

**(CONVENIENCE TRANSLATION OF THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)**

**MLP SAĐLIK HİZMETLERİ A.Ş.
AND ITS SUBSIDIARIES**

CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2019

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MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

	Notes References	Unaudited September 30, 2019	Audited December 31, 2018
ASSETS			
Current Assets			
		1,591,801	1,478,593
Cash and cash equivalents	4	230,686	223,318
Trade receivables	6	965,536	898,593
Due from related parties	3	4,117	3,037
Trade receivables from third parties		961,419	895,556
Other receivables	7	52,366	72,128
Due from related parties	3	29,063	50,114
Other receivables from third parties		23,303	22,014
Derivative financial instruments	24	-	1,479
Inventories	8	83,148	80,201
Prepaid expenses	9	224,801	167,186
Other current assets	13	35,264	35,688
Non-current assets			
		2,106,250	1,760,284
Trade receivables	6	1,053	1,053
Other receivables	7	1,929	1,150
Property and equipment	10	791,938	836,758
Intangible assets		474,096	468,131
Goodwill		40,217	40,217
Other intangible assets	10	433,879	427,914
Right of use assets	11	214,638	-
Prepaid expenses	9	226,952	170,788
Deferred tax assets	21	395,644	282,404
TOTAL ASSETS		3,698,051	3,238,877

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

	Notes References	Unaudited September 30, 2019	Audited December 31, 2018
LIABILITIES AND EQUITY			
Current liabilities		1,844,633	1,508,830
Short term borrowings	5	365,504	125,195
Short term portion of long term borrowings	5	275,034	241,677
Short term obligations under finance leases	5	74,344	88,407
Short term lease liabilities	5	117,659	-
Trade payables	6	735,776	807,681
Due to related parties	3	20,138	33,024
Trade payables to third parties		715,638	774,657
Payables related to employee benefits	12	80,295	77,578
Other payables	7	22,932	22,355
Due to related parties	3	799	819
Other payables to third parties		22,133	21,536
Deferred revenues	9	79,337	63,335
Short term provisions		31,590	28,756
Short term provisions for employee benefits	12	13,549	11,752
Other short term provisions	14	18,041	17,004
Derivative financial instruments	24	53,749	48,853
Current tax liabilities	21	8,413	4,993
Non-current liabilities		1,646,735	1,154,356
Long term borrowings	5	820,576	768,774
Obligations under finance leases	5	144,960	194,838
Long term lease liabilities	5	491,034	-
Other payables		32,219	35,698
Other payables to third parties	7	32,219	35,698
Deferred income	9	2,966	4,702
Long term provisions		16,629	14,609
Long term provisions for employee benefits	12	16,629	14,609
Deferred tax liabilities	21	138,351	135,735
EQUITY		206,683	575,691
Equity attributable to the Owner of the Company		157,010	474,420
Share capital	16	208,037	208,037
Share premium	16	556,162	556,162
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		23,059	28,546
Revaluation reserve	16	39,752	39,752
Accumulated loss on remeasurement of defined benefit plans		(16,693)	(11,206)
Restricted reserves	16	10,260	10,260
Accumulated deficit		(593,433)	(200,934)
Net profit / (loss) for the period		(47,075)	(127,651)
Non-controlling interest		49,673	101,271
TOTAL LIABILITIES AND EQUITY		3,698,051	3,238,877

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED JANUARY 1 - SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

	Notes References	Unaudited January 1- September 30, 2019	Unaudited July 1- September 30, 2019	Unaudited January 1- September 30, 2018	Unaudited July 1- September 30, 2018
PROFIT OR LOSS					
Revenue	17	2,715,697	893,362	2,251,332	781,618
Cost of Sales (-)	17	(2,098,227)	(697,676)	(1,901,980)	(671,315)
GROSS PROFIT / (LOSS)		617,470	195,686	349,352	110,303
General Administration Expenses (-)	18	(217,500)	(74,293)	(189,499)	(66,350)
Other Income from Operating Activities	19	241,795	96,788	466,843	310,136
Other Expenses from Operating Activities (-)	19	(260,472)	(117,991)	(381,553)	(265,641)
OPERATING PROFIT / (LOSS)		381,293	100,190	245,143	88,448
Income From Investing Activities		2,194	1,008	1,537	1,184
Expense From Investing Activities (-)		-	-	(373)	(185)
OPERATING PROFIT / (LOSS) BEFORE FINANCE EXPENSES		383,487	101,198	246,307	89,447
Finance Expenses (-)	20	(408,883)	(99,204)	(455,039)	(244,032)
NET PROFIT / (LOSS) BEFORE TAX		(25,396)	1,994	(208,732)	(154,585)
Tax income / (expense) from operations		5,267	2,610	65,821	19,803
Current Tax Expense	21	(18,511)	(6,150)	(9,767)	(2,420)
Deferred Tax Income	21	23,778	8,760	75,588	22,223
NET PROFIT / (LOSS)		(20,129)	4,604	(142,911)	(134,782)
Allocation of net profit / (loss)					
Non-Controlling Interest		26,946	8,938	15,145	279
Equity Holders of the Parent		(47,075)	(4,334)	(158,056)	(135,061)
		(20,129)	4,604	(142,911)	(134,782)
Basic gain / (loss) per share	22	(0.23)	(0.02)	(0.77)	(0.66)
OTHER COMPREHENSIVE INCOME / (EXPENSES)		(5,487)	(2,026)	(3,696)	(1,608)
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit plans		(6,859)	(2,533)	(4,620)	(2,010)
Income tax relating to items that will not be reclassified subsequently	20	1,372	507	924	402
TOTAL COMPREHENSIVE INCOME / (LOSS)		(25,616)	2,578	(146,607)	(136,390)
Total comprehensive income / (loss) distribution:					
Non-controlling interest		26,946	8,938	15,145	279
Equity holders of the Parent		(52,562)	(6,360)	(161,752)	(136,669)
		(25,616)	2,578	(146,607)	(136,390)

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED JANUARY 1 - SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

			Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or (loss)		Accumulated Loss		Net profit / (loss) for the period	Attributable to equity holders of the Parent	Non- controlling interest	Total
	Share capital	Share premium	Property revaluation reserve	Accumulated loss on remeasurement of defined benefit plans	Legal reserves	Accumulated deficit				
Balance as at January 1, 2018	176,458	-	39,752	(9,238)	10,260	(78,162)	(122,772)	16,298	88,372	104,670
Changes in 2018										
Other comprehensive income for the period, net of tax	-	-	-	(3,696)	-	-	-	(3,696)	-	(3,696)
Net loss for the period	-	-	-	-	-	-	(158,056)	(158,056)	15,145	(142,911)
Total comprehensive loss for the period	-	-	-	(3,696)	-	-	(158,056)	(161,752)	15,145	(146,607)
Transfers	-	-	-	-	-	(122,772)	122,772	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(11,073)	(11,073)
Capital increase (Note 16)	31,579	-	-	-	-	-	-	31,579	-	31,579
Increase of the share premiums (Note 16)	-	556,162	-	-	-	-	-	556,162	-	556,162
Balance as at September 30, 2018	208,037	556,162	39,752	(12,934)	10,260	(200,934)	(158,056)	442,287	92,444	534,731
Balance as at January 1, 2019 (as reported)	208,037	556,162	39,752	(11,206)	10,260	(200,934)	(127,651)	474,420	101,271	575,691
The effect of changes in accounting policies (Note 2.4)	-	-	-	-	-	(264,848)	-	(264,848)	(77,043)	(341,891)
Balance as at January 1, 2019 after changes	208,037	556,162	39,752	(11,206)	10,260	(465,782)	(127,651)	209,572	24,228	233,800
Changes in 2019										
Other comprehensive income for the period, net	-	-	-	(5,487)	-	-	-	(5,487)	-	(5,487)
Net profit / (loss) for the period	-	-	-	-	-	-	(47,075)	(47,075)	26,946	(20,129)
Total comprehensive loss for the period	-	-	-	(5,487)	-	-	(47,075)	(52,562)	26,946	(25,616)
Transfers	-	-	-	-	-	(127,651)	127,651	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(1,501)	(1,501)
Balance as at September 30, 2019	208,037	556,162	39,752	(16,693)	10,260	(593,433)	(47,075)	157,010	49,673	206,683

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED JANUARY 1 – SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

	Notes References	Unaudited January 1- September 30, 2019	Unaudited January 1- September 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit / (loss) for the period		391,375	214,998
Profit / (loss) continuing operations		591,980	515,100
Adjustments related to depreciation and amortization expenses	10.11	197,785	140,967
Adjustments related to impairment (reversal)		3,092	3,109
Adjustments related to impairment (reversal) of receivables	6	3,092	3,109
Adjustments related to provisions		6,235	4,309
Adjustments related to (reversal) of provision for employment benefits		5,381	4,570
Adjustments related to lawsuit (reversal) of provision for lawsuit		854	(261)
Adjustments related to interest (income) expense		343,820	153,378
Adjustments related to interest income	19	(23,451)	(16,547)
Adjustments related to interest expense	20	367,271	169,925
Adjustments related to gain (loss) on fair value	24	6,375	(43,198)
Adjustments related to tax (gain) loss	21	(5,267)	(65,821)
Other adjustments related to non-cash items		42,134	323,520
Adjustments regarding to (gain) loss on sale of fixed assets		(2,194)	(1,164)
Adjustments regarding to (gain) loss on sale of tangible assets		(2,194)	(1,164)
Changes in working capital		(157,618)	(143,775)
Adjustments related to (increase) decrease in trade receivables	8	(51,704)	(192,315)
Adjustments related to (increase) decrease in inventories		(2,947)	(31,094)
Adjustments related to increase (decrease) in trade payables		(73,186)	74,903
Adjustments related to increase (decrease) in other payables from operations		14,181	69,917
Adjustments related to other (increase) decrease in working capital		(43,962)	(65,186)
Adjustments related to (increase) decrease from other assets		(43,962)	(65,186)
Cash generated from operations		414,233	228,414
Payments related with provision for employee benefits		(8,422)	(5,694)
Tax paid	21	(15,091)	(8,393)
Other cash inflows (outflows)	6	655	671

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED JANUARY 1 – SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

	Notes References	Unaudited January 1- September 30, 2019	Unaudited January 1- September 30, 2018
CASH FLOWS FROM INVESTING ACTIVITIES		(172,448)	(242,813)
Proceeds from acquisition of shares from minorities		(5,979)	(9,042)
Proceeds from sales of property, plant, equipment and intangible assets		3,654	6,998
Proceeds from sales of property, plant, equipment	10	3,654	6,998
Payment for purchase of property, plant and equipment, intangible assets		(123,494)	(229,583)
Payment for purchase of property, plant and equipment	10	(113,043)	(222,610)
Payment for purchase of intangible assets	10	(10,451)	(6,973)
Cash payments for capital expenditures		(70,080)	(27,733)
Interest received	19	23,451	16,547
CASH FLOWS FROM FINANCING ACTIVITIES		(211,559)	92,479
Cash proceeds from issuing shares and other equity instruments		-	587,741
Proceeds on issue of equity shares (*)		-	587,741
Proceeds from bank loans		566,966	369,873
Proceeds from borrowings		347,461	308,613
Proceeds from bonds		219,505	61,260
Bank borrowings paid		(263,513)	(633,546)
Cash used for repayment of borrowings		(140,556)	(593,546)
Cash used for repayment of bonds		(122,957)	(40,000)
Repayment of lease liabilities		(189,405)	-
Repayment of obligations under finance leases		(72,338)	(71,093)
Interest paid		(251,768)	(149,424)
Dividend paid		(1,501)	(11,072)
NET INCREASE IN CASH AND CASH EQUIVALENTS		7,368	64,664
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	223,318	217,846
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	230,686	282,510

(*) On February 7, 2018, the Group launched initial public offering (“IPO”) of 72,833 thousand B type bearer shares corresponding to 35.01% of total shares. From the initial public offering, TL 600,000 was generated to the Group. After the IPO related expenses amounting to TL 12,259 that were deducted from proceeds, amounting TL 587,741, share capital increase was made with the amount of TL 31,579 and the remaining amount was used in the share premium increase by TL 556,162.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 1 – ORGANIZATION AND OPERATIONS OF THE GROUP

MLP Sağlık Hizmetleri A.Ş. (the Company or “MLP Sağlık”) has started its healthcare services operations in 1993, with the opening of Sultangazi Medical Center within the structure of Yükseliş Sağlık Hizmetleri Gıda Tekstil San. Ltd. Şti. in which Muharrem Usta is the majority shareholder. Following this, in 1995, it continues its operations, with the opening of Fatih Hospital under the legal entity of Saray Sağlık Hizmet Ticaret ve Sanayi A.Ş. in which Muharrem Usta was the majority shareholder. In 2005, with the establishment of MLP Sağlık, Fatih and Sultangazi Hospitals were merged under the legal entity of MLP Sağlık.

