

DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2024

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

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

DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2024

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

		Current Year Unaudited 30 September 2024	Prior Year Audited 31 December 2023
	Footnote References		
ASSETS			
Current Assets		12.386.613.811	15.642.772.538
Cash and cash equivalents	4	1.479.495.784	2.059.945.008
Financial investments	5	1.375.729.112	2.777.008.226
Trade receivables		4.323.671.679	4.830.380.894
<i>Due from related parties</i>	7	365.122.814	228.577.723
<i>Due from third parties</i>	8	3.958.548.865	4.601.803.171
Other receivables	9	11.366.519	19.975.553
Derivative instruments	32	-	18.861
Inventories	10	4.873.992.804	5.570.805.005
Prepaid expenses	11	277.188.544	365.635.256
Assets relating to current tax	12	37.924.059	2.928.146
Other current assets	21	7.245.310	16.075.589
Non-Current Assets		16.527.190.198	14.849.686.188
Financial investments	5	1.284.928.666	-
Property, plant and equipment	13	8.152.407.071	7.873.091.916
Right of use assets	14	809.933.184	939.606.421
Intangible assets		5.325.990.582	4.988.341.784
<i>Goodwill</i>	16	29.041.489	29.041.489
<i>Other intangible assets</i>	15	5.296.949.093	4.959.300.295
Prepaid expenses	11	343.545.561	266.705.488
Deferred tax assets	29	610.385.134	781.940.579
TOTAL ASSETS		28.913.804.009	30.492.458.726

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

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

DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2024

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

	Footnote References	Current Year Unaudited 30 September 2024	Prior Year Audited 31 December 2023
LIABILITIES			
Current Liabilities		7.900.349.986	9.396.319.842
Short term financial liabilities		5.501.269.610	6.458.272.399
<i>Bank borrowings</i>		4.925.888.778	5.011.032.949
<i>Other short-term debts</i>		575.380.832	1.447.239.450
Current portion of long term financial liabilities		179.578.957	474.158.598
<i>Bank borrowings</i>		89.377.040	348.018.593
<i>Lease liabilities</i>		54.814.861	126.140.005
<i>Debt bond in issue</i>		35.387.056	-
Trade payables		1.030.817.361	1.219.577.520
<i>Due to related parties</i>		72.971.650	92.403.760
<i>Due to third parties</i>		957.845.711	1.127.173.760
Payables relating to the benefits provided to employees		132.295.631	162.684.851
Other payables		24.078.257	1.363.333
<i>Other trade payables</i>		24.078.257	1.363.333
Government grants and incentives		8.170.873	26.212.656
Deferred revenue		64.489.954	82.718.452
Current tax payable		9.224.425	56.976.932
Short term provisions		876.124.419	845.554.283
<i>Provisions for benefits provided to employees</i>		380.775.326	388.207.578
<i>Other provisions</i>		495.349.093	457.346.705
Other current liabilities		74.300.499	68.800.818
Non-Current Liabilities		1.228.409.411	1.011.785.547
Long term financial liabilities		917.726.704	518.854.319
<i>Bank borrowings</i>		137.732.720	104.179.771
<i>Lease liabilities</i>		231.452.558	414.674.548
<i>Debt bond in issue</i>		548.541.426	-
Government grants and incentives		127.723.650	313.033.334
Deferred revenue		50.092.326	43.544.774
Long term provisions		132.866.731	136.353.120
<i>Provisions for benefits provided to employees</i>		132.866.731	136.353.120
EQUITY		19.785.044.612	20.084.353.337
Equity attributable to equity holders of the parent		19.785.044.612	20.084.353.337
Paid-in capital		200.019.288	200.019.288
Inflation adjustment to share capital		3.848.247.794	3.848.247.794
Treasury shares (-)		(28.847)	(28.847)
Premium in excess of par		52.972.842	52.972.842
Other capital reserves		(20.002.749)	(20.002.749)
Other comprehensive expense not to be reclassified to profit or loss		(3.061.535)	(4.159.415)
<i>Actuarial loss arising from defined benefit plans</i>		(3.061.535)	(4.159.415)
Other comprehensive expense to be reclassified to profit or loss		201.308.756	297.527.036
<i>Currency translation reserve</i>		201.308.756	297.527.036
Restricted reserves appropriated from profit		1.421.300.085	1.421.300.085
Purchase of shares of entities under common control		(146.501)	(199.035)
Accumulated profit		13.854.736.825	9.689.235.247
(Loss) / Profit for the period		229.698.654	4.599.441.091
TOTAL LIABILITIES AND EQUITY		28.913.804.009	30.492.458.726

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

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

DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 SEPTEMBER 2024

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

	Footnote References	Current Year Unaudited 1 January – 30 September 2024	Prior Year Unaudited 1 January – 30 September 2023	Current Year Unaudited 1 July – 30 September 2024	Prior Year Unaudited 1 July – 30 September 2023
Revenue	23	10.968.183.439	11.301.126.143	3.659.190.787	3.587.366.046
Cost of revenue (-)	23	(6.443.650.006)	(7.981.842.560)	(2.170.854.932)	(3.743.216.133)
GROSS PROFIT		4.524.533.433	3.319.283.583	1.488.335.855	(155.850.087)
Marketing, sales and distribution expenses (-)	24	(1.628.255.358)	(1.492.209.973)	(477.045.558)	(438.061.641)
General administration expenses (-)	24	(1.258.763.840)	(1.293.474.917)	(413.704.335)	(386.062.443)
Research and development expenses (-)	24	(495.858.481)	(211.984.395)	(22.701.766)	(59.919.349)
Other operating income	26	1.026.724.758	906.668.312	217.140.481	536.679.131
Other operating expenses (-)	26	(28.117.566)	(176.254.900)	3.813.327	(116.328.799)
OPERATING PROFIT		2.140.262.946	1.052.027.710	795.838.004	(619.543.188)
Investment income	27	336.560.587	688.187.460	165.894.158	(137.096.572)
Investment expenses (-)	27	(126.465.284)	(4.813.659)	(23.136.557)	(4.813.659)
PROFIT BEFORE FINANCE EXPENSES		2.350.358.249	1.735.401.511	938.595.605	(761.453.419)
Finance expenses (-)	28	(2.063.480.665)	(1.396.400.460)	(772.909.393)	(523.127.656)
Monetary gain		114.660.082	1.254.867.128	(186.758.624)	933.886.057
PROFIT / (LOSS) BEFORE TAXATION		401.537.666	1.593.868.179	(21.072.412)	(350.695.018)
Tax (expense) / income		(171.839.012)	(1.132.516.116)	(245.674.631)	(224.332.787)
Current tax expense	29	(72.278.125)	(422.917.598)	3.523.716	(109.356.760)
Deferred tax expense / income	29	(99.560.887)	(709.598.518)	(249.198.347)	(114.976.027)
Net profit for the period		229.698.654	461.352.063	(266.747.043)	(575.027.805)
Distribution of profit for the period					
Equity holders of the parent		229.698.654	461.352.063	(266.747.043)	(575.027.805)
		229.698.654	461.352.063	(266.747.043)	(575.027.805)
Loss per share	30	0,0115	0,0231	(0,0133)	(0,0287)

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

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

DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2024

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

		Current Year	Prior Year	Current Year	Prior Year
		Unaudited	Unaudited	Unaudited	Unaudited
		1 January –	1 January –	1 July –	1 July –
		30 September	30 September	30 September	30 September
	Footnote	2024	2023	2024	2023
	References				
Net profit for the period		229.698.654	461.352.063	(266.747.043)	(575.027.805)
OTHER COMPREHENSIVE INCOME / (LOSS)					
Items not to be reclassified subsequently to profit or loss		1.097.880	(289.620)	273.075	-
Actuarial (loss) arising from defined benefit plans	20	1.463.840	(386.160)	364.100	-
Tax effect other comprehensive income not to be reclassified to profit or loss	29	(365.960)	96.540	(91.025)	-
Items that may be reclassified subsequently to profit or loss		(96.218.280)	179.071.656	30.589.366	41.391.905
Change in foreign currency translation reserve		(96.218.280)	179.071.656	30.589.366	41.391.905
OTHER COMPREHENSIVE (LOSS) / INCOME		(95.120.400)	178.782.036	30.862.441	41.391.905
TOTAL COMPREHENSIVE EXPENSE		134.578.254	640.134.099	(235.884.602)	(533.635.900)
Total comprehensive loss attributable to:		134.578.254	640.134.099	(235.884.602)	(533.635.900)
Equity holders of the parent		134.578.254	640.134.099	(235.884.602)	(533.635.900)

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

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

DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2024

(Amounts expressed in Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

Notes	Paid in capital	Inflation adjustment to share capital	Treasury shares (-)	Premium in excess of par	Other capital reserves	Other comprehensive income/(expense) to profit or loss	Other comprehensive income/(expense) to be reclassified to profit or loss	Restricted reserves appropriated from profit	Purchase of shares of entities under common control	Accumulated profit	Net loss for the period	Total equity attributable to equity holders of the parent	Total shareholder's equity	
						Actuarial loss arising from defined benefit plans	Currency translation reserve							
Balance as of 1 January 2023	22	200.019.288	3.848.247.794	(28.847)	52.972.842	(20.002.749)	(3.445.926)	77.792.344	1.421.300.085	(302.528)	10.098.643.491	-	15.675.195.794	15.675.195.794
Other capital reserves increase		-	-	-	-	-	-	-	-	83.679	-	-	83.679	83.679
Profit shares (*)		-	-	-	-	-	-	-	-	-	(378.410.653)	-	(378.410.653)	(378.410.653)
Total comprehensive income		-	-	-	-	-	(289.620)	179.071.656	-	-	-	461.352.063	640.134.099	640.134.099
<i>Actuarial gain arising from defined benefit plans</i>		-	-	-	-	-	(289.620)	-	-	-	-	-	(289.620)	(289.620)
<i>Currency translation reserve</i>		-	-	-	-	-	-	179.071.656	-	-	-	-	179.071.656	179.071.656
<i>Loss for the period</i>		-	-	-	-	-	-	-	-	-	461.352.063	-	461.352.063	461.352.063
Balance as of 30 September 2023	22	200.019.288	3.848.247.794	(28.847)	52.972.842	(20.002.749)	(3.735.546)	256.864.000	1.421.300.085	(218.849)	9.720.232.838	461.352.063	15.937.002.919	15.937.002.919
Balance as of 1 January 2024	22	200.019.288	3.848.247.794	(28.847)	52.972.842	(20.002.749)	(4.159.415)	297.527.036	1.421.300.085	(199.035)	9.689.235.247	4.599.441.091	20.084.353.337	20.084.353.337
Other capital reserves increase		-	-	-	-	-	-	-	-	52.534	-	-	52.534	52.534
Transfer to retained earnings		-	-	-	-	-	-	-	-	-	4.599.441.091	(4.599.441.091)	-	-
Profit shares (*)		-	-	-	-	-	-	-	-	-	(433.939.513)	-	(433.939.513)	(433.939.513)
Total comprehensive income		-	-	-	-	-	1.097.880	(96.218.280)	-	-	-	229.698.654	134.578.254	134.578.254
<i>Actuarial gain arising from defined benefit plans</i>		-	-	-	-	-	1.097.880	-	-	-	-	-	1.097.880	1.097.880
<i>Currency translation reserve</i>		-	-	-	-	-	-	(96.218.280)	-	-	-	-	(96.218.280)	(96.218.280)
<i>Loss for the period</i>		-	-	-	-	-	-	-	-	-	229.698.654	-	229.698.654	229.698.654
Balance as of 30 September 2024	22	200.019.288	3.848.247.794	(28.847)	52.972.842	(20.002.749)	(3.061.535)	201.308.756	1.421.300.085	(146.501)	13.854.736.825	229.698.654	19.785.044.612	19.785.044.612

(*) At the 2023 Ordinary General Assembly Meeting held on June 14, 2024, it was decided that; the shareholders representing TRY 200.019.288 of the capital for 2023, to be paid 25% gross; 22,5% net dividend amounting to a total of TRY 433.939.513 (nominal TRY 398.403.733) (gross TRY/krs 0,27, net TRY/krs 0,25 per a share in the amount of TRY 1) (gross TRY/krs 0,25, net TRY/krs 0,2250 per a share in the amount of TRY 1) depending on their legal status; this dividends to be paid in cash as of June 25, 2024.

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

DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2024**

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

	Footnote References	Current Year Unaudited 1 January – 30 September 2024	Prior Year Unaudited 1 January – 30 September 2023
CASH FLOWS FROM OPERATING ACTIVITIES		4.235.011.202	4.873.429.194
Profit for the period		229.698.654	461.352.063
Adjustments to Reconcile Profit (Loss)		2.092.723.746	6.316.898.683
Adjustments for depreciation and amortisation expense	13,14,15, 23,25	756.177.099	344.870.715
Adjustments for Impairment Loss (Reversal of Impairment Loss)		576.620.365	285.829.178
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Receivables	8,9	715.359	-
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	10	(68.730.245)	61.533.695
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Other Intangible Assets	15	644.635.251	224.295.483
Adjustments for Provisions		462.355.380	711.454.600
Adjustments for (Reversal of) Provisions Related with Employee Benefits	20	157.675.463	198.922.669
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	18	36.974.971	24.629.785
Adjustments for (Reversal of) Other Provisions	18	267.704.946	487.902.146
Adjustments for Interest (Income) Expenses		1.617.583.994	1.059.802.252
Adjustments for interest income	26	(388.923.698)	(195.654.561)
Adjustments for interest expense	28	2.006.507.692	1.255.456.813
Adjustments for Fair Value (Income) Expenses:		58.898.200	(307.337.418)
Adjustments for Fair Value (Gains) Losses of Financial Investments	27	58.879.339	(307.337.418)
Increase (Decrease) in Derivatives	32	18.861	-
Adjustments for Tax (Income) Expenses	29	171.839.012	1.132.516.116
Other Adjustments for Non-Cash Items	18	(110.749.530)	(206.418.323)
Adjustments for Losses (Gains) on Disposal of Non-Current Assets		(47.794.447)	(27.553.950)
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets	27	(47.794.447)	(27.553.950)
Other adjustments for Which Cash Effects are Investing or Financing Cash Flow	6	(11.011.000)	33.647.249
Other Adjustments to Reconcile Profit (Loss)		(118.156.838)	(5.118.021)
Monetary loss / (gain)		(1.263.038.489)	3.295.206.285
Changes in Working Capital		1.788.393.248	(1.802.350.544)
Adjustments for Decrease (Increase) in Trade Accounts Receivable		508.440.721	(1.620.452.942)
Increase in Trade Accounts Receivables from Related Parties	7	(136.545.091)	(128.091.072)
Increase in Trade Accounts Receivables from Other Parties		644.985.812	(1.492.361.870)
Adjustments for Increase in Other Receivables Related with Operations		8.609.034	(4.124.807)
Increase in Other Third Party Receivables Related with Operations	9	8.609.034	(4.124.807)
Adjustments for Increase in Inventories		1.490.794.228	(1.082.547.940)
Decrease in Prepaid Expenses	11	88.446.712	64.836.645
Adjustments for Increase in Trade Accounts Payable		(188.760.159)	46.962.498
Increase in Trade Accounts Payables to Related Parties	8	(19.432.110)	83.259.417
Increase in Trade Accounts Payables to Unrelated Parties	8	(169.328.049)	(36.296.919)
Increase in Employee Benefit Liabilities	20	(30.389.220)	64.588.042
Adjustments for Increase (Decrease) in Other Operating Payables		22.714.924	41.449.819
Increase (Decrease) in Other Operating Payables to Other Parties	9	22.714.924	41.449.819
Increase in Derivative Liabilities	32	-	2.410.385
Increase in Deferred Income	11	(11.680.946)	71.310.779
Other Adjustments for Other Increase (Decrease) in Working Capital		(99.782.046)	613.216.977
Decrease (Increase) in Other Assets Related with Operations	12,21	(26.165.634)	172.685.565
Increase (Decrease) in Other Payables Related with Operations		(73.616.412)	440.531.412
Cash Flows from (used in) Operations		4.110.815.648	4.975.900.202
Interest received	4,26	389.946.987	191.963.376
Payments Related with Provisions for Employee Benefits	20	(123.139.651)	(175.016.129)
Payments Related with Other Provisions	18	(142.611.782)	(119.418.255)

