

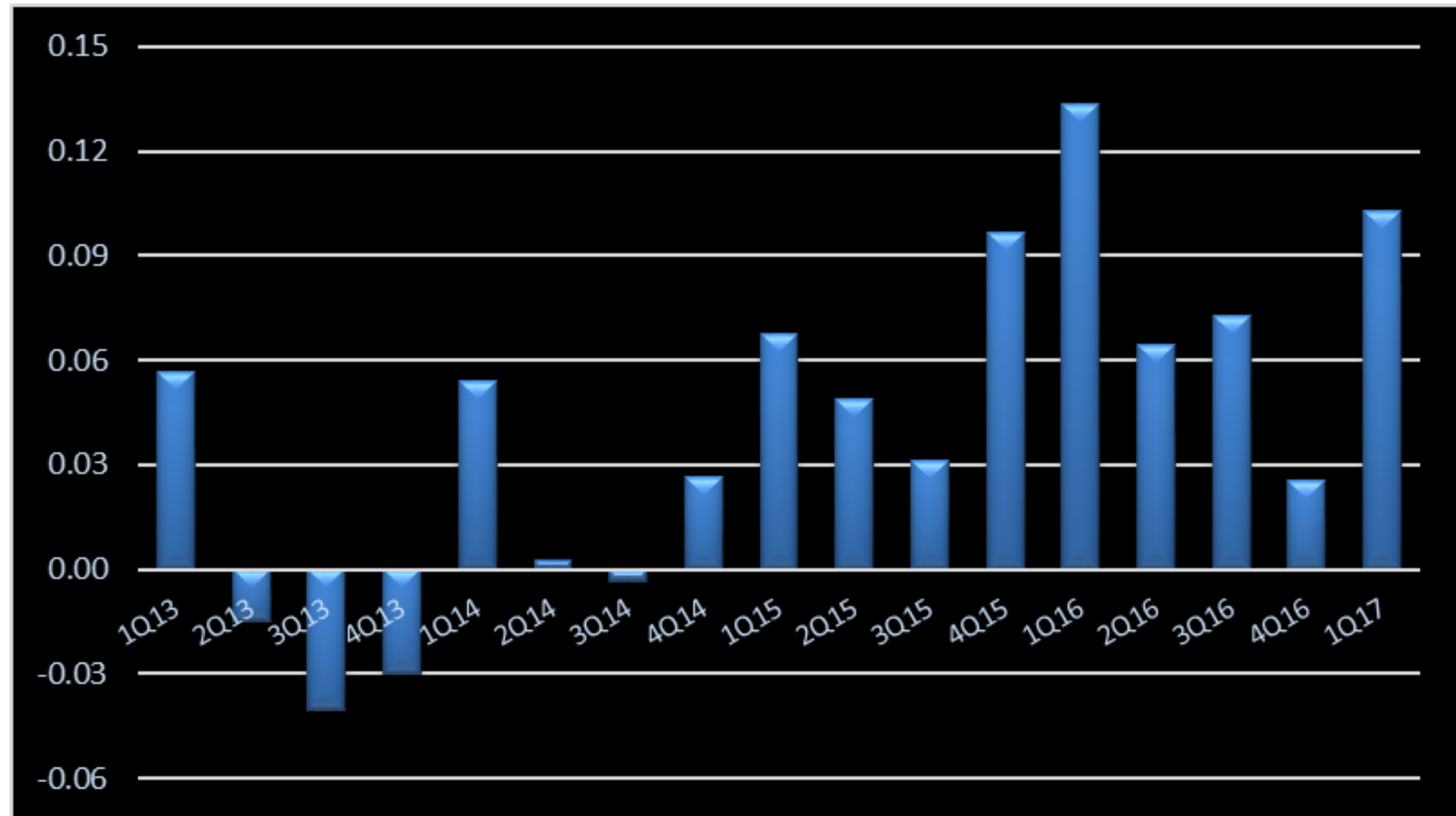


1Q Update – 2017 guidance reiterated

June 2017



1Q17 – Earnings per share (TL)



We have reported TL0.10 in March quarter EPS, our second best quarterly earnings on record



1Q17 – income statement summary

**Revenues up 40% on the year following investments,
EBITDA is catching up, both in line with our guidance**

	1Q17	2016	4Q16	9M16	3Q16	1H16	2Q16	1Q16	2015
Income statement summary (TLm)									
Sales	60.1	195.0	60.7	134.3	49.2	85.0	42.1	43.0	141.6
<i>Of which healthcare</i>	58.3	187.4	58.2	129.2	47.9	81.3	39.5	41.8	136.8
Cost of sales	-50.2	-156.9	-48.8	-108.1	-40.5	-67.6	-34.6	-33.0	-116.5
<i>Of which healthcare</i>	-49.1	-151.9	-47.3	-104.5	-39.5	-65.1	-32.9	-32.2	-112.6
Cash gross income	9.9	38.0	11.9	26.2	8.7	17.4	7.5	9.9	25.0
<i>Of which healthcare</i>	9.3	35.5	10.9	24.6	8.4	16.2	6.7	9.6	24.2
OPEX	-2.6	-12.1	-5.4	-6.8	-2.9	-3.9	-2.2	-1.7	-8.4
EBITDA	7.3	25.9	6.5	19.4	5.8	13.6	5.3	8.3	16.6
<i>Of which healthcare</i>	6.7	23.9	5.8	18.1	5.6	12.5	4.6	7.9	16.1
Depreciation write off	-1.6	-7.2	-1.7	-5.6	-1.4	-4.1	-2.1	-2.0	-7.9
Net other income	-0.5	1.1	0.8	0.3	1.0	-0.7	-0.2	-0.5	0.6
EBIT	5.3	19.8	5.6	14.2	5.4	8.8	3.1	5.7	9.3
<i>Of which healthcare</i>	4.7	18.0	4.9	13.1	5.1	8.0	2.5	5.5	9.0
Net interest	-1.2	-4.4	-1.9	-2.4	-0.8	-1.6	-0.7	-0.9	-3.3
EBT	4.0	15.4	3.7	11.7	4.5	7.2	2.4	4.8	5.9
Taxes and tax credits	0.2	1.2	0.8	0.4	0.7	-0.3	-0.3	-0.1	2.7
Net income	4.2	16.6	4.5	12.1	5.2	6.9	2.1	4.7	8.6
Minorities	-1.7	-9.5	-3.9	-5.6	-3.5	-2.1	-0.6	-1.5	-3.2
Income available for shareholders	2.5	7.1	0.6	6.5	1.7	4.8	1.5	3.2	5.4



1Q17 – balance sheet summary

Capital ratios remain strong with leverage looking healthy across various metrics we monitor. Net debt to EBITDA reads 1.7x and net debt to equity remains well below 1x

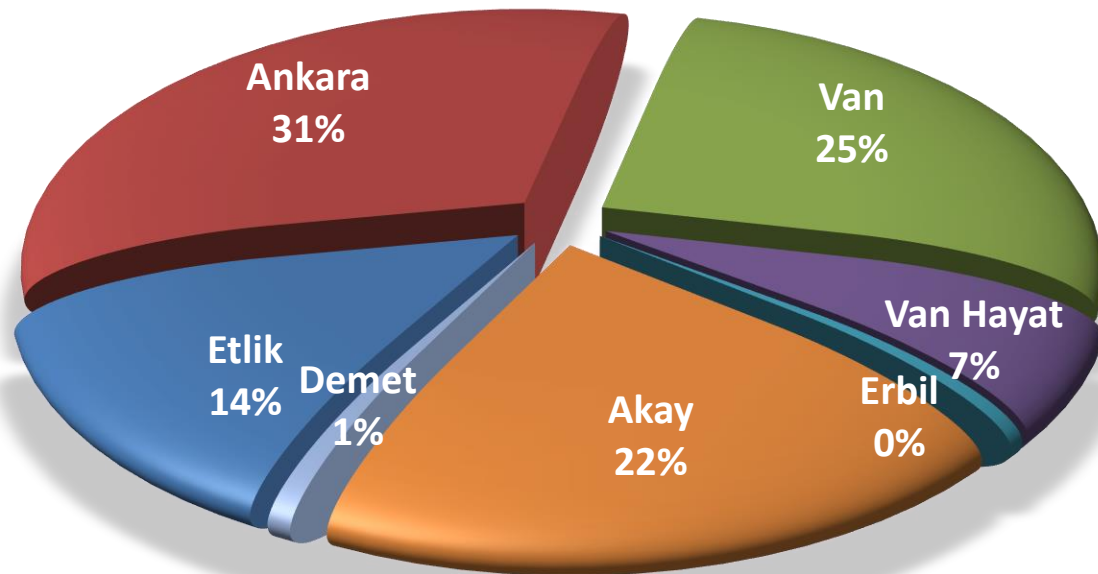
TL in millions

	1Q17	2016	4Q16	9M16	3Q16	1H16	2Q16	1Q16	2015
Book value of equity	65.1	62.3	62.3	64.1	64.1	63.2	63.2	64.9	62.5
Net debt	49.9	45.4	27.8	42.0	42.0	28.2	28.2	22.5	27.8
Market value of equity	123.4	123.4	123.4	123.4	123.4	123.4	123.4	123.4	123.4
Minorities	12.5	13.2	13.2	9.9	9.9	6.5	5.9	5.9	4.3
Enterprise value	185.7	182.0	164.4	175.3	175.3	158.0	157.4	151.7	155.5
<i>Leverage and capital</i>									
Net debt to sales (x)	0.21	0.23	0.11	0.23	0.21	0.17	0.17	0.13	0.20
Net debt to EBITDA (x)	1.71	1.75	1.07	1.20	1.80	1.04	1.33	0.68	1.67
Net debt to equity (x)	0.77	0.73	0.45	0.66	0.66	0.45	0.45	0.35	0.44
EV to sales (x)	0.77	0.93	0.68	0.98	0.89	0.93	0.94	0.88	1.10
EV to EBITDA (x)	6.39	7.02	6.30	6.77	7.50	5.83	7.44	4.59	9.35



