Middle East Healthcare Company "MEAHCO"

Earnings Release

2Q 2021 Financial Highlights

Revenue	Gross Profit	EBITDA	Net Profit
SAR457mn	SAR153mn	SAR53mn	SAR9mn
↑ 22% y-o-y	↑ 27% y-o-y	↓ 6% y-o-y	↓ 44% y-o-y
	33.4% Margin	11.7% Margin	2.0% Margin

1H 2021 Financial Highlights

Revenue	Gross Profit	EBITDA	Net Profit
SAR875mn	SAR276mn	SAR106mn	SAR21mn
↑ 8% y-o-y	↑ 3% y-o-y	↓ 1% y-o-y	↓ 43% y-o-y
	31.5% Margin	12.1% Margin	2.4% Margin

2Q 2021 Operational Highlights

Inpatient Admissions	Outpatient Visits	Performed Surgeries	Utilisation Rate*
18k	317k	11k	69%
↑ 22% y-o-y	↑ 91% y-o-y	↑ 76% y-o-y	↑ 6.6 PP y-o-y

Jeddah, Saudi Arabia, 22 August 2021

Middle East Healthcare Company (MEHACO), Saudi Arabia's most geographically diversified healthcare player, reported today its consolidated financial results for 2Q 2021, ending 30 June 2021.

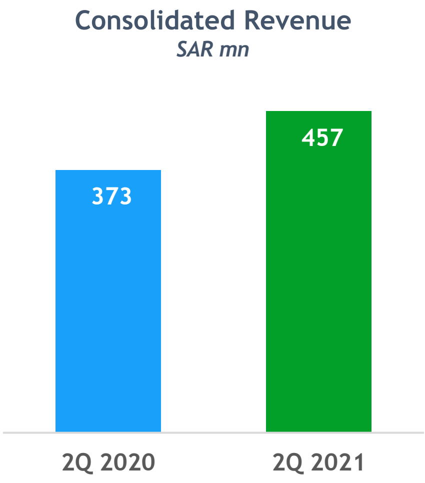
Key highlights

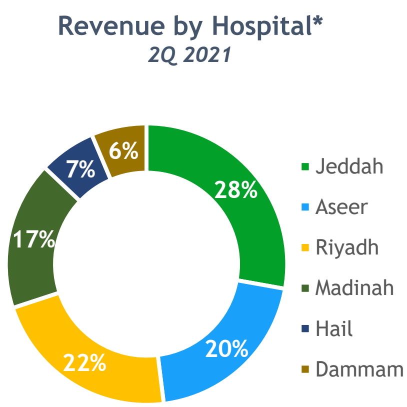
- **Consolidated revenue** increased 22% y-o-y to SAR457 million in 2Q 2021
- **Total number of served patients** reached 334,910 patients across the Group's network of hospitals in 2Q 2021
- Insurance **contribution to total revenue** stood at 41%, followed by Ministry of Health at 37%, cash at 21% and others at 1%
- Asser Hospital and Riyadh Hospital obtained the **CAP accreditation** in Dec. 2020 and Feb. 2021, respectively. Additionally, Dammam Hospital obtained the **CBAHI accreditation** in Jun. 2021
- **EBITDA** declined 6% y-o-y to SAR53 million in 2Q 2021, implying an **EBITDA margin** of 11.7%
- **Net profit after tax and minority interest** declined 44% y-o-y to SAR9 million in 2Q 2021

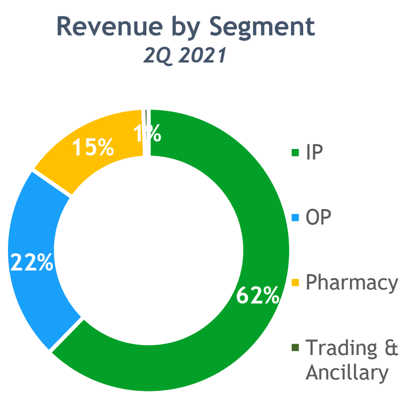
* *Inpatient utilisation rate **based on operational beds***

Middle East Healthcare Company (MEAHCO)

