

Cleopatra Hospitals Group Reports 1Q2017 Results

Cairo, 23 May 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 31 March 2017, delivering 24% year-on-year growth in revenues to EGP 262.1 million despite the continued impact on the healthcare market of high inflation after the November 2016 float of the Egyptian pound.

Notably, revenue growth for the quarter was largely price-driven, as the group's superior reputation for quality healthcare and patient safety saw consumers rapidly adapt to the Group's new pricing. The rollout late in the quarter of the group's revenue-retention and margin-enhancement initiative will build on this foundation going forward. The largest contributor to Group revenues in 1Q17 was Cleopatra Hospital at (43%), followed by Cairo Specialised Hospital (22%), Nile Badrawi Hospital (18%) and Al Shorouk Hospital (17%).

Commenting on Cleopatra Hospitals Group's performance during 1Q2017, Chief Executive Officer Ahmed Ezzeldin said: "Our performance in the first quarter reflects our ongoing strategy of positioning Cleopatra Hospitals Group as the leading provider of high-quality healthcare services in the market. We continued to deliver on our strategy of building a fully-integrated operation to seamlessly deliver healthcare services, ensuring that our patients benefit from a high-quality one-stop-shop service that focuses on quality of outcomes. We are also pushing through a multi-pronged strategy focused on improved diagnostics and pharmacy revenue retention within the Group allowing us to continue driving top-line growth and margins across the group's present and expansion facilities. At the same time as we focus on revenue growth, management is working hard to protect and enhance the Group's margins through a set of interdependent initiatives, all while continuously focusing on patient safety and medical quality enhancement."

At the gross profit level, the Group maintained profitability despite the sharp inflationary pressure that now prevails in Egypt. Gross profit for the quarter was EGP 81.3 million, up 20% y-o-y with a gross profit margin of 31% against 32% in the same period last year. Cleopatra Hospital Group's multi-asset, integrated operating platform allows it to deliver cost efficiencies across the supply chain by leveraging its scale to secure favourable cross-asset procurement programs. Additionally, a strong emphasis on cost control allowed the company to deliver an 18% y-o-y growth in EBITDA¹ to EGP 61.8 million — a 24% margin — while net income increased 29% y-o-y in 1Q17 to EGP 29.1 million as management maintained net profit margin at 11%.

"In this quarter we have made significant progress focusing on our four value creation pillars: a) **investing in our infrastructure, patient safety and medical technology**, with renovations at Nile Badrawi and Al Shorouk Hospitals on track and medical technology upgrades across the hospitals in full swing, which are expected to improve patient throughput and quality improvements, including a state of the art catheterization laboratory to shortly be operational at Cleopatra Hospital; b) **optimizing cost structure and working capital efficiencies across the Group**, improving margins by extracting synergies from economies of scale in core and ancillary services; c) **progress on expanding our hospital network**, including one Cairo-based operating hospital acquisition in documentation stage, a brownfield, 200-bed hospital in Upper Egypt and Al Shorouk hospital extension in the feasibility study stage, and the signing of a lease for our flagship polyclinic project in East Cairo expected to open in 3Q17; and d) **continuing to invest in our stakeholders**, including a number of Group-wide physician conferences and the launch of our unified branding across all four hospitals and associated marketing campaign," Ezzeldin said. "Our ultimate goal is to become the primary choice for reliable healthcare services and clinical outcomes in Egypt," he added.

Heading into the second half of the year, management will continue to push forward with initiatives to enhance its cross-asset business model and drive top-line growth, while benefiting from the run-rate effect of price increases completed in late 1Q17. A key initiative is the roll-out of fixed-price surgery package bundles to help our insurance stakeholders manage total cost of treatment

¹ EBITDA, Earnings before Interest, Tax, Depreciation and Amortization adjusted for provisions, impairments and management's long-term incentive program (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 the sums will be disbursed), and excluding contributions from other income. Cases served includes number of in-patients, outpatient visits and ER visits.



without sacrificing on the quality of patient outcomes. In addition, we are focused on clear communication of pricing and value proposition to consumers — an initiative that is already driving volume recovery in April 2017 despite the second quarter typically being the slowest quarter of the year. Other initiatives include the ongoing development and implementation of unified standard operating procedures; increased cooperation with key corporate and insurance stakeholders as they themselves face inflationary pressure; and instilling a common group culture through the continued implementation of the change management program “One Cleopatra.” The Group is also in the process of rolling out management and medical career tracks to aid career growth and help build employee loyalty across the Group.

“Smaller players and standalone facilities are struggling in the current high-inflation environment that is accelerating the re-shaping of the nation’s healthcare industry. That re-shaping will be a long process, and we are now locking-in first-mover advantage through the careful-but-accelerated rollout of our strategy; the excellence of our assets; and our high-quality network of physicians and allied healthcare partners. Our goal is to continuously deliver high-quality medical services in Egypt focused on quality of medical outcomes and patient safety as we build Egypt’s first truly national healthcare network,” Ezzeldin concluded.

