

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

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

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
AND INDEPENDENT AUDITOR'S REPORT**



**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH**

**INDEPENDENT AUDITOR'S REPORT**

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

**A. Audit of the Consolidated Financial Statements**

**1. Opinion**

We have audited the accompanying consolidated financial statements of MLP Sağlık Hizmetleri A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes (Notes 1-30) to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

**2. Basis for Opinion**

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.



### 3. Key Audit Matters

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

Key audit matter	How the key audit matter was addressed in the audit
<p><b>Impairment of hospital licenses</b></p> <p>The accompanying consolidated financial statements as of 31 December 2021 include hospital licenses under intangible assets, with carrying values of TL 596.072 thousand.</p> <p>The hospital licenses have indefinite useful life and are not subject to depreciation, but these indefinite-life intangible assets should be tested for impairment annually.</p> <p>Indefinite-life intangible fixed assets in cash generating units subject to impairment tests are material to the consolidated financial statements. The impairment assessment of these assets requires significant judgment, and significant estimations and assumptions are used in the impairment tests performed by management.</p> <p>These assumptions are the discount rates and long-term growth rates of cash flows generated by using the weighted average cost of capital for the impairment test. These estimations and assumptions are very sensitive to changes in market conditions.</p> <p>Please refer to Notes 2.6 and 12 for explanations of the Group’s accounting policies and amounts regarding intangible assets.</p>	<p>We performed the following procedures in relation to the impairment tests of hospital licenses:</p> <ul style="list-style-type: none"> <li>- Conducting discussions with Group management, understanding the Group’s performance in the industry in which it operates and its future plans and evaluating the explanations based on macroeconomic information considering the impact of the COVID-19 pandemic,</li> <li>- Comparing forecasted cash flows for each cash generating unit with historical financial performance results, and evaluating whether these are reasonable,</li> <li>- Along with our internal valuation specialists, comparing the compliance of key assumptions, including long term growth rates and discount rates used in the calculations, with the rates used in the sector, and assessing these assumptions,</li> <li>- Assessing management’s sensitivity analysis for key assumptions,</li> <li>- Testing of the disclosures in the consolidated financial statements in relation to impairment tests and evaluating the adequacy of these disclosures for TFRS’ requirements.</li> </ul>



#### **4. Other information**

Management is responsible for the other information. The other information comprises the Appendix I added to “Other information” section in the report but does not include the consolidated financial statements and our auditor’s report thereon.

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

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

#### **5. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

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



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

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

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

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



## **6. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)**

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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



## **B. Other Responsibilities Arising From Regulatory Requirements**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Company’s bookkeeping activities concerning the period from 1 January to 31 December 2021 period are not in compliance with the TCC and provisions of the Company’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor’s report on the early risk identification system and committee was submitted to the Company’s Board of Directors on 8 March 2022.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Ediz Günsel, SMMM  
Partner

Istanbul, 8 March 2022

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

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

	Notes	Audited 31 December 2021	Audited 31 December 2020
<b>ASSETS</b>			
<b>Current Assets:</b>		<b>2,741,333</b>	<b>2,185,278</b>
Cash and cash equivalents	6	680,241	374,997
Trade receivables	8	1,318,054	1,155,116
- Due from related parties	5,8	194	23,654
- Trade receivables from third parties		1,317,860	1,131,462
Other receivables	9	117,757	84,367
- Due from related parties	5,9	54,805	41,059
- Other receivables from third parties		62,952	43,308
Inventories	10	285,276	113,482
Prepaid expenses	11	263,408	414,263
Other current assets	16	76,597	43,053
<b>Non-current Assets:</b>		<b>3,006,788</b>	<b>2,386,572</b>
Trade receivables		1,053	1,053
Other receivables	9	3,876	2,740
Property plant and equipment	12	1,014,733	764,245
Intangible assets		701,739	676,849
- Goodwill	14	38,661	38,661
- Other intangible assets	12	663,078	638,188
Right of use assets	13	539,308	257,440
Prepaid expenses	11	324,183	282,714
Deferred tax assets	25	421,896	401,531
<b>TOTAL ASSETS</b>		<b>5,748,121</b>	<b>4,571,850</b>

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

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

	Notes	Audited 31 December 2021	Audited 31 December 2020
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>		<b>3,318,172</b>	<b>2,386,700</b>
Short term borrowings	7	568,744	363,743
Short term portion of long term borrowings	7	437,463	392,485
Obligations under finance leases	7	128,112	102,825
Short term lease liabilities	7	139,932	118,792
Trade payables	8	1,546,337	987,130
- Due to related parties	5,8	35,595	18,206
- Trade payables to third parties		1,510,742	968,924
Payables related to employee benefits	15	100,417	91,379
Other payables	9	64,967	51,684
- Due to related parties	5,9	799	799
- Other payables to third parties		64,168	50,885
Deferred income	11	243,730	221,497
Short term provisions		52,807	39,457
- Short term provisions for employment benefits	15	23,779	19,090
- Other short term provisions	17	29,028	20,367
Current tax liabilities	25	35,663	17,708
<b>Non-current Liabilities:</b>		<b>1,760,752</b>	<b>1,836,293</b>
Long term borrowings	7	619,594	944,203
Obligations under finance leases	7	102,445	93,239
Long term lease liabilities	7	752,859	476,310
Other payables		93,102	106,471
- Other payables to third parties	9	93,102	106,471
Deferred income	11	18,374	2,211
Long term provisions		37,944	30,207
- Long term provisions for employee benefits	15	37,944	30,207
Deferred tax liabilities	25	136,434	183,652
<b>EQUITY:</b>		<b>669,197</b>	<b>348,857</b>
<b>Equity Attributable to the Owner of the Company:</b>		<b>538,636</b>	<b>282,387</b>
Share capital	19	208,037	208,037
Share premium	19	556,162	556,162
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		(43,569)	1,896
- Revaluation reserve	19	-	37,747
- Accumulated gain/(loss) on remeasurement of defined benefit plans		(43,569)	(35,851)
Restricted reserves	19	10,260	10,260
Accumulated deficit		(482,677)	(558,898)
Net profit for the period		290,423	64,930
<b>Non-controlling interest</b>		<b>130,561</b>	<b>66,470</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5,748,121</b>	<b>4,571,850</b>

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

	Notes References	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
<b>PROFIT OR LOSS</b>			
Revenue	20	5,795,954	4,014,679
Cost of sales (-)	20	(4,216,994)	(3,058,183)
<b>GROSS PROFIT</b>		<b>1,578,960</b>	<b>956,496</b>
General administration expenses (-)	21	(561,472)	(266,009)
Other income from operating activities	22	581,770	560,562
Other expenses from operating activities (-)	22	(546,206)	(497,443)
<b>OPERATING PROFIT</b>		<b>1,053,052</b>	<b>753,606</b>
Income from investing activities	23	9,885	118,581
Expense from investing activities (-)	23	(1,042)	(2,454)
<b>OPERATING PROFIT BEFORE FINANCE EXPENSE</b>		<b>1,061,895</b>	<b>869,733</b>
Finance expenses (-)	24	(690,010)	(684,222)
<b>NET PROFIT BEFORE TAX</b>		<b>371,885</b>	<b>185,511</b>
<b>Tax expense from operations</b>		<b>(16,676)</b>	<b>(62,514)</b>
Current tax expense	25	(82,329)	(34,119)
Deferred tax loss	25	65,653	(28,395)
<b>NET PROFIT</b>		<b>355,209</b>	<b>122,997</b>
<b>Allocation of net profit</b>			
Non-controlling interest		64,786	58,067
Equity holders of the parent		290,423	64,930
<b>Net profit for the period</b>		<b>355,209</b>	<b>122,997</b>
<b>Basic gain per share</b>	26	<b>1.40</b>	<b>0.31</b>
<b>OTHER COMPREHENSIVE EXPENSES</b>		<b>(7,718)</b>	<b>(12,545)</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurement of defined benefit plans		(9,648)	(15,681)
Income tax relating to items that will not be reclassified subsequently		1,930	3,136
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>347,491</b>	<b>110,452</b>
<b>Total comprehensive profit distribution</b>			
Non-controlling interest		64,786	58,067
Equity holders of the Parent		282,705	52,385

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

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

	Share capital	Share premium	Property revaluation reserve	Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or (loss)		Accumulated gain		Attributable to equity holders of the parents	Non-controlling interest	Total equity
				Accumulated Loss on remeasurement of defined benefit plans	Legal reserves	Accumulated deficit	Net profit/(loss) for the period			
<b>Balance as at January 1 2020</b>	<b>208,037</b>	<b>556,162</b>	<b>37,747</b>	<b>(23,306)</b>	<b>10,260</b>	<b>(595,149)</b>	<b>36,251</b>	<b>230,002</b>	<b>8,403</b>	<b>238,405</b>
Other comprehensive income for the period, net of tax	-	-	-	(12,545)	-	-	-	(12,545)	-	(12,545)
Net profit for the period	-	-	-	-	-	-	64,930	64,930	58,067	122,997
<b>Total comprehensive gain/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,545)</b>	<b>-</b>	<b>-</b>	<b>64,930</b>	<b>52,385</b>	<b>58,067</b>	<b>110,452</b>
Transfers	-	-	-	-	-	36,251	(36,251)	-	-	-
<b>Balance as at 31 December 2020</b>	<b>208,037</b>	<b>556,162</b>	<b>37,747</b>	<b>(35,851)</b>	<b>10,260</b>	<b>(558,898)</b>	<b>64,930</b>	<b>282,387</b>	<b>66,470</b>	<b>348,857</b>
<b>Balance as at January 1 2021</b>	<b>208,037</b>	<b>556,162</b>	<b>37,747</b>	<b>(35,851)</b>	<b>10,260</b>	<b>(558,898)</b>	<b>64,930</b>	<b>282,387</b>	<b>66,470</b>	<b>348,857</b>
Other comprehensive income for the period, net of tax	-	-	-	(7,718)	-	-	-	(7,718)	-	(7,718)
Net profit for the period	-	-	-	-	-	-	290,423	290,423	64,786	355,209
<b>Total comprehensive gain/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,718)</b>	<b>-</b>	<b>-</b>	<b>290,423</b>	<b>282,705</b>	<b>64,786</b>	<b>347,491</b>
Transfers	-	-	-	-	-	64,930	(64,930)	-	-	-
Changes in accounting policies (Note 2.2)	-	-	(37,747)	-	-	19,865	-	(17,882)	-	(17,882)
Dividend distribution	-	-	-	-	-	(8,574)	-	(8,574)	(695)	(9,269)
<b>Balance as at 31 December 2021</b>	<b>208,037</b>	<b>556,162</b>	<b>-</b>	<b>(43,569)</b>	<b>10,260</b>	<b>(482,677)</b>	<b>290,423</b>	<b>538,636</b>	<b>130,561</b>	<b>669,197</b>

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

	Notes References	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>1,652,753</b>	<b>899,264</b>
Net profit for the period		355,209	122,997
<b>Profit from continuing operations</b>		<b>1,125,245</b>	<b>876,198</b>
Adjustments related to depreciation and amortization expenses	12, 13	335,735	251,823
Adjustments related to impairment (reversal)		109,350	5,524
Adjustments related to impairment (reversal) of receivables	8	109,350	3,968
Adjustments related to goodwill	14	-	1,556
Adjustments related to provisions		35,003	12,909
Adjustments related to (reversal) of provision for employment benefits		14,204	11,939
Adjustments related to lawsuit (reversal) of provision for lawsuit		20,799	970
Adjustments related to interest (income) expense		553,488	415,203
Adjustments related to interest income	22	(37,522)	(27,412)
Adjustments related to interest expense	24	591,010	442,615
Adjustments related to gain (loss) on fair value		-	(23,450)
Loss (gain) arising on derivatives	24	-	(23,450)
Adjustments related to tax (income) expense	25	16,676	62,514
Other adjustments related to non-cash items		83,836	267,802
Adjustments regarding to (gain) loss on sale of bargain purchase	29	-	(81,980)
Adjustments regarding to (gain) loss on sale of non-current assets		(8,843)	(34,147)
Adjustments regarding to (gain) loss on sale of tangible assets		(8,843)	(34,147)
<b>Changes in working capital</b>		<b>256,375</b>	<b>(67,888)</b>
Adjustments related to (increase) decrease in trade receivables		(307,555)	(192,958)
Adjustments related to increase in inventories		(171,794)	(23,017)
Adjustments related to increase (decrease) in trade payables		572,039	165,964
Adjustments related to increase (decrease) in other payables from operations		44,227	150,231
Adjustments related to other increase (decrease) in working capital		119,458	(168,108)
Adjustments related to (increase) decrease in other payables from other asset		119,458	(168,108)
<b>Cash generated from operations</b>		<b>1,736,829</b>	<b>931,307</b>
Payments due to employee termination benefits		(11,426)	(12,179)
Tax paid	25	(64,374)	(21,065)
Payments for other provisions		(9,017)	-
Other cash inflows	8	741	1,201

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

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

	Notes References	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(485,092)</b>	<b>(172,374)</b>
Cash inflows from sale of tangible and intangible assets		11,873	38,236
Proceeds from sales of property, plant, equipment and intangible assets	12	11,873	38,236
Payment for purchase of property, plant and equipment and intangible assets		(493,204)	(166,032)
Payment for purchase of property, plant and equipment	12	(458,398)	(147,995)
Payment for purchase of intangible assets	12	(34,806)	(18,037)
Cash advances and debts given	11	(41,283)	(71,990)
Interest received	22	37,522	27,412
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(862,417)</b>	<b>(657,556)</b>
Proceeds from bank loans		470,000	643,434
Proceeds from borrowings	7	-	227,234
Proceeds from bonds, net of commissions	7	470,000	416,200
Repayment of lease liabilities	7	(324,048)	(258,125)
Bank borrowings paid		(569,061)	(673,410)
Cash used for repayment of borrowings	7	(246,541)	(335,009)
Cash used for repayment of bonds	7	(322,520)	(338,401)
Repayment of obligations under finance leases	7	(34,235)	(71,234)
Interest paid		(395,804)	(298,221)
Dividend paid		(9,269)	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>305,244</b>	<b>69,334</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>6</b>	<b>374,997</b>	<b>305,663</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>6</b>	<b>680,241</b>	<b>374,997</b>

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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### 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 31 December, 2021, MLP Sağlık is the holding company of 17 subsidiaries (31 December 2020: 17) (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 13 February 2018. In accordance with the resolution numbered 31/1059 on 30 October 2014 and 21/655 on 23 July 2010 of CMB; according to the records of Central Registry Agency (CRA); shares representing 33.36% as of 31 December 2021, of MLP Sağlık are accepted as “in circulation”. As of 1 January 2022, this ratio is 33.36% (Note 19).

