مستشفى كليوباترا
CLEOPATRA HOSPITAL

Cleopatra Hospitals Company Reports 3Q2016 Results

3Q2016 Financial and Operational Highlights[1]

EGP **215** million Total Consolidated Revenue	EGP **45** million EBITDA (21% margin)
EGP **22** million Net Income (10% margin)	**+207,000** Cases Served

Cairo, 20 November 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 September 2016, posting net income of EGP 22.1 million on revenues of EGP 215.1 million, as the Group continued to focus on integrating its four hospitals and realizing the associated benefits of operating synergies across the platform.

Consolidated net income for the nine months of 2016 stood at EGP 52.9 million on revenues of EGP 626.6 million, also reflecting the positive impact of economies of scale in operations and the ongoing maintenance of strong cost disciplines.

Commenting on Cleopatra Hospital Company's 3Q2016 results, Chief Executive Officer Ahmed Ezzeldin said: "Our focus for the quarter ending 30 September 2016 continued to be on our integration program, with our IPO on the Egyptian Exchange and subsequent capital increase behind us. We are now solidly focused on building a robust platform that will serve as our base for expansion and the provision of new, high-quality healthcare services with the potential to generate significant revenue as well as cost efficiencies."

During the period, the company made further progress toward improving management of its insurance contracts at the Group level and implementing the one-stop-shop approach through the execution of new agreements with major insurers including MetLife, its largest insurance client, which are intended to direct and increase patient flow to all its hospitals. Cleopatra understands that partnership models with insurers help to maximize utilization, market leadership and bargaining power. The rollout of this initiative will continue in 4Q2016.

"Group revenue increased 17% in 9M2016 to EGP 626.6 million compared with a pro forma[2] figure of EGP 537 million for the same period last year," Ezzeldin said. "Meanwhile, our EBITDA posted a 17% year-on-year increase during the same period."

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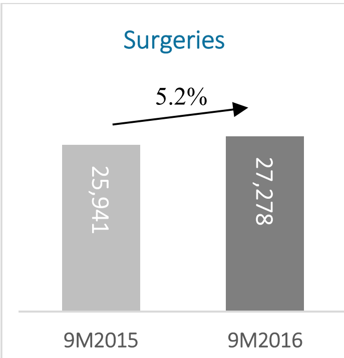
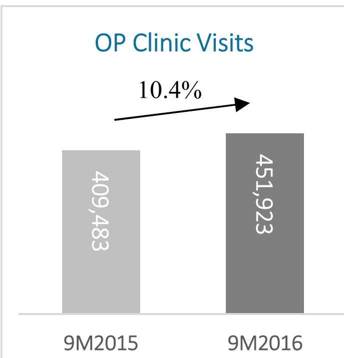
[1]EBITDA, Earnings before Interest, Tax, Depreciation and Amortization adjusted for provisions and impairments and excluding contributions from other income. Cases served includes number of in-patients, outpatient visits and ER visits.
[2]Pro forma results of operations show the effect of the company's ownership of its four current hospitals as if the acquisitions of those hospitals had occurred on 1 January 2015. Cleopatra Hospital, Nile Badrawi Hospital and Cairo Specialised Hospital reported standalone financials in 3Q2015; the Group acquired Al-Shorouk Hospital in the first quarter of 2016.

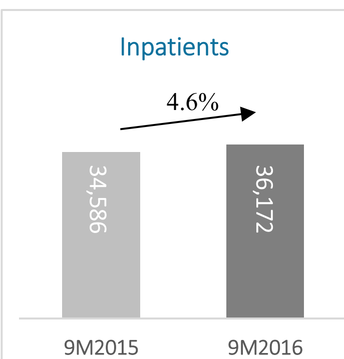
In the period since the company last reported financial results, Egypt has undertaken a broad economic reform program that includes both the float of the Egyptian pound and the implementation of a value-added tax (VAT) system that replaces the sales tax regime. “Given the defensive nature of the healthcare industry, we believe we will be able to pass on inflationary pressures associated with the devaluation of the Egyptian pound and the implementation of the VAT,” noted Ezzeldin.

