

**(CONVENIENCE TRANSLATION OF THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS AND AUDITOR'S REVIEW REPORT
ORIGINALLY ISSUED IN TURKISH)**

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

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS AS OF JUNE 30, 2018
TOGETHER WITH INDEPENDENT
AUDITOR'S REVIEW REPORT**

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

REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

**To the General Assembly of
MLP Sağlık Hizmetleri A.Ş.
İstanbul**

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of MLP Sağlık Hizmetleri A.Ş. (the “Company”) and its subsidiaries (together will be referred as the “Group”) as of June 30, 2018 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-months period then ended. The Group management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standards 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 “Interim Financial Reporting”.

Other Information

The Group management is responsible for the other information which is presented in Appendix 1. The other information comprises non-TAS measures.

Our conclusion on the condensed consolidated interim financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our review of the condensed consolidated interim financial information, our responsibility is to read the other information and, in doing so, consider whether the other information is materiality inconsistent with the condensed consolidated interim financial information or our knowledge obtained in the review or otherwise appears to be materially misstated. Based on the review work we have performed, we have nothing to report in this regard.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Volkan Becerik
Partner

İstanbul, August 13, 2018

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MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018**

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

	Notes References	Reviewed June 30, 2018	Audited December 31, 2017
ASSETS			
Current Assets		1,404,413	1,161,175
Cash and cash equivalents	4	371,939	217,846
Trade receivables	6	786,562	750,176
Due from related parties	3	8,717	15,183
Trade receivables from third parties		777,845	734,993
Other receivables	7	35,152	23,680
Due from related parties	3	12,372	9,164
Other receivables from third parties		22,780	14,516
Inventories	8	75,335	51,346
Prepaid expenses	9	111,568	90,199
Other current assets	12	23,857	27,928
Non-current assets		1,705,786	1,560,161
Trade receivables	6	1,053	1,053
Other receivables	7	1,183	1,434
Property and equipment	10	820,177	752,136
Intangible assets		470,135	467,733
Goodwill		40,217	40,217
Other intangible assets	10	429,918	427,516
Prepaid expenses	9	155,872	140,488
Deferred tax assets	19	257,366	197,317
TOTAL ASSETS		3,110,199	2,721,336

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 JUNE 30, 2018

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

	Notes References	Reviewed June 30, 2018	Audited December 31, 2017
LIABILITIES AND EQUITY			
Current liabilities		1,380,490	1,261,424
Short term borrowings	5	65,865	62,945
Short term portion of long term borrowings	5	294,033	268,391
Obligations under finance leases	5	96,710	91,488
Trade payables	6	700,736	669,975
Due to related parties	3	18,186	24,992
Trade payables to third parties		682,550	644,983
Payables related to employee benefits	11	85,515	85,686
Other payables	7	20,580	21,325
Due to related parties	3	1,763	1,408
Other payables to third parties		18,817	19,917
Deferred revenues	9	86,664	33,641
Short term provisions		25,265	24,378
Short term provisions for employment benefits	11	11,366	9,628
Other short term provisions	13	13,899	14,750
Current tax liabilities	19	5,122	3,595
Non-current liabilities		1,058,587	1,355,242
Long term borrowings	5	662,510	951,992
Obligations under finance leases	5	209,907	224,432
Other payables		37,548	39,223
Other payables to third parties	7	37,548	39,223
Deferred income	9	1,883	1,053
Long term provisions		16,441	14,406
Long term provisions for employee benefits	11	16,441	14,406
Deferred tax liabilities	19	130,298	124,136
EQUITY		671,122	104,670
Equity attributable to the Owner of the Company		578,956	16,298
Share capital	15	208,037	176,458
Share premium	15	556,162	-
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		28,426	30,514
Revaluation reserve	15	39,752	39,752
Accumulated loss on remeasurement of defined benefit plans		(11,326)	(9,238)
Restricted reserves	15	10,260	10,260
Accumulated deficit		(200,934)	(78,162)
Net profit / (loss) for the period		(22,995)	(122,772)
Non-controlling interest		92,166	88,372
TOTAL LIABILITIES AND EQUITY		3,110,199	2,721,336

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 FOR THE PERIOD ENDED JANUARY 1 - JUNE 30, 2018

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

	Notes References	Reviewed January 1- June 30, 2018	Unaudited April 1- June 30, 2018	Reviewed January 1- June 30, 2017	Unaudited April 1- June 30, 2017
PROFIT OR LOSS					
Revenue	16	1,469,714	720,407	1,248,192	614,374
Cost of Sales (-)	16	(1,230,665)	(619,394)	(1,055,357)	(521,836)
GROSS PROFIT / (LOSS)		239,049	101,013	192,835	92,538
General Administration Expenses (-)	17	(123,149)	(63,456)	(82,998)	(40,327)
Other Income from Operating Activities		156,707	89,738	161,809	46,543
Other Expenses from Operating Activities (-)		(115,912)	(66,947)	(157,832)	(39,486)
OPERATING PROFIT / (LOSS)		156,695	60,348	113,814	59,268
Income From Investing Activities		353	195	565	444
Expense From Investing Activities (-)		(188)	(44)	(224)	(224)
OPERATING PROFIT / (LOSS) BEFORE FINANCE EXPENSES		156,860	60,499	114,155	59,488
Finance Expenses (-)	18	(211,007)	(83,733)	(142,250)	(61,800)
NET PROFIT / (LOSS) BEFORE TAX		(54,147)	(23,234)	(28,095)	(2,312)
Tax income / (expense) from operations		46,018	13,603	8,011	(489)
Current Tax Expense	19	(7,347)	(4,485)	(2,374)	(52)
Deferred Tax Income	19	53,365	18,088	10,385	(437)
NET PROFIT / (LOSS)		(8,129)	(9,631)	(20,084)	(2,801)
Allocation of net profit / (loss)					
Non-Controlling Interest		14,866	5,559	(3,435)	2,073
Equity Holders of the Parent		(22,995)	(15,190)	(16,649)	(4,874)
		(8,129)	(9,631)	(20,084)	(2,801)
Basic gain / (loss) per share	20	(0.11)	(0.08)	(0.09)	(0.03)
OTHER COMPREHENSIVE INCOME / (EXPENSES)		(2,088)	(2,111)	1,142	(840)
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit plans	11,19	(2,610)	(2,639)	1,428	(1,050)
Income tax relating to items that will not be reclassified subsequently	19	522	528	(286)	210
TOTAL COMPREHENSIVE INCOME / (LOSS)		(10,217)	(11,742)	(18,942)	(3,641)
Total comprehensive income / (loss) distribution:					
Non-controlling interest		14,866	5,559	(3,435)	2,073
Equity holders of the Parent		(25,083)	(17,301)	(15,507)	(5,714)
		(10,217)	(11,742)	(18,942)	(3,641)

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 - JUNE 30, 2018**

(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 Profit			Non-controlling interest	Total
	Share capital	Share premium	Property revaluation reserve	Accumulated profit on remeasurement of defined benefit plans	Legal reserves	Accumulated deficit	Net profit / (loss) for the period	Attributable to equity holders of the Parent		
Balance as at January 1, 2017 (Note 2.1)	176,458	237,924	39,752	(4,103)	302	(230,724)	(44,523)	175,086	90,153	265,239
Changes in 2017:										
Other comprehensive income / (loss) for the period, net of tax	-	-	-	1,142	-	-	-	1,142	-	1,142
Net profit / (loss) for the period	-	-	-	-	-	-	(16,649)	(16,649)	(5,508)	(22,157)
Total comprehensive income / (loss) for the period	-	-	-	1,142	-	-	(16,649)	(15,507)	(5,508)	(21,015)
Transfers to accumulated deficit	-	-	-	-	-	(48,709)	48,709	-	-	-
Exemption from gain on fixed asset sales	-	-	-	-	9,958	(9,958)	-	-	-	-
Balance as at June 30, 2017	176,458	237,924	39,752	(2,961)	10,260	(289,391)	(12,463)	159,579	84,645	244,224
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 / (loss) for the period, net	-	-	-	(2,088)	-	-	-	(2,088)	-	(2,088)
Net profit / (loss) for the period	-	-	-	-	-	-	(22,995)	(22,995)	14,866	(8,129)
Total comprehensive income / (loss) for the period	-	-	-	(2,088)	-	-	(22,995)	(25,083)	14,866	(10,217)
Transfers to accumulated deficit	-	-	-	-	-	(122,772)	122,772	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(11,072)	(11,072)
Capital increase (Note 15)	31,579	-	-	-	-	-	-	31,579	-	31,579
Increase of the share premiums (Note 15)	-	556,162	-	-	-	-	-	556,162	-	556,162
Balance as at June 30, 2018	208,037	556,162	39,752	(11,326)	10,260	(200,934)	(22,995)	578,956	92,166	671,122