The number of employees of the Group as at 31 December 2021 is 12,618 (31 December 2020: 11,704).

#### Approval of consolidated financial statements

Board of Directors has approved the financial statements and delegated authority for publishing it on 8 March 2022. The General Assembly and specified regulatory bodies have the right to make amendments to the financial statements after issue.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

As of 31 December 2021 the subsidiaries of the Company are:

Name	Location and base of operation
Sentez Sağlık Hizmetleri A.Ş. ("Sentez Hastaneleri")	Batman - İzmir - Gaziantep
Temar Tokat Manyetik Rezonans Sağlık Hizmetleri ve Turizm A.Ş. ("Tokat Hastanesi")	Tokat
Samsun Medikal Grup Özel Sağlık Hizmetleri A.Ş. ("Samsun Hastanesi")	Samsun-İstanbul
Özel Samsun Medikal Tıp Merkezi ve Sağlık Hizmetleri Tic. Ltd. Şti. ("Samsun Tıp Merkezi")	Samsun
Kuzey Medikal Pazarlama İnşaat Taşımacılık San. ve Tic. Ltd. Şti. ("Kuzey")	Ankara
Artimed Medikal Sanayi ve Ticaret Ltd. Şti. ("Artimed")	Ankara
MS Sağlık Hizmetleri Ticaret A.Ş. ("MS Sağlık")	Ankara
Mediplaza Sağlık Hizmetleri Ticaret A.Ş. ("Mediplaza")	Gebze - İzmit
21. Yüzyıl Anadolu Vakfı ("21.Yüzyıl Anadolu Vakfı")	İstanbul
BTN Sigorta Aracılık Hizmetleri A.Ş. ("BTN Sigorta")	İstanbul
Endmed Endüstri Medikal Malzeme Cihazlar San. Tic. Ltd. Şti. ve Kuzey Medikal Pazarlama İnşaat Taşımacılık San. ve Tic. Ltd. Şti. İş Ortaklığı ("Kuzey Hastaneler Birliği" ya da "KHB")	İstanbul
Sotte Sağlık Temizlik Yemek Medikal Turizm Insaat San. ve Tic. A.Ş. ("Sotte Sağlık Temizlik Yemek")	İstanbul - Ankara
MA Group Sağlık ve Danışmanlık Hizmetleri Ticaret A.Ş. ("MA Group")	İstanbul
BTN Asistans Sağlık Hizmetleri A.Ş. ("BTN Asistans")	İstanbul
BTR Sağlık Hizmetleri A.Ş. ("BTR Sağlık")	İstanbul
İstanbul Meditime Sağlık Hizmetleri Ticaret Ltd. Şti. ("Meditime Sağlık")	İstanbul
MLP Gaziantep Sağlık Hizmetleri Anonim Şirketi ("MLP Gaziantep Sağlık")	Gaziantep

### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

#### 2.1 Basis of Presentation

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

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

The financial statements and disclosures have been prepared in accordance with the resolution of Public Oversight Accounting and Auditing Standards Authority ("POA") dated 15 April 2019 about the "announcement about TFRS Taxonomy" and "illustrations of financial statements and application guidance" published by Capital Markets Board ("CMB").

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

##### Currency Used

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

#### 2.1 Basis of Presentation (Continued)

##### Inflation accounting

In accordance with the CMB's resolution issued on 17 March 2005, companies operating in Turkey which prepare their financial statements in accordance with the CMB Accounting Standards are not subject to inflation accounting effective from 1 January 2005. Therefore, as of 1 January 2005, TAS 29 'Financial Reporting in Hyperinflationary Economies' is not applied in the accompanying consolidated financial statements.

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

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

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

##### Going concern assumption

The Company's current liabilities in the enclosed financial statements for the period ending 31 December 2021 and 2020, exceeded its total current assets by TRY576,839 and TRY201,423 respectively. The most important share in current liabilities consists of short-term financial borrowings, trade payables and lease liabilities which provided by the Group's financial institutions. The most important portion of the current liabilities is the short-term financial borrowings which the Group obtained from financial institutions, since a significant portion of the borrowings was obtained in the form of short-term loans the current ratio is a liability, and this indicates a need for a source to meet the Company's short-term liabilities. The Group management anticipates that it will have any problems in making the payments of its short-term debts, considering the operational profitability of 2021 and the available credit lines.

The Group management has made their assessment according to the Communiqué Amending the Communiqué on the Procedures and Principles Regarding the Implementation of the Article 376 of the Turkish Commercial Code ("TCC") numbered 6102 ("Amending Communiqué") which is published in the Official Gazette dated 26 December 2020 and numbered 31346 and "Capital Loss and Financial Distress" of Turkish Commercial Code 376.

In the calculations made according to the Communiqué, in addition to the unrealized exchange difference losses arising from foreign currency liabilities that have not yet been fulfilled, depreciation and half of the total personnel expenses arising from leases accrued on 2021 may not be taken into account. Accordingly, the shareholders' equity was determined by deducting the unrealized foreign exchange losses amounting to TRY109,327 regarding the loans and other debts of the Group, the expenses arising from the leases amounting to TRY312,460 and the depreciation and personnel expenses amounting to TRY196,914 and the equity amounting to the amount of TRY1,452,151 and it was concluded that more than two-thirds of the capital is protected.

In the light of all this information, the Group management does not anticipate a significant risk regarding the continuity of the business and the consolidated financial statements have been prepared with the assumption that the company will continue its activities in the predictable future.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

#### 2.1 Basis of Presentation (Continued)

##### Basis of Consolidation

The details of the Company’s subsidiaries as of 31 December 2021 and 31 December 2020 are as follows:

Bağlı Ortaklıklar	Proportion of ownership and voting power held (%)			Principal activity
	Place of incorporation operation	31 December 2021	31 December 2020	
Sentez Hastaneleri	Batman-İzmir-Gaziantep	56.00%	56.00%	Hospital services
Tokat Hastanesi	Tokat	58.84%	58.84%	Hospital services
Samsun Hastanesi	Samsun	80.00%	80.00%	Hospital services
Samsun Tıp Merkezi (1)	Samsun	100.00%	100.00%	Hospital services
MS Sağlık	Ankara	75.00%	75.00%	Hospital services
Mediplaza	Gebze-İzmit	75.00%	75.00%	Hospital services
MA Group (3)	İstanbul	51.00%	51.00%	Hospital services
BTR Sağlık Hizmetleri	İstanbul	100.00%	100.00%	Hospital services
Meditime Sağlık	İstanbul	100.00%	100.00%	Hospital services
MLP Gaziantep Sağlık	Gaziantep	60.00%	60.00%	Hospital services
Sotte Sağlık Temizlik Yemek	İstanbul - Ankara	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 (4)	İstanbul	100.00%	100.00%	Ancillary services
Kuzey Hastaneler Birliği (“KHB”)	İstanbul	99.90%	99.90%	Ancillary services
BTN Asistans (4)	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 Sağlık 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 Sağlık 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 made a liquidation decision on 25 December 2017.

(4) The Company has decided to cease all activities as of 15 September 2020 on 18 September 2020.

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.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

#### 2.1 Basis of Presentation (Continued)

##### Basis of Consolidation (Continued)

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.

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.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

#### 2.2 Changes in Accounting Policies

Significant changes in accounting policies and significant accounting errors are applied retrospectively and the prior period financial statements are restated. Changes in accounting estimates are applied prospectively in the current period if the change is made, if the change is related to future periods, both in the period in which the change is made and in the future period.

As of 31 December 2021, the Group reconsidered the measurement principle of the machinery and equipment in the tangible fixed assets group and started to apply the cost value method due to the uncertainties experienced in the fair value determination of the related fixed assets while applying the fair value method before. These uncertainties are mainly due to the limited secondary market data on the prices of the related assets, the fact that the foreign currency costs of the assets are instantly affected by the price changes in the current exchange rates, and the cash flows defined by using the assets priced in foreign currency are in Turkish lira, which is the functional currency of the Group. can be listed as. The Group has evaluated the effects of the said accounting policy change and has not applied retrospective adjustments in the consolidated financial statements in line with the materiality principle of accounting.

The accounting policy change has any effect on the consolidated equity amount, and the effects of the change on the tangible fixed assets, revaluation fund and retained earnings in the consolidated financial statements are as follows:

#### Property revaluation reserve

<b>1 January 2021</b>	<b>(37,747)</b>
Transfers to previous year losses	19,865
Transfers to property, plant and equipment	(17,882)
<hr/>	
<b>31 December 2021</b>	<b>-</b>

#### 2.3 Changes in the Accounting Estimates and Errors

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

#### 2.4 Amendments in International Financial Reporting Standards

##### a) *Standards, amendments and interpretations applicable as at 31 December 2021:*

- **Amendments to TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific TAS 39 and TFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- **Amendments to TFRS 4 Insurance Contracts – deferral of TFRS 9;** effective from annual periods beginning on or after 1 January 2023. These amendments defer the date of application of TFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in TFRS 4 from applying TFRS 9, Financial instrument until 1 January 2023.

These amendments do not have any significant impact on Group’s financial condition and performance.

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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**2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2.4 Amendments in International Financial Reporting Standards (Continued)**

*b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2021:*

- **Amendment to TFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the Practical expedient;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to TFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- **TFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Amendments to TAS 1, Presentation of financial statements’ on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to TAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what TAS 1 means when it refers to the ‘settlement’ of a liability.
- **A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
  - **Amendments to TFRS 3, ‘Business combinations’** update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **Amendments to TAS 16, ‘Property, plant and equipment’** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **Amendments to TAS 37, ‘Provisions, contingent liabilities and contingent assets’** specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to TFRS 1, ‘First-time Adoption of TFRS’, TFRS 9, ‘Financial instruments’, TAS 41, ‘Agriculture’ and the Illustrative Examples accompanying TFRS 16, ‘Leases’.
- **Narrow scope amendments to TAS 1, Practice statement 2 and TAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

#### 2.4 Amendments in International Financial Reporting Standards (Continued)

- **Amendment to TAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

The Group is in the process of assessing the impact of the amendments on its financial position or performance.

#### 2.5 Effects of Revised Accounting Policies

##### *Effect of Covid 19 Outbreak on Group Activities*

Covid-19 spread effect within the World and Turkey as well as duration can not be estimated yet clear. As the severity and duration of the effects become clearer, it will be possible to make a more specific and healthy evaluation for the medium and long term. However, while preparing the consolidated financial statements as of 31 December 2021, the possible effects of the Covid-19 outbreak were evaluated and the estimates and assumptions used in the preparation of the financial statements were reviewed. In this context, the Group has tested possible impairment in the values of financial assets, stocks, tangible and intangible fixed assets included in the consolidated financial statements as of 31 December 2021, and no impairment was detected.

#### 2.6 Summary of Significant Accounting Policies

##### **Related Parties**

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

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) Has control or joint control over the reporting entity;
  - (ii) Has significant influence over the reporting entity or
  - (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

##### Related Parties (Continued)

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

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

##### Business Combinations

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

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

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

##### Business Combinations (Continued)

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

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

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

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

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

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

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

##### Goodwill

Business combinations are accounted for by using the purchase method in the scope of TFRS 3 “Business combinations”. Any excess of the cost of acquisition over the acquirer’s interest in the (i) net fair value of the acquiree’s identifiable assets and contingent liabilities as of the acquisition date, (ii) amount of any non-controlling interest in the acquired entity and (iii) fair value of any equity interest previously held by acquirer is accounted for as goodwill. If those amounts are less than fair value of the net identifiable assets of the business acquired, the difference is recognised directly in “Gains from investment activities” as a gain from bargain purchase.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

##### Foreign Currency Transactions

##### Foreign Currency Transactions and Balances

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

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

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

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

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

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

##### Revenue Recognition

When a performance obligation is satisfied by transferring promised goods or services to a customer, the Group recognises the revenue as the amount of the transaction price that is allocated to that performance obligation. The goods or services are transferred when the control of the goods or services is delivered to the customers. Returns, discounts and provisions are reduced from the related amount.

Group recognises revenue based on the following five principles:

- (a) Identification of customer contracts,
- (b) Identification of performance obligations,
- (c) Determination of the transaction price in the contracts,
- (d) Allocation of transaction price to the performance obligations,
- (e) Recognition of revenue when the performance obligations are satisfied.

Group recognises revenue from its customer when all of the the following criteria are met:

- (a) The parties have approved the contract (written or orally or in accordance with other customer business practices) and are committed to perform their respective obligations,
- (b) Group can identify the right of parties related to goods and services,
- (c) Group can identify the payment terms of goods and services to be transferred,
- (d) The contract has commercial substance,
- (e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods and services that will be transferred to the customer. In evaluating whether collectability of a consideration is probable, the entity shall consider only the customer's ability and intention to pay the consideration when it is due.

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity and when the revenue amount, the completion level of the transaction as of the reporting date and the cost required for the completion of the transaction can be measured reliably.

The assumptions for the reliability of revenue recognition after the agreement of third parties are as follows:

- Contractual rights of each parties under sanction according to the agreement,
- Service fee,
- Payment terms and conditions.

The Group recognises revenue from the following major sources:

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

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

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

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

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

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

##### Inventories

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

##### Property, Plant and Equipment

Tangible fixed assets, with the exception of buildings and machinery and equipment, are stated in the consolidated statement of financial position at their net book values, being the cost of the asset, less any accumulated depreciation and accumulated impairment losses. Cost of property, plant and equipment comprise purchase price, import taxes, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation is provided on all property and equipment using the straight-line method at rates which approximate estimated useful lives of the related assets as follows:

	<b>Useful Life</b>
Buildings	35 years
Machinery and equipment	5-20 years
Motor vehicles	4-5 years
Furniture and fixtures	2-20 years
Leasehold improvements	5-15 years
Leased assets	2-11 years

The useful life and depreciation method are regularly reviewed and accordingly whether the method and the depreciation period are in line with the economic benefits to be obtained from the related asset are reviewed.

