

MLPCARE



MLP SAĞLIK HİZMETLERİ A.Ş.

**Interim Report of the Board of Directors for the Six Months Ended
as of June 30, 2021**



**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.

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 2021 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 dated 12 August 2021.

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.

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

Istanbul, 12 August 2021

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1. Overview:

Founded in 1993, MLP Sağlık Hizmetleri A.Ş. (“MLP Care”, “the Group” or “the Company”) is the largest Turkish private healthcare group, with 30 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

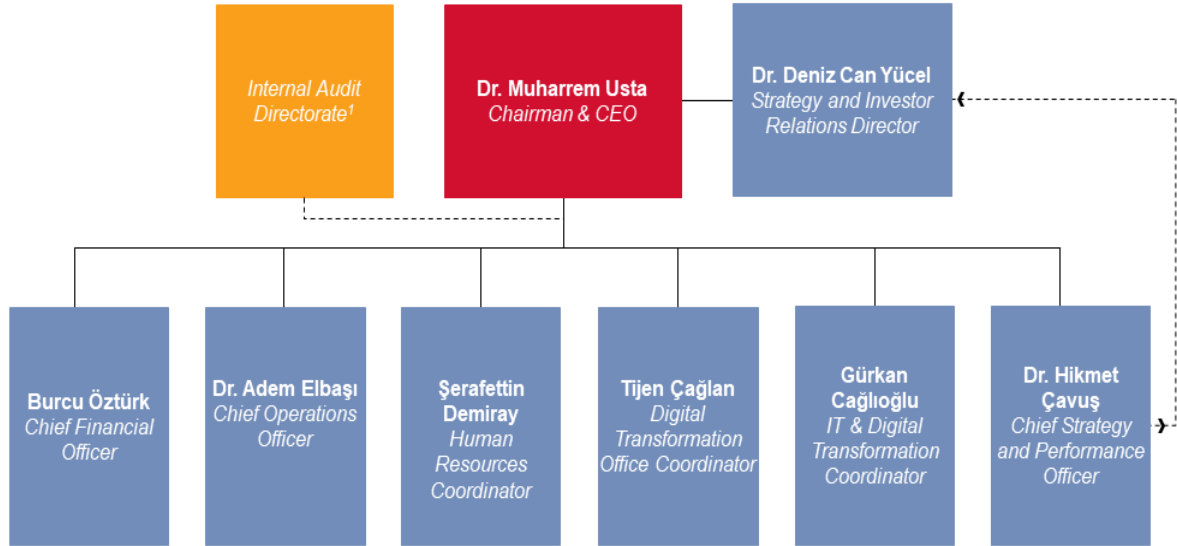
(*) The shareholders of the Company purchased 6,827 thousand shares from the publicly traded portion of the capital. Distribution of the shares purchased is as follows; 3,224 thousand shares representing 4.43% of the publicly traded portion were purchased by Lightyear Healthcare B.V., 1,613 thousand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

2.2 Major Participations (as of June 30, 2021):

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 directorate reporting to the Board

3. Developments During the Period:

- **Resolution on Domestic Debt Securities issuance and CMB application (April 26, 2021 Dated Announcement)**

Our Company's Board of Directors took the following decisions at its meeting dated April 14, 2021, in accordance with the Capital Markets Board's Communiqué on Debt Securities numbered II-31.1 and Article 31 of the Capital Market Law

- 1) Our Company will be authorized to apply to the Capital Markets Board regarding the issuance of debt securities to with a nominal amount up to 500,000,000 TL (Five Hundred Million Turkish Liras), maturity up to 36 (thirty six) months, denominated in Turkish Lira, to be sold one or more at a time, without public offering to qualified investors in the domestic market within one year, in line with the validity period of the issuance of the certificate expected to be approved by the Capital Markets Board.
- 2) Brokerage service will be obtained from Ak Yatırım Menkul Değerler A.Ş. regarding debt securities issuance.
- 3) In this context, the General Directorate of the Company will be authorized to carry out the issuance of debt securities to be issued and to fulfill all other necessary transactions.
- 4) During the issuance procedures Adem Elbaşı and Burcu Öztürk will be jointly authorized to represent the Company in order to prepare and sign applications, correspondence, contracts and similar documents and information to be made to all kinds of official institutions and organizations, including but not limited to the Capital Markets Board, Borsa İstanbul, Central Registry Agency, Takasbank and the Public Disclosure Platform.

