

## NMC Health Plc

### Financial report for the six months ended 30 June 2019

### Strong first half performance underpins full year expectations

**London, 22 August 2019:** NMC Health plc (“NMC”, the “Company” or the “Group”), the leading Gulf Cooperation Council (GCC) and international private healthcare operator, announces its results for the six months ended 30 June 2019 (“H1 2019”).

#### Key Highlights

- Strong performance for H1 2019 in core markets of UAE and on track for broader GCC expansion.
- EBITDA of \$323.5m (post IFRS 16) and \$276.3m (pre-IFRS16), representing growth of 22.5% (for pre-IFRS 16) and FY guidance remains on track.
- Working capital cycle days reduced substantially, supporting one of the highest EBITDA-to-Free Cash Flow for H1 in the history of the company.
- Delivering balance sheet strength, with net debt-to-EBITDA improving.
- Continued successful execution of the Group’s strategy has remained the key to management’s ability to guide and then deliver on strong growth, year after year.
- Management reiterates the guidance provided on 28 May 2019.

#### Maintaining an unbroken trend of delivering on promised growth

NMC’s management has consistently guided that a verticals-based strategy is the best means of capitalizing on the healthcare markets in the UAE, as well as the wider GCC. This approach reflects the unique nature of the respective populations, which are more modest in size yet have demographic and economic characteristics that are favourable for continued demand for high quality healthcare access.

Building on the steps taken on this front in past years, NMC has continued to enhance its vertical framework. This approach, combined with strong off-take from the end market, has ensured NMC has continued to deliver a market leading performance.

Notwithstanding the volatility of asset prices, as reflected by the stock market, the healthcare market remains highly predictable. NMC’s track record of guidance and delivery now extends to six years, with management confident that 2019 will prove to be no different.

(US\$m)	Post-IFRS 16		Pre-IFRS 16			
	H1 2019*	FY 2019 guidance	H1 2019	FY 2019 guidance	H1 2018	YoY growth
<b>Revenues</b>	1,236.0	2,500-2,540	1,236.0	2,500-2,540	932.0	32.6%
<b>EBITDA</b>	323.5	665-675	276.3	575-585	225.5	22.5%
<b>EBITDA margin</b>	26.2%	26.6%	22.4%	23.0%	24.2%	(180bps)
<b>Net income to equity holders</b>	138.1	297-305	151.0	320-330	116.5	29.6%
<b>EPS (US\$m) - Basic</b>	0.66	-	0.72	-	0.56	29.1%
<b>Net debt-to-EBITDA</b>	3.4x	3.4-3.5x	2.7x	-	3.4x	

\*: H1 2019 is the first period to reflect the adoption of IFRS 16. As a result, an unadjusted comparison with H1 2018 is not meaningful

NMC served a total of c. 4.0m patients (+16.7% YoY) in H1 2019 with 1,922 (H1 2018: 1,530) operational beds. Given the sustained addition of new capacity, 31% of the operational beds are in early ramp-up phase, translating into an occupancy rate of 67.7% (down 220bps YoY).

The essence of NMC’s strategy is to create and autonomize verticals. H1 2019 saw significant progress against this strategy:

- Higher complexities continue to evolve in the **Multispecialty** vertical, with nephrology becoming a key focus area among Centres of Excellence, following the success in paediatrics.

- The **Fertility** business reinforced its position as a global leader by leveraging on the unmatched knowledge base available to it.
- The **Long-term care** business introduced a new business line in the form of outpatient services through rehabilitation care.
- Cross referrals to other business segments (including Distribution) from **Operations & Management** vertical has translated into substantially higher revenue generation than from the underlying O&M contracts alone.

For NMC, 2019 is a year focused on:

- Improving utilization and efficiencies of existing assets.
- Integration of acquired assets and continued centralization of services.
- Completion of partnership with GOSI/Hassana Investment Company, which is viewed by management as one of the landmark events in the history on NMC.
- Investment on new capacity across UAE and Oman.
- Deleveraging the balance sheet, with net debt-to-EBITDA (excluding the impact of IFRS 16) standing at 2.7x in H1 2019 vs. 3.1x at the end of 2018.
- Improving cash flow generation: Group working capital cycle improved to 90 days (FY 2018: 106 days) as Group receivable days improved to 89 (FY 2018: 99 days), while inventory days dropped to 56 (FY 2018: 74 days).
- H1 2019 recorded one of the highest EBITDA-to-Free Cash Flow conversion for the first half of the year historically.

## Outlook

Continued successful execution of the Group's strategy has remained integral to management's ability to sustainably guide and then deliver on strong growth, year after year. Based on the performance of the Group in H1 2019 and the continued off-take in the end market in Q3 2019, management reiterates the guidance provided on 28 May 2019.

Given the Company's strong operational and financial performance and continued trend of performing in line with expectations, management remains highly confident in relation to future performance. Looking ahead, the Board intends to continue its successful growth strategy, which it believes will continue to create significant value for shareholders over the long-term.

### **Prasanth Manghat, Chief Executive Officer, commented:**

NMC Health again achieved strong performance in the first six months of the year, as we continue to deliver on our growth strategy in our attractive target markets. Our ability to perform strongly in a challenging environment testament to NMC's strategy of developing niche, differentiated verticals in our core markets that provide the best possible care for our patients.

All key financial and operational metrics of our healthcare and distribution businesses performed in line with our guidance. We also made good progress on increasing free cashflow during the period and we see room for further improvement in H2 2019, as has been the trend in previous years.

We are also particularly pleased to have closed our strategically important partnership with GOSI/Hassana Investment Company which ranks as one of the defining events in the history of NMC. This partnership will provide us with the ideal platform to establish a dominant position in the attractive Saudi Arabia healthcare market.

2019 remains focused on integration and realization of synergies from previous acquisitions. The Board remains committed to continuously improving transparency and enhancing the Group's governance and ESG framework. The establishment of a new committee to oversee all related party activities in addition to the current robust program is a good example in this regard.

We continue to view the future with confidence and reiterate our guidance for the full year 2019.

## Presentation and conference call details

- A presentation displaying the Group's H1 2019 financial performance in graphical form will be made available at 7am UK time on 22 August 2019 on <https://nmc.ae/investor-relations>.
- NMC will host a conference call for the H1 2019 results at 12 noon UK on 22 August 2019. For dial-in details, please contact FTI Consulting on [NMCHealth@fticonsulting.com](mailto:NMCHealth@fticonsulting.com). A presentation for the results call will be made available on <https://nmc.ae/investor-relations> at 12 noon UK time on 22 August 2019.

**A copy of this report will be available on the Company's Investor Relations website which can be accessed from [www.nmchealth.com](http://www.nmchealth.com).**

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### Cautionary statement

*These half year results have been prepared solely to provide additional information to shareholders to assess the Group's performance in relation to its operations and growth potential. These half year results should not be relied upon by any other party or for any other reason. Any forward-looking statements made in this document are done so by the directors in good faith based on the information available to them up to the time of their approval of this report. However, such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.*

### About NMC Health

NMC is the leading private healthcare operator in the GCC with an international network of healthcare facilities across 19 countries. NMC ranks as one of the top two in-vitro fertilisation ("IVF") operators globally. The Group is recognised as a leading provider of long-term medical care in the UAE through its subsidiary ProVita. Pursuing a selective international expansion program since 2016, the company now has total capacity of 2,207 beds (excluding beds at CARE) across its network with 30% of this capacity in the Kingdom of Saudi Arabia (KSA), where the company has introduced long-term and multi-specialty care services. Moreover, the recently formed partnership with GOSI/Hassana Investment Company provides a solid platform for continued growth in the GCC region's largest healthcare market. NMC served a total of 4.0m patients in H1 2019, up 16.7% YoY. The Group is also a leading UAE supplier of products and consumables across several key market segments, with the major contribution coming from healthcare related products. The Group reported revenues of US\$1.2 billion for the half year ended 30 June 2019.

In April 2012 NMC was listed on the Premium Segment of the London Stock Exchange. NMC is a constituent of the FTSE 100 Index.

## BUSINESS REVIEW

### Healthcare – Strong platform continues to deliver growth

Detail	Multispecialty	Maternity & Fertility	Long-term & Home care	Operation & Management	Total Healthcare
<b>No. of Countries</b>	<b>4</b>	<b>11</b>	<b>2</b>	<b>10</b>	<b>19</b>
<b>Revenue (US\$ '000)</b>	695,975	164,495	82,567	14,650	957,687
YoY growth	33.6%	43.9%	30.8%	89.1%	35.7%
% contribution to Healthcare Revenue	72.7%	17.2%	8.6%	1.5%	
<b>Revenue/patient (US\$)</b>	168	1,419	20,637		224
YoY growth	15.7%	32.4%	3.4%		16.8%
<b>Capacity</b>					
Licensed beds	1,599	106	502		2,207
YoY growth	16.5%	0.0%	3.5%		12.4%
Operational beds	1,395	100	427		1,922
YoY growth	26.4%	0.0%	31.0%		25.6%
<b>Spare capacity (beds %)</b>	13%	6%	15%		13%
<b>Patients</b>	3,905,390	115,889	4,001		4,025,280
YoY growth	17.0%	8.7%	26.5%		16.7%
<b>Bed Occupancy</b>	61.2%	79.7%	86.1%		67.7%

The healthcare sector in the UAE in particular, and the GCC in general, saw the continued playout of two key themes during H1 2019: 1) consolidation, with smaller players ceding market share and 2) tightening of regulatory environment. Both factors have proven beneficial for NMC as one of the largest and most successful healthcare operators in the region.

Within the UAE, NMC has been gaining market share through both adding capacity and differentiating itself from competitors by strengthening its verticals. As an example of the former, up to 385 new beds are under construction across Dubai and Sharjah, which will increase total capacity in the UAE by 31.6%. This is in addition to the various multispecialty and cosmetics clinics that have already been opened across the country.

Meanwhile, maintenance capex incurred last year on NMC Royal to enhance its emergency services is already yielding strong returns. The upgrade resulted in NMC Royal becoming a regional referral centre for emergency and trauma cases and the hospital is the only private facility in Abu Dhabi allowed to receive trauma patients. Since Q1 2019, this has led to a 6% increase in the number of Level 1 and Level 2 acuity patients accessing emergency services at the facility. This increase in higher acuity patients serves as a good reflection of differentiation by offering higher value services.

Outside the UAE, NMC is reaffirming its leading position in Oman, with the Company set to become one of the largest private sector players in the country once the ongoing capacity expansion of 175 beds is completed. Furthermore, plans are already being put in place to leverage the existing infrastructure in KSA, which ranks NMC KSA as the second largest healthcare operator in KSA by number of beds (including beds from CARE).

#### *Multispecialty vertical*

The foundation of NMC's healthcare business, the Multispecialty vertical benefited from increased utilization of existing facilities as well as acquisitions completed last year. In terms of the former, NMC Royal remains one of the most prominent assets by way of complexity and offerings, profiling the NMC brand into niche specialties. Management expects this growth to pick up pace in the short to medium term, as new beds are added to the facility in H2 2019. Moreover, amongst the assets acquired last year, Aspen had the most significant impact on the top line of the vertical, while CosmeSurge made the most significant contribution to EBITDA.

#### *Maternity & Fertility vertical*

The IVF business remains the largest contributor, as well as main engine of growth for the Maternity & Fertility vertical. A truly global part of NMC's portfolio, the IVF business has been reinforcing its market leading position by continuously building on the knowledge base available to it. The fundamental question every fertility business is trying to answer is, how

can the success rate of an IVF cycle be improved. The acquisition of Boston IVF was an important factor to answer this question. The only IVF facility to be directly associated with Harvard Medical school, it substantially adds to the expertise available to the Group. Moreover, this acquisition supported NMC's fertility business to record 54.9% YoY growth in revenues to reach US\$139.6m in H1 2019.

### *Long-term & Homecare vertical*

Developed on the back of one of NMC's most successful acquisitions in the form of Provita, the Long-term & Homecare vertical continues to demonstrate the benefits of combining powerful organic growth with an M&A transaction.

Previously focused only on inpatient services, the Long-term & Homecare vertical has now introduced outpatient services in the form of rehabilitation care. Without the expertise brought in by this vertical, NMC's multispecialty hospitals would have been unlikely to introduce this service on their own.

Moreover, the Chronic Care Specialist Medical Centre (CCSMC), remains one of the most successful investments by NMC in Saudi Arabia. With 145 (2018: 125) beds now operational the facility continues to benefit from very high demand, with occupancy level at over 90%. As in the case of the outpatient rehabilitation services introduced in UAE, establishing CCSMC would not have been possible without the expertise acquired through Provita.

### *Operation & Management (O&M) vertical*

The O&M business continues to be associated with the highest EBITDA margin amongst NMC's verticals, standing in the 70-80% range. Equally importantly, O&M contracts support substantial business generation in other healthcare verticals, as well as the distribution business, through referrals and cross-sales. Expansion of the O&M vertical is also translating into procurement benefits for NMC. By combining procurement for the Group's own assets and assets managed under O&M contracts, NMC benefits from enhanced bargaining power and terms.

Management continues to view the O&M business as a key part of future growth, and for 2019 in particular, full year revenues for the vertical are expected to stand at US\$25-26m.

### **Distribution – New contracts and cross-selling through O&M boost growth**

Revenues for the Distribution division stood at US\$304.4m in H1 2019, up 19.4% YoY.

EBITDA margin for the Distribution division stood at 14.3% for the year

- Excluding the impact of IFRS 16, EBITDA margin for the Distribution division stood at 13.6% (up 170bps YoY).

Total SKUs reached 120,627 compared to 115,795, as at the end of 2018.

The sharp growth in revenues, as well as margin improvement, was supported by new distribution contracts, including one-off contracts across government and private sectors. Additionally, referrals and cross-sales on the back of O&M contracts have translated into sizable revenue growth for the Distribution division.

### **KSA: Building out the new footprint**

With a population of over 30m, only about a third of which is currently covered by mandatory insurance, Saudi Arabia represents the largest healthcare market in the GCC. A number of statistics also suggest the country ranks as one of the most underserved markets in the GCC. Healthcare per capita expenditure of c. US\$1,100 for KSA lags developed countries as well as regional peers, such as UAE, while beds per GDP per capita in Saudi Arabia is less than half that for the OECD average.

As is the case with most GCC countries, lifestyle disease is also a major problem in KSA. Almost 70% of the population is obese, while 30% is diabetic or pre-diabetic. These factors, combined with the fact that the country has a median age of 29 years (30% of the population below 19 years of age), make KSA a very attractive opportunity for NMC.

