

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

CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE  
PERIOD ENDED 31 MARCH 2012

(Translated into English from the Original Turkish Report)

# DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2012

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

	Footnote References	Not Reviewed 31 March 2012	Audited 31 December 2011
<b>ASSETS</b>			
<b>Current Assets</b>		<b>310.022.020</b>	<b>318.171.373</b>
Cash and cash equivalents	6	16.518.714	17.635.947
Trade receivables	10	160.597.439	167.073.315
<i>Due from related parties</i>	10	-	1.126.966
<i>Other trade receivables</i>		<i>160.597.439</i>	<i>165.946.349</i>
Other receivables	11	728.941	420.531
Inventories	13	106.191.895	109.133.697
Other current assets	26	25.985.031	23.907.883
<b>Non-Current Assets</b>		<b>352.333.707</b>	<b>348.081.911</b>
Property, plant and equipment	18	230.354.478	229.896.238
Intangible assets	19	72.438.123	67.182.256
Goodwill	20	1.782.731	1.782.731
Deferred tax assets	35	27.205.028	27.876.476
Other non-current assets	26	20.553.347	21.344.210
<b>TOTAL ASSETS</b>		<b>662.355.727</b>	<b>666.253.284</b>

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

# DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2012

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

	Footnote References	Not Reviewed 31 March 2012	Audited 31 December 2011
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>235.312.022</b>	<b>231.415.746</b>
Financial liabilities	8	163.370.319	155.225.977
Trade payables	10	29.458.492	35.684.662
<i>Due to related parties</i>	10	2.181.502	1.204.709
<i>Other trade payables</i>		27.276.990	34.479.953
Other payables	11	4.796.695	7.118.709
<i>Due to related parties</i>	11	47.204	47.204
<i>Other trade payables</i>		4.749.491	7.071.505
Current tax payable	35	414.113	483.203
Provisions	22	12.568.885	14.973.440
Provisions for benefits provided to employees	24	3.901.820	3.737.617
Other current liabilities	26	20.801.698	14.192.138
<b>Non-Current Liabilities</b>		<b>75.357.673</b>	<b>90.395.892</b>
Financial liabilities	8	58.843.779	73.711.717
Provision for employment termination benefits	24	4.516.176	4.403.194
Provisions	22	1.029.407	1.372.543
Other non current liabilities	26	10.968.311	10.908.438
<b>EQUITY</b>		<b>351.686.032</b>	<b>344.441.646</b>
<b>Equity attributable to equity holders of the parent</b>		<b>351.606.962</b>	<b>344.365.399</b>
Paid-in capital	27	200.000.000	200.000.000
Inflation adjustment to share capital	27	140.080.696	140.080.696
Capital investment adjustment	27	(28.847)	(28.847)
Premium in excess of par	27	2.870.803	2.870.803
Restricted reserves appropriated from profit	27	150.864.955	150.864.955
Currency translation reserve		95.476	147.149
Accumulated deficit	27	(149.569.357)	(133.930.704)
Profit / (loss) for the period		7.293.236	(15.638.653)
<b>Non-controlling interests</b>		<b>79.070</b>	<b>76.247</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>662.355.727</b>	<b>666.253.284</b>

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

**DEVA HOLDİNG A.Ş. AND SUBSIDIARIES****CONSOLIDATED INCOME STATEMENT  
FOR THE PERIOD ENDED 31 MARCH 2012**

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

	Footnote References	<b>Not Reviewed 1 January – 31 March 2012</b>	<b>Not Reviewed 1 January – 31 March 2011</b>
Revenue	28	99.663.622	115.917.621
Cost of revenue (-)	28	(62.196.477)	(68.802.689)
<b>GROSS PROFIT</b>		<b>37.467.145</b>	<b>47.114.932</b>
Marketing, sales and distribution expenses (-)	29	(17.958.827)	(25.709.218)
General administration expenses (-)	29	(6.879.945)	(7.837.680)
Research and development expenses (-)	29	(1.809.884)	(390.429)
Other operating income	31	1.561.554	20.091.993
Other operating expenses (-)	31	(3.397)	(63.018)
<b>OPERATING PROFIT</b>		<b>12.376.646</b>	<b>33.206.580</b>
Finance income	32	11.445.968	11.850.961
Finance expense (-)	33	(15.484.877)	(18.555.176)
<b>PROFIT BEFORE TAXATION</b>		<b>8.337.737</b>	<b>26.502.365</b>
<b>Tax expense</b>	35	<b>(1.041.678)</b>	<b>(11.913.051)</b>
Current tax expense		(370.230)	(1.291.517)
Deferred tax expense		(671.448)	(10.621.534)
<b>PROFIT FOR THE PERIOD</b>		<b>7.296.059</b>	<b>14.589.314</b>
<b>Distribution of profit for the period</b>			
Non-controlling interest		2.823	5.577
Equity holders of the parent		7.293.236	14.583.737
<b>Profit per share</b>	36	0,0004	0,0009

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

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### CONSOLIDATED COMPREHENSIVE STATEMENT OF INCOME FOR THE PERIOD ENDED 31 MARCH 2012

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

	<b>Not Reviewed</b> <b>1 January –</b> <b>31 March</b> <b>2012</b>	<b>Not Reviewed</b> <b>1 January –</b> <b>31 March</b> <b>2011</b>
<b>Profit for the period</b>	<b>7.296.059</b>	<b>14.589.314</b>
<i>Other Comprehensive income:</i>		
Change in foreign currency translation reserve	(51.673)	(51.447)
<b>OTHER COMPREHENSIVE INCOME (AFTER TAX)</b>	<b>(51.673)</b>	<b>(51.447)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>7.244.386</b>	<b>14.537.867</b>
<b>Total comprehensive income attributable to:</b>		
Non - controlling interest	2.823	5.577
Equity holders of the parent	7.241.563	14.532.290

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 31 MARCH 2012

(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	Restricted reserves appropriated from profit	Currency translation reserve	(Accumulated deficit)	Profit / (loss) for the period	Total equity attributable to equity holders of the parent	Non - controlling interest	Total shareholder's equity	
Balance as of 1 January 2011	27	180.070.656	140.080.696	(25.972)	2.797.398	150.864.955	(172.193)	(132.330.071)	(1.603.508)	339.681.961	141.676	339.823.637
Transfer to retained earnings		-	-	-	-	-	-	(1.603.508)	1.603.508	-	-	-
Change in non controlling interest		-	-	-	-	-	-	-	-	-	(70.128)	(70.128)
Total comprehensive income		-	-	-	-	-	(51.447)	-	14.583.737	14.532.290	5.577	14.537.867
<i>Currency translation reserve</i>		-	-	-	-	-	(51.447)	-	-	(51.447)	-	(51.447)
<i>Profit for the period</i>		-	-	-	-	-	-	-	14.583.737	14.583.737	5.577	14.589.314
Balance as of 31 March 2011	27	180.070.656	140.080.696	(25.972)	2.797.398	150.864.955	(223.640)	(133.933.579)	14.583.737	354.214.251	77.125	354.291.376
Balance as of 1 January 2012	27	200.000.000	140.080.696	(28.847)	2.870.803	150.864.955	147.149	(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		-	-	-	-	-	(51.673)	-	7.293.236	7.241.563	2.823	7.244.386
<i>Currency translation reserve</i>		-	-	-	-	-	(51.673)	-	-	(51.673)	-	(51.673)
<i>Profit for the period</i>		-	-	-	-	-	-	-	7.293.236	7.293.236	2.823	7.296.059
Balance as of 31 March 2012	27	200.000.000	140.080.696	(28.847)	2.870.803	150.864.955	95.476	(149.569.357)	7.293.236	351.606.962	79.070	351.686.032

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

## DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2012

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

	Footnote References	Not Reviewed 1 January – 31 March 2012	Not Reviewed 1 January – 31 March 2011
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit for the period		7.296.059	14.589.314
Adjustments to reconcile profit to net cash provided / (used in) by operating activities:			
Depreciation of property, plant and equipment	18	2.930.652	2.310.881
Amortization of intangible assets	19	1.194.192	1.150.706
Impairment losses on intangible assets	19	367.329	340.993
Provision for employment termination benefits	24	551.741	(333.002)
Provisions charge / (reversal) for the period	22	316.623	(8.237.395)
Release for doubtful receivables	10	(1.190)	-
Release for diminution in value of inventories	13	(1.287.149)	(1.707.953)
Gain recognized on business combination	3	-	(9.731.114)
Gain on sale of property, plant and equipment (net)	31	(13.409)	(73.046)
Income accruals	26	(229.653)	(2.105.126)
Interest expenses	33	5.741.938	2.919.237
(Gain) / loss on foreign currency borrowings		(6.171.808)	1.549.153
Interest income	32	(595.814)	(280.528)
Tax expense	35	1.041.678	11.913.051
Change in capital part of non-controlling interests		-	(70.128)
<b>Changes in working capital:</b>			
Decrease / (increase) in trade receivables		5.350.100	(22.862.569)
Decrease / (increase) in inventories		6.633.674	(10.222.225)
Decrease / (increase) in due from related parties		1.126.966	(367.830)
(Increase) / decrease in other receivables and assets		(1.951.021)	8.859.010
Decrease in trade payables		(7.202.963)	(7.781.405)
Increase / (decrease) in due to related parties		976.793	(490.013)
Increase / (decrease) in other liabilities		4.412.389	(1.483.433)
<b>Cash provided by / (used in) operations</b>		<b>20.487.127</b>	<b>(22.113.422)</b>
Taxes paid	26 - 35	(544.971)	(72.435)
Interest paid		(3.126.076)	(2.076.189)
Payment for legal provisions	22	(3.064.314)	(1.443.004)
Seniority incentive, management premium and retirement provision paid	22	(438.759)	(192.070)
<b>Net cash provided by / (used in) operating activities</b>		<b>13.313.007</b>	<b>(25.897.120)</b>

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

## DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2012

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

	Footnote References	<b>Not Reviewed 1 January – 31 March 2012</b>	<b>Not Reviewed 1 January – 31 March 2011</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	32	595.814	280.528
Purchase of property, plant and equipment	18	(6.264.015)	(7.490.980)
Payments for business acquisition	3	-	(6.188.061)
Proceeds on sale of tangible and intangible assets		13.757	96.281
Purchase of intangible assets	19	(6.347.336)	(4.231.727)
Change in other long term assets	26	790.863	(5.751.947)
<b>Net cash used in investing activities</b>		<b>(11.210.917)</b>	<b>(23.285.906)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(97.630.089)	(249.207.868)
Proceeds from borrowings		94.462.439	298.345.635
Change in finance lease obligations		-	(92.869)
Foreign currency translation reserve		(51.673)	(51.447)
<b>Net cash (used in) / provided by financing activities</b>		<b>(3.219.323)</b>	<b>48.993.451</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(1.117.233)</b>	<b>(189.575)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>17.635.947</b>	<b>465.843</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>16.518.714</b>	<b>276.268</b>

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 31 MARCH 2012

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

### 1. ORGANIZATION AND OPERATIONS OF THE GROUP

Deva Holding A.Ş. (“the Company”) and its subsidiaries (together “the Group”) were operating in İstanbul, Turkey, except for Deva Holdings NZ Ltd. incorporated in New Zealand. 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 Mah. Basın Ekspres Cad. No: 1 K.Çekmece / İstanbul

The average number of employees working in the Group for the year ended 31 March 2012 is 1.658 (31 December 2011: 1.918).

