

MLPCARE



MLP SAĞLIK HİZMETLERİ A.Ş.

**Interim Report of the Board of Directors for the Three Months Ended as of
March 31, 2020**

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1. Overview:

Founded in 1993, MLP Sağlık Hizmetleri A.Ş. ("MLP Care") is the largest Turkish private healthcare group, with 30 hospitals located in 16 Turkish cities. MLP Care includes the Medical Park and Liv Hospital brands as well as VM Medical Park concept, with hospitals that span the country, from Bursa and Elazığ to Trabzon and Antalya.

2. Corporate Structure:

2.1 Shareholder Structure:

Shareholder Name	Ownership Interest (%)	Ownership Interest (thousand TL)
Publicly Traded (*)	35.01%	72,833
Lightyear Healthcare B.V.	30.69%	63,844
Hujori Financieringen B.V.	3.98%	8,287
Sancak İnşaat Turizm Nakliyat ve Dış Ticaret A.Ş.	15.35%	31,943
Usta Group - Elbaşı Group	14.97%	31,130
Total	100.00%	208,037

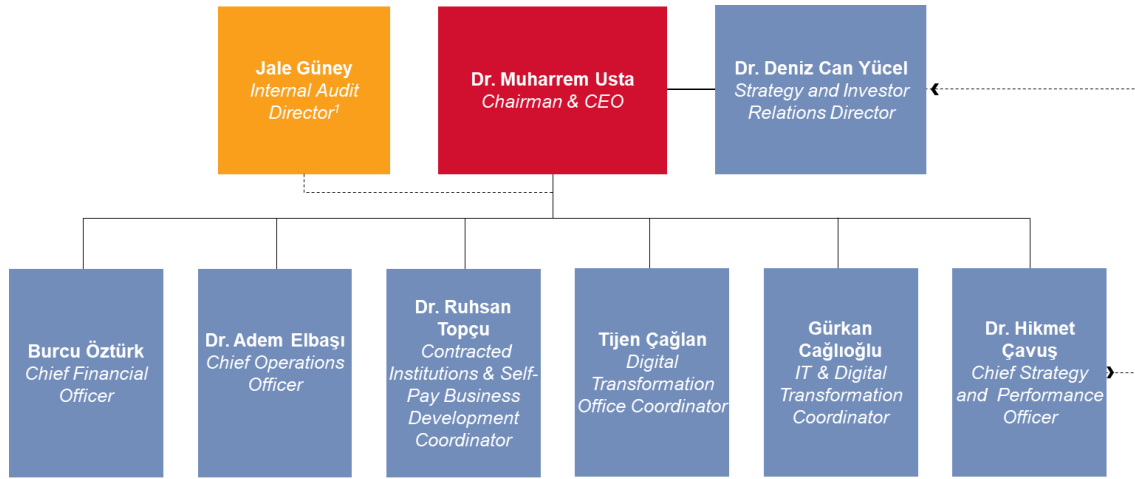
(*) The shareholders of the Company purchased 6,827 thousand shares from the publicly traded portion of the capital. Distribution of the shares purchased is as follows; 3,224 thousand shares representing 4.43% of the publicly traded portion were purchased by Lightyear Healthcare B.V., 1,613 thousand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

2.2 Major Participations (as of March 31, 2020):

Trade Name	Proportion of ownership and voting power held(%)
Sentez Sağlık Hizmetleri A.Ş. ("Sentez Hastaneleri")	56.00%
Temar Tokat Manyetik Rezonans Sağlık Hizmetleri ve Turizm A.Ş. ("Tokat Hastanesi")	58.84%
Samsun Medikal Grup Özel Sağlık Hizmetleri A.Ş. ("Samsun Hastanesi")	80.00%
Özel Samsun Medikal Tıp Merkezi ve Sağlık Hizmetleri Tic. Ltd. Şti. ("Samsun Tıp Merkezi")	100.00%
MS Sağlık Hizmetleri Ticaret A.Ş. ("MS Sağlık")	75.00%
Mediplaza Sağlık Hizmetleri Ticaret A.Ş. ("Mediplaza")	75.00%
MA Group Sağlık ve Danışmanlık Hizmetleri Ticaret A.Ş. ("MA Grup")	51.00%