Against this backdrop, NMC has been steadily developing a diverse network of facilities in KSA, reaching a total of five assets across different cities by the end of 2018. H1 2019 marked a significant leap on this front through the completion of a partnership between NMC and GOSI/Hassan Investment Company. NMC now owns 53% of NMC KSA and the remainder is with GOSI. In addition, NMC KSA now owns 49% of Tadawul-listed National Medical Care Company ("CARE"), effectively making it the second largest private player in KSA by beds capacity (including CARE's beds). Note that NMC KSA currently recognizes CARE as an associate and is recognized in the Groups financials as such (see note 2.2 and note 15 to the Financial Statements for details).

The Group's management views the formation of the partnership with GOSI as one of the top landmark events in the history of NMC since its inception. NMC KSA is well-positioned to become one of the most dominant players in the largest healthcare market in the GCC. Leveraging the medical expertise of NMC and the local market knowledge and strong reputation of GOSI, NMC KSA has the potential to transform the KSA healthcare market, similar to the impact NMC has had on its home market of UAE.

## FINANCIAL REVIEW

H1 2019 segmental data				
	Healthcare	Distribution	Adj/Elimination	Group
<b>Revenue (US\$m)</b>	957.7	304.4	(26.1)	1,236.0
<b>Revenue growth</b>	35.7%	19.4%		32.6%
<b>% contribution to Group Revenue</b>	75.9%	24.1%		
<b>EBITDA (US\$m)</b>	313.4	43.6	(33.5)	323.5
<b>% contribution to Group EBITDA</b>	87.8%	12.2%		
<b>EBITDA Margin %</b>	32.7%	14.3%		26.2%
<b>Without IFRS 16 Impact</b>				
<b>EBITDA (US\$m)</b>	271.6	41.4	(36.7)	276.3
<b>EBITDA growth</b>	19.8%	36.5%		22.5%
<b>% contribution to Group EBITDA</b>	86.8%	13.2%		
<b>EBITDA Margin %</b>	28.4%	13.6%		22.4%
<b>EBITDA Margin YoY change</b>	-380 bps	170 bps		-180 bps

### Revenues

The top line performance of the Group came in line with management's expectations NMC has continued confidence in achieving the full-year guidance provided to the market.

Maintaining the trend seen in past years, the Healthcare division continued to be the most significant driver of top line growth in H1 2019, supported by improved utilization of existing assets and the full six months impact of acquisitions completed last year. That being said, the Distribution division's growth considerably surpassed the "normalized growth" guidance of 8-9% per annum. The sharp increase in H1 2019 was led by the signing of new contracts, including one-off contracts across public and private sectors.

- The UAE posted 15.6% YoY revenue growth, demonstrating the continued strength of NMC's home market.
- KSA posted the highest growth on a country-by-country basis. Revenues jumped 71.8% YoY as a number of assets, both existing and newly acquired in 2018, recorded a rapid increase in utilization.

The acquisition of Aspen last year has impacted the geographic revenue split in particular, with UAE accounting for 79.9% of total revenues in H1 2019, UK 7.5%, KSA 4.4% and other geographies contributed 8.2%, respectively.

### EBITDA

In line with guidance, EBITDA margin has compressed in H1 2019 due to two key factors:

- Revenue contribution from Aspen Healthcare, which is associated with lower margins and
- Increased contribution from a number of assets that are in early stages of ramp-up (particularly in KSA), and hence at or below EBITDA breakeven at this stage.

The above being said, given clear evidence of rapidly improving utilization at the Group's early stage assets during 2019, management remains comfortable with the previously stated target of achieving 25% Group EBITDA margin (excluding IFRS 16 impact) in the next couple of years. Increasing contribution from assets such as NMC Royal also forms a vital basis for the anticipated margin improvement.

### Analysing revenue and EBITDA growth

Given management's focus in 2019 on 1) improving utilization and efficiencies of existing assets and 2) integration of previous acquisitions, no new assets were acquired during H1 2019. That being said, in order to demonstrate the strong

growth profile of NMC's legacy portfolio, highlighted below is revenue and EBITDA growth for assets that existed as at the end of 2017. In other words, all assets acquired during 2018 are excluded for this exercise.

Revenue growth from assets that existed as at end of 2017 stood at 13.1%, in line with the upper end of the guidance of 12-13% for FY 2019.

- H1 2019 revenues from assets that existed as at end of 2017 stood at US\$1,029.6m (H1 2018: US\$910.4m).
- H1 2019 revenues from assets acquired during 2018 stood at US\$232.6m (H1 2018: US\$50.5m).

EBITDA growth (excluding IFRS 16 impact) from assets that existed as at end of 2017 stood at 15.3% YoY, compared to the guidance of 15% YoY for FY 2019.

- H1 2019 EBITDA (excluding IFRS 16 impact) from assets that existed as at end of 2017 stood at US\$286.8m (H1 2018: US\$248.8m).

H1 2019 EBITDA from assets acquired during 2018 stood at US\$26.2m (H1 2018: US\$8.3m).

Management continues to have conviction in the growth opportunity and profitability of assets added to the portfolio since 2018, which continue to make good progress to adding to overall Group growth potential, and cashflow at comparable economics over the medium-term. Further detail on the status of integration and synergy progress is included in these results.

### Net income

Net income to equity holders stood at US\$138.1m, while adjusted net income to equity holders stood at US\$137.5m (excluding US\$0.6m in gain from bargain purchase from acquisition last year).

Excluding the impact of IFRS 16, net income to equity holders stood at US\$151.0m, up 29.6% YoY. Furthermore, excluding the impact of IFRS 16, adjusted net income to equity holders stood at US\$150.4m (adjusted for one-off gain of US\$0.6m from bargain purchase on the acquisition of Aspen last year).

On a pre-IFRS 16 basis, EBITDA-to-net income to equity holder's conversion ratio stood at 55% vs. 52% for H1 2018. This increase was supported by: 1) greater operational leverage, as existing facilities continue to improve utilization, 2) six months' impact of acquisitions completed last year and 3) reduction in financial leverage. As utilization of existing assets continues to improve, combined with extraction of synergies from acquired assets, this trend of improvement in the conversion ratio is expected to continue in the near to medium term.

### Free cash flow conversion amongst the highest for H1 historically

Free Cash Flow for H1 2019 stood at US\$77.8m (after US\$63.4m spent on growth capex) in H1 2019, compared cash outflow of US\$12.5m in H1 2018.

Note that, in line with the definition utilized in the FY 2018 results presentation, Free Cash Flow is calculated by adjusting Profit Before Tax for non-cash income and expenses, working capital movement and capital expenditure (growth and maintenance). Alternatively, Free Cash Flow can also be calculated using the following formula: Cash Flow from Operating activities adjusted for 1) net finance cost paid, 2) finance lease liabilities paid (IFRS 16 impact), 3) EOSB & tax and 4) capital expenditure (growth and maintenance).

Adjusting for growth capex, Free Cash Flow in H1 2019 stood at US\$141.1m. This translates into EBITDA-to-Free Cash Flow conversion of 51.1% (H1 2018: 2.1%, FY 2018: 50.9%), one of the highest for H1 in the history of the company.

Note that post-interest expense cash flows are utilized for the purpose of calculation of EBITDA-to-Free Cash Flow conversion.

	H1 2019	H1 2018	H1 2017
Free cash flow (A)	77.8	(12.5)	52.9
Growth capex	63.4	17.2	10.0
Free cash flow adjusted for growth capex (B)	141.1	4.7	63.0
EBITDA (excluding IFRS 16 impact)	276.3	225.5	170.7
<b>EBITDA-to-Free cash flow conversion based on (B)</b>	<b>51.1%</b>	<b>2.1%</b>	<b>36.9%</b>

A significant portion of NMC's operational beds remain in early stages of ramp-up. Improved utilization of these beds, combined with continued centralization of services, will further enhance operational leverage which in turn should improve cash flow conversion in the coming years.

In fact, H2 has historically witnessed improved Free Cash Flow conversion compared to H1 in each year since 2012.

	FY 2018	FY 2017
Free cash flow (A)	146.6	167.5

Growth capex	101.2	31.4
Free cash flow adjusted for growth capex (B)	247.8	198.9
EBITDA (excluding IFRS 16 impact)	487.4	353.4
<b>EBITDA-to-Free cash flow conversion based on (B)</b>	<b>50.9%</b>	<b>56.3%</b>

## Other income

Other income of US\$55.6m (H1 2018: US\$41.1m) recorded in H1 2019, includes US\$44.1 (H1 2018: 28.7m) reimbursement of costs incurred by NMC on behalf of other parties, with corresponding expenses reported in direct costs and general and administrative expenses (see Note 8 to the Financial Statements for details). Consequently, other income contributed US\$11.5m (H1 2018: US\$12.4m) to EBITDA in H1 2019. This amount primarily associated with incidental, one-off ancillary services for the Healthcare division.

<b>Other Income</b>	<b>H1 2019 (US\$m)</b>
Reimbursement of advertisement & promotional expenses for distribution business	30.6
Reimbursement of expenses for O&M contracts	13.5
Other ancillary income	11.5
<b>Total</b>	<b>55.6</b>

## IFRS 16 reconciliation

The tables below illustrate the changes introduced by IFRS 16 which impact both the income statement and the balance sheet.

### INCOME STATEMENT IMPACT

<b>(US\$m)</b>	<b>Pre-IFRS 16</b>	<b>IFRS 16 impact</b>	<b>As reported (post-IFRS 16)</b>
Revenues	1,236.0	-	1,236.0
EBITDA	276.3	47.2*	323.5
Financial expenses	(67.6)	-	(67.6)
Finance cost relating to Lease liabilities	-	(24.3)	(24.3)
Depreciation & Amortization	(59.4)	-	(59.4)
Depreciation (right of use assets)	-	(36.0)	(36.0)
Profit for the period	153.1	(13.1)	140.0
Net income to equity holders	151.0	(12.9)	138.1

\*: rental expense removed from operating costs

The group recorded an opening lease liability of US\$729.3m (see note 2.2 to the Financial Statements for details) under IFRS 16. As on 30th June 2019, the total closing lease liability is US\$706.9m. The Group's estimates of closing lease liability by December 2019 is in line with the guidance of US\$690m.

## Working capital improvement

Group working capital cycle improved to 90 days in H1 2019, despite of reduction in payables days. The improvement in Group working capital cycle was driven by reduction in receivables days and inventory days in particular.

<b>Group working capital</b>	<b>H1 2019</b>	<b>FY 2018</b>	<b>H1 2018</b>
Trade receivables (US\$m)*	616	563	555
<i>Receivables days</i>	89	99	107
Inventory (US\$m)	215	247	209
<i>Inventory days</i>	56	74	68
Trade payables (US\$m)*	225	248	193
<i>Payables days</i>	56	67	57
<b>Working capital cycle (days)</b>	<b>90</b>	<b>106</b>	<b>118</b>

\*Includes related parties' trade and non-trade receivables and payables

The reduction in receivable days in H1 2019 was driven by:

- Improved Revenue Cycle (RCM) management.



- Sharp focus on improving receivables collection in KSA.
- Increased contribution from cash-based businesses, including IVF, cosmetics and Aspen Healthcare.

Note that the Healthcare segment accounted for 76.1% (FY 2018: 77.1%) of receivables and 36.2% (FY 2018: 30.5%) of inventory in H1 2019.

## Other Receivables

Other receivables stood at US\$61.2m, compared to US\$36.3m in FY 2018. The increase can largely be explained by the inclusion of following items in H1 2019:

	H1 2019
O & M related receivables*	9.0
Accounting reclassification on closing of acquisition	9.5

\* Receivables from to non-related party O&M contracts (fees as well as reimbursement of expenses) entered into late 2018

## Related party transactions

In terms of regular operations, NMC is engaged with related parties in three key forms of transactions: 1) purchase of generic pharmaceuticals manufactured in Neopharma (owned by Dr. B.R. Shetty), 2) management fees received from Emirates Healthcare Group for O&M services provided to them and 3) pharmaceutical sales to medical facilities under O&M contracts. Note 25 to the Financial Statements provides details of the transactions conducted with these related parties during H1 2019.

Neopharma is one of a handful of UAE-based generic pharmaceutical manufacturers. Purchases from Neopharma are done by the NMC's Distribution business, with the majority of the inventory meant for resale to other parties. In fact, less than 15% of purchases from Neopharma are utilized by NMC's own healthcare business. Furthermore, with both the regulator and insurers increasingly favouring UAE-based generics, it is vital for the Distribution division to be able to offer these products to customers to ensure sustained growth of business. Note that all purchases from Neopharma are subject to regulated prices fixed by the Ministry of Health in the UAE.

In terms of management fees, NMC manages all healthcare assets of the Emirates Healthcare Group under an O&M contract signed in 2017. A total of US\$5.4m (H1 2018: US\$2.5m) in management fees was earned in H1 2019 in relation to these contracts.

In terms of sales to facilities under O&M contracts, the Distribution division supplied pharmaceutical products worth US\$9.1m during H1 2019. Such cross-sales represent a significant growth opportunity beyond direct revenue generation from O&M contracts.

A total of US\$13.1m (FY 2018: US\$7.3m) was also recognized on the balance sheet under "Amounts due from related parties", which includes trade receivables against O&M fees and pharmaceutical sales, as well as reimbursable expenses under O&M contracts. Moreover, payables worth US\$24.5m (FY 2018: US\$47.7m) are mostly due against purchase from Neopharma.

## Details of financial expenses

Financial charges of US\$44.3m reported for borrowings in H1 2019 includes US\$3.1m in bank charges and US\$4.3m in non-cash, accounting expenses.

(US\$m)	H1 2019	H1 2018
Bank interest	36.9	44.8
Bank charges	3.1	2.6
Financial instruments fair value adjustments	0.7	3.6
Amortization and re-measurement of option redemption liability	3.6	0.6
<b>Finance cost (Borrowings)</b>	<b>44.3</b>	<b>51.6</b>

## Convertible bond and sukuk

Total financial charges of US\$23.3m for convertible bond and sukuk in H1 2019 include US\$6.6m non-cash, notional interest on the convertible bond.

(US\$m)	H1 2019	H1 2018
Coupon payment on convertible bond	4.2	-
Notional interest on convertible bond	6.6	3.2
Interest on sukuk	12.5	-
<b>Finance cost (Convertible bond &amp; sukuk)</b>	<b>23.3</b>	<b>3.2</b>

## Capital expenditure

NMC continues to pursue a well-defined and disciplined capital expenditure program that reinforces its position as the leading healthcare operator in the GCC. While maintenance capex is helping upgrade the quality and mix of services at existing facilities, growth capex is allowing the Group to capitalize on opportunistic growth initiatives in its home country UAE, as well as other target markets.

