related parties) | 193.307.703 | - | - | 193.307.703 | 7 |
| <u>Financial Liabilities</u> | | | | | |
| Borrowings | - | - | 268.815.761 | 268.815.761 | 5 |
| Liabilities under the Law Numbered 6111 | - | - | 1.245.678 | 1.245.678 | 16 |
| Trade payables (including related parties) | - | - | 24.216.472 | 24.216.472 | 7 |

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

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

30. FINANCIAL INSTRUMENTS (cont’d)

Categories of financial instruments (cont’d)

Fair value of financial instruments

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.

31. SUBSEQUENT EVENTS

None.