MLPCARE

MLP SAĞLIK HİZMETLERİ A.Ş.

Interim Report of the Board of Directors for the Six Months Ended as of June 30, 2020

CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REVIEW REPORT ON SEMI-ANNUAL REPORT
ORIGINALLY ISSUED IN TURKISH

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

Introduction

1. We have been assigned to the review whether the financial information in the review report of MLP Sağlık Hizmetleri A.Ş (the "Company") and its subsidiaries (collectively referred as the "Group") prepared as at 30 June 2020 is consistent with the reviewed interim condensed consolidated financial information. Management is responsible for the preparation of the semi-annual report. Our responsibility is to express a conclusion on whether the financial information provided in the semi-annual report is consistent with the reviewed interim condensed consolidated financial information on which we have expressed our conclusion dated13 August 2020.

Scope of review

2. We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410 "Review on Interim Financial Information Performed by the Independent Auditor of the Entity". Our review includes the assessment as to whether the financial information included in the semi-annual report is consistent with the reviewed interim condensed consolidated financial statements and other explanatory notes. A review is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards, the objective of which is to express an opinion on the financial statements. Consequently, a review on the semi-annual financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to conclude that the accompanying financial information included in the review report is not consistent, in all material respects, with the interim financial information and the information presented in the explanatory notes to interim condensed consolidated financial statements.

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

Ediz Günsel, SMMM
Partner

İstanbul, 13 August 2020

Table of Contents

1. Overview:

Founded in 1993, MLP Sağlık Hizmetleri A.Ş. (“MLP Care”) is the largest Turkish private healthcare group, with 29 hospitals located in 15 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

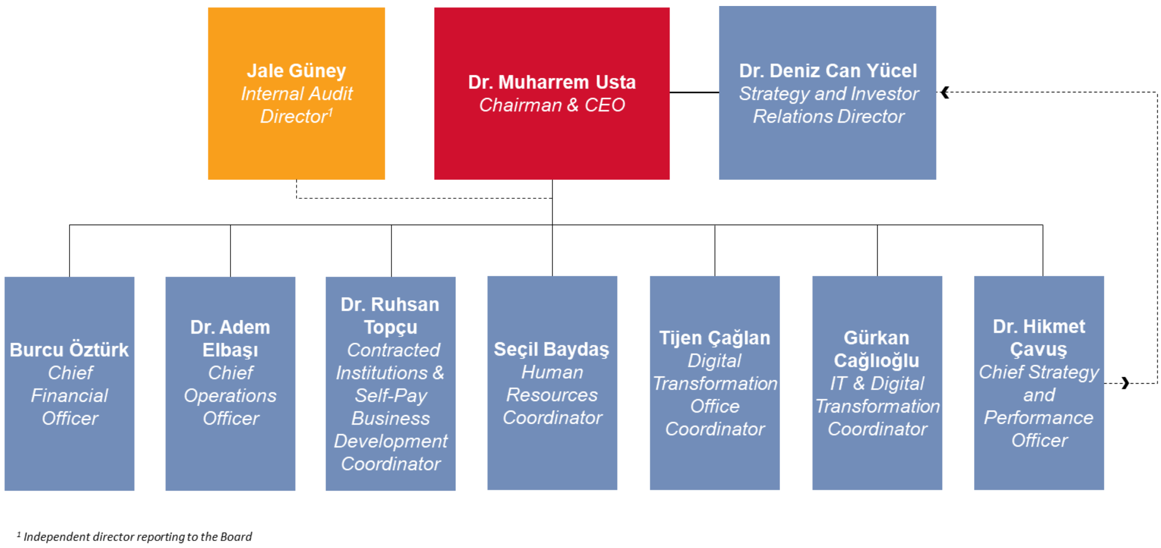
(*) The shareholders of the Company purchased 6,827 thousand shares from the publicy traded portion of the capital. Distribution of the shares purchased is as follows; 3,224 thousand shares representing 4.43% of the publicly traded portion were purchased by Lightyear Healthcare B.V., 1,613 thousand shares representing 2.21% of the publicly traded portion of the capital were purchased by Sancak İnşaat, 943 thousand shares representing 1.29% of the publicly traded portion of the capital were purchased by Muharrem Usta, 418 thousand shares representing 0.57% of the publicly traded portion of the capital were purchased by Hujori Financieringen B.V. , 314 thousand shares representing 0.43% of the publicly traded portion of the capital were purchased by Adem Elbaşı and lastly other shareholders purchased 314 thousand shares representing 0.43% of the publicly traded portion. 1,613 thousand shares purchased by Sancak İnşaat from the publicly traded portion were sold on September 24, 2018. 126 thousand shares purchased by İzzet Usta and 18 thousand shares purchased by Adem Elbaşı from the publicly traded portion were sold. Additional 27 thousand shares were purchased by Muharrem Usta from the publicly traded portion.