H1 2019 witnessed total capital expenditure of US\$96.5m, with US\$63.4m spent on growth capex and US\$33.1m on maintenance capex. This capex, along with that incurred in 2018, is aimed at expansion plans that are expected to increase NMC's current capacity of 2,207 beds (excluding beds in CARE) by up to 560 beds (up to 385 in UAE and up to 175 in Oman).

UAE was the largest recipient of growth capex, accounting for 87.2% (US\$55.3m) of the total for the first half of the year. Oman ranked as the second largest recipient of growth capex, accounting for 6.6% of the total, where two new hospitals are being constructed among other facilities. Furthermore, US\$3.9m (6.2%) was incurred on IVF clinics across Europe to further increase the Group's fertility clinic network.

Within the UAE, NMC continued to spend on the buildout of a number of hospitals and clinics. Notably, a new building was purchased in Sharjah to establish a new hospital (up to 75 beds) focused on the mid-income segment market.

The Group also continues to expand the network of CosmeSurge clinics, both within the UAE and the wider GCC.

In terms of expectations for capital expenditure for the full year, management remains comfortable with the guidance previously provided of 3% of revenues as maintenance and US\$100m in growth expenditure, bringing the total to c. US\$175m.

### Summary of growth capex by region (H1 2019)

Region	Beds capacity addition	Capex incurred (US\$m)
UAE	Up to 385 Beds & clinics	55.3
Oman	up to 175 beds	4.2
IVF clinics across Europe	Clinics	3.9

## ACQUISITIONS & INVESTMENTS

Following an active year in terms of M&A in 2018, management has been focusing on integration and extraction of synergies during the current year. Excluding the acquisition of CARE shares, there has been no significant investment activity during H1 2019 (US\$65m spent on acquisition of shares in Tadawul listed National Medical Care Company and US\$2.4m paid in transaction costs related to the overall transaction). A summary of investments made during H1 2019 is as follows:

Detail	US\$m
Consideration Paid for 10.32% CARE shares	65.0
Transaction cost relating to overall GOSI transaction	2.4
<b>Total amount paid for strategic partnership with GOSI</b>	<b>67.4</b>
Purchase of minorities in KSA-based subsidiaries	7.4
Deferred/Contingent consideration paid for previous acquisitions	2.8
<b>Total</b>	<b>77.6</b>

Recognizing the inherent value of its assets in KSA, NMC has been increasing its stake in previously acquired hospitals through the purchase of outstanding minorities. The table below highlights the current ownership of the assets by NMC

KSA, compared to last year (note that the US\$7.4m spent during H1 2019 to increase NMC's stake in Al Qadi and Al Salam hospital which was incurred prior to the finalization of the partnership with GOSI).

Hospital Name	NMC KSA* Ownership %	
	As on June 2019	As on June 2018
As Salama Hospital, Al Khobar	99%	99%
NMC Specialty Hospital, Al Salam, Riyadh	95%	80%
Chronic Care Specialty Medical Centre, Jeddah	100%	100%
New Medical Center Hospital, Hail	100%	100%
Al Qadi Specialty Hospital, Najran	80%	60%

\*: Following its partnership with GOSI, NMC owns 53% of NMC KSA

### Goodwill

Goodwill stood at US\$1.4b (2018: US\$1.4b) in H1 2019, translating into 28.9% (2018: 37.2%) of the total asset base. Management remains very comfortable with the performance of the underlying assets that have resulted in this Goodwill. Having maintained the same Goodwill testing policy since IPO, the Group allocates each acquired asset to an operating segment, based on the business division (Healthcare or Distribution). Given that NMC is an integrated business, cash generating units are aggregated to operating segment level. It is the view of management that goodwill resulting from the acquisitions will generate economic benefits only when combined with other assets (i.e. assets within the healthcare or distribution segments), therefore the impairment test applied at operating segment remains appropriate. Strong operational performance across both the Healthcare and Distribution divisions, translating into healthy cash flow generation for both CGUs, supports the Goodwill recognized on the balance sheet.

## OUTLOOK

### Remain comfortable with FY 2019 guidance

Given the strong performance in H1 2019, management re-iterates the guidance provided earlier for FY 2019:

- **Post IFRS 16 guidance:**
  - 2019 revenues: US\$2,500-2,540m
  - 2019 EBITDA: US\$665-675m
  - 2019 net income to equity holders: US\$297-305m
  - 2019 lease liability: US\$680-690m
- **Pre-IFRS 16 guidance:**
  - 2019 revenues: US\$2,500-2,540m
  - 2019 EBITDA: US\$575-585m
  - 2019 net income to equity holders: US\$320-330m

## GOVERNANCE

### Enhancing governance: independent oversight of related party transactions

Alongside the Group's sustained growth and integration initiatives, the Board and management also continue to focus on enhancing governance and ESG. These initiatives, including increasing financial disclosure and enhancing risk management processes, underline the Group's drive to ensure that its position as a responsible business is maintained and continually enhanced.

As part of this continuing program the Board of NMC has appointed a Related Party Transactions Committee. The vast majority of related party transactions entered into by Group companies are regulated under government control and set pricing. The Group also has robust internal controls in relation to the identification, recording and disclosure of RPTs. To further enhance governance, given the increasing volume of such transactions driven by our sustained business growth, the Board has decided to follow the approach taken by other relevant FTSE 100 listed companies, and to have a Committee providing independent oversight over related party transactions across the Group.

The Independent Board Committee's principal role will be:

- Reviewing, with the assistance of independent advisers, RPT contracts and oversee the framework operated by the Group in relation to any RPTs which the Group has or will enter into;
- Reporting to the Board on internal processes ensuring RPT's are entered into on normal commercial terms and on the availability and appropriateness of alternative suppliers for contracts entered into with related parties.

The work of the Committee will be summarised in the Company's Annual Report each year. The terms of reference for the Committee are published on the Company's corporate website.

### Going concern

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the directors continue to adopt the going concern basis in preparing the condensed financial statements.

### Statement of directors' responsibilities

The Interim report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority. The Disclosure and Transparency Rules ("DTR") require that the accounting policies and presentation applied to the half-yearly figures must be consistent with those applied in the latest published annual accounts, except where the accounting policies and presentation are to be changed in the subsequent annual accounts, in which case the new accounting policies and presentation should be followed, and the changes and the reasons for the changes should be disclosed in the Interim Report, unless the United Kingdom Financial Conduct Authority agrees otherwise.

The directors confirm that this condensed set of financial statements has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union, and that to the best of their knowledge, the Business and Finance Reviews contained herein includes a fair review of:

- The important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements as required by DTR 4.2.7R;
- The principal risks and uncertainties for the remaining six months of the year as required by DTR 4.2.7R; and
- Related party transactions that have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the Group during the first six months of the current financial year as required by DTR 4.2.8R.

For and on behalf of the Board of Directors:

Prashanth Shenoy  
Chief Financial Officer

21 August 2019

## Principal risks and mitigations

Risk Class	Description and Potential Impact	Controls and Mitigations
Investment	<p>Bad decisions and/or delays in relation to either acquisition or organic growth investments or an inability to appropriately execute integration or new facility ramp-up plans may result in:</p> <ul style="list-style-type: none"> <li>● Lower Return on Investment (ROI);</li> <li>● Lower revenue than expected;</li> <li>● Decreased margins and market share;</li> <li>● Potential for impairment of assets;</li> <li>● Potential difficulty in raising future finance.</li> </ul>	<ul style="list-style-type: none"> <li>● Board oversight in approving and monitoring strategic projects</li> <li>● Project management controls</li> <li>● Detailed market and business appraisal and comprehensive due diligence processes</li> <li>● Focus on integration pathway to improve Group revenue generation from intra-group business referrals and multi-brand sharing of facilities and centralized services</li> <li>● Strategy to acquire international know-how through acquisition plan</li> <li>● Re-alignment of existing assets within the Group's hub and spoke model (e.g. existing specialty hospitals feeding the regional NMC Royal Hospital, Khalifa City)</li> </ul>
Competition	<p>Increased competition due to high private and public investments in the UAE healthcare sector and associated investments coming from new entrants or existing player partnerships would lead to market share loss and potential reduction in access to future growth in UAE healthcare spend.</p>	<ul style="list-style-type: none"> <li>● Integrated Hub-Spoke model</li> <li>● Growing healthcare network</li> <li>● Partnership with Government hospitals</li> <li>● The development of international partnerships and use of increased know-how gained through strategic growth plan</li> <li>● Diversification of patient base</li> <li>● Variety in service offerings</li> </ul>
Financial	<p>Failure to focus on, and invest in, innovation and technological advances and effectively deliver new services or enhance patient experience. Inexperience of operating in new markets/offerings leads to missed opportunity or poor service delivery</p>	<ul style="list-style-type: none"> <li>● Frequent monitoring of both fixed and variable cost</li> <li>● Synergy tracking and reporting</li> <li>● Acquiring the skills associated with the M&amp;A transactions</li> <li>● Continuous development of both front and back end IT related processes to enhance patient experience</li> <li>● Strategy to target investment in innovation and future healthcare services development</li> </ul>
Financial	<p>Potential adverse effect NMC's revenue and profitability as a result of unexpected regulatory or cultural changes affecting the provision of healthcare, the basis of the healthcare insurance structure or increases in medical inflation and pricing pressure and bargaining from key insurance providers in the Group's key markets, would result in reduced profitability</p>	<ul style="list-style-type: none"> <li>● Diversification of the revenue streams</li> <li>● Increased collaboration between different group assets and businesses</li> <li>● Frequent monitoring of both fixed and variable cost</li> <li>● Good relationships with insurance providers</li> <li>● Strategy to increase patient volumes and focus on clinical specialisms</li> <li>● Proactive approach relationships and dialogue with the Group's regulators</li> <li>● M&amp;A Strategy in new markets</li> </ul>
Macro-economic	<p>Potential instability in revenue impairing cash flow, working capital health and greater exposure to credit risk as a result of global and regional demographic, macro-economic and geopolitical factors.</p>	<ul style="list-style-type: none"> <li>● UAE is a stable and booming market to operate in</li> <li>● Diverse business and revenue streams</li> </ul>

Risk Class	Description and Potential Impact	Controls and Mitigations
	<p>Uncertainty in the global financial markets may result in exposure to interest rate risk which would impact profitability of the Group</p>	<ul style="list-style-type: none"> <li>● Long Term debt facilities and unutilized working capital limits</li> <li>● Strong banking and supplier relationships</li> </ul>
Financial	<p>Failure to maximize the opportunity of acquisitions through successful integration strategies or through ineffective management structure or operating model may result in:</p> <ul style="list-style-type: none"> <li>● Increased market and regulatory/ legal obligations;</li> <li>● Increased culture resistance and complexity in shifting the governance model from enterprise to corporate structure;</li> <li>● Increased operational exposure due to the complexity of integrating higher number of spokes to centralized hub of excellence;</li> <li>● Increased investment risk due to weak due diligence and other mitigates.</li> </ul>	<ul style="list-style-type: none"> <li>● Implementation of a cluster structure to ensure that synergies are attained while maintaining appropriate autonomy at the facility level</li> <li>● Full due diligence</li> <li>● Development of standardised policies across the Group and centralized support functions</li> <li>● Post-acquisition integration plan</li> <li>● Rigorous analysis of value of the acquisition</li> <li>● Focus on the corporate cultures involved</li> <li>● Executive committee reporting and targets</li> <li>● Synergy tracking and reporting</li> <li>● Acquiring the skills associated with the M&amp;A transactions</li> </ul>
Technology	<p>Failure to develop integrated IT systems may result in an inability to manage group information, accounting errors and operational disruption</p> <p>A Data Security (e.g. VIP patient records) breach due to either intentional malicious cyber-attack or unintentional data or system loss resulting in reputational damage, operational disruption or regulatory breach.</p>	<ul style="list-style-type: none"> <li>● ISO 27001 certified framework for IT policies and controls.</li> <li>● Strict measures towards clients' data and records</li> <li>● Some of the Group's businesses are still progressing through an integration phase, however manual processes, supported by legacy IT systems, continues to provide a robust level of control.</li> </ul>
Compliance & Regulation	<p>Failure to comply with multi regulatory and standards bodies' requirements could result in financial fines, inability to renew licenses, as well as NMC reputation damage.</p>	<ul style="list-style-type: none"> <li>● Quality &amp; Standards Department monitors regulatory changes</li> <li>● Partnership with government</li> <li>● Good relationships with regulators and accrediting organizations</li> <li>● Continuous focus on delivering high levels of service</li> </ul>
Product & Service	<p>Failure to comply with internationally recognized clinical care and quality standards, clinical negligence, the misdiagnosis of medical conditions or pharmaceuticals and the supply of unfit products across both divisions could result in regulatory sanction, licence removal, significant reputational damage, loss of patient and customer confidence and potential criminal proceedings.</p>	<ul style="list-style-type: none"> <li>● Regular clinical audits completed by Quality team</li> <li>● Doctors subject to rigorous licensing procedures which operate in the UAE</li> <li>● Healthcare division is a regulated business and five of the Group's principal hospitals have achieved, or are in the process of achieving, international quality standards accreditation</li> <li>● Many aspects of the operation of the Distribution division, including the sale of pharmaceuticals, is regulated in the UAE</li> <li>● Board oversight and integrated governance structure</li> <li>● Medical malpractice insurance to cover any awards of financial damages</li> </ul>

Risk Class	Description and Potential Impact	Controls and Mitigations
		<ul style="list-style-type: none"> <li>● Continuous training and development programs</li> </ul>
Human Capital	<p>Failure to retain/acquire key professionals or inability to acquire sufficient Medical staff could potentially lead to inability to deliver required healthcare services and execute growth strategy.</p>	<ul style="list-style-type: none"> <li>● Partnership with education institutes</li> <li>● Effective sourcing strategies &amp; recruitment campaigns</li> <li>● Ongoing review of senior management resources and succession plans in place for key positions</li> <li>● Competitive salary packages, growth and good working conditions act as a good retention tool</li> <li>● Clear career path for staff and continuous training and development programs</li> </ul>
Product and service	<p>Disruption to the global distribution model may lead to significant changes to the distribution arrangements with “marquee” suppliers which would then impact revenue and profitability of the trading division.</p>	<ul style="list-style-type: none"> <li>● Continuous development of our service offering and communication with key suppliers</li> <li>● Investment in IT and logistics network to ensure a compelling proposition is provided by NMC to key suppliers.</li> </ul>