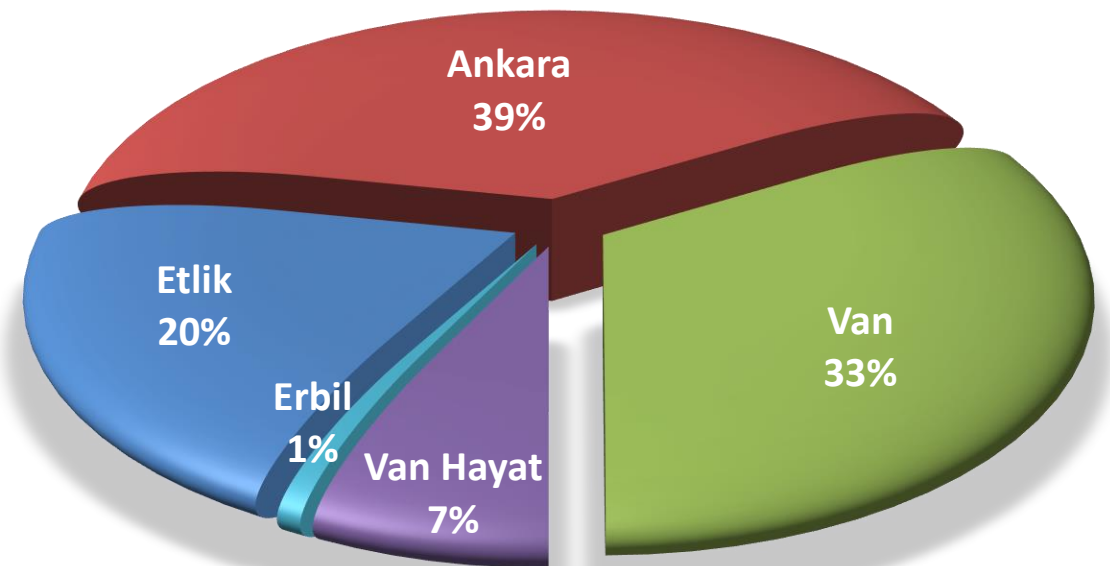
1Q17 – Healthcare sales by location

1Q17



TL58.3M

1Q16



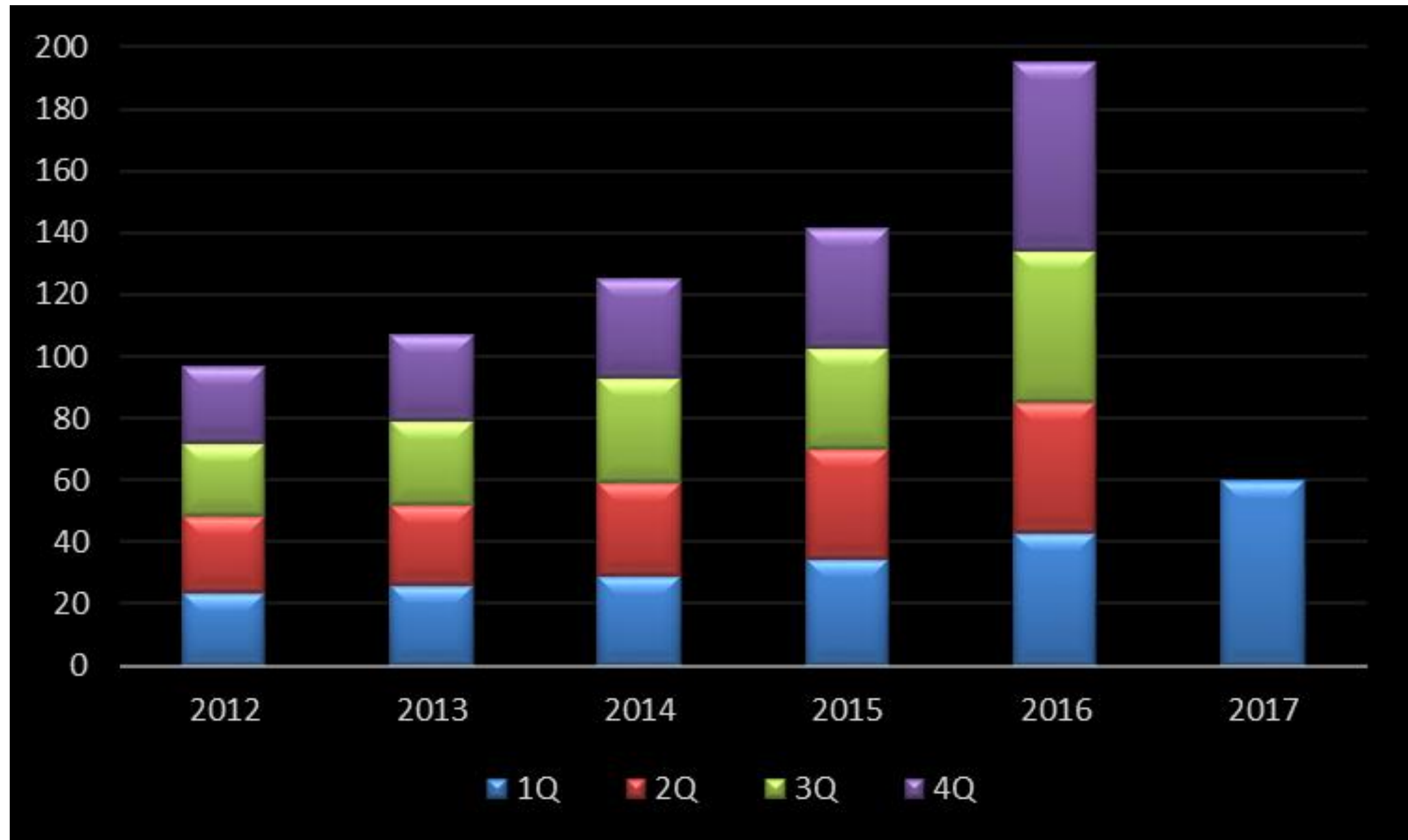
TL41.8M

+40%



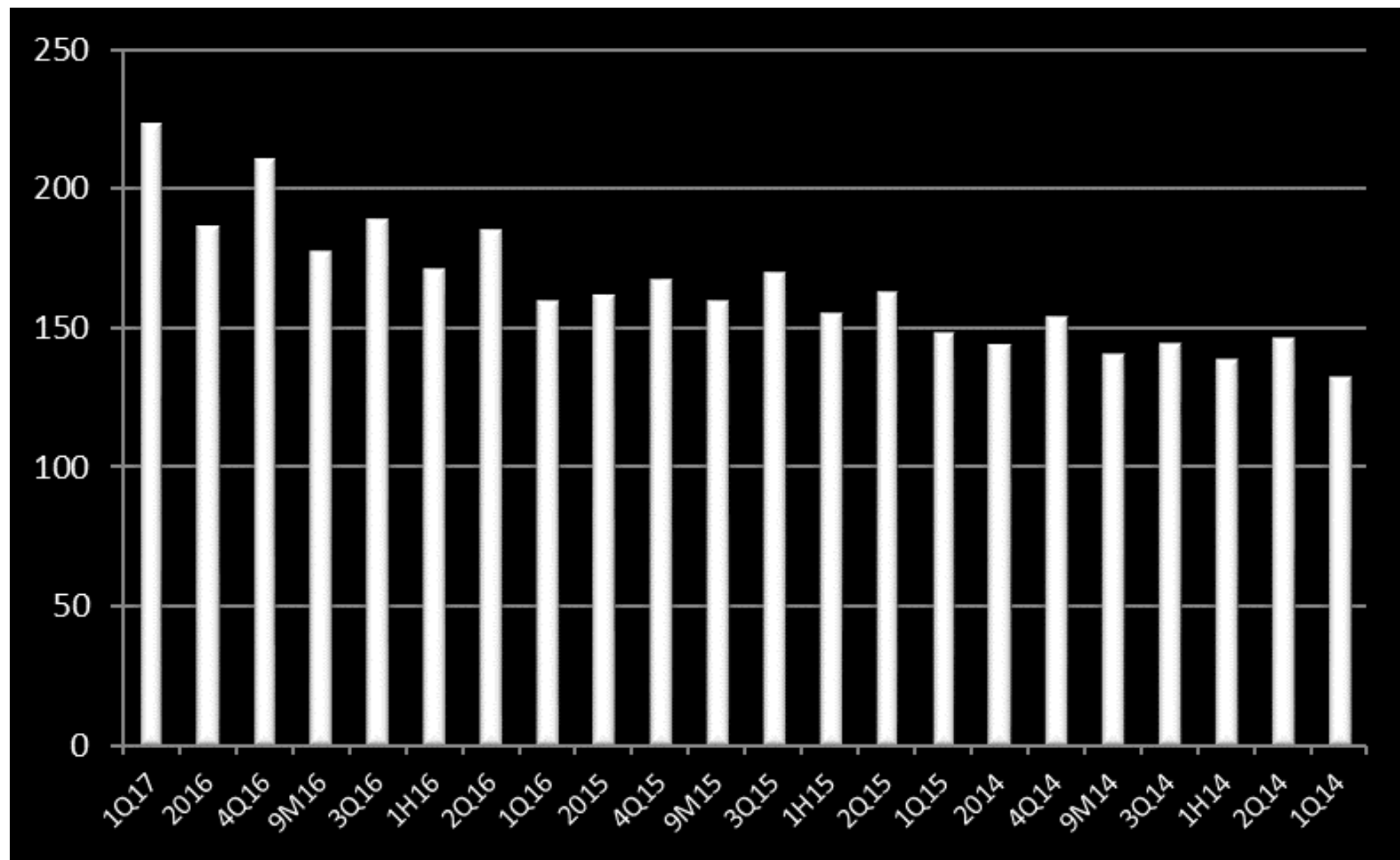
1Q17 – Sales by quarter

TL in millions





Average revenue per patient (TL)



2017

2014

Blended ARPP trending up driven by growing share of PMI and cash in total sales



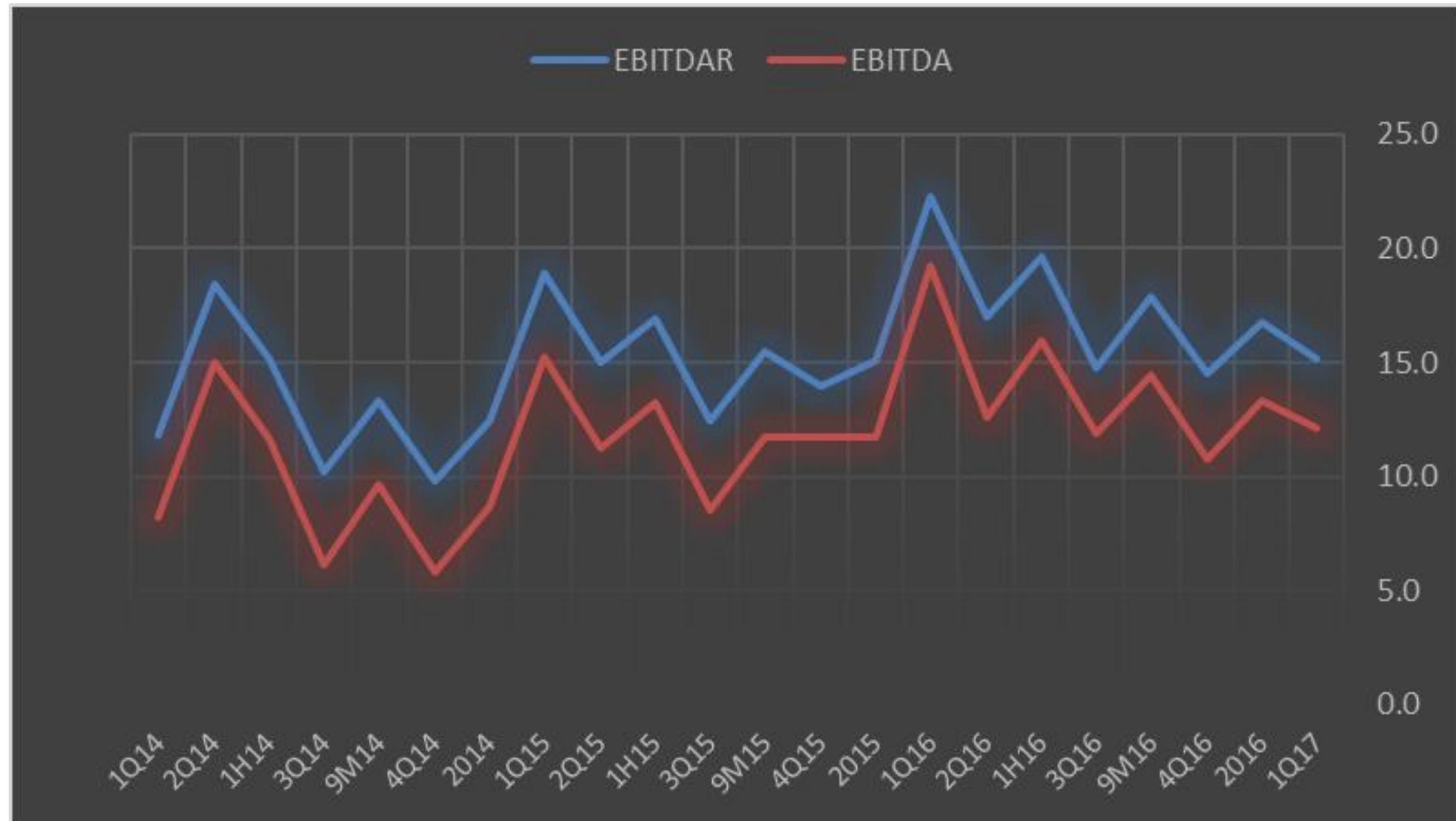


1Q17 – Sales and EBITDA margin



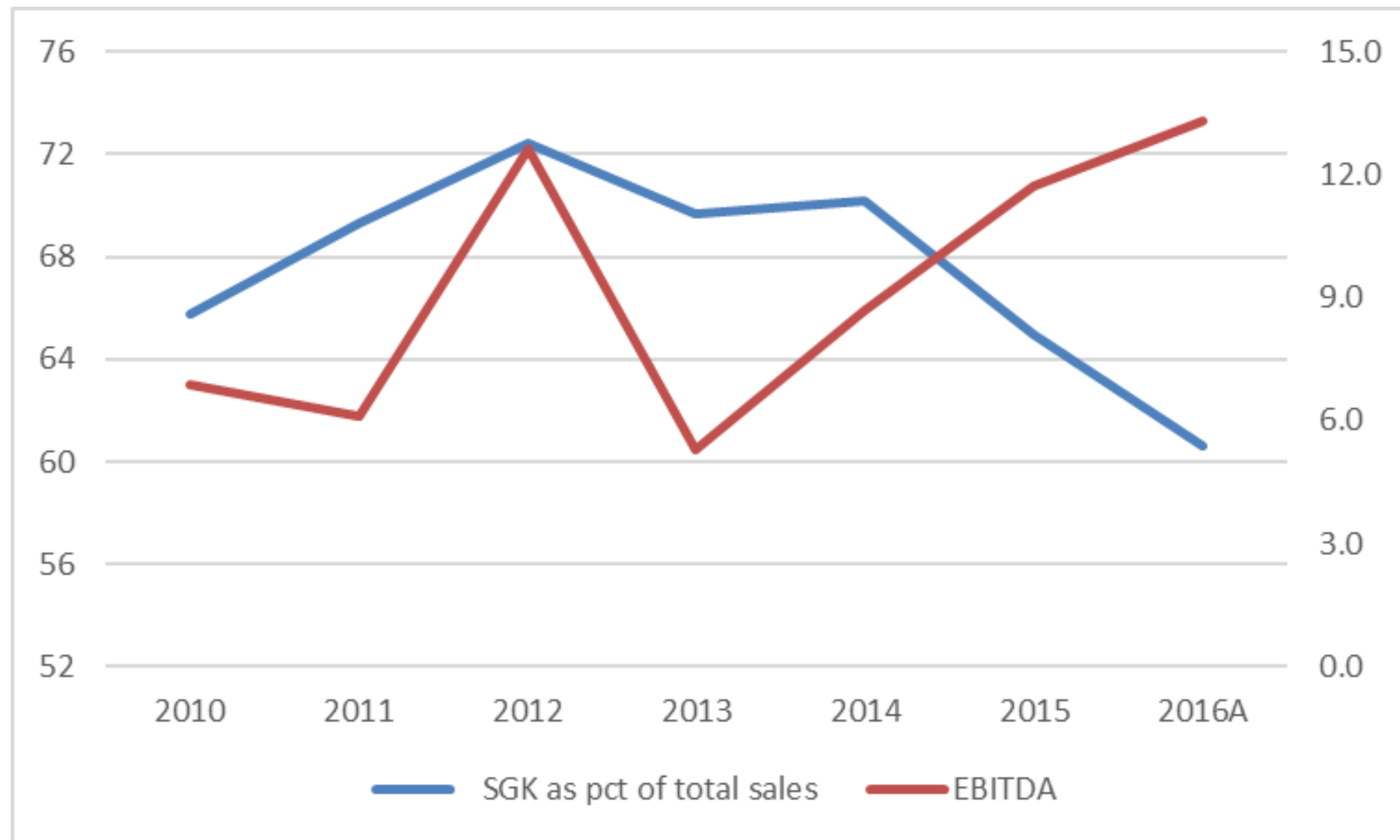


1Q17 – Margin trends (%)