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 – JUNE 30, 2018

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

	Notes References	Reviewed January 1- June 30, 2018	Reviewed January 1- June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		230,239	266,070
Net profit / (loss) for the period		(8,129)	(20,084)
Profit / (loss) continuing operations		246,763	225,384
Adjustments related to depreciation and amortization expenses	10	90,079	83,694
Adjustments related to impairment (reversal)			
Adjustments related to impairment (reversal) of receivables	6	1,801	2,137
Adjustments related to provisions		5,146	8,611
Adjustments related to (reversal) of provision for employment benefits		4,966	6,655
Adjustments related to lawsuit (reversal) of provision for lawsuit		180	1,956
Adjustments related to interest (income) expense		89,340	87,685
Adjustments related to interest income		(11,627)	(3,375)
Adjustments related to interest expense		100,967	91,060
Adjustments related to tax (gain) loss	19	(46,018)	(8,011)
Other adjustments related to non-cash items		106,580	51,609
Adjustments regarding to (gain) loss on sale of fixed assets		(165)	(341)
Adjustments regarding to (gain) loss on sale of tangible assets		(165)	(341)
Changes in working capital		1,812	67,906
Adjustments related to (increase) / decrease in trade receivables		(48,824)	(17,440)
Adjustments related to (increase) / decrease in inventories		(23,989)	(2,310)
Adjustments related to (increase) / decrease in trade payables		39,032	63,062
Adjustments related to increase / (decrease) in other payables from operations		50,230	13,516
Adjustments related to other (increase) / decrease in working capital		(14,637)	11,078
Adjustments related to (increase) / decrease in other payables from other asset		(14,637)	11,078
Cash generated from operations		240,446	273,206
Payments related with provision for employee benefits		(3,802)	(3,125)
Tax paid	19	(5,820)	(3,104)
Other cash inflows (outflows)	6	(585)	(907)

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 – JUNE 30, 2018

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

		Reviewed January 1- June 30, 2018	Reviewed January 1- June 30, 2017
	Notes		
CASH FLOWS FROM INVESTING ACTIVITIES		(171,586)	(175,209)
Proceeds from acquisition of shares from minorities		(5,450)	(4,830)
Proceeds from sales of property, plant, equipment and intangible assets		6,534	5,989
Proceeds from sales of property, plant, equipment	10	6,534	5,989
Payment for purchase of property, plant and equipment, intangible assets		(166,891)	(159,091)
Payment for purchase of property, plant and equipment	10	(160,995)	(155,864)
Payment for purchase of intangible assets	10	(5,896)	(3,227)
Cash payments for capital expenditures		(17,406)	(20,654)
Interest received		11,627	3,375
Other cash inflows (outflows) ,net		-	2
CASH FLOWS FROM FINANCING ACTIVITIES		95,440	(23,334)
Cash proceeds from issuing shares and other equity instruments		587,741	-
Proceeds on issue of equity shares (*)		587,741	-
Proceeds from bank loans		242,219	235,809
Proceeds from borrowings		202,219	196,216
Proceeds from bonds, net of commissions		40,000	39,593
Bank borrowings paid		(568,779)	(130,545)
Cash used for repayment of borrowings		(568,779)	(50,545)
Cash used for repayment of bonds		-	(80,000)
Repayment of obligations under finance leases		(48,400)	(38,273)
Interest paid		(106,269)	(90,325)
Dividend paid		(11,072)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		154,093	67,527
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	217,846	110,678
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	371,939	178,205

(*) On February 7, 2018, the Group launched initial public offering ("IPO") of 72,834 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 12,559 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.

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JANUARY 1 - JUNE 30, 2018

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

NOTE 1 – ORGANIZATION AND OPERATIONS OF THE GROUP

MLP Sağlık Hizmetleri A.Ş. ("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 June 30, 2018, MLP is the holding company of 19 subsidiaries (December 31, 2017: 19) (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 32.68% as of June 30 2018, of MLP Sağlık are accepted as "in circulation". As of July 1, 2018, this ratio is 32.68% (Note 15).

Approval of financial statements

Board of Directors has approved the financial statements and delegated authority for publishing it on August 13, 2018.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JANUARY 1 - JUNE 30, 2018

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

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

As of June 30, 2018 the subsidiaries of the Company are:

Name	Location and base of operation
Sentez Sağlık Hizmetleri A.Ş. ("Sentez Hastaneleri")	Batman - İzmir - Gaziantep
Temar Tokat Manyetik Rezonans Sağlık Hizmetleri ve Turizm A.Ş. ("Tokat Hastanesi")	Tokat
Samsun Medikal Grup Özel Sağlık Hizmetleri A.Ş. ("Samsun Hastanesi")	Samsun
Özel Samsun Medikal Tıp Merkezi ve Sağlık Hizmetleri Tic. Ltd. Şti. ("Samsun Tıp Merkezi")	Samsun
Kuzey Medikal Pazarlama İnşaat Taşımacılık San. ve Tic. Ltd. Şti. ("Kuzey")	Ankara
Artimed Medikal Sanayi ve Ticaret Ltd. Şti. ("Artimed")	Ankara
MS Sağlık Hizmetleri Ticaret A.Ş. ("MS Sağlık")	Ankara
Mediplaza Sağlık Hizmetleri Ticaret A.Ş. ("Mediplaza")	Gebze-İzmit
21. Yüzyıl Anadolu Vakfı ("21.Yüzyıl Anadolu Vakfı")	İstanbul
Allied Sigorta Aracılık Hizmetleri A.Ş. ("Allied Sigorta")	İstanbul
Arkaz Sağlık İşletmeleri A.Ş. ("Arkaz")	İstanbul
BTN Sigorta Aracılık Hizmetleri A.Ş. ("BTN Sigorta")	İstanbul
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" ya da "KHB")	İstanbul
Sotte Temizlik Yemek Medikal Turizm İnşaat Sanayi ve Ticaret A.Ş. ("Sotte Temizlik Yemek")	İstanbul
MA Group Sağlık ve Danışmanlık Hizmetleri Ticaret A.Ş. ("MA Group")	İstanbul
Özel Silivri Arkaz Sağlık Hizmetleri A.Ş. ("Özel Silivri Arkaz")	İstanbul - Ereğli - Çanakkale
BTN Asistans Sağlık Hizmetleri A.Ş. ("BTN Asistans")	İstanbul
BTR Sağlık Hizmetleri A.Ş. ("BTR Sağlık")	İstanbul
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

The consolidated financial statements are based on the statutory financial statements of the Group's subsidiaries and joint ventures and presented in TL in accordance with CMB Financial Reporting Standards with certain adjustments and reclassifications for the purpose of fair presentation. Such adjustments are primarily related to application of consolidation accounting, accounting for business combinations, accounting for deferred taxes on temporary differences, accounting for employment termination benefits on an actuarial basis and accruals for various expenses. Except for the financial assets and liabilities carried from their fair values and assets and liabilities included in business combinations application, financial statements are prepared on historical cost basis.

The accompanying consolidated financial statements are based in accordance with Turkish Accounting Standards ("TAS") 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. TAS is composed of Turkish Accounting Standards, Turkish Financial Reporting Standards, appendixes and interpretations.

For the six month period ended June 30, 2018, the Group prepared its interim condensed consolidated financial statements in accordance with the Turkish Accounting Standard No.34 "Interim Financial Reporting".

Interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group's annual financial statements, as at December 31, 2017.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JANUARY 1 - JUNE 30, 2018

(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.

Comparative Information and Restatement of Prior Period Financial Statements

Group's consolidated interim financial statements have been prepared in comparison with the previous period in order to give accurate trend analysis regarding the financial position and performance. Where necessary, comparative figures have been reclassified to conform to the presentation of the current period consolidated financial statements and significant changes are explained.

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

- a) In the current period, the Group's tax incentive department reconsidered the investment incentive certificates related to fixed assets investments for their hospitals and reliably calculated the tax advantage amounts arising from these investment certificates. Based on these calculations, the Group restated "Deferred tax assets" amounting to TL 68,169 in the consolidated financial statements for the period ended June 30, 2017. In addition, "Non-controlling interest" increased amounting to TL 9,798 in the consolidated financial statements for the period ended June 30, 2017.
- b) In the current period, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" when calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. The loan commission fee was paid related to the Group syndication loan obtained in 2016 amounting to TL 15,115 was netted off with "Short term portion of long term borrowings" and "Long term borrowings" amounting to TL 1,056 and TL 14,059, respectively which was previously presented under finance expenses in the consolidated financial statements for the period ended June 30, 2017. In addition, "Deferred tax liabilities" increased by TL 2,812 in the consolidated financial statements for the year ended June 30, 2017.
- c) "Accumulated deficit" decreased by TL 59,119 with the effect of restatements explained in "a and b" in the consolidated financial statements for the period ended June 30, 2017.
- d) "Earnings per share" for the period ended June 30, 2017 increased by TL 0.11 with the effects of restatements explained above.