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

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

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

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

Useful lives and depreciation methodology is regularly reviewed for appropriateness.

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

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

##### Intangible Fixed Assets

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

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

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

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

The hospital licenses are not amortized since there is no definite useful life for licenses. However, licenses are tested for impairment annually at the cash-generating unit level. As of 31 December 2021, there has been no indication regarding impairment of licenses.

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

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

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

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

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

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

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

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

##### **Borrowing Costs**

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

##### **Taxation**

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

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

##### *Current Tax*

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

##### *Deferred Tax*

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

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

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

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

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

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

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

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

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

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

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

#### **Employee Termination Benefits**

##### *Defined benefit plans*

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

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

##### *Defined contribution plans*

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

#### **Vacation Pay Liability**

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

#### **Foreign Currency Transactions**

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

#### **Earnings per Share**

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

#### **Sale and Leaseback Transactions**

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

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

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

##### Leases

###### The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification

The Group did not make any such adjustments during the periods presented.

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

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

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

###### Leases (Continued)

###### The Group as lessee (Continued)

Right-of-use assets include initial recognition of lease liabilities, prepayments and other direct costs made on or before commencement date of the lease. These assets are then measured by cost value after reduction of accumulated depreciation and impairment losses

The Group accounts a provision under TAS 37 in case of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. These costs are included in cost of right-of-use assets unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Right of use assets are presented as different item in consolidated statement of financial position.

The Group applies TAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in ‘cost of sales’ and “general administrative and marketing expenses” in profit or loss.

As a practical expedient, TFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

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.

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.

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

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

##### Leases (Continued)

###### The Group as lessee (Continued)

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.

##### **Financial Instruments**

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

##### ***Financial Assets***

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

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

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

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

##### *Financial Assets (Continued)*

##### Classification of financial assets

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

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

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

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

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

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

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

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

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

##### Financial Instruments

###### *Financial Assets*

###### Classification of financial assets

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

Interest income is recognised in profit or loss and is included in the "finance income - interest income" line item (Note 22).

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

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

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

###### Foreign exchange gains and losses

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

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

###### Impairment of financial assets

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

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

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

##### Financial Instruments (Continued)

##### Financial assets (Continued)

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

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

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

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

##### Derecognition of financial assets

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

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

##### **Financial liabilities**

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

A financial liability is subsequently classified at amortized cost except:

- a) Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.
- b) Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied: When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognised in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Company continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

##### Financial Instruments (Continued)

##### *Financial liabilities (Continued)*

- c) A contingent consideration recognized in the financial statements by the entity acquired in a business combination where TFRS 3 is applied: After initial recognition, the related contingent consideration is measured as at FVTPL.

The Group does not reclassify any financial liability.

##### Derecognition of financial liabilities

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

##### Provisions

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

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

##### Contingent Assets and Liabilities

##### Contingent Liabilities

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

##### Contingent Assets

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

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

##### **Share Capital and Dividends**

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

##### **Segmental Information**

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

##### **Subsequent Events**

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

The preparation of the consolidated financial statements requires the disclosure of the amounts of assets and liabilities reported as of the reporting period, the disclosure of contingent assets and liabilities, and the determination of estimates and assumptions by the management that may affect the amounts of income and expenses reported during the accounting period. Accounting evaluations are evaluated by taking into account estimations and assumptions, past experience, other factors and reasonable expectations about future events under current conditions. Although these estimates and assumptions are based on management's best knowledge of current events and transactions, actual results may differ from their assumptions.

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

In the process of applying the entity's accounting policies, which are described in note 2.6, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations, which are dealt with below under notes 3.2).

##### *Deferred Tax Assets*

The Group accounts deferred tax assets and liabilities from the temporary differences between the statutory financial statements and the financial statements in accordance with TFRS.

##### *Deferred Tax Assets calculation based on carry forward tax losses*

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The subsidiaries of the Group have deferred tax assets for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be recognized. The recoverable amount of deferred tax assets, partially or fully, is estimated under the current conditions. During the assessment of the recoverability of deferred tax assets, future taxable profit forecasts and expiration dates of government grants, carry forward tax losses and other tax advantages were considered.

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

As of 31 December 2021, the Group has a deductible tax loss of TRY95,280 (31 December 2020: TRY426,574) (Note 25).

The Group assess the recoverability of deferred tax assets related carried forward tax losses based on business models that contain management estimations related to taxable profit for future periods. The models include key management estimations such as growth rate, hospital capacities and foreign exchange rates. Based on the sensitivity analysis about carried forward tax losses performed, it is concluded that 10% increase/decrease in related estimations does not have any effect on the assessment of recoverability of deferred tax assets.

##### *Government Grants*

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received (Note 25).

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

#### 3.2 Key sources of estimation uncertainty

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

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

The Group calculates the provision for impairment of trade receivables to cover the estimated losses resulting from the possible unconfirmed balances by the SSI and the inability of the patients to make required payments. The services rendered to patients covered by the SSI are subject to administrative review and audit by the SSI. The receivables that are not confirmed by the SSI are written off by the Group Management when the outcome is certain. As of 31 December 2021, provision for impairment of trade receivables amounting to TRY125,305 (31 December 2020: TRY16,696) (Note 8).

In addition, the Group has trade receivables arising from health services provided to foreign patients. 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 and the Group Management’s expectation is that foreign patient receivables will be collected in 2021. The Group has overdue but not impaired trade receivables amounting to TRY369,373 as of 31 December 2021 (31 December 2020: TRY472,766). An allowance of TRY104,324 was charged to 2021 regarding the overdue receivables from the Government of Libya (31 December 2020: TRY115,680).

In addition, the calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

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

As explained in Note 17, the Group management make provision amounting to TRY29,028 (31 December 2020: TRY20,367) for the lawsuits where the legal proceedings and penalties are still uncertain and there is a possibility of an outflow.

##### *Impairment of Goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on fair value less costs of disposal calculations. These calculations require the use of estimates (Note 14).

Impairment test was made as at 31 December 2021 by the method of “discounted cash flows”. As of 31 December 2021 there is no impairment on goodwill.

##### *Intangible Fixed Assets Acquired Through Business Combination; Hospital licenses*

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

##### *Intangible Fixed Assets Acquired Through Business Combination; Hospital licenses (Continued)*

In accordance with the accounting policy for the hospital licenses which have indefinite useful lives stated in Note 2.6, these assets are reviewed for impairment annually or whenever events or changes in circumstances indicate impairment by the Group.

Impairment tests for hospital licenses are performed by comparing the amount calculated according to the discounted cash flows of each cash generating unit based on long term projections, with the carrying value of the hospital licenses. These calculations require the use of estimates. As of 31 December 2021 there is no impairment on hospital licenses resulting to impairment test (Note 12).

##### *Useful Lives of Property, Plant and Equipment*

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

### NOTE 4 - INTERESTS IN OTHER ENTITIES

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

<b>Samsun Tıp Merkezi</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Current assets	739	739
Non-current assets	15	22
Current liabilities	11,602	9,283
Equity	(10,848)	(8,522)
	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2020</b>
Other income/(expense), net	(2,327)	(1,342)
Loss for the period	(2,327)	(1,342)
Net cash inflow/(outflow) from operating activities	(8)	(14)
Net cash inflow/(outflow) from investing activities	8	14
<b>Net cash inflow/(outflow)</b>	<b>-</b>	<b>-</b>
<b>21. Yüzyıl Anadolu Vakfı</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Current assets	41,964	40,442
Non-current assets	58,291	42,135
Current liabilities	76,798	38,389
Equity	23,457	44,188
	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2020</b>
Revenue	329	262
Other income/(expense), net	(21,060)	13,911
Loss for the period	(20,731)	14,173
Net cash inflow/(outflow) from operating activities	16,196	4,452
Net cash inflow/(outflow) from investing activities	(16,155)	(4,262)
<b>Net cash inflow/(outflow)</b>	<b>41</b>	<b>190</b>

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### NOTE 5 - RELATED PARTY DISCLOSURES

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

As of 31 December 2021 the short term receivables and payables details as follows:

Shareholders	31 December 2021			
	Receivables		Payables	
	Trade	Non-trade	Trade	Non-trade
Muharrem Usta (*)	-	52,797	-	50
Adem Elbaşı	-	1,854	-	-
	-	<b>54,651</b>	-	<b>50</b>
<b>Other companies controlled by the shareholders</b>				
Miniso Mağazacılık A.Ş.	96	-	-	-
Fom Grup Mimarlık İnşaat ve Tic. A.Ş. (1)	64	-	21,301	-
Pozitif Medikal Sistemler San. ve Tic. Ltd. Şti.	2	-	509	-
A ve A Sağlık A.Ş. (2)	-	-	3,328	-
Konca Özel Sağlık Hizmetleri Ltd.Şti.	-	-	-	-
Supra A.Ş.-Sonotom Ltd Şti.	-	-	-	-
Ledmar Ltd Şti-Mlp A.Ş. İş Ortaklığı	-	-	-	-
Cotyora Med. Özel Sağ. Taah. Hz. İnş. Tr. Loj. Ltd. Şti. (4)	-	-	2,195	-
Saray Eczanesi	-	-	593	-
Mp Sağlık ve Tic. A.Ş.	-	-	1,998	733
Mt Sağlık Ürünleri San. ve Tic. A.Ş.	-	-	183	-
Samsunpark Özel Sağlık Tıbbi Malz. İnş. Tur. Tem. Tic. A.Ş. (3)	-	-	4,894	-
Diasan Basım ve Form Matbaacılık San. ve Tic. A.Ş.	-	-	7	-
Tokat Emar Sağlık Hiz. Ltd. Şti.	-	-	533	-
Sanport Gayrimenkul Geliştirme İnş.Ve Tic.A.Ş	-	-	54	-
Other	32	154	-	16
	<b>194</b>	<b>154</b>	<b>35,595</b>	<b>749</b>
	<b>194</b>	<b>54,805</b>	<b>35,595</b>	<b>799</b>

- (\*) Non-trade receivables from Muharrem Usta is short term due date and interest charge from the current value of internal debt ratio of Group.
- (1) 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.
- (2) A ve A Özel Sağ. Hiz. ve Cih. Teks. San. Tic. Ltd. Şti. provides cleaning materials for the hospitals.
- (3) Samsunpark Özel Sağlık Tıbbi Malz. İnş. Tur. Tem. Tic. A.Ş. provides cleaning, catering and laundry services for the Group.
- (4) Cotyora Med. Özel Sağ. Taah. Hz. İnş. Tr. Loj. Ltd. Şti. provides cleaning and catering services for the Group.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

Shareholders	31 December 2020			
	Receivables Current		Payables Current	
	Trade	Non-trade	Trade	Non-trade
Muharrem Usta (*)	-	39,564	-	50
Adem Elbaşı	-	1,343	-	-
	-	<b>40,907</b>	-	<b>50</b>
<b>Other companies controlled by the shareholders</b>				
Fom Grup Mimarlık İnşaat ve Tic. A.Ş. (1)	15,064	-	1,868	-
A ve A Sağlık A.Ş. (2)	8,309	-	9,125	-
Konca Özel Sağlık Hizmetleri Ltd.Şti.	208	-	-	-
Miniso Mağazacılık A.Ş.	42	-	-	-
Pozitif Medikal Sistemler San. ve Tic. Ltd. Şti.	2	-	509	-
Supra A.Ş.-Sonotom Ltd Şti.	-	-	-	-
-Ledmar Ltd Şti. - Mlp A.Ş. İş Ortaklığı	-	-	-	-
Cotyora Med. Özel Sağ. Taah. Hz.	-	-	-	-
İnş. Tr. Loj. Ltd. Şti. (4)	-	-	1,407	-
Saray Eczanesi	-	-	216	-
Mp Sağlık ve Tic. A.Ş.	-	-	1,291	733
Mt Sağlık Ürünleri San. ve Tic. A.Ş.	-	-	116	-
Samsunpark Özel Sağlık Tıbbi Malz.	-	-	-	-
İnş. Tur. Tem. Tic. A.Ş. (3)	-	-	3,146	-
Diasan Basım ve Form Matbaacılık San. ve Tic. A.Ş.	-	-	14	-
Tokat Emar Sağlık Hiz. Ltd. Şti.	-	-	514	-
Other	29	152	-	16
	<b>23,654</b>	<b>152</b>	<b>18,206</b>	<b>749</b>
	<b>23,654</b>	<b>41,059</b>	<b>18,206</b>	<b>799</b>

- (\*) Non-trade receivables from Muharrem Usta is short term due date and interest charge from the current value of internal debt ratio of Group.
- (1) 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.
- (2) A ve A Özel Sağ. Hiz. ve Cih. Teks. San. Tic. Ltd. Şti. provides cleaning materials for the hospitals.
- (3) Samsunpark Özel Sağlık Tıbbi Malz. İnş. Tur. Tem. Tic. A.Ş. provides cleaning, catering and laundry services for the Group.
- (4) Cotyora Med. Özel Sağ. Taah. Hz. İnş. Tr. Loj. Ltd. Şti. provides cleaning and catering services for the Group.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

#### Advances given to related parties and Prepaid expenses

	31 December 2021	31 December 2020
Fom Grup Mimarlık İnşaat ve Tic. A.Ş. (1)	9,005	108,782
Sanport Gayrimenkul Geliştirme İnş. Ve Tic. A.Ş.	279	-
Atk Sağlık Hizmetleri Ve Danışmanlık A.Ş.	59	-
Gazi Medikal Sağlık Tesisleri Ve Tic. A.Ş.	3	-
Atakum Özel Sağlık Hizmetleri İnş. Turizm ve San. Tic. A.Ş.	-	323
A ve A Sağlık A.Ş.	-	296
	<b>9,346</b>	<b>109,401</b>

#### Fixed asset advances given to related parties

	31 December 2021	31 December 2020
Fom Grup Mimarlık İnşaat ve Tic. A.Ş. (1)	181,359	124,364
Mp Sağlık ve Tic. A.Ş.	68,200	68,200
	<b>249,559</b>	<b>192,564</b>

(1) 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

#### Related parties (sale and leaseback transactions)

	31 December 2021	31 December 2020
Sancak Grup Mimarlık İnşaat ve Tic. A.Ş. (within non-current prepaid expenses)	2,024	2,811
Sancak Grup Mimarlık İnşaat ve Tic. A.Ş. (within prepaid expenses)	787	787
	<b>2,811</b>	<b>3,598</b>

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 TRY6,211, which was totally booked under the other current and non-current assets as of 31 December 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 TRY5,591. The duration of leasing agreement of the building is 15 years starting from December, 2009. As at 31 December 2021, the Group has incurred rent expense amounting to TRY787 due to amortization of prepaid rent (31 December 2020: TRY787).