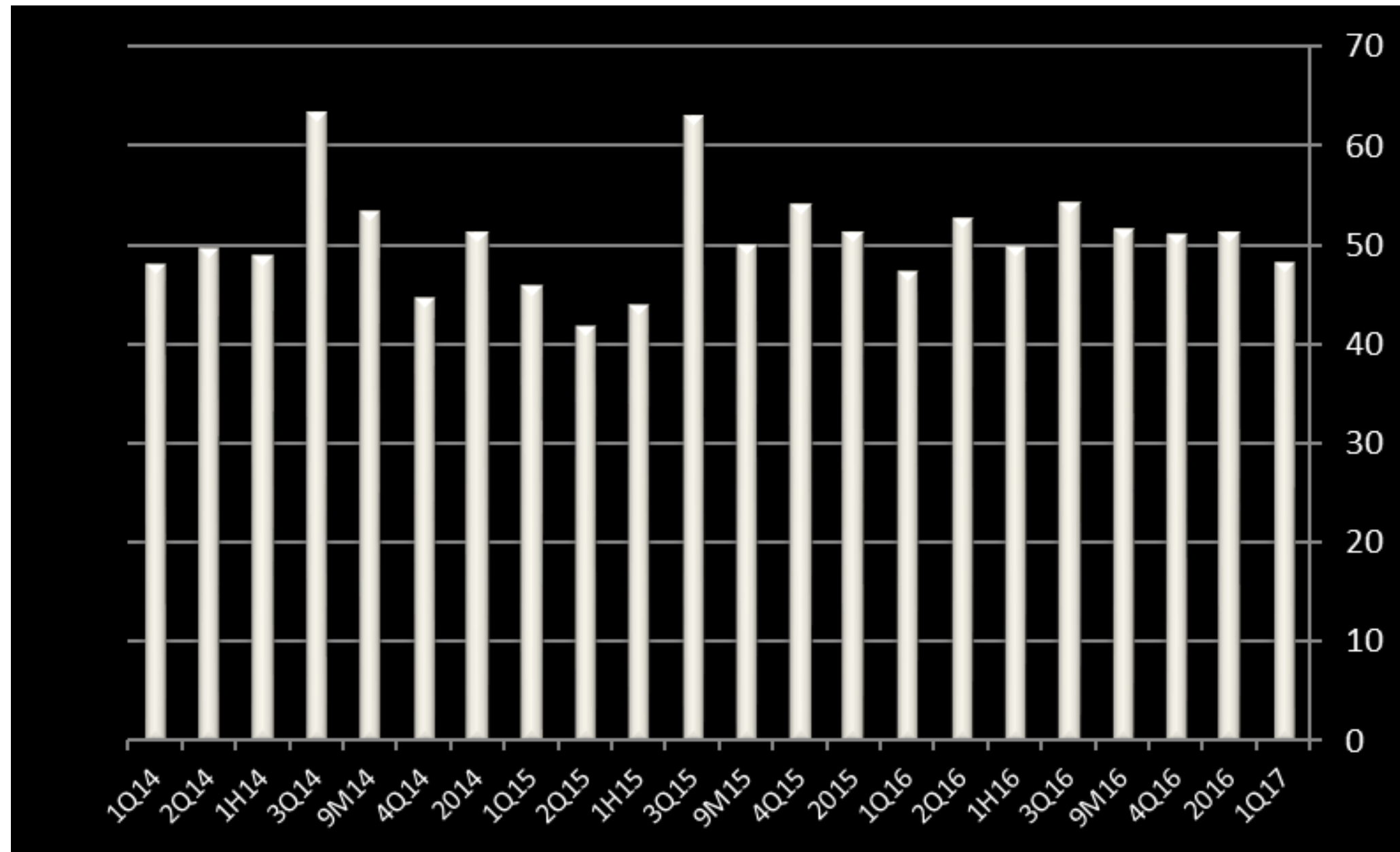




EBITDA margin plotted against the share of *state medical insurance* in total sales



Staff cost margin (%)



2017

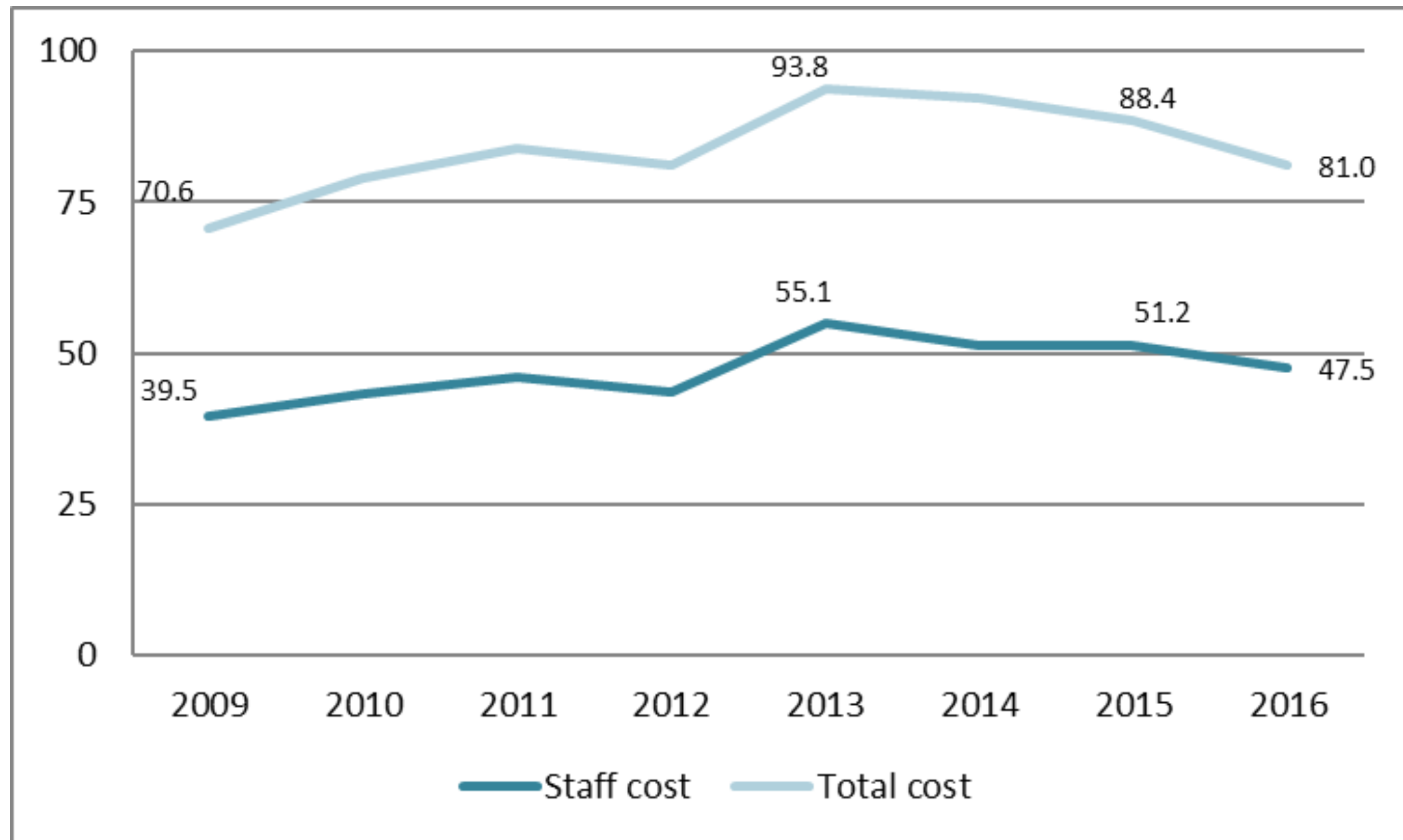
2014

Staff cost margin below 50% mark and should remain between 45% and 50% throughout 2017



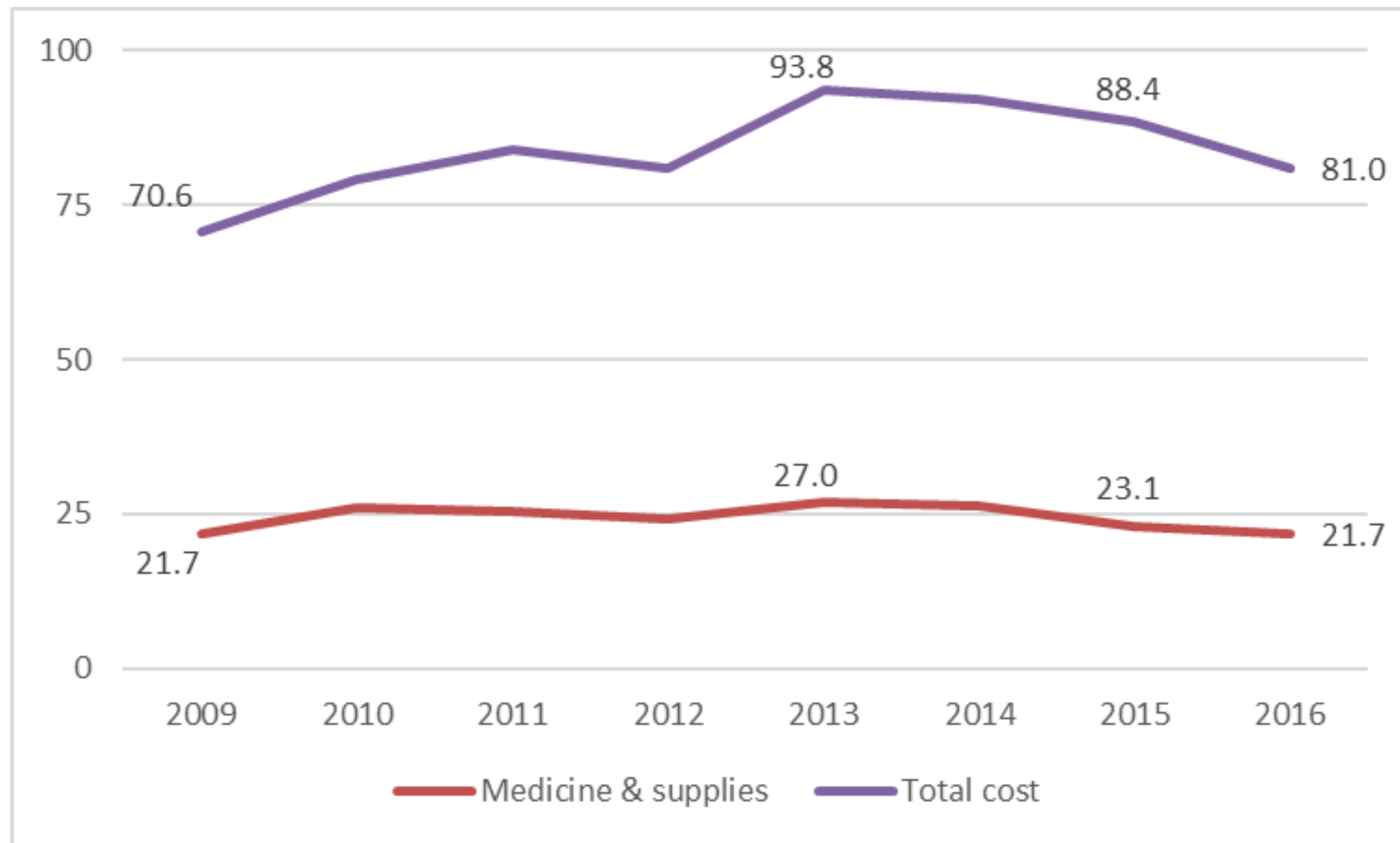


Staff cost margin plotted against total cost





Cost of supplies and total cost



2017 guidance - unchanged



2017 will be the first full year of our investments in Akay and Demet. We project 20-23% sales growth with 14-14.5% EBITDA margin

Sales

- TL235 - 240 million in consolidated revenues, up from TL195 million in 2016, consistent with 20-23% growth year on year

EBITDA

- TL33 – 34.5 million in EBITDA, up from TL27 million in 2016, consistent with 21-26% growth on the year

Margin

- 14 -14.5% in 2017 EBITDA margin versus 14% in 2016. We expect to reach 15% mark in 2018

DIV

- We do not foresee any change in our dividend policy 2017/2018.

