

MLPCARE



MLP SAĞLIK HİZMETLERİ A.Ş.

**Interim Report of the Board of Directors for the Six Months Ended
as of June 30, 2022**



**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 2022 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 11 August 2022.

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, 11 August 2022

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1. Overview:

Founded in 1993, MLP Sağlık Hizmetleri A.Ş. ("MLP Care", "the Group" or "the Company") operates with 27 hospitals located in 12 Turkish cities and in Azerbaijan - Baku. 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)
Lightyear Healthcare B.V. (*)	34.67%	72,131
Sancak İnşaat Turizm Nakliyat ve Dış Ticaret A.Ş.	15.35%	31,943
Usta Group - Elbaşı Group	14.97%	31,130
Publicly Traded (**)	35.01%	72,833
Total	100.00%	208,037

(*) Turk Ventures Adv. Ltd. provides consultancy services in its Istanbul liaison office to Dutch shareholders TPEF (Hujori Financieringen B.V. ("Hujori") and Lightyear Healthcare B.V. ("Lightyear")). Consulted Hujori and Lightyear have merged under Lightyear. With this merger, 8,287 thousand shares corresponding to 3.98% of the non-public portion and 418 thousand shares corresponding to 0.57% of the publicly traded portion owned by Hujori were transferred to Lightyear.

(**) The shareholders of the Group 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, 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, 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 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, 2022):

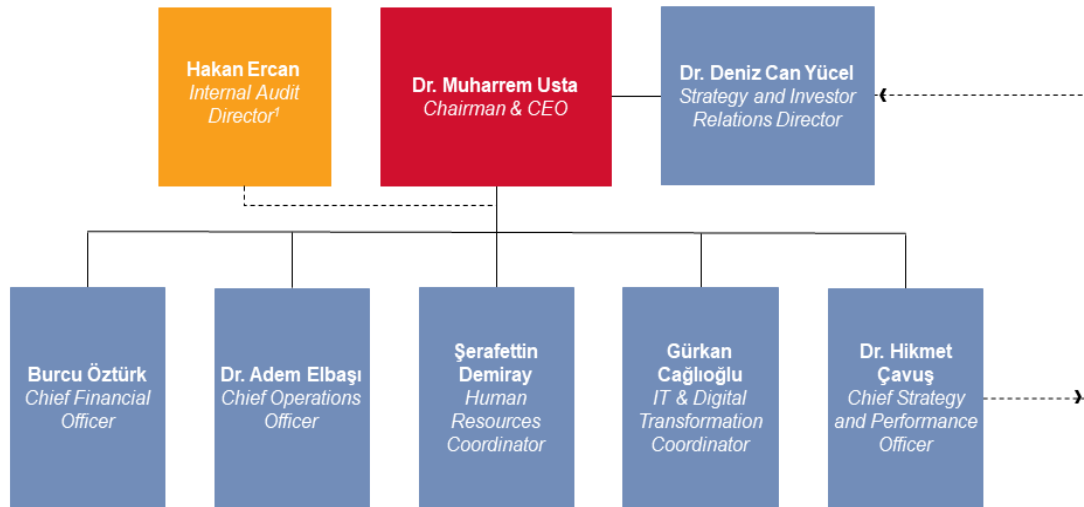
Trade Name	Proportion of ownership and voting power held (%)
MS Sağlık Hizmetleri Ticaret A.Ş. ("MS Sağlık") *	100.00%
Temar Tokat Manyetik Rezonans Sağlık Hizmetleri ve Turizm A.Ş. ("Tokat Hastanesi")	58.84%
Samsun Medikal Grup Özel Sağlık Hizmetleri A.Ş. ("Samsun Hastanesi")	80.00%
Özel Samsun Medikal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

(*) Group's share on MS Sağlık has increased to 100% as of 30 April 2022.

(**) Group has sold its shares on Sentez Hastaneleri as of 30 April 2022.

