

**INDEPENDENT AUDITOR’S REPORT**  
**ON THE CONSOLIDATED FINANCIAL STATEMENTS OF**  
**LOKMAN HEKİM ENGÜRÜSAĞ SAĞLIK, TURİZM, EĞİTİM HİZMETLERİ VE**  
**İNŞAAT TAAHHÜT A.Ş.**  
**FOR 1 JANUARY – 31 DECEMBER 2016**

(CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITORS’ REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)



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**FOR 1 JANUARY – 31 DECEMBER 2016**

To the Board of Directors of,  
Lokman Hekim Engürüsağ Sağlık, Turizm, Eğitim Hizmetleri ve İnşaat Taahhüt A.Ş.

***Introduction***

Lokman Hekim Engürüsağ Sağlık, Turizm, Eğitim Hizmetleri ve İnşaat Taahhüt Anonim Şirketi, which is the same as the financial statement of 31 December 2016; consolidated statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

***Responsibility of Business Administration in relation to Financial Tables***

Management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards issued by the Public Oversight Accounting and Auditing Standards Authority (KGK). This responsibility includes designing, implementing and maintaining the necessary internal control system in order to ensure that the financial statements are free from material misstatement resulting from errors and / or fraud and irregularities, making accounting estimates required by the circumstances and selecting appropriate accounting policies in order to ensure that they reflect the truth in an honest way.

***Responsibility of the Independent Audit Institution***

Our responsibility is to provide an opinion on the financial statements in this console based on the independent audit we perform. We conducted our audit in accordance with auditing standards issued by the Capital Markets Board (SPK). Those standards require that we comply with ethical principles and that independent audit is planned and conducted to provide reasonable assurance as to whether the financial statements reflect the truth in a fair and honest manner.

Our independent audit involves the use of independent audit techniques in order to gather independent audit evidence about the amounts and disclosures in the financial statements. The selection of independent auditing techniques is based on our professional judgment, including the assessment of the risk that the financial statements may contain material errors, including errors and / or irregularities. In assessing this risk, the internal control system of the operator is considered. Our aim, however, is not to present an opinion on the effectiveness of the internal control system but to establish the relationship between the financial statements prepared by the entity's management and the internal control system in order to design the independent audit techniques in accordance with the circumstances. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the independent audit evidence we have obtained during the independent audit is a sufficient and appropriate basis for the establishment of our opinion.



### ***Opinion***

In our opinion, the accompanying financial statements include the financial position of Lokman Hekim Engürüsağ Sağlık, Turizm, Eğitim Hizmetleri ve İnşaat Taahhüt Anonim Şirketi as of December 31, 2016 the financial performance in the Consolidated Financial Statements for the same period and the cash flows in the consolidation. It reflects the standards in a correct and honest manner.

### ***Report on Other Liabilities Arising from the Legislation***

1) The Auditor's Report on the Early Detection System of Risk and Committee organized in accordance with the fourth paragraph of Article 398 of the Turkish Commercial Code No. 6102 ("TCC") was presented to the Company's Board of Directors on 15 February 2017.

2) In accordance with the fourth paragraph of Article 402 of the Turkish Commercial Code, no material issue has been found regarding the bookkeeping schedule of the Company for the period of 1 January - 31 December 2016 as to whether the financial statements do not conform to the provisions of the law and the Company's articles of incorporation for financial reporting.

3) In accordance with the fourth paragraph of Article 402 of the Turkish Commercial Code, the Board of Directors has made the required explanations within the scope of the audit and issued the requested documents.

15.02.2017, Ankara

Vezin Bağımsız Denetim A.Ş.

Member Firm of HLB International

Harun AKTAŞ

Auditor in Charge

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**LOKMAN HEKİM ENGÜRÜSAĞ SAĞLIK, TURİZM, EĞİTİM HİZMETLERİ VE İNŞAAT TAAHÜT A.Ş.**

Consolidated Statement of Financial Position at 31 December 2016

*(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)*

	<b>Notes</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
<b>ASSETS</b>			
<b>Current Assets</b>		<b>72,244,891</b>	<b>46,145,319</b>
Cash and cash equivalents	[4]	793,820	618,430
Trade receivables	[6]	40,189,192	31,857,444
-Related parties		865,461	870,106
-Other		39,323,731	30,987,338
Other receivables	[7]	8,537,641	845,584
Inventories	[8]	6,144,249	5,343,620
Prepaid expenses	[17]	3,181,564	1,680,236
Assets related to current period tax	[16]	239,279	-
Other current assets	[16]	13,159,146	5,800,005
<b>Non-Current Assets</b>		<b>124,913,987</b>	<b>91,013,639</b>
Other receivables	[7]	91,826	65,475
Biological assets	[9]	10,534,887	5,983,500
Tangible assets	[10]	80,174,145	72,817,474
-Received tangible assets with leasing		6,274,909	7,689,601
-Other tangible assets		73,899,236	65,127,873
Intangible assets	[11]	27,715,685	9,452,452
-Goodwill	[12]	1,848,336	1,969,390
-Other non-current assets		25,867,349	7,483,062
Prepaid expenses	[17]	193,598	177,843
Deferred tax assets	[29]	6,203,846	2,516,895
<b>TOTAL ASSETS</b>		<b>197,158,878</b>	<b>137,158,958</b>

**LOKMAN HEKİM ENGÜRÜSAĞ SAĞLIK, TURİZM, EĞİTİM HİZMETLERİ VE İNŞAAT TAAHÜT A.Ş.**

Consolidated Statement at Financial Position at 31 December 2016

*(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)*

	<b>Notes</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
<b>LIABILITIES</b>			
<b>Short-term Liabilities</b>		<b>69,105,040</b>	<b>36,294,515</b>
Short-term borrowings	[5]	6,221,906	6,213,967
The short term portions of the long term borrowings	[5]	12,844,909	5,682,027
Trade payables	[6]	33,202,550	13,883,896
-Related parties		1,368,828	1,934,306
-Other		31,833,722	11,949,590
Due to the scope of benefits provided to employees	[19]	9,132,623	4,752,259
Other liabilities	[7]	185,777	648,108
-Related parties		4,300	567,419
-Other		181,477	80,689
Deferred revenue	[20]	714,666	764,730
Current period income tax and other legal requirements	[29]	1,789,933	471,664
Short-term provisions	[13]	712,560	496,803
-Other short-term provisions		712,560	496,803
Other short term liabilities	[21]	4,300,116	3,381,061
<b>Long-term Liabilities</b>		<b>51,930,328</b>	<b>34,029,449</b>
Long-term borrowings	[5]	27,132,092	16,519,684
Deferred revenue	[20]	2,409,131	2,154,109
Long term provisions		1,374,879	1,362,317
-Due to the scope of benefits provided to employees	[15]	1,374,879	1,362,317
Liabilities on current periods taxes	[18]	21,014,226	13,993,339
<b>Equity</b>		<b>76,123,510</b>	<b>66,834,994</b>
<b>Parent Company Equity</b>	[22]	<b>62,293,406</b>	<b>62,513,291</b>
Share capital		24,000,000	24,000,000
Repurchased shares (-)		(3,022,141)	(967,200)
Unrecoverable accumulated revenues and expenses		25,115,551	27,748,951
-Measurement of revaluation gains/losses		26,427,590	29,062,701
-Identified benefits plan and remeasurement of gains/losses		(1,312,039)	(1,313,750)
Recoverable accumulated other comprehensive revenues and expenses		206,703	(226,552)
-Translation differences		206,703	(226,552)
Reserves on retained earnings		4,497,027	2,058,292
Prior year's profits / losses		4,383,102	4,537,740
Net profit (loss) for the period		7,113,164	5,362,060
<b>Minority interest</b>	[22]	<b>13,830,104</b>	<b>4,321,703</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>197,158,878</b>	<b>137,158,958</b>

**LOKMAN HEKİM ENGÜRÜSAĞ SAĞLIK, TURİZM, EĞİTİM HİZMETLERİ VE İNŞAAT TAAHÜT A.Ş.**

Consolidated Statement of Income for the period 1 January 2016 – 31 December 2016

*(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)*

	<b>Notes</b>	<b>01.01.2016 31.12.2016</b>	<b>01.01.2015 31.12.2015</b>
<b>Comprehensive Income Statement</b>			
Revenue	[23]	194,969,066	141,577,223
Cost of Goods Sold (-)	[23]	(164,172,607)	(124,464,691)
<b>Gross Profit/Loss</b>		<b>30,796,459</b>	<b>17,112,532</b>
General Administrative Expenses (-)	[24]	(6,339,955)	(4,709,468)
Marketing, Sales and Distribution Expenses (-)	[24]	(2,419,982)	(1,667,792)
Other Operational Revenues and Income	[25]	1,085,839	568,107
Other Operational Expenses and Losses (-)	[26]	(3,347,855)	(2,028,201)
<b>Operating Profit/Loss</b>		<b>19,774,506</b>	<b>9,275,178</b>
<b>Operating Profit/Loss Before Financing Expenses</b>			
		<b>5,729,159</b>	<b>2,885,588</b>
Financial Income	[27]	1,814,836	1,282,966
Financial Expenses (-)	[28]	(6,166,360)	(4,618,823)
<b>Profit/Loss Before Tax</b>		<b>15,422,982</b>	<b>5,939,321</b>
<b>Tax Income/Expenses</b>			
Current Period Tax Expense	[29]	(2,278,222)	(897,866)
Deferred Tax Income/Expense	[29]	3,454,002	3,570,091
<b>Net Profit/Loss for the Period</b>		<b>16,598,762</b>	<b>8,611,546</b>
Distribution of Profit/Loss	[22]	16,598,762	8,611,546
<i>Non-Controlling Shares</i>		9,485,598	3,249,486
<i>Parent Company Shares</i>		7,113,164	5,362,060
Earnings Per Share	[30]	0.296382	0.223419
<b>Other Comprehensive Income Statement</b>			
<b>Net Profit/Loss for the Period</b>			
		<b>16,598,762</b>	<b>8,611,546</b>
<b>Not-Reclassified In Profit/Loss</b>			
Identified Benefit Plans and Remeasurement of Gain/Loss	[22]	1,711	(424,901)
Tax Revenue/Expense		(92,548)	(531,126)
		94,259	106,225
<b>Reclassified in Profit/Loss</b>			
Translation differences		433,255	279,616
<b>Other Comprehensive Income (After Tax)</b>		<b>434,966</b>	<b>(145,285)</b>
<b>Total Comprehensive Income</b>			
		<b>17,033,728</b>	<b>8,466,261</b>
Distribution of Total Comprehensive Income	[22]	17,033,728	8,466,261
<i>Non-Controlling Shares</i>		9,495,941	3,135,088
<i>Parent Company Shares</i>		7,537,787	5,331,173

**LOKMAN HEKİM ENGÜRÜSAĞ SAĞLIK, TURİZM, EĞİTİM HİZMETLERİ VE İNŞAAT TAAHÜT A.Ş.**

Consolidated Statement of Changes in Shareholder's Equity for the period 1 January 2016 – 31 December 2016

*(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)*

				Unrecoverable accumulated other comprehensive revenues and expenses		Recoverable accumulated other comprehensive revenues and expenses		Accumulated Profits			
	Notes	Paid Capital	Repurchased Shares(-)	Gains/Losses on Measurement of Tangible Assets Revaluation	Identified benefit plans and remeasurement of gain and loss	Foreign currency conversion adjustments	Reserves on retained earnings	Prior year's profits / losses	Net profit (loss) for the period	Non-Controlling Shares	TOTAL
01.01.2015	[22]	24,000,000	-	29,062,701	(888,849)	(506,168)	947,880	5,153,542	1,694,610	1,057,501	60,521,217
Transfers							143,212	1,551,398	(1,694,610)		
Translation differences						279,616				14,716	294,332
Identified benefit plans and remeasurement of gain and (loss)					(531,126)						(531,126)
Tax revenue/expenses					106,225						106,225
Repurchased shares			(967,200)				967,200	(967,200)			(967,200)
Cash dividend distribution								(1,200,000)			(1,200,000)
Profit/Loss for the period									5,362,060	3,249,486	8,611,546
31.12.2015		24,000,000	(967,200)	29,062,701	(1,313,750)	(226,552)	2,058,292	4,537,740	5,362,060	4,321,703	66,834,994
01.01.2016	[22]	24,000,000	(967,200)	29,062,701	(1,313,750)	(226,552)	2,058,292	4,537,740	5,362,060	4,321,703	66,834,994
Transfers							383,794	4,978,266	(5,362,060)		
Translation differences						433,255				22,803	456,058
Identified benefit plans and remeasurement of gain and (loss)					(92,548)						(92,548)
Property, plant and equipment revaluation differences				(2,773,801)							(2,773,801)
Tax revenue/expenses				138,690	94,259						232,949
Repurchased shares			(2,054,941)				2,054,941	(2,054,941)			(2,054,941)
Cash dividend distribution								(3,077,963)			(3,077,963)
Profit/Loss for the period									7,113,164	9,485,598	16,598,762
31.12.2016		24,000,000	(3,022,141)	26,427,590	(1,312,039)	206,703	4,497,027	4,383,102	7,113,164	13,830,104	76,123,510



**LOKMAN HEKİM ENGÜRÜSAĞ SAĞLIK, TURİZM, EĞİTİM HİZMETLERİ VE İNŞAAT TAAHÜT A.Ş.**

Consolidated Statement of Cash Flow for the period 1 January 2016 – 31 December 2016