Lokman Hekim



**A fast growing private hospital operator
in an attractive market**

**A diversified service provider with extensive
footprint in maternity care and cardiology**

**A growing and high caliber base of doctors
and skilled technical staff**

**A management focused on
value for shareholders**

**Improving pricing power with suppliers
as bed capacity grows**

**Experience/know how gathered in Eastern Turkey
opening the doors to underpenetrated regions**

Leverage ratios well below sector norms

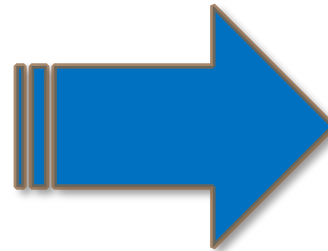
**Uplift in margins and earnings
following capacity investments**



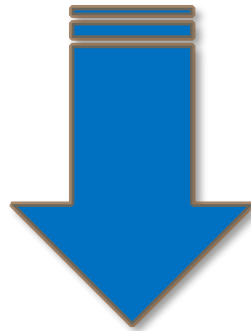
Lokman shares are quoted on Borsa Istanbul



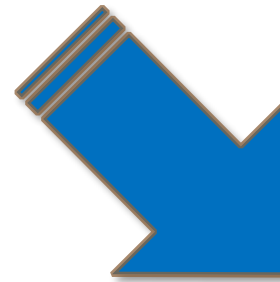
Lokman Hekim is the only company in Turkish healthcare providers industry whose shares are publicly quoted on Borsa Istanbul



Wider access to stable funding sources via capital markets



Transparency and corporate communications



Corporate governance & accountability



Lokman Hekim locations





Lokman Hekim locations

Ankara Etlik

1996



Facility – Hospital
Current capacity – 35 beds
Planned capacity – 100 beds

Ankara Sincan

2008



Facility – Hospital
Current capacity – 210 beds
Planned capacity – 220 beds

Ankara Demet

2016



Facility – Polyclinic
Current capacity – 10 beds
Planned capacity – 10 beds

Ankara Akay

2016



Facility – Hospital
Current capacity – 121 beds
Planned capacity – 140 beds

Van

2013



Facility – Hospital
Current capacity – 65 beds
Planned capacity – 75 beds

Van Hayat

2013



Facility – Hospital
Current capacity – 218 beds
Planned capacity – 235 beds

Erbil, Iraq

2011



Facility – Imaging Centre
Current capacity – 5 beds
Planned capacity – 5 beds

Income statement highlights



Lokman Hekim Engurusag Saglik financials and forecasts

	2010	2011	2012	2013	2014	2015	2016A
1 Sales	59.8	63.0	96.7	107.4	125.0	141.6	195.0
2 Healthcare services	59.8	62.5	95.9	102.2	115.6	136.8	187.4
3 Ankara Etlik	21.0	20.1	22.3	22.8	24.2	27.7	30.1
4 Ankara Sincan	38.8	41.3	43.6	45.0	49.5	54.3	62.0
5 Van	0.0	1.1	29.9	32.6	36.4	44.3	55.1
6 Van Hayat	0.0	0.0	0.0	1.7	4.9	9.4	20.4
7 Arbil	0.0	0.0	0.0	0.2	0.7	1.2	1.3
8 Akay							18.4
9 Demet							0.1
10 Other sales	0.0	0.5	0.8	5.3	9.4	4.7	7.6
11 Sales by payer							
12 Social Security (SGK)	39.3	43.3	69.5	71.2	81.2	88.9	113.5
13 SGK as pct of total sales	65.8	69.3	72.5	69.7	70.2	64.9	60.6
14 Other	20.5	19.2	26.4	31.0	34.4	48.0	73.9
15 Total	59.8	62.5	95.9	102.2	115.6	136.8	187.4
16 Sales by treatment							
17 Inpatient	29.2	30.5	52.6	45.6	64.2	80.1	105.3
18 As percent of total (%)	48.8	48.9	54.9	44.6	55.5	58.6	56.2
19 Outpatient	30.6	32.0	43.3	56.6	51.4	56.7	82.1
20 Total	59.8	62.5	95.9	102.2	115.6	136.8	187.4
21 Cash COGS	-48.2	-49.8	-75.2	-96.6	-107.0	-116.5	-156.9
22 Gross income	11.6	13.2	21.5	10.8	18.0	25.0	38.0
23 Cash Opex	-8.1	-9.3	-9.3	-5.2	-7.2	-8.4	-12.1
24 EBITDA	4.1	3.9	12.2	5.7	10.8	16.6	25.9
25 Depreciation	-2.4	-2.4	-3.4	-5.4	-6.9	-7.9	-7.2
26 EBIT	1.7	1.5	8.8	0.3	4.0	8.7	18.7
27 Net interest	-2.5	-3.4	-2.8	-2.9	-3.5	-3.3	-4.4
28 Other income	1.0	3.0	2.0	1.9	1.4	0.6	1.1
29 EBT	0.2	1.1	8.0	-0.7	1.8	5.9	15.4
30 Period tax	0.0	0.0	-0.1	0.0	-0.5	-0.9	-2.3
31 Deferred taxes	0.0	-0.1	-1.4	-0.0	0.2	3.6	3.5
32 Net income	0.2	1.0	6.5	-0.7	1.5	8.6	16.6
33 Minorities	0.0	0.0	-1.1	-1.2	-0.3	-3.2	-9.5
34 Net income after minorities	0.2	1.0	5.4	-1.9	1.2	5.4	7.1
35 Dividends paid out	0.0	0.0	2.0	2.1	1.0	1.2	2.8
36 Retained earnings	0.2	1.0	3.4	-4.0	0.2	4.2	4.3

Investments update



In line with our strategic plan, we have taken steps to improve our competitive edge, market presence and, above all, the profitability in the aftermath of acquisitions and other investments.

Akay

- Work is underway to upgrade technology, infrastructure and service quality

Demet

- The immediate focus is to reach 20% EBITDA margin as early as 2017

Etlik

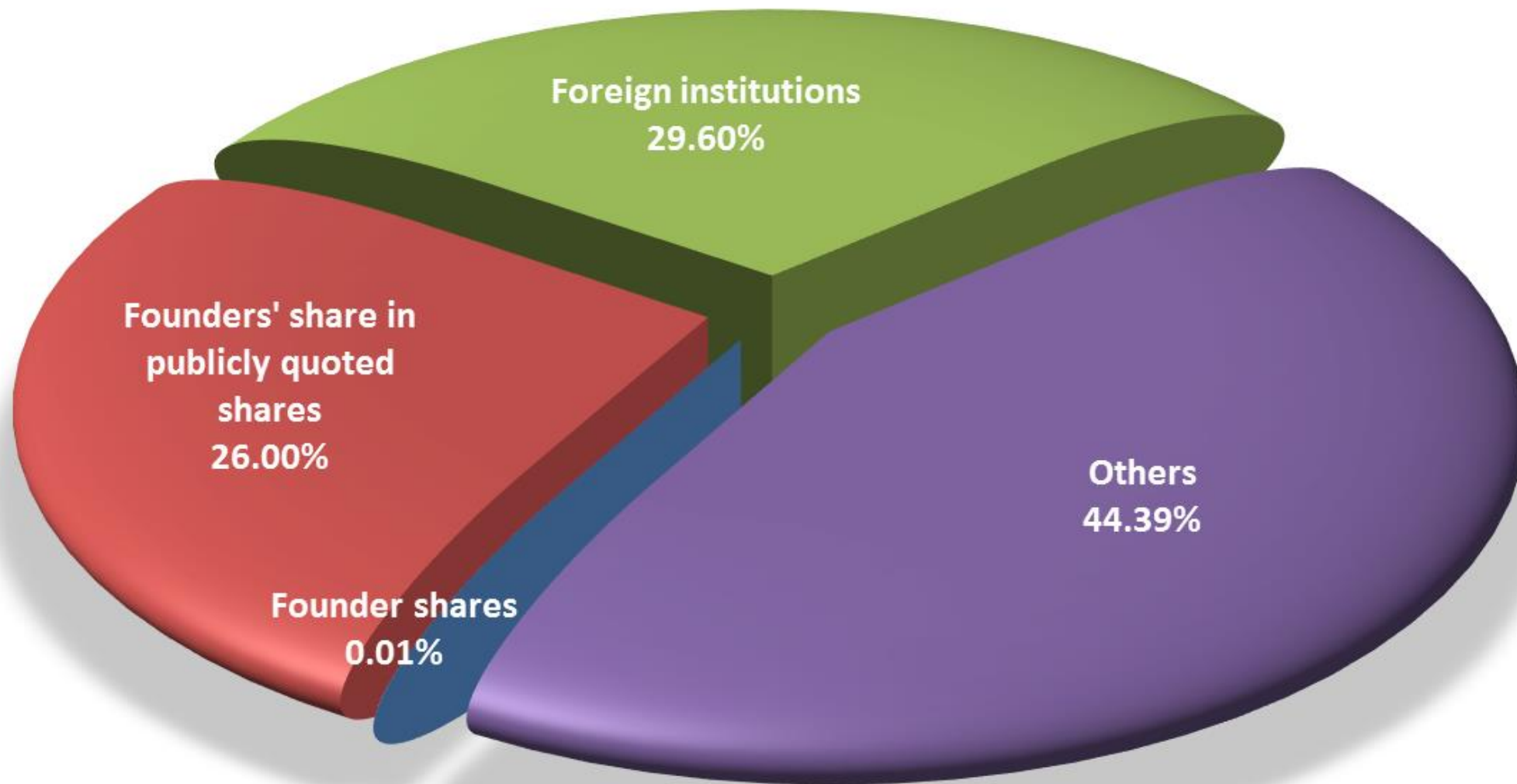
- With land acquisition now complete, the expansion project will gain momentum. Our aim is to commence the construction later in the year.

Long
Term

- We will continue working towards our objective to improve brand awareness and invest in underserved cities with promising growth prospects of Anatolia.



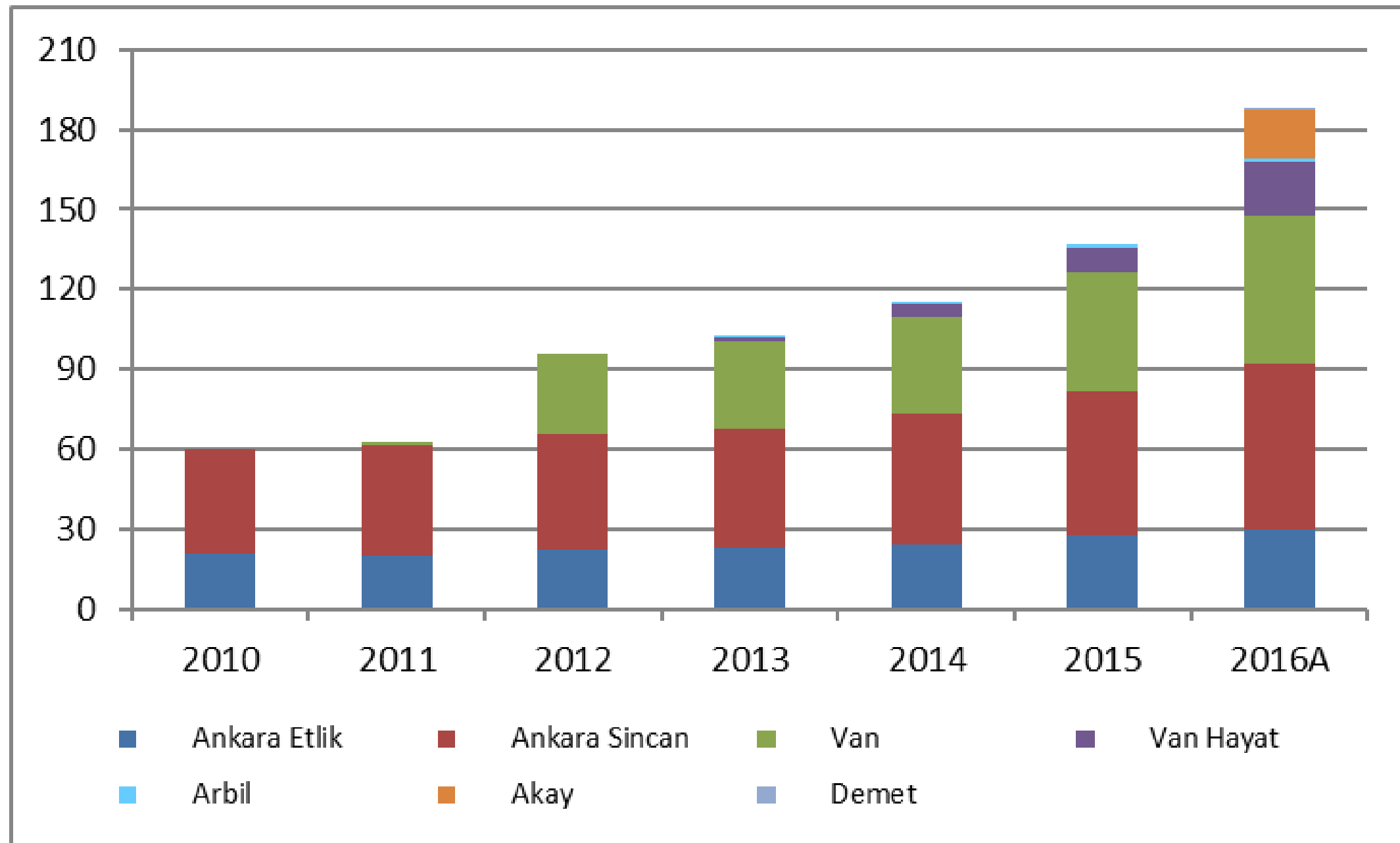
Share capital – 24 million shares





2016 recap – sales by location

TL in millions



Longer-term objectives



Our long term EBITDA margin objective is 15%. We intend to accomplish this target without compromising on service quality and brand name by