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

#### Lease liabilities from related parties

	31 December 2021		31 December 2020	
	Short-term	Long-term	Short-term	Long-term
Sanport Gayrimenkul Geliştirme İnş. ve Tic. A.Ş.	59,724	59,089	52,327	75,766
Fom Grup Mimarlık İnşaat ve Tic. A.Ş.	9,718	70,516	16,332	57,562
Atakum Özel Sağlık Hizmetleri İnş. Turizm ve San. Tic. A.Ş.	8,764	33,021	7,696	8,681
Gazi Medikal Sağlık Tesisleri ve Tic. A.Ş.	3,654	-	6,471	3,214
Özel Gebze Sentez Sağlık Hizmetleri ve Tic. A.Ş.	3,407	-	3,034	-
Mp Sağlık ve Tic. A.Ş.	2,966	-	2,475	-
Tokat Medikal Grup Sağlık Turizm İnş. San. Tic. A.Ş.	2,354	-	2,268	1,011
	<b>90,587</b>	<b>162,626</b>	<b>90,603</b>	<b>146,234</b>

Purchases from related parties	1 January - 31 December 2021	1 January - 31 December 2020
Fom Grup Mimarlık İnş. ve Tic. A.Ş. (2) (3)	201,898	22,370
A ve A Sağlık A.Ş. (1)	18,461	14,081
	<b>220,359</b>	<b>36,451</b>

- (1) Cleaning material  
(2) Construction and audit of ongoing hospital construction and rent expenses  
(3) Evaluated within the scope of TFRS 16 and represents the rent expenses paid in the related period.  
(4) Turnkey fixture, private cost and hospital construction, inspection and consultancy services.

Operating expenses (including purchase of services)	1 January - 31 December 2021	1 January - 31 December 2020
Sanport Gayrimenkul Geliştirme İnş. ve Tic. A.Ş. (1)(7)	114,311	90,956
Samsunpark Özel Sağ. Tibbi Malz. İnş. Tur. Tem. Tic. A.Ş. (4)	22,229	18,224
Atakum Özel Sağlık Hiz. İnş. Turizm ve San. Tic. A.Ş. (1)(7)	13,499	10,799
Livart Tüp Bebek Özel Sağlık Hizm. A.Ş. (2)	13,028	7,130
Gazi Medikal Sağlık Tesisleri ve Tic. A.Ş. (1)(7)	8,680	5,811
Özel Gebze Sentez Sağlık Hizmetleri ve Tic. A.Ş. (1)(7)	8,521	6,319
Mp Sağlık ve Tic. A.Ş. (1)(7)	7,591	5,785
Cotyora Med. Özel Sağ. Taah. Hz. İnş. Tr. Loj. Ltd. Şti. (4)	6,850	6,486
Tokat Medikal Grup Sağlık Turizm İnş. San. Tic. A.Ş. (1)(7)	3,632	3,026
Tokat Emar Sağlık Hiz. Ltd. Şti. (2) (5)	1,720	1,379
Saray Eczanesi (6)	1,008	808
Özdenler Sağ. Hiz. Dan. Turz. Gid. San. Tic. Ltd. Şti. (2)	665	404
Mt Sağlık Ürünleri Sanayi ve Ticaret A.Ş. (3)	274	195
Diasan Basım ve Form Matbaacılık San. ve Tic. A.Ş. (3)	-	25
	<b>202,008</b>	<b>157,347</b>

- (1) Hospital rent expenses  
(2) Doctor expenses  
(3) Stationary and consumable expenses  
(4) Cleaning, catering and laundry services  
(5) Medical equipment rent expenses  
(6) Pharmaceutucial product expenses  
(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 AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

<b>Sales to related parties</b>	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2020</b>
A ve A Sağlık A.Ş. (1)	16,231	11,929
Adem Elbaşı	344	190
Samsunpark Özel Sağlık Hizm.İş Sağlığı ve Güvenliği	295	22
Fom Grup Mimarlık İnşaat ve Tic. A.Ş.		
Danışmanlık Eğitim Mühendislik Tic.Ltd.Şti.	224	20
Miniso Mağazacılık A.Ş.	170	174
Cotyora Med.Özel Sağ. Taah. Hz. İnş. Tr.		
Loj. Ltd. Şti.	126	73
Tokat Medikal Grup Sağlık Truzim İnş.San.Tic.A.Ş.	87	19
Samsunpark Özel Sağlık Tıbbi Malz. İnş.		
Turizm. Tem. Tic. A.Ş.	14	219
Saray Eczanesi	2	6
Zcatering Taşımacılık Hizmetleri San.Ve Tic.Ltd.Şti.	-	6
	<b>17,493</b>	<b>12,658</b>

(1) Outsourcing laboratory services

(2) Monitoring services

<b>Interest income from related parties</b>	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2020</b>
Muharrem Usta	10,199	5,605
	<b>10,199</b>	<b>5,605</b>

#### 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:

	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2020</b>
Salaries and other short term benefits	26,143	19,397
	<b>26,143</b>	<b>19,397</b>

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash on hand	20,114	26,746
Cash at banks	646,208	338,224
- Demand deposits	134,341	252,229
- Time deposits	511,867	85,995
Other cash equivalents (*)	13,919	10,027
	<b>680,241</b>	<b>374,997</b>

As of 31 December 2021 the interest rates of the Group's time deposits in TRY, USD and EUR are respectively 10%-21% (31 December 2020: 15.25% - 19%), 0.5%-0.15% (31 December 2020: 0.10%) 0.01% (31 December 2020: 0.01%) and their terms are less than 3 months.

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

### NOTE 7 - FINANCIAL INSTRUMENTS

#### Financial Liabilities

#### Bank Loans and Bonds

	31 December 2021	31 December 2020
Short-term bank borrowings	168,744	41,223
Short-term bonds issued	400,000	322,520
Current portion of long term borrowings	372,077	348,666
- Current portion of long-term bank loans	372,077	348,666
Interest expense accruals	65,386	43,819
	<b>1,006,207</b>	<b>756,228</b>
Long-term bank loans	549,594	944,203
Long-term bonds issued	70,000	-
	<b>619,594</b>	<b>944,203</b>
<b>Total borrowings</b>	<b>1,625,801</b>	<b>1,700,431</b>

The Group issued sukuk amounting to TRY250,000 with a maturity of 1 year by being sold to qualified investors on 24 May 2021. The principal payment will be made on 25 May 2022, which is the maturity date. The interest rate is DIBS + 4.50%.

The Group issued sukuk amounting to TRY150,000 with a maturity of 1 year and quarterly coupon payments by being sold to qualified investors on 12 March 2021. The principal payment will be made on 14 March 2022, which is the due date. The interest rate is DIBS + 5%.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 7 - FINANCIAL INSTRUMENTS (Continued)

#### Financial Liabilities (Continued)

As of 31 December 2021 and 31 December 2020 the repayment schedule of the total borrowings as follows:

#### 31 December 2021

Currency Type	Weighted average effective interest rate	Current	Non-current	Total
TRY	23.10%	673,985	79,921	753,906
TRY	TLRef+4-TRLibor+3.50%-4.00%-4.50%-5.80%	332,222	539,673	871,895
		<b>1,006,207</b>	<b>619,594</b>	<b>1,625,801</b>

#### 31 December 2020

Currency Type	Weighted average effective interest rate	Current	Non-current	Total
TRY	18%	447,991	57,770	505,761
TRY	TRLibor +3.50% - 4.00% - 4.50% - 5.80%	142,865	472,148	615,013
EUR	Euribor + 5.50%	165,372	414,285	579,657
		<b>756,228</b>	<b>944,203</b>	<b>1,700,431</b>

As of 31 December 2021, the Group does not have any cash blocked accounts for the loans used (31 December 2020: None).

As of 31 December 2021 and 31 December 2020 the repayment schedule of the borrowings in TRY are as follows:

	31 December 2021	31 December 2020
Interest expense accruals	65,386	43,819
To be paid within 1 year (*)	940,821	712,409
To be paid between 1-2 years	376,155	381,087
To be paid between 2-3 years	169,513	315,170
To be paid between 3-4 years	73,926	174,021
To be paid between 4-5 years	-	73,925
	<b>1,625,801</b>	<b>1,700,431</b>

(\*) TRY168,750 of the loans to be paid within one year consists of revolving loans and TRY400,000 part consists of bond payments which will be redeemed within 1 year.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 7 - FINANCIAL INSTRUMENTS (Continued)

#### Financial Liabilities (Continued)

##### Covenants

The Company has a structured finance facility in place. A syndicate loan agreement was signed on 31 December 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 Sağlık , and shares in subsidiaries owned by MLP Sağlık and all fixed assets under ownership of MLP and the MLP Sağlık's bank accounts. In addition to this, the loan is secured via assignment of MLP Sağlık's receivables arising from various agreements including medical tourism agreements and insurance policies.

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 31 December 2016.

Net debt to EBITDA Ratio cannot be above x3.5 for the year ended 31 December 2017 and for the six months period ended June 30, 2018, x3.0 for the year ended 31 December 2018 and for the six months period ended June 30, 2019, x2.5 for the year ended 31 December 2019 and for the six months period ended June 30, 2020 and x2.5 for the remaining period of the syndicate loan. As at 31 December 2021, the Group fulfilled the required covenant ratios stated above.

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

Reconciliation of obligations arising from financing activities as of 1 January - 31 December 2021 and 1 January - 31 December 2020:

	1 January 2021	Financing cash flows (net)	Foreign exchange effect (Note 24)	Disposal of subsidiary	Other (*)	31 December 2021
Bank loans	1,700,431	(77,493)	2,863	-	-	1,625,801
Finance lease obligations	196,064	(34,235)	68,728	-	-	230,557
Lease liabilities	595,102	(324,048)	27,409	-	594,328	892,791
	<b>2,491,597</b>	<b>(435,776)</b>	<b>99,000</b>	<b>-</b>	<b>594,328</b>	<b>2,749,149</b>

	1 January 2020	Financing cash flows (net)	Foreign exchange effect (Note 24)	Disposal of subsidiary	Other (*)	31 December 2020
Bank loans	1,534,863	(29,075)	194,643	-	-	1,700,431
Finance lease obligations	211,880	(71,234)	55,418	-	-	196,064
Lease liabilities	601,940	(258,126)	14,996	-	236,292	595,102
	<b>2,348,683</b>	<b>(358,435)</b>	<b>265,057</b>	<b>-</b>	<b>236,292</b>	<b>2,491,597</b>

(\*) It arises from the addition of new building contracts in some lease obligations within the scope of TFRS 16, the effect of remeasurement of discounted lease obligations arising from changes in lease payments realized during the period and interest expenses.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 7 - FINANCIAL INSTRUMENTS (Continued)

#### Lease Obligations

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

	<u>Minimum lease payments</u>		<u>Present value of minimum lease payments</u>	
	<u>31 December 2021</u>	<u>31 December 2020</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Within one year	131,457	113,476	128,112	102,825
In the second to fifth years inclusive	145,407	98,260	102,445	93,239
	<b>276,864</b>	<b>211,736</b>	<b>230,557</b>	<b>196,064</b>
Less : Future finance charges	(46,307)	(15,672)	-	-
<b>Present value of finance lease obligations</b>	<b>230,557</b>	<b>196,064</b>	<b>230,557</b>	<b>196,064</b>
<b>Less: Amounts due to settlement within twelve months (shown under current liabilities)</b>	<b>128,112</b>	<b>102,825</b>	<b>128,112</b>	<b>102,825</b>
<b>Present value of finance lease obligations</b>	<b>102,445</b>	<b>93,239</b>	<b>102,445</b>	<b>93,239</b>

Finance leases mainly include equipment with lease term of 7 years. The ownership of the leased items will be transferred to the Group by the end of the lease term. Interest rates on financial lease transactions at the contractual date were fixed during the lease term. The contractual effective interest rate TRY is 18.80% (2020: 15.30%). The contractual effective interest rate EUR is 5.89% (2020: 5.81%). The contractual effective interest rate USD is 5.35% (2020: 5.40%).

There is no amount in short-term finance lease payables comprise hospital equipments and devices leased from third parties which are not financial institutions (2020: None).

#### Liabilities arising from lease transactions:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Within one year	139,932	118,792
More than one year	752,859	476,310
<b>Present value of the lease liabilities</b>	<b>892,791</b>	<b>595,102</b>

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 1 January 2019. The average lessee’s incremental borrowing rate applied to the TRY lease liabilities is 28.50%, 22.25% and EUR lease liabilities is 16.07% on 1 January 2019.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 8 - TRADE RECEIVABLES AND PAYABLES

#### a) Trade Receivables

<b>Current trade receivables</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Trade receivables	1,126,769	932,886
Income accruals from continuing treatments	282,399	162,290
Other trade income accruals	32,330	35,699
Notes receivables	1,667	17,283
Trade receivables from related parties (Note 5)	194	23,654
Allowance for doubtful receivables (-)	(125,305)	(16,696)
	<b>1,318,054</b>	<b>1,155,116</b>

Trade receivables due from the SSI constitute 42% (31 December 2020: 43%) and receivables due from foreign patients constitute 16% (31 December 2020: 21%) of total trade receivables.

The Group has trade receivables arising from health services given to foreign patients amounting to TRY176,004 as at 31 December 2021. 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.