*(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)*

	Notes	01.01.2016 31.12.2016	01.01.2015 31.12.2015
<b>A. CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		<b>10,721,196</b>	<b>8,292,152</b>
<b>Profit (Loss)</b>		<b>7,113,164</b>	<b>5,362,060</b>
<b>Adjustments to Reconcile Profit (Loss)</b>		<b>(3,190,648)</b>	<b>333,038</b>
Adjustments for Depreciation and Amortization Expense	[10-11]	7,434,932	7,873,234
Adjustments for Impairment Loss (Reversal of Impairment Loss)		62,755	(306,622)
Adjustments for (Reversal of) Receivables	[6]	62,755	(306,622)
Adjustments for Provisions	[13]	12,562	355,689
Adjustments for (Reversal of) Provisions Related with Employee Benefits	[19]	12,562	355,689
Adjustments for Fair Value Losses ( Gains )			
Adjustments for Derivative Financial Instruments at Fair Value Losses ( Gains )			
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method			
Adjustments for Tax (Income) Expenses	[29]	(3,686,951)	(3,676,316)
Other Adjustments Related to Non Cash Assets	[16]	(7,447,201)	(4,192,563)
<b>Changes in Working Capital</b>		<b>9,876,643</b>	<b>3,797,054</b>
Adjustments for Decrease (Increase) in Financial Investments			
Adjustments for Decrease (Increase) in Trade Accounts Receivable		(4,983,460)	1,302,186
Adjustments for Decrease (Increase) in Trade Accounts Receivable from Related Parties	[31]	(776,875)	(201,051)
Adjustments for Decrease (Increase) in Trade Accounts Receivable from Third Parties	[6]	(4,206,585)	1,503,237
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(7,718,408)	(310,503)
Adjustments for Decrease (Increase) in other Receivables from Related Parties Related with Operations	[31]	(7,693,891)	(280,546)
Adjustments for Decrease (Increase) in other Receivables from Third Parties Related with Operations	[7]	(24,517)	(29,957)
Adjustments for Decrease (Increase) in Stocks	[8]	(5,352,016)	(2,707,191)
Adjustments for Decrease (Increase) in Prepaid Expenses	[17]	(1,501,328)	(615,324)
Adjustments for Decrease (Increase) in Trade Accounts Payable		20,100,174	(2,397,627)
Increase (Decrease) in Trade Payables to the Related Parties	[31]	216,042	(1,079,295)
Increase (Decrease) in Trade Payables to the Third Parties	[6]	19,884,132	(1,318,332)
Increase (Decrease) in Employee Benefit Liabilities	[19]	4,380,364	461,975
Increase (Decrease) in Ongoing Construction, Contracting or Service Contracts			
Increase (Decrease) in Other Payables Related with Operations		(462,331)	137,234
Increase (Decrease) in Other Payables to the Related Parties Related with Operations	[31]	(563,119)	230,343
Increase (Decrease) in Other Payables to the Third Parties Related with Operations	[7]	100,788	(93,109)
Increase (Decrease) in Deferred Income	[20]	382,497	229,762
Other Adjustments for Other Increase (Decrease) in Working Capital	[21]	5,031,151	7,696,542
Decrease (Increase) in Other Assets Related with Operations	[21]	(4,359,537)	(512,539)
Increase (Decrease) in Other Payables Related with Operations	[21]	9,390,688	8,209,081
<b>Cash Flows from (Used in) Operations</b>		<b>13,799,159</b>	<b>9,492,152</b>
<b>B. CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		<b>(35,689,947)</b>	<b>(5,251,183)</b>
Cash Outflows from Buy of Tangible-Intangible Assets and Non Tangible-Intangible Assets		(35,689,947)	(5,251,183)
Cash Outflows from Buy of Tangible-Intangible Assets		(14,785,246)	(2,867,307)
Cash Outflows from Buy of Non Tangible-Intangible Assets		(20,904,701)	(2,383,876)
Cash Inflows from Sale of Tangible-Intangible Assets			
Cash Outflows from Sale of Tangible-Intangible Assets			
<b>C. CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		<b>25,144,141</b>	<b>(2,862,793)</b>
Cash Inflows from Financial Debts	[6]	168,652,842	95,492,424
Proceeds from Borrowings		168,652,842	95,492,424
Cash Outflows from Payments of Financial Debts	[6]	(150,869,613)	100,121,093
Repayments of Borrowings		(150,869,613)	100,121,093
Other Cash Flows	[6]	7,360,912	1,765,876
<b>Net Decrease/Increase on Cash and Cash Equivalents Before the Effect of Foreign Currency Conversion Differences (A+B+C)</b>		<b>175,390</b>	<b>175,390</b>
<b>D. Effect of Foreign Currency Conversion Differences on Cash and Cash Equivalents</b>		<b>-</b>	<b>-</b>
<b>Net Increase/Decrease on Cash and Cash Equivalents</b>		<b>175,390</b>	<b>175,390</b>
<b>E. Cash and Cash Equivalents at the Beginning of the Period</b>	[4]	<b>618,430</b>	<b>463,806</b>
<b>F. Cash and Cash Equivalents at the End of the Period(A+B+C+D+E)</b>	[4]	<b>793,820</b>	<b>641,982</b>

## 1. COMPANY'S ORGANIZATION AND MAIN ACTIVITY

Lokman Hekim Engürüsağ Sağlık, Turizm, Eğitim Hizmetleri ve İnşaat Taahhüt A.Ş. ("Parent Company", "Group", or "Company") was established in Ankara in 1996. Firstly, it started to operate sale of medical stuff and procurement of medical equipment.

Company amended the main contract in the meeting which was conducted on 23 May 2010 after the 2009 Ordinary General Assembly Meeting. Company's title of "Engürüsağ Sağlık, Turizm, Eğitim Hizmetleri ve İnşaat Taahhüt A.Ş." was changed as "Lokman Hekim Engürüsağ Sağlık, Turizm, Eğitim Hizmetleri ve İnşaat Taahhüt A.Ş." relying on this amendment.

Company's recorded address is General Tevfik Sağlam Caddesi No: 119 Etlik/Ankara.

Main partnership capital and partnership structure is;

	<b>31.12.2016</b>		<b>31.12.2015</b>	
	<b>TL</b>	<b>%</b>	<b>TL</b>	<b>%</b>
A Category	193,208	0.81	193,208	0.81
B Category	23,806,792	99.19	23,806,792	99.19
<b>Total</b>	<b>24,000,000</b>	<b>100</b>	<b>24,000,000</b>	<b>100</b>

A category shares are registered and cannot be sold in the stock exchange market. They cannot be transferred partially to 3rd parties. A category shareholder has priority for sale of shares relying on real value (the value which is set jointly between parties). In the situation of conflict, valuation of share will be made during a month by independent auditing firm which is jointly decided. At the transfers of a category share, in the situation that there is one or more than one A category shareholder which will take over, shares are transferred equally. When there is no A category shareholder to take over A category shares which are settled its value, shareholder is free to sell his shares to 3rd parties over its settled value.

Affairs and management of company are conducted by board of directors consisted of minimum 7 or 9 people which are elected by General Board. If board of directors will consist of 7 people elected by General Board, 5 of it; and if board of directors will consist of 9 people, 6 of it will be elected by General Board between candidates jointly nominated by shareholders who have more than 51 percent of A category shares.

There is no granted privilege to B category shares.

Subsidiaries which are in the group, are subjected to consolidation, are direct, and sphere of activities of these subsidiaries with its rate of share are like below;

<b>Companies</b>	<b>Principle Activity</b>	<b>Participation Rate (%)</b>	
		<b>31.12.2016</b>	<b>31.12.2015</b>
Lokman Hekim Van Sağlık Hizmetleri ve İnşaat Taahhüt A.Ş.	Health	51	51
Hay Süt ve Süt Ürünleri Hayvancılık Gıda İth. İhr. A.Ş.	Livestock, Dairy	73.62	73.62
Engürüsağ Genel Ticaret Ltd. Şti. (Erbil)	Health	95	95
Lokman Hekim Tıp Merkezleri A.Ş.*	Health	49	-

(\*) The Company has 49% of the shares owned by the company and 66% of the management representation and 99.99% of the profit share. Therefore, the financial statements have been included by full consolidation method.

#### **Lokman Hekim Etlik Hospital**

In Etlik district in Ankara, hospital building that has 2.900 m<sup>2</sup> of indoor area has been rented for 15 years in 1999 and rental contract extended 5+5 years in 2014. There are 2 operating rooms, 2 delivery rooms, 3 newborn intensive care incubators, 3 intensive care beds and hospital has 37 inpatient beds availability in total.

The company has purchased independent sections on the side of the hospital to grow the hospital, and the projecting and rebuilding works are ongoing.

The hospital has TUV-CERT ISO 9001:2008 Certificate of Quality Management System and it supports the project of Baby-Friendly Hospital which is conducted by UNICEF and Ministry of Health. In this scope, hospital has Certificate of Baby-Friendly Hospital.

#### **Lokman Hekim Ankara Hospital**

Hospital building that has 8 floors and 17.500 m<sup>2</sup> indoor areas in Sincan district in Ankara is Company's own asset. The hospital has 6 operation room and one heliport for air ambulance. The hospital has 38 intensive care rooms, 10 intensive care for cardiology department, 1 coronary room with 4 beds and 15 newborn intensive care incubators with a total capacity of 201 beds.

The hospital has a Baby-Friendly Hospital certificate from a project of UNICEF and Ministry of Health.

#### **Lokman Hekim Akay Hospital**

In Çankaya, Ankara total area of 18.000 m<sup>2</sup> hospital which has 11 floors was rented for 15 years and started its operation in 01.08.2016. The hospital has a total bed capacity of 121 beds, including 3 bed internal intensive care, 3 bed coronary intensive care, 3 bed surgical intensive care, 4 incubation newborn intensive care, 7 bed KVC intensive care unit and 101 patient beds.

Lokman Hekim Akay Hospital supports TQCSI ISO 9001: 2008 Quality Management System Standards document and Ministry of Health and Baby Friendly Hospital Project carried out by UNICEF and this scope has Baby Friendly Hospital certificate.

#### **Lokman Hekim Van Hospital**

In Van city centre the 9 floor hospital building with 12.500 m<sup>2</sup> indoor area is rental. The hospital has 5 operating room, 31 general intensive care beds, 5 beds for intensive care for cardiology department, 17 coronary rooms, 64 newborn intensive care incubators and 99 patient beds with a total capacity of 216 beds.

#### **Lokman Hekim Hayat Hospital**

In the center of Van, there are 2 operating rooms, 8 bed general intensive care units, 17 incubators newborn intensive care units and 30 patient beds in a 5-storey hospital which is installed in a closed area of approximately 4.500 m<sup>2</sup> and has a total bed capacity of 55.

#### **Engürüsağ Genel Ticaret Ltd. Şti.**

The center was established to provide imaging and diagnostic facilities in Erbil, Iraq with an owners' equity of \$ 12,000 (15 million Iraqi Dinars). The group has 95% percent of the shares and titled as co-founder. The company will operate in an indoor area of approximately 2.000 m<sup>2</sup> which includes Radiology and Laboratory units located in the center.

#### **Hay Süt ve Süt Ürünleri Hayvancılık Gıda İth. İhr. A.Ş.**

73.62% of the shares were owned by the company established in the Haymana district of Ankara on 23.08.2007 with a capital of TL 1,000,000. On 29.03.2011 the company's capital was increased to TL 2,100,000. Hay Süt produces milk at European standards.

### **Lokman Hekim Demet Hospital**

It has been established in the Demetevler district of Yenimahalle in Ankara with a capital of TL 50,000 on 12.04.2016 to provide a closed area of 2.400 m<sup>2</sup>, outpatient treatment and health services. Licensing and furnishing studies of the Lokman Hekim Demet Medical Center were completed and patient admission started on 11.10.2016.

According to the Regulations Regarding Private Health Establishments Diagnosed and Treated Out of the Company, the share of the company's capital is limited to 49%. Group A shares that the company has as founder shareholder; minimum 66% in management representation and 99.9% in profit share.

### **Laboratories**

The laboratories located in the hospitals are members of the INSTAND-RV headquarters in Germany and the reliability of the laboratory instruments and the measurement results are regularly checked with the External Quality Control Programs.

### **Medical Units**

Anesthesia and Reanimation, Nutrition and Diet, Brain and Neurosurgery, Child Care and Pediatric, Child Neurology, Dermatology, Physical Med and Rehabilitation, Gastroenterology, General Surgery, Pulmonology, Eye Diseases, Internal Diseases, Gynecological Diseases and Delivery, Cardiology, Cardiovascular Surgery, Otorhinolaryngology, Neurology, Nephrology Orthopedics and Traumatology, Medical Oncology, IVF Unit, Urology, Dental Services, Chest Surgery, Endocrinology, Psychiatry, Pediatric Surgery, Hematology, Plastic Reconstructive and Aesthetic Surgery, Emergency Medicine, Biochemistry, Microbiology, Infectious Diseases, Pathology, Radiology.

### **Personnel**

<b>Position</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Doctor	261	169
Health Services (Nurse, ATT, Health Officer, Health Tech., Pharmacist, Dietician etc.)	802	580
Health Support Services (Health Support Personnel, Patient Relations)	407	368
Management Support Service	374	283
Management	109	74
Veterinary and laborers	10	10
<b>Total</b>	<b>1,963</b>	<b>1,484</b>

## **2. PRINCIPALS REGARDING TO THE PRESENTATION OF FINANCIAL STATEMENTS**

### **2.1. Main Principles Regarding to the Presentation**

#### **2.1.1. Legal Books and Financial Statements**

Within the scope of standards as TMS/TFRS respectively; Turkish Accounting Standard and Turkish Financial Reporting System, Public oversight, Accounting and Auditing Standards Authority ("KGK") 5411 numbered Banking Law, Turkish Capital Markets Board of Turkey ("SPK") 6362 numbered Capital Markets Law and with 5684 numbered Insurance Law and also 4683 numbered Individual Retirement and Investment Law are published on 20.05.2013, on Official Journal in 28652.

According to the Principles of Financial Reporting in Capital Markets Notification (II-14.1) of Capital Markets Board of Turkey (SPK), financial market institutions, with exclusion of exported capital market tools, the transactions in the stock market of investment funds and partnership,

housing finance and asset finance funds, has to prepare its financial statement appropriately to the TMS/IFRS.

