

**DEVA HOLDİNG A.Ş.**

**01.01.2022 - 31.03.2022 PERIOD**

**ACTIVITY REPORT OF THE BOARD OF DIRECTORS**

## **DEVA HOLDING IN BRIEF**

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

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

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

Currently, DEVA Holding has approximately 600 products in its portfolio, including medical devices, spanning 14 therapy areas, ranging from oncology to cardiology and from the respiratory system to ophthalmology.

With progressively expanding regional growth and export operations, DEVA Holding is the holder of 925 product licences in 63 countries, including the USA, Switzerland and Germany. Founded under the brand name of Devatis in Germany and then in Switzerland, the company received registration approval in 2018 and having been established in the USA under the same name, accelerated its activities.

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

DEVA Holding develops high added value, innovative new forms and products with its highly-competent staff of experts trained in their areas and experienced in R&D in its full-fledged laboratories and manufacturing areas equipped with state-of-the-art technology at its award-winning DEVARGE Center.

With its manufacturing capabilities, DEVA Holding has become the domestic corporation with the most comprehensive production capabilities in Turkey. Undertaking manufacturing operations at facilities in Çerkezköy and Kartepe, DEVA Holding holds an annual output capacity of 578 million units of medicines. While producing for public health, DEVA Holding also adopts the understanding of sustainability for the effective and efficient use of resources, and considers environmental sensitivities in its activities. DEVA Holding manages human rights, occupational health and safety, energy efficiency and waste with great care, and continues its activities with the awareness of leaving a more livable world to future generations with its employees who possesses environmental awareness.

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

### **Contact Details**

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E-Mail address : [deva@deva.com.tr](mailto:deva@deva.com.tr)

### **Trade Registry Information of the Company**

Trade Register : Istanbul Commerce Registry Office  
Register No. : 70061

## MISSION AND VISION

### Our Mission

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

### Our Vision

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

## BOARD OF DIRECTORS

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

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

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

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

No changes were made to the articles of association during the period.

## REGARDING PARTNERSHIP:

### Changes in the Capital Status of the Partnership within the Period

No changes were made within the period.

### Development of Stock Prices during the Period

In 01.01.2022 - 31.03.2022 period, 1 lot of shares of DEVA Holding traded at Borsa Istanbul (BİST) was traded at 26,00 TL as the lowest value and at 33,40 TL as the highest value.

## CAPITAL AND SHAREHOLDING STRUCTURE

The Company's:

Registered Capital Cap : 500.000.000,00 TL

Issued Capital : 200.019.287,78 TL

## Shareholding Structure (31.03.2022)

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

## FINANCIAL INDICATORS

### Primary financial and operational indicators (TL)

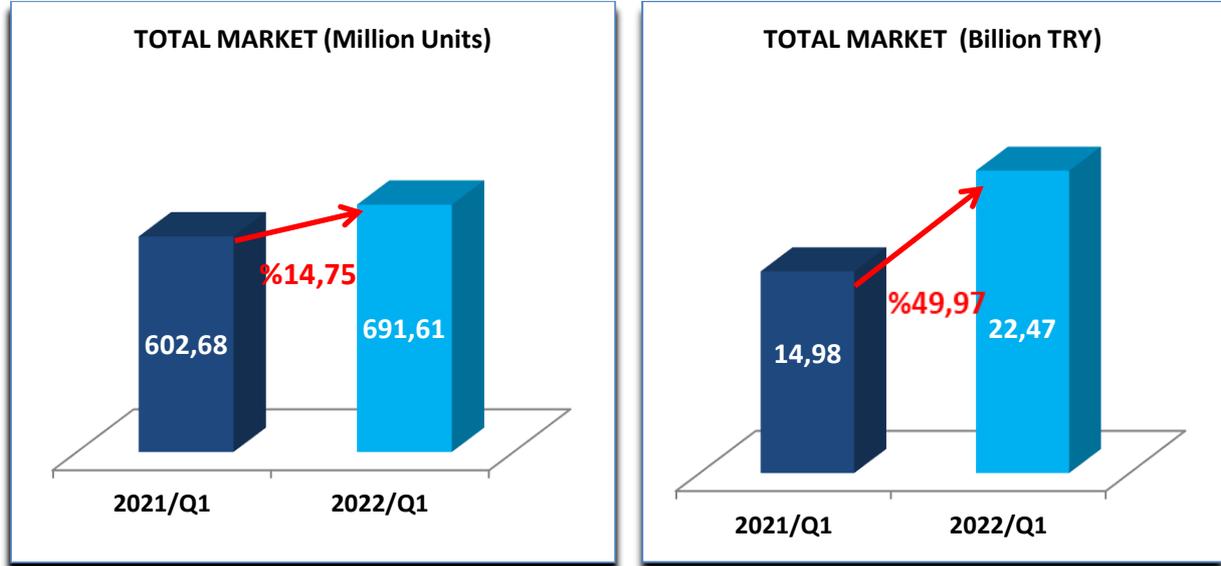
|                     | <b>31.03.2022</b>                 | <b>31.12.2021</b>                 |
|---------------------|-----------------------------------|-----------------------------------|
| Total assets        | 5.854.593.585                     | 5.079.931.877                     |
| Total liabilities   | 2.768.057.901                     | 2.352.155.032                     |
| Total equity        | 3.086.535.684                     | 2.727.776.845                     |
|                     | <b>01.01.2022-<br/>31.03.2022</b> | <b>01.01.2021-<br/>31.03.2021</b> |
| Sales revenue (net) | 884.045.184                       | 548.432.155                       |
| Operating profit    | 368.971.906                       | 239.475.372                       |
| Net profit          | 351.107.340                       | 223.210.202                       |

### Basic ratios (%)

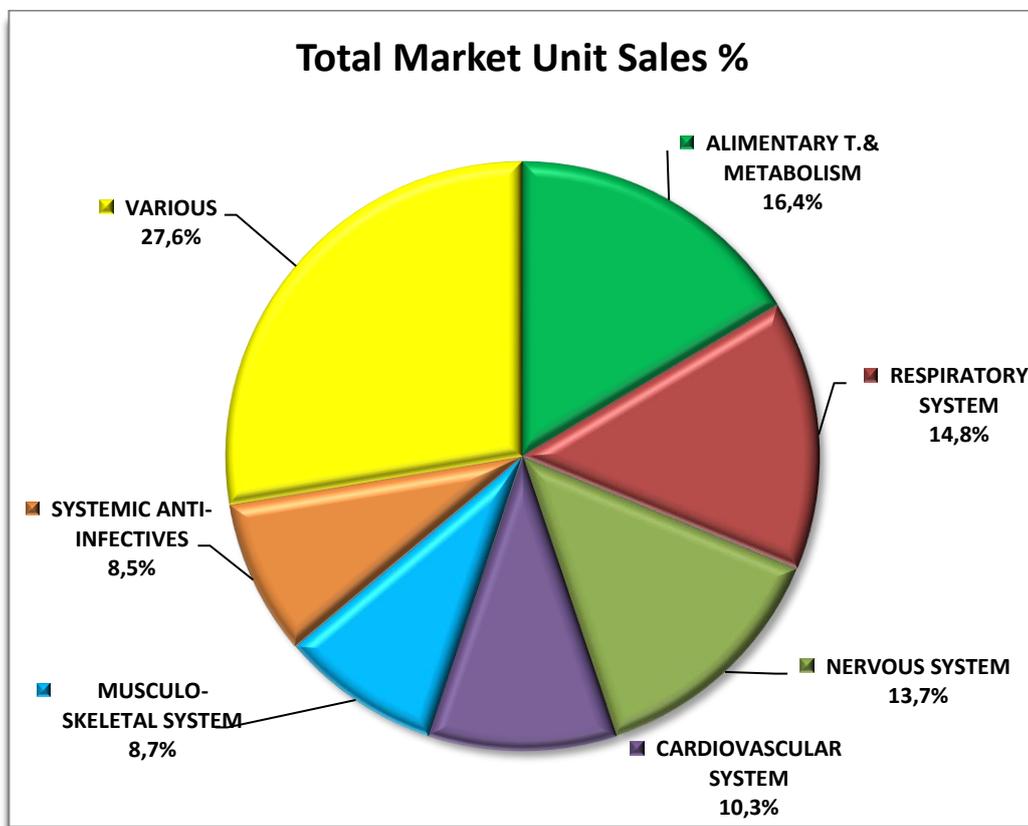
|                                                    | <b>31.03.2022</b>                 | <b>31.12.2021</b>                 |
|----------------------------------------------------|-----------------------------------|-----------------------------------|
| Current ratio                                      | 1,87                              | 2,07                              |
| Liquidity ratio                                    | 1,29                              | 1,47                              |
| Precision ratio                                    | 0,67                              | 0,80                              |
| Liabilities/Assets total (Financial leverage rate) | 0,47                              | 0,46                              |
| Equity/debt ratio                                  | 1,12                              | 1,16                              |
|                                                    | <b>01.01.2022-<br/>31.03.2022</b> | <b>01.01.2021-<br/>31.03.2021</b> |
| Gross profit margin                                | 0,54                              | 0,55                              |
| Net profit margin (sales profitability)            | 0,40                              | 0,41                              |
| Equity profit margin (equity profitability)        | 0,46                              | 0,48                              |