2.3 Organizational Chart:



¹ Independent directorate reporting to the Board

3. Developments During the Period:

– JCR Eurasia Rating Action (April 25, 2022 Dated Announcement)

Following its periodic annual review of the corporate credit rating, JCR Eurasia Rating rated the consolidated structure of MLP Care in the high investment grade category at national level and upgraded the ratings as “A (Tr)” from “A- (Tr)” on the Long-Term National Scale and assigned the Short-Term National Scale at “J1 (Tr)” with “Stable” outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as “BB/Stable” which are capped with the sovereign ratings and outlooks of Republic of Turkey.

The rating upgrade was driven by the MLP Care’s leading position nationally in the private healthcare industry supported by established brand-names and concepts, maintenance of strong revenue and EBITDA growth, continuation of upward trend in profit margins with improvement in operational performance, low level of net financial debt underpinned by asset light expansion strategy and successful ramp-up of acquired and newly opened hospitals, diversification of income stream supporting predictable cash flow generation, competitive advantage across the sector owing to listed structure and established track record in the domestic debt issuance market, and well managed business.

– Completion of the Hospital Transactions (May 22, 2022 Dated Announcement)

The share transfer process, which started on March 16, 2022 with the share transfer agreement regarding two of the subsidiaries (“Sentez” and “MS Sağlık”) between MLP Care and MP Sağlık ve Ticaret A.Ş. (“MP Sağlık”), was completed on May 20, 2022.

The "Non-Current Financial Asset Sale" and "Non-Current Financial Asset Acquisition" transactions are considered below the limits set in article 6 "Significance criterion" of the Capital Markets Board's II-23.3 "Common Principles Regarding Material Transactions and the Right to Leave (CMB Communiqué II-23.3)".

– Initiation of Share Buy-Back (May 25, 2022 Dated Announcement)

At the Board of Directors' meeting held by our Company on May 25, 2022, the following proposal was approved:

In order to support healthy price formation of MPARK shares in the equity market, to contribute to the formation of stable and appropriate share prices, to protect its shareholders and to offer them a more attractive long-term investment opportunity;

- 1) A share buy-back program for a period of one year shall be initiated pursuant to the Capital Markets Board's Communiqué on Share Buy-Back No. II-22.1 and the related announcements dated July 21, 2016 and July 25, 2016,
- 2) The maximum number of shares, which may be subject to the buy-back, shall be determined as TL 20,803,720.00- nominal (20,803,720.00- shares at a nominal value of TL 1 each), corresponding to 10% of the Company's issued capital,
- 3) The maximum amount of funds to be allocated for the share buy-back shall be determined as TL 650,000,000.00-,
- 4) The share buy-back shall be added to the agenda of the first following general assembly meeting and shall be presented to the information and approval of the shareholders at the general assembly.

– **Opening of Liv Bona Dea Hospital (June 29, 2022 Dated Announcement)**

In line with our strategy to increase foreign medical tourism revenue, MLP Care and Bona Dea Limited Liability Company (“Bona Dea”) have signed management service contract in June 29, 2022 in order to operate Bona Dea International Hospital in Baku, Azerbaijan. The contract is valid for 10 years and MLP Care has option to extend it for additional 5 years. Regarding this agreement, MLP Care takes over the management of the Bona Dea company and the hospital. According to this agreement, the hospital will start its operations on August 1, 2022 at latest. The name of the hospital will be updated as Liv Bona Dea Hospital.

Liv Bona Dea Hospital, which has a total closed area of approximately 37,500 m², 156 bed capacity, and 28 intensive care units (“ICU”), will play a major role in promoting strong brand name and high quality healthcare services of Liv Hospital in abroad.

– **Optimization in the Hospital Portfolio (July 1, 2022 Dated Announcement)**

MLP Care has decided to terminate the operations of Medical Park Tarsus Hospital in order to increase its portfolio efficiency in line with its strategy of growing with large-scale hospitals in metropolitan areas. In Q1 2022, the share of the hospital, for which the exit decision was made, in consolidated hospital revenue was 1.1% and 0.1% in consolidated EBITDA.