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

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 IAS 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, IAS 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 International Financial Reporting Standards

Amendments to TFRSs that are mandatorily effective for the current year

The Group has not applied the following new and revised TFRSs that have been issued but are not yet effective:

TFRS 9	<i>Financial Instruments</i>
TFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to TFRS 2	<i>Classification and Measurement of Share-Based Payment Transactions</i>
TFRS Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
Amendments to TAS 40	<i>Transfers of Investment Property</i>
Annual Improvements to TFRS Standards 2014–2016 Cycle	<i>TFRS 1, TAS 28</i>

TFRS 9 *Financial Instruments*

TFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting.

Key requirements of TFRS 9:

- All recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JANUARY 1 - JUNE 30, 2018

(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)

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

TFRS 9 Financial Instruments (Continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, TFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under TAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, TFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under TAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under TFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced (Note 2.5).

TFRS 15 Revenue from Contracts with Customers

TFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. TFRS 15 will supersede the current revenue recognition guidance including TAS 18 *Revenue*, TAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of TFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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(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)

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

TFRS 15 Revenue from Contracts with Customers (Continued)

Under TFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in TFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by TFRS 15.

Through the later published explanations relating to TFRS 15, assessment of the entity as a noble or proxy, and licensing practice guide were added to practices determining obligation to act.

Management assessed that the application of TFRS 15 has no effect except the extensive explanations on revenue transactions and has no significant effect on financial condition/financial performance on the company.

Amendments to TFRS 10 and TAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

The amendments to TFRS 10 and TAS 28 have no effect on the Group's consolidated financial statements.

Amendments to TFRS 2 Classification and Measurement of Share-Based Payment Transactions

The amendments clarify the standard in respect of the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

The amendments to TFRS 2 has no effect on the Group's consolidated financial statements.

TFRS Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation addresses foreign currency transactions or parts of transactions where:

- There is consideration that is denominated or priced in a foreign currency;
- The entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- The prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

TFRS Interpretation 22 has no effect on the Group's consolidated financial statements.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JANUARY 1 - JUNE 30, 2018

(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)

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

Amendments to TAS 40 *Transfers of Investment Property*

The amendments to TAS 40:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

TAS 40 has no effect on the Group's consolidated financial statements.

Annual Improvements to TFRS Standards 2014–2016 Cycle

- **TFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of TFRS 1, because they have now served their intended purpose.
- **TAS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint ven venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Annual improvements to TFRS standarts 2014-2016 cycle have no effect on the Group's consolidated financial statements.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JANUARY 1 - JUNE 30, 2018

(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)

New and revised TFRSs in issue but not yet effective

The Group has not applied the following new and revised TFRSs that have been issued but are not yet effective

TFRS 16	<i>Leases</i> ¹
Amendments to TAS 28	<i>Long-term Interest in Associates and Joint Ventures</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

IFRS 16 *Leases*

TFRS 16 specifies how a TAS reporter will recognise, measure, present and disclose leases and supersedes TAS 17 "Leases". The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with TFRS 16's approach to lessor accounting substantially unchanged from its predecessor, TAS 17.

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

This amendment clarifies that an entity applies IFRS 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.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

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.

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

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

2.4 Basis of Consolidation

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

Subsidiaries	Place of incorporation and operation	Proportion of ownership and voting power held(%)		Principal activity
		June 30, 2018	December 31, 2017	
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 (1)	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	İstanbul	57.00%	57.00%	Hospital services
MA Group (4)	İstanbul	51.00%	51.00%	Hospital services
Ozel Silivri Arkaz	İstanbul-Ereğli-Çanakkale	57.00%	57.00%	Hospital services
BTR Sağlık Hizmetleri	İstanbul	100.00%	100.00%	Hospital services
Meditime Sağlık	İstanbul	100.00%	100.00%	Hospital services
Kuzey (3)	Ankara	100.00%	100.00%	Ancillary services
Artimed	Ankara	100.00%	100.00%	Ancillary services
21. Yüzyıl Anadolu Vakfı (1) (3)	İstanbul	100.00%	100.00%	Ancillary services
Allied Sigorta (2)	İstanbul	80.00%	80.00%	Ancillary services
BTN Sigorta	İstanbul	100.00%	100.00%	Ancillary services
Kuzey Hastaneler Birliği ("KHB")	İstanbul	99.90%	99.90%	Ancillary services
Sotte Temizlik Yemek	İstanbul	100.00%	100.00%	Ancillary services
BTN Asistans	İstanbul	100.00%	100.00%	Ancillary services

1) Represents voting power held.

2) On January 22, 2018, the entity made a liquidation decision.

3) 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 IFRS 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.

4) The Company took liquidation decision on December 25, 2017.

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

2.4 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).

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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.

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

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

2.4 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 IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.5 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.

a) TFRS 9 Financial Instruments

Classification and Measurement

The Group management has assessed business models as of January 1, 2018, in which the financial instruments will be presented in the categories specified in TFRS 9.

- Trade receivables measured at amortised cost: These are held within the scope of the business model aimed at collecting contractual cash flows that include interest payments on principal and principal balance only. Therefore, these financial assets will continue to be measured at their amortized cost after the application of TFRS 9.
- All other financial assets and liabilities will continue to be measured in accordance with IAS 39 as it is currently accepted.

Impairment

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from January 1, 2018 resulted in changes in accounting policies and these changes do not have a significant impact in the condensed consolidated financial statements.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

2.5 Changes in Accounting Policies (Continued)

b) Significant Accounting Policies (Continued)

TFRS 9 Financial Instruments (Continued)

Financial assets

At initial recognition, the Group measures a financial asset at its fair value, except for trade receivables, other receivables and cash and cash equivalents that do not contain significant financing component. The Group measure trade receivables at their transaction price if the trade receivables do not contain a significant financing component in accordance with TFRS 15 (or when the Group applies the practical expedient) at initial recognition.

At initial recognition, Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. When the Group uses settlement date accounting for an asset that is subsequently measured at amortised cost, the asset is recognised initially at its fair value on the trade date.

The Group reclassifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- a) the Group's business model for managing the financial assets and
- b) the contractual cash flow characteristics of the financial asset.

When, and only when, the Group changes its business model for managing financial assets, it reclassifies all affected financial assets. The Group applies the reclassification prospectively from the reclassification date. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest revenue of financial assets measured at amortised cost is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss.

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

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

2.5 Changes in Accounting Policies (Continued)

b) Significant Accounting Policies (Continued)

TFRS 9 Financial Instruments (Continued)

Financial assets (Continued)

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. If the financial asset is reclassified out of the fair value through other comprehensive income measurement category, the Group accounts for the cumulative gain or loss that was previously recognised in other comprehensive income in consolidated financial statements. Interest calculated using the effective interest method is recognised in profit or loss.

At initial recognition, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

Financial assets measured at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

Derivative financial assets that are not designated as an effective hedge instrument against financial risk are also classified as financial assets measured at fair value through profit or loss. The related financial assets are carried at fair value and the resulted gains and losses from measurement are recognized in profit or loss.

Impairment

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortized cost or fair value through other comprehensive income.

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

At each reporting date, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JANUARY 1 - JUNE 30, 2018

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

2.5 Changes in Accounting Policies (Continued)

b) Significant Accounting Policies (Continued)

TFRS 9 Financial Instruments (Continued)

Financial assets (Continued)

Impairment (Continued)

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses except for purchased or originated credit impaired financial assets. For purchased or originated credit-impaired financial assets, the Group only recognises the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance at the reporting date.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables that do not contain a significant financing component, which is referred as simplified approach.

Financial liabilities

At initial recognition, the Group measures a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for:

- (a) financial liabilities at fair value through profit or loss: Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the Group recognises any income on the transferred asset and any expense incurred on the financial liability.
- (c) contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. Such contingent consideration is subsequently be measured at fair value with changes recognised in profit or loss.

The Group does not reclassify any financial liability.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JANUARY 1 - JUNE 30, 2018

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

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

2.5 Changes in Accounting Policies (Continued)

b) Significant Accounting Policies (Continued)

TFRS 9 Financial Instruments (Continued)

Financial liabilities (Continued)

Recognition and derecognition of financial assets and liabilities

The Group recognises a financial asset or a financial liability in the consolidated statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

The Group derecognises a financial asset when, and only when:

- (a) the contractual rights to the cash flows from the financial asset expire, or
- (b) it transfers the financial asset and the transfer qualifies for derecognition

If a transfer of financial asset does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group will continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the Group recognises any income on the transferred asset and any expense incurred on the financial liability.