– **JCR Eurasia Rating Action (April 29, 2021 Dated Announcement)**

Following its periodic annual review of the corporate credit rating, JCR Eurasia Rating rated the consolidated structure of MLP Sağlık Hizmetleri A.Ş. (“MLP Care”) in an investment grade category at national level and upgraded the ratings as “A- (Trk)” from “BBB+ (Trk)” on the Long-Term National Scale and as “A-1 (Trk)” from “A-2 (Trk)” on the Short-Term National Scale with ‘Stable’ outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as ‘BB+/ Negative’ which are capped with the sovereign ratings of Republic of Turkey.

The rating upgrade was driven by the MLP Care’s leading position nationally in the private healthcare industry, strong revenue and EBITDA growth, upward trend in profit margins, low net financial leverage levels, and established track record in the domestic bond market.

– **Opening of Liv Hospital Vadİstanbul (May 24, 2021 Dated Announcement)**

MLP Care, Turkey’s largest private healthcare provider with its Medical Park, Liv Hospital and VM Medical Park hospitals, has opened its 6th hospital of Liv Hospital brand in İstanbul Vadİstanbul, in line with its strategy of expanding in metropolitans through medium and large scale hospitals. On the other hand, Fatih Hospital in İstanbul was closed.

Liv Hospital Vadİstanbul, which has a total closed area of approximately 35 thousand m², 125 bed capacity, and 70 physicians has started accepting patients. Liv Hospital Vadİstanbul will play a major role in introducing high quality healthcare services of Liv Hospital brand to the guests coming from European and Balkan countries as well as from Middle East and Arab countries. According to the demand, the bed capacity of the hospital is planned to increase to 180 in the future.

Liv Hospital Vadİstanbul, will provide many clinical and treatment services such as specialized all robotic surgery applications, adult and pediatric cancer surgeries, adult and pediatric cardiac surgeries, top-end heart health clinic, spine clinic and athlete health clinic, rehabilitation clinic performing innovative procedures, advanced endoscopy clinic, stem cell and regenerative medicine center.

– **Announcement Regarding CMB Approval of the Domestic Debt Securities Issuance Certificate (June 15, 2021 Dated Announcement)**

Related to our announcement dated April 26, 2021, Our Company’s application regarding the issuance of debt securities with a nominal amount up to 500,000,000 TL (Five Hundred Million Turkish Liras), maturity up to 36 (thirty six) months, denominated in Turkish Lira, to be sold one or more at a time, without public offering to qualified investors in the domestic market within one year, in line with the validity period of the issuance of the certificate is approved by the Capital Markets Board (“CMB”).

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 11, 2021. The aforementioned announcements can be reached through <https://www.kap.org.tr/en/Bildirim/917642> and <https://www.kap.org.tr/en/Bildirim/917644> 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 Associate Director

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Fax: 0 212 227 23 28

e-mail: turgut.yilmaz@mlpcare.com

During the first six months period of 2021, in order to inform shareholders and investors IR Department attended a total of 125 meetings, including domestic and abroad roadshows and conferences, which were organized with both domestic and foreign corporate and individual investors, shareholders and analysts to discuss about Company’s operational results, performance and other developments.

4.2.1 Stock Information

Number of Shares: 208,037,202 (each with a nominal value of TL 1.00 per share)