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

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

DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2024

(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

	Footnote References	Current Year Unaudited 1 January – 30 September 2024	Prior Year Unaudited 1 January – 30 September 2023
CASH FLOWS FROM INVESTING ACTIVITIES		(2.487.093.593)	(3.558.317.670)
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		48.057.718	27.553.950
Proceeds from Sales of Property, Plant and Equipment	13,27	48.057.718	27.553.950
Purchase of Property, Plant, Equipment and Intangible Assets		(2.645.016.920)	(1.353.154.580)
Purchase of Property, Plant and Equipment	13	(849.750.477)	(176.638.865)
Purchase of Intangible Assets (*)	6,14,15	(1.795.266.443)	(1.176.515.715)
Cash Inflows / Outflows Arising From Debt Instruments	5,27	183.196.179	(2.464.857.149)
Cash Advances and Loans Made		(76.840.073)	232.138.094
Other Cash Advances and Loans Made to Other Parties	11	(76.840.073)	232.138.094
Proceeds from Government Grants	17	3.509.503	2.015
CASH FLOWS FROM FINANCING ACTIVITIES		(1.688.161.085)	(363.666.082)
Proceeds from Loans		6.034.955.818	4.773.110.658
Proceeds from Borrowings	6	5.486.414.392	4.773.110.658
Other short-term debts	6	548.541.426	-
Debt Repayments		(5.106.625.311)	(3.449.080.518)
Cash outflows regarding repayments of borrowings	6	(4.586.625.311)	(3.259.261.311)
Cash outflows regarding payments of bonds issued	6	-	(189.819.207)
Cash outflows from other short-term debts	6	(520.000.000)	-
Cash outflows related with payments of lease liabilities	6	(154.004.310)	(137.983.187)
Cash outflows regarding payments of dividend	22	(433.939.513)	(347.422.192)
Interest paid	6,28	(2.028.547.769)	(1.202.290.843)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		59.756.524	951.445.442
Effect of exchange rate changes on cash and cash equivalents		(96.218.280)	179.071.656
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(36.461.756)	1.130.517.098
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD INFLATION EFFECT		(543.155.722)	(1.227.074.636)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	2.057.797.564	2.217.761.097
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	1.478.180.086	2.121.203.559

(*) Amount of TRY 319.306.757 advances given for right of use asset purchases are included in the cash outflows item of the purchase of intangible assets (30 September 2023: TRY 215.646.104).

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

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

DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2024

(Amounts expressed in Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

The average number of employees working in the Group for the period ended 30 September 2024 is 3.023 (31 December 2023: 2.908).

Eastpharma S.A.R.L. is the main shareholder of the Company. Eastpharma S.A.R.L. was founded in Luxembourg in 2006 and is fully owned by Eastpharma Ltd., which was incorporated in Bermuda in 2006. Eastpharma S.A.R.L. acquired 52,6% of the Company’s shares on 27 November 2006. Subsequent to that date EP SARL increased its shareholdings and as of 30 September 2024, it owns 82,2% of the shares of Deva (31 December 2023: 82,2%).

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

As of 30 September 2024, the Company’s share capital consists of 20.001.928.778 shares with an amount of TRY 0,01 for each (31 December 2023: 20.001.928.778). The Company’s nominal capital structure is as follows (Note 22):

<u>Name</u>	<u>(%)</u>	<u>30 September 2024</u>	<u>(%)</u>	<u>31 December 2023</u>
Eastpharma S.A.R.L.	82,2	164.424.760	82,2	164.424.760
Shares held by public	17,8	35.594.528	17,8	35.594.528
Nominal capital	100,0	200.019.288	100,0	200.019.288
Restricted reserves allocated from profit (*)		3.848.247.794		3.848.247.794
Treasury shares (-)		(28.847)		(28.847)
Adjusted share capital		<u>4.048.238.235</u>		<u>4.048.238.235</u>

(*) Adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the CMB Financial Reporting Standards. Adjustment to share capital has no use other than being transferred to paid-in share capital.

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DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2024

(Amounts expressed in Turkish Lira (“TRY”) in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

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

Subsidiaries

As of 30 September 2024 and 31 December 2023, the details of the subsidiaries (“the Group”) in terms of ownership and principal business activities are as follows:

<u>Company</u>	<u>Effective Ownership (%)</u>		<u>Line of activity</u>
	<u>30 September 2024</u>	<u>31 December 2023</u>	
Devatis Ltd	100	100	Distribution and sale of human and veterinary pharmaceuticals in New Zealand and Australia
Devatis Inc	100	100	Distribution and sale of human and veterinary pharmaceuticals in USA
Devatis GmbH	100	100	Distribution and sale of human and veterinary pharmaceuticals in Germany
Devatis PTY Ltd (*)	100	100	Distribution and sale of human and veterinary pharmaceuticals in Australia
Devatis A.G (*)	100	100	Distribution and sale of human and veterinary pharmaceuticals in Switzerland
Devatis de Mexico (*)	100	100	Distribution and sale of human and veterinary pharmaceuticals in Mexico
Devatis Canada Inc. (*)	100	100	Distribution and sale of human and veterinary pharmaceuticals in Canada
Devatis d.o.o Beograd (*)	100	100	Distribution and sale of human and veterinary pharmaceuticals in Serbia
Devatis B.V. (*)	100	-	Distribution and sale of human and veterinary pharmaceuticals in Holland
Devatis LLC (*)	100	-	Distribution and sale of human and veterinary pharmaceuticals in Azerbaijan

(*) The companies do not have material effect on the consolidated financial statements. Therefore, they are not included in the consolidation.

The Group’s subsidiaries operate outside Turkey.

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

Subsidiaries (cont’d)

The Company and its subsidiaries operate in the pharmaceutical industry and are one of the branded generic players in the market. The Group has a wide range product portfolio and a country-wide organized sales force. The Group has 4 production facilities in 4 different locations.

The Group has 225 pharmaceutical molecules in 441 pharmaceutical forms. Of these 7 molecules (in 8 presentation forms) are manufactured and marketed by using license rights.

As of 30 September 2024 the business segments are production and sale of human pharmaceuticals, veterinary and agricultural products and other.

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

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

The income of veterinarians and animal breeders segment is achieved by the sales of 88 pharmaceutical molecules in 130 pharmaceutical forms.

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

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

Approval of the financial statements

The accompanying financial statements have been approved by the Board of Directors and are authorized for issue on 8 November 2024.

Going Concern

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

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Accounting Standards

The Group maintain their books of accounts and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code (“TCC”) and tax legislation. Subsidiaries operating in foreign countries maintain their books of accounts in the currency of the country in which they operate and prepare their statutory financial statements in accordance with the legislation effective in these countries.

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

Additionally, financial statements are presented in the “Announcement on TFRS Taxonomy” published by (“KGK”) 4 October 2022 and in accordance with the formats specified in the Financial Statement Examples and User Guide published by the (“SPK”).

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

Presentation and Functional Currency

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

2024 and 2023, the details for the year end and average US dollar, Euro and New Zealand dollar are as follows:

	Period ended		Average	
	30 September 2024	31 December 2023	30 September 2024	30 September 2023
USD/TRY	34,1210	29,4382	32,2299	22,1887
EUR/TRY	38,1714	32,5739	35,0471	24,0526
NZD/TRY	21,6949	18,6203	19,6721	13,6846

Preparation of Financial Statements in Hyperinflationary Periods

The financial statements and the corresponding figures for previous periods are restated for the changes in the general purchasing power of the functional currency and, as a result, are stated in terms of the measuring unit current at the end of the reporting period in accordance with TAS 29 Financial Reporting in Hyperinflationary Economies.

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DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2024

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (con’d)

Preparation of Financial Statements in Hyperinflationary Periods (con’d)

TAS 29 is applied to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy. When a hyperinflation in an economy exists, TAS 29 requires that the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy is stated in terms of the measuring unit current at the end of the reporting period.

As of the reporting date, since the cumulative change in the general purchasing power of the last three years has been over 100% according to the Consumer Price Index (“CPI”) number, entities operating in Turkey are required to apply TAS 29 “Financial Reporting in High Inflation Economies” for reporting periods ending on or after 31 December 2023.

Following table shows inflation rates for related years calculated considering the Consumer Price Indexes published by the Turkish Statistical Institute:

Date	Index	Adjustment Coefficient	Three years compound inflation rates
30.09.2024	2.526,16	1,00000	343%
31.12.2023	1.859,38	1,35860	268%
30.09.2023	1.691,04	1,49385	254%

The outlines of TAS 29 indexing operations are as follows:

- As of the reporting date, all items except those expressed in terms of current purchasing power are indexed using the relevant adjustment coefficients. Amounts from prior years are also indexed in the same way.
- Monetary assets and liabilities are not indexed since they are expressed in terms of current purchasing power at the balance sheet date. Monetary items are cash and items to be received or paid in cash.
- Fixed assets, associates and similar assets are indexed over their historical costs, not exceeding their market values. Depreciations are similarly adjusted. The amounts included in the shareholders' equity have been restated as a result of the application of the general price indices in the periods when these amounts are included in the Company or occurred within the Company.
- Except for income statement items affected by indexing non-monetary items in the statement of financial position that have an impact on the statement of income, all items in the income statement are indexed with the coefficients calculated over the periods in which the income and expense accounts are initially reflected in the financial statements.
- The gain or loss on the net monetary position arising from general inflation is the difference of adjustments made to non-monetary assets, equity items and income statement accounts. This gain or loss on the net monetary position is included in the profit or loss.

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (con’d)

Preparation of Financial Statements in Hyperinflationary Periods (con’d)

The effect of applying TAS 29 Inflation Accounting is summarized below:

Restatement of Statement of Financial Position

Statement of financial position amounts not already expressed in terms of the measuring unit current at the end of the reporting period are restated. Accordingly, monetary items are not restated since they are already expressed in terms of the monetary unit current at the end of the reporting period. Non-monetary items are required to be restated unless they are carried at amounts current at the end of the reporting period.

The gain or loss on the net monetary position arising from restatement of non-monetary items is included in profit or loss and separately presented in the statement of comprehensive income.

Restatement of Statement of Profit or Loss

All items in the statement of profit or loss are expressed in terms of the measuring unit current at the end of the reporting period. Therefore, all amounts are restated by applying the changes in the monthly general price index.

Cost of inventory sold is restated by using restated inventories balance.

Depreciation and amortization expenses is restated by using restated property and equipment, intangible assets and right of use assets balances.

Restatement of Statement of Cash Flows

All items in the statement of cash flows are expressed in terms of the measuring unit current at the end of the reporting period.

Consolidated financial statements

The financial statements of any subsidiary whose functional currency is the currency of a hyperinflationary economy is restated by applying a general price index before they are included in the consolidated financial statements issued by its parent. Where such a subsidiary is a foreign subsidiary, its restated financial statements are translated at closing rates. If financial statements with different ends of the reporting periods are consolidated, all items, whether non-monetary or monetary, are restated into the measuring unit current at the date of the consolidated financial statements.

Corresponding figures

Corresponding figures for the previous reporting period are restated by applying a general price index so that the comparative financial statements are presented in terms of the measuring unit current at the end of the reporting period. Information that is disclosed in respect of earlier periods is also expressed in terms of the measuring unit current at the end of the reporting period.

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DEVA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

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2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (con’d)

Reclassification of Comparative Amounts

In the current year, the Group had reclassified certain comparative balances in order to conform to current year’s presentation. The nature, amount and reasons for each of the reclassifications are described below:

There is no profit or loss effect related to this reclassification.

Basis of Consolidation

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

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

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

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

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

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

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

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

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

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

2.1 Changes in the Accounting Estimates and Errors

If changes in the accounting estimates are related to only one period, they are applied in the current year; if they are related to the future period, they are applied both in current and future periods. The Group has no significant changes to the accounting estimates in the current period. When a significant accounting error occurs, it is corrected retrospectively and the prior year financial statements are restated.

2.2 New and Revised Turkish Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at September 30, 2024 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2024. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) Amendments that are mandatorily effective from 2024:

Amendments to TAS 1	Classification of Liabilities as Current or Non-Current
Amendments to TFRS 16	Lease Liability in a Sale and Leaseback
Amendments to TAS 1	Non-current Liabilities with Covenants
Amendments to TAS 7 and TFRS 7	Supplier Finance Arrangements
TSRS 1	General Requirements for Disclosure of Sustainability-related Financial Information
TSRS 2	Climate-related Disclosures

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

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

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2024 and earlier application is permitted.

Amendments to TFRS 16 Lease Liability in a Sale and Leaseback

Amendments to TFRS 16 clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in TFRS 15 to be accounted for as a sale.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

Amendments to TAS 1 Non-current Liabilities with Covenants

Amendments to TAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

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

Amendments to TAS 7 and TFRS 7 Supplier Finance Arrangements

The amendments add disclosure requirements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

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

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

i) Amendments that are mandatorily effective from 2024 (cont’d)

TSRS 1 General Requirements for Disclosure of Sustainability-related Financial Information

TSRS 1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. The application of this standard is mandatory for annual reporting periods beginning on or after 1 January 2024 for the entities that meet the criteria specified in POA's announcement dated 5 January 2024 and numbered 2024-5 and for banks regardless of the criteria. Other entities may voluntarily report in accordance with TSRS.

