

**(CONVENIENCE TRANSLATION OF THE FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR’S REPORTS ORIGINALLY ISSUED IN TURKISH)**

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

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
AND INDEPENDENT AUDITOR’S REPORT**

**(CONVENIENCE TRANSLATION OF  
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

**INDEPENDENT AUDITOR'S REPORT**

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

**A) Report on the Audit of the Consolidated Financial Statements**

**1) Opinion**

We have audited the consolidated financial statements of MLP Sağlık Hizmetleri A.Ş. ("the Company") and its subsidiaries (all together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS"s).

**2) Basis for Opinion**

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**3) Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
<p><b>Revenue recognition</b></p> <p>The Group's main source of revenue is hospital services income. The measurement of revenue from the hospital services and recognition to correct period are determined in accordance with the protocol opened at patient admission process for each patient and invoices are issued over the accounting system.</p> <p>In addition, income relating to patient treatments which are partially completed but not invoiced at financial reporting date is accounted as income accruals.</p> <p>Since there may be a risk of misstatement possibility in recognition of revenue in respect of correct amount and correct period, this matter is considered as key audit matter.</p> <p>Explanations regarding accounting policies related to revenue and the amounts are disclosed in Note 2.5 and Note 19.</p>	<p>The following procedures were performed during the audit.</p> <p>The design and implementation of relevant controls defined by the Management in the revenue cycle are evaluated.</p> <p>The reconciliation between the service revenue data extracted from accounting system and the consolidated financial statements is controlled and the completeness and accuracy of this data is tested. Substantive procedures have been applied for the samples selected by sampling method from the data determined as the population. Such substantive procedures include examination of invoices and collections and timing of the revenue recognized regarding selected samples.</p> <p>In addition, samples are selected from the service revenue recognized subsequent to reporting period and tested whether revenue is recognized in the correct period.</p> <p>As per these procedures, for the Social Security Institution ("SSI") revenue, the screen shots of Medula, a SSI central program, were taken and the completeness and accuracy of service revenue, which are checked and approved by SSI, are evaluated.</p> <p>The details for revenue from the records related to the service revenues that have been accrued as of the date of the consolidated financial statement have been obtained and the accuracy of the data has been tested and the reconciliation with the consolidated financial statement has been evaluated. Patient records have been compared with the samples selected from the relevant data and the examination of completeness and accuracy of the amount recorded as revenue recognized in the correct period is evaluated.</p> <p>In addition, the adequacy of disclosures in Note 19 Revenue is evaluated in accordance with TFRS.</p>

Key Audit Matter	How the matter was addressed in the audit
<p><b>Assessment of impairment</b></p> <p>The Group has TL 401,236 thousand hospital licences and TL 40,217 thousand goodwill presented under intangible assets, respectively in the consolidated financial statements.</p> <p>Since the assessment of impairment contains number significant judgments and there may be a risk of misstatement possibility in calculation of impairment in respect of these intangible assets, this matter is considered as key audit matter.</p> <p>The value of Group's hospital licenses and goodwill is supported via value-in-use calculations based on the future cash flow forecasts.</p> <p>Explanations regarding accounting policies related to revenue and the amounts are disclosed in Note 2.5, Note 12 and Note 13.</p>	<p>The audit procedures regarding the impairment analysis performed by the Group Management is explained below.</p> <p>The reasonableness of the Group Management's assessment regarding any impairment indicator in these assets are evaluated.</p> <p>The assumptions and estimations used by Management in the determination of recoverable amounts of hospital licences and goodwill are evaluated by us. This evaluation includes review of basic curves, analysis of hospital revenue and costs and review of hospital capital expenditure estimations. Factors that have a significant impact on cash flow projections including service volumes and costs, service costs, operational and growth rates, operating capital and investment expenditures have been analyzed.</p> <p>In addition, the adequacy of disclosures in Note 12 Tangible and Other Intangible Assets and Note 13 Goodwill is evaluated in accordance with TFRS.</p>

#### 4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### 5) Other Information

Management is responsible for the other information, which is presented in Appendix 1. The other information comprises non-TFRS measures.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## 6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the standards on auditing issued by Capital Markets Board and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **B) Report on Other Legal and Regulatory Requirements**

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 7 March 2019.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January-31 December 2018 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Volkan Becerik.

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

Volkan Becerik  
Partner

İstanbul, 7 March 2019

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**MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES****AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2018**

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

	<b>Notes References</b>	<b>Current Period December 31, 2018</b>	<b>Prior Period December 31, 2017</b>
<b>ASSETS</b>			
<b>Current Assets</b>		<b>1,478,593</b>	<b>1,161,175</b>
Cash and cash equivalents	6	223,318	217,846
Trade receivables	8	898,593	750,176
Due from related parties	5	3,037	15,183
Trade receivables from third parties		895,556	734,993
Other receivables	9	72,128	23,680
Due from related parties	5	50,114	9,164
Other receivables from third parties		22,014	14,516
Derivative financial instruments	28	1,479	-
Inventories	10	80,201	51,346
Prepaid expenses	11	167,186	90,199
Other current assets	15	35,688	27,928
<b>Non-current assets</b>		<b>1,760,284</b>	<b>1,560,161</b>
Trade receivables		1,053	1,053
Other receivables	9	1,150	1,434
Property and equipment	12	836,758	752,136
Intangible assets		468,131	467,733
Goodwill	13	40,217	40,217
Other intangible assets	12	427,914	427,516
Prepaid expenses	11	170,788	140,488
Deferred tax assets	24	282,404	197,317
<b>TOTAL ASSETS</b>		<b>3,238,877</b>	<b>2,721,336</b>

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



# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

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

	Notes References	Current Period December 31, 2018	Prior Period December 31, 2017
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>		<b>1,508,830</b>	<b>1,261,424</b>
Short term borrowings	7	125,195	62,945
Short term portion of long term borrowings	7	241,677	268,391
Obligations under finance leases	7	88,407	91,488
Trade payables	8	807,681	669,975
Due to related parties	5	33,024	24,992
Trade payables to third parties		774,657	644,983
Payables related to employee benefits	14	77,578	85,686
Other payables	9	22,355	21,325
Due to related parties	5	819	1,408
Other payables to third parties		21,536	19,917
Deferred revenues	11	63,335	33,641
Short term provisions		28,756	24,378
Short term provisions for employment benefits	14	11,752	9,628
Other short term provisions	16	17,004	14,750
Derivative financial instruments	28	48,853	-
Current tax liabilities	24	4,993	3,595
<b>Non-current liabilities</b>		<b>1,154,356</b>	<b>1,355,242</b>
Long term borrowings	7	768,774	951,992
Obligations under finance leases	7	194,838	224,432
Other payables		35,698	39,223
Other payables to third parties	9	35,698	39,223
Deferred income	11	4,702	1,053
Long term provisions		14,609	14,406
Long term provisions for employee benefits	14	14,609	14,406
Deferred tax liabilities	24	135,735	124,136
<b>EQUITY</b>		<b>575,691</b>	<b>104,670</b>
<b>Equity attributable to the Owner of the Company</b>		<b>474,420</b>	<b>16,298</b>
Share capital	18	208,037	176,458
Share premium	18	556,162	-
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		28,546	30,514
Revaluation reserve	18	39,752	39,752
Accumulated gain/(loss) on remeasurement of defined benefit plans		(11,206)	(9,238)
Restricted reserves	18	10,260	10,260
Accumulated deficit	18	(200,934)	(78,162)
Net loss for the period	18	(127,651)	(122,772)
<b>Non-controlling interest</b>		<b>101,271</b>	<b>88,372</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,238,877</b>	<b>2,721,336</b>

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1- DECEMBER 31, 2018

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

		Current Period January 1- December 31, 2018	Prior Period January 1- December 31, 2017
PROFIT OR LOSS	Notes References		
Revenue	19	3,131,559	2,576,076
Cost of sales (-)	19	(2,644,048)	(2,170,589)
<b>GROSS PROFIT / (LOSS)</b>		<b>487,511</b>	<b>405,487</b>
General administration expenses (-)	20	(271,030)	(215,148)
Other income from operating activities	21	598,901	380,080
Other expenses from operating activities (-)	21	(515,112)	(357,681)
<b>OPERATING PROFIT</b>		<b>300,270</b>	<b>212,738</b>
Income from investing activities	22	1,612	1,000
Expense from investing activities (-)	22	(427)	(1,194)
<b>OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSE)</b>		<b>301,455</b>	<b>212,544</b>
Finance expenses (-)	23	(463,853)	(383,294)
<b>NET LOSS BEFORE TAX</b>		<b>(162,398)</b>	<b>(170,750)</b>
<b>Tax income from operations</b>		<b>58,718</b>	<b>37,968</b>
Current tax expense	24	(14,278)	(11,573)
Deferred tax income	24	72,996	49,541
<b>NET LOSS</b>		<b>(103,680)</b>	<b>(132,782)</b>
<b>Allocation of net loss</b>			
Non-controlling interest		23,971	(10,010)
Equity holders of the parent		(127,651)	(122,772)
		<b>(103,680)</b>	<b>(132,782)</b>
<b>Basic earnings per share</b>	25	(0.62)	(0.70)
<b>OTHER COMPREHENSIVE LOSS</b>		<b>(1,968)</b>	<b>(5,135)</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurement of defined benefit plans	14, 24	(2,460)	(6,419)
Income tax relating to items that will not be reclassified subsequently	24	492	1,284
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(105,648)</b>	<b>(137,917)</b>
<b>Total comprehensive loss distribution:</b>			
Non-controlling interest		23,971	(10,010)
Equity holders of the Parent		(129,619)	(127,907)
		<b>(105,648)</b>	<b>(137,917)</b>

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1 – DECEMBER 31, 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		Attributable to equity holders of the Parent	Non-controlling interest	Total
	Share capital	Share premium	Property revaluation reserve	Accumulated loss on remeasurement of defined benefit plans	Restricted reserves	Accumulated deficit	Net profit / (loss) for the period			
<b>Balance as at January 1, 2017</b>	<b>176,458</b>	<b>237,924</b>	<b>39,752</b>	<b>(4,103)</b>	<b>302</b>	<b>(230,724)</b>	<b>(44,523)</b>	<b>175,086</b>	<b>90,153</b>	<b>265,239</b>
<b>Changes in 2017:</b>										
Other comprehensive income / (loss), net off tax (Note 24)	-	-	-	(5,135)	-	-	-	(5,135)	-	(5,135)
Loss for the period	-	-	-	-	-	-	(122,772)	(122,772)	(10,010)	(132,782)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,135)</b>	<b>-</b>	<b>-</b>	<b>(122,772)</b>	<b>(127,907)</b>	<b>(10,010)</b>	<b>(137,917)</b>
Transfers	-	(237,924)	-	-	-	193,401	44,523	-	-	-
Exemption from gain on fixed assets (Note 18)	-	-	-	-	9,958	(9,958)	-	-	-	-
Transactions with non-controlling interest holders (Note 4)	-	-	-	-	-	(30,881)	-	(30,881)	8,229	(22,652)
<b>Balance as at December 31, 2017</b>	<b>176,458</b>	<b>-</b>	<b>39,752</b>	<b>(9,238)</b>	<b>10,260</b>	<b>(78,162)</b>	<b>(122,772)</b>	<b>16,298</b>	<b>88,372</b>	<b>104,670</b>
<b>Balance as at January 1, 2018</b>	<b>176,458</b>	<b>-</b>	<b>39,752</b>	<b>(9,238)</b>	<b>10,260</b>	<b>(78,162)</b>	<b>(122,772)</b>	<b>16,298</b>	<b>88,372</b>	<b>104,670</b>
<b>Changes in 2018:</b>										
Other comprehensive income / (loss), net off tax (Note 24)	-	-	-	(1,968)	-	-	-	(1,968)	-	(1,968)
Loss for the period	-	-	-	-	-	-	(127,651)	(127,651)	23,971	(103,680)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,968)</b>	<b>-</b>	<b>-</b>	<b>(127,651)</b>	<b>(129,619)</b>	<b>23,971</b>	<b>(105,648)</b>
Transfers	-	-	-	-	-	(122,772)	122,772	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(11,072)	(11,072)
Capital increase (Note 18)	31,579	-	-	-	-	-	-	31,579	-	31,579
Increase of the share premium (Note 18)	-	556,162	-	-	-	-	-	556,162	-	556,162
<b>Balance as at December 31, 2018</b>	<b>208,037</b>	<b>556,162</b>	<b>39,752</b>	<b>(11,206)</b>	<b>10,260</b>	<b>(200,934)</b>	<b>(127,651)</b>	<b>474,420</b>	<b>101,271</b>	<b>575,691</b>

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2018

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

	Notes References	Current Period January 1- December 31, 2018	Prior Period January 1- December 31, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>331,591</b>	<b>535,707</b>
Net profit / (loss) for the period		(103,680)	(132,782)
<b>Profit (loss) from continuing operations</b>		<b>588,787</b>	<b>533,168</b>
Adjustments related to depreciation and amortization expenses	12	191,680	175,100
Adjustments related to impairment (reversal)		3,790	10,831
Adjustments related to impairment (reversals of) receivables	8	3,790	10,831
Adjustments related to provisions		15,044	11,378
Adjustments related to (reversals of) provision for employment benefits	14	7,327	6,939
Adjustments related to lawsuit (reversal) of provision for lawsuit	16	7,717	4,439
Adjustments related to interest (income) expense		197,489	205,867
Adjustments related to interest income	21	(21,008)	(9,232)
Adjustments related to interest expense	7-23	218,497	215,099
Adjustments related to gain (loss) on fair value		47,374	-
Loss (gain) arising on derivatives	23	47,374	-
Adjustments related to tax (income) expense	24	(58,718)	(37,968)
Other adjustments related to non-cash items		191,926	167,766
Adjustments regarding to (gain) loss on sale of non-current assets		(1,185)	194
Adjustments regarding to (gain) loss on sale of tangible assets	22	(1,185)	194
Adjustments related to (gain) loss from the disposal of subsidiaries or joint operations (**)	12	1,387	-
<b>Changes in working capital</b>		<b>(127,264)</b>	<b>152,895</b>
Adjustments related to (increase) decrease in trade receivables		(199,472)	(35,306)
Adjustments related to (increase) decrease in inventories		(28,856)	(6,288)
Adjustments related to increase (decrease) in trade payables		156,088	200,829
Adjustments related to increase (decrease) in other payables from operations		22,287	(6,740)
Adjustments related to other increase (decrease) in working capital		(77,311)	400
Adjustments related to increase (decrease) in other payables from other asset		(77,311)	400
<b>Cash generated from operations</b>		<b>357,843</b>	<b>553,281</b>
Payments due to employee termination benefits	14	(7,460)	(6,435)
Tax paid	24	(12,880)	(9,125)
Payments for other provisions	16	(5,011)	(1,365)
Other cash inflows (outflows)	8	(901)	(649)

