

**DEVA HOLDİNG A.Ş.**

**01.01.2023 - 30.09.2023 PERIOD**

**ACTIVITY REPORT OF THE BOARD OF DIRECTORS**

## DEVA HOLDING IN BRIEF

Established in 1958, DEVA Holding is among the well-established pharmaceutical manufacturers in Türkiye. With the main area of operations including manufacturing and marketing medicinal products for human and use and raw materials, DEVA Holding also manufactures veterinary medicines, eau de Cologne, and medical ampoules.

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

DEVA Holding is pacing rapidly toward its goal of being the first choice by offering innovative and unique products with a high-quality experience by creating giant pharmaceutical brands in areas where it competes, in order to make healthy living accessible to everyone around the world. With the new therapies it offers, DEVA Holding makes difference by expanding its product diversity every year.

Currently, its product portfolio contains more than 650 products in 14 therapeutic areas, ranging from oncology to cardiology, respiratory system and ophthalmology, as well as medical devices. With progressively expanding regional growth and export operations, DEVA Holding is the holder of 1,029 marketing authorizations in 69 countries, including the USA, Switzerland and Germany. Founded under the brand name of Devatis in Germany and then in Switzerland, the company received registration approval in 2018 and having been established in the USA under the same name, accelerated its activities.

DEVA Holding focuses on research and development to improve access to medicines for patients who need them, and all of its manufacturing facilities are certified compliant with the European GMP (Good Manufacturing Practice) and US FDA (Food and Drug Administration). DEVA Holding currently exports pharmaceuticals and pharmaceutical raw materials to more than 50 countries.

DEVA Holding develops high-quality and innovative products with its award-winning R&D center, DEVARGE, strong staff of well-trained employees who are experts in their respective fields, and full-fledged laboratories and manufacturing sites equipped with cutting-edge technology.

With its manufacturing capabilities, DEVA Holding has become the domestic corporation with the most comprehensive production capabilities in Türkiye. Undertaking manufacturing operations at facilities in Çerkezköy and Kartepe, DEVA Holding holds an annual output capacity of 587,7 million units of medicines. While producing for public health, DEVA Holding also adopts the understanding of sustainability for the effective and efficient use of resources, and considers environmental sensitivities in its activities. DEVA Holding manages human rights, occupational health and safety, energy efficiency and waste with great care, and continues its activities with the awareness of leaving a more livable world to future generations with its employees who possesses environmental awareness and sustainability approach.

Continuing to work for a healthy and sustainable future, DEVA Holding also supports social responsibility projects, especially in the fields of education, public health and the environment

### Contact Details

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**Trade Registry Information of the Company**

Trade Register : Istanbul Commerce Registry Office

Register No. : 70061

**MISSION AND VISION****Our Mission**

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

**Our Vision**

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

**BOARD OF DIRECTORS**

<b>Name and Surname</b>	<b>Title</b>	<b>Mission Time</b>
Philipp Daniel Haas	Chairman of the Board -Executive Member	01.04.2022 – 01.04.2025
Mesut Çetin	Vice Chairman of the Board of Directors – Executive Member	01.04.2022 – 01.04.2025
Ayşecik Haas	Board Member-Non-Executive Member	01.04.2022 – 01.04.2025
Eşref Güneş Ufuk	Board Member-Independent Member	01.04.2022 – 01.04.2025
Sengül Soytaş	Board Member-Independent Member	01.04.2022 – 01.04.2025

**Duties and Authorizations of the Members of the Board of Directors**

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

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

Within the scope of Article 18 of the Capital Markets Law and the Capital Markets Board's II-18.1 Registered Registered Capital System Communiqué; "Company's Capital" under Article 7 of the Company's Articles of Association has been amended for the purpose to add an additional 5-year period (2023 – 2027) for the authorized registered capital ceiling,

**REGARDING PARTNERSHIP:****Changes in the Capital Status of the Partnership within the Period**

No changes were made within the period.

**Development of Stock Prices during the Period**

In 01.01.2023 - 30.09.2023 period, 1 lot of shares of DEVA Holding traded at Borsa Istanbul (BİST) was traded at TRY 36.46 as the lowest value and at TRY 98.30 as the highest value.

