

Cleopatra Hospitals Group Reports 2Q2017 Results

2Q2017 Financial and Operational Highlights¹

EGP **261.8** million
Total Consolidated Revenue

EGP **52.4** million
Adj. EBITDA (20% margin)

EGP **23.6** million
Net Income (9% margin)

+225,950
Cases Served

Cairo, 22 August 2017

Cleopatra Hospital Group S.A.E. (CLHO.CA on the Egyptian Exchange), Egypt's largest private hospital group by number of hospital beds and number of operating hospitals, reported today its consolidated results for the quarter ending 30 June 2017, achieving 29% year-on-year growth in revenues to EGP 261.8 million. A combination of strong revenue growth – despite the seasonally weaker month of Ramadan falling mainly in June (vs. July in 2016) – improved cost efficiencies and higher interest income drove the Group's net income up 184% to EGP 23.6 million, yielding a five-percentage point expansion in net profit margin to 9%. On a year-to-date basis, Group revenues recorded EGP 523.9 million in 1H2017, up 27% y-o-y, while net profit recorded a 71% y-o-y increase to EGP 52.6 million.

The Group's performance during the quarter came as patients' continued confidence in the Group's superior quality of service led them to rapidly adapt to its new pricing and in-turn offset minimal softness in patient volumes. The largest contributor to Group revenues in 2Q2017 was Cleopatra Hospital at EGP 115.1 million (44%), followed by Cairo Specialised Hospital (22%), Nile Badrawi Hospital (17%) and Al Shorouk Hospital (17%).

Commenting on Cleopatra Hospitals Group's performance during 2Q2017, Chief Executive Officer Ahmed Ezzeldin said: "Strong results are also a reflection of the industry's defensive nature amid an increasing challenging macro environment, and come despite the second quarter of the year typically being a low season for healthcare in addition to the Ramadan effect. We are moreover actively pursuing strategically accretive additions to the platform to expand both our network and our portfolio of specializations as we seek to cement our position as the leading provider of high-quality healthcare services in the market. Meanwhile, we expect that continued strong organic growth will see us deliver even stronger results in the second half of this year."

Among other factors, the Group's new revenue-retention and margin-enhancement initiative rolled out at the end of the previous quarter has already started contributing improved performance. In 2Q2017, the Group extracted higher value from services across the board, with average revenue per inpatients up 50% y-o-y while revenue per surgery climbed 40% compared to 2Q2016. In addition to driving top-line growth, management's commitment to cost control measures saw it leverage the Groups scale to extract efficiencies across the supply chain and utilize favourable cross-asset consumables procurement programs. Cleopatra Hospital

¹ EBITDA, Earnings before Interest, Tax, Depreciation and Amortization adjusted for provisions, impairments, LTIP and excluding contributions from other income.

Cases served includes number of in-patients, outpatient visits and ER visits.

Group was particularly successful in protecting its margins during a period with increased spending on facility renovation and maintenance, and when significant increases in fuel and electricity prices have added inflationary pressures on the Group's cost base. In 2Q2017, gross profit came in at EGP 72.4 million, up 23% y-o-y, with a gross profit margin of 28% against 29% in the same period last year. At the EBITDA level, the group recorded a 23% y-o-y increase to EGP 52.4 million, with a margin of 20% in 2Q17.

Infrastructure upgrades continued at Cleopatra Hospitals Group in 2Q2017. The Group's major renovation of Nile Badrawi Hospital has been largely completed, including the building's new external façade and outpatient clinics as well as renovations and equipment upgrades of operating rooms, intensive-care units, and a catheter lab. The renovations and equipment upgrades are expected to have a positive impact on the hospital's financial performance and operational capabilities. Meanwhile, investments in Medical technology continue across the group, including the completion of a new state-of-the-art Philips catheter lab at Cleopatra Hospital, which will expand the hospital's procedures to include interventional X-ray. Additional investments include upgrades to operating rooms, new ventilators, anaesthesia systems and laparoscopes.