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD JANUARY 1 - DECEMBER 31, 2018

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

	Notes References	Current Period January 1- December 31, 2018	Prior Period January 1- December 31, 2017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(305,952)</b>	<b>(270,788)</b>
Cash out flow for acquisition or capital increase of subsidiaries or joint ventures		(11,938)	(10,405)
Proceeds from sales of property, plant, equipment and intangible assets		4,914	14,154
Proceeds from sales of property, plant, equipment	12	4,914	14,154
Payment for purchase of property, plant and equipment and intangible assets		(281,816)	(236,499)
Payment for purchase of property, plant and equipment	12	(273,456)	(229,128)
Payment for purchase of intangible assets	12	(8,360)	(7,371)
Cash advances and debts given	11	(38,157)	(47,270)
Interest received		21,008	9,232
Other cash inflows (outflows)		37	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(20,167)</b>	<b>(157,751)</b>
Cash proceeds from issuing shares and other equity instruments		587,741	-
Proceeds on issue of equity shares (*)	18	587,741	-
Proceeds from bank loans	7	474,300	406,270
Proceeds from borrowings		405,040	366,531
Proceeds from bonds, net of commissions		69,260	39,739
Bank borrowings paid	7	(745,710)	(304,945)
Cash used for repayment of borrowings		(665,710)	(124,945)
Cash used for repayment of bonds		(80,000)	(180,000)
Repayment of obligations under finance leases	7	(107,507)	(43,417)
Interest paid	7	(217,919)	(211,841)
Dividend paid		(11,072)	-
Other cash inflows (outflows)	4	-	(3,818)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>5,472</b>	<b>107,168</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>6</b>	<b>217,846</b>	<b>110,678</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>6</b>	<b>223,318</b>	<b>217,846</b>

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

(\*\*) Allied Sigorta Aracılık Hizmetleri A.Ş., a subsidiary of the Group, has been liquidated as of November 6, 2018. Assets related to liquidation are shown in Note 12.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 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 December 31, 2018, MLP is the holding company of 18 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 33.46% as of December 31, 2018, of MLP Sağlık are accepted as “in circulation”. As of January 1, 2019, this ratio is 33.46% (Note 18).

As of December 31, 2018, total personnel number under payroll of the Group is 12,382 (December 31, 2017: 12,785).

#### Approval of financial statements

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

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

As of December 31, 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 Medical Tıp Merkezi Ltd. Şti. (“Samsun Tıp Merkezi”)	Samsun
Kuzey Medical Pazarlama İnşaat Ltd. Şti. (“Kuzey”)	Ankara
Artimed Medical Sanayi ve Ticaret Ltd. Şti. (“Artimed”)	Ankara
MS Sağlık Hizmetleri Ltd. Şti. (“MS Sağlık”)	Ankara
Mediplaza Sağlık Hizmetleri Ticaret A.Ş. (“Mediplaza”)	Gebze-İzmit
21. Yüzyıl Anadolu Vakfı (“21.Yüzyıl Anadolu Vakfı”)	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 Taahhüt San. ve Tic. Ltd. Şti. İş Ortaklığı (“Kuzey Hastaneler Birliği” or “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 Basis of Presentation

###### Statement of Compliance in Turkish Financial Reporting Standards

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards and interpretations (“TAS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

The financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013 about the “illustrations of financial statements and application guidance”.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

###### 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.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

#### 2.1 Basis of Presentation (Continued)

##### Inflation accounting

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

##### Restatement and errors in the accounting policies and estimates

The Group’s consolidated financial statements have been prepared in comparison with the previous period in order to give accurate trend analysis regarding the financial position and performance. 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 not reclassified certain comparative balances in order to conform to current year’s presentation in the consolidated financial statements.

##### Basis of Consolidation

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

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

- 1) Represents voting power held.
- 2) On November 6, 2018, the entity has been liquidated.
- 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 TFRS 10 as the Company achieved the control by having power and the ability to use its power on the future benefit and cost of the foundation. In addition, the Company has rights to the financial and operating policies of the university from its involvement with the investee.
- 4) The Company made a liquidation decision on December 25, 2017.



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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

##### 2.1 Basis of Presentation (Continued)

###### Basis of Consolidation (Continued)

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

- has power over the investee ;
- is exposed, or has rights, to variable returns from its involvement with the investee; and ;
- has the ability to use its power to affect its returns.

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

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

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

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

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

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

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

###### Changes in the Group’s ownership interests in existing subsidiaries

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

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

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

##### **2.1 Basis of Presentation (Continued)**

###### Basis of Consolidation (Continued)

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

##### **2.2 Changes in Accounting Policies**

Significant changes made in accounting policies are applied retrospectively and prior year financial statements are restated. In the current period, the Group has no changes in its accounting policies other than the change disclosed in Note 2.1.

##### **2.3 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.

##### **2.4 Adoption of New and Revised Financial Reporting Standards**

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 31 December 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2018 summarized below.

Effects of these standards and interpretations on the Group’s financial position and performance summarized in following paragraphs;

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

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

##### **The new standards, amendments and interpretations which are effective as at 2018**

##### **TFRS 9 Financial Instruments**

###### **(a) Classification and measurement of financial assets**

In the current year, the Group has applied TFRS 9 Financial Instruments (2017 version) and the related consequential amendments to other TFRS Standards that are effective for an annual period that begins on or after 1 January 2018.

TFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Details of these new requirements as well as their impact on the Group’s consolidated financial statements are described below.

The Group has applied TFRS 9 in accordance with the transition provisions set out in TFRS 9.

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of TFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of TFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

All recognised financial assets that are within the scope of TFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- debt instruments 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 amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

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

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

##### **2.4 Adoption of New and Revised Financial Reporting Standards (Continued)**

##### **The new standards, amendments and interpretations which are effective as at 2018 (Continued)**

##### **TFRS 9 Financial Instruments (Continued)**

##### **(a) Classification and measurement of financial assets (Continued)**

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at FVTOCI 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. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

The directors of the Company reviewed and assessed the Group’s existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of TFRS 9 has had the following impact on the Group’s financial assets as regards their classification and measurement.

Group classifies its financial assets in three categories of financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. The classification of financial assets is determined considering the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

“Financial assets measured at amortised cost”, are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group’s financial assets measured at amortised cost comprise “cash and cash equivalents”, “trade receivables” and “receivables from finance sector operations”. Financial assets carried at amortised cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortised cost are accounted for under the consolidated statement of income.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

#### 2.4 Adoption of New and Revised Financial Reporting Standards (Continued)

The new standards, amendments and interpretations which are effective as at 2018 (Continued)

#### TFRS 9 Financial Instruments (Continued)

##### (a) Classification and measurement of financial assets (Continued)

“Financial assets measured at fair value through other comprehensive income”, are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and 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. Gains or losses 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 to retained earning.

“Financial assets measured at fair value through profit or loss”, are assets that are not measured at amortised cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.

Changes regarding the classification of financial assets in terms of TFRS 9 are summarised below.

Financial Assets	Previous Classification According to TAS 39	New Classification According to TFRS 9
Cash and cash equivalents	Borrowings and receivables	Amortised cost
Trade receivables	Borrowings and receivables	Amortised cost
Other financial assets	Borrowings and receivables	Amortised cost
Financial investments	Financial assets held for sale	Fair value differences reflected in income statement
Financial derivative instruments	Fair value differences reflected in income statement	Fair value differences reflected in income statement

Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

##### (b) Impairment on financial assets

“Expected credit loss model” defined in TFRS 9 “Financial Instruments” superseded the “incurred credit loss model” in TAS 39 “Financial Instruments: Recognition and Measurement” which was effective prior to 1 January 2018. Expected credit losses are a probability weighted estimate of credit losses over the expected life of the financial instrument. The calculation of expected credit loss is performed based on the past experiences and future expectations of the Group. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Specifically, TFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

- (1) Trade receivables and receivables from related parties;
- (2) Cash and cash equivalents.

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

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

##### **2.4 Adoption of New and Revised Financial Reporting Standards (Continued)**

**The new standards, amendments and interpretations which are effective as at 2018 (Continued)**

##### **TFRS 9 Financial Instruments (Continued)**

###### **(b) Impairment on financial assets (Continued)**

- Group has preferred to apply “simplified approach” defined in TFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to “lifetime expected credit losses” except incurred credit losses in which trade receivables are already impaired for a specific reason.
- Group uses a provision matrix for the calculation of the expected credit losses on trade receivables. The provision matrix calculates fixed provision rates depending on the number of days that a trade receivable is past due and those provision rates are reviewed and, revised if necessary, in every reporting period. The changes in the expected credit losses on trade receivables are accounted for under “other operating income/expenses” account of the consolidated statement of income

###### **(c) Classification and measurement of financial liabilities**

A significant change introduced by TFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, TFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk 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, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under TMS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of TFRS 9 has had no impact on the classification and measurement of the Group’s financial liabilities.

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

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

##### **2.4 Adoption of New and Revised Financial Reporting Standards (Continued)**

##### **The new standards, amendments and interpretations which are effective as at 2018 (Continued)**

##### **TFRS 9 Financial Instruments (Continued)**

##### **(d) General hedge accounting**

The new general hedge accounting requirements retain the three types of hedge accounting. However, 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 replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group’s risk management activities have also been introduced.

In accordance with TFRS 9’s transition provisions for hedge accounting, the Group has applied the TFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 January 2018. The Group’s qualifying hedging relationships in place as at 1 January 2018 also qualify for hedge accounting in accordance with TFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 January 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under TFRS 9’s effectiveness assessment requirements.

The Group has also not designated any hedging relationships under TFRS 9 that would not have met the qualifying hedge accounting criteria under TMS 39.

##### **Impact of application of TFRS 15 Revenue from Contracts with Customers**

##### **Impact on the Consolidated Financial Statements**

In the current year, the Group has applied TFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. TFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in TFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group’s consolidated financial statements are described below.

TFRS 15 uses the terms ‘contract asset’ and ‘contract liability’ to describe what might more commonly be known as ‘accrued revenue’ and ‘deferred revenue’, however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position.

Accounting policies related with revenue items explained in Note 2.5 implementation of TFRS 15 has not significant effect on Company’s financials and Company’s performance.

# 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)

#### 2.4 Adoption of New and Revised Financial Reporting Standards (Continued)

##### The new standards, amendments and interpretations which are effective as at 2018 (Continued)

##### Impact of application of TFRS 15 Revenue from Contracts with Customers (Continued)

##### *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. Change in TFRS 2 hasn’t significant effect on Company’s financials.

##### *Amendments to TMS 40 Transfers of Investment Property*

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.

##### *Annual Improvements to TFRS Standards 2014–2016 Cycle*

TMS 28: Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, 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 Standards 2014-2016 cycle have no impact 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 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.



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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

##### 2.4 Adoption of New and Revised Financial Reporting Standards (Continued)

##### The new standards, amendments and interpretations which are effective as at 2018 (Continued)

##### New and revised TFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, The Group has not applied the following new and revised TFRS Standards that have been issued but are not yet effective:

TFRS 16	Leases
Amendments to TAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
TFRS 10 <i>Consolidated Financial Statements</i>	<i>Sale of Contribution of Assets between an Investor</i>
and TAS 28 (amendments)	<i>and its Associate or Joint Venture</i>
Amendments to TAS 19 <i>Employee Benefits</i>	<i>Plan Amendment, Curtailment or Settlement</i> <sup>1</sup>
Annual Improvements to TFRS Standards 2015–2017 Cycle	<i>Amendments to TFRS 3 Business Combinations, TFRS 11 Joint Arrangements, TAS 12 Income Taxes and TAS 23 Borrowing Costs</i> <sup>1</sup>

<sup>1</sup> Effective from periods on or after 1 January 2019.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

##### TFRS 16 *Leases*

##### General impact of application of TFRS 16 Leases

TFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. TFRS 16 will supersede the current lease guidance including TAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of TFRS 16 for the Group will be 1 January 2019.

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

##### Impact of the new definition of a lease

The Group will make use of the practical expedient available on transition to TFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with TAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

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

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

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

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

##### **2.4 Adoption of New and Revised Financial Reporting Standards (Continued)**

###### **New and revised TFRS Standards in issue but not yet effective (Continued)**

###### **TFRS 16 Leases (Continued)**

The Group will apply the definition of a lease and related guidance set out in TFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of TFRS 16, the Group has carried out an implementation project. The Group is in the process of assessing the impact of TFRS 16 on its consolidated financial position and performance, but explanations on preliminary analyzes are as follows:

The Group will prefer to use the exemption right for low-value asset leases with the term less than 12 months and the other contracts that are not covered by the standard on 1 January 2019 by taking advantage of the transition options which are recognized by the simplified backward approach.