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, 2022. The aforementioned announcements can be reached through <https://www.kap.org.tr/en/Bildirim/1010155> and <https://www.kap.org.tr/en/Bildirim/1010156> 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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During the first six months period of 2022, in order to inform shareholders and investors IR Department attended a total of 58 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

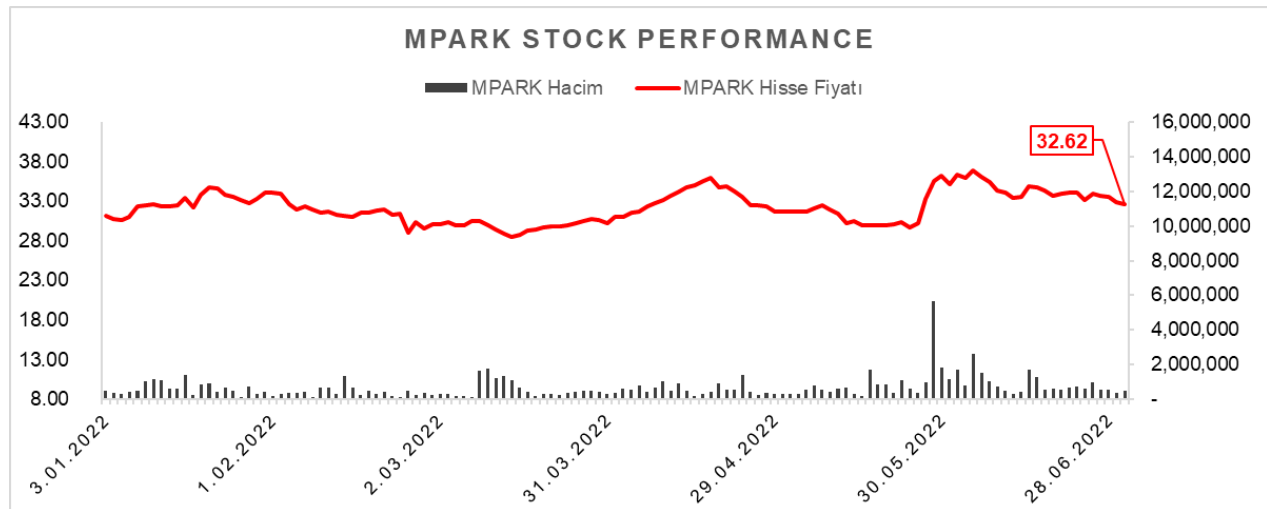
Number of Shares: 208,037,202 (each with a nominal value of TL 1.00 per share)

Date of IPO: February 13, 2018

Public: 35.01% (TFRS Report)

Stock Performance in H1 2022:

January 1 – June 30, 2022	Lowest	Highest	Average	June 30, 2022
Stock Price (TL)	28.52	36.94	32.25	32.62
Market Value (million USD)	385	544	454	406

Stock Performance:

Independent Auditor:

In our General Assembly Meeting held on April 27, 2022, **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 2022 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 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.

There is no change in the committee structures and memberships in this year.

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 2022,

- Audit Committee held four meetings on January 19, March 3, April 28, and August 3, 2022.
- Corporate Governance Committee held three meetings on February 24, April 28, and August 3, 2022.
- Early Detection of Risk Committee held four meetings on February 24, April 28, June 16, and August 3, 2022.
- Nomination and Remuneration Committee held one meeting on August 3, 2022.

In the following period, they will continue to meet and perform their duties as often as their charters require.

5. H1 2022 Earnings Release

Summary Financials

(TL million)	H1 2022	H1 2021	Change	Q2 2022	Q2 2021	Change
Revenues	4,417	2,542	73.7%	2,230	1,331	67.5%
EBITDA¹	1,040	596	74.4%	539	305	76.8%
EBITDA margin (%) ¹	23.5%	23.4%	10bps	24.2%	22.9%	127bps
Net Profit/(Loss) Before Tax	658	188	249.4%	448	73	509.6%
Net Profit/(Loss)	604	174	246.4%	404	95	327.7%
Net Profit/(Loss) equity holders of the parent	577	147	291.6%	407	82	398.2%
Free Cash Flow	384	304	26.6%	130	144	(9.9%)
Capital Expenditure	224	169	32.4%	119	126	(5.5%)
Net Debt	1,344	2,126	(36.8%)	1,344	2,126	(36.8%)
Net Debt / EBITDA	0.7x	1.9x				

