Cleopatra Hospitals Group Reports 3Q2017 Results

3Q2017 Financial and Operational Highlights[1]

EGP 293 million Total Consolidated Revenue (+38% y-o-y)	EGP 70 million Adj. EBITDA (24% margin)	EGP 817 million Total Consolidated Revenue (+30% y-o-y)	EGP 184 million Adj. EBITDA (23% margin)
EGP 32 million Net Income (11% margin)	+260,000 Cases Served (+15% y-o-y)	EGP 85 million Net Income (10.4% margin)	+730,000 Cases Served (+2% y-o-y)

Cairo, 19 November 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 third quarter ending 30 September 2017, recording revenue growth of 38% y-o-y to EGP 293.2 million. Improved top-line performance during the quarter was dual-driven by both higher patient volumes and improved pricing, with patients continuing to exhibit confidence in the Group's superior quality of service. Strong revenue growth, improved operational efficiency and cost controls saw net profit for the three-month period record a 45% y-o-y increase to EGP 32 million in 3Q2017, yielding a net profit margin of 11% versus 10.3% in the same period last year. On a year-to-date basis, Group revenues recorded EGP 817.1 million in 9M2017, up 30% y-o-y, while net profit recorded a 60% y-o-y increase to EGP 84.6 million, with two percentage-point improvement in margin to 10.4%.

The largest contributor to Group revenues in 3Q2017 was Cleopatra Hospital (43%), followed by Cairo Specialised Hospital (22%), Nile Badrawi Hospital (18%) and Al Shorouk Hospital (17%).

Commenting on Cleopatra Hospitals Group's performance during 3Q2017, Chief Executive Officer Ahmed Ezzeldin said: "With patient volumes now on the rise and expected to continue growing further through to year-end, we are seeing our efforts to improve sales mix and pricing along with higher cost efficiencies drive strong organic growth as reflected on the Group's financial performance. The quarter just ended saw us extract higher value from services across the board while staying true to our commitment to focus on patient safety and quality of outcomes. In parallel, we continue to make headway in our expansion strategy with several platform additions to expand our network soon to reach financial close or are in advanced due diligence stages."

During 3Q2017, the Group delivered a 51% y-o-y increase in gross profit to EGP 90.8 million, yielding a three percentage-point expansion in gross profit margin to 31.0%. Improved gross profitability came as the Group delivered on its revenue-retention and margin enhancement strategies, while simultaneously leveraging its strong purchasing power and cross-asset consumables procurement programs. Overall, average revenue per case served was up 20% y-o-y driven by higher revenue per surgery (+33%),

[1] EBITDA, Earnings before Interest, Tax, Depreciation and Amortization adjusted for provisions, impairments, LTIP, acquisitions expenses and excluding contributions from other income.
Cases served includes number of in-patients, outpatient visits and ER visits.

lab test (+28%), emergency room (+29%) and inpatient cases (+15%). At the EBITDA level, the Group recorded EGP 70.1 million in 3Q2017, up 48% y-o-y, with a margin of 24% versus 22% in 3Q2016. EBITDA margin enhancement came even as inflationary pressures took a toll on the Group's G&A expenses and despite outlays on renovations and maintenance.

On the operational front, 3Q2017 witnessed the majority of Nile Badrawi Hospital (NBH) renovation works completed, including the new external façade, outpatient facilities, two complete patient-ward floors as well as renovations and equipment upgrades of operating rooms, intensive-care units, and a catheter lab. Meanwhile at Cairo Specialized Hospital (CSH), renovation of the hospital's façade has begun, and implementation of a new Enterprise Resource Planning (ERP) system is nearing completion with a target launch date set for 1Q2018. System deployment at CSH will serve as a test-pilot for full deployment and integration across the Group's hospitals, allowing for real-time access to information and increased operational efficiencies for both front and back office functions. Other operational developments include the centralization of the Group's laundry functions with two hubs at Al Shorouk Hospital (ASH) and CSH now serving East and West Cairo. Freed up laundry space at Cleopatra Hospital and NBH will be better utilized going forward for additional revenue generating services, with Cleopatra Hospital set to expand its physiotherapy services while NBH will see the addition of a linear accelerator (LINAC) to expand the hospital's radiotherapy treatments.

Cleopatra Hospital Group continues to place quality assurance and patient safety as a primary success pillar, with ongoing efforts to drive quality improvements across medical and non-medical services. In 3Q2017 the Group continued its staff training programs on infection control practices, environmental safety and medical management, while actively measuring non-financial KPIs to identify areas of improvement.