As of July 1, the management of all patient and staff catering in the Group's hospitals has been outsourced to the Egypt branch of Compass Group plc to improve quality of patient meals in-line with HACCP standards. The new outsourcing agreement will ensure the provision of top-quality nutritional food prepared according to the highest international health and safety standards. In addition, consolidation of laundry services is underway across the four hospitals with Al Shorouk Hospital and Cairo Specialized Hospital servicing as laundry hubs for East and West Cairo, thus freeing up space in Cleopatra Hospital and Nile Badrawi Hospital for additional revenue generating services.

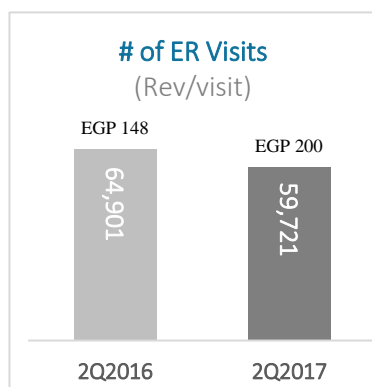
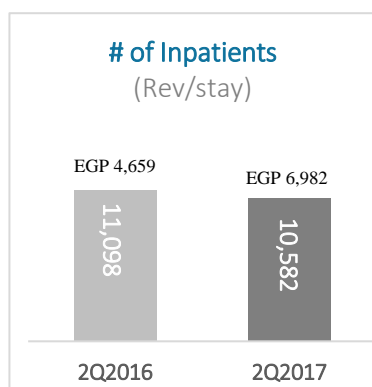
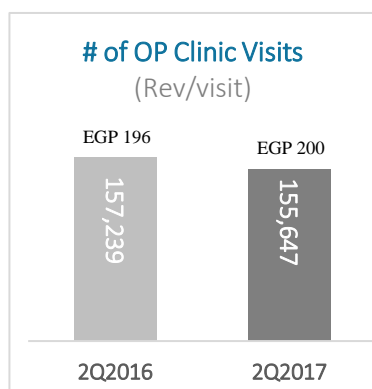
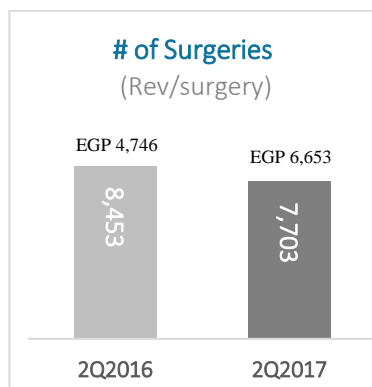
Work on the Group's first Polyclinic in New Cairo is progressing on schedule and is earmarked for operation before the end of the year, while site identification for the Group's second Polyclinic in West Cairo is ongoing. Each Polyclinic will benefit from full-fledged pharmacy, outpatient and diagnostics services in addition to limited surgical procedures.

With regards to inorganic expansion, the Group has recently signed definitive agreements to acquire the real estate assets of a leading hospital in West Cairo. The transaction is expected to close in 4Q2017 pending regulatory approvals and the transfer of operational assets and licenses to the Group. The Group has also signed exclusivity to acquire – subject to conducting due diligence – a large hospital to the north of Cairo, its first expansion into this area. The north of Cairo acquisition coupled with an investment in a brownfield hospital project in Bani Sweif will equip the Group with two new assets within a one-hour radius of Cairo expected to contribute to revenues by 2018.

Going forward into 2H2017, the company will continue developing its cross-asset business model, standardizing operating procedures and implementing "One Cleopatra," the Group's unified brand and integrated management program, across all assets.