**CAPITAL AND SHAREHOLDING STRUCTURE**

The Company's:

Registered Capital Cap : 500.000.000,00 TRY

Issued Capital : 200.019.287,78 TRY

**Shareholding Structure (30.09.2023)**

Corporate Name	Share Amount TRY	Rate of Share %
EastPharma S.A.R.L	164.424.760	82,2
Shares held by public	35.594.528	17,8
<b>Nominal capital</b>	<b>200.019.288</b>	<b>100,0</b>

**FINANCIAL INDICATORS****Primary financial and operational indicators (TRY)**

	<b>30.09.2023</b>	<b>31.12.2022</b>
Total assets	12.928.931.996	8.624.300.680
Total liabilities	7.135.115.373	4.687.476.700
Total equity	5.793.816.623	3.936.823.980

	<b>01.01.2023- 30.09.2023</b>	<b>01.01.2022- 30.09.2022</b>
Sales revenue (net)	6.216.840.315	3.054.735.012
Operating profit	2.483.707.050	1.180.559.995
Net profit	1.931.894.115	983.950.573

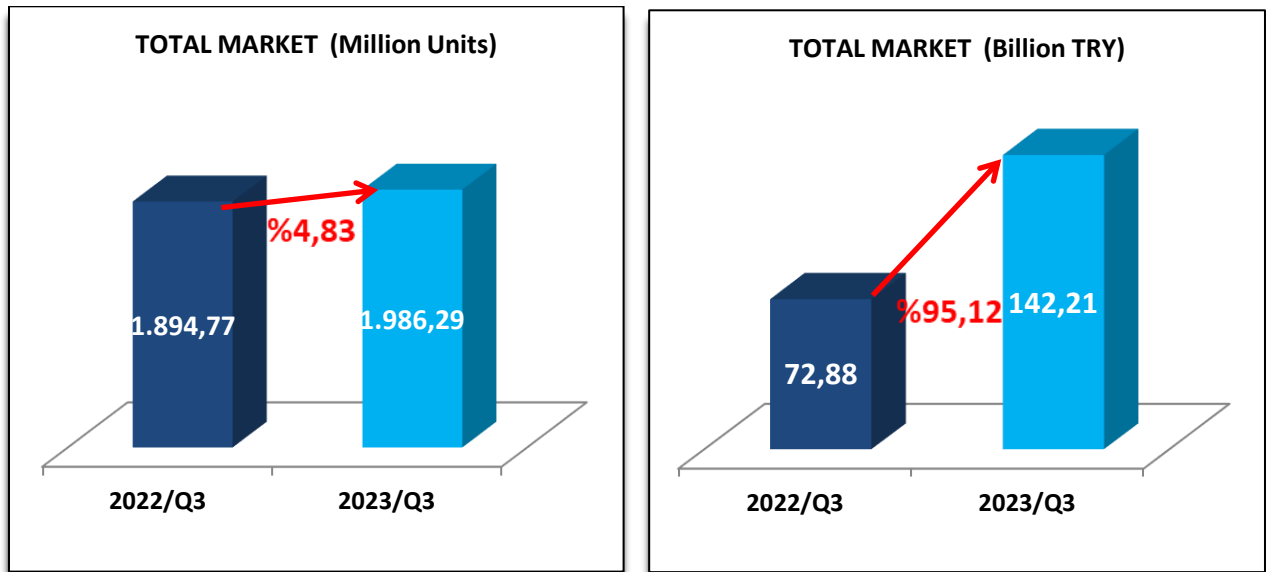
**Basic ratios (%)**

	<b>30.09.2023</b>	<b>31.12.2022</b>
Current ratio	1,42	1,36
Liquidity ratio	0,99	0,86
Precision ratio	0,51	0,44
Liabilities/Assets total (Financial leverage rate)	0,55	0,54
Equity/debt ratio	0,81	0,84