TSRS 2 Climate-related Disclosures

TSRS 2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. The application of this standard is mandatory for annual reporting periods beginning on or after 1 January 2024 for the entities that meet the criteria specified in POA's announcement dated 5 January 2024 and numbered 2024-5 and for banks regardless of the criteria. Other entities may voluntarily report in accordance with TSRS.

ii) New and revised TFRSs in issue but not yet effective

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

TFRS 17	<i>Insurance Contracts</i>
Amendments to TFRS 17	<i>Initial Application of TFRS 17 and TFRS 9 — Comparative Information (Amendment to TFRS 17)</i>
Amendments to TAS 21	<i>Lack of Exchangeability</i>

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 has been deferred for insurance, reinsurance and pension companies for a further year and will replace TFRS 4 Insurance Contracts on 1 January 2025.

Amendments to TFRS 17 Insurance Contracts and Initial Application of TFRS 17 and TFRS 9 — Comparative Information

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application.

The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before.

Amendments are effective with the first application of TFRS 17.

Amendments to TAS 21 Lack of Exchangeability

The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. Amendments are effective from annual reporting periods beginning on or after 1 January 2025.

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

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

2.3 Summary of Significant Accounting Policies

a. Revenue

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

The Group recognizes revenue based on the following five main principles:

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

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

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

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

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

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

There is no application in the form of a refund with the pharmaceutical warehouses for the recovery of the products that have short expiry dates. At the end of the period, if such products are available and possible, they are sent to the pharmaceutical warehouse via free product incentive instead of refund implementation.

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

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

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

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

2.3 Summary of Significant Accounting Policies (cont’d)

a. Revenue (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. The Group exterminates the products in its inventory that have been expired and cannot be reused based on R&D and quality evaluations, and allocates provision in the inventory accounts for the related products in the financial statements. As of 30 September 2024, the total amount of extermination and diminishing value of these provisions is TRY 268.723.866 (31 December 2023: TRY 398.445.912) (Note 10).

c. Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated amortization and any impairment loss. Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences by straight-line method when assets are ready for their intended use, as their useful lives explained in Note 13.

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

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

d. Intangible Assets

Intangible assets acquired separately

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

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

2.3 Summary of Significant Accounting Policies (cont'd)

d. Intangible Assets (cont'd)

Internally-generated intangible assets – research and development costs

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

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

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

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

Impairment losses related to these are recognised in the "Research and Development Expenses" account in the statement profit or loss.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

e. Right-of-use assets

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

The cost of right-of-use assets includes:

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

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

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

2.3 Summary of Significant Accounting Policies (cont’d)

f. Lease liabilities

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

At the commencement date of the lease, the measurement of the lease liabilities includes:

The lease payments include

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

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

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

g. Impairment of Non-Financial Assets

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

h. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recorded in the income statement in the period in which they are incurred. Assets that necessarily take a substantial period of time to get ready for intended use or sale of the Group are license development costs. Transformation of these costs to be ready for sale state may take more than one financial year. Borrowing costs incurred for development costs are added to cost of the related asset until it is ready for sale.

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

2.3 Summary of Significant Accounting Policies (cont’d)

i. Financial Instruments

(i) Financial assets

Classification

The Group classifies its financial assets in three categories; through amortization, through fair value difference reflected in other comprehensive income and through financial assets at fair value through profit and loss. The classification is based on the business model used by the entity for the management of financial assets and the characteristics of the contractual cash flows of the financial assets. The Group classifies its assets at the date of the purchase. Financial assets are not reclassified after initial recognition unless the business model that the Group uses in the management of financial assets change, and in case of a change in business model, the financial assets are reclassified on the first day of the following reporting period.

Recognition and Measurement

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

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

Derecognition of Financial Assets and Liabilities

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

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

2.3 Summary of Significant Accounting Policies (cont’d)

i. Financial Instruments (cont’d)

(i) Financial assets (cont’d)

Impairment

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

Loss provisions were measured on the following basis;

12 month ECL; is the ECL of the possible default events within 12 months of the reporting date.

Lifetime ECL; is the expected loss of loans resulting from all possible default events during the expected life of a financial instruments.

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

Recognition and Measurement

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

(ii) Financial liabilities

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

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

Financial assets at FVTPL

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

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

2.3 Summary of Significant Accounting Policies (cont’d)

i. Financial Instruments (cont’d)

(ii) Financial liabilities (cont’d)

Bonds issued

Bonds issued, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period (Note 6).

Derivative financial instruments

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

j. Business Combinations

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

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

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

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

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

2.3 Summary of Significant Accounting Policies (cont’d)

j. Business Combinations (cont’d)

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

The subsequent recognition of changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments shall vary according to the classification for the contingent consideration.

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

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

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

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

k. Goodwill

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

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

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

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

2.3 Summary of Significant Accounting Policies (cont’d)

l. Treasury Shares

If an entity reacquires its own equity instruments, those instruments (“treasury shares”) are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Such treasury shares may be acquired and held by the entity or by other members of the consolidated group. Consideration paid or received is recognised directly in equity. Following the Deva-Vetaş merger that realized as of 30 December 2016, Deva’s A group shares with nominal value of 0,013-TRY and Deva’s B group shares with a nominal value of 0,01-TRY and Deva’s C group shares with 28.847-TRY nominal value which are owned by Vetaş have been transferred to Deva.

m. Foreign Currency Transactions

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

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

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

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

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

n. Earnings per Share

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

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

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

2.3 Summary of Significant Accounting Policies (cont’d)

o. Subsequent Events

Subsequent events comprise events between the balance sheet date and the publication date of the balance sheet even if they emerge after any announcement or declaration related with the financial results or other selected financial information. The Group adjusts the amounts recognised in its financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements.

p. Provisions, Contingent Liabilities, Contingent Assets

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is actually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

r. Related Parties

A party is related to the Company if:

(a) Directly, or indirectly through one or more intermediaries, the party:

- (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- (ii) has an interest in the entity that gives it significant influence over the entity; or
- (iii) has joint control over the entity;

(b) the party is an associate of the entity;

(c) the party is a joint venture in which the entity is a venturer;

(d) the party is a member of the key management personnel of the entity or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

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

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

2.3 Summary of Significant Accounting Policies (cont’d)

s. Segment Information

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

t. Share Capital and Dividends

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

u. Taxation and Deferred Tax

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

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

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

2.3 Summary of Significant Accounting Policies (cont’d)

u. Taxation and Deferred Tax (cont’d)

Deferred tax (cont’d)

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

v. Employment Termination Benefits

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

y. Statement of Cash Flows

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

z. Government Grants and Incentives

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

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

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

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

2.3 Summary of Significant Accounting Policies (cont’d)

aa. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the entity’s accounting policies

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

Recoverability of internally-generated intangible assets

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

During the period, management reconsidered the recoverability of its internally-generated intangible assets. Management believes the projects will continue as expected and based on this analysis management continues to anticipate similar revenues from the projects. Management is confident that the carrying amount of the assets will be recovered in full, even if estimated revenues are reduced. This situation is closely monitored by management, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate. During the period ended 30 September 2024, the Group Management has recognized net book value of TRY 644.635.251 an impairment loss, and written-off the impaired amount from capitalized development costs and product licenses and rights (30 September 2023: TRY 224.295.483) (Note 15).

Intangible asset recognized on business combination

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

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

2.3 Summary of Significant Accounting Policies (cont’d)

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

Deferred tax assets

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realised. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realise the deferred tax asset. If based on the weight of all available evidence, it is the Group’s belief that taxable profit will not be available sufficient to utilise some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognised. As of 30 September 2024 and 31 December 2023, as a result of the assessment made, the Group has recognized deferred tax assets because it is probable that taxable profit will be available sufficient to recognize deferred tax assets.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (CGU) and a suitable discount rate in order to calculate present value. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are the discount rates, growth rates and expected changes to selling prices and direct costs during the period.

The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

As of 31 December 2023, 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 13,4% per annum. Cash flows beyond that five-year period have been extrapolated by using a steady real growth rate of 10,4% which inflation rate forecast between the years 2028-2032 for Turkey. The impairment testing is performed annually.

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

Goodwill for impairment is tested annually at the end of the each year. As at 30 September 2024, there were no indicators of impairment. No impairment loss is recognized in the accompanying consolidated financial statements.

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

2.3 Summary of Significant Accounting Policies (cont’d)

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

Net realizable value

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

When the net realizable value of inventory is less than its cost, the inventory is written down to the net realizable value and the expense is included in statement of income / (loss) in the period the write-down or loss occurred. According to the calculations based on the management’s assumptions, a part of the inventories are written down to their net realizable value since the net realizable value of these inventories is less than their cost.

Provision for litigations

In determining of provision for litigations, the Group considers the probability of legal cases to be resulted against the Group and in case it is resulted against the Group considers its consequences based on the assessments of legal advisor. The Group management makes its best estimates using the available data are provided in Note 18.

Expected credit losses

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

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

The expected credit losses are mentioned in the Note 8.

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3. SEGMENT INFORMATION

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

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

30 September 2024	Human pharma	Veterinary products	Other	Total
External sales	10.430.137.848	459.250.459	78.795.132	10.968.183.439
Cost of sales	(6.074.086.350)	(310.554.393)	(59.009.263)	(6.443.650.006)
Operating expenses	(3.298.691.758)	(79.712.216)	(4.473.705)	(3.382.877.679)
Segment results	<u>1.057.359.740</u>	<u>68.983.850</u>	<u>15.312.164</u>	<u>1.141.655.754</u>
Other operating income				1.026.724.758
Other operating expenses (-)				(28.117.566)
Investment income				336.560.587
Investment expenses (-)				(126.465.284)
Finance expenses (-)				(2.063.480.665)
Tax expense (-)				(171.839.012)
Monetary gain				114.660.082
Profit for the period				<u>229.698.654</u>

Distribution of the Group's products by the predominately two largest wholesalers in the Turkish market corresponded to approximately 24% and 35% of the revenues of the Human Pharmaceuticals business line derived from Turkey (30 September 2023: 26% and 37%).

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

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3. SEGMENT INFORMATION (cont'd)

<u>30 September 2023</u>	<u>Human pharma</u>	<u>Veterinary products</u>	<u>Other</u>	<u>Total</u>
External sales	10.775.760.081	459.544.105	65.821.957	11.301.126.143
Cost of sales	(7.374.307.749)	(537.461.876)	(70.072.935)	(7.981.842.560)
Operating expenses	(2.913.360.091)	(78.736.945)	(5.572.249)	(2.997.669.285)
Segment results	488.092.241	(156.654.716)	(9.823.227)	321.614.298
Other operating income				906.668.312
Other operating expenses (-)				(176.254.900)
Investment income				688.187.460
Investment expenses (-)				(4.813.659)
Finance expenses (-)				(1.396.400.460)
Tax income				(1.132.516.116)
Monetary gain				1.254.867.128
Profit for the period				461.352.063

4. CASH AND CASH EQUIVALENTS

	<u>30 September 2024</u>	<u>31 December 2023</u>
Petty cash	414.613	422.898
Cash in banks	1.477.765.473	2.057.183.123
<i>Demand deposits</i>	701.530.378	1.013.509.918
<i>Time deposits- maturity less than three months</i>	776.235.095	1.043.673.205
Cash and cash equivalents in cash flow statement	1.478.180.086	2.057.606.021
Interest income accruals	1.315.698	2.338.987
	<u>1.479.495.784</u>	<u>2.059.945.008</u>

As of 30 September 2024, the Group has Euro, US Dollar and TRY time deposits. The average interest rate for, Euro time deposit is 1,93%, US Dollar time deposit is 2,09% and TRY time deposit is 48,16% (The Group has Euro, US Dollar and TRY time deposit as of 31 December 2023 and it's average interest rate for Euro time deposit is 2,34% US Dollar time deposit is 3,41% and TRY time deposit is 40,46%). Financial investments are long term and short term and have a maturity of one month.

The Group does not have any blocked deposits as of 30 September 2024 and 31 December 2023.

5. FINANCIAL INVESTMENTS

	<u>Short term</u>		<u>Long term</u>	
	<u>30 September 2024</u>	<u>31 December 2023</u>	<u>30 September 2024</u>	<u>31 December 2023</u>
Investments in financial assets classified as FVTPL				
Currency protected deposit	1.200.799.051	1.197.015.070	-	-
Other securities	19.317.903	22.865.154	-	-
	<u>1.220.116.954</u>	<u>1.219.880.224</u>	<u>-</u>	<u>-</u>
Financial assets are measured at amortised cost				
Usdbond	155.612.158	1.557.128.002	1.284.928.666	-
	<u>155.612.158</u>	<u>1.557.128.002</u>	<u>1.284.928.666</u>	<u>-</u>
	<u>1.375.729.112</u>	<u>2.777.008.226</u>	<u>1.284.928.666</u>	<u>-</u>

The Group has invested in fixed-income usdbonds issued by the treasury for the purpose of earning returns, and the annual interest yields of these usdbonds vary between 4,25% and 7,12% with maturities between March 2025 and January 2035.

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6. FINANCIAL LIABILITIES

	30 September 2024	31 December 2023
Short term bank loans	4.925.888.778	5.011.032.949
Current portion of long term loans	89.377.040	348.018.593
Current portion of leases	54.814.861	126.140.005
Current portion of bonds issued	35.387.056	-
Commercial paper	575.380.832	1.447.239.450
Total short term financial liabilities	5.680.848.567	6.932.430.997
Long term portion of bank loans	137.732.720	104.179.771
Long term portion of leases	231.452.558	414.674.548
Bonds issued (*)	548.541.426	-
Total long term financial liabilities	917.726.704	518.854.319
Total financial liabilities	6.598.575.271	7.451.285.316

Repayment schedule of bank borrowings is as follows:

	30 September 2024	31 December 2023
Less than 1 year or to be paid on demand	5.680.848.567	6.932.430.996
To be paid between 1-2 years	885.824.990	449.146.770
To be paid between 2-3 years	9.877.438	33.800.842
To be paid between 3-4 years	8.809.711	11.968.903
To be paid between 4-5 years	13.214.565	23.937.805
	6.598.575.271	7.451.285.316

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6. FINANCIAL LIABILITIES (cont’d)

i) Bank loans

Short term bank loans consist of the following:

Currency Type	Weighted Average Effective Interest Rate	Principal	30 September 2024	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2023
TRY	49,38%	4.426.556.955	4.426.556.955	TRY	38,73%	4.513.226.374	4.513.226.374
TRY	-	-	-	TRY	-	138.080.803	138.080.803
Accrued interest			499.331.823	Accrued interest			359.725.772
			<u>4.925.888.778</u>				<u>5.011.032.949</u>

The Group has spot loans amounting to TRY 4.426.556.955 (2023: TRY 4.513.226.374), with an average interest of 49,38% and TRY 0 used to loans with no interest. (2023: 138.080.803). The principal amount and interest paid on due date.