"Overall, I feel that we have laid the foundations for a strong performance in the second half of the year, when we will begin to realize the potential of our efforts to increase the number of patients we can accommodate as well as the quality of the care that we offer. I am excited to see the launch of our new polyclinic model as well as the potential additions of other high-quality hospitals to the Group. Successfully addressing short-term economic and operational challenges has allowed us to remain focused on executing our long-term strategy in order to remain at the forefront of the ongoing transformation of Egypt's healthcare system. As the country's leading hospital care provider, we remain committed to delivering quality patient outcomes to as many people as possible," Ezzeldin concluded.

—Ends—



Historical figures have been adjusted to account for standardization of KPI reporting across all hospitals

Operational Review

In 2Q2017, Cleopatra Hospitals Group continued to push forward its Group-wide integration program with an emphasis on quality improvement and patient safety; asset renovations and technology upgrades; streamlining reporting lines and performance measurement; standardize information technology (IT) frameworks, and the development of common standards and brand identity, among other planks.

Quality Enhancement

Cleopatra Hospitals Group delivered on several goals established by its quality department as part of the ongoing initiative to achieve Joint Commission International (JCI) accreditation at all Group hospitals. The Group's Quality Director is overseeing the process and taking the lead on guiding and preparing the quality control teams for the JCI accreditation. This quarter, workshops were conducted at all hospitals to raise awareness about JCI standards, and compliance with a previously developed plan to improve infection control and medication was assessed with the support of specialized consultants.

Recommendations were put forward for required renovations and staffing needs, all of which fall within the Group's integration and quality improvement strategy currently being implemented. To that end, asset renovations are progressing on track, with the Group's major renovation of Nile Badrawi Hospital now complete, while the catering renovation plan first executed at Cairo Specialized Hospital is being rolled out across all hospitals in parallel with transitioning kitchens' management to Compass Group. Mockups of JCI-approved room renovations constructed in Cairo Specialized Hospital will also be incorporated throughout the Group's multi-asset platform.

Business Development Initiatives

On the business development side, 2Q2017 marks the full implementation of the group's new non-financial KPIs focused around patient safety, medication, infection control and environmental safety. Success in achieving these KPIs will be assessed monthly, with the first round of data collection having begun in July 2017. This quarter the Group also developed risk management programs for all hospitals by assessing all proactive and reactive risks.

On the procurement front, the Group was successful in extending consumables tenders until the end of 2018 to guard operations against inflationary pressures. The extension allows the Group to leverage economies of scale in the market to obtain better pricing and will be key to sustaining ongoing cross-asset integration and common purchasing standards.

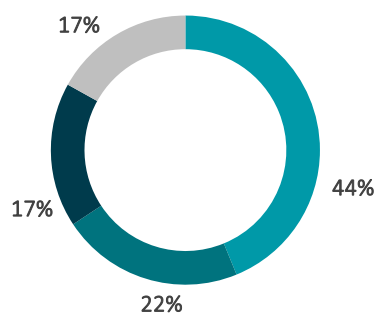
Information Technology

2Q2017 saw progress on the Group's plan to transform and standardize its IT policies and procedures in order to provide a single integrated patient management experience across all hospitals. A pilot version of the Group's new IT platform is currently being implemented in Cairo Specialized Hospital and will be rolled out across all assets in 8 to 12 months as the ongoing infrastructure upgrades required to run new software are completed by September 2017. These infrastructure upgrades include a renovation of networks and communication technology as well as automation of hardware and security tools.

Human Resources

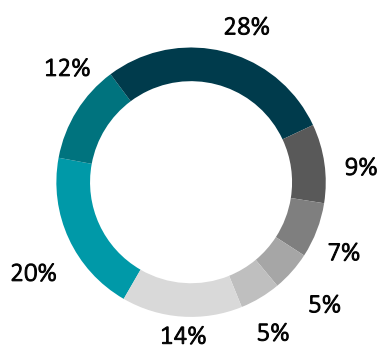
Management continues to push forward with HR initiatives aimed at developing core competencies and skills. As part of this process, continuous staff trainings were conducted to familiarize employees with international safety standards followed by auditing to assess IPSGs, KPIs, and improved practices in response to trainings.

