Cleopatra Hospitals Company Reports 2Q2016 Results

Cairo, 28 August 2016

Cleopatra Hospital Company 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 2016, posting net income of EGP 8.3 million on revenues of EGP 201.7 million, reflecting strong operational results despite seasonal softness in the healthcare market as well as one-time impairment and provisions charges of EGP 12 million. Adjusting for these charges, net income for 2Q2016 would stand at EGP 20.7 million, up 40% y-o-y compared to the EGP 14.8 million booked in 2Q2015.

Meanwhile, consolidated net income for the first half of 2016 stood at EGP 30.8 million on revenues of EGP 411.5 million as the Group continued to integrate newly acquired Al-Shorouk hospital into its platform and laid the groundwork for future growth. Strong revenue growth was reflected on the Group's bottom-line as it maintained cost discipline.

Commenting on Cleopatra Hospital Co.'s 2Q2016 results, Chairman and Chief Executive Officer Ahmed Ezzeldin said: "With our successful IPO on the Egyptian Exchange and subsequent capital increase now behind us, our focus for the quarter ending 30 June was on our integration program, where we have now laid the groundwork for important new cost and revenue efficiencies as well as the opening of our first centres of excellence. We have extended clinic hours at all our assets to match Cleopatra, implemented a Group-wide vendor and price list, held a comprehensive capex tender — the third-largest pharmaceuticals tender in Egypt's history — and adopted a standardized uniform at all four of our hospitals. These are just the first developments that will begin delivering results in the coming quarters.

"Group revenue for the quarter recorded EGP 201.7 million, up 10% compared to 2Q2015 pro forma[1] figures and is now generated from a more diverse pool of assets. Our revenue growth came despite seasonal softness in the healthcare market in the second quarter, which saw c. 11 extra days of Ramadan fall in the quarter compared to the same period last year and which overlaps with examination season at Egyptian schools and universities. In parallel, cost discipline and our ongoing integration program allowed us to curb spending on consumables and pharmaceutical supplies by c. 2% compared with 1Q2016 despite operating in a market in which inflation is now running at a seven-year high," Ezzeldin noted.

The largest contributor to group revenues was Cleopatra Hospital at (43%), followed by Cairo Specialised Hospital (21%), Nile Badrawi Hospital (18%) and Al Shorouk Hospital (17%).

The muted bottom line in 2Q2016 reflects the impact of more than EGP 12 million in charges below the EBITDA line related to the clean-up of legacy and non-recurring issues. Management has taken an impairment charge of EGP 6 million related to old receivable balances and has engaged a medical auditor to review all billing statements to insurance companies to reduce rejection rates and improve collections. The first impact of this effort will become evident later in the second half of 2016. In parallel, the Group has booked one-off provisions of EGP 6.4 million in the second quarter related to a human resources redundancy plan that will deliver considerable run-rate cost savings in the short-to-medium term. If these charges were set aside, net income for 2Q2016 would have stood at EGP 20.7 million despite carrying net interest charges of EGP 13.4 million related to an extended loan facility to finance the acquisition of Nile Badrawi and Al-Shorouk Hospitals prior to the Group's successful IPO on the Egyptian Exchange.

Subsequent to the IPO, the Group has concluded a capital increase in August 2016 by way of a closed subscription offered to the selling shareholder, Care Healthcare Ltd. (CHL), were the company extended the right to CHL to subscribe for up to 40 million new shares at the original offer price. Post the capital increase, the company's total shares have increased from 160 million to 200 million shares, with the proceeds of the transaction being allocated to support its growth and expansion plans.

[1] Pro forma results of operations show the effect of the Company's ownership of its four current hospitals as if the acquisitions of those hospitals had occurred on 1 January 2015.