Work is also progressing on the Group's first polyclinic in New Cairo, while a potential site in West Cairo has been identified for the Group's second polyclinic. Each Polyclinic will benefit from full-fledged pharmacy and outpatient and diagnostics services. Meanwhile, the Group has also signed a Memorandum of Understanding (MOU) with the Petroleum Sector that will see CHG extend medical services across its network to the sector's employees in over 170 companies.

On the acquisition front, the Group has signed a definitive agreement to acquire a leading hospital in West Cairo with finalization pending the satisfaction of conditions precedent, which are expected to be finalized by year-end. The recently renovated 92-bed hospital includes an extension that will drive up capacity to 108 beds. Meanwhile, CHG is in advanced due diligence and deal documentation stage on a 170-bed hospital in a major city with high urban density 1 hour to the north of Cairo, with signing of definitive agreements expected prior to year-end. The Group intends on financing its inorganic growth program from its initial public offering proceeds in addition to its ongoing capital increase through a tradable rights issue of EGP 700 million as well as cash generated internally from the business. (For more details on the rights issue please refer to the Recent Corporate Developments section). In addition, the Group signed an MOU to enter into a joint venture brownfield hospital project in Beni Suef, a city 1 hour to the south of Cairo, which is expected to be operational in 2019 and add over 200-bed capacity to the Group.

"As the year comes to a close and with the recent macroeconomic challenges now behind us, I am increasingly confident in the Group's upside potential as we capitalize on our efforts to improve operational performance and as several growth avenues we are pursuing come to close. The months ahead will see us make significant progress on our asset-integration programs that will further optimize the provision of our quality healthcare services, and we also expect to announce the successful completion of at least two new additions to our platform by year-end. Our primary goal is the continued value creation for all our stakeholders through further integration, increased efficiency and improving our patients' quality of life," Ezzeldin concluded.

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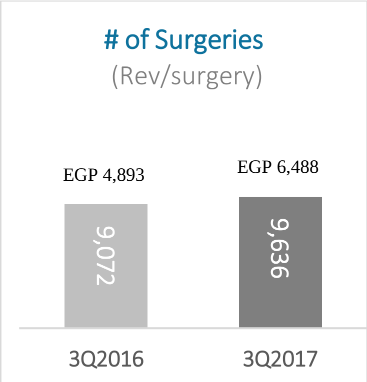
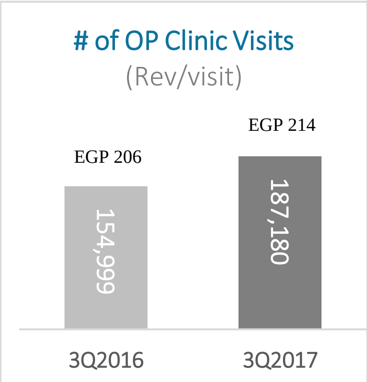
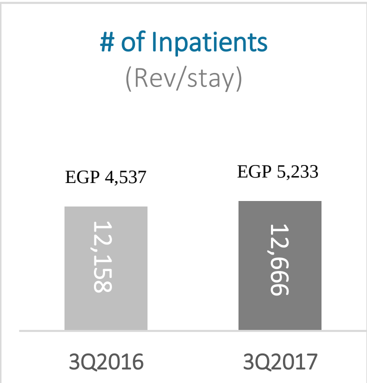
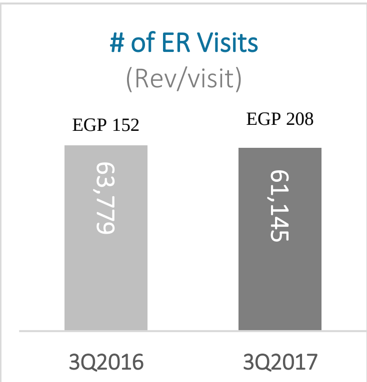








Operational Review

In 3Q2017, 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 plans.

Quality Enhancement

Major quality enhancement activities during the quarter included continuous staff training and awareness raising on topics such as work policies and procedures, infection control practices, environmental safety and medical management.

CHG also continues to drive improved medical and non-medical services, including patient safety goals implementation, operating rooms utilization, increased volumes of OPD services and reduced patient discharge time. The Group is also delivering 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. To that end, the Group has activated a number of quality enhancement committees, including infection control, environmental safety, mortality and morbidity, quality and safety committees, in addition to a medical council committee and a code blue committee. Additionally, the Group has also adopted a unified patient file across all hospitals and unified admission/discharge procedures that are consistent with JCI standards.