In this context, the future leasing amounts foreseen in accordance with the agreements of operational leases stated in Note 7 are adjusted to their present values and their effects on the consolidated financial statements will be accounted.

Due to the transition to TFRS 16, the Group's main operating profit is expected to improve while finance expenses are expected to increase. This is due to the fact that the leases that are accounted as operating leases according TAS 17 in the previous periods are included in the consolidated statement of financial position.

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

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

###### **TFRS Interpretation 23 Uncertainty over Income Tax Treatments**

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

###### **TFRS 10 Consolidated Financial Statements and TMS 28 (Amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments to TFRS 10 and TMS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

###### **Amendments to TMS 19 Employee Benefits Plan Amendment, Curtailment or Settlement**

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

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

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

##### **2.4 Adoption of New and Revised Financial Reporting Standards (Continued)**

###### **New and revised TFRS Standards in issue but not yet effective (Continued)**

###### **Annual Improvements to TFRS Standards 2015–2017 Cycle**

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

The Group assess the possible impacts of the application of the amendments on the Group’s consolidated financial statements.

##### **2.5 Summary of Significant Accounting Policies**

###### **Related Parties**

For the purposes of these financial statements, shareholders, key management personnel and Board of Directors' Members, in each case together with companies controlled by/or affiliated with them and their close family members and associated companies are considered and referred to as related parties (Note 5).

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
  - (i) Has control or joint control over the reporting entity;
  - (ii) Has significant influence over the reporting entity; or
  - (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
  - (i) The entity and the company are members of the same group.
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

##### 2.5 Summary of Significant Accounting Policies (Continued)

###### Business Combinations

Business combinations that occurred prior to 1 January 2010 are accounted for using the purchase method. Costs associated with acquisitions are generally recognized as expenses when incurred. The identifiable assets acquired and liabilities assumed are accounted for at fair value at the acquisition date.

Effective January 1, 2010, the Group has begun to apply the revised TFRS 3 "Business Combinations" standard. The accounting policy change has been applied for the future and has not affected the business combinations that occurred in the past periods

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

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

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another TAS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

##### 2.5 Summary of Significant Accounting Policies (Continued)

###### Business Combinations (Continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. If the contingent consideration that is classified as an asset or a liability is a financial asset and within the scope of TAS 39 *Financial Instruments: Recognition and Measurement*, the contingent asset or liability is recorded at its fair value and the corresponding gain or loss is recorded in profit or loss or other comprehensive income. Contingent considerations that are not within the scope of TAS 39, are recorded in accordance with TAS 37 Provisions, Contingent Liabilities and Contingent Assets, or other applicable standards.

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

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

###### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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

###### Foreign Currency Transactions

###### Foreign Currency Transactions and Balances

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

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

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

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

##### **2.5 Summary of Significant Accounting Policies (Continued)**

##### **Foreign Currency Transactions (Continued)**

##### **Foreign Currency Transactions and Balances (Continued)**

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

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

##### **Revenue Recognition**

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.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated or realized customer returns, discounts, commissions, rebates, and taxes related to sales.

Revenue is generated from the healthcare services provided and some medical products sold. The main streams of revenue are polyclinic revenue, revenue from surgical operations, x-ray revenue and all other revenue from hospital services.

Income is recognized in the period in which services are provided. Income relating to patient treatments which are partially complete at the financial year end is accrued and apportioned across financial years by reference to percentage of completion.

Revenue recognized in accordance with TMS 18 until December 31, 2017.

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

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

##### **2.5 Summary of Significant Accounting Policies (Continued)**

###### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

###### **Property, Plant and Equipment**

Tangible fixed assets, with the exception of buildings and machinery and equipment, are stated in the consolidated statement of financial position at their net book values, being the cost of the asset, less any accumulated depreciation and accumulated impairment losses. Cost of property, plant and equipment comprise purchase price, import taxes, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group’s accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

When the Group’s buildings and machinery and equipment are revaluated the carrying amount of buildings and machinery and equipment are adjusted to revaluated amount. At the date of revaluation, the accumulated depreciation of buildings and machinery and equipment are eliminated against the gross carrying amount of those buildings and machinery equipments. Any increase arising on the revaluation of buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

##### 2.5 Summary of Significant Accounting Policies (Continued)

###### Property, Plant and Equipment (Continued)

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation is provided on all property and equipment using the straight-line method at rates which approximate estimated useful lives of the related assets as follows:

	Useful life
Buildings	35 years
Machinery and equipment	5-20 years
Motor vehicles	4-5 years
Furniture and fixtures	2-20 years
Leasehold improvements	5-15 years
Leased assets	2-11 years

Useful lives and depreciation methodology is regularly reviewed for appropriateness.

###### Intangible Fixed Assets

Intangible assets mainly comprise software rights, hospital licenses obtained through business combinations or acquired separately and advances given for the purchase of hospital licenses. Intangible assets acquired separately are initially recorded at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets (computer software) are amortized on a straight line basis over the best estimate of their useful lives (1 to 5). The amortization period and the amortization method for an intangible asset are reviewed at least at each financial year-end. The amortization expense on intangible assets is recognized in the statement of comprehensive income.

The hospital licenses are not amortized since there is no definite useful life for licenses. However, licenses are tested for impairment annually at the cash-generating unit level. As of December 31, 2018 there has been no indication regarding impairment of licenses.

###### Intangible fixed assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.



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

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

##### **2.5 Summary of Significant Accounting Policies (Continued)**

###### **Impairment of Tangible and Intangible Assets Other Than Goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If it is impracticable to calculate the recoverable value of an asset, the recoverable value of the cash generating unit to which it belongs is calculated.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Intangible assets with indefinite useful lives are tested for impairment annually at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

###### **Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, one that takes a substantial period of time to get ready for use or sale, are capitalized in consolidated financial statements as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale.

As of the reporting date, the Group have new hospital projects under construction and it takes time for these projects to be ready for their intended use. The borrowing costs related to these projects are capitalized under TAS 23 - Borrowing Costs.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

##### 2.5 Summary of Significant Accounting Policies (Continued)

###### Taxation

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.

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

###### *Current Tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from ‘profit before tax’ as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

###### *Deferred Tax*

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Prepaid corporation taxes and corporate tax liabilities are offset when they relate to income taxes levied by the same taxation authority.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

###### *Current and deferred tax for the period*

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

##### 2.5 Summary of Significant Accounting Policies (Continued)

###### Employee Termination Benefits

###### Defined benefit plans

In accordance with existing social legislation in Turkey, the Company and its subsidiaries in Turkey are required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Per revised International Accounting Standard No. 19 "Employee Benefits" ("TAS 19"), these payments are regarded as defined benefit plans.

The cost of providing benefits under the defined benefit plans is determined separately for each plan by using the projected unit credit actuarial valuation method and the Group's past experiences on employee turnover and employment termination benefit payments and discounted by earning ratio for long term treasury bond. All actuarial gains and losses are recognized in the statement of other comprehensive income.

###### Defined contribution plans

The Company and its subsidiaries pay contributions to Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

###### Vacation Pay Liability

Vacation pay liability recognized in the consolidated financial statements represents the probable liability of the Group related to the unused vacation days of the employees.

###### Foreign Currency Transactions

The functional and presentation currency of the Company and all of its subsidiaries is Turkish Lira ("TL"). Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of such transactions. Assets and liabilities denominated in foreign currencies are translated by exchange rates valid on the balance sheet date. Exchange rate differences arising on reporting monetary items at rates different from those at which they were initially recorded or on the settlement of monetary items or are recognized in profit or loss in the year in which they arise.

###### Earnings per Share

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the period.

###### Leases - The Group as Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated statement of profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

###### Sale and Leaseback Transactions

Under sale and leaseback transactions which are established at fair value and resulting in an operating lease, profits and losses are recognized immediately in the statement of comprehensive income. When the sale price is below fair value, any profits or losses are recognized immediately in the profit or loss except that, if the loss is compensated for by future lease payments at below market price, the losses are deferred and amortized in proportion to the lease payments over the period for which the asset expected to be used.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

##### 2.5 Summary of Significant Accounting Policies (Continued)

###### Financial Instruments

Financial assets and financial liabilities are recognised in the Group’s statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

###### Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

The Group classifies its financial assets as (a) Business model used for managing financial assets, (b) financial assets subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss based on the characteristics of contractual cash flows. The Company reclassifies all financial assets effected from the change in the business model it uses for the management of financial assets. The reclassification of financial assets is applied prospectively from the reclassification date. In such cases, no adjustment is made to gains, losses (including any gains or losses of impairment) or interest previously recognized in the financial statements.

###### Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- 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.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset; the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

##### 2.5 Summary of Significant Accounting Policies (Continued)

##### Financial Instruments (Continued)

##### Financial assets (Continued)

###### (i) Amortised cost and effective interest method

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset:

- a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Company applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.
- b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Company applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

Interest income is recognised in profit or loss and is included in the “finance income – interest income” line item (Note 21).

###### (ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy).

##### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the ‘other gains and losses’ line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the ‘other gains and losses’ line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the ‘other gains and losses’ line item (and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

##### 2.5 Summary of Significant Accounting Policies (Continued)

##### Financial Instruments (Continued)

##### Financial assets (Continued)

##### (ii) Financial assets at FVTPL (Continued)

##### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group utilizes a simplified approach for trade receivables, contract assets and lease receivables that does not have significant financing component and calculates the allowance for impairment against the lifetime ECL of the related financial assets.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if on the other hand, the credit risk on the 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 ECL.

##### Measurement and recognition of expected credit losses

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

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

##### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

##### 2.5 Summary of Significant Accounting Policies (Continued)

##### Financial Instruments (Continued)

##### Financial assets (Continued)

##### *Financial liabilities*

Financial liabilities are classified as at FVTPL on initial recognition. On initial recognition of liabilities other than those that are recognised at FVTPL, transaction costs directly attributable to the acquisition or issuance thereof are also recognised in the fair value.

A financial liability is subsequently classified at amortized cost except:

- Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.
- Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied: When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognised in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Company continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset.
- A contingent consideration recognized in the financial statements by the entity acquired in a business combination where TFRS 3 is applied: After initial recognition, the related contingent consideration is measured as at FVTPL.

The Company does not reclassify any financial liability.

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

##### **Derivative financial instruments**

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments are disclosed in note 28.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Financial instruments recognized in accordance with TMS 39 until December 31, 2017.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

#### 2.5 Summary of Significant Accounting Policies (Continued)

##### Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at management’s best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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

##### Contingent Assets and Liabilities

###### Contingent Liabilities

- (a) Possible obligations that arise from past events and of which existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events.
- (b) Possible assets or obligations that arise from past events but not reflected to the financial statements because of the reasons below:
  - (i) A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote,
  - (ii) A contingent asset is disclosed, where an inflow of economic benefits is probable.

###### Contingent Assets

Possible assets that arise from past events and of which existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events.

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. If the possibility of transfer of assets is probable, contingent liability is recognized in the financial statements. A contingent asset is disclosed, when an inflow of economic benefits is highly probable.

##### Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

##### Segmental Information

In accordance with TFRS 8 “Operating Segments”, an operating segment is a component of an entity: (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available. The Group’s chief operating decision maker (“CODM”) receives financial information on both an aggregate and on an individual hospital basis. No individual hospital exceeds 10% of the combined internal and external revenue of all the hospitals and it is not practicable to disclose segment information by individual hospital. Further, investment decisions are focused on potential acquisitions of new hospitals or further investment in the Group’s existing hospitals in the aggregate. Therefore, the Group is considered as one single operating segment.

##### Subsequent Events

The Group adjusts the amounts recognised in its consolidated financial statements to reflect the adjusting events after the reporting date. If non-adjusting events after the reporting date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements.



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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

##### 3.1 Critical judgments in applying the entity’s accounting policies

In the process of applying the entity’s accounting policies, which are described in note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations, which are dealt with below under notes 3.2).

##### *Deferred Tax Assets*

The Group accounts deferred tax assets and liabilities from the temporary differences between the statutory financial statements and the financial statements in accordance with TFRS. The subsidiaries of the Group have deferred tax assets for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be recognized. A deferred tax asset is recognized only to the extent that it is probable that a tax benefit will be realized in the future. During the estimation, future profit projections, current year losses, expiration dates of accumulated fiscal losses and other tax assets and other plans on taxation strategy was considered.

Based on information gathered, if the future profit projections cannot enable the Group benefit from accumulated fiscal losses, allowance can be calculated fully or partially. Based on future profit projections, the Group estimates whole utilization of deferred tax assets.

##### *Government grants*

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received (Note 24).

##### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### *Provision for Impairment of Trade Receivables*

The Group calculates the provision for impairment of trade receivables to cover the estimated losses resulting from the possible unconfirmed balances by the SSI and the inability of the patients to make required payments. The services rendered to patients covered by the SSI are subject to administrative review and audit by the SSI. The receivables that are not confirmed by the SSI are written off by the Group Management when the outcome is certain. As of December 31, 2018, provision for impairment of trade receivables amount to TL 11,515 (December 31, 2017: TL 17,963) (Note 8).

##### *Provision for Legal Cases and Social Security Discount Provisions*

As explained in Note 16, the Group management make provision amounting to TL 17,004 (December 31, 2017: TL 14,750) for the lawsuits where the legal proceedings and penalties are still uncertain and there is a possibility of an outflow.

##### *Impairment of Goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.5. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 13).

Impairment test was made as at December 31, 2018 by the method of “discounted cash flows” and “fair value less cost to sell”. As of December 31, 2018 there is no issue determined to impairment on goodwill.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### **NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)**

##### **3.2 Key sources of estimation uncertainty (Continued)**

###### *Intangible Fixed Assets Acquired Through Business Combination*

Business combinations are accounted for using the acquisition method. The cost of the business combination is calculated as the total of fair values of assets acquired, liabilities assumed and the equity instruments issued at the date of the acquisition and other costs directly attributable to the business combination. Purchase price allocation is made in order to allocate purchase price to identifiable assets as defined in TFRS 3 “Business Combinations” and TAS 38 “Intangible Assets”. As per TFRS 3 and TAS 38, fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. Based on the evaluation of the Group’s transactions accounted as business combinations, the hospital licenses are identified as intangible assets. The fair values of the hospital licenses are determined based on income approach (Note 12).