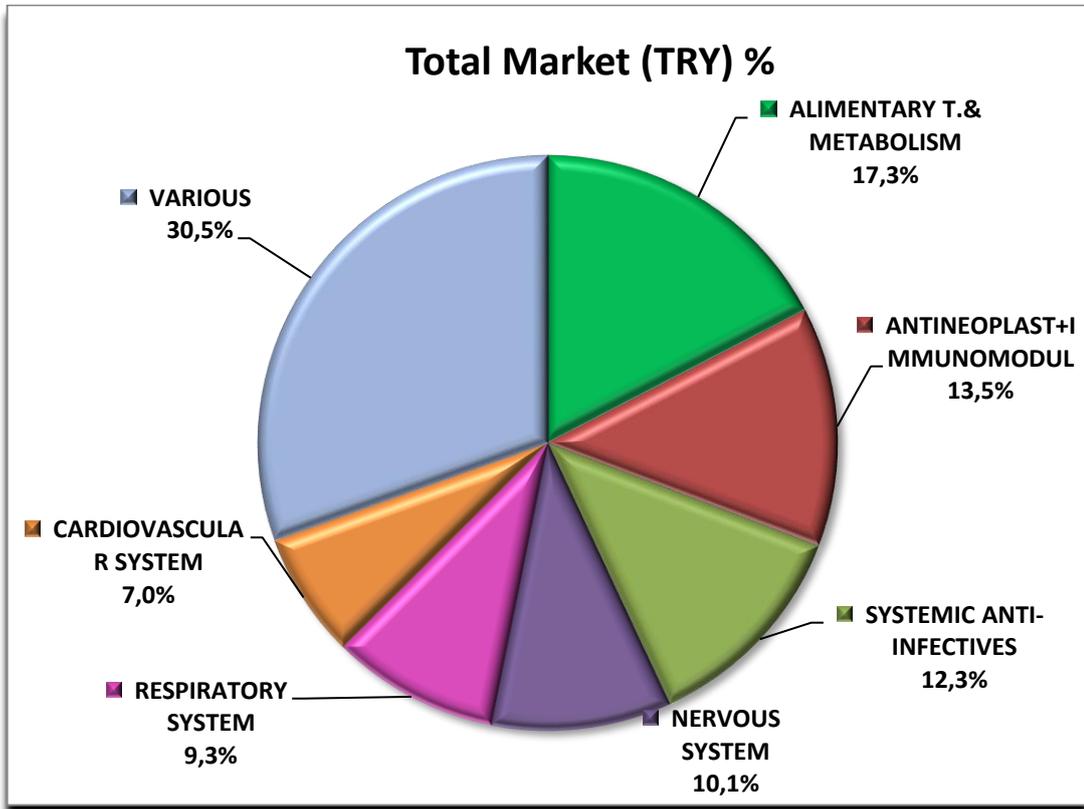
## SALES FOR THE PERIOD 01.01.2022 – 31.03.2022