The Group derecognizes a financial liability (or a part of a financial liability) from its consolidated statement of financial position when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Revenue

The Group recognises revenue from the following major sources:

- Treatment services provided at hospitals
- Trading of medical products
- Laboratory services

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. Rebates, sales discounts, stock protection and other similar allowances obtained from the suppliers are accrued on an accrual basis when the rights of parties arise.

2.6 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.

2.7 Significant Accounting Estimates and Decisions

Preparation of 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
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(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.

	June 30, 2018			
	Receivables		Payables	
	Current		Current	
Shareholders	Trade	Non-trade	Trade	Non-trade
Muharrem Usta	-	11,685	-	994
Adem Elbaşı	-	560	-	-
	-	12,245	-	994
Other companies controlled by the shareholders				
A ve A Sağlık A.Ş. (1)	7,711	-	7,833	-
Supra A.Ş.-Sonotom Ltd Şti.				
-Ledmar Ltd Şti.-Mlp A.Ş. İş Ortaklığı	591	-	-	-
Fom Grup Mimarlık İnşaat ve Tic. A.Ş. (2)	203	-	2,587	-
Miniso Mağazacılık A.Ş.	-	-	4	-
Mt Sağlık Ürünleri San. ve Tic. A.Ş.	17	-	126	-
Pozitif Medikal Sistemler San. ve Tic. Ltd. Şti.	4	-	509	-
Livart Tüp Bebek Özel Sağlık Hiz. A.Ş.	-	-	751	-
Saray Eczanesi	1	-	79	-
Samsunpark Özel Sağlık Tıbbi Malz. İnş. Tur. Tem. Tic. A.Ş. (3)	-	-	2,597	-
Samsunpark Özel Sağlık Hizm. İş Sağlığı ve Güvenliği Danışmanlık Eğitim Mühendislik Tic.Ltd.Şti.	-	-	40	-
Diasan Basım ve Form Matbaacılık San. ve Tic. A.Ş.	5	-	513	-
Mp Sağlık ve Tic. A.Ş.	-	-	794	733
Tokat Emar Sağlık Hiz. Ltd. Şti.	-	-	626	-
Atakum Özel Sağlık Hizmetleri İnş. Turizm ve San. Tic. A.Ş.	-	-	51	-
Üçboyut Sağlık Hiz. Eğitim Medikal San. Tic. Ltd. Şti.	-	-	160	-
Özdenler Sağ. Hiz. Dan. Turz. Gıd. San. Tic. Ltd. ve Şti.	-	-	32	-
Cotyora Med. Özel Sağ. Taah. Hz. İnş. Tr. Loj. Ltd. Şti. (4)	164	-	1,216	-
Other	21	127	268	36
	8,717	127	18,186	769
	8,717	12,372	18,186	1,763

(1) A ve A Özel Sağ. Hiz. ve Cih. Teks. San. Tic. Ltd. Şti. provides turn key project management services for the medical equipment purchases of the Group and sells 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 Tıbbi 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 JANUARY 1 - JUNE 30, 2018**

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

NOTE 3 – RELATED PARTY DISCLOSURES (Continued)

	December 31, 2017			
	Receivables		Payables	
	Current		Current	
Shareholders	Trade	Non-trade	Trade	Non-trade
Muharrem Usta	-	8,663	-	626
Adem Elbaşı	-	373	-	-
	-	9,036	-	626
Other companies controlled by the shareholders				
A ve A Sağlık A.Ş.(1)	14,403	-	7,504	-
Supra A.Ş.-Sonotom Ltd Şti.-Ledmar Ltd Şti.-Mlp A.Ş.				
İş Ortaklığı	490	-	-	-
Fom Grup Mimarlık İnşaat ve Tic. A.Ş. (2)	84	-	6,440	-
Supra-Medicalpark-Sonotom-Akademi İş Ortaklığı	19	-	-	-
Mt Sağlık Ürünleri San. ve Tic. A.Ş.	2	-	123	-
Sanport Gayrimenkul Geliş. İnş. ve Tic. A.Ş.	-	-	3,165	-
Livart Tüp Bebek Özel Sağlık Hiz. A.Ş.	2	-	778	-
Saray Eczanesi	1	-	22	-
Samsunpark Özel Sağlık Tıbbi Malz. İnş. Tur. Tem. Tic. A.Ş. (3)	-	-	2,813	-
Samsunpark Özel Sağlık Hizm.İş Sağlığı ve				
Güvenliği Danışmanlık Eğitim Mühendislik Tic.Ltd.Şti.	-	-	34	-
Diasan Basım ve Form Matbaacılık San. ve Tic. A.Ş.	-	-	379	-
Mp Sağlık ve Tic. A.Ş.	-	-	629	733
Tokat Emar Sağlık Hiz. Ltd. Şti.	-	-	526	-
Atakum Özel Sağlık Hizmetleri İnş. Turizm ve San. Tic. A.Ş.	-	-	50	-
Üçboyut Sağlık Hiz. Eğitim Medikal San. Tic. Ltd. Şti.	-	-	41	-
Özdenler Sağ. Hiz. Dan. Turz. Gıd. San. Tic. Ltd. ve Şti.	-	-	25	-
Cotyora Med. Özel Sağ. Taah. Hz. İnş. Tr. Loj. Ltd. Şti. (4)	70	-	1,633	-
Other	112	128	830	49
	15,183	128	24,992	782
	15,183	9,164	24,992	1,408

(1) A ve A Özel Sağ. Hiz. ve Cih. Teks. San. Tic. Ltd. Şti. provides turn key project management services for the medical equipment purchases of the Group and sells 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 Tıbbi 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 JANUARY 1 - JUNE 30, 2018**

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

NOTE 3 – RELATED PARTY DISCLOSURES (Continued)

	June 30, 2018	December 31, 2017
Advances given to and (advances received from) related parties		
Fom Grup Mimarlık İnşaat ve Tic. A.Ş.	7,619	8,210
Sanport Gayrimenkul Geliştirme İnş. Ve Tic. A.Ş.	34	-
Sancak İnşaat Turizm Nak. ve Dış Tic. A.Ş.	(30,000)	-
	<u>(22,347)</u>	<u>8,210</u>
Fixed asset advances given to related parties		
	June 30, 2018	December 31, 2017
Fom Grup Mimarlık İnşaat Ve Tic. A.Ş.	33,952	23,798
	<u>33,952</u>	<u>23,798</u>
Related parties (sale and leaseback transactions)		
	June 30, 2018	December 31, 2017
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)	4,779	5,172
	<u>5,566</u>	<u>5,959</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 June 30, 2018, the Group has incurred rent expense amounting to TL 393 due to amortization of prepaid rent (December 31, 2017: TL 787).

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JANUARY 1 - JUNE 30, 2018

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

NOTE 3 – RELATED PARTY DISCLOSURES (Continued)

	January 1 - June 30, 2018	April 1 - June 30, 2018	January 1 - June 30, 2017	April 1 - June 30, 2017
Purchases from related parties				
A ve A Sağlık A.Ş.(1)	12,797	2,647	17,431	2,781
Fom Grup Mimarlık İnşaat ve Tic. A.Ş. (2)	6,003	2,885	39,199	3,054
	<u>18,800</u>	<u>5,532</u>	<u>56,630</u>	<u>5,835</u>