###### *Useful lives of property, plant and equipment*

The Group reviews the estimated useful lives of its property, plant and equipment at the end of each reporting period. The Group takes into consideration the intended use of the property, plant and equipment, the advancement in technology related to the particular type of property, plant and equipment as well as other factors that may require management to extend or shorten the useful lives and the assets’ related depreciation (Note 12).

###### *Revaluation of buildings and machinery and equipment*

Buildings and machinery and equipments are revalued according to current market conditions. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Group’s buildings and machinery and equipments are revalued by independent experts accredited by the Capital Market Board. The revaluation fund resulting from the difference between the carrying value and the fair value is netted with deferred tax and presented under equity as revaluation fund. Revaluation is done periodically. Information about the valuation techniques and inputs used in determining the fair value of these assets are disclosed in Note 12.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 4 - INTERESTS IN OTHER ENTITIES

Summarised financial information in respect of each of the Group’s subsidiaries that has material non-controlling interests is set out below:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
<b>Samsun Tıp Merkezi</b>		
Current assets	7,698	7,523
Non-current assets	62	118
Current liabilities	12,356	10,823
Equity	(4,596)	(3,182)
	<b>January 1 - December 31, 2018</b>	<b>January 1 - December 31, 2017</b>
Revenue	-	1,927
Expenses	(1,414)	(3,106)
Period loss	(1,414)	(1,179)
Net cash inflow/(outflow) from operating activities	(75)	(246)
Net cash inflow/(outflow) from investing activities	55	75
Net cash inflow/(outflow)	(20)	(171)
	<b>December 31, 2018</b>	<b>December 31, 2017</b>
<b>21. Yüzyıl Anadolu Vakfı</b>		
Current assets	39,832	33,866
Non-current assets	37,773	28,463
Current liabilities	51,156	54,779
Equity	26,449	7,555
	<b>January 1 - December 31, 2018</b>	<b>January 1 - December 31, 2017</b>
Revenue	10,041	2,071
Expenses	8,853	(281)
Period (loss) / income	18,894	1,790
Net cash inflow/(outflow) from operating activities	8,408	1,305
Net cash inflow/(outflow) from investing activities	(9,305)	(1,496)
Net cash inflow/(outflow)	(897)	(191)

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 4 - INTERESTS IN OTHER ENTITIES (Continued)

Changes in the Group’s ownership interests in a subsidiary as at December 31, 2018 and 2017:

2018:

None.

2017:

The Group acquired remaining 35% shares of Artimed for a total consideration of TL 943. Amount of TL 1,681 has been transferred to non-controlling interests on October, 2017. The difference of TL 426 between the increase in the non-controlling interests and the amount paid has been debited to retained earnings.

The Group acquired remaining 20% shares of Artimed for a total consideration of TL 2,196. Amount of TL 5,625 has been transferred to non-controlling interests on October, 2017. The difference of TL 1,036 between the increase in the non-controlling interests and the amount paid has been debited to retained earnings.

Acarkent Tıp Merkezi merged with MLP Sağlık Hizmetleri on December 1, 2017.

The Group acquired remaining 30% shares of Gaziosmanpaşa for a total consideration of TL 24,504. Amount of TL 5,070 has been transferred to non-controlling interests on August 29, 2017. The difference of TL 23,776 between the increase in the non-controlling interests and the amount paid has been debited to retained earnings. The Group increased its capital by amount of TL 113,500 on October 31, 2017. Also, Gaziosmanpaşa became the branch of MLP Sağlık Hizmetleri on December 31, 2017.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

### NOTE 5 – 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.

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

(1) A ve A Özel Sağ. Hiz. ve Cih. Teks. San. Tic. Ltd. Şti. provides 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 Tıbbı Malz. İnş. Tur. Tem. Tic. A.Ş. provides cleaning, catering and laundry services for the Group.

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

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 5 – 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 AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

### NOTE 5 – RELATED PARTY DISCLOSURES (Continued)

	December 31, 2018	December 31, 2017
<b>Prepaid expenses and advances given to related parties</b>		
Fom Grup Mimarlık İnşaat ve Tic. A.Ş.	6,282	8,210
	<u>6,282</u>	<u>8,210</u>
<b>Fixed asset advances given to related parties</b>		
Fom Grup Mimarlık İnşaat Ve Tic. A.Ş.	51,780	23,798
	<u>51,780</u>	<u>23,798</u>
<b>Related parties (sale and leaseback transactions)</b>		
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)	4,385	5,172
	<u>5,172</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 December 31, 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 December 31, 2018, the Group has incurred rent expense amounting to TL 787 due to amortization of prepaid rent (December 31, 2017: TL 787).

	January 1 - December 31, 2018	January 1 - December 31, 2017
<b>Purchases from related parties</b>		
A ve A Sağlık A.Ş.(1)	22,350	29,576
Fom Grup Mimarlık İnşaat ve Tic. A.Ş. (2)	15,571	44,985
Ataköy Yatırım İnş. Tur. ve Tic. A.Ş. (3)	14,941	-
	<u>52,862</u>	<u>74,561</u>

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

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 5 – RELATED PARTY DISCLOSURES (Continued)

	January 1 - December 31, 2018	January 1 - December 31, 2017
<b>Operating expenses (including purchase of services)</b>		
Sanport Gayrimenkul Geliştirme İnş. ve Tic.A.Ş. (1)	73,268	46,857
Samsunpark Özel Sağ. Tıbbi Malz. İnş. Tur. Tem. Tic. A.Ş. (4)	17,141	14,903
Atakum Özel Sağlık Hiz. İnş. Turizm ve San. Tic. A.Ş. (1)	8,819	7,697
Özarkaz Gayrimenkul Yat. ve İnş. Tic. A.Ş. (1)	7,100	6,013
Cotyora Med. Özel Sağ. Taah. Hz. İnş. Tr. Loj. Ltd. Şti. (4)	7,418	5,695
Özel Gebze Sentez Sağlık Hizmetleri ve Tic. A.Ş. (1)	6,858	4,658
Gazi Medikal Sağlık Tesisleri ve Tic. A.Ş. (1)	5,870	5,161
Özel Ereğli Millet Sağlık Hizm. San. ve Tic. Ltd. Şti. (1)	4,449	3,890
Mp Sağlık ve Tic.A.Ş. (1)	4,299	3,579
Livart Tüp Bebek Özel Sağlık Hizm. A.Ş. (2)	4,619	3,969
Öz Anadolu Gayrimenkul ve Sağlık Yat. A.Ş. (1)	2,434	2,048
Ataköy Yatırım İnş. Tur. ve Tic. A.Ş. (6)	2,521	-
Tokat Medikal Grup Sağlık Turizm İnş. San. Tic. A.Ş. (1)	2,375	1,291
Tokat Emar Sağlık Hiz. Ltd. Şti. (2) (5)	1,540	1,280
Üçboyut Sağlık Hiz. Eğitim Medikal San. Ve Tic. Tic. Ltd. Şti.	1,181	399
Çanakkale Arkaz Sağlık Yatırımları A.Ş. (1)	1,059	1,028
Diasan Basım ve Form Matbaacılık San. ve Tic. A.Ş. (3)	977	464
Saray Eczanesi (6)	801	296
Özdenler Sağ. Hiz. Dan. Turz. Gıd. San. Tic. Ltd. Şti. (2)	361	306
Mt Sağlık Ürünleri Sanayi ve Ticaret A.Ş. (3)	239	229
Gazişehir Sağlık Hizmetleri San. ve Tic. Ltd. Şti. (2)	5	247
	<b>153,334</b>	<b>110,010</b>

- (1) Hospital rent expenses
- (2) Doctor expenses
- (3) Stationary and consumable expenses
- (4) Cleaning, catering and laundry services
- (5) Medical equipment rent expenses
- (6) Pharmaceutucial product expenses



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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 5 – RELATED PARTY DISCLOSURES (Continued)

Sales to related parties	January 1 - December 31, 2018	January 1 - December 31, 2017
A ve A Sağlık A.Ş.(1)	14,027	40,324
Supra-Medicalpark-Sonotom-Akademi İş Ortaklığı (Fatih Görüntüleme) (2)	1,372	1,245
Muharrem Usta	2,640	1,027
Livart Tüp Bebek Özel Sağlık Hizm. A.Ş.	360	152
Cotyora Med.Özel Sağ.Taah. Hz. İnş. Tr. Loj. Ltd. Şti.	301	257
Samsunpark Özel Sağlık Tıbbi Malz. İnş. Turizm. Tem. Tic. A.Ş.	201	134
Miniso Mağazacılık A.Ş.	183	141
Fom Grup Mimarlık İnşaat ve Tic. A.Ş.	164	1,166
Adem Elbaşı	126	-
Tokat Medikal Grup Sağlık Turizm İnş. San. Tic. A.Ş.	93	31
Mt Sağlık Ürünleri Sanayi ve Ticaret A.Ş.	78	74
Sancak İnşaat Turizm Nak.ve Dış Tic.A.Ş.	23	24
Sanport Gayrimenkul Geliştirme İnş. ve Tic. A.Ş.	14	38
Saray Eczanesi	7	5
	<u>19,589</u>	<u>44,618</u>

(1) 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 - December 31, 2018	January 1 - December 31, 2017
Salaries and other short term benefits	18,966	17,771
	<u>18,966</u>	<u>17,771</u>

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 6 - CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
Cash on hand	12,357	26,148
Cash at banks	201,800	183,341
Other cash equivalents (*)	9,161	8,357
	<u>223,318</u>	<u>217,846</u>

(\*) Other cash equivalents consist of credit card receivables from banks.

Foreign currency denominated cash and cash equivalents are disclosed in Note 26.

As at December 31, 2018, the Group has time deposit amounting to TL 13,328 (December 31, 2017: TL 98,875), USD equivalent of TL 17,354 (December 31, 2017 USD equivalent of TL 4) and EUR equivalent to TL 144,834 (December 31, 2017 EUR: None).

#### NOTE 7 – FINANCIAL INSTRUMENTS

##### Financial Liabilities

Details of amortized cost of financial liabilities summarized below:

##### **a) Bank Loans and Bonds**

Financial liabilities	December 31, 2018	December 31, 2017
Short-term bank borrowings	95,935	62,945
Short-term bonds issued	29,260	-
Current portion of long term borrowings	209,962	237,254
<i>Current portion of long-term bank loans</i>	<i>169,962</i>	<i>157,514</i>
<i>Current portion of long-term bonds issued</i>	<i>40,000</i>	<i>79,740</i>
Interest expense accruals	31,715	31,137
	<u>366,872</u>	<u>331,336</u>
Long-term bank loans	768,774	951,992
	<u>768,774</u>	<u>951,992</u>
Total borrowings	<u>1,135,646</u>	<u>1,283,328</u>

As at January 2, 2018, the Group issued a bond offered to qualified investors amounting to TL 40,000 with a maturity of one and half years and quarterly coupon payments. Interest payments commenced on April 3, 2018 and the principal amount will be paid at maturity, June 24, 2019. The effective interest rate was 22.43%.

As at September 19, 2018, the Group issued a bond offered to qualified investors amounting to TL 21,260 with a maturity of half a year and monthly coupon payments. Interest payments commenced on October 19, 2018 and the principal amount will be paid at maturity, March 15, 2019. The effective interest rate is 38.29%.

As at September 11, 2018, the Group issued a bond offered to qualified investors amounting to TL 8,000 with a maturity of 155 days and monthly coupon payments. Interest payments commenced on October 11, 2018 and the principal amount will be paid at maturity, March 15, 2019. The effective interest rate is 38.18%.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 7 – FINANCIAL INSTRUMENTS (Continued)

##### Financial Liabilities (Continued)

##### a) Bank Loans and Bonds (Continued)

As at December 31, 2018 and December 31, 2017 the repayment schedule of the total borrowings as follows:

Currency Type	Weighted Average Effective Interest Rate	December 31, 2018		
		Current	Non-current	Total
TL	24,99%	216,615	125,710	342,325
TL	TLlibor + 4%	25,765	152,441	178,206
EUR	0,75%	15,070	-	15,070
EUR	Euribor + 5,5%	109,422	490,623	600,045
		<u>366,872</u>	<u>768,774</u>	<u>1,135,646</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	Trlibor + 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 December 31, 2018, there are no blocked cash accounts related to the group's loans. (December 31, 2017: TL 260).

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

	December 31, 2018	December 31, 2017
Interest expense accruals	31,715	31,137
To be paid within 1 year (*)	335,157	300,199
To be paid between 1-2 years	168,989	161,879
To be paid between 2-3 years	179,172	166,094
To be paid between 3-4 years	186,872	181,765
To be paid between 4-5 years	152,347	188,569
To be paid between 5-6 years	81,394	163,321
To be paid between 6-7 years	-	90,364
	<u>1,135,646</u>	<u>1,283,328</u>

(\*) TL 95,935 of the loans to be paid within one year consists of revolving loans and TL 69,260 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 AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 7 – FINANCIAL INSTRUMENTS (Continued)

##### Financial Liabilities (Continued)

##### a) 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, x3.5 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. As at December 31, 2018, the Group fulfilled the required covenant ratios stated above.

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statement of cash flows as cash flows from financing activities.

