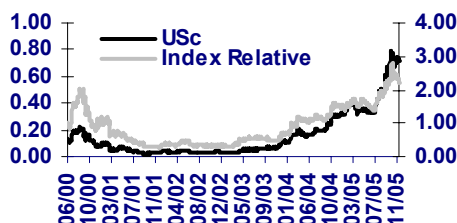


# ACIBADEM SAGLIK HIZMETLERI (ASH) **BUY**

Maintained

| KEY STOCK DATA                       |                 | November 25, 2005 | KEY FINANCIAL DATA and FORECASTS |       |       |       |       |
|--------------------------------------|-----------------|-------------------|----------------------------------|-------|-------|-------|-------|
| Reuters code                         | ACIBD.IS        |                   | IFRS                             | 2004  | 2005E | 2006E | 2007E |
| Sector                               | Healthcare      |                   | Net Sales (US\$ mn)              | 115.2 | 149.4 | 195.5 | 234.9 |
| Share price (TL)                     | 9.70            |                   | growth YoY                       | n.m.  | 29.7% | 30.8% | 20.1% |
| Number of shares (mn)                | 54,000          |                   | EBITDA (US\$ mn)                 | 21.7  | 36.6  | 57.9  | 65.7  |
| Major Shareholder                    | M. Ali Aydinlar | 35%               | growth YoY                       | n.m.  | 68.4% | 58.2% | 13.4% |
| 3M Avg. daily trading vol. (US\$ mn) | 1.58            |                   | Net Income (US\$ mn)             | 9.1   | 13.9  | 18.6  | 25.2  |
| Current MCAP (US\$ mn)               | 388             |                   | growth YoY                       | n.m.  | 52.7% | 33.7% | 35.8% |
| YoY High                             | 425             |                   | Shareholder's Eq. (US\$ mn)      | 74.7  | 88.9  | 107.6 | 133.1 |
| YoY Low                              | 166             |                   | growth YoY                       | n.m.  | 19.0% | 21.1% | 23.7% |
| Target MCAP (US\$ mn)                | 582             |                   | Operating Margin                 | 10%   | 10%   | 12%   | 11%   |
| Free Float                           | 23%             |                   | EBITDA Margin                    | 19%   | 24%   | 30%   | 28%   |
| Foreign Holding of Free Float        | 82%             |                   | Net Profit Margin                | 8%    | 9%    | 10%   | 11%   |



TL/US\$ = 1.351 ISE100 = 36,760

|                            |           |           |            |      |
|----------------------------|-----------|-----------|------------|------|
| P / E (US\$, x)            | 42.6      | 27.9      | 20.9       | 15.4 |
| P / BV (US\$, x)           | 5.2       | 4.4       | 3.6        | 2.9  |
| EV / EBITDA (US\$, x)      | 17.5      | 11.8      | 7.4        | 5.7  |
| EV / Sales (US\$, x)       | 3.3       | 2.7       | 2.7        | 2.0  |
| <b>PRICE PERFORMANCE</b>   | <b>1M</b> | <b>3M</b> | <b>YTD</b> |      |
| US\$ performance           | 5.8%      | 48.3%     | 114.0%     |      |
| Index Relative performance | -9.2%     | 20.9%     | 49.5%      |      |

## Too good to be true...

- ASH will be increasing its capacity to 1,218 beds by the end of 2008 from 468 beds that are operational in 2005, corresponding to a remarkable 160% growth.
- Incorporating only announced new projects into our model, we expect EBITDA to reach US\$118 mn by 2013, 5.4 times that in 2004.
- We continue to favor the stock given its 50% upside potential to our revised target value. Having reflected projects such as International Hospital acquisition, Izmir and Fulya investments in our DCF model, we compute an implied value of US\$582 mn compared to our previous valuation of US\$308 mn.
- We believe that recent price weakness is an attractive buying opportunity. ASH shares were not able to follow the recent rally in the market and underperformed the index by 9% last month.

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**Recent developments on GHI (General Health Insurance System)...** GHI law, which will enable all of the population to be covered by a single health insurance system is expected to be passed in the parliament by February 2006, with a slight postponement of four months, and will be effective in 2006. There is not any major shift from the previous schedule for the execution of the law.

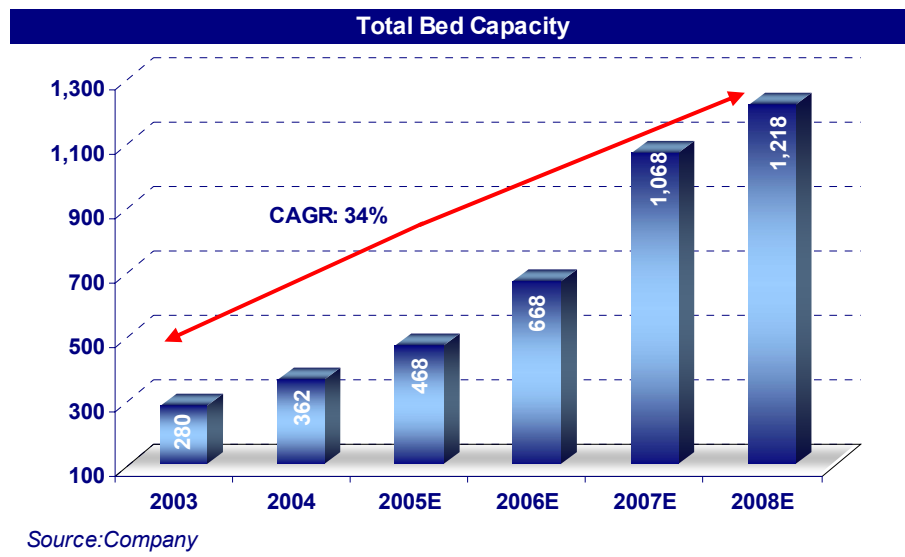
**Recent announcements on investments...** As part of its capacity expansion strategy, Acibadem announced International Hospital acquisition (51% acquired) on September 2<sup>nd</sup>, and Izmir and Fulya green field investments on September 27<sup>th</sup>, and November 2<sup>nd</sup>, respectively.

In addition to domestic investments, the company announced on October 10, 2005 that it signed a consortium agreement with Levent Clinics, a local company currently operating in eye treatment sector in the UK, in order to give bids for hospital and outpatient clinic management tenders in England. Chairman Aydinlar stated that they will be bidding for three hospitals in different areas of UK out of 24 hospitals to be privatized. Aydinlar declared that London, Birmingham Treatment Center, Hampshire and Isle of Wight Treatment Center are among the hospitals that Acibadem will submit bids. According to the announcement, UK Health Services (NHS) will guarantee a fixed number of inpatients and outpatients for the first five years following the investments. We believe that operating abroad is an important vehicle to introduce quality of service and state of the art technology of the health sector in Turkey, which will also help to attract more foreign patients to come to Turkey to receive treatment.