As of September 30, 2019, MLP is the holding company of 18 subsidiaries (December 31, 2018: 18) (collectively referred as the “Group”), each operating in the healthcare sector in Turkey.

The Company’s head office is located in Otakçılar Caddesi No 78 3450, Eyüp, İstanbul.

The Group has an agreement with the Social Security Institution of Turkey (the “SSI”) which includes service commitment in all branches disclosed in the Operations Approval Document. SSI is a state enterprise which pays the healthcare expenditures of the citizens of Turkey who are members of the social security system based on the law numbered 5510, and manages social security premiums and short and long term insurance expenses. According to the agreement, the Group is obliged to provide the healthcare services and to issue invoices to the SSI and patients in line with the Communiqué of Health Services published by the SSI. This transaction is performed through Medula, a web based software system, by assessing the right of the patient and obtaining provisions. As a result of the assessment the expenses relating to patients with no SSI, coverage is not charged to SSI. The healthcare expenses provided to the patients are invoiced based on the terms of the Communiqué of Health Services. In this Communiqué SSI determined a price list based on the treatments provided. Invoices are issued based on the price list announced by the Communiqué. SSI has the right not to pay the invoice or make a deduction if the treatments provided are not in compliance with the terms.

The Company is registered to the Capital Markets Board (“CMB”) and its shares have been quoted on the Borsa İstanbul A.Ş. (“BİAŞ or “Borsa” or “BİST”) since February 13, 2018. In accordance with the resolution numbered 21/655 on July 23, 2010 of CMB; according to the records of Central Registry Agency (CRA); shares representing 33.46% as of September 30 2019, of MLP Sağlık are accepted as “in circulation”. As of October 1, 2019, this ratio is 33.46% (Note 16).

Approval of financial statements

Board of Directors has approved the financial statements and delegated authority for publishing it on November 7, 2019.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 1 – ORGANIZATION AND OPERATIONS OF THE GROUP (continued)

As of September 30, 2019 the subsidiaries of the Company are:

Name	Location and base of operation
1. Sentez Sağlık Hizmetleri A.Ş. (“Sentez Hastaneleri”)	Batman - İzmir - Gaziantep
2. Tamar Tokat Manyetik Rezonans Sağlık Hizmetleri ve Turizm A.Ş. (“Tokat Hastanesi”)	Tokat
3. Samsun Medikal Grup Özel Sağlık Hizmetleri A.Ş. (“Samsun Hastanesi”)	Samsun
4. Özel Samsun Medikal Tıp Merkezi ve Sağlık Hizmetleri Tic. Ltd. Şti. (“Samsun Tıp Merkezi”)	Samsun
5. Kuzey Medikal Pazarlama İnşaat Taşımacılık San. ve Tic. Ltd. Şti. (“Kuzey”)	Ankara
6. Artımed Medikal Sanayi ve Ticaret Ltd. Şti. (“Artımed”)	Ankara
7. MS Sağlık Hizmetleri Ticaret A.Ş. (“MS Sağlık”)	Ankara
8. Mediplaza Sağlık Hizmetleri Ticaret A.Ş. (“Mediplaza”)	Gebze-İzmit
9. 21. Yüzyıl Anadolu Vakfı (“21.Yüzyıl Anadolu Vakfı”)	İstanbul
10. Arkaz Sağlık İşletmeleri A.Ş. (“Arkaz”)	İstanbul
11. BTN Sigorta Aracılık Hizmetleri A.Ş. (“BTN Sigorta”)	İstanbul
12. Endmed Endüstri Medikal Malzeme Cihazlar San. Tic. Ltd. Şti. ve Kuzey Medikal Pazarlama İnşaat Taşımacılık San. ve Tic. Ltd. Şti. İş Ortaklığı (“Kuzey Hastaneler Birliği” or “KHB”)	İstanbul
13. Sotte Temizlik Yemek Medikal Turizm İnşaat Sanayi ve Ticaret A.Ş. (“Sotte Temizlik Yemek”)	İstanbul
14. MA Group Sağlık ve Danışmanlık Hizmetleri Ticaret A.Ş. (“MA Group”)	İstanbul
15. Özel Silivri Arkaz Sağlık Hizmetleri A.Ş. (“Özel Silivri Arkaz”)	İstanbul - Ereğli - Çanakkale
16. BTN Asistans Sağlık Hizmetleri A.Ş. (“BTN Asistans”)	İstanbul
17. BTR Sağlık Hizmetleri A.Ş. (“BTR Sağlık”)	İstanbul
18. İstanbul Meditime Sağlık Hizmetleri Ticaret Ltd. Şti. (“Meditime Sağlık”)	İstanbul

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Statement of Compliance in Turkish Accounting Standards

T The condensed consolidated financial statements are based on the statutory financial statements of the Group’s subsidiaries and joint ventures in accordance with Turkish Commercial Code and tax legislation. The accompanying condensed consolidated financial statements are based on the statutory records, adjustments and reclassifications, in accordance with Turkish Financial Reporting Standards (TFRS).

The accompanying condensed consolidated financial statements are based in accordance with Turkish Financial Reporting Standards (“TFRS”) issued by Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) as set out in the Communiqué serial II, No: 14.1 announcement of Capital Markets Board (“CMB”) dated 13 June 2013 related to “Capital Market Communiqué on Principles Regarding Financial Reporting” (“Communiqué”) which is published in official gazette, no 28676.

In accordance with the TAS, the entities are allowed to prepare a complete set of interim financial statements in accordance with TAS 34, “Interim Financial Reporting”. In this respect the Group has preferred to prepare condensed consolidated financial statements in the interim periods and prepared the aforementioned condensed consolidated financial statements in compliance with CMB Financial Reporting Standards.

Interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual consolidated financial statements, therefore should be read in conjunction with the Group’s annual consolidated financial statements, as at December 31, 2018.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1 Statement of Compliance in Turkish Accounting Standards (continued)

Currency Used

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. For the purpose of the consolidated financial statements, the results and financial position of each entity consolidated are expressed in Turkish Lira (“TL”), which is the functional currency of the Company and all its subsidiaries and the presentation currency of the Group.

Restatement and errors in the accounting policies and estimates

The Group’s consolidated financial statements have been prepared in comparison with the previous period in order to give accurate trend analysis regarding the financial position and performance.

In the previous year, the Group had not reclassified certain comparative balances in order to conform to current year’s presentation in the consolidated financial statements.

2.2 Inflation accounting

As of 1 January 2005, the financial statements of the Company and its Turkish subsidiaries were adjusted to compensate for the effect of changes in the general purchasing power of the Turkish Lira based on TAS 29 *Financial Reporting in Hyperinflationary Economies*. Turkish Economy is accepted to come off its highly inflationary status as of 1 January 2005. Based on this consideration, TAS 29 has not been applied in the preparation of the consolidated financial statements since 1 January 2006. Amounts expressed in the measuring unit current at December 31, 2005 were treated as the basis for the carrying amounts after 1 January 2005.

2.3 New and Revised Turkish Financial Reporting Standards

a) Amendments to TFRSs that are mandatorily effective for the current year

TFRS 16	Leases
Amendments to TAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
TFRS Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to TAS 19 Employee Benefits	<i>Plan Amendment, Curtailment or Settlement</i>
Annual Improvements to TFRS Standards 2015–2017 Cycle	<i>Amendments to TFRS 3 Business Combinations, TFRS 11 Joint Arrangements, TAS 12 Income Taxes and TAS 23 Borrowing Costs</i>

TFRS 16 Leases

General impact of application of TFRS 16 Leases

TFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. TFRS 16 supersedes the current lease guidance including TAS 17 Leases and the related Interpretations for accounting periods beginning on or after 1 January 2019. The date of initial application of TFRS 16 for the Group is 1 January 2019 retrospectively taking into account the cumulative effect in the financial statements.

In contrast to lessee accounting, TFRS 16 substantially carries forward the lessor accounting requirements in TAS 17.

Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. TFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group applied the definition of a lease and related guidance set out in TFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 New and Revised International Financial Reporting Standards (continued)

a) Amendments to TFRSs that are mandatorily effective for the current year (Continued)

IFRS 16 Leases (Continued)

Operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under TAS 17, which were off-balance sheet.

Reconciliation of operational lease commitments followed under TAS 17 and lease liabilities recognized in the consolidated financial statements under IFRS 16 as of 1 January 2019 before the date of initial application is as follows:

	January 1, 2019
Operating lease commitments under TAS 17	1,915,549
Adjustments for extension and early termination options	(548,456)
Adjustments effecting variable payments due to changes in index or rate	(57,764)
Total lease liabilities under IFRS 16 (not discounted)	<u>1,309,329</u>
Short term lease liabilities	102,449
Long term lease liabilities	557,298
Total lease liabilities under IFRS 16 (discounted)	<u>659,747</u>

Impact on Lessee Accounting

On initial application of IFRS 16, for all leases (except as noted below), the Group has:

- Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognised depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under TAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with TAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 1 January 2019, the impact of IFRS 16 on the financial statements of the Group is disclosed in Note 2.4.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 New and Revised International Financial Reporting Standards (continued)

a) Amendments to TFRSs that are mandatorily effective for the current year (Continued)

Finance leases

The main differences between TFRS 16 and TAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. TFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by TAS 17.

Amendments to TAS 28 Long-term Interests in Associates and Joint Ventures

This amendment clarifies that an entity applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

TFRS Interpretation 23 Uncertainty over Income Tax Treatments

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under TAS 12.

Amendments to TAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

Annual Improvements to TFRS Standards 2015–2017 Cycle

Annual Improvements to TFRS Standards 2015–2017 Cycle include amendments to TFRS 3 Business Combinations and TFRS 11 Joint Arrangements in when a party that participates in, but does not have joint control of, TAS 12 Income Taxes; income tax consequences of dividends in profit or loss, and TAS 23 Borrowing Costs in capitalized borrowing costs.