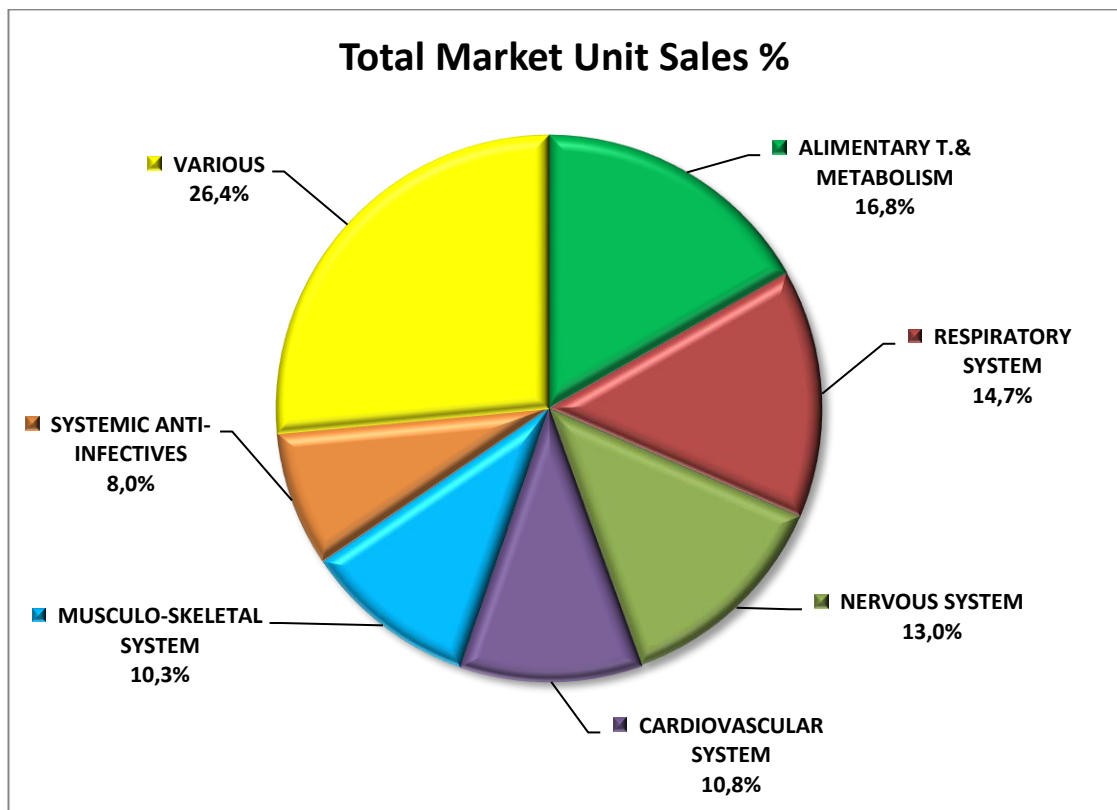
	<b>01.01.2023- 30.09.2023</b>	<b>01.01.2022- 30.09.2022</b>
Gross profit margin	0,58	0,52
Net profit margin (sales profitability)	0,31	0,32
Equity profit margin (equity profitability)	0,44	0,37