¹ EBITDA and EBITDA margin calculated by deducting general administrative expenses from gross profit and adding depreciation and amortization expenses

Financial Highlights

- ✓ In Q2 2022, total revenues increased by 68% to TL 2,230 million (Q2 2021: TL 1,331 million), like-for-like total revenues excluding Sentez Sağlık Hizmetleri A.Ş. hospitals (İzmir, Gaziantep, and Batman) ("Sentez") increased by 88% to TL 2,132 million. Foreign medical tourism and domestic private medical insurance has been the key growth drivers. Overall, in H1 2022 revenue increased by 74% to TL 4,417 million (H1 2021: TL 2,542 million).
- ✓ In Q2 2022, EBITDA increased by 77% to TL 539 million, like-for-like EBITDA excluding Sentez increased by 91% to TL 520 million. While EBITDA margin increased by 127 bps to 24.2%, like-for-like EBITDA margin excluding Sentez increased by 32 bps to 24.4%. In H1 2022, EBITDA increased by 74% to TL 1,040 million, while EBITDA margin increased by 10 bps to 23.5%.
- ✓ Net profit increased by 328% to TL 404 million (Q2 2021: TL 95 million), like-for-like net profit excluding Sentez increased by 252% to TL 263 million in Q2 2022. Net profit allocated to equity holders of the parent increased by 398% to TL 407 million in Q2 2022 (Q2 2021: TL 82 million). Net profit in H1 2022 increased by 246% TL to 604 million (H1 2021: TL 174 million). Net profit improved on the back of robust EBITDA growth both in the quarter and half year as well as one-off income of TL 126 million from the sale of Sentez hospitals in Q2 2022.
- ✓ Net debt/EBITDA ratio was decreased to 0.7x in H1 2022 from 1.5x in 2021, supported by net TL 746 million of cash inflow from the sale of Sentez.

Operating Highlights

- ✓ Private medical insurance business grew by 74% in Q2 2022 and 88% in H1 2022 on the back of the increasing penetration of top-up insurance.
- ✓ Foreign Medical Tourism (FMT) revenues grew by 178% in Q2 2022 and 186% in H1 2022; circa 88% of this came from the appreciation of FX against TL in both Q2 2022 and H1 2022 and the rest from volume/price growth on the back of successful marketing and PR campaign.
- ✓ MLP Care has divested its 56% stake in its Sentez subsidiary and increased its stake from 75% to 100% in its MS Sağlık subsidiary in two simultaneous share transfer transactions. The process started on March 16, 2022 with the signing of a share transfer agreement regarding the two subsidiaries ("Sentez" and "MS Sağlık") between MLP Care and MP Sağlık ve Ticaret A.Ş. ("MP Sağlık"), was completed on May 20, 2022;
 - Under the subsidiary of Sentez three hospitals (İzmir, Gaziantep, and Batman) were operated.
 - Under MS Sağlık Hizmetleri Ticaret A.Ş. ("MS Sağlık") subsidiary Liv Hospital Ankara is operated.
 - The cash proceeds from the transaction are planned to be utilized for new hospital acquisition, investments abroad, and capacity expansion in existing facilities in line with our long-term growth strategies.
- ✓ MLP Care Board of Directors have decided in their May 25th, 2022 meeting to kick-off a share buyback program to acquire up to 10% free-float shares as treasury shares over the next twelve months. The rationale of this transaction is to support healthy share price formation. As of June 30, 2022, total nominal value of purchased shares have become TL 1,243,960 which represents 0.5980% of the share capital. As of August 11, 2022 total nominal value of repurchased shares have become TL 2,100,000 which represents 1.0094% of the share capital.
- ✓ A hospital management service contract has been signed on June 29, 2022 with Bona Dea Limited Liability Company in Baku, Azerbaijan for a duration of ten years. MLP Care will have full operating rights of the Liv Bona Dea Hospital that has a total closed area of circa 37,500 m², 156 beds, and 28 intensive care units.