Meanwhile, management expects capex spend during 2016 to reach EGP 85 million funded from existing (pre-IPO) resources totalling EGP 124 million that have been earmarked for upgrades and new investment. A key component is the ***standardization and upgrade of equipment across the Group***. Commitments to date include the contracting of an enterprise resource planning (ERP) system and new investments in radiology upgrades. The Group has engaged an external consultant to assess technical requirements across all assets and has finalized both a technical and financial analysis. Tenders will be let under the program during the third quarter. As part of this process, the Group will finalize in August the tenders for its previously announced civil, electromechanical and entrance upgrade projects. Furthermore, designs for the ***upgrades to Cairo Specialised Hospital and Al-Shorouk Hospital have been finalised*** and are now in the contracting phase. The program will be overseen by a Group-level technical engineering committee formed in April.

Cleopatra Hospital Company's complete earnings release for 2Q2016 including commentary on operational and financial performance is available for download on investors.cleopatrahospitals.com.

—Ends—

ABOUT CLEOPATRA HOSPITAL COMPANY S.A.E.

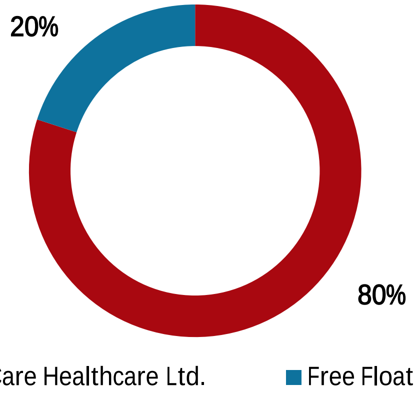
The Group is the largest private hospital group in Egypt by number of hospital beds and number of operating hospitals. The Company holds majority stakes in four leading hospitals in the Greater Cairo Area: Cleopatra Hospital, Cairo Specialized Hospital, Nile Badrawi Hospital and Al Shorouk Hospital,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

Shareholder Information

EGX: CLHO.CA
Listed: June 2016
Shares Outstanding: 200 million

Shareholder Structure

(as of August 2016)



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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.

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Consolidated Income Statement

All figures in EGP mn	2Q2015	2Q2016	% change	1H2015	1H2016	% change
Revenues	81.3	201.7	*148%*	156.6	411.5	*163%*
Cost of sales	(53.4)	(142.3)	*167%*	(102.2)	(284.6)	*179%*
Gross profit	**27.9**	**59.4**	***113%***	**54.4**	**126.8**	***133%***
Gross Profit Margin	*34%*	*29%*		*35%*	*31%*	
General & administrative expenses	(9.4)	(31.7)	*237%*	(17.0)	(56.4)	*232%*
Provisions	(0.7)	(8.2)	*1002%*	(1.5)	(9.2)	
Other income	0.2	2.8	*1176%*	0.5	4.4	
EBIT	**17.9**	**22.2**	***24%***	**36.4**	**65.6**	***80%***
	22%	*11%*		*23%*	*16%*	
Interest income	1.5	3.3	*126%*	2.6	5.8	*122%*
Interest expense	-	(15.2)		-	(29.3)	
Profit before tax	**19.4**	**10.3**	***-47%***	**39.0**	**42.1**	***8%***
	24%	*5%*		*25%*	*10%*	
Income tax	(4.7)	(5.2)	*10%*	(9.5)	(14.4)	*52%*
Deferred tax	0.1	3.2	*5294%*	0.3	3.1	
Net profit after tax	**14.8**	**8.3**	***-44%***	**29.9**	**30.8**	***3%***
Net Profit Margin	*18%*	*4%*		*19%*	*7%*	
Distributed as follows:						
Shareholders of the company	14.8	6.6	*-55%*	29.9	25.7	*-14%*
Minority rights	-	1.7			5.1	
Profit for the Year	**14.8**	**8.3**	***-44%***	**29.9**	**30.8**	***-3%***