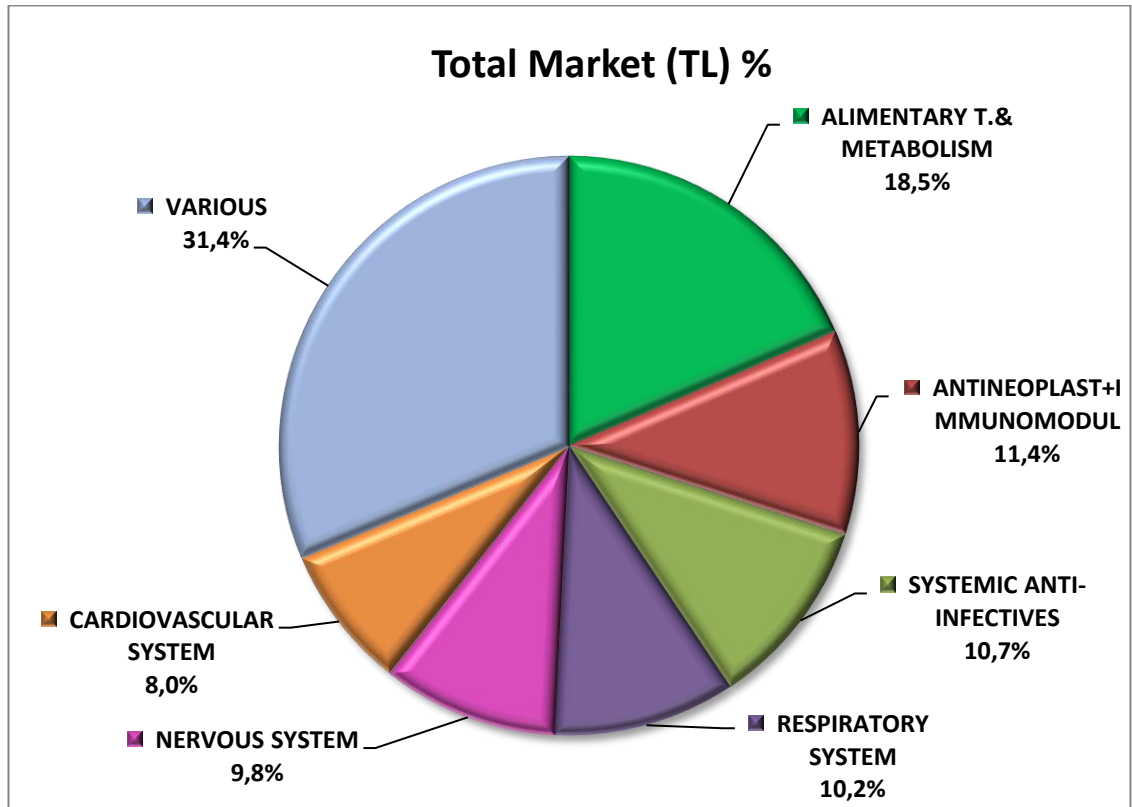
## SALES FOR THE PERIOD 01.01.2023 – 30.09.2023

According to IQVIA data; a total amount of 1,986.29 mn units of drugs which worth TRY (\*) 142.21 bn were sold in the Turkish Pharmaceutical Market in first 9 months of 2023. Compared to the same period of the previous year, the market grew by 4.83% in terms of unit and 95.12% in terms of TRY.



In first 9 months of 2023; the unit sales segmentations(ATC1) can be seen in below graphics. The leader segmentation in Turkish market according to IQVIA is Alimentary T.& Metabolism in unit and TL sales terms.

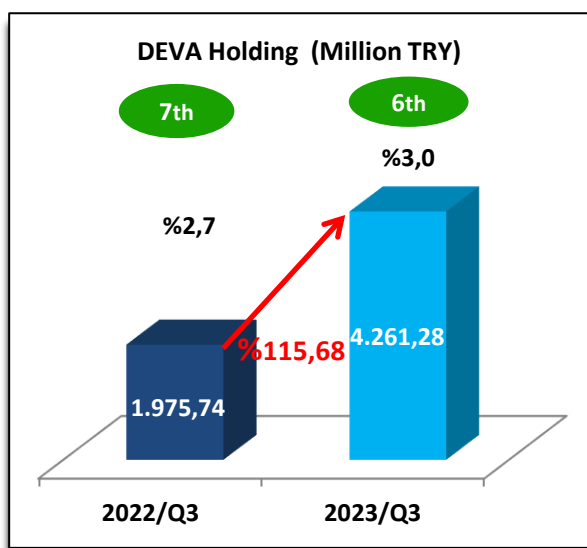
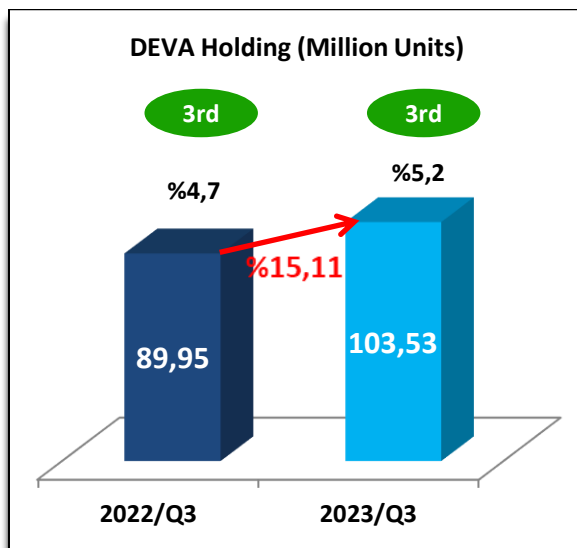




#### DEVA HOLDING'S IQVIA SALES RESULTS FOR THE FIRST 9 MONTHS OF 2023

In the first 9 months of 2023, DEVA Holding sold 103.53 million units of IQVIA on a box basis at a rate of 15.11% compared to the same period of the previous year, and IQVIA sales of TRY 4,261.28 million on a TRY basis, compared to the previous year's sales, achieved a growth of 115.68% compared to the same period.