Other than TFRS 16, these standards, amendments and improvements have no impact on the condensed consolidated financial position and performance of the Group.

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

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

TFRS 17	<i>Insurance Contracts</i>
Amendments to TFRS 3	<i>Business Combinations</i>
Amendments to TAS 1	<i>Presentation of Financial Statements</i>
Amendments to TAS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2021.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 New and Revised International Financial Reporting Standards (continued)

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

Amendments to TFRS 3 Business Combinations

The definition of “business” is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of “business” in TFRS 3 Business Combinations standart has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

Amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material

The amendments in Definition of Material (Amendments to TAS 1 and TAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

2.4 Effects of revised accounting policies

In this note, the new accounting policies, which the Group has started to apply as of 1 January 2019, have been disclosed with the effect of application of TFRS 16 Leases standard on the Group's consolidated financial statements.

The Group has applied TFRS 16 retrospectively for the first time considering the cumulative effect of the first application in the financial statements on 1 January 2019. In accordance with the adoption of TFRS 16, some changes have occurred in the accounting policies as of 1 January 2019 and adjustments have been made to the financial statements. In accordance with the transitional provisions of TFRS 16, prior year financial statements have not been restated. The effects of the amendments as of 1 January 2019 are as follows:

The recognised right-of-use assets relate to the following types of assets:

	Amounts after changes in accounting policy		Before changes in accounting policy
	January 1, 2019	TFRS 16 effect	January 1, 2019
ASSETS			
Right of use assets	232,382	232,382	-
Deferred tax assets	367,878	85,474	282,404
TOTAL ASSET EFFECT	600,260	317,856	282,404
LIABILITIES			
Lease liabilities	659,747	659,747	-
Accumulated deficit	(593,433)	(264,848)	(328,585)
Non-controlling interest	24,228	(77,043)	101,271
TOTAL LIABILITIES EFFECT	98,626	317,856	(219,230)
		September 30, 2019	January 1, 2019
Hospital buildings and offices		214,638	232,382
Total right of use assets		214,638	232,382

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.4 Effects of revised accounting policies (Continued)

a) The effects of revised accounting Policies on the Group's financial statements

In applying TFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- not to re-evaluate the financially disadvantaged rental agreements within the scope of TAS 17 in the prior period
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying TAS 17 and IFRIC 4.

b) Significant accounting policies - TFRS 16 Leases

The Group leases hospital buildings and offices. Rental contracts are typically made for fixed periods of 3 to 15 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise information technology-equipment and small items of office furniture.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Basis of Consolidation

The details of the Company’s subsidiaries as at September 30, 2019 and December 31, 2018 are as follows:

Subsidiaries	Place of incorporation and operation	Proportion of ownership and voting power held(%)		Principal activity
		June 30, 2019	December 31, 2018	
Sentez Hastaneleri	Batman-İzmir-Gaziantep	56.00%	56.00%	Hospital services
Tokat Hastanesi	Tokat	58.84%	58.84%	Hospital services
Samsun Hastanesi	Samsun	80.00%	80.00%	Hospital services
Samsun Tıp Merkezi	Samsun	100.00%	100.00%	Hospital services
MS Sağlık	Ankara	75.00%	75.00%	Hospital services
Mediplaza	Gebze-İzmit	75.00%	75.00%	Hospital services
Arkaz	Istanbul	57.00%	57.00%	Hospital services
MA Group (3)	Istanbul	51.00%	51.00%	Hospital services
Özel Silivri Arkaz	Istanbul-Ereğli-Çanakkale	57.00%	57.00%	Hospital services
BTR Sağlık Hizmetleri	Istanbul	100.00%	100.00%	Hospital services
Meditime Sağlık	Istanbul	100.00%	100.00%	Hospital services
Kuzey	Ankara	100.00%	100.00%	Ancillary services
Artimed	Ankara	100.00%	100.00%	Ancillary services
21. Yüzyıl Anadolu Vakfı (1) (2)	Istanbul	100.00%	100.00%	Ancillary services
BTN Sigorta	İstanbul	100.00%	100.00%	Ancillary services
Kuzey Hastaneler Birliği (“KHB”)	Istanbul	99.90%	99.90%	Ancillary services
Sotte Temizlik Yemek	Istanbul	100.00%	100.00%	Ancillary services
BTN Asistans	Istanbul	100.00%	100.00%	Ancillary services

(1) Represents voting power held.

(2) In 2011, the Group with the help of its real person shareholders decided to establish a medical university. Based on current legislation, foundations have to be owned by real persons rather than companies and since MLP could not be the shareholder of an association, Muharrem Usta, one of the shareholders in the company, was assigned as the chairman of the board of the foundation. The purpose of the foundation is to establish a medical university in order to align one of the hospitals of the Group to that university. Although, MLP has no shareholder interest in the foundation, the financial statements of the foundation are consolidated to the financial statements in accordance with TFRS 10 as the Company achieved the control by having power and the ability to use its power on the future benefit and cost of the foundation. In addition, the Company has rights to the financial and operating policies of the university from its involvement with the investee.

(3) The Company decided to liquidation on December 25, 2017.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.

NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Basis of Consolidation (Continued)

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.

In cases where the Company has no majority voting rights on the company/asset invested, it still has the control power over that company/asset if the Company alone has sufficient voting rights to manage the investment operations of that company/asset. The Company considers all events and requirements including the items listed below to evaluate if its voting power is sufficient to get control power in an investment:

- The comparison of the Company’s voting right and other shareholders’ voting rights;
- Potential voting rights of the Company and other shareholders;
- Rights emerging from other agreements upon contracts;
- Other events and requirements showing the potential power of the Company in managing operation decisions (including the voting held on prior period general assemblies).

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group assets and liabilities, equities, income and expenses and cash flows resulting from of Group companies’ transactions are eliminated on consolidation.

Changes in the Group’s ownership interests in existing subsidiaries

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 recognized directly in equity and attributed to owners of the Company.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Basis of Consolidation (Continued)

Changes in the Group’s ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TFRSs). 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 TAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.6 Changes in Accounting Policies

Significant changes made in accounting policies are applied retrospectively and prior year financial statements are restated. The Group has not made any changes in its accounting policies during the current period, except matters stated below.

The effects of the application of TFRS 16 Leases on the Group’s condensed consolidated financial statements and the new accounting policies that the Group has started to apply as of 1 January 2019 are explained in Note 2.4.

2.7 Changes in the Accounting Estimates and Errors

If changes in accounting estimates are for only one period, changes are applied on the current year but if the changes in accounting estimates are for the following periods, changes are applied both on the current and the following years prospectively. In the current period, the Group has no changes in the accounting estimates and errors.

2.8 Significant Accounting Estimates and Decisions

Preparation of condensed consolidated financial statements requires management to make estimations and assumptions which may affect the reported amounts of assets and liabilities as of the statement of financial position date, the disclosure of contingent assets and liabilities and the reported amounts of income and expenses during the financial period. The accounting assessments, estimates and assumptions are reviewed considering past experiences, other factors and reasonable expectations about future events under current conditions. Although the estimations and assumptions are based on the best estimates of the management’s existing incidents and operations, they may differ from the actual results.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 3 – RELATED PARTY DISCLOSURES

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

	September 30, 2019			
	Receivables		Payables	
	Current		Current	
Shareholders	Trade	Non-trade	Trade	Non-trade
Muharrem Usta	-	27,962	-	50
Adem Elbaşı	-	972	-	-
	-	28,934	-	50
<u>Other companies controlled by the shareholders</u>				
A ve A Sağlık A.Ş.(1)	3,605	-	5,789	-
Sanport Gayrimenkul Geliştirme İnş.Ve Tic.A.Ş	17	-	3,876	-
Supra A.Ş.-Sonotom Ltd Şti.	410	-	-	-
-Ledmar Ltd Şti.-Mlp A.Ş. İş Ortaklığı	-	-	-	-
Fom Grup Mimarlık İnşaat ve Tic. A.Ş. (2)	42	-	1,898	-
Özel Gebze Sentez Sağlık Hizmetleri Ve Tic. A.Ş.	-	-	878	-
Mt Sağlık Ürünleri San. ve Tic. A.Ş.	11	-	98	-
Pozitif Medikal Sistemler San. ve Tic. Ltd. Şti.	2	-	509	-
Saray Eczanesi	2	-	62	-
Samsunpark Özel Sağlık Tıbbı	-	-	3,125	-
Malz. İnş. Tur. Tem. Tic. A.Ş. (3)	-	-	-	-
Diasan Basım ve Form Matbaacılık San. ve Tic. A.Ş.	-	-	333	-
Mp Sağlık ve Tic. A.Ş.	-	-	1,163	733
Tokat Emar Sağlık Hiz. Ltd. Şti.	-	-	620	-
Cotyora Med. Özel Sağ. Taah. Hz. İnş. Tr. Loj. Ltd. Şti. (4)	-	-	1,760	-
Diğer	28	129	27	16
	4,117	129	20,138	749
	4,117	29,063	20,138	799

(1) A ve A Özel Sağ. Hiz. ve Cih. Teks. San. Tic. Ltd. Şti. provides cleaning materials for the hospitals.

(2) Fom Grup Mimarlık İnşaat ve Tic. A.Ş. provides turn key project management services for the furniture & fixture and leasehold improvements of the hospitals and audit of ongoing construction of the Group hospitals.

(3) Samsunpark Özel Sağlık Tıbbı Malz. İnş. Tur. Tem. Tic. A.Ş. provides cleaning, catering and laundry services for the Group.

(4) Cotyora Med. Özel Sağ. Taah. Hz. İnş. Tr. Loj. Ltd. Şti. provides cleaning and catering services for the Group.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 3 – RELATED PARTY DISCLOSURES (continued)

	December 31, 2018			
	Receivables		Payables	
	Current		Current	
Shareholders	Trade	Non-trade	Trade	Non-trade
Muharrem Usta	-	16,195	-	50
Adem Elbaşı	-	789	-	-
	-	16,984	-	50
Other companies controlled by the shareholders				
Mp Sağlık ve Tic. A.Ş.	-	33,000	984	733
A ve A Sağlık A.Ş. (1)	2,144	-	8,815	-
Supra A.Ş.-Sonotom Ltd Şti. -Ledmar Ltd Şti.-Mlp A.Ş. İş Ortaklığı	633	-	-	-
Fom Grup Mimarlık İnşaat ve Tic. A.Ş. (2)	157	-	2,150	-
Mt Sağlık Ürünleri San. ve Tic. A.Ş.	41	-	197	-
Cotyora Med. Özel Sağ. Taah. Hz. İnş. Tr. Loj. Ltd. Şti. (4)	34	-	1,420	-
Sanport Gayrimenkul Geliş. İnş. ve Tic. A.Ş.	2	-	11,752	-
Livart Tüp Bebek Özel Sağlık Hiz. A.Ş.	-	-	621	-
Saray Eczanesi	1	-	195	-
Samsunpark Özel Sağlık Tıbbı Malz. İnş. Tur. Tem. Tic. A.Ş. (3)	-	-	3,335	-
Samsunpark Özel Sağlık Hizm. İş Sağlığı ve Güvenliği Danışmanlık Eğitim Mühendislik Tic.Ltd.Şti.	-	-	53	-
Özel Gebze Sentez Sağlık Hizmetleri ve Tic. A.Ş.	-	-	1,355	-
Diasan Basım ve Form Matbaacılık San. ve Tic. A.Ş.	-	-	794	-
Tokat Emar Sağlık Hiz. Ltd. Şti.	-	-	685	-
Pozitif Medikal Sistemler San. ve Tic. Ltd. Şti.	-	-	509	-
Üçboyut Sağlık Hiz. Eğitim Medikal San. Tic. Ltd. Şti.	-	-	41	-
Özdenler Sağ. Hiz. Dan. Turz. Gıd. San. Tic. Ltd. ve Şti.	-	-	32	-
Other	25	130	86	36
	3,037	33,130	33,024	769
	3,037	50,114	33,024	819

(1) A ve A Özel Sağ. Hiz. ve Cih. Teks. San. Tic. Ltd. Şti. provides cleaning materials for the hospitals.