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

"In the first half of 2022, we increased our domestic revenue significantly above inflation and tripled our foreign medical tourism revenue with effective marketing initiatives. We have reduced our Net Debt/EBITDA ratio to below 1.0x and further strengthened our balance sheet.

In line with our strategy to grow foreign medical tourism business, we signed our first hospital management contract abroad, in Azerbaijan. This hospital will play a major role in promoting Liv Hospital's strong brand and quality healthcare services outside of Turkey. We will continue to evaluate opportunities abroad and support our foreign medical tourism business with such management contracts.

Revenues

	H1 2022	H1 2021	Change	Q2 2022	Q2 2021	Change
Total Revenues (TL million)	4,417	2,542	73.7%	2,230	1,331	67.5%
Domestic Patient Revenues	3,532	2,225	58.7%	1,762	1,157	52.2%
Inpatient Revenues	2,024	1,327	52.5%	1,023	691	48.0%
Outpatient Revenues	1,509	898	68.0%	738	466	58.4%
Foreign Medical Tourism Revenues	724	253	186.2%	399	144	177.5%
Other Ancillary Business	160	64	150.2%	69	30	132.7%

Domestic Patient Revenues: Revenues from domestic patients increased by 52.2% in Q2 2022 and by 58.7% in H1 2022 due to increased patient numbers and average prices. The inpatient revenues grew by 48.0% in Q2 2022 and 52.5% in H1 2022. The outpatient revenues grew by 58.4% in Q2 2022 and 68.0% in H1 2022.

Foreign Medical Tourism (FMT) Revenues: FMT revenues increased by 177.5% in TL terms and 47.5% in USD terms in Q2 2022 and increased by 186.2% in TL terms and 51.8% in USD terms in H1 2022. FMT revenues as a percentage of the total revenues was 17.9% in Q2 2022 and 16.4% in H1 2022 (Q2 2021: 10.8%, H1 2021: 10.0%). FMT revenues was USD 25 million in Q2 2022 and USD 49 million in H1 2022.

Other Ancillary Business: Revenues from other ancillary business increased by 132.7% in Q2 2022 and 150.2% in H1 2022 due to management consultancy revenues from university hospitals. The consultancy revenues increased by 76.1% to TL 57 million in Q2 2022 and by 109.8% to TL 105 million in H1 2022 (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 2022	H1 2021	Change (bps)	Q2 2022	Q2 2021	Change (bps)
(% of Revenues)	76.5%	76.6%	(10)	75.8%	77.1%	(127)
Material	18.8%	19.2%	(40)	19.1%	18.6%	50
Doctor	20.9%	22.3%	(138)	20.5%	22.8%	(226)
Personnel	16.0%	16.3%	(27)	15.2%	16.4%	(123)
Rent	1.2%	0.8%	36	1.5%	0.8%	72
Outsourced services purchases	7.3%	8.5%	(117)	6.9%	8.4%	(150)
All other expenses	12.2%	9.4%	277	12.5%	10.0%	251

Material consumption as a percentage of total revenue increased by 50 bps in Q2 2022 due to increased costs and decreased by 40 bps in H1 2022 due to the lagging effect of increased costs on the back of effective inventory management.

Doctor costs as a percentage of total revenue decreased by 226 bps in Q2 2022 and 138 bps in H1 2022 due to strong hospital revenue growth and the sale of Sentez hospitals.

Personnel expenses as a percentage of total revenue decreased by 123 bps to 15.2% in Q2 2022, and decreased by 27 bps to 16.0% in H1 2022 due to the decreased number of personnel from the sale of Sentez hospitals.

Outsourced services purchases that consists of laboratory, imaging, cleaning, catering, security expenses as a percentage of the total revenue decreased by 150 bps to 6.9% in Q2 2022, and decreased by 117 bps to 7.3% in H1 2022 due to decreased volume of the outsourced PCR test service expenses.