Information Technology

CHG is pushing forward with the launch of an ERP system across all hospitals in 2018, with a pilot program at CSH nearing completion and scheduled for deployment by 1Q2018. An integrated ERP system will allow the Group to build a single integrated patient management experience across all hospitals and develop a unified medical record per patient. Meanwhile, departmental functions will gain real-time access to information across the platform, patient records and medical history, performance measures and KPIs, allowing for improved operational efficiencies and extracting higher value from better quality services.

Human Resources

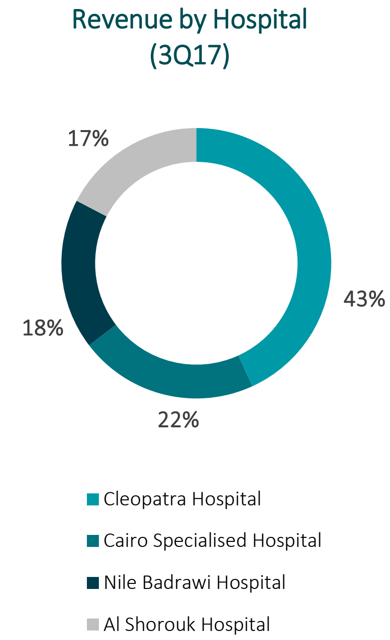
CHG continued to implement numerous staff training programs to help develop core competencies and skills and familiarize employees with international safety standards. Year-to-date, the Group ran a total of 103 training rounds across various topics to over 870 employees for a total of 50,619 training days. Additionally, the Group continues to run its Nursing Development Program across its hospitals in cooperation with major universities across the nation. The goal of the program is to create a long-term pool of qualified nurses with a focus on candidates with bachelor degrees in nursing. The Group launched a nursing internship program at its hospitals with over 100 nurses having joined in October 2017.

Meanwhile, the HR department ran an employee satisfaction survey across all hospitals to gauge employee satisfaction and loyalty and improve talent retention rates. Survey results indicate a marked improvement in employee satisfaction between 2016 and 2017, particularly at NBH and ASH which witnessed improvement from 48% and 55% overall satisfaction, respectively in 2016, to as high as 85% and 83% in 2017. Finally, CHG now provides life insurance to all its employees as an employment benefit.

Ongoing Initiatives

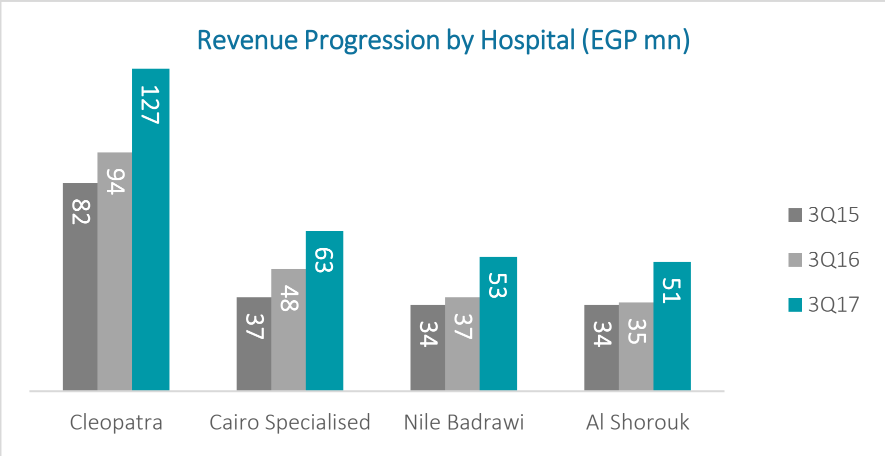
Cleopatra Hospital Group continues to make progress on a variety of initiatives including developing its cross-asset integrated platform and standardizing operating procedures. Meanwhile "One Cleopatra," the Group's unified brand and integrated management program, continued to be a catalyst for instilling loyalty among staff by adopting a common Group culture.