(2) Fom Grup Mimarlık İnşaat ve Tic. A.Ş. provides turn key project management services for the furniture & fixture and leasehold improvements of the hospitals and audit of ongoing construction of the Group hospitals.

(3) Samsunpark Özel Sağlık Tıbbı Malz. İnş. Tur. Tem. Tic. A.Ş. provides cleaning, catering and laundry services for the Group.

(4) Cotyora Med. Özel Sağ. Taah. Hz. İnş. Tr. Loj. Ltd. Şti. provides cleaning and catering services for the Group.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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NOTE 3 – RELATED PARTY DISCLOSURES (continued)

	September 30, 2019	December 31, 2018
Advances given to related parties and prepaid expenses		
Fom Grup Mimarlık İnşaat Ve Tic. A.Ş.	6,312	6,282
Özarkaz Gayrimenkul Yat.Ve İnş.Tic.A.Ş.	3,546	-
Özel Ereğli Millet Sağlık Hizm.San.Ve Tic.Ltd.Şti.	1,641	-
Öz Anadolu Gayrimenkul Ve Sađl.Yat.A.Ş.	963	-
Çanakkale Arkaz Sağlık Yatırımları A.Ş.	440	-
Atakum Özel Sağlık Hizmetleri İnş.Turizm ve San. Tic.A.Ş.	286	-
Sanport Gayrimenkul Geliştirme İnş.Ve Tic.A.Ş	164	-
	<u>13,352</u>	<u>6,282</u>
	September 30, 2019	December 31, 2018
Fixed asset advances given to related parties		
Fom Grup Mimarlık İnşaat ve Tic. A.Ş.	80,789	51,780
Mp Sağlık ve Tic. A.Ş.	33,000	-
	<u>113,789</u>	<u>51,780</u>
	September 30, 2019	December 31, 2018
Related parties (sale and leaseback transactions)		
Sancak Grup Mimarlık İnşaat ve Tic. A.Ş. (within prepaid expenses)	787	787
Sancak Grup Mimarlık İnşaat ve Tic. A.Ş. (within non-current prepaid expenses)	3,795	4,385
	<u>4,582</u>	<u>5,172</u>

The balances above are resulting from sale and leaseback transactions of Efes Hospital (branch of Sentez Hospital) and Bahçelievler Hospital’s land and buildings and are deferred under prepaid expenses and amortised in proportion to the lease payments over the period for which the asset is expected to be used since such losses are compensated for by future lease payments at below market price. Land of Efes Hospital was sold to Sancak Grup Mimarlık İnşaat ve Tic. A.Ş in 2010, resulting in a loss of TL 6,211, which was totally booked under the other current and non-current assets as of 2010 since the operational leasing agreement would become effective in 2011 and will be effective for 15 years. The building of Bahçelievler Hospital has been sold to Sancak Grup Mimarlık İnşaat ve Tic. A.Ş. in 2009, resulting in a loss of TL 5,591. The duration of leasing agreement of the building is 15 years starting from December, 2009. As at September 30, 2019, the Group has incurred rent expense amounting to TL 590 due to amortization of prepaid rent (December 31, 2018: TL 787).

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 3 – RELATED PARTY DISCLOSURES (continued)

	January 1 - September 30, 2019	July 1 - September 30, 2019	January 1 - September 30, 2018	July 1 - September 30, 2018
Purchases from related parties				
Fom Grup Mimarlık İnşaat ve Tic. A.Ş. (2)(7)	12,600	4,176	11,482	5,479
A ve A Sağlık A.Ş. (1)	8,350	2,533	17,156	4,359
Ataköy Yatırım İnş. Tur. ve Tic. A.Ş. (3)	-	-	14,941	-
	<u>20,950</u>	<u>6,709</u>	<u>43,579</u>	<u>9,838</u>

- (1) Medical equipment and cleaning material
(2) Construction and audit of ongoing hospital construction and rent expenses
(3) Finance cost reimbursement

	January 1 - September 30, 2019	July 1 - September 30, 2019	January 1 - September 30, 2018	July 1 - September 30, 2018
Operating expenses (including purchase of services)				
Sanport Gayrimenkul Geliştirme İnş. ve Tic.A.Ş. (1)(7)	70,109	25,664	52,656	21,380
Samsunpark Özel Sağ. Tıbbi Malz. İnş. Tur. Tem. Tic. A.Ş. (4)	14,260	4,727	12,697	4,506
Atakum Özel Sağlık Hiz. İnş. Turizm ve San. Tic. A.Ş. (1)(7)	7,684	2,587	6,487	2,162
Özarkaz Gayrimenkul Yat. ve İnş. Tic. A.Ş. (1)(7)	5,618	1,873	5,228	1,817
Özel Gebze Sentez Sağlık Hizmetleri ve Tic. A.Ş. (1)(7)	5,254	1,742	5,139	1,713
Cotyora Med. Özel Sağ. Taah. Hz. İnş. Tr. Loj. Ltd. Şti. (4)	5,069	1,474	5,528	1,720
Gazi Medikal Sağlık Tesisleri ve Tic. A.Ş. (1)(7)	5,033	1,944	4,326	1,545
Livart Tüp Bebek Özel Sağlık Hizm. A.Ş. (2)	4,576	1,571	3,377	1,144
Mp Sağlık ve Tic.A.Ş. (1)(7)	4,168	1,368	3,151	739
Özel Ereğli Millet Sağlık Hizm. San. ve Tic. Ltd. Şti. (1)(7)	3,416	1,139	3,310	1,136
Tokat Medikal Grup Sağlık Turizm İnş. San. Tic. A.Ş. (1)(7)	1,940	650	1,730	599
Öz Anadolu Gayrimenkul ve Sağlık Yat. A.Ş. (1)(7)	1,835	611	1,822	680
Tokat Emar Sağlık Hiz. Ltd. Şti. (2) (5)	1,090	372	1,060	361
Çanakkale Arkaz Sağlık Yatırımları A.Ş. (1)(7)	839	280	779	284
Saray Eczanesi (6)	684	290	578	223
Diasan Basım ve Form Matbaacılık San. ve Tic. A.Ş. (3)	454	120	589	137
Özdenler Sağ. Hiz. Dan. Turz. Gid. San. Tic. Ltd. Şti. (2)	313	126	271	106
Mt Sağlık Ürünleri Sanayi ve Ticaret A.Ş. (3)	179	58	165	54
Sancak İnşaat Turizm Nak.ve Dış Tic. A.Ş.	-	-	360	-
Ataköy Yatırım İnş. Tur. ve Tic. A.Ş. (1)	-	-	2,521	-
Üçboyut Sağlık Hiz. Eğitim Medikal San. Ve Tic. Tic. Ltd. Şti. (2)	-	-	899	75
	<u>132,522</u>	<u>46,597</u>	<u>112,673</u>	<u>40,381</u>

- (1) Hospital rent expenses
(2) Doctor expenses
(3) Stationary and consumable expenses
(4) Cleaning, catering and laundry services
(5) Medical equipment rent expenses
(6) Pharmaceutical product purchases
(7) Evaluated within the scope of TFRS 16 and represents the rent expenses paid in the related period.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 3 – RELATED PARTY DISCLOSURES (continued)

	January 1 - September 30, 2019	July 1 - September 30, 2019	January 1 - September 30, 2018	July 1 - September 30, 2018
Sales to related parties				
A ve A Sağlık A.Ş. (1)	9,151	3,026	10,499	2,127
Muharrem Usta	3,795	1,150	1,830	915
Supra-Medicalpark-Sonotom-Akademi İş Ortaklığı (Fatih Görüntüleme) (2)	859	232	1,884	578
Cotyora Med.Özel Sağ.Taah. Hz. İnş. Tr. Loj. Ltd. Şti.	201	53	214	68
Miniso Mağazacılık A.Ş.	178	93	158	71
Samsunpark Özel Sağlık Tıbbi Malz. İnş. Turizm. Tem. Tic. A.Ş.	175	71	141	53
Adem Elbaşı	101	39	-	-
Livart Tüp Bebek Özel Sağlık Hizm. A.Ş.	81	-	92	29
Mt Sağlık Ürünleri Sanayi ve Ticaret A.Ş.	37	7	40	4
Fom Grup Mimarlık İnşaat ve Tic. A.Ş.	30	12	159	41
Sancak İnşaat Turizm Nak. ve Dış Tic.A.Ş.	24	23	27	26
Sanport Gayrimenkul Geliştirme İnş. ve Tic. A.Ş.	14	14	8	8
Saray Eczanesi	5	-	5	2
Tokat Medikal Grup Sağlık Turizm İnş. San. Tic. A.Ş.		-	72	31
Atakum Özel Sağlık Hizmetleri İnş. Turizm ve San. Tic. A.Ş.		-	36	-
	<u>14,651</u>	<u>4,720</u>	<u>15,165</u>	<u>3,953</u>

(1) Outsourcing laboratory services

(2) Imaging services

Compensation of key management personnel:

Key management personnel comprise general managers, deputy general managers and chief physicians of hospitals and head office management team. Remuneration to key management personnel include benefits such as wages, premiums, health insurances and transport. The remuneration of directors and other members of key management during the year were as follows:

	January 1 - September 30, 2019	July 1 - September 30, 2019	January 1 - September 30, 2018	July 1 - September 30, 2018
Salaries and other short term benefits	<u>16,638</u>	<u>5,841</u>	<u>14,084</u>	<u>4,740</u>
	<u>16,638</u>	<u>5,841</u>	<u>14,084</u>	<u>4,740</u>

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.

NOTE 3 – RELATED PARTY DISCLOSURES (continued)

The lease liabilities of the Company and its subsidiaries arising from related parties are as follows:

Lease liabilities from related parties	September 30, 2019	
	Short Term	Long Term
Sanport Gayrimenkul Geliştirme İnş. ve Tic. A.Ş.	51,905	128,677
Fom Grup Mimarlık İnşaat Ve Tic. A.Ş.	8,871	50,789
Özarkaz Gayrimenkul Yat. Ve İnş. Tic. A.Ş.	6,031	2,995
Atakum Özel Sağlık Hizmetleri İnş. Turizm ve San. Tic. A.Ş.	5,984	14,528
Özel Gebze Sentez Sağlık Hizmetleri ve Tic. A.Ş.	5,269	4,322
Gazi Medikal Sağlık Tesisleri ve Tic. A.Ş.	4,339	10,151
Özel Ereğli Millet Sağlık Hizm. San. ve Tic. Ltd. Şti.	3,377	1,677
Mp Sağlık ve Tic. A.Ş.	2,975	3,117
Öz Anadolu Gayrimenkul ve Sađl. Yat. A.Ş.	1,970	978
Tokat Medikal Grup Sağlık Turizm İnş. San. Tic. A.Ş.	1,603	2,923
Çanakkale Arkaz Sağlık Yatırımları A.Ş.	901	447
	<u>93,225</u>	<u>220,604</u>

The Group measured lease liabilities from related parties at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019. The average lessee’s incremental borrowing rate applied to the TL lease liabilities is 28.50% and EUR lease liabilities is 16.07% on January 1, 2019.