**NMC Health plc**  
CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

30 JUNE 2019

## Independent review report to NMC Health plc

### Introduction

We have been engaged by the Company to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the condensed consolidated income statement, the condensed consolidated statement of other comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 28. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

### Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual consolidated financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP  
London

Date: 21 August 2019

1. *The maintenance and integrity of the NMC Health plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the web site.*
2. *Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

NMC Health plc

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

		<i>Unaudited</i>	
		<i>Period Ended</i>	<i>Period ended</i>
		<i>30 June</i>	<i>30 June</i>
		<i>2019</i>	<i>2018</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>
	<i>Notes</i>		
Revenue	7	<b>1,236,007</b>	931,970
Direct costs		<b>(692,427)</b>	(555,494)
<b>GROSS PROFIT</b>		<b>543,580</b>	376,476
General and administrative expenses		<b>(275,693)</b>	(191,997)
Other income	8	<b>55,633</b>	41,067
<b>PROFIT FROM OPERATIONS BEFORE DEPRECIATION, AMORTISATION, TRANSACTION COSTS AND IMPAIRMENT</b>		<b>323,520</b>	225,546
Transaction costs in respect of business combinations		-	(2,078)
Transaction costs in respect of convertible bond		-	(174)
Depreciation			
Property and equipment	11	<b>(48,693)</b>	(36,695)
Right of use assets	12	<b>(35,998)</b>	-
Amortisation	13	<b>(10,684)</b>	(6,713)
Impairment of assets		-	(106)
<b>PROFIT FROM OPERATIONS</b>		<b>228,145</b>	179,780
<b>Finance costs</b>			
Borrowings		<b>(44,275)</b>	(48,365)
Convertible bond and sukuk	22	<b>(23,305)</b>	(3,189)
Lease liabilities	23	<b>(24,278)</b>	-
Finance income		<b>3,593</b>	3,616
Share of net profit of an associate	15	<b>107</b>	-
Adjustment to gain from bargain purchase on prior year acquisition	6	<b>607</b>	-
Unamortised finance fees written off	21	-	(13,124)
<b>PROFIT FOR THE PERIOD BEFORE TAX</b>		<b>140,594</b>	118,718
Tax	9	<b>(514)</b>	(2,026)
<b>PROFIT FOR THE PERIOD</b>		<b>140,080</b>	116,692
Profit for the period attributable to:			
Equity holders of the Parent		<b>138,123</b>	116,494
Non-controlling interests		<b>1,957</b>	198
<b>PROFIT FOR THE PERIOD</b>		<b>140,080</b>	116,692
Earnings per share for profit attributable to the equity holders of the Parent:			
Basic EPS (US\$)	10	<b>0.662</b>	0.561

Diluted EPS (US\$)

10

**0.659**

0.557

NMC Health plc

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	<i>Unaudited</i>	
	<i>Period Ended</i>	<i>Period ended</i>
	<i>30 June</i>	<i>30 June</i>
	<i>2019</i>	<i>2018</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Profit for the period</b>	<b>140,080</b>	116,692
<b>Other comprehensive income (loss)</b>		
<i>Other comprehensive loss to be reclassified to income statement in subsequent periods (net of tax)</i>		
Exchange differences on translation of foreign operations	<b>(1,826)</b>	(5,790)
<i>Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax)</i>		
Re-measurement gains on defined benefit plans	<b>748</b>	-
<b>Other comprehensive loss for the period (net of tax)</b>	<b>(1,078)</b>	(5,790)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>139,002</b>	110,902
Total comprehensive income attributable to :		
Equity holders of the Parent	<b>137,252</b>	111,376
Non-controlling interests	<b>1,750</b>	(474)
Total comprehensive income	<b>139,002</b>	110,902

These results relate to continuing operations of the Group. There are no discontinued operations in the current and prior period.

The attached notes 1 to 28 form part of the condensed consolidated financial statements.

NMC Health plc

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		<i>Unaudited</i>	<i>Audited</i>
		<i>30 June</i>	<i>31 December</i>
		<i>2019</i>	<i>2018</i>
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	11	<b>869,590</b>	829,900
Right of use assets	12	<b>661,864</b>	-
Intangible assets	13	<b>1,609,514</b>	1,618,450
Investment in an associate	15	<b>318,567</b>	-
Deferred tax assets		<b>6,583</b>	5,794
Advances paid for acquisitions	6	-	18,301
Other non-current assets		<b>4,354</b>	8,478
		<b>3,470,472</b>	2,480,923
<b>Current assets</b>			
Inventories	16	<b>214,859</b>	247,306
Accounts receivable and prepayments	17	<b>704,712</b>	639,124
Loan receivable	14	<b>2,501</b>	2,001
Amounts due from related parties	25	<b>13,102</b>	7,346
Income tax receivable		<b>1,463</b>	4,532
Bank deposits	18	<b>67,032</b>	167,156
Bank balances and cash	18	<b>507,116</b>	324,027
		<b>1,510,785</b>	1,391,492
<b>TOTAL ASSETS</b>		<b>4,981,257</b>	3,872,415
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	19	<b>32,513</b>	32,443
Share premium	19	<b>640,946</b>	633,744
Group restructuring reserve		<b>(10,001)</b>	(10,001)
Foreign currency translation reserve		<b>(4,626)</b>	(3,007)
Option redemption reserves		<b>(40,372)</b>	(40,372)
Convertible bond equity component	22	<b>64,960</b>	64,960
Retained earnings	20	<b>711,537</b>	626,015
<b>Equity attributable to equity holders of the Parent</b>		<b>1,394,957</b>	1,303,782
Non-controlling interests		<b>294,016</b>	52,981
<b>Total equity</b>		<b>1,688,973</b>	1,356,763

## NMC Health plc

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

continued

As at 30 June 2019

	<i>Notes</i>	<i>Unaudited 30 June 2019 US\$'000</i>	<i>Audited 31 December 2018 US\$'000</i>
<b>Non-current liabilities</b>			
Term loans	21	<b>863,065</b>	660,835
Convertible bond and Sukuk	22	<b>790,193</b>	783,009
Post-employment benefit plans		<b>55,674</b>	55,137
Other payables		<b>4,850</b>	15,689
Option redemption payable		<b>8,010</b>	20,179
Lease liabilities	23	<b>665,186</b>	2,995
Deferred tax liabilities		<b>17,562</b>	17,745
		<b>2,404,540</b>	1,555,589
<b>Current liabilities</b>			
Accounts payable and accruals		<b>267,426</b>	317,587
Other payables		<b>11,337</b>	6,806
Option redemption payable		<b>41,116</b>	26,019
Amounts due to related parties	25	<b>24,518</b>	47,737
Bank overdrafts and other short term borrowings		<b>190,351</b>	168,950
Term loans	21	<b>251,596</b>	379,919
Post-employment benefit plans		<b>8,529</b>	6,549
Income tax payable		<b>2,860</b>	4,812
Lease liabilities	23	<b>41,680</b>	1,684
Dividend payable	24	<b>48,331</b>	-
		<b>887,744</b>	960,063
<b>Total liabilities</b>		<b>3,292,284</b>	2,515,652
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,981,257</b>	3,872,415

The condensed consolidated financial statements were authorised for issue by the board of directors on 21 August 2019 and were signed on its behalf by

Prasanth Manghat  
Chief Executive Officer

Prashanth Shenoy  
Chief Financial Officer

The attached notes 1 to 28 form part of the condensed consolidated financial statements.



NMC Health plc

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

*Attributable to the equity holders of the Parent*

	<i>Share capital</i>	<i>Share premium</i>	<i>Group restructuring reserve</i>	<i>Retained earnings</i>	<i>Foreign currency translation reserve</i>	<i>Option redemption reserves</i>	<i>Equity component of convertible bonds</i>	<i>Total</i>	<i>Non-controlling interest</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Balance as at 1 January 2019 (audited)	32,443	633,744	(10,001)	626,015	(3,007)	(40,372)	64,960	1,303,782	52,981	1,356,763
Profit for the period	-	-	-	138,123	-	-	-	138,123	1,957	140,080
Other comprehensive income (loss)	-	-	-	748	(1,619)	-	-	(871)	(207)	(1,078)
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>138,871</b>	<b>(1,619)</b>	<b>-</b>	<b>-</b>	<b>137,252</b>	<b>1,750</b>	<b>139,002</b>
Dividend (Note 24)	-	-	-	(47,563)	-	-	-	(47,563)	(2,432)	(49,995)
Share exercise for stock option (Note 19)	70	7,202	-	(7,272)	-	-	-	-	-	-
Contribution by non- controlling interest	-	-	-	-	-	-	-	-	534	534
Acquisition of non-controlling interest (Note 5)	-	-	-	(15,416)	-	-	-	(15,416)	858	(14,558)
Investment in an associate (Note 15)	-	-	-	10,523	-	-	-	10,523	240,529	251,052
Adjustment to prior year business combinations (Note 6)	-	-	-	-	-	-	-	-	(204)	(204)
Share based payments	-	-	-	6,379	-	-	-	6,379	-	6,379
<b>Balance as at 30 June 2019 (unaudited)</b>	<b>32,513</b>	<b>640,946</b>	<b>(10,001)</b>	<b>711,537</b>	<b>(4,626)</b>	<b>(40,372)</b>	<b>64,960</b>	<b>1,394,957</b>	<b>294,016</b>	<b>1,688,973</b>

## NMC Health plc

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

#### Attributable to the equity holders of the Parent

	Share capital	Share premium	Group restructuring reserve	Retained earnings	Foreign currency translation reserve	Option redemption reserves	Equity component of convertible bonds	Total	Non- controlling interest	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance as at 1 January 2018 (audited)	31,928	492,634	(10,001)	603,240	5,398	(33,483)	-	1,089,716	54,910	1,144,626
IFRS 9 credit risk adjustment	-	-	-	(10,695)	-	-	-	(10,695)	-	(10,695)
Balance as at 1 January 2018 (audited)	31,928	492,634	(10,001)	592,545	5,398	(33,483)	-	1,079,021	54,910	1,133,931
Profit for the period	-	-	-	116,494	-	-	-	116,494	198	116,692
Other comprehensive loss	-	-	-	-	(5,118)	-	-	(5,118)	(672)	(5,790)
Total comprehensive income (loss) for the period	-	-	-	116,494	(5,118)	-	-	111,376	(474)	110,902
Dividend (Note 24)	-	-	-	(35,739)	-	-	-	(35,739)	(1,700)	(37,439)
Issuance of share capital-new	477	138,714	-	-	-	-	-	139,191	-	139,191
Share exercise for stock option	35	2,140	-	(2,175)	-	-	-	-	-	-
Equity component convertible bond (Note 22)	-	-	-	-	-	-	66,034	66,034	-	66,034
Option redemption reserve	-	-	-	-	-	(6,890)	-	(6,890)	-	(6,890)
Acquisition of non-controlling interest (Note 5)	-	-	-	(184,406)	-	-	-	(184,406)	(40,926)	(225,332)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	26,591	26,591
Adjustment to prior year business combinations	-	-	-	-	-	-	-	-	(1,606)	(1,606)
Adjustment for current period	-	-	-	566	-	-	-	566	1,886	2,452
Share based payments	-	-	-	4,791	-	-	-	4,791	-	4,791
Transaction cost on issuance of convertible bond (Note 22)	-	-	-	-	-	-	(1,074)	(1,074)	-	(1,074)
<b>Balance as at 30 June 2018 (unaudited)</b>	<b>32,440</b>	<b>633,488</b>	<b>(10,001)</b>	<b>492,076</b>	<b>280</b>	<b>(40,373)</b>	<b>64,960</b>	<b>1,172,870</b>	<b>38,681</b>	<b>1,211,551</b>

The attached notes 1 to 28 form part of the condensed consolidated financial statements.

## NMC Health plc

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

		<i>Unaudited</i>	
		<i>Period Ended</i>	<i>Period ended</i>
		<i>30 June</i>	<i>30 June</i>
		<i>2019</i>	<i>2018</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>
<b>OPERATING ACTIVITIES</b>	<i>Notes</i>		
Profit for the period before tax		<b>140,594</b>	118,718
Adjustments for:			
Employees' end of service benefits		<b>7,617</b>	5,850
Depreciation of property and equipment	11	<b>48,693</b>	36,695
Depreciation of right of use assets	12	<b>35,998</b>	-
Amortisation of Intangible assets	13	<b>10,684</b>	6,713
Finance income		<b>(3,593)</b>	(3,616)
Finance costs		<b>91,858</b>	51,554
Loss on disposal of property and equipment		<b>80</b>	1
Foreign exchange (gain) loss		<b>(1)</b>	347
Unamortised finance fees written off		<b>-</b>	13,124
Impairment of assets		<b>-</b>	106
Transaction cost in respect of bond		<b>-</b>	174
Share based payments expense		<b>6,379</b>	4,791
Share of net profit of an associate	15	<b>(107)</b>	-
		<b>338,202</b>	234,457
Working capital changes:			
Inventories		<b>32,491</b>	(19,935)
Accounts receivable and prepayments		<b>(61,603)</b>	(95,374)
Amounts due from related parties		<b>(5,756)</b>	(4,977)
Accounts payable and accruals		<b>(5,193)</b>	(27,729)
Amounts due to related parties		<b>(23,293)</b>	(3,425)
Net cash from operations		<b>274,848</b>	83,017
Employees' end of service benefits paid		<b>(4,353)</b>	(3,815)
Income tax (paid) / receipt		<b>(1,084)</b>	370
Net cash from operating activities		<b>269,411</b>	79,572
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	11	<b>(94,735)</b>	(55,725)
Purchase of intangible assets	13	<b>(1,786)</b>	(690)
Proceeds from disposal of property and equipment		<b>126</b>	160
Acquisition of subsidiaries, net of cash acquired	6	<b>(396)</b>	(359,605)
Investment in an associate	15	<b>(67,408)</b>	-
Purchase consideration paid in advance		<b>-</b>	(69,055)
Asset held for sale		<b>-</b>	(1,312)
Bank deposits maturing in over 3 months		<b>107,471</b>	41,055
Restricted cash		<b>6,787</b>	(32,122)
Finance income received		<b>1,707</b>	1,995
Loan receivables	14	<b>(500)</b>	(8,725)
Other non-current assets		<b>(2,202)</b>	(404)
Contingent consideration paid for acquisition	28	<b>(2,124)</b>	(2,422)
Net cash used in investing activities		<b>(53,060)</b>	(486,850)

NMC Health plc

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS continued  
For the six months ended 30 June 2019

		<i>Unaudited</i>	
		<i>Period Ended</i>	<i>Period ended</i>
		<b>30 June</b>	<b>30 June</b>
		<b>2019</b>	<b>2018</b>
<i>Notes</i>		<i>US\$ '000</i>	<i>US\$ '000</i>
<b>FINANCING ACTIVITIES</b>			
	21	<b>375,814</b>	898,783
	21	<b>(302,414)</b>	(716,280)
		<b>(2,395)</b>	(21,228)
		<b>80,987</b>	140,879
		<b>(113,783)</b>	(141,532)
	23	<b>(49,142)</b>	-
	22	-	450,000
	22	-	(7,316)
	5	<b>(7,432)</b>	(82,497)
		<b>(705)</b>	(3,600)
		<b>(1,664)</b>	(3,034)
		<b>534</b>	(2,764)
		<b>(53,123)</b>	(41,126)
		<b>(73,323)</b>	470,285
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>143,028</b>	63,007
		<b>308,076</b>	206,462
		<b>451,104</b>	269,469
	18	<b>451,104</b>	269,469

The attached notes 1 to 28 form part of the condensed consolidated financial statements.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
At 30 June 2019**1 CORPORATE INFORMATION**

NMC Health plc (the “Company” or “Parent”) is a company which was incorporated in England and Wales on 20 July 2011. The Company is a public limited liability company operating in the Middle East, Europe, United Kingdom, Africa, South America, North America and South Asia. The Group is primarily based in United Arab Emirates (“UAE”). The address of the registered office of the Company is Level 1, Devonshire House, One Mayfair Place, London, W1J 8AJ. The registered number of the Company is 7712220. The Company’s immediate and ultimate controlling party is a group of three individuals (H.E. Saeed Mohamed Butti Mohamed Al Qebaisi (H.E. Saeed Bin Butti), Dr BR Shetty and Mr Khalifa Butti Omair Yousif Ahmad Al Muhairi (Mr. Khalifa Bin Butti) who are all shareholders and of whom two are directors of the Company and who together have the ability to control the Company.

