

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

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

CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS AS OF JUNE 30, 2019
TOGETHER WITH INDEPENDENT
AUDITOR'S REVIEW REPORT

(CONVENIENCE TRANSLATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH) Mersis No: 0291001097600016
Ticari Sicil No : 304099

INDEPENDENT REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of MLP Sağlık Hizmetleri A.Ş. (the “Company”) and its subsidiaries (together will be referred as the “Group”) as of June 30, 2019 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-months period then ended. The Group management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standards 34 (“TAS 34”)– Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Independent Review

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

Conclusion

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

Other Information

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

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

In connection with our review of the condensed consolidated interim financial information, our responsibility is to reviewed the other information and, in doing so, consider whether the other information is materiality inconsistent with the condensed consolidated interim financial information or our knowledge obtained in the review or otherwise appears to be materially misstated. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review audit procedures. Based on the review work we have performed, we have nothing to report in this regard.

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



Volkan Becerik
Partner

İstanbul, August 8, 2019

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MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

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

	Notes References	Reviewed June 30, 2019	Audited December 31, 2018
ASSETS			
Current Assets			
1,599,272			
Cash and cash equivalents	4	260,187	223,318
Trade receivables	6	980,822	898,593
Due from related parties	3	2,609	3,037
Trade receivables from third parties		978,213	895,556
Other receivables	7	49,893	72,128
Due from related parties	3	25,894	50,114
Other receivables from third parties		23,999	22,014
Derivative financial instruments	24	2,780	1,479
Inventories	8	89,427	80,201
Prepaid expenses	9	180,798	167,186
Other current assets	13	35,365	35,688
Non-current assets			
2,122,452			
Trade receivables	6	1,053	1,053
Other receivables	7	1,720	1,150
Property and equipment	10	807,162	836,758
Intangible assets		473,630	468,131
Goodwill		40,217	40,217
Other intangible assets	10	433,413	427,914
Right of use assets	11	230,885	-
Prepaid expenses	9	223,452	170,788
Deferred tax assets	21	384,550	282,404
TOTAL ASSETS		3,721,724	3,238,877

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

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

	Notes References	Reviewed June 30, 2019	Audited December 31, 2018
LIABILITIES AND EQUITY			
Current liabilities		1,831,156	1,508,830
Short term borrowings	5	312,452	125,195
Short term portion of long term borrowings	5	283,146	241,677
Short term obligations under finance leases	5	80,686	88,407
Short term lease liabilities	5	114,375	-
Trade payables	6	782,763	807,681
Due to related parties	3	15,688	33,024
Trade payables to third parties		767,075	774,657
Payables related to employee benefits	12	90,490	77,578
Other payables	7	21,778	22,355
Due to related parties	3	799	819
Other payables to third parties		20,979	21,536
Deferred revenues	9	82,112	63,335
Short term provisions		32,246	28,756
Short term provisions for employment benefits	12	14,617	11,752
Other short term provisions	14	17,629	17,004
Derivative financial instruments	24	24,112	48,853
Current tax liabilities	21	6,996	4,993
Non-current liabilities		1,686,463	1,154,356
Long term borrowings	5	800,184	768,774
Long obligations under finance leases	5	170,098	194,838
Long term lease liabilities	5	525,793	-
Other payables		33,425	35,698
Other payables to third parties	7	33,425	35,698
Deferred income	9	3,566	4,702
Long term provisions		16,873	14,609
Long term provisions for employee benefits	12	16,873	14,609
Deferred tax liabilities	21	136,524	135,735
EQUITY		204,105	575,691
Equity attributable to the Owner of the Company		163,370	474,420
Share capital	16	208,037	208,037
Share premium	16	556,162	556,162
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		25,085	28,546
Revaluation reserve	16	39,752	39,752
Accumulated loss on remeasurement of defined benefit plans		(14,667)	(11,206)
Restricted reserves	16	10,260	10,260
Accumulated deficit		(593,433)	(200,934)
Net loss for the period		(42,741)	(127,651)
Non-controlling interest		40,735	101,271
TOTAL LIABILITIES AND EQUITY		3,721,724	3,238,877

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED JANUARY 1 - JUNE 30, 2019

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

	Notes References	Reviewed January 1- June 30, 2019	Unaudited April 1- June 30, 2019	Reviewed January 1- June 30, 2018	Unaudited April 1- June 30, 2018
PROFIT OR LOSS					
Revenue	17	1,822,335	888,968	1,469,714	720,407
Cost of Sales (-)	17	(1,400,551)	(694,323)	(1,230,665)	(619,394)
GROSS PROFIT		421,784	194,645	239,049	101,013
General Administration Expenses (-)	18	(143,207)	(71,691)	(123,149)	(63,456)
Other Income from Operating Activities	19	145,007	82,500	156,707	89,738
Other Expenses from Operating Activities (-)	19	(142,481)	(82,223)	(115,912)	(66,947)
OPERATING PROFIT		281,103	123,231	156,695	60,348
Income From Investing Activities		1,186	711	353	195
Expense From Investing Activities (-)		-	-	(188)	(44)
OPERATING PROFIT BEFORE FINANCE EXPENSES		282,289	123,942	156,860	60,499
Finance Expenses (-)	20	(309,679)	(172,622)	(211,007)	(83,733)
NET LOSS BEFORE TAX		(27,390)	(48,680)	(54,147)	(23,234)
Tax income from operations		2,657	9,208	46,018	13,603
Current Tax Expense	21	(12,361)	(5,763)	(7,347)	(4,485)
Deferred Tax Income	21	15,018	14,971	53,365	18,088
NET LOSS OF THE PERIOD		(24,733)	(39,472)	(8,129)	(9,631)
Allocation of net loss					
Non-Controlling Interest		18,008	9,877	14,866	5,559
Equity Holders of the Parent		(42,741)	(49,349)	(22,995)	(15,190)
		(24,733)	(39,472)	(8,129)	(9,631)
Basic loss per share	22	(0.21)	(0.24)	(0.11)	(0.08)
OTHER COMPREHENSIVE EXPENSES		(3,461)	(1,370)	(2,088)	(2,111)
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit plans gains/(losses)		(4,326)	(1,712)	(2,610)	(2,639)
Income tax relating to items that will not be reclassified subsequently		865	342	522	528
TOTAL COMPREHENSIVE LOSS		(28,194)	(40,842)	(10,217)	(11,742)
Total comprehensive income / (loss) distribution:					
Non-controlling interest		18,008	9,877	14,866	5,559
Equity holders of the Parent		(46,202)	(50,719)	(25,083)	(17,301)
		(28,194)	(40,842)	(10,217)	(11,742)

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

	Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or (loss)				Accumulated Loss					
	Share capital	Share premium	Property revaluation reserve	Accumulated loss on remeasurement of defined benefit plans	Legal reserves	Accumulated deficit	Net profit / (loss) for the period	Attributable to equity holders of the Parent	Non-controlling interest	Total
Balance as at January 1, 2018	176,458	-	39,752	(9,238)	10,260	(78,162)	(122,772)	16,298	88,372	104,670
Changes in 2018										
Other comprehensive income for the period, net of tax	-	-	-	(2,088)	-	-	-	(2,088)	-	(2,088)
Net loss for the period	-	-	-	-	-	-	(22,995)	(22,995)	14,866	(8,129)
Total comprehensive loss for the period	-	-	-	(2,088)	-	-	(22,995)	(25,083)	14,866	(10,217)
Transfers	-	-	-	-	-	(122,772)	122,772	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(11,072)	(11,072)
Capital increase (Note 16)	31,579	-	-	-	-	-	-	31,579	-	31,579
Increase of the share premiums (Note 16)	-	556,162	-	-	-	-	-	556,162	-	556,162
Balance as at June 30, 2018	208,037	556,162	39,752	(11,326)	10,260	(200,934)	(22,995)	578,956	92,166	671,122
Balance as at January 1, 2019 (as reported)	208,037	556,162	39,752	(11,206)	10,260	(200,934)	(127,651)	474,420	101,271	575,691
The effect of changes in accounting policies (Note 2.4)	-	-	-	-	-	(264,848)	-	(264,848)	(77,043)	(341,891)
Balance as at January 1, 2019 after changes	208,037	556,162	39,752	(11,206)	10,260	(465,782)	(127,651)	209,572	24,228	233,800
Changes in 2019										
Other comprehensive income for the period, net	-	-	-	(3,461)	-	-	-	(3,461)	-	(3,461)
Net profit / (loss) for the period	-	-	-	-	-	-	(42,741)	(42,741)	18,008	(24,733)
Total comprehensive loss for the period	-	-	-	(3,461)	-	-	(42,741)	(46,202)	18,008	(28,194)
Transfers	-	-	-	-	-	(127,651)	127,651	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(1,501)	(1,501)
Balance as at June 30, 2019	208,037	556,162	39,752	(14,667)	10,260	(593,433)	(42,741)	163,370	40,735	204,105