Reconciliation of obligations arising from financing activities as of December 31, 2018:

	January 1, 2018	Financing cash flows	Non-cash changes Foreign exchange effect (Note 23)	December 31, 2018
Bank loans	1,283,328	(270,831)	123,149	1,135,646
Finance lease obligations	315,920	(107,508)	74,833	283,245
	<u>1,599,248</u>	<u>(378,339)</u>	<u>197,982</u>	<u>1,418,891</u>

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

### NOTE 7 – FINANCIAL INSTRUMENTS (Continued)

#### Financial Liabilities (Continued)

##### b) 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	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Obligations under finance leases				
Within one year	112,837	112,936	88,407	91,488
In the second to sixth years inclusive	212,628	258,926	194,838	224,432
	<u>325,465</u>	<u>371,862</u>	<u>283,245</u>	<u>315,920</u>
Less : Future finance charges	(42,220)	(55,942)		
Present value of finance lease obligations	<u>283,245</u>	<u>315,920</u>	<u>283,245</u>	<u>315,920</u>
Less: Amounts due to settlement within twelve months (shown under current liabilities)			<u>88,407</u>	<u>91,488</u>
Amounts due for settlement after 12 months			<u>194,838</u>	<u>224,432</u>

Finance leases mainly include equipment with lease term of 7 years. The ownership of the leased items will be transferred to the Group by the end of the lease term. Interest rates on financial lease transactions at the contractual date were fixed during the lease term. The contractual effective interest rate TL is 14.97% (2017: 15.58%). The contractual effective interest rate EUR is 5.76% (2017: 6.33%). The contractual effective interest rate USD is 5.80% (2017: 5.44%).

TL 7,398 of short-term finance lease payables comprise hospital equipments and devices leased from third parties which are not financial institutions (December 31, 2017: TL 13,675 as short-term finance lease payables and TL 6,875 as long-term finance lease payables).

##### c) Operational Leases

	December 31, 2018	December 31, 2017
<u>Operating lease expenses</u>		
USD	-	15,998
EUR	3,481	3,413
TL	224,177	116,706
TL Equivalent	<u>245,160</u>	<u>150,398</u>

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 7 – FINANCIAL INSTRUMENTS (Continued)

##### Financial Liabilities (Continued)

##### c) Operational Leases (Continued)

	December 31, 2018	December 31, 2017
<u>Non-cancelable operating lease commitments</u>		
Less than 1 year	245,163	174,944
Between 1-5 years	869,859	610,755
More than 5 years	809,564	548,346
	<u>1,924,586</u>	<u>1,334,045</u>

#### NOTE 8 – TRADE RECEIVABLES AND PAYABLES

##### a) Trade Receivables

	December 31, 2018	December 31, 2017
<u>Current trade receivables</u>		
Trade receivables	758,361	640,279
Notes receivables	6,030	1,558
Trade receivables from related parties (Note 5)	3,037	15,183
Income accruals from continuing treatments	107,916	69,863
Other trade income accruals	34,764	41,256
Allowance for doubtful receivables (-)	<u>(11,515)</u>	<u>(17,963)</u>
	<u>898,593</u>	<u>750,176</u>

Trade receivables due from the SSI constitute 35% (December 31, 2017: 40%) and receivables due from foreign patients constitute 30% (December 31, 2017: 30%) of total trade receivables. On average, trade receivables of the Group have 97 days credit terms (December 31, 2017: 98 days).

The Group has trade receivables arising from health services given to foreign patients amounting to TL 230,718 as at December 31, 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 of January 1, 2017 – January 31, 2019, the Group has made a collection amounting to TL 90,898 with regards to receivables from the Government of Libya amounting to TL 152,160 and the related collections are deducted from trade receivables on a first in first out method. The Group Management expect to collect remaining receivables in 2019.

The nature and level of risks in trade receivables are explained in Note 26.

In accordance with TFRS 9 "Financial Instruments" standart, expected credit loss measured regarding trade receivables and no significant effect ascertained on consolidated financial statements.

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

As of December 31, 2018, trade receivables of an initial value of TL 11,515 (December 31, 2017: TL 17,963) were fully impaired and fully provided for. No collaterals are received in relation to these trade receivables.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 8 – TRADE RECEIVABLES AND PAYABLES (Continued)

##### a) Trade Receivables (Continued)

	January 1 - December 31, 2018	January 1 - December 31, 2017
Movement of allowance for doubtful receivables		
Balance at beginning of the period	17,963	7,781
Charge for the period (Note 20)	3,790	10,831
Collections (Note 21)	(901)	(649)
Amount written off from the book value (*)	(9,337)	-
Balance at closing of the period	<u>11,515</u>	<u>17,963</u>

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

##### b) Trade Payables

	December 31, 2018	December 31, 2017
Short term trade payables		
Trade payables	664,078	561,589
Trade payables due to related parties (Note 5)	33,024	24,992
Other expense accruals	109,020	82,089
Other trade payables	<u>1,559</u>	<u>1,305</u>
	<u>807,681</u>	<u>669,975</u>

The average maturity of trade payables and notes payable is 139 days (December 31, 2017: 138 days).

#### NOTE 9 – OTHER RECEIVABLES AND PAYABLES

##### a) Other Receivables

	December 31, 2018	December 31, 2017
Other current receivables		
Receivables from tax office	6,757	9,684
Deposits given	5,216	2,773
Non-trading receivables due from related parties (Note 5)	50,114	9,164
Other miscellaneous receivables	<u>10,041</u>	<u>2,059</u>
	<u>72,128</u>	<u>23,680</u>
Other non-current receivables		
Deposits given	<u>1,150</u>	<u>1,434</u>
	<u>1,150</u>	<u>1,434</u>

**MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**NOTE 9 – OTHER RECEIVABLES AND PAYABLES (Continued)****b) Other Payables**

	December 31, 2018	December 31, 2017
<b>Other current payables</b>		
Other taxes and funds payable	11,200	10,694
Payables relating to business combinations (*)	9,840	9,129
Non-trading payables due to related parties (Note 5)	819	1,408
Other miscellaneous payables	496	94
	<u>22,355</u>	<u>21,325</u>
<b>Other non-current payables</b>		
Payables relating to business combinations (*)	35,698	39,223
	<u>35,698</u>	<u>39,223</u>

(\*) The Company has committed a payment schedule that will continue in the forthcoming years as a result of some business combination contracts signed in 2014. This liability represents the net present value of forthcoming payments.

**NOTE 10 – INVENTORIES**

	December 31, 2018	December 31, 2017
<b>Inventories</b>		
Laboratory inventory	38,599	21,647
Pharmaceutical inventory	21,218	14,809
Medical consumables inventory	18,222	12,529
Other inventory	2,162	2,361
	<u>80,201</u>	<u>51,346</u>

**NOTE 11 – PREPAID EXPENSES AND DEFERRED INCOME****a) Prepaid Expenses**

	December 31, 2018	December 31, 2017
<b>Short term prepaid expenses</b>		
Order advances	129,354	64,192
Prepaid insurance expenses	12,768	11,156
Prepaid rent expenses (*)	16,620	12,263
Prepaid sponsorship expenses	3,929	406
Other	4,515	2,182
	<u>167,186</u>	<u>90,199</u>



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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 11 – PREPAID EXPENSES AND DEFERRED INCOME (Continued)

##### a) Prepaid Expenses (Continued)

	December 31, 2018	December 31, 2017
<u>Long term prepaid expenses</u>		
Fixed asset advances given	128,707	90,550
Prepaid rent expenses (*)	35,762	39,870
Prepaid sponsorship expenses	-	2,559
Other	6,319	7,509
	<u>170,788</u>	<u>140,488</u>

(\*) In March 2006, the Company signed a construction and rent agreement with Taşyapı İnşaat Taahhüt ve Ticaret A.Ş. (Taşyapı) for the construction of a new hospital building and subsequently its lease until 2021. Based on the terms of the agreement, Taşyapı issued an invoice to the Company and the Company gave notes to Taşyapı with maturities until 2015. The Company has reclassified the notes payable to prepaid expenses. As at December 31, 2017, the current and non-current prepaid expenses from the Taşyapı agreement amount to TL 16,350 (December 31, 2017: TL 11,851) and TL 30,305 respectively (December 31, 2017: TL 33,578). As at December 31, 2018 the Company has no trade payable to Taşyapı.

As at December 31, 2018, short term and long term prepaid expenses include TL 5,172 from sale and leaseback transactions concerning building and land (December 31, 2017: TL 5,959 TL) (Note 5).

##### b) Deferred Income

	December 31, 2018	December 31, 2017
<u>Short term accrued income</u>		
Advances received (*)	54,716	31,119
Deferred revenue	8,619	2,522
	<u>63,335</u>	<u>33,641</u>

(\*) Advances are received from mainly local and medical tourism related patients with regards to cost of their treatments. After treatments are completed, realized remunerations are netted with advances.

	December 31, 2018	December 31, 2017
<u>Long term accrued income</u>		
Deferred revenue	4,702	1,053
	<u>4,702</u>	<u>1,053</u>

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 12 – PROPERTY, EQUIPMENT AND OTHER INTANGIBLE ASSETS

	Buildings	Machinery and equipment	Vehicles	Furniture and fixture	Leased assets	Leasehold improvements	Construction in progress	Total
<u>Cost</u>								
Opening balance as of January 1, 2018	2,611	404,999	1,568	172,901	517,067	421,919	125,930	1,646,995
Additions	1,183	73,791	195	32,445	-	27,174	138,668	273,456
Disposals	(1,398)	(3,646)	-	(799)	-	(3)	-	(5,846)
Disposal of subsidiary	-	-	-	-	-	-	(1,497)	(1,497)
Transfers (*)	-	85,176	71	51,297	(85,734)	9,503	(59,470)	843
Closing balance as of December 31, 2018	2,396	560,320	1,834	255,844	431,333	458,593	203,631	1,913,951
<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	(29)	(61,464)	(130)	(31,709)	(60,777)	(30,452)	-	(184,561)
Disposals	68	1,923	-	126	-	-	-	2,117
Disposal of subsidiary	-	-	-	-	-	-	110	110
Closing balance as of December 31, 2018	(100)	(287,285)	(1,698)	(131,866)	(423,639)	(232,715)	110	(1,077,193)
Carrying value as of December 31, 2018	2,296	273,035	136	123,978	7,694	225,878	203,741	836,758

(\*) Transfers to intangible assets were recorded to licenses which are accounted under intangible fixed assets.

As at December 31, 2018 carrying value of fixed assets acquired via finance lease is TL 7.694 (December 31, 2017: TL 154,205).

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### 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	-	68,693	232	41,145	-	43,092	75,966	229,128
Disposals	-	(5,100)	(475)	(1,702)	(3,713)	(338)	(8,742)	(20,070)
Transfers (*)	-	29,975	172	9,494	(23,968)	5,962	(14,977)	6,658
Closing balance as of December 31, 2017	2,611	404,999	1,568	172,901	517,067	421,919	125,930	1,646,995
<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 period	(44)	(57,335)	(391)	(20,945)	(60,755)	(31,258)	-	(170,728)
Disposals	-	3,882	462	1,073	17	291	-	5,725
Closing balance as of December 31, 2017	(139)	(227,744)	(1,568)	(100,283)	(362,862)	(202,263)	-	(894,859)
Carrying value as of December 31, 2017	2,472	177,255	-	72,618	154,205	219,656	125,930	752,136

(\*) Transfers to intangible assets were recorded to licenses which are accounted under intangible fixed assets.

Depreciation and amortization expense of TL 186,944 (January 1 - December 31, 2017: TL 171,959) has been charged in ‘cost of service’ (Note 19), TL 4,715 (January 1 - December 31, 2017: TL 2,844) in ‘operating expenses’ (Note 20) and TL 21 (January 1 - December 31, 2017: TL 297) in ‘other income and expenses’ (Note 21).

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 12 – PROPERTY, EQUIPMENT AND OTHER INTANGIBLE ASSETS (Continued)

##### *Fair value measurement of the Group’s buildings and machinery and equipment*

The Group’s freehold buildings and machinery and equipment are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group’s freehold buildings and machinery and equipment as at December 31, 2014 were performed by Tadem Değerleme Müşavirlik A.Ş. (“Tadem”), independent valuers not related to the Group. Tadem is accredited by Capital Markets Board and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

The fair value of the buildings was determined using the sale comparison approach. The fair value of the machinery and equipments was determined using the cost approach. In this method, the value of same or similar existing machine is base for the fair value under current economic conditions. Therefore, the main principle of cost approach is to value in use. The fair value has been determined taking into consideration the likelihood of physical deterioration, functional, technological and economic obsolescence, assuming that the machinery and equipment is an ongoing machinery and equipment in which the fair value of the technically depreciable assets is found.

There has been no change to the valuation technique during the year.

If buildings and machinery and equipments were stated on the historical cost basis, the amounts would be as follows:

	December 31, 2018	December 31, 2017
Net carrying amounts:		
Machinery and equipments	6,831	12,753
	<u>6,831</u>	<u>12,753</u>

Details of the Group’s investment properties and information about the fair value hierarchy as at December 31, 2018 and 2017 are as follows:

	December 31 2018	Fair value as at December 31, 2018		
		Level 1 TL	Level 2 TL	Level 3 TL
Machinery and equipments	48,053	-	48,053	-

  

	December 31 2017	Fair value as at December 31, 2017		
		Level 1 TL	Level 2 TL	Level 3 TL
Machinery and equipments	52,678	-	52,678	-

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 12 – PROPERTY, EQUIPMENT AND OTHER INTANGIBLE ASSETS (Continued)

Cost	Licenses (*)	Rights	Other	Total
Opening balance as of January 1, 2018	401,236	49,149	495	450,880
Additions	-	8,331	29	8,360
Transfers	-	(1,808)	965	(843)
Closing balance as of December 31, 2018	<u>401,236</u>	<u>55,672</u>	<u>1,489</u>	<u>458,397</u>
<u>Accumulated amortization</u>				
Opening balance as of January 1, 2018	-	(23,207)	(157)	(23,364)
Charge for the period	-	(6,910)	(209)	(7,119)
Closing balance as of December 31, 2018	<u>-</u>	<u>(30,117)</u>	<u>(366)</u>	<u>(30,483)</u>
Carrying value as of December 31, 2018	<u>401,236</u>	<u>25,555</u>	<u>1,123</u>	<u>427,914</u>

(\*) The projection period for the purposes of impairment testing was taken as 5 years between 2019 and 2023 and a discount rate of 21.6%. Estimated cash flows beyond the five-year period are calculated 8% growth rate and existing profitability is estimated to be maintained. Management believes that an 8% per annum growth rate is reasonable since there will be no capacity increase over the projection period and this growth rate is considered to be mostly inflationary. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of the hospitals to exceed its recoverable amount.