Earnings Release 2Q 2021







Financial Performance

(In SAR mn)	2Q21	2Q20	y-o-y	1H21	1H20	y-o-y
Revenue	**457**	**373**	**22%**	**875**	**810**	**8%**
CoGS	(304)	(253)		(599)	(542)	
Gross Profit	**153**	**120**	**27%**	**276**	**267**	**3%**
Gross Profit Margin	*33.4%*	*32.3%*		*31.5%*	*33.0%*	
Operating Profit	**20**	**24**	**-17%**	**37**	**48**	**-23%**
Operating Margin	*4.3%*	*6.4%*		*4.2%*	*5.9%*	
Net Profit	**9**	**16**	**-44%**	**21**	**38**	**-43%**
Net Profit Margin	*2.0%*	*4.4%*		*2.4%*	*4.6%*	

Middle East Healthcare Company (MEAHCO) consolidated revenue for 2Q 2021 increased 22% y-o-y to reach SAR457 million, primarily on notable recovery in outpatient census, coming from a low base, gradual ramp-up of operations in Dammam Hospital, and improved pricing with MoH on obtained accreditations across the Group's network of hospitals.

The Group continued to reap the benefits of the management's proven sound strategy to enhance the quality of offered services, focus on hospitals' accreditation, and sustain a healthy and well-diversified sales mix. Outpatient revenue skyrocketed 45% y-o-y to SAR102 million, boosted by significant surge in number of outpatients that offset the y-o-y decline in average revenue per visit. Inpatient revenue increased by 20% y-o-y to reach SAR285 million, purely on higher census while maintaining a stable average revenue per stay.

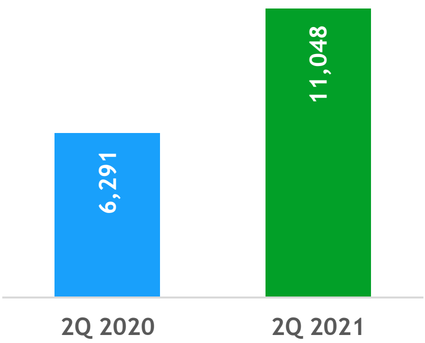
On a Group level, total number of inpatients and total number of outpatients in 2Q 2021 increased by 22% y-o-y and 91% y-o-y to 18k and 317k patients, respectively.

We are glad to announce that we have renewed our contract with Tawuniya, Saudi Arabia's leading insurance provider, on mutually beneficial terms for both sides, with business back on track starting Jul. 2021. MEAHCO had temporarily halted business with Tawuniya during the period from Feb. to Jun. 2021, pending finalizing negotiations on contract renewal terms. Out of MEHACO's network of 6 hospitals, Asser Hospital and Hail Hospital recorded the highest growth in revenues, while Jeddah Hospital's performance remained pressured the most given its high reliance on insurance business.

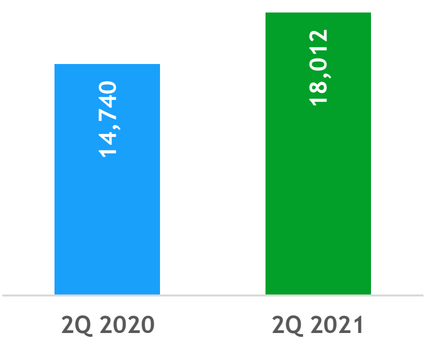
Insurance business remains the most contributor to top line with 41% contribution, followed by MoH at 37% and cash at 21%. Overall insurance revenue was up 20% y-o-y in 2Q 2021.

** Jeddah contribution include Beverly Clinics, AJ Sons and Management Fees*

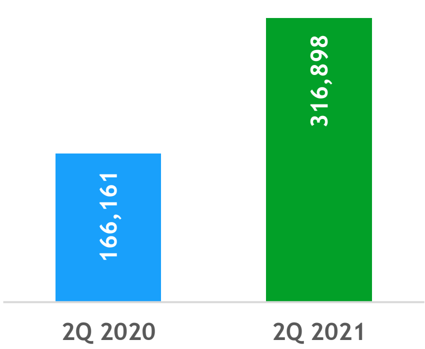
Performed Surgeries



Number of Inpatients



Number of Outpatients



Operational Performance

Overall, the Group reported solid operational KPIs in 2Q 2021 driven by remarkable recovery in patients' traffic coming from a low base as the comparable quarter was negatively impacted by the pandemic.