In the first 9 months of 2023, DEVA Holding ranked 3rd with a market share of 5.2% on a unit basis, and ranked 6th with a market share of 3.0% in TL terms.

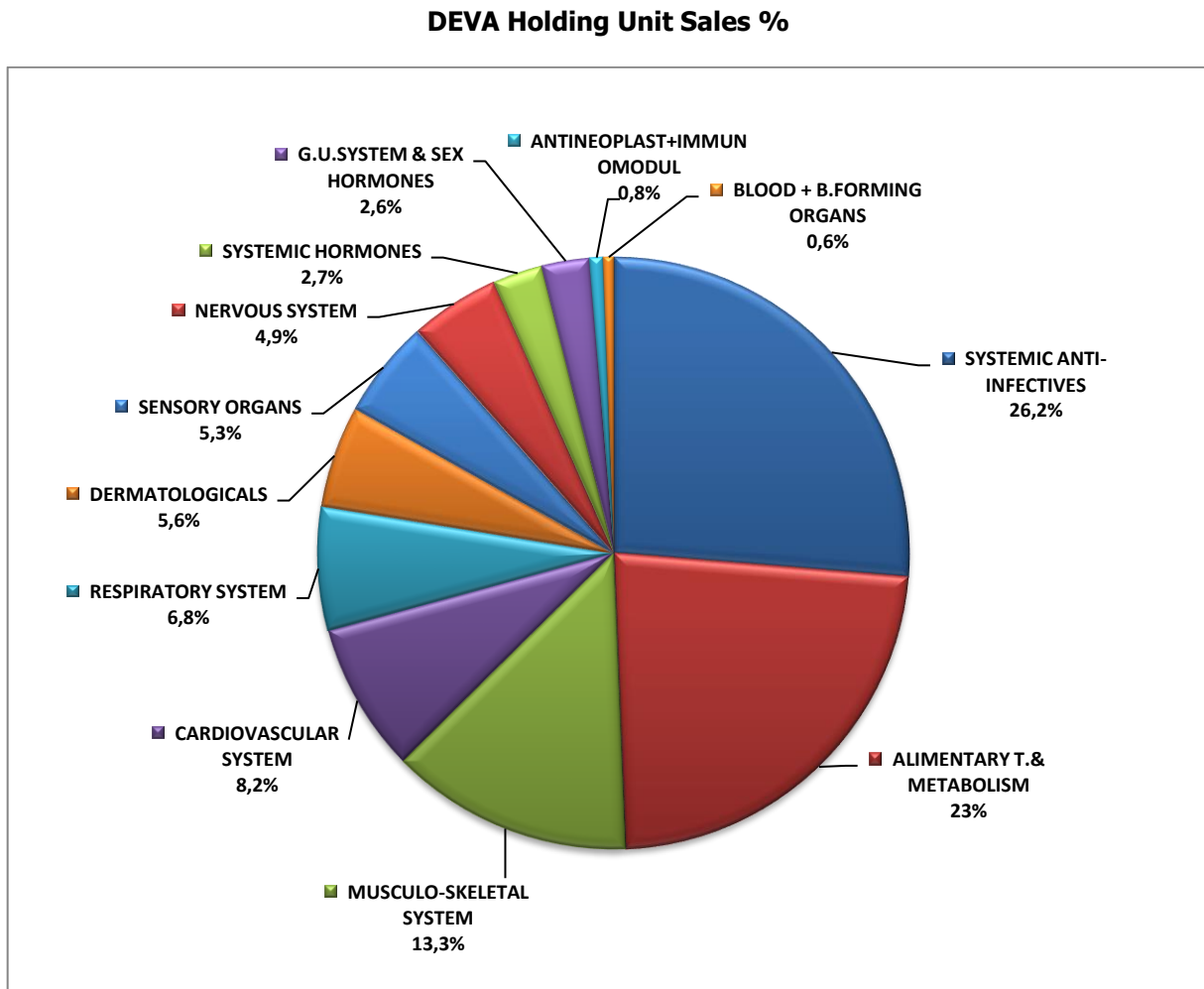


In first 9 months of 2023, DEVA is among the top 100 products of the Turkish pharmaceutical market on a box basis, respectively as Amoklavin, Devit D3, Dikloron, Dodex and in TRY basis Amoklavin.