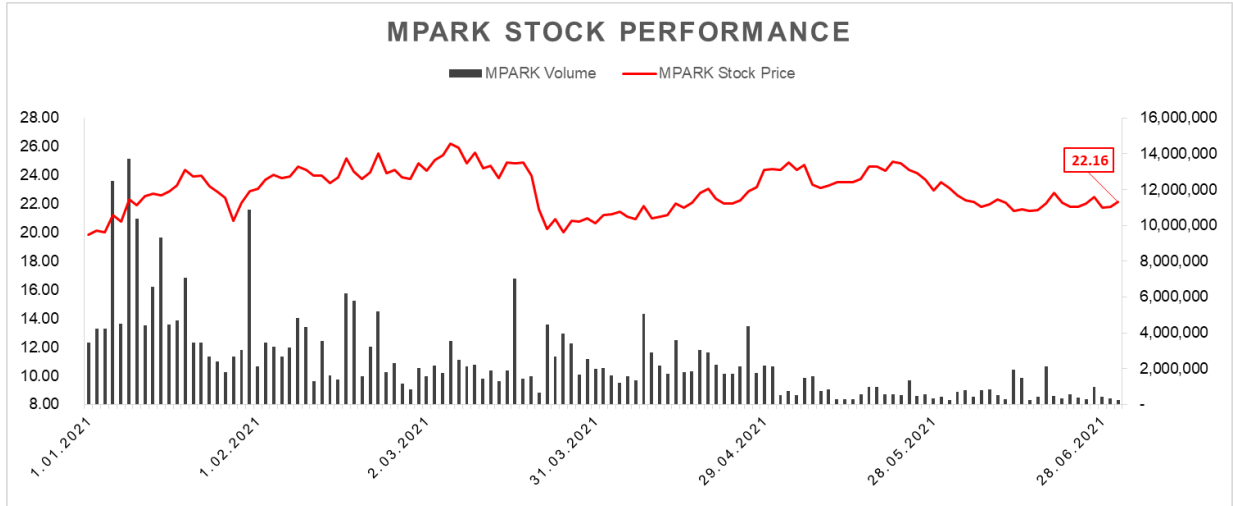
Date of IPO: February 13, 2018

Public: 35.01% (TFRS Report)

Stock Performance in H1 2021:

January 1 – June 30, 2021	Lowest	Highest	Average	June 30, 2021
Stock Price (TL)	19.87	26.20	22.98	22.16
Market Value (million USD)	519	756	610	529

Stock Performance:



Independent Auditor:

In our General Assembly Meeting held on April 15, 2021, **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 2021 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.

4.3 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

4.4 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 (at least four times a year) 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.

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

In its meeting held on April 30, 2021, the Board of Directors resolved to;

- 1) Establish a Nomination and Remuneration Committee,
- 2) Establish the Nomination and Remuneration Committee charter, revise the charters of Audit Committee, Corporate Governance Committee, and Early Detection of Risk Committee, and bring them to the attention of stakeholders on the Company website,
- 3) Appoint the members of the Committees in accordance with the provisions of the Corporate Governance Communiqué numbered II-17.1 of the Capital Markets Board,
 - a) Appoint Tayfun Bayazıt as the Chairman of the Audit Committee; Meral Kurdaş as the member of the Audit Committee,
 - b) Appoint Tayfun Bayazıt as the Chairman of the Corporate Governance Committee and Meral Kurdaş, Hatice Hale Özsoy Bıyıklı, and Deniz Can Yücel as the members of the Corporate Governance Committee,
 - c) Appoint Meral Kurdaş as the Chairman of the Early Detection of Risk Committee and Tayfun Bayazıt and Hatice Hale Özsoy Bıyıklı as the members of the Early Detection of Risk Committee.
 - d) Appoint Meral Kurdaş as the Chairman of the Nomination and Remuneration Committee and Tayfun Bayazıt and Hatice Hale Özsoy Bıyıklı as the members of the Nomination and Remuneration Committee.

The resumes of the Committee Members and the Committee Charters, determining the principles of operation for each Committee, are available at our website "<http://investor.mlpcare.com/en/>".

In 2021, the Audit Committee and the Corporate Governance Committee held three meetings on March 1, April 30, and August 2, 2021. On the other hand, the Early Detection of Risk Committee held four meetings on January 28, March 1, April 30, and August 2, 2021. The Nomination and Remuneration Committee held one meeting on April 30, 2021. In the following period, they will continue to meet and perform their duties as often as their charters require.

5. H1 2021 Earnings Release

Summary Financials

(TL million)	H1 2021	H1 2020	Change	Q2 2021	Q2 2020	Change
Revenue	2,542	1,738	46.3%	1,331	759	75.3%
EBITDA¹	676	454	48.8%	330	219	50.6%
EBITDA margin (%)	26.6%	26.1%	45bps	%24,8	%28,8	(407bps)
EBITDA¹ (w/o fx impact)²	633	414	52.7%	320	196	62.8%
EBITDA margin (%)	24.9%	23.8%	105bps	24.0%	25.9%	(184bps)
Net Profit/(Loss) Before Tax	188	64	192.6%	73	(22)	n.m.
Net Profit/(Loss)	174	39	344.5%	95	(22)	n.m.
Net Profit/(Loss) (allocated to equity holders of the parent)	147	27	435.8%	82	(23)	n.m.
Free Cash Flow	516	302	71.1%	237	132	79.2%
Capital Expenditure	169	57	197.5%	126	21	504.0%
Net Debt³ (w/o TFRS 16 impact)	1,390	1,525	(8.8%)	1,390	1,525	(8.8%)