2.2 Major Participations (as of June 30, 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%
Artımed Medikal Sanayi ve Ticaret Ltd. Şti. (“Artımed”)	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:



3. Developments During the Period:

- **JCR Rating (April 22, 2020 dated Announcement)**

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.

- **Announcement Regarding the Withdrawal of Financial Guidance for 2020 (May 28, 2020 dated Announcement)**

Due to the continuation of the uncertainty regarding the possible effects of the COVID-19 pandemic, while withdrawing our expectations for the financial year 2020, we cannot share a revised expectation for the same reason.

All our hospitals continue to diagnose and treat COVID-19 patients in coordination with Ministry of Health of Turkey. Considering the nature of COVID-19 and transmission parameters, all kinds of precautions have been taken for the protection of our employees and hospitals.

Due 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. Negotiations have started with suppliers and hospital building landlords to reduce operating costs throughout the pandemic. 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. As of March 2020, the Net Working Capital Management Committee for the planning of customer collections and supplier payments has been established. Since we are a pandemic hospital, all Social Security Institution (SSI), Withholding Tax, and VAT payments for the period of March-June have been postponed to October 2020.

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
Tel: 0 212 227 55 55
Fax: 0 212 227 23 28
e-mail: deniz.yucel@mlpcare.com
Licenses: CMB Advanced and CMB Corporate Governance Rating Specialist Licenses

Turgut Yılmaz
Strategy and Investor Relations Manager
Tel: 0 212 227 55 55
Fax: 0 212 227 23 28
e-mail: turgut.yilmaz@mlpcare.com

Yıldırım Kaan Karakayalı
Strategy and Investor Relations Specialist
Tel: 0 212 227 55 55
Fax: 0 212 227 23 28
e-mail: yildirim.karakayali@mlpcare.com

During the first six 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 89 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)

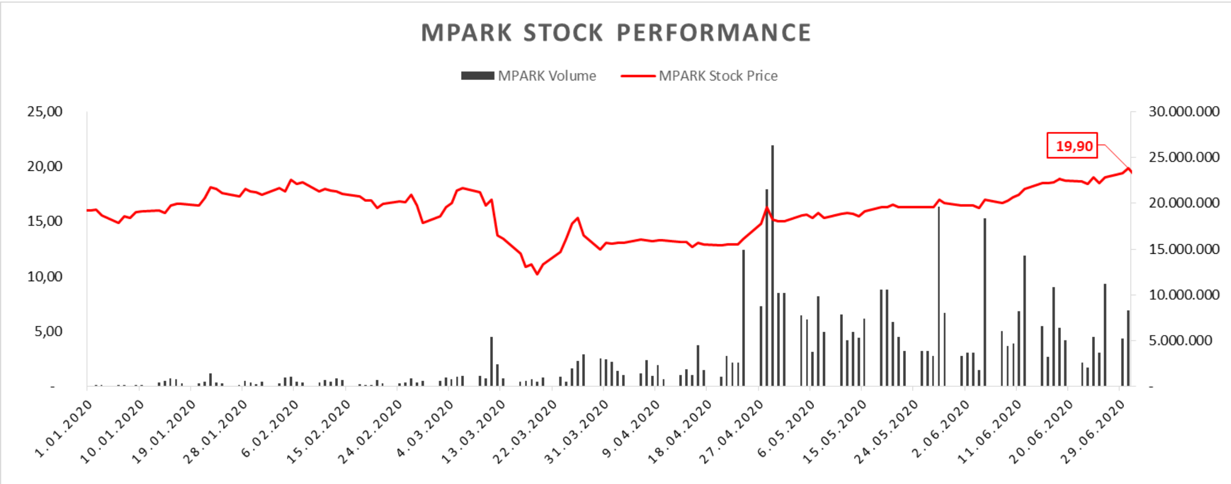
Stock Performance in H1 2020:

January 1 – June 30, 2020	Lowest	Highest	Average	June 30, 2020
Stock Price (TL)	10.19	19.90	15.92	19.90
Market Value (million USD)	324	655	514	604

Independent Auditor:

In our General Assembly Meeting held on May 29, 2020, **PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.** has been selected as the independent auditor to audit our Company's financial reports for the year 2020 accounting period and to fulfill all other obligations required for the auditors by Turkish Commercial Code numbered 6102 and Capital Markets Law numbered 6362 and related regulations.