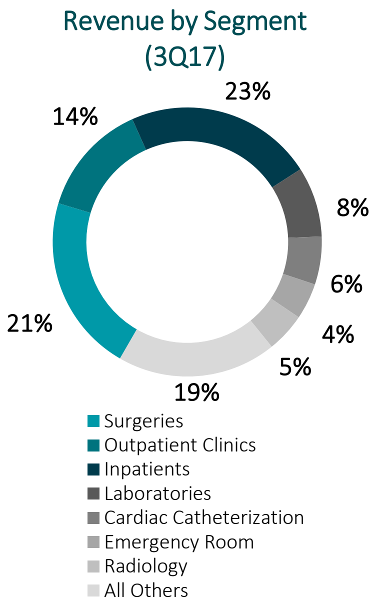
Financial Review



Consolidated revenues in 3Q17 recorded a solid 38% y-o-y increase to EGP 293.2 million, with revenue growth being dual-driven by both higher patient volumes and improved pricing. Inpatients were the largest contributor to revenues in 3Q2017 at 23% followed by surgeries (21%) and outpatient clinics (14%). All three segments contributed a combined 58% to total revenue in 3Q2017, while revenues from radiology services and surgeries recorded the fastest y-o-y growth during the quarter at 47% and 41%, respectively. On a year-to-date basis, revenues recorded EGP 817.1 million in 9M2017, up 30% y-o-y.

The largest contributor to Group revenues in 3Q17 was Cleopatra Hospital at (43%), followed by Cairo Specialised Hospital (22%), Nile Badrawi Hospital (18%) and Al Shorouk Hospital (17%).





Cost of goods sold recorded EGP 202.5 million in 3Q2017, up at a slower rate than revenue growth at 32% y-o-y as the Group was successful in extracting cost efficiencies despite operating in an inflationary environment. Constituting the largest share of COGS at 32%, cost of medical supplies stood at EGP 66.9 million in 3Q2017 or 23% of total revenues, down from 24% in 3Q2016. Improvement in consumables/sales ratio came as the Group continued to leverage its strong purchasing power through its cross-asset procurement programs, which have been extended to year-end 2018. Meanwhile, consulting physicians' fees, which constituted 26% of COGS in 3Q2017, also recorded marked improvement having decreased as a percent of sales by two percentage points to 17% during the quarter. Salaries and wages were the largest contributor to COGS growth in absolute terms in 3Q2017 recording EGP 54.0 million for the quarter, up 47% y-o-y however remaining somewhat stable as a percent of revenues at 18% versus 17% in 3Q2016. In 9M2017, total COGS recorded a 30% y-o-y increase to EGP 572.7 million, with COGS/Sales ratio remaining stable at 70% compared to the same period last year.

The Group's ability to drive revenue growth in excess of associated costs is due to improved sales mix and margin-enhancement initiatives, with top-line gains reflected on gross profit which came in higher by an impressive 51% y-o-y to EGP 90.8 million in 3Q2017. Consequently, gross profit margin for the quarter recorded a three percentage-point expansion to 31.0%. Gross profit by hospital also witnessed improvement in terms of distribution, with increasing contributions from NBH, CSH and ASH in 3Q2017. Cleopatra Hospital was the highest contributor to gross profit in 3Q2017 at 53%, followed by CSH (19%), NBH (14%) and ASH (13%). On a nine-month basis, Group gross profit recorded EGP 244.5 million in 9M2017 up 31% y-o-y, with GPM remaining flat at 30.0%.

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 in 3Q2017 recorded EGP 43.6 million, up 58.5% y-o-y, and standing at 14.9% of sales versus 12.9% in 3Q2016. It is worth mentioning that G&A expenses include a non-recurring cost of acquisitions expense of EGP 2.0 million related to the Group's ongoing inorganic expansion plans. Additionally, G&A expenses also include the Group's Long-Term Incentive Program (LTIP) which booked EGP 5.1 million in 3Q2017. A non-cash charge linked to share price appreciation and EBITDA growth, the LTIP has a four-year vesting period maturing by 30 June 2020, after which amounts will be disbursed. Management views its LTIP as a key pillar for retaining valuable talent and driving long-term sustainable growth.

The Group's ***EBITDA***, which factors out acquisition expenses and the LTIP's non-cash charge, recorded a 48% y-o-y increase to EGP 70.1 million in 3Q2017, with an EBITDA margin of 24% versus 22% in the same period last year. On a year-to-date basis, EBITDA posted EGP 184.3 million in 9M2017, up 30% y-o-y, with EBITDA margin remaining stable at 23%.

Improved operational performance and higher margins filtered down the income statement and saw ***Net income*** for the period record a 45% y-o-y increase to EGP 32 million, yielding a net profit margin of 11% compared to 10.3% in 3Q2016. On a nine-month basis, net profit was up 60% y-o-y to EGP 84.6 million and yielding a two percentage-point improvement in margin to 10.4%.