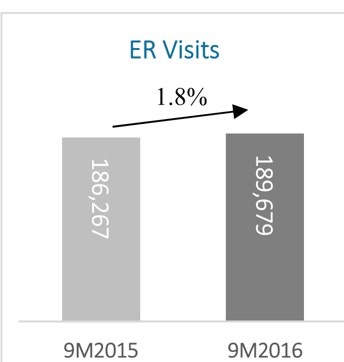
Cleopatra Hospital Company has also inaugurated a world-class radiology centre at Cairo Specialized Hospital with state-of-the-art technology sourced from Philips. “This underscores our commitment to an aggressive capital expenditure program earmarked for medical technology,” Ezzeldin noted. The new radiology centre is part of the Group’s drive to create centres of excellence within its network of hospitals. CSH will also be home to a cardiac care centre of excellence, which will be supported in part by the radiology centre.

Cairo, Egypt | 20 November 2016









Operational Review

Cleopatra Hospital Company continued to make strong progress in 3Q2016 on both the integration of newly acquired assets including Al-Shorouk Hospital (acquired in January 2016) and the broader Group integration plan. The integration program focuses on revenue efficiencies; cost efficiencies (primarily procurement); the development of common standards and brand identity; and the creation of new centres of excellence, (such as the recently launched Radiology Centre at Cairo Specialized Hospital), among other planks.

Notable in the period just ended was the creation of a cross-asset Integration Group for Laboratory Consumables to set price list structure, agree on technology, jointly purchase consumables, set standards for operational efficiencies and develop protocols and controls for lab-to-lab tests, and drive optimum utilization. Management views this as an important step into "core" integration, involving heads of departments across the Group's four hospitals. The lab Integration Group will accordingly serve as a pilot program for other departments.

Other key operational developments and milestones in the quarter included:

Business Development Initiatives

Cleopatra Hospital Company understands the importance of working with key market players in the insurance industry that will allow the Group to maintain and increase its patient volumes. Partnership models with insurers help the company to maximize utilization, cement its market leadership and strengthen its bargaining power. To this end, Cleopatra has identified MetLife as the number one contributor to its credit revenues and chosen it to be its preferred provider in an agreement that includes many initiatives that benefit both parties, including ensuring a "one-stop-shop" approach is fully activated, while giving MetLife competitive pricing and accessibility.

Human Resources Information System Implementation

Cleopatra Hospital Company is in the process of deploying a new and comprehensive Human Resources Information System (HRIS) Group-wide as part of a three-year implementation program. By the end of the third quarter, the company had completed the implementation of the modules planned for 2016 at three of its hospitals, Cleopatra, Nile Badrawi and Al Shorouk; Cairo Specialized is now in progress. These initial basic modules are for employee profiles, payroll, attendance and conduct; time management and report generation; and a general ledger interface with the back office. Over the next two years, more modules will be rolled out in areas such as appraisals, people management, recruitment and training.

Internship Protocol

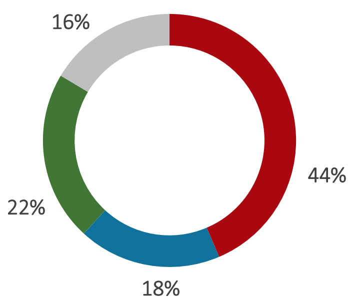
The company is reaching out to the higher educational community by offering a broad-ranging Internship Protocol to nursing students from three universities, Ain Shams, Fayoum, and Banha. The 169 students in their last year of university who are selected will participate in a series of diverse programs that advance their study of medicine.

Training Program

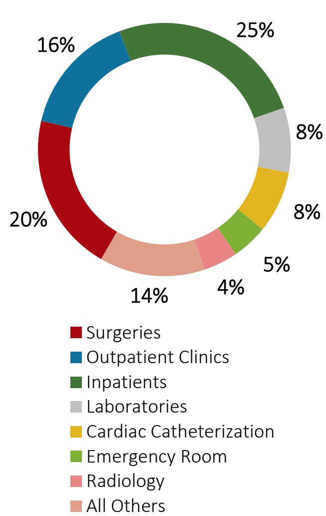
The Group has also undertaken a training program for more than 400 of its own employees, from top and middle management to nurses and others dealing directly with patients across different functions. In 4Q2016, the learning competencies that the program will focus on range from Technical and Patient Relations to Leadership and Change Management.

