EASTPHARMA LTD.
AND ITS SUBSIDIARIES

Interim Consolidated Financial Statements
For The Six Month Period Ended
30 June 2018 and Limited Review Report

Building a better
working world

Güney Bağımsız Denetim ve
SMMM A.Ş.
Maslak Mahallesi Eski Büyükdere
Cad. Orjin Maslak Plaza No: 27
Sarıyer 34485
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920

Report on review of interim consolidated financial statements
To the Board of Directors of Eastpharma Ltd

Introduction

We have reviewed the accompanying interim consolidated financial statements of Eastpharma Ltd (the "Company") and its subsidiaries (altogether referred to as "the Group") as at 30 June 2018, comprising of the interim consolidated statement of financial position as at 30 June 2018 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Zeynep Okuyan Özdemir, SMMM
Partner

August 13, 2018
Istanbul, Turkey

EASTPHARMA LTD. AND IT'S SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

(Unless otherwise indicated all amounts expressed in US Dollar.)

ASSETS		**Current Period**	**Prior Period**	**Prior Period**
			Restated (Note 2.3)	**Restated (Note 2.3)**
		Reviewed	**Audited**	**Audited**
		30 June	**31 December**	**31 December**
CURRENT ASSETS	**Notes**	**2018**	**2017**	**2016**
Cash and cash equivalents	5	32,316,218	24,860,134	12,462,273
Trade and other receivables (net)	6	83,442,607	76,938,309	57,767,783
Inventories	8	86,731,434	65,344,678	57,623,093
Other current assets	9	11,087,532	9,322,103	9,716,228
Total Current Assets		**213,577,791**	**176,465,224**	**137,569,377**
NON-CURRENT ASSETS				
Property, plant and equipment (net)	10	89,710,101	102,732,067	96,302,594
Intangible assets (net)	11	77,202,594	83,619,217	82,027,442
Goodwill	12	25,676,415	30,446,036	32,426,240
Deferred tax assets	18	1,344,541	1,352,557	1,902,871
Other non-current assets	9	190	249	51,466
Total Non-Current Assets		**193,933,841**	**218,150,126**	**212,710,613**
TOTAL ASSETS		**407,511,632**	**394,615,350**	**350,279,990**

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

EASTPHARMA LTD. AND IT'S SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

(Unless otherwise indicated all amounts expressed in US Dollar.)

LIABILITIES AND EQUITY		**Current Period**	**Prior Period**	**Prior Period**
			Restated (Note 2.3)	**Restated (Note 2.3)**
		Reviewed	**Audited**	**Audited**
		30 June	**31 December**	**31 December**
CURRENT LIABILITIES	**Notes**	**2018**	**2017**	**2016**
Short-term borrowings	15	79,598,837	78,772,134	43,431,468
Trade payables	16	25,693,033	18,531,079	14,170,274
Due to related parties	7	4,670	4,811	17,796
Provisions	17	1,462,678	1,081,270	849,510
Other payables and accrued expenses	16	16,462,096	15,515,990	14,542,247
Current tax payable	18	2,498,344	1,066,850	836,294
Total Current Liabilities		**125,719,658**	**114,972,134**	**73,847,589**
NON-CURRENT LIABILITIES				
Long-term borrowings	14	41,978,577	50,731,825	64,093,488
Other financial borrowings	14	31,704,601	-	-
Provision for employment termination benefits	19	4,764,778	5,147,483	4,846,340
Deferred income	16	5,516,300	5,859,413	4,796,881
Total Non-Current Liabilities		**83,964,256**	**61,738,721**	**73,736,709**
TOTAL LIABILITIES		**209,683,914**	**176,710,855**	**147,584,298**
EQUITY				
Share capital	21	338,250,000	338,250,000	338,250,000
Premium in excess of par	21	99,774,445	99,774,445	99,774,445
Legal reserves	21	1,215,248	1,215,248	1,215,248
Accumulated losses		(5,181,468)	(20,557,713)	(44,043,428)
Actuarial loss arising from defined benefit plans		(1,387,318)	(1,797,259)	(1,897,804)
Forreign currency translation reserve		(322,238,840)	(280,384,566)	(266,374,525)
Equity attributable to equity holders of the parent		**110,432,067**	**136,500,155**	**126,923,936**
Non-controlling interests		87,395,651	81,404,340	75,771,756
Total Equity		**197,827,718**	**217,904,495**	**202,695,692**
TOTAL LIABILITIES AND EQUITY		**407,511,632**	**394,615,350**	**350,279,990**

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

EASTPHARMA LTD. AND IT'S SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise indicated all amounts expressed in US Dollar.)

	Notes	Current Period 1 January – 30 June 2018	Prior Period 1 January – 30 June 2017
Revenue	22	132,132,624	113,758,580
Cost of sales	23	(63,070,713)	(58,887,574)
Gross profit		**69,061,911**	**54,871,006**
Operating expenses	24	(34,796,851)	(31,863,158)
Investment revenue	25	10,929,970	7,898,892
Finance costs (net)	26	(22,429,417)	(15,622,225)
Other gains and losses	27	455,831	194,137
Profit before tax		**23,221,444**	**15,478,652**
Current tax expense	18	(4,618,411)	(1,465,468)
Deferred tax expense	18	(323,450)	(838,921)
Tax expense		**(4,941,861)**	**(2,304,389)**
Net profit for the period		**18,279,583**	**13,174,263**
Attributable to:			
Equity holders of the parent		15,634,594	11,326,524
Non-controlling interests		2,644,989	1,847,739
		18,279,583	**13,174,263**
Basic and diluted earnings per share (US Dollar)	31	0.23	0.17

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

EASTPHARMA LTD. AND IT’S SUBSIDIARIES

CONSOLIDATED STATEMENT OF
OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise indicated all amounts expressed in US Dollar.)

	Notes	Current Period 1 January – 30 June 2018	Restated (Note 2.3) Prior Period 1 January – 30 June 2017
Net income for the period		**18,279,583**	**13,174,263**
Other Comprehensive Income :			
Items not to be reclassified subsequently to profit or loss		**106,004**	**(109,942)**
Actuarial loss arising from defined benefit plans	19	132,505	(137,427)
Tax effect of other comprehensive income not to be reclassified to profit or loss	18	(26,501)	27,485
Items to be reclassified subsequently to profit or loss		**(38,204,015)**	**2,554,313**
Foreign currency translation		(38,204,015)	2,554,313
Total comprehensive loss for the period		**(19,818,428)**	**15,618,634**
Total comprehensive income (loss) attributable to:			
Equity holders of the parent		(25,809,739)	13,855,298
Non-controlling interests		5,991,311	1,763,336
		(19,818,428)	**15,618,634**

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

EASTPHARMA LTD. AND IT'S SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise indicated all amounts expressed in US Dollar.)

	Notes	Share capital	Premium in excess of par	Legal reserves	Actuarial loss arising from defined benefit plans	Forreign currency translation reserve	Accumulated deficit	Total equity attributable to equity holders of the parent	Non-controlling interests	Total
Balance as of 1 January 2017 (previously reported)	21	338,250,000	99,774,445	1,215,248	(1,897,804)	(219,339,023)	(44,043,428)	173,959,438	75,771,756	249,731,194
Effect of restatement (Note 2.3)		-	-	-	-	(47,035,502)	-	(47,035,502)	-	(47,035,502)
Balance as of 1 January 2017		338,250,000	99,774,445	1,215,248	(1,897,804)	(266,374,525)	(44,043,428)	126,923,936	75,771,756	202,695,692
Actuarial loss arising from defined benefit plans		-	-	-	(109,942)	-	-	(109,942)	-	(109,942)
Currency translation		-	-	-	(10,575)	2,649,291	-	2,638,716	(84,403)	2,554,313
Net profit for the period		-	-	-	-	-	11,326,524	11,326,524	1,847,739	13,174,263
Total comprehensive income / (loss)		-	-	-	(120,517)	2,649,291	11,326,524	13,855,298	1,763,336	15,618,634
Balance as of 30 June 2017		338,250,000	99,774,445	1,215,248	(2,018,321)	(263,725,234)	(32,716,904)	140,779,234	77,535,092	218,314,326
Balance as of 31 December 2017		338,250,000	99,774,445	1,215,248	(1,797,259)	(231,432,688)	(20,557,713)	185,452,033	81,404,340	266,856,373
Effect of restatement (Note 2.3)		-	-	-	-	(48,951,878)	-	(48,951,878)	-	(48,951,878)
Balance as of 1 January 2018	21	338,250,000	99,774,445	1,215,248	(1,797,259)	(280,384,566)	(20,557,713)	136,500,155	81,404,340	217,904,495
Adjustment for change in accounting policy (Note 2)		-	-	-	-	-	(64,135)	(64,135)		(64,135)
Actuarial loss arising from defined benefit plans		-	-	-	106,004	-	-	106,004	-	106,004
Currency translation		-	-	-	303,937	(41,854,274)	-	(41,550,337)	3,346,322	(38,204,015)
Net profit for the period		-	-	-	-	-	15,634,594	15,634,594	2,644,989	18,279,583
Divedends		-	-	-	-	-	(194,214)	(194,214)	-	(194,214)
Total comprehensive income / (loss)		-	-	-	409,941	(41,854,274)	15,440,380	(26,003,953)	5,991,311	(20,012,642)
Balance as of 30 June 2018		338,250,000	99,774,445	1,215,248	(1,387,318)	(322,238,840)	(5,181,468)	110,432,067	87,395,651	197,827,718

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

EASTPHARMA LTD. AND IT'S SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise indicated all amounts expressed in US Dollar.)

	Notes	Reviewed 1 January-30 June 2018	Reviewed 1 January-30 June 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		18,279,583	13,174,263
Adjustments to reconcile net profit to net cash provided by/ (used in) operating activities:			
Depreciation of property, plant and equipment	10	2,483,697	2,696,679
Amortization of intangible assets	11	1,350,150	1,738,165
Impairment losses on intangible assets	11	4,579,322	4,681,228
Provision for employment termination benefits	19	866,161	940,981
Gain / (loss) on sale and disposal of property, plant and equipment and intangible assets	27	(90,307)	141,281
Loss on derivative financial instruments	26	-	129,426
Allowance for doubtful receivables, net	6	195,261	-
Amortization of discount	25, 26	783,381	264,367
Change in amortised cost of bonds issued		12,488,729	9,482
Provisions	17	985,507	397,307
Bank loans interest expense	26	6,627,057	5,392,938
Bonds issued interest expense	26	3,446,034	1,938,722
Change in allowance for diminution in value of inventories	8	(668,310)	793,581
Unrealized foreign exchange gain / (loss)	26, 27	(276,960)	809,308
Interest income	25	(418,936)	(428,297)
Interest income from deferred settlement term sales	25	(130,869)	(81,504)
Tax expense	18	4,950,273	2,304,389
Changes in working capital:			
Increase in trade and other receivables		(32,273,579)	(28,498,830)
Increase in inventories		(33,273,703)	(9,994,422)
Increase / (decrease) in other current assets		(3,947,285)	1,186,866
Increase in trade payables		23,143,221	16,996,719
Decrease in due to related parties		(141)	(12,924)
Increase in other payables and accrued expenses		3,980,354	7,484,197
Cash generated from operations		**13,078,640**	**22,063,922**
Income tax paid		(2,883,292)	(1,245,207)
Provisions utilized	17	(425,303)	(361,185)
Employment termination benefits paid	19	(213,932)	(410,596)
Net cash provided by operating activities		**9,556,113**	**20,046,934**

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

EASTPHARMA LTD. AND IT'S SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise indicated all amounts expressed in US Dollar.)