**Company is positioning itself for expansion in the market...** In addition to previously announced Bursa and Maslak Hospital projects, which will provide 400 additional beds in total, ASH announced International Hospital investment (106 beds), Izmir hospital investment (200 beds) and most recently Fulya hospital investment (150), which will add further 856 beds in total. Fulya Hospital and Izmir Hospital are expected to be operational by 1Q08 and 2Q08

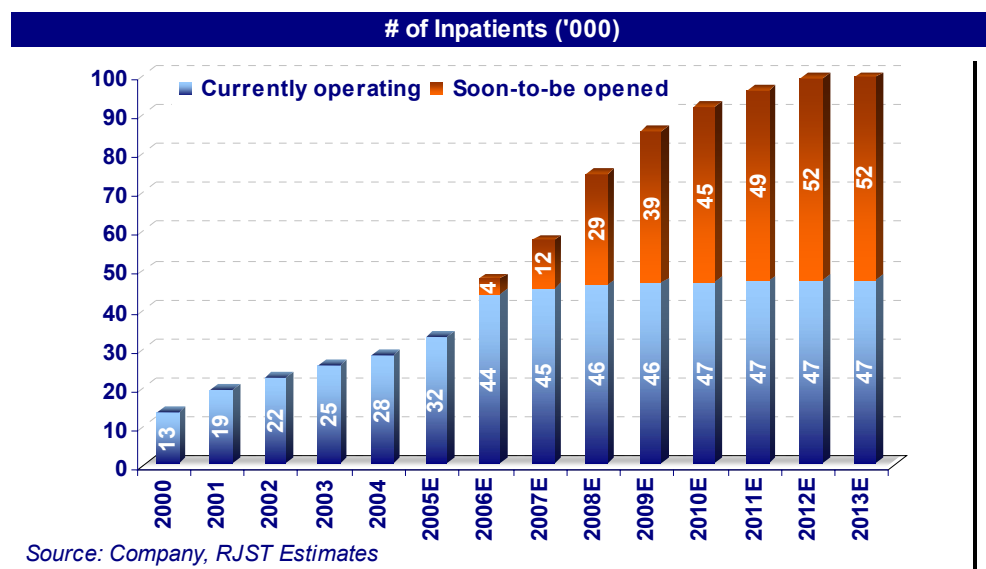
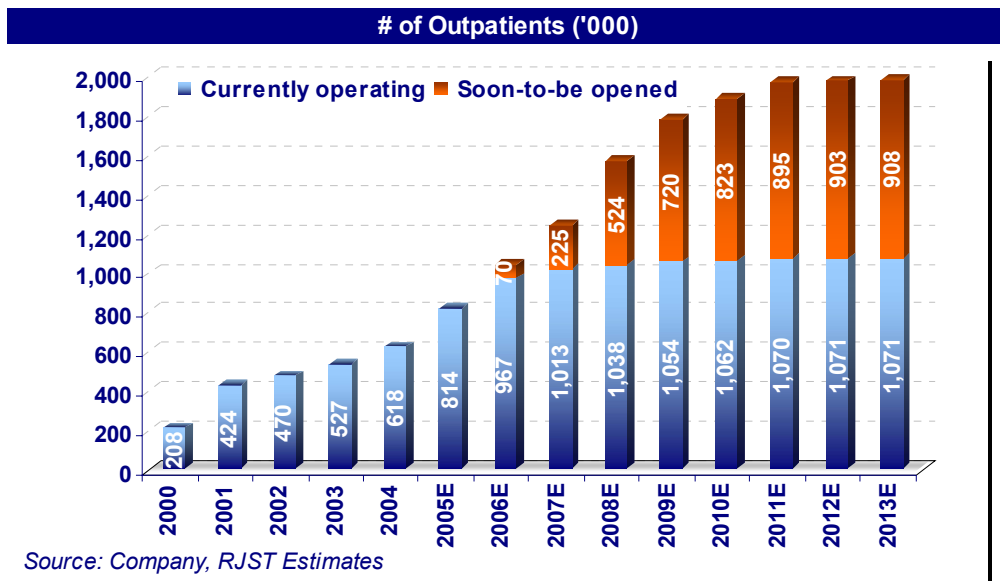
| Hospital              | Beds         | Opening |
|-----------------------|--------------|---------|
| Bursa                 | 200          | 1Q06    |
| Maslak                | 200          | 4Q07    |
| Izmir                 | 200          | 2Q08    |
| Fulya                 | 150          | 1Q08    |
| <b>Current (2005)</b> | <b>468</b>   |         |
| <b>New investment</b> | <b>750</b>   |         |
| <b>Total</b>          | <b>1,218</b> |         |

respectively. Following the completion of investments in aforementioned announcements, ASH will be increasing its capacity to 1,218 beds by the end of 2008 from 468 beds that are operational in 2005, corresponding to a remarkable 160% growth.



**14.4% average growth in patients...** ASH has four hospitals that are currently in operation (Acibadem, Bakirkoy, Kozyatagi and International), as well as four outpatient clinics (Bagdat Caddesi, Etiler, Soyak and International). According to our expectations, the company will be able to attain a CAGR of 14.1% and 14.7% for outpatients and inpatients, respectively, in 2003-2013 period; incorporating all announced projects – including Bursa, Maslak, Izmir, Fulya (Istanbul) Hospitals and Beylikduzu (Istanbul) and Kemerburgaz (Istanbul) Outpatient Clinics. Consequently, by 2008, ASH will increase its bed capacity in Istanbul to 818 with six hospitals and outside of Istanbul to 400 beds with two hospitals (Bursa and Izmir).

**Existing vs. potential business expectations...** Without taking new investments into account, our conservative outpatient and inpatient business expectations from existing hospitals suggest 7.3% and 6.5% average annual growth rates, respectively, in 2003-2013 period. Since ASH will add the first new hospital (Bursa) into the system starting from 1Q06, which will be followed by Maslak (4Q07), Fulya (1Q08) and Izmir (2Q08), we envisage that the company will manage to increase its outpatients to 1,979K by 2013, corresponding to an average annual growth rate of 14.1%. Please note that we included International Hospital in 2005 figures, since it will start generating revenues for the company this year.



We expect that total inpatients will reach 99K by 2013, incorporating the potential of soon-to-be opened hospitals, which represent a CAGR of 14.7%. International Hospital is included in currently operating hospitals universe, as in the case of projections for outpatients.