Cairo, Egypt | 20 November 2016

Revenue by Hospital
(9M16)



Revenue by Segment
(9M16)



Centres of Excellence and New Specialities

Cleopatra Hospital Company has recently inaugurated a ***world-class radiology centre at Cairo Specialised Hospital***. The EGP 22 million facility is built around state-of-the-art technology from global industry leader Philips Health Technology and is part of the Group's drive to create centres of excellence within its network of hospitals. The new radiology centre will offer services including breast MRI, cardiac MRI, CT and MRI angiography, coronary calcium scoring, joint arthrography, mammotomy and ultrasound-guided breast biopsy, among others; and it will be staffed with a world-class team of expert radiologists, physicians and board-certified paediatric radiologists, as well as radiological technologists. CSH will also be home to a Cardiac Care Centre of excellence, which will be supported in part by the radiology centre. The roll-out of this world-class radiology centre underscores management's commitment to investing in medical technology to support the integration, upgrade and expansion program undertaken by the Group across its four Cairo assets.

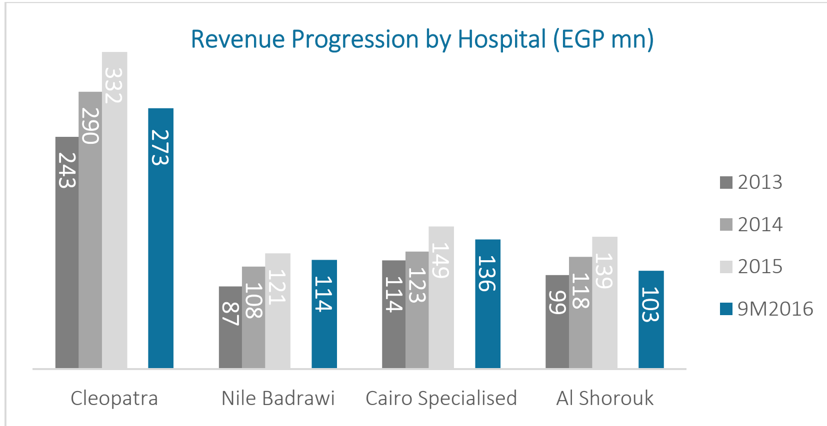
Ongoing Centralization Initiatives

In addition to implementing unified standard operating procedures (SoPs) and processes across its procurement function, the third quarter saw the Group operating from: a unified organizational chart to better align and standardize HR policies; unified benefits scheme and salary increase policies. The Group is making good progress implementing unified information technology policies and systems, including ERP systems for both back- and front-end operations. Additionally, the Group is now operating from unified SoPs and reporting tools for its finance function and has standardised its revenue and cost recognition principles.

Financial Review

Consolidated figures for 3Q2016 reflect operations at Cleopatra Hospital, Nile Badrawi Hospital, Cairo Specialised Hospital, and Al-Shorouk Hospital. In 3Q2015, three hospitals (Cleopatra, Nile Badrawi and Cairo Specialised) reported financials on a standalone basis. The Group acquired Al-Shorouk in 1Q2016.

Consolidated revenues came in at EGP 215.1 million in 3Q2016, up 163% y-o-y compared to EGP 81.9 million in 3Q2015, primarily due to the increase in the number of operational hospitals. Meanwhile, 3Q2016 revenues were 6.7% higher q-on-q, driven by higher outpatient clinic (+21%), inpatient (+10%) and laboratory (+25%) revenues, which combined accounted for c. 51% of the top line. Contract patients represented c. 60% of total revenues in 3Q2016 and similarly for 9M2016, which we see as on trend with the broader healthcare industry. The largest contributor to group revenues was Cleopatra Hospital at (44%), followed by Cairo Specialised Hospital (22%), Nile Badrawi Hospital (18%) and Al Shorouk Hospital (16%).