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

	Notes References	Reviewed January 1- June 30, 2019	Reviewed January 1- June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		315,975	230,239
Net loss for the period		(24,733)	(8,129)
Adjustments to reconcile loss for the period		429,576	246,763
Adjustments related to depreciation and amortization expenses	10.11	129,258	90,079
Adjustments related to impairment (reversal)			
Adjustments related to impairment of receivables	6	1,060	1,801
Adjustments related to provisions		7,057	5,146
Adjustments related to (reversal) of provision for employment benefits		6,339	4,966
Adjustments related to lawsuit (reversal) of provision for lawsuit		718	180
Adjustments related to interest (income) expense		236,595	89,340
Adjustments related to interest income	19	(16,737)	(11,627)
Adjustments related to interest expense	20	253,332	100,967
Adjustments related to gain (loss) on fair value		(26,042)	-
Loss (gain) arising on derivatives	24	(26,042)	-
Adjustments related to tax (gain) loss	21	(2,657)	(46,018)
Other adjustments related to non-cash items		85,491	106,580
Adjustments regarding to (gain) loss on sale of fixed assets		(1,186)	(165)
Adjustments regarding to (gain) loss on sale of tangible assets		(1,186)	(165)
Changes in working capital		(73,105)	642
Adjustments related to (increase) / decrease in trade receivables	6	(61,755)	(49,994)
Adjustments related to (increase) / decrease in inventories	8	(9,226)	(23,989)
Adjustments related to (increase) / decrease in trade payables	6	(24,268)	39,032
Adjustments related to increase / (decrease) in other payables from operations		27,523	50,230
Adjustments related to other (increase) / decrease in working capital		(5,379)	(14,637)
Adjustments related to (increase) / decrease in other payables from other asset		(5,379)	(14,637)
Cash generated from operations		331,738	239,276
Payments related with provision for employee benefits		(5,535)	(3,802)
Tax paid	21	(10,358)	(5,820)
Other cash inflows (outflows)	6	130	585

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

	Notes References	Reviewed January 1- June 30, 2019	Reviewed January 1- June 30, 2018
CASH FLOWS FROM INVESTING ACTIVITIES		(128,433)	(171,586)
Proceeds from acquisition of shares from minorities		(4,490)	(5,450)
Proceeds from sales of property, plant, equipment and intangible assets	10	1,938	6,534
Proceeds from sales of property, plant, equipment		1,938	6,534
Payment for purchase of property, plant and equipment, intangible assets	10	(81,737)	(166,891)
Payment for purchase of property, plant and equipment		(72,975)	(160,995)
Payment for purchase of intangible assets		(8,762)	(5,896)
Cash payments for capital expenditures		(60,881)	(17,406)
Interest received		16,737	11,627
CASH FLOWS FROM FINANCING ACTIVITIES		(150,673)	95,440
Cash proceeds from issuing shares and other equity instruments		-	587,741
Proceeds on issue of equity shares (*)		-	587,741
Proceeds from bank loans		377,874	242,219
Proceeds from borrowings		259,837	202,219
Proceeds from bonds, net of commissions		118,037	40,000
Bank borrowings paid		(175,469)	(568,779)
Cash used for repayment of borrowings		(106,209)	(568,779)
Cash used for repayment of bonds		(69,260)	-
Repayment of lease liabilities		(125,738)	-
Repayment of obligations under finance leases		(51,331)	(48,400)
Interest paid		(174,508)	(106,269)
Dividend paid		(1,501)	(11,072)
NET INCREASE IN CASH AND CASH EQUIVALENTS		36,869	154,093
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	223,318	217,846
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	260,187	371,939

(*) 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 12,559 that were deducted from proceeds, amounting TL 587,741, share capital increase was made with the amount of TL 31,579 and the remaining amount was used in the share premium increase by TL 556,162.

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 1 – ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

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

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

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

Approval of condensed consolidated interim financial statements

The Group management has approved the condensed consolidated financial statements and delegated authority for publishing it on August 8, 2019.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

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

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

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

NOTE 2 – BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation of interim condensed consolidated financial statements

The condensed consolidated financial statements are based on the statutory financial statements of the Group’s subsidiaries and joint ventures in accordance with Turkish Commercial Code and tax legislation. The accompanying condensed consolidated financial statements are based on the statutory records, adjustments and reclassifications, in accordance with Turkish Financial Reporting Standards (TFRS).

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

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

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

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

2.1 Basis of presentation of interim condensed consolidated financial statements (Continued)

Currency Used

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

Restatement and errors in the accounting policies and estimates

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

2.2 Inflation accounting

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

2.3 New and Revised Turkish Financial Reporting Standards

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

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

TFRS 16 Leases

General impact of application of TFRS 16 Leases

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

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

Impact of the new definition of a lease

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

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

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

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

2.3 New and Revised Turkish Financial Reporting Standards (Continued)

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

TFRS 16 Leases (Continued)

Operating leases

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

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

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

Impact on Lessee Accounting

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

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

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

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

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

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

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

2.3 New and Revised Turkish Financial Reporting Standards (Continued)

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

Finance leases

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

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

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

TFRS Interpretation 23 Uncertainty over Income Tax Treatments

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

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

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

Annual Improvements to TFRS Standards 2015–2017 Cycle

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

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

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

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

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

TFRS 17 Insurance Contracts

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

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

2.3 New and Revised International Financial Reporting Standards (Continued)

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

Amendments to TFRS 3 Business Combinations

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

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

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

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

2.4 Effects of revised accounting policies

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

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

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

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

	June 30, 2019	January 1, 2019
Hospital buildings and offices	230,885	232,382
Total right of use assets	230,885	232,382

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

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

2.4 Effects of revised accounting policies (Continued)

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

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

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

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

b) Significant accounting policies - TFRS 16 Leases

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

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

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

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

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

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

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

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

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

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

2.5 Basis of Consolidation

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

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

1) Represents voting power held.