	Notes	Reviewed 1 January- 30 June 2018	Reviewed 1 January- 30 June 2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	10	(8,311,709)	(6,640,588)
Purchases of intangible assets	11	(12,183,862)	(10,821,282)
Proceeds on disposal of property, plant and equipment		99,908	132,482
Net cash used in investing activities		**(20,395,663)**	**(17,329,388)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest received		570,744	502,766
Interest paid		(7,869,307)	(2,750,713)
Proceeds from borrowings		93,222,696	122,392,163
Repayment of borrowings		(74,539,185)	(113,252,486)
Payments of Issued Debt Instruments		(21,926,459)	(1,938,722)
Cash used in bonds issued		28,230,490	-
Dividends paid		(194,214)	-
Net cash used in financing activities		**17,494,765**	**4,953,008**
NET CHANGES IN CASH AND CASH EQUIVALENTS		6,655,215	7,670,554
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		24,821,236	12,449,026
Effect of exchange rate changes on the balance of cash held in foreign currencies		821,808	314,427
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	**32,298,259**	**20,434,007**

Changes in working capital include currency translation of US Dollar 48,385,938 (1 January – 30 June 2017: US Dollar 12,725,284). The distribution of the currency translation effect for the period is as follows:

	1 January- 30 June 2018	1 January- 30 June 2017
Trade receivables	(32,273,579)	(28,498,830)
Inventories	(33,273,703)	(9,994,422)
Other receivables and current assets	(3,947,285)	1,186,866
Trade payables	23,143,221	16,996,719
Other payables and accrued expenses	3,980,354	7,484,197
Financial liabilities	(6,010,967)	100,186
	(48,381,959)	(12,725,284)

(Unless otherwise indicated all amounts expressed in US Dollar.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

EastPharma Ltd. (the "Company" or "EastPharma") is a limited company incorporated in Bermuda. The Company was established on 17 August 2006 and the address of its registered office is Church Street Hamilton, Bermuda. EastPharma is the indirect holding company of Deva Holding A.Ş. ("Deva"), a pharmaceutical company incorporated in Istanbul, Turkey which was acquired on 27 November 2006 and Saba İlaç Sanayi ve Ticaret A.Ş. ("Saba"), a pharmaceutical company incorporated in Istanbul, Turkey which was acquired on 10 May 2007. EastPharma and its subsidiaries are collectively referred to as the "Group" in this report.

The Group operates in the pharmaceutical industry and is one of the branded generic players in the Turkish market. The Group has a wide range of product portfolio and a country-wide organized sales force.

The Group has 193 pharmaceutical molecules in 396 pharmaceutical forms ranging from antimicrobial agents to antineoplastics and antihypertensive.

The Group has four production facilities which operate in compliance with the Good Manufacturing Practice ("GMP"). During February 2008, the Company signed a definitive Asset Purchase Agreement with F. Hoffmann-La Roche Ltd ("Roche") for the purchase of all rights, liabilities and registrations of eight Roche products registered in Turkey. There is no termination date for the Asset Purchase Agreement. In addition, on 16 May 2008, the Company signed a License and Supply Agreement allowing EastPharma SARL to license an additional eight Roche products on an exclusive basis for Turkey. The necessary regulatory approvals of the Turkish Competition Board were obtained on 16 May 2008 and the agreement became effective on 19 June 2008.

The details of the Company's direct and indirect subsidiaries as at 30 June 2018 and 31 December 2017 are as follows:

	Ownership %		Place of incorporation	Principal activity
Direct holdings:	30 June 2018	31 December 2017		
EastPharma S.a r.l	100%	100%	Luxembourg	Direct parent company of Deva
EastPharma Canada Limited	100%	100%	Canada	Production and sales of human pharmaceuticals
Indirect holdings:				
Deva Holding A.Ş.	82.2%	82.2%	Turkey	Production and sales of human pharmaceuticals
Saba İlaç A.Ş.	99.9%	99.9%	Turkey	Production and sales of human pharmaceuticals
EastPharma İlaç A.Ş.	100%	100%	Turkey	Non – operating

The Group has also interest of 21.75% (2017: 21.75 %) in a company incorporated in Singapore, Lypanosys PTE LTD of which principal activities are production and sales of human pharmaceuticals. (Note 13)

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

Main subsidiary of EastPharma is Deva Holding A.Ş., it owns 82,2% of the shares of Deva as of 30 June 2018. Non-controlling interest amount is mainly refer to these shares.

A summary of financial information on material partly-owned subsidiary Deva, in US Dollar terms, is as follows;

Deva Holding	30 June 2018	31 December 2017
Current assets	199,605,832	164,774,025
Non-current assets	150,423,931	168,444,796
Current liabilities	(119,548,792)	(110,980,655)
Non-current liabilities	(83,899,566)	(61,661,411)
Equity attributable to equity holders of the parent	(146,581,405)	(160,576,756)

	1 January- 30 June 2018	1 January- 30 June 2017
Sales	123,487,747	115,281,315
Expenses	(108,009,124)	(103,959,730)
Net profit for the period	15,478,623	11,321,585
Attributable to:		
Equity attributable to equity holders of the parent	15,478,623	11,321,585
Net profit for the period	15,478,623	11,321,585
Net profit for the period	15,478,623	11,321,585
Actuarial loss arising from defined benefit plans	135,381	(135,912)
Tax effect other comprehensive income not to be reclassified to profit or loss	27,076	27,182
Foreign currency translation	(95,609)	(30,231)
Total comprehensive income for the period	15,545,471	11,182,624
Total comprehensive income attributable to:	**15,545,471**	**11,182,624**
Equity attributable to equity holders of the parent	15,545,471	11,182,624
	15,545,471	11,182,624

(Unless otherwise indicated all amounts expressed in US Dollar.)

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

Description of operations:

The Group classifies its operations into three business segments: production and sale of human pharmaceuticals, veterinary products and other. These segments are the basis on which the Group reports its segment information. Further segment information about the Group's operations is presented in Note 29.

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 trademarked name 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.

In addition to Group's manufacturing activities, the Group also 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 fermentor.

The veterinary products segment derives its revenue from the sale of products that meet the needs of veterinarians and animal breeders. Revenues of the veterinary products segment are derived from the sale of 70 pharmaceutical molecules in 99 pharmaceutical forms.

The operations in the other segment include cologne.

The Group's operations and production facilities are located in Turkey.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The accounting policies adopted in preparation of the consolidated financial statements as at 30 June 2018 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

<u>2.1 The new standards, amendments and interpretations which are effective as at 1 January 2018 are as follows:</u>

<u>IFRS 15 Revenue from Contracts with Customers</u>

The IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is 1 January 2018. As a result of the IFRS 15 assessments, the standard did not have a significant impact on the financial position or performance of the the Group and Group did not disclose the impact of the standard on financial position or performance of the Group.

(Unless otherwise indicated all amounts expressed in US Dollar.)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

2.1 The new standards, amendments and interpretations which are effective as at 1 January 2018 (cont'd):

IFRS 9 Financial Instruments Impact Measurement and Applied Accounting

The final version changes the current application of IFRS 9 "Financial Instruments" Standard, IAS 39 "Financial Instruments: Recognition and Measurement" issued on 19 January 2017. Applications related to the accounting, classification, measurement and derecognition of financial instruments in IAS 39 are now carried forward to IFRS 9. The latest version of IFRS 9 also includes applications published in previous versions of IFRS 9, including a new anticipated credit loss model for the calculation of impairment in financial assets, as well as updated applications for new general hedge accounting requirements. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The Group has changed the methodology for the separation of impairment of financial assets in accordance with IFRS 9's new anticipated credit loss model.

The Group allocates impairment provision for the following financial assets according to expected credit loss model:

• Commercial debts
• Cash and cash equivalents
• Other receivables

The Group uses the simplified approach in IFRS 9 to calculate the expected credit losses of such financial assets. This method requires the recognition of expected life-time losses for all trade receivables.

Impairment:

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The Group has determined that, despite the unsecured nature of its loans and receivables, the loss allowance will not have an impact on the financial position or performance of the Group.

	1 January 2018 – Before the change	**The effect of new standard**	**1 January 2018– After the change**
Deferred tax assets	1,352,557	18,089	1,370,646
Provision for doubtful receivables	(1,606,012)	(82,224)	(1,688,236)
Total Assets	***443,567,228***	***(64,135)***	***443,503,093***
Retained Earnings	20,557,713	64,135	20.621.848
Equity	***(266,856,373)***	***64,135***	***266,792,238***

The effects of IFRS 9 have evaluated as of January 1, 2018 and any additional provision for trade receivable impairment has not been recorded as of June 30, 2018.

Classification and Measurement - Financial Assets

The classification and measurement of financial assets in accordance with IFRS 9 Financial Instruments standard is determined by the business model in which the financial asset is managed and whether it is based on contractual cash flows, including interest payments on principal and principal balance only.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

2.1 The new standards, amendments and interpretations which are effective as at 1 January 2018 (cont’d):

IFRS 9 Financial Instruments Impact Measurement and Applied Accounting (cont’d)

IFRS 9 contains three basic categories of financial assets: amortized cost (IAP), fair value other comprehensive income (GUDDKG) and fair value gain or loss (IFRIC). The standard eliminates the categories of financial assets that are held to maturity, loans and receivables and available-for-sale financial assets in the current TAS 39 standard.

There are new classification criteria, consumer financing credits, trade receivables, borrowing instruments, cash and cash equivalents and other financial asset accounting effects. In order to assess the Group's management, some of the related assets may be held or held in a business model and require fair value measurement.

The fair value of the assets recognized as financial investments in the Group's financial statements has been assessed within the scope of IFRS 9 standard as of 30 June 2018 and the change in the value of the financial investment is reflected to the Group's other comprehensive (expenses) / revenues under revaluation and measurement gains.

Impairment - Financial assets and contract assets

IFRS 9 replaces the "realized loss" model in IAS 39 with the forward "expected credit loss" (ECL) model. In this context, it has been necessary to consider how the economic factors that will be determined by weighting according to the probability of realization affect the ECLs.

The new impairment model is applied to financial assets measured at amortized cost or GÜDHPE (excluding investments in equity instruments) and contract assets.
In accordance with IFRS 9, loss provisions are measured on the following basis;

- 12-month ECLs: ECLs arising from possible default events within 12 months after the reporting date; and
- Lifetime ECLs: ECLs arising from all possible default events during the expected lifetime of a financial instrument.

A lifetime ECL measurement is applied if the credit risk associated with a financial asset at the reporting date significantly increases after the first accounting date. In all other cases where there is no related increase, 12-month ECL calculation is applied.

If the financial asset has a low credit risk at the reporting date of the credit risk, the Group can determine that the credit risk of the financial asset has not increased significantly. Nevertheless, lifetime ECL measurement (simplified approach) is always valid for commercial receivables and contract assets, without significant financing. The group performed a lifetime ECL measurement.