Stock Performance:



4.3 General Assembly Meetings:

Annual Ordinary General Assembly Meeting for the year 2019

According to the Article 18 "General Assembly Meetings" of the Articles of Association, the process of the General Assembly Meeting has been regulated by an internal directive. The aforementioned "Internal Directive on Working Principles and Procedures of the General Assembly" entered into force in 2013. Therefore, MLP Care's Annual Ordinary General Assembly Meeting for the year 2019 has been arranged in accordance with this directive.

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 Communique (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.

Briefing About Resolutions Approved at the Annual Ordinary General Assembly Meeting for the year 2019

• Annual Report of the Board of Directors and the Report of the Independent Audit Company as well as the Consolidated Financial Statements for calendar year 2019 have been discussed and approved.

• The shareholders were informed about the donations made by the Company in 2019 and the Board of Directors’ proposal to determine the ceiling of donations to be made in 2020 at TL 3mn was approved by the General Assembly.

• The reappointments of Meral Kurdaş and Tayfun Bayazıt as independent board members as of March 2, 2020 and total annual salary of TL 134,400 to be paid monthly to the each candidate was approved by the shareholders.

• The selection of the PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. as the external audit company for the audit of the financial statements and reports for the year 2020 was approved.

• Due to the loss reported by MLP Care for the period of January 1, 2019 – December 31, 2019, in accordance with the Tax Procedural Law, the Board of Directors’ proposal of not to distribute dividends was approved by the General Assembly.

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.

4.6 The Number, the Structure and the Independence of the Committees within the Board of Directors:

With the decision of the Board of Directors dated June 9, 2020, the following appointments were made to the committees and announced to the public:

- Chairman of the Audit Committee - Tayfun Bayazıt; Member - Meral Kurdaş
- Chairman of the Corporate Governance Committee - Tayfun Bayazıt; Members - Meral Kurdaş, Hatice Hale Özsoy Bıyıklı, and Deniz Can Yücel
- Chairman of the Early Detection of Risk Committee - Meral Kurdaş; Members - Tayfun Bayazıt and Hatice Hale Özsoy Bıyıklı

The resumes of the Committee Members and the Committee Charters, determining the principles of operation for each Committee, are available at Company's website http://investor.mlpcare.com/en/

The Committees held three meetings in 2020 on March 2, May 22, and July 29. In the following period, they will continue to meet and perform their duties as often as their charters require.

5. Subsequent Events After the Reporting Period:

- **Developments Regarding the Receivables from Libya**

The Group has trade receivables of TL 268.7 million arising from health services provided to patients from abroad. The collection of these receivables is followed regularly by the Group. As of June 30, 2020, the Group has receivables from the Libyan Government in the amount of TL 186.1 million. On August 6, 2020, the collection of the receivable balance in the amount of TL 99.1 million was realized.

- **Transfer of Uşak Hospital**

As part of its strategy to focus growth in metropolitans with large-scale hospitals, MLP Care has exited from Uşak Hospital in August 7, 2020. In 2019, the share of the Uşak Hospital in consolidated revenues was 1.4% and 0.3% in consolidated EBITDA. As a result of the transfer, a total of TL 33.2 million will be collected and TL 3.4 million of this amount was collected in cash on the day of transfer, also a letter of guarantee (TL 20 million) and a check for the remaining balance of receivables were received. A letter of guarantee in the amount of TL 3.5 million was given to the transferred company by MLP Care. In addition, within the scope of the related sale, 100-bed hospital license was taken over by MLP Care.