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

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

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

2.5 Basis of Consolidation (Continued)

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

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

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

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

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

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

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

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

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

Changes in the Group’s ownership interests in existing subsidiaries

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

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

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

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

2.5 Basis of Consolidation (Continued)

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

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

2.6 Changes in Accounting Policies

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

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

2.7 Changes in the Accounting Estimates and Errors

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

2.8 Significant Accounting Estimates and Decisions

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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NOTE 3 – RELATED PARTY DISCLOSURES

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

Shareholders	June 30, 2019			
	Receivables		Payables	
	Current		Current	
	Trade	Non-trade	Trade	Non-trade
Muharrem Usta	-	24,846	-	50
Adem Elbaşı	-	919	-	-
	-	25,765	-	50
Other companies controlled by the shareholders				
Mp Sağlık ve Tic. A.Ş.	-	-	1,150	733
A ve A Sağlık A.Ş. (1)	1,796	-	4,829	-
Supra A.Ş.-Sonotom Ltd Şti.				
-Ledmar Ltd Şti.-Mlp A.Ş. İş Ortaklığı	700	-	-	-
Fom Grup Mimarlık İnşaat ve Tic. A.Ş. (2)	43	-	1,898	-
Miniso Mağazacılık A.Ş.	14	-	-	-
Özel Gebze Sentez Sağlık Hizmetleri ve Tic. A.Ş.	-	-	809	-
Mt Sağlık Ürünleri San. ve Tic. A.Ş.	-	-	102	-
Pozitif Medikal Sistemler San. ve Tic. Ltd. Şti.	-	-	509	-
Saray Eczanesi	-	-	65	-
Samsunpark Özel Sağlık Tıbbı				
Malz. İnş. Tur. Tem. Tic. A.Ş. (3)	-	-	3,288	-
Samsunpark Özel Sağlık Hizm.İş Sağlığı ve				
Güvenliği Danışmanlık Eğitim Mühendislik Tic.Ltd.Şti.	-	-	44	-
Diasan Basım ve Form Matbaacılık San. ve Tic. A.Ş.	-	-	574	-
Tokat Emar Sağlık Hiz. Ltd. Şti.	-	-	609	-
Özdenler Sağ. Hiz. Dan. Turz. Gıd. San. Tic. Ltd. ve Şti.	27	-	-	-
Cotyora Med. Özel Sağ. Taah. Hz. İnş. Tr. Loj. Ltd. Şti. (4)	29	-	1,784	-
Other	-	129	27	16
	2,609	129	15,688	749
	2,609	25,894	15,688	799

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

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

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

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

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

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

NOTE 3 – RELATED PARTY DISCLOSURES (Continued)

	December 31, 2018			
	Receivables		Payables	
	Current		Current	
Shareholders	Trade	Non-trade	Trade	Non-trade
Muharrem Usta	-	16,195	-	50
Adem Elbaşı	-	789	-	-
	-	16,984	-	50
Other companies controlled by the shareholders				
Mp Sağlık ve Tic. A.Ş.	-	33,000	984	733
A ve A Sağlık A.Ş.(1)	2,144	-	8,815	-
Supra A.Ş.-Sonotom Ltd Şti.	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	-
Other	25	130	86	36
	3,037	33,130	33,024	769
	3,037	50,114	33,024	819

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

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

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

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 3 – RELATED PARTY DISCLOSURES (Continued)

	June 30, 2019	December 31, 2018
<u>Advances given to related parties and prepaid expenses</u>		
Fom Grup Mimarlık İnşaat ve Tic. A.Ş.	6,282	6,282
Özarkaz Gayrimenkul Yat.Ve İnş.Tic.A.Ş.	1,473	-
Gazi Medikal Sağlık Tesisleri ve Tic.A.Ş.	1,118	-
Öz Anadolu Gayrimenkul Ve Sađl.Yat.A.Ş.	481	-
Atakum Özel Sağlık Hizmetleri İnş.Turizm ve San. Tic.A.Ş.	286	-
Çanakkale Arkaz Sağlık Yatırımları A.Ş.	220	-
Sanport Gayrimenkul Geliştirme İnş. Ve Tic. A.Ş.	41	-
	<u>9,901</u>	<u>6,282</u>
	June 30, 2019	December 31, 2018
<u>Fixed asset advances given to related parties</u>		
Fom Grup Mimarlık İnşaat Ve Tic. A.Ş.	71,288	51,780
Mp Sağlık ve Tic. A.Ş.	33,000	-
	<u>104,288</u>	<u>51,780</u>
	June 30, 2019	December 31, 2018
<u>Related parties (sale and leaseback transactions)</u>		
Sancak Grup Mimarlık İnşaat ve Tic. A.Ş. (within prepaid expenses)	787	787
Sancak Grup Mimarlık İnşaat ve Tic. A.Ş. (within non-current prepaid expenses)	3,992	4,385
	<u>4,779</u>	<u>5,172</u>

The balances above are resulting from sale and leaseback transactions of Efes Hospital (branch of Sentez Hospital) and Bahçelievler Hospital’s land and buildings and are deferred under prepaid expenses and amortised in proportion to the lease payments over the period for which the asset is expected to be used since such losses are compensated for by future lease payments at below market price. Land of Efes Hospital was sold to Sancak Grup Mimarlık İnşaat ve Tic. A.Ş in 2010, resulting in a loss of TL 6,211, which was totally booked under the other current and non-current assets as of 2010 since the operational leasing agreement would become effective in 2011 and will be effective for 15 years. The building of Bahçelievler Hospital has been sold to Sancak Grup Mimarlık İnşaat ve Tic. A.Ş. in 2009, resulting in a loss of TL 5,591. The duration of leasing agreement of the building is 15 years starting from December, 2009. As at June 30, 2019, the Group has incurred rent expense amounting to TL 393 due to amortization of prepaid rent (December 31, 2018: TL 787).

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 3 – RELATED PARTY DISCLOSURES (Continued)

	January 1 - June 30, 2019	April 1 - June 30, 2019	January 1 - June 30, 2018	April 1 - June 30, 2018
Purchases from related parties				
Fom Grup Mimarlık İnşaat ve Tic. A.Ş. (2)(7)	8,424	4,388	6,003	2,885
A ve A Sağlık A.Ş. (1)	5,817	2,530	12,797	2,647
Ataköy Yatırım İnş. Tur. ve Tic. A.Ş. (3)	-	-	14,941	-
	<u>14,241</u>	<u>6,918</u>	<u>33,741</u>	<u>5,532</u>

- (1) Cleaning material purchases
(2) Construction and audit of ongoing hospital construction and rent expenses
(3) Finance expense

	January 1 - June 30, 2019	April 1 - June 30, 2019	January 1 - June 30, 2018	April 1 - June 30, 2018
Operating expenses (including purchase of services)				
Sanport Gayrimenkul Geliştirme İnş. ve Tic.A.Ş (1)(7)	44,445	22,301	31,276	17,491
Ataköy Yatırım İnş. Tur. ve Tic. A.Ş. (1)	-	-	2,521	1,263
Samsunpark Özel Sağ. Tıbbi Malz. İnş. Tur. Tem. Tic. A.Ş. (4)	9,533	4,698	8,191	4,245
Atakum Özel Sağlık Hiz. İnş. Turizm ve San. Tic. A.Ş. (1)(7)	5,097	2,587	4,325	2,163
Gazi Medikal Sağlık Tesisleri ve Tic. A.Ş. (1)(7)	3,089	1,544	2,781	1,421
Özarkaz Gayrimenkul Yat. ve İnş. Tic. A.Ş. (1)(7)	3,745	1,872	3,411	1,831
Cotyora Med. Özel Sağ. Taah. Hz. İnş. Tr. Loj. Ltd. Şti. (4)	3,595	1,600	3,808	1,913
Özel Gebze Sentez Sağlık Hizmetleri ve Tic. A.Ş. (1)(7)	3,512	1,770	3,426	1,713
Özel Ereğli Millet Sağlık Hizm. San. ve Tic. Ltd. Şti. (1)	2,277	1,138	2,174	1,157
Mp Sağlık ve Tic.A.Ş. (1)(7)	2,800	1,406	2,412	1,350
Livart Tüp Bebek Özel Sağlık Hizm. A.Ş. (2)	3,005	1,746	2,233	1,107
Öz Anadolu Gayrimenkul ve Sağlık Yat. A.Ş. (1)(7)	1,224	612	1,142	604
Tokat Medikal Grup Sağlık Turizm İnş. San. Tic. A.Ş. (1)	1,290	645	1,131	566
Tokat Emar Sağlık Hiz. Ltd. Şti. (2) (5)	718	354	699	350
Çanakkale Arkaz Sağlık Yatırımları A.Ş. (1)(7)	559	279	495	266
Diasan Basım ve Form Matbaacılık San. ve Tic. A.Ş. (3)	334	155	452	186
Saray Eczanesi (6)	394	242	355	223
Özdenler Sağ. Hiz. Dan. Turz. Gıd. San. Tic. Ltd. Şti. (2)	187	100	165	86
Mt Sağlık Ürünleri Sanayi ve Ticaret A.Ş. (3)	121	57	106	49
Üçboyut Sağlık Hiz. Eğitim Medikal San. Ve Tic. Tic. Ltd. Şti. (2)	-	-	824	499
	<u>85,925</u>	<u>43,106</u>	<u>71,927</u>	<u>38,483</u>