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. As of 31 March 2012, Eastpharma S.A.R.L. owns 82,2% of the shares of Deva (31 December 2011: 82,2%). In 2010 the Company’s issued share capital is raised from TRY 144.000.000 to TRY 180.000.000. TRY 29.608.075 of the total amount raised was paid in cash by Eastpharma S.A.R.L. and the remaining amount, TRY 6.391.925, was raised from the shareholders in İstanbul Stock Exchange. 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 raised from other shareholders. The ultimate shareholders of Eastpharma S.A.R.L. are the funds controlled by Global Equities Management S.A.

In 2010 Deva Holding A.Ş. is merged with its 99,9% owned subsidiary, Deva İlaç A.Ş.. As a result of the merger, nominal share capital of the Company has been increased by TRY 70.656.

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

As of 31 March 2012, the Company’s share capital consists of 20.000.000.000 shares (31 December 2011: 20.000.000.000). The Company’s nominal capital structure is as follows (Note 27):

<u>Name</u>	<u>(%)</u>	<u>31 March 2012</u>	<u>(%)</u>	<u>31 December 2011</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>

#### *Subsidiaries*

Subsidiaries included in the consolidation operate in Turkey except Deva Holdings NZ Ltd. (New Zealand). As of 31 March 2012, 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>31 March 2012 (%)</u>	<u>31 December 2011 (%)</u>	
Vetaş	99,6	99,6	Production and sales of veterinary drugs and agrochemicals
Deva Holdings NZ Ltd. (*)	100,0	100,0	Distribution and sale of human and veterinary pharmaceuticals in New Zealand and Australia

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

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

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

##### *Subsidiaries (cont'd)*

Full names of the Group subsidiaries included in consolidation are as follows:

Vetaş Veteriner ve Tarım İlaçları A.Ş.	Vetaş
Deva Holding NZ Ltd.	Deva NZ

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 115 pharmaceutical molecules in 225 pharmaceutical forms. Of these 16 molecules are licensed molecules in 30 presentation forms.

In 2010, the management re-evaluated the definition of the business segments. The management reports used by CEO were revised based on three segments. The Group was previously classifying API (active pharmaceutical ingredient) production as a separate business line. However, as API is used in the production of human pharmaceuticals the management decided to merge both segments. Additionally, empty ampoules are classified to human pharmaceuticals segment whereas they were reported as consumer goods in previous periods.

As of 31 March 2012 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 Company operates in this segment. 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 67 registered products and 86 different forms.

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

Further segment information on the Group operations is presented in Note 5.

##### *Approval of the financial statements*

The financial statements have been approved by the Board of Directors and are authorized for issue on 10 May 2012.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

##### *Accounting Standards*

The Company and its Turkish subsidiaries maintain their book of accounts and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation. Subsidiary operating in foreign country maintains its book of accounts in the currency of the country in which it operates and prepares its statutory financial statements in accordance with the legislation effective in this country.

The Capital Markets Board (“CMB”) Decree No XI-29 “Capital Markets Financial Reporting Standards” provides principals and standards regarding the preparation and presentation of financial statements. This Decree is effective for periods beginning after 1 January 2008 and following this decree, Decree No XI-25 “The Capital Markets Accounting Standards” was annulled. Based on this Decree, the companies are required to prepare their financial statements in accordance with International Financial Reporting Standards (“IFRS”) as accepted by the European Union. However, IAS/ IFRS will be in effect for the period in which the differences derived from the standards accepted by the European Union and the standards issued by International Accounting Standards Board (“IASB”) would be announced by Turkish Accounting Standards Board (“TASB”). In this scope, Turkish Accounting/ Financial Reporting Standards issued by TASB, which do not contradict to the standards adopted, will be applied.

As TASB has not announced the differences derived from the standards accepted by the European Union and the standards issued by IASB, the accompanying consolidated financial statements are prepared in accordance with IAS/IFRSs under the CMB’s decree Serial XI, No: 29 and financial statements and footnotes are presented in accordance with the format required to be applied by the issuance of the CMB’s statement at 17 April 2008 and 9 January 2009. Statutory Decree No: 660, which has been become effective and published in the Official Gazette on 2 November 2011, and the Additional Clause 1 of the Law No: 2499 were nullified and accordingly, Public Oversight, Accounting and Audit Standards Institution (the “Institution”) was established. As per Additional Article 1 of the Statutory Decree, applicable laws and standards will apply until new standards and regulations be issued by the Institution and will become effective. In this respect, the respective matter has no effect over the ‘Basis of The Preparation of Financial Statements’ Note disclosed in the accompanying financial statements as of the reporting date.

##### *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 CMB’s Accounting Standards (including companies adopting IAS/ IFRS) to cease the inflation accounting application as of 1 January 2005. Based on this requirement, the application of IAS 29 “Financial Reporting in Hyperinflationary Economies” is ceased as of 1 January 2005.

##### *Consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is deemed to exist where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

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

##### *Consolidation (cont'd)*

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity

##### *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 financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes.

Further to the issuance of the Group's consolidated financial statements as of 31 March 2011, the Group has changed the presentation of discount income and expenses. The reversal of discounts are followed under finance income when the reversal is a gain and finance expense when the reversal is a loss. The group traces rediscount income and expenses in relevant accounts on a monthly basis instead of revising by reversing income and expenses. In parallel to this change, discount income and expenses accounts under financial income and expenses have been increased by TRY 6.364.279 in the prior year.

Further to the issuance of the Group's consolidated financial statements as of 31 December 2010, Group reclassified TRY 25.972 amount to "Capital investment adjustment" account from "Accumulated deficit" account. After merger of Deva and Deva İlaç, certain preference shares (TRY 0,013 nominal value of A type and TRY 0,01 nominal value of B type shares) and 25.972 nominal value of C type shares of Deva are owned by Vetaş after the increase of capital the nominal value of C type shares of Deva owned by Vetaş amounts to TRY 28.847.

Further to the issuance of the Group's consolidated financials as of 31 March 2011, reclassifications according to IFRS 3 "Business Combinations" have been recorded, thus resulting in the followings: a reduction in operating expenses amounting TRY 740.713 and a decrease in deferred tax expense of TRY 772.108 as of 31 March 2011, leading to a decrease in other operating income of TRY 1.512.821.

##### *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.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

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

##### *Adoption of New and Revised Standards and Interpretations*

The following new and revised Standards and Interpretations have been adopted in the current period 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.

##### 2.1 New and Revised IFRSs affecting presentation and disclosure only

None.

##### 2.2 New and Revised IFRSs affecting the reported financial performance and/or financial position

None.

##### 2.3 New and Revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

##### Amendments to IAS 12 Deferred Taxes – Recovery of Underlying Assets

The amendment is effective for annual periods beginning on or after 1 January 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, through sale. The Group does not have investment property. The amendment did not have any effect on the consolidated financial statements.

##### Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

These amendments to IFRS 7 did not have a significant effect on the Group's disclosures. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

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

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

##### 2.4 New and Revised IFRSs in issue but not yet effective

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

Amendments to IFRS 7	Disclosures – Transfers of Financial Assets; Offsetting of Financial Assets and Financial Liabilities
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IAS 19 (Revised in 2011)	Employee Benefits
IAS 27 (Revised in 2011)	Separate Financial Statement
IAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 32	Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities

The amendments to IFRS 7 require an entity to disclose information about rights of offset and related agreements for financial instruments under an enforceable master netting agreement or similar arrangement. The new disclosures are required for annual or interim periods beginning on or after 1 January 2013.

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 IAS 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.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

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

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

##### 2.4 New and Revised IFRSs in issue but not yet effective (cont'd)

IFRS 9 was amended to defer the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 to annual periods beginning on or after 1 January 2015. Prior to the amendments, application of IFRS 9 was mandatory for annual periods beginning on or after 1 January 2013. The amendments continue to permit early application. The amendments modify the existing comparative transition disclosures in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: Disclosures. Instead of requiring restatement of comparative financial statements, entities are either permitted or required to provide modified disclosures on transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9 depending on the entity's date of adoption and whether the entity chooses to restate prior periods.

The group management anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

Key requirements of these five Standards are described below:

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, which is control. In addition, IFRS 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 returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 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 has been withdrawn upon the issuance of IFRS 11. Under IFRS 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 IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 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 IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

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

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

##### 2.4 New and Revised IFRSs in issue but not yet effective (cont'd)

The group management anticipates that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of IFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's investment in C Plus Limited that is currently classified as the Group's associate may become the Group's subsidiary based on the new definition of control and the related guidance in IFRS 10). In addition, the application of IFRS 11 may result in changes in the accounting of the Group's jointly controlled entity that is currently accounted for using proportionate consolidation. Under IFRS 11, a jointly controlled entity may be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

IFRS 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 IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 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 IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The group management anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

The amendments to IAS 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 IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will 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 to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The amendments to IAS 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 IAS 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.



## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

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

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

##### 2.4 New and Revised IFRSs in issue but not yet effective (cont'd)

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The group management anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 may have impact on amounts reported in respect of the Groups' defined benefit plans. However, the group management have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

On 19 October 2011 the IASB issued an Interpretation, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, clarifying the requirements for accounting for stripping costs in the production phase of a surface mine. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted.

The amendments to IAS 32 are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The amendments are effective for annual periods beginning on or after 1 January 2014.

##### *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 entity;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

(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)*

###### Cost of sales - free of charge goods

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

###### Interest revenue

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

#### b. Inventories

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

#### 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 IAS 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 IAS 18 for recognising revenue from the sale of goods. IAS 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.

The consideration receivable on disposal of an item of property, plant and equipment is recognised initially at its fair value. If payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue in accordance with IAS 18 reflecting the effective yield on the receivable.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

(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 31 MARCH 2012

(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. As of 31 March 2012, for three month period, TRY 180.479 amount was capitalized on qualifying assets.

#### 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 31 MARCH 2012

(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 31 MARCH 2012

(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.

##### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities 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 and hedge accounting

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. As of balance sheet date, the Group does not use derivative financial instruments.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

(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 IAS 12 Income Taxes and IAS 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 IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 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 IAS 39, or IAS 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 31 MARCH 2012

(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 IFRS 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 31 MARCH 2012

(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)*

#### l. 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 31 MARCH 2012

(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 Singapore, EastPharma İlaç, Lypanosys Pte Ltd, Deva Holdings PTY 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 IFRS 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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

(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" ("IAS 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 Flow

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 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 31 MARCH 2012

(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, 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 year, 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. As of 31 March 2012 TRY 367.329 amount was reconsidered as impaired by the management. (Note 19)

##### *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 IFRS 3 "Business Combinations" and IAS 38 "Intangible Assets". For IFRS 3 and IAS 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 31 March 2012 and 31 December 2011, 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

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

(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 2011, 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 15% per annum. Cash flows beyond that five-year period have been extrapolated by using a steady 12% per annum growth rate consisting of 7% inflation and real growth rate of 20%. 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 31 March 2012 there were no indicators of impairment and therefore the Group did not test goodwill for impairment. As at 31 March 2012 and 31 December 2011, 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 31 MARCH 2012

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

#### 3. BUSINESS COMBINATIONS

On 31 January 2011, Deva Holding A.Ş. has completed the acquisition of a manufacturing and research facility from Zentiva Kimyasal Ürünler San. ve Tic. A.S. ("Zentiva"). The facility is located adjacent to Deva's factory at Çerkezköy, and is dedicated to the manufacturing of active pharmaceutical ingredients (API) and to research. The acquisition includes all machinery and equipment in the facility. Deva has also been granted limited usage of licenses over certain APIs for production, sale and export. In addition, 61 former Zentiva production and research employees have joined Deva.

The necessary regulatory approvals of Turkish Competition Board were obtained on 12 January 2011 and the agreement became effective on 31 January 2011.

This transaction has been treated as the acquisition of a business, within the scope of IFRS 3. Zentiva facility was acquired so as to continue expansion of the Group's activities in human pharma and API business. The total consideration paid as a result of the agreement is TRY 6.188.062. The provisional distribution of purchase price is as follow:

<b>Assets/ Liabilities Acquired</b>	<b>Fair Value on Acquisition (TRY)</b>
<u>Current assets:</u>	
Prepaid expenses	200.000
Inventory	389.176
<u>Non-current assets:</u>	
Property, plant and equipment	16.643.934
<u>Current liabilities:</u>	
Other payables and accrued expenses (current portion of employee liabilities assumed)	104.084
<u>Non-current liabilities:</u>	
Provision for employment termination benefits	437.743
Deferred tax liability	772.108
Net assets acquired	<u>15.919.175</u>
Gain on bargain purchase (Note 31)	(9.731.113)
Total cost of acquisition (paid in cash)	<u><u>6.188.062</u></u>

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 3. BUSINESS COMBINATIONS (cont'd)

Fair values of assets and liabilities on acquisition are determined as follows:

Prepaid expenses: Represent the fee for usage rights of licenses according to the agreement; will be amortized in 5 years.

Inventory: Amount was determined two days before the closing date of the agreement; physical count was performed with the participation of Company and Zentiva representatives. Amount was invoiced and paid as at 31 January 2011.

Property, plant and equipment: Property, plant and equipment consist of real estates (land and buildings), and machinery and equipments acquired through the agreement. Fair values of the land and buildings; determined as "Identifiable Asset", within the scope of IFRS 3, have been arrived at on the basis of a valuation carried out by "Prime Gayrimenkul Değerleme ve Danışmanlık A.Ş. ("Prime Gayrimenkul"), independent valuers not connected with the Group. Prime Gayrimenkul is one of the accredited independent auditors by Capital Markets Board. In determining fair value of land and buildings, "Land Registry Fee" was excluded; as it is the certain cost to sell item of the assets. "Land Registry Fee", is % 0,165 of the registration value of real estate for acquirer and seller separately. Fair value of machinery and equipments were determined by technical personnel of the Company, on site.

Employment benefits: 61 former Zentiva production and research employees have joined Company as of acquisition date. Employment benefits represent provision for employment termination benefits and accrued vacation pay liability of these employees determined within the scope of IAS 19.

Within the scope of the agreement, there is no ownership transfer related to the licenses and there is limited usage for these licenses, therefore no fair value was assigned for these licenses.

Gain on bargain purchase has been recognized in the income statement and is included in the other gains and losses (Not 31).

The initial accounting for the acquisition has only been provisionally determined at the end of the reporting period. At the date of finalization of these consolidated financial statements, the acquirer's identifiable assets and liabilities are recognized based on the fair values at the acquisition date.

#### 4. JOINT VENTURES

None (2011: None).

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 5. SEGMENTAL INFORMATION

In 2010, the management re-evaluated the definition of the business segments. The management reports used by CEO were revised based on three segments. The Group was previously classifying API (active pharmaceutical ingredient) production as a separate business line. However, as API is used in the production of human pharmaceuticals the management decided to merge both segments in 2010. Additionally, empty ampoules are classified to human pharmaceuticals segment whereas they were reported as consumer goods in previous periods.

In addition, based on the amendments to IFRS 8 which clarifies that the disclosure of segment assets and liabilities are only required to be reported if and only if those segment assets and liabilities are included in measures used by the chief operating decision maker of the Company, the segment asset and liability information is not disclosed as they are not reported to the chief operating decision maker.

As of 31 March 2012 the business segments are production and sale of human pharmaceuticals, veterinary products and other. Other segment includes sale of cologne and detergent products.

<b>31 March 2012</b>	<b>Human pharma</b>	<b>Veterinary products</b>	<b>Other</b>	<b>Total</b>
External sales	90.586.777	8.764.920	311.925	99.663.622
Cost of sales	(56.562.482)	(5.390.254)	(243.741)	(62.196.477)
Operating expenses	(25.015.189)	(1.418.034)	(215.433)	(26.648.656)
Segment results	9.009.106	1.956.632	(147.249)	10.818.489
Other operating income				1.561.554
Other operating expenses (-)				(3.397)
Finance income				11.445.968
Finance expenses (-)				(15.484.877)
Income tax expense				(1.041.678)
<b>Profit for the period</b>				<b>7.296.059</b>

Distribution of the Group's products by the two largest wholesalers in the Turkish market corresponded to approximately 21% and approximately 40% of the revenues of the Human Pharmaceuticals business line derived from Turkey (31 March 2011: 30% and 35%). As of 31 March 2012, two customers represented 28% and 36% of the total trade and other receivables balance, respectively (31 December 2011: 33% and 34%).

<b>31 March 2011</b>	<b>Human pharma</b>	<b>Veterinary products</b>	<b>Other</b>	<b>Total</b>
External sales	107.069.333	8.612.866	235.422	115.917.621
Cost of sales	(63.903.579)	(4.687.427)	(211.683)	(68.802.689)
Operating expenses	(31.992.804)	(1.779.977)	(164.546)	(33.937.327)
Segment results	11.172.950	2.145.462	(140.807)	13.177.605
Other operating income				20.091.993
Other operating expenses (-)				(63.018)
Finance income				11.850.961
Finance expenses (-)				(18.555.176)
Income tax expense (-)				(11.913.051)
<b>Profit for the period</b>				<b>14.589.314</b>



## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 6. CASH AND CASH EQUIVALENTS

	31 March 2012	31 December 2011
Petty cash	85.975	70.606
Demand deposits	351.639	270.241
Time deposits	16.081.100	17.295.100
	<u>16.518.714</u>	<u>17.635.947</u>

As of 31 March 2012, the Group has TRY and US Dollar time deposit. The average interest rate for TRY time deposits is 8% and US Dollar time deposits is 4,5%. (The average interest rate for US Dollar time deposits as of 31 December 2011 is 3,5% for TRY time deposits and 4,5% for US Dollar time deposits). All of the financial investments are short term and have a maturity of one month.

#### 7. FINANCIAL ASSETS

None (2011: None).

#### 8. FINANCIAL LIABILITIES

	31 March 2012	31 December 2011
Short term bank loans	125.772.441	115.226.053
Current portion of long term loans	37.597.878	39.999.924
Total short term financial liabilities	163.370.319	155.225.977
Long term portion of bank loans	58.843.779	73.711.717
Total long term financial liabilities	58.843.779	73.711.717
Total financial liabilities	<u>222.214.098</u>	<u>228.937.694</u>

##### i) Bank loans

Repayment schedule of bank borrowings is as follows:

	31 March 2012	31 December 2011
Less than 1 year or to be paid on demand	163.370.319	155.225.977
To be paid between 1-2 years	32.138.362	39.331.642
To be paid between 2-3 years	22.060.576	24.718.208
To be paid between 3-4 years	4.644.841	7.936.661
To be paid between 4-5 years	-	1.725.206
	<u>222.214.098</u>	<u>228.937.694</u>

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 8. FINANCIAL LIABILITIES (cont'd)

##### i) Bank loans (cont'd)

Short term bank loans consist of the following:

Currency Type	Weighted Average Interest Rate	Principal	31 March 2012	Currency Type	Weighted Average Interest Rate	Principal	31 December 2011
TRY	12,9%	123.857.107	123.857.107	TRY	13,9%	114.294.432	114.294.432
US Dollar	-	-	-	US Dollar	-	-	-
EUR	-	-	-	EUR	-	-	-
Accrued interest			1.915.334	Accrued interest			931.621
			<u>125.772.441</u>				<u>115.226.053</u>

Short term borrowings consist of spot and revolving credits with several banks and carry fixed and floating rate interests. As of 31 March 2012 and 31 December 2011, the total available lines of credits are TRY 532.644.499 and TRY 544.935.425, 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	31 March 2012	Currency Type	Weighted Average Interest Rate	Principal	31 December 2011
TRY	12,2%	2.867.520	2.867.520	TRY	12,1%	2.773.676	2.773.676
US Dollar	5,4%	19.194.444	34.029.830	US Dollar	5,3%	19.194.444	36.256.386
Accrued interest			700.528	Accrued interest			969.862
			<u>37.597.878</u>				<u>39.999.924</u>

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 8. FINANCIAL LIABILITIES (cont'd)

##### i) Bank loans (cont'd)

Long term bank loans consist of the following:

Currency Type	Weighted Average Interest Rate	Principal	31 March 2012	Currency Type	Weighted Average Interest Rate	Principal	31 December 2011
TRY	13,1%	7.651.291	7.651.291	TRY	% 13,1	8.408.246	8.408.246
US Dollar	5,6%	28.875.001	51.192.488	US Dollar	5,5%	34.572.223	65.303.471
			<u>58.843.779</u>				<u>73.711.717</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 31 MARCH 2012