—Ends—

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

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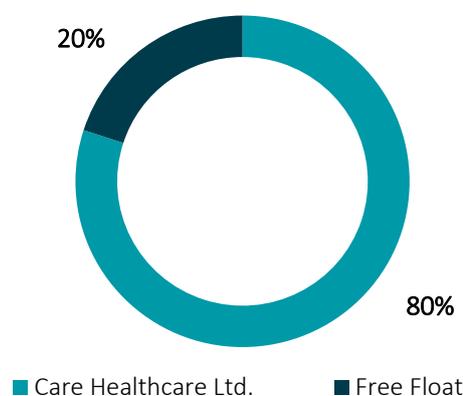
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Shareholder Structure

(as of March 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	1Q2016	1Q2017	% change
Revenues	211.1	262.1	24%
Cost of sales	(143.1)	(180.8)	26%
Gross profit	68.0	81.3	20%
<i>Gross Profit Margin</i>	32%	31%	
General & administrative expenses	(25.0)	(38.7)	55%
Provisions	(1.0)	(2.8)	185%
Other income	1.4	1.2	-15%
EBIT	43.4	41.0	-6%
<i>EBIT Margin</i>	21%	16%	
Interest income	2.5	13.5	435%
Interest expense	(14.1)	(16.8)	19%
Profit before tax	31.8	37.7	19%
<i>PBT Margin</i>	15%	14%	
Income tax	(9.2)	(9.4)	2%
Deferred tax	(0.1)	0.8	-1321%
Net profit after tax	22.5	29.1	29%
<i>Net Profit Margin</i>	11%	11%	
<u>Distributed as follows:</u>			
Shareholders of the company	19.1	25.2	32%
Minority rights	3.5	3.9	13%
Profit for the period	22.5	29.1	29%

Consolidated Statement of Comprehensive Income

All figures in EGP mn	1Q2016	1Q2017	% change
Net Profit	22.5	29.1	29%
Other comprehensive income	-	-	
Total comprehensive income for the year	22.5	29.1	29%
<u>Total comprehensive income attributable to:</u>			
Owners of the company	19.1	25.2	32%
Non-controlling interest	3.5	3.9	13%
Total comprehensive income for the year	22.5	29.1	29%

Consolidated Statement of Financial Position

All figures in EGP mn	31 December 2016	31 March 2017
Non-current assets		
Fixed assets	396.7	407.6
Intangible assets	246.4	245.0
Total non-current assets	643.1	652.6
Current assets		
Investments held to maturity	-	-
Inventory	46.1	52.0
Accounts receivables	125.9	146.0
Other receivables and debit balances	25.6	54.4
Cash	439.6	434.4
Total current assets	637.3	686.8
Total assets	1,280.4	1,339.4
Equity		
Share capital	100.0	100.0
Reserves	298.0	298.0
Retained earnings	168.7	179.8
Equity attributable to the parent company	566.7	577.9
Non-controlling interest	43.8	47.3
Total equity	610.5	625.2
Non-current liabilities		
Long term debt - non-current portion	326.0	321.4
Share base payment	-	2.1
Deferred tax liability	60.0	59.2
Total non-current liabilities	386.0	382.8
Current liabilities		
Provisions	24.9	24.3
Creditors and other credit balances	175.2	210.5
CPLTD	52.2	57.7
Current Income tax	31.6	39.0
Total current liabilities	283.9	331.4
Total liabilities	669.9	714.3
Total Liabilities & shareholders' equity	1,280.4	1,339.4

Consolidated Statement of Cash Flow

All figures in EGP mn	31 March 2016	31 March 2017
<u>Cash flow from operating activities:</u>		
Profit before tax	31.8	37.7
<u>Adjustments for:</u>		
Depreciation	7.0	7.5
Amortization of intangible assets	1.3	1.3
Impairments of receivables no longer required	(6.0)	(3.6)
Impairments of receivables	6.9	8.0
Trade receivables impairment – write off	(0.1)	(1.9)
Provision formed	1.1	3.2
Provision utilized	(0.1)	(3.4)
Provisions no longer required	(0.1)	(0.5)
Capital gain / loss	-	(0.1)
Interest payable	(2.5)	(13.5)
Interest and commissions	14.1	16.3
Paid income tax	-	(2.0)
Fixed assets write off	-	3.3
Employee long-term incentive plan	-	2.1
Operating Profits before changes in working capital	53.4	54.4
<u>Changes in working capital:</u>		
Change in inventory	(1.7)	(5.9)
Change in trade receivables	(17.5)	(22.5)
Change in debtors and other debit balances	(9.6)	(24.0)
Change in trade payables and other credit balances	8.3	4.9
Net cash flow from operating activities	33.0	6.9
<u>Cash flow from investment activities:</u>		
Proceeds from sale of fixed assets	-	0.2
Payments for purchase of fixed assets	(2.6)	(11.3)
PUC purchased	(1.9)	(10.5)
Payments to acquire subsidiaries, net of cash acquired	(215.1)	-
Interest received	2.5	8.7
Time deposits with maturity more than 3 month	(20.0)	8.1
Collected from housing bills	-	-
Net cash flow from investment activities	(237.0)	(4.7)
<u>Cash flow from financing activities:</u>		
Payment to increase share capital	-	-
Proceeds from borrowings	205.9	1.0
Interest paid	(0.3)	(0.3)
Share premium collected	-	-
Repayment of borrowings	-	-
Net cash flow from financing activities	205.6	0.7
Net change in cash & cash equivalents during the period	1.7	2.9
Cash & cash equivalents at the beginning of the period	47.0	44.4
Cash & cash equivalents at the end of the period	48.7	47.3