Cost	Licenses	Rights	Other	Total
Opening balance as of January 1, 2017	401,236	48,603	331	450,170
Additions	-	7,207	164	7,371
Disposals	-	(3)	-	(3)
Transfers	-	(6,658)	-	(6,658)
Closing balance as of December 31, 2017	<u>401,236</u>	<u>49,149</u>	<u>495</u>	<u>450,880</u>
<u>Accumulated amortization</u>				
Opening balance as of January 1, 2017	-	(18,905)	(87)	(18,992)
Charge for the period	-	(4,302)	(70)	(4,372)
Closing balance as of December 31, 2017	<u>-</u>	<u>(23,207)</u>	<u>(157)</u>	<u>(23,364)</u>
Carrying value as of December 31, 2017	<u>401,236</u>	<u>25,942</u>	<u>338</u>	<u>427,516</u>

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 13 – GOODWILL

Hospital	Date of acquisition	December 31, 2018	December 31, 2017
Saray Hospital	2005	18,387	18,387
Yükseliş Hospital	2006	10,262	10,262
Elazığ Hospital	2007	3,364	3,364
Batman Hospital (branch of Sentez Hospital)	2007	702	702
Tokat Hospital	2007	792	792
Uşak Hospital	2010	1,555	1,555
Kuzey Group Entities	2010	3,406	3,406
Acarkent Hospital	2011	233	233
KHB	2014	1,516	1,516
		<u>40,217</u>	<u>40,217</u>

The Group Management regards each hospital as a single cash generating unit for the purpose of determining value in use for impairment testing. In assessing value in use, the estimated future cash flows, which are based on financial budgets approved by the directors covering a five year period, are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Fair value calculations include TL based after-tax cash flow projections based on financial budgets approved by Group Management covering five-year period. Estimated cash flows beyond the five-year period are calculated by taking into account of the growth rates that stated below on a hospital basis and the it is foreseen that the current profitability structure will be preserved. During the financial year, the Group assessed the recoverable amount of goodwill, and determined that there was no impairment.

The key assumptions used in the value in use calculations for above hospitals are as follows;

#### *Yükseliş and Acarkent Hospitals:*

The projection period for the purposes of impairment testing was taken as 5 years between 2019 and 2023 and a discount rate of 16.1%. Estimated cash flows beyond the five-year period are calculated 10% growth rate and existing profitability is estimated to be maintained. Management believes that an 10% per annum growth rate is reasonable since there will be no capacity increase over the projection period and this growth rate is considered to be mostly inflationary. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of Yükseliş and Acarkent to exceed its recoverable amount.

#### *Saray Hospital:*

The projection period for the purposes of impairment testing was taken as 5 years between 2019 and 2023 and a discount rate of 17.6%. Estimated cash flows beyond the five-year period are calculated 10% growth rate and existing profitability is estimated to be maintained. Company's revenue consist of revenue from services, commercial and other revenues. Revenue from services are generated from health services such as outpatients and inpatients. Management believes that the company has been operating at its optimum performance and no further capacity increased is assumed, therefore, total revenue growth in the projection period is considered to be mostly inflationary. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of Kuzey Group to exceed its recoverable amount.

#### *KHB:*

The projection period for the purposes of impairment testing was taken as 5 years between 2019 and 2023 and a discount rate of 20.6%. Estimated cash flows beyond the five-year period are calculated without consideration of any growth rate and existing profitability is estimated to be maintained.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 13 – GOODWILL (Continued)

##### *Kuzey Group Entities:*

The projection period for the purposes of impairment testing was taken as 5 years between 2019 and 2023 and a discount rate of 17.6%. Estimated cash flows beyond the five-year period are calculated 10% growth rate and existing profitability is estimated to be maintained. Company’s revenue consist of revenue from services, commercial and other revenues. Revenue from services are generated from laboratory services provided to customers. Commercial revenues are generated from the sale of medical equipment and machinery to other medical institutions. Management believes that the company has been operating at its optimum performance and no further capacity increase is assumed, therefore, total revenue growth in the projection period is considered to be mostly inflationary. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of Kuzey Group to exceed its recoverable amount.

##### *Uşak Hospital:*

The projection period for the purposes of impairment testing was taken as 5 years between 2019 and 2023 and a discount rate of 21.6%. Estimated cash flows beyond the five-year period are calculated 10% growth rate and existing profitability is estimated to be maintained. Management believes that an 10% per annum growth rate is reasonable since there will be no capacity increase over the projection period and this growth rate is considered to be mostly inflationary. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of Uşak Hospital to exceed its recoverable amount.

##### *Tokat Hospital:*

The projection period for the purposes of impairment testing was taken as 5 years between 2019 and 2023 and a discount rate of 21.6%. Estimated cash flows beyond the five-year period are calculated 10% growth rate and existing profitability is estimated to be maintained. Management believes that an 10% per annum growth rate is reasonable since there will be no capacity increase over the projection period and this growth rate is considered to be mostly inflationary. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of Tokat Hospital to exceed its recoverable amount.

##### *Batman Hospital:*

The projection period for the purposes of impairment testing was taken as 5 years between 2019 and 2023 and a discount rate of 21.6%. Estimated cash flows beyond the five-year period are calculated 10% growth rate and existing profitability is estimated to be maintained. Management believes that an 10% per annum growth rate is reasonable since there will be no capacity increase over the projection period and this growth rate is considered to be mostly inflationary. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of Batman Hospital to exceed its recoverable amount.

##### *Elazığ Hospital:*

The projection period for the purposes of impairment testing was taken as 5 years between 2019 and 2023 and a discount rate of 18.1%. Estimated cash flows beyond the five-year period are calculated 10% growth rate and existing profitability is estimated to be maintained. Management believes that an 10% per annum growth rate is reasonable since there will be no capacity increase over the projection period and this growth rate is considered to be mostly inflationary. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of Elazığ Hospital to exceed its recoverable amount.

#### NOTE 14 – PAYABLES FOR EMPLOYEE BENEFITS

##### Payables for employment benefits:

	December 31, 2018	December 31, 2017
Fees payable to doctors and other personnel	66,077	62,620
Social security premiums payable	11,501	23,066
	<u>77,578</u>	<u>85,686</u>

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 14 – PAYABLES FOR EMPLOYEE BENEFITS (Continued)

##### Short term provision for employment benefits:

	December 31, 2018	December 31, 2017
Unused vacation provision	11,752	9,628
	<u>11,752</u>	<u>9,628</u>

##### Long term provision for employment benefits:

	December 31, 2018	December 31, 2017
Unused vacation provision	2,899	1,663
Retirement pay provision	11,710	12,743
	<u>14,609</u>	<u>14,406</u>

##### Provision for employment termination benefits:

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed 25 years of service and whose employment is terminated without due cause, is called up for military service, dies or achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month’s salary limited to a maximum of TL 5.434 for each period of service as of December 31, 2018 (2017: TL 4.732).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 requires actuarial valuation methods to be developed to estimate the entity’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at December 31, 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual salary inflation rate of 10% and a discount rate of 24.69%, resulting in a real discount rate of approximately 13.35 % (December 31, 2017: 8%). The employment termination benefit that will not be paid and that will stay on the Company for those employees who leave voluntarily is estimated to be 10% (December 2017: 10%). The basis considered in calculating the provisions is the amount of maximum liability of TL 6.017 which became effective as of January 1, 2019.

• If the discount rate had been 1% higher, provision for employee termination benefits would decrease by TL 312 and if the discount rate had been 1% lower, provision for employee termination benefits would increase by TL 276.

• If the anticipated turnover rate had been 1% lower while all other variables were held constant, provision for employee termination benefits would increase by TL 383. If the anticipated turnover rate had been 1% higher while all other variables were held constant, provision for employee termination benefits would decrease by TL 336.



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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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#### NOTE 14 – PAYABLES FOR EMPLOYEE BENEFITS (Continued)

	January 1- December 31, 2018	January 1- December 31, 2017
Movement of retirement pay provision		
Provision at January 1	12,743	8,280
Service cost	3,031	3,687
Interest cost	936	792
Termination benefits paid	(7,460)	(6,435)
Actuarial loss	2,460	6,419
Provision at period end	<u>11,710</u>	<u>12,743</u>

#### NOTE 15 – OTHER ASSETS AND LIABILITIES

	December 31, 2018	December 31, 2017
Other current assets		
VAT carried forward (*)	30,941	26,474
Other miscellaneous current assets	4,747	1,454
	<u>35,688</u>	<u>27,928</u>

(\*) The Group estimates that the carried forward VAT will be utilized in the short term.

#### NOTE 16 – PROVISIONS

	December 31, 2018	December 31, 2017
Other short-term provisions		
Litigation provisions	11,534	8,828
Social Security discounts provisions	5,470	5,922
	<u>17,004</u>	<u>14,750</u>

  

	January 1- December 31, 2018	January 1- December 31, 2017
Movement of litigation provision		
Opening balances	8,828	5,754
Charge for the period (Note 20)	7,717	4,439
Payment	(5,011)	(1,365)
Closing balances	<u>11,534</u>	<u>8,828</u>

Sentez, which the Group owns with 56% share, is consolidated to the Group’s financial statements. Sentez consists of İzmir, Batman, Gaziantep and Van (closed) Hospitals. Non-controlling shareholders of Sentez Sağlık Hizmetleri A.Ş. filed a lawsuit against MLP Sağlık A.Ş. and its shareholders. The Group management evaluates that there will not be any obligation of the Company as a result of this lawsuit; therefore no provision was recorded in the consolidated financial statements.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

### NOTE 17 – COMMITMENTS

In relation to the loans used, the Company has pledges for all the shares, the shares of the subsidiaries which are owned by the Company and the commercial enterprise pledge for all kinds of fixed assets owned.

December 31, 2018	Total TL Equivalent	TL	USD	EUR
A. CPM given on behalf of its own legal entity				
-Collateral	62,737	45,864	156	2,663
-Rehin	-	-	-	-
-Pledge	-	-	-	-
-Mortgage	-	-	-	-
B. CPM given on behalf of the subsidiaries included in full consolidation (*)				
-Collateral	82,029	55,602	-	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	-	-	-	-
<b>Total</b>	<b>144,766</b>	<b>101,466</b>	<b>156</b>	<b>7,047</b>

(\*) The Group has given guarantees amounting to TL 87,108 related to the loans in Note 7 for the companies under full consolidation.

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

### NOTE 17 – COMMITMENTS (Continued)

December 31, 2017	Total TL Equivalent	TL	USD	EUR
A. CPM given on behalf of its own legal entity				
-Collateral	39,749	35,219	1,201	-
-Rehin	-	-	-	-
-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	-	-	-	-
<b>Total</b>	<b>101,321</b>	<b>76,976</b>	<b>1,206</b>	<b>4,384</b>

(\*) The Group has given guarantees amounting to TL 89,639 related to the loans in Note 7 for the companies under full consolidation.

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

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 18 – SHARE CAPITAL / OTHER RESERVES

Shareholders	%	December 31, 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 thousand shares from the publicly traded portion of the capital. Distribution of the shares purchased is as follows; 3,224 thousand shares representing 4.43% of the publicly traded portion were purchased by Lightyear Healthcare B.V., 1,613 thousand shares representing 2.21% of the publicly traded portion of the capital were purchased by Sancak İnşaat, 943 thousand shares representing 1.29% of the publicly traded portion of the capital were purchased by Muharrem Usta, 418 thousand shares representing 0.57% of the publicly traded portion of the capital were purchased by Hujori Financieringen B.V., 314 thousand shares representing 0.43% of the publicly traded portion of the capital were purchased by Adem Elbaşı and lastly other shareholders purchased 314 shares representing 0.43% of the publicly traded portion. 1,613 thousand shares purchased by Sancak İnşaat from the publicly traded portion were sold on September 24, 2018.

As of December 31, 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 33.46% of the shares are in circulation in accordance with CSD as of December 31, 2018 (Note 1). Shares in circulation rate is 33.46% as of January 1, 2019.

#### Share Premium:

	December 31, 2018	December 31, 2017
Share premium (*)	556,162	-
	556,162	-

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

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 18 – SHARE CAPITAL / OTHER RESERVES (Continued)

On December 16, 2009, Summer Investment S.A.R.L has got into partnership with the Group's share of 40.00%. Summer Investment S.A.R.L paid TL 143,676 and the difference between nominal capital and paid amount of TL 88,406 is accounted as share premium in the consolidated statement of changes in equity.

47.22% and 6.13% shares of the Company have been transferred to Lightyear Healthcare BV and Hujori Financieringen BV as at May 7 and May 12, 2014, respectively. After the share transfer, consideration amounting to TL 170,706 has been paid to Company in the form of share capital and share premium, amounting to TL 21,188 and TL 149,518 TL respectively.

In accordance with Board of Director's decision dated September 29, 2017, the Group netted off all share premium with accumulated loss.

#### Reserves:

	December 31, 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.