In the number of the meeting 20/670 of Capital Markets Board of Turkey (SPK), the number of notification II-14.1 for the financial market institutions, with exclusion of exported capital market tools, the transactions in the stock market of investment funds and partnership, housing finance and asset finance funds after the interim periods of 31.03.2013, the methods came into force. This methods announced in the weekly newsletter at the date 07.07.2013 and in the number of 2013/19. The company prepared its consolidated financial statement after 30.07.2013 according to these standards.

The decision taken on 17 March 2005, operating in Turkey and preparing their financial statements in accordance with Capital Markets Board ("CMB") Financial Reporting Formats for companies with effect from 1 January 2005, application of inflation accounting is no longer required. The financial statements for 1 January 2005, provided that the No. 29 "Financial Reporting in Hyperinflationary Economies" Standard ("IAS 29") applied.

The Group prepares its Financial Statements in according to Turkish Commercial Code ("TCC") and Ministry of Finance Standards. And the currency is Turkish Lira(s).

The consolidated financial statements are prepared in accordance with the historical cost basis records for the purpose of fair presentation in accordance with CMB Financial Reporting Standards.

#### 2.1.2 Principles of Consolidation:

Companies	Principle Activity	Participation Rate (%)	
		31.12.2016	31.12.2015
Lokman Hekim Van Sağlık Hizmetleri ve İnşaat Taahhüt A.Ş.	Health	51	51
Hay Süt ve Süt Ürünleri Hayvancılık Gıda İth. İhr. A.Ş	Livestock, Dairy	73.62	73.62
Engürüsağ Genel Ticaret Ltd. Şti. (Erbil)	Health	95	95
Lokman Hekim Tıp Merkezleri A.Ş.*	Health	49	-

All the companies above are consolidated accordance to the principles below.

(\*) The Company has 49% of the shares owned by the company and 66% of the management representation and 99.99% of the profit share. Therefore, the financial statements have been included by full consolidation method.

#### **Consolidation Method**

- Consolidated balance sheets and income statement items of the partnerships are consolidated through adding up to each other. Book values of the shares owned by Main Partnership in consolidated subsidiaries are set off from the shareholders' equity accounts of the subsidiary.
- Receivables and payables, sale of good and services and income and loss items resulting from the transactions between the partnerships from each other which are within the scope of consolidation are set off.
- Tangible and intangible assets purchased between the partnerships which are subject to consolidation method are presented in the consolidated balance sheet through their costs of acquisition after the necessary adjustments are made.
- The amounts equal to the external shares of main partnership and subsidiaries are deducted from all shareholders' equity items, including the paid/issued capitals of the subsidiaries which are

within the scope of consolidation, and are presented as "Minority Shares" before the shareholders' equity account group in the balance sheet.

- Cost of acquisition of shares in the capital of subsidiary by main partnership as of the date when the partnership within the scope of consolidation become subsidiary and just for the one time for the following share purchases, is set off from the value in the shareholders' equity in the re-valued balance sheet of the subsidiary based on the fair value as of the purchase date.
- Acquisition of the Group is accounted through purchase method. In this method, acquisition is registered based on cost. The group, starting from the acquisition date, includes the operation results of the company which is acquired in its income statement and also presents each definable asset and liability of the acquired company as well as the goodwill or negative goodwill aroused as a result of the acquisition in the balance sheet as of this date.

#### 2.1.3. Functional Currency

Functional currency of the Group is Turkish Lira (TL) and attached financial statements and footnotes are presented in Turkish Lira (TL).

#### 2.1.4. Declaration of Conformity

Attached financial statements of Group have been confirmed by the Board of Directors of the Company as of 15.02.2017. The right to change the attached financial statements belongs to the General Assembly of the Company or legal authorities.

#### 2.1.5. Netting / Set Off

Financial assets and liabilities are presented at their net values in cases of a required legal right, related assets and liabilities are intended to be netted or acquisition of assets are followed by the performing of the liabilities.

#### 2.1.6. Financial Statement of Partnerships in Foreign Countries

Financial statements of partnerships and subsidiaries in foreign countries are prepared in accordance with the host countries' standards and law. The accounting principles of the Group are adjusted according to these laws and standards.

If the currencies of the Group companies are different from reporting currency. Then the conversion method is below;

- All the assets and liabilities are converted with the exchange rate on the date of balance sheet.
- Revenues and expenses are converted with the exchange rate on the date of balance sheet. And the difference of conversion is stated in the comprehensive income statement.

#### 2.1.7. New and Revised Turkish Accounting / Financial Reporting Standards

The Group applied new and revised standards which are published by Public Oversight ("KGK") in the current period and related to its field of business.

#### **New standards and amendments and interpretations to existing standards as of December 31, 2016:**

Effective January 1, 2016 or the annual reporting periods beginning after that date. Improvements made changes to 2 standards:

- IFRS 7, "Financial instruments: Disclosures", amendment to service contracts made in accordance with IFRS 1
- Amendment to IAS 19, "Benefits provided to employees" discount rates

Amendments to IAS 16 and IAS 38: "Property, plant and equipment" and "Intangible assets" are effective for annual periods beginning on or after 1 January 2016. The amendment clarifies that the use of a revenue-based depreciation and amortization method is not appropriate as the proceeds from an activity involving the use of an asset generally reflect factors outside the consumption of the economic benefits of the asset.

IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures"; Effective January 1, 2016 or the annual reporting periods beginning after that date. These changes clarify the application of consolidation exemption for investment businesses and their subsidiaries.

IAS 1 "Presentation of financial statements"; Effective January 1, 2016 or the annual reporting periods beginning after that date. These amendments aim to improve the presentation and disclosure of financial reports.

**Standards and amendments that were issued but not yet effective as of December 31, 2016;**

Amendments to IAS 7 "Cash Flow Tables"; Effective January 1, 2017 or the annual reporting periods beginning after that date. These amendments provide additional clarifications that allow financial statement readers to assess changes in liabilities resulting from financing activities. The amendments clarify how the financial statement disclosures can be developed as part of the IASB's "disclosure initiative" project.

IAS 12 Changes in "Income Taxes"; Effective January 1, 2017 or the annual reporting periods beginning after that date. If the change is measured at the fair value of an asset and the fair value of the asset is less than the tax base, offsetting the deferred tax asset is made. In addition, some other aspects of accounting for deferred tax assets are also clarified.

IFRS 9, "Financial instruments"; Effective for annual reporting periods beginning on or after January 1, 2018. This standard takes the place of IAS 39. It also includes the requirements for the classification and measurement of financial assets and liabilities, as well as the expected credit risk model that will be used to replace the realized impairment loss model.

IFRS 15 "Revenue arising from contracts with customers"; Effective for annual reporting periods beginning on or after January 1, 2018. The goal of the compliance study with Accepted Accounting Standards in the United States was to provide financial reporting of the resulting new standard revenue and to ensure that the total income of the financial statements is comparable globally.

Amendments to IFRS 15 "Revenue arising from contracts with customers"; These amendments include guidance on implementation guidance that sets performance (performance) obligations, accounting for intellectual property licenses, and disclosures about whether the entity is a noble or an intermediary (gross revenue presentation vs. net revenue presentation). New and modified explanatory examples have been added for each of these areas in the implementation guidance. The IASB also included additional practical measures related to the transition to the new revenue standard.

Annual improvements for the period 2014-2016; Effective for annual reporting periods beginning on or after January 1, 2018. These changes affect two standards:

- IFRS 1, "First application of Turkish financial reporting standards", IFRS 7, IAS 19, and IFRS 10 are effective as of January 1, 2018 for the first time application of short-term exceptions.
- IFRS 12 "Disclosure of interests in other entities" is clarified as to the scope of the standard. Shall be applied retroactively from the annual reporting periods beginning on or after 1 January 2017.

IFRS Comment 22, "Foreign currency transactions and advances payments", is effective for annual reporting periods beginning on or after January 1, 2018. This interpretation deals with transactions

made in foreign currency or the making or pricing of payments made as part of such transactions in foreign currency. This comment is based on a single payment structure.

## **2.2. Changes and Mistakes in the Accounting Policies**

An enterprise can only changes its accounting policies only in case of following conditions and apply backwards;

- Required by a standard or an interpretation
- If it is in a character which provides a more appropriate and trustable way to present the effects of the transactions and events on the financial statement, performance or cash flow of the enterprise

Parties who use the financial statements should have the opportunity to compare the financial statements throughout the time in order to find out the trends of the financial position, performance and cash flow. Therefore, as long as a change in an accounting policy does not meet one of the criteria described above, same accounting policies should be used in every period and financial period.

## **Comparative Information and Restatement of Prior Period Financial Statements**

IAS 19 - Employee benefits related to employee benefits as part of changes in the standard of actuarial gains / losses are recognized in equity. This application for annual periods beginning on or after 1 January 2013 and applies retroactively applied to the application. The company, the cost of services sold in the income statement at 31 December 2012 amounting to TL 152,672 pre-tax actuarial gains accounted / loss classified under other comprehensive income. Company statement of financial position at 31 December 2012 amounting to TL 152,762 demonstrated in net profit after tax actuarial gains / loss on the statement of financial position at the "Defined Benefit Plans Re-measurement gains / (losses)".

The idle capacity of the company at Ankara Sincan Hospital continues for a long time; therefore, this capacity has become an actual capacity as a result of repetition of this unused capacity for periods of time over and over. Accordingly, a cost for idle capacity has not been occurred. The cost of idle capacity that is TL 1,308,121, at the date of 31.03.2013 which was classified under other expenses is added to cost of services sold in this period.

Company reclassified its deferred tax liabilities which were classified as other long term liabilities before. TL 5,292,224 is stated in the Liabilities Related Current Period Tax under the Long-term Liabilities, before 31.12.2013 it is was stated in Other Short-term Liabilities. These tax liabilities are deferred regarding to announcement of force majeure by Revenue Administration in Van because of earthquake in 23.11.2013. The end date of force majeure will be announced by administration.

Capital Markets Board of Turkey (SPK) issued financial statement samples and user guide at the date of 07.07.2013 and in the 20/670. Meeting for the financial market institutions which are covered in Principles of Financial Reporting in Capital Markets Notifications, after the interim period of March 31, 2013. According to this enacted methods, various classifications are made in the consolidated financial statement, consolidated profit/loss and other comprehensive income statement.

## **2.3. Summary of Important Accounting Policies**

### **2.3.1. Revenue;**

Revenue means – in exchange of the health services provided – invoice amount of the invoiced services, the amount to be invoiced for the performed but not invoiced services and the amount calculated based on the completion level for not invoiced but still continuing services, less returns and discounts.

In case an uncertainty arises to collect a revenue amount which was presented in the financial statements, uncollectable or the amount which becomes impossible to collect be considered as cost in the financial statements rather than adjusting the first registered revenue.



### 2.3.2. Inventories;

Costs of inventories are compromise of cost of all purchases, conversion costs and other costs burdened to perform the current position and condition of the inventories. For the inventory purchases with interim payments, the differences between the cash value and future value are recognized as finance costs in the period it occurred.

Inventory method is weighted average cost method.

Inventories are valued with the lowest of cost and net realizable value. Net realizable value is the value expected sales value under normal conditions less the total of expected costs of completion and expected sales costs in order to perform the sale.

It is assumed that the production activities would be at normal capacity on the distribution of fixed general production costs to conversion costs. Normal capacity is the expected average production amount under normal conditions within one or a few periods or sessions considering the loss of capacity due to the planned repair and maintenance works. If the real production level is close to the normal capacity, then this capacity is considered as normal capacity. If the actual production level is continuously below from the pre-determined normal capacity, then the normal capacity is accepted as realized actual capacity and all the fixed production costs add into the production costs of services.

The Company's actual capacity in Ankara Hospital of Sincan continued for periods, and has been accepted as the normal capacity and this capacity calculations were made accordingly. Therefore, the cost of an idle capacity has not been occurred.

### 2.3.3. Biological Assets

Biological assets are registered with their costs at the time of purchase. At the end of each reporting period, they are evaluated based on fair value. In cases where fair value cannot be calculated or determined clearly, so-called biological asset is re-valued through its cost less all related accumulated depreciation and accumulated provisions for loss. Gains or losses on the values are linked with the period profit or loss

### 2.3.4. Tangible Fixed Assets

Tangible assets which are expected to be used within the company for more than one year are registered with their costs at the time of purchase. In the following periods, revaluation method for lands and buildings are revaluated based on the method for cost of other tangible assets. Costs of other tangible assets which were purchased prior to 01.01.2005 are costs which are adjusted for inflation effects.

The group used pro rata depreciation for tangible assets according to normal depreciation method. When the Group determines the depreciation lives for its tangible assets, it considers the useful life of the asset.

Costs of tangible assets which are purchased through leasing are the costs less the interest and foreign exchange difference. Interests and foreign exchange differences are registered as financial costs in the relevant period.

Group's beneficial life for tangible assets is;

Buildings	50 Years
Machinery, plants and equipment	5 – 20 Years
Vehicles	5 Years
Fixtures	2 – 20 Years
Assets Purchased Through Leasing	5 – 15 Years
Other non-tangible fixed assets	5 – 20 Years

### 2.3.5. Non-Tangible Fixed Assets

Non-tangible assets which are expected to be used within the company for more than one year are registered with its costs at the time of purchase. They are re-valued based on the cost model in the following periods. Cost of non-tangible assets which were purchased prior to 01.01.2005 are costs which are adjusted for the inflation effect.

Doctor staff costs and hospital license are reported in non-tangible assets as Rights for Lokman Hekim Van Hospital and Lokman Hekim Hayat Hospital.

According to the issued change in the Official Gazette in 11.07.2013, transfer of staff and license is allowed with article 6 of Private Hospital Regulation.

The Group takes the useful lives of the assets into consideration when determining the depreciation lives of the non-tangible assets. The Group determined useful lives for its non-tangible assets 3 to 15 years.