Revenue by Hospital (2Q17)



- Cleopatra Hospital
- Cairo Specialised Hospital
- Nile Badrawi Hospital
- Al Shorouk Hospital

Revenue by Segment (2Q17)



- Surgeries
- Outpatient Clinics
- Inpatients
- Laboratories
- Cardiac Catheterization
- Emergency Room
- Radiology
- All Others

Meanwhile, the HR department ran an employee satisfaction survey across all hospitals to gauge employee satisfaction and loyalty and improve talent retention rates. Management is also focusing on cutting cross-functional redundancies, with the quarter witnessing a reduction in kitchen staff numbers to optimum operational levels on the heels of the Compass Group agreement, with similar efforts soon to be implemented with its laundry staff.

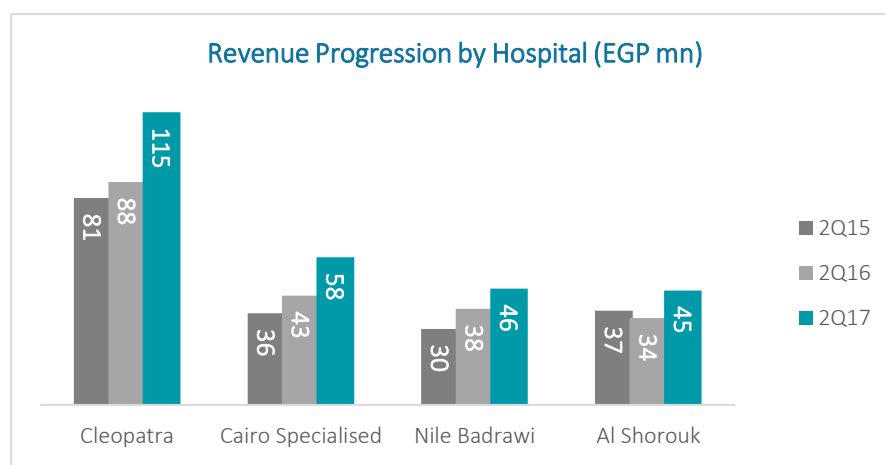
Ongoing Initiatives

Cleopatra Hospital Group continues to make progress on a variety of initiatives including the implementation of unified medical forms, patient medical files, and records departments. 2Q2017 also marked the first full quarter in which the group operated using unified standard operating procedures (SoPs) and reporting tools for its finance function.

Financial Review

Consolidated revenues in 2Q17 recorded EGP 261.8 million, up 29% y-o-y with revenue growth being driven primarily by increased inpatient revenues (+43%), surgeries (+28%) and laboratories (+53%). All three segments combined contributed over 70% to revenues growth in absolute terms. The improved performance came as price increases offset marginally slower volumes, with patients rapidly accepting the Group's new price points thanks its reputation for quality and superior clinical outcomes. Volumes were weighed down as the month of Ramadan and a prolonged Eid vacation coincided with the second quarter of the year. On a year-to-date basis, revenues climbed 27% y-o-y to EGP 523.9.

The largest contributor to Group revenues in 2Q17 was Cleopatra Hospital at (44%), followed by Cairo Specialised Hospital (22%), Nile Badrawi Hospital (17%) and Al Shorouk Hospital (17%).



Cost of goods sold came in at EGP 189.4 million in 2Q17, up 32% y-o-y and recording a COGS/sales ratio of 72.3%, up only slightly compared to the 71.0% posted in 2Q16. The Group's ability to control costs despite operating in a severe inflationary environment comes thanks to management's efforts in capitalizing on favourable cross-asset procurement programs for medical consumables and pharmaceuticals. Cost of medical supplies, which constitutes the largest share of COGS (32%), climbed at a rate slower than revenue growth to record a 27% y-o-y increase in 2Q17 to EGP 61.1 million. The Group was successful in extending its consumables tenders program until year-end 2018, a key determinant in curbing cost inflation. Meanwhile, consulting physicians' expenses continued the trends witnessed in 1Q17, with increased contributions from