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 3 – RELATED PARTY DISCLOSURES (Continued)

	January 1 - June 30, 2019	April 1 - June 30, 2019	January 1 - June 30, 2018	April 1 - June 30, 2018
Sales to related parties				
A ve A Sağlık A.Ş. (1)	6,125	3,031	8,372	1,328
Muharrem Usta	2,645	1,504	915	579
Supra-Medicalpark-Sonotom-Akademi İş Ortaklığı (Fatih Görüntüleme) (2)	627	275	1,306	632
Cotyora Med.Özel Sağ.Taah. Hz. İnş. Tr. Loj. Ltd. Şti.	148	71	146	64
Samsunpark Özel Sağlık Tıbbi Malz. İnş. Turizm. Tem. Tic. A.Ş.	104	51	88	46
Miniso Mağazacılık A.Ş.	85	34	87	38
Livart Tüp Bebek Özel Sağlık Hizm. A.Ş.	81	-	63	30
Adem Elbaşı	62	62	-	-
Mt Sağlık Ürünleri Sanayi ve Ticaret A.Ş.	30	30	36	16
Fom Grup Mimarlık İnşaat ve Tic. A.Ş.	18	18	118	39
Atakum Özel Sağlık Hizmetleri İnş. Turizm ve San. Tic. A.Ş.	-	-	36	-
Tokat Medikal Grup Sağlık Turizm İnş. San. Tic. A.Ş.	-	-	41	32
Sancak İnşaat Turizm Nak.ve Dış Tic.A.Ş.	1	1	1	-
Saray Eczanesi	5	5	3	2
	<u>9,931</u>	<u>5,082</u>	<u>11,212</u>	<u>2,806</u>

(1) Outsourcing laboratory services

(2) Imaging services

Compensation of key management personnel:

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

	January 1 - June 30, 2019	April 1 - June 30, 2019	January 1 - June 30, 2018	April 1 - June 30, 2018
Salaries and other short term benefits	<u>10,797</u>	<u>5,592</u>	<u>9,344</u>	<u>4,809</u>
	<u>10,797</u>	<u>5,592</u>	<u>9,344</u>	<u>4,809</u>

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 3 – RELATED PARTY DISCLOSURES (Continued)

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

Lease liabilities from related parties	June 30, 2019	
	Short term	Long term
Sanport Gayrimenkul Geliştirme İnş. ve Tic. A.Ş.	48,690	142,841
Fom Grup Mimarlık İnşaat Ve Tic. A.Ş.	8,668	53,886
Özarkaz Gayrimenkul Yat. Ve İnş. Tic. A.Ş.	5,664	4,647
Atakum Özel Sağlık Hizmetleri İnş. Turizm ve San. Tic. A.Ş.	5,621	16,167
Özel Gebze Sentez Sağlık Hizmetleri ve Tic. A.Ş.	4,948	5,766
Gazi Medikal Sağlık Tesisleri ve Tic. A.Ş.	4,076	11,340
Özel Ereğli Millet Sağlık Hizm. San. ve Tic. Ltd. Şti.	3,172	2,602
Mp Sağlık ve Tic. A.Ş.	2,794	3,932
Öz Anadolu Gayrimenkul ve Sađl. Yat. A.Ş.	1,850	1,518
Tokat Medikal Grup Sağlık Turizm İnş. San. Tic. A.Ş.	1,506	3,362
Çanakkale Arkaz Sağlık Yatırımları A.Ş.	846	694
	<u>87,835</u>	<u>246,755</u>

The Group measured lease liabilities from related parties at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019. The average lessee’s incremental borrowing rate applied to the TL lease liabilities is 28.50% and EUR lease liabilities is 16.07% on January 1, 2019. The lease liabilities terms vary between 3 to 15 years.

NOTE 4 - CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31, 2018
Cash on hand	16,975	12,357
Cash at banks	236,450	201,800
Other cash equivalents	6,762	9,161
	<u>260,187</u>	<u>223,318</u>

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 5 – FINANCIAL INSTRUMENTS

Financial Liabilities

Bank Loans and Bonds

Financial liabilities	June 30, 2019	December 31, 2018
Short-term bank borrowings	194,415	95,935
Short-term bonds issued	118,037	29,260
Current portion of long term borrowings	249,486	209,962
<i>Current portion of long-term bank loans</i>	249,486	169,962
<i>Current portion of long-term bonds issued</i>	-	40,000
Interest expense accruals	33,660	31,715
	595,598	366,872
Long-term bank loans	800,184	768,774
	800,184	768,774
Total financial liabilities	1,395,782	1,135,646

As of June 30, 2019 and June 30, 2018, net financial debt reconciliation is as follows:

	January 1, 2019	Financing cash flows	Foreign exchange effect	June 30, 2019
Bank loans	1,135,646	204,349	55,787	1,395,782
Finance lease obligations	283,245	(51,331)	18,870	250,784
	1,418,891	153,018	74,657	1,646,566

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 5 – FINANCIAL INSTRUMENTS (Continued)

Financial Liabilities (Continued)

Bank Loans and Bonds (Continued)

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

Currency Type	Weighted Average Effective Interest Rate	June 30, 2019		
		Current	Non-current	Total
TL	26.08%	345,924	109,872	455,796
TL	TL Libor + 3.30% - 4.00%	101,249	210,742	311,991
EUR	0.75%	28,166	-	28,166
EUR	Euribor + 5.50%	120,259	479,570	599,829
		<u>595,598</u>	<u>800,184</u>	<u>1,395,782</u>
Currency Type	Weighted Average Effective Interest Rate	December 31, 2018		
		Current	Non-current	Total
TL	24.99%	216,615	125,710	342,325
TL	TLlibor + 4.00%	25,765	152,441	178,206
EUR	0.75%	15,070	-	15,070
EUR	Euribor + 5.50%	109,422	490,623	600,045
		<u>366,872</u>	<u>768,774</u>	<u>1,135,646</u>

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

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

	June 30, 2019	December 31, 2018
Interest expense accruals	33,660	31,715
To be paid within 1 year (*)	561,938	335,157
To be paid between 1-2 years	232,154	168,989
To be paid between 2-3 years	219,531	179,172
To be paid between 3-4 years	177,270	186,872
To be paid between 4-5 years	170,010	152,347
To be paid between 5-6 years	1,219	81,394
	<u>1,395,782</u>	<u>1,135,646</u>

(*) TL 194,415 of the loans to be paid within one year consists of revolving loans and TL 118,037 part consists of bond payments which will be redeemed within 1 year.