According to IQVIA data (retail+hospital); a total amount of 691,61 mn units of drugs which worth TRY (\*) 22,47 bn were sold in the Turkish Pharmaceutical Market in first 3 months of 2022. Compared to the same period of the previous year, the market grew by 14,75% in terms of unit and 49,97% in terms of TL.



In first 3 months of 2022; the unit sales segmentations(ATC1) can be seen in below graphics. The leader segmentation in Turkish market and DEVA Holding according to IQVIA is Alimentary T.& Metabolism in unit and TL sales terms.





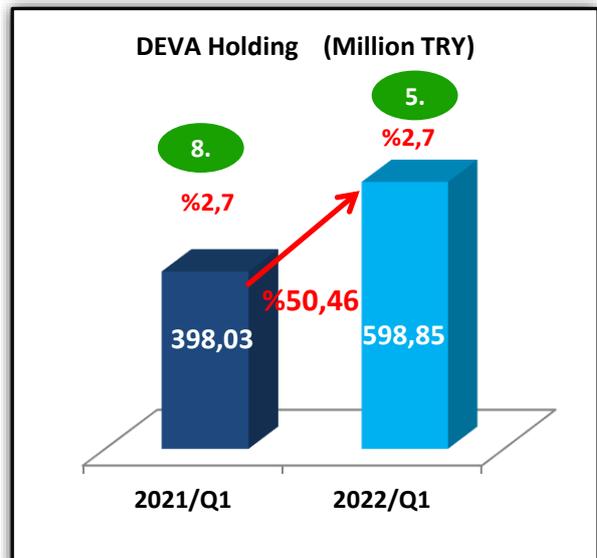
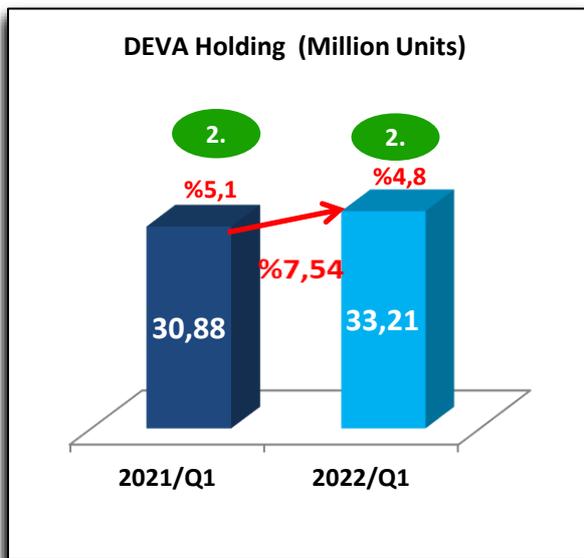
(\*\*) "Free Goods" are not

included to TL value due to the change of the calculation method by Turkey IQVIA .

### DEVA HOLDING'S IQVIA SALES RESULTS FOR THE FIRST THREE MONTHS OF 2022

In the first three months of 2022, DEVA Holding sold 33,21 million units of IQVIA on a box basis (Free Market + Hospital) at a rate of 7,54% compared to the same period of the previous year, and IQVIA sales of TL 598,85 million on a TL basis, compared to the previous year's sales, achieved a growth of 50,46% compared to the same period.

In the first three months of 2022, DEVA Holding ranked second with a market share of 4,8% on a unit basis, and ranked 5th with a market share of 2,7% in TL terms.