1

- Turning **regional cost differentials** to our advantage

2

- Raising gradually the **contribution of higher margin PMI** business to our sales

3

- Improving **pricing power** with suppliers by taking advantage of **economies of scale** as we acquire and grow business

4

- Using our **experience gathered in underpenetrated regions** of the country to position in Central and Eastern Anatolia

Targeting underpenetrated cities in Turkey

Cities underserved by healthcare providers

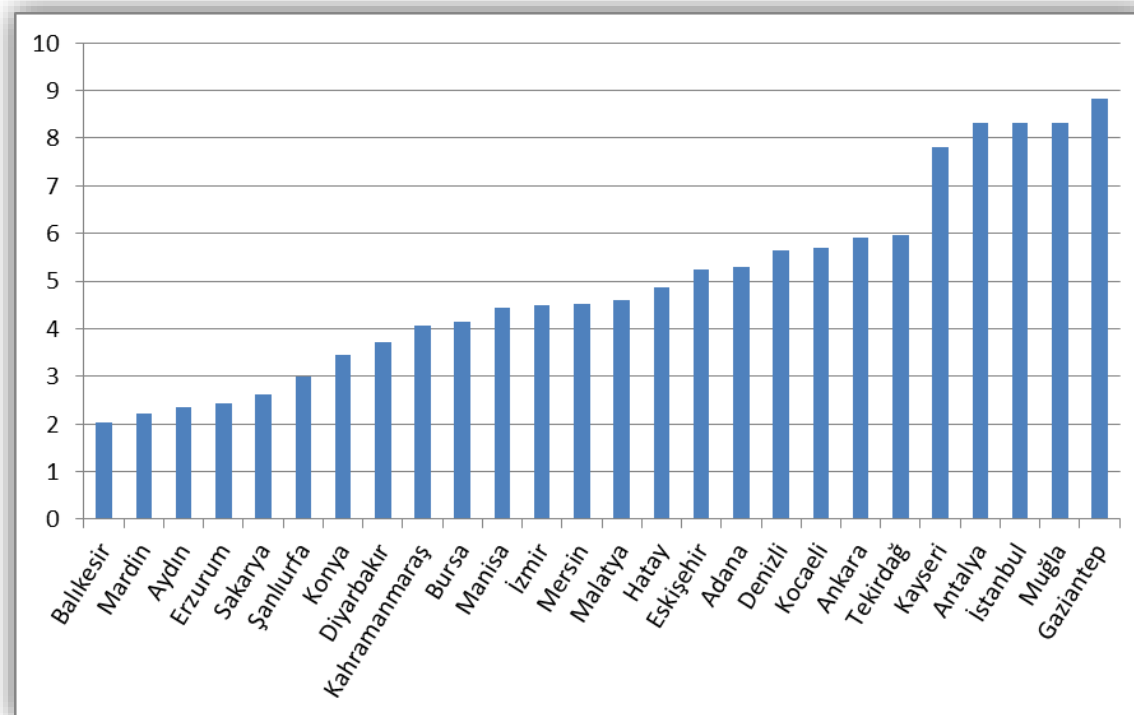
Lowest 10 by private healthcare



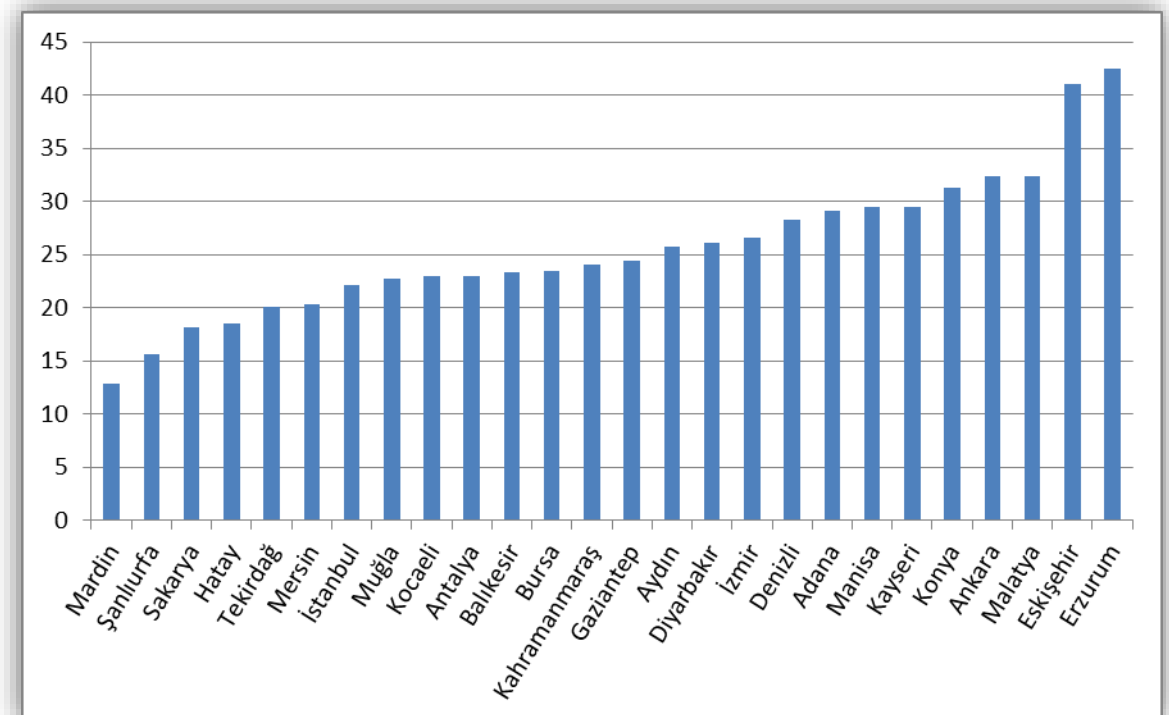
Lowest 10 by healthcare in total



Number of private hospital beds per 10,000



Number of total hospital beds per 10,000



Sources: Turkish Ministry of Health, Industry reports, and Lokman Hekim

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...and cities with favourable demographics

Young, old or fast

The youngest 10

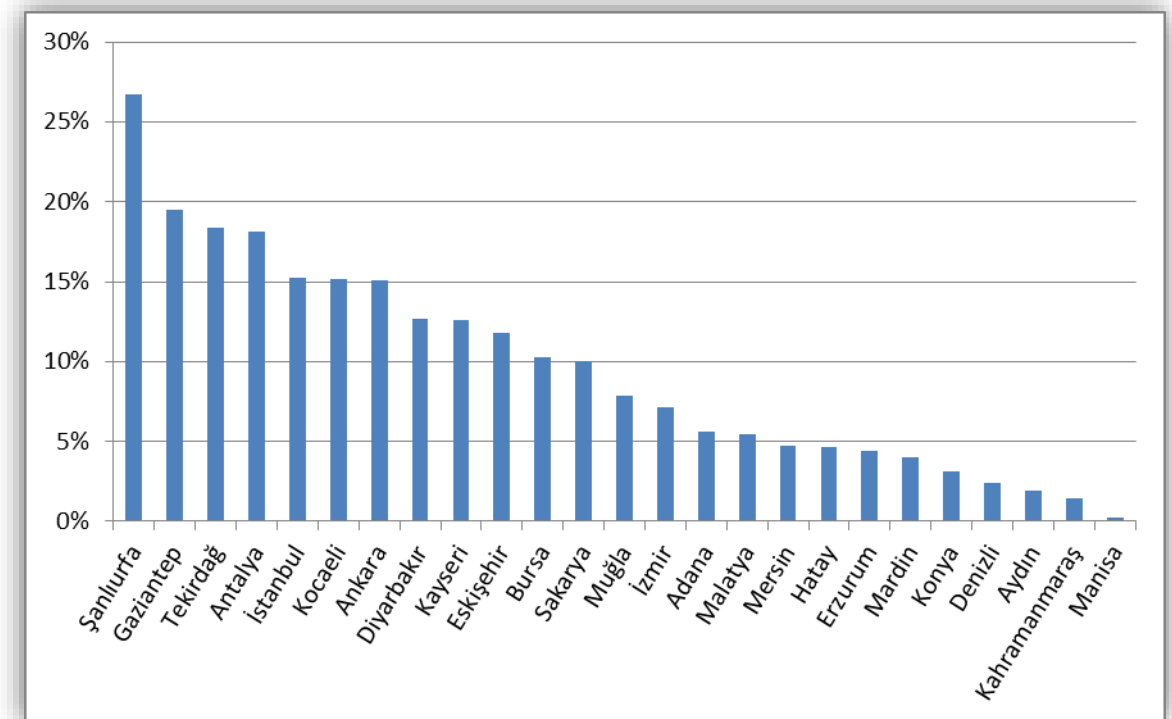
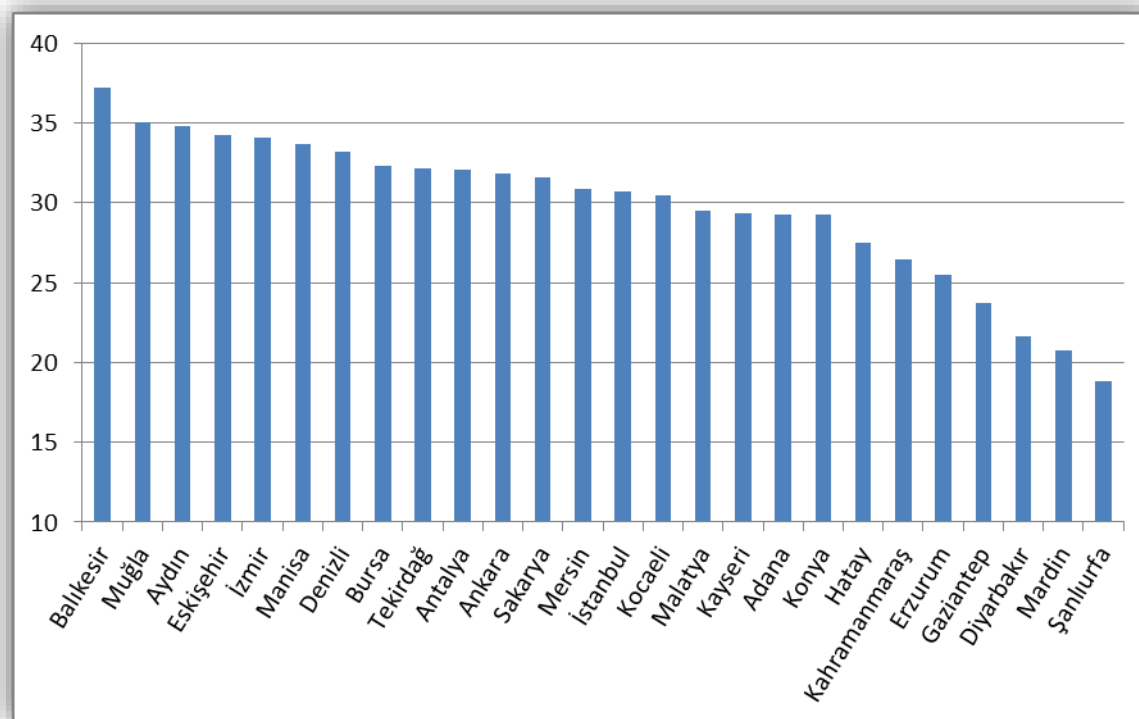
The oldest 10