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

a. The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. Share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

(Unless otherwise indicated all amounts expressed in US Dollar.)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

2.1 The new standards, amendments and interpretations which are effective as at 1 January 2018 (cont'd):

IFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to IAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The interpretation is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Annual Improvements to IFRSs 2014 - 2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarized financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.

The amendments did not have an impact on the financial position or performance of the Group.

2.2 Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

(Unless otherwise indicated all amounts expressed in US Dollar.)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

2.2 Standards issued but not yet effective and not early adopted (cont'd):

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

Amendments issued to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. An entity shall apply those amendments prospectively. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:
(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

2.2 Standards issued but not yet effective and not early adopted (cont'd.)

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost. Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation. The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures (Amendments)

In October 2017, the IASB issued amendments to *IAS 28* Investments in *Associates and Joint Ventures*. In this amendment the IASB clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Plan Amendment, Curtailment or Settlement" (Amendments to IAS 19)

On 7 February 2018, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" to harmonise accounting practices and to provide more relevant information for decision-making. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

(Unless otherwise indicated all amounts expressed in US Dollar.)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

2.3 Changes in accounting policies and changes in prior periods' financial statements

The financial statements of the Group are prepared comparatively with the previous period in order to enable the determination of the financial situation and performance trends. When necessary, the reclassification of the current period financial statements also applies to the prior period financial statements insofar as they are consistent. The Group made some restatements and reclassifications on the previous comparative financial statements as of 31 December 2016, which is presented comparatively with the financial statements. The adjustments are shown below:

Effect of the restatement of goodwill in acquisition of Deva and Saba; which has been accounted in accordance with IAS 21 pg 47 starting from 2016 and 2017.

1 January 2017 restatement of financial position;

	1 January 2017 – Previously report	**Restatement amount**	**Restated**
Goodwill	79,461,742	(47,035,502)	32,426,240
Total Assets	***397,315,492***	***(47,035,502)***	***350,279,990***
Foreign currency translation reserve	(219,339,023)	(47,035,502)	(266,374,525)
Equity	***249,731,194***	***(47,035,502)***	***202,695,692***

30 June 2017 restatement of financial position;

	30 June 2017 – Previously report	**Restatement amount**	**Restated**
Goodwill	79,465,028	(46,936,812)	32,528,216
Total Assets	***426,141,539***	***(46,936,812)***	***379,204,727***
Foreign currency translation reserve	(216,788,422)	(46,936,812)	(263,725,234)
Equity	***265,251,138***	***(46,936,812)***	***218,314,326***

1 January 2018 restatement of financial position;

	1 January 2018 – Previously report	**Restatement amount**	**Restated**
Goodwill	79,397,914	(48,951,878)	30,446,036
Total Assets	***443,567,228***	***(48,951,878))***	***394,615,350***
Foreign currency translation reserve	(231,432,688)	(48,951,878)	(280,384,566)
Equity	***266,856,373***	***(48,951,878)***	***217,904,495***

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain assets. The principal accounting policies are set out below.

Functional and reporting currency

The functional and reporting currency of the Company is the US Dollar, which reflects the economic substance of its operations. The Company uses the US Dollar in measuring items in its financial statements and as the reporting currency of the Group. All currencies other than US Dollar are treated as foreign currencies.

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); Deva is in Turkish Lira (TRY), Saba is in TRY and EP SARL is in USD functional currency. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in US Dollar, which is the functional currency of the Company.

In preparing the financial statements of the individual entities, transactions in currencies other than each entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are 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 translated 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.

The translation for foreign currency transactions that are not in the functional currency of the Company are recorded in profit and loss.

The translation of Group's foreign operations financial statements from their functional currency to the Group's functional currency is performed as follows:

- Assets and liabilities are translated at closing exchange rate at the date of each consolidated balance sheet presented;
- All income and expenses are translated at the average exchange rates for the period presented;
- Resulting exchange differences are included in equity and presented separately as "Foreign currency translation reserve".

The US Dollar/TRY, US Dollar/EUR and EUR/TRY period end exchange rates and average exchange rates for the period ended 30 June 2018 and 2017 are as follows:

	Period End		Average	
	30 June 2018	31 December 2017	30 June 2018	30 June 2017
USD/TL	4.5607	3.7719	4.0860	3.6356
USD/EUR	0.8590	0.8353	0.8269	0.9248
EUR/TL	5.3092	4.5155	4.9416	3.9314

Approval of the financial statements

The accompanying financial statements have been approved by the Board of Directors and are authorized for issue on 13 August 2018.

Going Concern

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over 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 Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

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

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

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

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 acquire and the equity interests issued by the Group in exchange for control of acquire. 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 related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Business combinations (cont.)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquire (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 acquire and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

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

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

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

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

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Investments in associates (cont.)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units "CGU" expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment, annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, 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 on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Sale of goods

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

The Group grants price concessions to its distributors, including sales and volume discounts and price refunds. Certain discounts are granted at the point of sale or based upon volumes purchased in a period. Subsequent to a decrease in the reference price of any of its products, the Group may decide to refund its distributors a portion of the amounts paid for their prior purchases of such product. All price concessions are recorded as a reduction in revenue. At the end of each period, a provision is recorded for the best estimate of these price concessions, based on facts available at the time and the Group's historical experience.

Standard prices for pharmaceutical products in Turkey are established by the Ministry of Health. Gross product sales are subject to sales discounts, volume discounts and free of charge goods incentives.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Revenue recognition (cont.)

Sale of goods (cont.)

The Group also provides distributors with sales incentives in the form of free products (free of charge goods). The free of charge goods incentive allows distributors to provide its customers with free products at no cost to the distributor as the Group will provide an equivalent amount of product to the distributor. Distributors have the option to be reimbursed for the cost of the free products through a reduction in amounts owed (sales credit) rather than free goods. At the end of each period, distributors provide the Group with a total amount of goods provided to customers for free. The estimate for sales credit is estimated based on the actual number of products given for free during the period and is recorded as a reduction of revenue.

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

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

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Cost of sales - free of charge goods

Free of charge 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 of charge goods are included as part of cost of sales.

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 a 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are carried at cost less accumulated depreciation and any accumulated impairment loss.

Furniture and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss. Depreciation is charged so as to write off the cost of assets, other than land and construction in progress, over their estimated useful lives, using the straight line method. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

The depreciation periods for property, plant and equipment are as follows:

	Useful life
Buildings	25-50
Machinery and equipment	4-30
Vehicles	5
Furniture and fixtures	5
Leasehold improvements	2-3

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an 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 recognized 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 expenditure attributable to intangible asset during its development.

The amount initially recognized 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 recognized, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and impairment losses, on the same basis as intangible assets acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Intangible assets (cont.)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment of tangible and intangible assets excluding goodwill

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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. Reversal of an impairment loss is recognized immediately in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets 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 consolidated statement of income and comprehensive income in the period in which they are incurred. Assets that necessarily take a substantial period of time to get ready for intended use or sale of the Group are license development costs. Transformation of these costs to be ready for sale state may take more than one financial year. Borrowing costs incurred for development costs are added to cost of the related asset until it is ready for sale. During the period ended 30 June 2018 US Dollar 467,972 (30 June 2017: US Dollar 271,929) amount was capitalized on qualifying assets. The weighted average capitalization rate on funds borrowed generally is 7.7% for six month (2017: 6.4% for six month).

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Government grants and incentives

Grants from the government are recognized at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to capitalized development costs are deferred and recognized in the consolidated statement of income and comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to consolidated statement of income and comprehensive income 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.

Taxation and deferred income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. Bermuda levies no tax on profits, dividends or income, nor is there any withholding tax or capital gains tax. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes for Turkish subsidiaries, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income 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 consolidated financial statements and the corresponding tax bases used in the computation of taxable profit are 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.

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 asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax asset and liabilities for each separate subsidiary are not offset on a consolidated basis. However, deferred tax assets and liabilities are offset in the individual financial statements of the subsidiary as they are due to the same tax authority.

Provision for employment termination benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19"). The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Leasing - the Group as lessee

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

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

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

Earnings per share

Earnings per common share for 30 June 2018 and 2017 have been determined using the weighted average number of the Company's shares, respectively. There are no potentially dilutive securities.

Financial instruments

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

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

Trade receivables, amounts due from related parties and other receivables

Trade receivables, amounts due from related parties and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The carrying amount of trade receivables, due from related parties and other receivables approximates their fair value.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Trade payables, amounts due to related parties and other payables

Trade payables, amounts due to related parties and other payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. The carrying amount of trade and other payables approximates their fair value.

Bonds issued

Bonds issued 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.

(Unless otherwise indicated all amounts expressed in US Dollar.)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Provisions and contingent liabilities

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event and (i) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (ii) a reliable estimate can be made of the amount of the obligation.

The amount recognized 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.

Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously identified as a contingent liability, a provision is made in the consolidated financial statements of the period in which the change in probability occurs (except in the circumstances where no reliable estimate can be made).

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

Events after the reporting period

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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments, estimates and assumptions in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3, the Group Management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

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 ended 30 June 2018, the Group Management reconsidered the recoverability of its internally-generated intangible assets. Management reviews the projects regularly for any impairment. Determining whether assets are impaired requires an estimation of the value in use of the internally-generated intangible assets. The value in use calculation requires the Group Management to estimate the future cash flows expected to arise from the sale of the products developed and a suitable discount rate in order to calculate present value. The first step for the estimation of the future cash flows is the assessment of the licensing process, the application to the Ministry of Health and marketability of the product. The second step of the impairment testing involves the review and comparison of the projected cash flows with the actual financial data and assessment of the market activity.

The carrying amount of the internally-generated intangible assets at 30 June 2018 was US Dollar 43,356,285 (30 June 2017: US Dollar 49,842,361). During the period ended 30 June 2018, the Group Management has recognized an impairment loss of US Dollar 4,579,322 and written-off the impaired amount from product lines, license and supply agreements (30 June 2017: US Dollar 4,681,228).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont.)

Critical judgments, estimates and assumptions in applying the Group's accounting policies (cont.)

Intangible asset acquired in business combination

The valuations of the Group's product lines, license and supply agreement and customer relationships were performed by an independent valuation firm to determine the fair value of product lines and customer relationships (which is regarded as their cost). Valuations were conducted to serve as a basis for allocation of the purchase price to the various classes of assets acquired in accordance with IFRS 3 *Business Combinations* and IAS 38 *Intangible Assets*. For IFRS 3 and IAS 38 purposes, the fair value defined is 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 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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs 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 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 forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

As at 31 December 2017, the recoverable amount of the CGUs 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 13.5% per annum. Cash flows beyond that five-year period have been extrapolated by using a steady 20% per annum growth rate consisting of 12% inflation and real growth rate of 7.14%.

Impairment of goodwill (cont.)

In allocating the impairment loss 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 Group Management. Weighting factors were utilized to conclude on the fair value of the cash-generating unit.

At 30 June 2018 there were no indicators of impairment and therefore the Group did not test goodwill for impairment. As at 30 June 2018 and 2017, no impairment loss is recognized in the accompanying consolidated financial statements.

Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. 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 realize 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 utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont.)

Critical judgments, estimates and assumptions in applying the Group's accounting policies (cont.)

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 the consolidated statement of income and comprehensive income 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.