### 2.3.6. Goodwill

Purchase price burdened related to the purchase of a company is distributed to the identifiable assets, liabilities and conditional liabilities at the time of purchase of the purchased company. The difference between purchase price and fair value of the identifiable assets, liabilities and conditional liabilities of the purchased company is registered as goodwill in the consolidated financial statements. In the mergers, assets, non-tangible assets and conditional liabilities which are not stated in the financial statements of the purchased company/enterprise but can be separated from the goodwill are reflected to the consolidated financial statements with their fair values. Goodwill in the financial statements of purchased company is not considered as identifiable assets.

In case of the buyers' share of the fair values of the purchased identifiable assets, liabilities and conditional liabilities exceeds the purchase price, then the difference is linked with the consolidated income statement. In case any value decline in the goodwill amount, its effect is reflected to the period results. Testing for the value decline at the same time every year to determine whether there is a value decline in the goodwill amount or not.

Legal mergers among the enterprises which are under the control of the Group are considered within the scope of UFRS 3. Therefore, no goodwill is calculated in such mergers. Moreover, transactions occurred during legal mergers are subject to adjustment process during the preparation of consolidated financial statements.

### 2.3.7. Decline in the Values of Assets

According to IAS 36 – Decline in the Values of Assets standard, book values of tangible and intangible assets and their recoverable values can be compared if it is deemed necessary due to domestic and international economic indications. If it is forecasted that the book value of the asset exceeds the recoverable value, then it is accepted that there is decline in the value of the asset. Recoverable value is the lesser of the exercise price and market price. Forecasted decline in the value is registered as loss at the term in which it is determined.

However, existence of such decline in value is out of question.

### 2.3.8. Financial Instruments

#### a) Cash and Cash Equivalents

Cash on hand of the Group consists of cash and bank deposits. Cash equivalents consist of receivables from credit card. Bank deposit balances of foreign currencies are re-valued from the foreign exchange rate of T.C. Central Bank at the date of balance sheet. Current values of the cash in the balance sheet and deposits in the bank and receivables from credit card are the fair value of these assets.

b) Trade Receivables and Payables

Trade receivables and payables resulting from providing a service to a customer by the Group or purchasing a good or service from a supplier are presented after clarified from deferred financing revenues and costs.

It is assumed that the discounted values of trade receivables and provision for doubtful receivables are equivalent to the fair values of the assets.

The group, in case there is an objective proof that the collecting is impossible, makes provisions for doubtful receivables. The amount of this provision is registered value of the receivable less the guarantees and warranties.

Following making a provision for the doubtful receivables, in case all or a portion of the doubtful receivable is not collected, the collected amount is written off from doubtful receivables and registered as other revenues.

It is assumed that the discounted values of the trade receivables are equivalent to the fair values of the assets.

c) Other Receivables, Payables and Liabilities

Registered based on accrual basis and it is assumed that the registered values are equivalent to fair values.

2.3.9. Benefits for Employees / Termination Indemnity

According to applicable Labor Law, the company shall pay a termination indemnity not less than 30 days for each year for the employee who is fired from the company except those fired due to bad behaviors. For this reason, the company has to estimate the total cost to be paid and discount the estimated payments so that find the net present value. Therefore, the company reports its total liability at the date of balance sheet which is discounted to net present value.

It is assumed that man who has worked 25 years and woman who has worked 20 years would be retired and termination indemnity would be paid at that time. Accordingly, the company tries to find out the expected termination indemnity liability which it would pay at the time of retirement or firing its employees in the future. Net present value of the portion of the termination indemnity right hold by the employee at the date of balance sheet within this total liability which is expected to be paid is registered into the balance sheet as provision for termination indemnity. It is assumed that ratio of the number of employees who were fired or leave the company in the previous periods without getting any termination indemnity to the total number of employees would be the same in the following periods and total liability is declined at this rate.

The difference of the total termination indemnity between the two periods is distributed to cost of interest, cost of service for the current period and actuarial income / loss. Cost of interest is the cost of use of the liability in the previous period's balance sheet during the period and equals to the liability amount at the beginning of the period for the employees who are still working multiplied by discount rate used in that year. The cost of service for the current period is the portion of the termination indemnity at the time of it is going to be paid which the employees get the right for termination indemnity for their services at the time of balance sheet through discount rate. All other differences are reflected to actuarial income and loss. Actuarial income / loss, cost of interest and cost of services for the current period are presented in the comprehensive income statement.

Except from the wages, bonuses and other social benefits provided to employees, there is not any contribution plan to be paid after the retirement or resigning period.

#### 2.3.10. Taxation

Tax payable in the attached financial statements is consist of tax provision for the current period and deferred tax. The provision for the liabilities regarding to the corporate tax to be resulted from the activities in the current period is set based on the legal tax rates at the time of balance sheet. Deferred tax asset/liability is the difference between account value and tax value (timing difference). Current tax rate is considered on the calculation of deferred tax asset.

Deferred tax liability is presented in the financial statements for all taxable or deductible provisional differences but deferred tax asset is presented in the financial statements provided that there are taxable profits are possible from which the deductible provisional differences can be set off. Net deferred tax assets resulting from the timing differences are reduced at the rate of the tax deductions provided that it is not certain that they can be used in the following years according to the information on hand.

#### 2.3.11. Related Parties

Parallel to the aim of these financial statements, related parties are considered and defined as the companies which are linked to the shareholders, important managerial employees and board members, their families and controlled by them or related to them, subsidiary and partnerships and minority partners of the affiliates.

Shareholders, major managers of these companies and members of the board of the Company and their families are also considered as related parties. Transactions made with the related parties are generally in accordance with the market conditions. Key managerial employees are also defined as the related parties of the company.

#### 2.3.12. Costs of Borrowing

Bank loans with interest are registered at their net amounts after deducting the cost of borrowing. Revenues or costs which are arising at the time of amortization or registration of the liabilities are linked to income statement. Costs of borrowings are also registered based on accruals even if the maturities have not become due yet at the time they arise.

#### 2.3.13. Earnings (Loss) Per Share

Earnings (Loss) per share are calculated through net profit or loss of the period divided by the weighted average of the number of commons share in the current period.

In Turkey companies, can increase their owners' equity by distributing accumulated profits arise from inflation adjustments with shares (free) to their existing stockholders.

#### 2.3.14. Events after the Balance Sheet Date

In case there are some events after the balance sheet date which requires adjustment entries, these amounts in the financial statements are adjusted according to the new situation; but in case there are events after the balance sheet date which does not require any adjustment entry, there are explanations in the related period if the events are important.

#### 2.3.15. Provisions, Conditional Liabilities and Conditional Assets

##### *Provisions;*

Provisions are the accruals provided that there would be a liability (legal or structural liability) resulting from the events happened in the past, and it is probable that this liability will cause a decline in the asset items and the liability amount can be determined reliably. Accrued provisions are reviewed in every balance sheet period and revised in order to reflect the current expectations.

*Conditional Liabilities and Conditional Assets;*

Transactions which cause commitment and conditional liability mean the conditions which are linked to the result of one or more than one event that may happened in the future. Therefore, since some transactions have possible damage, risk and uncertainty in the future, they are defined as items out of balance sheet. In case there is a forecast for possible obligations or losses to be occurred in the future, these liabilities are considered as costs and debt for the Company. However, income and profits which are probable to occur in the future are presented in the financial statements.

2.3.16. Assets and Liabilities In terms of Foreign Currency

Assets in the balance sheet in terms of foreign currencies are converted to Turkish Lira based from buying rate of foreign exchange and liabilities from selling rate of foreign exchange published by T.C. Central Bank. Transactions with foreign currencies within the period are converted to Turkish Lira from the actual rates at the date of transaction. Foreign exchange gains and losses arising from these transactions are presented in the income statements. Rates used in the financial statements in 31.12.2016 and 31.12.2015 reports are as follows

	<b>31.12.2016</b>		<b>31.12.2015</b>	
	<b>Buying</b>	<b>Selling</b>	<b>Buying</b>	<b>Selling</b>
USD	3.5192	3.5255	2.9076	2.9128
EUR	3.7099	3.7166	3.1776	3.1833

2.3.17. Important Accounting Review, Forecast and Assumptions

Preparation of financial statements requires management to apply policies and make decisions, forecasts and assumptions which affect the assets, liabilities, incomes and losses which are reported. Real outcomes may be different from these forecasts.

Forecasts and assumptions which are the basis of the forecasts should be revised all the time.

Important forecasts and assumptions used by the Company during the preparation of the financial statements are as follows;

- Useful lives of tangible and intangible assets
- Discount rate used for trade receivables and payables
- Provision rates for the receivable from SSI
- Regarding to the employee benefits, retirement term, increase rate, discount rate, rate for not to get any termination indemnity
- Rates used for deferred tax calculation

### 3. OPERATION SEGMENT

The Company prepared its sales based on hospitals, based on large customers, based on operation kind and based on outpatient care – inpatient treatment.

	<b>01.01.2016-31.12.2016</b>		<b>01.01.2015-31.12.2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Etlik Hospital Service Sales	30,072,949	16	27,686,821	20
Ankara Hospital Service Sales	62,000,094	33	54,257,661	40
Van Hospital Service Sales	55,134,287	29	44,289,025	32
Hayat Hospital Service Sales	20,399,139	11	9,392,847	7
Erbil Diagnostic Center Service Sales	1,292,018	1	1,213,298	1
Akay Hospital Service Sales	18,395,898	10	-	-
Demet Hospital Service Sales	106,154	-	-	-
<b>Total Sales</b>	<b>187,400,539</b>	<b>100</b>	<b>136,839,652</b>	<b>100</b>

	<b>01.01.2016-31.12.2016</b>		<b>01.01.2015-31.12.2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Sales to SSI	113,537,897	61	88,868,459	65
Other sales	73,862,642	39	47,971,193	35
<b>Total Sales</b>	<b>187,400,539</b>	<b>100</b>	<b>136,839,652</b>	<b>100</b>

	<b>01.01.2016-31.12.2016</b>		<b>01.01.2015-31.12.2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Receivables from SSI*	30,438,500	74	25,337,516	80
Other receivables	9,750,692	26	6,519,928	20
<b>Total Receivables</b>	<b>40,189,192</b>	<b>100</b>	<b>31,857,444</b>	<b>100</b>

(\*) The biggest customer of the company is the Social Security Institution (SSI).

Revenue based on treatment sort is as follows;

	<b>01.01.2016-31.12.2016</b>			<b>01.01.2015-31.12.2015</b>		
	<b>Number of Patient</b>	<b>Net Sales</b>	<b>Net Sales (%)</b>	<b>Number of Patient</b>	<b>Net Sales</b>	<b>Net Sales (%)</b>
Outpatient	955,443	82,062,696	44	800,071	56,693,505	41
Inpatient	50,271	105,337,843	56	48,190	80,146,146	59
<b>Total</b>	<b>1,005,714</b>	<b>187,400,539</b>	<b>100</b>	<b>848,261</b>	<b>136,839,651</b>	<b>100</b>

### 4. CASH AND CASH EQUIVALENTS

	<b>31.12.2016</b>	<b>31.12.2015</b>
Cash	279,739	284,480
Banks	514,081	333,950
<b>Total</b>	<b>793,820</b>	<b>618,430</b>

## 5. FINANCIAL LIABILITIES

<b>Short-term Financial Liabilities</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Short-term loans	4,527,192	4,785,465
Short term portion of long term borrowings	12,844,909	5,682,027
Financial leasing borrowings	1,694,714	1,428,502
- Financial leasing borrowings	2,118,336	1,716,428
- Deferred interest cost	(423,622)	(287,926)
<b>Total</b>	<b>19,066,815</b>	<b>11,895,994</b>
<b>Long-term Financial Liabilities</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Long-term loans	24,910,982	14,804,927
Financial Leasing borrowings	2,221,110	1,714,757
- Financial leasing borrowings	2,473,093	1,959,059
- Deferred interest cost	(251,983)	(244,302)
<b>Total</b>	<b>27,132,092</b>	<b>16,519,684</b>

Bank loans and leasing liabilities' maturities are as below;

<b>Bank Loans</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
0 - 3 Months	3,734,082	6,082,424
3 - 12 Months	13,638,019	4,385,068
1 - 5 Years	24,910,982	14,804,927
<b>Total</b>	<b>42,283,083</b>	<b>25,272,419</b>
<b>Leasing (Rental Payments)</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
0 - 3 Months	474,932	614,180
3 - 12 Months	1,239,975	814,322
1 - 5 Years	2,200,917	1,714,757
<b>Total</b>	<b>3,915,824</b>	<b>3,143,259</b>

A mortgage amounting to TL 92,935,001 has been given for the credits (31.12.2015: TL 73,845,000).

## 6. TRADE RECEIVABLES / PAYABLES

	<b>31.12.2016</b>	<b>31.12.2015</b>
Other receivables	38,843,300	29,667,970
Notes receivables	453,452	494,227
Rediscount	(1,032,773)	(678,983)
Doubtful trade receivables	903,571	840,816
Provision for doubtful trade receivables	(903,571)	(840,816)
Credit card receivables	1,059,752	1,504,124
Due from related parties	865,461	870,106
<b>Total</b>	<b>40,189,192</b>	<b>31,857,444</b>

The interest rate that is used for discounting the receivables is 12%. (31.12.2015: 10%).

Average maturity for credit card receivables is 40 days. (31.12.2015: 40 days).

Current term transactions of doubtful receivables is like below and provision is made for all of it.

	<b>31.12.2016</b>	<b>31.12.2015</b>
Beginning	840,816	1,147,438
Fair will, collections / cancelation	(648,059)	(836,831)
Additions	677,870	530,209
<b>End of Term</b>	<b>870,627</b>	<b>840,816</b>

Company's receivables based on large receivables are as below;

	<b>31.12.2016</b>		<b>31.12.2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Receivables from SSI	30,438,500	74	25,337,516	80
Receivables from others	9,750,692	26	6,519,928	20
<b>Total Receivables</b>	<b>40,189,192</b>	<b>100</b>	<b>31,857,444</b>	<b>100</b>

	<b>31.12.2016</b>	<b>31.12.2015</b>
Trade payables*	12,425,715	7,634,766
Notes payables**	21,049,996	4,589,271
Rediscount	(1,695,064)	(285,966)
Other trade payables	53,075	11,519
Payables to related parties	1,368,828	1,934,306
<b>Total</b>	<b>33,202,550</b>	<b>13,883,896</b>

The interest rate that is used for discounting the receivables is 12%. (31.12.2015: 10%).