Total number of served patients across the Group's network of hospitals reached 334,910 patients in 2Q 2021, with number of performed surgeries up 76% y-o-y to reach 11,048 surgery during the quarter.

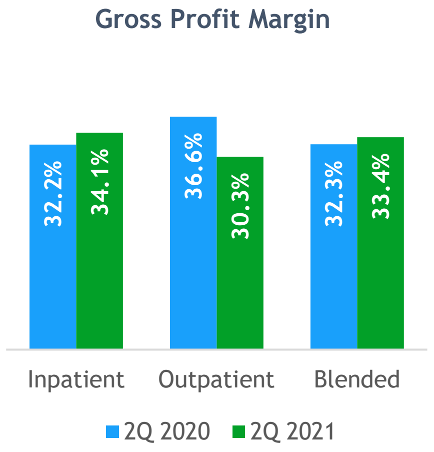
Aggregate number of inpatients was up 22% y-o-y to 18k patients in 2Q 2021. Growth was predominantly driven by notable recovery in inpatients traffic in Asser Hospital, boosted by recent renovations along with CAP accreditation obtained in Dec. 2020, and Madinah Hospital on gradual return of religious tourism. IP average revenue per stay inched down 2% y-o-y during the quarter.

Total number of outpatients skyrocketed 91% y-o-y to 317k patients, despite the absence of business from Tawuniya during the quarter. The higher-than-usual growth run rate was a function of partial closure of select outpatient medical services in the comparable period on imposed restriction by the government back then due to the pandemic.

Despite the notable recovery in outpatient census, OP average revenue per visit declined by 24% y-o-y in 2Q 2021. This comes chiefly on the back of higher contribution from cash clients in the comparable period vs. the current quarter.

On Jul. 2021, management was able to successfully renew its contract with Tawuniya on mutually beneficial terms for both sides. During Feb. to Jun. 2021, the Group temporarily halted doing business with Tawuniya, pending finalizing negotiations on contract renewal terms, a thing that negatively affected patients' traffic in 1H 2021.

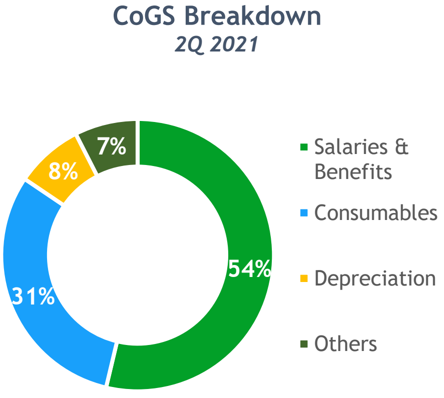
Business with Tawuniya is now back on track since Jul. 2021, with newly agreed upon price list to be implemented effective Oct. 2021. Over the past period, management was able to successfully renegotiate its contact terms with a most of the key insurance players in the market, capitalizing on MEAHCO's wide network and banking on improved level of offered services and customer experience.



Profitability

The Group recorded consolidated gross profit of SAR153 million in 2Q 2021, up 27% y-o-y from SAR120 million in 2Q 2020. Reported gross profit margin reached 33.4% in 2Q 2021 vs. 32.3% in 2Q 2020. The y-o-y expansion in margins was primarily due to improved economies of scale on recovery in patients census, despite higher overheads related to the start of commercial operations of Dammam Hospital.

On segmental performance, IP gross margin recorded 34.1% and OP gross margin recorded 30.3% during the quarter vs. 32.2% and 36.6% in the comparable quarter, respectively. The enhanced IP profitability was a function of improved pricing with MoH (~50% of IP business) on obtained several accreditations across the Group's network of hospitals over the past period. OP margins were slightly pressured on lower contribution from cash clients during the quarter vs. the comparable period.