#### Properties revaluation reserves

	January 1- December 31, 2018	January 1- December 31, 2017
Balance at the beginning of the period	39,752	39,752
Balance at the end of the period	<u>39,752</u>	<u>39,752</u>

The properties revaluation reserve arises on the revaluation of buildings and machinery and equipment. When revalued buildings or machinery and equipments are sold, the portion of the properties revaluation reserve that relates to that asset is transferred directly to retained earnings.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 19 – REVENUE AND COST OF SERVICES

Revenue	January 1- December 31,2018	January 1- December 31,2017
Hospital services (*)	3,131,559	2,576,076
	<u>3,131,559</u>	<u>2,576,076</u>

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

Cost of services	January 1- December 31,2018	January 1- December 31,2017
Material consumption	(735,826)	(591,037)
Doctor expenses	(706,018)	(590,802)
Personnel expenses	(450,340)	(394,187)
Rent expenses (hospital)	(235,500)	(182,646)
Depreciation and amortization expenses (Note 12)	(186,944)	(171,959)
Services rendered by third parties	(145,125)	(103,098)
Other (*)	(184,295)	(136,860)
	<u>(2,644,048)</u>	<u>(2,170,589)</u>

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

**MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

**NOTE 20 – OPERATING EXPENSES**

General administrative and marketing expenses	January 1- December 31,2018	January 1- December 31,2017
Personnel expenses	(105,608)	(84,017)
Sponsorship and advertising expenses (*)	(91,047)	(55,585)
Bad debt allowance (Note 8)	(3,790)	(10,831)
Taxes and duties	(6,286)	(7,822)
Rent expenses	(7,876)	(6,410)
Representation and entertainment expenses	(3,383)	(6,387)
Outsourcing expenses	(9,198)	(5,253)
Lawsuit provision (Not 16)	(7,717)	(4,439)
Depreciation and amortization expenses (Note 12)	(4,715)	(2,844)
Maintenance expenses	(3,161)	(2,695)
Utility expenses	(1,646)	(2,287)
Communication expenses	(1,058)	(459)
Other	(25,545)	(26,119)
	<u>(271,030)</u>	<u>(215,148)</u>

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

**NOTE 21 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES**

Other income from operating activities	January 1- December 31, 2018	January 1- December 31, 2017
Foreign exchange gains from operations	533,448	347,290
Trade payables discount	11,957	9,575
Interest income	21,008	9,232
Bank commission income	1,883	2,346
Collections from bad debt receivables (Note 8)	901	649
Other income	29,704	10,988
	<u>598,901</u>	<u>380,080</u>

Other expenses from operating activities	January 1- December 31, 2018	January 1- December 31, 2017
Foreign exchange losses from operations	(450,223)	(321,068)
SSI return expenses	(12,658)	(5,046)
Non-operational hospital expenses	(695)	(3,188)
Biomedical equipment damage	(7,449)	(3,017)
Tax expenses (*)	(4,998)	(2,645)
Trade receivables discount	(5,566)	(1,743)
Depreciation expenses (Note 12)	(21)	(297)
Other expenses	(33,502)	(20,677)
	<u>(515,112)</u>	<u>(357,681)</u>

(\*) Consist of payments with regards to the law no. 6736.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

### NOTE 22 –INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- December 31, 2018	January 1- December 31, 2017
<u>Incomes from investment activities</u>		
Gain on sale of fixed assets	1,612	1,000
	<u>1,612</u>	<u>1,000</u>
	January 1- December 31, 2018	January 1- December 31, 2017
<u>Expenses from investment activities</u>		
Loss on sale of fixed assets	(427)	(1,194)
	<u>(427)</u>	<u>(1,194)</u>

### NOTE 23 – FINANCIAL EXPENSES

	January 1- December 31,2018	January 1- December 31,2017
<u>Finance expenses (-)</u>		
Interest expenses from bank borrowings	(121,791)	(113,255)
Interest expenses from financial lease obligations	(29,125)	(35,930)
Interest expenses from bonds issued	(25,058)	(27,976)
Bank commissions	(28,479)	(18,932)
Other interest expenses	(14,044)	(19,006)
Total interest expenses	<u>(218,497)</u>	<u>(215,099)</u>
Net foreign exchange loss (Note 7)	(197,982)	(168,195)
Fair value differences of derivative financial instruments (net)	(47,374)	-
	<u>(463,853)</u>	<u>(383,294)</u>

### NOTE 24 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)

	December 31, 2018	December 31, 2017
<u>Short term payables due to current tax</u>		
Current period tax liabilities	4,993	3,595
	<u>4,993</u>	<u>3,595</u>
	December 31, 2018	December 31, 2017
<u>Current tax liabilities</u>		
Current corporate tax provision	14,278	11,573
Less: Prepaid taxes and funds	(9,285)	(7,978)
	<u>4,993</u>	<u>3,595</u>
	January 1- December 31, 2018	January 1- December 31, 2017
<u>Tax (expense) / income</u>		
Current tax expense	(14,278)	(11,573)
Deferred tax income	72,996	49,541
	<u>58,718</u>	<u>37,968</u>



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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 24 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)(Continued)

	January 1 - December 31, 2018		
	Before tax amount	Tax benefit	Net of tax amount
Actuarial gains (loss) on post employment benefit obligations	(2,460)	492	(1,968)
Other Comprehensive Income	(2,460)	492	(1,968)

  

	January 1 - December 31, 2017		
	Before tax amount	Tax benefit	Net of tax amount
Actuarial gains (loss) on post employment benefit obligations	(6,419)	1,284	(5,135)
Other Comprehensive Income	(6,419)	1,284	(5,135)

#### Corporate Tax

The Group is subject to Turkish corporate taxes in force. The necessary provisions are allocated in the consolidated financial statements for the estimated liabilities based on the Group's results for the year. 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 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 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%).

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated December 5, 2017 and numbered 30261. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50%. This regulation has been effective from 5 December 2017.

#### Deferred Tax

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

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.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 24 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

##### Deferred Tax (Continued)

##### 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 40% - 80% for an unlimited time, which amounts to a total deferred tax asset of TL 126,344 (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 3,891 will be netted off against personnel expenses over the period of 2019-2020.

As of December 31, 2018, the Group has tax loss amounting to TL 437,571 (December 31, 2017: TL 388,511). TL 89,334 (December 31, 2017: TL 80,190) deferred tax assets have been recorded.

	December 31, 2018	December 31, 2017
<u>Deferred tax assets / (liabilities):</u>		
Tax losses carried forward	89,334	80,190
Depreciation / amortization differences of tangible and intangible assets	(129,276)	(119,498)
Provision for employment termination benefits	2,342	2,549
Vacation pay liability	3,223	2,484
Temporary difference between the tax base and carrying amount of financial liabilities	(905)	1,552
Prepaid building expenses	(5,553)	(3,853)
Tax advantage from investment incentive	126,344	70,783
Derivative instruments	10,422	-
Other	50,738	38,974
	<u>146,669</u>	<u>73,181</u>
Deferred tax asset	282,404	197,317
Deferred tax liability	(135,735)	(124,136)
	<u>146,669</u>	<u>73,181</u>

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

### NOTE 24 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

#### Deferred Tax (Continued)

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

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

  

	December 31, 2017	
	Losses carried forward for which deferred tax assets recognized	Losses carried forward for which deferred tax assets not recognized
Expiration schedule of carryforward tax losses		
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	-
	388,511	-

Movement of deferred tax (assets)/liabilities for the period ended January 1 - December 31, 2018 and 2017 are as follows:

	January 1- December 31, 2018	January 1- December 31, 2017
Movement of deferred tax asset / (liabilities):		
Opening balance as at January 1	(73,181)	(22,356)
Charged to profit or loss	(72,996)	(49,541)
Charged to equity	(492)	(1,284)
Closing balance as at year end	(146,669)	(73,181)

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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#### NOTE 24 - 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- December 31,2018	January 1- December 31,2017
Loss before tax	(162,398)	(170,750)
Tax at the domestic income tax rate of 22% (2017: 20%)	35,728	34,150
Tax effects of:		
- expenses that are not deductible in determining taxable profit	(24,597)	(18,617)
- effect of tax advantage from investment incentive	55,561	16,775
- discounted corporate tax effect	371	777
- tax losses carried forward not subject to deferred tax	(6,051)	(1,475)
- previously recognized tax losses that deducted in the current year	(9,433)	-
- change in income tax rate from 20% to 22% (*)	6,573	5,854
- other	566	809
- other deduction	-	(305)
Income tax income recognised in profit or loss	58,718	37,968

(\*) 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%). Accordingly, deferred taxes for depreciation / amortization differences of tangible and intangible assets, provision for employee termination benefits and carry forward tax losses are calculated as 20% and deferred taxes from the remaining temporary differences are calculated as 22%.

#### NOTE 25 – EARNINGS PER SHARE

For the years ended December 31, 2018 and 2017, earnings per share is as follows:

Loss per share	December 31, 2018	December 31, 2017
Weighted average number of shares	206,028	176,458
Loss for the period for the equity holders of the parent	(127,651)	(122,772)
<b>Loss per share</b>	<b>(0.62)</b>	<b>(0.70)</b>

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 26 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

##### a) Capital risk management

The Group manages its capital through the optimization of the debt and the equity balance that minimizes the financial risk.

Through the forecasts regularly prepared by the Group, the future capital amount, debt to equity ratio and similar ratios are forecasted and required precautions are taken to strengthen the capital.

The capital structure of the Group consists of debt which includes the financial liabilities disclosed in Note 7, cash and cash equivalents and equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings..

The Group's Board of Directors analyze the capital structure in regular meetings. During these analyses, the Board of Directors also evaluates the risks associated with each class of capital together with the cost of capital. The Group, by considering the decisions of the Board of Directors, aims to balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

As of December 31, 2018 and 2017 the net (credit) debt /equity ratio is as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Total Borrowings	1,418,891	1,599,248
Less: Cash and Cash Equivalent	(223,318)	(217,846)
<b>Net Debt</b>	<b>1,195,573</b>	<b>1,381,402</b>
Total Equity	575,691	104,670
<b>Total Capital</b>	<b>1,771,264</b>	<b>1,486,072</b>
<b>Gearing Ratio</b>	<b>67%</b>	<b>93%</b>

There has been no significant change in Group's financial risk policies and credit risk management implementations compared to prior periods.

##### b) Financial risk factors

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

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### **NOTE 26 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)**

##### b) Financial risk factors (Continued)

###### *b.1) Credit risk management*

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group monitors the credibility of the parties with whom they perform transactions and also takes into account the credit rating of the related instruments when making the investment preference. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Before accepting any new customer, credit limits by customer are determined and defined after the assessment of the potential customer's credit quality.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimize the credit risk, the Group has performed credit ratings considering the default risks of the counterparties and categorized the related parties.

The Group's current credit risk rating methodology includes the following categories:

Category	Description	Basis for recognizing expected credit loss
Secured receivables	Consist of secured receivables	Not generating credit loss
Recoverable receivables	The counterparty has a low risk of default and secured	Not generating credit loss
Doubtful or past due receivables	Amount is past due or there has been a significant evidence	%100 allowance for unsecured receivables
Write-off	There is evidence indicating the asset is credit-impaired	Amount is write-off

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 26 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

##### b) Financial Risk Factors (Continued)

##### b.1) Credit risk management (Continued)

Trade receivables include a large number of customers scattered in various regions. There is no risk concentration on a specific customer or a group of customers. The credit reviews are performed continuously over the accounts receivable balance of the customers. The Group does not have a significant credit risk arising from any customer.

December 31, 2018	Receivables				Deposits in bank
	Trade receivables		Other Receivables		
	Related Party	Third Party	Related Party	Third Party	
Maximum net credit risk as of balance sheet date (A+B+C+D+E)(*)	3,037	896,609	50,114	23,164	201,800
- The part of maximum risk under guarantee with collateral etc.	-	-	-	-	-
A. Net book value of financial assets that are neither past due or impaired	3,037	477,604	50,114	23,164	201,800
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	419,005	-	-	-
- the part under guarantee with collateral	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Past due (gross carrying amount)	-	11,515	-	-	-
- Impairment (-)	-	(11,515)	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

(\*) The factors that increase credibility such as guarantees received are not taken into account in determination of amount.

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#### NOTE 26 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

##### b) Financial Risk Factors (Continued)

##### b.1) Credit risk management (Continued)

<u>December 31, 2017</u>	<u>Receivables</u>				<u>Deposits in bank</u>
	<u>Trade receivables</u>		<u>Other Receivables</u>		
	<u>Related Party</u>	<u>Third Party</u>	<u>Related Party</u>	<u>Third Party</u>	
Maximum net credit risk as of balance sheet date (A+B+C+D+E)(*)	15,183	736,046	9,164	15,950	183,341
- The part of maximum risk under guarantee with collateral etc.	-	-	-	-	-
A. Net book value of financial assets that are neither past due or impaired	15,183	459,324	9,164	15,950	183,341
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	276,722	-	-	-
- the part under guarantee with collateral	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Past due (gross carrying amount)	-	17,963	-	-	-
- Impairment (-)	-	(17,963)	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

(\*) The factors that increase credibility such as guarantees received are not taken into account in determination of amount.



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#### NOTE 26 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

##### b) Financial Risk Factors (Continued)

###### b.1) Credit risk management (Continued)

###### Explanations on the credit quality of financial assets

Allowances for doubtful receivables are recognized against financial assets based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty.

Aging of receivables that are past due but not impaired are as follows:

December 31, 2018	<u>Trade Receivables</u>	<u>Total</u>
Total overdue by 1-30 days	51,304	51,304
Total overdue by 1-3 months	25,297	25,297
Overdue by more than 3 months	342,404	342,404
Total overdue receivables	419,005	419,005
Secured portion via guarantee or etc.	-	-

December 31, 2017	<u>Trade Receivables</u>	<u>Total</u>
Total overdue by 1-30 days	30,969	30,969
Total overdue by 1-3 months	30,531	30,531
Overdue by more than 3 months	215,222	215,222
Total overdue receivables	276,722	276,722
Secured portion via guarantee or etc.	-	-

###### b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group’s short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities and maintaining adequate funds and reserves.