Covenants:

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 5 – FINANCIAL INSTRUMENTS (Continued)

Financial Liabilities (Continued)

Bank Loans and Bonds (Continued)

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

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

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

Lease Obligations:

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

	Minimum lease payments		Present value of minimum lease payments	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Obligations under finance leases				
Within one year	97,241	112,837	80,686	88,407
In the second to ninth years inclusive	187,522	212,628	170,098	194,838
	284,763	325,465	250,784	283,245
Less : Future finance charges	(33,979)	(42,220)		
Present value of finance lease obligations	250,784	283,245	250,784	283,245
Less: Amounts due to settlement within twelve months (shown under current liabilities)			80,686	88,407
Amounts due for settlement after 12 months			170,098	194,838

Liabilities arising from lease transactions:

	June 30, 2019	December 31, 2018
Within one year	114,375	-
More than one year	525,793	-
Present value of the lease liabilities	640,168	-

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 6 – TRADE RECEIVABLES AND PAYABLES

Trade Receivables

	June 30, 2019	December 31, 2018
Current trade receivables		
Trade receivables	791,854	758,361
Notes receivables	4,952	6,030
Trade receivables from related parties (Note 3)	2,609	3,037
Income accruals from continuing treatments	147,633	107,916
Other trade income accruals	46,219	34,764
Allowance for doubtful receivables (-)	(12,445)	(11,515)
	<u>980,822</u>	<u>898,593</u>
Non current trade receivables		
Income accruals	1,053	1,053
	<u>1,053</u>	<u>1,053</u>

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

The Group has trade receivables arising from health services given to foreign patients amounting to TL 233,697 as at June 30, 2019. These receivables have a longer maturity and higher profitability compared to other institutions that the Group works such as SSI and private insurance companies. Collections of these receivables are followed up regularly by the Group. In the period January 1, 2017 – July 30, 2019, the Group has made a collection amounting to TL 90,898 with regards to receivables from the Government of Libya amounting to TL 151,174 and the related collections are deducted from trade receivables on a first in first out method. The Group Management expect to collect remaining receivables within 6 months.

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

As of June 30, 2019, trade receivables of an initial value of TL 12,445 (December 31, 2018: TL 11,515) were fully impaired and fully provided for. No collaterals are received in relation to these trade receivables.

	January 1 - June 30, 2019	January 1 - June 30, 2018
Movement of allowance for doubtful receivables		
Balance at beginning of the period	11,515	17,963
Charge for the period	1,060	1,801
Collections	(130)	(585)
Amount written off (*)	-	(9,337)
Balance at closing of the period	<u>12,445</u>	<u>9,842</u>

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 6 – TRADE RECEIVABLES AND PAYABLES (Continued)

Trade Payables

	June 30, 2019	December 31, 2018
<u>Short term trade payables</u>		
Trade payables	649,390	664,078
Trade payables due to related parties (Note 3)	15,688	33,024
Other expense accruals	115,563	109,020
Other trade payables	2,122	1,559
	<u>782,763</u>	<u>807,681</u>

NOTE 7 – OTHER RECEIVABLES AND PAYABLES

Other Receivables

	June 30, 2019	December 31, 2018
<u>Other current receivables</u>		
Receivables from tax office	6,494	6,757
Deposits given	5,665	5,216
Non-trading receivables due from related parties (Note 3)	25,894	50,114
Other miscellaneous receivables	11,840	10,041
	<u>49,893</u>	<u>72,128</u>

	June 30, 2019	December 31, 2018
<u>Other non-current receivables</u>		
Deposits given	1,720	1,150
	<u>1,720</u>	<u>1,150</u>

	June 30, 2019	December 31, 2018
<u>Other current payables</u>		
Other taxes and funds payable	10,524	11,200
Payables relating to business combinations	10,169	9,840
Non-trading payables due to related parties (Note 3)	799	819
Other miscellaneous payables	286	496
	<u>21,778</u>	<u>22,355</u>

	June 30, 2019	December 31, 2018
<u>Other non-current payables</u>		
Payables relating to business combinations	33,425	35,698
	<u>33,425</u>	<u>35,698</u>

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 8 – INVENTORIES

	June 30, 2019	December 31, 2018
Inventories		
Laboratory inventory	45,426	38,599
Medical consumables inventory	17,500	21,218
Pharmaceutical inventory	24,478	18,222
Other inventory	2,023	2,162
	<u>89,427</u>	<u>80,201</u>

NOTE 9 – PREPAID EXPENSES AND DEFERRED INCOME

Prepaid Expenses

	June 30, 2019	December 31, 2018
Short term prepaid expenses		
Order advances	141,047	129,354
Prepaid insurance expenses	11,985	12,768
Prepaid rent expenses	16,121	16,620
Prepaid sponsorship expenses	3,245	3,929
Other	8,400	4,515
	<u>180,798</u>	<u>167,186</u>

	June 30, 2019	December 31, 2018
Long term prepaid expenses		
Fixed asset advances given	189,588	128,707
Prepaid rent expenses	29,048	35,762
Prepaid sponsorship expenses	2	-
Other	4,814	6,319
	<u>223,452</u>	<u>170,788</u>

Deferred Income

	June 30, 2019	December 31, 2018
Short term accrued income		
Advances received	74,672	54,716
Deferred revenue	7,440	8,619
	<u>82,112</u>	<u>63,335</u>
Long term accrued income		
Deferred revenue	3,566	4,702
	<u>3,566</u>	<u>4,702</u>

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 10 – PROPERTY, EQUIPMENT AND OTHER INTANGIBLE ASSETS

	Buildings	Machinery and equipment	Vehicles	Furniture and fixture	Leased assets	Leasehold improvements	Construction in progress	Total
<u>Cost</u>								
Opening balance as of January 1, 2019	2,396	560,164	1,833	255,846	431,333	458,593	203,632	1,913,797
Additions	-	7,061	2	12,355	-	15,660	37,897	72,975
Disposals	(452)	(808)	-	(65)	-	-	(65)	(1,390)
Transfers	-	85,036	-	37,295	(6,393)	70,935	(188,205)	(1,332)
Closing balance as of June 30, 2019	1,944	651,453	1,835	305,431	424,940	545,188	53,259	1,984,050
<u>Accumulated depreciation</u>								
Opening balance as of January 1, 2019	(101)	(287,285)	(1,698)	(131,867)	(423,481)	(232,717)	110	(1,077,039)
Charge for the period (*)	(8)	(61,041)	(60)	(15,259)	(6,489)	(17,805)	-	(100,662)
Disposals	18	762	-	33	-	-	-	813
Transfers	-	(5,435)	-	(910)	6,345	-	-	-
Closing balance as of June 30, 2019	(91)	(352,999)	(1,758)	(148,003)	(423,625)	(250,522)	110	(1,176,888)
Carrying value as of June 30, 2019	1,853	298,454	77	157,428	1,315	294,666	53,369	807,162

(*) As of January 1 – June 30, 2019, depreciation and amortization expense of TL 100,348 (January 1 - June 30, 2018: TL 87,857) has been charged to ‘cost of service’, TL 4,734 (January 1 - June 31, 2018: TL 2,201) in ‘general administrative and marketing expenses’ and TL 0 (January 1 - June 30, 2018: 21) in ‘other income and expenses’. As of June 30, 2019, right of use assets depreciation expenses of TL 23,604 has been charged to ‘cost of service’, TL 572 in ‘general administrative and marketing expenses’ (Note 11).