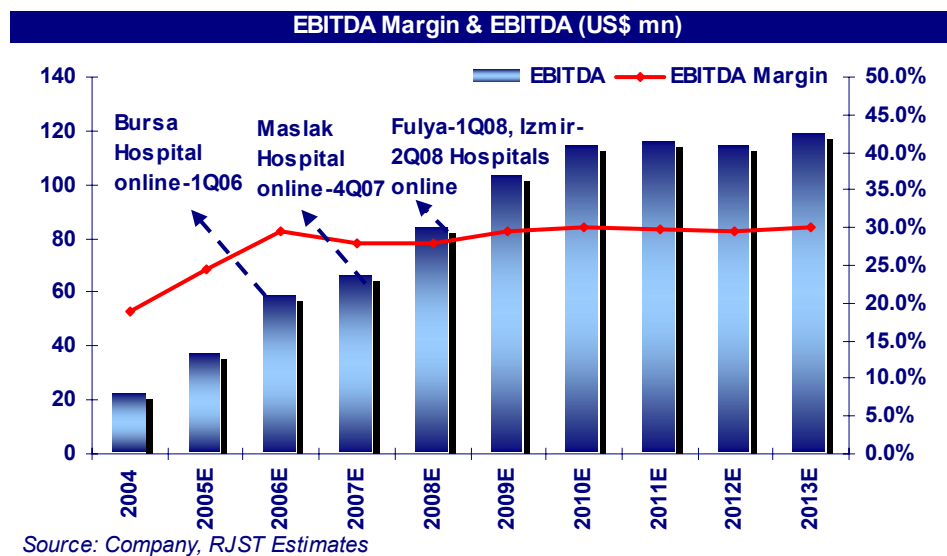
**14.7% average annual growth in revenues...** As we incorporate the effect of Bursa starting from 2Q06, Maslak starting from 1Q08, Fulya starting from 2Q08 and Izmir starting from 3Q08, total revenues are estimated to reach US\$395 mn in 2013, compared to US\$115 mn in 2004. In 2005 on the other hand, we estimate that revenues will rise to US\$149 mn. We believe that this figure is an achievable target, since ASH already reported US\$73 mn revenues in 1H05. The table below shows revenues per hospital.

| Revenue per Hospital (US\$ mn) |            |            |            |            |            |            |            |            |            |            |       |
|--------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------|
|                                | 2004       | 2005       | 2006       | 2007       | 2008       | 2009       | 2010       | 2011       | 2012       | 2013       | CAGR  |
| Acibadem                       | 51         | 53         | 54         | 54         | 55         | 56         | 57         | 57         | 56         | 57         | 1.3%  |
| Bakirkoy                       | 35         | 43         | 47         | 48         | 49         | 51         | 52         | 52         | 52         | 53         | 4.7%  |
| Kozyatagi                      | 7          | 27         | 33         | 36         | 38         | 41         | 42         | 42         | 41         | 42         | 22.4% |
| Maslak                         | 0          | 0          | 0          | 10         | 29         | 36         | 40         | 41         | 41         | 42         | 27.8% |
| Bursa                          | 0          | 0          | 13         | 27         | 36         | 45         | 50         | 55         | 54         | 55         | 22.5% |
| International (@51%)           | 0          | 3          | 16         | 16         | 17         | 17         | 18         | 18         | 17         | 18         | 22.9% |
| Izmir                          | 0          | 0          | 0          | 7          | 27         | 37         | 46         | 50         | 49         | 50         | 39.9% |
| Fulya                          | 0          | 0          | 0          | 0          | 9          | 25         | 30         | 33         | 34         | 35         | 32.4% |
| Outpatient Clinics             | 23         | 22         | 33         | 37         | 39         | 42         | 43         | 43         | 42         | 43         | 7.4%  |
| <b>TOTAL</b>                   | <b>115</b> | <b>149</b> | <b>196</b> | <b>235</b> | <b>300</b> | <b>350</b> | <b>377</b> | <b>389</b> | <b>386</b> | <b>395</b> |       |

Source: Company, RJST Estimates

**6 bps EBITDA margin jump in 2005...** We believe that the company will reach an EBITDA margin of 24.7% in 2005, representing 6 bps increase compared to 18.9% in 2004. According to our computations, EBITDA margin will reach 30% by 2013.

**20.7% average EBITDA growth between 2004 and 2013...** Outpatient and inpatient numbers that are mentioned above are expected to lead the way to an average annual EBITDA growth of 20.7% between 2004 and 2013. We envisage that the company will post US\$37 mn EBITDA in 2005, by including International Hospital's 4Q05 operations. Incorporating only announced new projects into our model, we expect EBITDA to reach US\$118 mn by 2013, 5.4 times that in 2004.