Cost of goods sold in 3Q2016 stood at EGP 154.8 million, with the largest components being the cost of medical supplies (EGP 51.5 million, 33%), payments to consulting physicians (EGP 42.8 million, 28%) and salaries and wages for medical staff (EGP 36.7 million, 24%).

The gross profit margin for 3Q2016 accordingly declined slightly to 28% compared to 29% in 2Q2016. The uptick in COGS during the period reflects rises in consumables and doctor fees, in line with the growth in revenues. The 1 ppt quarter-on-quarter decline in GPM came largely on the back of increased spending on maintenance, spare parts and energy costs associated with ongoing renovations at the Company's hospitals and CAPEX installations, expected to have a positive impact on margins going forward.

For 9M2016, the gross profit margin stood at 30% versus 37% in 9M2015, with the latter reflecting Cleopatra Hospital on a standalone basis.

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 spending in 3Q2016 declined 12% q-on-q to EGP 27.9 million or 13.0% of sales, returning to more normal levels in the absence of the higher overtime rates necessary during the holy month of Ramadan and the subsequent national holidays. Impairments were down in the period as the company continued to make good progress clearing out doubtful debts.

EBITDA increased 76% y-on-y to EGP 45.1 million for 3Q2016 (9M2016: EGP 139.1 million), with the EBITDA margin standing at 21% (9M2016: 22%).

EBIT / operating profit climbed to EGP 32.6 million in 3Q2016 (9M2016: EGP 98.3 million), 49% higher than EGP 21.9 million a year earlier.

Net income for the quarter came in at EGP 22.1 million versus EGP 16.7 million in 3Q2015. The bottom line benefited from good cash management, locking in higher interest income on the Group's IPO proceeds; while not sustainable as the Group begins deploying those proceeds, the interest income will, in the meantime, partially offset the most recent increases in the interest rates approved by CBE. It is also worth noting that IPO proceeds and related expenses were recognized on the Company's 3Q2016 financials, with the latter being booked on the balance sheet as reserves. For 9M2016, net income was EGP 52.9 million compared with EGP 46.6 million a year earlier.

RECENT CORPORATE DEVELOPMENTS

SUSTAINABILITY INNOVATION GRANT

Cleopatra Hospital Company plans to develop and upgrade its current infrastructure as part of its mission to deliver the finest quality of healthcare in a safe, reliable, sustainable and caring environment. This is part of an overall innovative initiative that addresses HES (Health, Safety and the Environment) standards from the standpoints of patient, community and employee experience with cost-effective mandates that are not commonly addressed in the healthcare industry in Egypt.

During the third quarter, the company was awarded a Sustainability Innovation Grant amounting to CAD 118,000 (out of a total project cost of CAD 335,000) from the MEDA Fund, an international economic development organization. The purpose of the MEDA grant project is to elevate the HSE standards of Nile Badrawi Hospital. For this project, monies will go toward: replacing oxygen tanks with an in-house oxygen generator; replacing current lighting systems from traditional incandescent lighting to energy efficient LED-powered bulbs; replacing boilers with solar powered water heaters; and upgrading the fire fighting and alarm systems to include fire tracking and fire suppression sprinklers.

HUMAN RESOURCES

In line with best practices in corporate governance, the roles of Non-Executive Chairman and Chief Executive Officer have been split. Dr. Tarek Zahed, a veteran in the healthcare industry, has been appointed ***Non-Executive Chairman***. He was a founder of Cairo Specialised Hospital in 1981, where he has been chairman since 2001, and is a consultant to the Medical Services Division of the Egyptian Presidency. Dr. Zahed is a fellow of fellow of the American Academy of Implant Dentistry and a member of the Dental Society of Western Pennsylvania.

The Group continued to build its senior management team, engaging Dr. Sherif Abd El-Fattah as the new ***Group Supply Chain Director***. Dr. Abd El-Fattah joins Cleopatra Hospital Company from Rofayda Hospital, prior to which he had led the procurement function for well over a decade at Dar El Fouad. Dr. Abd El-Fattah has over 20 years of hands-on experience experience in supply chain and medical operations management, having previously held positions including Supply Chain Director, Deputy General Manager, and Emergency Medical Evacuation Director (ambulance and air evacuation in both national and international services).