Useful life of intangibles

Product lines include trademarks, bio-license certificates, and internally-generated intangible assets. Internally-generated intangible assets represent the costs associated with obtaining approval from the Ministry of Health for the Group's products. Product lines have an average useful life of 10-15 years. License and Supply agreements have an average useful life of 8 years, and customer relationships have an average useful life of 20 years. Other intangible assets include mainly software rights and have an average useful life of 3 years.

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 16.

Provision for doubtful receivables

Provision for doubtful receivables is an estimated amount that management believes to reflect possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, are assessed with their prior year performances, their credit risk in the current market, their performance after the balance sheet date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. The provision for doubtful receivables is mentioned in the Note 7.

(Unless otherwise indicated all amounts expressed in US Dollar.)

5. CASH AND CASH EQUIVALENTS

	30 June 2018	31 December 2017
Petty cash	15,346	18,626
Demand deposits	8,667,399	4,804,372
Time deposits	23,615,514	19,998,238
Cash and cash equivalents in cash flow statement	32,298,259	24,821,236
Interest income accruals	17,959	38,898
	32,316,218	24,860,134

As of 30 June 2018, the Group's time deposits were Euro, US Dollar and Turkish Lira time deposit, and the average interest rate for Euro time deposit is 0.65%, US Dollar time deposit is 3.10%, and Turkish Lira time deposit is 14%. (As of 31 December 2017, the Group's time deposits were Euro, US Dollar and Turkish Lira time deposit, and the average interest rate for Euro time deposit is 2.33%, US Dollar time deposit is 4.06%, and Turkish Lira time deposit is 12.09%). The Group has made investments in short term time deposits and purchased agreements which have an average maturity of one month.

As at 30 June 2018, the Group does not have any cash deposits pledged against the bank loans used (31 December 2017: Nil).

6. TRADE AND OTHER RECEIVABLES

The Group's principal financial assets are trade, notes and other receivables. The Group's credit risk is primarily attributable to its trade receivables. As of 30 June 2018, two customers each represented 23% and 30% of the total trade and other receivables balance, respectively (31 December 2017: 24% and 29%, respectively).

	30 June 2018	31 December 2017
Trade receivables	26,164,660	24,486,869
Less: Allowance for doubtful receivables	(1,529,458)	(1,606,012)
Notes receivable	58,790,137	54,027,608
Other receivables	27,991	42,810
Less: Allowance for other doubtful receivables	(10,723)	(12,966)
	83,442,607	76,938,309

Notes receivable represents customer postdated cheques with maturities of less than one year and are non-interest bearing.

As at 30 June 2018 and 31 December 2017, the Group provided provision for uncollectable part of its past due trade and other receivables. The rest of the receivables amount is neither past due nor impaired. For the period ended 30 June 2018, the average credit period on sales is 100 days (31 December 2017: 100 days).

Movement of allowance for doubtful receivables in value for the period ended 30 June 2018 and 2017 is as follows:

	Six month period ended 30 June 2018	Six month period ended 30 June 2017
Balance at 1 January	1,606,012	1,802,111
Provision charge	113,037	-
The effect of IFRS 9 (Note 2)	82,224	-
Collections	5,955	(81,056)
Translation effect	(277,770)	6,217
Balance at 30 June	1,529,458	1,727,272

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The distribution of the Group's human pharmaceutical products is made by the two largest wholesalers in the Turkish market with whom the Group has not had past default experience. There is no concentration risk in other segments of the Group due to the number of smaller customers.

(Unless otherwise indicated all amounts expressed in US Dollar.)

6. TRADE AND OTHER RECEIVABLES (cont.)

Provision for other doubtful receivables(-)	Six month period ended 30 June 2018	Six month period ended 30 June 2017
Balance at 1 January	12,966	559,172
Provisions no longer required	-	(547,157)
Translation effect	(2,243)	1,930
Balance at 30 June	10,723	13,945

Collateral received in relation to trade receivables were as follows:

	30 June 2018	31 December 2017
Letters of guarantees	7,103,600	7,418,049

7. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. The related party receivables and payables resulting from operating activities are settled in the normal course of business. Details of transactions with other related parties are disclosed below.

Due to related parties	30 June 2018	31 December 2017
Benefits payable to the Board of Directors and individual shareholders	4,670	4,811
	4,670	4,811

Total amount of compensation benefits provided to directors and upper level managers, include the salaries, premiums and retirement pay for the period ended 30 June 2018 and 2017 are stated below:

Compensation of key management personnel	Six month period ended 30 June 2018	Six month period ended 30 June 2017
Short-term benefits	5,119,632	4,015,668
Employment termination benefits	89,655	75,017
Total compensation	5,209,287	4,090,685

(Unless otherwise indicated all amounts expressed in US Dollar.)

8. INVENTORIES

	30 June 2018	31 December 2017
Raw materials	49,338,786	32,856,958
Work-in-progress	9,340,533	7,522,064
Finished goods	24,137,895	23,248,998
Goods in transit	5,455,315	4,435,247
Other goods	175,801	165,424
Allowance for diminution in value of inventories	(1,716,896)	(2,884,013)
	86,731,434	65,344,678

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:

	Six month period ended 30 June 2018	Six month period ended 30 June 2017
Opening balance	2,884,013	3,371,017
Charge for the period	943,432	1,243,455
Provisions utilized	(1,611,742)	(449,874)
Translation effect	(498,807)	11,630
Closing balance	1,716,896	4,176,228

9. OTHER CURRENT AND NON-CURRENT ASSETS

Other current assets	30 June 2018	31 December 2017
Value added tax (VAT) receivable	6,708,563	5,189,490
Business advances given	1,360,949	118,829
Income accruals (*)	1,695,807	1,644,691
Prepaid expenses	788,073	1,477,378
Prepaid taxes	303,625	783,122
Other assets	230,515	108,593
	11,087,532	9,322,103

(*) The Group receives government grants for certain development costs and property, plant and equipment used in research and development activities. The balance consists of the income accrual for the grants receivable from TUBİTAK (Scientific and Technological Research Council of Turkey).

Other non - current assets	30 June 2018	31 December 2017
Prepaid expenses	190	249
	190	249

(Unless otherwise indicated all amounts expressed in US Dollar.)

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and Equipment	Machinery Acquired Through Finance Leases	Vehicles	Vehicles Acquired Through Finance Leases	Furniture and Fixtures	Leasehold Improvements	Construction in Progress and Advances Given	Total
Acquisition cost											
At 1 January 2018	8,053,270	561,917	45,919,803	86,789,674	938,705	248,831	(5,752)	6,163,635	73,899	8,179,997	156,923,979
Currency translation	(1,426,826)	(97,187)	(7,942,101)	(15,010,787)	(162,355)	(43,037)	995	(1,066,037)	(12,781)	(1,414,779)	(27,174,895)
Additions	-	-	-	-	-	-	-	820,922	-	7,490,787	8,311,709
Transfers	-	1,754	123,944	3,284,533	-	-	-	-	-	(3,410,231)	-
Disposals	-	-	(21,178)	-	-	-	-	-	-	-	(21,178)
At 30 June 2018	6,626,444	466,484	38,080,468	75,063,420	776,350	205,794	(4,757)	5,918,520	61,118	10,845,774	138,039,615
Accumulated depreciation											
At 1 January 2018	-	(83,403)	(7,704,128)	(41,588,097)	(645,126)	(45,641)	5,752	(4,070,339)	(60,930)	-	(54,191,912)
Currency translation	-	15,911	1,386,637	7,483,873	111,578	9,848	(995)	727,185	10,602	-	9,744,639
Depreciation capitalized in intangible assets (Note 11) (*)	-	-	-	(317,107)	-	-	-	-	-	-	(317,107)
Depreciation charge for the period	-	(14,275)	(524,726)	(2,777,653)	(17,814)	(18,778)	-	(222,852)	(613)	-	(3,576,711)
Disposals	-	-	11,577	-	-		-	-	-	-	11,577
At 30 June 2018	-	(81,767)	(6,830,640)	(37,198,984)	(551,362)	(54,571)	4,757	(3,566,006)	(50,941)	-	(48,329,514)
Carrying amount at 30 June 2018	6,626,444	384,717	31,249,828	37,864,436	224,988	151,223	-	2,352,514	10,177	10,845,774	89,710,101
Carrying amount at 1 January 2018	8,053,270	478,514	38,215,675	45,201,577	293,579	203,190	-	2,093,296	12,969	8,179,997	102,732,067

(*) US Dollar 317,107 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 IFRS 16 and IFRS 38 (Note 11) as the projects are in progress as at 30 June 2018.

As of 30 June 2018, insured property, plant and equipment amounts to TRY 823,407,000 (Equivalent of US Dollar 180,543,995) (31 December 2017: TRY 823,407,000; Equivalent of US Dollar 218,300,326).

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 TRY 12,900,000 respectively (Note 20).

(Unless otherwise indicated all amounts expressed in US Dollar.)

10. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Land	Land Improvements	Buildings	Machinery and Equipment	Machinery Acquired Through Finance Leases	Vehicles	Vehicles Acquired Through Finance Leases	Furniture and Fixtures	Leasehold Improvements	Construction in Progress and Advances Given	Total
Acquisition cost											
At 1 January 2017	8,645,266	161,825	43,413,606	80,276,029	1,006,110	1,438,071	(6,165)	6,057,520	79,205	8,439,566	149,511,033
Currency translation	30,490	558	149,783	276,964	3,471	4,961	(21)	20,899	273	29,118	516,496
Additions	-	-	-	-	-	110,630	-	164,278	-	6,365,680	6,640,588
Transfers	-	-	173,482	4,470,792	-	-	-	-	-	(4,644,274)	-
Disposals	-	-	-	(1,333,421)	-	-	-	(4,304)	-	-	(1,337,725)
At 30 June 2017	8,675,756	162,383	43,736,871	83,690,364	1,009,581	1,553,662	(6,186)	6,238,393	79,478	10,190,090	155,330,392
Accumulated depreciation											
At 1 January 2017	-	(76,738)	(7,177,208)	(40,266,698)	(668,364)	(1,063,913)	6,165	(3,897,801)	(63,882)	-	(53,208,439)
Currency translation	-	(450)	(43,534)	(241,771)	(2,306)	(8,348)	21	(21,851)	(246)	-	(318,485)
Depreciation capitalized in intangible assets (Note 11) (*)	-	-	-	(363,866)	-	-	-	-	-	-	(363,866)
Depreciation charge for the period	-	(5,064)	(517,984)	(2,795,326)	(11,583)	(127,646)	-	(229,335)	(689)	-	(3,687,627)
Disposals	-	-	-	1,059,658	-	-	-	4,304	-	-	1,063,962
At 30 June 2017	-	(82,252)	(7,738,726)	(42,608,003)	(682,253)	(1,199,907)	6,186	(4,144,683)	(64,817)	-	(56,514,455)
Carrying amount at 30 June 2017	8,675,756	80,131	35,998,145	41,082,361	327,328	353,755	-	2,093,710	14,661	10,190,090	98,815,937
Carrying amount at 1 January 2017	8,645,266	85,087	36,236,398	40,009,331	337,746	374,158	-	2,159,719	15,323	8,439,566	96,302,594

(*) US Dollar 363,866 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 IFRS 16 and IFRS 38 (Note 11) as the projects are in progress as at 30 June 2017.

As of 30 June 2017, insured property, plant and equipment amounts to TRY 773,678,000 (Equivalent of US Dollar 220,603,347) (30 June 2016: TRY 715,585,000; Equivalent of US Dollar 247,299,212).