###### Liquidity risk tables

Conservative liquidity risk management includes maintaining sufficient cash, availability of sufficient amount of borrowings and funds and ability to settle market positions.

The Group manages its funding of actual and forecasted financial obligations by maintaining the availability of sufficient number of high quality loan providers.

The following table details the Group’s expected maturity for its derivative and non derivative financial liabilities. Interests which will be paid on borrowings in the future are included in the relevant columns in the following table.

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### NOTE 26 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

#### b) Financial Risk Factors (Continued)

##### b.2) Liquidity risk management (Continued)

	<u>Carrying value</u>	<u>Total cash outflow according to contract (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
<b><u>December 31, 2018</u></b>						
<b>Non-derivative financial liabilities</b>						
Bank loans	1,066,386	1,388,375	50,469	327,646	924,573	85,687
Debt instruments issued (Bond)	69,260	80,129	34,450	45,679	-	-
Finance lease obligations	283,245	325,465	34,232	78,605	210,710	1,918
Trade and other payables	865,734	960,117	663,887	227,394	52,875	15,961
Payables for employment benefits	77,578	77,578	77,578	-	-	-
<b>Total liabilities</b>	<b><u>2,362,203</u></b>	<b><u>2,831,664</u></b>	<b><u>860,616</u></b>	<b><u>679,324</u></b>	<b><u>1,188,158</u></b>	<b><u>103,566</u></b>
<b><u>December 31, 2017</u></b>						
<b>Non-derivative financial liabilities</b>						
Bank loans	1,203,588	1,565,851	120,901	206,612	960,503	277,835
Debt instruments issued (Bond)	79,740	91,791	3,390	88,401	-	-
Finance lease obligations	315,920	371,862	39,410	73,526	247,749	11,177
Trade and other payables	730,523	763,537	477,891	198,438	56,649	30,559
Payables for employment benefits	85,686	85,686	85,686	-	-	-
<b>Total liabilities</b>	<b><u>2,415,457</u></b>	<b><u>2,878,727</u></b>	<b><u>727,278</u></b>	<b><u>566,977</u></b>	<b><u>1,264,901</u></b>	<b><u>319,571</u></b>

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 26 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

##### b) Financial Risk Factors (Continued)

##### b.3) 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:

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

### NOTE 26 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### b) Financial Risk Factors (Continued)

##### b.3) 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	-
<b>4. CURRENT ASSETS</b>	<b>275,965</b>	<b>55,663</b>	<b>14,587</b>	<b>25</b>
6.b. Non monetary financial assets	44,261	11,734	-	-
7. Other	3,805	1,005	3	-
<b>8. NON CURRENT ASSETS</b>	<b>48,066</b>	<b>12,739</b>	<b>3</b>	<b>-</b>
<b>9. TOTAL ASSETS</b>	<b>324,031</b>	<b>68,402</b>	<b>14,590</b>	<b>25</b>
10. Trade payables	(44,055)	(6,737)	(4,129)	-
11.a. Financial liabilities (loans)	(91,213)	-	(20,200)	-
11.b. Financial liabilities (leasing)	(60,978)	(2,459)	(11,450)	-
12.a Other monetary liabilities	(39,023)	(5,047)	(4,425)	-
<b>13. CURRENT LIABILITIES</b>	<b>(235,269)</b>	<b>(14,243)</b>	<b>(40,204)</b>	<b>-</b>
14. Trade payables	-	-	-	-
15.a. Financial liabilities (loans)	(637,718)	-	(141,229)	-
15.b. Financial liabilities (leasing)	(170,125)	(5,470)	(33,106)	-
16.b Other non monetary liabilities	-	-	-	-
<b>17. NON CURRENT LIABILITIES</b>	<b>(807,843)</b>	<b>(5,470)</b>	<b>(174,335)</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>(1,043,112)</b>	<b>(19,713)</b>	<b>(214,539)</b>	<b>-</b>
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	-	-	-	-
<b>20. Net foreign currency asset liability position (9+18+19)</b>	<b>(719,081)</b>	<b>48,689</b>	<b>(199,949)</b>	<b>25</b>
<b>20. Monetary Items Net Foreign Currency Asset / Liability Position (1+2a+10+11+12a+14+15+16a)</b>	<b>(888,160)</b>	<b>19,739</b>	<b>(213,208)</b>	<b>25</b>

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

### NOTE 26 –FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### b) Financial Risk Factors (Continued)

##### b.3) 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% (2017: 10%) increase and decrease against the relevant foreign currencies. 20% (2017: 10%) 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 10% 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% (2017: 10%) against the relevant currency. For a 20% (2017: 10%) 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.

		<b>December 31, 2018</b>	
		Profit /Loss	
		Valuation of foreign currency	Devaluation of foreign currency
<b>In the case of US dollar gaining 20% value against TL</b>			
1 - USD net asset / liability		27,067	(27,067)
2- Portion hedged against USD risk (-)		-	-
<b>3- USD net effect (1 +2)</b>		<b>27,067</b>	<b>(27,067)</b>
<b>In the case of EUR gaining 20% value against TL</b>			
4 -EUR net asset / liability		(130,788)	130,788
5 Portion hedged against EUR risk (-)		57,000	(57,000)
<b>6- EUR net effect (4+5)</b>		<b>(73,788)</b>	<b>73,788</b>
<b>TOTAL (3 + 6)</b>		<b>(46,721)</b>	<b>46,721</b>
		<b>December 31, 2017</b>	
		Profit /Loss	
		Valuation of foreign currency	Devaluation of foreign currency
<b>In the case of US dollar gaining 10% value against TL</b>			
1 - USD net asset / liability		18,365	(18,365)
2- Portion hedged against USD risk (-)		-	-
<b>3- USD net effect (1 +2)</b>		<b>18,365</b>	<b>(18,365)</b>
<b>In the case of EUR gaining 10% value against TL</b>			
4 -EUR net asset / liability		(90,287)	90,287
5 Portion hedged against EUR risk (-)		-	-
<b>6- EUR net effect (4+5)</b>		<b>(90,287)</b>	<b>90,287</b>
<b>TOTAL (3 + 6)</b>		<b>(71,922)</b>	<b>71,922</b>

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 26 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

##### a) Financial Risk Factors (Continued)

###### a.4) Interest rate risk

The value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is subject to interest risk in relation to its variable rate bank borrowings and financial lease obligations.

The Group has the obligation to hedge loan interest rates within the scope of syndicated loans for 24 months. Interest rates are fixed Euribor at 5.5% based on agreement that requires fixing of Trlibor and Euribor.

	Increase / (decrease) in basis points	Effect on loss before tax in nominal amount	Effect on equity
December 31, 2018			
- TL	2.5	(9,046)	-
	(2.5)	9,046	-

  

	Increase / (decrease) in basis points	Effect on loss before tax in nominal amount	Effect on equity
December 31, 2017			
- TL	2.5	(6,494)	-
	(2.5)	6,494	-

Interest rate swap contracts:

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

Interest rate swap contract assets and liabilities are included in Note 28.

###### b.5) Market risk

The Group is exposed primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group utilizes the following financial instruments to manage the risks associated with the foreign exchange rates and interest rates. Also, the Group follows price changes and market conditions regularly and takes action in pricing instantaneously.

The Group prefers floating interest rates for long term borrowings. To hedge against the interest risk the Group uses interest swap contracts for some of its borrowings.

In the current period, there is no significant change in the Group's exposure to the market risks or the manner which it manages and measures risk when compared to the previous year.

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### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

#### NOTE 27 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

	Cash and cash equivalent	Loans and receivables	Available for sale financial assets	Financial assets / liabilities at amortized cost	Derivative financial instruments through other comprehensive income/loss	Derivative financial instruments through profit/loss	Carrying value	Note
<b>December 31, 2018</b>								
<b><u>Financial Assets</u></b>								
Cash and cash equivalents	-	-	-	224,371	-	-	224,371	6
Trade receivables	-	-	-	898,593	-	-	898,593	8
Other receivables (related parties included)	-	-	-	73,278	-	-	73,278	9
Derivative financial instruments	-	-	-	-	-	1,479	1,479	28
<b><u>Financial Liabilities</u></b>								
Financial liabilities	-	-	-	1,418,891	-	-	1,418,891	7
Trade payables	-	-	-	807,681	-	-	807,681	8
Other liabilities (related parties included)	-	-	-	58,053	-	-	58,053	9
Payables for employee benefits	-	-	-	77,578	-	-	77,578	14
Derivative financial instruments	-	-	-	-	-	48,853	48,853	28
<b>December 31, 2017</b>								
<b><u>Financial Assets</u></b>								
Cash and cash equivalents	-	217,846	-	-	-	-	217,846	6
Trade receivables	-	751,229	-	-	-	-	751,229	8
Other receivables (related parties included)	-	25,114	-	-	-	-	25,114	9
Derivative financial instruments	-	-	-	-	-	-	-	28
<b><u>Financial Liabilities</u></b>								
Financial liabilities	-	-	-	1,599,248	-	-	1,599,248	7
Trade payables	-	-	-	669,975	-	-	669,975	8
Other liabilities (related parties included)	-	-	-	60,548	-	-	60,548	9
Payables for employee benefits	-	-	-	85,686	-	-	85,686	14
Derivative financial instruments	-	-	-	-	-	-	-	28

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

### NOTE 27 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

Categories of the financial instruments and their fair values (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Estimated fair values of financial instruments have been determined by the Group by using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data. Accordingly, estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

The following methods and assumptions are used to estimate the fair values of financial instruments:

#### *Financial assets*

Financial assets that are carried at cost value including cash and cash equivalents are assumed to reflect their fair values due to their short term nature.

The carrying value of receivables, with related impairments are assumed to reflect their fair values.

#### *Financial liabilities*

Fair values of short term borrowings and trade payables are assumed to approximate their carrying values due to their short term nature.

Fair values of long term financial liabilities are assumed to approximate their carrying values due to mostly they have floating interest rates and repricing at short term.

#### **Financial asset and liabilities at fair value**

	December 31, 2018	Fair value at reporting date		
		Level 1	Level 2	Level 3
<b>Financial asset and liabilities at fair value through profit/loss</b>				
Derivative financial assets	1,479	-	1,479	-
Derivative financial liabilities	(48,853)	-	(48,853)	-
<b>Financial asset and liabilities at fair value through other comprehensive income/expense</b>				
Derivative financial assets	-	-	-	-
Derivative financial liabilities	-	-	-	-
<b>Total</b>	<b>(47,374)</b>	<b>-</b>	<b>(47,374)</b>	<b>-</b>

*First level:* Quoted (non adjusted) prices in active markets for identical assets or liabilities.

*Second level:* Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

*Third level:* Valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.



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## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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### NOTE 28 – DERIVATIVE FINANCIAL INSTRUMENTS

As of reporting date the detail of financial derivative instruments as follows:

	December 31, 2018		December 31, 2017	
	Asset	Liability	Asset	Liability
<i>Fair value hedging derivative financial instruments</i>				
Forward contracts	-	2,517	-	-
Cross currency swap contracts	-	46,245	-	-
Interest rate swap contracts	1,479	91	-	-
	<u>1,479</u>	<u>48,853</u>	<u>-</u>	<u>-</u>

#### Derivative instruments for fair value hedge

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

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

(\*) TL interest rate swap agreement has been made for the loan amounting to TL 40.000 and the fair value of contract is TL 1.479 as of the balance sheet date.

As of July 2018 and September 2018, the Group has hedged all principal and interest payments of the euro-denominated loans for the 2019-2024 period amounting to EUR 118,830 of the total EUR 41,452 of total debt service for the 2019-2020 period using a currency hedging through cross currency interest swap transactions and as for October 2018, the Group has hedged all principal and interest payments of the euro denominated lease obligation loans for the 2019-2020 period amounting to EUR 14,494 of the total EUR 37,161 of total lease obligation for the 2019-2024 period using a forward interest rate swap through cross currency interest swap transactions. The total hedged portion is 35.86% of the total euro-denominated loan related debt service.

### NOTE 29 - EVENTS AFTER THE REPORTING PERIOD

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

## 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 December 31, 2018 and December 31, 2017 are as follow:

<b>EBITDA CALCULATION</b>	<b>December 31, 2018</b>	<b>December 31, 2017</b>
i. Net loss before tax	(162,398)	(170,750)
ii. Depreciation and amortization of tangible and intangible fixed assets including non-cash provisions related to assets such as goodwill	191,680	175,100
iii. Total net finance expenses, net of interest income (Note 23)(Note 21)	197,489	205,867
iv. Fx gains / losses, net under finance expenses (Note 23)	197,982	168,195
v. Fair value differences of derivative instruments	47,374	-
vi. Extraordinary (income)/ expenses	26,395	18,729
vii. Rediscount income/expense (net imputed interest) (Note 21)	(6,391)	(7,832)
viii. Legal case provision expenditures which are reflected to financial statements by the general accounting principles (Note 16)	2,706	3,074
xi. Unused vacation pay provision expenses which are reflected to financial statements by the general accounting principles (Note 14)	3,360	2,460
x. Retirement pay provision expenses which are reflected to financial statements by the general accounting principles (Note 14)	3,967	4,479
xii. Doubtful receivables provision expenses which are reflected to financial statements by the general accounting principles (Note 8)	2,889	8,387
xiii. Non cash sale and lease back expenses which are reflected to financial statements by the general accounting principles (Note 5)	787	787
xiv. (Income)/ expenses from investment operations (Note 22)	(1,185)	194
<b>EBITDA</b>	<b>504,655</b>	<b>408,690</b>