NOTE 4 - CASH AND CASH EQUIVALENTS

	September 30, 2019	December 31, 2018
Cash on hand	16,614	12,357
Cash at banks	204,541	201,800
Other cash equivalents	9,531	9,161
	<u>230,686</u>	<u>223,318</u>

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 5 – FINANCIAL INSTRUMENTS

Financial Liabilities

Bank Loans and Bonds

Financial liabilities	September 30, 2019	December 31, 2018
Short-term bank borrowings	199,696	95,935
Short-term bonds issued	165,808	29,260
Current portion of long term borrowings	241,306	209,962
<i>Current portion of long-term bank loans</i>	<i>241,306</i>	<i>169,962</i>
<i>Current portion of long-term bonds issued</i>	<i>-</i>	<i>40,000</i>
Interest expense accruals	33,728	31,715
	<u>640,538</u>	<u>366,872</u>
Long-term bank loans	820,576	768,774
	<u>820,576</u>	<u>768,774</u>
Total financial liabilities	<u>1,461,114</u>	<u>1,135,646</u>

As of September 30, 2019, financial debt reconciliation is as follows:

	January 1, 2019	Financing cash flows	Foreign exchange effect	September 30, 2019
Bank loans (*)	1,135,646	305,466	20,002	1,461,114
Finance lease obligations (*)	283,245	(72,338)	8,397	219,304
	<u>1,418,891</u>	<u>233,128</u>	<u>28,399</u>	<u>1,680,418</u>

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 5 – FINANCIAL INSTRUMENTS (continued)

Financial Liabilities (continued)

Bank Loans and Bonds (continued)

As at September 30, 2019 and December 31, 2018 the repayment schedule of the total borrowings as is follows:

Currency Type	Weighted Average Effective Interest Rate	September 30, 2019		
		Current	Non-current	Total
TL	22.73%	394,006	107,235	501,241
TL	TRLibor + %3,30-%4,00-%5,80	100,910	260,540	361,450
EUR	0.75%	32,773	-	32,773
EUR	Euribor + %5,50	112,849	452,801	565,650
		<u>640,538</u>	<u>820,576</u>	<u>1,461,114</u>
Currency Type	Weighted Average Effective Interest Rate	December 31, 2018		
		Current	Non-current	Total
TL	%24,99	216,615	125,710	342,325
TL	TLlibor + %4,00	25,765	152,441	178,206
EUR	%0,75	15,070	-	15,070
EUR	Euribor + %5,50	109,422	490,623	600,045
		<u>366,872</u>	<u>768,774</u>	<u>1,135,646</u>

As of September 30, 2019, there are no blocked cash accounts related to the group's loans. (December 31, 2018: None).

As at September 30, 2019 and December 31, 2018 the repayment schedule of the borrowings in TL are as follows:

	September 30, 2019	December 31, 2018
Interest expense accruals	33,728	31,715
To be paid within 1 year (*)	606,810	335,157
To be paid between 1-2 years	220,808	168,989
To be paid between 2-3 years	214,499	179,172
To be paid between 3-4 years	194,710	186,872
To be paid between 4-5 years	165,026	152,347
To be paid between 5-6 years	25,533	81,394
	<u>1,461,114</u>	<u>1,135,646</u>

(*) TL 199,696 of the loans to be paid within one year consists of revolving loans and TL 165,808 part consists of bond payments which will be redeemed within 1 year.

Covenants:

The Company has a structured finance facility in place. A syndicate loan agreement was signed on December 31, 2015 with seven banks including Türkiye İş Bankası A.Ş., Türkiye Garanti Bankası A.Ş., Denizbank A.Ş., Denizbank AG, Odeabank A.Ş., ING European Financial Services PLC and ING Bank A.Ş. The withdrawal of the syndicate loan took place in February 2016. As a guarantee for the syndicate loan used, there is a pledge over all of shares of MLP, and shares in subsidiaries owned by MLP and all fixed assets under ownership of MLP and the MLP's bank accounts. In addition to this, the loan is secured via assignment of MLP's receivables arising from various agreements including medical tourism agreements and insurance policies.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.

NOTE 5 – FINANCIAL INSTRUMENTS (continued)

Financial Liabilities (continued)

Bank Loans and Bonds (continued)

The syndicate loan includes a number of financial covenants stated below:

The Debt Service Coverage Ratio (“DSCR”) cannot be below 1.1 during the term of the agreement (2016-2024). DSCR is tested every six months starting from December 31, 2016.

Net debt to EBITDA Ratio cannot be above x4.0 for the year ended December 31, 2016 and for the six months period ended June 30, 2017, x3.5 for the year ended December 31, 2017 and for the six months period ended June 30, 2018, x3.0 for the year ended December 31, 2018 and for the six months period ended June 30, 2019 and x2.5 for the remaining period of the syndicate loan.

Lease Obligations

The Group has the following finance lease obligations which arose mainly due to lease of medical machinery and equipment:

	Minimum lease payments		Present value of minimum lease payments	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Obligations under finance leases				
Within one year	88,778	112,837	74,344	88,407
In the second to ninth years inclusive	158,633	212,628	144,960	194,838
	247,411	325,465	219,304	283,245
Less : Future finance charges	(28,107)	(42,220)		
Present value of finance lease obligations	219,304	283,245	219,304	283,245
Less: Amounts due to settlement within twelve months (shown under current liabilities)			74,344	88,407
Amounts due for settlement after 12 months			144,960	194,838

Liabilities arising from lease transactions:

	September 30, 2019	December 31, 2018
Within one year	117,659	-
More than one year	491,034	-
Present value of the lease liabilities	608,693	-

The Group measured liabilities arising from lease transactions at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019. The average lessee’s incremental borrowing rate applied to the TL lease liabilities is 28.50% and EUR lease liabilities is 16.07% on January 1, 2019.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 6 – TRADE RECEIVABLES AND PAYABLES

Trade Receivables

	September 30, 2019	December 31, 2018
Current trade receivables		
Trade receivables	785,369	758,361
Notes receivables	5,108	6,030
Trade receivables from related parties (Note 3)	4,117	3,037
Income accruals from continuing treatments	133,574	107,916
Other trade income accruals	51,320	34,764
Allowance for doubtful receivables (-)	(13,952)	(11,515)
	<u>965,536</u>	<u>898,593</u>
Non current trade receivables		
Income accruals	1,053	1,053
	<u>1,053</u>	<u>1,053</u>

Trade receivables due from the SSI constitute 33% (December 31, 2018: 35%) and receivables due from foreign patients constitute 29% (December 31, 2018: 30%) of total trade receivables.

The Group has trade receivables arising from health services given to foreign patients amounting to TL 235,370 as at September 30, 2019. These receivables have a longer maturity and higher profitability compared to other institutions that the Group works such as SSI and private insurance companies. Collections of these receivables are followed up regularly by the Group. In the period January 1, 2017 – September 30, 2019, the Group has made a collection amounting to TL 90,898 with regards to receivables from the Government of Libya amounting to TL 149,144 and the related collections are deducted from trade receivables on a first in first out method. The Group Management expect to collect remaining receivables within 3 months.

Allowance for doubtful receivables for the trade receivables is determined depending on past experiences of irrecoverable amounts.

As of September 30, 2019, trade receivables of an initial value of TL 13,952 (December 31, 2018: TL 11,515) were fully impaired and fully provided for. No collaterals are received in relation to these trade receivables.

	January 1 - September 30, 2019	January 1 - September 30, 2018
Movement of allowance for doubtful receivables		
Balance at beginning of the period	11,515	17,963
Charge for the period	3,092	3,109
Collections	(655)	(671)
Amount written off from the book value (*)	-	(9,337)
Balance at closing of the period	<u>13,952</u>	<u>11,064</u>

(*) The Group has decided to write-off part of bad debt receivables from its balance sheet.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 6 – TRADE RECEIVABLES AND PAYABLES (continued)

Trade Payables

	September 30, 2019	December 31, 2018
Short term trade payables		
Trade payables	595,629	664,078
Trade payables due to related parties (Note 3)	20,138	33,024
Other expense accruals	118,891	109,020
Other trade payables	1,118	1,559
	<u>735,776</u>	<u>807,681</u>

NOTE 7 – OTHER RECEIVABLES AND PAYABLES

Other Receivables

	September 30, 2019	December 31, 2018
Other current receivables		
Receivables from tax office	7,571	6,757
Deposits given	5,983	5,216
Non-trading receivables due from related parties (Note 3)	29,063	50,114
Other miscellaneous receivables	9,749	10,041
	<u>52,366</u>	<u>72,128</u>
Other non-current receivables		
Deposits and guarantees given	1,929	1,150
	<u>1,929</u>	<u>1,150</u>

Other Payables

	September 30, 2019	December 31, 2018
Other current payables		
Other taxes and funds payable	11,482	11,200
Payables relating to business combinations	10,348	9,840
Non-trading payables due to related parties (Note 3)	799	819
Other miscellaneous payables	303	496
	<u>22,932</u>	<u>22,355</u>
Other non-current payables		
Payables relating to business combinations	32,219	35,698
	<u>32,219</u>	<u>35,698</u>

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 8 – INVENTORIES

Inventories	September 30, 2019	December 31, 2018
Laboratory inventory	42,219	38,599
Medical consumables inventory	22,088	21,218
Pharmaceutical inventory	16,704	18,222
Other inventory	2,137	2,162
	<u>83,148</u>	<u>80,201</u>

NOTE 9 – PREPAID EXPENSES AND DEFERRED INCOME

Prepaid Expenses

Short term prepaid expenses	September 30, 2019	December 31, 2018
Order advances	175,242	129,354
Prepaid insurance expenses	21,874	12,768
Prepaid rent expenses	16,086	16,620
Prepaid sponsorship expenses	2,211	3,929
Other	9,388	4,515
	<u>224,801</u>	<u>167,186</u>

Long term prepaid expenses	September 30, 2019	December 31, 2018
Fixed asset advances given	198,787	128,707
Prepaid rent expenses	23,988	35,762
Other	4,177	6,319
	<u>226,952</u>	<u>170,788</u>

Deferred Income

Short term accrued income	September 30, 2019	December 31, 2018
Advances received	70,120	54,716
Deferred revenue	9,217	8,619
	<u>79,337</u>	<u>63,335</u>

Long term accrued income	September 30, 2019	December 31, 2018
Deferred revenue	2,966	4,702
	<u>2,966</u>	<u>4,702</u>

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.