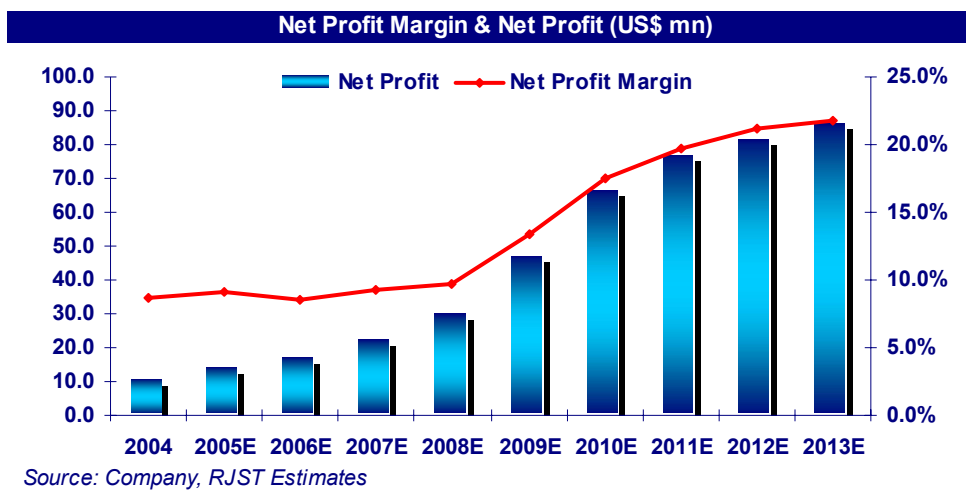
Source: Company, RJST Estimates

| Key Figures (US\$ mn) | 2004         | 2005E        | 2006E        | 2007E        | 2008E        | 2009E       | 2010E | 2011E | 2012E | 2013E |
|-----------------------|--------------|--------------|--------------|--------------|--------------|-------------|-------|-------|-------|-------|
| Net Sales             | 115.2        | 149.4        | 195.5        | 234.9        | 299.6        | 349.7       | 376.9 | 389.2 | 385.8 | 394.9 |
| Gross Profit          | 15.7         | 25.4         | 36.9         | 42.2         | 62.2         | 88.2        | 107.7 | 117.6 | 118.9 | 126.1 |
| Gross Margin          | 13.6%        | 17.0%        | 18.9%        | 18.0%        | 20.8%        | 25.2%       | 28.6% | 30.2% | 30.8% | 31.9% |
| EBITDA                | 21.7         | 36.6         | 57.9         | 65.7         | 83.4         | 103.0       | 113.6 | 115.5 | 114.1 | 118.5 |
| EBITDA Margin         | 18.9%        | 24.5%        | 29.6%        | 28.0%        | 27.8%        | 29.5%       | 30.1% | 29.7% | 29.6% | 30.0% |
| Net Profit            | 10.0         | 13.4         | 16.9         | 21.9         | 29.2         | 46.6        | 66.0  | 76.4  | 81.5  | 85.8  |
| Net Profit Margin     | 8.7%         | 9.0%         | 8.7%         | 9.3%         | 9.8%         | 13.3%       | 17.5% | 19.6% | 21.1% | 21.7% |
| ARPP (US\$)           | 2004         | 2005E        | 2006E        | 2007E        | 2008E        | 2009E       | 2010E | 2011E | 2012E | 2013E |
| ARPP (US\$)           | 178          | 177          | 180          | 181          | 183          | 188         | 191   | 189   | 186   | 190   |
| Investments (US\$ mn) | 2004         | 2005E        | 2006E        | 2007E        | 2008E        | 2009E       | 2010E | 2011E | 2012E | 2013E |
| Kozyatagi Hospital    | 15.00        | 4.00         | -            | -            | -            | -           | -     | -     | -     | -     |
| Bursa Hospital        | 3.45         | 34.35        | -            | -            | -            | -           | -     | -     | -     | -     |
| Maslak Hospital       | -            | 1.00         | 14.10        | 24.50        | -            | -           | -     | -     | -     | -     |
| Izmir Hospital        | -            | -            | 8.50         | 20.50        | -            | -           | -     | -     | -     | -     |
| Fulya Hospital        | -            | -            | -            | 7.30         | 7.30         | -           | -     | -     | -     | -     |
| International         | -            | 13.00        | 17.00        | -            | -            | -           | -     | -     | -     | -     |
| Other                 | 3.80         | 3.10         | 4.00         | 5.00         | 5.00         | 5.00        | -     | -     | -     | -     |
| <b>Total</b>          | <b>22.25</b> | <b>55.45</b> | <b>43.60</b> | <b>57.30</b> | <b>12.30</b> | <b>5.00</b> | -     | -     | -     | -     |

Source: Company, RJST Estimates

**Investments...** ASH is planning to increase its capacity by 160% by the end of 2008. In line with the management's strategy, the company will use 50% equity, 50% debt to finance capacity expansion projects. The company will invest US\$37.8 mn for Bursa Hospital, US\$37.5 for Maslak Hospital, US\$29 mn for Izmir Hospital, US\$14.6 mn for Fulya Hospital and US\$5 mn for renovation included International Hospital. ASH already paid US\$13 mn for the acquisition of International Hospital and the remaining US\$12 mn will be paid in 2006 in four installments. In terms of external financing, the company previously signed a loan agreement with IFC for US\$20 mn to finance the construction of Bursa Hospital. The loan has maturity of 10 years with a grace period of 3.5 years.

**Investments will depress the bottom-line, but recovery will be fast...** Even though investments should hurt bottom-line figures especially in years 2005 through 2007, one can easily envisage a huge recovery starting from 2008, when all new investments will start generating income. Following the completion of investments, net profit margin is expected to recover from an estimated 9.2% in 2005 to 9.9% in 2008 and 13.4% in 2009. We forecast that net profit margin will reach 21.8% by 2013 as new hospitals reach full capacity.



ASH

We continue to favor the stock given 50% upside potential to our revised target value. Having reflected projects such as International Hospital acquisition, Izmir and Fulya investments in our DCF model, we compute an implied value of US\$582 mn (see DCF table below) compared to our previous valuation of US\$308 mn.

**ACIBADEM DCF MODEL**

| US\$ mn                  | 2005E         | 2006E        | 2007E        | 2008E        | 2009E         | 2010E         | 2011E         | 2012E         | 2013E         |
|--------------------------|---------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| <b>EBITDA</b>            | <b>36.61</b>  | <b>57.91</b> | <b>65.68</b> | <b>83.40</b> | <b>103.04</b> | <b>113.59</b> | <b>115.47</b> | <b>114.14</b> | <b>118.45</b> |
| Change in WIC            | -1.19         | -2.66        | -1.75        | -4.17        | -4.43         | -3.04         | -1.49         | -0.06         | -1.08         |
| Operating Cash Flow      | 37.80         | 60.57        | 67.42        | 87.57        | 107.46        | 116.62        | 116.96        | 114.19        | 119.54        |
| -Tax                     | 3.55          | -0.49        | -0.99        | -12.47       | -22.16        | -32.08        | -39.95        | -43.96        | -46.92        |
| -Investment              | 55.45         | 43.60        | 57.30        | 12.30        | 5.00          | 5.00          | 5.00          | 5.00          | 5.00          |
| <b>Free Cash Flow</b>    | <b>-14.10</b> | <b>16.48</b> | <b>9.13</b>  | <b>62.81</b> | <b>80.30</b>  | <b>79.54</b>  | <b>72.01</b>  | <b>65.23</b>  | <b>67.62</b>  |
| Risk Free Rate           | 8.5%          | 8.2%         | 6.5%         | 6.5%         | 6.5%          | 6.5%          | 6.5%          | 6.5%          | 6.5%          |
| Equity Risk Premium      | 5.0%          | 5.0%         | 5.0%         | 5.0%         | 5.0%          | 5.0%          | 5.0%          | 5.0%          | 5.0%          |
| Beta                     | 58.0%         | 58.0%        | 58.0%        | 58.0%        | 58.0%         | 58.0%         | 58.0%         | 58.0%         | 58.0%         |
| Cost of Equity           | 0.11          | 0.11         | 0.09         | 0.09         | 0.09          | 0.09          | 0.09          | 0.09          | 0.09          |
| Cost of Debt             | 0.08          | 0.08         | 0.08         | 0.08         | 0.08          | 0.08          | 0.08          | 0.08          | 0.08          |
| Cost of Debt - after tax | 0.06          | 0.06         | 0.06         | 0.06         | 0.06          | 0.06          | 0.06          | 0.06          | 0.06          |
| Weight of debt           | 0.37          | 0.42         | 0.47         | 0.41         | 0.34          | 0.28          | 0.22          | 0.18          | 0.14          |
| <b>WACC</b>              | <b>0.10</b>   | <b>0.10</b>  | <b>0.09</b>  | <b>0.09</b>  | <b>0.09</b>   | <b>0.09</b>   | <b>0.09</b>   | <b>0.09</b>   | <b>0.09</b>   |
| Discount Factor          | 1.10          | 1.21         | 1.32         | 1.43         | 1.56          | 1.70          | 1.86          | 2.03          | 2.22          |
| Discounted Flows         | -12.80        | 13.61        | 6.93         | 43.79        | 51.38         | 46.67         | 38.71         | 32.12         | 30.49         |
| <b>Total</b>             | <b>251</b>    |              |              |              |               |               |               |               |               |
| Terminal growth          | 4%            |              |              |              |               |               |               |               |               |
| Terminal Value           | 711           |              |              |              |               |               |               |               |               |
| <b>PV of TV</b>          | <b>321</b>    |              |              |              |               |               |               |               |               |
| EV                       | 572           |              |              |              |               |               |               |               |               |
| Net Debt                 | 10            |              |              |              |               |               |               |               |               |
| Equity Value             | <b>582</b>    |              |              |              |               |               |               |               |               |
| <b>Upside</b>            | <b>50%</b>    |              |              |              |               |               |               |               |               |

