

Corporate Credit Rating
Health Industry

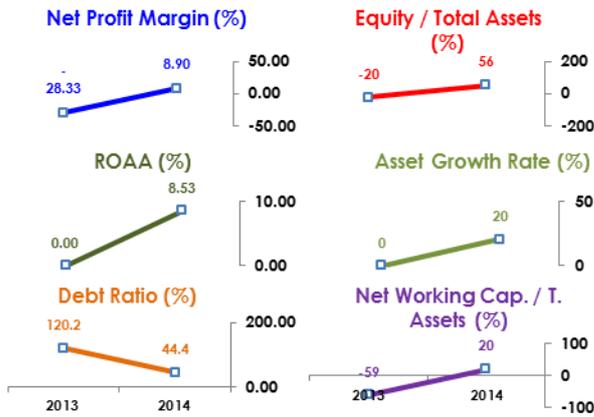
AVRUPAGÖZ		Long-Term	Short-Term	
National International	Foreign Currency	BBB-	A-3	
	Local Currency	BBB-	A-3	
	Outlook	Stable	Stable	
National	Local Rating	BBB-	A-3	
	Outlook	Stable	Stable	
Sponsor Support		2	-	
Stand Alone		B	-	
Sovereign*	Foreign Currency	BBB-	-	
	Local Currency	BBB-	-	
	Outlook	FC	Stable	-
		LC	Stable	-

*Assigned by Japan Credit Rating Agency, JCR on August 28, 2015

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Strengths

- Strong operational volume growth, as indicated by the expansion in sales revenues as of FYE2014
- New hospitals enhancing its country-wide market presence as one of Turkey's leading private eye care and treatment services company
- Low collection risk since trade receivables mostly comprise of receivables from the Social Security Institution (SSI), contributing to high asset quality
- Competitive strength derived via benefiting from the first-mover advantage in most provinces since licenses are limited and subject to consent of the Ministry of Health
- Rising per capita healthcare spending in line with macroeconomic growth, education levels and urbanization indicating market expansion opportunities for private healthcare services
- Equity injection that took place in 2014 after the change of ownership structure following a period of erosion in equity base in FYE2013
- New shareholder structure with a special purpose investment company inspiring confidence in investors and contributing to corporate governance practices

Constraints

- The Social Security Institute's (SSI) capability to dictate prices and tariffs via the Medical Enforcement Declaration (SUT) which does not move in tandem with inflationary pressures and other costs, pressuring profitability margins across private hospitals
- High level of dependency on SSI's financing due to the low income customer profile
- Significant level of operating expenses inherent in the sector due to large personnel and depreciation costs
- Need for a separate and efficient risk management unit and risk committee in the Board of Directors
- Operational risks related with physical, human and system errors which can be a common occurrence in the healthcare setting leading to legal risks
- Composition of the Board of Directors without independent members
- Further need for improvement in compliance with Corporate Governance best practices

Ümran Göz Sağlığı Tic.A.Ş.		
Financial Data	2014*	2013*
Total Assets (000 USD)	31,619	28,618
Total Assets (000 TRY)	73,321	60,968
Equity (000 TRY)	40,756	-12,314
Net Profit (000 TRY)	4,195	-6,000
Sales (000 TRY)	47,145	21,180
Net Profit Margin (%)	8.90	-28.33
ROAA (%)	8.53	n.a
Equity / Total Assets (%)	55.58	-20.20
Net Working Capital / T. Assets (%)	20.20	-59.26
Debt Ratio (%)	44.42	120.20
Asset Growth Rate (%)	20.26	n.a

*End of year

Overview

Ümran Göz Sağlığı Ve Kontakt Lens Uygulama Hiz. Tic. A.Ş. (hereafter, referred to as the Group, the Company or Avrupagöz), with roots dating back to 2005 with the founding of Aksaray Eye Treatment Center in Istanbul, operates as an integrated eye care and treatment services company. In 2009, Company shares were taken over by Ramazan Burak Telli and new investments followed under the new ownership. Consequently, after 2011, the Company started to expand its operations by acquiring and/or establishing new eye treatment centers and hospitals across Turkey.

At the end of 2013, two Saudi Arabia based investment companies, Nesmal Yatırım Holding A.Ş. (subsidiary of Nesma Holding, a privately owned Saudi Arabian investment company) and Reaya Turkey Tıbbi Cihazlar ve Sağlık Hizmetleri A.Ş. (a Jeddah based investment firm, targeting companies operating in the healthcare industry), became partners of the Company. As of year-end 2014, Nesmal Yatırım and Reaya Turkey held 15% and 65% of Avrupagöz's total shares, respectively. As of year-end 2014, the Group operated 10 eye treatment centers and 2 eye hospitals in seven provinces across Turkey, with a total of 465 permanent employees, 57 of which were doctors.