(1) Medical equipment and cleaning material

(2) Construction and audit of ongoing hospital construction and rent expenses

	January 1 - June 30, 2018	April 1 - June 30, 2018	January 1 - June 30, 2017	April 1 - June 30, 2017
Operating expenses (including purchase of services)				
Sanport Gayrimenkul Geliştirme İnş. ve Tic.A.Ş (1)	31,276	17,491	23,317	11,684
Ataköy Yatırım İnş. Tur. ve Tic. A.Ş. (6)	17,462	1,263	-	-
Samsunpark Özel Sağ. Tıbbi Malz. İnş. Tur. Tem. Tic. A.Ş. (4)	8,191	4,245	7,617	3,410
Atakum Özel Sağlık Hiz. İnş. Turizm ve San. Tic. A.Ş. (1)	4,325	2,163	3,791	1,896
Gazi Medikal Sağlık Tesisleri ve Tic. A.Ş. (1)	2,781	1,421	2,441	1,247
Özarkaz Gayrimenkul Yat. ve İnş. Tic. A.Ş. (1)	3,411	1,831	3,000	1,476
Cotyora Med. Özel Sağ. Taah. Hz. İnş. Tr. Loj. Ltd. Şti. (4)	3,808	1,913	2,544	1,371
Özel Gebze Sentez Sağlık Hizmetleri ve Tic. A.Ş. (1)	3,426	1,713	2,329	1,165
Özel Ereğli Millet Sağlık Hizm. San. ve Tic. Ltd. Şti. (1)	2,174	1,157	1,941	956
Mp Sağlık ve Tic.A.Ş. (1)	2,412	1,350	1,815	900
Livart Tüp Bebek Özel Sağlık Hizm. A.Ş. (2)	2,233	1,107	1,944	1,001
Öz Anadolu Gayrimenkul ve Sağlık Yat. A.Ş. (1)	1,142	604	1,022	503
Tokat Emar Sağlık Hiz. Ltd. Şti. (2) (5)	699	350	611	305
Tokat Medikal Grup Sağlık Turizm İnş. San. Tic. A.Ş. (1)	1,131	566	418	209
Çanakkale Arkaz Sağlık Yatırımları A.Ş. (1)	495	266	435	214
Diasan Basım ve Form Matbaacılık San. ve Tic. A.Ş. (3)	452	186	217	100
Üçboyut Sağlık Hiz. Eğitim Medikal San. Ve Tic. Tic. Ltd. Ş	824	499	184	106
Özdenler Sağ. Hiz. Dan. Turz. Gıd. San. Tic. Ltd. Şti. (2)	165	86	149	76
Saray Eczanesi (7)	355	223	159	81
Mt Sağlık Ürünleri Sanayi ve Ticaret A.Ş. (3)	106	49	115	61
Gazişehir Sağlık Hizmetleri San. ve Tic. Ltd. Şti. (2)	-	-	144	61
	<u>86,868</u>	<u>38,483</u>	<u>54,193</u>	<u>26,822</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) Hospital rent expenses and finance cost reimbursement

(7) Pharmaceutical product purchases

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Amounts expressed in thousands Turkish Lira ("TL") unless otherwise stated.)

NOTE 3 – RELATED PARTY DISCLOSURES (Continued)

	January 1 - June 30, 2018	April 1 - June 30, 2018	January 1 - June 30, 2017	April 1 - June 30, 2017
Sales to related parties				
A ve A Sağlık A.Ş.(1)	8,372	1,328	14,228	11,313
Supra-Medicalpark-Sonotom-Akademi İş Ortaklığı (Fatih Görüntüleme) (2)	1,306	632	1,279	582
Muharrem Usta	915	579	356	197
Cotyora Med.Özel Sağ. Taah. Hz. İnş. Tr. Loj. Ltd. Şti.	146	64	108	53
Fom Grup Mimarlık İnşaat ve Tic. A.Ş.	118	39	166	93
Miniso Mağazacılık A.Ş.	87	38	141	-
Samsunpark Özel Sağlık Tıbbi Malz. İnş. Turizm. Tem. Tic. A.Ş.	88	46	97	72
Atakum Özel Sağlık Hizmetleri İnş. Turizm ve San. Tic. A.Ş.	36	-	-	-
Livart Tüp Bebek Özel Sağlık Hizm. A.Ş.	63	30	152	-
Mt Sağlık Ürünleri Sanayi ve Ticaret A.Ş.	36	16	74	-
Tokat Medikal Grup Sağlık Turizm İnş. San. Tic. A.Ş.	41	32	31	-
Sancak İnşaat Turizm Nak.ve Dış Tic.A.Ş.	1	-	24	-
Saray Eczanesi	3	2	5	-
Sanport Gayrimenkul Geliştirme İnş. ve Tic. A.Ş.	-	-	38	-
	<u>11,212</u>	<u>2,806</u>	<u>16,699</u>	<u>12,310</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 - June 30, 2018	April 1 - June 30, 2018	January 1 - June 30, 2017	April 1 - June 30, 2017
Salaries and other short term benefits	<u>9,344</u>	<u>4,809</u>	<u>9,779</u>	<u>5,611</u>
	<u>9,344</u>	<u>4,809</u>	<u>9,779</u>	<u>5,611</u>

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JANUARY 1 - JUNE 30, 2018

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	June 30, 2018	December 31, 2017
Cash on hand	31,373	26,148
Cash at banks	332,153	183,341
Other cash equivalents	8,413	8,357
	<u>371,939</u>	<u>217,846</u>

NOTE 5 – FINANCIAL INSTRUMENTS

Financial Liabilities

Bak Loans and Bonds

<u>Financial liabilities</u>	June 30, 2018	December 31, 2017
Short-term bank borrowings	65,865	62,945
Current portion of long term borrowings	268,198	237,254
<i>Current portion of long-term bank loans</i>	<i>148,198</i>	<i>157,514</i>
<i>Current portion of long-term bonds issued</i>	<i>120,000</i>	<i>79,740</i>
Interest expense accruals	25,835	31,137
	<u>359,898</u>	<u>331,336</u>
Long-term bank loans	662,510	951,992
	<u>662,510</u>	<u>951,992</u>
Total financial liabilities	<u>1,022,408</u>	<u>1,283,328</u>

As of 30 June 2018, net financial debt reconciliation is as follows:

	January 1, 2018	Financing cash flows	Foreign exchange effect	June 30, 2018
Bank loans	1,283,328	(331,863)	70,943	1,022,408
Finance lease obligations	315,920	(48,400)	39,097	306,617
	<u>1,599,248</u>	<u>(380,263)</u>	<u>110,040</u>	<u>1,329,025</u>

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JANUARY 1 - JUNE 30, 2018

(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 June 30, 2018 and December 31, 2017 the repayment schedule of the total borrowings as is follows:

Currency Type	Weighted Average Effective Interest Rate	June 30, 2018		
		Current	Non-current	Total
TL	18.36%	261,599	136,597	398,196
TL	TL Libor + 4.00%	25,765	165,324	191,089
EUR	Euribor + 5.5%	72,534	360,589	433,123
		<u>359,898</u>	<u>662,510</u>	<u>1,022,408</u>
Currency Type	Weighted Average Effective Interest Rate	December 31, 2017		
		Current	Non-current	Total
TL	16.79%	220,799	136,068	356,867
TL	TL Libor + 4.00%	19,324	178,206	197,530
EUR	5.50%	583	-	583
EUR	Euribor + 5.5%	90,630	637,718	728,348
		<u>331,336</u>	<u>951,992</u>	<u>1,283,328</u>

As of June 30, 2018, there are no blocked cash accounts related to the group's loans. (December 31, 2017: TL 260).

As at June 30, 2018 and December 31, 2017 the repayment schedule of the borrowings in TL are as follows:

	June 30, 2018	December 31, 2017
Interest expense accruals	25,835	31,137
To be paid within 1 year (*)	334,063	300,199
To be paid between 1-2 years	124,433	161,879
To be paid between 2-3 years	139,046	166,094
To be paid between 3-4 years	145,993	181,765
To be paid between 4-5 years	129,539	188,569
To be paid between 5-6 years	122,278	163,321
To be paid between 6-7 years	1,221	90,364
	<u>1,022,408</u>	<u>1,283,328</u>

(*) TL 65,895 of the loans to be paid within one year consists of revolving loans and TL 120,000 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 JANUARY 1 - JUNE 30, 2018

(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	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Obligations under finance leases				
Within one year	116,987	112,936	96,710	91,488
In the second to ninth years inclusive	239,224	258,926	209,907	224,432
	356,211	371,862	306,617	315,920
Less : Future finance charges	(49,594)	(55,942)		
Present value of finance lease obligations	306,617	315,920	306,617	315,920
Less: Amounts due to settlement within twelve months (shown under current liabilities)			96,710	91,488
Amounts due for settlement after 12 months			209,907	224,432

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NOTE 6 – TRADE RECEIVABLES AND PAYABLES**Trade Receivables**

	June 30, 2018	December 31, 2017
Current trade receivables		
Trade receivables	655,367	640,279
Notes receivables	1,560	1,558
Trade receivables from related parties (Note 3)	8,717	15,183
Income accruals from continuing treatments	95,360	69,863
Other trade income accruals	35,400	41,256
Allowance for doubtful receivables (-)	(9,842)	(17,963)
	<u>786,562</u>	<u>750,176</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, 2017: 40%) and receivables due from foreign patients constitute 31% (December 31, 2017: 30%) of total trade receivables.

The Group has trade receivables arising from health services given to foreign patients amounting to TL 205,787 as at June 30, 2018. 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 – July 31, 2018, the Group has made a collection amounting to TL 82,103 with regards to receivables from the Government of Libya amounting to TL 135,995 and the related collections are deducted from trade receivables on a first in first out method. Group Management expect to collect remaining receivables within 6 months.

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

As of June 30, 2018, trade receivables of an initial value of TL 9,482 (December 31, 2017: TL 17,963) were fully impaired and fully provided for. No collaterals are received in relation to these trade receivables.