6. H1 2020 Earnings Release

Summary Financials

(TL million)	H1 2020	H1 2019	Change	Q2 2020	Q2 2019	Change
Revenue	**1,738**	**1,822**	**(4.6%)**	**759**	**889**	**(14.6%)**
EBITDA[1]	**454**	**427**	**6.3%**	**219**	**197**	**11.4%**
EBITDA margin (%)	26.1%	23.4%	269bps	28.8%	22.1%	673bps
EBITDA[1] without fx impact of other income/expenses from operating activities	**414**	**406**	**2.0%**	**196**	**185**	**6.0%**
EBITDA margin (%)	23.8%	22.3%	155bps	25.9%	20.8%	503bps
Net Profit/(Loss) Before Tax	**64**	**(27)**	**n.m.**	**(22)**	**(49)**	**(54.4%)**
Net Profit/(Loss)	**39**	**(25)**	**n.m.**	**(22)**	**(36)**	**(37.8%)**
Net Profit/(Loss) Normalized for FX Losses from Debt (Including Hedging Cost)	**143**	**32**	**352.0%**	**24**	**(7)**	**n.m.**
Net Cash Flow from Operating Activities	**359**	**316**	**13.5%**	**153**	**228**	**(32.8%)**
Capital Expenditure	57	82	(30.5%)	21	41	(49.7%)
Operating Cash Flow / Adj EBITDA	**78.9%**	**74.0%**	**497bps**	**69.9%**	**115.9%**	**(4,603bps)**

[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 have dropped by 15% to TL 759 million in Q2 2020 (Q2 2019: TL 889 million), due the curfews for the elderly and sub-20 and weekend lockdowns in Turkey to prevent the spread of the pandemic and the drop in foreign medical tourism due to the travel restrictions. In H1 2020, revenues have only decreased by 5% to TL 1,738 million (H1 2019: TL 1,822 million) on the back of the strong growth in the pre-pandemic period (first case in Turkey announced on March 11, 2020).
- ✓ In Q2 2020, Adj. EBITDA increased by 11% to TL 219 million despite the pandemic. Adj. EBITDA margin increased by 673 basis points to 28.8% on the back of the significant cost saving measures and government support implemented during the pandemic. Therefore, in H1 2020, the Adj. EBITDA increased by 6% to TL 454 million and the Adj. EBITDA margin increased by 269 bps to 26.1%.
- ✓ Despite the pandemic, net income of TL 39 million was generated in H1 2020 on the back of high operational performance and cost saving measures (H1 2019: TL 25 million loss). Additionally, net loss decreased by 38% to TL 22 million in Q2 2020 (Q2 2019: TL 36 million loss). Net profit normalized for FX losses was TL 24 million in Q2 2020.
- ✓ The net debt/Adj. EBITDA ratio was 2.5x in Q2 2020.
- ✓ As of June 30, 2020, the MLP Care had a receivable of TL 186 million from the Government of Libya. EUR 12 million (equivalent of TL 99 million) has been collected on August 6, 2020. Negotiations regarding the remaining receivables are ongoing.
- ✓ The pandemic has peaked in the third week of April, five weeks after the first case, at ~5,500 new cases per day. Normalization measures have been gradually kicked off in May with all lockdowns/curfews ending as of June 1, 2020. Despite the normalization measures, the new case/day number has stabilized around 1,100 by July. As of June 28, 2020, pandemic status for private hospitals has been removed.

Operating Highlights

- ✓ In Q2 2020, Social Security Institution (SSI) revenue increased by 19% on the back of improvement in SUT tariffs in March and COVID-19 patients treated within the scope of SSI. In H1 2020, SSI revenue increased by 11%.
- ✓ Foreign Medical Tourism (FMT) revenue increased by 26% in the first two months of 2020, however it decreased by 36% in H1 2020 due to the flight restrictions kicked off in mid-March. The flights have started gradually in June, therefore the recovery in FMT has already started.
- ✓ As part of its strategy to focus growth in metropolitans with large-scale hospitals and portfolio optimization, MLP Care has exited from Uşak Hospital in August 7, 2020. In 2019, the share of the Uşak Hospital in consolidated revenues and EBITDA was 1.4% and 0.3% respectively. As a result of the sale, a total of TL 33.2 million (fully securitized) will be collected by MLP Care. In addition, as part of the sale, 100-bed hospital license will stay at MLP Care.
- ✓ **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. As of June 28, 2020, pandemic status for private hospitals has been removed. **(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 has been utilized and remote work practices were initiated for the head office employees. **(4)** Negotiations were held with suppliers and hospital property landlords to reduce operating costs throughout the pandemic. **(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) i.e. significantly lower than the company's existing structured facility rate of TR LIBOR +5.8%. **(6)** 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 by the government.