BTR Sağlık Hizmetleri A.Ş. ("BTR Sağlık")	100.00%
İstanbul Meditime Sağlık Hizmetleri Ticaret Ltd. Şti. ("Meditime Sağlık")	100.00%
MLP Gaziantep Sağlık Hizmetleri Anonim Şirketi ("MLP Gaziantep Sağlık")	60.00%
Sotte Sağlık Temizlik Yemek Medikal Turizm İnşaat San. ve Tic. A.Ş. ("Sotte Sağlık Temizlik Yemek")	100.00%
Kuzey Medikal Pazarlama İnşaat Taşımacılık San. ve Tic. Ltd. Şti. ("Kuzey")	100.00%
Artimed Medikal Sanayi ve Ticaret Ltd. Şti. ("Artimed")	100.00%
21. Yüzyıl Anadolu Vakfı ("21.Yüzyıl Anadolu Vakfı")	100.00%
BTN Sigorta Aracılık Hizmetleri A.Ş. ("BTN Sigorta")	100.00%
Endmed Endüstri Medikal Malzeme Cihazlar San. Tic. Ltd. Şti. ve Kuzey Medikal Pazarlama İnşaat Taşımacılık San. ve Tic. Ltd. Şti. İş Ortaklığı ("Kuzey Hastaneler Birliği" ya da "KHB")	99.90%
BTN Asistans Sağlık Hizmetleri A.Ş. ("BTN Asistans")	100.00%

2.3 Organizational Chart:



¹ Independent director reporting to the Board

3. Developments during the Period:

– Announcement Regarding the Acquisition of a Hospital in Ankara

MLP Care has signed a contract to acquire Medisis Hospital in Kecioren, Ankara on March 13, 2020. The take-over agreement consists of acquisition of the hospital licence and long term lease of hospital building and medical equipment.

The hospital is currently operational and no additional capital expenditure is foreseen. MLP Care intends to bring the hospital to its full potential by leveraging MLP Care's brand strength, operational know how, experienced physicians, and management staff.

The acquired hospital has a total closed area of 19 thousand m². It is located, in Kecioren, one of the top 3 highly populated districts in Turkey with its population of nearly 1 million people. MLP Care expects the hospital to become one of the top performing hospitals within the group.

We had Medical Park Ankara and Liv Hospital Ankara Hospitals in Ankara. Following this acquisition the number of hospitals that we own in Ankara increased to three. It is predicted that the performance of this hospital will be similar to our Medical Park Ankara Hospital.

– **COVID-19: Announcement Regarding the Pandemic Precautions of the Ministry of Health**

The coronavirus (“COVID-19”), which emerged in the People's Republic of China in the last months of 2019 and rapidly spread to the world, was announced as “Global Pandemic” by the World Health Organization on March 11th, 2020. In Turkey, the first case was reported on March 11th, 2020. As of March 23rd, 2020, 1,529 people were diagnosed with the COVID-19, and unfortunately 37 people passed away due to this virus.

From the very beginning, our Group has been fulfilling all its responsibilities to fight against the pandemic. In this context, all preparations have completed in our hospitals, and all our healthcare professionals are ready to support this cause with devotion.

Following the circular order No: 14500235-403.99 dated March 20th, 2020 published by the Ministry of Health of Turkey on “Pandemic Hospitals”, extent of our aforementioned support will be expanded. Because with this circular order, it was decided to evaluate private hospitals that meet certain criteria as “Pandemic Hospital”. Accordingly, hospitals that have level-3 adult intensive care beds and employing at least two of the infectious diseases and clinical microbiology, pulmonology, and internal diseases specialists are defined as “Pandemic Hospital” and the necessary arrangements should be set for the diagnosis and treatment of COVID-19 patients in these hospitals.

Pursuant to the determined criteria, 97% of our total bed capacity is classified as “Pandemic Hospital”. Although the Circular Order requires a certain part of the hospitals to be reserved for the pandemic, it is foreseen that the services related to the pandemic will increase in many of our hospitals considering the increase both in cases and also the need for the measures to be taken to protect patient and employee health.