Short term borrowings consist of spot and revolving line of credits with several banks. As of 30 September 2024 and 31 December 2023, the total available lines of credits are TRY 11.063.832.511 and TRY 8.048.552.326, respectively. The principal and interest is paid on the maturity. The agreements have no expiration date unless there is a breach of contract which would include nonpayment of interest and principal within the maturity.

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

Currency Type	Weighted Average Effective Interest Rate	Principal	30 September 2024	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2023
TRY	20,58%	60.825.869	60.825.869	TRY	35,11%	305.754.271	305.754.271
Accrued interest			28.551.171	Accrued interest			42.264.322
			<u>89.377.040</u>				<u>348.018.593</u>

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6. FINANCIAL LIABILITIES (cont’d)

i) Bank loans (cont’d)

Long term bank loans consist of the following:

Currency Type	Weighted Average Effective Interest Rate	Principal	30 September 2024	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2023
TRY	45,40%	137.732.720	137.732.720	TRY	28,57%	104.179.771	104.179.771
			<u>137.732.720</u>				<u>104.179.771</u>

The Group uses its notes receivables as collaterals for its revolving loans. As of 30 September 2024, the amount of the notes receivables given as collateral is TRY 771.690.300 (31 December 2023: TRY 699.594.776). These loans are also secured by the Group’s headquarter building and Group’s factory buildings that are located Çerkezköy and Kartepe mortgages at respectively amounts of TRY 55.000.000, TRY 20.000.000, TRY 35.000.000, TRY 34.000.000, TRY 8.400.000, TRY 16.200.000, TRY 12.900.000 (Note 19).

Loan movement:

	2024	2023
Beginning of the year - 1 January	5.463.231.313	6.428.103.411
Additions	5.486.414.392	4.773.110.658
Repayments of borrowings	(4.586.625.311)	(3.259.261.311)
Changes in interest accruals	125.892.900	53.165.970
Inflation effect	(1.335.914.756)	(2.138.557.750)
End of the period - 30 September	<u>5.152.998.538</u>	<u>5.856.560.978</u>

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6. FINANCIAL LIABILITIES (cont’d)

ii) Lease liabilities

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

Currency Type	Weighted Average Effective Interest Rate	Principal	30 September 2024	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2023
TRY	23,88%	32.252.990	32.252.990	TRY	20,13%	57.180.078	57.180.078
Accrued interest			22.561.871	Accrued interest			68.959.927
			<u>54.814.861</u>				<u>126.140.005</u>

Long term lease liabilities consist of the following:

Currency Type	Weighted Average Effective Interest Rate	Principal	30 September 2024	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2023
TRY	24,64%	231.452.558	231.452.558	TRY	21,95%	414.674.548	414.674.548
			<u>231.452.558</u>				<u>414.674.548</u>

The Group recognizes right-of-use assets at the commencement date of the lease in accordance with TFRS 16; when the underlying asset is available for use. Since the fixed asset which is subject to the leasing agreement, Euro 2.490.000 are not available for use as at the balance sheet date; the Company has not recognized the total amount of right-of-use asset and lease liability in the consolidated financial statements in 30 September 2024. The Group has only recognized the advance payment by the leasing company under the lease contract in 2023 and 2024 on behalf of Deva Holding. The advance payment, amounting to TRY 38.061.739 (2023: TRY 12.545.935) (Note 11), has been recognized in long term prepaid expenses and lease liabilities. The commencement dates of the lease contract is 18 May 2022; and termination date is 18 May 2027. The total borrowing amount of the lease contract is TRY 188.849.335.

Lease liabilities movement:

	2024	2023
Beginning of the year - 1 January	540.814.553	617.404.607
Additions	62.729.155	450.149.498
Repayments of borrowings	(154.004.310)	(137.983.187)
Inflation effect	(116.873.923)	(205.403.571)
Changes in interest accruals	(46.398.056)	33.647.249
End of the period - 30 September	<u>286.267.419</u>	<u>757.814.596</u>

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6. FINANCIAL LIABILITIES (cont’d)

iii) Debt bond in issue

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

Currency Type	Weighted Average Effective Interest Rate	Principal	30 September 2024	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2023
TRY	55,30%	-	-	TRY	-	-	-
Accrued interest			35.387.056	Accrued interest			-
			<u>35.387.056</u>				<u>-</u>

Long term debt bonds issued consist of the following:

Currency Type	Weighted Average Effective Interest Rate	Principal	30 September 2024	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2023
TRY	55,30%	548.541.426	548.541.426	TRY	-	-	-
			<u>548.541.426</u>				<u>-</u>

Bonds issued movement:

	2024	2023
Beginning of the year - 1 January	-	227.354.107
Additions	548.541.426	-
Repayments of borrowings	-	(189.819.207)
Inflation effect	-	(37.534.900)
Changes in interest accruals	35.387.056	-
End of the period - 30 September	<u>583.928.482</u>	<u>-</u>

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6. FINANCIAL LIABILITIES (cont’d)

iii) Other short-term debts

Commercial paper issued consists of the following:

Currency Type	Weighted Average Effective Interest Rate	Principal	30 September 2024	Currency Type	Weighted Average Effective Interest Rate	Principal	31 December 2023
TRY	47,00%	400.000.000	400.000.000	TRY	42,91%	1.249.915.133	1.249.915.133
Accrued interest			175.380.832	Accrued interest			197.324.317
			<u>575.380.832</u>				<u>1.447.239.450</u>

Commercial paper movement:

	2024	2023
Beginning of the year - 1 January	1.447.239.450	335.791.572
Additions	-	897.191.403
Repayments of borrowings	(520.000.000)	-
Inflation effect	(329.818.541)	(120.442.549)
Changes in interest accruals	(22.040.077)	184.674.674
End of the period - 30 September	<u>575.380.832</u>	<u>1.297.215.100</u>

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7. RELATED PARTY TRANSACTIONS

	30 September 2024							
	Receivables				Payables			
	Current		Non-current		Current		Non-current	
	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading
Balances with related parties								
<u>Shareholders</u>								
East Pharma S.A.R.L.	-	-	-	-	69.492.399	-	-	-
<u>Subsidiaries</u>								
Devatis AG	77.244.637	-	-	-	1.188.967	-	-	-
Devatis de Mexico	6.160.673	-	-	-	-	-	-	-
Devatis d.o.o Beograd	-	-	-	-	2.290.284	-	-	-
<u>Other companies managed by ultimate parent</u>								
Saba İlaç Sanayi ve Ticaret A.Ş.	281.717.504	-	-	-	-	-	-	-
	<u>365.122.814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72.971.650</u>	<u>-</u>	<u>-</u>	<u>-</u>

	1 January - 30 September 2024							
	Purchases	Goods/Services Sales	Interest received	Interest given	Rent income	Royalty expenses (*)	Other income (**)	Other expense
Transactions with related parties								
<u>Shareholders</u>								
East Pharma S.A.R.L.	73.961.809	-	-	-	-	191.398.045	-	-
<u>Subsidiaries</u>								
Devatis AG	-	71.611.757	-	-	-	-	-	9.157.022
Devatis de Mexico	-	6.127.957	-	-	-	-	-	22.014.254
Devatis d.o.o Beograd	-	-	-	-	-	-	-	12.789.659
<u>Other companies managed by ultimate parent</u>								
Saba İlaç Sanayi ve Ticaret A.Ş.	3.021.904	316.130.091	65.656.108	-	2.872.799	-	4.678.266	611.214
	<u>76.983.713</u>	<u>393.869.805</u>	<u>65.656.108</u>	<u>-</u>	<u>2.872.799</u>	<u>191.398.045</u>	<u>4.678.266</u>	<u>44.572.149</u>

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

(*) Pursuant to the terms of the agreement related to the purchase of Roche product licenses signed between Deva Holding A.Ş. and its main shareholder EastPharma S.A.R.L., the Group is liable to pay a royalty amount for the product licenses acquired through Eastpharma S.A.R.L. calculated over the net sales of the products. The royalty percentages have been arrived at on the basis of a valuation carried out by an independent auditor not related with the Group and one of the accredited independent auditors by Capital Markets Board, with valuation results of DEMPE analysis reports. The valuation method used was profit-sharing economic approach based on discounted cash flow.

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

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7. RELATED PARTY TRANSACTIONS (cont’d)

	31 December 2023							
	Receivables				Payables			
	Current		Non-current		Current		Non-current	
	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading
<u>Balances with related parties</u>								
<u>Shareholders</u>								
East Pharma S.A.R.L.	-	-	-	-	87.021.908	-	-	-
<u>Subsidiaries</u>								
Devatis AG	61.560.580	-	-	-	1.398.901	-	-	-
Devatis d.o.o Beograd	-	-	-	-	3.982.951	-	-	-
<u>Other companies managed by ultimate parent</u>								
Saba İlaç Sanayi ve Ticaret A.Ş.	167.017.143	-	-	-	-	-	-	-
	<u>228.577.723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92.403.760</u>	<u>-</u>	<u>-</u>	<u>-</u>
	1 January - 30 September 2023							
<u>Transactions with related parties</u>	<u>Purchases</u>	<u>Goods/Services Sales</u>	<u>Interest received</u>	<u>Interest given</u>	<u>Rent income</u>	<u>Royalty expenses (*)</u>	<u>Other income (**)</u>	<u>Other expense</u>
<u>Shareholders</u>								
East Pharma S.A.R.L.	34.321.925	-	-	-	-	179.899.225	-	-
<u>Subsidiaries</u>								
Devatis AG	-	27.588.612	-	-	-	-	-	7.034.796
<u>Other companies managed by ultimate parent</u>								
Saba İlaç Sanayi ve Ticaret A.Ş.	6.185.954	175.045.624	8.856.389	-	1.533.936	-	3.915.107	-
	<u>40.507.879</u>	<u>202.634.236</u>	<u>8.856.389</u>	<u>-</u>	<u>1.533.936</u>	<u>179.899.225</u>	<u>3.915.107</u>	<u>7.034.796</u>

(*) Pursuant to the terms of the agreement related to the purchase of Roche product licenses signed between Deva Holding A.Ş. and its main shareholder EastPharma SARL, the Group is liable to pay a royalty amount for the product licenses acquired through Eastpharma SARL calculated over the net sales of the products. The royalty percentages have been arrived at on the basis of a valuation carried out by an independent auditor not related with the Group and one of the accredited independent auditors by Capital Markets Board, with valuation results of DEMPE analysis reports. The valuation method used was profit-sharing economic approach based on discounted cash flow.

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

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7. RELATED PARTY TRANSACTIONS (cont'd)

Total amount of compensation benefits provided to directors and upper level managers, include the salaries, premiums and retirement pay for the period ended 30 September 2024 and 2023 are stated below:

	1 January- 30 September 2024	1 January- 30 September 2023
<u>Compensation of key management personnel</u>		
Salaries and short-term benefits	515.989.685	456.862.944
Long-term benefits	2.760.395	2.861.698
	<u>518.750.080</u>	<u>459.724.642</u>

8. TRADE RECEIVABLES AND PAYABLES

Trade Receivables

	30 September 2024	31 December 2023
<u>Current trade receivables</u>		
Trade receivables	2.105.804.400	1.829.619.332
Notes receivable	1.842.469.329	2.758.823.823
Due from related parties (Note 7)	365.122.814	228.577.723
Other trade receivables	881.295	852.532
Income accruals (*)	17.369.133	22.161.628
Expected credit losses (-)	(7.975.292)	(9.654.144)
	<u>4.323.671.679</u>	<u>4.830.380.894</u>

As of 30 September 2024 and 31 December 2023, the Group provided provision for uncollectable part of its past due trade and other receivables. The rest of the receivable amount is neither past due nor impaired. During 2024, the average credit period on sales is 90 days (31 December 2023: 80 days).

(*) The Group receives government grants related to development costs. The balance includes the income accrual for the grants received from TUBİTAK. As of 30 September 2024 TUBİTAK income accrual amounts to TRY 13.790.296 (31 December 2023: TRY 14.020.980).

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

	30 September 2024	31 December 2023
Letter of guarantees received	279.962.949	244.401.322
	<u>279.962.949</u>	<u>244.401.322</u>

The Group's principal financial assets are trade and other receivables, and investments. The Group's credit risk is primarily attributable to its trade receivables. As of 30 September 2024, two customers represented 14% and 26% of the total trade and other receivables balance, respectively (31 December 2023: 22% and 25%).

Deva Holding is the distributor of the Saba İlaç A.Ş.'s, a related party, pharmaceutical products, in addition, giving toll manufacturing, finance, administrative and R&D services. Receivable amounting to TRY 281.717.504 (31 December 2023: TRY 167.017.143) in related party transactions note, related to these transactions (Note 7).

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8. TRADE RECEIVABLES AND PAYABLES (cont’d)

Trade Receivables (cont’d)

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

The movement of the allowance for expected credit losses for the period ended 30 September 2024 and 2023 is as follows:

	2024	2023
Balance at 1 January	9.654.144	15.797.936
Charge for the period	715.359	-
Inflation effect	(2.394.211)	(5.182.738)
Balance at 30 September	<u>7.975.292</u>	<u>10.615.198</u>

Trade Payables

	30 September 2024	31 December 2023
<u>Current trade payables</u>		
Trade payables	934.736.423	1.112.792.473
Notes payable	56.965	66.771
Due to related parties (Note 7) (*)	72.971.650	92.403.760
Expense accruals (**)	22.504.470	13.477.603
Royalty expense accruals	547.853	836.913
	<u>1.030.817.361</u>	<u>1.219.577.520</u>

(*) As of 30 September 2024, royalty payable to Eastpharma S.A.R.L for the sale of products that Eastpharma S.A.R.L. holds the rights is TRY 58.699.761 (31 December 2023: TRY 61.509.360). Eastpharma S.A.R.L. holds Turkey rights of 17 Roche products acquired in 2008. Eastpharma S.A.R.L. also holds the right of one Roche product in 17 different foreign countries. As of 30 September 2024, there is payable amount to TRY 10.792.638 Eastpharma S.A.R.L. related with the raw material purchase from F. Hoffman – La Roche Ltd (31 December 2023: TRY 25.512.547). Devatis AG, a subsidiary of the Company, charges its expenses related with products and licenses to Deva Holding. As of 30 September 2024 the payable amount related to these expenses is TRY 1.188.967 (31 December 2023: TRY 1.398.901). Devatis d.o.o. Beograd, a subsidiary of the Company, charges its expenses related with products and licenses to Deva Holding. As of 30 September 2024 the payable amount related to these expenses is TRY 2.290.284 (31 December 2023: TRY 3.982.951).