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

² Without fx impact of other income/expenses from operating activities

³ Excluding obligations under operational leases related to TFRS 16

Financial Highlights

- ✓ In Q2 2021, total revenue increased by 75% to TL 1,331 million (Q2 2020: TL 759 million). The low base effect caused by the 15% revenue contraction due to pandemic in Q2 2020, the continued strong growth in domestic patient revenue quarter-on-quarter, and the accelerated recovery of foreign medical tourism revenue were the main drivers. Therefore, in H1 2021 revenue increased by 46% to TL 2,542 million (H1 2020: TL 1,738 million).
- ✓ In Q2 2021, the adj. EBITDA (w/o fx impact) increased by 63% to TL 320 million, while adj. EBITDA (w/o fx impact) margin came in at 24.0%. In H1 2021, the adj. EBITDA (w/o fx impact) increased by 53% to TL 633 million, while the adj. EBITDA margin increased by 105 bps to 24.9%.
- ✓ A net profit of TL 95 million was generated in Q2 2021 (Q2 2020: TL 22 million loss). Net profit allocated to equity holders of the parent was TL 82 million (share in total: 86%) in Q2 2021 (Q2 2020: TL 23 million loss). Accordingly, net profit in H1 2021 increased to TL 174 million (H1 2020: TL 39 million). Net profit allocated to equity holders of the parent increased to TL 147 million in H1 2021 (H1 2020: TL 27 million). Rapid recovery of revenue compared to previous year, effective cost management, and reduction of financial expenses (mitigating currency risk by closing fx net debt) have supported the net profit increase.
- ✓ The net debt/adj. EBITDA ratio was successfully decreased to 1.7x in H1 2021 from 2.0x in 2020 on the back of strong operational and cash generation performance. This decrease was realized despite the financial leasing and obligations under operational leases related to TFRS 16 of TL 171 million related to Liv Hospital Vadistanbul which was opened in May 2021.

Operating Highlights

- ✓ In Q2 2021, private medical insurance revenue went up by 155% driven by the strong growth of the top-up insurance. This high growth momentum was supported by the low base effect caused by the 21% contraction in Q2 2020 and the increase in demand for private medical insurance during the pandemic.

- ✓ Foreign Medical Tourism (FMT) revenue grew by 308% in Q2 2021 due to the low base effect caused by the 67% contraction in Q2 2020 and the gradual openings of international flights this year.
- ✓ There has been an upward revision in the SSI price tariff effective from June 1, 2021
- ✓ Liv Hospital Vadİstanbul has started accepting patients on May 24, 2021 in Istanbul, Sarıyer with a capacity of 125 beds. In addition to domestic patients, this hospital will serve foreign patients from European and Balkan countries, the Middle East and Arab countries.

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

"In the second quarter of 2021, we have announced strong results on the back of high revenue growth vs. the low base of previous year, cost saving measures, and decreased financial costs.

This year we target to continue decreasing our net debt rapidly and have already made good progress towards this goal so far.

I believe that our Liv Hospital Vadİstanbul hospital, which was opened in Istanbul in May, will contribute significantly to the Group's foreign medical tourism revenue in the upcoming years.

While fighting the pandemic in our Liv Hospital and Medical Park hospitals, we continue to provide highly complex vital treatments in a safe environment. For the rest of the year, we expect to continue delivering strong results as the number of fully vaccinated people increase and life gradually returns to normal."

Revenue

	H1 2021	H1 2020	Change	Q2 2021	Q2 2020	Change
Total Revenue (TL million)	2,542	1,738	46.3%	1,331	759	75.3%
Domestic Patient Revenue	2,225	1,479	50.5%	1,157	672	72.2%
Inpatient Revenue	1,327	926	43.4%	691	449	54.0%
Outpatient Revenue	898	553	62.3%	466	223	108.7%
Foreign Medical Tourism Revenue	253	135	87.1%	144	35	308.5%
Other Ancillary Business	64	124	(48.5%)	30	52	(42.7%)

Domestic Patient Revenue: Revenue from domestic patients increased by 72.2% in Q2 2021, 50.5% in H1 2021 on the back of strong growth in both inpatient and outpatient revenue. This high growth in Q2 2021 was driven by low base effect (There was 3.8% contraction in domestic revenue in Q2 2020 due to pandemic related restrictions), SUT price revisions in June 2021, the shift of hospital weight in the portfolio towards metropolitans, and the increase in the percentage of complicated treatments in the total.