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 and TRY 16,200,000 (Note 20).

(Unless otherwise indicated all amounts expressed in US Dollar.)

10. PROPERTY, PLANT AND EQUIPMENT (cont.)

Allocation of depreciation on property, plant and equipment and amortization of intangible assets (Note 11) is as follows:

	30 June 2018	30 June 2017
Cost of goods sold	1,493,244	1,974,124
Operating expenses	2,340,603	2,460,720
Capitalized on inventory	1,093,014	990,948
	4,926,861	5,425,792

11. INTANGIBLE ASSETS

Acquisition cost	Product lines license and supply agreement	Customer relationships	Other intangible assets	Total
At 1 January 2018	120,876,351	18,649,533	6,782,103	146,307,987
Currency translation	(17,719,257)	(1,641,254)	(232,309)	(19,592,820)
Additions (*)	12,590,803	-	-	12,590,803
Capitalized depreciation from property, plant and equipment (Note 10)	-	-	317,107	317,107
Disposals	(5,051,904)	-	-	(5,051,904)
At 30 June 2018	110,695,993	17,008,279	6,866,901	134,571,173
Accumulated amortization and impairment				
At 1 January 2018	(56,838,933)	(4,793,219)	(1,056,618)	(62,688,770)
Currency translation	5,178,412	797,198	222,149	6,197,759
Charge for the period	(1,290,872)	(59,278)	-	(1,350,150)
Disposals	472,582	-	-	472,582
At 30 June 2018	(52,478,811)	(4,055,299)	(834,469)	(57,368,579)
Carrying amount at 30 June 2018	58,217,182	12,952,980	6,032,432	77,202,594
Carrying amount at 1 January 2018	64,037,418	13,856,314	5,725,485	83,619,217

As of 30 June 2018, capitalized borrowing cost amounts to US Dollar 406,941 (30 June 2017: US Dollar 271,929).

(Unless otherwise indicated all amounts expressed in US Dollar.)

11. INTANGIBLE ASSETS (cont.)

Acquisition cost	Product lines license and supply agreement	Customer relationships	Other intangible assets	Total
At 1 January 2017	120,990,023	19,043,653	6,366,720	146,400,396
Currency translation	365,894	20,296	4,967	391,157
Additions (*)	11,093,211	-	-	11,093,211
Capitalized depreciation from property, plant and equipment (Note 10)	-	-	363,866	363,866
Disposals	(5,360,561)	-	-	(5,360,561)
At 30 June 2017	127,088,567	19,063,949	6,735,553	152,888,069
Accumulated amortization and impairment				
At 1 January 2017	(58,254,583)	(4,969,523)	(1,148,848)	(64,372,954)
Currency translation	1,301,883	(16,718)	(4,750)	1,280,415
Charge for the period	(1,677,021)	(61,144)	-	(1,738,165)
Disposals	679,333	-	-	679,333
At 30 June 2017	(57,950,388)	(5,047,385)	(1,153,598)	(64,151,371)
Carrying amount at 30 June 2017	69,138,179	14,016,564	5,581,955	88,736,698
Carrying amount at 1 January 2017	62,735,440	14,074,130	5,217,872	82,027,442

As of 30 June 2017, capitalized borrowing cost amounts to US Dollar 271,929 (30 June 2016: US Dollar 520,804).

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

Product lines include trademarks, biolicense certificates, and internally-generated intangible assets. Internally-generated intangible assets represent the costs associated with obtaining approval from the Ministry of Health for the Group's products. Product lines have an average useful life of 10-15 years. At the beginning of the current year, the management reviewed the useful lives of certain product lines. Based on the sales forecasts, the estimated useful lives of some of the products have been extended to 15 years. Previously all product lines had an average useful life of 10 years. License and Supply agreements have an average useful life of 8 years.

The license and supply agreement represents the value of the rights acquired through the License and Supply Agreement signed between EastPharma SARL and Roche. Rights acquired through license and supply agreement are assumed to have an economic life of 8 years.

Other intangible assets include mainly software rights and have an average useful life of three years.

The Group's customer relationships are comprised of the relationship with a large number of doctors and pharmacies in the medical industry. The amount recorded is based on the Group Management's best estimate of the fair value of the intangibles. Fair value is based on the total cost the Group would incur to replace such relationships. The Group's customer relationships are assumed to have an economic life of 20 years.

Total carrying amounts of product lines, license and supply agreement and customer relationships are allocated to human pharma segment.

(Unless otherwise indicated all amounts expressed in US Dollar.)

12. GOODWILL

Cost	
Balance at 1 January 2017	34,990,580
Net foreign currency translation	101,976
Balance at 30 June 2017	35,092,556
Balance at 1 January 2018	33,010,376
Net foreign currency translation	(4,769,621)
Balance at 30 June 2018	28,240,755
Accumulated impairment losses	
Balance at 1 January 2018	(2,564,340)
Net foreign currency translation	-
Balance at 30 June 2018	(2,564,340)
Carrying amount as at 30 June 2018	25,676,415
Carrying amount as at 31 December 2017	30,446,036

As at 31 December 2017, the Group assessed the recoverable amount of goodwill for Deva and Saba. The recoverable amount of the CGUs 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 13.5% per annum. Cash flows beyond that five-year period have been extrapolated by using a steady 20% per annum growth rate consisting of 12% inflation and real growth rate of 7.14%.This calculation was based on Deva Holding local currency (TRY) and economical conditions of Turkey. The management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of goodwill to exceed its recoverable amount. Total carrying amount of goodwill is allocated to human pharma business segment.

The Group has been recognized 2,564,340 US dollars impairment on goodwill in the accompanying consolidated financial statements.

13. INVESTMENT IN ASSOCIATES

Investments in associates	%	30 June 2018	%	31 December 2017
Lypanosys Pte Limited	21.75%	-	21.75%	-
		-		-

In 2010 the Company entered into a shareholding agreement with a third party for the establishment of a new company in Singapore, Lypanosys Pte Limited ("Lypanosys"), for the research, development and marketing of products derived from the long chain fatty acid ester, known as LYP010, as antitheraupetic treatment for certain inflammatory and other ailments.

The Group increased its voting power to 21.75% during 2011 by acquiring the shares of another shareholder at an amount of US Dollars 236,434. The amount was paid in cash. Prior to this acquisition, the Group held less than 20 per cent of the voting power in Lypanosys, but was exercising significant influence by virtue of its contractual right to appoint one director to the board of Lypanosys Company. The Board of Directors of Lypanosys consists of 4 members and each has equal voting right. As such, there have been no changes in the controlling power of the Company as a result of this acquisition.

The financial year end date of Lypanosys is 31 March. This was the reporting date established when Lypanosys was incorporated, and a change of reporting date is not planned. For consolidation purposes Lypanosys' six month financial statements to 30 June are used.

The operations of Lypanosys are limited. Total assets and liabilities amount to US Dollars 211,771 and US Dollars 333,716 as of 30 June 2018, respectively. For the period ended 30 June 2018 there was no revenues and loss.

(Unless otherwise indicated all amounts expressed in US Dollar.)

14. BORROWINGS

	30 June 2018	31 December 2017
Short term bank loans	53,088,942	22,737,063
Current portion of long term loans	24,498,122	28,796,458
Current portion of bonds issued (*)	2,011,773	27,238,613
Total short term borrowings	79,598,837	78,772,134
Long term portion of bank loans	41,978,576	50,731,825
Bonds issued (*)	31,704,602	-
Total long term borrowings	73,683,178	50,731,825
Total borrowings	153,282,015	129,503,959

(*)The Group issued corporate bonds amounting to TRY 80,000,000 with two years maturity, quarterly floating interest rate and coupon payments and TRY 65,000,000 with three years maturity, quarterly floating interest rate and coupon payments. The bonds were sold on 7 May 2018 only to qualified investors. Annual simple yield of the bond is calculated by adding 325 basis points for TRY 80.000.000 bond and 350 basis points for TRY 65.000.000 bond over the annual compound yield of "reference government bond". As of issuance date, annual simple and compound bond yield were 19.35% and 20.80%, respectively.

The effective interest rate of TRY 80,000,000 is 22,96% as at 30 June 2018 and discounted estimated future cash payments through the expected life of the financial liability is calculated as TRY 82,483,591. (Equivalent of US Dollar 18,085,730).

The effective interest rate of TRY 65,000,000 is 23,25% as at 30 June 2018 and discounted estimated future cash payments through the expected life of the financial liability is calculated as TRY 67.041.434 (Equivalent of US Dollar 14,699,812).

The Group has a number of borrowings with interest rates that are based on market interest rates at date of the borrowings. The Group is exposed to interest rate fluctuations on domestic and international markets. The Group attempts to mitigate this risk by maintaining an appropriate mix between fixed and floating rate borrowings whose portions are 71% and 29% respectively.

The repayments of the borrowings are as follows:

	30 June 2018	31 December 2017
On demand or within one year	79,598,837	78,772,134
In the second year	46,810,311	17,738,931
In the third year	14,844,744	15,238,510
In the fourth year	9,164,785	12,510,932
In the fifth year	2,863,338	5,243,452
	153,282,015	129,503,959

The fair value of the Group's short term borrowings, other than bond issued, approximate their carrying amounts due to the short-term nature of the instruments. The fair value of the bond issued approximate its carrying amount as the interest rates of the instruments are variable and are based on market rates.

(Unless otherwise indicated all amounts expressed in US Dollar.)

14. BORROWINGS (cont.)

Short-term loans

Short-term bank loans consist of the following:

Currency Type	Weighted Average Interest Rate	Principal	30 June 2018	Currency Type	Weighted Average Interest Rate	Principal	31 December 2017
TRY	20.4%	227,981,872	49,988,351	TRY	14.3%	73,385,385	19,455,814
EUR	0.8%	2,500,000	2,910,299	EUR	0.8%	2,500,000	2,992,855
Accrued interest			190,292	Accrued interest			288,394
			53,088,942				22,737,063

Short term borrowings consist of revolving lines of credits with several banks and carry fixed rate interests. As at 30 June 2018 and 31 December 2017, the total available lines of credits were US Dollar 307,897,408 (TRY 1,404,227,710) and 332,257,816 (TRY 1,253,243,255), 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.

