MLPCARE

August 13, 2020

Strong Operational Performance Despite the Pandemic Impact

MLP Sağlık Hizmetleri A.Ş. ("MLP Care")

MLP Sağlık Hizmetleri A.Ş. (BIST: MPARK), the leading private healthcare service provider in Turkey, today announces its financial results for the second quarter and the first half of 2020.

(All figures in this fact sheet include the impact of IFRS 16 unless otherwise stated.)

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**

ABOUT MLP CARE

We are the largest private healthcare service provider in Turkey in terms of number of hospitals, beds and geographic scope based on our footprint of 29 hospitals and around 5,900 beds in 15 cities across the country as of reporting date. We treat more than 2 million people per year, with our patients primarily drawn from the upper-mid segments of the market. We provide a full range of healthcare services from gynaecology, cardiology, oncology, orthopaedics, intensive care to complex treatments such as organ and bone marrow transplants. We have approximately 18,000 personnel, including over 2,200 physicians, managed by a head office team which integrates field operations, sets strategy and monitors real-time performance across all hospitals.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document may contain certain forward-looking statements concerning our future performance and should be considered as good faith estimates made by the Company. These forward-looking statements reflect management expectations and are based upon currently available data. Actual results are subject to future events and uncertainties, which could materially impact the Company's actual performance.

ENQUIRIES

For financial reports and further information regarding MLP Care, please visit our website at http://investor.mlpcare.com/en/ or you may contact:

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