

Cleopatra Hospitals Group Reports 2Q2017 Results

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: "Our efforts during the period were focused on increasing the number of patients we can accommodate as well as the quality of the care that we offer as we seek to cement our position as the leading provider of high-quality healthcare services in the market. The quarter just ended also saw the launch of our new polyclinic model, and we are pushing forward with the potential additions of other high-quality hospitals to the Group. We have successfully addressed the short-term economic and operational challenges while simultaneously remained focused on executing our long-term strategy that is to continue delivering quality patient outcomes to as many people as possible."

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.

Cleopatra Hospital Company's complete earnings release for 2Q2017 including commentary on operational and financial performance is available for download on investors.cleopatrahospitals.com.

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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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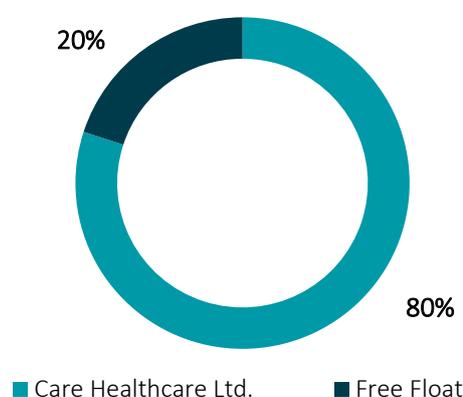
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Shareholder Structure

(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