NOTE 10 – PROPERTY, EQUIPMENT AND OTHER INTANGIBLE ASSETS

	Buildings	Machinery and equipment	Vehicles	Furniture and fixture	Leased assets	Leasehold improvements	Construction in progress	Total
<u>Cost</u>								
Opening balance as of January 1, 2019	2,396	560,320	1,834	255,844	431,333	458,593	203,631	1,913,951
Additions	-	11,098	-	18,113	-	28,931	54,901	113,043
Disposals	(678)	(1,459)	-	(78)	-	-	(65)	(2,280)
Transfers	-	108,497	-	44,170	(36,731)	70,935	(189,333)	(2,462)
Closing balance as of September 30, 2019	1,718	678,456	1,834	318,049	394,602	558,459	69,134	2,022,252
<u>Accumulated depreciation</u>								
Opening balance as of January 1, 2019	(100)	(287,285)	(1,698)	(131,866)	(423,639)	(232,715)	110	(1,077,193)
Charge for the year (*)	(12)	(73,946)	(90)	(23,393)	(29,632)	(27,044)	-	(154,117)
Disposals	27	922	-	47	-	-	-	996
Transfers	-	(96,601)	-	(45,119)	141,720	-	-	-
Closing balance as of September 30, 2019	(85)	(456,910)	(1,788)	(200,331)	(311,551)	(259,759)	110	(1,230,314)
Carrying value as of September 30, 2019	1,633	221,546	46	117,718	83,051	298,700	69,244	791,938

(*) As of January 1 – September 30, 2019, depreciation and amortization expense of TL 153.130 (January 1 - September 30, 2018: TL 137,478) has been charged to ‘cost of service’, TL 7.759 (January 1 - September 30, 2018: TL 3,468) in ‘general administrative and marketing expenses’ and TL 0 (January 1 - September 30, 2017: TL 21) in ‘other income and expenses’. As of September 30, 2019, right of use assets depreciation expenses of TL 35,986 has been charged to ‘cost of service’, TL 910 in ‘general administrative and marketing expenses’ (Note 11).

As at September 30, 2019, the carrying value of the right of use assets that included to property and equipment are TL 214,638. Details of the right of use assets are explained in Note 2.4.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.

NOTE 10 – PROPERTY, EQUIPMENT AND OTHER INTANGIBLE ASSETS (continued)

	Buildings	Machinery and equipment	Vehicles	Furniture and fixture	Leased assets	Leasehold improvements	Construction in progress	Total
<u>Cost</u>								
Opening balance as of January 1, 2018	2,611	404,999	1,568	172,901	517,067	421,919	125,930	1,646,995
Additions	1,183	69,397	195	25,333	-	19,692	106,810	222,610
Disposals	(1,398)	(6,018)	-	(514)	-	-	-	(7,930)
Transfers	-	58,176	71	29,756	(37,234)	9,510	(59,470)	809
Closing balance as of September 30, 2018	2,396	526,554	1,834	227,476	479,833	451,121	173,270	1,862,484
<u>Accumulated depreciation</u>								
Opening balance as of January 1, 2018	(139)	(227,744)	(1,568)	(100,283)	(362,862)	(202,263)	-	(894,859)
Charge for the period (*)	(25)	(45,373)	(98)	(22,300)	(46,004)	(21,979)	-	(135,779)
Disposals	68	1,863	-	6	159	-	-	2,096
Closing balance as of September 30, 2018	(96)	(271,254)	(1,666)	(122,577)	(408,707)	(224,242)	-	(1,028,542)
Carrying value as of September 30, 2018	2,300	255,300	168	104,899	71,126	226,879	173,270	833,942

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 10 – PROPERTY, EQUIPMENT AND OTHER INTANGIBLE ASSETS (continued)

Cost	Licenses	Rights	Other	Total
Opening balance as of January 1, 2019	401,236	55,672	1,489	458,397
Additions	-	8,347	2,104	10,451
Disposals	-	-	(176)	(176)
Transfers	-	2,782	(320)	2,462
Closing balance as of September 30, 2019	401,236	66,801	3,097	471,134
Accumulated amortization				
Opening balance as of January 1, 2019	-	(30,117)	(366)	(30,483)
Charge for the period	-	(6,565)	(207)	(6,772)
Closing balance as of September 30, 2019	-	(36,682)	(573)	(37,255)
Carrying value as of September 30, 2019	401,236	30,119	2,524	433,879
Cost				
Opening balance as of January 1, 2018	401,236	49,149	495	450,880
Additions	-	6,944	29	6,973
Transfers	-	(1,774)	965	(809)
Closing balance as of September 30, 2018	401,236	54,319	1,489	457,044
Accumulated amortization				
Opening balance as of January 1, 2018	-	(23,207)	(157)	(23,364)
Charge for the year	-	(5,049)	(139)	(5,188)
Closing balance as of September 30, 2018	-	(28,256)	(296)	(28,552)
Carrying value as of September 30, 2018	401,236	26,063	1,193	428,492

NOTE 11 – RIGHT OF USE ASSETS

	Hospital Buildings	Toplam
Opening balance as of January 1, 2019	232,382	232,382
Additions	19,152	19,152
Charge for the year (*)	(36,896)	(36,896)
Closing balance as of September 30, 2019	214,638	214,638

(*) For the period ended September 30, 2019, right of use assets depreciation expenses of TL 35,986 has been charged to ‘cost of service’, TL 910 to ‘general administrative and marketing expenses’

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 12 – PAYABLES FOR EMPLOYEE BENEFITS

Payables for employment benefits:

	September 30, 2019	December 31, 2018
Fees payable to doctors and other personnel	69,823	66,077
Social security premiums payable	10,472	11,501
	<u>80,295</u>	<u>77,578</u>

Short term provision for employment benefits:

	September 30, 2019	December 31, 2018
Unused vacation provision	13,549	11,752
	<u>13,549</u>	<u>11,752</u>

Long term provision for employment benefits:

	September 30, 2019	December 31, 2018
Unused vacation provision	3,834	2,899
Retirement pay provision	12,795	11,710
	<u>16,629</u>	<u>14,609</u>

NOTE 13 – OTHER ASSETS AND LIABILITIES

	September 30, 2019	December 31, 2018
Other current assets		
VAT carried forward	29,372	30,941
Other miscellaneous current assets	5,892	4,747
	<u>35,264</u>	<u>35,688</u>

NOTE 14 – PROVISIONS

	September 30, 2019	December 31, 2018
Other short-term provisions		
Litigation provisions	12,389	11,534
Social Security discounts provisions	5,652	5,470
	<u>18,041</u>	<u>17,004</u>

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 15 – COMMITMENTS

September 30, 2019	Total	TL	USD	EUR
A. CPM given on behalf of its own legal entity				
<i>-Collateral</i>	91,802	56,140	156	5,625
<i>-Pledge</i>	-	-	-	-
<i>-Mortgage</i>	-	-	-	-
B. CPM given on behalf of the subsidiaries included in full consolidation				
<i>-Collateral (*)</i>	63,590	56,281	-	1,182
<i>-Pledge</i>	-	-	-	-
<i>-Mortgage</i>	-	-	-	-
C. CPM given for execution of ordinary commercial activities to collect third parties debt				
<i>-Collateral</i>	-	-	-	-
<i>-Pledge</i>	-	-	-	-
<i>-Mortgage</i>	-	-	-	-
D. Total amount of other CPM given				
i. Total Amount of CPM on behalf of the main partner				
<i>-Collateral</i>	-	-	-	-
<i>-Pledge</i>	-	-	-	-
<i>-Mortgage</i>	-	-	-	-
ii. Total amount of CPM given on behalf of other Company companies that do not cover B and C				
<i>-Collateral</i>	-	-	-	-
<i>-Pledge</i>	-	-	-	-
<i>-Mortgage</i>	-	-	-	-
iii. Total amount of CPM on behalf of third parties that do not cover C.				
<i>-Collateral</i>	-	-	-	-
<i>-Pledge</i>	-	-	-	-
<i>-Mortgage</i>	-	-	-	-
Total	155,392	112,421	156	6,807

(*) The Group has given guarantees amounting to TL 90,451 related to the loans in Note 5 for the companies under full consolidation.

Commitments mostly comprise guarantee letters obtained from banks to participate in state tenders, letters provided to courts and letters given to suppliers.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 15 – COMMITMENTS (continued)

December 31, 2018	Total	TL	USD	EUR
A. CPM given on behalf of its own legal entity				
<i>-Collateral</i>	62,737	45,864	156	2,663
<i>-Pledge</i>	-	-	-	-
<i>-Mortgage</i>	-	-	-	-
B. CPM given on behalf of the subsidiaries included in full consolidation				
<i>-Collateral (*)</i>	82,029	55,602	-	4,384
<i>-Pledge</i>	-	-	-	-
<i>-Mortgage</i>	-	-	-	-
C. CPM given for execution of ordinary commercial activities to collect third parties debt				
<i>-Collateral</i>	-	-	-	-
<i>-Pledge</i>	-	-	-	-
<i>-Mortgage</i>	-	-	-	-
D. Total amount of other CPM given				
i. Total Amount of CPM on behalf of the main partner				
<i>-Collateral</i>	-	-	-	-
<i>-Pledge</i>	-	-	-	-
<i>-Mortgage</i>	-	-	-	-
ii. Total amount of CPM given on behalf of other Company companies that do not cover B and C				
<i>-Collateral</i>	-	-	-	-
<i>-Pledge</i>	-	-	-	-
<i>-Mortgage</i>	-	-	-	-
iii. Total amount of CPM on behalf of third parties that do not cover C.				
<i>-Collateral</i>	-	-	-	-
<i>-Pledge</i>	-	-	-	-
<i>-Mortgage</i>	-	-	-	-
Total	144,766	101,466	156	7,047

(*) The Group has given guarantees amounting to TL 87,108 related to the loans in Note 5 for the companies under full consolidation.

Commitments mostly comprise guarantee letters obtained from banks to participate in state tenders, letters provided to courts and letters given to suppliers.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.

NOTE 16 – SHARE CAPITAL / OTHER RESERVES

Shareholders	%	September 30, 2019	%	December 31, 2018
Lightyear Healthcare B.V.	%30.69	63.844	%30.69	63.844
Sancak İnşaat Turizm Nakliyat ve Dış Ticaret A.Ş.	%15.35	31.943	%15.35	31.943
Muharrem Usta	%8.98	18.678	%8.98	18.678
Hujori Financieringen B.V.	%3.98	8.287	%3.98	8.287
Adem Elbaşı	%2.99	6.226	%2.99	6.226
İzzet Usta	%1.20	2.490	%1.20	2.490
Saliha Usta	%0.90	1.868	%0.90	1.868
Nurgül Dürüstkan Elbaşı	%0.90	1.868	%0.90	1.868
Publicly Traded (*)	%35.01	72.833	%35.01	72.833
Nominal capital	100,00%	208.037	100,00%	208.037

(*) The shareholders of the Company purchased 6,827 shares from the publicly traded portion of the capital. Distribution of the shares purchased is as follows; 3,224 shares representing 4.43% of the publicly traded portion were purchased by Lightyear Healthcare B.V., 1,613 shares representing 2.21% of the publicly traded portion of the capital were purchased by Sancak İnşaat, 943 shares representing 1.29% of the publicly traded portion of the capital were purchased by Muharrem Usta, 418 shares representing 0.57% of the publicly traded portion of the capital were purchased by Hujori Financieringen B.V., 314 shares representing 0.43% of the publicly traded portion of the capital were purchased by Adem Elbaşı and lastly other shareholders purchased 314 shares representing 0.43% of the publicly traded portion. 1,613 thousand shares purchased by Sancak İnşaat from the publicly traded portion were sold on September 24, 2018. 37 thousand shares purchased by İzzet Usta from the publicly traded portion were sold and additional 27 thousand shares from the publicly traded portion purchased by Muharrem Usta.