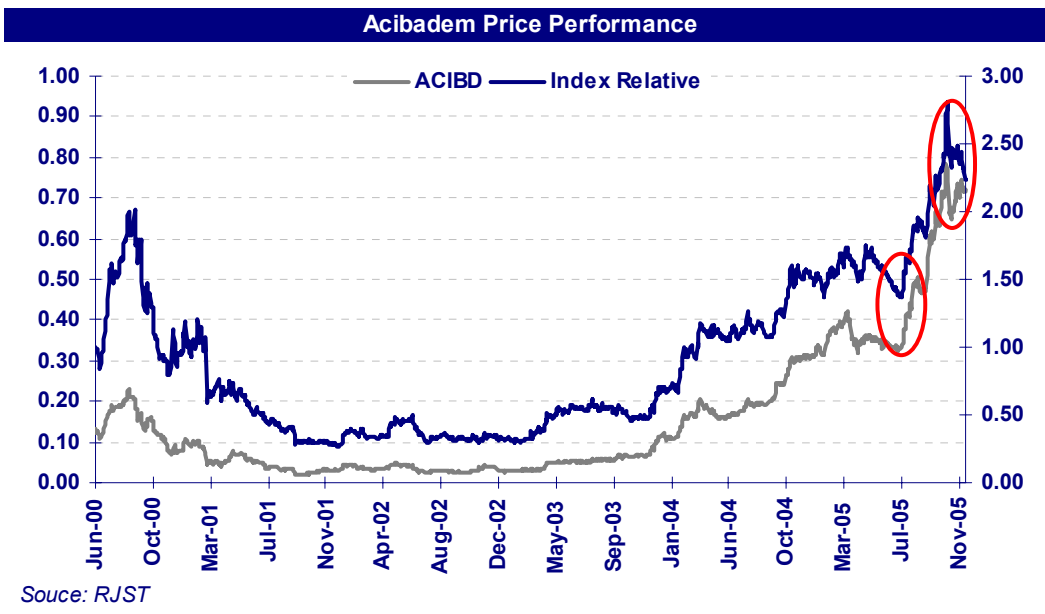
*Despite its size, ASH is trading at a premium to its peers in developed counties, but trading at a large discount to its peers in developing countries...* Since ASH is in an investment period, trading at a premium to mature companies is tolerable in our opinion. In order to give a better sense, we compared ASH with two companies in emerging economies. As can be seen on the table below, ASH is trading at large discounts to companies which are on the development stage of their life cycle.

| Company                                 | Country       | Mcap<br>(US\$ mn) | P/BV        | P/E          |              | EV/Sales    |             | EV/EBITDA    |              |
|---|---------------|-------------------|-------------|--------------|--------------|-------------|-------------|--------------|--------------|
|   |               |                   |             | 2005         | 2006         | 2005        | 2006        | 2005         | 2006         |
| <b>ASH</b>                              | <b>Turkey</b> | <b>387.7</b>      | <b>3.60</b> | <b>20.87</b> | <b>15.37</b> | <b>2.66</b> | <b>2.04</b> | <b>7.44</b>  | <b>5.75</b>  |
| <b>Developed Countries</b>              |               |                   | <b>2.72</b> | <b>25.37</b> | <b>20.28</b> | <b>1.33</b> | <b>1.07</b> | <b>8.62</b>  | <b>6.88</b>  |
| Triad Hospital Inc                      | USA           | 3,600.6           | 1.26        | 14.82        | 14.69        | 1.50        | 0.96        | 8.09         | 6.72         |
| Rhoen-Klinikum Services AG              | Germany       | 1,945.6           | 2.81        | 19.77        | 19.94        | 1.41        | 1.25        | 10.06        | 8.81         |
| Generale De Sante                       | France        | 1,337.2           | 4.08        | 41.52        | 26.21        | 1.09        | 1.01        | 7.70         | 5.12         |
| <b>Emerging Countries</b>               |               |                   | <b>5.01</b> | <b>44.45</b> | <b>31.31</b> | <b>4.04</b> | <b>3.66</b> | <b>16.54</b> | <b>13.54</b> |
| Parkway Holdings                        | Singapore     | 888.5             | 3.65        | 43.82        | 25.88        | 4.69        | 4.35        | 17.96        | 15.91        |
| Apollo Hospitals Enterprise             | India         | 512.5             | 6.36        | 45.07        | 36.74        | 3.39        | 2.97        | 15.11        | 11.18        |
| <b>Prem/Disc to Developed Countries</b> |               |                   | <b>33%</b>  | <b>-18%</b>  | <b>-24%</b>  | <b>100%</b> | <b>90%</b>  | <b>-14%</b>  | <b>-16%</b>  |
| <b>Prem/Disc to Emerging Counties</b>   |               |                   | <b>-28%</b> | <b>-53%</b>  | <b>-51%</b>  | <b>-34%</b> | <b>-44%</b> | <b>-55%</b>  | <b>-58%</b>  |

Source: Bloomberg, RJST

ASH

**We believe that recent price weakness is an attractive buying opportunity...** ASH shares are not able to follow the recent rally in the market and underperformed the index by 9% last month.



Source: RJST

After having hit YTL10.60 per share following the US\$45.7 mn worth of block sale at a price of YTL9.00 per share on October 11, upward trend in ASH shares deteriorated by the announcement of UK investment. We believe that UK investment announcement has been misjudged by investors and the future potential of the project has been underestimated. Therefore, we see the recent price weakness as a buying opportunity, since ASH offers high growth potential with its aggressive expansion strategy. Any new announcement regarding a fresh investment will trigger share prices upwards. It is worth to mention that similar trend was observed between May and August, when ASH underperformed the ISE by 18% due to lack of fresh developments. However, as rumors regarding International Hospital acquisition had spread in the market, Acibadem shares had outperformed the ISE by 101% from July to October.