Cleopatra Hospitals Group's continued to push forward with its renovation and technology upgrade program, with an accelerated ***CAPEX*** outlay during 3Q2017 reaching EGP 108 million by end of September 2017. This medical technology and infrastructure upgrade plan will continue through to year-end 2018, and is set to be a key driver for strong results through the introduction of new services and quality improvements of existing ones.

RECENT CORPORATE DEVELOPMENTS

HUMAN RESOURCES

As part of the Group's efforts to continue building its organizational structure and fill-in key senior management positions in a manner that promotes increased operation efficiency, the Group recently appointed a new marketing director and formed an Engineering and Project Management department with a project manager responsible for overseeing the Group's renovation plans, new extensions and projects.

Meanwhile, CHG has recently appointed Dr. Mohamed Ewais as the Group Co-Chief Operating Officer responsible for East Cairo hospitals, working alongside Dr. Moharram El-Badawy who is now responsible for West Cairo hospitals. Dr. Ewais brings 20 years of valuable experience in the healthcare industry, having previously held the position of Chief Executive Officer of the Saudi German Hospital's Jeddah branch since 2013.

CAPITAL INCREASE

The Group is currently finalizing a tradable rights issue at par (EGP 0.50 per share) with proceeds of up to EGP 700 million, to be used to (a) ensure the availability of EGP 580 million in additional resources to support the acquisition of a hospital of around 170 beds. Due diligence on the transaction is currently in process. The proceeds will also be used to (b) improve Group profitability by retiring EGP 120 million of the existing debt given the high cost of debt in the current interest rate environment. The rights issue subscription period runs from 6 November 2017 through to 5 December 2017, with trading having commenced on 6 November 2017 with an ending date of 30 November 2017.

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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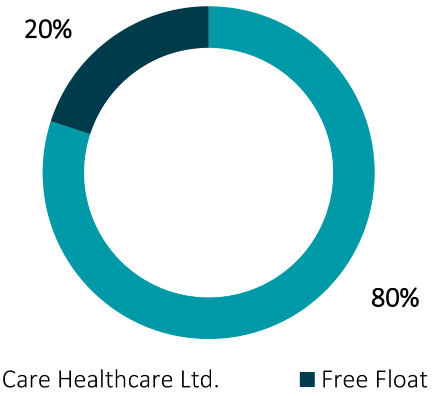
Shareholder Structure

(as of September2017)



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	3Q2017	3Q2016	% change	9M2017	9M2016	% change
Revenues	293.2	213.1	*38%*	817.1	626.6	*30%*
Cost of sales	(202.5)	(152.9)	*32%*	(572.7)	(439.5)	*30%*
Gross profit	**90.8**	**60.2**	***51%***	**244.5**	**187.1**	***31%***
Gross Profit Margin	31.0%	28.3%		29.9%	29.9%	
General & administrative expenses	(41.6)	(25.9)	*61%*	(116.8)	(81.8)	*43%*
Cost of acquisition activities	(2.0)	(1.6)	*24%*	(2.0)	(1.6)	*24%*
Provisions	(0.4)	(0.3)	*8%*	(4.9)	(9.5)	*-48%*
Other income	2.3	0.3	*0%*	4.9	4.2	*17%*
EBIT	**49.0**	**32.6**	***50%***	**125.6**	**98.2**	***28%***
EBIT Margin	17%	15%		15%	16%	
Interest income	13.7	8.4	*68%*	40.6	13.7	*202%*
Interest expense	(20.6)	(12.3)	*71%*	(54.8)	(41.2)	*33%*
Profit before tax	**42.1**	**28.7**	***47%***	**111.4**	**70.8**	***57%***
PBT Margin	14%	13%		14%	11%	
Income tax	(6.4)	(7.1)	*-10%*	(24.1)	(21.5)	*12%*
Deferred tax	(3.7)	0.5	*0%*	(2.7)	3.6	*-173%*
Net profit after tax	**32**	**22.1**	***45%***	**84.6**	**52.9**	***61.9%***
Net Profit Margin	11%	10.3%		10.4%	8.4%	
Distributed as follows:						
Shareholders of the company	28.3	19.6	*44%*	76.0	45.3	*68%*
Minority rights	3.7	2.5	*51%*	8.6	7.6	*13%*
Profit for the period	**32**	**22.1**	***45%***	**84.6**	**52.9**	***60%***