private cases and higher-margin services with no related consultant fees. The total expense climbed 19% y-o-y to EGP 48.9 million in 2Q17 and constituted 26% of total COGS. Increased salaries and wages were the highest contributor to COGS growth in absolute terms during the quarter at 29%, having recorded a 38% y-o-y increase to EGP 48.0 million. The increase was driven by a higher headcount (as the Group restructures its organizational chart and recruits high-calibre professionals to fill necessary management positions); an increase in salaries; and the unification of HR policies across the Group's assets. In 1H17, total COGS reached EGP 370.2 million, up 29% y-o-y, and recording a one percentage point increase in COGS/Sales to 70.7%.

Top-line gains were carried down to the Group's gross profit which recorded a 23% y-o-y increase in 2Q17 to EGP 72.4 million, maintaining a gross profit margin of 28% versus 29% in the same period last year. Cleopatra Hospital was the highest contributor to gross profit at 56% in 2Q17, and the highest contributor to gross profit growth in absolute terms at 71%. Meanwhile, Cairo Specialized Hospital contributed 20% to the Group's gross profit in 2Q17 and 35% to gross profit growth in absolute terms. On a six-months basis, Group gross profit recorded EGP 153.7 million in 1H17, up 21% y-o-y and with a 29% margin.

General and administrative (G&A) expenses include the company's non-medical staff costs, including those of senior management and group-level professional consulting fees. Total G&A expenses stood at EGP 36.4 million in 2Q17, up 18% y-o-y, however down to 13.9% of sales versus 15.3% in 2Q16. The Group's Long-Term Incentive Program (LTIP) — a non-cash charge linked to share price appreciation and EBITDA growth and with a four-year vesting period maturing by 30 June 2020, after which amounts will be disbursed — booked EGP 4.2 million in 2Q17. Management views its LTIP as a key pillar for retaining valuable talent and driving long-term sustainable growth. Provisions during the quarter dropped to EGP 1.8 million in 2Q17 from EGP 8.2 million in the same period last year.

Lower G&A costs as a percentage of sales coupled with a significant decrease in provisions saw the Group record a 60% y-o-y increase in **EBIT / operating profit** to EGP 35.6 million in 2Q17, with a four-percentage point margin expansion to 14%. Group **EBITDA** posted a 23% y-o-y increase to EGP 52.4 million in 2Q17, with an EBITDA margin of 20%. Group EBITDA was adjusted for the non-cash charge related to the LTIP.

It is worth noting that during the year, Cleopatra Hospital signed an agreement with its subsidiaries. Under this contract, the Company allocates the costs of the joint activities to the Group's companies based on percentages related to the revenues earned for each company. This agreement was approved by the company's board of directors a General assembly.

Net income for the period recorded EGP 23.6 million in 2Q17, up 184% y-o-y as the Group booked EGP 13.3 million in interest income on its IPO proceeds. Factoring out this non-recurring gain, net income for the quarter would have recorded a c.24% y-o-y increase. On a year-to-date basis, the Group posted a bottom-line of EGP 52.6 million in 1H17, up 71% y-o-y and with a net profit margin of 10%.

Cleopatra Hospitals Group's continued to push forward with its renovation and technology upgrade program, with an accelerated **CAPEX** outlay during 2Q17 reaching EGP 52.0 million, in addition to EGP 16.0 million in down payments for new equipment.

Renovations and Technology Upgrades



New state-of-the-art Philips interventional X-ray at Cleopatra Hospital



New Operating Theatre at Nile Badrawi Hospital



New renovated Cardiac Care Unit ward at Nile Badrawi Hospital

ABOUT CLEOPATRA HOSPITALS GROUP S.A.E.

The Group is the largest private hospital group in Egypt by number of hospital beds and number of operating hospitals. The Company holds majority stakes in four leading hospitals in the Greater Cairo Area: Cleopatra Hospital, Cairo Specialized Hospital, Nile Badrawi Hospital and Al Shorouk Hospital, offering a full array of general and emergency healthcare services.