**ASH in numbers...**

**ASH continues to dominate the sector...** As of 2004, ASH has a market share of 14% in terms of outpatients, 9.1% in inpatients, 8.5% in operations and 2.6% in deliveries. Acibadem’s market share will be even higher in 2005, due to the acquisition of International Hospital in October.

| Market Shares of Private Hospitals in Istanbul – as of 2004 |              |             |             |             |
|---|--------------|-------------|-------------|-------------|
|   | Outpatients  | Inpatients  | Operations  | Delivery    |
| <b>ASH</b>  | <b>13.8%</b> | <b>9.1%</b> | <b>8.5%</b> | <b>2.6%</b> |
| American Hospital   | 2.9%         | 4.7%        | 6.5%        | 2.3%        |
| Memorial Group  | 2.7%         | 3.4%        | 1.6%        | 0.5%        |
| Universal Hospitals Group                                   | 2.2%         | 3.0%        | 2.1%        | 0.7%        |
| International   | 1.8%         | 2.6%        | 2.1%        | 0.6%        |

Source: Ministry of Health, 2004

Since ASH is investing in Bursa and Izmir, it is worth analyzing its potential rivals in those cities.

- Bursa has a population of 2.3 mn compared to 11.2 mn in Istanbul as of 2004. Three private hospitals currently are operational in the city with a total capacity of 99 beds. ASH will provide 200 additional beds to the city by 1Q06. Number of beds for 10K people currently corresponds to 22.8 in Bursa, compared to 31.4 in Istanbul.

| Market Shares of Private Hospitals in Bursa – as of 2004 |             |            |            |          |
|--|-------------|------------|------------|----------|
|  | Outpatients | Inpatients | Operations | Delivery |
| Bursa Hospital   | 8.0%        | 35.5%      | 41.6%      | 56.5%    |
| Hayat Hospital   | 55.9%       | 48.3%      | 39.0%      | 30.4%    |
| Bahar Hospital   | 36.1%       | 16.2%      | 19.3%      | 13.0%    |

Source: Ministry of Health, 2004

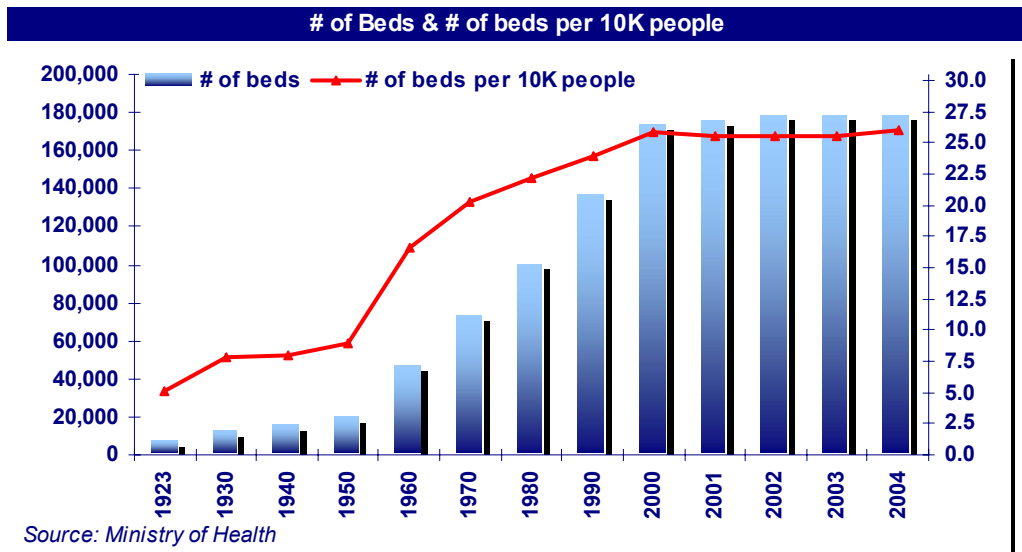
- Izmir has a population of 3.7 mn and number of beds for 10K people is 30.2. There are 15 private hospitals currently operational in the city with a bed capacity of 851. ASH will provide 200 more beds to the city by 2Q08. Three largest private hospitals comprise 4% of the bed capacity in the city.

| Market Shares of Private Hospitals in Izmir – as of 2004 |             |            |            |          |
|--|-------------|------------|------------|----------|
|  | Outpatients | Inpatients | Operations | Delivery |
| Sifa Health Center                                       | 22.6%       | 21.1%      | 30.2%      | 4.5%     |
| Ege Health Hospital                                      | 14.2%       | 26.4%      | 13.4%      | 9.0%     |
| Central Hospital   | 36.9%       | 8.5%       | 7.4%       | 3.6%     |

Source: Ministry of Health, 2004

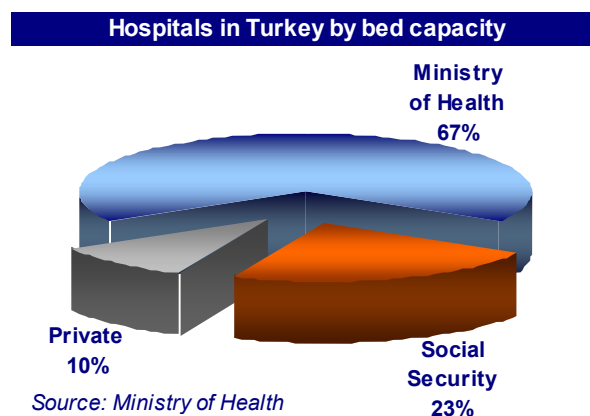
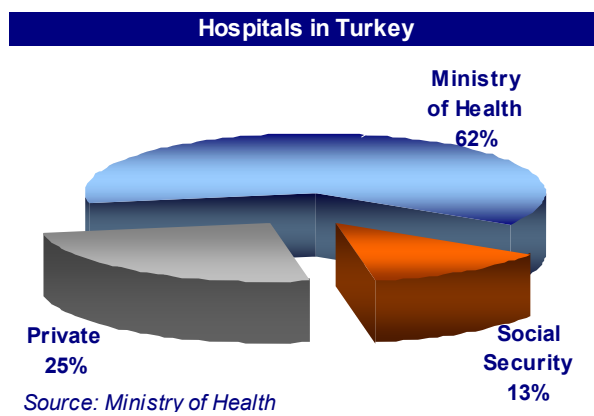
**Update on sector...**

According to Ministry of Health data, total number of beds reached 178K in 2004 with a 2% increase with respect to 2003. Number of beds per 10K people, on the other hand, reached 26.1 in 2004, remaining stable for the last three years.