(\*) Accounts payable consists of the debts related to the Akay Hospital, of which TL 3,041,423 TL is taken over.

(\*\*) The amount of TL 6,137,035 included in debt securities is composed of debt securities dated 31.07.2018 related to Akay Hospital.

## 7. OTHER RECEIVABLES / OTHER PAYABLES

<b>Other Short-term Receivables</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Deposits and guarantees given	19,872	21,706
Other various receivables*	8,517,769	823,878
<b>Total</b>	<b>8,537,641</b>	<b>845,584</b>

<b>Other Long-term Receivables</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Deposits and guarantees given	91,826	65,475
<b>Total</b>	<b>91,826</b>	<b>65,475</b>

<b>Other Short-term Payables</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Due to shareholders	4,300	355,702
Due to related parties	-	211,717
Other payables	181,477	80,689
<b>Total</b>	<b>185,777</b>	<b>648,108</b>

(\*) The incentive will be changed and finalized due to the increase in the minimum wage due to the investment incentive certificates of the company and deducted from the SSI premiums in the coming years.



## 8. INVENTORIES

	31.12.2016	31.12.2015
Medical inventories	5,353,478	1,912,200
Financial expenses	(160,158)	(76,007)
Feed stocks	580,038	338,912
Housing constructions	-	3,006,709
Other stocks	370,891	161,806
<b>Total</b>	<b>6,144,249</b>	<b>5,343,620</b>

Average cost is used for measurement of cost of stock and there is no stock which is demonstrated in net realizable value.

The maturity difference of TL 160,158 within the existing stocks at the end of the period is reported within financial expenses (31.12.2015: TL 76,007).

## 9. BIOLOGICAL ASSETS

Biological Assets	31.12.2016	31.12.2015
Book value	9,602,557	5,719,062
Changes in the fair value	932,330	264,438
<b>Total</b>	<b>10,534,887</b>	<b>5,983,500</b>

At first, live assets are recorded at cost. They are valued at fair value at the end of each reporting period. The fair value of milk and fattening animals increased by TL 667,892 in the current period (31.12.2015: TL 417,275).

As of 31.12.2016, the number of live assets of the company is 1.216 (31.12.2015: 757).

The total insurance coverage on live assets is TL 5,972,300 (31.12.2015: TL 3,191,900).

## 10. TANGIBLE ASSETS

Tangible Assets	01.01.2016	Inputs	Valuation	Outputs	31.12.2016
Lands	13,462,000	-	(5,922,250)	(1,196,000)	6,343,750
Buildings	37,531,413	5,471,101	593,251	(295,818)	43,299,947
Property, plant and equipment	11,199,771	4,904,503	-	(523,212)	15,581,062
Vehicles	567,148	72,421	-	(37,254)	602,315
Furniture and fittings	21,594,496	5,715,537	-	(191,719)	27,118,314
Finance lease	14,246,232	561,716	-	(933,861)	13,874,087
Other fixed assets	691,693	2,185,940	-	-	2,877,633
Ongoing Investments	-	406,268	-	-	406,268
<b>Total</b>	<b>99,292,753</b>	<b>19,317,486</b>	<b>(5,328,999)</b>	<b>(3,177,864)</b>	<b>110,103,376</b>

<b>Depreciation</b>	<b>01.01.2016</b>	<b>Depreciation Expense</b>	<b>Valuation</b>	<b>Outputs</b>	<b>31.12.2016</b>
Buildings	(1,783,899)	(883,272)	2,530,767	10,924	(125,479)
Property, plant and equipment	(5,730,400)	(1,081,640)	-	191,482	(6,620,558)
Vehicles	(271,838)	(92,484)	-	22,963	(341,357)
Furniture and fittings	(11,706,785)	(3,030,405)	-	55,124	(14,682,065)
Finance lease	(6,556,631)	(1,384,594)	-	342,047	(7,599,178)
Other fixed assets	(425,726)	(134,866)	-	-	(560,592)
<b>Total</b>	<b>(26,475,279)</b>	<b>(6,607,260)</b>	<b>2,530,767</b>	<b>622,540</b>	<b>(29,929,231)</b>
<b>Net Value</b>	<b>72,817,474</b>				<b>80,174,145</b>

The Company has assessed buildings and buildings reported in property, plant and equipment in accordance with the report dated 05.01.2017 by D Gayrimenkul Değerleme ve Danışmanlık A.Ş., an independent real estate appraisal company licensed by the CMB, which is not related to the Company. The management of the company thinks that the valuation company has occupational accumulation related to the subject and has updated information about the class and place of the land and buildings in question.

In the valuation made by, D Gayrimenkul Değerleme ve Danışmanlık A.Ş. It is appreciated that the total value of the land and buildings is less than TL 2,798,232 less the amount recorded in the most recent financial statements. Peer comparison and revenue capitalization method are used as valuation method.

<b>Tangible Assets</b>	<b>01.01.2015</b>	<b>Inputs</b>	<b>Outputs</b>	<b>31.12.2015</b>
Lands	12,266,000	1,196,000	-	13,462,000
Buildings	37,198,258	333,155	-	37,531,413
Property, plant and equipment	11,171,991	45,780	(18,000)	11,199,771
Vehicles	571,051	15,254	(19,157)	567,148
Furniture and fittings	20,280,222	1,555,576	(241,302)	21,594,496
Finance lease	12,965,873	1,280,359	-	14,246,232
Other fixed assets	564,021	127,672	-	691,693
Ongoing Investments	-	-	-	-
<b>Total</b>	<b>95,017,416</b>	<b>4,553,796</b>	<b>(278,459)</b>	<b>99,292,753</b>

  

<b>Depreciation</b>	<b>01.01.2015</b>	<b>Depreciation Expense</b>	<b>Outputs</b>	<b>31.12.2015</b>
Buildings	(966,038)	(817,861)	-	(1,783,899)
Property, plant and equipment	(4,824,832)	(919,068)	13,500	(5,730,400)
Vehicles	(189,979)	(99,459)	17,600	(271,838)
Furniture and fittings	(9,083,990)	(2,677,305)	54,510	(11,706,785)
Finance lease	(4,838,032)	(1,718,599)	-	(6,556,631)
Other fixed assets	(360,370)	(65,356)	-	(425,726)
<b>Total</b>	<b>(20,263,241)</b>	<b>(6,297,648)</b>	<b>85,610</b>	<b>(26,475,279)</b>
<b>Net Value</b>	<b>74,754,175</b>			<b>72,817,474</b>

The mortgage on the land and buildings is TL 92,935,001. (31.12.2015 - TL 73,845,000). The total insurance amount of fixed assets is TL 133,500,000 (31.12.2015 - TL 130,473,135).

There is a rent annotation on the transformer over the company's land of hospital building with license and occupancy permit in the district of Sincan in the province of Ankara (Lokman Hekim Ankara Hospital) in favor of TEDAŞ for 99 years at the amount of TL 1.

## 11. INTANGIBLE ASSETS

<b>Intangible Assets</b>	<b>01.01.2016</b>	<b>Inputs</b>	<b>Outputs</b>	<b>31.12.2016</b>
Special costs	3,759,692	2,657,531	-	6,417,223
Rights	8,028,861	479,974	(8,024,237)	484,598
Doctor staff and hospital registration fee*	-	16,074,457	8,024,237	24,098,694
<b>Total</b>	<b>11,788,553</b>	<b>19,211,962</b>	<b>-</b>	<b>31,000,515</b>

  

<b>Depreciation</b>	<b>01.01.2016</b>	<b>Depreciation Cost</b>	<b>Outputs</b>	<b>31.12.2016</b>
Special costs	(1,645,884)	(792,166)	-	(2,438,050)
Rights	(2,659,607)	(35,509)	2,695,116	-
Doctor staff and hospital registration fee	-	-	(2,695,116)	(2,695,116)
<b>Total</b>	<b>(4,305,491)</b>	<b>(827,675)</b>	<b>-</b>	<b>(5,133,166)</b>

  

<b>Net Value</b>	<b>7,483,062</b>			<b>25,867,349</b>
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<b>Intangible Assets</b>	<b>01.01.2015</b>	<b>Inputs</b>	<b>Outputs</b>	<b>31.12.2015</b>
Special costs	2,788,471	975,546	(4,325)	3,759,692
Rights	8,024,237	4,624	-	8,028,861
<b>Total</b>	<b>10,812,708</b>	<b>980,170</b>	<b>(4,325)</b>	<b>11,788,553</b>

  

<b>Depreciation</b>	<b>01.01.2015</b>	<b>Depreciation Cost</b>	<b>Outputs</b>	<b>31.12.2015</b>
Special costs	(1,106,582)	(539,302)	-	(1,645,884)
Rights	(1,623,323)	(1,036,284)	-	(2,659,607)
<b>Total</b>	<b>(2,729,905)</b>	<b>(1,575,586)</b>	<b>-</b>	<b>(4,305,491)</b>

  

<b>Net Value</b>	<b>8,082,803</b>			<b>7,483,062</b>
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(\*) In the current period, the Company classifies the doctor staff fees shown under "Rights" as a separate item as "Doctor Staff and Hospital Registration Fees". TL 7,924,237 of the amount of the Doctoral Staff and Hospital License Charges, Van Hospital of the Lokman Hekim, TL 1,470,339 of the Lokman Hekim Demet Medical Center, TL 14,604,118 of the Lokman Hekim Akay Hospital and TL 100,000 of the Lokman Hekim Demet Medical Center Lokman Hekim Ankara Hospital cardiology department consists of doctor staff costs (31.12.2015: TL 7,924,237 consists of Lokman Hekim Van Hospital, TL 100,000 is composed of doctor staff costs of Lokman Hekim Ankara Hospital cardiology department).

The Company has deducted the fair value discount amount of TL 1,316,163 with the reason of the purchasing of doctorate and hospital registration fee for Akay Hospital. As Ankara and Etlik hospitals are acquired spontaneously, there is no staff and license fee for these hospitals in the company asset. The depreciation is not allocated to the doctor staff and hospital license fees as of the current period and they are subjected to the impairment test.

## 12. GOODWILL

	<b>31.12.2016</b>	<b>31.12.2015</b>
Goodwill	1,848,336	1,969,390
<b>Total</b>	<b>1,848,336</b>	<b>1,969,390</b>

Goodwill resulting from the acquisition of 37, 83% of the shares of Hay Süt A.Ş. by the Company on 30 December 2011.

In the current period, the Company has tested the goodwill amount for impairment test and amortized impairment provision amounting to TL 121,054.

**13. PROVISIONS, CONDITIONAL ASSETS AND LIABILITIES**

Lawsuits and Provisions;

<b>Lawsuits and Provisions – 31.12.2016</b>	<b>Amount</b>	<b>Provision</b>
Lawsuits to be filed by the Company, enforcement proceedings	2,533,537	-
Company against claims arising from labor service	2,499,178	(712,560)
<b>Lawsuits and Provisions – 31.12.2015</b>	<b>Amount</b>	<b>Provision</b>
Lawsuits to be filed by the Company, enforcement proceedings	840,816	-
Company against claims arising from labor service	1,619,501	(496,803)

140 cases were opened in favor of the company and the total amount of the cases was TL 2,533,537. 74 cases have been filed against the Company and the sum of the cases is TL 2,499,178 (31.12.2015: 367 cases TL 6,001,125).

Contingent Liabilities;

<b>Type</b>	<b>Issued Place</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Letter of Collaterals	Başkent Elektrik Dağ. A.Ş.	44,218	44,218
Letter of Collaterals	Enerjisa A.Ş.	67,443	60,000
Letter of Collaterals	Ankara 14. Asliye Hukuk Mahkemesi	69,581	69,581
Letter of Collaterals	Ankara 21. Asliye Hukuk Mahkemesi	51,347	-
Letter of Collaterals	Ankara 8. Asliye Hukuk Mahkemesi	16,148	16,148
Letter of Collaterals	Ankara 2. Asliye Hukuk Mahkemesi	12,177	-
Letter of Collaterals	Van 1. Asliye Hukuk Mahkemesi	12,000	12,000
Letter of Collaterals	Van 3. Asliye Hukuk Mahkemesi	29,000	29,000
Letter of Collaterals	Mamak Belediyesi	63,300	73,500
Letter of Collaterals	Keçiören Belediyesi	28,450	25,490
Letter of Collaterals	Sincan Belediyesi	10,850	-
Letter of Collaterals	Türk Telekom A.Ş.	9,448	9,448
Letter of Collaterals	Başkent Doğalgaz A.Ş.	309,860	258,000
Letter of Collaterals	SGK Davaları	107,149	107,149
Letter of Collaterals	Aksa Doğalgaz A.Ş.	106,148	106,148
Letter of Collaterals	Aksa Van Doğal Gaz Dağıtım A.Ş.	142,054	142,054
Letter of Collaterals	Van Gölü Elektrik Perakende Satış A.Ş.	63,000	63,000
Letter of Collaterals	Elmadağ Belediyesi	23,100	8,000
Letter of Collaterals	Eti Maden İşletmesi	-	3,600
Letter of Collaterals	Ankara 17. Asliye Hukuk Mahkemesi	30,072	-
Letter of Collaterals	GE Medikal System Türkiye Ltd. Şti.	-	304,500
Letter of Collaterals	Işık Kardeşler Medikal Kimya Ltd. Şti.	-	32,200
Checks of Collaterals	Simeks Tıbbi Sistemler San. ve Tic. A.Ş.	300,401	-
Mortgage (Loan)	Türkiye Halk Bankası A.Ş.	10,270,001	4,300,001
Mortgage (Loan)	Vakıfbank A.Ş.	52,240,000	52,240,000
Mortgage (Loan)	Fiba Bank A.Ş.	7,600,000	-
Mortgage (Loan)	Akbank T.A.Ş.	20,000,000	-
Mortgage (Loan)	Ziraat Bankası A.Ş.	2,825,000	2,825,000
<b>Total Provision</b>		<b>94,430,747</b>	<b>60,729,037</b>

Type	Taken Place	31.12.2016	31.12.2015
Guarantee Checks and Bonds	Customer	2,055,620	1,829,119
Guarantee Checks and Bonds	Customer	145,500 €	145,500 €
Letter of Collaterals	Customer	200,000	200,000
<b>Total TL provision</b>		<b>2,795,410</b>	<b>2,491,460</b>

#### 14. COMMITMENTS

	31.12.2016	31.12.2015
A CPM's given for companies own legal personality	94,430,747	60,729,037
B CPM's given on behalf of fully consolidated companies	-	-
C CPM's given for continuation of its activities on behalf of third parties	-	-
D Total amount of other CPM's	-	-
- Total amount of CPM's given on behalf of the majority shareholder	-	-
- Total amount of CPM's given to on behalf of other Group Companies which are not in scope of B and C.	-	-
- Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-
<b>Total</b>	<b>94,430,747</b>	<b>60,729,037</b>

There is a cross-surety in favor to each other for bank credit in the scope of consolidation of companies.