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

As of 31 December 2021, trade receivables of an initial value of TRY125,305 (31 December 2020: TRY16,696) were fully impaired and fully provided for. No collaterals are received in relation to these trade receivables.

<b>Movement of allowance for doubtful receivables</b>	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2020</b>
<b>Balance at beginning of the period</b>	<b>16,696</b>	<b>13,929</b>
Charge for the period	109,350	3,968
Collections	(741)	(1,201)
Disposal of subsidiary	-	-
<b>Balance at closing of the period</b>	<b>125,305</b>	<b>16,696</b>

The average maturity of trade receivables and notes receivables is 77 days (31 December 2020: 97 days).

Explanations for the nature and level of risks in trade receivables are given in Note 27.

As of 2021, the Group has made provision for doubtful receivables from Libya amounting to TRY104,324.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

#### Trade Payables

<b>Current trade payables</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Trade payables	1,209,258	756,834
Trade payables due to related parties (Note 5)	35,595	18,206
Other expense accruals	300,239	210,452
Other trade payables	1,245	1,638
	<b>1,546,337</b>	<b>987,130</b>

The average maturity of trade payables and notes payable is 151 days (31 December 2020: 152 days).

Explanations for the nature and level of risks in trade payables are given in Note 27.

### NOTE 9 - OTHER RECEIVABLES AND PAYABLES

#### Other Receivables

<b>Other current receivables</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Non-trading receivables due from related parties (Note 5)	54,805	41,059
Receivables from tax office	28,330	10,983
Deposits given	22,678	4,449
Other miscellaneous receivables	11,944	27,876
	<b>117,757</b>	<b>84,367</b>
<b>Other non-current receivables</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Deposits and guarantess given	3,876	2,740
	<b>3,876</b>	<b>2,740</b>

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 9 - OTHER RECEIVABLES AND PAYABLES (Continued)

#### Other Payables

<b>Other current payables</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Other taxes and funds payable	31,481	19,916
Payables relating to business combinations (*)	29,861	29,068
Non-trading payables due to related parties (Note 5)	799	799
Other miscellaneous payables	2,826	1,901
	<b>64,967</b>	<b>51,684</b>

<b>Other non-current payables</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Payables relating to business combinations (*)	93,102	106,471
	<b>93,102</b>	<b>106,471</b>

(\*) The Group has committed a payment schedule that will continue in the for the coming years as a result of some business combination contracts signed in 2014 and 2020. This liability represents the net present value of forthcoming payments.

### NOTE 10 - INVENTORIES

<b>Inventories</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Medical consumables inventory	164,452	29,668
Pharmaceutical inventory	83,447	44,779
Laboratory inventory	36,586	37,395
Other inventory	791	1,640
	<b>285,276</b>	<b>113,482</b>

### NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME

#### Prepaid Expenses

<b>Short term prepaid expenses</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Order advances (*)	229,112	366,738
Prepaid insurance expenses	23,119	19,069
Prepaid rent expenses (**)	530	16,759
Prepaid sponsorship expenses	1,164	2,586
Other	9,483	9,111
	<b>263,408</b>	<b>414,263</b>

(\*) Advances consist of mainly the turnkeyhospital projects regarding new and renovated hospitals and the order advances given for the construction services for the hospitals under construction.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

<b>Long term prepaid expenses</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Fixed asset advances given	318,514	277,231
Prepaid rent expenses (*)	2,544	3,480
Other	3,125	2,003
	<b>324,183</b>	<b>282,714</b>

#### Deferred Income

<b>Short term accrued income</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Advances received (*)	230,309	217,754
Deferred revenue	13,421	3,743
	<b>243,730</b>	<b>221,497</b>

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

<b>Long term accrued income</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Deferred revenue	18,374	2,211
	<b>18,374</b>	<b>2,211</b>

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

#### NOTE 12 - PROPERTY, PLANT, EQUIPMENT AND OTHER INTANGIBLE ASSETS

Cost	Buildings	Machinery and equipment	Vehicles	Furniture and fixture	Leased assets	Leasehold improvements	Construction in progress	Total
<b>Opening balance as of 1 January 2021</b>	<b>817</b>	<b>753,417</b>	<b>1,546</b>	<b>361,807</b>	<b>371,073</b>	<b>601,052</b>	<b>65,220</b>	<b>2,154,932</b>
Additions	-	112,108	80	63,443	95,715	135,235	51,817	458,398
Disposals	-	(11,096)	(75)	(3,447)	12	(12,813)	-	(27,419)
Changes in accounting policies (Note 2.2)	-	(17,882)	-	-	-	-	-	(17,882)
Transfers	-	44,469	-	22,225	(29,866)	(28)	(36,800)	-
<b>Closing balance as of 31 December 2021</b>	<b>817</b>	<b>881,016</b>	<b>1,551</b>	<b>444,028</b>	<b>436,934</b>	<b>723,446</b>	<b>80,237</b>	<b>2,568,029</b>
<b>Accumulated depreciation</b>								
<b>Opening balance as of 1 January 2021</b>	<b>(96)</b>	<b>(527,196)</b>	<b>(1,550)</b>	<b>(241,003)</b>	<b>(322,872)</b>	<b>(297,970)</b>	<b>-</b>	<b>(1,390,687)</b>
Charge for the period (*)	(15)	(81,713)	(75)	(36,079)	(23,372)	(45,744)	-	(186,998)
Disposals	-	9,582	39	2,824	(12)	11,956	-	24,389
Transfers	-	-	-	-	-	-	-	-
<b>Closing balance as of 31 December 2021</b>	<b>(111)</b>	<b>(599,327)</b>	<b>(1,586)</b>	<b>(274,258)</b>	<b>(346,256)</b>	<b>(331,758)</b>	<b>-</b>	<b>(1,553,296)</b>
<b>Carrying value as of 31 December 2021</b>	<b>706</b>	<b>281,689</b>	<b>(35)</b>	<b>169,770</b>	<b>90,678</b>	<b>391,688</b>	<b>80,237</b>	<b>1,014,733</b>

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

Cost	Buildings	Machinery and equipment	Vehicles	Furniture and fixture	Leased assets	Leasehold improvements	Construction in progress	Total
<b>Opening balance as of 1 January 2020</b>	<b>1,266</b>	<b>660,171</b>	<b>1,546</b>	<b>311,064</b>	<b>391,443</b>	<b>552,043</b>	<b>90,101</b>	<b>2,007,634</b>
Additions	-	26,690	80	31,242	1,543	48,226	40,214	147,995
Assets acquired by business combinations (Note 31)	-	16,771	-	-	-	-	-	16,771
Disposals	(449)	(10,934)	(80)	(5,983)	-	(22)	-	(17,468)
Transfers	-	60,719	-	25,484	(21,913)	805	(65,095)	-
<b>Closing balance as of 31 December 2020</b>	<b>817</b>	<b>753,417</b>	<b>1,546</b>	<b>361,807</b>	<b>371,073</b>	<b>601,052</b>	<b>65,220</b>	<b>2,154,932</b>
<b>Accumulated depreciation</b>								
<b>Opening balance as of 1 January 2020</b>	<b>(80)</b>	<b>(454,298)</b>	<b>(1,546)</b>	<b>(200,756)</b>	<b>(316,292)</b>	<b>(258,916)</b>	<b>-</b>	<b>(1,231,888)</b>
Charge for the period (*)	(16)	(65,639)	(84)	(39,145)	(28,260)	(39,065)	-	(172,209)
Disposals	-	9,134	80	4,185	-	11	-	13,410
Transfers	-	(16,393)	-	(5,287)	21,680	-	-	-
<b>Closing balance as of 31 December 2020</b>	<b>(96)</b>	<b>(527,196)</b>	<b>(1,550)</b>	<b>(241,003)</b>	<b>(322,872)</b>	<b>(297,970)</b>	<b>-</b>	<b>(1,390,687)</b>
<b>Carrying value as of 31 December 2020</b>	<b>721</b>	<b>226,221</b>	<b>(4)</b>	<b>120,804</b>	<b>48,201</b>	<b>303,082</b>	<b>65,220</b>	<b>764,245</b>

(\*) As of 1 January - 31 December 2021, depreciation and amortization expense of TRY176,762 (1 January - 31 December 2020: TRY166,379) has been charged to ‘cost of service’, TRY20,152 (1 January - 31 December 2020: TRY14,998) in ‘general administrative and marketing expenses’.

As at 31 December 2021 carrying value of fixed assets acquired via finance lease is TRY90,678 (31 December 2020: TRY48,201).

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

Cost	Licenses (*)	Rights	Other	Total
Opening balance as of 1 January 2021	596,072	82,384	3,245	681,701
Additions	-	34,806	-	34,806
Disposals	-	(10)	-	(10)
Transfers	-	-	-	-
<b>Closing balance as of 31 December 2021</b>	<b>596,072</b>	<b>117,180</b>	<b>3,245</b>	<b>716,497</b>
<b>Accumulated amortization</b>				
Opening balance as of 1 January 2021	-	(42,629)	(884)	(43,513)
Charge for the period	-	(9,653)	(263)	(9,916)
Disposals	-	10	-	10
<b>Closing balance as of 31 December 2021</b>	<b>-</b>	<b>(52,272)</b>	<b>(1,147)</b>	<b>(53,419)</b>
<b>Carrying value as of 31 December 2021</b>	<b>596,072</b>	<b>64,908</b>	<b>2,098</b>	<b>663,078</b>
Cost	Licenses (*)	Rights	Other	Total
Opening balance as of 1 January 2020	477,982	64,449	3,224	545,655
Assets acquired by business combinations (Note 29)	118,090	-	-	118,090
Additions	-	18,016	21	18,037
Disposals	-	(81)	-	(81)
Transfers	-	-	-	-
<b>Closing balance as of 31 December 2020</b>	<b>596,072</b>	<b>82,384</b>	<b>3,245</b>	<b>681,701</b>
<b>Accumulated amortization</b>				
Opening balance as of 1 January 2020	-	(33,790)	(605)	(34,395)
Charge for the period	-	(8,889)	(279)	(9,168)
Disposals	-	50	-	50
<b>Closing balance as of 31 December 2020</b>	<b>-</b>	<b>(42,629)</b>	<b>(884)</b>	<b>(43,513)</b>
<b>Carrying value as of 31 December 2020</b>	<b>596,072</b>	<b>39,755</b>	<b>2,361</b>	<b>638,188</b>

(\*) The projection period for the purposes of impairment testing was taken as 5 years between 2022 -2026 and a discount rate of 25%. Estimated cash flows beyond the five-year period are calculated 12.50% growth rate and existing profitability is estimated to be maintained. Management believes that an 12.50% per annum growth rate is reasonable since there will be no capacity increase over the projection period and this growth rate is considered to be mostly inflationary. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of the hospitals to exceed its recoverable amount. If the estimated discount rate and growth rate, which are respectively 25% and 12.50% in original assumption, used for the calculation of discounted cash flows had been 1% higher/lower than the management's estimate, fair value of hospital licences is respectively 18% and 18% below of calculated fair value of these asset and no provision is needed for impairment.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 13 - RIGHT OF USE ASSET

	Hospital Buildings	Total
<b>1 January 2021</b>	257,440	257,440
Additions	420,689	420,689
Charge for the year (*)	(138,821)	(138,821)
<b>31 December 2021</b>	<b>539,308</b>	<b>539,308</b>
	Hospital Buildings	Total
<b>1 January 2020</b>	235,087	235,087
Additions	92,799	92,799
Charge for the year (*)	(70,446)	(70,446)
<b>31 December 2020</b>	<b>257,440</b>	<b>257,440</b>

(\*) For the period ended 31 December 2021, right of use assets depreciation expenses of TRY136,997 has been charged to ‘cost of service’ (1 January - 31 December 2020: TRY68,643), TRY1,824 to ‘general administrative and marketing expenses (1 January - 31 December 2020: TRY1,803).

### NOTE 14 - GOODWILL

Hospital	Date of acquisition	31 December 2021	31 December 2020
Saray Hospital	2005	18,387	18,387
Yükseliş Hospital	2006	10,262	10,262
Kocaeli Hospital	2007	3,364	3,364
Batman Hospital (branch of Sentez Hospital)	2007	702	702
Tokat Hospital	2007	792	792
Kuzey Group Entities	2010	3,406	3,406
Acarkent Hospital	2011	232	232
KHB	2014	1,516	1,516
		<b>38,661</b>	<b>38,661</b>

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

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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#### NOTE 14 - GOODWILL (Continued)

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

##### *Yükseliş and Acarkent Hospitals:*

The projection period for the purposes of impairment testing was taken as 5 years between 2022-2026 and a discount rate of 25%. Estimated cash flows beyond the five-year period are calculated 11% growth rate and existing profitability is estimated to be maintained. Management believes that an 11% per annum growth rate is reasonable since there will be no capacity increase over the projection period and this growth rate is considered to be mostly inflationary. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of Yükseliş and Acarkent to exceed its recoverable amount. If the estimated discount rate and growth rate, which are respectively 25% and 11% in original assumption, used for the calculation of discounted cash flows had been 1% higher/lower than the management's estimate, fair value of goodwill is respectively 12% and 12% below of calculated fair value of these asset and no provision is needed for impairment.

##### *Saray Hospital:*

The projection period for the purposes of impairment testing was taken as 5 years between 2022-2026 and a discount rate of 25%. Estimated cash flows beyond the five-year period are calculated 12.50% growth rate and existing profitability is estimated to be maintained. Company's revenue consist of revenue from services, commercial and other revenues. Revenue from services are generated from health services such as outpatients and inpatients. Management believes that the company has been operating at its optimum performance and no further capacity increased is assumed, therefore, total revenue growth in the projection period is considered to be mostly inflationary. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of Saray Hospital to exceed its recoverable amount. If the estimated discount rate and growth rate, which are respectively 25% and 12.50% in original assumption, used for the calculation of discounted cash flows had been 1% higher/lower than the management's estimate, fair value of goodwill is respectively 11% and 10% below of calculated fair value of these asset and no provision is needed for impairment.