As at June 30, 2019, the carrying value of the right of use assets that included to property and equipment are TL 230,885. Details of the right of use assets are explained in Note 2.4.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

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

	Buildings	Machinery and equipment	Vehicles	Furniture and fixture	Leased assets	Leasehold improvements	Construction in progress	Total
<u>Cost</u>								
Opening balance as of January 1, 2018	2,611	404,999	1,568	172,901	517,067	421,919	125,930	1,646,995
Additions	-	38,779	195	21,526	-	15,067	85,428	160,995
Disposals	(1,398)	(3,443)	-	(512)	(1,433)	-	-	(6,786)
Transfers	-	53,595	71	27,709	(31,249)	9,526	(59,472)	180
Closing balance as of June 30, 2018	1,213	493,930	1,834	221,624	484,385	446,512	151,886	1,801,384
<u>Accumulated depreciation</u>								
Opening balance as of January 1, 2018	(139)	(227,744)	(1,568)	(100,283)	(362,862)	(202,263)	-	(894,859)
Charge for the year	(22)	(29,742)	(61)	(13,636)	(28,640)	(14,664)	-	(86,765)
Disposals	68	183	-	6	160	-	-	417
Closing balance as of June 30, 2018	(93)	(257,303)	(1,629)	(113,913)	(391,342)	(216,927)	-	(981,207)
Carrying value as of June 30, 2018	1,120	236,627	205	107,711	93,043	229,585	151,886	820,177

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

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

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

<u>Cost</u>	<u>Licenses</u>	<u>Rights</u>	<u>Other</u>	<u>Total</u>
Opening balance as of January 1, 2019	401,236	55,672	1,489	458,397
Additions	-	7,338	1,424	8,762
Disposals	-	-	(175)	(175)
Transfers	-	1,651	(319)	1,332
Closing balance as of June 30, 2019	<u>401,236</u>	<u>64,661</u>	<u>2,419</u>	<u>468,316</u>
<u>Accumulated amortization</u>				
Opening balance as of January 1, 2019	-	(30,117)	(366)	(30,483)
Charge for the period	-	(4,284)	(136)	(4,420)
Closing balance as of June 30, 2019	<u>-</u>	<u>(34,401)</u>	<u>(502)</u>	<u>(34,903)</u>
Carrying value as of June 30, 2019	<u>401,236</u>	<u>30,260</u>	<u>1,917</u>	<u>433,413</u>
<u>Cost</u>				
<u>Cost</u>	<u>Licenses</u>	<u>Rights</u>	<u>Other</u>	<u>Total</u>
Opening balance as of January 1, 2018	401,236	49,149	495	450,880
Additions	-	5,870	26	5,896
Transfers	-	(1,145)	965	(180)
Closing balance as of June 30, 2018	<u>401,236</u>	<u>53,874</u>	<u>1,486</u>	<u>456,596</u>
<u>Accumulated amortization</u>				
Opening balance as of January 1, 2018	-	(23,207)	(157)	(23,364)
Charge for the year	-	(3,245)	(69)	(3,314)
Closing balance as of June 30, 2018	<u>-</u>	<u>(26,452)</u>	<u>(226)</u>	<u>(26,678)</u>
Carrying value as of June 30, 2018	<u>401,236</u>	<u>27,422</u>	<u>1,260</u>	<u>429,918</u>

NOTE 11 – RIGHT OF USE ASSETS

	<u>Hospital buildings</u>	<u>Total</u>
Opening balance as of January 1, 2019	232,382	232,382
Additions	22,679	22,679
Charge for the year (*)	(24,176)	(24,176)
Closing balance as of June 30, 2019	<u>230,885</u>	<u>230,885</u>

For the period ended June 30, 2019, right of use assets depreciation expenses of TL 23,604 has been charged to ‘cost of service’, TL 572 to ‘general administrative and marketing expenses’.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 12 – PAYABLES FOR EMPLOYEE BENEFITS

Payables for employment benefits:

	June 30, 2019	December 31, 2018
Fees payable to doctors and other personnel	71,271	66,077
Social security premiums payable	19,219	11,501
	<u>90,490</u>	<u>77,578</u>

Short term provision for employment benefits:

	June 30, 2019	December 31, 2018
Unused vacation provision	14,617	11,752
	<u>14,617</u>	<u>11,752</u>

Long term provision for employment benefits:

	June 30, 2019	December 31, 2018
Unused vacation provision	4,373	2,899
Retirement pay provision	12,500	11,710
	<u>16,873</u>	<u>14,609</u>

NOTE 13 – OTHER ASSETS AND LIABILITIES

	June 30, 2019	December 31, 2018
<u>Other current assets</u>		
VAT carried forward	30,178	30,941
Other miscellaneous current assets	5,187	4,747
	<u>35,365</u>	<u>35,688</u>

NOTE 14 – PROVISIONS

	June 30, 2019	December 31, 2018
<u>Other short-term provisions</u>		
Litigation provisions	12,252	11,534
Social Security discounts provisions	5,377	5,470
	<u>17,629</u>	<u>17,004</u>

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 15 – COMMITMENTS

June 30, 2019	Total	TL	USD	EUR
A. CPM given on behalf of its own legal entity				
<i>-Collateral (*)</i>	78,223	47,326	156	4,580
<i>-Pledge</i>	-	-	-	-
<i>-Mortgage</i>	-	-	-	-
B. CPM given on behalf of the subsidiaries included in full consolidation				
<i>-Collateral</i>	78,737	52,867	-	3,949
<i>-Pledge</i>	-	-	-	-
<i>-Mortgage</i>	-	-	-	-
C. CPM given for execution of ordinary commercial activities to collect third parties debt				
<i>-Collateral</i>	-	-	-	-
<i>-Pledge</i>	-	-	-	-
<i>-Mortgage</i>	-	-	-	-
D. Total amount of other CPM given				
i. Total Amount of CPM on behalf of the main partner				
<i>-Collateral</i>	-	-	-	-
<i>-Pledge</i>	-	-	-	-
<i>-Mortgage</i>	-	-	-	-
ii. Total amount of CPM given on behalf of other Company companies that do not cover B and C				
<i>-Collateral</i>	-	-	-	-
<i>-Pledge</i>	-	-	-	-
<i>-Mortgage</i>	-	-	-	-
iii. Total amount of CPM on behalf of third parties that do not cover C.				
<i>-Collateral</i>	-	-	-	-
<i>-Pledge</i>	-	-	-	-
<i>-Mortgage</i>	-	-	-	-
Total	156,960	100,193	156	8,529

(*) The Group has given guarantees amounting to TL 93,278 related to the loans in Note 5 for the companies under full consolidation.

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

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 15 – COMMITMENTS (Continued)

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

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

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

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

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

NOTE 16 – SHARE CAPITAL / OTHER RESERVES

Shareholders	%	June 30, 2019	%	December 31, 2018
Lightyear Healthcare B.V.	30.69%	63,844	30.69%	63,844
Sancak İnşaat Turizm Nakliyat ve Dış Ticaret A.Ş.	15.35%	31,943	15.35%	31,943
Muharrem Usta	8.98%	18,678	8.98%	18,678
Hujori Financieringen B.V.	3.98%	8,287	3.98%	8,287
Adem Elbaşı	2.99%	6,226	2.99%	6,226
İzzet Usta	1.20%	2,490	1.20%	2,490
Saliha Usta	0.90%	1,868	0.90%	1,868
Nurgül Dürüstkan Elbaşı	0.90%	1,868	0.90%	1,868
Publicly Traded (*)	35.01%	72,833	35.01%	72,833
Nominal capital	100.00%	208,037	100.00%	208,037

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

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

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

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

Share premiums

On February 7, 2018, the Group launched initial public offering (“IPO”) of 72,833 thousand B type bearer shares corresponding to 35.01% of total shares. From the initial public offering, TL 600,000 was generated to the Group. After the IPO related expenses amounting to TL 12,559 that were deducted from proceeds, out of amounting TL 587,441, share capital increase was made with the amount of TL 31,579 and the remaining amount was used in the share premium increase by TL 556,162.

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

Reserves:

	June 30, 2019	December 31, 2018
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.