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

"COVID-19 outbreak has created an unprecedented health and economic crisis globally. We have seen a decline in our domestic revenues with the appearance of the first case in Turkey in mid-March as well as a sharp decline in our foreign medical tourism revenues due to the travel restrictions. As the private hospital group with the highest bed capacity in Turkey, we have taken strict measures to protect our personnel and serve our patients well. Despite the increase in Covid-related costs, we were able to cut our costs significantly by cost saving measures. On the back of these, we were able to increase our EBITDA by 11 percent in Q2 2020, when the impact of the pandemic was the most intense.

In this challenging first half of the 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 that the impact of the pandemic on our operations and financial performance will diminish with the normalization of life in the country and the ease of travel restrictions abroad in the remainder of the year.

In December 2019, we had exited some of our low-profitability hospitals in line with our long-term strategy to grow in metropolitans. As of August 2020, we have also exited Uşak Hospital. In line with the same strategy, our negotiations are continuing to take over potential hospitals in selected cities.

Our Group; from the very beginning, has made fulfilment of all responsibilities in combating the pandemic and protecting the health of its employees and the public its highest priority. In this context, all preparations have been made in a timely manner, and all our healthcare professionals supported this struggle with utmost devotion. Hereby, I would like to express my pride and gratitude to them for their commitment and dedication."

Revenue

	H1 2020	H1 2019	Change	Q2 2020	Q2 2019	Change
Total Revenue (TL million)	**1,738**	**1,822**	**(4.6%)**	**759**	**889**	**(14.6%)**
Domestic Patient Revenue	1,479	1,431	3.3%	672	699	(3.8%)
Inpatient Revenue	*926*	*848*	*9.1%*	*449*	*418*	*7.3%*
Outpatient Revenue	*553*	*583*	*(5.0%)*	*223*	*281*	*(20.4%)*
Foreign Medical Tourism Revenue	135	213	(36.4%)	35	107	(67.0%)
Other Ancillary Business	124	178	(30.4%)	52	83	(37.6%)

Domestic Patient Revenue: Despite the decrease in outpatient revenue due to the pandemic impact, revenues generated from domestic patients increased by 3.3% in H1 2020 on the back of the growth in inpatient revenues. However, it decreased by 3.8% in Q2 2020.

The inpatient revenues grew by 7.3% in Q2 2020, on the back of the 46.0% increase in average price, despite the 38.7% decreasing effect in volume and mix due to the pandemic impact. The high increase in the average inpatient price was driven by the decrease in the number of daily patients, the increased percentage of complex treatments in the total, and the revision of the intensive care prices in the SUT tariff. In H1 2020, while the average price increased by 30.2%, the volume and mix effect decreased by 21.1%.

Despite the 28.7% increase in outpatient average revenue per visit in Q2 2020, the outpatient revenue decreased by 20.4% due to pandemic impact that caused by 49.1% decreasing effect in volume and mix. In H1 2020, while the average price increased by 22.8%, the volume decreased by 27.9%.

Foreign Medical Tourism (FMT) Revenue: FMT revenue declined by 67.0% and 36.4% in 2Q 2020 and 1H 2020, respectively, with the start of flight restrictions due to the pandemic in March 2020. The recovery process started with the gradual opening of flights all over the world in June.

Other Ancillary Business: Revenues from other ancillary business decreased by 37.6% in Q2 2020 and 30.4% in H1 2020, respectively, due to voluntary non-renewal of the tender for the laboratory business as we are dedicated to focus on core business and decrease in management consultancy revenues from university hospitals due to the pandemic impact.

We expect the base effect arising from this line of business to disappear in Q3 2020. On the other hand, we expect the capacity utilization rates of university hospitals, and consequently the management consultancy fees received to increase as the impact of the pandemic decreases. (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)

	H1 2020	H1 2019	Change (bps)	Q2 2020	Q2 2019	Change (bps)
(% of Revenues)	**73.9%**	**76.6%**	**(269)**	**71.2%**	**77.9%**	**(673)**
Material	22.6%	24.0%	(139)	23.9%	23.9%	(6)
Doctor	20.5%	20.7%	(21)	20.1%	21.3%	(120)
Personnel	16.8%	17.5%	(69)	15.1%	17.8%	(274)
Rent	1.0%	0.8%	22	1.2%	0.8%	37
Outso. Serv. Purch.	7.3%	5.1%	212	7.3%	5.3%	198
All other exp.	5.7%	8.4%	(275)	3.7%	8.7%	(509)

Material consumption as a percentage of total revenue decreased by 6 bps in Q2 2020 and 139 bps in H1 2020 due to decrease in the share of laboratory business, which has high cost.