All other expenses (energy, foreign and domestic marketing expenses etc.) increased by 251 bps to 12.5% in Q2 2022 and increased by 277 bps to 12.2% in H1 2022 primarily due to the increasing in the marketing expenses related to FMT revenues and increase in utility expenses over inflation rate.

EBITDA

EBITDA number increased by 76.8% to TL 539 million in Q2 2022 and increased by 74.4% to TL 1,040 million in H1 2022. EBITDA margin increased by 127 bps to 24.2% in Q2 2022 and increased by 10 bps to 23.5% in H1 2022. EBITDA number increased due to the decreasing doctor and personnel expenses.

Cash Flow

The operating cash flow decreased by 9.2% to TL 249 million in Q2 2022 due to the TL 626 million contracting effect of the Sentez sale on net working capital (Q2 2021: TL 274 million). Overall, operating cash flow increased by 27.0% to TL 612 million in H1 2022 due to the robust EBITDA growth (H1 2021: TL 482 million). Therefore, the operating cash flow/EBITDA ratio decreased to 46.1% in Q2 2022 and to 58.9% in H1 2022 (Q2 2021: 89.9%, H1 2021: 80.9%).

Free cash flow decreased by 9.9% to TL 130 million in Q2 2022 and increased by 26.6% to TL 384 million (Q2 2021: TL 144 million, H1 2021: TL 304 million). Therefore, free cash flow/EBITDA ratio was at 24.1% in Q2 2022, and 37.0% in H1 2022 (Q2 2021: 47.3%, H1 2021: 50.9%).

Maintenance-related capital expenditures as a percentage of revenues was at 2.9% in Q2 2022 and 2.8% in H1 2022 (Q2 2021: 2.2%, H1 2021: 2.1%). Total capital expenditures as a percentage of revenues was at 5.3% in Q2 2022 and 5.1% in H1 2022 (Q2 2021: 9.4%, H1 2021: 6.7%).

Profit/(Loss) for the Period

Due to strong EBITDA growth compared to last year and one-off income of TL 126 million from the sale of subsidiary, a net profit of TL 404 million in Q2 2022 and TL 604 million in H1 2022 was generated. Like-for-like net profit excluding Sentez a net profit of TL 263 million in Q2 2022 and TL 417 million in H1 2022 was generated.

In H1 2022, net profit allocated to non-controlling interest was TL 27 million due to profitable subsidiaries (H1 2021: TL 27 million). Therefore, in H1 2022, net profit allocated to equity holders of the parent increased by 291.6% to TL 577 million (H1 2021: TL 147 million). In Q2 2022, the net profit allocated to equity holders of the parent shares increased by 398.2% to TL 407 million with the transfer of Sentez hospitals, which accounted for the majority of profits related to non-controlling interests (Q2 2021: TL 82 million).

Borrowings and Indebtedness

Net debt by currency (TL million)	H1 2022	Vertical %	2021	Vertical %	Change
TL	1,068	79%	1,364	66%	(21.7%)
USD + Euro (*)	(581)	(43%)	(187)	(9%)	210.1%
Total loan, financial leasing	487	36%	1,176	57%	(58.6%)
TL (IFRS 16)	767	57%	813	39%	(5.6%)
USD + Euro (IFRS 16)	90	7%	80	4%	12.4%
Total lease liabilities (IFRS16)	857	64%	893	43%	(4.0%)
Total net debt	1,344	100%	2,069	100%	(35.0%)

(*) A Currency Protected Deposit transaction amounting to TL 186.3 million (EUR 11.6 million) was made in February-June 2022 and presented under financial investments account. As the related EUR balance was converted to TL on the transaction date, it is not included in the above mentioned Foreign Currency Position. There is a net long position of EUR 44.2 million in foreign currency including the Currency Protected Deposit balance.

The net debt/EBITDA ratio was successfully decreased to 0.7x in H1 2022 from 1.5x in 2021 on the back of strong operating performance and net TL 746 million cash from the sale of Sentez hospitals.

In H1 2022, net debt excluding obligations under operational leases related to TFRS 16 decreased by TL 689 million to TL 487 million (2021: TL 1,176 million). The net debt/EBITDA ratio decreased to 0.3x in H1 2022 from 1.1x in 2021.