Long-term loans

Current portion of long-term bank loans consist of the following:

Currency Type	Weighted Average Interest Rate	Principal	30 June 2018	Currency Type	Weighted Average Interest Rate	Principal	31 December 2017
TRY	12.6%	97,291,252	21,332,526	TRY	12.1%	94,664,222	25,097,225
EUR	2.5%	1,023,714	1,191,726	EUR	2.5%	825,429	988,156
Accrued interest			1,973,870	Accrued interest			2,711,077
			24,498,122				28,796,458

Long-term bank loans consist of the following:

Currency Type	Weighted Average Interest Rate	Principal	30 June 2018	Currency Type	Weighted Average Interest Rate	Principal	31 December 2017
TRY	15.1%	179,528,749	39,364,297	TRY	14.6%	178,903,555	47,430,620
EUR	2.5%	2,245,714	2,614,279	EUR	2.5%	2,757,571	3,301,205
			41,978,576				50,731,825

14. BORROWINGS (cont.)

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

a) A loan of TRY 1,620,000 (Equivalent of US Dollar 355,209) (2017: TRY 3,240,000) was drawn down on 1 August 2013, Repayments of interest and principal commenced on 3 February 2014 and will continue till 1 August 2018 on semiannual basis, The loan carries interest of 9.8%, This loan is also secured by the Group's two lands located at Çerkezköy at an amount of TRY 16,200,000 (Note 20),

b) A loan of TRY 1,000,000 (Equivalent of US Dollar 219,265) (2017: TRY 2,000,000) was drawn down on 4 December 2013. Repayments of interest and principal commenced on 4 June 2014 and will continue till 4 December 2018 on semiannual basis. The loan carries interest of 11.5%, This loan is also secured by the Group's factory buildings located at Kartepe and other buildings' mortgages at an amount of TRY 20,000,000 (Note 20).

c) A loan of TRY 2,000,000 (Equivalent of US Dollar 438,529) (2017: TRY 4,000,000) was drawn down on 10 December 2013. Repayments of interest and principal commenced on 10 June 2014 and will continue till 10 December 2018 on semiannual basis. The loan carries interest of 11.5%. This loan is also secured by the Group's factory buildings located at Çerkezköy and other buildings' mortgages at an amount of TRY 35,000,000 (Note 20).

d) A loan of TRY 16,500,000 (Equivalent of US Dollar 3,617,866) (2017: 22,000,000) was drawn down on 23 December 2014, Repayments of interest and principal commenced on 23 June 2015 and will continue till 23 December 2019 semi-annually. The loan carries interest of 11.15%. This loan is also secured by the Group's headquarter building located at Halkalı at an amount of TRY 55,000,000 (Note 20).

e) A loan of TRY 43,333,333 (Equivalent of US Dollar 9,501,465) (2017: 50,555,556) was drawn down on 14 January 2016. Repayments of interest and principal commenced on 16 January 2017 and will continue till 14 January 2021. The loan carries interest of 14.60%. Repayments of interest and principal will be on semiannual basis, This loan is also secured by the Group's factory buildings located at Çerkezköy and other buildings' mortgages at an amount of TRY 35,000,000 (Note 20).

f) A loan of TRY 9,900,000 (Equivalent of US Dollar 2,170,719) (2017: 11,550,000) was drawn down on 05 February 2016. Repayments of interest and principal commenced on 05 August 2016 and will continue till 05 February 2021. The loan carries interest of 14.83%. Repayments of interest and principal will be on semiannual basis. This loan is also secured by the Group's two lands located at Çerkezköy at an amount of TRY 8,400,000 (Note 20).

g) A loan of Euro 1,881,429 (Equivalent of US Dollar 2,190,208) (2017: 2,195,000) was drawn down on 25 May 2016. Repayments of interest and principal commenced on 25 May 2018 and will continue till 25 May 2021. The loan carries interest of EURIBOR+%2.45. Repayments of interest and principal will be on semiannual basis.

h) A loan of TRY 26,444,444 (Equivalent of US Dollar 5,798,330) (2017: 30,222,222) was drawn down on 23 September 2016. Repayments of interest and principal commenced on 22 September 2017 and will continue till 23 September 2021. The loan carries interest of 13.30%. Repayments of interest and principal will be on semiannual basis. This loan is also secured by the Group's factory buildings located at Çerkezköy and other buildings' mortgages at an amount of TRY 34,000,000 (Note 20).

i) A loan of Euro 1,388,000 (Equivalent of US Dollar 1,615,798) (2016:1,388,000) was drawn down on 16 December 2016. Repayments of interest and principal will be commenced on 17 December 2018 and will continue till 16 December 2021. The loan carries interest of EURIBOR+%2.45. Repayments of interest and principal will be on semiannual basis.

j) A loan of TRY 35,555,556 (Equivalent of US Dollar 7,796,074) (2017: 40,000,000) was drawn down on 16 January 2017. Repayments of interest and principal commenced on 16 January 2018 and will continue till 17 January 2022. The loan carries interest of 13.95%, Repayments of interest and principal will be on semiannual basis.

14. BORROWINGS (cont.)

k) A loan of TRY 26,666,667 (Equivalent of US Dollar 5,847,056) (2017: 30,000,000,) was drawn down on 27 April 2017. Repayments of interest and principal commenced on 27 April 2018 and will continue till 27 April 2022. The loan carries monthly interest of 1.15%, Repayments of interest and principal will be on semiannual basis.

l) A loan of TRY 19,800,000 (Equivalent of US Dollar 4,341,439) (2017: 20,000,000) was drawn down on 9 October 2017. Repayments of interest and principal commenced on 9 January 2018 and will continue till 9 October 2019. The loan carries interest of 14.20%. Repayments of interest and principal will be on quarterly basis.

m) A loan of TRY 54,000,000 (Equivalent of US Dollar 11,840,288) (2017: 60,000,000) was drawn down on 28 December 2017. Repayments of interest and principal commenced on 28 June 2018 and will continue till 28 December 2022. The loan carries interest of 16.73%. Repayments of interest and principal will be on semiannual basis. As of 3 January 2017, this loan is also secured by the Group's land located at Çerkezköy at an amount of TRY 12,900,000 (Note 20).

n) A loan of TRY 40,000,000 (Equivalent of US Dollar 8,770,583) (2017: None) was drawn down on 19 March 2018. Repayments of interest and principal will be commenced on 19 March 2019 and will continue till 20 March 2023. The loan carries interest of 16.95%. Repayments of interest and principal will be on quarterly basis.

o) The Group has spot loans amounting to TRY 210,019,852 (Equivalent of US Dollar 47,889,545) (2017: TRY 65,300,000), with an average interest of 20.43% and have loans with no interest amounting to TRY 9,572,022 (Equivalent of US Dollar 2,098,805) (2017: 7,902,028).

p) The Group has spot loans amounting to Euro 2,500,000 (Equivalent of US Dollar 2,910,299) (31 December 2017: 2,500,000), with an average interest of 0.75%.

The Group uses its notes receivables as collaterals for its revolving loans, As at 30 June 2018, the amount of the notes receivables given as collateral is USD 36,783,795 (31 December 2017: USD 14,210,345).

(Unless otherwise indicated all amounts expressed in US Dollar.)

15. TRADE PAYABLES

	30 June 2018	31 December 2017
Short-term trade payables	25,691,363	18,529,409
Notes payable	1,670	1,670
	25,693,033	18,531,079

Notes payable represents postdated cheques with maturities of less than one year and are provided to the various suppliers of the Group. The average credit period for the trade payables is 55 days (31 December 2017: 52 days).

16. OTHER PAYABLES AND ACCRUED EXPENSES

	30 June 2018	31 December 2017
Accrued sales discounts and free samples (*)	1,535,973	1,488,258
Accrued vacation pay	1,809,419	1,533,006
Payroll taxes and dues payable	1,935,806	1,066,419
Deferred income (**)	929,760	1,034,639
Social security premiums payable	1,636,980	1,787,861
Accrued sales premiums and bonuses	688,723	727,343
Advances received	588,164	1,343,253
Accrued payroll	111,138	95,875
Other accruals and liabilities	7,226,133	6,439,336
	16,462,096	15,515,990

(*) US Dollar 400,483 of the amount relates to accrued reimbursement charges given to pharmacies and warehouses due to the price differences (2017: US Dollar 387,897).

	30 June 2018	31 December 2017
Long-term deferred income (**)	5,516,300	5,859,413
	5,516,300	5,859,413

(**) In 2010, the Group began receiving government grants for certain development costs incurred and property, plant and equipment used in research and development activities from TUBITAK (Scientific and Technological Research Council of Turkey). Government grants relating to capitalized development costs are deferred and recognized in the consolidated statement of income and comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in other payables as deferred income and are credited to the consolidated statement of income and comprehensive income on a straight-line basis over the expected lives of the related assets.

(Unless otherwise indicated all amounts expressed in US Dollar.)

17. PROVISIONS

	30 June 2018	31 December 2017
Provision for legal claims	1,462,678	1,033,770
Provision for seniority incentive and other benefits	-	47,500
	1,462,678	1,081,270

	Provision for seniority incentive and other benefits	Provision for legal claims	Total
At 1 January 2017	47,500	802,010	849,510
Charge for the period	-	463,509	463,509
Utilization of provision	-	(361,185)	(361,185)
Provision released	-	(66,202)	(66,202)
Translation effect	-	2,767	2,767
At 30 June 2017	47,500	840,899	888,399
At 1 January 2018	47,500	1,033,770	1,081,270
Charge for the period	-	1,156,142	1,156,142
Utilization of provision	-	(425,303)	(425,303)
Provision released	(47,500)	(123,135)	(170,635)
Translation effect	-	(178,796)	(178,796)
At 30 June 2018	-	1,462,678	1,462,678

Total provisions for legal claims represent court cases opened and currently pending against the Group. The current period charge for the legal claims include the provisions for the court cases with discharged personnel and fines received from the tax authority as a result of general inspections in pharmaceutical sector in Turkey.

(Unless otherwise indicated all amounts expressed in US Dollar.)

18. TAXATION ON INCOME

	30 June 2018	31 December 2017
Current Tax Payable:		
Current corporate and income tax	2,111,682	1,066,850
Effect of taxable base increase on corporate tax (*)	386,662	-
	2,498,344	1,066,850

(*) The law numbered 7143 which also contains the provisions regarding the tax amnesty was approved by the Parliamentary Counsel and announced at Trade Registry Gazette on 18 May 2018 in Turkey. Based on the provisions of the law in consideration, Deva Holding A.Ş. and Saba İlaç Sanayi ve Ticaret A.Ş. applied for taxable base increase for 2016 and 2017. In years where taxable profits exists, corporate taxes base was increased by the rates stated in law and corporate tax is calculated by applying 15% tax rate.

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

	Six month period ended 30 June 2018	Six month period ended 30 June 2017
Taxation:		
Current tax expense	4,618,411	1,465,468
Deferred tax expense	323,450	838,921
	4,941,861	2,304,389

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

	Six month period ended	Six month period ended
Profit before tax	23,221,444	15,478,652
Corporate income tax rate	0%	0%
Expected taxation	-	-
tax effects of:		
- r&d incentives deductions	(947,391)	(1,240,431)
- effect of different tax rate of subsidiaries operating in other jurisdiction	5,404,163	3,411,637
- used discounted tax rate effect, other than effective tax rate	(148,068)	-
- other	633,157	133,183
Income tax expense per consolidated statement of income	4,941,861	2,304,389

18. TAXATION ON INCOME (cont.)

Corporate Tax

The Company is based in Bermuda and Bermuda levies no tax on profits, dividends or income, nor is there any withholding tax or capital gains tax.

Devatis Ltd is based in New Zealand and New Zealand resident companies are taxed on their worldwide income, and non-resident companies (including branches) are taxed on New Zealand-sourced income. The New Zealand corporate tax rate is 28%.

Current and deferred income tax in Turkey

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 and associates 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 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax.

As of June 30, 2018 and 2017, 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.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of 30 June 2018 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Provided that deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and it is legally eligible, they may be offset against one another.

Tax assets and liabilities

Corporation tax

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

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their to 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This 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.

18. TAXATION ON INCOME (cont.)

Tax assets and liabilities (cont.)

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter 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 June 30, 2018 and 2017, 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.

(Unless otherwise indicated all amounts expressed in US Dollar.)