Doctor costs as a percentage of total revenue decreased by 120 bps to 20.1% in Q2 2020 and by 21 bps to 20.5% in H1 2020 due to the revenue decrease during the pandemic.

Personnel expenses as a percentage of total revenue decreased by 274 bps to 15.1% in Q2 2020 and by 69 bps to 16.8% in H1 2020 despite the new hospital acquisitions and minimum wage increase, thanks to the Government's Incentive of Short-time Work Program received for three months.

Outsourced services purchases that consists of expenses in other ancillary businesses (laboratory, imaging, cleaning, catering, security etc.) percentage of the total revenue increased by 198 bps to 7.3% in Q2 2020 and by 212 bps to 7.3% in H1 2020 due to the increased volume of such services received.

All other expenses (energy, foreign and domestic marketing expenses etc.) decreased by 509 bps to 3.7% in Q2 2020 and by 275 bps to 5.7% in H1 2020 primarily due to the decrease in the marketing expenses related to FMT revenues.

EBITDA

The Adj. EBITDA number increased by 11.4% to TL 219 million in Q2 2020 despite the pandemic effect. On the other hand, Adj. EBITDA margin came in at 28.8% on the back of strong operational performance and cost saving measures. In H1 2020, the Adj. EBITDA number increased by 6.3% to TL 454 million and the Adj. EBITDA margin increased to 26.1%.

The Adj. EBITDA (without foreign exchange effect of other income/expenses from operating activities) number increased by 6.0% to TL 196 million in Q2 2020. On the other hand, Adj. EBITDA margin increased by 503 bps to 25.9% in Q2 2020. In H1 2020, the Adj. EBITDA number increased by 2.0% to TL 414 million and the Adj. EBITDA margin increased to 23.8%.

Cash Flow

The operating cash flow was TL 153 million in Q2 2020. Thus, the operating cash flow/EBITDA ratio came in at 69.9% in Q2 2020. In H1 2020, the operating cash flow increased to TL 359 million and the operating cash flow/EBITDA ratio increased to 78.9%.

Maintenance-related capital expenditures as a percentage of revenues was at 1.7% in Q2 2020 and 1.9% in H1 2020 (Q2 2019: 1.8% and H1 2019: 1.7%). Total capital expenditures as a percentage of revenues was at 2.7% in Q2 2020 and 3.3% in H1 2020 due to lack of new hospital openings that requires high capital expenditure (Q2 2019: 4.7% and H1 2019: 4.5%).

Profit/(Loss) for the Period

Despite the pandemic impact, the net loss of TL 36 million in Q2 2019 decreased to TL 22 million in Q2 2020 thanks to the high operational performance and cost saving measures. The loss recorded due to financial expenses of TL 165 million in Q2 2020. On the other hand, TL 39 million net profit was recorded in spite of the high financial expenditure of TL 330 million in H1 2020.

As the average Euro rate increased by 14.3% in Q2 2020, foreign exchange expenses increased by 63.4% to TL 46 million in Q2 2020 and by 84.0% to TL 104 million in H1 2020. Excluding FX loss, net profit was TL 24 million in Q2 2020 and TL 143 million in H1 2020.

On the other hand, interest expenses decreased by 18.0% in Q2 2020 and by 10.5% in H1 2020 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)	H1 2020	Vertical Percentage	2019	Vertical Percentage	Change
TL	837	39%	881	43%	(5.0%)
USD + Euro	602	28%	434	21%	38.5%
Euro (Hedged)	86	4%	149	7%	(42.2%)
Total loan, financial leasing	**1,525**	**71%**	**1,465**	**71%**	**4.1%**
TL (IFRS 16)	569	26%	542	26%	4.8%
USD + Euro (IFRS 16)	65	3%	59	3%	10.0%
Total lease liabilities (IFRS16)	**634**	**29%**	**602**	**29%**	**5.3%**
Total net debt	**2,159**	**100%**	**2,066**	**100%**	**4.5%**

The net debt/Adj. EBITDA ratio was 2.5x in Q2 2020.

Currency risk management

The company has total EUR 131 million gross principal and interest debt service pertaining to the foreign currency denominated bank loan, financial leasing and IFRS 16 lease liabilities. As of June 30, 2020, EUR 12 million of total debt service including principal and interest for the 2020 period was hedged using a cross currency swap transaction. The net foreign currency denominated debt amount after hedging is EUR 78 million in total (excluding IFRS 16 effect).