Shareholder Information

EGX: CLHO.CA

Listed: June 2016

Shares Outstanding: 200 million

For further information, please
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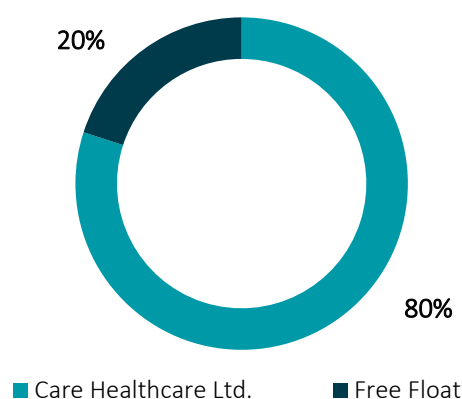
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Shareholder Structure

(as of June 2017)



Forward-Looking Statements

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as “according to estimates”, “anticipates”, “assumes”, “believes”, “could”, “estimates”, “expects”, “intends”, “is of the opinion”, “may”, “plans”, “potential”, “predicts”, “projects”, “should”, “to the knowledge of”, “will”, “would” or, in each case their negatives or other similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding our business and management, our future growth or profitability and general economic and regulatory conditions and other matters affecting us.

Forward-looking statements reflect our management’s (“Management”) current views of future events, are based on Management’s assumptions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause our actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements. Our business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to become inaccurate. These risks include fluctuations in the prices of raw materials or employee costs required by our operations, its ability to retain the services of certain key employees, its ability to compete successfully, changes in political, social, legal or economic conditions in Egypt, worldwide economic trends, the impact of war and terrorist activity, inflation, interest rate and exchange rate fluctuations and Management’s ability to timely and accurately identify future risks to our business and manage the risks mentioned above.

Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this document may not conform exactly to the total figure given.

Consolidated Statement of Income

All figures in EGP mn	2Q2017	2Q2016	% change	1H2017	1H2016	% change
Revenues	261.8	202.4	29%	523.9	413.4	27%
Cost of sales	(189.4)	(143.5)	32%	(370.2)	(286.6)	29%
Gross profit	72.4	58.9	23%	153.7	126.8	21%
<i>Gross Profit Margin</i>	28%	29%		29%	31%	
General & administrative expenses	(36.4)	(31.0)	18%	(75.1)	(55.9)	34%
Provisions	(1.8)	(8.2)	-78%	(4.6)	(9.2)	-50%
Other income	1.4	2.5	-44%	2.6	3.9	-34%
EBIT	35.6	22.2	60%	76.6	65.6	17%
<i>EBIT Margin</i>	14%	11%		15%	16%	
Interest income	13.3	2.8	304%	26.8	5.3	351%
Interest expense	(17.3)	(14.7)	14%	(34.1)	(28.9)	14%
Profit before tax	31.6	10.3	207%	69.3	42.1	65%
<i>PBT Margin</i>	12%	5%		13%	10%	
Income tax	(8.3)	(5.2)	59%	(17.7)	(14.4)	23%
Deferred tax	0.2	3.2	-92%	1.0	3.1	-68%
Net profit after tax	23.6	8.3	184%	52.6	30.8	71%
<i>Net Profit Margin</i>	9%	4%		10%	7%	
<u>Distributed as follows:</u>						
Shareholders of the company	22.6	6.6	241%	47.7	25.7	86%
Minority rights	1.0	1.7	-41%	4.9	5.1	-5%
Profit for the period	23.6	8.3	184%	52.6	30.8	71%