##### *Kuzey Group Entities:*

The projection period for the purposes of impairment testing was taken as 5 years between 2022-2026 and a discount rate of 21%. Estimated cash flows beyond the five-year period are calculated 15% growth rate and existing profitability is estimated to be maintained. Company's revenue consist of revenue from services, commercial and other revenues. Revenue from services are generated from laboratory services provided to customers. Commercial revenues are generated from the sale of medical equipment and machinery to other medical institutions. Management believes that the company has been operating at its optimum performance and no further capacity increase is assumed, therefore, total revenue growth in the projection period is considered to be mostly inflationary. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of Kuzey Group to exceed its recoverable amount. If the estimated discount rate and growth rate, which are respectively 21% and 15% in original assumption, used for the calculation of discounted cash flows had been 1% higher/lower than the management's estimate, fair value of goodwill is respectively 12% and 11% below of calculated fair value of these asset and no provision is needed for impairment.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 14 - GOODWILL (Continued)

#### *Tokat Hospital:*

The projection period for the purposes of impairment testing was taken as 5 years between 2022-2026 and a discount rate of 25%. Estimated cash flows beyond the five-year period are calculated 20% growth rate and existing profitability is estimated to be maintained. Management believes that an 20% per annum growth rate is reasonable since there will be no capacity increase over the projection period and this growth rate is considered to be mostly inflationary. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of Tokat Hospital to exceed its recoverable amount. If the estimated discount rate and growth rate, which are respectively 25% and 20% in original assumption, used for the calculation of discounted cash flows had been 1% higher/lower than the management's estimate, fair value of goodwill is respectively 12% and 12% below of calculated fair value of these asset and no provision is needed for impairment.

#### *Batman Hospital:*

The projection period for the purposes of impairment testing was taken as 5 years between 2022-2026 and a discount rate of 25%. Estimated cash flows beyond the five-year period are calculated 20% growth rate and existing profitability is estimated to be maintained. Management believes that an 20% per annum growth rate is reasonable since there will be no capacity increase over the projection period and this growth rate is considered to be mostly inflationary. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of Batman Hospital to exceed its recoverable amount. If the estimated discount rate and growth rate, which are respectively 25% and 20% in original assumption, used for the calculation of discounted cash flows had been 1% higher/lower than the management's estimate, fair value of goodwill is respectively 12% and 12% below of calculated fair value of these asset and no provision is needed for impairment.

#### *Kocaeli Hospital:*

The projection period for the purposes of impairment testing was taken as 5 years between 2022-2026 and a discount rate of 25%. Estimated cash flows beyond the five-year period are calculated 12.50% growth rate and existing profitability is estimated to be maintained. Management believes that an 12.50% per annum growth rate is reasonable since there will be no capacity increase over the projection period and this growth rate is considered to be mostly inflationary. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of Kocaeli Hospital to exceed its recoverable amount. If the estimated discount rate and growth rate, which are respectively 25% and 12.50% in original assumption, used for the calculation of discounted cash flows had been 1% higher/lower than the management's estimate, fair value of goodwill is respectively 13% and 14% below of calculated fair value of these asset and no provision is needed for impairment.

### NOTE 15 - PAYABLES FOR EMPLOYEE BENEFITS

#### **Payables for employment benefits:**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Fees payable to doctors and other personnel	79,800	76,191
Social security premiums payable	20,617	15,188
	<b>100,417</b>	<b>91,379</b>

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

	<b>31 December 2021</b>	<b>31 December 2020</b>
Unused vacation provision	23,779	19,090
	<b>23,779</b>	<b>19,090</b>

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 15 - PAYABLES FOR EMPLOYEE BENEFITS (Continued)

#### Long term provision for employment benefits:

	31 December 2021	31 December 2020
Retirement pay provision	24,830	21,311
Unused vacation provision	13,114	8,896
	<b>37,944</b>	<b>30,207</b>

#### Provision for employment termination benefits:

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

The amount payable consists of one month's salary limited to a maximum of TRY10,848 for each period of service as of 31 December 2021 (2020: TRY7,117).

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2021, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual salary inflation rate of 13% and a discount rate of 22.68%, resulting in a real discount rate of approximately 8.57% (31 December 2020: 6.32%). The employment termination benefit that will not be paid and that will stay on the Company for those employees who leave voluntarily is estimated to be 10% (December 2020: 10%). The basis considered in calculating the provisions is the amount of maximum liability of TRY10,848 which became effective as of 1 January 2021 (1 January 2020: TRY7,639).

- If the discount rate is 1% higher, the severance pay liability will be TRY974 less. If the discount rate is 1% lower, the severance pay liability will be TRY1,120 more.
- Leaving the other assumptions the same if the probability of leaving the job voluntarily is 1% lower, the severance pay liability will be TRY1,327 more. Leaving the other assumptions the same if the probability of leaving the job voluntarily is 1% higher, the severance pay liability will be TRY1,145 less.

Movement of retirement pay provision as of 31 December 2021 and 2020:

	2021	2020
<b>Opening balance</b>	<b>21,311</b>	<b>16,319</b>
Service cost	3,026	(589)
Interest cost	2,271	2,079
Termination benefits paid	(11,426)	(12,179)
Actuarial loss	9,648	15,681
<b>Closing balance</b>	<b>24,830</b>	<b>21,311</b>

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

#### NOTE 16 - OTHER ASSETS AND LIABILITIES

##### Other current assets:

	31 December 2021	31 December 2020
VAT carried forward	70,853	38,408
Other miscellaneous current assets	5,744	4,645
	<b>76,597</b>	<b>43,053</b>

#### NOTE 17 - PROVISIONS

##### Other short-term provisions:

	31 December 2021	31 December 2020
Litigation provisions	25,515	13,733
Social Security discounts provisions	3,513	6,634
	<b>29,028</b>	<b>20,367</b>

Movement of litigation provision as of 31 December 2021 and 2020:

	2021	2020
<b>Opening balances</b>	<b>13,733</b>	<b>12,763</b>
Charge for the period	20,799	970
Payment regarding cases	(9,017)	-
<b>Closing balances</b>	<b>25,515</b>	<b>13,733</b>

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 18 - COMMITMENTS

31 December 2021	Total TRY Equivalent	TRY	USD	EUR
A.CPM given on behalf of its own legal entity	137,079	135,055	156	-
- Collateral	137,079	135,055	156	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
B. CPM given on behalf of the subsidiaries included in full consolidation (*)	43,988	43,988	-	-
- Collateral	43,988	43,988	-	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
C. CPM given for execution of ordinary commercial activities to collect third parties debt	-	-	-	-
- Collateral	-	-	-	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
D. Total amount of other CPM given				
i. Total Amount of CPM on behalf of the main partner	-	-	-	-
- Collateral	-	-	-	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
ii. Total amount of CPM given on behalf of other Company companies that do not cover B and C	-	-	-	-
- Collateral	-	-	-	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
iii. Total amount of CPM on behalf of third parties that do not cover C	-	-	-	-
- Collateral	-	-	-	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
<b>Total</b>	<b>181,067</b>	<b>179,043</b>	<b>156</b>	<b>-</b>

(\*) The Group has given guarantees amounting to TRY81,807 related to the loans in Note 5 for the companies under full consolidation.

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 18 - COMMITMENTS (Continued)

31 December 2020	Total TRY Equivalent	TRY	USD	EUR
A.CPM given on behalf of its own legal entity	71,194	66,968	156	342
- Collateral	71,194	66,968	156	342
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
B. CPM given on behalf of the subsidiaries included in full consolidation (*)	58,959	56,555	-	267
- Collateral	58,959	56,555	-	267
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
C. CPM given for execution of ordinary commercial activities to collect third parties debt	-	-	-	-
- Collateral	-	-	-	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
D. Total amount of other CPM given				
i. Total Amount of CPM on behalf of the main partner	-	-	-	-
- Collateral	-	-	-	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
ii. Total amount of CPM given on behalf of other Company companies that do not cover B and C	-	-	-	-
- Collateral	-	-	-	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
iii. Total amount of CPM on behalf of third parties that do not cover C.	-	-	-	-
- Collateral	-	-	-	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
<b>Total</b>	<b>130,153</b>	<b>123,523</b>	<b>156</b>	<b>609</b>

(\*) The Group has given guarantees amounting to TRY64,991 related to the loans in Note 5 for the companies under full consolidation.

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 19 - SHARE CAPITAL/OTHER RESERVES

Shareholders	(%)	31 December	
		2021	2020
Lightyear Healthcare B.V.	30.69	63,844	63,844
Sancak İnşaat Turizm Nakliyat ve Dış Ticaret A.Ş.	15.35	31,943	31,943
Muharrem Usta	8.98	18,678	18,678
Hujori Financieringen B.V.	3.98	8,287	8,287
Adem Elbaşı	2.99	6,226	6,226
İzzet Usta	1.20	2,490	2,490
Saliha Usta	0.90	1,868	1,868
Nurgül Dürüstkan Elbaşı	0.90	1,868	1,868
Publicly Traded (*)	35.01	72,833	72,833
<b>Nominal capital</b>	<b>100.00</b>	<b>208,037</b>	<b>208,037</b>

(\*) The shareholders of the Company purchased 6,827 thousand shares from the publicly traded portion of the capital. Distribution of the shares purchased is as follows; 3,224 thousand shares representing 4.43% of the publicly traded portion were purchased by Lightyear Healthcare B.V., 1,613 thousand shares representing 2.21% of the publicly traded portion of the capital were purchased by Sancak İnşaat, 943 thousand shares representing 1.29% of the publicly traded portion of the capital were purchased by Muharrem Usta, 418 thousand shares representing 0.57% of the publicly traded portion of the capital were purchased by Hujori Financieringen B.V., 314 thousand shares representing 0.43% of the publicly traded portion of the capital were purchased by Adem Elbaşı and lastly other shareholders purchased 314 thousand 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. 126 thousand shares purchased by İzzet Usta and 18 thousand shares purchased by Adem Elbaşı from the publicly traded portion were sold and additional 27 thousand shares from the publicly traded portion purchased by Muharrem Usta.

The ultimate parent are Elinor B.V. and Sullivan B.V., which are Netharland based, owned by Turkish Private Equity Fund III, and Muharrem Usta.

As of 31 December 2021 the total number of ordinary shares is 208,037 thousand shares (2020: 208,037 thousand shares) with a par value of TRY1 per share (2020: TRY1 per share).

The share capital is divided into 208,037 thousand shares (31 December 2020: 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 23 July 2010, it is regarded that 33.36% of the shares are in circulator in accordance with CSD as of 31 December 2021 (Note 1). Shares in circulation rate is 33.36% as of 1 January 2022.

### Share Premium

	31 December 2021	31 December 2020
Share premium	556,162	556,162
	<b>556,162</b>	<b>556,162</b>

(\*) On February 7, 2018, the Group launched initial public offering (“IPO”) of 72,834 thousand B type bearer shares corresponding to 35.01% of total shares. From the initial public offering, TRY600,000 was generated to the Group. After the IPO related expenses amounting to TRY12,259 that were deducted from proceeds, out of amounting TRY587,741, share capital increase was made with the amount of TRY31,579 and the remaining amount was used in the share premium increase by TRY556,162. Share premiums represents the difference between the nominal amount and the sales amount of the publicly offered shares.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 19 - SHARE CAPITAL / OTHER RESERVES (Continued)

#### Reserves:

	31 December 2021	31 December 2020
Legal reserves	302	302
Restricted reserves appropriated from profit	9,958	9,958
Revaluation reserves	-	37,747
	<b>10,260</b>	<b>48,007</b>

#### Legal reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

#### Properties revaluation reserves

	1 January - 31 December 2021	1 January - 31 December 2020
Balance at the beginning of the period	37,747	37,747
Changes in accounting policies (Note 2.2)	(37,747)	-
<b>Balance at the end of the period</b>	<b>-</b>	<b>37,747</b>

### NOTE 20 - REVENUE AND COST OF SERVICES

Revenue	1 January - 31 December 2021	1 January - 31 December 2020
Hospital services (*)	5,795,954	4,014,679
	<b>5,795,954</b>	<b>4,014,679</b>

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

Cost of services	1 January - 31 December 2021	1 January - 31 December 2020
Doctor expenses	(1,255,295)	(843,317)
Material consumption	(1,051,819)	(879,724)
Personnel expenses	(742,733)	(528,659)
Services rendered by third parties	(469,587)	(318,254)
Depreciation and amortization expenses (Note 12,13)	(313,759)	(235,022)
Rent expenses	(43,219)	(27,213)
Other (*)	(340,582)	(225,994)
	<b>(4,216,994)</b>	<b>(3,058,183)</b>

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses	1 January - 31 December 2021	1 January - 31 December 2020
Personnel expenses	(172,096)	(113,426)
Sponsorship and advertising expenses (*)	(168,591)	(87,005)
Bad debt allowance	(109,350)	(3,968)
Depreciation and amortization expenses (Note 12,13)	(21,976)	(16,801)
Lawsuit provision (Note 17)	(20,799)	(970)
Outsourcing expenses	(17,679)	(10,827)
Rent expenses	(8,667)	(8,453)
Communication expenses	(7,691)	(3,409)
Tourism project expenses	(6,177)	-
Representation and entertainment expenses	(5,184)	(2,668)
Maintenance expenses	(3,370)	(1,843)
Taxes and duties	(3,015)	(5,924)
Utility expenses	(1,318)	(1,340)
Other	(15,559)	(9,375)
	<b>(561,472)</b>	<b>(266,009)</b>

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

#### *Fees for Services Obtained from Independent Auditor/Independent Audit Firm*

The Group's explanation regarding the fees for the services rendered by the independent audit firms, which is based on the KGK's letter dated 19 August 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on 30 March 2021 are as follows:

	2021(*)	2020(*)
Independent audit fee for the reporting period	685	600
Fees for tax advisory services	-	-
Fee for other assurance services	18	58
Fees for services other than independent audit	-	25
	<b>703</b>	<b>683</b>

(\*) The fees above have been determined by including the statutory audit and other related service fees for all subsidiaries and joint ventures.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 22 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

<b>Other income from operating activities</b>	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2020</b>
Foreign exchange gains from operations	490,279	514,279
Interest income	37,522	27,412
Trade payables discount	12,832	-
Bank commission income	6,171	2,814
Collections from bad debt receivables (Note 8)	741	1,201
Other income	34,225	14,856
	<b>581,770</b>	<b>560,562</b>

<b>Other expenses from operating activities</b>	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2020</b>
Foreign exchange losses from operations	(420,592)	(423,512)
SSI return expenses	(14,945)	(6,431)
Non-operational hospital expenses	(12,699)	(3,990)
Biomedical equipment damage	(12,124)	(1,283)
Trade receivables discount	-	(2)
Tax expenses	-	(1,664)
Other expenses	(85,846)	(60,561)
	<b>(546,206)</b>	<b>(497,443)</b>

### NOTE 23 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

<b>Income from investment activities</b>	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2020</b>
Gain on bargain purchase (Note 29)	-	81,980
Gain on sale of fixed assets (*)	9,885	36,601
	<b>9,885</b>	<b>118,581</b>

(\*) Gain on sale of fixed assets obtained as a result of the transfer of Uşak Hospital.