Fastest growing



Average age by major city as at 2014*

Population growth from 2015 to 2023*



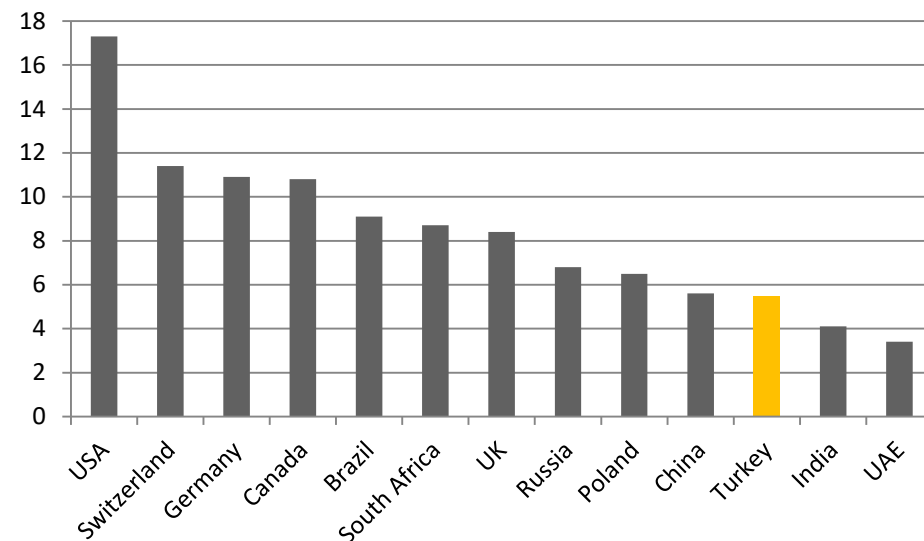
(*) Turkish Statistics Institute

(*) Official projections

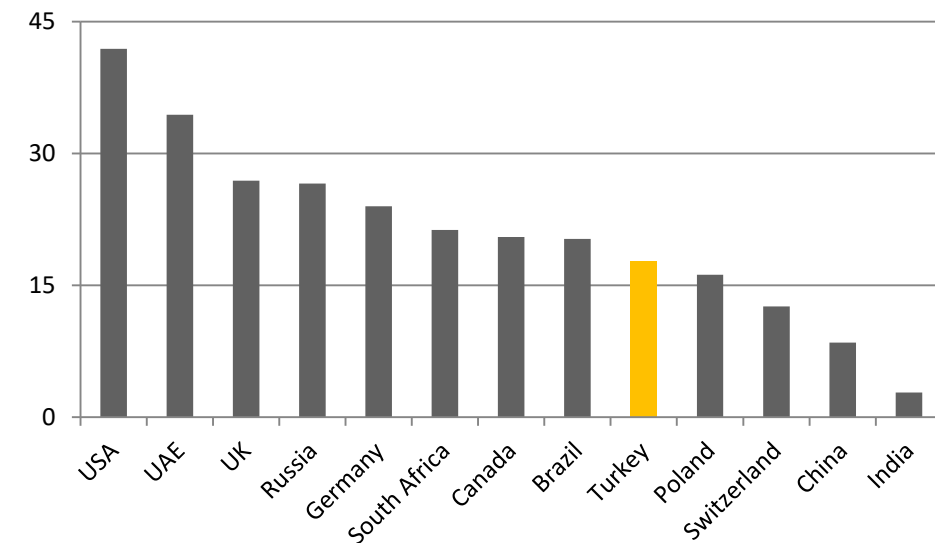
Turkey – attractive healthcare demographics



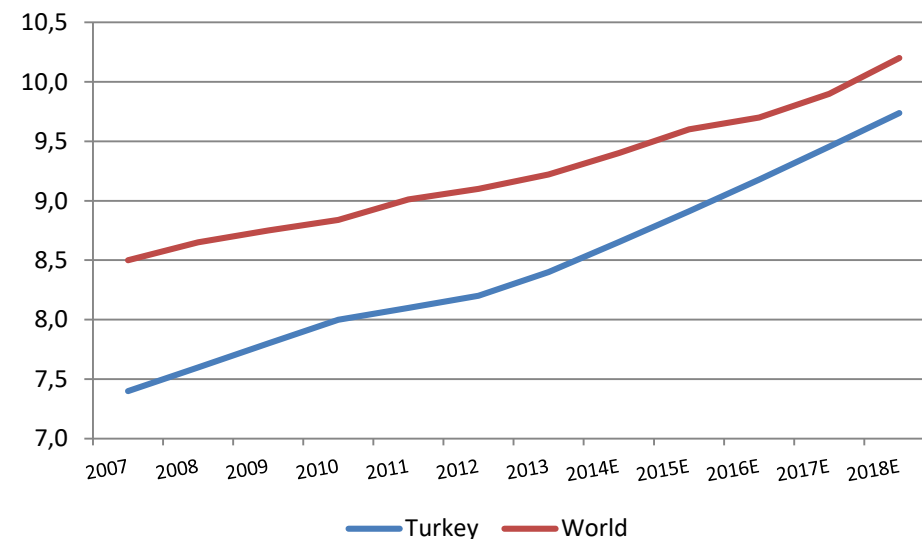
Healthcare spending as percent of GDP



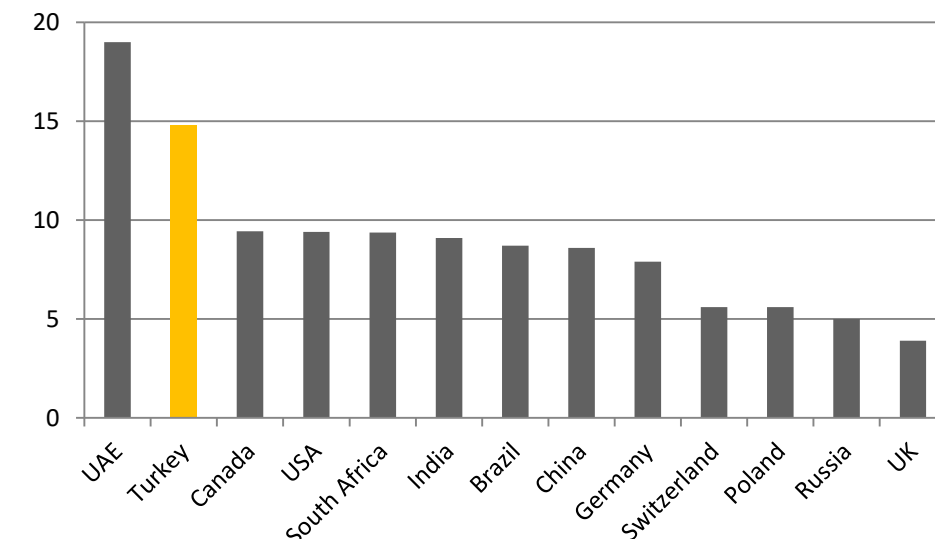
Obesity prevalence



Percentage of population over 65



Diabetes prevalence

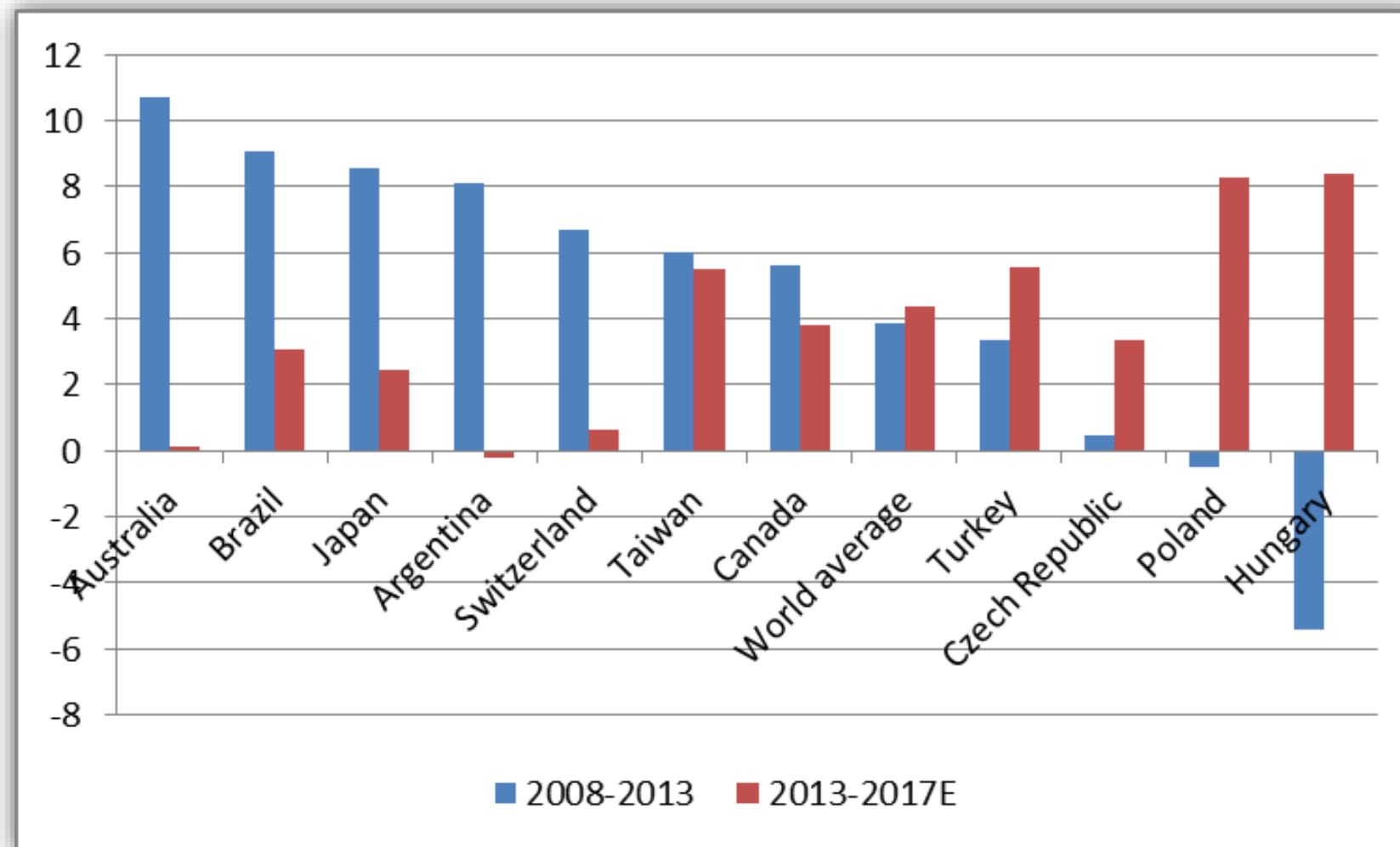


Sources: WHO, Industry reports, and Lokman Hekim estimates

Turkish healthcare – growth set to outperform



The sector in context – sales CAGR (%)



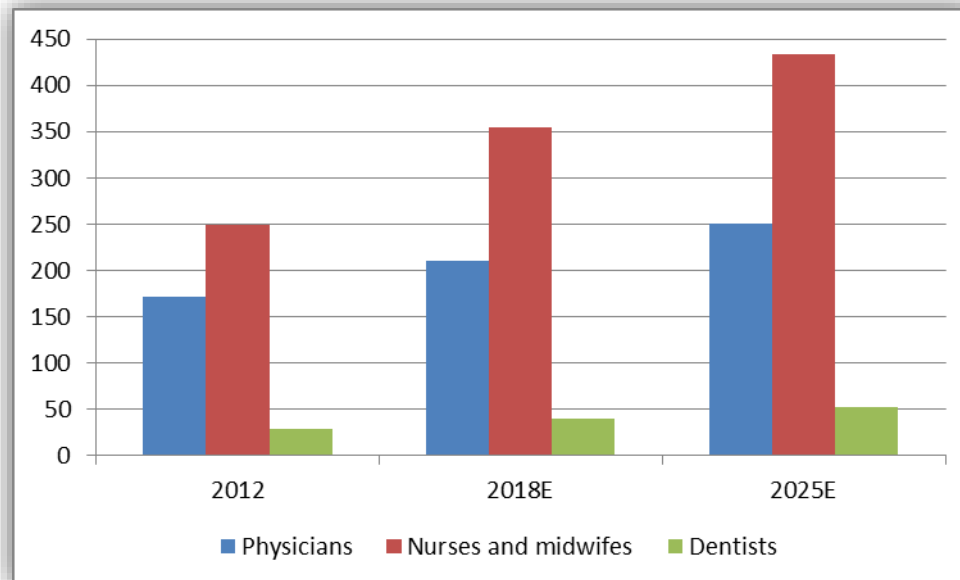
Sources: WHO, Industry reports, and Lokman Hekim estimates

Growth in Turkish healthcare sector is projected to outperform the world average significantly with a 3YR view

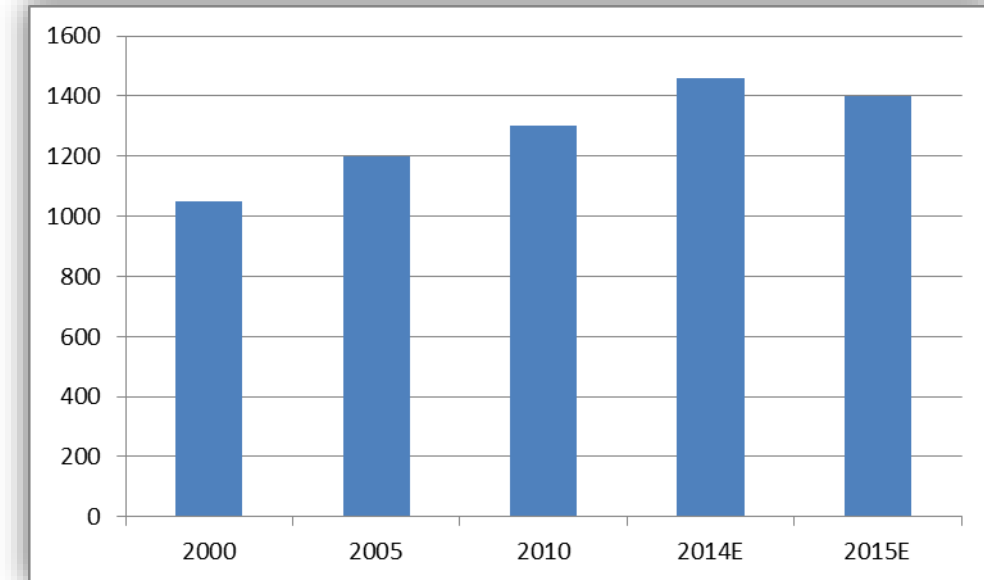
Turkish healthcare industry data



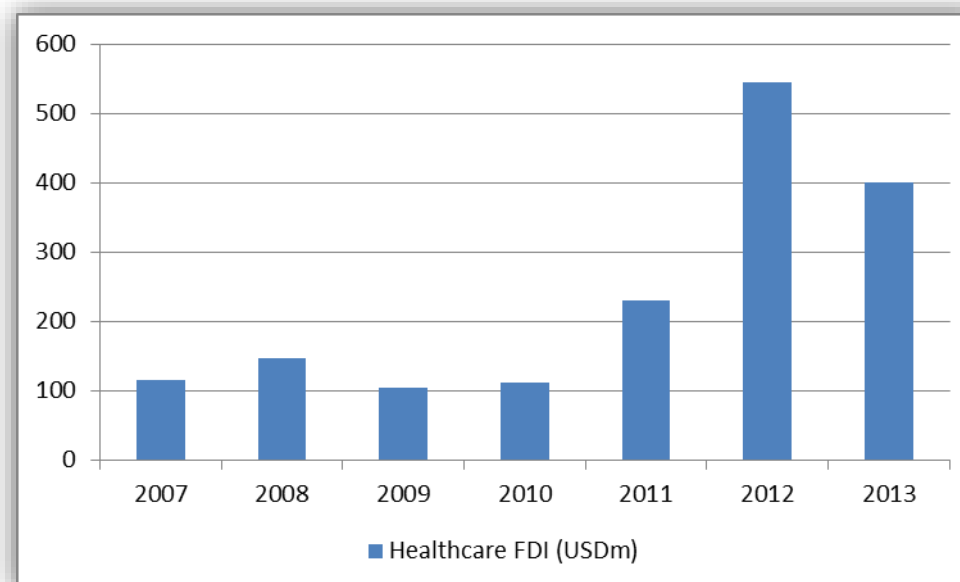
Doctors, dentists and nurses per 100K population