	January 1 - June 30, 2018	January 1 - June 30, 2017
Movement of allowance for doubtful receivables		
Balance at beginning of the period	17,963	7,781
Charge for the period	1,801	2,137
Collections	(585)	(86)
Amount written off from the book value (*)	(9,337)	-
Balance at closing of the period	<u>9,842</u>	<u>9,832</u>

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

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NOTE 6 – TRADE RECEIVABLES AND PAYABLES (Continued)**Trade Payables**

	June 30, 2018	December 31, 2017
Short term trade payables		
Trade payables	588,920	561,589
Trade payables due to related parties (Note 3)	18,186	24,992
Other expense accruals	91,737	82,089
Other trade payables	1,893	1,305
	<u>700,736</u>	<u>669,975</u>

NOTE 7 – OTHER RECEIVABLES AND PAYABLES**Other Receivables**

	June 30, 2018	December 31, 2017
Other current receivables		
Receivables from tax office	17,657	9,684
Deposits given	3,185	2,773
Non-trading receivables due from related parties (Note 3)	12,372	9,164
Other miscellaneous receivables	1,938	2,059
	<u>35,152</u>	<u>23,680</u>

	June 30, 2018	December 31, 2017
Other non-current receivables		
Deposits given	1,183	1,434
	<u>1,183</u>	<u>1,434</u>

	June 30, 2018	December 31, 2017
Other current payables		
Other taxes and funds payable	9,201	10,694
Payables relating to business combinations	9,504	9,129
Non-trading payables due to related parties (Note 3)	1,763	1,408
Other miscellaneous payables	112	94
	<u>20,580</u>	<u>21,325</u>

	June 30, 2018	December 31, 2017
Other non-current payables		
Payables relating to business combinations	37,548	39,223
	<u>37,548</u>	<u>39,223</u>

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NOTE 8 – INVENTORIES

Inventories	June 30, 2018	December 31, 2017
Laboratory inventory	37,142	21,647
Medical consumables inventory	15,389	12,529
Pharmaceutical inventory	20,546	14,809
Other inventory	2,258	2,361
	<u>75,335</u>	<u>51,346</u>

NOTE 9 – PREPAID EXPENSES AND DEFERRED INCOME**Prepaid Expenses**

Short term prepaid expenses	June 30, 2018	December 31, 2017
Order advances	82,776	64,192
Prepaid insurance expenses	9,354	11,156
Prepaid rent expenses	11,739	9,758
Prepaid sponsorship expenses	855	406
Other	6,844	4,687
	<u>111,568</u>	<u>90,199</u>

Long term prepaid expenses	June 30, 2018	December 31, 2017
Fixed asset advances given	107,957	90,550
Prepaid rent expenses	39,414	39,870
Prepaid sponsorship expenses	1,213	2,559
Other	7,288	7,509
	<u>155,872</u>	<u>140,488</u>

Deferred Income

Short term accrued income	June 30, 2018	December 31, 2017
Advances received	82,081	31,119
Deferred revenue	4,583	2,522
	<u>86,664</u>	<u>33,641</u>

Long term accrued income	June 30, 2018	December 31, 2017
Deferred revenue	1,883	1,053
	<u>1,883</u>	<u>1,053</u>

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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NOTE 10 – PROPERTY, EQUIPMENT AND OTHER INTANGIBLE ASSETS

<u>Cost</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Vehicles</u>	<u>Furniture and fixture</u>	<u>Leased assets</u>	<u>Leasehold improvements</u>	<u>Construction in progress</u>	<u>Total</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	-	38,779	195	21,526	-	15,067	85,428	160,995
Disposals	(1,398)	(3,443)	-	(512)	(1,433)	-	-	(6,786)
Transfers	-	53,595	71	27,709	(31,249)	9,526	(59,472)	180
Closing balance as of June 30, 2018	1,213	493,930	1,834	221,624	484,385	446,512	151,886	1,801,384
<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 (*)	(22)	(29,742)	(61)	(13,636)	(28,640)	(14,664)	-	(86,765)
Disposals	68	183	-	6	160	-	-	417
Closing balance as of June 30, 2018	(93)	(257,303)	(1,629)	(113,913)	(391,342)	(216,927)	-	(981,207)
Carrying value as of June 30, 2018	1,120	236,627	205	107,711	93,043	229,585	151,886	820,177

(*) As of January 1 – June 30, 2018, depreciation and amortization expense of TL 87,857 (January 1 - June 30, 2017: TL 45,000) has been charged to 'cost of service', TL 2,201 (January 1 - June 31, 2017: TL 1,162) in 'operating expenses' and TL 21 (January 1 - June 30, 2017: None) in 'other income and expenses'.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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NOTE 12 – 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, 2017	2,611	311,431	1,639	123,964	544,748	373,203	73,683	1,431,279
Additions	-	47,511	109	27,444	25	33,068	47,707	155,864
Disposals	-	(228)	-	(145)	(335)	(365)	(4,987)	(6,060)
Transfers	-	22,543	-	6,647	(15,216)	5,747	(19,393)	328
Closing balance as of June 30, 2017	2,611	381,237	1,748	157,910	529,222	411,653	97,010	1,581,411
<u>Accumulated depreciation</u>								
Opening balance as of January 1, 2017	(95)	(174,291)	(1,639)	(80,411)	(302,124)	(171,296)	-	(729,856)
Charge for the year	(22)	(24,573)	(257)	(9,703)	(32,099)	(14,491)	-	(81,145)
Disposals	-	1	271	140	-	-	-	412
Closing balance as of June 30, 2017	(117)	(198,863)	(1,625)	(89,974)	(334,223)	(185,787)	-	(810,589)
Carrying value as of June 30, 2017	2,494	182,394	123	67,936	194,999	225,866	97,010	770,822

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

<u>Cost</u>	<u>Licenses</u>	<u>Rights</u>	<u>Other</u>	<u>Total</u>
Opening balance as of January 1, 2018	401,236	49,149	495	450,880
Additions	-	5,870	26	5,896
Transfers	-	(1,145)	965	(180)
Closing balance as of June 30, 2018	401,236	53,874	1,486	456,596
<u>Accumulated amortization</u>				
Opening balance as of January 1, 2018	-	(23,207)	(157)	(23,364)
Charge for the period	-	(3,245)	(69)	(3,314)
Closing balance as of June 30, 2018	-	(26,452)	(226)	(26,678)
Carrying value as of June 30, 2018	401,236	27,422	1,260	429,918
<u>Cost</u>	<u>Licenses</u>	<u>Rights</u>	<u>Other</u>	<u>Total</u>
Opening balance as of January 1, 2017	401,236	48,603	331	450,170
Additions	-	3,064	163	3,227
Transfers	-	(328)	-	(328)
Closing balance as of June 30, 2017	401,236	51,339	494	453,069
<u>Accumulated amortization</u>				
Opening balance as of January 1, 2017	-	(18,905)	(87)	(18,992)
Charge for the year	-	(2,521)	(28)	(2,549)
Closing balance as of June 30, 2017	-	(21,426)	(115)	(21,541)
Carrying value as of June 30, 2017	401,236	29,913	379	431,528

NOTE 11 – PAYABLES FOR EMPLOYEE BENEFITSPayables for employment benefits:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Fees payable to doctors and other personnel	66,953	62,620
Social security premiums payable	18,562	23,066
	<u>85,515</u>	<u>85,686</u>

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NOTE 11 – PAYABLES FOR EMPLOYEE BENEFITS (Continued)**Short term provision for employment benefits:**

	June 30, 2018	December 31, 2017
Unused vacation provision	11,366	9,628
	<u>11,366</u>	<u>9,628</u>

Long term provision for employment benefits:

	June 30, 2018	December 31, 2017
Unused vacation provision	2,545	1,663
Retirement pay provision	13,896	12,743
	<u>16,441</u>	<u>14,406</u>

NOTE 12 – OTHER ASSETS AND LIABILITIES

	June 30, 2018	December 31, 2017
<u>Other current assets</u>		
VAT carried forward	20,567	26,474
Other miscellaneous current assets	3,290	1,454
	<u>23,857</u>	<u>27,928</u>

NOTE 13 – PROVISIONS

	June 30, 2018	December 31, 2017
<u>Other short-term provisions</u>		
Litigation provisions	9,008	8,828
Social Security discounts provisions	4,891	5,922
	<u>13,899</u>	<u>14,750</u>

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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NOTE 14 – COMMITMENTS

June 30, 2018	Total	TL	USD	EUR
A. CPM given on behalf of its own legal entity				
-Collateral	54,434	49,003	1,191	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. CPM given on behalf of the subsidiaries included in full consolidation				
-Collateral (*)	65,485	42,187	5	4,384
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
C. CPM given for execution of ordinary commercial activities to collect third parties debt				
-Collateral	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total amount of other CPM given				
i. Total Amount of CPM on behalf of the main partner				
-Collateral	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
ii. Total amount of CPM given on behalf of other Company companies that do not cover B and C				
-Collateral	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
iii. Total amount of CPM on behalf of third parties that do not cover C.				
-Collateral	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
Total	119,919	91,190	1,196	4,384

(*) The Group has given guarantees amounting to TL 102,349 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 provide to courts and letters given to suppliers.