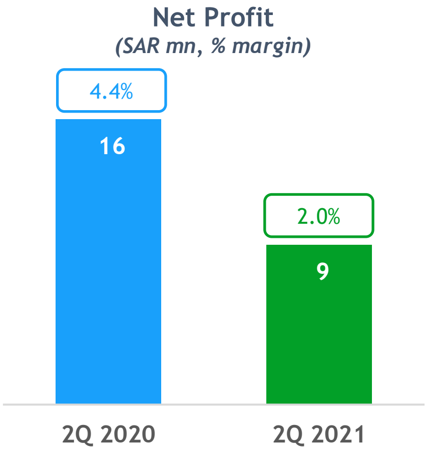


Salaries & benefits and consumables remains the key cost components for the business, representing 54% and 31% of total cost of revenue, respectively. Total salaries and benefits bill increased 24% y-o-y during the quarter on new hires in Dammam and the hiring of select prominent doctors across the Group.

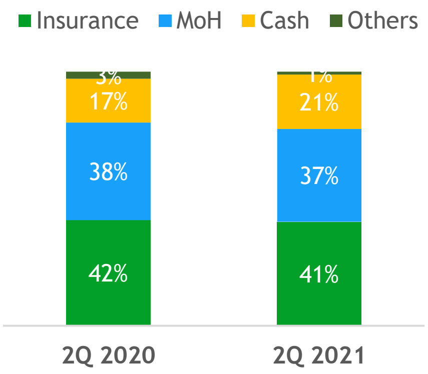
EBITDA for the quarter stood at SAR53 million, down 6% y-o-y and implying an EBTIDA margin of 11.7% vs. 15.2% in the comparable period.

Net profit after zakat and minority interest recorded SAR9 million in 2Q 2021 vs. SAR16 million in 2Q 2020. Higher overheads and depreciation related to Dammam ramp up, along with non-recurring costs associated with the restructuring plan that is taking place were the mains reasons behind the decline in profitability. Net profit margin contracted to 2.0% in 2Q 2021 vs. 4.4% in 2Q 2020.

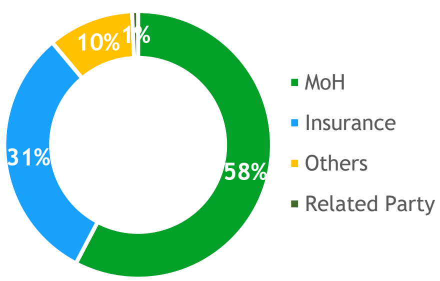
Dammam Hospital generated net loss of SAR11 million during the quarter vs. a loss of SAR16 million in 2Q 2020.



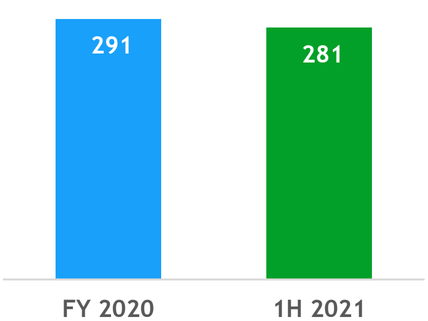
Revenue by Clientele



Receivables by Clientele
1H 2021



Cash Conversion Cycle
Days on Hand (DoH)



Cash Management

Enhancing balance sheet quality through reaching a more optimized sales mix remains on the management priority list, along with the ongoing efforts to boost revenues for all lines of business. Aiming to enhance cash conversion cycle, management focus on increasing insurance and cash businesses' contribution and capitalize on existing MoH business through adding more accreditations.

As of 2Q 2021, insurance maintained the lion's share of the business, with 41% contribution to revenue. Meanwhile, MoH contribution to revenue slightly declined to 37% from 38% in 2Q 2020 and cash business increased to 21% from 17% in 2Q 2020.

Cash conversion cycle improved to reach 281 days in 1H 2021 vs. 291 days in FY 2020, primarily on higher cash sales contribution as opposed to MoH given the latter's above-average receivables days-on-hand.

Outstanding receivables stood at SAR1.6 billion as of 1H 2021, of which 58% are related to MoH, 31% to insurance, 1% to related party and 10% to other clients. Out of MoH exposure, ~45% of the outstanding balance surpassed the average collection cycle of one year with negotiations still in progress and are subject to final reconciliation and agreement before collection.

Total capex spent during the period amounted to SAR224 million. Construction work for Makkah Hospital is now 73% completed and Riyadh Outpatient Tower and beds expansion is 57% completed. Staff Housing in Dammam and Makkah are 85% and 87% completed as well, respectively.