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

#### 8. FINANCIAL LIABILITIES (cont'd)

##### i) Bank loans (cont'd)

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

- a) A loan of US Dollar 5.625.000 (2011: US Dollar 7.500.000) was drawn down on 18 September 2008. Repayments of interest commenced on 18 March 2009 and repayments of principal commenced on 18 March 2010 and will continue till 18 September 2013 on semiannual basis. The loan carries interest of LIBOR plus 2, 6%. This loan is also secured by Deva Holding A.Ş. Headquarter building mortgage at an amount of US Dollar 18.500.000 (Note 23).
- b) A loan of US Dollar 6.533.333 (2011: US Dollar 7.466.667) 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 14.250.000 (Note 23).
- c) A loan of US Dollar 10.800.000 (2011: US Dollar 10.800.000) 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 23).
- d) A loan of US Dollar 3.000.000 (2011: US Dollar 3.000.000) 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%.
- e) A loan of US Dollar 5.777.778 (2011: US Dollar 6.500.000) 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%. This loan is also secured by the Group's factory buildings located at Topkapı and other buildings' mortgages at an amount of US Dollar 8.125.000 (Note 23).
- f) A loan of US Dollar 9.000.000 (2011: US Dollar 10.500.000) 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 23).
- g) A loan of TRY 4.784.912 (2011: TRY 5.021.206) 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%.
- h) A loan of TRY 1.480.910 (2011: TRY 1.648.731) 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%.
- i) A loan of TRY 874.646 (2011: TRY 920.802) was drawn down on 26 August 2011. Repayments of interest and principal commenced on 24 November 2011 and will continue until 24 August 2014. The loan carries interest of 15,6%.
- j) A loan of TRY 2.965.597 (2011: TRY 3.118.437) 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%.

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

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012**

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

#### **8. FINANCIAL LIABILITIES (cont'd)**

##### **i) Bank loans (cont'd)**

- k) A loan of TRY 126.931 (2011: TRY 145.585) was drawn down on 25 August 2011. Repayments of interest and principal commenced on 23 November 2011 and will continue until 16 August 2013. The loan carries interest of 14,8%.
- l) A loan of TRY 281.706 (2011: TRY 322.513) was drawn down on 15 September 2011. Repayments of interest and principal commenced on 14 December 2011 and will continue until 10 September 2014. The loan carries interest of 16,2%.
- m) A loan of US Dollar 7.333.333 (2011: US Dollar 8.000.000) was drawn down on 28 December 2011. Repayments of interest and principal commenced on 28 April 2012 and will continue till 29 December 2014 quarterly. The loan carries interest of 8%.
- n) The Group has spot loans amounting to TRY 123.542.831 (2011: TRY 114.133.251), with an average interest of 12,9%, and does not have loans with no interest (2011: TRY 23.500).

The Group uses its notes receivables as collaterals for its revolving loans. As of 31 March 2012, the amount of the notes receivables given as collateral is TRY 91.008.091 (31 December 2011: TRY 90.029.488).

##### **(ii) Obligations under finance leases**

None (2011: None).

#### **9. OTHER FINANCIAL LIABILITIES**

None (2011: None).

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 10. TRADE RECEIVABLES AND PAYABLES

<u>Current trade receivables</u>	<u>31 March 2012</u>	<u>31 December 2011</u>
Trade receivables	43.827.545	45.367.989
Due from related parties (Note: 37)	-	1.126.966
Notes receivable	126.676.380	129.695.908
Discount on receivables (-)	(2.997.747)	(2.207.619)
Provision for doubtful receivables (-)	(6.908.739)	(6.909.929)
	<u>160.597.439</u>	<u>167.073.315</u>

As of 31 March 2012 and 31 December 2011, 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 2012, the average credit period on sales is 126 days (2011: 126 days).

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

	<u>31 March 2012</u>	<u>31 December 2011</u>
Letter of guarantees received	<u>14.166.967</u>	<u>13.906.325</u>
	<u>14.166.967</u>	<u>13.906.325</u>

The Group's principal financial assets are trade and other receivables, and investments. The Group's credit risk is primarily attributable to its trade receivables. As of 31 March 2012, two customers represented 28% and 36% of the total trade and other receivables balance, respectively (31 December 2011: 33% and 34%).

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 years ended 31 March 2012 and 31 March 2011 is as follows:

	<u>1 January- 31 March 2012</u>	<u>1 January- 31 March 2011</u>
Balance at 1 January	6.909.929	6.912.064
Provision released	(1.190)	-
Balance at 31 March	<u>6.908.739</u>	<u>6.912.064</u>

The effective interest rate for TRY trade receivables is %13 (2011:% 11), and for foreign currency trade receivables year end libor rates have been used.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 10. TRADE RECEIVABLES AND PAYABLES (cont'd)

	31 March 2012	31 December 2011
<u>Current trade payables</u>		
Trade payables	23.381.011	27.584.763
Due to related parties (Note: 37) (*)	2.181.502	1.204.709
Notes payable	3.915.483	6.908.859
Discount of payables	(19.504)	(13.669)
	<u>29.458.492</u>	<u>35.684.662</u>

(\*) As of 31 March 2012, royalty payable to Eastpharma S.A.R.L from the sale of Roche products is TRY 840.927 (31 December 2011: TRY 822.495). Eastpharma S.A.R.L. holds the Turkey rights of the 14 Roche products acquired in 2008. Eastpharma S.A.R.L. also holds the rights of one Roche product in 17 different foreign countries. As of 31 March 2012, there is TRY 1.444.031 payable amount to Eastpharma S.A.R.L. related with the raw material purchase from F. Hoffman – La Roche Ltd (31 December 2011: None).

The Company is the distributor of the Saba İlaç A.Ş's, a related party, pharmaceutical products. Payable amounting to TRY 737.471 is related to this transaction (Note 37).

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

As of 31 March 2012 and 31 December 2011, the Group has no long term trade payables.

#### 11. OTHER RECEIVABLES AND PAYABLES

	31 March 2012	31 December 2011
<u>Other current receivables</u>		
Due from personnel	408.064	52.029
Other receivables	202.005	249.281
Deposits and guarantees given	118.872	119.221
	<u>728.941</u>	<u>420.531</u>

	31 March 2012	31 December 2011
<u>Other current payables</u>		
Payroll and other taxes and dues payable	1.195.727	2.000.753
Social security premiums payable	3.063.754	3.211.309
Due to related parties (Note 37)	47.204	47.204
Due to personnel	305.921	807.245
Advances received	184.089	1.052.198
	<u>4.796.695</u>	<u>7.118.709</u>

#### 12. RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

None (2011: None).

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 13. INVENTORIES

	31 March 2012	31 December 2011
Raw materials	50.026.477	50.882.114
Work-in-progress	11.449.154	11.157.193
Finished goods	40.886.580	46.018.437
Trade goods	5.714.127	4.358.290
Other inventories	828.497	717.752
Allowance for diminution in value of inventories	(2.712.940)	(4.000.089)
	<u>106.191.895</u>	<u>109.133.697</u>

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

	1 January- 31 March 2012	1 January- 31 March 2011
Balance at 1 January	4.000.089	4.100.005
Provision for the period	2.041.062	1.491.505
Provision utilized	(3.328.211)	(3.199.458)
Balance at 31 March	<u>2.712.940</u>	<u>2.392.052</u>

#### 14. BIOLOGICAL ASSETS

None (2011: None).

#### 15. RECEIVABLES FROM ONGOING CONSTRUCTION CONTRACTS AND ACCRUED INCOME

None (2011: None).

#### 16. INVESTMENTS ACCOUNTED FOR EQUITY METHOD

None (2011: None).

#### 17. INVESTMENT PROPERTY

None (2011: None).



## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 18. 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 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	-	-	-	-	-	1.126	-	6.262.889	6.264.015
Disposals	-	-	-	-	-	(348)	-	-	(348)
Transfers from construction in progress	124.138	-	1.107.399	3.182.675	565.714	207.402	-	(5.187.328)	-
Closing balance, 31 March 2012	15.110.660	574.188	130.769.082	183.860.315	2.627.618	18.729.061	235.308	1.946.025	353.852.257
<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 (*)	-	-	-	(470.052)	-	-	-	-	(470.052)
Depreciation charge for the period	-	(8.355)	(763.298)	(4.008.217)	(26.697)	(524.474)	(4.334)	-	(5.335.375)
Closing balance, 31 March 2012	-	(175.793)	(13.335.174)	(95.870.931)	(1.870.149)	(12.116.671)	(129.061)	-	(123.497.779)
Carrying amount at 31 March 2012	15.110.660	398.395	117.433.908	87.989.384	757.469	6.612.390	106.247	1.946.025	230.354.478

(\*) TRY 470.052, 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 IAS 16 and IAS 38 as the projects are in progress as at 31 March 2012 (Note 19).

As of 31 March 2012, cost amount of the property, plant and equipment acquired through finance leases is TRY 2.401.992 and total accumulated depreciation of these property, plant and equipments are TRY 1.675.368. Net carrying amount of leased property plant and equipment consist of TRY 726.624 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 year.

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 (Note 23).

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 18. 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 2011	5.489.986	816.792	125.213.535	152.046.319	2.303.115	16.657.512	2.763.297	4.723.895	310.014.451
Additions	-	-	224.715	4.162.027	26.621	280.844	-	2.796.773	7.490.980
Additions through business combination	9.844.526	-	6.299.408	500.000	-	-	-	-	16.643.934
Disposals	-	-	-	(2.958)	(168.346)	-	-	-	(171.304)
Transfers from construction in progress	-	-	-	200.795	-	76.795	-	(277.590)	-
Closing balance, 31 March 2011	15.334.512	816.792	131.737.658	156.906.183	2.161.390	17.015.151	2.763.297	7.243.078	333.978.061
<u>Accumulated depreciation</u>									
Opening balance, 1 January 2011	-	(219.443)	(10.943.023)	(90.922.728)	(1.755.777)	(9.592.545)	(2.608.036)	-	(116.041.552)
Reclassifications (*)	-	-	-	(374.996)	-	-	-	-	(374.996)
Depreciation charge for the period	-	(7.882)	(911.304)	(2.642.009)	(128.509)	(483.099)	(35.658)	-	(4.208.461)
Disposals	-	-	-	-	160.459	-	-	-	160.459
Closing balance, 31 March 2011	-	(227.325)	(11.854.327)	(93.939.733)	(1.723.827)	(10.075.644)	(2.643.694)	-	(120.464.550)
Carrying amount at 31 March 2011	15.334.512	589.467	119.883.331	62.966.450	437.563	6.939.507	119.603	7.243.078	213.513.511

(\*) TRY 374.996, 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 IAS 16 and IAS 38 as the projects are in progress as at 31 March 2011 (Note 19).