The inpatient revenue grew by 54.0% in Q2 2021, 43.4% in H1 2021. The outpatient revenue grew by 108.7% in Q2 2021 and 62.3% in H1 2021.

Foreign Medical Tourism (FMT) Revenue: In Q2 2020, FMT revenue had contracted by 67.0% due to the flight restrictions kicked off during the pandemic. On the other hand, FMT revenue was by 308.5% and 87.1%, respectively in Q2 2021 and H1 2021, as life continues to normalize around the world with the accelerated vaccination. FMT revenue was up by 31.5% quarter-on-quarter in Q2 2021.

Other Ancillary Business: Revenue from other ancillary business decreased by 42.7% in Q2 2021 and 48.5% in H1 2021 due to voluntary non-renewal of the tender for the laboratory business in line with the strategy to focus on core business. Laboratory business revenue decreased by 75.1% to TL 8 million in Q2 2021, by 75.6% to TL 18 million in H1 2021 (Q2 2020: TL 32 million, H1 2020: TL 75 million).

On the other hand, management consultancy revenue from university hospitals increased by 175.7% to TL 32 million in Q2 2021, by 69.9% to TL 50 million in H1 2021 (Currently, we have 6 university hospitals, of which 3 have management service contracts with us).

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

	H1 2021	H1 2020	Change (bps)	Q2 2021	Q2 2020	Change (bps)
(% of Revenue)	73.4%	73.9%	(45)	75.2%	71.2%	407
Material	19.2%	22.6%	(336)	18.6%	23.9%	(527)
Doctor	22.3%	20.5%	177	22.8%	20.1%	270
Personnel	16.3%	16.8%	(48)	16.4%	15.1%	138
Rent	0.8%	1.0%	(18)	0.8%	1.2%	(40)
Outso. Serv. Purch.	8.5%	7.3%	123	8.4%	7.3%	116
All other exp.	6.3%	5.7%	58	8.2%	3.7%	450

Material consumption as a percentage of total revenue decreased by 527 bps in Q2 2021 and by 336 bps in H1 2021 due to decrease in the share of other ancillary laboratory business, which has a high cost base.

Doctor costs as a percentage of total revenue increased by 270 bps in Q2 2021 and by 177 bps in H1 2021. Of that increase, circa 100 bps stemmed from the increase of hospital revenue in total in line with contraction of the ancillary business revenue. The rest was related with new hospital opening in Q2 2021 and hospital mix change.

Personnel expenses as a percentage of total revenue decreased by 48 bps to 16.3% in H1 2021 due to the strong revenue growth. On the other hand, this ratio in Q2 2021 was up by 138 bps to 16.4% due to the utilization of Short-time Work Program subsidy in Q2 2020 for more personnel, personnel salary adjustments, and new hospital openings.

Outsourced services purchases that consists of laboratory, imaging, cleaning, catering, security expenses increased by 116 bps to 8.4% in Q2 2021 and by 123 bps to 8.5% in H1 2021 as percentage of the total revenue due to increased volume of the outsourced PCR test service expenses.

All other expenses (energy, foreign and domestic marketing expenses etc.) increased by 450 bps to 8.2% in Q2 2021 and by 58 bps to 6.3% in H1 2021 primarily due to lower operational FX income and increase in the marketing expenses related to FMT revenues.

EBITDA

The adj. EBITDA number increased by 50.6% to TL 330 million in Q2 2021 on the back of strong operational performance and cost saving measures. Adj. EBITDA margin decreased by 407 bps to 24.8%. This decrease was driven primarily by the decreasing effect of operational FX income on total expenses (Q2 2021: 205 bps decrease) and increase in the marketing expenses related to FMT revenues (Q2 2021: 105 bps decrease).

The adj. EBITDA number increased by 48.8% to TL 676 million in H1 2021. On the other hand, adj. EBITDA margin increased by 45 bps to 26.6% on the back of decrease in the share of other ancillary laboratory business, which has a high cost base.