Consolidated Statement of Comprehensive Income

All figures in EGP mn	3Q2017	3Q2016	% change	9M2017	9M2016	% change
Net Profit	32	22.1	*45%*	84.6	52.9	*60%*
Other comprehensive income	-	-		-	-	
Total comprehensive income for the year	**32**	**22.1**	***45%***	**84.6**	**52.9**	***60%***
Total comprehensive income attributable to:						
Owners of the company	28.3	19.6	*44%*	76.0	45.3	*68%*
Non-controlling interest	3.7	2.5	*51%*	8.6	7.6	*13%*
Total comprehensive income for the year	**32**	**22.1**	***45%***	**84.6**	**52.9**	***60%***

Consolidated Statement of Financial Position

All figures in EGP mn	31 December 2016	30 September 2017
Non-current assets		
Fixed assets	396.7	468.7
Intangible assets	246.4	242.4
Total non-current assets	**643.1**	**711.1**
Current assets		
Investments held to maturity	-	-
Inventory	46.1	47.8
Accounts receivables	125.9	177.5
Other receivables and debit balances	25.6	37.3
Due from related parties	0.1	0.0
Cash	439.6	396.8
Total current assets	**637.3**	659.3
Total assets	**1,280.4**	**1,370.5**
Equity		
Share capital	100.0	100.0
Reserves	298.0	297.6
Retained earnings	168.7	230.7
Equity attributable to the parent company	566.7	628.3
Non-controlling interest	43.8	51.8
Total equity	**610.5**	**680.1**
Non-current liabilities		
Long term debt - non-current portion	326.0	296.6
Employee incentive plan	-	11.4
Deferred tax liability	60.0	62.6
Total non-current liabilities	**386.0**	**370.7**
Current liabilities		
Provisions	24.9	21.2
Creditors and other credit balances	175.2	206.2
CPLTD	52.2	67.2
Current Income tax	31.6	25.1
Total current liabilities	**283.9**	**319.7**
Total liabilities	**669.9**	**690.4**
Total Liabilities & shareholders’ equity	**1,280.4**	**1,370.5**

Consolidated Statement of Cash Flow

All figures in EGP mn	30 September 2017	30 September 2016
Cash flow from operating activities:		
Profit before tax	111.4	70.8
Adjustments for:		
Depreciation	24.0	21.0
Amortization of intangible assets	4.0	4.0
Impairments of receivables no longer required	(12.2)	(6.2)
Impairments of receivables	25.2	17.4
Trade receivables impairment – write off	(6.0)	(0.3)
Provision formed	7.0	9.8
Provision utilized	(8.7)	(7.2)
Provisions no longer required	(2.1)	(0.3)
Capital gain / loss	(0.7)	0.0
Credit Interest	(40.6)	(13.9)
Interest and commissions	53.8	41.4
Paid income tax	(30.6)	(32.2)
Fixed assets write off	3.3	-
Allowance for impairment of inventory	0.4	-
Employee long-term incentive plan	11.4	-
Operating Profits before changes in working capital	**139.7**	**104.3**
Changes in working capital:		
Change in inventory	(2.0)	(5.2)
Change in trade receivables	(58.5)	(30.1)
Change in debtors and other debit balances	(4.5)	(39.3)
Change in due from related parties	0.1	-
Change in trade payables and other credit balances	40.4	14.4
Net cash flow from operating activities	**115.3**	**44.1**
Cash flow from investment activities:		
Proceeds from sale of fixed assets	1.0	-
Payments for purchase of fixed assets	(65.3)	(5.8)
PUC purchased	(34.4)	(11.3)
Advanced payments for purchase of fixed assets	(8.4)	(0.3)
Payments to acquire subsidiaries, net of cash acquired	(0.6)	(235.1)
Interest received	41.7	13.9
Time deposits with maturity more than 3 month	178.2	(12.6)
Collected from housing bills	-	-
Net cash flow from investment activities	**112.1**	**(251)**
Cash flow from financing activities:		
Paid to increase share capital	-	20.0
Proceeds from borrowings	83.6	208.7
Dividends paid	(14.0)	(6.8)
Interest paid	(63.6)	(19.3)
Share premium collected	-	340.0
Repayment of borrowings	(97.9)	(21.8)
Net cash flow from financing activities	**(91.9)**	**520.9**
Net change in cash & cash equivalents during the period	135.4	313.9
Cash & cash equivalents at the beginning of the period	44.4	47.0
Cash & cash equivalents at the end of the period	**179.8**	**360.9**