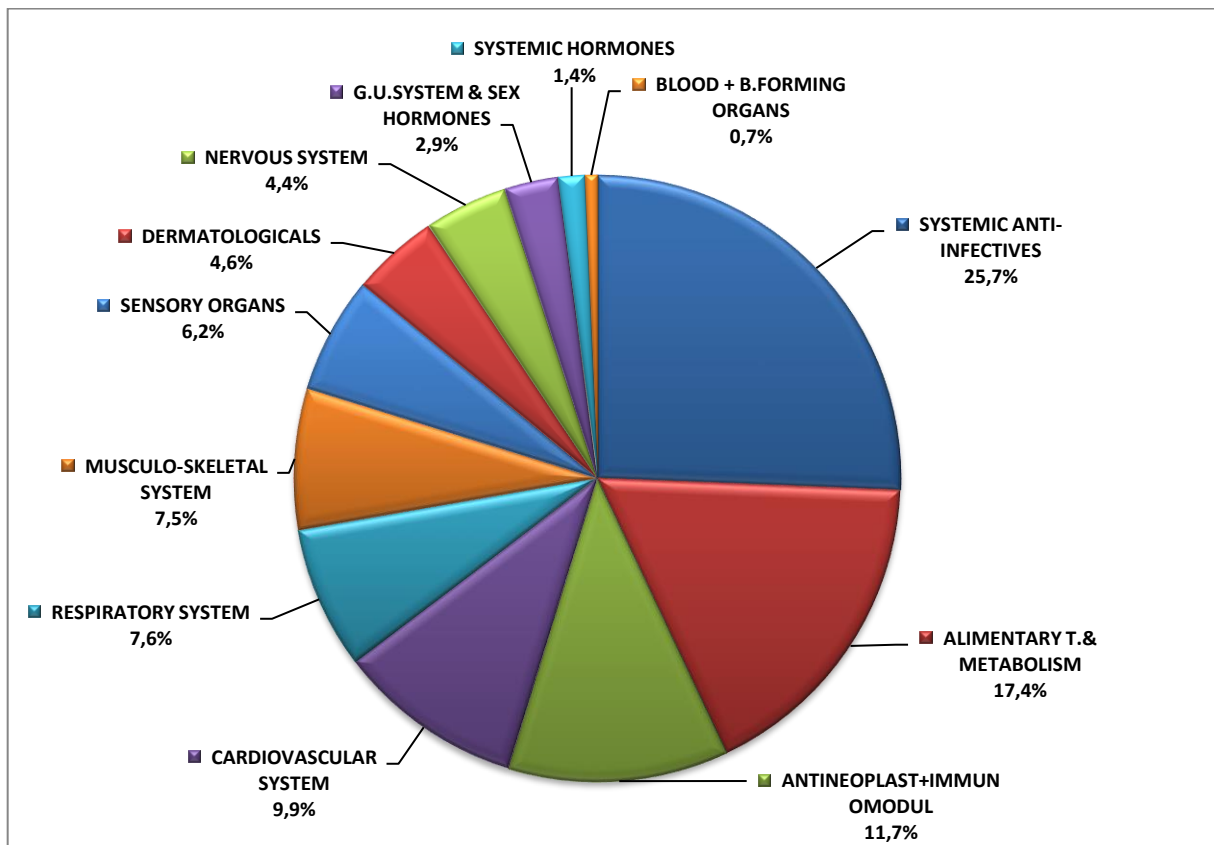
In first 9 months of 2023, half of the turnover (%50,9) of DEVA Holding is coming from 12 different products. These are; Amoklavin, Devit D3, Rivelime, Dikloron, Candexil Plus, Dodex, Cefaks, Tribeksol, Desefin, Dilatrend, Azitro and Novaqua in order to highest to lowest in TRY sales.