<b>Expenses from investment activities</b>	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2020</b>
Loss on sale of fixed assets	(1,042)	(2,454)
	<b>(1,042)</b>	<b>(2,454)</b>

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 24 - FINANCE EXPENSES

<b>Finance expenses</b>	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2020</b>
Interest expenses from bank borrowings	(226,986)	(190,691)
Interest expenses from lease liabilities (*)	(173,639)	(143,492)
Interest expenses from bonds issued	(109,391)	(45,117)
Bank commissions	(29,711)	(21,445)
Interest expenses from financial lease obligations	(15,704)	(17,017)
Other interest expenses	(35,579)	(24,853)
<b>Total interest expenses</b>	<b>(591,010)</b>	<b>(442,615)</b>
Net foreign exchange loss	(71,591)	(250,061)
Fair value differences of derivative financial instruments (net)	-	23,450
Net foreign exchange loss from lease liabilities (Note 5) (*)	(27,409)	(14,996)
	<b>(690,010)</b>	<b>(684,222)</b>

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

### NOTE 25 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)

<b>Short term payables due to current tax</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Current period tax liabilities	35,663	17,708
	<b>35,663</b>	<b>17,708</b>
<b>Current tax liabilities</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Current corporate tax provision	82,329	34,119
Less: Prepaid taxes and funds	(46,666)	(16,411)
	<b>35,663</b>	<b>17,708</b>
<b>Tax income/(expense)</b>	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2020</b>
Current tax expense	(82,329)	(34,119)
Deferred tax expense	65,653	(28,395)
	<b>(16,676)</b>	<b>(62,514)</b>

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 25 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

<b>1 January - 31 December 2021</b>	<b>Before tax amount</b>	<b>Tax benefit</b>	<b>Net of tax amount</b>
Actuarial gains/(loss)	(9,648)	1,930	(7,718)
Other comprehensive income	(9,648)	1,930	(7,718)

<b>1 January - 31 December 2020</b>	<b>Before tax amount</b>	<b>Tax benefit</b>	<b>Net of tax amount</b>
Actuarial gains/(loss)	(15,681)	3,136	(12,545)
Other comprehensive income	(15,681)	3,136	(12,545)

#### Corporate Tax

The Group is subject to Turkish corporate taxes in force. The necessary provisions are allocated in the consolidated financial statements for the estimated liabilities based on the Group's results for the year. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

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

The advance corporate income tax rate is 25% in 2021 (2020: 22%).

In Turkey, provisional tax is calculated and accrued on a quarterly basis. The provisional tax rate to be calculated on corporate earnings during the taxation phase of 2021 corporate earnings as of temporary tax periods is 25% (2020: 22%). Losses can be carried forward for a maximum of 5 years, to be deducted from the taxable profits that will arise in future years. However, the losses incurred cannot be deducted retrospectively from the profits of previous years.

In Turkey, advance tax returns are filed on a quarterly basis in the Official Gazette dated April 22, 2021 and numbered 31462, the corporate tax rate applied in Turkey is 25% for 2021 corporate earnings, 23% for 2022, and 20% for 2023 and the following years. 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.

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on 20 January 2022. It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods and in the provisional tax periods of the 2023 accounting period regardless of whether the conditions for the inflation adjustment within the scope of the repeated Article 298 are met. POA made a declaration on the Implementation of Financial Reporting in High Inflation Economies under TFRS on 20 January 2022 and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statements for 2021.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 25 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)

#### 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 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years.

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.

The Group revalued its tangible and intangible assets and their depreciation as of 31 December 2021, within the scope of the Tax Procedure Law General Communiqué (Sequence No: 530) published by the Ministry of Treasury and Finance. Due to TFRS, related assets are continued to be accounted under cost method. It has calculated the deferred tax asset/liability, which is currently calculated over the temporary difference between TFRS and TPL, over the current TPL values that will occur with the effect of revaluation, and the deferred tax income that will arise due to this application, to the extent that the recovery of the said tax advantage is deemed possible, is calculated as a single income tax accounted for in the table, the effect of deferred tax assets is TL 59.971 thousand.

#### Investment Incentive Certificate

The Group has various investment incentive certificates that were signed by the Turkish Ministry of Economy and approved by General Directorate of Incentive Implementation and Foreign Capital. With those incentives, the Group is eligible for a corporate tax deduction rate ranging between 40% - 80% for an unlimited time, which amounts to a total deferred tax asset of TRY200,394 (31 December 2020: TRY160,332). 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.

As of 31 December 2021, the Group has tax loss amounting to TRY95,280 (31 December 2020: TRY426,574). TRY23,820 (31 December 2020: TRY85,316) deferred tax assets have been recorded.

<b>Deferred tax assets/(liabilities):</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Tax losses carried forward	23,820	85,316
Depreciation differences of tangible and intangible assets	(120,465)	(174,096)
Provision for employment termination benefits	4,966	4,262
Vacation pay liability	7,379	5,597
Temporary difference between the tax base and carrying amount of financial liabilities	(3,544)	(3,778)
Prepaid building expenses	(707)	(3,033)
Tax advantage from investment incentive	200,394	160,332
Right of use asset	70,697	67,532
Other	102,922	75,747
	<b>285,462</b>	<b>217,879</b>
Deferred tax asset	421,896	401,531
Deferred tax liability	(136,434)	(183,652)
	<b>285,462</b>	<b>217,879</b>

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 25 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

#### Deferred Tax (Continued)

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

	<b>31 December 2021</b>	
	<b>Losses carried forward for which deferred tax assets recognized</b>	<b>Losses carried forward for which deferred tax assets not recognized</b>
<b>Expiration schedule of carryforward tax losses</b>		
Expiring in 2022	29,817	-
Expiring in 2023	12,640	-
Expiring in 2024	15,924	-
Expiring in 2025	27,697	-
Expiring in 2026	9,202	-
	<b>95,280</b>	<b>-</b>

	<b>31 December 2020</b>	
	<b>Losses carried forward for which deferred tax assets recognized</b>	<b>Losses carried forward for which deferred tax assets not recognized</b>
<b>Expiration schedule of carryforward tax losses</b>		
Expiring in 2021	43,063	-
Expiring in 2022	142,458	-
Expiring in 2023	120,453	-
Expiring in 2024	64,998	-
Expiring in 2025	55,602	-
	<b>426,574</b>	<b>-</b>

Movement of deferred tax (assets)/liabilities for the period ended January 1 - 31 December 2021 and 2020 are as follows:

	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2020</b>
<b>Tax income/(expense)</b>		
<b>Opening balance as of January 1</b>	<b>(217,879)</b>	<b>(243,138)</b>
Charged to profit or loss	(65,653)	28,395
Charged to equity	(1,930)	(3,136)
<b>Closing balance as of year end</b>	<b>(285,462)</b>	<b>(217,879)</b>

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

#### NOTE 25 - TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

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

<b>Reconciliation of tax provision:</b>	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2020</b>
Loss before tax	371,885	185,511
Tax at the domestic income tax rate of 25% (2020: 22%)	(92,971)	(40,812)
Tax effects of:		
- Expenses that are not deductible in determining taxable profit	(51,519)	(21,413)
- Effect of tax advantage from investment incentive	40,062	10,414
- Tax losses carried forward not subject to deferred tax	-	(6,762)
- Change in income tax rate from 20% to 25% (22%)	(628)	(5,552)
- Discounted corporate tax effect	35,656	1,051
- Revaluation increase	59,971	-
- Other	(7,247)	560
<b>Income tax income recognised in profit/(loss)</b>	<b>(16,676)</b>	<b>(62,514)</b>

#### NOTE 26 - EARNINGS PER SHARE

For the years ended 31 December 2021 and 2020, earnings per share is as follows:

<b>Earnings/(loss) per share</b>	<b>1 January - 31 December 2021</b>	<b>1 January - 31 December 2020</b>
Weighted average number of shares	208,037	208,037
Net gain/(loss) for the period for the equity holders of the parent	290,423	64,930
<b>Earnings/(loss) per share for equity holder of the parent</b>	<b>1.40</b>	<b>0.31</b>

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### NOTE 27 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

#### Capital risk management

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

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

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

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

As of 31 December 2021 and 31 December 2020 the net (credit) debt/equity ratio is as follows:

	31 December 2021	31 December 2020
Total Borrowings	2,749,149	2,491,597
Less: Cash and Cash Equivalent	(680,241)	(374,997)
<b>Net Debt</b>	<b>2,068,908</b>	<b>2,116,600</b>
Total Equity	669,197	348,857
<b>Total Capital</b>	<b>2,738,105</b>	<b>2,465,457</b>
<b>Gearing Ratio</b>	<b>76%</b>	<b>86%</b>

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

#### Financial risk factors

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

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 27 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

#### Financial risk factors (Continued)

##### *Credit risk management*

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

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

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

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### NOTE 27 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

#### Financial risk factors (Continued)

##### Credit risk management (Continued)

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

31 December 2021	Trade receivables		Diğer Alacaklar		Deposits in bank
	Related Party	Third Party	Related Party	Third Party	
<b>Maximum net credit risk as of balance sheet date (A+B+C+D+E) (*)</b>	<b>194</b>	<b>1,318,913</b>	<b>54,805</b>	<b>66,828</b>	<b>646,208</b>
- The part of maximum risk under guarantee with collateral etc.	-	-	-	-	-
A. Net book value of financial assets that are neither past due or impaired	194	949,540	54,805	66,828	646,208
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	369,373	-	-	-
- the part under guarantee with collateral	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Past due (gross carrying amount)	-	125,305	-	-	-
- Impairment (-)	-	(125,305)	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### NOTE 27 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

#### Financial risk factors (Continued)

##### Credit risk management (Continued)

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

31 December 2020	Trade receivables		Diğer Alacaklar		Deposits in bank
	Related Party	Third Party	Related Party	Third Party	
<b>Maximum net credit risk as of balance sheet date (A+B+C+D+E) (*)</b>	<b>23,654</b>	<b>1,132,515</b>	<b>41,059</b>	<b>46,048</b>	<b>338,224</b>
- The part of maximum risk under guarantee with collateral etc.	-	-	-	-	-
A. Net book value of financial assets that are neither past due or impaired	23,654	659,749	41,059	46,048	338,224
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	472,766	-	-	-
- the part under guarantee with collateral	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Past due (gross carrying amount)	-	16,696	-	-	-
- Impairment (-)	-	(16,696)	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

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

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 27 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

#### Financial risk factors (Continued)

##### *Credit risk management (Continued)*

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

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

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

<b>31 December 2021</b>	<b>Trade receivables</b>	<b>Total</b>
Total overdue by 1-30 days	67,922	67,922
Total overdue by 1-3 months	24,355	24,355
Overdue by more than 3 months	277,096	277,096
<b>Total overdue receivables</b>	<b>369,373</b>	<b>369,373</b>

  

<b>31 December 2020</b>	<b>Trade receivables</b>	<b>Total</b>
Total overdue by 1-30 days	75,104	75,104
Total overdue by 1-3 months	23,734	23,734
Overdue by more than 3 months	373,928	373,928
<b>Total overdue receivables</b>	<b>472,766</b>	<b>472,766</b>

##### *Liquidity risk management*

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

##### Liquidity risk tables

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

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

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

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

#### NOTE 27 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

##### Financial risk factors (Continued)

##### Liquidity risk management (Continued)

Contractual maturities 31 December 2021	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)	More than 5 years (IV)
<b>Non-derivative financial liabilities</b>						
Bank loans	1,155,801	1,557,362	138,917	705,918	712,527	-
Debt instruments issued (Bond)	470,000	524,834	175,858	275,056	73,920	-
Finance lease obligations	230,557	276,864	45,626	104,074	127,164	-
Lease liability	892,791	1,691,135	94,151	219,861	995,513	381,610
Trade and other payables	1,704,406	1,787,196	1,399,583	357,054	30,559	-
Payables for employment benefits	100,417	100,417	100,417	-	-	-
<b>Total liabilities</b>	<b>4,553,972</b>	<b>5,937,808</b>	<b>1,954,552</b>	<b>1,661,963</b>	<b>1,939,683</b>	<b>381,610</b>
<b>Contractual maturities 31 December 2020</b>						
	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)	More than 5 years (IV)
<b>Non-derivative financial liabilities</b>						
Bank loans	1,377,911	1,701,910	102,812	474,262	1,124,836	-
Debt instruments issued (Bond)	322,520	361,263	100,191	261,072	-	-
Finance lease obligations	196,064	211,736	28,419	85,056	98,261	-
Lease liability	595,102	1,013,001	65,940	149,653	517,662	279,746
Trade and other payables	1,145,285	1,222,138	955,826	222,117	44,195	-
Payables for employment benefits	91,379	91,379	91,379	-	-	-
<b>Total liabilities</b>	<b>3,728,261</b>	<b>4,601,427</b>	<b>1,344,567</b>	<b>1,192,160</b>	<b>1,784,954</b>	<b>279,746</b>

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 27 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