#### 15. BENEFITS PROVIDED TO EMPLOYEES

	31.12.2016	31.12.2015
Severance pay provision	886,490	1,053,487
Provisions for days off	488,389	308,830
<b>Total</b>	<b>1,374,879</b>	<b>1,362,317</b>

The company assumes that the men will leave their jobs after working 25 years and women after 20 years. It is assumed as of the date of Balance Sheet Date that the termination indemnity will increase by 5% annually (increase on wages of employee) until the date of retirement (31.12.2015: 5%). So that the termination indemnity is calculated on the retirement date at the time of balance sheet date. This amount is discount by 10% in accordance with the remaining time for retirement and net present value is calculated. Cap for termination indemnity is TL 4,426 (31.12.2015: TL 4,092)

Assumptions on the calculation of termination indemnity are as follows;

	31.12.2016	31.12.2015
Working period	F: 20 years, M: 25 years	F: 20 years, M: 25 years
Increase of wage	5%	5%
Not receive severance pay rate	82%	84%
Discount rate	10%	9%

Transactions within the period related to termination indemnity are as follows;

	31.12.2016	31.12.2015
Beginning of the term	1,053,487	687,434
Payments	(644,879)	(437,117)
Interest cost	82,066	48,255
Period expense	303,268	223,790
Actuarial gain / loss	92,548	531,125
<b>End of Period</b>	<b>886,490</b>	<b>1,053,487</b>

Actuarial income and losses are reported in income statement.

Provisions for Days Off:

According to the applicable Code of Labor in Turkey, in case a labor agreement is terminated for any reason, the company has to pay wages for the annual days off which the employee did not take to the employee or his/her legal representatives at the time of termination.

In-period activities for days off are given as below;

	<b>31.12.2016</b>	<b>31.12.2015</b>
Beginning of the term	308,830	319,194
Payments / Cancellations	-	(24,762)
Additional	179,559	14,398
<b>End of Period</b>	<b>488,389</b>	<b>308,830</b>

**16. OTHER CURRENT ASSETS / CURRENT PERIOD TAX-RELATED ASSETS**

<b>Other Current Asset</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Revenue accruals for inpatients	7,447,201	4,192,563
Deferred VAT	3,454,851	378,602
Work advances	2,222,913	1,224,391
Advances to personnel	34,181	4,449
<b>Total</b>	<b>13,159,146</b>	<b>5,800,005</b>

<b>Assets Related Current Period Tax</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Prepaid tax and funds	239,279	-
<b>Total</b>	<b>239,279</b>	<b>-</b>

**17. PREPAID EXPENSES**

<b>Prepaid Expenses and Income Accruals</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Advances given	2,411,231	1,191,995
Prepaid expenses	770,333	488,241
<b>Total</b>	<b>3,181,564</b>	<b>1,680,236</b>

<b>Prepaid Expenses (Long-term)</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Expenses of next years	193,598	177,843
<b>Total</b>	<b>193,598</b>	<b>177,843</b>

**18. LIABILITIES RELATED CURRENT PERIOD TAX**

<b>Liabilities Related Current Period Tax</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Restructured deferred tax and SSI liabilities*	21,014,226	13,993,339
<b>Total</b>	<b>21,014,226</b>	<b>13,993,339</b>

(\*) All of the installments and deferred tax liabilities are deferred tax liabilities due to being declared a coercive cause by the Revenue Administration Department due to the earthquake that occurred in Van province on 23.11.2011. The date of expiry will be announced by the administration. The amount of TL 2,626,778 reported in long-term tax liabilities is classified as current tax payable and funds payable.

**19. PAYABLES UNDER EMPLOYEE BENEFITS**

<b>Payables under Employee Benefits</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Personnel wage accruals	5,342,692	3,563,201
Social security premiums	3,789,931	1,189,058
<b>Total</b>	<b>9,132,623</b>	<b>4,752,259</b>

## 20. DEFERRED REVENUES

<b>Deferred Revenues</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Advances received*	700,042	317,545
Other advances	14,624	447,185
<b>Total</b>	<b>714,666</b>	<b>764,730</b>

(\*) Advances received from the companies that are supplied goods and services.

<b>Deferred Revenues (Long-term)</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Prepaid salary promotional contract revenue	190,678	484,109
Advances received	2,218,453	1,670,000
<b>Total</b>	<b>2,409,131</b>	<b>2,154,109</b>

## 21. OTHER SHORT-TERM LIABILITIES

<b>Other Short-term Liabilities</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Taxes and funds payable*	3,864,816	2,983,973
Prepaid salary promotional contract revenue	199,558	129,194
Doctor premiums	235,742	267,894
<b>Total</b>	<b>4,300,116</b>	<b>3,381,061</b>

(\*) All of the installments and deferred tax liabilities are deferred tax liabilities due to being declared a coercive cause by the Revenue Administration Department due to the earthquake that occurred in Van province on 23.11.2011. The date of expiry will be announced by the administration. The amount of TL 2,626,778 reported in long-term tax liabilities is classified as current tax payable and funds payable.

## 22. SHAREHOLDER'S EQUITY

	<b>31.12.2016</b>	<b>31.12.2015</b>
Capital	24,000,000	24,000,000
<b>Paid Capital</b>	<b>24,000,000</b>	<b>24,000,000</b>

The Company has increased the registered capital ceiling from TL 100,000,000 to TL 200,000,000 to be effective in the years 2015-2019.

### Share Issuance Premiums:

<b>Share Issuance Premiums</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Share issuance premiums	(3,022,141)	(967,200)
<b>Total</b>	<b>(3,022,141)</b>	<b>(967,200)</b>

In order to protect the shareholder, to ensure the stable and fair value of the share price and to maintain the confidence in the company, the Company Management is required to keep the share price traded under the "BIST" transaction affected by the market conditions due to fluctuations in Turkey and world markets and to prevent serious loss of value, At the Ordinary General Assembly meeting of the year 2014, when the company's shares were deemed necessary, the Company was authorized to take back the shares. Accordingly, it is authorized to buy 10% of the capital of the company for a period of 3 years within the range of TL 0-lower and TL 6,00- upper price limit.

The Company has recovered 1,196,282 shares as of December 31, 2016, with a share of 4.98% in the company's capital (31.12.2015: 429,573 units: 1.79%).

Share Premiums;

Share premiums consist of cash inflows resulting from the sale of shares at market prices. These premiums are shown under equity and cannot be distributed. However, it can be used for future capital increases.

Revaluation Funds;

<b>Revaluation Funds</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Revaluation fund on fixed assets	26,548,322	30,592,317
Effect of deferred tax	(120,732)	(1,529,616)
<b>Total</b>	<b>26,427,590</b>	<b>29,062,701</b>

Value increases include value increases arising from the presentation of property, plant and equipment at fair value. The net deferred tax effect was 5% after the assumption that the 75% exemption right stated in Article 5 of the Corporate Tax Law was used in the calculation of deferred tax effect of value increases.

The Company has assessed buildings and buildings reported in property, plant and equipment in accordance with the report dated 05.01.2017 by D Gayrimenkul Değerleme ve Danışmanlık A.Ş., an independent real estate appraisal company licensed by the CMB, which is not related to the Company. The management of the company thinks that the valuation company has occupational accumulation related to the subject and has updated information about the class and place of the land and buildings in question.

In the valuation made by, D Gayrimenkul Değerleme ve Danışmanlık A.Ş. It is appreciated that the total value of the land and buildings is less than TL 2,798,232 less the amount recorded in the most recent financial statements. Peer comparison and revenue capitalization method are used as valuation method.

Defined Benefit Plans Re-measurement Gains / Losses (Actuarial Gain / Loss);

<b>Defined Benefit Plans Re-measurement Gains / Losses (Actuarial Gain / Loss)</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Beginning of the term	(1,313,750)	(888,849)
Additions within the period	(92,548)	(531,126)
Deferred tax	94,259	106,225
<b>Total</b>	<b>(1,312,039)</b>	<b>(1,313,750)</b>

The total burden of severance pay between the two periods is divided into interest expense, current period service cost and actuarial gains / losses. Interest expense is the cost of the use of the liability in the period that existed in the balance sheet of the previous accounting period and is the amount of liability of those who continue to work at the beginning of the period and also the one that was multiplied by the amount of the discount rate used in that year.

A total severance pay burden between the two periods, interest expense in the current period service cost and actuarial gains / losses are divided into sections. Interest cost of the previous fiscal year and the cost of the use of the balance sheet or in the period of the obligation to those who continue to work for the amount of the liability at the beginning of the period, multiplied by the amount of the discount rate used in that year. Current service cost in the current accounting period of the severance pay they deserve to be paid for work of employees in the amount of the discount rate, expected to reach the part resulting from the balance sheet day. Other than that the differences reflect the actuarial gains and losses. Actuarial gains / losses recognized in equity and current service cost and interest cost is recognized in the statement of comprehensive income.



Foreign currency exchange differences;

The Group's functional currency is the Turkish Lira. Iraq One of the Group companies Engürüsağ General Trading Co., Ltd. Sti. (Erbil) which operates in Iraq prepares its financial statements in U.S. dollars. Related company's financial statements are translated into the functional currency. Financial statements have been exchanged into Turkish Lira in accordance with the International Accounting Standards (IAS) No. 21, "The Effects of Changes in Foreign Exchange Rates".

<b>Translation Differences</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Beginning of term	(226,552)	(506,168)
Additions within period	433,255	279,616
<b>Total</b>	<b>206,703</b>	<b>(226,552)</b>

In terms of translation; asset items are converted to the functional currency with the exchange rates on the balance sheet. Payables are converted to the functional currency with the exchange rates on the balance sheet; Shareholders' equity is converted to the functional currency with the rate of date's exchange. Income and expenses are exchanged to the functional currency with rates of the transaction date.

Legal Reserves;

<b>Restricted Reserves</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Legal reserves in beginning	2,058,292	947,880
Legal reserves from previous period's profit	2,438,735	1,110,412
<b>Total</b>	<b>4,497,027</b>	<b>2,058,292</b>

TL 3.022.141 of the restricted reserves reserved for profit consists of shares withdrawn (31.12.2015: TL 967,200).

According to the Turkish Commercial Code, the legal reserve is composed of cash. Legal reserves are allocated at a rate of 5% of the statutory period profit until reaching 20% of the Company's capital.

Previous year's profit was TL 4,383,102 (31.12.2015: TL 4,537,740).

Non-controlling Shares;

<b>Non-controlling Shares</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Minority shares	1,412,673	1,412,673
Minority shares in previous year's profit	2,931,833	(340,456)
Minority shares in period's profit / loss	9,485,598	3,249,486
<b>Total</b>	<b>13,830,104</b>	<b>4,321,703</b>

**23. SALES AND COST OF SALES**

	<b>01.01.2016</b>	<b>01.01.2015</b>
	<b>31.12.2016</b>	<b>31.12.2015</b>
Sales of healthcare	187,400,539	136,839,651
Sales of biological assets and milk*	4,806,494	2,571,426
Sales of residential and offices	1,873,958	1,568,069
Rental income	888,075	598,077
<b>Total</b>	<b>194,969,066</b>	<b>141,577,223</b>

Cost of sales healthcare	(159,114,694)	(120,521,630)
Cost of sales biological assets and milk	(3,635,932)	(2,151,033)
Cost of construction	(1,421,981)	(1,792,028)
<b>Total</b>	<b>(164,172,607)</b>	<b>(124,464,691)</b>
<b>Gross Profit</b>	<b>30,796,459</b>	<b>17,112,532</b>

(\*) Within the sales of live assets and milk products, a value increase of TL 667,892 has been reported. (31.12.2015: TL 417,275).