(**) As of 30 September 2024, expense accruals include turnover premium provision amounts to TRY 12.025.689 (31 December 2023: TRY 5.193.766).

Notes payables consist of cheques given to suppliers with maturities less than 1 year. As of 30 September 2024 and 31 December 2023, the Group has no long term trade payables.

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9. OTHER RECEIVABLES AND PAYABLES

	30 September 2024	31 December 2023
<u>Other current receivables</u>		
Other receivables	5.800.724	4.818.886
Due from personnel	5.092.423	14.579.062
Deposits and guarantees given	473.372	577.605
	<u>11.366.519</u>	<u>19.975.553</u>

The movement of the allowance for other expected credit losses for the period ended 30 September 2024 and 2023 is as follows:

	2024	2023
Balance at 1 January	-	109.482
Balance at 30 September	<u>-</u>	<u>109.482</u>

	30 September 2024	31 December 2023
<u>Other current payables</u>		
Deposits and guarantees received	212.233	-
Other current payables	23.866.024	1.363.333
	<u>24.078.257</u>	<u>1.363.333</u>

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10. INVENTORIES

	30 September 2024	31 December 2023
Raw materials	2.907.931.155	4.016.571.262
Work-in-progress	314.325.502	312.141.742
Finished goods	1.874.104.442	1.640.537.913
Trade goods	46.355.571	-
Allowance for diminution in value of inventories (-)	(268.723.866)	(398.445.912)
	<u>4.873.992.804</u>	<u>5.570.805.005</u>

As of 30 September 2024, insurance coverage on inventory amounts to TRY 4.000.000.000 (31 December 2023: TRY 4.000.000.000).

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

	30 September 2024	31 December 2023
Raw materials	148.286.311	297.430.931
Work-in-progress	608.531	79.692
Finished goods	119.829.024	100.935.289
	<u>268.723.866</u>	<u>398.445.912</u>

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

	2024	2023
Balance at 1 January	337.454.111	332.840.688
Current year net effect	(68.730.245)	61.533.695
Balance at 30 September	<u>268.723.866</u>	<u>394.374.383</u>

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11. PREPAID EXPENSES AND DEFERRED REVENUE

	30 September 2024	31 December 2023
<u>Short term prepaid expenses</u>		
Advances given for inventory	108.095.179	187.465.974
Prepaid expenses	105.578.523	135.883.003
Job advances	63.514.842	42.286.279
	<u>277.188.544</u>	<u>365.635.256</u>

	30 September 2024	31 December 2023
<u>Long term prepaid expenses</u>		
Advances given for property, plant & equip.	309.647.747	227.299.177
Prepaid expenses	124.808	21.558
Other	33.773.006	39.384.753
	<u>343.545.561</u>	<u>266.705.488</u>

	30 September 2024	31 December 2023
<u>Short term deferred revenue</u>		
Advances received	60.812.170	80.037.038
Deferred income	3.677.784	2.681.414
	<u>64.489.954</u>	<u>82.718.452</u>

	30 September 2024	31 December 2023
<u>Long term deferred revenue</u>		
Deferred income	50.092.326	43.544.774
	<u>50.092.326</u>	<u>43.544.774</u>

12. ASSETS RELATING TO CURRENT TAX

	30 September 2024	31 December 2023
Current assets relating to current tax		
Prepaid withholding tax	37.924.059	2.928.146
	<u>37.924.059</u>	<u>2.928.146</u>

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13. 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 2024	236.920.706	33.887.812	3.700.329.475	9.233.216.704	104.708.788	708.671.804	3.788.562	237.503.430	14.259.027.281
Additions	-	-	-	167.979.521	25.044.630	16.694.880	41.108	639.990.338	849.750.477
Disposals	-	-	-	(17.159.662)	-	-	-	-	(17.159.662)
Transfers from construction in progress	-	275.040	14.066.846	257.751.252	-	-	-	(272.093.138)	-
Closing balance, 30 September 2024	236.920.706	34.162.852	3.714.396.321	9.641.787.815	129.753.418	725.366.684	3.829.670	605.400.630	15.091.618.096
<u>Accumulated depreciation</u>									
Opening balance, 1 January 2024	-	(15.575.035)	(997.350.108)	(5.250.190.341)	(48.707.553)	(70.356.152)	(3.756.176)	-	(6.385.935.365)
Reclassifications (*)	-	-	-	(82.957.151)	-	-	-	-	(82.957.151)
Depreciation charge for the period	-	(930.351)	(49.545.033)	(276.628.227)	(14.296.662)	(145.751.062)	(63.565)	-	(487.214.900)
Disposals	-	-	-	16.896.391	-	-	-	-	16.896.391
Closing balance, 30 September 2024	-	(16.505.386)	(1.046.895.141)	(5.592.879.328)	(63.004.215)	(216.107.214)	(3.819.741)	-	(6.939.211.025)
Carrying amount at 30 September 2024	236.920.706	17.657.466	2.667.501.180	4.048.908.487	66.749.203	509.259.470	9.929	605.400.630	8.152.407.071

(*) TRY 82.957.151, partial depreciation charge of machinery and equipment is directly attributable to development costs related to product licenses and rights. The balance is capitalized in cost value of intangible assets in respect of TAS 16 and TAS 38 (Note 15) as the projects are in progress as at 30 September 2024.

As of 30 September 2024, insurance coverage on property, plant and equipment amounts to TRY 9.303.605.000 (31 December 2023: TRY 9.303.605.000).

The Group’s headquarter building and factory and other buildings located in Kocaeli, Kartepe and Tekirdağ Çerkezköy and land in Çerkezköy are pledged against the borrowings used at an amount of TRY 55.000.000, TRY 20.000.000, TRY 35.000.000, TRY 34.000.000, TRY 8.400.000, TRY 16.200.000 and 12.900.000 respectively (Note 19).

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13. 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 2023	237.075.016	26.816.843	3.556.422.483	8.387.171.823	104.149.434	674.611.840	3.714.169	598.562.009	13.588.523.617
Additions	-	-	-	-	8.340.539	32.053.078	109.706	136.135.542	176.638.865
Disposals	-	-	-	-	(179.548)	(45.670)	-	-	(225.218)
Transfers from construction in progress	-	179.584	115.737.257	150.394.682	(51.902.488)	1.976.000	-	(216.385.035)	-
Closing balance, 30 September 2023	237.075.016	26.996.427	3.672.159.740	8.537.566.505	60.407.937	708.595.248	3.823.875	518.312.516	13.764.937.264
<u>Accumulated depreciation</u>									
Opening balance, 1 January 2023	-	(14.362.654)	(906.877.948)	(4.694.757.808)	(36.335.347)	(56.139.134)	(3.628.263)	-	(5.712.101.154)
Reclassifications (*)	-	-	-	(26.787.542)	-	-	-	-	(26.787.542)
Depreciation charge for the period	-	(517.864)	(69.258.420)	(254.272.492)	(20.081.007)	(37.012.219)	(79.420)	-	(381.221.422)
Disposals	-	-	-	-	179.548	45.670	-	-	225.218
Closing balance, 30 September 2023	-	(14.880.518)	(976.136.368)	(4.975.817.842)	(56.236.806)	(93.105.683)	(3.707.683)	-	(6.119.884.900)
Carrying amount at 30 September 2023	237.075.016	12.115.909	2.696.023.372	3.561.748.663	4.171.131	615.489.565	116.192	518.312.516	7.645.052.364

(*) TRY 26.787.542, partial depreciation charge of machinery and equipment is directly attributable to development costs related to product licenses and rights. The balance is capitalized in cost value of intangible assets in respect of TAS 16 and TAS 38 (Note 15) as the projects are in progress as at 30 September 2023.

As of 30 September 2023, insurance coverage on property, plant and equipment amounts to TRY 4.420.542.000 (31 December 2022: TRY 4.420.542.000).

The Group’s headquarter building and factory and other buildings located in Kocaeli, Kartepe and Tekirdağ Çerkezköy and land in Çerkezköy are pledged against the borrowings used at an amount of TRY 55.000.000, TRY 20.000.000, TR 35.000.000, TRY 34.000.000, TRY 8.400.000, TRY 16.200.000 and 12.900.000 respectively (Note 19).

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13. 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.

14. RIGHT OF USE ASSETS

	Vehicles	Machinery	Total
<u>Acquisition cost</u>			
Opening balance, 1 January 2024	818.040.779	690.819.403	1.508.860.182
Additions	111.692.213	270.343.699	382.035.912
Classifications (*)	(4.641.971)	-	(4.641.971)
Disposals	(98.907.430)	(280.766.223)	(379.673.653)
Closing balance, 30 September 2024	<u>826.183.591</u>	<u>680.396.879</u>	<u>1.506.580.470</u>
<u>Accumulated depreciation</u>			
Opening balance, 1 January 2024	(514.827.973)	(54.425.787)	(569.253.760)
Classifications (*)	4.641.971	-	4.641.971
Depreciation charge for the period (**)	(151.706.962)	(182.917.079)	(334.624.041)
Disposals	62.000.011	140.588.533	202.588.544
Closing balance, 30 September 2024	<u>(599.892.953)</u>	<u>(96.754.333)</u>	<u>(696.647.286)</u>
Carrying amount at 30 September 2024	<u><u>226.290.638</u></u>	<u><u>583.642.546</u></u>	<u><u>809.933.184</u></u>

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

(**) Depreciation charge for period is given Note 23 and Note 24.

	Vehicles	Machinery	Total
<u>Acquisition cost</u>			
Opening balance, 1 January 2023	646.536.544	91.600.774	738.137.318
Additions	61.079.367	604.716.235	665.795.602
Classifications (*)	(37.793.575)	-	(37.793.575)
Disposals	-	-	-
Closing balance, 30 September 2023	<u>669.822.336</u>	<u>696.317.009</u>	<u>1.366.139.345</u>
<u>Accumulated depreciation</u>			
Opening balance, 1 January 2023	(360.127.739)	(10.081.400)	(370.209.139)
Classifications (*)	37.793.575	-	37.793.575
Depreciation charge for the period (**)	(37.351.044)	(65.809.224)	(103.160.268)
Disposals	-	-	-
Closing balance, 30 September 2023	<u>(359.685.208)</u>	<u>(75.890.624)</u>	<u>(435.575.832)</u>
Carrying amount at 30 September 2023	<u><u>310.137.128</u></u>	<u><u>620.426.385</u></u>	<u><u>930.563.513</u></u>

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

(**) Depreciation charge for period is given Note 23 and Note 24.

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14. RIGHT OF USE ASSETS (cont’d)

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

Machinery	4-30 years
Vehicles	5 years

15. INTANGIBLE ASSETS

	Product Licenses and Rights	Customer Relationship	Capitalized Development Costs	Total
<u>Acquisition cost</u>				
Opening balance, 1 January 2024	1.357.371.236	5.068.288	4.259.994.512	5.622.434.036
Reclassifications (*)	-	-	82.957.151	82.957.151
Additions (**)	-	-	1.475.959.686	1.475.959.686
Transfers from construction in progress	1.313.634.607	-	(1.313.634.607)	-
Disposals	(302.131.132)	-	(497.129.926)	(799.261.058)
Closing balance, 30 September 2024	<u>2.368.874.711</u>	<u>5.068.288</u>	<u>4.008.146.816</u>	<u>6.382.089.815</u>
<u>Accumulated amortization</u>				
Opening balance, 1 January 2024	(623.060.884)	(3.927.904)	(36.144.952)	(663.133.740)
Amortization charge for the period	(576.632.789)	-	-	(576.632.789)
Disposals	154.625.807	-	-	154.625.807
Closing balance, 30 September 2024	<u>(1.045.067.866)</u>	<u>(3.927.904)</u>	<u>(36.144.952)</u>	<u>(1.085.140.722)</u>
Carrying amount at 30 September 2024	<u>1.323.806.845</u>	<u>1.140.384</u>	<u>3.972.001.864</u>	<u>5.296.949.093</u>

(*) TRY 82.957.151, partial depreciation charge of machinery and equipment is directly attributable to development costs related to product licenses and rights and is capitalized in cost value of intangible assets in respect of TAS 16 and TAS 38 as the projects are in progress as at 30 September 2024 (Note 13).

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

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15. INTANGIBLE ASSETS (cont’d)

	Product Licences and Rights	Customer Relationship	Capitalized Development Costs	Total
<u>Acquisition cost</u>				
Opening balance, 1 January 2023	915.341.123	5.068.288	4.555.721.244	5.476.130.655
Reclassifications	-	-	26.787.542	26.787.542
Additions (*)	-	-	510.720.113	510.720.113
Transfers from construction in progress	353.266.682	-	(353.266.682)	-
Disposals	(8.082.921)	-	(224.928.256)	(233.011.177)
Closing balance, 30 September 2023	<u>1.260.524.884</u>	<u>5.068.288</u>	<u>4.515.033.961</u>	<u>5.780.627.133</u>
<u>Accumulated amortization</u>				
Opening balance, 1 January 2023	(585.339.758)	(3.674.492)	(36.144.952)	(625.159.202)
Amortization charge for the period	(57.959.444)	(174.309)	-	(58.133.753)
Disposals	8.715.694	-	-	8.715.694
Closing balance, 30 September 2023	<u>(634.583.508)</u>	<u>(3.848.801)</u>	<u>(36.144.952)</u>	<u>(674.577.261)</u>
Carrying amount at 30 September 2023	<u>625.941.376</u>	<u>1.219.487</u>	<u>4.478.889.009</u>	<u>5.106.049.872</u>

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

Depreciation and amortization expense of tangible assets, right of use assets and intangible assets are TRY 426.543.589 (2023: TRY 214.714.185) has been charged to ‘cost of goods sold’, TRY 329.633.510 (2023: TRY 130.156.530) to ‘operating expenses’ and TRY 725.251.782 is capitalized on inventory (2023: 224.432.270).

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

Licenses and rights	3-15 years
Customer relationship	20 years

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16. GOODWILL

	30 September 2024	31 December 2023
Goodwill	29.041.489	29.041.489

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

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

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

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

The purchase price was funded through cash of TRY 18.897.646 net of cash received for the past termination rights of the personnel transferred to the Company. Based on the goodwill impairment test performed, there is no indication of impairment as of 30 September 2024 (Note 2).