Consolidated Statement of Comprehensive Income

All figures in EGP mn	2Q2017	2Q2016	% change	1H2017	1H2016	% change
Net Profit	23.6	8.3	184%	52.6	30.8	71%
Other comprehensive income	-	-		-	-	
Total comprehensive income for the year	23.6	8.3	184%	52.6	30.8	71%
<u>Total comprehensive income attributable to:</u>						
Owners of the company	22.6	6.6	241%	47.7	25.7	86%
Non-controlling interest	1.0	1.7	-41%	4.9	5.1	-5%
Total comprehensive income for the year	23.6	8.3	184%	52.6	30.8	71%

Consolidated Statement of Financial Position

All figures in EGP mn	31 December 2016	30 June 2017
Non-current assets		
Fixed assets	396.7	429.7
Intangible assets	246.4	243.7
Total non-current assets	643.1	673.5
Current assets		
Investments held to maturity	-	-
Inventory	46.1	45.7
Accounts receivables	125.9	161.7
Other receivables and debit balances	25.6	46.0
Cash	439.6	415.2
Total current assets	637.3	668.6
Total assets	1,280.4	1,342.1
Equity		
Share capital	100.0	100.0
Reserves	298.0	298.0
Retained earnings	168.7	202.4
Equity attributable to the parent company	566.7	600.5
Non-controlling interest	43.8	48.3
Total equity	610.5	648.7
Non-current liabilities		
Long term debt - non-current portion	326.0	301.1
Employee incentive plan	-	6.4
Deferred tax liability	60.0	59.0
Total non-current liabilities	386.0	366.5
Current liabilities		
Provisions	24.9	25.9
Creditors and other credit balances	175.2	215.4
CPLTD	52.2	68.2
Current Income tax	31.6	17.4
Total current liabilities	283.9	326.9
Total liabilities	669.9	693.4
Total Liabilities & shareholders' equity	1,280.4	1,342.1

Consolidated Statement of Cash Flow

All figures in EGP mn	30 June 2017	30 June 2016
<u>Cash flow from operating activities:</u>		
Profit before tax	69.3	42.1
<u>Adjustments for:</u>		
Depreciation	15.3	14.0
Amortization of intangible assets	2.7	2.7
Impairments of receivables no longer required	(6.8)	(6.7)
Impairments of receivables	13.9	13.7
Trade receivables impairment – write off	(3.5)	-
Provision formed	5.5	9.5
Provision utilized	(3.6)	(3.0)
Provisions no longer required	(0.9)	(0.3)
Capital gain / loss	(0.1)	-
Credit Interest	(26.9)	(5.8)
Interest and commissions	33.6	29.3
Paid income tax	(21.2)	(32.2)
Fixed assets write off	3.3	-
Allowance for impairment of inventory	0.2	-
Employee long-term incentive plan	6.4	-
Operating Profits before changes in working capital	87.1	63.2
<u>Changes in working capital:</u>		
Change in inventory	0.2	(3.3)
Change in trade receivables	(39.4)	(18.3)
Change in debtors and other debit balances	(30.6)	(15.2)
Change in due from related parties	-	-
Change in trade payables and other credit balances	19.2	24.1
Net cash flow from operating activities	36.5	50.6
<u>Cash flow from investment activities:</u>		
Proceeds from sale of fixed assets	0.3	-
Payments for purchase of fixed assets	(29.5)	(3.9)
PUC purchased	(22.4)	(11.0)
Payments to acquire subsidiaries, net of cash acquired	-	(235.1)
Interest received	26.5	5.8
Time deposits with maturity more than 3 month	38.6	23.5
Collected from housing bills	-	-
Net cash flow from investment activities	13.6	(220.6)
<u>Cash flow from financing activities:</u>		
Proceeds from borrowings	12.0	207.2
Dividends paid	(14.0)	-
Interest paid	(13.0)	(0.5)
Share premium collected	-	-
Repayment of borrowings	(20.8)	-
Net cash flow from financing activities	(35.9)	206.8
Net change in cash & cash equivalents during the period	14.3	36.7
Cash & cash equivalents at the beginning of the period	44.4	47.0
Cash & cash equivalents at the end of the period	58.6	83.7