Source: Ministry of Health

Private Hospitals represent 25% of total hospitals in terms of numbers in Turkey as of 2004, while Ministry of Health hospitals dominate the sector. In terms of bed capacity, private hospitals have 10% share in total, while Ministry of Health hospitals provide 67% of the total bed capacity in Turkey, followed by Social Security Hospitals that have 23% share.



Hospitals in Istanbul have total 28K bed capacity; 22% of which is held by private hospitals. Although their total number is high at 119, private sector hospitals in Istanbul have small capacities compared to Ministry of Health or Social Institution hospitals. Average number of beds is 52 in private hospitals, whereas it is 251 for Ministry of Health hospitals and 421 for Social Institution Hospitals.

|                    | Numbers    |               |               | Market Share (%) |             |             |
|--------------------|------------|---------------|---------------|------------------|-------------|-------------|
|                    | Hospitals  | Beds          | Staff         | Hospitals        | Beds        | Staff       |
| Ministry of Health | 35         | 8,802         | 5,351         | 19%              | 31%         | 40%         |
| Social Institution | 31         | 13,041        | 5,656         | 17%              | 46%         | 42%         |
| Private            | 119        | 6,241         | 2,511         | 64%              | 22%         | 19%         |
| <b>Total</b>       | <b>185</b> | <b>28,084</b> | <b>13,518</b> | <b>100%</b>      | <b>100%</b> | <b>100%</b> |

Source: Ministry of Health, 2004

Around 21mn patients were examined in Istanbul in 2004, 16% and 3.3mn of which were examined in private hospitals. The ratio goes as high as 31% for the share of private hospitals in terms of operation cases. With a share of 44%, most of the deliveries in Istanbul are made in private hospitals.

|                    | Numbers       |              |            |            | Market Share (%) |             |             |             |
|--------------------|---------------|--------------|------------|------------|------------------|-------------|-------------|-------------|
|                    | Exam          | Inpatient    | Operation  | Delivery   | Exam             | Inpatient   | Operation   | Delivery    |
| Ministry of Health | 7,959         | 2,565        | 156        | 29         | 37%              | 41%         | 32%         | 22%         |
| Social Institution | 10,023        | 2,935        | 180        | 45         | 47%              | 47%         | 37%         | 34%         |
| Private            | 3,334         | 685          | 154        | 57         | 16%              | 11%         | 31%         | 44%         |
| <b>Total</b>       | <b>21,316</b> | <b>6,185</b> | <b>490</b> | <b>131</b> | <b>100%</b>      | <b>100%</b> | <b>100%</b> | <b>100%</b> |

Source: Ministry of Health, 2004

In addition to sector overview of Istanbul, we analyzed the sector structure in Izmir and Bursa. Table below suggests that Izmir market is dominated by social institution hospitals and the share of private hospitals is extremely low in Izmir, compared to Istanbul. Private hospitals have only 3% and 2% share in terms of beds and staff, respectively.

|                    | Numbers   |               |              | Market Share (%) |            |            |
|--------------------|-----------|---------------|--------------|------------------|------------|------------|
|                    | Hospitals | Beds          | Staff        | Hospitals        | Beds       | Staff      |
| Ministry of Health | 22        | 3,581         | 2,102        | 12%              | 13%        | 16%        |
| Social Institution | 13        | 5,587         | 3,301        | 7%               | 20%        | 24%        |
| Private            | 15        | 851           | 322          | 8%               | 3%         | 2%         |
| <b>Total</b>       | <b>50</b> | <b>10,019</b> | <b>5,725</b> | <b>27%</b>       | <b>36%</b> | <b>42%</b> |

Source: Ministry of Health, 2004

With their high share in total number of hospitals, Ministry of Health hospitals dominate the health services in Izmir.

| Types of Healthcare Services Provided in Izmir (000) |              |              |            |           |                  |            |            |            |
|--|--------------|--------------|------------|-----------|------------------|------------|------------|------------|
|  | Numbers      |              |            |           | Market Share (%) |            |            |            |
|  | Exam         | Inpatient    | Operation  | Delivery  | Exam             | Inpatient  | Operation  | Delivery   |
| Ministry of Health                                   | 5,030        | 977          | 98         | 19        | 24%              | 16%        | 20%        | 15%        |
| Social Institution                                   | 3,925        | 1,287        | 2          | 11        | 18%              | 21%        | 0%         | 8%         |
| Private  | 309          | 106          | 39         | 8         | 1%               | 2%         | 8%         | 6%         |
| <b>Total</b>   | <b>9,264</b> | <b>2,371</b> | <b>140</b> | <b>38</b> | <b>43%</b>       | <b>38%</b> | <b>29%</b> | <b>29%</b> |

Source: Ministry of Health, 2004

Bursa has also been dominated by Ministry of Health hospitals. The share of private hospitals is even lower than that in Izmir.

| Hospital Capacities in Bursa |           |              |              |                  |            |            |
|------------------------------|-----------|--------------|--------------|------------------|------------|------------|
|                              | Numbers   |              |              | Market Share (%) |            |            |
|                              | Hospitals | Beds         | Staff        | Hospitals        | Beds       | Staff      |
| Ministry of Health           | 17        | 2,401        | 837          | 9%               | 9%         | 6%         |
| Social Institution           | 8         | 2,249        | 1,035        | 4%               | 8%         | 8%         |
| Private                      | 3         | 99           | 51           | 2%               | 0%         | 0%         |
| <b>Total</b>                 | <b>28</b> | <b>4,749</b> | <b>1,923</b> | <b>15%</b>       | <b>17%</b> | <b>14%</b> |

Source: Ministry of Health, 2004

| Types of Healthcare Services Provided in Bursa (000) |              |              |            |           |                  |            |            |            |
|--|--------------|--------------|------------|-----------|------------------|------------|------------|------------|
|  | Numbers      |              |            |           | Market Share (%) |            |            |            |
|  | Exam         | Inpatient    | Operation  | Delivery  | Exam             | Inpatient  | Operation  | Delivery   |
| Ministry of Health                                   | 2,741        | 647          | 51         | 19        | 13%              | 10%        | 10%        | 15%        |
| Social Institution                                   | 2,062        | 560          | 50         | 12        | 10%              | 9%         | 10%        | 9%         |
| Private  | 32           | 6            | 2          | 0         | 0%               | 0%         | 0%         | 0%         |
| <b>Total</b>   | <b>4,835</b> | <b>1,213</b> | <b>102</b> | <b>31</b> | <b>23%</b>       | <b>20%</b> | <b>21%</b> | <b>24%</b> |