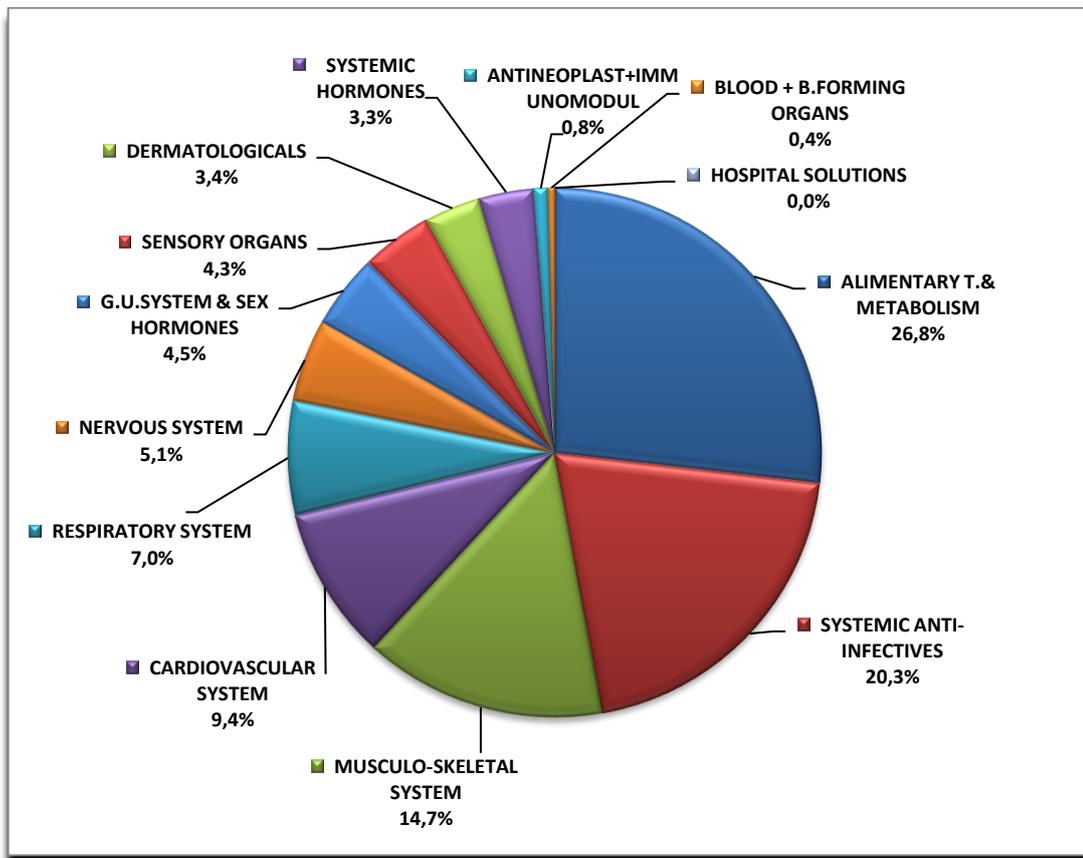
In first 3 months of 2022, DEVA is among the top 100 products of the Turkish pharmaceutical market on a box basis, respectively as Devit D3, Dikloron, Amoklavin ve Tilcotil and in TL basis Rivelime and Amoklavin.

In first 3 months of 2022, half of the turnover (%50,4) of DEVA Holding is coming from 12 different products. These are Rivelime, Amoklavin, Depores X, Devit D3, Depores, Dikloron, Candexil Plus, Dodex, Dilatrend, Madopar, Azitro and Degra in order to highest to lowest in TL sales.