Goodwill arising from the business combination is allocated to human pharma segment and there is no allocation to other segments as of 30 September 2024.

Sensitivity to changes in assumptions used in the goodwill impairment test

In the calculation of the present value of future cash flows, long term growth rate and discount rates are taken into account. Originally, the long term growth rate is assumed to be 10,4%. Had the rate been assumed to be 9,4%, the recoverable amount would have been above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for. Originally, the discount rate is assumed to be 13,4%. Had the rate been assumed to be 14,4%, the recoverable amount would have been above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

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17. GOVERNMENT INCENTIVES AND GRANTS

	30 September 2024	31 December 2023
Short term government grants and incentives (*)	8.170.873	26.212.656
	<u>8.170.873</u>	<u>26.212.656</u>
	30 September 2024	31 December 2023
Long term government grants and incentives (*)	127.723.650	313.033.334
	<u>127.723.650</u>	<u>313.033.334</u>

(*) The Group receives government grants related to development costs. The balance consists of the income accrual for the short/long term grants received from TÜBİTAK. As the grant related to the assets is capitalized as development cost, consideration received or receivable is recorded as deferred revenue. Deferred revenue is amortized over useful life of the asset to match the related expense in the income statement.

During the period ended 30 September 2024, the Group has received TRY 3.509.503 grant related with its development costs (30 September 2023: 2.227.869).

Total incentive research and development expenses incurred in 2024 related with these projects amounted to TRY 1.889.775.494.

In May 2010, the Group obtained the license of Research and Development Center within the scope of the Support of Research and Development Document numbered 5746. This license permits expenses related to TÜBİTAK and research and development center projects to be partially funded and exempt from tax. The cash based payments to be made to Deva are identified by TÜBİTAK within the context of each project based on the period expense. 60% of the total amount of approved expenses incurred in 2016 has been paid in cash.

Total expenses related with project number 136611 that has not been obtained at 17 April 2018 for Deva Çerkezköy facility for the year 2024.

Total expenses related with project number 501317 that has been obtained at 30 October 2018 for Deva Kartepe facility for the year 2024 amount to TRY 30.493.050.

Total expenses related with project number 525422 that has been obtained at 26 May 2021 for Deva Çerkezköy facility for the year 2024 amount to TRY 566.280.504.

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.

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18. PROVISIONS

	30 September		31 December		
<u>Short term provisions</u>	<u>2024</u>		<u>2023</u>		
Accrued sales discounts	32.464.362		28.696.564		
Provision for legal claims	45.401.583		35.441.642		
Campaign discount provisions	412.394.311		386.967.671		
Other	5.088.837		6.240.828		
	<u>495.349.093</u>		<u>457.346.705</u>		
	Expense accruals due to	Accrued sales	Provision for legal	Campaign discount	
	price regulation	discounts	claims (*)	provisions	
				Total	
Opening balance, 1 January 2024	-	28.696.564	35.441.642	386.967.671	451.105.877
Charge for the period	-	243.430.297	36.974.971	25.426.640	305.831.908
Payments made during the period	-	(128.884.441)	(13.727.341)	-	(142.611.782)
Reversal of provision	-	(103.203.599)	(7.545.931)	-	(110.749.530)
Inflation effect	-	(7.574.459)	(5.741.758)	-	(13.316.217)
Closing balance, 30 September 2024	-	<u>32.464.362</u>	<u>45.401.583</u>	<u>412.394.311</u>	<u>490.260.256</u>
Opening balance, 1 January 2023	95.086.731	33.183.153	41.728.630	279.290.685	449.289.199
Charge for the period	-	264.077.413	24.629.785	223.385.508	512.092.706
Payments made during the period	(35.795.502)	(73.052.033)	(10.570.720)	-	(119.418.255)
Reversal of provision	(27.656.942)	(173.750.544)	(5.010.837)	-	(206.418.323)
Inflation effect	(31.634.287)	(23.390.958)	(25.797.911)	(335.776.497)	(416.599.653)
Closing balance, 30 September 2023	-	<u>27.067.031</u>	<u>24.978.947</u>	<u>166.899.696</u>	<u>218.945.674</u>

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

The Group has been a party to multiple lawsuits as a defendant and plaintiff within the scope of its ordinary activities during the period. In this context, as of 30 September 2024, the Group Management considers the probability of a loss is low in line with the opinions received from independent legal advisors regarding the lawsuits other than the provision for the 299 legal cases amounting to TRY 45.401.583 (30 September 2023: TRY 24.978.947).

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19. COMMITMENTS AND CONTINGENT LIABILITIES

As of 30 September 2024 and 31 December 2023, the Group’s Guarantees/Pledge/Mortgages (“GPM”) are as follows:

Guarentees/Pledge/Mortgages given by the Group (GPM)	30 September 2024			
	TRY Equivalent	US Dollar	EUR	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	48.918.700	164.756	-	43.297.061
-Pledge	-	-	-	-
-Mortgage	181.500.000	-	-	181.500.000
	<u>230.418.700</u>	<u>164.756</u>	<u>-</u>	<u>224.797.061</u>
B. GPM given on behalf of subsidiaries that are included in full consolidation				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
C. GPM's given on behalf of third parties for ordinary course of the business	190.165.600	-	-	190.165.600
D. Other GPM	-	-	-	-
Total	<u>420.584.300</u>	<u>164.756</u>	<u>-</u>	<u>414.962.661</u>
	31 December 2023			
	TRY Equivalent	US Dollar	EUR	TRY
A. GPM given on behalf of its own legal entity				
-Guarantee	41.463.103	145.498	-	37.179.895
-Pledge	-	-	-	-
-Mortgage	246.586.518	-	-	246.586.518
	<u>288.049.621</u>	<u>145.498</u>	<u>-</u>	<u>283.766.413</u>
B. GPM given on behalf of subsidiaries that are included in full consolidation				
-Guarantee	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
C. GPM's given on behalf of third parties for ordinary course of the business	388.078.728	-	-	388.078.728
D. Other GPM	-	-	-	-
Total	<u>676.128.349</u>	<u>145.498</u>	<u>-</u>	<u>671.845.141</u>

As of 30 September 2024, the Company’s Other GPM / Equity ratio is nil (31 December 2023: Nil).

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20. EMPLOYMENT BENEFITS

	30 September 2024	31 December 2023
<u>Payables for benefits provided to employees</u>		
Due to personnel	5.746.315	4.784.844
Taxes and funds payables	61.055.228	55.604.991
Social security premiums payable	65.494.088	102.295.016
	<u>132.295.631</u>	<u>162.684.851</u>
	30 September 2024	31 December 2023
<u>Provisions for benefits provided to employees</u>		
Accrued vacation pay liability	51.992.996	47.702.044
Bonus given to sales personnel	41.836.559	44.125.042
Other accruals and payables	286.945.771	296.380.492
	<u>380.775.326</u>	<u>388.207.578</u>

The Group has recognized provision for vacation pay liability, due to the tendency to be used within one year, as short term provisions in Group financial statements.

	Accrued vacation pay liability	Bonus given to personnel	Total
Provision at 1 January	47.702.044	44.125.042	91.827.086
Charge for the period	31.655.629	79.287.925	110.943.554
Payments during the period	(14.773.720)	(69.929.602)	(84.703.322)
Inflation effect	(12.590.957)	(11.646.806)	(24.237.763)
Provision at 30 September 2024	<u>51.992.996</u>	<u>41.836.559</u>	<u>93.829.555</u>
Provision at 1 January	38.096.481	38.720.746	76.817.227
Charge for the period	24.359.134	63.262.206	87.621.340
Payments during the period	(11.271.749)	(55.558.732)	(66.830.481)
Inflation effect	(3.481.822)	(2.299.178)	(5.781.000)
Provision at 30 September 2023	<u>47.702.044</u>	<u>44.125.042</u>	<u>91.827.086</u>

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20. EMPLOYMENT BENEFITS (cont’d)

Provision for employment termination benefits

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

The amount payable consists of one month’s salary limited to a maximum of TRY 41.828,42 for each period of service at 30 September 2024 (31 December 2023: TRY 23.489,83).

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

The principal assumption is that the maximum liability for each year of service will increase parallel with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 30 September 2024, 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 22,50% and an interest rate of 26,30%, resulting in a real discount rate of approximately 3,10% (31 December 2023: 3,08%). The anticipated rate of retirement is considered as 85,36% (2023: 84,78%). As the maximum liability is revised semiannually, the maximum amount of TRY 41.828,42 effective from 1 July 2024 is taken into consideration in the calculation of provision from employment termination benefits (1 January 2023: TRY 19.982,83).

Below is the movement of employment termination provision:

	<u>2024</u>	<u>2023</u>
Provision at 1 January	136.353.120	215.719.745
Service cost	68.583.961	77.407.430
Interest cost	2.356.389	3.885.423
Termination benefits paid	(38.436.329)	(119.457.397)
Inflation effect	(35.990.410)	(71.767.533)
Provision at 30 September	<u>132.866.731</u>	<u>105.787.668</u>

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21. OTHER CURRENT ASSETS AND LIABILITIES

	30 September 2024	31 December 2023
<u>Other current assets</u>		
Deferred VAT	-	1.449.781
Other VAT	7.245.310	14.625.808
	<u>7.245.310</u>	<u>16.075.589</u>
<u>Other current liabilities</u>		
Taxes and funds payables	73.621.714	66.434.112
Other VAT	678.785	2.366.706
	<u>74.300.499</u>	<u>68.800.818</u>

22. EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Capital

<u>Name</u>	(%)	30 September 2024	(%)	31 December 2023
Eastpharma S.A.R.L.	82,2	164.424.760	82,2	164.424.760
Shares held by public	17,8	35.594.528	17,8	35.594.528
Nominal capital	100,0	200.019.288	100,0	200.019.288
Restricted reserves allocated from profit (*)		3.848.247.794		3.848.247.794
Treasury shares (-)		(28.847)		(28.847)
Adjusted share capital		<u>4.048.238.235</u>		<u>4.048.238.235</u>

(*) Adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the CMB Financial Reporting Standards. Adjustment to share capital has no use other than being transferred to paid-in share capital.

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.

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

Capital (cont’d)

As of 30 September 2024 and 31 December 2023, the details of capital and other balances disclosed under equity are as follows:

	30 September 2024	31 December 2023
Capital	200.019.288	200.019.288
Premium discounts in excess of par	52.972.842	52.972.842
Restricted reserves assorted from profit	1.421.300.085	1.421.300.085
Treasury shares (-)	(28.847)	(28.847)
	<u>1.674.263.368</u>	<u>1.674.263.368</u>

Restricted reserves appropriated from profit

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

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

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

Currency translation reserve

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

Retained earnings

The Group’s accumulated profit as of 30 September 2024 and 31 December 2023 amounts to TRY 13.854.736.825 and TRY 9.689.235.247, respectively. The accumulated profit balance also includes TRY 26.410.082 of extraordinary reserves as of 30 September 2024 (31 December 2023: TRY 26.410.082).

At the 2023 Ordinary General Assembly Meeting held on June 14, 2024, it was decided that; the shareholders representing TRY 200.019.288 of the capital for 2023, to be paid 25% gross; 22,5% net dividend amounting to a total of TRY 433.939.513 (nominal TRY 398.403.733) (gross TRY/krs 0,27, net TRY/krs 0,25 per a share in the amount of TRY 1) (gross TRY/krs 0,25, net TRY/krs 0,2250 per a share in the amount of TRY 1) depending on their legal status; this dividends to be paid in cash as of June 25, 2024.

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23. REVENUE AND COST OF SALES

	1 January – 30 September 2024	1 January – 30 September 2023	1 July – 30 September 2024	1 July – 30 September 2023
<i>Revenue (net)</i>				
Human pharma revenue	10.430.137.848	10.775.760.081	3.476.462.807	3.412.636.161
Veterinary products revenue	459.250.459	459.544.105	166.368.690	160.078.419
Other revenue	78.795.132	65.821.957	16.359.290	14.651.466
	<u>10.968.183.439</u>	<u>11.301.126.143</u>	<u>3.659.190.787</u>	<u>3.587.366.046</u>
<i>Cost of revenue</i>				
Raw and other materials used	(3.962.408.626)	(4.531.577.722)	(1.419.041.651)	(1.952.688.003)
Direct labor cost	(328.420.586)	(472.562.601)	(89.664.698)	(292.576.218)
Production overheads	(1.813.305.875)	(2.951.970.716)	(651.494.231)	(2.151.569.129)
Depreciation expenses (Note 13,14,15)	(426.543.589)	(214.714.185)	(144.723.321)	456.883.094
Change in work in process(*)	36.458.677	176.365.412	(45.164.837)	204.027.159
Change in finished goods(*)	342.336.625	473.971.494	284.508.353	181.540.757
	<u>(6.151.883.374)</u>	<u>(7.520.488.318)</u>	<u>(2.065.580.385)</u>	<u>(3.554.382.340)</u>
Cost of merchandise and service sold (**)	<u>(291.766.632)</u>	<u>(461.354.242)</u>	<u>(105.274.547)</u>	<u>(188.833.793)</u>
	<u>(6.443.650.006)</u>	<u>(7.981.842.560)</u>	<u>(2.170.854.932)</u>	<u>(3.743.216.133)</u>

(*) Depreciation and amortization expense of TRY 725.251.782 (2023: 224.432.270) has been capitalized on inventories.

(**) Cost of merchandise and service sold consists of cost of contract manufacturing products and services given by the Group. Cost of merchandise and and service sold includes production of Saba İlaç products and cost of contract manufacturing services to Saba İlaç is TRY 189.436.019 as of 30 September 2024 (30 September 2023: 133.270.809).