In Q2 2021, the adj. EBITDA (w/o fx impact) number increased by 62.8% to TL 320 million. On the other hand, adj. EBITDA margin was 24.0%. In H1 2021, the adj. EBITDA (w/o fx impact) number increased by 52.7% to TL 633 million. Adj. EBITDA margin increased by 105 bps to 24.9%.

Cash Flow

The operating cash flow increased by 136.9% to TL 363 million in Q2 2021 and by 91.1% to TL 685 million in H1 2021 (Q2 2020: TL 153 million, H1 2020: TL 359 million). Thus, the operating cash flow/EBITDA ratio increased to 110.0% in Q2 2021 and 101.4% in H1 2021 (Q1 2020: 69.9%, H1 2020: 78.9%).

Free cash flow increased by 79.2% to TL 237 million in Q2 2021 and by 71.1% to TL 516 million in H1 2021 (Q2 2020: TL 132 million, H1 2020: TL 302 million) due to the decrease in working capital requirements. Therefore, free cash flow/adj. EBITDA ratio increased to 71.9% in Q2 2021 and 76.4% in H1 2021 (Q2 2020: 60.4%, H1 2020: 66.4%)

Maintenance-related capital expenditures as a percentage of revenue was at 2.2% in Q2 2021 and 2.1% in H1 2021 (Q2 2020: 1.7%, H1 2020: 1.9%). Total capital expenditures as a percentage of revenue increased to 9.4% in Q2 2021 and 6.7% in H1 2021 due to the TL 72 million capital expenditure made in Q2 2021 for Vadi Istanbul (Q2 2020: 2.7%, H1 2020: 3.3%).

Profit/(Loss) for the Period

Due to the strong operational performance and cost savings, a net profit of TL 95 million in Q2 2021 and TL 174 million in H1 2021 was generated. In H1 2020, a profit of TL 39 million was generated with the contribution of goodwill of TL 82 million recognized from the favourable acquisition of VM Medical Park Ankara Hospital. Despite this base effect, net profit increased by 344.5% in H1 2021.

High operational performance and cost savings measures (operating profit increase Q2 2021: TL 90 million, H1 2021: TL 167 million), decreased finance expenses due to foreign currency risk (finance expenses decrease Q2 2021: TL 5 million, H1 2021: TL 39 million), realized deferred tax income in Q2 2021 due to the increased corporate tax rate from 20% to 25% (tax expense decrease Q2 2021: TL 21 million, H1 2021: TL 11 million) supported net profit increase.

Net profit allocated to non-controlling interest was TL 13 million in Q2 2021 and TL 27 million in H1 2021 due to profitable subsidiaries. The ratio of non-controlling interest to total net profit was 13.6% in Q2 2021 and 15.5% in H1 2021. Therefore, a net loss of TL 23 million allocated to equity holders of the parent in Q2 2020 turned to profit of TL 82 million in Q2 2021. In H1 2021, net profit allocated to equity holders of the parent increased by 435.8% to TL 147 million (H1 2020: TL 27 million)

Borrowings and Indebtedness

Net Debt by Currency (TL million)	H1 2021	Vertical Percentage	2020	Vertical Percentage	Change
TL	1,427	67%	1,064	50%	34.0%
USD + Euro	(36)	(2%)	457	22%	n.m.
Total loan, financial leasing	1,390	65%	1,521	72%	(8.6%)
TL (TFRS 16)	660	31%	521	25%	26.6%
USD + Euro (TFRS 16)	76	4%	74	3%	2.8%
Total lease liabilities (TFRS16)	736	35%	595	28%	23.6%
Total net debt	2,126	100%	2,117	100%	0.5%

The net debt/adj. EBITDA ratio was down to 1.7x in H1 2021 from 2.0x in 2020 on the back of strong operating performance.

In H1 2021, net debt excluding obligations under operational leases related to TFRS 16 decreased by TL 131 million to TL 1,390 million (2020: TL 1,521 million).

Total net debt including obligations under operational leases related to TFRS 16 was TL 2,126 million (2020: TL 2,117 million). Total net debt stayed flat due to TL 171 million obligation that came from the opening of Liv Hospital Vadlstanbul (of that TL 61 million was financial leasing and TL 110 million was obligations under operational leases related to TFRS 16).