As of 31 March 2011, cost amount of the property, plant and equipment acquired through finance leases are TRY 2.637.776 and total accumulated depreciation of these property, plant and equipments are TRY 1.378.314. Net carrying amount of leased property plant and equipment consist of TRY 240.322 vehicles and TRY 1.019.140 machinery and equipment. During 2011, the Group has disposed property plant and equipment previously acquired through leasing at an amount of TRY 146.837. There were no leased purchases during the year.

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 28.500.000, TRY 28.500.000, US Dollar 15.750.000 and US Dollar 8.125.000 (Note 23).

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 18. 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 2.297.351 (2011: TRY 1.769.799) has been charged to 'cost of goods sold', TRY 1.827.493 (2011: TRY 1.691.788) to 'operating expenses' and TRY 2.404.723 is capitalized on inventory (2011: TRY 1.897.580).

#### 19. INTANGIBLE ASSETS

	Product Licenses and Rights	Customer Relationship	Capitalized Development Costs	Total
<u>Acquisition cost</u>				
Opening balance, 1 January 2012	64.807.127	3.730.513	24.435.806	92.973.446
Reclassifications (*)	-	-	470.052	470.052
Additions (**)	2.738.478	-	3.608.858	6.347.336
Impairment	(367.329)	-	-	(367.329)
Closing balance, 31 March 2012	<u>67.178.276</u>	<u>3.730.513</u>	<u>28.514.716</u>	<u>99.423.505</u>
<u>Accumulated amortization</u>				
Opening balance, 1 January 2012	(20.151.508)	(652.840)	(4.986.842)	(25.791.190)
Amortization charge for the period	(946.666)	(46.631)	(200.895)	(1.194.192)
Closing balance, 31 March 2012	<u>(21.098.174)</u>	<u>(699.471)</u>	<u>(5.187.737)</u>	<u>(26.985.382)</u>
Carrying amount, 31 March 2012	<u>46.080.102</u>	<u>3.031.042</u>	<u>23.326.979</u>	<u>72.438.123</u>

(\*) TRY 470.052, (2011: TRY 374.996) 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 IAS 16 and IAS 38 as the projects are in progress as at 31 March 2012 (Note 18).

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

Carrying amount of internally generated intangible assets consist of TRY 8.784.288 of rights and TRY 27.442.793 of capitalized development costs.

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

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 31 MARCH 2012

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

#### 19. INTANGIBLE ASSETS (cont'd)

	Product Licences and Rights	Customer Relationship	Capitalized Development Costs	Total
<u>Acquisition cost</u>				
Opening balance, 1 January 2011	49.753.181	3.730.513	20.265.227	73.748.921
Reclassifications	-	-	374.996	374.996
Additions	4.161.742	-	69.985	4.231.727
Disposals	(12.390)	-	(340.993)	(353.383)
Closing balance, 31 March 2011	<u>53.902.533</u>	<u>3.730.513</u>	<u>20.369.215</u>	<u>78.002.261</u>
<u>Accumulated amortization</u>				
Opening balance, 1 January 2011	(16.242.370)	(466.314)	(4.325.749)	(21.034.433)
Amortization charge for the period	(852.271)	(46.631)	(251.804)	(1.150.706)
Disposals	-	-	-	-
Closing balance, 31 March 2011	<u>(17.094.641)</u>	<u>(512.945)</u>	<u>(4.577.553)</u>	<u>(22.185.139)</u>
Carrying amount, 31 March 2011	<u>36.807.892</u>	<u>3.217.568</u>	<u>15.791.662</u>	<u>55.817.122</u>

#### 20. GOODWILL

	31 March 2012	31 December 2011
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 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 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 31 March 2012 no impairment test has been performed (Note 2).

Goodwill arising from the business combination is allocated to human pharma segment and there is no allocation to other segments as of 31 March 2012.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 21. GOVERNMENT INCENTIVES AND GRANTS

The Group has 6 ongoing and 2 finalized research and development projects in 2011 approved by TÜBİTAK. Deva has started 3 new projects in 2011, 4 new projects in 2010 and 1 in 2009. Total research and development expenses related with these projects in 2012 amounted to TRY 4.191.826.

As of May 2010, the Group has 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 finalized cash based payments made to Deva has been identified by Tübitak within the context of each project based on the period expense. 60% of the total amount of approved expenses has been paid by cash. In addition, based on the approval of the expenses incurred in the first three month of year 2012 by Tübitak and 60% of the calculated amount which is related with projects has been recorded by income accrual.

Additionally, the expenses within the scope of Investment Incentive Document numbered 5367 amounts to TRY 1.986.757. In 2010, the Group has obtained the license of support of Research and Development Documents numbered 5594 and 5596. And total expenses related with the project numbered 5596 in three months period of 2012 amount to TRY 39.996 and TRY 278 related with the project numbered 5594 as of 31 March 2012. 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.

#### 22. PROVISIONS

	31 March 2012	31 December 2011	
Provision for legal claims	13.487.486	16.227.927	
Provision for seniority incentive and management premium and indemnity	110.806	118.056	
	<u>13.598.292</u>	<u>16.345.983</u>	
	Provision for legal claims	Provision for seniority incentive and management premium (**)	Total
Opening balance, 1 January 2011	16.227.927	118.056	16.345.983
Charge for the period (*)	323.873	-	323.873
Payments made during the period	(3.064.314)	-	(3.064.314)
Reversal of provision	-	(7.250)	(7.250)
Closing balance, 31 March 2012	<u>13.487.486</u>	<u>110.806</u>	<u>13.598.292</u>
Opening balance, 1 January 2011	22.127.753	123.680	22.251.433
Charge for the period (*)	1.316.092	184	1.316.276
Payments made during the period	(1.443.004)	-	(1.443.004)
Reversal of provision (***)	(9.553.671)	-	(9.553.671)
Closing balance, 31 March 2011	<u>12.447.170</u>	<u>123.864</u>	<u>12.571.034</u>

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 22. PROVISIONS (cont'd)

Provisions for the year 2012 and 2011 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 2012 and 2011 include the provisions for the legal cases opened by the discharged personnel and fines received from tax authority as a result of general inspections in the pharmaceutical sector in Turkey. Since there is more than 1 legal case, potential cash outflows will be in the different periods. As of 31 March 2012, there are 594 pending legal cases. Of TRY 13.487.486 provision, TRY 11.632.015 represents provision for legal cases opened by discharged personnel, TRY 1.855.471 represents provision for fines received from tax authority. The amount of TRY 1.029.407 related with tax amnesty has been reclassified to long term based on the repayment plan.

(\*\*) The provision for seniority incentive and other benefits as of 31 March 2012 includes US Dollar 62.500 (TRY 110.806) related to special termination benefits granted to certain employees of Deva immediately prior to the acquisition by Eastpharma. The Company is required to pay these individuals incremental termination benefits, in addition to all other legal termination benefits, when the employee leaves the Company.

(\*\*\*) The 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 the amnesty for its ongoing tax disputes and penalties received. The management of the Group has evaluated the potential results and effects of applying the amnesty and as a result TRY 9.145.220 provision is reversed. As a result of reconstruction, from 31 December 2011, tax amount has been calculated as TRY 4.894.701 based on Producer Price Index (PPI) evaluation. A coefficient, defining by alternating instalment amount, is TRY 551.396 and the total amount will be paid is TRY 5.446.097. As of 31 March 2012, first six instalments have been paid, and the amount is recorded as TRY 3.078.461. TRY 1.183.818 of the liability including interest amounting TRY 2.367.636 is going to be paid in 6 equal instalments, between April 2012 and March 2013, within the interval of two months. TRY 1.183.818 of the liability is going to be paid in 6 equal instalments, within interval of two months, between April 2013 and March 2014.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 23. COMMITMENTS AND CONTINGENT LIABILITIES

	Currency Type	Balance	Currency Rate	31 March 2012
Mortgage	US Dollars	42.375.000	1,7729	75.126.638
	TRY	42.750.000	1,0000	42.750.000
				<u>117.876.638</u>
Promissory notes (*)	TRY	31.607.500	1,0000	31.607.500
	EUR	7.480.166	2,3664	17.701.065
	US Dollars	5.162.361	1,7729	9.152.350
				<u>58.460.915</u>
Guarantee letters given	TRY	16.458.862	1,0000	<u>16.458.862</u>
				<u>16.458.862</u>
				<u>192.796.415</u>
				<u>192.796.415</u>
	Currency Type	Balance	Currency Rate	31 December 2011
Mortgage	US Dollars	42.375.000	1,8889	80.042.138
	TRY	42.750.000	1,0000	42.750.000
				<u>122.792.138</u>
Promissory notes (*)	TRY	21.222.500	1,0000	21.222.500
	EUR	6.635.000	2,4438	16.214.613
	US Dollars	3.971.809	1,8889	7.502.350
				<u>44.939.463</u>
Guarantee letters given	TRY	16.887.425	1,0000	<u>16.887.425</u>
				<u>16.887.425</u>
				<u>184.619.026</u>
				<u>184.619.026</u>

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

The Company pertains the whole legal, physical and administrative responsibility that is composed before delivery or which will arise after delivery due to the sale of factory building located in Kartepe/ Kocaeli on 28 December 2011. The 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 financials as of balance sheet date.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 23. COMMITMENTS AND CONTINGENT LIABILITIES (cont'd)

As of 31 March 2012 and 31 December 2011, the Group's Guarantees/Pledge/Mortgages ("GPM") are as follows:

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

	31 March 2012			
	TRY Amount	US Dollars	EUR	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	15.138.862	-	-	15.138.862
-Pledge	-	-	-	-
-Mortgage	117.876.638	42.375.000	-	42.750.000
	133.015.500	42.375.000	-	57.888.862
B. GPM given on behalf of subsidiaries that are included in full consolidation				
-Guarantee	59.780.915	5.162.361	7.480.166	32.927.500
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	59.780.915	5.162.361	7.480.166	32.927.500
C. GPM's given on behalf of third parties for ordinary course of the business	-	-	-	-
D. Other GPM	-	-	-	-
<b>Total</b>	<b>192.796.415</b>	<b>47.537.361</b>	<b>7.480.166</b>	<b>90.816.362</b>
	31 December 2011			
	TRY Amount	US Dollars	EUR	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	15.072.425	-	-	15.072.425
-Pledge	-	-	-	-
-Mortgage	122.792.138	42.375.000	-	42.750.000
	137.864.563	42.375.000	-	57.822.425
B. GPM given on behalf of subsidiaries that are included in full consolidation				
-Guarantee	46.754.463	3.971.809	6.635.000	23.037.500
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	46.754.463	3.971.809	6.635.000	23.037.500
C. GPM's given on behalf of third parties for ordinary course of the business	-	-	-	-
D. Other GPM	-	-	-	-
<b>Total</b>	<b>184.619.026</b>	<b>46.346.809</b>	<b>6.635.000</b>	<b>80.859.925</b>

As of 31 March 2012, the Company's Other GPM / Equity ratio is nil (31 December 2011: nil).