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

	1 January – 30 September 2024	1 January – 30 September 2023	1 July – 30 September 2024	1 July – 30 September 2023
Marketing, sales and distribution expenses (-)	(1.628.255.358)	(1.492.209.973)	(477.045.558)	(438.061.641)
General administration expenses (-)	(1.258.763.840)	(1.293.474.917)	(413.704.335)	(386.062.443)
Research and development expenses (-)	(495.858.481)	(211.984.395)	(22.701.766)	(59.919.349)
	<u>(3.382.877.679)</u>	<u>(2.997.669.285)</u>	<u>(913.451.659)</u>	<u>(884.043.433)</u>

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24. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATION EXPENSES (cont’d)

i) Research and development expenses

	1 January – 30 September 2024	1 January – 30 September 2023	1 July – 30 September 2024	1 July – 30 September 2023
Employee benefits expenses	(299.054.830)	(268.801.943)	(85.765.301)	(89.251.328)
Cancelled projects	(493.862.995)	(204.389.736)	(21.255.489)	(63.683.644)
	<u>(792.917.825)</u>	<u>(473.191.679)</u>	<u>(107.020.790)</u>	<u>(152.934.972)</u>
Capitalized personnel expenses	297.059.344	261.207.284	84.319.024	93.015.623
	<u>(495.858.481)</u>	<u>(211.984.395)</u>	<u>(22.701.766)</u>	<u>(59.919.349)</u>

As of 30 September 2024, the Group realized research and development expenses of TRY 488.459.569 for tangible assets and TRY 1.590.278.451 for intangible assets with the total amount TRY 2.078.738.020 (30 September 2023: TRY 499.293.706). As of balance sheet date TRY 1.889.775.494 of the amount is for the government grants and incentives (30 September 2023: TRY 411.845.191). Of this total amount TRY 296.490.610 was capitalized on development costs, of which TRY 2.078.712.491 consists of employee related expenses. TRY 493.862.995 cancelled projects are occurred in the year 2024.

ii) Marketing, sales and distribution expenses

	1 January – 30 September 2024	1 January – 30 September 2023	1 July – 30 September 2024	1 July – 30 September 2023
Employee benefits expenses	(749.383.261)	(657.733.085)	(216.832.125)	(179.020.076)
Depreciation and amortization expenses	(138.836.576)	(63.926.296)	(46.735.489)	(20.988.193)
Royalty expenses	(193.508.546)	(288.409.376)	(54.462.484)	(74.193.252)
Rent expenses	(20.777.435)	(2.161.186)	(12.470.594)	(182.888)
Travel, transportation and accommodation expenses	(64.991.126)	(64.166.083)	(20.776.313)	(21.115.402)
Consultancy expenses	(77.036.411)	(79.955.547)	(21.056.121)	(22.313.774)
Promotional goods and advertising expenses	(170.642.743)	(134.325.930)	(37.401.512)	(34.751.308)
Energy expenses	(15.283.756)	(25.989.785)	(5.240.494)	(6.562.605)
Customs expenses	(28.779.119)	(23.496.565)	(9.080.860)	(7.946.195)
Export commissions	(3.699.964)	(9.557.051)	(1.309.244)	(5.850.425)
Subcontractor expenses	(27.683.858)	(24.364.367)	(6.588.576)	(8.845.414)
Material usage expenses	(9.991.592)	(25.225.321)	(2.720.874)	(14.283.519)
Other expenses	(127.640.971)	(92.899.381)	(42.370.872)	(42.008.590)
	<u>(1.628.255.358)</u>	<u>(1.492.209.973)</u>	<u>(477.045.558)</u>	<u>(438.061.641)</u>

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24. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATION EXPENSES (cont’d)

iii)General administration expenses

	1 January – 30 September 2024	1 January – 30 September 2023	1 July – 30 September 2024	1 July – 30 September 2023
Employee benefits expenses	(793.541.186)	(1.107.722.410)	(263.513.927)	(410.310.776)
Depreciation and amortization expenses	(190.796.934)	(66.230.234)	(65.532.462)	(17.977.334)
Rent expenses	(2.485.369)	(4.885.114)	(659.537)	(1.979.558)
Travel, transportation and accommodation expenses	(31.767.159)	(27.843.698)	(6.917.113)	(5.444.543)
Consultancy expenses	(120.729.871)	(101.279.800)	6.281.112	(28.510.953)
Promotional goods and advertising expenses	(8.964.099)	(4.164.422)	(6.319.587)	(1.519.515)
Other expenses	(156.241.349)	(5.677.186)	(92.636.767)	74.549.716
	<u>(1.304.525.967)</u>	<u>(1.317.802.864)</u>	<u>(429.298.281)</u>	<u>(391.192.963)</u>
Capitalized personnel expenses	45.762.127	24.327.947	15.593.946	5.130.520
	<u>(1.258.763.840)</u>	<u>(1.293.474.917)</u>	<u>(413.704.335)</u>	<u>(386.062.443)</u>

25. EXPENSES BY NATURE

	1 January – 30 September 2024	1 January – 30 September 2023	1 July – 30 September 2024	1 July – 30 September 2023
Employee benefits expenses	(1.841.979.277)	(2.034.257.438)	(566.111.353)	(678.582.180)
Depreciation and amortization expenses (Note 13,14,15)	(329.633.510)	(130.156.530)	(112.267.951)	(38.965.527)
Royalty expenses (*)	(193.508.546)	(288.409.376)	(54.462.484)	(74.193.252)
Rent expenses	(23.262.804)	(7.046.300)	(13.130.131)	(2.162.446)
Promotional goods and advertising expenses	(179.606.842)	(138.490.352)	(43.721.099)	(36.270.823)
Travel, transportation and accommodation expenses	(96.758.285)	(92.009.781)	(27.693.426)	(26.559.945)
Consultancy expenses	(197.766.282)	(181.235.347)	(14.775.009)	(50.824.727)
Energy expenses	(15.283.756)	(25.989.785)	(5.240.494)	(6.562.605)
Customs expenses	(28.779.119)	(23.496.565)	(9.080.860)	(7.946.195)
Export commissions	(3.699.964)	(9.557.051)	(1.309.244)	(5.850.425)
Subcontractor expenses	(27.683.858)	(24.364.367)	(6.588.576)	(8.845.414)
Material usage expenses	(9.991.592)	(25.225.321)	(2.720.874)	(14.283.519)
Cancelled projects	(493.862.995)	(204.389.736)	(21.255.489)	(63.683.644)
Other expenses	(283.882.320)	(98.576.567)	(135.007.639)	32.541.126
	<u>(3.725.699.150)</u>	<u>(3.283.204.516)</u>	<u>(1.013.364.629)</u>	<u>(982.189.576)</u>
Capitalized personnel expenses	342.821.471	285.535.231	99.912.970	98.146.143
	<u>(3.382.877.679)</u>	<u>(2.997.669.285)</u>	<u>(913.451.659)</u>	<u>(884.043.433)</u>

(*) TRY 191.398.045 part of royalty expenses consist of the amount paid to Eastpharma S.A.R.L for the sale of Roche products in the current year. Eastpharma S.A.R.L. holds Turkey rights of 9 of the 17 Roche products acquired in 2008. Eastpharma S.A.R.L. also holds the right of 1 Roche product in 17 different foreign countries (Note 7).

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26. OTHER OPERATING INCOME / (EXPENSES)

<u>Other operating income</u>	1 January – 30 September 2024	1 January – 30 September 2023	1 July – 30 September 2024	1 July – 30 September 2023
Foreign exchange gain from operations	404.792.970	609.580.969	52.653.867	345.229.922
Discount interest income	1.443.087	5.976.513	(149.579)	5.630.156
Commission income	4.678.266	3.915.107	1.612.653	1.903.688
Interest income	388.923.698	195.654.561	153.908.448	117.073.788
Other income and profits	226.886.737	91.541.162	9.115.092	66.841.577
	<u>1.026.724.758</u>	<u>906.668.312</u>	<u>217.140.481</u>	<u>536.679.131</u>

(*) Commission income consists of service consideration to Saba İlaç, the Group’s related party TRY 4.678.266 (30 September 2023: TRY 3.915.107) (Note 7).

<u>Other operating expenses</u>	1 January – 30 September	1 January – 30 September	1 July – 30 September	1 July – 30 September
Foreign exchange loss from operations	(5.063.077)	(152.266.892)	-	(99.940.967)
Other expense	(23.054.489)	(23.988.008)	3.813.327	(16.387.832)
	<u>(28.117.566)</u>	<u>(176.254.900)</u>	<u>3.813.327</u>	<u>(116.328.799)</u>

27. INVESTMENT INCOME / (EXPENSES)

	1 January – 30 September 2024	1 January – 30 September 2023	1 July – 30 September 2024	1 July – 30 September 2023
Profit on sale of property, plant and equipment	47.794.447	27.553.950	25.896.747	4.930.009
Net gain arising on financial assets mandatorily measured at FVTPL	172.599.259	147.010.970	99.863.006	(147.606.106)
Net gain financial assets are measured at amortised cost	10.590.698	53.769.282	(33.201.350)	10.145.426
Net gain on securities	68.981.682	18.508.287	65.757.268	(2.773.989)
Foreign exchange gain from investing activities	36.594.501	441.344.971	7.578.487	(1.791.912)
	<u>336.560.587</u>	<u>688.187.460</u>	<u>165.894.158</u>	<u>(137.096.572)</u>
	1 January – 30 September 2024	1 January – 30 September 2023	1 July – 30 September 2024	1 July – 30 September 2023
Loss on sale of property, plant and equipment	(689.080)	(4.813.659)	(689.080)	(4.813.659)
Net loss arising on financial assets mandatorily measured at FVTPL	(125.725.070)	-	(22.447.477)	-
Net loss arising on financial assets mandatorily measured at FVTPL	(51.134)	-	-	-
	<u>(126.465.284)</u>	<u>(4.813.659)</u>	<u>(23.136.557)</u>	<u>(4.813.659)</u>

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28. FINANCIAL EXPENSES

	1 January – 30 September 2024	1 January – 30 September 2023	1 July – 30 September 2024	1 July – 30 September 2023
Bank loans interest cost	(1.631.416.478)	(944.422.062)	(622.115.722)	(355.606.698)
Lease liabilities interest cost	(71.189.312)	(55.242.529)	(23.899.116)	(32.771.466)
Bonds issued interest and expenses	(303.901.902)	(255.792.222)	(109.969.923)	(87.102.243)
Total interest cost	(2.006.507.692)	(1.255.456.813)	(755.984.761)	(475.480.407)
Foreign exchange gain	(2.085.493)	1.349.852	118.559	160.948
Gain on derivative instruments	(13.949.340)	25.706.799	676.472	(801.973)
Other expenses	(40.938.140)	(168.000.298)	(17.719.663)	(47.006.224)
	<u>(2.063.480.665)</u>	<u>(1.396.400.460)</u>	<u>(772.909.393)</u>	<u>(523.127.656)</u>

29. TAX ASSETS AND LIABILITIES

Current and deferred income tax

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

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

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

Furthermore, provisional corporate taxes are paid at 25% (will be applied as 25% for 2023 and after periods) over profits declared for interim periods in order to be deducted from the final corporate tax.

As of September 30, 2024 and December 31, 2023, income tax provisions have been accrued in accordance with the prevailing tax legislation.

75% of the income derived by the Company from the sale of participation shares, preferential rights, founders' shares and redeemed shares and 50% of the income derived by the Company from the sale of immovable property which are carried in assets for at least for two years is exempt from corporate tax with the condition that the relevant income should be added to the share capital or kept under a special reserve account under equity for 5 years in accordance with the Corporate Tax Law.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

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29. TAX ASSETS AND LIABILITIES (cont’d)

Current and deferred income tax (cont’d)

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Provided that deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and it is legally eligible, they may be offset against one another.

Tax assets and liabilities

Corporation tax

The Group is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey.

The applied corporate tax rate in Turkey is 25% in 2024 (2023: 25%). Deferred tax assets and liabilities in the consolidated financial statements as of September 30, 2023, deferred tax assets and liabilities are calculated with 25% rate for the portion that will have tax effects in 2023 and the following periods.

Corporate tax rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 25% (2023 – 25%) to be calculated based on earnings generated for each period. Temporary tax is declared by the 17th day of the second month following each period and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset.

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

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

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

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of September 30, 2024 and December 31, 2023, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statements.

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29. TAX ASSETS AND LIABILITIES (cont’d)

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

	30 September 2024	31 December 2023
<u>Current tax payable</u>		
Current tax liability	75.497.290	318.060.186
Prepaid taxes and dues	(66.272.865)	(261.083.254)
	<u>9.224.425</u>	<u>56.976.932</u>
	1 January- 30 September 2024	1 January- 30 September 2023
<u>Tax income</u>		
Current tax (expense)	(72.278.125)	(422.917.598)
Deferred tax (expense)	(99.560.887)	(709.598.518)
Total tax (expense)	<u>(171.839.012)</u>	<u>(1.132.516.116)</u>

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

	1 January- 30 September 2024	1 January- 30 September 2023
Profit before tax	401.537.666	1.593.868.179
Enacted tax rate	25%	20%
Expected taxation	(100.384.417)	(318.773.636)
Tax effects of:		
- non-deductible expenses	(22.422.231)	(69.369.815)
- r&d incentives deductions	-	131.884.006
- investment incentives	-	335.797.368
- tax exempt income	(9.048.006)	34.416.665
- additional tax law number 7440	-	(198.358.138)
- Inflation effect	(84.352.662)	(1.082.079.399)
- other	44.368.304	33.966.833
Tax (expense) recognized in income statement	<u>(171.839.012)</u>	<u>(1.132.516.116)</u>

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29. TAX ASSETS AND LIABILITIES (cont’d)

Deferred tax

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

The tax rate used in the calculation of deferred tax assets and liabilities is 25%.

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

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

<u>Deferred tax assets / (liabilities)</u>	<u>30 September</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
Restatement and useful life differences of property, plant and equipment and intangible assets	118.698.180	561.368.765
Provision for employment termination benefits	33.216.683	36.945.424
Carry forward tax losses	450.572.179	-
Inventories	(111.731.889)	63.387.884
Accrued vacation pay liability	12.998.249	11.925.511
Accrued sales discounts and free samples	(38.158.550)	(5.432.710)
Expected credit losses	18.764.922	2.413.536
Provision for legal cases	11.318.921	8.817.649
Other	114.706.439	102.514.520
	<u>610.385.134</u>	<u>781.940.579</u>

The movement of deferred tax assets for the year ended as of 30 September 2024 and 2023 are as follows:

<u>Movements of deferred tax assets / (liabilities)</u>	<u>2024</u>	<u>2023</u>
Balance at 1 January	781.940.579	(1.499.910.369)
Deferred tax expense recognized in income statement	(99.560.887)	(709.598.518)
Tax income recognized in other comprehensive income	(365.960)	96.540
Inflation effect	(71.628.598)	302.242.211
Closing balance, 30 September	<u>610.385.134</u>	<u>(1.907.170.137)</u>

As of balance sheet date, the Group has no unused tax losses available for offset against future profits (30 September 2023: None).

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30. PROFIT PER SHARE

<u>Earning per share</u>	1 January– 30 September 2024	1 January– 30 September 2023
Profit for the period	229.698.654	461.352.063
Weighted-average number of outstanding shares	20.001.928.778	20.001.928.778
Gain per share (TRY)	0,0115	0,0231

31. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

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

The capital structure of the Group consists of debt, which includes the financial borrowings disclosed in Note 6, cash and cash equivalents disclosed in Note 4 and equity attributable to equity holders of the parent disclosed in Note 22, comprising issued capital, reserves and retained earnings.