BUSINESS DEVELOPMENT UPDATE

Cleopatra Hospital Company continues to look for opportunities to utilize IPO proceeds to further expand the Group's footprint through three parallel tracks: i) the expansion of existing facilities; ii) brownfield acquisitions; and iii) operational hospital acquisitions.

Along these lines, management has expedited the licensing process for the Al Shorouk Hospital extension. The associated filings are close to completion, and the project should begin in 1Q2017.

Further, the company has engaged EFG Hermes and Zulficar Partners to evaluate and structure the Mandatory Tender Offer process for the acquisition of the outstanding minority stake in Cairo Specialized Hospital.

Lastly, several brownfield and operational hospital targets have been identified and are currently being evaluated/pursued.

The Group has identified multiple candidate sites for the first two of its planned network of ambulatory clinics. Top prospects are now in the study and planning phase.

HOSPITALS RENOVATIONS

The Group has finalized the façade design for Nile Badrawi Hospital and civil works are due to commence in 4Q2016. Meanwhile, the kitchen facility at Cairo Specialised Hospital has been fully renovated and is now operated by Compass, allowing the hospital to producer better-quality food, an important component of good patient outcomes and satisfaction.

Cairo, Egypt | 20 November 2016

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ABOUT CLEOPATRA HOSPITAL COMPANY S.A.E.

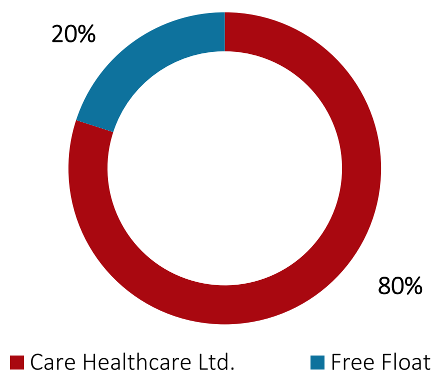
The Group is the largest private hospital group in Egypt by number of hospital beds and number of operating hospitals. The Company holds majority stakes in four leading hospitals in the Greater Cairo Area: Cleopatra Hospital, Cairo Specialized Hospital, Nile Badrawi Hospital and Al Shorouk Hospital,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

Consolidated Income Statement

All figures in EGP mn	3Q2015	3Q2016	% change	9M2015	9M2016	% change
Revenues	81.9	215.1	163%	238.5	626.6	163%
Cost of sales	(47.1)	(154.8)	229%	(149.2)	(439.4)	194%
Gross profit	34.8	60.3	73%	89.2	187.2	110%
Gross Profit Margin	42%	28%		37%	30%	
General & administrative expenses	(12.4)	(27.9)	126%	(29.4)	(84.3)	187%
Provisions	(0.7)	(0.3)	-54%	(2.2)	(9.5)	
Other income	0.2	0.5	176%	0.7	4.9	
EBIT	21.9	32.6	49%	58.3	98.3	69%
	27%	15%		24%	16%	
Interest income	1.0	8.1		3.6	13.9	285%
Interest expense	(1.0)	(12.1)		(1.0)	(41.4)	
Profit before tax	21.9	28.7	31%	60.9	70.8	16%
	27%	13%		26%	11%	
Income tax	(5.6)	(7.1)	27%	(15.1)	(21.5)	43%
Deferred tax	0.4	0.5	23%	0.7	3.6	
Net profit after tax	16.7	22.1	32%	46.6	52.9	13%
Net Profit Margin	20%	10%		20%	8%	
Distributed as follows:						
Shareholders of the company	16.7	19.6	17%	46.6	45.3	-3%
Minority rights	-	2.5		-	7.6	
Profit for the Year	**16.7**	**22.1**	**32%**	**46.6**	**52.9**	**13%**