All our hospitals are ready to provide all kinds of healthcare services as always. Moreover, all necessary committees have been established within our group to implement treatment protocols for COVID-19 patients, in coordination with Ministry of Health of Turkey, and are all ready to take action. Considering the nature of COVID-19 and transmission parameters, all kinds of precautions have been taken including implementation of disinfection procedures for the protection of our employees and hospitals.

Our company is also included in the Economic Stability Shield General Communiqué, announced by the Ministry of Treasury and Finance of Turkey for many industries including healthcare organizations, which we believe it is a concrete and effective step in the fight against the pandemic.

As MLP Sağlık Hizmetleri A.Ş., we would like to indicate that in order to ensure that our country and citizens to be affected by the pandemic as little as possible, we will participate in this challenge with our fullest devotion and will mobilize every possible means to overcome this situation.

– JCR Rating

Following its periodic annual review of the corporate credit rating, JCR Eurasia Rating evaluated the consolidated structure of MLP Sağlık Hizmetleri (“Company”) and the bond issuances in an investment level category on a national and international level. JCR affirmed the ratings on the Long Term and Short Term National Scales as “BBB+(Trk)” and “A-2(Trk)”, respectively, and assigned a “Positive” outlook on the Long Term National Rating. Additionally, the Long Term International Foreign and Local Currency Ratings have been affirmed as “B”.

In the rating report, Company’s unique business model through brands and concepts appealing to different income segments and leading market share, stable revenue and EBITDA growth trend, the maintenance of a low level of financial leverage, the know-how in the field of expanding and managing greenfield and acquired hospitals, the consolidation opportunities in the private hospital sector created by the current economic conjecture, the development potential of the Turkish healthcare sector in the process of convergence with OECD averages in the medium and long-term along with the expectations relating to rising level of investments in the healthcare sector on a global scale in the aftermath of the Covid-19 pandemic were stated as the principle reasons underlying the affirmation and determination of the ratings.

4. Corporate Governance Compliance Report:

4.1 Corporate Governance Principles Compliance Report:

In accordance with the resolution No. 2/49 made by the Capital Markets Board of the Prime Ministry of the Republic of Turkey on January 10, 2019, the Company disclosed the “Compliance Report Format (CRF)” which indicates the compliance status of the Company with the principles of voluntary compliance and the “Corporate Governance Information Form (CGIF)” which indicates the existing corporate governance practices, on the Public Disclosure Platform (KAP) in March 5, 2020. The aforementioned announcements can be reached through <https://www.kap.org.tr/en/Bildirim/824782> and <https://www.kap.org.tr/en/Bildirim/824783> links, respectively.

4.2 Strategy and Investor Relations Department:

Updated information regarding the personnel working at the Company’s Strategy and Investor Relations Department is given below. Strategy and Investor Relations Director Dr. Deniz Can Yücel works fulltime and directly reports to Muharrem Usta, the Chairman of the Board of Directors and CEO.

Information regarding the personnel working at the Company’s Strategy and Investor Relations Department:

Dr. Deniz Can Yücel

Strategy and Investor Relations Director

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Licenses: CMB Advanced and CMB Corporate Governance Rating Specialist Licenses

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Strategy and Investor Relations Manager

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Strategy and Investor Relations Specialist

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During the first three months period of 2020, with the impact of COVID-19 pandemic, IR Department attended 4 domestic and abroad roadshows and conferences to inform shareholders and investors. In addition to this, a total of 75 meetings was organized with both domestic and foreign corporate and individual investors, shareholders and analysts to discuss about Company's operational results, performance and other developments in the first three months of 2020.