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NOTE 14 – COMMITMENTS (Continued)

December 31, 2017	Total	TL	USD	EUR
A. CPM given on behalf of its own legal entity				
-Collateral	39,749	35,219	1,201	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. CPM given on behalf of the subsidiaries included in full consolidation				
-Collateral (*)	61,572	41,757	5	4,384
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
C. CPM given for execution of ordinary commercial activities to collect third parties debt				
-Collateral	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
D. Total amount of other CPM given				
i. Total Amount of CPM on behalf of the main partner				
-Collateral	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
ii. Total amount of CPM given on behalf of other Company companies that do not cover B and C				
-Collateral	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
iii. Total amount of CPM on behalf of third parties that do not cover C.				
-Collateral	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
Total	101,321	76,976	1,206	4,384

(*) The Group has given guarantees amounting to TL 89,639 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 provide to courts and letters given to suppliers.

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NOTE 15 – SHARE CAPITAL / OTHER RESERVES

Shareholders	%	June 30, 2018	%	December 31, 2017
Lightyear Healthcare B.V.	30.69%	63,844	47.22%	83,324
Sancak İnşaat Turizm Nakliyat ve Dış Ticaret A.Ş.	15.35%	31,943	23.63%	41,691
Muharrem Usta	8.98%	18,678	13.81%	24,377
Hujori Financieringen B.V.	3.98%	8,287	6.13%	10,815
Adem Elbaşı	2.99%	6,226	4.60%	8,125
İzzet Usta	1.20%	2,490	1.84%	3,250
Saliha Usta	0.90%	1,868	1.38%	2,438
Nurgül Dürüstkan Elbaşı	0.90%	1,868	1.38%	2,438
Publicly Traded (*)	35.01%	72,833	-	-
Nominal capital	100.00%	208,037	100.00%	176,458

(*) 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.

As of June 30, 2018 the total number of ordinary shares is 208,037 thousand shares (2017: 176,458 thousand shares) with a par value of TL 1 per share (2017: TL 1 per share).

The share capital is divided into 208,037 thousand shares (December 31, 2017: 176,458 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 32.68% of the shares are in circulation in accordance with CSD as of June 30, 2018 (Note 1). Shares in circulation rate is 32.68% as of July 1, 2018.

Share premiums

On February 7, 2018, the Group launched initial public offering ("IPO") of 72,834 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 12,559 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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NOTE 15 – SHARE CAPITAL / OTHER RESERVES (Continued)**Reserves:**

	June 30, 2018	December 31, 2017
Legal reserves	302	302
Restricted reserves appropriated from profit	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 16 – REVENUE AND COST OF SERVICES

Revenue	January 1- June 30, 2018	April 1- June 30, 2018	January 1- June 30, 2017	April 1- June 30, 2017
Hospital services (*)	1,469,714	720,407	1,248,192	614,374
	<u>1,469,714</u>	<u>720,407</u>	<u>1,248,192</u>	<u>614,374</u>

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

Cost of services	January 1- June 30, 2018	April 1- June 30, 2018	January 1- June 30, 2017	April 1- June 30, 2017
Material consumption	(328,145)	(164,739)	(292,324)	(143,662)
Doctor expenses	(333,980)	(166,977)	(282,306)	(142,071)
Personnel expenses	(225,705)	(111,703)	(194,731)	(93,564)
Rent expenses (hospitals)	(109,665)	(57,901)	(89,491)	(44,696)
Depreciation and amortization expenses (Note 10)	(87,857)	(45,000)	(82,565)	(41,945)
Services rendered by third parties	(64,917)	(32,276)	(49,260)	(24,258)
Other (*)	(80,396)	(40,798)	(64,680)	(31,640)
	<u>(1,230,665)</u>	<u>(619,394)</u>	<u>(1,055,357)</u>	<u>(521,836)</u>

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

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NOTE 17 – OPERATING EXPENSES

General administrative and marketing expenses	January 1- June 30, 2018	April 1- June 30, 2018	January 1- June 30, 2017	April 1- June 30, 2017
Personnel expenses	(51,852)	(25,908)	(38,608)	(19,226)
Sponsorship and advertising expenses (*)	(39,840)	(21,388)	(18,468)	(9,783)
Bad debt allowance	(1,801)	(292)	(2,137)	(129)
Rent expenses	(3,648)	(1,900)	(3,035)	(1,536)
Outsourcing expenses	(4,596)	(3,159)	(2,449)	(1,241)
Depreciation and amortization expenses (Note 10)	(2,201)	(1,162)	(1,129)	(513)
Taxes and duties	(2,099)	(1,196)	(1,300)	(700)
Representation and entertainment expenses	(1,626)	(810)	(2,830)	(1,416)
Maintenance expenses	(1,492)	(714)	(1,112)	(545)
Utility expenses	(784)	(412)	(1,122)	(556)
Lawsuit provision	(180)	64	(1,956)	(1,281)
Communication expenses	(467)	(277)	(262)	(128)
Other	(12,563)	(6,302)	(8,590)	(3,273)
	<u>(123,149)</u>	<u>(63,456)</u>	<u>(82,998)</u>	<u>(40,327)</u>

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

NOTE 18 – FINANCE EXPENSES

Finance expenses (-)	January 1- June 30, 2018	April 1- June 30, 2018	January 1- June 31, 2017	April 1- June 31, 2017
Interest expenses from bank borrowings	(53,566)	(11,191)	(37,245)	(15,242)
Interest expenses from financial lease obligations	(15,157)	(7,458)	(19,203)	(9,970)
Interest expenses from bonds issued	(14,038)	(6,205)	(14,456)	(5,972)
Bank commissions	(11,613)	(5,008)	(8,847)	(4,497)
Other interest expenses	(6,593)	(3,567)	(11,309)	(8,317)
Total interest expenses	<u>(100,967)</u>	<u>(33,429)</u>	<u>(91,060)</u>	<u>(43,998)</u>
Net foreign exchange loss	(110,040)	(50,304)	(51,190)	(17,802)
	<u>(211,007)</u>	<u>(83,733)</u>	<u>(142,250)</u>	<u>(61,800)</u>

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Amounts expressed in thousands Turkish Lira ("TL") unless otherwise stated.)

NOTE 19 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)

	June 30, 2018	December 31, 2017		
Short term payables due to current tax				
Current period tax liabilities	5,122	3,595		
	<u>5,122</u>	<u>3,595</u>		
	June 30, 2018	December 31, 2017		
Current tax liabilities				
Current corporate tax provision	7,347	11,573		
Less: Prepaid taxes and funds	(2,225)	(7,978)		
	<u>5,122</u>	<u>3,595</u>		
	January 1- June 30,2018	April 1- June 30,2018	January 1- June 30,2017	April 1- June 30,2017
Tax (expense) / income				
Current tax expense	(7,347)	(4,485)	(2,374)	(52)
Deferred tax income	53,365	18,088	10,385	(437)
	<u>46,018</u>	<u>13,603</u>	<u>8,011</u>	<u>(489)</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 2018 (2017: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2018 is 22% (2017: 20%). 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.

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 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.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JANUARY 1 - JUNE 30, 2018

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

NOTE 19 - 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 (2017: 20%).

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 114,331 (December 31, 2017: TL 70,783). 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 6,360 will be netted off against personnel expenses over the period of 2018-2020.

As of June 30, 2018, the Group has tax loss amounting to TL 463,984 (December 31, 2017: TL 388,511). TL 95,217 (December 31, 2017: TL 80,190) deferred tax assets have been recorded concerning this loss.