18. TAXATION ON INCOME (cont.)

The breakdown of balances in subsidiaries with net deferred tax asset position is as follows:

	30 June 2018	31 December 2017
Basis difference on property, plant and equipment and intangible assets	(3,241,533)	(3,374,382)
Basis difference on inventory	459,528	894,730
Provision for employment termination benefits	1,048,251	1,132,446
Accrued vacation	398,072	337,261
Provision for legal cases	232,023	231,469
Amortization of discount on notes receivable and payables	340,930	259,468
Expense accruals due to price regulation	88,106	85,337
Other	2,019,164	1,786,228
Net deferred tax asset	1,344,541	1,352,557

Movement of deferred tax assets:	Six month period ended 30 June 2018	Six month period ended 30 June 2017
Opening balance	1,352,557	1,902,871
Charge for the period	(323,450)	(838,921)
The tax effect of IFRS 9	18,089	-
Tax income recognized in other comprehensive income	(26,501)	27,485
Translation effect	323,846	259,325
Closing balance	1,344,541	1,350,760

(Unless otherwise indicated all amounts expressed in US Dollar.)

19. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

For the subsidiaries in Turkey, Under the Turkish Labor Law, Deva and its subsidiaries are 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 US Dollar 1,191 and 1,326 (TRY equivalent of 5,434 and 5,002, respectively) for each period of service as at 30 June 2018 and 31 December 2017, respectively. The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the entity's obligation. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

The provision as of 30 June 2018 has been calculated assuming annual inflation rates of 10.5% and a interest rate of 14%, resulting in real discount rates of approximately 3.17% (31 December 2017: 2.78%). The anticipated rate of retirement was 89.27% (2017: 88.15%). It is planned that, retirement rights will be paid to employees at the end of the concession periods. Accordingly, present value of the future probable obligation has been calculated based on the concession periods. As the maximum liability is revised semi-annually, the maximum amount of TRY 5,434 effective from 1 July 2018 is taken into consideration in the calculation of provision from employment termination benefits.

The employee benefits expense is included as a component of cost of sales and operating expenses.

	Six month period ended 30 June 2018	Six month period ended 30 June 2017
Opening balance	5,132,803	4,846,340
Service cost	800,205	869,548
Interest cost	65,956	71,433
Benefits paid	(213,932)	(410,596)
Actuarial gain / (loss)	(132,505)	137,427
Translation effect	(887,749)	16,720
Closing balance	4,764,778	5,530,872

(Unless otherwise indicated all amounts expressed in US Dollar.)

20. COMMITMENTS AND CONTINGENCIES

The Group provides guarantees on its borrowings and payables to third parties through collateralizing the Group's trade receivables and property, plant and equipment. The details of the Group's commitments under mortgages, letters of guarantee, promissory notes, and collaterals given are as follows:

	Amount		30 June 2018 US Dollars
Letters of guarantee given	TRY	11,626,896	2,549,367
	EUR	8,972,250	10,444,772
	US Dollar	203,032	203,032
Promissory notes and	TRY	-	-
collaterals given	US Dollar	-	-
Loan secured by building	TRY	181,500,000	39,796,522
Pledges	TRY	-	-
			52,993,693

	Amount		31 December 2017 US Dollars
Letters of guarantee given	TRY	12,850,807	3,406,985
	EUR	6,284,750	7,523,738
	US Dollar	127,167	127,167
Promissory notes and	TRY	-	-
collaterals given	US Dollar	-	-
Loan secured by building	TRY	168,600,000	44,698,958
Pledges	TRY	-	-
			55,756,848

21. SHARE CAPITAL AND LEGAL RESERVE

Share capital

The authorized share capital of the Company is US Dollar 2,500,000,000 divided into 500,000,000 ordinary shares with a nominal value of five US Dollar per share. As at 30 June 2018 and 31 December 2017, 67,650,000 ordinary shares of the 500,000,000 authorized shares have been issued and are outstanding.

Premium in excess of par

Premium in excess of par represents the difference between the nominal value of five US Dollar per share and the proceeds received by the Company. The premium in excess of par was US Dollar 99,774,445 as at 30 June 2018 (31 December 2017: US Dollar 99,774,445).

Legal reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. 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.

(Unless otherwise indicated all amounts expressed in US Dollar.)

22. REVENUE

	1 January - 30 June 2018	1 January - 30 June 2017
Human pharma revenue	122,281,447	104,707,199
Veterinary products revenue	8,103,738	7,394,754
Other revenue	1,747,439	1,656,627
	132,132,624	113,758,580

Sales amounts are presented net of sales returns and discounts.

23. COST OF SALES

	1 January - 30 June 2018	1 January - 30 June 2017
Raw materials used	(48,098,437)	(34,400,470)
Direct labor cost	(3,380,185)	(3,064,257)
Production overheads	(19,196,083)	(16,812,481)
Depreciation and amortisation expenses	(1,493,244)	(1,974,124)
Change in work in process	3,345,806	2,101,677
Change in finished goods	5,751,430	(4,737,919)
	(63,070,713)	(58,887,574)

24. OPERATING EXPENSES

	1 January - 30 June 2018	1 January - 30 June 2017
Research and development expenses (*)	(4,597,922)	(4,501,631)
Sales and marketing expenses	(16,768,058)	(15,386,314)
General administration expenses	(13,430,871)	(11,975,213)
	(34,796,851)	(31,863,158)

(*) As of 30 June 2018, the Group realized research and development expense amounting to US Dollars 2,033,367 for tangible assets and US Dollars 5,958,062 for intangible assets with the total amount of US Dollars 7,991,429 (30 June 2017: US Dollars 8,087,583). As at the balance sheet date US Dollars 6,760,992 of the amount is from government grants and incentives (30 June 2017: US Dollars 5,678,373). Of this total amount US Dollars 7,991,429 was capitalized on development costs, of which US Dollars 2,387,139 consists of employee related expenses. No portion of the total US Dollars 4,424,073 cancelled project and other expenses refer to the current year.

(Unless otherwise indicated all amounts expressed in US Dollar.)

24. OPERATING EXPENSES (cont.)

	1 January - 30 June 2018	1 January - 30 June 2017
Employee benefits expense	(17,885,225)	(17,104,420)
Depreciation and amortization expense	(2,340,603)	(2,460,720)
Transportation expense	(1,607,810)	(1,212,390)
Rent expense	(1,426,100)	(1,312,714)
Consultancy expense	(1,322,816)	(874,277)
Promotional and advertising expense	(3,509,731)	(3,755,216)
Other operating expenses	(9,691,901)	(7,958,872)
	(37,784,186)	(34,678,609)
Capitalized personnel expenses	2,987,335	2,815,451
	(34,796,851)	(31,863,158)

25. INVESTMENT REVENUE

	1 January - 30 June 2018	1 January - 30 June 2017
Discount interest income	10,380,165	7,389,091
Interest received from sales with deferred settlement terms	130,869	81,504
Interest income	418,936	428,297
	10,929,970	7,898,892

26. FINANCE COSTS (net)

	1 January - 30 June 2018	1 January - 30 June 2017
Interest on bank borrowings	(6,465,804)	(5,151,166)
Foreign exchange loss on borrowings	(1,192,780)	(507,681)
Bond interest and expenses	(3,446,034)	(1,938,722)
Loss on derivative financial instruments	-	(129,426)
Amortization of discount on receivables	(11,163,546)	(7,653,458)
Other interest expense	(161,253)	(241,772)
	(22,429,417)	(15,622,225)

(Unless otherwise indicated all amounts expressed in US Dollar.)

27. OTHER GAINS AND LOSSES

	1 January - 30 June 2018	1 January - 30 June 2017
Foreign exchange gain / (loss)	1,469,740	(301,627)
Gain / (loss) on disposal of property, plant and equipment	90,307	(141,281)
Other (*)	(1,104,216)	637,045
	455,831	194,137

(*) For the period ended as of 30 June 2018 and 2017, other mainly consist of TUBITAK projects support income.

28. LOSS FROM INVESTMENT IN ASSOCIATES

The operations of Lypanosys are limited. Total assets and liabilities amount to US Dollars 221,771 and US Dollars 333,716 as of 30 June 2018, respectively. For the period ended 30 June 2018 there were no revenues and loss.

29. SEGMENT INFORMATION

For management purposes, the Group is currently organized into three business segments; production and sale of human pharmaceuticals, veterinary products and other. These segments are the basis on which the Group reports its segment information. The principal activities of each segment are as follows:

- ***Human Pharma:*** Human pharmaceuticals segment derives the majority of its revenues from the sale of branded generic and licensed products, the manufacturing and sale of antibiotic active ingredients and empty ampoules.

- ***Veterinary Products:*** Veterinary products segment operates in the sector of veterinary drugs and agrochemicals.

- ***Other:*** Other segment includes cologne production and sale.

IFRS requires segment information to be presented under a 'management approach', where segment information is to be shown on the same basis as that used for internal reporting purposes.

The Group has identified operating segments in a manner consistent with the internal reporting provided to the chief operating decision maker "CODM".

The accounting policies of the reportable segments are the same as the groups accounting policies described in Note 3.

(Unless otherwise indicated all amounts expressed in US Dollar.)

29. SEGMENTAL INFORMATION (cont.)

All of the Group's assets are located in Turkey. There are insignificant operations outside Turkey.

Six month period ended 30 June 2018	Human pharma	Veterinary products	Other	Total
External sales	122,281,447	8,103,738	1,747,439	132,132,624
Cost of sales	(56,428,005)	(5,067,893)	(1,574,815)	(63,070,713)
Operating expenses	(33,637,557)	(1,118,387)	(40,907)	(34,796,851)
Segment results	32,215,885	1,917,458	131,717	34,265,060
Investment revenue				10,929,970
Finance costs				(22,429,417)
Other gains and losses				455,831
Profit before tax				23,221,444
Tax expense				(4,941,861)
Net profit for the period				18,279,583

The Group is dependent on a limited number of distribution partners in Turkey. Distribution of the Group's products by the two largest wholesalers in the Turkish market corresponded to approximately 27% and 40%. Net human pharma revenues attributed to these wholesalers were US Dollar 29,182,688 and US Dollar 43,848,080, respectively.

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

Six month period ended 30 June 2017	Human pharma	Veterinary products	Other	Total
External sales	104,707,199	7,394,754	1,656,627	113,758,580
Cost of sales	(52,820,122)	(4,726,635)	(1,340,817)	(58,887,574)
Operating expenses	(30,441,196)	(1,221,009)	(200,953)	(31,863,158)
Segment results	21,445,881	1,447,110	114,857	23,007,848
Investment revenue				7,898,892
Finance costs				(15,622,225)
Other gains and losses				194,137
Profit before tax				15,478,652
Tax expense				(2,304,389)
Net profit for the period				13,174,263

The Group is dependent on a limited number of distribution partners in Turkey. Distribution of the Group's products by the two largest wholesalers in the Turkish market corresponded to approximately 28% and 38%. Net human pharma revenues attributed to these wholesalers were US Dollar 27,891,774 and US Dollar 37,220,347, respectively.

(Unless otherwise indicated all amounts expressed in US Dollar.)