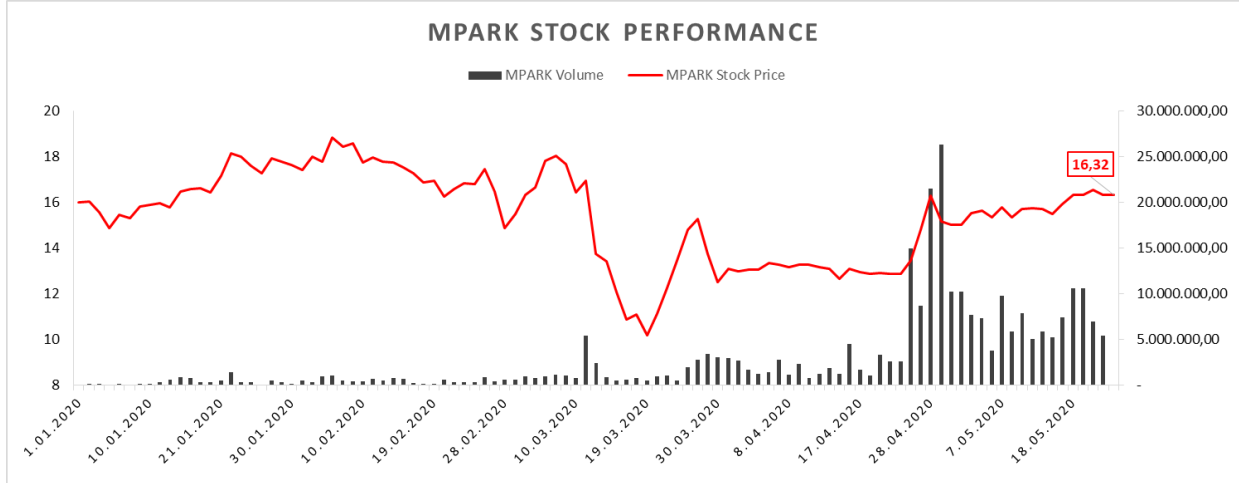
4.2.1 Stock Information**Number of Shares:** 208,037,202 (each with a nominal value of TL 1.00 per share)**Date of IPO:** February 13, 2018**Public:** 35.01% (TFRS Report)**Stock Performance in Q1 2020:**

January 1 – March 31, 2020	Lowest	Highest	Average	March 31, 2020
Stock Price (TL)	10.19	18.84	16.03	13.10
Market Value (million USD)	324	655	548	412

Independent Auditor:

In line with the Audit Committee's evaluation and the Capital Markets Board's Communiqué on Independent Audit, on March 2, 2020, MLP Sağlık Hizmetleri A.Ş.'s Board of Directors resolved to appoint **PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.** to audit our Company's 2020 financial statements. It was also decided to submit the appointment resolution for the approval of the General Assembly.

Stock Performance:



4.3 General Assembly Meetings:

Annual Ordinary General Assembly Meeting for the year 2019

In its meeting dated April 28, 2020, our Board of Directors resolved to hold the Annual Ordinary General Assembly Meeting for the year 2019, which was postponed due to COVID-19 (Coronavirus) pandemic, on May 29, 2020 at 9:00 a.m. at the address "MLP Sağlık Hizmetleri A.Ş. Merkez Ofisi, Flatofis Haliç, Defterdar Mah. Otakçılar Cad. No:78 Eyüp İstanbul" with the agenda below, to make the related announcements and to take all the necessary actions required by the Turkish Commercial Code, the Articles of Association as well as other related regulations to materialize and finalize the meeting. Also within the framework of the measures announced by the Turkish Ministry of Trade, it was unanimously decided to advise the shareholders to participate in the general assembly meetings electronically without participating in the physical environment and to remind that shareholders who want to participate in the general assembly electronically can vote with the Electronic General Assembly System. The agenda of the meeting is given below.

Agenda

1. Opening of the meeting and establishment of the Board of the General Assembly,
2. Authorization of the Board of the General Assembly to sign the meeting minutes and list of attendees,
3. Reading out and discussion of the Annual Report of the Board of Directors for the year 2019,
4. Reading out the report of the Independent Audit Company for the fiscal year 2019,
5. Reading out, discussion and approval of the Financial Statements for the fiscal year 2019 prepared in accordance with the regulations of CMB,
6. Acquittal of the members of the Board of Directors separately regarding their operations and transactions in 2019,
7. Discussion and approval of the proposal of the Board of Directors on profit distribution,
8. Approval of appointments of Meral Kurdaş and Tayfun Bayazıt made on March 2, 2020 as independent board members in place of those whose terms of office have expired and determine the terms of office and remuneration in line with the Capital Markets Board Regulations, Turkish Commercial Code and Article 12 of the Company's Articles of Association,