The leader segmentation in DEVA Holding according to IQVIA is Systemic Anti-Infectives on box basis terms and in TRY sales terms.

The segment (ATC1) distribution of sales by box and TRY is as follows:



## DEVA Holding TRY Sales %



Source: IQVIA Free + Hospital Dataview

(\*) "Free Goods" are not included to TYR value due to the change of the calculation method by Turkey IQVIA.

In the related period, DEVA Holding sold 20.2 million boxes worth TRY 315.4 million to the State Supply Office and 13.3 million boxes worth TRY 172.1 million for hospitals. The said sales are not included in the IQVIA data.

In addition, exports amounted to TRY 889 million, corresponding to 39.7 million USD, in the relevant period.

### RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

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

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

Internal Audit Management audits the compliance of the activities carried out by the company with international auditing principles and generally accepted management standards, company's articles of association as well as written policies and practices. Internal Audit Management evaluates all units in terms



of management within the framework of the audit plan, and presents audit results to the Risk Management Committee and the Committee Responsible for Audits on a regular basis.

In 2023, internal audit activities were carried out for the company's operations, the risk reports from all units were evaluated, and the findings and recommendations for improvement were presented to the Board of Directors.

### **Investments**

For the period of 01.01.2023 - 30.09.2023 to DEVA Holding and Group companies; A total of TRY 937.680.028 investments were made, TRY 332.602.120 in total for the Administration Building, Factory, Machinery-Installation and Fixtures, and TRY 605.077.908 for R&D, Licensing and Licenses.

The Group, which has the R&D Center Certificate, is provided with tax and SGK discounts for all projects working within the scope of the R&D Center, in addition to the cash supports provided for the R&D projects approved by Tübitak. A maximum of 60% of the total amount of expenditures evaluated and approved by TÜBİTAK is paid as cash support.

The Group has 1 ongoing research and development projects approved by TÜBİTAK. Total incentive research and development expenses incurred in 2023 related with these projects amounted to TRY 411.845.191.

In the relevant period; for DEVA Kartepe facilities, TRY 46.511.437 was spent under the incentive certificate 501317 received on 30.10.2018, TRY 339.101.440 was spent under the 525422 incentive certificate received for Çerkezköy facilities. No expenditure was spent within the scope of the incentive certificate numbered 136611, which was received for Çerkezköy facilities on 7.04.2018.

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.

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

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

Within the scope of the Issuance Certificate, approved by the Capital Markets Board's decision dated 15.09.2022 and numbered 50/1354, the sale of coupons and principal payment bonds with nominal value of 150 million TRY, maturity of 364 days, was completed on October 6, 2023.

Within the scope of the Issuance Certificate, the sale of coupons and principal payment bonds with nominal value of 270 million TRY, maturity of 364 days and annual interest of %34, was completed on February 28, 2023, the sale of coupons and principal payment bonds with nominal value of 80 million TRY, maturity of 273 days and annual interest of %30, was completed on March 27, 2023.

Furthermore, within the scope of the Issuance Certificate, approved by the Capital Markets Board's decision dated 24.08.2023 and numbered 49/1025, the sale of coupons and principal payment bonds with nominal value of 250 million TRY, maturity of 364 days and annual interest of %46, was completed on September 14, 2023, the sale of coupons and principal payment bonds with nominal value of 200 million TRY, maturity of 364 days and annual interest of %47, was completed on October 5, 2023.

## **INFORMATION ON THE SUBSIDIARIES AND RELATED COMPANIES**

### **Subsidiaries**

DEVA Holding holds 100% stake in Devatis Ltd, which was established in New Zealand in order to sell and distribute its products abroad, Devatis GmbH, established in Germany, Devatis AG, established in Switzerland, Devatis Inc., established in America, Devatis de Mexico, S. De Rl. De.Cv established in Mexico, Devatis Pty Ltd established in Australia, Devatis Canada, Inc. established in Canada, and Devatis d.o.o. Beograd established in Serbia.

### **Other Related Companies**

Operating in field of production and marketing of medicinal products for human use, active pharmaceutical ingredients and veterinary drugs and having its registered office in Luxembourg, Eastpharma S.a.r.l. is the major shareholder of DEVA Holding with a share of 82,20%. Eastpharma S.a.r.l. is also the major shareholder of Saba İlaç San. ve Tic. A.Ş. operating in pharmaceutical industry in Turkey with a share of 99,99%.