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

NOTE 17 – REVENUE

Revenue	January 1- June 30, 2019	April 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2018
Hospital services (*)	1,822,335	888,968	1,469,714	720,407
	<u>1,822,335</u>	<u>888,968</u>	<u>1,469,714</u>	<u>720,407</u>

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

Cost of services	January 1- June 30, 2019	April 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2018
Material consumption	(437,105)	(212,803)	(328,145)	(164,739)
Doctor expenses	(377,200)	(189,238)	(333,980)	(166,977)
Personnel expenses	(259,186)	(128,019)	(225,705)	(111,703)
Depreciation and amortization expenses (Note 10,11)	(123,952)	(62,124)	(87,857)	(45,000)
Services rendered by third parties	(89,546)	(45,144)	(64,917)	(32,276)
Rent expenses (hospitals)	(10,886)	(5,353)	(109,665)	(57,901)
Other (*)	(102,676)	(51,642)	(80,396)	(40,798)
	<u>(1,400,551)</u>	<u>(694,323)</u>	<u>(1,230,665)</u>	<u>(619,394)</u>

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

NOTE 18 – GENERAL ADMINISTRATIVE AND MARKETING EXPENSES

General administrative and marketing expenses	January 1- June 30, 2019	April 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2018
Personnel expenses	(59,490)	(30,197)	(51,852)	(25,908)
Sponsorship and advertising expenses (*)	(50,573)	(24,269)	(39,840)	(21,388)
Bad debt allowance	(1,060)	(438)	(1,801)	(292)
Rent expenses	(3,848)	(1,946)	(3,648)	(1,900)
Outsourcing expenses	(4,267)	(1,919)	(4,596)	(3,159)
Depreciation and amortization expenses (Note 10,11)	(5,306)	(2,869)	(2,201)	(1,162)
Taxes and duties	(2,551)	(1,481)	(2,099)	(1,196)
Representation and entertainment expenses	(1,152)	(574)	(1,626)	(810)
Maintenance expenses	(1,706)	(1,047)	(1,492)	(714)
Utility expenses	(812)	(411)	(784)	(412)
Lawsuit provision	(718)	(733)	(180)	64
Communication expenses	(739)	(356)	(467)	(277)
Other	(10,985)	(5,451)	(12,563)	(6,302)
	<u>(143,207)</u>	<u>(71,691)</u>	<u>(123,149)</u>	<u>(63,456)</u>

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

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

NOTE 19 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	January 1- June 30, 2019	April 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2018
Other income from operating activities				
Foreign exchange gains from operations	126,849	71,618	128,133	78,605
Trade payables discount	(4,313)	554	3,923	4,424
Interest income	16,737	7,520	11,627	4,032
Other income	5,734	2,808	13,024	2,677
	<u>145,007</u>	<u>82,500</u>	<u>156,707</u>	<u>89,738</u>
Other expenses from operating activities				
Foreign exchange losses from operations	(105,844)	(60,275)	(96,773)	(56,229)
SSI return expenses	(1,567)	(767)	(5,928)	(2,923)
Non-operational hospital expenses	(280)	(140)	(568)	(395)
Trade receivables discount	383	810	(1,101)	(1,343)
Depreciation and amortization expenses	-	-	(21)	-
Other expenses	(35,173)	(21,851)	(11,521)	(6,057)
	<u>(142,481)</u>	<u>(82,223)</u>	<u>(115,912)</u>	<u>(66,947)</u>

NOTE 20 – FINANCE EXPENSES

	January 1- June 30, 2019	April 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2018
Finance expenses (-)				
Interest expenses from bank borrowings	(127,952)	(78,829)	(53,566)	(11,191)
Interest expenses from financial lease obligations	(12,282)	(5,867)	(15,157)	(7,458)
Interest expenses from bonds issued	(10,541)	(7,831)	(14,038)	(6,205)
Bank commissions	(19,710)	(10,329)	(11,613)	(5,008)
Interest expenses from lease liabilities (*)	(76,879)	(38,141)	-	-
Other interest expenses	(5,968)	(3,165)	(6,593)	(3,567)
Total interest expenses	<u>(253,332)</u>	<u>(144,162)</u>	<u>(100,967)</u>	<u>(33,429)</u>
Net foreign exchange loss	(74,657)	(32,785)	(110,040)	(50,304)
Net foreign exchange loss from lease liabilities (*)	(6,603)	(4,680)	-	-
Fair value differences of derivative financial instruments (net)	24,913	9,005	-	-
	<u>(309,679)</u>	<u>(172,622)</u>	<u>(211,007)</u>	<u>(83,733)</u>

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

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

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

	June 30, 2019	December 31, 2018		
Short term payables due to current tax	6,996	4,993		
Current period tax liabilities	6,996	4,993		
	6,996	4,993		
	June 30, 2019	December 31, 2018		
Current tax liabilities	12,361	14,278		
Current corporate tax provision	(5,365)	(9,285)		
Less: Prepaid taxes and funds	6,996	4,993		
	6,996	4,993		
	January 1- June 30,2019	April 1- June 30,2019	January 1- June 30,2018	April 1- June 30,2018
Tax income / (expense)	(12,361)	(5,763)	(7,347)	(4,485)
Current tax expense	15,018	14,971	53,365	18,088
Deferred tax income	2,657	9,208	46,018	13,603
	2,657	9,208	46,018	13,603

Corporate Tax

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

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

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

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

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

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

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

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

Income Withholding Tax

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

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for 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 (2018: 22%).

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

Investment Incentive Certificate

The Group has various investment incentive certificates that were signed by the Turkish Ministry of Economy and approved by General Directorate of Incentive Implementation and Foreign Capital. With those incentives, the Group is eligible for a corporate tax deduction rate ranging between 50% - 80% for an unlimited time, which amounts to a total deferred tax asset of TL 138,332 (December 31, 2018: TL 126,344). Respective deferred tax asset was calculated to be 15% - 40% of total investment contribution with regards to the respective investment incentive certificates. Additionally, the Group is entitled to social security premium support from the Turkish Ministry of Economy, related to the hospitals that have completed their greenfield investments. Such investment income of TL 1,233 will be netted off against personnel expenses over the period of 2019-2020.

As of June 30, 2019, the Group has tax loss amounting to TL 458,452 (December 31, 2018: TL 437,571). TL 93,459 (December 31, 2018: TL 89,334) deferred tax assets have been recorded concerning this loss.

	June 30, 2019	December 31, 2018
<u>Deferred tax assets / (liabilities):</u>		
Tax losses carried forward	93,459	89,334
Depreciation / amortization differences of tangible and intangible assets	(129,293)	(129,276)
Provision for employment termination benefits		
Provision for employment termination benefits	2,500	2,342
Vacation pay liability	4,178	3,223
Temporary difference between the tax base and carrying amount of financial liabilities	(1,780)	(905)
Prepaid building expenses	(5,452)	(5,553)
Tax advantage from investment incentive	138,332	126,344
Derivative instruments	4,693	10,422
Right of use assets	81,857	-
Other	59,532	50,738
	<u>248,026</u>	<u>146,669</u>
Deferred tax asset	384,550	282,404
Deferred tax liability	(136,524)	(135,735)
	<u>248,026</u>	<u>146,669</u>

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

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

Deferred Tax (Continued)

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

	June 30, 2019	
	Carry forward tax losses for which deferred tax assets recognized	Carry forward tax losses for which deferred tax assets not recognized
<u>Expiration schedule of carryforward tax losses</u>		
Expiring in 2020	88,384	-
Expiring in 2021	67,248	-
Expiring in 2022	152,704	-
Expiring in 2023	124,213	-
Expiring in 2024	25,903	-
	<u>458,452</u>	<u>-</u>
	December 31, 2018	
	Carry forward tax losses for which deferred tax assets recognized	Carry forward tax losses for which deferred tax assets not recognized
<u>Expiration schedule of carryforward tax losses</u>		
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	-
	<u>437,571</u>	<u>-</u>

Movement of deferred tax assets / (liabilities) for the periods ended 1 January - June 30, 2019 and 1 January - June 30, 2018 are as follows:

	January 1- June 30,2019	January 1- June 30,2018
<u>Movement of deferred tax asset :</u>		
Opening balance as at January 1	146,669	73,181
Opening effect of changes in accounting policy	85,474	-
Charged to profit or loss	15,018	53,365
Charged to equity	865	522
Closing balance as at year end	<u>248,026</u>	<u>127,068</u>

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

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

Deferred Tax (Continued)

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

Reconciliation of tax provision:	January 1- June 30, 2019	January 1- June 30, 2018
Loss before tax	(27,390)	(54,147)
Tax at the domestic income tax rate of 22% (2018: 22%)	6,026	11,912
Tax effects of:		
- expenses that are not deductible in determining taxable profit	(18,615)	(9,021)
- effect of tax advantage from investment incentive	11,988	43,548
- tax losses carried forward not subject to deferred tax	(1,672)	(5,833)
- change in income tax rate from 22% to 20%	5,558	3,645
- other	(846)	1,707
- other deduction	218	60
Income tax income recognized in profit or loss	2,657	46,018

NOTE 22 – EARNINGS PER SHARE

The Company’s calculation for weighted average number of shares and earnings per share is as follows:

Gain / (loss) per share	January 1- June 30, 2019	April 1- June 30, 2019	January 1- June 30, 2018	April 1- June 30, 2018
Weighted average number of shares	208,037	208,037	204,328	200,619
Net gain / (loss) for the period for the equity holders of the parent	(42,741)	(49,349)	(22,995)	(15,190)
Gain / (loss) per share	(0.21)	(0.24)	(0.11)	(0.08)

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

NOTE 23 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial Risk Factors

Foreign currency risk management

Foreign currency risk

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

	June 30, 2019			
	TL Equivalent (Functional currency)	USD	EUR	GBP
1. Trade receivables	132,029	21,836	971	-
2a. Monetary financial assets	161,042	4,037	21,035	2
2b. Non monetary financial assets	63,749	3,245	6,871	1
3. Other	2,660	-	406	-
4. CURRENT ASSETS	359,480	29,118	29,283	3
6b. Non monetary financial assets	42,139	7,322	-	-
7. Other	219	38	-	-
8. NON CURRENT ASSETS	42,358	7,360	-	-
9. TOTAL ASSETS	401,838	36,478	29,283	3
10. Trade payables	(23,313)	(1,254)	(2,455)	(2)
11a. Financial liabilities (loans)	(148,425)	-	(22,658)	-
11b. Financial liabilities (leasing)	(65,963)	(2,015)	(8,299)	-
11c. Lease liabilities	(8,667)	-	(1,323)	-
12a. Other monetary liabilities	(42,698)	(3,499)	(3,443)	(1)
13. CURRENT LIABILITIES	(289,066)	(6,768)	(38,178)	(3)
15a. Financial liabilities (loans)	(479,570)	-	(73,209)	-
15b. Financial liabilities (leasing)	(143,172)	(2,312)	(19,825)	-
15c. Lease liabilities	(53,886)	-	(8,226)	-
17. NON CURRENT LIABILITIES	(676,628)	(2,312)	(101,260)	-
18. TOTAL LIABILITIES	(965,694)	(9,080)	(139,438)	(3)
19. Net assets / liability position of off-balance sheet derivatives (19a-19b)	220,228	-	33,619	-
19.a Off balance sheet foreign currency derivative assets	220,228	-	33,619	-
19.b Off balance sheet foreign currency derivative liabilities	-	-	-	-
20. Net foreign currency asset liability position (9-18+19)	(343,628)	27,398	(76,537)	-
21. Monetary Items Net Foreign Currency Asset / Liability Position (1+2a+10+11+12a+14+15+16a)	(610,070)	16,793	(107,883)	(1)

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

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

Financial Risk Factors (Continued)

Foreign currency risk management (Continued)

Foreign currency risk (Continued)

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

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

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

Financial Risk Factors (Continued)

Foreign currency risk management (Continued)

Foreign currency sensitivity

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

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

	June 30, 2019	
	Profit /Loss	
	Valuation of foreign currency	Devaluation of foreign currency
In the case of US dollar gaining 20% value against TL		
1 - USD net asset / liability	31,535	(31,535)
2- Portion hedged against USD risk (-)	-	-
3- USD net effect (1+2)	31,535	(31,535)
In the case of EUR gaining 20% value against TL		
4 -EUR net asset / liability	(182,683)	182,683
5 Portion hedged against EUR risk (-)	44,045	(44,045)
6- EUR net effect (4+5)	(138,638)	138,638
TOTAL (3+6)	(107,103)	107,103
	December 31, 2018	
	Profit /Loss	
	Valuation of foreign currency	Devaluation of foreign currency
In the case of US dollar gaining 20% value against TL		
1 - USD net asset / liability	27,067	(27,067)
2- Portion hedged against USD risk (-)	-	-
3- USD net effect (1+2)	27,067	(27,067)
In the case of EUR gaining 20% value against TL		
4 -EUR net asset / liability	(130,788)	130,788
5 Portion hedged against EUR risk (-)	57,000	(57,000)
6- EUR net effect (4+5)	(73,788)	73,788
TOTAL (3+6)	(46,721)	46,721

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

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

NOTE 24 - DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2019		December 31, 2018	
	Asset	Liability	Asset	Liability
<i>Fair value hedging derivative financial instruments</i>				
Forward contracts	-	-	-	2,517
Cross currency swap contracts	2,780	24,112	-	46,245
Interest rate swap contracts	-	-	1,479	91
	<u>2,780</u>	<u>24,112</u>	<u>1,479</u>	<u>48,853</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	
June 30, 2019					
<u>Cross currency swap contracts</u>					
Buy EUR /Sell TL	Between 1-5 years	16,387	2,780	17,232	24,112
		<u>16,387</u>	<u>2,780</u>	<u>17,232</u>	<u>24,112</u>
		<u>16,387</u>	<u>2,780</u>	<u>17,232</u>	<u>24,112</u>

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NOTE 24 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

As of July 2018 and September 2018, the Group has hedged all principal and interest payments of the euro-denominated loans for the 2019-2024 period amounting to EUR 110,013 of the total EUR 30,751 of total debt service for the 2019-2020 period using a currency hedging through cross currency 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 8,511 of the total EUR 31,227 of total lease obligation for the 2019-2024 period using a currency hedging through cross currency swap transactions. The total hedged portion is 27.8% of the total euro-denominated loan related debt service.

NOTE 25 - EVENTS AFTER THE REPORTING PERIOD

None.

MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

UNAUDITED FINANCIAL INFORMATION

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

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

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

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

EBITDA CALCULATION	June 30, 2019	June 30, 2018
i. Net loss before tax	(27,390)	(54,147)
ii. Depreciation and amortization of tangible and intangible fixed assets including non-cash provisions related to assets such as goodwill	129,258	90,079
iii. Total net finance expenses, net of interest income	236,595	89,340
iv. Fx gains / losses, net under finance expenses	81,260	110,040
v. Fair value differences of derivative instruments (Note 23);	(24,913)	-
vi. Extraordinary (income)/ expenses, net	21,286	10,975
vii. Rediscount income/expense (net imputed interest), net	3,930	(2,822)
viii. Legal case provision expenditures which are reflected to financial statements by the general accounting principles	718	180
ix. Unused vacation pay provision expenses which are reflected to financial statements by the general accounting principles	4,339	2,620
x. Retirement pay provision expenses which are reflected to financial statements by the general accounting principles	2,000	2,346
xi. Doubtful receivables provision expenses which are reflected to financial statements by the general accounting principles (Note 6)	930	1,216
xii. Non cash sale and lease back expenses which are reflected to financial statements by the general accounting principles (Note 3)	394	394
xiii. (Income)/ expenses from investment operations	(1,186)	(165)
EBITDA	427,221	250,056
TFRS 16 Lease payment effect	(125,738)	
Adjusted EBITDA	301,483	250,056