9. Selection of the independent audit company for the audit of the financial statements and reports for the year 2020 in accordance with the Article 399 of the Turkish Commercial Code numbered 6102, Capital Markets Law numbered 6362 and Article 24 of the Company's Articles of Association,
10. Informing the shareholders on the donations made by the Company in 2019 in accordance with the regulations laid down by the Capital Markets Board and Article 4 of the Company's Articles of Association and discussion and approval of the Board of Directors' proposal on the ceiling of donations to be made in 2020,
11. According to the regulations laid down by the Capital Markets Board, informing the shareholders on any income and benefits obtained by the Company by granting collaterals, pledges and mortgages in favor of third persons,
12. Informing the General Assembly of the transactions, if any, within the context of Article 1.3.6. of the Corporate Governance Communiqué (II-17.1.) of the Capital Markets Board,
13. Authorization of the members of the Board of Directors about the transactions and operations in the context of the Articles 395 and 396 of the Turkish Commercial Code,
14. Petitions and requests.

4.4 The Structure and the Formation of the Board of Directors:

Company's Board of Directors comprises of six members:

- Muharrem Usta – Chairman and CEO
- Seymur Tarı – Vice Chairman
- Hatice Hale Özsoy Bıyıklı – Board Member
- Haydar Sancak – Board Member
- Meral Kurdaş – Independent Board Member
- Tayfun Bayazıt – Independent Board Member

4.5 Working Principles of the Board of Directors:

It's aimed to carry out the duties of the Board in accordance with the Corporate Governance Principles in a transparent, accountable, fair and responsible manner. In this context, in line with the Corporate Governance Principles, the Board meetings are conducted regularly (usually every month) in a way that it can efficiently carry out its duties. The members of the Board also hold meetings whenever it is necessary.

Board members aim attending every meeting and present their opinions. When there are dissenting opinions on reasonable and detailed grounds regarding the questions asked or different opinions expressed by Board members, these are recorded in the meeting minutes.

5. Q1 2020 Earnings Release

Summary Financials

(TL million)	Q1 2020	Q1 2019	Change
Revenue	979	933	4.9%
EBITDA¹	235	231	1.9%
EBITDA margin (%)	24.0%	24.7%	(69bps)
EBITDA¹ without fx effect of other income/expenses from operating activities	218	221	(1.3%)
EBITDA margin (%)	22.3%	23.7%	(140bps)
Net Profit/(Loss) Before Tax	87	21	306.4%
Net Profit/(Loss)	61	11	466.0%
Net Profit/(Loss) Normalized for FX Losses from Debt (Including Hedging Cost)	119	39	206.0%
Net Cash Flow from Operating Activities	205	88	133.2%
Capital Expenditure	36	40	(10.7%)
Operating Cash Flow / Adj EBITDA	87.4%	38.2%	4,916bps

¹ Adj. EBITDA is based on Reported EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) adjusted for one-time (income) / expenses, net and non-cash GAAP provision expenses.

Financial Highlights

- ✓ Revenues increased by 5% to TL 979 million (Q1 2019: TL 933 million) in Q1 2020 on the back of growth in domestic patients despite the pandemic impact. In the first 2 months of 2020, prior to start of the pandemic in the country on March 11th, total hospital revenue increased by 21%.
- ✓ In Q1 2020, Adj. EBITDA increased by 2% to TL 235 million. Although the adjusted EBITDA margin partially includes the effect of cost saving measures implemented due to the pandemic, it decreased by only 69 bps to 24.0%.
- ✓ Net income of TL 61 million was generated in Q1 2020 on the back of operational performance in January and February pre-pandemic period, and the negative goodwill recognized from the favourable acquisition of VM Medical Park Ankara Hospital.
- ✓ Excluding FX loss, net profit rises to TL 119 million in Q1 2020.
- ✓ The net debt/Adj. EBITDA ratio was 2.6x in Q1 2020.

Operating Highlights

- ✓ In Q1 2020, private medical insurance revenue increased by 20%, especially with the contribution of top-up insurance.
- ✓ Foreign Medical Tourism (FMT) revenue increased by 26% in the first two months of 2020, however it decreased by 6% in Q1 2020 following the start of flight restrictions in March.
- ✓ As part of its strategy to focus growth in metropolitans with large-scale hospitals, MLP Care has acquired Medisis Hospital in Ankara/Keçiören, one of the top 3 highly populated districts in Turkey with its population of nearly 1 million people. MLP Care expects the hospital to become one of the top performing hospitals within the group.