Deferred tax assets / (liabilities):	June 30, 2018	December 31, 2017
Tax losses carried forward	95,217	80,190
Depreciation / amortization differences of tangible and intangible assets	(125,352)	(119,498)
Provision for employment termination benefits	2,779	2,549
Vacation pay liability	3,060	2,484
Temporary difference between the tax base and carrying amount of financial liabilities	690	1,552
Prepaid building expenses	(4,946)	(3,853)
Tax advantage from investment incentive	114,331	70,783
Other	41,289	38,974
	<u>127,068</u>	<u>73,181</u>
Deferred tax asset	257,366	197,317
Deferred tax liability	<u>(130,298)</u>	<u>(124,136)</u>
	<u>127,068</u>	<u>73,181</u>

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NOTE 19 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

Deferred Tax (Continued)

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

Expiration schedule of carryforward tax losses	June 30, 2018	
	Losses carried forward for which deferred tax assets recognized	Losses carried forward for which deferred tax assets not recognized
Expiring in 2019	55,897	-
Expiring in 2020	65,099	-
Expiring in 2021	67,248	-
Expiring in 2022	152,551	-
Expiring in 2023	123,189	-
	<u>463,984</u>	<u>-</u>

Expiration schedule of carryforward tax losses	December 31, 2017	
	Losses carried forward for which deferred tax assets recognized	Losses carried forward for which deferred tax assets not recognized
Expiring in 2018	30,256	-
Expiring in 2019	26,733	-
Expiring in 2020	67,394	-
Expiring in 2021	92,498	-
Expiring in 2022	171,630	-
	<u>388,511</u>	<u>-</u>

Movement of deferred tax (assets)/liabilities for the period ended June 30, 2018 and year ended June 30, 2017 are as follows:

Movement of deferred tax asset / (liabilities):	January 1- June 30,2018	January 1- June 30,2017
Opening balance as at January 1	(73,181)	(22,356)
Charged to profit or loss	(53,365)	(10,385)
Charged to equity	(522)	286
Closing balance as at year end	<u>(127,068)</u>	<u>(32,455)</u>

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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(Amounts expressed in thousands Turkish Lira ("TL") unless otherwise stated.)

NOTE 19 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

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

Reconciliation of tax provision:	January 1- June 30, 2018	January 1- June 30, 2017
Loss before tax	(54,147)	(28,095)
Tax at the domestic income tax rate of 22% (2017: 20%)	11,912	5,619
Tax effects of:		
- expenses that are not deductible in determining taxable profit	(9,021)	(10,631)
- effect of tax advantage from investment incentive	43,548	14,160
- tax losses carried forward not subject to deferred tax	(5,833)	(1,363)
- change in income tax rate from 20% to 22%	3,645	-
- other	1,707	(77)
- other deduction	60	303
Income tax income recognized in profit or loss	46,018	8,011

NOTE 20 – EARNINGS PER SHARE

For the period ended June 30, 2018 and the year ended December 31, 2017 earnings per share is as follows:

Gain / (loss) per share	January 1- June 30, 2018	April 1- June 30, 2018	January 1- June 30, 2017	April 1- June 30, 2017
Weighted average number of shares	204,328	200,619	176,458	176,458
Net loss for the period for the equity holders of the parent	(22,995)	(15,190)	(16,649)	(4,874)
Loss per share	(0.11)	(0.08)	(0.09)	(0.03)

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JANUARY 1 - JUNE 30, 2018

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

NOTE 21 – 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:

	June 30, 2018			
	TL Equivalent (Functional currency)	USD	EUR	GBP
1. Trade receivables	147,391	31,831	418	-
2a. Monetary financial assets	239,897	2,482	43,043	9
2b. Non monetary financial assets	56,126	4,372	6,807	1
3. Other	566	94	40	-
4. CURRENT ASSETS	443,980	38,779	50,308	10
6b. Non monetary financial assets	47,764	10,360	97	-
7. Other	216	38	8	-
8. NON CURRENT ASSETS	47,980	10,398	105	-
9. TOTAL ASSETS	491,960	49,177	50,413	10
10. Trade payables	(51,386)	(5,537)	(4,920)	(2)
11a. Financial liabilities (loans)	(72,534)	-	(13,662)	-
11b. Financial liabilities (leasing)	(68,044)	(2,265)	(10,870)	-
12a. Other monetary liabilities	(39,079)	(5,913)	(2,234)	(42)
13. CURRENT LIABILITIES	(231,043)	(13,715)	(31,686)	(44)
15a. Financial liabilities (loans)	(360,589)	-	(67,918)	-
15b. Financial liabilities (leasing)	(169,015)	(4,324)	(28,120)	-
16b. Other non monetary liabilities	-	-	-	-
17. NON CURRENT LIABILITIES	(529,604)	(4,324)	(96,038)	-
18. TOTAL LIABILITIES	(760,647)	(18,039)	(127,724)	(44)
19. Net assets / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-
19.a Off balance sheet foreign currency derivative assets	-	-	-	-
19.b Off balance sheet foreign currency derivative liabilities	-	-	-	-
20. Net foreign currency asset liability position (9-18+19)	(268,687)	31,138	(77,311)	(34)

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JANUARY 1 - JUNE 30, 2018

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

NOTE 21 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Financial Risk Factors (Continued)

Foreign currency risk management (Continued)

Foreign currency risk (Continued)

	December 31, 2017			
	TL Equivalent (Functional currency)	USD	EUR	GBP
1. Trade receivables	117,511	31,152	2	-
2.a Monetary financial assets	37,441	8,300	1,329	25
2.b Non monetary financial assets	120,557	16,136	13,218	-
3. Other	456	75	38	-
4. CURRENT ASSETS	275,965	55,663	14,587	25
6.b. Non monetary financial assets	44,261	11,734	-	-
7. Other	3,805	1,005	3	-
8. NON CURRENT ASSETS	48,066	12,739	3	-
9. TOTAL ASSETS	324,031	68,402	14,590	25
10. Trade payables	(44,055)	(6,737)	(4,129)	-
11a. Financial liabilities (loans)	(91,213)	-	(20,200)	-
11b. Financial liabilities (leasing)	(60,978)	(2,459)	(11,450)	-
12.a Other monetary liabilities	(39,023)	(5,047)	(4,425)	-
13. CURRENT LIABILITIES	(235,269)	(14,243)	(40,204)	-
15a. Financial liabilities (loans)	(637,718)	-	(141,229)	-
15b. Financial liabilities (leasing)	(170,125)	(5,470)	(33,106)	-
16.b Other non monetary liabilities	-	-	-	-
17. NON CURRENT LIABILITIES	(807,843)	(5,470)	(174,335)	-
18. TOTAL LIABILITIES	(1,043,112)	(19,713)	(214,539)	-
19. Net assets / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-
19.a Off balance sheet foreign currency derivative assets	-	-	-	-
19.b Off balance sheet foreign currency derivative liabilities	-	-	-	-
20. Net foreign currency asset liability position (9-18+19)	(719,081)	48,689	(199,949)	25

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JANUARY 1 - JUNE 30, 2018

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

NOTE 21 –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.

		June 30, 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		28,402	(28,402)
2- Portion hedged against USD risk (-)		-	-
3- USD net effect (1+2)		28,402	(28,402)
In the case of EUR gaining 20% value against TL			
4 -EUR net asset / liability		(82,092)	82,092
5 Portion hedged against EUR risk (-)		-	-
6- EUR net effect (4+5)		(82,092)	82,092
TOTAL (3+6)		(53,690)	53,690
		December 31, 2017	
		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		36,730	(36,730)
2- Portion hedged against USD risk (-)		-	-
3- USD net effect (1+2)		36,730	(36,730)
In the case of EUR gaining 20% value against TL			
4 -EUR net asset / liability		(180,574)	180,574
5 Portion hedged against EUR risk (-)		-	-
6- EUR net effect (4+5)		(180,574)	180,574
TOTAL (3+6)		(143,844)	143,844

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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NOTE 22 - EVENTS AFTER THE REPORTING PERIOD

As of July 2018, the Group has hedged all principal and interest payments of the euro-denominated loans for the 2018-2020 period amounting to EUR 35.000.000 of the total EUR 98.700.000 of total debt service for the 2018-2024 period using a cross currency swap transaction. The total hedged portion is 36% of the total euro-denominated loan related debt service.

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 June 30, 2018 and June 30, 2017 are as follow:

EBITDA CALCULATION	June 30, 2018	June 30, 2017
i. Net loss before tax	(54,147)	(28,095)
ii. Depreciation and amortization of tangible and intangible fixed assets including non-cash provisions related to assets such as goodwill	90,079	83,694
iii. Total net finance expenses, net of interest income	89,340	87,685
iv. Fx gains / losses, net under finance expenses	110,040	51,190
v. Extraordinary (income)/ expenses	10,975	6,729
vi. Rediscount income/expense (net imputed interest)	(2,822)	(2,490)
vii. Legal case provision expenditures which are reflected to financial statements by the general accounting principles	180	1,956
viii. Unused vacation pay provision expenses which are reflected to financial statements by the general accounting principles	2,620	2,080
viii. Retirement pay provision expenses which are reflected to financial statements by the general accounting principles	2,346	4,574
x. Doubtful receivables provision expenses which are reflected to financial statements by the general accounting principles (Note 6)	1,216	2,051
xi. Non cash sale and lease back expenses which are reflected to financial statements by the general accounting principles (Note 3)	394	394
xii. (Income)/ expenses from investment operations	(165)	(341)
EBITDA	250,056	209,427