As of 31 March 2012 and 31 December 2011, Group's irreversible operating lease liabilities are as follows:

	31 March 2012			
	US Dollars	EUR	TRY	TRY
Maturity less than 1 year	-	1.728.355	1.014.906	5.104.885
Maturity between 1 - 5 years	-	1.724.617	2.561.863	6.642.997
	-	3.452.972	3.576.769	11.747.882
	31 December 2011			
	US Dollars	EUR	TRY	TRY
Maturity less than 1 year	9.186	1.808.300	1.724.617	6.161.094
Maturity between 1 - 5 years	-	1.447.278	2.993.017	6.529.874
	9.186	3.255.578	4.717.634	12.690.968

The Group's operational leases mainly consist of vehicles given to sales personnel and the total expense related with the operating lease payments for the period ended 31 March 2012 amounts to TRY 1.616.450 (1 January – 31 Mart 2011: TRY 2.199.877).



## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 24. EMPLOYMENT BENEFITS

##### Short-term benefits provided to employees

	31 March 2012	31 December 2011
Accrued vacation pay liability	3.901.820	3.737.617
	<u>3.901.820</u>	<u>3.737.617</u>

##### Provision for employment termination benefits

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

The amount payable consists of one month's salary limited to a maximum of TRY 2.805,04 for each period of service at 31 March 2012 (31 December 2011: TRY 2.731,85).

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

The principal assumption is that the maximum liability for each year of service will increase parallel with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 March 2012, 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 5,00% and a discount rate of 9%, resulting in a real discount rate of approximately 3,81% (31 December 2011: 3,81%). The anticipated rate of retirement is considered as 92,68 % (2011: 92,82%). As the maximum liability is revised semi annually, the maximum amount of TRY 2.805,04 effective from 1 January 2012 is taken into consideration in the calculation of provision from employment termination benefits.

Below is the movement of employment termination provision:

	1 January 31 March 2012	1 January 31 March 2011
Provision at 1 January	4.403.194	4.143.037
Transfer of personnel due to business combination (Note 3)	-	437.743
Service cost	509.921	(385.124)
Interest cost	41.820	52.122
Termination benefits paid	(438.759)	(192.070)
Provision at 31 March	<u>4.516.176</u>	<u>4.055.708</u>

#### 25. RETIREMENT BENEFITS

None (2011: None).

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 26. OTHER SHORT/LONG TERM ASSETS AND LIABILITIES

	31 March 2012	31 December 2011
<u>Other current assets</u>		
VAT receivable	13.631.065	14.167.066
Advances given	6.722.153	4.598.950
Other VAT	2.318.984	2.318.984
Business advances given	585.971	153.814
Prepaid expenses	1.485.618	1.438.746
Income accruals (*)	1.130.201	771.064
Prepaid taxes and dues	105.647	456.815
Personnel advances	5.392	2.444
	<u>25.985.031</u>	<u>23.907.883</u>
	31 March 2012	31 December 2011
<u>Other non-current assets</u>		
Advances given	10.051.716	10.842.579
VAT receivable	10.501.631	10.501.631
	<u>20.553.347</u>	<u>21.344.210</u>
	31 March 2012	31 December 2011
<u>Other current liabilities</u>		
Expense accruals due to price regulation	10.179.456	11.221.035
Accrued sales discounts	3.812.095	1.075.386
Accrued sales premium	293.992	-
Bonus given to sales personnel	1.405.988	589.835
Deferred revenue (*)	1.005.882	1.040.672
Other payables	1.731.429	247.895
Accrued commissions	16.251	17.315
Derivative liabilities	2.356.605	-
	<u>20.801.698</u>	<u>14.192.138</u>
	31 March 2012	31 December 2011
<u>Other non current liabilities</u>		
Deferred revenue (*)	10.968.311	10.908.438
	<u>10.968.311</u>	<u>10.908.438</u>

(\*)The Group receives government grants related to development costs. The balance consists of the income accrual for the grants received from TÜBİTAK (Scientific and Technological Research Council of Turkey). As the grant related to the assets capitalized as development cost 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.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 27. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

##### Capital

<u>Name</u>	<u>(%)</u>	<u>31 March 2012</u>	<u>(%)</u>	<u>31 December 2011</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>

As of 31 March 2012, 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 2011 : 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.

As of 31 March 2012 and 31 December 2011, the details of capital and other balances disclosed under equity are as follows:

	<u>31 March 2012</u>	<u>31 December 2011</u>
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>

(\*) In 2011, with Capital Markets Board's approval on 26 May 2011, the Company's issued share capital is raised from TRY 180.070.656 to TRY 200.000.000. TRY 16.384.384 of the total amount raised was paid in cash by Eastpharma S.A.R.L. and the remaining amount, TRY 3.544.960, was raised from other shareholders.

(\*\*) In 2011 Deva Holding A.Ş. sold TRY 52.782 treasury shares to third parties at amount of TRY 126.187. The proceeds from the sale of shares amounting to TRY 73.405 were accounted for as a premium in excess of par.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

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

##### Capital (cont'd)

##### Restricted reserves appropriated from profit

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

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

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

However, in accordance with the CMB's Decree Volume: XI; No: 29 issued on 1 January 2008 and other related CMB's announcements, "Paid-in capital", "Restricted reserves" and "Premium in excess of par" should be carried at their registered amounts in statutory records. Restatement differences (e.g. inflation restatement differences) arising from the application of the Decree should be associated with:

- "Capital restatement differences" account, following the "Paid-in capital" line item in the financial statements, if such differences are arising from "Paid-in Capital" and not added to capital;

- "Retained earnings/Accumulated loss", if such differences are arising from "Restricted reserves" and "Premium in excess of par" and has not been subject to profit distribution or capital increase.

Other equity items are carried at the amounts that are valued based on the CMB's Financial Reporting Standards.

Capital restatement differences can only be included in capital.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

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

##### Profit distribution

In accordance with the Capital Markets Board's (the "Board") Decree issued on 27 January 2010, in relation to the profit distribution of earnings derived from the operations in 2009, minimum profit distribution is not required for listed companies, and accordingly, profit distribution should be made based on the requirements set out in the Board's Communiqué Serial:IV, No: 27 "Principles of Dividend Advance Distribution of Companies That Are Subject To The Capital Markets Board Regulations", terms of articles of corporations and profit distribution policies publicly disclosed by the companies.

Furthermore, based on the afore-mentioned decree, companies that are required to prepare consolidated financial statements should calculate their net distributable profits, to the extent that they can be recovered from equity in their statutory records, by considering the net profit for the period in the consolidated financial statements which are prepared and disclosed in accordance with the Communiqué Serial: XI, No: 29.

##### Retained earnings

The Group's accumulated deficit as of 31 March 2012 and 31 December 2011 amounts to TRY 149.569.357 and TRY 133.930.704, respectively. The accumulated deficit balance also includes TRY 26.410.082 of extraordinary reserves (31 December 2011: TRY 26.410.082).

#### 28. REVENUE AND COST OF SALES

	1 January – 31 March 2012	1 January – 31 March 2011
<u>Revenue (net)</u>		
Human pharma revenue	90.586.777	107.069.333
Veterinary products revenue	8.764.920	8.612.866
Other revenue	311.925	235.422
	<u>99.663.622</u>	<u>115.917.621</u>
	1 January – 31 March 2012	1 January – 31 March 2011
<u>Cost of revenue</u>		
Raw and other materials used	(27.375.430)	(51.201.841)
Direct labor cost	(2.872.369)	(1.455.991)
Production overheads	(14.958.739)	(11.731.976)
Depreciation expenses	(2.297.351)	(1.769.799)
Change in work in process	291.961	11.785.959
Change in finished goods	(5.131.857)	(4.201.567)
	<u>(52.343.785)</u>	<u>(58.575.215)</u>
Cost of merchandises sold (*)	<u>(9.852.692)</u>	<u>(10.227.474)</u>
	<u>(62.196.477)</u>	<u>(68.802.689)</u>

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

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 29. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATION EXPENSES

	1 January – 31 March 2012	1 January – 31 March 2011
Marketing, sales and distribution expenses	(17.958.827)	(25.709.218)
General administration expenses	(6.879.945)	(7.837.680)
Research and development expenses	(1.809.884)	(390.429)
	<u>(26.648.656)</u>	<u>(33.937.327)</u>

#### 30. EXPENSES BY NATURE

	1 January – 31 March 2012	1 January – 31 March 2011
Employee benefits expenses	(17.436.668)	(19.131.662)
Depreciation and amortization expenses	(1.827.493)	(1.691.788)
Royalty expenses (*)	(955.062)	(1.394.015)
Rent expenses	(2.230.521)	(2.318.548)
Promotional goods and advertising expenses	(2.803.991)	(5.529.368)
Travel, transportation and accommodation expenses	(1.573.151)	(2.277.222)
Consultancy expenses	(370.481)	(719.432)
Other operating expenses	(1.161.738)	(2.716.635)
	<u>(28.359.105)</u>	<u>(35.778.670)</u>
Capitalized development costs	1.710.449	1.841.343
	<u>(26.648.656)</u>	<u>(33.937.327)</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 the Turkey rights of the 14 Roche products acquired in 2008. Eastpharma S.A.R.L. also holds the rights of one Roche product in 17 different foreign countries.

As of 31 March 2012, the Group realizes research and development expense amounting TRY 694.225 for tangible assets and TRY 4.353.925 for intangible assets with the total amount TRY 5.048.150 in total (31 March 2011: TRY 4.313.786). As of balance sheet date TRY 4.231.822 of the amount is about government grant and incentive (31 March 2011: TRY 4.115.242). Of this total amount TRY 3.337.701 was capitalized on intangible development costs, of which TRY 1.710.449 consists of employee related capitalized development costs.

#### 31. OTHER OPERATING INCOME /EXPENSES

	1 January – 31 March 2012	1 January – 31 March 2011
<i>Other operating income and profit</i>		
Commission income (*)	446.382	324.768
Gain on sale of property, plant and equipment	13.409	73.046
Gain on bargain purchase (**)	-	9.731.113
Reversal of tax penalty (note 22)	-	9.553.671
Other income and profits	1.101.763	409.395
	<u>1.561.554</u>	<u>20.091.993</u>

(\*) Commission income consists of consideration received from the sale of Saba İlaç products, the Group's related party (Note 37).