- ✓ **Precautions Taken Regarding the COVID-19 Pandemic:** (1) All our hospitals established necessary committees to implement treatment protocols for COVID-19 patients, in coordination with Ministry of Health of Turkey, and as of March 20, 2020 started to diagnose and treat COVID-19 patients as pandemic hospitals. (2) Considering the nature of COVID-19 and transmission parameters, all kinds of precautions have been taken including implementation of disinfection procedures for the protection of our employees and hospitals. (3) Starting from April, Government's Incentive of Short-time Work Program was utilized and home-office practices were initiated for the head office employees. (4) Negotiations have started with suppliers and hospital building landlords to reduce operating costs throughout the pandemic. Material rent haircuts have been received from landlords (11 hospitals) so far. (5) In order to increase the liquidity position of the Company, long term credit lines of TL 330 million has been withdrawn, consisting of an investment loan of TL 80 million and a Net Working Capital loan of TL 250 million. The newly withdrawn facility had an interest rate of TR LIBOR + 2.5% (first 6 months) and 3.5% (remaining period) whereas the company's existing structured facility rate of TR LIBOR +5.8%. (6) As of March 2020, the Net Working Capital Management Committee for the planning of customer collections and supplier payments has been established. (7) Since we are a pandemic hospital, all Social Security Institution (SSI), Withholding Tax, VAT payments for the period of March-June have been postponed to October 2020.

Dr. Muharrem Usta, Chairman and Chief Executive Officer of MLP Care, commented:

"In 2020, the world faced an unprecedented health and economic crisis due to the COVID-19 outbreak. Despite the revenue losses in March, we managed to increase our EBITDA by 2 percent and closed the first quarter of the year with a profit of TL 61 million.

In the January-February of 2020, prior to the pandemic, both domestic and foreign medical tourism revenues increased above our expectations, with total hospital revenues growing by 21%. With the outbreak of the COVID-19 pandemic in March 11th, there was a sharp decline in our domestic and foreign medical tourism revenues in the second half of March and in April. Starting from May, revenues have started to recover despite the Ramadan impact.

SSI price tariff has been updated on March 3, 2020 effective from March 11, 2020. The new SSI prices, positively impact domestic patient revenues. The inclusion of hospitals in Short-time State Subsidy Program starting from April has supported personnel cost. On April 4th, effective immediately, the SSI has increased prices for pandemic treatments as well as intensive care unit treatments.

In the first quarter of this year, we maintained our robust cash position and balance sheet. Thanks to our Group's agile business model, we have taken quick measures to limit the effects of the crisis as much as possible without affecting the Group's long term potential. We expect to see the effects of the pandemic throughout the second quarter as well. We aim to compensate this in the third and fourth quarters due to the pent up demand, with the normalization of life and the abolition of travel restrictions abroad.

As part of our long-term growth strategy, we added a hospital in Ankara to our group in March. MLP Care aims to bring the newly acquired hospital to its full potential as soon as possible, using its brand strength, operational experience, experienced doctor, and management staff.

Our group; from the very beginning, has been trying to fulfil all responsibilities in combating the pandemic. In this context, all preparations have been made in a timely manner, and all of our healthcare professionals support this struggle with utmost devotion. The commitment and dedication of all our healthcare professionals in this regard, has been extraordinary. Hereby, I would like to express my pride and gratitude."

Revenue

	Q1 2020	Q1 2019	Change
Total Revenue (TL million)	979	933	4.9%
Domestic Patient Revenue	807	732	10.2%
<i>Inpatient Revenue</i>	477	430	10.8%
<i>Outpatient Revenue</i>	330	302	9.2%
Foreign Medical Tourism Revenue	100	106	(5.6%)
Other Ancillary Business	72	95	(24.0%)

Domestic Patient Revenue: Revenues generated from domestic patients increased by 10.2% in Q1 2020 driven by both inpatient and outpatient revenue growth.

The inpatient revenue grew by 10.8% in Q1 2020, on the back of the 19.1% increase in average price, despite the 6.9% decrease in volume due to the pandemic effect in March.