Currency risk management

The Company has converted all of the debt service for EUR 46.5 million syndicated loans for the years 2022-2024 into TL at the CBRT buying rate on February 8, 2021. The Company maintained its fx denominated net debt long position of EUR 3.5 million in H1 2021. Therefore, potential FX volatility will not impact company financials going forward. Along with its long term strategy, the Company created natural hedge in balance sheet through keeping cash in hand in EUR denominated terms in efforts to manage foreign currency risk, to reduce financial expenses and net debt/EBITDA ratio.

EBITDA RECONCILIATION

TL million	H1 2021	H1 2020	Q2 2021	Q2 2020
Net profit / (loss)	174	39	95	(22)
Tax (income) from operations	14	25	(21)	(0)
Depreciation and amortization of tangible and intangible fixed assets	154	125	81	63
Total interest expenses/(income) and fair value differences of derivative instruments	279	318	152	158
Net (gains) / losses from the disposal of tangible and intangible assets and income from negative goodwill	(3)	(85)	(2)	(2)
Reported EBITDA	619	423	304	196
Net one-off (gains) / losses	37	24	18	20
Non-cash GAAP provision expenses	20	7	7	3
Adjusted EBITDA	676	454	330	219
Adjusted EBITDA margin (%)	26.6%	26.1%	24.8%	28.8%
Foreign exchange gains/(losses) from operations	43	40	10	23
Adjusted EBITDA¹	633	414	320	196
Adjusted EBITDA margin (%)¹	24.9%	23.8%	24.0%	25.9%

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	Reviewed	Change (%)	Q2 2021	Q2 2020	Change (%)
	H1 2021	H1 2020				
Revenue	2,542	1,738	46.3%	1,331	759	75.3%
Cost of service (-)	(1,907)	(1,351)	41.2%	(999)	(601)	66.3%
Gross profit	635	388	63.9%	332	159	109.3%
General administration expenses (-)	(194)	(113)	71.8%	(109)	(39)	181.0%
Other income from operations	227	161	40.8%	142	79	80.1%
Other expenses from operations (-)	(192)	(126)	52.3%	(135)	(58)	130.2%
Operating profit/(loss)	477	310	53.8%	231	140	64.4%
Income from investing activities	3	85	(97.0%)	2	2	8.1%
Expense from investing activities (-)	(0)	(0)	(59.6%)	(0)	(0)	566.7%
EBIT	479	395	21.5%	233	143	63.5%
<i>EBIT margin</i>	<i>18.9%</i>	<i>22.7%</i>	<i>(385bps)</i>	<i>17.5%</i>	<i>18.8%</i>	<i>(126bps)</i>
Interest expenses (-)	(263)	(227)	16.0%	(140)	(118)	18.8%
Net foreign exchange profit / (loss) (including hedging cost)	(28)	(104)	(72.7%)	(19)	(46)	(58.8%)
Net profit / (loss) before tax	188	64	192.6%	73	(22)	n.m.
Tax income / (expense) from operations	(14)	(25)	45.1%	21	0	n.m.
Net profit / (loss)	174	39	344.5%	95	(22)	n.m.
Net profit / (loss) non-controlling interest	27	12	130.9%	13	1	n.m.
Net profit / (loss) equity holders of the parent	147	27	435.8%	82	(23)	n.m.

SUMMARY CONSOLIDATED BALANCE SHEET

TL million	Reviewed June 30, 2021	Reviewed June 30, 2020	Audited December 31, 2020
Cash and cash equivalents	580	470	375
Trade receivables	1,279	1,080	1,155
Inventory	118	107	113
Short term other assets	454	392	542
Current assets	2,431	2,049	2,185
Tangible and intangible fixed assets	1,518	1,428	1,441
Right of use assets	397	268	257
Deferred tax assets	419	410	402
Long term other assets	326	234	287
Non-current assets	2,661	2,340	2,387
Total assets	5,091	4,389	4,572
Trade payables	1,118	804	987
Short term other liabilities	429	363	422
Short term financial liabilities (incl. financial and operational leases)	1,199	951	978
Current liabilities	2,746	2,118	2,387
Long term other liabilities	138	139	139
Deferred tax liabilities	187	182	184
Long term financial liabilities (incl. financial and operational leases)	1,508	1,678	1,514
Non-current liabilities	1,832	1,999	1,836
Shareholders' equity	421	252	282
Non-controlling interest	93	20	66
Equity	514	272	349
Total liabilities & equity	5,091	4,389	4,572