(\*\*) Gain on bargain purchase is the other income portion from acquisition of a manufacturing and research facility from Zentiva Kimyasal Ürünler San. ve Tic. A.Ş. ("Zentiva") which is treated in the context of IFRS 3 as "Business Acquisition" (Note 3).

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 31. OTHER OPERATING INCOME /EXPENSES (cont'd)

	1 January – 31 March 2012	1 January – 31 March 2011
<i>Other operating expense and losses (-)</i>		
Comission expenses	-	(63.018)
Other expense and losses	(3.397)	-
	<u>(3.397)</u>	<u>(63.018)</u>

#### 32. FINANCIAL INCOME

	1 January – 31 March 2012	1 January – 31 March 2011
Interest income	465.040	85.916
Interest on deferred settlement sales	130.774	194.612
Foreign exchange gain	642.784	2.464.248
Discount interest income	10.207.370	9.106.185
	<u>11.445.968</u>	<u>11.850.961</u>

#### 33. FINANCIAL EXPENSES

	1 January – 31 March 2012	1 January – 31 March 2011
Interest cost	(5.741.938)	(2.919.237)
Foreign exchange gain / (loss) (*)	4.944.354	(5.465.657)
Loss from derivative instruments	(3.270.942)	-
Discount interest expenses	(11.123.009)	(9.876.363)
Other expenses	(293.342)	(293.919)
	<u>(15.484.877)</u>	<u>(18.555.176)</u>

(\*) TRY 6.171.808 of foreign exchange gain consists of the foreign exchange gain / loss from the use of foreign currency denominated loan of the Group (31 March 2011: loss amounting TRY 2.784.579).

#### 34. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (2011: None).

#### 35. 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.

The effective tax rate in 2012 is 20% (2011: 20%) for the Company.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2012 is 20%. (2011: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 35. TAX ASSETS AND LIABILITIES (cont'd)

##### Corporate tax (cont'd)

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

##### 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.

	31 March 2012	31 December 2011
<u>Current tax payable</u>		
Current tax liability	370.230	458.771
Effect of taxable base increase on corporate tax (*)	414.535	658.660
Prepaid taxes and dues	(370.652)	(634.228)
	<u>414.113</u>	<u>483.203</u>

(\*)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 Group applied for taxable base increase, no further tax investigation will be done.

	1 January- 31 March 2012	1 January- 31 March 2011
<u>Tax provision</u>		
Current tax provision	370.230	1.291.517
Deferred tax expense	671.448	10.621.534
	<u>1.041.678</u>	<u>11.913.051</u>



## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 35. TAX ASSETS AND LIABILITIES (cont'd)

##### Income withholding tax (cont'd)

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

	1 January- 31 March 2012	1 January- 31 March 2011
Profit before tax	8.337.737	26.502.365
Enacted tax rate	20%	20%
Expected taxation	1.667.547	5.300.473
Tax effects of:		
- non-deductible expenses	109.803	133.198
- non-taxable income	(735.672)	(1.980.025)
- reversal of effects of unused tax losses and tax offsets not recognized as deferred tax asset	-	8.459.405
Income tax expense recognized in income statement	<u>1.041.678</u>	<u>11.913.051</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 IFRS and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

The effective tax rate used for the calculation of deferred tax in 2012 is 20% (2011: 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.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 35. TAX ASSETS AND LIABILITIES (cont'd)

##### *Deferred tax (cont'd)*

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

	31 March 2012	31 December 2011
<u>Deferred tax (assets) / liabilities</u>	<u>2012</u>	<u>2011</u>
Restatement and useful life differences of property, plant and equipment and intangible assets	3.521.429	3.810.126
Provision for employment termination benefits	(903.235)	(880.639)
Carry forward tax losses	(19.682.822)	(21.688.440)
Inventories	(552.864)	(809.876)
Accrued vacation pay liability	(780.364)	(747.523)
Accrued sales discounts and free samples	(762.420)	(215.077)
Expense accruals due to price regulation	(2.035.891)	(2.244.207)
Provision for doubtful receivables	(1.227.657)	(1.227.657)
Provision for legal cases	(2.348.564)	(2.725.744)
Other	(2.432.640)	(1.147.439)
	<u>(27.205.028)</u>	<u>(27.876.476)</u>

The movement of deferred tax assets and liabilities for the year ended as of 31 March 2012 and 31 December 2011 are as follows:

	31 March 2012	31 December 2011
Deferred tax asset	27.205.028	27.876.476
	<u>27.205.028</u>	<u>27.876.476</u>
	1 January- 31 March 2012	1 January- 31 March 2011
<u>Movements of deferred tax assets</u>	<u>2012</u>	<u>2011</u>
Balance at 1 January	27.876.476	28.468.473
Deferred tax recognised on business combination (Note 3)	-	(772.108)
Deferred tax expense	(671.448)	(10.621.534)
Closing balance, 31 March	<u>27.205.028</u>	<u>17.074.831</u>

As of balance sheet date, the Group has unused tax losses of TRY 98.414.110 available for offset against future profits (31 December 2011: TRY 108.442.200). Deferred tax assets amounting to TRY 19.682.822 are recognized in respect of such losses at 31 March 2012, (31 December 2011: TRY 21.688.440). The total amount of these assets is recognized as management of the Group estimates that these losses are recoverable based on the Group's recent forecasts and budget.

#### 36. PROFIT PER SHARE

	1 January- 31 March 2012	1 January- 31 March 2011
Profit for the period	7.293.236	14.583.737
Weighted-average number of outstanding shares	16.521.171.666	15.658.476.775
Profit per share (TRY)	0,0004	0,0009

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 37. RELATED PARTY TRANSACTIONS

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

	31 March 2012							
	Receivables				Payables			
	Current		Non-current		Current		Non-current	
	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading
<b>Balances with related parties (Note 38)</b>								
<u>Shareholders</u>								
East Pharma S.A.R.L. (*)	-	-	-	-	1.444.031	-	-	-
Individual shareholders	-	-	-	-	-	47.204	-	-
<u>Board of directors</u>								
BOD members	-	-	-	-	-	-	-	-
<u>Other companies managed by ultimate parent</u>								
Saba İlaç Sanayi ve Ticaret A.Ş.	-	-	-	-	737.471	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.181.502</u>	<u>47.204</u>	<u>-</u>	<u>-</u>
	1 January - 31 March 2012							
<b>Transactions with related parties</b>	<b>Purchases</b>	<b>Sales</b>	<b>Interest received</b>	<b>Interest given</b>	<b>Rent income</b>	<b>Royalty expenses (**)</b>	<b>Other income (***)</b>	<b>Other expense</b>
Saba İlaç Sanayi ve Ticaret A.Ş.	13.993.700	343.949	307.722	-	34.827	-	446.382	-
East Pharma S.A.R.L.	-	-	-	-	-	934.363	-	-
	<u>13.993.700</u>	<u>343.949</u>	<u>307.722</u>	<u>-</u>	<u>34.827</u>	<u>934.363</u>	<u>446.382</u>	<u>-</u>

(\*) Non trading payable to East Pharma S.A.R.L is related to Deva NZ Ltd.'s financing requirement, a subsidiary of the Group.

(\*\*) 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 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 31 MARCH 2012

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

#### 37. RELATED PARTY TRANSACTIONS (cont'd)

	31 December 2011							
	Receivables				Payables			
	Current		Non-current		Current		Non-current	
	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading
<b>Balances with related parties (Note 38)</b>								
<u>Shareholders</u>								
East Pharma S.A.R.L. (*)	-	-	-	-	1.204.709	-	-	-
Individual shareholders	-	-	-	-	-	47.204	-	-
<u>Board of directors</u>								
BOD members	-	-	-	-	-	-	-	-
<u>Other companies managed by ultimate parent</u>								
Saba İlaç Sanayi ve Ticaret A.Ş.	1.126.966	-	-	-	-	-	-	-
	<u>1.126.966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.204.709</u>	<u>47.204</u>	<u>-</u>	<u>-</u>

	1 January - 31 March 2011							
	Purchases	Sales	Interest received	Interest given	Rent income	Royalty expenses (**)	Other income	Other expense
<b>Transactions with related parties</b>								
Saba İlaç Sanayi ve Ticaret A.Ş.	10.331.880	230.027	85.853	129	31.350	-	336.306	-
East Pharma S.A.R.L.	-	-	-	-	-	1.394.015	-	-
	<u>10.331.880</u>	<u>230.027</u>	<u>85.853</u>	<u>129</u>	<u>31.350</u>	<u>1.394.015</u>	<u>336.306</u>	<u>-</u>

(\*) Non trading payable to East Pharma S.A.R.L is related to Deva NZ Ltd.'s financing requirement, a subsidiary of the Group.

(\*\*) 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 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 31 MARCH 2012

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#### 37. RELATED PARTY TRANSACTIONS (cont'd)

Benefits provided to key management personnel include the salaries, premiums and retirement pay for the period ended 31 March 2012 and 31 March 2011 are stated below:

	1 January- 31 March 2012	1 January- 31 March 2011
<u>Compensation of key management personnel</u>		
Short-term benefits	1.335.382	1.627.260
Long-term benefits	80.132	67.181
	<u>1.415.514</u>	<u>1.694.441</u>

#### 38. 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 borrowings disclosed in Note 8, cash and cash equivalents disclosed in Note 6 and equity attributable to equity holders of the parent disclosed in Note 27, comprising issued capital, reserves and retained earnings.

As of 31 March 2012 and 31 December 2011, equity/total financial liability rate is as follows:

	31 March 2012	31 December 2011
Financials Liability	222.214.098	228.937.694
Less: Cash and cash equivalents	<u>(16.518.714)</u>	<u>(17.635.947)</u>
Liability (net)	205.695.384	211.301.747
Total equity	351.686.032	344.441.646
Total invested capital	645.757.943	648.541.090
Equity/liability rate	32%	33%

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.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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#### 38. 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 21% and approximately 40% (31 March 2011: 30% and 35%) of the revenues of the Human Pharmaceuticals business line derived from Turkey. As of 31 March 2012, 28% and 36% of accounts receivable were from these two wholesalers respectively. (31 December 2011: 33% and 34%). The Group manages its credit risk by following up financial positions and their account receivables balances.