Latest Developments

The Group has been steadily moving forward with its strategy to focus on accreditations across its entire network of hospitals. This comes as part of a wider approach to enhance the level of offered services and improve the customers' perception of Saudi German Health brand.

Most recently, Saudi German Asser and Saudi German Riyadh obtained the CAP accreditation in December 2020 and February 2021, respectively. Consequently, MEAHCO's pricing with MoH for both hospitals was revised upwards by 5% (based on MoH base pricelist) to reflect the CAP accreditation, effective March 2021. Dammam Hospital also obtained the CBAHI accreditation in June 2021.

Meanwhile, Saudi German Jeddah is working on the Healthcare Information and Management Systems (HIMSS) certificate to be accredited by the MoH by 2H 2021. Following the success of the pilot project in Jeddah, the management plan to replicate the process across MEACHO's network of hospitals.

The HIMSS accreditation is a key milestone for MEAHCO as it should significantly help improve the Group's margins and profitability, given its positive magnitude on MoH pricing. As we stand, HIMSS accreditation will increase MoH pricing by 20% (based on MoH base pricelist).

In July 2021, management successfully renewed its contract with Tawuniya on mutually beneficial terms for both sides. Business with Tawuniya is now back on track since Jul. 2021, with newly agreed upon price list to be implemented effective October 2021.

Management remains in favor of organic expansions to increase the company's footprint in Saudi Arabia, with constructions across the Group's various expansions in Makkah, Dammam and Riyadh moving on track. Makkah Hospital will further expand MEAHCO's network to cover seven cities in Saudi Arabia. The hospital is targeted to be operational in 2H 2021 and will have a total capacity of 300 beds.

Financial Statements

Income Statement

(In SAR mn)	2Q 2021	2Q 2020	Change	1H 2021	1H 2020	Change
Revenue	457	373	22%	875	810	8%
Cost of Revenue	(304)	(253)		(599)	(542)	
Gross Profit	153	120	27%	276	267	3%
Gross Profit Margin	*33.4%*	*32.3%*		*31.5%*	*33.0%*	
Selling & marketing Expenses	(5)	(5)		(12)	(11)	
General & Admin Expenses	(128)	(91)		(227)	(208)	
Operating Profit	20	24	-17%	37	48.1	-23%
Operating Profit Margin	*4.3%*	*6.4%*		*4.2%*	*5.9%*	
Other Income	2	2		5	4	
Finance Cost	(12)	(11)		(23)	(18)	
Profit before Zakat	9	15	-39%	20	34	-42%
Zakat	(1)	(1)		(2)	(2)	
Net Profit	9	14	-40%	18	32	-45%
Net Profit Margin	*1.9%*	*3.8%*		*2.0%*	*3.9%*	
Distributed as:						
Parent Company	**9**	**16**	**-44%**	**21**	**38**	**-43%**
Non-Controlling Interest	(1)	(2)		(4)	(6)	

Financial Statements

Balance Sheet

(In SAR mn)	Jun 2021	Dec 2020
Property and Equipment	2,219	2,074
Right of Use Assets	35	26
Intangible Assets	7	7
Total Non-Current Assets	**2,261**	**2,106**
Inventories	162	156
Account Receivable	1,568	1,594
Prepayments and Others	129	85
Cash and Bank Balances	58	17
Total Current Assets	**1,917**	**1,851**
Total Assets	**4,178**	**3,957**
Share Capital	920	920
Statutory Reserve	192	192
Retained Earnings	499	477
Equity Attributable to Shareholders	**1,611**	**1,590**
Non-Controlling Interests	39	43
Total Equity	1,650	1,633
Term Loans	984	847
Lease Obligations	15	18
Other Non-Current Liabilities	29	23
Deferred Income	12	14
Employees' End of Service Benefits	239	235
Total Non-Current Liabilities	**1,278**	**1,137**
Short-Term Borrowings	771	675
Other Non-Current Liabilities	7	8
Lease Obligations	8	4
Accounts Payable	314	359
Accrued Expenses and Others	144	135
Zakat Payable	5	6
Total Current Liabilities	**1,249**	**1,188**
Total Liabilities	**2,527**	**2,325**
Total Liabilities and Equity	**4,178**	**3,957**