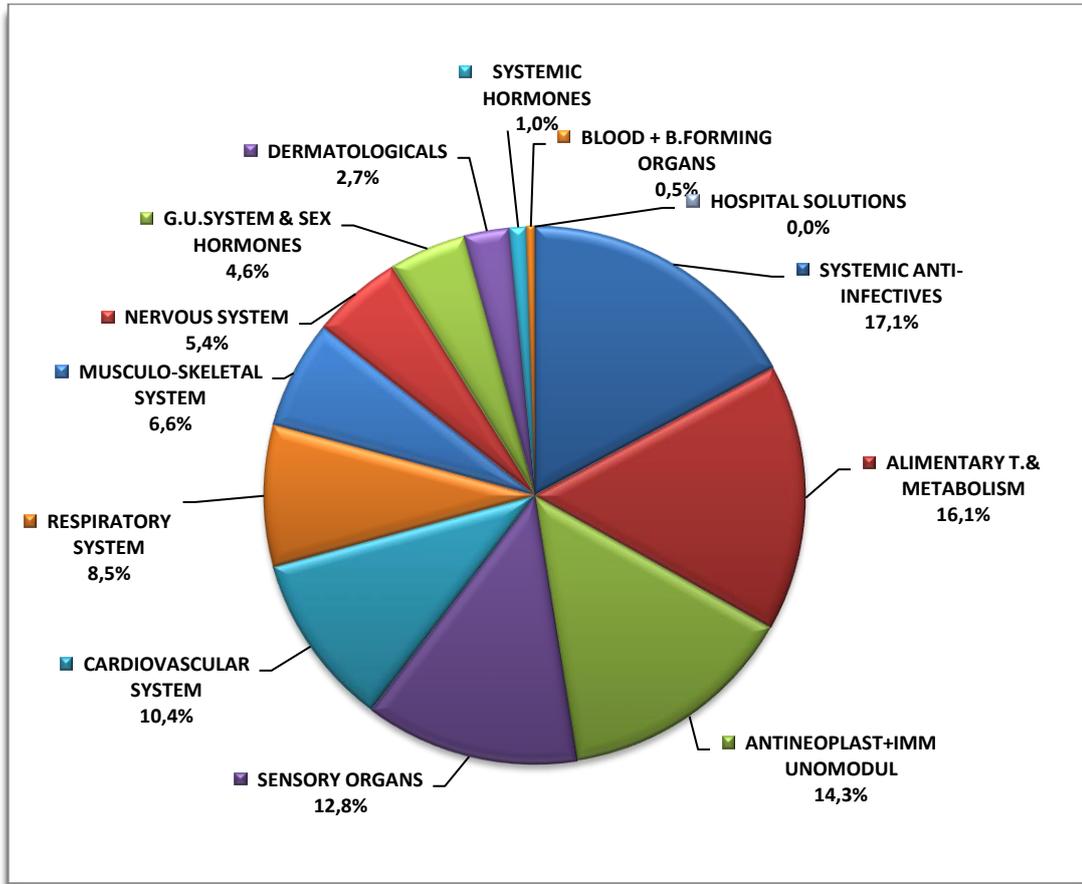
The leader segmentation in Turkish market according to IQVIA is Alimentary T.& Metabolism on box basis terms and in DEVA Holding, the Systemic Anti-Infectives is the leader segmentation in TL sales terms.

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

### DEVA Holding Unit Sales %



## DEVA Holding TRY Sales %



Source: IQVIA Free + Hospital Dataview

DEVA Holding sold 5,8 million units of products worth 31,3 million TL to the State Supply Office in the relevant period, and these sales are not included in the IQVIA data.

In addition, exports amounted to 111,5 million TL, corresponding to 8 million USD, in the relevant period.

### RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

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

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

Internal Audit Management audits the compliance of the activities carried out by the company with international auditing principles and generally accepted management standards, company's articles of association as well as written policies and practices. Internal Audit Management evaluates all units in terms of management within the framework of the audit plan, and presents audit results to the Risk Management Committee and the Committee Responsible for Audits on a regular basis.

In 2022, internal audit activities were carried out for the company's operations, the risk reports from all units were evaluated, and the findings and recommendations for improvement were presented to the Board of Directors.