The total hedged portion was 10% of the total euro-denominated loans principal, interest payments and lease liabilities. With this transaction, currency risk for the 6-month period was mitigated.

EBITDA RECONCILIATION

TL million	H1 2020	H1 2019	Q2 2020	Q2 2019
Net profit / (loss)	**39**	**(25)**	**(22)**	**36**
Tax (income) from operations	25	(3)	(0)	(13)
Depreciation and amortization of tangible and intangible fixed assets	125	129	63	65
Total interest expenses/(income) and fair value differences of derivative instruments	318	293	158	165
Net (gains) / losses from the disposal of tangible and intangible assets and income from negative goodwill	(85)	(1)	(2)	(1)
Reported EBITDA	**423**	**394**	**196**	**181**
Net one-off (gains) / losses	24	21	20	14
Non-cash GAAP provision expenses	7	12	3	1
Adjusted EBITDA	**454**	**427**	**219**	**197**
Adjusted EBITDA Margin (%)	**26.1%**	**23.4%**	**28.8%**	**22.1%**
Foreign exchange gains/(losses) from operations	**40**	21	23	11
Adjusted EBITDA[1]	**414**	**406**	**196**	**185**
Adjusted EBITDA Margin (%)[1]	**23.8%**	**22.3%**	**25.9%**	**20.8%**

[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	Reviewed H1 2020	Reviewed H1 2019	Change (%)	Q2 2020	Q2 2019	Change (%)
Revenue	**1,738**	**1,822**	**(4.6%)**	**759**	**889**	**(14.6%)**
Cost of service (-)	(1,351)	(1,401)	(3.6%)	(601)	(694)	(13.5%)
Gross profit	**388**	**422**	**(8.1%)**	**159**	**195**	**(18.4%)**
General administration expenses (-)	(113)	(143)	(21.3%)	(39)	(72)	(46.0%)
Other income from operations	161	145	11.1%	79	83	(4.4%)
Other expenses from operations (-)	(126)	(142)	(11.7%)	(58)	(82)	(28.9%)
Operating profit/(loss)	**310**	**281**	**10.3%**	**140**	**123**	**14.0%**
Income from investing activities	85	1	n.m.	2	1	203.0%
Expense from investing activities (-)	(0)	--	100.0%	(0)	--	100.0%
EBIT	**395**	**282**	**39.8%**	**143**	**124**	**15.0%**
EBIT margin	*22.7%*	*15.5%*	*722bps*	*18.8%*	*13.9%*	*483bps*
Interest expenses (-)	(227)	(253)	(10.5%)	(118)	(144)	(18.0%)
Net foreign exchange profit / (loss) (including hedging cost)	(104)	(56)	84.0%	(46)	(28)	63.4%
Net profit / (loss) before tax	**64**	**(27)**	**n.m.**	**(22)**	**(49)**	**(54.4%)**
Tax income / (expense) from operations	(25)	3	n.m.	0	13	(99.5%)
Net profit / (loss)	**39**	**(25)**	**n.m.**	**(22)**	**(36)**	**(37.8%)**

SUMMARY CONSOLIDATED BALANCE SHEET

TL million	Reviewed June 30, 2020	Reviewed June 30, 2019	Audited December 31, 2019
Cash and cash equivalents	470	260	306
Trade receivables	1,080	981	991
Inventory	107	89	90
Short term other assets	392	269	335
Current assets	**2,049**	**1,599**	**1,722**
Tangible and intangible fixed assets	1,428	1,281	1,327
Right of use assets	268	231	235
Deferred tax assets	410	385	398
Long term other assets	234	226	232
Non-current assets	**2,340**	**2,122**	**2,193**
Total assets	**4,389**	**3,722**	**3,914**
Trade payables	804	783	821
Short term other liabilities	363	258	256
Short term financial liabilities (incl. financial and operational leases)	951	791	861
Current liabilities	**2,118**	**1,831**	**1,938**
Long term other liabilities	139	54	95
Deferred tax liabilities	182	137	155
Long term financial liabilities (incl. financial and operational leases)	1,678	1,496	1,488
Non-current liabilities	**1,999**	**1,686**	**1,738**
Shareholders' equity	252	163	230
Non-controlling interest	20	41	8
Equity	**272**	**204**	**238**
Total liabilities & equity	**4,389**	**3,722**	**3,914**