The outpatient revenue grew by 9.2% in Q1 2019, mainly driven by 19.2% increase in outpatient average revenue per visit, despite the 8.4% decrease in volume due to the pandemic effect in March.

Foreign Medical Tourism (FMT) Revenue: FMT revenue grew by 26% in the first 2 months of 2020, but with the start of flight restrictions in March due to the pandemic, it decreased by 5.6% despite the high base effect last year (it had grown by 78.6% in the same period of 2019). On December 30, 2019, our Medical Park and Liv Hospital brands were accepted to the state-sponsored branding program Turquality. Target market studies are still ongoing within the framework of this program. We expect foreign medical tourism to start posting growth after June, when travel restrictions are lifted.

Other Ancillary Business: Revenue from other ancillary business decreased by 24.0% in Q1 2020 due to voluntary non-renewal of the tender for the laboratory business as we are dedicated to focus on core business. We expect the base effect arising from this line of business to disappear in Q3 2020. On the other hand, management fees from university hospitals increased by 24.8% in the same period as capacity utilization rises. (Currently, we have 5 university hospitals, of which 3 have management service contracts with us).

Cost of Service and Expenses (Including Hospitals and Ancillary Business)

	Q1 2020	Q1 2019	Change (bps)
(% of Revenues)	76.0%	75.3%	69
Material	21.6%	24.0%	(243)
Doctor	20.8%	20.1%	67
Personnel	18.2%	17.2%	96
Rent	0.9%	0.8%	11
Outso. Serv. Purch.	7.3%	5.0%	224
All other exp.	7.3%	8.1%	(87)

Material consumption as a percentage of total revenue decreased by 243 bps in Q1 2020 due to decrease in the share of laboratory business which has high cost.

Doctor costs as a percentage of total revenue increased by 67 bps to 20.8% in Q1 2020 due to the effect of new hospital acquisitions.

Personnel expenses as a percentage of total revenue increased by 96 bps to 18.2% in Q1 2020 due to new hospital acquisitions and minimum wage increase.

Outsourced services purchases that consists of expenses in other ancillary businesses (laboratory, imaging, cleaning, catering, security etc.) percentage of the total revenue increased by 224 bps to 7.3% in Q1 2020 due to the increased volume of such services received.

All other expenses (energy, foreign and domestic marketing expenses etc.) decreased by 87 bps in Q1 2020 to 7.3% primarily due to the decrease in the marketing expenses related to FMT revenues.

EBITDA

The Adj. EBITDA number increased by 1.9% to TL 235 million in Q1 2020 despite the pandemic effect. On the other hand, Adj. EBITDA margin came in at 24.0% in Q1 2020.

The Adj. EBITDA (without foreign exchange effect of other income/expenses from operating activities) number decreased by 1.3% to TL 218 million in Q1 2020. On the other hand, Adj. EBITDA margin decreased 140 bps to 22.3% in Q1 2020.

Cash Flow

The operating cash flow increased from TL 88 million in Q1 2019 to TL 205 million in Q1 2020 as a result of the improvement in the cash cycle. Thus, the operating cash flow/EBITDA ratio came in at 87.4% in Q1 2020 (Q1 2019: 38.2%).

Maintenance-related capital expenditures as a percentage of revenues was at 2.0% in Q1 2020 (Q1 2019: 1.5%). Total capital expenditures as a percentage of revenues was at 3.7% in Q1 2020 due to lack of new hospital openings that requires high capital expenditure (Q1 2019: 4.3%).

Profit for the Period

Net income of TL 61 million was generated in Q1 2020 on the back of operational performance in January and February when the pandemic effect was not seen, and the goodwill recognized from the favourable acquisition of VM Medical Park Ankara Hospital. Net profit was recorded in spite of the high financial expenditure of TL 166 million in Q1 2020.

As the average Euro rate increased by 10.3% in Q1 2020, foreign exchange expenses increased by 105.0% to TL 57 million. Excluding FX rate loss, net profit was TL 119 million in Q1 2020.

On the other hand, interest expenses decreased by 0.7% as the borrowing interest of TL loans has a decreasing trend. Due to the downward momentum in TL interest rates, finance expenses are expected to decrease in the upcoming periods.