The Parent and its subsidiaries (collectively the “Group”) are engaged in providing professional medical services, home care services, long term care services and the provision of all types of research and medical services in the field of gynaecology, obstetrics and human reproduction, and the rendering of business management services to companies in the health care and hospital sector. The Group is also engaged in wholesale of pharmaceutical goods, medical equipment, cosmetics and food.

The condensed consolidated financial statements of the Group for the six months ended 30 June 2019 were authorised for issue by the Board of Directors on 21 August 2019.

The condensed consolidated financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006.

Statutory financial statements for the year ended 31 December 2018 were published and were delivered to Companies House. Those financial statements were approved by the Board of Directors on 6 March 2019. The report of the auditor on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The condensed consolidated financial statements have been reviewed, not audited.

**2 BASIS OF PREPARATION AND CHANGES TO GROUP’S ACCOUNTING POLICIES****2.1 Basis of preparation**

The condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority and with IAS 34, ‘Interim financial reporting’ as adopted by the European Union.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read together with the consolidated financial statements of NMC Health plc as of 31 December 2018 which were prepared in accordance with IFRS (as adopted in the European Union).

The condensed consolidated financial statements are prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
At 30 June 2019**2 BASIS OF PREPARATION AND CHANGES TO GROUP'S ACCOUNTING POLICIES** continued**2.2 Changes to Group's Accounting policies**

The principal accounting policies adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019 as described below and the adoption of accounting policies arising as result of acquisitions completed in 2019:

**New and amended standards and interpretations:**

The Group applied, for the first-time, IFRS 16 *leases*, which is effective for annual periods beginning on or after 1 January 2019. As required by IAS 34, the nature and effect of those changes are described below. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

**IFRS 16 Leases**

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

***Nature of the effect of the adoption of IFRS 16***

The Group has lease contracts for various items of land, hospital buildings, clinic buildings, staff accommodation and office buildings among others. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

***Leases previously classified as finance leases***

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2019

#### 2 BASIS OF PREPARATION AND CHANGES TO GROUP'S ACCOUNTING POLICIES continued

##### 2.2 Changes to Group's Accounting policies continued

##### IFRS 16 Leases continued

###### *Leases previously accounted for as operating leases*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- Relied on its assessment of whether leases are onerous immediately before the date of initial application

The effect of adopting the requirements of IFRS 16, as at 1 January 2019 is as follows:

	<b>US\$ '000 Increase / (Decrease)</b>
<b>Assets</b>	
Right of use assets (Note 12)	695,194
Property and equipment (Note 11)	(6,854)
Other non-current assets	(2,772)
Accounts receivable and prepayments	(9,613)
<b>Total Assets</b>	<b>675,955</b>
<b>Liabilities</b>	
Lease liabilities (Note 23)	729,269
Current portion- finance lease liabilities	(1,684)
Non-current portion- finance lease liabilities	(2,995)
Accounts payables and accruals	(48,635)
<b>Total Liabilities</b>	<b>675,955</b>

## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

#### 2 BASIS OF PREPARATION AND CHANGES TO GROUP'S ACCOUNTING POLICIES continued

##### 2.2 Changes to Group's Accounting policies continued

###### IFRS 16 Leases continued

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

Lease liabilities details	US\$ '000
Non-cancellable operating lease commitments disclosed as at 31 December 2018	169,064
Further lease commitments identified *	352,203
Effect of discounting based on weighted average incremental borrowing rate as at 1 January 2019.	(66,493)
Discounted operating lease commitments as at 1 January 2019	<b>454,774</b>
Amounts reclassified with respect to previously recognised finance lease	4,679
Payments in optional extension periods not recognised at 31 December 2018	18,106
Payments with respect to operating leases previously cancellable at the option of lessee	251,710
<b>Lease liabilities recognised as at 1 January 2019</b>	<b>729,269</b>

\* Following a review of lease data validation during the IFRS 16 transition process, additional lease payments were identified which were previously not part of operating lease commitments.

###### Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16 on 01 January 2019:

###### Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

###### Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and variable lease payments that depend on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.



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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
At 30 June 2019**2 BASIS OF PREPARATION AND CHANGES TO GROUP'S ACCOUNTING POLICIES** continued**2.2 Changes to Group's Accounting policies** continued**IFRS 16 Leases** continued

*Summary of new accounting policies continued*

**Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term staff accommodation leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US\$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term

**Significant judgement in determining the lease term of contracts with renewal options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The management has exercised significant judgement in determining the lease term of contracts with renewal options. Management has exercised judgement to conclude that leases which previously only included optional renewal terms (at the discretion of the lessee) and with no non-cancellable term, on adoption of IFRS 16, the lease term for such leases will extend to the period the Group is reasonably certain not to exercise an option to terminate the leases. Management has assessed for each lease type (i.e. land, hospital buildings, clinic buildings, office buildings, staff accommodation and others) whether the lease is critical to the Group's operations, the past renewal history for its leases and other factors that create an economic incentive for it to exercise the renewal such as the initial investment made by the Group on the leased properties (and the useful lives for such leasehold improvement). On this basis the management has determined their best estimate of the lease term for each lease. The lease period determined will be reassessed at each reporting period.

Amounts recognised in the statement of financial position and income statement are disclosed under note 12.

Apart from IFRS 16, several other amendments and interpretations, as listed below, applied for the first time in 2019, but do not have an impact on the condensed consolidated financial statements of the Group.

- IFRIC 23 Uncertainty Over Income Tax Treatments – effective 1 January 2019
- Prepayment Features with Negative Compensation (Amendments to IFRS 9) – effective 1 January 2019
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) – effective 1 January 2019
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) – effective 1 January 2019
- Annual Improvements to IFRS 2015 – 2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23) – effective 1 January 2019

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
At 30 June 2019**2 BASIS OF PREPARATION AND CHANGES TO GROUP'S ACCOUNTING POLICIES** continued**2.2 Changes to Group's Accounting policies** continued

The Group adopted following accounting policy for investment in an associate during the period:

**Accounting for associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The income statement reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the income statement outside operating profit and represents profit or loss after tax.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
At 30 June 2019**2 BASIS OF PREPARATION AND CHANGES TO GROUP'S ACCOUNTING POLICIES** continued**2.2 Changes to Group's Accounting policies** continued**Significant judgement in assessment of control over associate**

Management has exercised significant judgement to conclude that as at both the effective transaction date of 23 May 2019 and as at the reporting date of 30 June 2019, it does not have the power to control the relevant activities of its investment in National Medical Care Co. ("CARE"), a company listed on the Tadawul (see note 15) even though the Group has a 49.20 per cent ownership interest in CARE and the remaining 50.80 per cent of the ownership interests are held by a dispersed shareholder base. Further, through its presence on the board of directors (three out of nine) and voting rights, the Group is only able to exert significant influence.

The investment in CARE is accounted for as an investment in an associate. In making the judgement, the management considered the Group's absolute size of holding in CARE, the relative size of and dispersion of the shareholdings owned by the other shareholders, its ability to appoint directors on the board of CARE and its ability to influence / vote for proposals which may directly impact the NMC Group as at 30 June 2019 (while taking into account the relevant regulations in the Kingdom of Saudi Arabia, in particular with respect to the appointment of directors).

Management will reassess the above on each reporting period, and accordingly, as on 30 June 2019, the Group reaffirmed that it does not have the "power", as defined by IFRS 10, over CARE.

**Significant judgement in assessment of control over subsidiary**

Management has exercised significant judgement to conclude that as at both the effective transaction date of 23 May 2019 and as at the reporting date of 30 June 2019, it does have the power to control the relevant activities of its investment in NMC KSA, even though the Group's stake has diluted to 52.9% on completion of the share exchange transaction resulting in the investment in an associate ("CARE"). The Group continues to have control over NMC KSA as 3 out of 5 directors in the board of NMC KSA represent NMC LLC. Further, O&M agreement between NMC LLC and NMC KSA gives the Group control on the relevant activities of NMC KSA.

The investment in NMC KSA is thus continued to be accounted for as an investment in subsidiary. In making the judgement, the management considered the Group's absolute size of holding in NMC KSA, its ability to appoint directors on the board of NMC KSA and its ability to influence / vote for proposals which may directly impact the Group as at 30 June 2019 (while considering the relevant regulations in the Kingdom of Saudi Arabia).

Management will reassess the above on each reporting period, and accordingly, as on 30 June 2019, the Group's judgment is that it does have the "power", as defined by IFRS 10, over NMC KSA.

**2.3 Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 4 and 5. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 6 to 10.

The Group has two diverse operating divisions, Healthcare and Distribution, both of which operate in a growing market.

The directors have undertaken an assessment of the future prospects of the Group and the wider risks that the Group is exposed to. In its assessment of whether the Group should adopt the going concern basis in preparing its financial statements, the directors have considered the adequacy of financial resources in order to manage its business risks successfully, together with other areas of potential risk such as regulatory, insurance and legal risks.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

**2 BASIS OF PREPARATION AND CHANGES TO GROUP'S ACCOUNTING POLICIES** continued**2.3 Going concern** continued

The Group has considerable financial resources including banking arrangements through a spread of local and international banking groups and utilizes short and medium term working capital facilities to optimise business funding. Debt covenants are reviewed by the Board each month. The Board believes that the level of cash in the Group, the spread of bankers and debt facilities mitigates the financing risks that the Group faces from both its expansion through acquisitions and in relation to working capital requirements.

The Group delivered a strong performance during the first half of 2019. Both the Healthcare and Distribution divisions have continued their positive growth in revenue during the first half of 2019. Net profit and EBITDA of both healthcare and distribution divisions have increased during first half in 2019. EBITDA margin of Healthcare is increased whereas EBITDA margin of Distribution remained comparable to last year. The directors have reviewed the business plan for the year end 2019 and the five-year cash flow, together with growth forecasts for the healthcare sector in the UAE. The directors consider the Group's future forecasts to be reasonable.

The directors have not identified any other matters that may impact the viability of the Group in the medium term and therefore they continue to adopt the going concern basis in preparing the condensed consolidated financial statements

The directors expect that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

**2.4 Significant accounting judgements and estimates**

The preparation of the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgements and estimates made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2018, except as disclosed in note 2.2.

**2.5 Accounting Standards and Interpretations issued but not effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's condensed consolidated financial statements are listed below. The Group intends to adopt these standards, if applicable, when they become effective.

- a) Definition of a Business – Amendments to IFRS 3;
- b) Definition of Material – Amendments to IAS 1 and IAS 8;
- c) The Conceptual Framework for Financial Reporting;
- d) IFRS 17 Insurance Contracts; and
- e) Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28) - Available for optional adoption/effective date deferred indefinitely

Management anticipates that the application of the above Standards and Interpretations in future periods will have no material impact on the condensed consolidated financial information of the Group in the period of initial application.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 30 June 2019

**3 FINANCIAL RISK MANAGEMENT**

The primary risk arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. These risks and the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2018.

**4 SEASONALITY OF OPERATIONS**

The Group does not have any operations of a seasonal or cyclical nature.

**5 ACQUISITION OF NON-CONTROLLING INTERESTS**

Acquisition of non-controlling interests for the period ended 30 June 2019:

- On 02 March 2019, the Group acquired an additional 15% interest in the voting shares of Al Salam Hospital LLC ("Al Salam"), increasing its ownership interest to 95% for cash consideration of US\$ 5,786,000 out of which US\$2,324,000 was paid in advance last year. Excess of consideration paid over the carrying amount of the non-controlling interests amounting to US\$ 5,336,000 has been recognised in retained earnings.
- On 04 March 2019, the Group acquired an additional 20% interest in the voting shares of Al Qadi Hospital LLC, increasing its ownership interest to 80% for consideration of US\$ 8,772,000 out of which US\$4,802,000 was paid in advance in last year. Excess of consideration paid over the carrying amount of the non-controlling interests amounting to US\$ 10,080,000 has been recognised in retained earnings.

Acquisition of non-controlling interests for the year ended 31 December 2018:

- On 03 January 2018, the Group acquired an additional 29% interest in the voting shares of As Salama Hospital LLC ("As Salama"), increasing its ownership interest to 99% for cash consideration of US\$12,404,000. Excess of consideration paid over the carrying amount of the non-controlling interests amounting to US\$5,380,000 had been recognised in retained earnings.
- On 08 February 2018, the Group acquired an additional 49% interest in the voting shares of Fakh IVF Fertility Centre LLC and Fakh IVF LLC, increasing its ownership interest to 100% for consideration of US\$212,928,000. Excess of consideration paid over the carrying amount of the non-controlling interests amounting to US\$179,026,000 had been recognised in retained earnings.

## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

#### 6 BUSINESS COMBINATIONS

##### Acquisition of subsidiaries

###### *Acquisitions during the period ended 30 June 2019:*

During the period, the Group completed the acquisition of some healthcare facilities in UAE. The agreed purchase consideration for the acquisition was US\$ 2,053,000, out of which US\$1,646,000 was paid in advance in previous year 2018. Net cash with subsidiaries as on date of acquisition was US\$ 11,000.

###### *Acquisitions during the year ended 31 December 2018:*

###### *Acquisition of CosmeSurge Investment LLC (“CosmeSurge” or “CS”)*

On 21 March 2018 the Group acquired 70% of the share capital of CosmeSurge at a purchase consideration of US\$ 129,050,000. At the date of acquisition, the fair value of identifiable intangible assets included brands amounting to US\$11,572,000 and customer relationship of US\$4,900,000. The fair values of brands have been assessed using the relief from royalties’ method and customer relationship have been assessed using the multi-period excess earning method. As at the date of acquisition the Group has booked goodwill of US\$ 91,304,000 on this acquisition.6

###### *Acquisition of Boston IVF (“BIVF”)*

On 17 December 2018 the Group acquired 70% controlling stake of Boston IVF Group (“BIVF”) at a purchase consideration of US\$ 64,700,000. At the date of acquisition, the fair value of identifiable intangible assets included brands amounting to US\$33,381,000. The fair values of brands have been assessed using the relief from royalties’ method (with a related deferred tax liability in respect of these intangible assets of US\$9,914,000). The related deferred tax liability has been assessed using the rate of corporation tax (30%) applicable in USA. As at the date of acquisition the Group has booked goodwill of US\$ 42,205,000 on this acquisition.

###### *Acquisition of Chronic Care Specialist Medical Center (“CCSMC”)*

On 05 February 2018 the Group acquired 100% controlling stake in the voting shares of CCSMC, an unlisted long-term care provider based in the Kingdom of Saudi Arabia at a purchase consideration of US\$ 52,542,000. At the date of acquisition, the fair value of identifiable intangible assets included brand amounting to US\$6,981,000. The fair values of brand have been assessed using the relief from royalties’ method. As at the date of acquisition the Group has booked goodwill of US\$ 23,523,000.

###### *Acquisition of Al Salam Hospital (“Al Salam”)*

On 21 January 2018, the Group agreed to acquire 80% controlling stake of Al Salam. The agreed cash purchase consideration for the business was US\$36,525,000. At the date of acquisition, the fair value of identifiable intangible assets included brands amounting to US\$8,345,000 and license right of US\$3,733,000. The fair values of brands have been assessed using the relief from royalties’ method and license have been assessed using replacement cost method. As at the date of acquisition the Group has booked goodwill of US\$ 24,022,000.

## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

#### 6 BUSINESS COMBINATIONS

##### Acquisition of subsidiaries continued

##### *Acquisitions during the year ended 31 December 2018: continued*

##### *Acquisition of Aspen (“Aspen”)*

On 17th August 2018 the Group acquired 100% of the issued share capital of HCN European Surgery Center Holdings limited, which owns 100% of Aspen Healthcare Limited (“Aspen”) based in the United Kingdom. The total purchase consideration was US\$7,771,000. At the date of acquisition, the fair value of identifiable tangible assets included property plant and equipment (“PPE”) amounted to US\$3,010,000. The acquisition of Aspen has resulted into bargain purchase of US\$ 5,567,000.

During the period ended 30 June 2019, the purchase consideration for the Aspen acquisition has been finalised. On finalisation, the purchase consideration has been reduced by US\$ 607,000 and accordingly the gain on bargain purchase has been increased by the same amount.

The fair value assessment of identifiable net assets is in progress for Aspen as at 30 June 2019, and therefore the fair values of the identifiable net assets are provisional.

##### *Other acquisitions*

Apart from above, during last year, the Group completed various other acquisitions of healthcare facilities in UAE, KSA, Oman and Europe. The agreed purchase consideration for these acquired businesses were US\$276,619,000. At the date of acquisition, the fair value of identifiable intangible assets was US\$22,165,000. As at the date of acquisition the Group has booked a combined goodwill of US\$ 209,275,000 on other acquisitions.

##### *Finalisation of purchase price allocations with respect to previous year acquisitions*

During the period ended 30 June 2019, the purchase price allocations have been finalised for CosmeSurge, Boston IVF, Premier and Cytomed. On finalization, fair value of intangible assets has been reduced by US\$ 1,470,000 which resulted in a decrease in non-controlling interest of US\$ 204,000 and an increase of goodwill by an amount of US\$ 1,266,000.

##### *Advances in respect of Acquisitions:*

<b>Previous year advances in respect of Acquisitions adjusted for:</b>	<b>US\$ ‘000</b>
Acquisition of non-controlling interest in Al Salam during the period	2,324
Acquisition of non-controlling interest in Al Qadi during the period	4,802
Acquisition of Healthcare facilities in UAE during the period	1,646
Reclassification to other receivables	9,529
<b>Total</b>	<b>18,301</b>

## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

#### 7 SEGMENT INFORMATION

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2019 and 2018, respectively.

There is no difference from the last annual report in the basis of segmentation or the basis of measurement of segment profit or loss. The new acquired companies/businesses (Eve fertility and Exeter) come under the healthcare segment.

	<i>Healthcare</i> <i>US\$ '000</i>	<i>Distribution and services</i> <i>US\$ '000</i>	<i>Total segments</i> <i>US\$ '000</i>	<i>Adjustments and eliminations</i> <i>US\$ '000</i>	<i>Consolidated</i> <i>US\$ '000</i>
<b>Six months ended</b>					
<b>30 June 2019</b>					
<b>Revenue</b>					
External customers	948,797	287,210	1,236,007	-	1,236,007
Inter segment	8,890	17,215	26,105	(26,105)	-
<b>Total</b>	<b>957,687</b>	<b>304,425</b>	<b>1,262,112</b>	<b>(26,105)</b>	<b>1,236,007</b>
<b>Results</b>					
Depreciation and amortisation	(80,195)	(5,331)	(85,526)	(9,849)	(95,375)
Finance costs	(32,474)	(541)	(33,015)	(58,843)	(91,858)
<b>Segment EBITDA</b>	<b>313,400</b>	<b>43,646</b>	<b>357,046</b>	<b>(33,526)</b>	<b>323,520</b>
<b>Segment profit</b>	<b>201,993</b>	<b>37,774</b>	<b>239,767</b>	<b>(99,687)</b>	<b>140,080</b>
<b>Six months ended</b>					
<b>30 June 2018</b>					
<b>Revenue</b>					
External customers	698,265	233,705	931,970	-	931,970
Inter segment	7,706	21,306	29,012	(29,012)	-
<b>Total</b>	<b>705,971</b>	<b>255,011</b>	<b>960,982</b>	<b>(29,012)</b>	<b>931,970</b>
<b>Results</b>					
Depreciation and amortisation	(36,484)	(1,952)	(38,436)	(4,972)	(43,408)
Finance costs	(4,226)	(3)	(4,229)	(47,325)	(51,554)
<b>Segment EBITDA</b>	<b>226,752</b>	<b>30,324</b>	<b>257,076</b>	<b>(31,530)</b>	<b>225,546</b>
<b>Segment profit</b>	<b>184,390</b>	<b>28,369</b>	<b>212,759</b>	<b>(96,067)</b>	<b>116,692</b>



## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

#### 7 SEGMENT INFORMATION continued

The following table presents segment assets and segment liabilities of the Group's operating segments as at 30 June 2019 and 31 December 2018.

	<i>Healthcare</i> US\$ '000	<i>Distribution and services</i> US\$ '000	<i>Total segments</i> US\$ '000	<i>Adjustments and eliminations</i> US\$ '000	<i>Consolidated</i> US\$ '000
<b>Segment assets</b>					
<b>30 June 2019 (unaudited)</b>	<b>4,030,689</b>	<b>382,258</b>	<b>4,412,947</b>	<b>568,310</b>	<b>4,981,257</b>
At 31 December 2018 (audited)	3,070,981	382,251	3,453,232	419,183	3,872,415
<b>Segment liabilities</b>					
<b>30 June 2019 (unaudited)</b>	<b>1,068,209</b>	<b>121,980</b>	<b>1,190,189</b>	<b>2,102,095</b>	<b>3,292,284</b>
At 31 December 2018 (audited)	434,966	124,277	559,243	1,956,409	2,515,652
<b>Other disclosures</b>					
Capital expenditure					
<b>30 June 2019 (unaudited)</b>	<b>93,394</b>	<b>1,786</b>	<b>95,180</b>	<b>1,341</b>	<b>96,521</b>
At 31 December 2018 (audited)	152,130	4,004	156,134	8,853	164,987

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

#### Adjustments and eliminations

Finance income and group overheads are not allocated to individual segments as they are managed on a group basis.

Term loans, convertible bond, sukuk, bank overdrafts and other short term borrowings and certain other assets and liabilities are substantially not allocated to segments as they are also managed on a group basis.

Capital expenditure consists of additions to property and equipment and intangible assets.

NMC Health plc

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
At 30 June 2019

7 SEGMENT INFORMATION continued

Reconciliation of Segment EBITDA to Group profit

	<i>Unaudited</i>	
	<i>6 months ended 30 June</i>	
	<b>2019</b>	2018
	<b>US\$ '000</b>	US\$ '000
<b>Segment EBITDA</b>	<b>357,046</b>	257,076
Unallocated group head office administrative expenses	<b>(35,208)</b>	(33,413)
Unallocated other income	<b>1,682</b>	1,884
Unallocated finance income	<b>3,593</b>	3,616
Unallocated unamortised finance fees written off	-	(13,124)
Finance costs	<b>(91,858)</b>	(51,555)
Depreciation	<b>(84,691)</b>	(36,695)
Amortisation	<b>(10,684)</b>	(6,713)
Transaction cost related to business combination	-	(2,078)
Transaction cost related to convertible bond	-	(174)
Impairment of assets	-	(106)
Adjustment to gain from bargain purchase on prior year acquisition	<b>607</b>	-
Share of net profit of an associate	<b>107</b>	-
Tax	<b>(514)</b>	(2,026)
<b>Group profit</b>	<b>140,080</b>	116,692

Reconciliation of Segment profit to Group profit

	<i>Unaudited</i>	
	<i>6 months ended 30 June</i>	
	<b>2019</b>	2018
	<b>US\$ '000</b>	US\$ '000
<b>Segment profit</b>	<b>239,767</b>	212,759
Unallocated finance income	<b>3,039</b>	1,214
Unallocated unamortised finance fees written off	-	(13,124)
Unallocated finance costs	<b>(59,351)</b>	(47,325)
Unallocated group head office administrative expenses	<b>(35,208)</b>	(33,413)
Unallocated depreciation	<b>(4,119)</b>	(814)
Unallocated other income	<b>1,682</b>	1,884
Unallocated amortisation costs	<b>(5,730)</b>	(4,158)
Unallocated transaction cost related to business combination	-	(157)
Unallocated transaction cost related to convertible bond	-	(174)
<b>Group profit</b>	<b>140,080</b>	116,692

NMC Health plc

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
At 30 June 2019

7 SEGMENT INFORMATION continued

**Geographical information**

	Unaudited	
	6 months ended 30 June	
	2019	2018
	US\$ '000	US\$ '000
<b>Revenue from external customers</b>		
Middle East	1,052,531	884,570
Europe and South America	146,670	47,400
North America and others	36,806	-
<b>Total revenue as per condensed consolidated income statement</b>	<b>1,236,007</b>	<b>931,970</b>

**Analysis of revenue by category:**

	Unaudited	
	6 months ended 30 June	
	2019	2018
	US\$ '000	US\$ '000
<b>Revenue from services:</b>		
Healthcare-clinic	792,266	614,556
Healthcare-management fees	14,650	7,747
	<b>806,916</b>	<b>622,303</b>
<b>Sale of goods:</b>		
Distribution	287,210	236,098
Healthcare-pharmacy	141,881	73,569
	<b>429,091</b>	<b>309,667</b>
<b>Total</b>	<b>1,236,007</b>	<b>931,970</b>

**Timing of revenue recognition**

	Unaudited	
	6 months ended 30 June	
	2019	2018
	US\$ '000	US\$ '000
Goods and service transferred at a point of time	1,096,443	841,889
Services transferred over time	139,564	90,081
<b>Total revenue as per consolidated income statement</b>	<b>1,236,007</b>	<b>931,970</b>

## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

#### 7 SEGMENT INFORMATION continued

##### Analysis of revenue by verticals:

##### Revenue from services:

	Unaudited	
	6 months ended 30 June	
	2019	2018
	US\$ '000	US\$ '000
Multi-speciality & pharmacies	695,976	520,769
Maternity & fertility	164,495	114,311
Long term & home care	82,566	63,144
Operation & management	14,650	7,747
	<b>957,687</b>	<b>705,971</b>
<b>Sale of goods:</b>		
Distribution	304,425	255,011
<b>Eliminations:</b>		
Intra-group eliminations	(26,105)	(29,012)
<b>Total revenue as per consolidated income statement</b>	<b>1,236,007</b>	<b>931,970</b>

#### 8 OTHER INCOME

Other income includes US\$44,153,000 (six months ended 30 June 2018: US\$ 28,724,000) reimbursement of costs incurred by NMC on behalf of other parties, with corresponding expenses reported in direct costs and general and administrative expenses.

Out of this, US\$ 30,657,000 (six months ended 30 June 2018: US\$ 27,383,000) relates to reimbursement of advertisement and promotional expenses incurred by the Group on behalf of clients in the Distribution division. The corresponding expenses are included under direct costs/general and administrative expenses.

It also includes US\$ 13,496,000 (six months ended 30 June 2018: US\$ 1,341,000) which relates to reimbursement on account of expenses for O&M contracts. The corresponding expenses are included under general and administrative expenses.

## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

#### 9 TAX

The Group operates in the United Arab Emirates, Spain, United Kingdom, Kingdom of Saudi Arabia and certain other countries. As there is no corporation tax in the United Arab Emirates, no taxes are recognized or payable on the operations in the United Arab Emirates.

With respect to operations in other countries, the tax disclosures are as follows:

#### Consolidated income statement

	Unaudited	
	Period ended 30 June 2019 US\$ '000	Period ended 30 June 2018 US\$ '000
Current tax		
<i>Charge for the period</i>	2,435	2,748
<i>Adjustment in respect of current tax of previous year</i>	(330)	-
Deferred tax		
<i>Charge for the period</i>	(1,172)	(722)
<i>Adjustment in respect of deferred tax of previous year</i>	(419)	-
<b>Income tax reported in the condensed consolidated income statement</b>	<b>514</b>	<b>2,026</b>

The charge for the period has been calculated using an estimate of the effective annual rate of tax for the full year per operating division. This rate has been applied to the pre-tax profits for the six months ended 30 June 2019, with adjustments made for any non-recurring items in the period.

## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

#### 10 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Unaudited	
	6 months ended 30 June	
	<b>2019</b>	2018
Profit attributable to equity holders of the Parent (US\$ '000)	<b>138,123</b>	116,494
Weighted average number of ordinary shares in issue ('000) for basic EPS	<b>208,535</b>	207,557
Effect of dilution from share based payments ('000)	<b>1,135</b>	1,462
Weighted average number of ordinary shares ('000) for diluted EPS	<b>209,670</b>	209,019
Basic earnings per share (US\$)	<b>0.662</b>	0.561
Diluted earnings per share (US\$)	<b>0.659</b>	0.557

## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2019

#### 11 PROPERTY AND EQUIPMENT

	<i>Freehold land</i> US\$'000	<i>Hospital building</i> US\$'000	<i>Buildings</i> US\$'000	<i>Leasehold improve- ments</i> US\$'000	<i>Motor vehicles</i> US\$'000	<i>Furniture, fixtures and medical equipment</i> US\$'000	<i>*Capital work in progress</i> US\$'000	<i>Total</i> US\$'000
<b>30 June 2019</b>								
Cost:								
At 1 January 2019	39,152	250,523	37,748	247,227	17,403	437,211	114,098	1,143,362
Adoption of IFRS 16 (Note 2.2)	-	-	-	-	-	(12,104)	-	(12,104)
At 1 January 2019 (adjusted)	<b>39,152</b>	<b>250,523</b>	<b>37,748</b>	<b>247,227</b>	<b>17,403</b>	<b>425,107</b>	<b>114,098</b>	<b>1,131,258</b>
Additions	-	1,237	274	5,003	572	24,293	63,356	94,735
Acquisition of subsidiaries	-	-	-	1,052	17	500	-	1,569
Transfer from CWIP	8,740	-	20,204	8,067	-	2,382	(39,393)	-
Exchange difference	-	(89)	(41)	(44)	(1)	(958)	18	(1,115)
Disposals	-	-	-	(76)	(490)	(2,304)	-	(2,870)
<b>At 30 June 2019</b>	<b>47,892</b>	<b>251,671</b>	<b>58,185</b>	<b>261,229</b>	<b>17,501</b>	<b>449,020</b>	<b>138,079</b>	<b>1,223,577</b>
Depreciation:								
At 1 January 2019	-	22,564	11,525	85,719	9,563	184,091	-	313,462
Adoption of IFRS 16 (Note 2.2)	-	-	-	-	-	(5,250)	-	(5,250)
At 1 January 2019 (adjusted)	-	<b>22,564</b>	<b>11,525</b>	<b>85,719</b>	<b>9,563</b>	<b>178,841</b>	-	<b>308,212</b>
Charge for the period	-	3,335	1,159	14,928	1,377	27,894	-	48,693
Exchange difference	-	(55)	(12)	(31)	(1)	(155)	-	(254)
Disposals	-	-	-	(68)	(486)	(2,110)	-	(2,664)
<b>At 30 June 2019</b>	-	<b>25,844</b>	<b>12,672</b>	<b>100,548</b>	<b>10,453</b>	<b>204,470</b>	-	<b>353,987</b>
Net carrying amount: <b>At 30 June 2019</b>	<b>47,892</b>	<b>225,827</b>	<b>45,513</b>	<b>160,681</b>	<b>7,048</b>	<b>244,550</b>	<b>138,079</b>	<b>869,590</b>

\* Includes multi-speciality hospitals, day care centres, medical centres and speciality clinics for IVF, fertility and cosmetics in multiple geographies.

## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2019

#### 11 PROPERTY AND EQUIPMENT continued

	<i>Freehold land</i> US\$'000	<i>Hospital building</i> US\$'000	<i>Buildings</i> US\$'000	<i>Leasehold improve- ments</i> US\$'000	<i>Motor vehicles</i> US\$'000	<i>Furniture, fixtures fittings and medical equipment</i> US\$'000	<i>*Capital work in progress</i> US\$'000	<i>Total</i> US\$'000
<b>31 December 2018</b>								
Cost:								
At 1 January 2018	32,952	235,768	27,171	184,676	13,758	312,018	35,387	841,730
Additions	5,124	231	362	11,865	3,725	51,050	87,865	160,222
Acquisition of subsidiaries (Note 6)	1,076	10,787	10,526	37,198	718	79,464	11,511	151,280
Transfer from CWIP	-	4,659	-	13,856	-	1,588	(20,103)	-
Impairment of assets	-	-	-	-	-	-	(431)	(431)
Reclassification	-	(997)	-	-	-	547	-	(450)
Exchange difference	-	75	(311)	(239)	(30)	(5,556)	(59)	(6,120)
Disposals	-	-	-	(129)	(768)	(1,900)	(72)	(2,869)
At 31 December 2018	39,152	250,523	37,748	247,227	17,403	437,211	114,098	1,143,362
Depreciation:								
At 1 January 2018	-	15,613	9,869	62,859	7,825	138,472	-	234,638
Charge for the year	-	7,470	1,764	23,007	2,418	46,910	-	81,569
Reclassification	-	(516)	-	-	-	376	-	(140)
Adjustment to prior year	-	-	-	-	11	1,344	-	1,355
Exchange difference	-	(3)	(108)	(30)	(1)	(1,564)	-	(1,706)
Disposals	-	-	-	(117)	(690)	(1,447)	-	(2,254)
At 31 December 2018	-	22,564	11,525	85,719	9,563	184,091	-	313,462
Net carrying amount: At 31 December 2018	39,152	227,959	26,223	161,508	7,840	253,120	114,098	829,900

Total capital expenditure in the six months ended 30 June 2019 was US\$ 94,735,000 (six months ended 30 June 2018: US\$ 55,725,000). Of the total capital expenditure spent during this period, US\$ 63,356,000 (six months ended 30 June 2018: US\$ 17,242,000) related to new capital projects and US\$ 31,379,000 (six months ended 30 June 2018: US\$ 38,483,000) related to further capital investment in our existing facilities.



## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2019

#### 12 Right-of-use assets

Set out below are the carrying amounts of Group's right of use assets and the movements during the period:

	<b>30 June 2019</b> <b>US\$ '000</b>
Cost:	
Right of use assets recognised on adoption of IFRS 16 on 1 January 2019 (note 2.2)	<b>695,194</b>
Additions during the period	<b>2,875</b>
Additions from business combination	<b>622</b>
Exchange differences	<b>(829)</b>
<b>At 30 June 2019</b>	<b>697,862</b>
Depreciation:	
Charge for the period	<b>35,998</b>
<b>At 30 June 2019</b>	<b>35,998</b>
Net carrying amount:	
<b>At 30 June 2019 (unaudited)</b>	<b>661,864</b>

The recognised right of use assets relate to the following lease types:

	<b>30 June 2019</b> <b>US\$ '000</b>	<i>1 January 2019</i> <i>US\$ '000</i>
Hospital buildings	<b>480,037</b>	495,927
Clinic buildings	<b>127,068</b>	137,708
Others	<b>54,759</b>	61,559
<b>Total</b>	<b>661,864</b>	695,194

## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

#### 13 INTANGIBLE ASSETS

	<i>Software</i> <i>US\$'000</i>	<i>Brands</i> <i>US\$'000</i>	<i>Patient</i> <i>relationship</i> <i>US\$'000</i>	<i>Database</i> <i>US\$'000</i>	<i>Goodwill</i> <i>US\$'000</i>	<i>Others</i> <i>US\$'000</i>	<i>Total</i> <i>US\$'000</i>
<b>30 June 2019</b>							
Cost:							
At 1 January 2019	17,453	129,086	20,223	11,723	1,440,291	51,796	1,670,572
Additions	<b>1,503</b>	-	-	-	-	<b>283</b>	<b>1,786</b>
Relating to acquisition of subsidiaries	<b>1</b>	-	-	-	<b>2,096</b>	-	<b>2,097</b>
Adjustment to prior year business combinations (Note 6)	-	<b>(653)</b>	<b>(27)</b>	-	<b>1,266</b>	<b>(790)</b>	<b>(204)</b>
Exchange difference	<b>(59)</b>	<b>(510)</b>	-	<b>(67)</b>	<b>(1,421)</b>	<b>34</b>	<b>(2,023)</b>
At 30 June 2019	<b>18,898</b>	<b>127,923</b>	<b>20,196</b>	<b>11,656</b>	<b>1,442,232</b>	<b>51,323</b>	<b>1,672,228</b>
Amortisation:							
At 1 January 2019	8,488	19,375	7,680	2,968	-	13,611	52,122
Charge for the period	<b>1,313</b>	<b>4,156</b>	<b>1,798</b>	<b>387</b>	-	<b>3,030</b>	<b>10,684</b>
Exchange difference	<b>(28)</b>	<b>(7)</b>	-	-	-	<b>(57)</b>	<b>(92)</b>
At 30 June 2019	<b>9,773</b>	<b>23,524</b>	<b>9,478</b>	<b>3,355</b>	-	<b>16,584</b>	<b>62,714</b>
Net carrying amount:							
At 30 June 2019 (unaudited)	<b>9,125</b>	<b>104,399</b>	<b>10,718</b>	<b>8,301</b>	<b>1,442,232</b>	<b>34,739</b>	<b>1,609,514</b>
<b>31 December 2018</b>							
Cost:							
At 1 January 2018	9,959	73,034	13,471	12,136	1,057,765	24,401	1,190,766
Additions	3,629	381	-	-	-	755	4,765
Relating to acquisition of subsidiaries (Note 6)	3,734	57,207	6,752	-	390,329	27,083	485,105
Reclassification	450	-	-	-	-	-	450
Adjustment to prior year business combinations (Note 6)	-	-	-	-	3,461	-	3,461
Exchange difference	<b>(319)</b>	<b>(1,536)</b>	-	<b>(413)</b>	<b>(11,264)</b>	<b>(443)</b>	<b>(13,975)</b>
At 31 December 2018	17,453	129,086	20,223	11,723	1,440,291	51,796	1,670,572
Amortisation:							
At 1 January 2018	4,950	13,738	4,490	2,159	-	8,525	33,862
Charge for the year	1,670	7,209	3,190	809	-	5,916	18,794
Impairment	1,783	-	-	-	-	-	1,783
Reclassification	140	-	-	-	-	-	140
Exchange difference	<b>(55)</b>	<b>(1,572)</b>	-	-	-	<b>(830)</b>	<b>(2,457)</b>
At 31 December 2018	8,488	19,375	7,680	2,968	-	13,611	52,122
Net carrying amount:							
At 31 December 2018 (audited)	8,965	109,711	12,543	8,755	1,440,291	38,185	1,618,450

## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2019

#### 13 INTANGIBLE ASSETS continued

Others include private contracts and non-compete arrangements.

Adjustment to goodwill in the period arises on finalization of purchase price allocation exercise with respect to acquisitions made in previous year (refer note 6).

#### 14 LOAN RECEIVABLE

	<i>Unaudited</i> <b>30 June</b> <b>2019</b> <i>US\$ '000</i>	<i>Audited</i> <b>31 December</b> <b>2018</b> <i>US\$ '000</i>
Loan receivable	<b>2,501</b>	2,001
	<b>2,501</b>	2,001

During 2019, the Group invested an additional US\$ 500,000 as a convertible promissory note in a technology company. The note will attract interest at the rate of 6% p.a and will be repayable on demand. This investment will support NMC Healthcare to have a better service offering in the UAE. As the instrument doesn't meet all the features of a puttable instrument to be classified as equity in the event of liquidation, we classified the above instrument as loan receivable

#### 15 INVESTMENT IN AN ASSOCIATE

On 04 March 2019, Group signed Sale and Purchase agreement with Hassana Investment Company ("Hassana"), the investment arm of the General Organization for Social Insurance ("GOSI") in Saudi Arabia to acquire 38.88% stake in National Medical Care Co. ("CARE") at an agreed price of US\$251,052,000 in exchange of shares issued in "NMC Healthcare Saudi Arabia Company ("NMC KSA)". Legal formalities and regulatory approvals for the above transaction was completed on 23 May 2019.

On 23 May 2019, Group acquired further 10.32% shareholding in CARE from the open market for cash consideration of US\$67,408,000.

On completion of the above transaction, Group owns 52.997% and GOSI owns 47.003% stake in NMC KSA in exchange of CARE shares. NMC KSA remains a subsidiary of the Group. The excess of the consideration received on disposal of the 47.003% shareholding in NMC KSA over the carrying amount of the non-controlling interest (US\$ 240,529,000) amounting to US\$10,523,000 has been recorded in retained earnings.

Reconciliation of the carrying value of the investment is shown below:

	<b>30 June 2019</b> <b>US\$ '000</b>
Additions during the period	<b>318,460</b>
Share of profit for the period	<b>107</b>
At the end of the period	<b>318,567</b>

CARE issues publicly available quarterly financial information and has a December year-end.

## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

#### 16 INVENTORIES

During the six months ended 30 June 2019, the Group wrote down US\$ 990,000 of obsolete and damaged inventories (six months ended 30 June 2018: US\$ 895,000). This expense is included in direct costs within the condensed consolidated income statement. The provision for old and obsolete inventories as of 30 June 2019 was US\$ 2,558,000 (31 December 2018: US\$ 2,128,000).

#### 17 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>Unaudited</i> <b>30 June</b> <b>2019</b> <b>US\$ '000</b>	<i>Audited</i> <b>31 December</b> <b>2018</b> <b>US\$ '000</b>
Accounts receivable	<b>602,467</b>	555,942
Receivable from suppliers for promotional expenses	<b>16,558</b>	16,012
Other receivables*	<b>61,184</b>	36,329
Prepayments	<b>24,503</b>	30,841
	<b>704,712</b>	639,124

Receivables from suppliers relate to advertising and promotional expenses incurred by the Group.

\* For the presentation purpose, the healthcare management fee of US\$ 8,786,000 (31 December 2018: US\$ 13,721,000) recorded under other receivables has been reclassified to accounts receivable.

The Group uses a provision matrix to calculate expected credit loss (ECLs) for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type). The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed and updated. Accounts receivable are stated net of expected credit loss of US\$ 33,406,000 (31 December 2018: US\$ 30,013,000). It is not the practice of Group to obtain collateral over receivables and they are therefore unsecured.