Costs of service sales based on their character are as follows;

	<b>01.01.2016 31.12.2016</b>	<b>01.01.2015 31.12.2015</b>
Fees and fees related expenses	(95,959,693)	(70,084,921)
Raw material and supplies	(43,845,359)	(31,600,042)
Depreciation and amortization	(7,020,365)	(7,669,658)
Energy, fuel and water charges	(4,861,789)	(4,417,065)
Maintenance service expenses	(3,282,284)	(2,607,734)
Rental expenses	(6,438,355)	(4,582,160)
Representation expenses	(330,848)	(657,262)
Communication, shipping, food expenses	(942,665)	(730,182)
Consulting expenses	(260,529)	(786,392)
Stationery, education, textile expenses, expenditure recorded inventories	(849,893)	(957,745)
Miscellaneous expenses	(380,827)	(371,530)
<b>Total</b>	<b>(164,172,607)</b>	<b>(124,464,691)</b>

#### **24. MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES**

	<b>01.01.2016 31.12.2016</b>	<b>01.01.2015 31.12.2015</b>
Marketing, sales and distribution expenses	(2,419,982)	(1,667,792)
General administrative expenses	(6,339,955)	(4,709,468)
<b>Total</b>	<b>(8,759,937)</b>	<b>(6,377,260)</b>

<b>Marketing, Sales and Distribution Expenses</b>	<b>01.01.2016 31.12.2016</b>	<b>01.01.2015 31.12.2015</b>
Advertising expenses	(1,152,730)	(999,164)
Personnel expenses	(613,459)	(399,802)
Rent expenses	(187,721)	(41,890)
Travel and representation expenses	(129,916)	(47,138)
Commission expenses	(205,208)	(169,259)
Other expenses	(130,948)	(10,539)
<b>Total</b>	<b>(2,419,982)</b>	<b>(1,667,792)</b>

	<b>01.01.2016</b> <b>31.12.2016</b>	<b>01.01.2015</b> <b>31.12.2015</b>
<b>General Administrative Expenses</b>		
Fees and similar expenses	(3,916,532)	(2,810,529)
Representation, travel and transportation expenses	(222,564)	(17,812)
Consultancy, advisory, litigation execution and notary expenses	(868,138)	(540,079)
Energy, fuel and water charges	(82,675)	(118,936)
Maintenance service expenses	(25,766)	(18,471)
Rent expenses	(321,447)	(314,321)
Communication expenses	(39,478)	(37,972)
Depreciation	(217,551)	(249,566)
General assembly expenses	(20,969)	(10,760)
Other expenses	(464,513)	(514,425)
Tax, picture, fee charges	(160,322)	(76,597)
<b>Total</b>	<b>(6,339,955)</b>	<b>(4,709,468)</b>

## 25. OTHER INCOME

	<b>01.01.2016</b> <b>31.12.2016</b>	<b>01.01.2015</b> <b>31.12.2015</b>
Unrecognized provisions	2,955	1,803
Income from bank salary agreements	223,066	224,327
Insurance revenues	177,673	171,747
Gain on sales of fixed assets	371,801	56,894
Electricity sales revenue	20,925	-
Incentive support incomes	61,097	14,458
Miscellaneous income	228,322	98,878
<b>Total</b>	<b>1,085,839</b>	<b>568,107</b>

## 26. OTHER EXPENSES

	<b>01.01.2016</b> <b>31.12.2016</b>	<b>01.01.2015</b> <b>31.12.2015</b>
Provision expenses	(1,047,980)	(949,395)
Loss on sales of fixed assets	(193,689)	-
Donations and grants*	(1,352,036)	(55,233)
Taxes and other penalties	(129,051)	(28,403)
Expenses related to prior periods	(51,104)	-
Past years land cost	(321,049)	(801,703)
Miscellaneous expenses	(252,946)	(193,467)
<b>Total</b>	<b>(3,347,855)</b>	<b>(2,028,201)</b>

(\*) The real estates registered in the Company's assets on the grounds that the Company's Board of Directors has received it on 11.09.2015, are donated to Sevgi Foundation provided that Lokman Hekim University is established. The registered value of the land is TL 1,196,000.

## 27. FINANCIAL INCOME

	<b>01.01.2016</b> <b>31.12.2016</b>	<b>01.01.2015</b> <b>31.12.2015</b>
Interest income	427,728	30,937
Foreign exchange profits	68,828	69,589
Rediscount interest income	1,318,280	1,182,440
<b>Total</b>	<b>1,814,836</b>	<b>1,282,966</b>

## 28. FINANCIAL EXPENSES

	<b>01.01.2016</b>	<b>01.01.2015</b>
	<b>31.12.2016</b>	<b>31.12.2015</b>
Foreign exchange losses	(43,662)	(69,163)
Rediscount interest losses (-)	(2,209,468)	(1,649,896)
Interest expenses	(3,913,230)	(2,899,764)
<b>Total</b>	<b>(6,166,360)</b>	<b>(4,618,823)</b>

## 29. TAX REVENUE / EXPENSE

### Corporate Tax:

The rate of corporate tax is 20% which is calculated on legal tax base that is the commercial income of the companies plus non-deductible costs which are not allowed according to tax regulations less the exemptions which are allowed according to tax codes.

There is withholding on the dividend payments and this withholding liability is accrued in the dividend payment period. Dividend payments made to limited liable tax payer institutions which gain income through a company in Turkey or permanent agent and corporations resides in Turkey are subject to withholding tax at a rate of 15%. Double Taxation Agreements are also taken into consideration on the determination of withholding rates on the dividend payments made to limited liable tax payers and real persons. Contribution of previous years' profits to capital are not considered as dividend payment, therefore not subject to withholding tax.

Rules regarding to transfer pricing are set under Article 13 of Corporate Tax Law, section "Hidden dividend distribution through transfer pricing". General communiqué on the hidden dividend distribution through transfer pricing dated 18 November 2007 includes regulations about the implementation. If a tax payer interacts with a related party through selling / buying of goods or services and prices cannot be determined in such a way that independent of both parties and each no has control on the other, then related profits are considered to be distributed in a hidden way through transfer pricing. Such hidden dividend distributions cannot be deducted from corporate tax calculation.

According to Turkish tax regulations, financial losses can be carried forward for 5 years in order to be written off from the future corporate profits. However, financial losses cannot be written off from previous years' profits.

There is not any procedure like reaching a mutual agreement with the tax office for the taxes to be paid in Turkey. Corporate tax declarations are submitted in for months following end of financial year. Tax authorities can inspect the tax declarations and related documents for 5 consecutive years and make necessary adjustments based on the findings;

Tax income / expense as follows:

<b>Tax Income / Expense of Period</b>	<b>01.01.2016</b>	<b>01.01.2015</b>
	<b>31.12.2016</b>	<b>31.12.2015</b>
Tax deduction of period	(2,278,222)	(897,866)
Deferred tax income / expense	3,454,002	3,570,091
<b>Net</b>	<b>1,175,780</b>	<b>2,672,225</b>
<b>Income Tax Liability of Period</b>	<b>01.01.2016</b>	<b>01.01.2015</b>
	<b>31.12.2016</b>	<b>31.12.2015</b>
Profit for the period tax and other legal liabilities	2,278,222	897,866
Taxes and other liabilities paid in advance for the period	(488,289)	(426,202)
<b>Total</b>	<b>1,789,933</b>	<b>471,664</b>

### Investment Deduction:

It has been ruled that according to Provisional Article 69 which was added to Income Tax Law numbered 193 through Law numbered 5479 and become effective after 1 January 2006 and published in Official Gazette numbered 26133 and dated 8 April 2006, within the scope of this article tax payers can only deduct the calculated investment deduction amount – in accordance with the rules applicable on 31 December 2012 – (including the rules regarding the tax rates)

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from their corporate incomes for the financial years 2006, 2007 and 2008; therefore, implementation of investment deduction has abolished as of 31 January 2006. Under this frame, tax payers which have not used a portion or all of their right to deduct investment deduction incentive in three year period had lost their rights as of 31 December 2008. On the other hand, Article 2 and 15 of law numbered 5479 and Article 19 of Income Tax Law has been abolished as of 1 January 2006 and so that it is not allowed to use the investment deduction incentive on the investment costs which has been made between 1 January 2006 and 8 April 2006.

**Contribution to Investment;**

Corporate Tax Law Article 32 / A of the application with the reduced corporate tax came into force on 28.02.2009. The promotion of investment since 2009 has started on a different system than before. These systems are based on the 2009/15199 and 2012/3305 are described by the Council of Ministers Decision.

Reduced corporate tax investments to be made with the application of the proceeds from the contribution amount until it reach the reduced corporate tax rate of taxation is intended. These investments contribute to the system by determining the rate and amount of investment gains in the amount of the contribution is based on the principle of less taxation. Defined contribution amount for each investment until the reduced corporate tax rate by applying the tax to be charged in the amount of the contribution of the investment is promoted.

Contribution to investment amount reduced corporate tax to be applied for collection with the foregone tax through investments amount to be covered by the state. The investment contribution rate is represented by the division of total contribution amount by the total investment incentive. Reduced corporate tax contribution amount will be applied until it reaches to amount of contribution investment. Therefore, reduction in corporate tax practice is not limited to a certain period.

**Deferred Tax;**

<b>Deferred Tax – 31.12.2016</b>	<b>Temporary Differences</b>	<b>Tax Assets</b>	<b>Tax Liabilities</b>
Unused deposit amount	-	7,267,201	-
Valuation differences of live assets	932,330	-	186,466
Valuation increases in fixed assets*	27,818,516	-	1,390,926
Value correction in fixed assets**	6,646,833	-	883,697
Stock adjustment	160,158	32,032	-
Doctor payroll premiums	340,913	68,183	-
Provisions for benefits provided to employees	1,374,879	274,975	-
Receivable provision	781,440	156,288	-
Financial loss	4,261,768	852,354	-
Rediscounts on receivables	1,032,773	206,555	-
Debt rediscounts	1,695,064	-	339,012
Litigation provisions	712,560	142,512	-
Exchange differences and interest accruals	19,237	3,847	-
<b>Total</b>		<b>9,003,947</b>	<b>2,800,101</b>
<b>NET</b>			<b>6,203,846</b>

  

<b>Deferred Tax – 31.12.2015</b>	<b>Temporary Differences</b>	<b>Tax Assets</b>	<b>Tax Liabilities</b>
Unused deposit amount	-	4,264,394	-
Valuation differences of live assets	264,438	(52,888)	-
Valuation increases in fixed assets*	30,592,317	-	(1,529,616)
Value correction in fixed assets**	6,395,632	-	(1,279,126)
Stock adjustment	76,007	15,201	-
Doctor payroll premiums	253,859	50,772	-
Provisions for benefits provided to employees	1,362,317	272,464	-
Receivable provision	723,230	144,646	-
Financial loss	2,467,052	493,410	-
Rediscounts on receivables	678,983	135,797	-
Debt rediscounts	285,966	-	(57,193)
Litigation provisions	240,970	48,194	-
Exchange differences and interest accruals	54,203	10,840	-
<b>Total</b>		<b>5,382,830</b>	<b>(2,865,935)</b>
<b>NET</b>			<b>2,516,895</b>

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(\*) Company made the calculation of deferred tax of appreciation which occurred after the result of valuation of land and buildings with assumption of getting benefit from the exception at the rate of 75% which is indicated in Article 5 in Corporate Tax Law. Conditions for getting benefit from this exception are like below;

- Immovable will be in company's asset minimum for 2 years.
- Profits arising from sale of immovable will be held in a private fund account at liabilities during 5 years.
- Sale price will be collected at the end of following the second year after sale is made.

(\*\*) This amount is net correction over the other intangible assets separated from intangible assets that valuation made for it (value correction which is made over its amortizations because of calculation of amortization according to its cost and useful life) and effect of deferred tax is considered as 20%.

**30. EARNINGS PER SHARE**

	<b>01.01.2016</b>	<b>01.01.2015</b>
	<b>31.12.2016</b>	<b>31.12.2015</b>
Profit / Loss	7,113,164	5,362,060
Number of Shares	24,000,000	24,000,000
<b>Earnings / Loss per share</b>	<b>0.2963</b>	<b>0.2234</b>

As of June 20, 2016, the Company has made a profit distribution of TL 2,823,529 (TL 0.1176 per share gross and TL 0.1000 per share).

**31. EXPLANATIONS REGARDING TO RELATED PARTIES****Receivables from Related Parties**

	<b>31.12.2016</b>		<b>31.12.2015</b>	
	<b>Commercial</b>	<b>Non-Commercial</b>	<b>Commercial</b>	<b>Non-Commercial</b>
Van Divan Sağlık Eğitim Turizm Sanayi Ticaret A.Ş.	677,758	-	750,843	-
Safi Sağlık Sanayi Ticaret A.Ş.	187,703	-	119,263	-
<b>Total</b>	<b>865,461</b>	<b>-</b>	<b>870,106</b>	<b>-</b>
<b>NET</b>	<b>865,461</b>		<b>870,106</b>	

**Payables to Related Parties**

	<b>31.12.2016</b>		<b>31.12.2015</b>	
	<b>Revenue</b>	<b>Expenses</b>	<b>Revenue</b>	<b>Expenses</b>
Lokman Hekim Tıbbi Hizmetler Ltd. Şti.	277,993	-	556,588	-
Afşar Matbaacılık Ofset ve Tipo Tesisleri	64,197	-	335,901	-
Özdemir İnş.	10,561	-	15,794	-
Taah.Müh.Turz.Nak.Mak.San.Tic.Ltd.Şti	25,249	-	30,108	53,834
Koç Medikal Tib. Mal.Tic.Ltd.Şti.	84,960	-	59,362	69,674
Medisina Grup Sağlık Dan.Eğt.İnş.Temz.Tic.Ltd.Şti.	20,000	-	20,000	-
Akgül Grup Gıda Tem. Turz. Rek. Dan Tic. Ltd. Şti.	26,975	-	-	-
Necip Sağlık Hiz.San. Tic.Ltd.Şti	39,364	-	-	-
Pek Sağlık Hizmetleri San.Tic.Ltd.Şti	36,434	-	-	88,203
Pozitron Sağlık Hiz. San. Ve Tic. Ltd. Şti.	1,575	-	-	-
Çetin Matbaacılık Ofset Tipo (Dilek Afşar)	781,520	-	916,553	-
Safi Sağlık Sanayi Ticaret A.Ş.	-	-	-	351,408
Hamdi Özkan	-	4,300	-	4,300
Serdar Özkan	-	-	-	-
<b>Total</b>	<b>1,368,828</b>	<b>4,300</b>	<b>1,934,306</b>	<b>567,419</b>
<b>NET</b>	<b>1,373,128</b>		<b>2,501,725</b>	

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Revenue / Expenses	01.01.2016-31.12.2016		01.01.2015-31.12.2015	
	Revenue	Expenses	Revenue	Expenses
Afşar Matbaacılık Ofset ve Tipo Tes.(Muhlis Afşar)	-	(121,738)	-	(222,841)
Koç Medikal Tib. Mal.Tic.Ltd.Şti.	26,709	(134,716)	17,525	(133,197)
Akgül Grup Gıda Tem. Turz. Rek. Dan Tic. Ltd. Şti.	222,710	(20,850)	243,870	(20,146)
Medisina Grup Sağlık Dan. Eğt. İnş. Temz. Tic. Ltd. Şti.		(111,428)	-	(255,650)
Lokman Hekim Tıbbi Hizmetler Tic.Ltd.Şti.	212,463	(2,226,317)	-	(1,988,997)
Özdemir İnş.	-	(106,300)	-	(99,400)
Taah.Müh.Turz.Nak.Mak.San.Tic.Ltd.Şti	-	(1,525)	-	(2,833)
Şekerciler Gıda Tic. Ltd. Şti.	-	(1,509,582)	-	(1,506,704)
Pozitron Sağlık Hiz. San. ve Tic. Ltd. Şti.	-	(131,465)	-	(639,626)
Benefits Provided for the Executive Management	-	(326,400)	-	(967,582)
Benefits Given for Executive Management For Professional Activity	-	(1,210,564)	-	(1,246,922)
Benefits Provided to Shareholders Actively Working in the Company	-		-	
<b>Total</b>	<b>461,882</b>	<b>(5,900,885)</b>	<b>261,395</b>	<b>(7,083,898)</b>
<b>NET</b>		<b>(5,439,003)</b>		<b>(6,822,503)</b>

Benefits provided to key managers are in the "Benefits Provided for the Executive Management". Key managerial personnel are not provided any other benefit aside from charge.