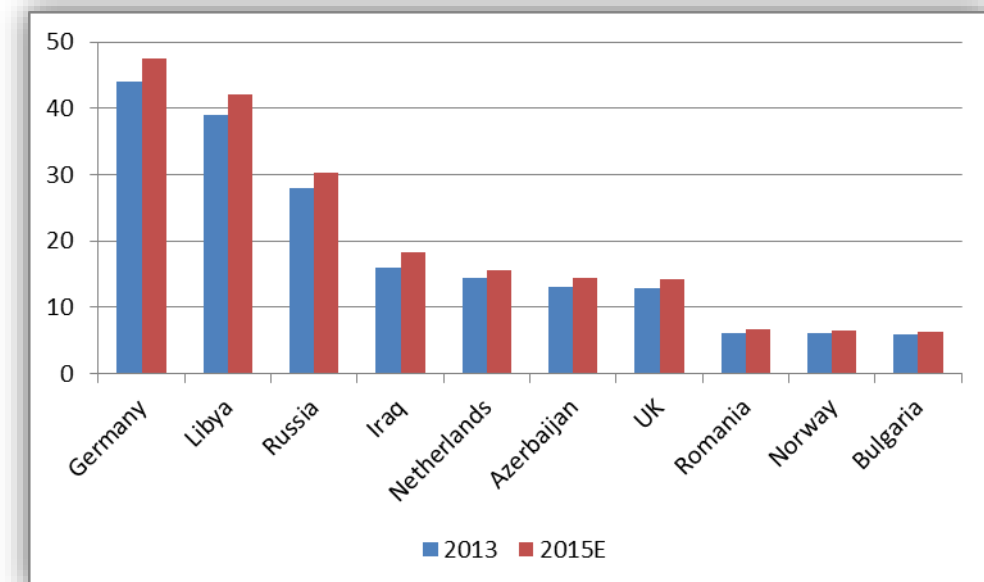
Number of hospitals – consolidation ahead?



FDI to Turkish healthcare sector (USD m)



Healthcare “tourists” in Turkey (‘000)



Sources: WHO, Industry reports, and Lokman Hekim estimates

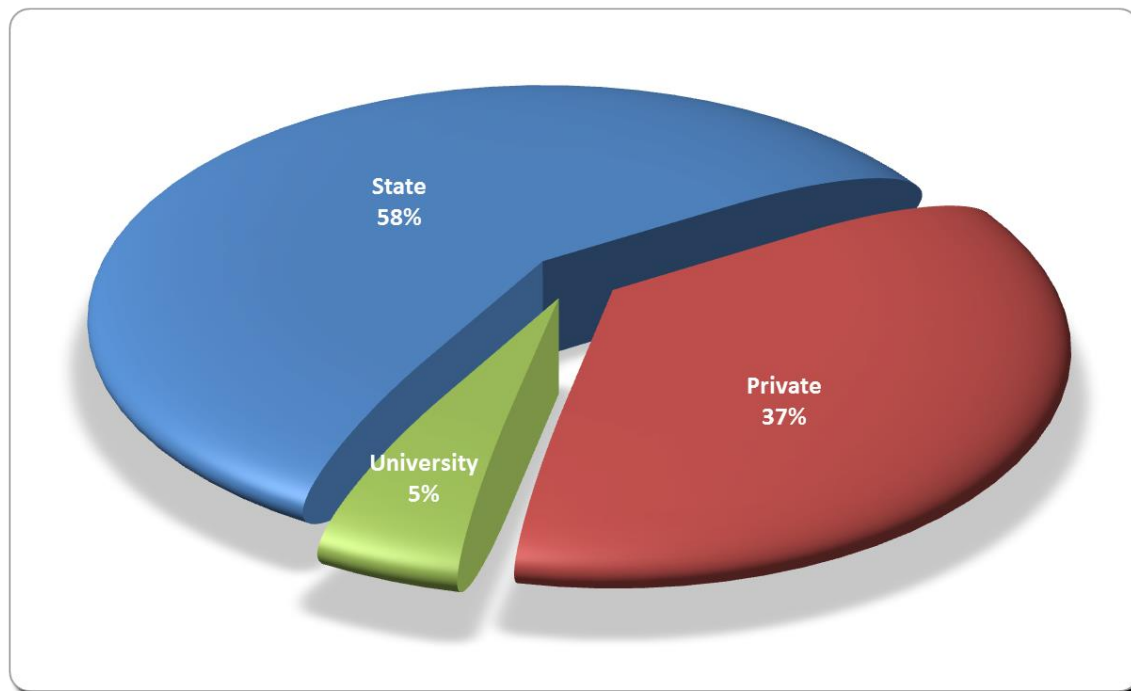
Sources: WHO, Industry reports, and Lokman Hekim estimates



Turkish healthcare providers

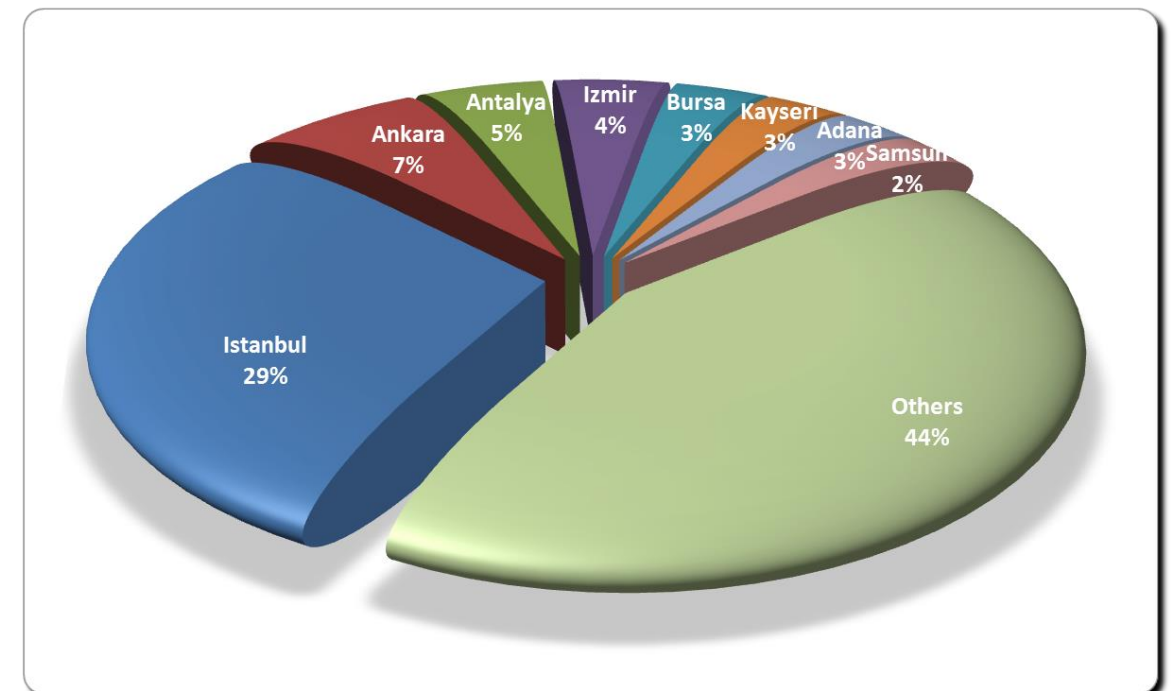
Breakdown of hospitals by ownership and geography

State v private (%)



Total hospital count as at 2014: 1,493

Geographical breakdown of private hospitals



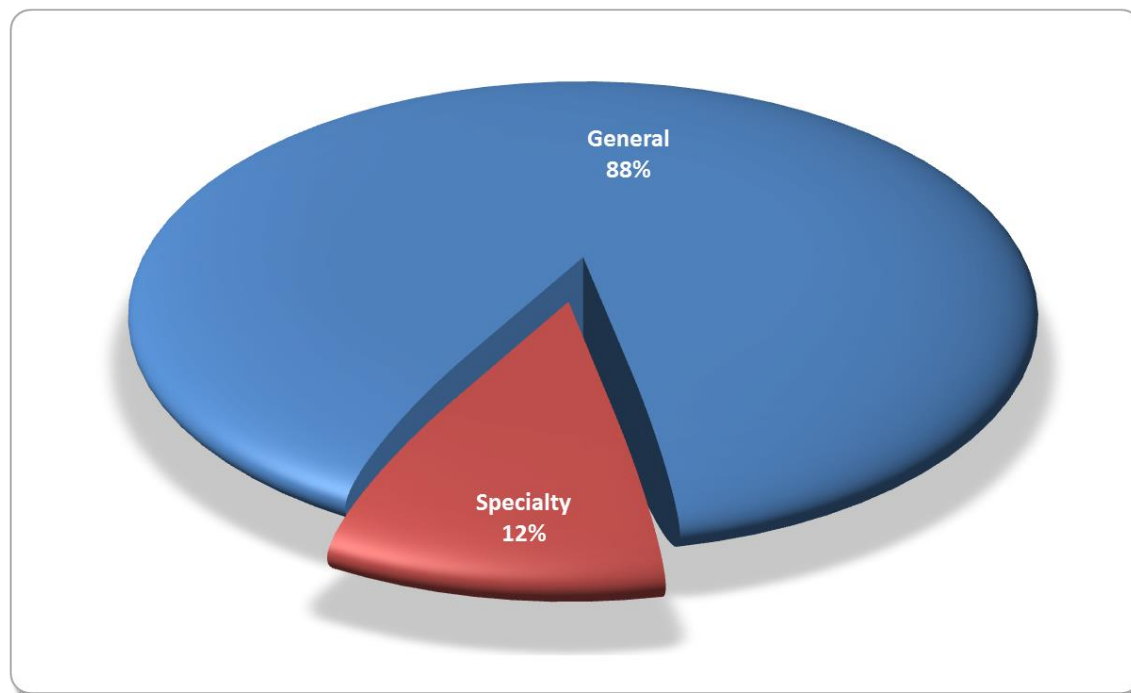
Private hospital count as at 2014: 550

Turkish healthcare – general v speciality



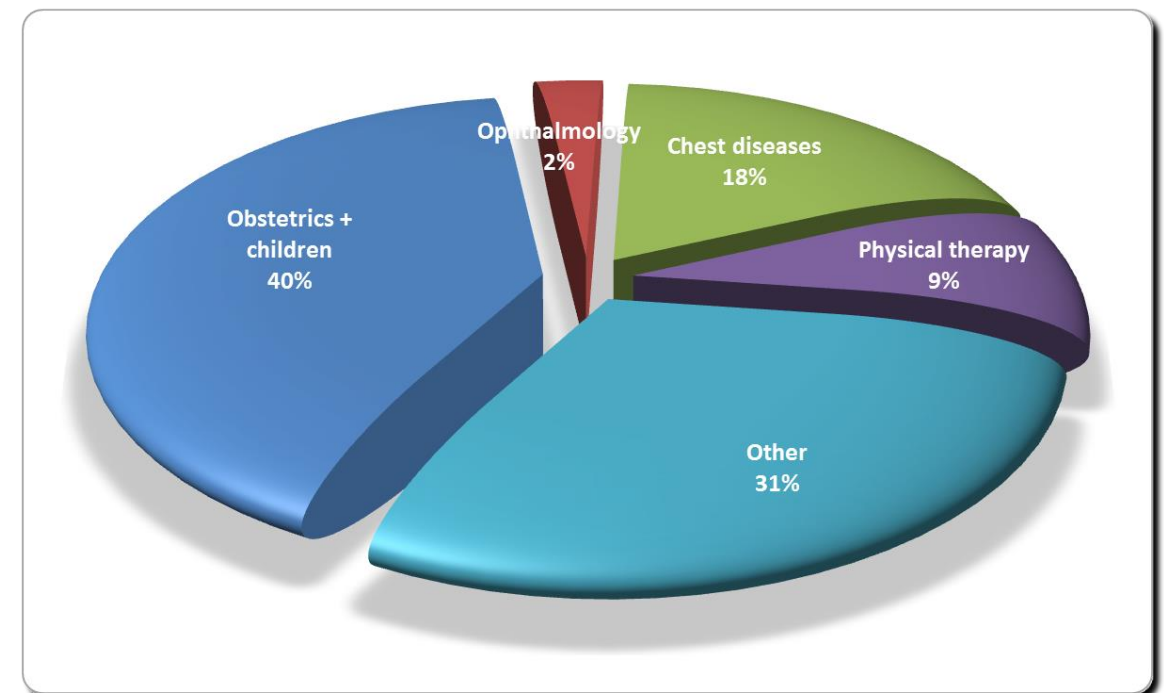
Breakdown of hospital beds by speciality