Total net debt including obligations under operational leases related to TFRS 16 decreased by TL 725 million to TL 1,344 million (2021: TL 2,069 million).

EBITDA RECONCILIATION

TL million	H1 2022	H1 2021	Q2 2022	Q2 2021
Revenue	4,417	2,542	2,230	1,331
Cost of service	3,189	1,907	1,593	999
Gross profit	1,228	635	637	332
General administrative expenses (-)	(399)	(194)	(201)	(109)
Depreciation and amortization expenses (Cost of service)	196	144	95	76
Depreciation and amortization expenses (General administrative expenses)	15	10	8	5
EBITDA¹	1,040	596	539	305
EBITDA margin (%)¹	23.5%	23.4%	24.2%	22.9%

¹ EBITDA and EBITDA margin calculated by deducting general administrative expenses from gross profit and adding depreciation and amortization expenses

SUMMARY CONSOLIDATED INCOME STATEMENT

	Reviewed			Reviewed		
TL million	H1 2022	H1 2021	Change (%)	Q2 2021	Q2 2021	Change (%)
Revenue	4,417	2,542	73.7%	2,230	1,331	67.5%
Cost of service (-)	(3,189)	(1,907)	67.2%	(1,593)	(999)	59.5%
Gross profit	1,228	635	93.2%	637	332	91.7%
General administration expenses (-)	(399)	(194)	105.9%	(201)	(109)	84.6%
Other income from operations	206	214	(4.0%)	91	134	(32.5%)
Other expenses from operations (-)	(251)	(192)	31.2%	(103)	(135)	(23.2%)
Operating profit/(loss)	784	465	68.7%	423	223	89.8%
Income from investing activities	144	3	n.m.	127	2	n.m.
Expense from investing activities (-)	(9)	(0)	n.m.	(3)	(0)	n.m.
EBIT	919	467	96.8%	547	225	142.9%
<i>EBIT margin</i>	<i>20.8%</i>	<i>18.4%</i>	<i>244bps</i>	<i>24.5%</i>	<i>16.9%</i>	<i>761bps</i>
Interest (expenses) / income, net (-)	(224)	(251)	(10.7%)	(84)	(133)	(36.4%)
Net foreign exchange profit / (loss) (including hedging cost)	(38)	(28)	32.7%	(15)	(19)	(22.4%)
Net profit / (loss) before tax	658	188	249.4%	448	73	509.6%
Tax income / (expense) from operations	(53)	(14)	287.4%	(44)	21	(306.7%)
Net profit / (loss)	604	174	246.4%	404	95	327.7%
Net profit / (loss) non-controlling interest	27	27	1.3%	(2)	13	(118.9%)
Net profit / (loss) equity holders of the parent	577	147	291.6%	407	82	398.2%

SUMMARY CONSOLIDATED BALANCE SHEET

TL million	Reviewed June 30, 2022	Reviewed June 30, 2021	Audited December 31, 2021
Cash and cash equivalents	1,158	580	680
Financial investments	186	-	-
Trade receivables	1,083	1,279	1,318
Inventory	436	118	285
Short term other assets	539	454	458
Current assets	3,403	2,431	2,741
Tangible and intangible fixed assets	1,813	1,518	1,716
Right of use assets	550	397	539
Deferred tax assets	436	419	422
Long term other assets	410	326	329
Non-current assets	3,210	2,661	3,007
Total assets	6,613	5,091	5,748
Trade payables	1,909	1,118	1,546
Short term other liabilities	604	429	498
Short term financial liabilities (incl, financial and operational leases)	1,534	1,199	1,274
Current liabilities	4,047	2,746	3,318
Long term other liabilities	144	138	149
Deferred tax liabilities	146	187	136
Long term financial liabilities (incl, financial and operational leases)	1,154	1,508	1,475
Non-current liabilities	1,444	1,832	1,761
Shareholders' equity	1,148	421	539
Non-controlling interest	(26)	93	131
Equity	1,122	514	669
Total liabilities & equity	6,613	5,091	5,748