30. OPERATING LEASE ARRANGEMENTS

Operating lease commitments

	Six month period ended 30 June 2018	Six month period ended 30 June 2017
Minimum lease payments under operating leases recognized as an expense in the related year	1,458,842	861,004
	1,458,842	861,004

At the balance sheet date, the Group has outstanding commitments under non-cancelable operating leases, which fall due as follows:

	EUR	TRY	30 June 2018
Not longer than 1 year	7,670	6,364,295	1,404,393
Longer than 1 year and not longer than 5 years	-	26,574,939	5,826,943
	7,670	32,939,234	7,231,336

	EUR	TRY	31 December 2017
Not longer than 1 year	16,874	8,572,653	2,292,968
Longer than 1 year and not longer than 5 years	-	14,064,491	3,728,755
	16,874	22,637,144	6,021,723

Operating lease payments represent rentals payable by the Group for certain of its vehicles and for the rented buildings and warehouses. Leases are negotiated for an average term of three years and increases are at a fixed rate and expense is recognized on a straight-line basis over the lease term.

31. EARNINGS PER SHARE

There were no dilutive equity instruments outstanding, that would require the calculation of separate diluted earnings per share. The calculation of basic earnings per share attributable to ordinary equity holders of the parent is as follows:

	Six month period ended 30 June 2018	Six month period ended 30 June 2017
Weighted average number of shares (Note 21)	67,650,000	67,650,000
Net profit for the period attributable to the shareholders	15,634,594	11,326,524
Earnings per share	0.231	0.167

(Unless otherwise indicated all amounts expressed in US Dollar.)

32. FOREIGN CURRENCY POSITION

The functional currency of the Group's subsidiaries located in Turkey is TRY. Those subsidiaries are exposed to foreign currency fluctuations on monetary assets and liabilities held in currencies other than TRY, including EUR, USD and other currencies. The following table details the Group's subsidiaries' foreign currency exposures for each class of financial instruments. The financial assets and liabilities below are grouped in the currencies in which the transactions are denominated.

30 June 2018	US Dollar	EURO	CHF	Other	Equivalent of US Dollar
Cash and cash equivalents	22,836,671	5,875,184	1,426,609	7,780	31,118,624
Trade receivables	1,823,222	3,458,427	-	-	5,849,244
Other assets	4,066,224	6,964,306	67,975	29,195	12,280,043
Total Assets	**28,726,117**	**16,297,917**	**1,494,584**	**36,975**	**49,247,911**
Trade payables	1,702,285	21,805	143,496	105	1,871,878
Short-term borrowings	-	3,523,714	-	-	4,102,024
Long-term borrowings	-	2,245,714	-	-	2,614,280
Other payables and accrued expenses	-	-	598,081	-	600,481
Total Liabilities	**1,702,285**	**5,791,233**	**741,577**	**105**	**9,188,663**
Net foreign currency position	**27,023,832**	**10,506,684**	**753,007**	**36,870**	**40,059,248**

31 December 2017	US Dollar	EURO	CHF	Other	Equivalent of US Dollar
Cash and cash equivalents	11,803,866	4,021,427	1,425,880	2,557	18,078,748
Trade receivables	1,851,780	2,619,027	-	-	4,987,127
Other assets	1,239,704	3,510,702	2,563,207	170,706	8,291,976
Total Assets	**14,895,350**	**10,151,156**	**3,989,087**	**173,263**	**31,357,851**
Trade payables	4,279,706	1,910,535	(1,721,265)	22,596	4,838,226
Short-term borrowings	-	3,325,429	-	-	3,981,011
Long-term borrowings	-	2,757,571	-	-	3,301,204
Other payables and accrued expenses	-	-	(1,130,465)	-	(1,155,311)
Total Liabilities	**4,279,706**	**7,993,535**	**(2,851,730)**	**22,596**	**10,965,130**
Net foreign currency position	**10,615,644**	**2,157,621**	**6,840,817**	**150,667**	**20,392,721**

(Unless otherwise indicated all amounts expressed in US Dollar.)

33. FINANCIAL RISK MANAGEMENT

(a) Capital risk management

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

The capital structure of the Group consists of debt which includes the borrowings (Note 14), cash and cash equivalents (Note 5) and equity attributable to equity holders of the parent, comprising issued capital and retained earnings (Note 21).

The Group Management analyzes the cost of capital and the risks associated with capital semiannually. The Group Management aims to balance its overall capital structure through the payment and receipt of dividends, and new share issues as well as obtaining new debt or the redemption of existing debt.

In addition and consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During 2018, the Group's strategy, which was unchanged from 2017, was to maintain the gearing ratio within 55% to 74%.

	30 June 2018 USD	31 December 2017 USD
Financial liability	153,282,015	129,503,959
Less: Cash and cash equivalents	(32,316,218)	(24,860,134)
Liability (net)	120,965,797	104,643,825
Total equity	197,827,718	217,904,495
Total invested capital	162,866,511	188,707,618
Liability (net) / Total invested capital rate	74%	55%

(b) Significant accounting policies

The Group's accounting policies about financial instruments are disclosed in Note 3 to the consolidated financial statements.

(Unless otherwise indicated all amounts expressed in US Dollar.)

33. FINANCIAL RISK MANAGEMENT (cont.)

(c) Financial instrument categories

30 June 2018	measured according to effective interest rate and receivables	Financial liabilities through profit and loss	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	32,316,218	-	-	32,316,218	5
Trade receivables	83,442,607	-	-	83,442,607	6
Financial liabilities					
Borrowings	-	-	153,282,015	153,282,015	14
Trade payables (including related parties)	-	-	25,697,703	25,697,703	7-15
31 December 2017					
Financial assets					
Cash and cash equivalents	24,860,134	-	-	24,860,134	5
Trade receivables	76,938,309	-	-	76,938,309	6
Financial liabilities					
Borrowings	-	-	129,503,959	129,503,959	14
Trade payables (including related parties)	-	-	18,535,890	18,535,890	7-15

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

33. FINANCIAL RISK MANAGEMENT (cont.)

(d) Financial risk management objectives

The Group's finance function provides services to the business, coordinates access to domestic and international markets, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, fair value interest rate risk and price risk) credit risk, liquidity risk and cash flow interest rate risk.

(e) Market risk

The Group is exposed to market risks with respect to foreign currency exchange rates and interest rates. The Group seeks to minimize external foreign currency risks whenever possible by entering into forward foreign exchange contracts. Interest rate risk is managed by entering into a balanced, preferred ratio of fixed / floating borrowing arrangements.

The Group Management measures the market risks on the basis of sensitivity analysis.

(f) Foreign currency risk management

The Company's functional currency is the US dollar while almost all of its operations are located in Turkey and, as a result, a majority of the Group's revenues and costs are denominated in Turkish Lira ("TRY") and the Group is exposed to currency fluctuations between the US Dollar and other currencies.

The Group's business involves purchases from and limited sales to a number of countries. Those sales, expenses, assets and liabilities are in currencies other than the US Dollar. In addition, the Group has debt in currencies other than the US Dollar.

The Group's assets' and liabilities' foreign currency position is presented in Note 32.

<u>Foreign currency sensitivity</u>

The functional currency of the Group's subsidiaries is TRY. Those subsidiaries are exposed to foreign currency fluctuations on monetary assets and liabilities held in currencies other than TRY, including EUR and USD. The following table details the Company's sensitivity to 20% devaluation in the exchange rate of USD against TRY and EUR against TRY. 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. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates.

The table below shows only impact related to the two currencies named and assumes the rate between all other currencies to be held constant and net of tax. Positive amounts in the following table represent increase in net profit for the period. Equity effect is nil.

	Period ended 30 June 2018	
	Effect of US Dollar: TRY	Effect of EUR: TRY
Loss	(19,719,615)	(8,925,134)

	Year ended 31 December 2017	
	Effect of US Dollar: TRY	Effect of EUR: TRY
Loss	(3,203,292)	(779,419)

The equity effect of 20% devaluation in the exchange rate of TRY against USD is US Dollar 48,374,673 as the functional currencies of Turkish subsidiaries is Turkish Lira.

33. FINANCIAL RISK MANAGEMENT (cont.)

(g) Interest rate risk management

The Group has a number of borrowings with interest rates that are based on market interest rates. Therefore the Group is subject to market risk deriving from changes in interest rates, which may affect the cost of current floating rate indebtedness and future financing. The Group management seeks to manage this risk by maintaining an appropriate mix between fixed and floating rate borrowings. As at 30 June 2018, 29% of total indebtedness was floating rate and mainly denominated in Turkish Lira and Euro. Interest rates are fixed in short-term loans. The Group does not enter into long-term loans denominated in Turkish Lira.

Interest rate sensitivity

The sensitivity analyses have been determined based on the exposure to interest rates at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. 50 basis points is the sensitivity rate used when reporting interest rate risk internally to key management personnel.

If Libor and Euribor had been 50 basis points higher and all other variables were held constant, net profit for the period ended at 30 June 2018 would decrease by US Dollar 150,027 net of tax (30 June 2017: increase by US Dollar 118,095). If Libor and Euribor had been 50 basis points lower, the profit of the Group for the period ended would increase with the same absolute amount. The equity effect is nil.

(h) Credit risk management

Credit risks refer 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 credit ratings of its counterparties are continuously monitored.

(i) Liquidity risk management

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, capital expenditure program relating to the construction and relocation of production plants and the development and expansion of the geographic coverage of operations as well as product portfolio through selective acquisitions. The Company has financed its operations and investments primarily by means of capital increases subsequent to the acquisition of Deva.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

(Unless otherwise indicated all amounts expressed in US Dollar.)

33. FINANCIAL RISK MANAGEMENT (cont.)

(i) Liquidity risk management (cont.)

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 June 2018	Carrying value	Cashflow according to the agreement	Less than 3 month	3 – 6 month	6 – 9 month	9 month – 1 year	1 – 3 year	3 + year
Bank borrowings and bonds issued	153,282,015	190,555,120	55,550,466	11,302,591	8,009,739	13,882,653	50,530,896	51,278,775
Trade payables	25,693,033	25,836,340	25,447,489	388,851	-	-	-	-
Due to related parties	4,670	4,670	4,670	-	-	-	-	-
	178,979,718	248,100,731	81,002,625	11,691,442	8,009,739	13,882,653	82,235,497	51,278,775

31 December 2017	Carrying value	Cashflow according to the agreement	Less than 3 month	3 – 6 month	6 – 9 month	9 month – 1 year	1 – 3 year	3 + year
Bank borrowings	129,503,959	156,196,664	30,722,694	6,746,875	6,886,968	39,032,816	44,619,129	28,188,182
Trade payables	18,531,079	21,900,887	21,653,718	247,169	-	-	-	-
Due to related parties	4,811	4,811	4,811	-	-	-	-	-
	148,039,849	178,102,362	52,381,223	6,994,044	6,886,968	39,032,816	44,619,129	28,188,182

34. SUBSEQUENT EVENTS

The Turkish Lira has depreciated considerably against foreign currencies, especially US Dollars, between June 30, 2018 and August 13, 2018, the date which the financial statements were approved (US Dollar - %51, Euro - %48,). In addition to the depreciation of TL against hard currencies, interest rates on government bonds have increased from 19,15% to 25,53%. Although the depreciation of TL does not have a significant adverse impact on the net financial liability position as of June 30, 2018, it is expected to have an adverse impact on the operation costs going forward. Similarly, the increase in the interest rates will cause an increase in the interest expenses of the Group.