General v speciality (%)



Total bed count as at 2014: 200.0K

Breakdown of speciality (%)



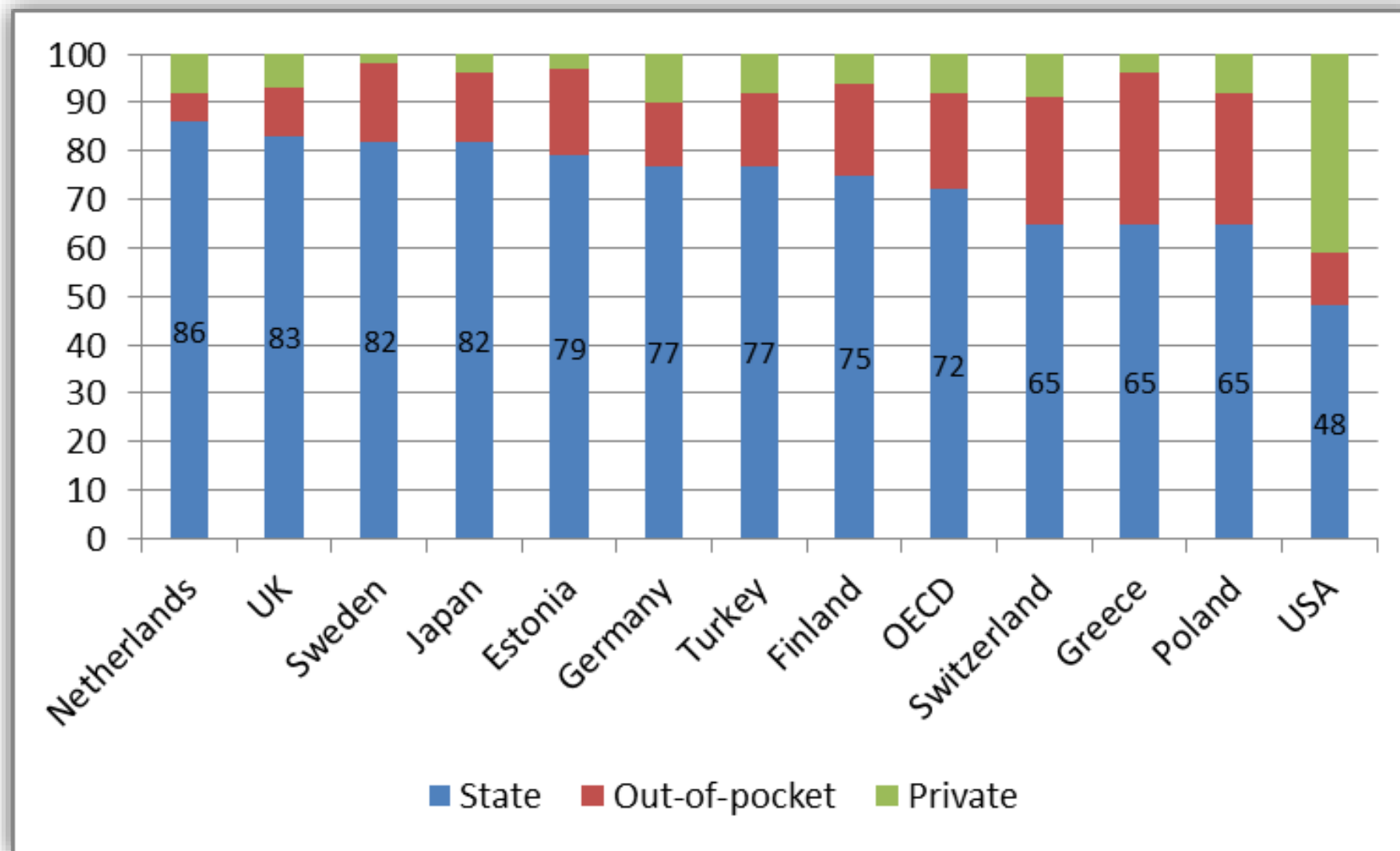
Speciality bed count as at 2014: 23.1K

Turkish healthcare in context



Who pays for healthcare

Healthcare spending by payer across OECD (%)

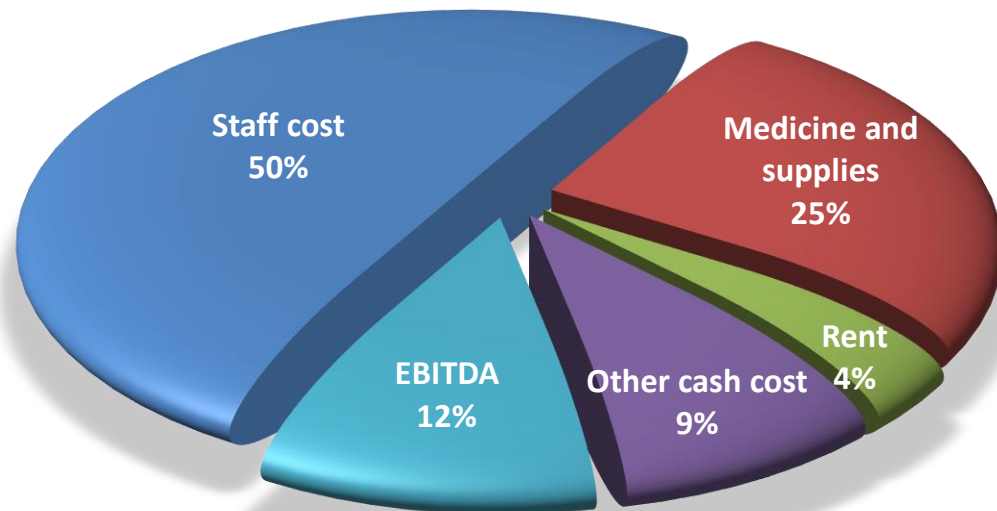


Sources: WHO, Industry reports, and Lokman Hekim estimates

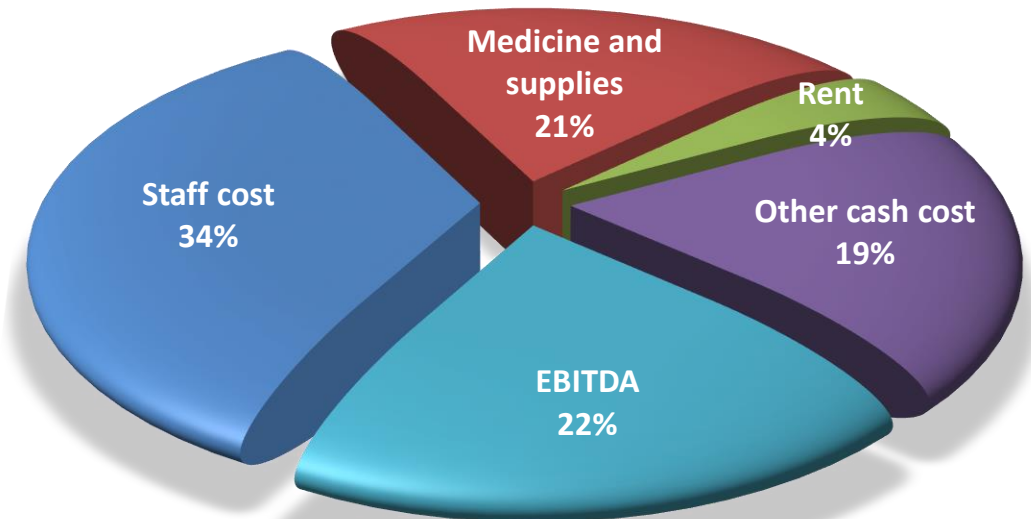
Comps – Lokman v Al Noor*



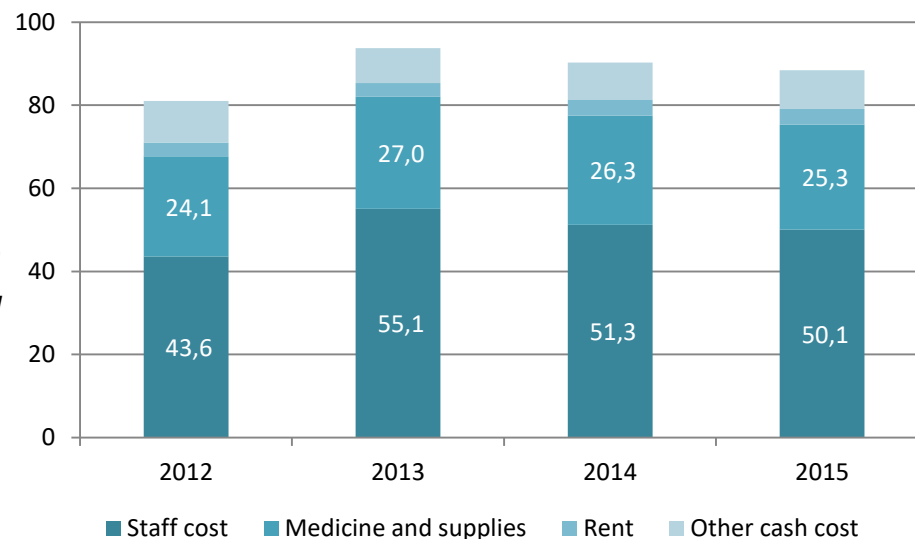
**Lokman Hekim
Breakdown of revenues**



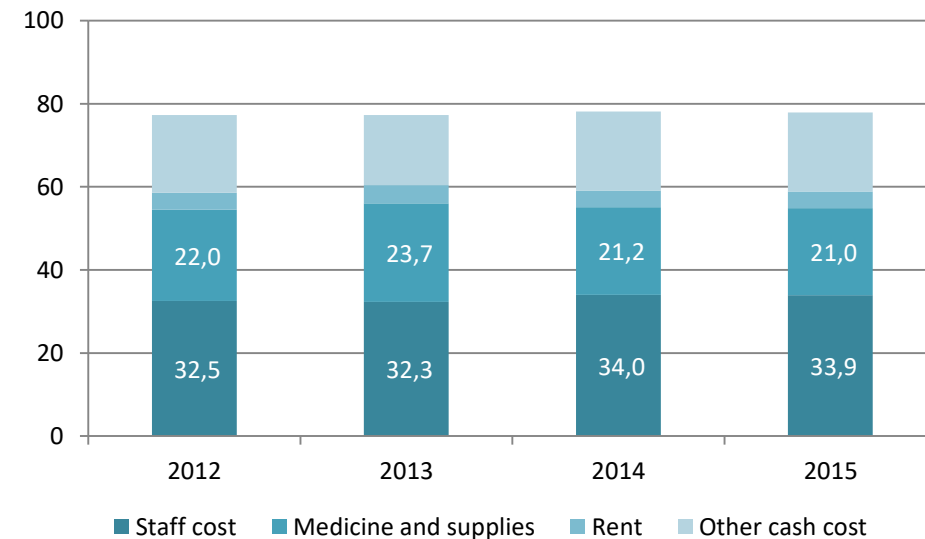
**Al Noor Hospitals
Breakdown of revenues**



**Lokman Hekim
Breakdown of cash cost**



**Al Noor Hospitals
Breakdown of cash cost**



Capacity investments and margins

Any margin uplift depends more on revenues than cost. Better product mix and pricing are all the more important for the purposes of margins. Our EBITDA margins have been more volatile since 2012 because of our acquisitions and investments in value-added bed capacity. As capacity usage as well as value added services grow, we expect margins to widen. Lokman Hekim can and should earn EBITDA margins above 15% mark for the foreseeable future.

*Sources: Company reports, Al Noor numbers exclude Mediclinic



THANK YOU

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This document contains "prospective statements". Except for retroactive information, all statements including but not limited to the statements about group's operations, financial position and business strategies may contain prospective statements. In addition, prospective statements may be specified with prospective terms like "possibly", "inevitable", "expecting", "aim", "plan", "foresee", "estimate", "believe" ve "continue" in general. Though the company believes that the expectations specified in prospective statements are reasonable as of today's expectations, it does not guarantee that these expectations will be realized. Due to this uncertainty, our readers should not take action based on the prospective statements in question. These cautionary explanations will be applied as a whole for all written or oral statements that may be stated by us from now on.

Lokman Hekim Group Consolidated Financial Statements can be reached from the following website <http://lokmanhekim.com.tr/tr/yatirimci-iliskileri/yatirim-bilgileri/faaliyet-raporlari>.