Financial Statements

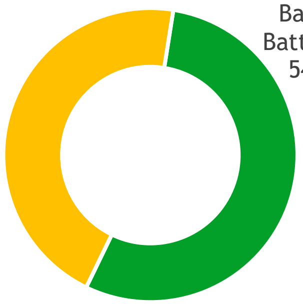
Cash Flow

(In SAR mn)	1H 2021	1H 2020
Cash Flows From Operating Activities		
Profit before Tax	20	34
Adjustments for:		
Depreciation	64	56
Amortization of Intangible Assets	1	1
Amortization of Right of Use Assets	4	2
Charge/(Reversal) of Expected Credit Loss	(17)	7
Provisions for Slow Moving and Obsolete Inventories	1	1
Amortization of Deferred Income	(1)	0
Unwinding impact of Other Financial Liabilities	0	1
Finance Charges Related to Lease Obligations	1	1
Loss on Disposal of Property & Equipment	1	0
Provisions for Employees' End of Service Benefits	23	16
Operating Cash before Changes in Working Capital	96	119
Accounts Receivable	42	(187)
Inventories	(8)	(56)
Prepayments & Other Current Assets	(44)	10
Accounts Payable	(45)	46
Accrued Expenses & Other Current Liabilities	10	66
Zakat Paid	(4)	0
Other Financial Liabilities	(4)	(6)
Cash Flow from Operating Activities	44	(8)
Employees' End of Service Paid	(20)	(20)
Net Cash Flow from Operating Activities	25	(28)
Cash Flow from Investing Activities		
Additions to Property & Equipment	(224)	(99)
Additions to Intangibles	0	(0)
Net Cash Flow from Investing Activities	(224)	(99)
Cash Flow from Financing Activities		
Term Loans and Borrowings, Net	232	102
Lease Obligations, Net	9	(3)
Net Cash Flow from Financing Activities	241	99
Net Change in Cash and Cash Equivalent	**41**	**(29)**
Cash and Cash Equivalent at the Beginning of the Period	17	54
Cash and Cash Equivalent at the End of the Period	**58**	**25**

Middle East Healthcare Company (MEAHCO)

Earnings Release 2Q 2021

Shareholder Structure



Share Information

Reuters / Bloomberg
2009.SE / MEH AB

Shares Outstanding
92,040,000

Free Float
45.3%

About Middle East Healthcare Company

Middle East Healthcare Company, publicly known as Saudi German Health, is a leading healthcare provider in Saudi Arabia with operations spanning across six cities in the Kingdom. Building on a long family legacy as medical pioneers in the Kingdom, Saudi German Health was founded by the Batterjee family 33 years ago to relieve people's suffering and have a positive impact on their health.

In 1988, Eng. Sobhi Batterjee, Chairman of Saudi German Health, and Dr. Khalid Batterjee, Vice President of Saudi German Health, established the first hospital in Jeddah and collaborated with German University Hospitals to bring advanced German healthcare standards and expertise to the local community for the first time in the Kingdom of Saudi Arabia. These associations inspired the 'German' in our name.

Since then, MEAHCO has been expanding and growing its presence organically on firm footing. MEHACO is the most geographically diverse healthcare player in Saudi Arabia with a comprehensive network of 6 full-fledged hospitals in Jeddah, Asser, Riyadh, Madinah, Hail and Dammam, enabling it to access ~90% of the Kingdom's population.

The Group has a total licensed capacity of 1,517 beds and operational capacity of ~1k beds.

Learn more at: www.saudigermanhealth.com

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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”, “aims”, “anticipates”, “assumes”, “believes”, “could”, “estimates”, “expects”, “forecasts”, “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 business and management, future growth or profitability and general economic and regulatory conditions and other matters affecting the Company.

Forward-looking statements reflect the current views of the Company’s management (“Management”) on future events, which are based on the assumptions of the Management and involve known and unknown risks, uncertainties and other factors that may cause the Company’s 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 the Company’s actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements.

The Company’s business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to differ materially from those expressed or implied by the forward-looking statements contained in this prospectus. The information, opinions and forward-looking statements contained in this communication speak only as at its date and are subject to change without notice. The Company does not undertake any obligation to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this communication.