### **Investments**

For the period of 01.01.2022 - 31.03.2022 to DEVA Holding and Group companies; A total of 187.802.175 TL investments were made, 90.520.853 TL in total for the Administration Building, Factory, Machinery-Installation and Fixtures, and 97.281.322 TL for R&D, Licensing and Licenses.

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

The Group has 4 ongoing research and development projects approved by TÜBİTAK. Total incentive research and development expenses incurred in 2021 related with these projects amounted to TRY 83.605.420.

In the relevant period; for DEVA Kartepe facilities, 3.986.429 TL was spent under the incentive certificate 501317 received on 30.10.2018, 80.616.764 TL was spent under the 525422 incentive certificate received for Çerkezköy facilities on 26.05.2021. No expenditure was incurred within the scope of the incentive certificate numbered 136611, which was received for Çerkezköy facilities on 7.04.2018.

The expenses within the scope of research incentive are exempt from value added tax and custom tax, and have different advantages in scope of other tax.

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

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

The bonds with a nominal value of 130 million TL and a maturity of 725 days, issued within the scope of the Issuance Certificate amounting to TL 250.000.000, approved by the Capital Markets Board's decision dated 16.04.2020 and numbered 25/520, were redeemed as of April 29, 2022.

Under the aforesaid "Issuing Certificate," a floating-rate bond with a nominal value of 100 million TL with 729 days maturity and coupon payment every 3 months, was issued and the sale of the bonds was completed as of April 13, 2021. The interest on the bond is calculated by adding 200 basis points to the BİST TLREF index yield.

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

#### **Subsidiaries**

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

#### **Other Related Companies**

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

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

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

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

## **ADMINISTRATIVE ACTIVITIES**

### **Üst Yönetim**

Philipp Daniel Haas - (CEO)

Mesut Çetin - (CFO)

Doğan Varinlioğlu - Deputy General Manager of Turkey and International Markets

Rıza Yıldız – Financial Reporting and Accounting Director

Hartwig Andreas Steckel - R&D and International Markets Technical Licensing Director

Tijen Kavlak – Business Unit Director

İrfan Çinkaya – Biotechnology Director

Aytaç Aysuna Erden - Legal Affairs Director

Elçin Güner- Business Unit Director

Eray Kurt – Site Director

Gökhan Kaba – Procurement Director

Gülcan Gümüş – Human Resources & Development Director

Metin Ercan – Site Director

Murat Akıncı – Medical Business Unit Director

Murat Aksoy – Production Planning & Logistics Director

Refiye Adıyaman – Quality Operations Director

Sibel Yılmaz – Site Director

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

The sum of the salaries and similar short and long-term benefits provided to the Members of the Board of Directors and Senior Executives during the period is 31.440.413 TL.

## **Committees Established within the Board of Directors**

### **1) Supervisory Committee**

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

Sengül Soytaş Member (Independent Member of the Board of Directors)

### **2) Corporate Governance Committee**

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

Sengül Soytaş Member (Independent Member of the Board of Directors)

Mesut Çetin Member (Executive Member of the Board of Directors)

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

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

### **Collective Agreement Practices**

No Collective Agreement with employees exists.

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

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

### **Severance pay liability**

The severance pay liability of DEVA Holding for 01.01.2022 - 31.03.2022 period was 53.503.253 TL, and provisions were made for the entire amount in accordance with the related legislation.

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

Donations and aid amounting to 1.267.889 TL were provided to various organizations and associations during the period between 01.01.2022 and 31.03.2022.

### **Cases filed against the company**

The cases filed against our company include miscellaneous business cases and cases regarding tax penalties. Detailed information on the subject is provided in the footnote 17.

### **Audits Carried Out within the Period**

No audit was conducted in our company during the period of 01.01.2022 - 31.03.2022.

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

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

### **Financial Risks:**

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

**Credit Risk of Customers:**

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

**Strategic Risks:**

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

**Operational Risks:**

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

**The explanations regarding the developments that significantly affected the Company's activities in this period are presented above. For other information, you can access the Annual Report of 2021 at [www.deva.com.tr](http://www.deva.com.tr)**