As of 30 September 2024 and 31 December 2023, equity/total financial liability rate is as follows:

	30 September 2024	31 December 2023
Financial liability	6.598.575.271	7.451.285.316
Less: Cash and cash equivalents	<u>(1.479.495.784)</u>	<u>(2.059.945.008)</u>
Liability (net)	5.119.079.487	5.391.340.308
Total equity	19.868.271.032	20.084.353.337
Total capital	24.987.350.519	25.475.693.645
Liability (net) / Total capital rate	20%	21%

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

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

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

(b) Financial risk factors

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

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

(b.1) Credit risk management

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

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

	30 September 2024	31 December 2023
Trade Receivables		
According to internal rating;		
Customers in Group A	3.186.775.221	3.980.238.623
Customers in Group B	318.054.976	66.157.907
Customers in Group C	453.718.668	555.406.641
	<u>3.958.548.865</u>	<u>4.601.803.171</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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31. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont’d)

(b) Financial risk factors (cont’d)

(b.1) Credit risk management (cont’d)

30 September 2024	Receivables				Bank Deposits	Derivative Instruments	Other(**)
	Trade Receivables		Other Receivables				
	Related Party	Other	Related Party	Other			
Maximum credit limits as of balance sheet date (*)	365.122.814	3.958.548.865	-	11.366.519	1.479.081.171	-	2.660.657.778
Secured amount with letter of guarantee	-	279.962.949	-	-	-	-	-
A. Net book value of the not amortized financial assets	365.122.814	3.958.548.865	-	11.366.519	1.479.081.171	-	2.660.657.778
B. Net book value of the financial assets conditions are reset, otherwise impaired	-	-	-	-	-	-	-
C. Net book value of the overdue assets but not impaired	-	-	-	-	-	-	-
Secured amount with letter of guarantee	-	-	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-	-
-Carrying value (due dates passed assets)	-	7.975.292	-	-	-	-	-
-Impairment(-)	-	(7.975.292)	-	-	-	-	-
-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.

(**) Usdbonds and currency protected deposits in financial investments are reported in consolidated credit risk statement under “Other” segment.

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

(b) Financial risk factors (cont’d)

(b.1) Credit risk management (cont’d)

	<u>Receivables</u>			<u>Bank Deposits</u>	<u>Derivative Instruments</u>	<u>Other(**)</u>	
	<u>Trade Receivables</u>	<u>Other Receivables</u>					
<u>31 December 2023</u>	<u>Related Party</u>	<u>Other</u>	<u>Related Party</u>	<u>Other</u>			
Maximum credit limits as of balance sheet date (*)	228.577.723	4.601.803.171	-	19.975.553	2.059.522.110	18.861	2.777.008.226
Secured amount with letter of guarantee	-	244.401.322	-	-	-	-	-
A. Net book value of the not amortized financial assets	228.577.723	4.601.803.171	-	19.975.553	2.059.522.110	-	2.777.008.226
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)	-	9.654.144	-	-	-	-	-
-Impairment(-)	-	(9.654.144)	-	-	-	-	-
-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.

(**) Usdbonds and currency protected deposits in financial investments are reported in consolidated credit risk statement under “Other” segment.

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

(b) Financial risk factors (cont’d)

(b.2) *Liquidity risk management*

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

The Group’s liquidity requirements arise primarily from the need to fund working capital due to the research and development investments mainly factory, machinery and equipment investments and pharma licence investments. The Board of Directors has formed appropriate liquidity risk management for the Group management’s short, medium and long term funding and liquidity needs.

Liquidity analysis

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

30 September 2024

<u>Due dates according to the agreements</u>	<u>Carrying value</u>	<u>Cashflow according to the agreement</u>	<u>Less than 3 months</u>	<u>Between 3-12 months</u>	<u>1-5 years</u>
Non-derivative financial liabilities					
Bank loans and bonds issued	6.598.575.271	7.832.337.279	3.119.080.736	3.720.173.520	993.083.023
Trade payables	1.030.817.361	1.037.490.303	1.036.964.662	525.641	-
Payables relating to the benefits provided to employees	132.295.631	132.295.631	132.295.631	-	-
Total financial liabilities	7.761.688.263	9.002.123.213	4.288.341.029	3.720.699.161	993.083.023

31 December 2023

<u>Due dates according to the agreements</u>	<u>Carrying value</u>	<u>Cashflow according to the agreement</u>	<u>Less than 3 months</u>	<u>Between 3-12 months</u>	<u>1-5 years</u>
Non-derivative financial liabilities					
Bank loans and bonds issued	7.451.285.316	8.440.806.232	3.387.707.850	4.455.348.588	597.749.794
Trade payables	1.219.577.520	1.227.805.679	1.224.500.841	3.304.838	-
Payables relating to the benefits provided to employees	162.684.851	162.684.851	162.684.851	-	-
Total financial liabilities	8.833.547.687	9.831.296.762	4.774.893.542	4.458.653.426	597.749.794

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31. 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.2.1) and interest rates (see b.2.2). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk.

Market risk exposures are supplemented by sensitivity analysis.

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

(b.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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31. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont’d)

(b) Financial risk factors (cont’d)

(b.3) Market risk management (cont’d)

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

Foreign Currency Position	30 September 2024					
	TRY Equivalent	USD	EUR	CHF	GBP	Other
1. Trade receivables	326.999.074	6.008.473	1.128.255	1.913.109	-	1.672.232
2a. Monetary financial assets	1.336.127.092	19.198.690	17.695.866	136.651	1.194	628
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	246.101.571	1.457.412	4.517.025	510.000	71.351	103.164
4. CURRENT ASSETS	1.909.227.737	26.664.575	23.341.146	2.559.760	72.544	1.776.025
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	1.284.928.666	37.658.001	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	3.803.042	58.776	43.389	3.500	-	-
8. NON-CURRENT ASSETS	1.288.731.708	37.716.778	43.389	3.500	-	-
9. TOTAL ASSETS	3.197.959.445	64.381.353	23.384.535	2.563.260	72.544	1.776.025
10. Trade payables	292.390.807	1.828.890	4.996.803	957.357	13.091	-
11. Financial liabilities	-	-	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
13. CURRENT LIABILITIES	292.390.807	1.828.890	4.996.803	957.357	13.091	-
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	-	-	-	-	-	-
18. TOTAL LIABILITIES	292.390.807	1.828.890	4.996.803	957.357	13.091	-
19. Net asset/liability position of off-balance sheet items (19a-19b)	-	-	-	-	-	-
19a. Total asset amount of hedging items	-	-	-	-	-	-
19b. Total liability amount of hedging items	-	-	-	-	-	-
20. Net foreign currency position (9-18)	2.905.568.638	62.552.463	18.387.732	1.605.903	59.454	1.776.025
21. Monetary items net foreign currency position	2.655.664.025	61.036.274	13.827.318	1.092.403	(11.897)	1.672.861
22. Fair value of the financial instruments used in foreign currency hedging	-	-	-	-	-	-
23. Hedged part of foreign currency assets	-	-	-	-	-	-
24. Hedged part of foreign currency liabilities	-	-	-	-	-	-
25. Export	1.783.689.259	29.735.636	21.541.028	1.754.353	-	-
26. Import	2.461.115.020	33.442.989	30.638.501	3.541.332	164.434	-

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31. 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 2023					
	TRY Equivalent	USD	EUR	CHF	GBP	Other
1. Trade receivables	326.021.774	7.336.083	1.434.176	1.760.554	-	1.783.398
2a. Monetary financial assets	3.079.554.648	73.824.256	27.740.140	75.492	1.458	2.587
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	134.481.411	610.149	2.805.261	692.888	20.406	149.494
4. CURRENT ASSETS	3.540.057.833	81.770.488	31.979.577	2.528.934	21.864	1.935.479
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	1.491.582	43.909	713	5.027	-	-
8. NON-CURRENT ASSETS	1.491.582	43.909	713	5.027	-	-
9. TOTAL ASSETS	3.541.549.415	81.814.397	31.980.290	2.533.961	21.864	1.935.479
10. Trade payables	419.460.942	5.150.967	7.320.298	837.781	2.157	-
11. Financial liabilities	-	-	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
13. CURRENT LIABILITIES	419.460.942	5.150.967	7.320.298	837.781	2.157	-
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. NON-CURRENT LIABILITIES	-	-	-	-	-	-
18. TOTAL LIABILITIES	419.460.942	5.150.967	7.320.298	837.781	2.157	-
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)	3.122.088.473	76.663.430	24.659.992	1.696.180	19.707	1.935.479
21. Monetary items net foreign currency position (1+2a+5+6a-10-11-12a-14-15-16a)	2.986.115.480	76.009.372	21.854.018	998.265	(699)	1.785.985
22. Fair value of the financial instruments used in foreign currency hedging	-	-	-	-	-	-
23. Hedged part of foreign currency assets	-	-	-	-	-	-
24. Hedged part of foreign currency liabilities	-	-	-	-	-	-
25. Export	1.783.506.407	41.769.095	27.181.502	1.526.237	-	-
26. Import	4.195.027.668	75.203.630	57.775.312	2.041.984	739.338	117.608

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

(b) Financial risk factors (cont’d)

(b.3) Market Risk Management (cont’d)

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

Foreign currency sensitivity

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

The following table details the Group’s sensitivity to a 20% increase and decrease in the TRY against the relevant foreign currencies. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates (31 December 2023: 20%). The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 20% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss. There is no equity effect.

Foreign Currency Sensitivity	30 September 2024	
	Profit / (Loss)	
	If foreign currency appreciates	If foreign currency depreciates
If US Dollar changes 20%		
1- US Dollar net asset/liability	426.870.519	(426.870.519)
2- Amount protected from US Dollar risk (-)	-	-
3- US Dollar net effect (1+2)	426.870.519	(426.870.519)
If EUR changes 20%		
4- EUR net asset/liability	140.377.092	(140.377.092)
5- Amount protected from EUR risk (-)	-	-
6- EUR net effect (4+5)	140.377.092	(140.377.092)
If other currencies change 20%		
7- Other net asset/liability	13.866.117	(13.866.117)
8- Amount protected from other currency risk (-)	-	-
9- Other net effect (7+8)	13.866.117	(13.866.117)
Total (3+6+9)	581.113.728	(581.113.728)

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31. 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 2023	
	Profit / (Loss)	
	If foreign currency appreciates	If foreign currency depreciates
If US Dollar changes 20%		
1- US Dollar net asset/liability	451.366.678	(451.366.678)
2- Amount protected from US Dollar risk (-)	-	-
3- US Dollar net effect (1+2)	451.366.678	(451.366.678)
If EUR changes 20%		
4- EUR net asset/liability	160.654.421	(160.654.421)
5- Amount protected from EUR risk (-)	-	-
6- EUR net effect (4+5)	160.654.421	(160.654.421)
If other currencies change 20%		
7- Other net asset/liability	12.396.596	(12.396.596)
8- Amount protected from other currency risk (-)	-	-
9- Other net effect (7+8)	12.396.596	(12.396.596)
Total (3+6+9)	624.417.695	(624.417.695)

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

As of 30 September 2024, 8% of total indebtedness was floating rate and denominated in TRY. (31 December 2023: 19%).

Interest rate sensitivity

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

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

(b) Financial risk factors (cont’d)

(b.3) *Market Risk Management (cont’d)*

(b.3.2) *Interest rate risk management (cont’d)*

Interest rate sensitivity (cont’d)

Interest Position

	30 September 2024	31 December 2023
Fixed Rated Instruments		
Financial Assets	3.436.892.873	3.820.681.425
Financial Liabilities	6.089.162.207	6.044.684.506
Floating Rated Instruments		
Financial Assets	-	-
Financial Liabilities	509.413.064	1.406.600.810

If Libor and Euribor had been higher by 50 basis points and all other variables were held constant, profit for the year ended at 30 September 2024 would decrease by TRY 140.753 (30 September 2023: decrease by TRY 233.733). The equity effect is nil. If Libor and Euribor had been lower by 50 basis points, the profit of the Group for the period ended would increase with the same absolute amount.

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32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	Financial assets are measured at amortised cost	Financial liabilities are measured at amortised cost	Financial assets are measured at fair value through profit or loss	Financial liabilities are measured at fair value through profit or loss	Carrying Value
30 September 2024					
<u>Financial Assets</u>					
Cash and cash equivalents	1.479.495.784	-	-	-	1.479.495.784
Financial Investments	1.440.540.824	-	1.220.116.954	-	2.660.657.778
Trade receivables (including related parties)	4.323.671.679	-	-	-	4.323.671.679
Other receivables	11.366.519	-	-	-	11.366.519
<u>Financial Liabilities</u>					
Borrowings	-	6.598.575.271	-	-	6.598.575.271
Trade payables (including related parties)	-	1.030.817.361	-	-	1.030.817.361
Other payables	-	24.078.257	-	-	24.078.257
31 December 2023					
<u>Financial Assets</u>					
Cash and cash equivalents	2.059.945.008	-	-	-	2.059.945.008
Financial Investments	1.557.128.002	-	1.219.880.224	-	2.777.008.226
Trade receivables (including related parties)	4.830.380.894	-	-	-	4.830.380.894
Other receivables	19.975.553	-	-	-	19.975.553
<u>Financial Liabilities</u>					
Borrowings	-	7.451.285.316	-	-	7.451.285.316
Trade payables (including related parties)	-	1.219.577.520	-	-	1.219.577.520
Other payables	-	1.363.333	-	-	1.363.333

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32. FINANCIAL INSTRUMENTS (cont’d)

Categories of financial instruments (cont’d)

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

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

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

As of 30 September 2024 and 31 December 2023, the Group has derivative instruments as follows:

	30 September 2024		31 December 2023	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forward contracts	-	-	18.861	-
	-	-	18.861	-
Fair value difference recognized to profit or loss table (*)		-		(2.410.385)
Net Asset/ (Liability)		-		(2.410.385)

(*) For the period between 1 January and 30 September 2024, foreign exchange gain is recognized in financial expenses.

As of 30 September 2024, Group has no forward contract.

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

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(Amounts expressed in Turkish Lira ("TRY") in terms of the purchasing power of the TRY at 30 September 2024, unless otherwise indicated.)

33. FEES FOR SERVICES RECEIVED FROM THE INDEPENDENT AUDIT FIRM

Fees for services received from the independent audit firm.

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

	1 January – 30 September 2024	1 January – 30 September 2023
Audit fee for the reporting period	<u>2.100.000</u>	<u>1.523.783</u>
	<u>2.100.000</u>	<u>1.523.783</u>

34. SUBSEQUENT EVENTS

None.