Consolidated Statement of Comprehensive Income

All figures in EGP mn	3Q2015	3Q2016	% change	9M2015	9M2016	% change
Net Profit	16.7	22.1	32%	46.6	52.9	13%
Other comprehensive income	-	-		-	-	
Total comprehensive income for the year	**16.7**	**22.1**	**32%**	**46.6**	**52.9**	**13%**
Total comprehensive income attributable to:						
Owners of the company	16.7	19.6	17%	46.6	45.3	-3%
Non-controlling interest	-	2.5		-	7.6	
Total comprehensive income for the year	**16.7**	**22.1**	**32%**	**46.6**	**52.9**	**13%**

Consolidated Balance Sheet

All figures in EGP mn	31 December 2015	30 September 2016
Non-current assets		
Fixed assets	267.0	374.8
Intangible assets	97.2	247.7
Total non-current assets	**364.2**	**622.5**
Current assets		
Investments held to maturity	0.0	-
Inventory	15.5	29.5
Accounts receivables	90.0	129.5
Other receivables and debit balances	18.3	22.7
Cash	109.9	436.4
Total current assets	233.7	618.1
Total assets	**598.0**	**1,240.6**
Equity		
Share capital	80.0	100.0
Reserves	(62.3)	297.5
Retained earnings	108.3	136.8
Equity attributable to the parent company	**126.0**	**534.3**
Non-controlling interest	33.3	40.8
Total equity	**159.2**	**575.1**
Non-current liabilities		
Long term debt	162.4	346.4
Other credit balances - non-current portion	-	-
Other liabilities - due to related parties	47.4	-
Income tax liability	43.8	56.9
Total non-current liabilities	**253.6**	**403.3**
Current liabilities		
Provisions	19.9	32.8
Creditors and other credit balances	92.6	149.8
CPLTD	40.6	54.0
Current Income tax	32.1	25.6
Total current liabilities	**185.2**	**262.2**
Total liabilities	**438.8**	**665.5**
Total Liabilities & shareholders' equity	**598.0**	**1,240.6**

Consolidated Cash Flow Statements

All figures in EGP mn	30 September 2015	30 September 2016
Cash flow from operating activities:		
Profit before tax	60.9	70.8
Adjustments for:		
Depreciation	4.9	21.0
Amortization of intangible assets	-	4.0
Allowance for impairments of receivables no longer required	(0.1)	(6.2)
Allowance for impairments of receivables	1.7	17.4
Provisions	2.2	9.5
Capital gain	-	(0.0)
Credit interest	(3.6)	(13.9)
Finance expenses	1.0	41.4
Provisions used	-	(8.6)
Changes in current tax liability	(21.4)	(32.2)
Operating Profits before changes in working capital	45.7	103.2
Changes in working capital:		
Change in inventory	(0.0)	(5.2)
Change in trade & notes receivable	(5.3)	(30.5)
Change in other debit balances	16.3	(46.4)
Change in due from related parties	-	-
Change in trade and other credit balances	145.3	15.8
Change in loans	-	-
Change in deferred tax liability	-	-
Interest paid	-	-
Net cash flow from operating activities	**202.0**	**37.0**
Cash flow from investment activities:		
Proceeds from sale of investments held to maturity	-	0.0
Proceeds from sale of fixed assets & PUC	-	-
Fixed assets and PUC purchased	(3.5)	(17.0)
Intangible assets purchased	-	-
Payments to acquire subsidiaries, net of cash acquired	(357.1)	(235.1)
Credit interest collected	3.6	13.9
Time deposits Maturity more than 3 month	-	(12.6)
Net cash flow from investment activities	**(357.0)**	**(250.7)**
Cash flow from financing activities:		
Proceeds from issued share capital	-	20.0
Change in loans	203.0	207.3
Interest paid	-	(19.3)
Premium received		340.0
Loan Principle payment		(21.8)
Net cash flow from financing activities	**203.0**	**527.7**
Net change in cash & cash equivalents during the period	**48.0**	**313.9**
Cash & cash equivalents at the beginning of the period	**53.6**	**47.0**
Cash & cash equivalents at the end of the period	**101.6**	**360.9**