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

	31 March 2012	31 December 2011
<u>Trade Receivables</u>		
(According to internal rating)		
Customers in Group A	145.556.490	150.897.980
Customers in Group B	7.164.219	9.178.626
Customers in Group C	7.876.730	5.869.743
	<u>160.597.439</u>	<u>165.946.349</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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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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#### 38. 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 March 2012</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 (*)	-	160.597.439	-	728.941	16.432.739	-
Secured amount with letter of guarantee	-	14.166.967	-	-	-	29.500.937
A. Net book value of the not amortized financial assets	-	160.597.439	-	728.941	16.432.739	-
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.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

(b) Financial risk factors (cont'd)

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

##### Credit risks as to financial instrument types

	<u>Receivables</u>					
	<u>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>		
<b>31 December 2011</b>						
Maximum credit limits as of balance sheet date (*)	1.126.966	165.946.349	-	420.531	17.565.341	-
Secured amount with letter of guarantee	-	13.906.325	-	-	-	-
A. Net book value of the not amortized financial assets	1.126.966	165.946.349	-	420.531	17.565.341	-
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)	-	6.909.929	-	-	-	-
-Impairment(-)	-	(6.909.929)	-	-	-	-
-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.



## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

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

##### (b) Financial risk factors (cont'd)

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

##### Overdue Receivables

31 March 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	-	-	-	-	-

##### Overdue Receivables

31 December 2011	<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	5.435.532	-	-	-	5.435.532
5+ years	1.474.397	-	-	-	1.474.397
Total	6.909.929	-	-	-	6.909.929
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.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

(b) Financial risk factors (cont'd)

*(b.2) Liquidity risk management (cont'd)*

**31 March 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>
<b>Non-derivative financial liabilities</b>					
Bank loans	222.214.098	235.549.863	115.589.582	45.776.654	74.183.627
Liabilities under the law numbered 6111	1.855.471	2.367.636	197.303	986.515	1.183.818
Trade payables	29.458.492	29.477.996	25.740.623	3.737.373	-
Total financial liabilities	253.528.061	267.395.495	141.527.508	50.500.542	75.367.445

**31 December 2011**

<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>
<b>Non-derivative financial liabilities</b>					
Bank loans	228.937.694	243.873.911	102.084.749	56.393.419	85.395.743
Liabilities under the law numbered 6111	2.717.264	3.379.376	930.882	870.070	1.578.424
Trade payables	35.684.662	35.698.331	33.222.074	2.476.257	-
Total financial liabilities	267.339.620	282.951.618	136.237.705	59.739.746	86.974.167

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### **38. 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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### 38. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

#### (b) Financial risk factors (cont'd)

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

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

Foreign Currency Position	31 March 2012					
	TRY Equivalent	USD	EUR	CHF	GBP	Other
1. Trade receivables	1.567.352	606.351	208.060	-	-	-
2a. Monetary financial assets	16.102.234	9.042.785	14.645	6.781	7.871	-
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	12.532.332	308.842	2.541.995	3.021.955	15.390	-
4. CURRENT ASSETS	30.201.918	9.957.978	2.764.700	3.028.736	23.261	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	366.806	4.860	151.240	150	-	-
8. NON-CURRENT ASSETS	366.806	4.860	151.240	150	-	-
9. TOTAL ASSETS	30.568.724	9.962.838	2.915.940	3.028.886	23.261	-
10. Trade payables	10.073.890	1.993.815	2.455.202	371.785	-	32
11. Financial liabilities	34.029.830	19.194.444	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
13. CURRENT LIABILITIES	44.103.720	21.188.259	2.455.202	371.785	-	32
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	51.192.489	28.875.001	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	51.192.489	28.875.001	-	-	-	-
18. TOTAL LIABILITIES	95.296.209	50.063.260	2.455.202	371.785	-	32
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)	(64.727.485)	(40.100.422)	460.738	2.657.101	23.261	(32)
21. Monetary items net foreign currency position	(77.626.623)	(40.414.124)	(2.232.497)	(365.004)	7.871	(32)
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 assets	27.144.332	15.310.696	-	-	-	-
25. Export	2.742.395	1.475.281	53.613	-	-	-
26. Import	28.568.253	7.340.995	5.579.223	827.517	210.908	129.768

# DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

### 38. 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 2011					
	TRY Equivalent	USD	EUR	CHF	GBP	Other
1. Trade receivables	1.952.684	255.698	601.398	-	-	-
2a. Monetary financial assets	17.214.298	9.081.292	13.107	2.711	7.945	-
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	11.417.293	359.847	2.782.049	1.954.171	6.291	-
4. CURRENT ASSETS	30.584.275	9.696.837	3.396.554	1.956.882	14.236	-
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	29.667	3.000	9.000	1.000	-	-
8. NON-CURRENT ASSETS	29.667	3.000	9.000	1.000	-	-
9. TOTAL ASSETS	30.613.942	9.699.837	3.405.554	1.957.882	14.236	-
10. Trade payables	18.191.124	5.667.668	2.806.687	312.258	-	33
11. Financial liabilities	36.256.386	19.194.444	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
13. CURRENT LIABILITIES	54.447.510	24.862.112	2.806.687	312.258	-	33
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	65.303.471	34.572.223	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	65.303.471	34.572.223	-	-	-	-
18. TOTAL LIABILITIES	119.750.981	59.434.335	2.806.687	312.258	-	33
19. Net asset/liability position of off-balance sheet items (19a-19b)	-	-	-	-	-	-
19.a Total asset amount of hedging items	-	-	-	-	-	-
19b. Total liability amount of hedging items türev ürünlerin tutarı	-	-	-	-	-	-
20. Net foreign currency position (9-18)	(89.137.039)	(49.734.498)	598.867	1.645.624	14.236	(33)
21. Monetary items net foreign currency position (1+2a+5+6a-10-11-12a-14-15-16a)	(100.583.999)	(50.097.345)	(2.192.182)	(309.547)	7.945	(33)
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 assets	-	-	-	-	-	-
25. Export	14.445.617	5.934.805	1.323.907	-	-	-
26. Import	182.553.784	28.034.667	43.051.585	10.122.839	1.194.098	598.014

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

#### 38. 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 2011: 10%). The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss. There is no equity effect.

Foreign Currency Sensitivity	31 March 2012	
	Profit / (Loss)	
	If foreign currency appreciates	If foreign currency depreciates
If US dollar changes 10%		
1- US dollar net asset/liability	(7.165.020)	7.165.020
2- Amount protected from US dollar risk (-)	2.714.433	(2.714.433)
<b>3- US Dollar net effect (1+2)</b>	<b>(4.450.587)</b>	<b>4.450.587</b>
If EUR changes 10%		
4- EUR net asset/liability	(528.298)	528.298
5- Amount protected from EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>(528.298)</b>	<b>528.298</b>
If other currencies change 10%		
7- Other net asset/liability	(69.344)	69.344
8- Amount protected from other currency risk (-)	-	-
<b>9- Other net effect (7+8)</b>	<b>(69.344)</b>	<b>69.344</b>
Total (3 + 6 +9)	<b>(5.048.229)</b>	<b>5.048.229</b>

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 38. 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 2011	
	Profit / (Loss)	
	If foreign currency appreciates	If foreign currency depreciates
If US dollar changes 10%		
1- US dollar net asset/liability	(9.462.888)	9.462.888
2- Amount protected from US dollar risk (-)	-	-
<b>3- US Dollar net effect (1+2)</b>	<b>(9.462.888)</b>	<b>9.462.888</b>
If EUR changes 10%		
4- EUR net asset/liability	(535.725)	535.725
5- Amount protected from EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>(535.725)</b>	<b>535.725</b>
If other currencies change 10%		
7- Other net asset/liability	(59.787)	59.787
8- Amount protected from other currency risk (-)	-	-
<b>9- Other net effect (7+8)</b>	<b>(59.787)</b>	<b>59.787</b>
Total (3 + 6 +9)	<b>(10.058.400)</b>	<b>10.058.400</b>

##### (b.3.2) Interest rate risk management

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

As of 31 March 2012, 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.

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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#### 38. 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>31 March 2012</u>	<u>31 December 2011</u>
<b>Fixed Rated Instruments</b>		
Financial Assets	-	-
Financial Liabilities	204.725.765	213.471.693
<b>Floating Rated Instruments</b>		
Financial Assets	-	-
Financial Liabilities	17.488.333	15.466.001
	<u>222.214.098</u>	<u>228.937.694</u>

If Libor and Euribor had been higher by 50 basis points and all other variables were held constant, profit for the year ended at 31 March 2012 would decrease by TRY 17.440, (31 December 2011: TRY 61.864). The equity effect is nil. If Libor and Euribor had been lower by 50 basis points, the profit of the Group for the year ended would increase with the same absolute amount.



## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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

#### 39. FINANCIAL INSTRUMENTS

##### *Categories of financial instruments*

<b>31 March 2012</b>	Loans and receivables	Financial liabilities at amortized cost	Carrying Value	Note
<b>Financial Assets</b>				
Cash and cash equivalents	16.518.714	-	16.518.714	6
Trade receivables (including related parties)	160.597.439	-	160.597.439	10
<b>Financial Liabilities</b>				
Borrowings	-	222.214.098	222.214.098	8
Liabilities under the Law Numbered 6111	-	1.855.471	1.855.471	22
Trade payables (including related parties)	-	29.458.492	29.458.492	10
<b>31 December 2011</b>				
<b>Financial Assets</b>				
Cash and cash equivalents	17.635.947	-	17.635.947	6
Trade receivables (including related parties)	167.073.315	-	167.073.315	10
<b>Financial Liabilities</b>				
Borrowings	-	228.937.694	228.937.694	8
Liabilities under the Law Numbered 6111	-	2.717.264	2.717.264	22
Trade payables (including related parties)	-	35.684.662	35.684.662	10

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

## DEVA HOLDİNG A.Ş. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2012

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#### 39. 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.

Based on the fair value hierarchy, the Group's financial assets and liabilities are categorized as follow:

<u>Financial assets</u>	<u>31 March 2012</u>	<u>Level 1 TRY</u>	<u>Level 2 TRY</u>	<u>Level 3 TRY</u>
<b>Financial assets at FVTPL</b>				
Trading derivatives	29.500.937	-	29.500.937	-
<b>Total</b>	<u>29.500.937</u>	<u>-</u>	<u>29.500.937</u>	<u>-</u>

#### 40. SUBSEQUENT EVENTS

One of the Group's production facilities located at "Davutpaşa Cad. Cebe Ali Bey Sokak No:12 Topkapı/İstanbul" was decided to be closed till 31 December 2012 subject to the Board of Directors minute dated on 19 April 2012. All of its movables and personnel will be transferred to Group's other production facilities, all legal process will be executed and plan for the sale of the property will be performed.

#### 41. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR THE CLEAR UNDERSTANDING OF FINANCIAL STATEMENTS

None.