Consolidated Statement of Comprehensive Income

All figures in EGP mn	2Q2015	2Q2016	*% change*	1H2015	1H2016	*% change*
Net Profit	14.8	8.3	*-44%*	29.9	30.8	3%
Other comprehensive income	-	-		-	-	
Total comprehensive income for the year	**14.8**	**8.3**	*-44%*	**29.9**	**30.8**	**3%**
Total comprehensive income attributable to:						
Owners of the company	14.8	6.6	*-55%*	29.9	25.7	-14%
Non-controlling interest	-	1.7		-	5.1	
Total comprehensive income for the year	**14.8**	**8.3**	*-44%*	**29.9**	**30.8**	**3%**

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Consolidated Balance Sheet

All figures in EGP mn	31 December 2015	30 June 2016
Non-current assets		
Fixed assets	267.0	379.7
Intangible assets	97.2	249.1
Total non-current assets	**364.2**	**628.7**
Current assets		
Investments held to maturity	0.0	-
Inventory	15.5	27.5
Accounts receivables	90.0	121.6
Other receivables and debit balances	18.3	22.3
Cash	109.9	123.2
Total current assets	**233.7**	**294.6**
Total assets	**598.0**	**923.3**
Equity		
Share capital	80.0	80.0
Reserves	(62.3)	(11.1)
Retained earnings	108.3	116.6
Equity attributable to the parent company	**126.0**	**185.5**
Non-controlling interest	33.3	38.4
Total equity	**159.2**	**223.9**
Non-current liabilities		
Long term debt	162.4	371.5
Other credit balances - non-current portion	-	12.6
Other liabilities - due to related parties	47.4	-
Income tax liability	43.8	57.4
Total non-current liabilities	**253.6**	**441.5**
Current liabilities		
Provisions	19.9	38.1
Creditors and other credit balances	92.6	152.2
CPLTD	40.6	49.1
Current Income tax	32.1	18.5
Total current liabilities	**185.2**	**257.9**
Total liabilities	**438.8**	**699.4**
Total Liabilities & shareholders' equity	**598.0**	**923.3**

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Consolidated Cash Flow Statements

All figures in EGP mn	30 June 2015	30 June 2016
<u>**Cash flow from operating activities:**</u>		
Profit before tax	39.0	42.1
<u>Adjustments for:</u>		
Depreciation	3.3	14.0
Amortization of intangible assets	-	2.7
Allowance for impairments of receivables no longer required	-	(6.7)
Allowance for impairments of receivables	0.1	13.7
Provisions	1.5	9.2
Capital gain	-	(0.0)
Credit interest	(2.6)	(5.8)
Finance expenses	0.0	29.3
Changes in current tax liability	(21.4)	(32.2)
Operating Profits before changes in working capital	**19.9**	**66.2**
<u>Changes in working capital:</u>		
Change in inventory	(0.4)	(3.3)
Change in trade & notes receivable	(3.2)	(18.3)
Change in other debit balances	18.7	(15.2)
Change in due from related parties	-	-
Change in trade and other credit balances	(26.1)	4.1
Change in loans	-	-
Change in deferred tax liability	-	-
Provisions used	(0.1)	(3.0)
Interest paid	-	-
Net cash flow from operating activities	**8.8**	**30.6**
<u>**Cash flow from investment activities:**</u>		
Proceeds from sale of investments held to maturity	-	0.0
Proceeds from sale of fixed assets & PUC	-	0.0
Fixed assets and PUC purchased	(2.7)	(14.8)
Intangible assets purchased	-	-
Payments to acquire subsidiaries , net of cash acquired	-	(215.1)
Credit interest collected	2.6	5.8
Time deposits Maturity more than 3 month	-	23.5
Net cash flow from investment activities	**(0.1)**	**(200.6)**
<u>**Cash flow from financing activities:**</u>		
Proceeds from issued share capital	-	-
Payment to loans payable	-	207.2
Interest paid	(0.0)	(0.5)
Interest received	-	-
Net cash flow from financing activities	**(0.0)**	**206.8**
Net change in cash & cash equivalents during the period	**8.7**	**36.8**
Cash & cash equivalents at the beginning of the period	**53.6**	**47.0**
Cash & cash equivalents at the end of the period	**62.4**	**83.8**