### **Information on Commercial Relations with Subsidiaries and Related Companies**

EastPharma Sarl has transferred, on a time-limited basis, the rights in 9 products in which it holds the license and right to sale, to DEVA Holding through agreements with the Roche company operating in the pharmaceutical industry. Also in this period, the marketing of the products in question continued, and Eastpharma gained royalty revenue from DEVA Holding Sarl through the sales of these products in Turkey.

Saba İlaç purchases contract service from DEVA Holding. In this context, Saba products are produced and stored by DEVA Holding as subcontractors. DEVA Holding provides R&D service to Saba at its R&D Center, whereby it carries out studies on Saba products and performs pilot production. In addition, Saba company purchases financial, administrative and marketing/promotional services from DEVA Holding. The overseas sales of Saba drugs are also partially made by DEVA Holding.

## **ADMINISTRATIVE ACTIVITIES**

### **Senior Executives**

Philipp Daniel Haas - (CEO)

Mesut Çetin - (CFO)

Doğan Varinlioğlu - Deputy General Manager of Turkey and International Markets

Rıza Yıldız – Financial Reporting and Accounting Director

Hartwig Andreas Steckel - R&D, Clinical Development & Patent Director

Tijen Kavlak – Business Unit Director

İrfan Çinkaya – Biotechnology Director

Aytaç Aysuna Erden - Legal Affairs Director

Elçin Güner- Business Unit Director

Eray Kurt – Site Director

Gökhan Kaba – Procurement Director

Gülcan Gümüş – Human Resources & Development Director

Metin Ercan – Site Director

Murat Akıncı – Medical Business Unit Director

Murat Aksoy – Production Planning & Logistics Director

Refiye Adıyaman – Quality Operations Director

Sibel Yılmaz – Site Director

Mert Uz - International Markets Director

Serkan Varlık - International Markets Director

Şerifenur Taşkıran-Licensing Director

**Financial Benefits Provided to the Members of the Board of Directors and Senior Managers**

The sum of the salaries and similar short and long-term benefits provided to the Members of the Board of Directors and Senior Executives during the period is TRY 307.744.861.

**Committees Established within the Board of Directors****1) Supervisory Committee**

Eşref Güneş Ufuk	Chairman (Independent Member of the Board of Directors)
Sengül Soytaş	Member (Independent Member of the Board of Directors)

**2) Corporate Governance Committee**

Eşref Güneş Ufuk	Chairman (Independent Member of the Board of Directors)
Sengül Soytaş	Member (Independent Member of the Board of Directors)
Mesut Çetin	Member (Executive Member of the Board of Directors)

**3) Committee for Early Detection of Risks**

Eşref Güneş Ufuk	Chairman (Independent Member of the Board of Directors)
Sengül Soytaş	Member (Independent Member of the Board of Directors)
Mesut Çetin	Member (Executive Member of the Board of Directors)

**Collective Agreement Practices**

No Collective Agreement with employees exists.

**Right and benefits provided to the personnel and laborers**

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

**Severance pay liability**

The severance pay liability of DEVA Holding for 01.01.2023 - 30.09.2023 period was TRY 70.815.458 and provisions were made for the entire amount in accordance with the related legislation.

**Information on the donations made within the period**

Donations and aid amounting to TRY 2.680.102 were provided to various organizations and associations during the period between 01.01.2023 and 30.09.2023.

**Cases filed against the company**

The cases filed against our company include miscellaneous business cases and cases regarding tax penalties. Detailed information on the subject is provided in the footnote 18.

**Audits Carried Out within the Period**

No audit was conducted in our company during the period of 01.01.2023 - 30.09.2023.

## **ASSESSMENT OF RISKS AND ADMINISTRATIVE BODY**

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

### **Financial Risks:**

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

### **Credit Risk of Customers:**

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

### **Strategic Risks:**

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

### **Operational Risks:**

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

**The explanations regarding the developments that significantly affected the Company's activities in this period are presented above. For other information, you can access the Annual Report of 2022 at [www.deva.com.tr](http://www.deva.com.tr)**