### 32. LEVELS AND CHARACTERISTICS OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

**Credit Risk:** Company's credit risk can arise from its trade receivables. Company management evaluates its trade receivables considering past experiences and current economic situation. Company management does not envision additional risk about trade receivables.

31.12.2016	Receivables				Bank Deposits	Other
	Trade Receivables		Other Receivables			
	Related Parties	Other	Related Parties	Other		
Maximum exposed credit risk as of reporting date (A+B)	865,461	39,323,731	-	8,537,641	514,081	279,739
- Secured portion of the maximum credit risk by guarantees, etc.	-	-	-	-	-	-
A. Net book value of financial assets either are not due or not impaired	865,461	39,323,731	-	8,537,641	514,081	279,739
B. Net book value of impaired assets	-	-	-	-	-	-
- Overdue (Gross book value)	-	903,571	-	-	-	-
- Impairment (-)	-	(903,571)	-	-	-	-

31.12.2015	Receivables				Bank Deposits	Other
	Trade Receivables		Other Receivables			
	Related Parties	Other	Related Parties	Other		
Maximum exposed credit risk as of reporting date (A+B)	870,106	30,987,338	-	854,584	333,950	284,480
- Secured portion of the maximum credit risk by guarantees, etc.	-	-	-	-	-	-
A. Net book value of financial assets either are not due or not impaired	870,106	30,987,338	-	854,584	333,950	284,480
B. Net book value of impaired assets	-	-	-	-	-	-
- Overdue (Gross book value)	-	840,816	-	-	-	-
- Impairment (-)	-	(840,816)	-	-	-	-



**LOKMAN HEKİM ENGÜRÜSAĞ SAĞLIK, TURİZM, EĞİTİM HİZMETLERİ VE İNŞAAT TAAHÜT A.Ş.**

Notes to the Consolidated Financial Statements for the period 1 January 2016 – 31 December 2016

*(Amounts are expressed in Turkish Lira (TL) unless otherwise stated.)*

**Liquidity Risk:** Liquidity Risk is that company does not fulfill its obligation of net funding. Decrease in the fund resources such as breakdowns in the markets or reducing credit score causes emergence of liquidity risk. Company management manages the liquidity risk by means of distributing the fund resources and holding enough cash and cash equivalents to fulfill its current and possible obligations. Statement that demonstrates the company's current and previous liquidity risk is below.

<b>31.12.2016</b>							
<b>Contractual maturities</b>	<b>Book value</b>	<b>Total of contract based cash outflow (=I+II+III+IV)</b>	<b>0-3 month (I)</b>	<b>3-12 months (II)</b>	<b>1-5 years (III)</b>	<b>5 - years (IV)</b>	<b>Demand deposit</b>
<b>Non-derivative financial liabilities</b>							
Financial liabilities	42,283,083	51,899,325	4,503,808	17,978,351	29,417,166	-	-
Financial leasing liabilities	3,915,824	4,591,429	599,028	1,519,308	2,473,093	-	-
<b>Expected maturities</b>	<b>Book value</b>	<b>Total of contract based cash outflow (=I+II+III+IV)</b>	<b>0-3 month (I)</b>	<b>3-12 months (II)</b>	<b>1-5 years (III)</b>	<b>5 - years (IV)</b>	<b>Demand deposit</b>
<b>Non-derivative financial liabilities</b>							
Trade payables	33,984,070	33,984,070	33,984,070	-	-	-	-
Other payables	185,777	185,777	185,777	-	-	-	-
Current income tax liabilities	1,789,933	1,789,933	1,789,933	-	-	-	-
Debt provisions	712,560	712,560	-	-	-	-	712,560
Other liabilities	4,300,116	4,300,116	1,673,338	2,626,778	-	-	-
Provisions related employee benefits	1,374,879	1,374,879	-	-	-	-	1,374,879
<b>31.12.2015</b>							
<b>Contractual maturities</b>	<b>Book value</b>	<b>Total of contract based cash outflow (=I+II+III+IV)</b>	<b>0-3 month (I)</b>	<b>3-12 months (II)</b>	<b>1-5 years (III)</b>	<b>5 - years (IV)</b>	<b>Demand deposit</b>
<b>Non-derivative financial liabilities</b>							
Financial liabilities	28,415,678	30,363,406	2,542,192	6,524,572	16,967,642	-	4,329,000
Financial leasing liabilities	3,675,487	5,170,149	1,111,376	1,453,024	2,605,748	-	-
<b>Expected maturities</b>	<b>Book value</b>	<b>Total of contract based cash outflow (=I+II+III+IV)</b>	<b>0-3 month (I)</b>	<b>3-12 months (II)</b>	<b>1-5 years (III)</b>	<b>5 - years (IV)</b>	<b>Demand deposit</b>
<b>Non-derivative financial liabilities</b>							
Trade payables	13,883,896	13,883,896	13,883,896	-	-	-	-
Other payables	648,108	648,108	648,108	-	-	-	-
Current income tax liabilities	471,664	471,664	471,664	-	-	-	-
Debt provisions	496,803	496,803	-	-	-	-	496,803
Other liabilities	3,381,061	3,381,061	215,081	70,180	3,095,801	-	-
Provisions related employee benefits	1,362,317	1,362,317	-	-	-	-	1,362,317

**Currency Risk:**

<b>Foreign Currency Position Table - 31.12.2016</b>	<b>TL Equivalent (Functional currency)</b>	<b>USD</b>	<b>EUR</b>
1. Trade Receivables	708,867	151,017	47,820
2a. Monetary Financial Assets (Cash, Bank Accounts Included Etc.)	4,380	1,200	42
2b. Non-Monetary Financial Assets	-	-	-
3. Other	1,495,106	421,766	2,919
<b>4. Current Assets (1 +2 +3)</b>	<b>2,208,354</b>	<b>573,983</b>	<b>50,781</b>
5. Trade Payables	-	-	-
6a. Monetary Financial Liabilities	-	-	-
6b. Non-Monetary Financial Assets	-	-	-
7. Other	-	-	-
<b>8. Fixed Assets (5 +6 +7)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total Assets (4 +8)</b>	<b>2,208,354</b>	<b>573,983</b>	<b>50,781</b>
10. Trade Payables	(55,136)	(11,125)	(4,308)
11. Financial Liabilities	-	-	-
12a. Other Monetary Liabilities	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-
<b>13. Short-Term Liabilities (10+11+12)</b>	<b>(55,136)</b>	<b>(11,125)</b>	<b>(4,308)</b>
14. Trade Payables	-	-	-
15. Financial Liabilities	-	-	-
16 A. Other Monetary Liabilities	-	-	-
16 B. Other Non-Monetary Liabilities	-	-	-
<b>17. Long-Term Liabilities (14+15+16)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. Total Liabilities (13+17)</b>	<b>(55,136)</b>	<b>(11,125)</b>	<b>(4,308)</b>
<b>19. Off-Balance Sheet Foreign Currency Derivative Instruments Net Asset / (Liability) Position (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19a. Active-Balance Sheet Foreign Currency Derivative Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19b. Off-Balance Sheet Foreign Currency Derivative Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>20. Net Foreign Currency Asset / (Liability) Position (9-18+19)</b>	<b>2,153,218</b>	<b>562,858</b>	<b>46,473</b>
<b>21. Monetary Accounts Net Foreign Currency Asset / (Liability) Position (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>658,111</b>	<b>141,092</b>	<b>43,554</b>
<b>22. Fair Value Of Financial Instruments Used To Manage Foreign Currency Position</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. Amount Of Hedged Foreign Currency Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24. Amount Of Currency Hedged Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>25. Export</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>26. Import</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Foreign Currency Position Table - 31.12.2015</b>	<b>TL Equivalent (Functional currency)</b>	<b>USD</b>	<b>EUR</b>
1. Trade Receivables	794,535	141,016	121,009
2a. Monetary Financial Assets (Cash, Bank Accounts Included Etc.)	205	70	-
2b. Non-Monetary Financial Assets	-	-	-
3. Other	766,257	263,536	-
<b>4. Current Assets (1 +2 +3)</b>	<b>1,560,997</b>	<b>404,622</b>	<b>121,009</b>
5. Trade Payables	-	-	-
6a. Monetary Financial Liabilities	-	-	-
6b. Non-Monetary Financial Assets	-	-	-
7. Other	-	-	-
<b>8. Fixed Assets (5 +6 +7)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total Assets (4 +8)</b>	<b>1,560,997</b>	<b>404,622</b>	<b>121,009</b>
10. Trade Payables	(42,809)	(14,723)	-
11. Financial Liabilities	-	-	-
12a. Other Monetary Liabilities	(305)	-	(192)
12b. Other Non-Monetary Liabilities	-	-	-
<b>13. Short-Term Liabilities (10+11+12)</b>	<b>(43,114)</b>	<b>(14,723)</b>	<b>(192)</b>
14. Trade Payables	-	-	-
15. Financial Liabilities	-	-	-
16 A. Other Monetary Liabilities	-	-	-
16 B. Other Non-Monetary Liabilities	-	-	-
<b>17. Long-Term Liabilities (14+15+16)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. Total Liabilities (13 +17)</b>	<b>(43,114)</b>	<b>(14,723)</b>	<b>(192)</b>
<b>19. Off-Balance Sheet Foreign Currency Derivative Instruments Net Asset / (Liability) Position (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19a. Active-Balance Sheet Foreign Currency Derivative Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19b. Off-Balance Sheet Foreign Currency Derivative Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>20. Net Foreign Currency Asset / (Liability) Position (9-18+19)</b>	<b>1,517,883</b>	<b>389,899</b>	<b>120,817</b>
<b>21. Monetary Accounts Net Foreign Currency Asset / (Liability) Position (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>751,626</b>	<b>126,363</b>	<b>120,817</b>
<b>22. Fair Value Of Financial Instruments Used To Manage Foreign Currency Position</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. Amount Of Hedged Foreign Currency Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24. Amount Of Currency Hedged Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>25. Export</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>26. Import</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Sensitivity Analysis:

10% depreciation and appreciation of the Turkish Lira against the exchange rate at the dates of 31.12.2016 and 31.12.2015, and assuming that all the variables, including the interest rates, are fixed.

<b>31.12.2016</b>	<b>Gain / Loss</b>	
	Foreign exchange appreciation	Foreign exchange depreciation
<b>In case +/-10% fluctuation of USD rate:</b>		
1- U.S. Dollar net asset / liability	198,081	(198,081)
2- Hedged portion from U.S. Dollar risk (-)		
<b>3- U.S. Dollar Net Effect (1+2)</b>	<b>198,081</b>	<b>(198,081)</b>
<b>In case +/-10% fluctuation of EURO rate</b>		
4- EURO net asset / liability	17,241	(17,241)
5- Hedged portion from EURO risk (-)		
<b>6- EURO Net Effect (4+5)</b>	<b>17,241</b>	<b>(17,241)</b>
<b>TOTAL (3+6)</b>	<b>215,322</b>	<b>(215,322)</b>

<b>31.12.2015</b>	<b>Gain / Loss</b>	
	Foreign exchange appreciation	Foreign exchange depreciation
<b>In case +/-10% fluctuation of USD rate:</b>		
1- U.S. Dollar net asset / liability	113,367	(113,367)
2- Hedged portion from U.S. Dollar risk (-)		
<b>3- U.S. Dollar Net Effect (1 +2)</b>	<b>113,367</b>	<b>(113,367)</b>
<b>In case +/-10% fluctuation of EURO rate</b>		
4- EURO net asset / liability	38,391	(38,391)
5- Hedged portion from EURO risk (-)		
<b>6- EURO Net Effect (4+5)</b>	<b>38,391</b>	<b>(38,391)</b>
<b>TOTAL (3+6)</b>	<b>151,758</b>	<b>(151,758)</b>

### 33. SUBSEQUENT EVENTS

The Company has continued to repurchase its shares traded on the stock exchange after the balance sheet date. As of 05.01.2017, the nominal amount of the shares taken back is TL 1,225,582 and the share of the shares held after the transaction in the company's capital is 5.11%.

The Company was completed the acquisition of real estates near hospital building on 13.01.2017 within the scope of Lokman Hekim Etlik Hospital enlargement project.

According to the letter of Sevgi Foundation dated 16.01.2017; after the donation of the Company's registered real estate to the Sevgi Foundation, in order to establish a university, YÖK (The Council of Higher Education in Turkey) General Assembly decision regarding the establishment of "Lokman Hekim University" has been submitted and related process information has been transmitted to the company for legalization.