As of September 30, 2019 the total number of ordinary shares is 208,037 thousand shares (2018: 208,037 thousand shares) with a par value of TL 1 per share (2018: TL 1 per share).

The share capital is divided into 208,037 thousand shares (December 31, 2018: 208,037 thousand shares), with 88,229 thousand A type shares and 119,808 thousand B type shares.

In accordance with the Capital Markets Board’s (the “CMB”) Resolution No: 21/655 issued on July 23, 2010, it is regarded that 33.46% of the shares are in circulation in accordance with CSD as of September 30, 2019 (Note 1). Shares in circulation rate is 33.46% as of October 1, 2019.

Share premiums

On February 7, 2018, the Group launched initial public offering (“IPO”) of 72,833 thousand B type bearer shares corresponding to 35.01% of total shares. From the initial public offering, TL 600,000 was generated to the Group. After the IPO related expenses amounting to TL 12,259 that were deducted from proceeds, out of amounting TL 587,741, share capital increase was made with the amount of TL 31,579 and the remaining amount was used in the share premium increase by TL 556,162.

Share premiums represents the difference between the nominal amount and the sales amount of the publicly offered shares.

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(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.

NOTE 16 – SHARE CAPITAL / OTHER RESERVES (Continued)

Reserves:

	September 30, 2019	December 31, 2017
Legal reserves	302	302
Exemption from gain on fixed asset sales	9,958	9,958
Revaluation reserves	39,752	39,752
	<u>50,012</u>	<u>50,012</u>

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.

NOTE 17 – REVENUE AND COST OF SERVICES

	January 1- September 30, 2019	July 1- September 30, 2019	January 1- September 30, 2018	July 1- September 30, 2018
Revenue				
Hospital services (*)	2,715,697	893,362	2,251,332	781,618
	<u>2,715,697</u>	<u>893,362</u>	<u>2,251,332</u>	<u>781,618</u>

(*) Hospital services includes foreign medical revenue and other income.

	January 1- September 30, 2019	July 1- September 30, 2019	January 1- September 30, 2018	July 1- September 30, 2018
Cost of services				
Material consumption	(640,618)	(203,513)	(512,266)	(184,121)
Doctor expenses	(569,526)	(192,326)	(509,494)	(175,514)
Personnel expenses	(388,745)	(129,559)	(338,344)	(112,639)
Depreciation and amortization expenses (Note 10,11)	(189,116)	(65,164)	(137,478)	(49,621)
Services rendered by third parties	(132,471)	(42,925)	(101,502)	(36,585)
Rent expenses (hospitals)	(16,816)	(5,930)	(175,212)	(65,547)
Other (*)	(160,935)	(58,259)	(127,684)	(47,288)
	<u>(2,098,227)</u>	<u>(697,676)</u>	<u>(1,901,980)</u>	<u>(671,315)</u>

(*) Other expenses mainly comprise expenses incurred for electricity, water and natural gas.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 18 – GENERAL ADMINISTRATIVE AND MARKETING EXPENSES

General administrative and marketing expenses	January 1- September 30, 2019	July 1- September 30, 2019	January 1- September 30, 2018	July 1- September 30, 2018
Personnel expenses	(90,361)	(30,871)	(77,575)	(25,723)
Sponsorship and advertising expenses (*)	(81,353)	(30,780)	(65,778)	(25,938)
Depreciation and amortization expenses (Note 10,11)	(8,669)	(3,363)	(3,468)	(1,267)
Outsourcing expenses	(6,079)	(1,812)	(6,712)	(2,116)
Rent expenses	(5,908)	(2,060)	(5,732)	(2,084)
Taxes and duties	(3,934)	(1,383)	(4,758)	(2,659)
Bad debt allowance	(3,092)	(2,032)	(3,109)	(1,308)
Representation and entertainment expenses	(1,841)	(689)	(2,419)	(793)
Maintenance expenses	(1,655)	51	(2,275)	(783)
Utility expenses	(1,239)	(427)	(1,214)	(430)
Communication expenses	(1,096)	(357)	(739)	(272)
Lawsuit provision	(854)	(136)	261	441
Other	(11,419)	(434)	(15,981)	(3,418)
	<u>(217,500)</u>	<u>(74,293)</u>	<u>(189,499)</u>	<u>(66,350)</u>

(*) Sponsorship and advertising expenses includes marketing expenses related to the income of domestic and foreign medical tourism.

NOTE 19 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities	January 1 - September 30, 2019	July 1 - September 30, 2019	January 1 - September 30, 2018	July 1 - September 30, 2018
Foreign exchange gains from operations	220,556	93,707	422,859	294,726
Trade payables discount	(11,671)	(7,358)	9,469	5,546
Interest income	23,451	6,714	16,547	4,919
Other income	9,459	3,725	17,968	4,945
	<u>241,795</u>	<u>96,788</u>	<u>466,843</u>	<u>310,136</u>

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MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.

NOTE 19 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES (continued)

	January 1 - September 30, 2019	July 1 - September 30, 2019	January 1 - September 30, 2018	July 1 - September 30, 2018
Other expenses from operating activities				
Foreign exchange losses from operations	(212,026)	(106,182)	(348,040)	(251,267)
SSI return expenses	(3,105)	(1,538)	(9,645)	(3,717)
Non-operational hospital expenses	(361)	(81)	(625)	(57)
Trade receivables discount	4,417	4,034	(4,686)	(3,585)
Depreciation and amortization expenses	-	-	(21)	-
Other expenses	(49,397)	(14,224)	(18,536)	(7,015)
	<u>(260,472)</u>	<u>(117,991)</u>	<u>(381,553)</u>	<u>(265,641)</u>

NOTE 20 – FINANCE EXPENSES

	January 1- September 30, 2019	July 1- September 30, 2019	January 1- September 30, 2018	July 1- September 30, 2018
Finance expenses				
Interest expenses from bank borrowings	(185,424)	(57,472)	(99,389)	(45,823)
Interest expenses from financial lease obligations	(16,236)	(3,954)	(22,021)	(6,864)
Interest expenses from bonds issued	(17,115)	(6,574)	(21,419)	(7,381)
Bank commissions	(25,482)	(5,772)	(17,065)	(5,452)
Interest expenses from lease liabilities (*)	(113,490)	(36,611)	-	-
Other interest expenses	(9,524)	(3,556)	(10,031)	(3,438)
Total interest expenses	<u>(367,271)</u>	<u>(113,939)</u>	<u>(169,925)</u>	<u>(68,958)</u>
Net foreign exchange loss	(28,399)	46,258	(328,311)	(218,271)
Net foreign exchange loss from lease liabilities (*)	(5,710)	893	-	-
Fair value differences of derivative financial instruments (net)	(7,503)	(32,416)	43,197	43,197
	<u>(408,883)</u>	<u>(99,204)</u>	<u>(455,039)</u>	<u>(244,032)</u>

(*) Consists of interest expense and foreign exchange loss related to the lease liabilities under TFRS 16.

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NOTE 21 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)

	September 30,		December 31,	
	2019		2018	
Short term payables due to current tax				
Current period tax liabilities	8,413		4,993	
	<u>8,413</u>		<u>4,993</u>	
	September 30,		December 31,	
	2019		2018	
Current tax liabilities				
Current corporate tax provision	18,511		14,278	
Less: Prepaid taxes and funds	(10,098)		(9,285)	
	<u>8,413</u>		<u>4,993</u>	
	January 1-	July 1-	January 1-	July 1-
	September 30,	September 30,	September 30,	September 30,
	2019	2019	2018	2018
Tax income / (expense)				
Current tax expense	(18,511)	(6,150)	(9,767)	(2,420)
Deferred tax income	23,778	8,760	75,588	22,223
	<u>5,267</u>	<u>2,610</u>	<u>65,821</u>	<u>19,803</u>

Corporate Tax

The Group is subject to Turkish corporate tax. Provision is made in the accompanying consolidated financial statements for the estimated charge based on the Group’s results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The advance corporate income tax rate is 22% in 2019 (2018: 22%).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2019 is 22% (2018: 22%). Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses incurred cannot be deducted from the prior years’ profit retrospectively.

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

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 21 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (continued)

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 23 July 2006, this rate has been changed to 15% upon the Council of Minister’s Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax. Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below. Tax rate used in the calculation of deferred tax assets and liabilities was 22% over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and 20% over temporary timing differences expected to be reversed in 2021 and the following years (2018: 22%).

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

Investment Incentive Certificate

The Group has various investment incentive certificates that were signed by the Turkish Ministry of Economy and approved by General Directorate of Incentive Implementation and Foreign Capital. With those incentives, the Group is eligible for a corporate tax deduction rate ranging between 50% - 80% for an unlimited time, which amounts to a total deferred tax asset of TL 145,385 (December 31, 2018: TL 126,344). Respective deferred tax asset was calculated to be 15% - 40% of total investment contribution with regards to the respective investment incentive certificates. Additionally, the Group is entitled to social security premium support from the Turkish Ministry of Economy, related to the hospitals that have completed their greenfield investments. Such investment income of TL 277 will be netted off against personnel expenses over the period of 2019-2020.

As of September 30, 2019, the Group has tax loss amounting to TL 433,801 (December 31, 2018: TL 437,571). TL 88,012 (December 31, 2018: TL 89,334) deferred tax assets have been recorded concerning this loss

	September 30,	December 31,
	2019	2018
Deferred tax assets / (liabilities):		
Tax losses carried forward	88,012	89,334
Depreciation / amortization differences		
of tangible and intangible assets	(129,311)	(129,276)
Provision for employment termination benefits	2,559	2,342
Vacation pay liability	3,824	3,223
Temporary difference between the tax base and carrying amount		
of financial liabilities	(4,285)	(905)
Prepaid building expenses	(4,754)	(5,553)
Tax advantage from investment incentive	145,385	126,344
Derivative instruments	11,825	10,422
Right of use asset	78,811	-
Other	65,227	50,738
	<u>257,293</u>	<u>146,669</u>
Deferred tax asset	395,644	282,404
Deferred tax liability	(138,351)	(135,735)
	<u>257,293</u>	<u>146,669</u>

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 21 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (continued)

Deferred Tax (continued)

Tax losses carried forward and their expiry dates are as follows:

<u>Expiration schedule of carryforward tax losses</u>	September 30, 2019	
	Losses carried forward for which deferred tax assets recognized	Losses carried forward for which deferred tax assets not recognized
Expiring in 2020	62,583	-
Expiring in 2021	67,248	-
Expiring in 2022	148,166	-
Expiring in 2023	124,207	-
Expiring in 2024	31,597	-
	433,801	-

Tax losses carried forward and their expiry dates are as follows:

<u>Expiration schedule of carryforward tax losses</u>	December 31, 2018	
	Losses carried forward for which deferred tax assets recognized	Losses carried forward for which deferred tax assets not recognized
Expiring in 2019	25,590	-
Expiring in 2020	65,392	-
Expiring in 2021	67,248	-
Expiring in 2022	155,191	-
Expiring in 2023	124,150	-
	437,571	-

Movement of deferred tax (assets)/liabilities for the period ended September 30, 2019 and period ended September 30, 2018 are as follows:

<u>Movement of deferred tax asset / (liabilities):</u>	January 1- September 30, 2019	January 1- September 30, 2018
Opening balance as at January 1	146.669	73.181
Opening effect of changes in accounting policy	85.474	-
Charged to profit or loss	23.778	75.588
Charged to equity	1.372	924
Closing balance as at year end	257.293	149.693

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NOTE 21 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (continued)

Deferred Tax (continued)

The reconciliation of the current tax expense and net income for the period is as follows:

Reconciliation of tax provision:	January 1- September 30, 2019	January 1- September 30, 2018
Loss before tax	(25,396)	(208,732)
Tax at the domestic income tax rate of 22% (2018: 20%)	5,587	45,921
Tax effects of:		
- expenses that are not deductible in determining taxable profit	(25,497)	(16,780)
- effect of tax advantage from investment incentive	19,041	48,756
- tax losses carried forward not subject to deferred tax	(5,118)	(6,051)
- previously unrecognized and unused tax losses and tax offsets now recognized as deferred tax assets	-	(9,433)
- change in income tax rate from 20% to 22%	11,914	2,995
- other	(660)	413
Income tax income recognized in profit or loss	5,267	65,821

NOTE 22 – EARNINGS PER SHARE

For the periods ended September 30, 2019 and September 30, 2018 earnings per share is as follows:

Gain / (loss) per share	January 1- September 30, 2019	July 1- September 30, 2019	January 1- September 30, 2018	July 1- September 30, 2018
Weighted average number of shares	208,037	208,037	205,582	204,328
Net gain / (loss) for the period for the equity holders of the parent	(47,075)	(4,334)	(158,056)	(135,061)
Gain / (loss) per share for equity holder of the parent	(0.23)	(0.02)	(0.77)	(0.66)

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.