Borrowings and Indebtedness

Net Debt by Currency (TL million)	Q1 2020	Vertical Percentage	2019	Vertical Percentage	Change
TL	723	34%	881	43%	(17.9%)
USD + Euro	616	29%	434	21%	41.9%
Euro (Hedged)	151	7%	149	7%	1.2%
Total loan, financial leasing	1,490	70%	1,465	71%	1.8%
TL (IFRS 16)	588	27%	542	26%	8.4%
USD + Euro (IFRS 16)	62	3%	59	3%	4.4%
Total lease liabilities (IFRS16)	650	30%	602	29%	8.0%
Total net debt	2,140	100%	2,066	100%	3.6%

The net debt/Adj. EBITDA ratio was 2.6x in Q1 2020.

Currency risk management

The company has total EUR 133 million gross principal and interest debt service pertaining to the foreign currency denominated bank loan, financial leasing and IFRS 16 lease liabilities. As of March 31, 2020, EUR 24 million of total debt service including principal and interest for the 2020 period was hedged using a cross currency swap transaction.

The total hedged portion was 19% of the total euro-denominated loans principal, interest payments and lease liabilities. With this transaction, currency risk for the 9-month period has been mitigated.

EBITDA RECONCILIATION

TL million	Q1 2020	Q1 2019
Net profit / (loss)	61	11
Tax (income) from operations	25	10
Depreciation and amortization of tangible and intangible fixed assets	62	64
Total interest expenses/(income) and fair value differences of derivative instruments	160	128
Net (gains) / losses from the disposal of tangible and intangible assets and income from negative goodwill	(82)	(0)
Reported EBITDA	227	213
Net one-off (gains) / losses	4	7
Non-cash GAAP provision expenses	4	11
Adjusted EBITDA	235	231
Adjusted EBITDA Margin (%)	24.0%	24.7%
Foreign exchange gains/(losses) from operations	17	10
Adjusted EBITDA¹	218	221
Adjusted EBITDA Margin (%)¹	22.3%	23.7%

¹ Adj. EBITDA and Adj. EBITDA margin without foreign exchange gains/(losses) from other income/(expenses) from operating activities

SUMMARY CONSOLIDATED INCOME STATEMENT

TL million	Q1 2020	Q1 2019	Change (%)
Revenue	979	933	4.9%
Cost of service (-)	(750)	(706)	6.2%
Gross profit	229	227	0.8%
General administration expenses (-)	(74)	(72)	3.4%
Other income from operations	82	63	31.5%
Other expenses from operations (-)	(67)	(60)	11.7%
Operating profit/(loss)	170	158	7.5%
Income from investing activities	82	0	17,260.4%
Expense from investing activities (-)	(0)	--	100.0%
EBIT	252	158	59.2%
<i>EBIT margin</i>	<i>25.8%</i>	<i>17.0%</i>	<i>879bps</i>
Interest expenses (-)	(108)	(109)	(0.7%)
Net foreign exchange profit / (loss) (including hedging cost)	(57)	(28)	105.0%
Net profit / (loss) before tax	87	21	306.4%
Tax income / (expense) from operations	(25)	(10)	140.7%
Net profit / (loss)	61	11	466.0%

SUMMARY CONSOLIDATED BALANCE SHEET

TL million	Unaudited March 31, 2020	Audited December 31, 2019
Cash and cash equivalents	386	306
Trade receivables	1,067	991
Inventory	118	90
Short term other assets	374	335
Current assets	1,945	1,722
Tangible and intangible fixed assets	1,453	1,327
Right of use assets	291	235
Deferred tax assets	405	398
Long term other assets	238	232
Non-current assets	2,387	2,193
Total assets	4,331	3,914
Trade payables	870	821
Short term other liabilities	328	256
Short term financial liabilities (incl. financial and operational leases)	915	861
Current liabilities	2,114	1,938
Long term other liabilities	137	95
Deferred tax liabilities	183	155
Long term financial liabilities (incl. financial and operational leases)	1,598	1,488
Non-current liabilities	1,918	1,738
Shareholders' equity	280	230
Non-controlling interest	19	8
Equity	300	238
Total liabilities & equity	4,331	3,914