Source: Ministry of Health, 2004

| <b>Balance Sheet</b>                              |               |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
|   | <b>2004</b>   | <b>2005E</b>  | <b>2006E</b>  | <b>2007E</b>  | <b>2008E</b>  | <b>2009E</b>  |
| <b>TOTAL ASSETS</b>                               | <b>122.89</b> | <b>173.12</b> | <b>227.53</b> | <b>302.17</b> | <b>341.80</b> | <b>391.58</b> |
| <b>CURRENT ASSETS</b>                             | <b>33.47</b>  | <b>43.25</b>  | <b>82.18</b>  | <b>133.00</b> | <b>196.13</b> | <b>274.03</b> |
| Cash and Banks                                    | 4.87          | 8.92          | 41.22         | 86.39         | 140.21        | 210.91        |
| Marketable Securities                             | 7.74          | 11.47         | 11.47         | 11.47         | 11.47         | 11.47         |
| Trade Receivables                                 | 14.07         | 15.66         | 20.49         | 24.61         | 31.40         | 36.65         |
| Due from Related Parties                          | 2.20          | 2.31          | 3.03          | 3.63          | 4.64          | 5.41          |
| Inventories                                       | 3.22          | 3.51          | 4.60          | 5.52          | 7.05          | 8.22          |
| Other Receivables and Current Assets              | 1.37          | 1.37          | 1.37          | 1.37          | 1.37          | 1.37          |
| <b>LONG TERM ASSETS</b>                           | <b>89.42</b>  | <b>129.88</b> | <b>145.35</b> | <b>169.17</b> | <b>145.67</b> | <b>117.55</b> |
| Long term trade receivables                       | 0.01          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          |
| Property, plant and equipment (net)               | 59.18         | 96.11         | 108.23        | 128.85        | 102.32        | 71.32         |
| Intangibile fixed assets (net)                    | 29.30         | 32.83         | 36.19         | 39.38         | 42.41         | 45.29         |
| Other long term assets                            | 0.94          | 0.94          | 0.94          | 0.94          | 0.94          | 0.94          |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>122.89</b> | <b>173.12</b> | <b>227.53</b> | <b>302.17</b> | <b>341.80</b> | <b>391.58</b> |
| <b>CURRENT LIABILITIES</b>                        | <b>24.50</b>  | <b>34.59</b>  | <b>46.84</b>  | <b>62.61</b>  | <b>67.82</b>  | <b>68.77</b>  |
| Short Term Borrowings                             | 7.57          | 16.86         | 25.13         | 37.00         | 37.08         | 35.25         |
| Trade Payables                                    | 13.44         | 14.25         | 18.22         | 22.13         | 27.26         | 30.03         |
| Other payables and accrued expenses               | 3.49          | 3.49          | 3.49          | 3.49          | 3.49          | 3.49          |
| <b>LONG TERM LIABILITIES</b>                      | <b>22.54</b>  | <b>48.51</b>  | <b>71.93</b>  | <b>105.32</b> | <b>105.56</b> | <b>100.39</b> |
| Long Term Borrowings                              | 21.34         | 47.50         | 70.83         | 104.26        | 104.48        | 99.32         |
| Long term trade payables (net)                    | 0.01          | 0.01          | 0.01          | 0.01          | 0.01          | 0.01          |
| Other Long term liabilities                       | 1.19          | 1.00          | 1.09          | 1.05          | 1.07          | 1.06          |
| <b>MINORITY SHAREHOLDERS'</b>                     | <b>1.16</b>   | <b>1.16</b>   | <b>1.16</b>   | <b>1.16</b>   | <b>1.16</b>   | <b>1.16</b>   |
| Minority Shareholders'                            | 1.16          | 1.16          | 1.16          | 1.16          | 1.16          | 1.16          |
| <b>SHAREHOLDERS' EQUITY</b>                       | <b>74.70</b>  | <b>88.86</b>  | <b>107.60</b> | <b>133.08</b> | <b>167.25</b> | <b>221.28</b> |
| Capital   | 40.41         | 40.41         | 40.41         | 40.41         | 40.41         | 40.41         |
| Legal reserves                                    | 17.73         | 27.75         | 41.48         | 59.89         | 84.96         | 118.80        |
| Inflation Adjustment                              | 6.54          | 6.97          | 7.30          | 7.71          | 8.04          | 8.52          |
| Net Profit  | 10.02         | 13.73         | 18.41         | 25.07         | 33.84         | 53.54         |

| <b>Income Statement</b>                  |               |               |               |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
|  | <b>2004</b>   | <b>2005E</b>  | <b>2006E</b>  | <b>2007E</b>  | <b>2008E</b>  | <b>2009E</b>  |
| <b>Net Sales</b>                         | <b>115.21</b> | <b>149.44</b> | <b>195.52</b> | <b>234.86</b> | <b>299.57</b> | <b>349.67</b> |
| Cost of Sales                            | -99.52        | -124.03       | -158.60       | -192.66       | -237.34       | -261.50       |
| <b>Gross Profit</b>                      | <b>15.69</b>  | <b>25.41</b>  | <b>36.92</b>  | <b>42.21</b>  | <b>62.24</b>  | <b>88.17</b>  |
| Operating Expenses                       | -8.88         | -10.31        | -13.49        | -16.21        | -20.67        | -24.13        |
| <b>Operating Profit</b>                  | <b>6.82</b>   | <b>15.10</b>  | <b>23.43</b>  | <b>26.00</b>  | <b>41.57</b>  | <b>64.04</b>  |
| Finance Expenses (net)                   | -0.80         | -5.25         | -7.82         | -11.51        | -11.54        | -10.97        |
| Other Income (net)                       | 4.43          | 0.50          | 3.46          | 11.73         | 16.44         | 22.80         |
| Income before taxation and monetary gain | 10.44         | 10.35         | 19.07         | 26.22         | 46.47         | 75.87         |
| Taxation                                 | 0.00          | 3.55          | -0.49         | -0.99         | -12.47        | -22.16        |
| Income before monetary gain              | 10.44         | 13.90         | 18.58         | 25.23         | 34.01         | 53.71         |
| Monetary gain                            | -1.34         | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          |
| Net Profit                               | 9.11          | 13.90         | 18.58         | 25.23         | 34.01         | 53.71         |
| Minority Interest                        | 0.17          | 0.17          | 0.17          | 0.17          | 0.17          | 0.17          |
| Other Extraordinary Income/Expense (net) | 0.75          | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          |
| <b>Net Profit</b>                        | <b>10.02</b>  | <b>13.73</b>  | <b>18.41</b>  | <b>25.07</b>  | <b>33.84</b>  | <b>53.54</b>  |