NOTE 23 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial Risk Factors

Foreign currency risk management

Foreign currency risk

Transactions in foreign currencies expose the Company to foreign currency risk. The carrying amounts of the Group’s foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	September 30, 2019			
	TL Equivalent (Functional currency)	USD	EUR	GBP
1. Trade receivables	126,905	21,059	1,231	17
2a. Monetary financial assets	132,082	4,542	17,200	3
2b. Non monetary financial assets	69,084	3,268	8,171	1
3. Other	2,832	70	394	-
4. CURRENT ASSETS	330,903	28,939	26,996	21
6b. Non monetary financial assets	36,994	6,537	-	-
7. Other	253	36	8	-
8. NON CURRENT ASSETS	37,247	6,573	8	-
9. TOTAL ASSETS	368,150	35,512	27,004	21
10. Trade payables	(8,123)	(546)	(814)	-
11a. Financial liabilities (loans)	(145,622)	-	(23,550)	-
11b. Financial liabilities (leasing)	(60,984)	(1,629)	(8,371)	-
11c. Lease liabilities	(8,871)	-	(1,435)	-
12a. Other monetary liabilities	(35,947)	(3,264)	(2,825)	(1)
13. CURRENT LIABILITIES	(259,547)	(5,439)	(36,995)	(1)
15a. Financial liabilities (loans)	(452,801)	-	(73,226)	-
15b. Financial liabilities (leasing)	(121,504)	(2,135)	(17,696)	-
15c. Lease liabilities	(50,789)	-	(8,214)	-
17. NON CURRENT LIABILITIES	(625,094)	(2,135)	(99,136)	-
18. TOTAL LIABILITIES	(884,641)	(7,574)	(136,130)	(1)
19. Net assets / liability position of off-balance sheet derivatives (19a-19b)	198,634	-	32,122	-
19.a Off balance sheet foreign currency derivative assets	198,634	-	32,122	-
20. Net foreign currency asset liability position (9+18+19)	(317,857)	27,938	(77,004)	20
21. Monetary Items Net Foreign Currency Asset / Liability Position (1+2a+10+11+12a+14+15+16a)	(565,994)	18,027	(108,051)	19

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.

NOTE 23 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial Risk Factors (continued)

Foreign currency risk management (continued)

Foreign currency risk (continued)

	December 31, 2018			
	TL Equivalent (Functional currency)	USD	EUR	GBP
1. Trade receivables	126,720	23,057	899	-
2.a Monetary financial assets	169,384	4,327	24,321	2
2.b Non monetary financial assets	66,837	3,425	8,090	1
3. Other	247	-	41	-
4. CURRENT ASSETS	363,188	30,809	33,351	3
6.b. Non monetary financial assets	46,818	8,897	2	-
7. Other	200	38	-	-
8. NON CURRENT ASSETS	47,018	8,935	2	-
9. TOTAL ASSETS	410,206	39,744	33,353	3
10. Trade payables	(42,541)	(3,463)	(4,035)	-
11.a. Financial liabilities (loans)	(124,492)	-	(20,652)	-
11.b. Financial liabilities (leasing)	(67,111)	(2,338)	(9,092)	-
12.a Other monetary liabilities	(42,676)	(5,080)	(2,645)	(1)
13. CURRENT LIABILITIES	(276,820)	(10,881)	(36,425)	(1)
15.a. Financial liabilities (loans)	(490,623)	-	(81,391)	-
15.b. Financial liabilities (leasing)	(161,304)	(3,138)	(24,021)	-
17. NON CURRENT LIABILITIES	(651,927)	(3,138)	(105,411)	-
18. TOTAL LIABILITIES	(928,747)	(14,019)	(141,836)	(1)
19. Net assets / liability position of off-balance sheet derivatives (19a-19b)	284,998	-	47,279	-
19.a Off balance sheet foreign currency derivative assets	284,998	-	47,279	-
20. Net foreign currency asset liability position (9+18+19)	(233,543)	25,725	(61,205)	2
21. Monetary Items Net Foreign Currency Asset / Liability Position (1+2a+10+11+12a+14+15+16a)	(632,643)	13,365	(116,616)	1

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira ("TL") unless otherwise stated.

NOTE 23 –FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial Risk Factors (continued)

Foreign currency risk management (continued)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising primarily from USD and EUR.

The following table details the Group's sensitivity to a 20% increase and decrease against the relevant foreign currencies. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. 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 sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit / loss or equity where the TL strengthens 20% against the relevant currency. For a 20% weakening of the TL against the relevant currency, there would be a comparable impact on the profit before tax or equity, and the balances would be negative.

	September 30, 2019	
	Profit /Loss	
	Valuation of foreign currency	Devaluation of foreign currency
In the case of US dollar gaining 20% value against TL		
1 - USD net asset / liability	31,621	(31,621)
2- Portion hedged against USD risk (-)	-	-
3- USD net effect (1+2)	31,621	(31,621)
In the case of EUR gaining 20% value against TL		
4 -EUR net asset / liability	(134,958)	134,958
5 Portion hedged against EUR risk (-)	39,726	(39,726)
6- EUR net effect (4+5)	(95,232)	95,232
TOTAL (3+6)	(63,611)	63,611
	December 31, 2018	
	Profit /Loss	
	Valuation of foreign currency	Devaluation of foreign currency
In the case of US dollar gaining 20% value against TL		
1 - USD net asset / liability	27,067	(27,067)
2- Portion hedged against USD risk (-)	-	-
3- USD net effect (1+2)	27,067	(27,067)
In the case of EUR gaining 20% value against TL		
4 -EUR net asset / liability	(130,788)	130,788
5 Portion hedged against EUR risk (-)	57,000	(57,000)
6- EUR net effect (4+5)	(73,788)	73,788
TOTAL (3+6)	(46,721)	46,721

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira ("TL") unless otherwise stated.)

NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS

	September 30, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
<i>Fair value hedging derivative financial instruments</i>				
Forward contracts	-	-	-	2,517
Cross currency swap contracts	-	53,749	-	46,245
Interest rate swap contracts	-	-	1,479	91
	-	53,749	1,479	48,853

Derivative instruments for fair value hedge

As of reporting date, the details of forward, swap and cross currency swap transactions for fair value hedge are as follows:

		Assets		Liabilities	
		Nominal currency value	Fair value	Nominal currency value	Fair value
September 30, 2019					
<u>Cross currency swap contracts</u>					
Buy EUR /Sell TL	Between 1-5 years	-	-	32,122	53,749
		-	-	32,122	53,749
		-	-	32,122	53,749

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2019

(Amounts expressed in thousands Turkish Lira (“TL”) unless otherwise stated.)

NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivative instruments for fair value hedge (continued)

		Assets		Liabilities	
		Nominal currency value	Fair value	Nominal currency value	Fair value
December 31, 2018					
<u>Forward contracts</u>					
Buy EUR /Sell TL	Between 3-6 months	-	-	2,500	2,517
		-	-	2,500	2,517
<u>Interest rate swap contracts</u>					
EUR fixed interest collection / Fixed interest payment /	Between 1-3 months	-	-	8,852	91
TL fixed interest collection / Fixed interest payments	Between 3-6 months	40,000	1,479	-	-
		40,000	1,479	8,852	91
<u>Cross currency swap contracts</u>					
Buy EUR /Sell TL	Between 1-5 years	-	-	44,749	46,245
		-	-	44,749	46,245
		40,000	1,479	56,101	48,853

As of July 2018 and September 2018, the Group has hedged all principal and interest payments of the euro-denominated loans for the 2019-2024 period amounting to EUR 110,922 of the total EUR 30,751 of total debt service for the 2018-2020 period using a currency hedging through cross currency interest swap transactions and as for September 2018, the Group has hedged all principal and interest payments of the euro denominated lease obligation loans for the 2019-2020 period amounting to EUR 6,784 of the total EUR 28,749 of total lease obligation for the 2019-2024 period using a forward interest rate swap through cross currency interest swap transactions. The total hedged portion is 26,9% of the total euro-denominated loan related debt service.

NOTE 25 - EVENTS AFTER THE REPORTING PERIOD

None.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

UNAUDITED FINANCIAL INFORMATION

(Amounts expressed in thousands Turkish Lira ("TL") unless otherwise stated.)

APPENDIX I EARNINGS BEFORE INTEREST TAXES DEPRECIATION AND AMORTISATION ("EBITDA")

Interest, Tax, Depreciation and Amortization ("EBITDA") is calculated by the Group Management with the addition of the period's depreciation and amortization, financial income and expenses, other adjustments and tax deductions to net loss before tax.

The EBITDA calculation movements for the period ended September 30, 2019 and September 30, 2018 are as follow:

EBITDA CALCULATION	September 30, 2019	September 30, 2018
i. Net gain/ (loss) before tax	(25,396)	(208,732)
ii. Depreciation and amortization of tangible and intangible fixed assets including non-cash provisions related to assets such as goodwill	197,785	140,967
iii. Total net finance expenses, net of interest income	343,820	153,378
iv. Fx gains / losses, net under finance expenses	34,109	328,311
v. Fair value differences of derivative instruments (Note 23);	7,503	(43,197)
vi. Extraordinary (income)/ expenses	28,740	(19,569)
vii. Rediscount income/expense (net imputed interest)	7,254	(4,783)
viii. Legal case provision expenditures which are reflected to financial statements by the general accounting principles	854	(261)
ix. Unused vacation pay provision expenses which are reflected to financial statements by the general accounting principles	2,732	1,970
x. Retirement pay provision expenses which are reflected to financial statements by the general accounting principles	2,649	2,599
xi. Doubtful receivables provision expenses which are reflected to financial statements by the general accounting principles (Note 6);	2,437	2,438
xii. Non cash sale and lease back expenses which are reflected to financial statements by the general accounting principles (Note 3);	590	590
xiii. (Income)/ expenses from investment operations	(2,194)	(1,164)
EBITDA	600,883	352,547
IFRS 16 Lease payment effect	(189,405)	-
Adjusted EBITDA	411,478	352,547