#### Financial risk factors (Continued)

##### Foreign currency risk management

##### Foreign currency risk

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

#### 31 December 2021

	TRYEquivalent (Functional currency)	USD	EUR	GBP
1. Trade receivables	44,218	2,454	845	(2)
2a. Monetary financial assets	325,178	10,577	12,794	4
2b. Non monetary financial assets	25,892	28	1,734	4
3. Other	7,134	-	486	-
<b>4. Current Assets</b>	<b>402,422</b>	<b>13,059</b>	<b>15,859</b>	<b>6</b>
6b. Non monetary financial assets	40,646	3,132	-	-
7. Other	31	-	2	-
<b>8. Non-current assets</b>	<b>40,677</b>	<b>3,132</b>	<b>2</b>	<b>-</b>
<b>9. Total assets</b>	<b>443,099</b>	<b>16,191</b>	<b>15,861</b>	<b>6</b>
10. Trade payables	(15,333)	(867)	(278)	-
11a. Financial liabilities (loans)	-	-	-	-
11b. Financial liabilities (leasing)	(99,753)	(731)	(6,148)	-
11c. Lease Liabilities	(9,720)	-	(662)	-
12a. Other monetary liabilities	(156,011)	(5,448)	(5,808)	(2)
<b>13. Current liabilities</b>	<b>(280,817)</b>	<b>(7,046)</b>	<b>(12,896)</b>	<b>(2)</b>
15a. Financial liabilities (loans)	-	-	-	-
15b. Financial liabilities (leasing)	(37,963)	(279)	(2,339)	-
15c. Lease Liabilities	(70,519)	-	(4,803)	-
<b>17. Non-current liabilities</b>	<b>(108,482)</b>	<b>(279)</b>	<b>(7,142)</b>	<b>-</b>
<b>18. Total liabilities</b>	<b>(389,299)</b>	<b>(7,325)</b>	<b>(20,038)</b>	<b>(2)</b>
<b>19. Net assets / liability position of off-balance sheet derivatives (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19a. Off balance sheet foreign currency derivative assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19b. Off balance sheet foreign currency derivative liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>20. Net foreign currency asset liability position (9+18+19)</b>	<b>53,800</b>	<b>8,866</b>	<b>(4,177)</b>	<b>4</b>
<b>21. Monetary Items Net Foreign Currency Asset/Liability Position (1+2a+10+11+12a+14+15+16a)</b>	<b>(19,903)</b>	<b>5,706</b>	<b>(6,399)</b>	<b>-</b>

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 27 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

#### Financial risk factors (Continued)

#### Foreign currency risk management (Continued)

#### Foreign currency risk (Continued)

31 December 2020

	TRYEquivalent (Functional currency)	USD	EUR	GBP
1. Trade receivables	93,743	11,708	866	-
2a. Monetary financial assets	288,602	2,726	29,814	3
2b. Non monetary financial assets	41,783	2,782	2,367	4
3. Other	3,845	55	382	-
<b>4. Current Assets</b>	<b>427,973</b>	<b>17,271</b>	<b>33,429</b>	<b>7</b>
6b. Non monetary financial assets	22,990	3,132	-	-
7. Other	27	-	3	-
<b>8. Non-current assets</b>	<b>23,017</b>	<b>3,132</b>	<b>3</b>	<b>-</b>
<b>9. Total assets</b>	<b>450,990</b>	<b>20,403</b>	<b>33,432</b>	<b>7</b>
10. Trade payables	(22,966)	(2,747)	(311)	-
11a. Financial liabilities (loans)	(165,376)	-	(18,359)	-
11b. Financial liabilities (leasing)	(87,529)	(881)	(8,999)	-
11c. Lease Liabilities	(16,331)	-	(1,813)	-
12a. Other monetary liabilities	(67,214)	(3,740)	(4,414)	-
<b>13. Current liabilities</b>	<b>(359,416)</b>	<b>(7,368)</b>	<b>(33,896)</b>	<b>-</b>
15a. Financial liabilities (loans)	(408,833)	-	(45,386)	-
15b. Financial liabilities (leasing)	(83,864)	(1,010)	(8,487)	-
15c. Lease Liabilities	(57,560)	-	(6,390)	-
<b>17. Non-current liabilities</b>	<b>(550,257)</b>	<b>(1,010)</b>	<b>(60,263)</b>	<b>-</b>
<b>18. Total liabilities</b>	<b>(909,673)</b>	<b>(8,378)</b>	<b>(94,159)</b>	<b>-</b>
<b>19. Net assets / liability position of off-balance sheet derivatives (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19a. Off balance sheet foreign currency derivative assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19b. Off balance sheet foreign currency derivative liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>20. Net foreign currency asset liability position (9+18+19)</b>	<b>(458,683)</b>	<b>12,025</b>	<b>(60,727)</b>	<b>7</b>
<b>21. Monetary Items Net Foreign Currency Asset/Liability Position (1+2a+10+11+12a+14+15+16a)</b>	<b>(527,328)</b>	<b>6,056</b>	<b>(63,479)</b>	<b>3</b>

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 27 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (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 TRY strengthens 20% against the relevant currency.

#### 31 December 2021

In the case of US dollar gaining 20% value against TRY	Valuation of foreign currency	Devaluation of foreign currency
1 - USD net asset/liability	23,009	(23,009)
2- Portion hedged against USD risk (-)	-	-
<b>3- USD net effect (1 +2)</b>	<b>23,009</b>	<b>(23,009)</b>
<b>In the case of EUR gaining 20% value against TRY</b>		
4 - EUR net asset/liability	(12,265)	12,265
5 - Portion hedged against EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>(12,265)</b>	<b>12,265</b>
<b>Total (3+6)</b>	<b>10,744</b>	<b>(10,744)</b>

#### 31 December 2020

In the case of US dollar gaining 20% value against TRY	Valuation of foreign currency	Devaluation of foreign currency
1 - USD net asset/liability	17,654	(17,654)
2- Portion hedged against USD risk (-)	-	-
<b>3- USD net effect (1 +2)</b>	<b>17,654</b>	<b>(17,654)</b>
<b>In the case of EUR gaining 20% value against TRY</b>		
4 - EUR net asset/liability	(109,405)	109,405
5 - Portion hedged against EUR risk (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>(109,405)</b>	<b>109,405</b>
<b>Total (3+6)</b>	<b>(91,751)</b>	<b>91,751</b>

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 27 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

#### Financial risk factors (Continued)

##### Interest rate risk

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

<b>31 December 2021</b>	<b>Increase/(decrease) in basis points</b>	<b>Effect on loss before tax in nominal amount</b>	<b>Effect on Equity</b>
- TRY	2,5 (2,5)	(27,462) 27,462	- -
<b>31 December 2020</b>	<b>Increase/(decrease) in basis points</b>	<b>Effect on loss before tax in nominal amount</b>	<b>Effect on Equity</b>
- TRY	2,5 (2,5)	(33,728) 33,728	- -

##### Interest rate swap contracts:

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

##### Market risk

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

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

In the current period, there is no significant change in the Group’s exposure to the market risks or the manner which it manages and measures risk when compared to the previous year.

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

#### NOTE 28 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

##### *Fair value of financial instruments*

<b>31 December 2021</b>	<b>Financial assets liabilities at amortized cost</b>	<b>Derivative financial instruments through other comprehensive income/(loss)</b>	<b>Derivative financial instruments through profit/(loss)</b>	<b>Carrying value</b>	<b>Note</b>
<b>Financial Assets</b>					
Cash and cash equivalents	680,241	-	-	680,241	6
Trade receivables	1,319,107	-	-	1,319,107	8
Other receivables (related parties included)	121,633	-	-	121,633	9
<b>Financial Liabilities</b>					
Financial liabilities	1,856,358	-	-	1,856,358	7
Trade payables	1,546,337	-	-	1,546,337	8
Lease liabilities	892,791	-	-	892,791	7
Other liabilities (related parties included)	158,069	-	-	158,069	9
Payables for employee benefits	100,417	-	-	100,417	15

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

#### NOTE 28 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

##### *Fair value of financial instruments*

	Financial assets liabilities at amortized cost	Derivative financial instruments through other comprehensive income/(loss)	Derivative financial instruments through profit/(loss)	Carrying value	Note
<b>31 December 2020</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	374,997	-	-	374,997	6
Trade receivables	1,156,169	-	-	1,156,169	8
Other receivables (related parties included)	87,107	-	-	87,107	9
<b>Financial Liabilities</b>					
Financial liabilities	1,896,495	-	-	1,896,495	7
Trade payables	987,130	-	-	987,130	8
Lease liabilities	595,102	-	-	595,102	7
Other liabilities (related parties included)	158,155	-	-	158,155	9
Payables for employee benefits	91,379	-	-	91,379	15

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

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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#### NOTE 28 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (Continued)

##### *Fair value of financial instruments (Continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Estimated fair values of financial instruments have been determined by the Group by using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data. Accordingly, estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

The following methods and assumptions are used to estimate the fair values of financial instruments:

##### *Financial assets*

Financial assets that are carried at cost value including cash and cash equivalents are assumed to reflect their fair values due to their short term nature.

The carrying value of receivables, with related impairments are assumed to reflect their fair values.

##### *Financial liabilities*

Fair values of short term borrowings and trade payables are assumed to approximate their carrying values due to their short term nature.

Fair values of long term financial liabilities are assumed to approximate their carrying values due to mostly they have floating interest rates and repricing at short term.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

### NOTE 29 - BUSINESS COMBINATIONS

The Company acquired Özel Medisis Hastanesi, located in Keçiören, Ankara as of 13 March 2020. TFRS 3 defines the "business" as "An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants". As per "Hospital Operation Contract" signed with third parties, the Company acquired hospital licence and fixed assets of the aforementioned hospital. Additionally, hospital building was leased by the Company as per "Building Rent Contracts" signed on same dates. As purchase price, the Company will pay a total of TRY96,000 through machinery lease payments over the course of 10 years. As this transaction includes "Input - Process and Output" elements mentioned in TFRS 3, they are accounted as business combinations. Within this scope, identifiable assets recognized, which are hospital licences and property and equipment, are recorded at their fair values and the purchase price is presented under "other liabilities" as the present value of the liability to be paid in future years. The difference between the purchase cost and the net fair values of identifiable assets (hospital licence), the liabilities assumed, and contingent liabilities is recorded as gain from bargain purchase in "statement profit or loss and other comprehensive income" amounting to TRY81,980. For the relevant license, a value of TRY118,090 is determined by valuation report prepared by KPMG.

The details on profit/loss calculation, total acquisition amount and net assets required as a result of acquisition are as follows:

Total acquisition amount	(52,881)
Net assets acquired	134,861

**Gain on bargain purchase (\*)** **81,980**

(\*) Deferred tax expense and negative goodwill balance are shown as gross.

<b>Assets/Liabilities acquired</b>	<b>Ankara Fair value on Acquisition</b>
<b>Non-Current Assets</b>	
Property, plant and equipment	16,771
Intangible assets	118,090
	<b>134,861</b>
<b>Long Term Liabilities</b>	
Deferred tax liabilities	26,972
	<b>26,972</b>
<b>Net assets acquired</b>	<b>107,889</b>
Gain on the bargain purchase	81,980
Non-controlling interests	-

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

### **NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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#### **NOTE 30 - EVENTS AFTER THE REPORTING PERIOD**

With the decision of the Competition Board dated 15.10.2020 and numbered 20-46/624-M, MLP Sağlık Hizmetleri A.Ş. ("Company") and its subsidiary Samsun Medikal Grup Özel Sağlık Hizmetleri A.Ş. ("Samsun Medikal") as a result of the preliminary research it carries out on some undertakings; It was stated that in accordance with Article 4 of the Law No. 4054 on the Protection of Competition (Law No. 4054), it was decided to open an investigation before the Company and its subsidiary Samsun Medikal in order to determine whether the Law No. 4054 was violated, and within this scope, defense was requested from the Company.

The relevant investigation was concluded and according to the decision, a total of TRY58,000 thousand administrative fine was imposed on 18 private health institutions and an enterprise union.

Based on this decision, it has been decided to impose an administrative fine of TRY10,800 thousand in total, and TRY18,700 thousand to the Company, to Samsun Medikal, the affiliate of the Company, which has 80% shareholding.

The Competition Board fine will be paid within 30 days by taking advantage of a 25% early payment discount, without prejudice to all kinds of objections and lawsuits.

# MLP SAĞLIK HİZMETLERİ A.Ş. AND ITS SUBSIDIARIES

## SUPPLEMENTARY OTHER INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2021

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

### APPENDIX I OTHER SUPPLEMENTARY INFORMATION

#### 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 Group management use the balance of Interest, Tax, Depreciation and Amortization ("EBITDA") for purpose to measure the Group's financial performance at consolidated level.

The EBITDA calculation movements for the period ended 31 December 2021 and 31 December 2020 are as follow:

<b>EBITDA CALCULATION</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
i. Net gain/(loss) before tax	371,885	185,511
ii. Depreciation and amortization of tangible and intangible fixed assets including non- cash provisions related to assets such as goodwill	335,735	251,823
iii. Total net finance expenses, net of interest income (Note 22, 24)	553,488	415,203
iv. Fx gains / losses, net under finance expenses (Note 24)	99,000	265,057
v. Fair value differences of derivative instruments	-	(23,450)
vi. Extraordinary (income)/ expenses	72,646	54,427
vii. Rediscount income/expense (Note 22)	(12,832)	2
viii. Gain on bargain purchase price (Note 23) (Note 29)	-	(81,980)
ix. Legal case provision expenditures which are reflected to financial statements by the general accounting principles; (Note 17)	11,782	970
x. Unused vacation pay provision expenses which are reflected to financial statements by the general accounting principles (Note 15);	8,907	10,449
xi. Retirement pay provision expenses which are reflected to financial statements by the general accounting principles; (Note 15)	5,297	1,490
xii. Doubtful receivables provision expenses which are reflected to financial statements by the general accounting principles; (Note 8)	108,609	2,767
xiii. Non cash sale and lease back expenses which are reflected to financial statements by the general accounting principles (Note 5)	787	787
xiiii. Disposal or disabling material or intangible assets non-cash profits, adding non-gross gain/(losses); (Note 23)	(8,843)	(34,147)
<b>EBITDA</b>	<b>1,546,461</b>	<b>1,048,909</b>
TFRS 16 Lease payment effect	(324,048)	(258,126)
<b>Adjusted EBITDA</b>	<b>1,222,413</b>	<b>790,783</b>

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