The ageing of unimpaired accounts receivable is as follows:

	Total US\$ '000	<i>Neither past due nor impaired</i> US\$ '000	<i>Past due but not impaired</i>			
			<i>&lt; 90 days</i> US\$ '000	<i>91-180 days</i> US\$ '000	<i>181-365 days</i> US\$ '000	<i>&gt;365 days</i> US\$ '000
<b>30 June 2019</b>						
Accounts receivable	<b>602,467</b>	<b>390,472</b>	<b>135,550</b>	<b>36,606</b>	<b>18,055</b>	<b>21,784</b>
31 December 2018 Accounts receivable	555,942	358,829	117,029	34,552	21,254	24,278

## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

#### 17 ACCOUNTS RECEIVABLE AND PREPAYMENTS continued

Credit risk is managed through the Group's established policy, procedures and control relating to credit risk management. A majority of the receivables that are past due but not impaired are from insurance companies and government-linked entities in the United Arab Emirates which are inherently slow payers due to their long invoice verification and approval of payment procedures. Payments continue to be received from these customers and accordingly the risk of non-recoverability is considered to be low.

Of the net trade receivables balance of US\$ 602,467,000 (31 December 2018: US\$ 555,942,000) an amount of US\$ 304,675,000 (31 December 2018: US\$ 287,038,000) is against five customers.

The Group's terms require receivables to be repaid within 90-120 days depending on the type of customer, which is in line with local practice in the UAE. Due to the long credit period offered to customers, significant amounts of accounts receivable are neither past due nor impaired.

Amounts due from related parties amounting to US\$ 13,102,000 (31 December 2018: US\$ 7,346,000) as disclosed on the face of the condensed consolidated statement of financial position are trading in nature and arise in the normal course of business.

#### 18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise of the following:

	Unaudited	
	<i>30 June 2019 US\$ '000</i>	<i>30 June 2018 US\$ '000</i>
Bank deposits	<b>67,032</b>	130,470
Bank balances and cash	<b>507,116</b>	302,145
Bank overdrafts and other short term borrowings	<b>(190,351)</b>	(197,308)
	<b>383,797</b>	235,307
Adjustments for:		
Short term borrowings	<b>79,260</b>	138,432
Bank deposits maturing in over 3 months	<b>(5,443)</b>	(28,033)
Restricted cash	<b>(6,510)</b>	(76,237)
<b>Cash and cash equivalents</b>	<b>451,104</b>	269,469

Bank deposits of US\$ 67,032,000 (30 June 2018: US\$ 130,470,000) are with commercial banks. These are mainly denominated in UAE Dirham, US Dollar and Euro and earn interest at the respective deposit rates. These deposits have original maturity between 1 to 12 months (30 June 2018: 1 to 12 months).

Bank overdrafts and short term borrowings include trust receipts and invoice discounting facilities which mature between 90 and 180 days. Trust receipts are short term borrowings to finance purchases. The bank overdrafts and short-term borrowings are secured by corporate guarantees and personal guarantees of few of the major shareholders of the parent company and carry interest at EIBOR plus margin rates ranging from 1% to 4%. (30 June 2018: 1% to 4%).

NMC Health plc

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
At 30 June 2019

19 SHARE CAPITAL AND SHARE PREMIUM

As at 30 June 2019:

Share capital

	<i>Number of shares (thousands)</i>	<i>Ordinary shares US\$'000</i>	<i>Share premium US\$'000</i>	<i>Total US\$'000</i>
<i>Issued and fully paid (nominal value 10 pence sterling) each)</i>	<b>208,770</b>	<b>32,513</b>	<b>640,946</b>	<b>673,459</b>

As at 31 December 2018:

Share capital

	<i>Number of shares (thousands)</i>	<i>Ordinary shares US\$'000</i>	<i>Share premium US\$'000</i>	<i>Total US\$'000</i>
<i>Issued and fully paid (nominal value 10 pence sterling) each)</i>	208,237	32,443	633,744	666,187

*Issued share capital and share premium movement*

	<i>Number of shares (thousands)</i>	<i>Ordinary shares US\$'000</i>	<i>Share premium US\$'000</i>	<i>Total US\$'000</i>
<b>30 June 2019</b>				
At 1 January 2019	208,237	32,443	633,744	666,187
Exercise of stock option shares	553	70	7,202	7,272
At 30 June 2019	<b>208,770</b>	<b>32,513</b>	<b>640,946</b>	<b>673,459</b>
<b>31 December 2018:</b>				
At 1 January 2018	204,423	31,928	492,634	524,562
Issue of new shares	3,534	477	138,714	139,191
Exercise of stock option shares	280	38	2,396	2,434
At 31 December 2018	208,237	32,443	633,744	666,187

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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**20 RETAINED EARNINGS**

As at 30 June 2019, retained earnings of US\$ 18,806,000 (31 December 2018: US\$ 18,806,000) are not distributable. This relates to a UAE Companies Law requirement to set aside 10% of annual profit of all UAE subsidiaries. The subsidiaries may resolve to discontinue such annual transfers when their respective reserves equals 50% of their paid up share capital.

**21 TERM LOANS**

	<i>Unaudited</i>	<i>Audited</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Current portion	<b>251,596</b>	379,919
Non-current portion	<b>863,065</b>	660,835
	<b><u>1,114,661</u></b>	<u>1,040,754</u>

During the year ended 31 December 2018, the Group entered a syndicated facility amounting to US\$ 2.0 billion. The syndicated facility was used to settle an existing syndicated loan and for acquisition purposes. The facility is structured into three sub facilities, these sub facilities are completely repayable within 18-60 months. The facility is secured against corporate guarantee provided by NMC Health Plc and its certain operating subsidiaries. The facility carries interest at LIBOR plus margin.

In addition to the above facilities, term loans also include other long term and short-term revolving loans which get drawn down and repaid over the period. The Group has charged an amount of US\$ nil (31 December 2018 US\$ 13,124,000) to the consolidated income statement with respect to unamortised transaction costs of existing debts which have been settled using proceeds of new syndicate loan.

**22 CONVERTIBLE BOND AND SUKUK**

**Convertible bond**

At 30 June 2019, there were 2,250 convertible bond units in issue. Each bond has a par value of US\$ 200,000. The bonds carry a coupon rate of 1.875% per annum, payable half-yearly in arrears on 30 April and 31 October. The bonds were issued on 30 April 2018.

Unless the bondholders exercise the option to convert to shares, bond will be redeemed by cash on 02 May 2023 or maturity. The bonds are convertible (at any time between 11 June 2018 and their maturity date, 02 May 2025) into a fixed number of ordinary shares of the parent of the Group on the basis of a fixed exchange price of US\$ 72.7301.

The convertible bonds are separated into liability and equity components based on the terms of the contract. As of 30 June 2019, the fair value of the liability component of US\$ 394,249,000 (31 December 2018: US\$ 387,664,000) (net of transaction costs) is recorded as liability and residual amount of US\$ 64,960,000 (31 December 2018: US\$ 64,960,000) is recorded as equity component (net of transaction costs).

The total finance cost recognised during the period amounted to US\$ 10,806,000.

## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2019

#### 22 CONVERTIBLE BOND AND SUKUK continued

##### Sukuk

On 21 November 2018, the Group issued US\$400,000,000 Sukuk certificates ("Islamic finance) with maturity for payment on 2023. Sukuk carry a profit rate of 5.950%, payable half-yearly in arrears on 21 May and 21 November. The facility is secured against corporate guarantee provided by NMC Health Plc and its certain operating subsidiaries.

As of 30 June 2019, the carrying amount of the Sukuk liability amounts to US\$ 395,944,000 (31 December 2018: US\$ 395,345,000). The carrying amount approximates its fair value.

The total finance cost recognised during the period amounted to US\$ 12,499,000.

#### 23 LEASE LIABILITIES

The movements in lease liabilities during the period are as follows:

	<i>US\$ '000</i>
Lease liabilities recognised on adoption of IFRS 16 on 1 January 2019 (Note 2.2)	729,269
Additions from business combinations	588
Interest expense	24,278
Additions of new leases during the period	2,875
Lease payments made in the period	(49,142)
Exchange difference	(1,002)
<b>Lease liabilities as at 30 June 2019</b>	<b>706,866</b>
Non-current lease liabilities	665,186
Current lease liabilities	41,680

#### 24 DIVIDEND

In the AGM on 20 June 2019 the shareholders approved a dividend of 18.1 pence per share, amounting to GBP 37,785,000 (US\$ 47,563,000) to be paid to shareholders on the Company's share register on 14 June 2019 (30 June 2018: a dividend of GBP 27,066,000 equivalent to US\$ 35,739,000 was approved and paid on 15 June 2018).

In addition to above, an amount of US\$ 2,432,000 (30 June 2018: US\$ 1,700,000) relates to dividend payable to non-controlling interest, out of which US\$ 1,664,000 (30 June 2018: US\$ 3,034,000) paid during the period.



## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

#### 25 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, including major shareholders and senior management of the Group, and entities controlled, jointly controlled or significantly influenced by such parties, or where such parties are members of the key management personnel of the entities. Pricing policies and terms of all transactions are approved by the management of the Group.

The Company's immediate and ultimate controlling party is a group of three individuals (H.E. Saeed Bin Butti, Dr BR Shetty and Mr Khalifa Bin Butti) who are all shareholders and of whom two are directors of the Company and who together have the ability to control the Company. As the immediate and ultimate controlling party is a group of individuals, it does not produce consolidated financial statements.

#### Relationship agreement

The Controlling Shareholders and the Company have entered into a relationship agreement, the principal purpose of which is to ensure that the Company is capable of carrying out its business independently of the Controlling Shareholders and that transactions and relationships with the Controlling Shareholders are at arm's length and on a normal commercial basis.

In accordance with the terms of the relationship agreement, the Controlling Shareholders have a collective right to appoint a number of Directors to the Board depending upon the level of their respective shareholdings. This entitlement reduces or is removed as the collective shareholdings reduce. The relationship agreement includes provisions to ensure that the Board remains independent.

Transactions with related parties included in the condensed consolidated income statement are as follows:

	Unaudited	
	6 months ended 30 June	
	<b>2019</b>	2018
	<b>US\$ '000</b>	US\$ '000
<b>Entities significantly influenced by shareholders who are key management personnel in NMC</b>		
Sales	<b>9,066</b>	148
Purchases of healthcare inventory*	<b>39,920</b>	58,940
Rent charged	<b>97</b>	153
Other Income	<b>1,566</b>	2,044
Management fees	<b>5,350</b>	2,450

\*Purchases include pharmaceutical products manufactured by Neopharma for various companies and purchased by NMC Trading division for distributing to various retailers, hospitals, clinics etc in UAE. These purchase are made at regulated prices fixed by the Ministry of Health in the UAE.

Amounts due from and due to related parties disclosed in the condensed consolidated statement of financial position are as follows:

	Unaudited	Audited
	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b>US\$ '000</b>	US\$ '000
<b>Entities significantly influenced by shareholders who are key management personnel in NMC</b>		
Amounts due to related parties	<b>24,518</b>	47,737
Amounts due from related parties	<b>13,102</b>	7,346

## NMC Health plc

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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#### 25 RELATED PARTY TRANSACTIONS continued

Outstanding balances with related parties at 30 June 2019 and 31 December 2018 were unsecured, payable on 50-60 days term and carried interest at 0% (31 December 2018: 0%) per annum. Settlement occurs in cash. As at 30 June 2019: US\$ nil of the amounts due from related parties were past due but not impaired (31 December 2018: US\$ nil).

Pharmacy licenses in UAE under which the Group sells its products, are granted to the shareholders or directors of the Company, who are UAE nationals. No payments are made in respect of these licenses to shareholders or directors.

#### Compensation of key management personnel

	Unaudited	
	6 months ended 30 June	
	2019	2018
	US\$ '000	US\$ '000
Short term benefits	11,450	11,075
Employees' end of service benefits	23	23
	<u>11,473</u>	<u>11,098</u>

The key management personnel include all the Non-Executive Directors, the three (30 June 2018: three) Executive Directors and four (30 June 2018: four) senior management personnel.

During the period an additional shares of 357,212 (Six month ended 30 June 2018: 232,601) was granted to Executive Directors and other senior management in the form of share options.

Dr CR Shetty, who is a related party of one of the shareholders is employed as the Group Chief Medical officer. The total compensation for employment received by that related party in the six months ended 30 June 2019 amounts to US\$ 1,434,000 (six months ended 30 June 2018: US\$ 1,655,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
At 30 June 2019

**26 CONTINGENT LIABILITIES**

The Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business of US\$ 38,778,000 at 30 June 2019 (31 December 2018: US\$ 26,411,000) from which it is anticipated that no material liabilities will arise.

**27 COMMITMENTS**

*Capital commitments*

The Group has future capital commitments at 30 June 2019 of US\$ 18,299,000 (31 December 2018: US\$ 31,774,000) principally relating to the completion of on-going capital projects at period end.

**28 FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE**

*Contingent consideration*

Contingent consideration relates to acquisitions completed in prior years. Movement in contingent consideration payable is as follows:

	<i>Unaudited</i> <b>30 June</b> <b>2019</b> <b>US\$ '000</b>	<i>Audited</i> <b>31 December</b> <b>2018</b> <b>US\$ '000</b>
Balance at 1 January	<b>17,240</b>	10,519
Contingent consideration recognised at acquisition	-	14,604
Remeasurement gain	<b>(730)</b>	-
Fair value measurement	<b>651</b>	1,176
Unused amount reversed	-	(6,424)
Exchange gain	<b>(72)</b>	(272)
Payments made	<b>(2,124)</b>	(2,363)
	<b>14,965</b>	17,240

In accordance with the fair value hierarchy under IFRS 13, contingent consideration is classified as a level 3 derivative financial instrument. The fair value of outstanding contingent consideration as at the reporting date is US\$ 14,965,000 (31 December 2018: US\$ 17,240,000) The valuation technique used for measurement of contingent consideration is the weighted average probability method and then applying discounting.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
At 30 June 2019

**28 FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE** continued

**Contingent consideration** continued

Contingent consideration payable as of 30 June 2019 comprises of following:

	<i>Unaudited</i> <b>30 June</b> <b>2019</b> <i>US\$ '000</i>	<i>Audited</i> <b>31 December</b> <b>2018</b> <i>US\$ '000</i>
Sweden IVF	7,539	7,266
Premier	2,908	2,908
FMC	-	696
Cytomed	3,974	3,774
Biogenesi	-	1,117
Fecunmed	-	735
Royal RAK	544	744
	<b>14,965</b>	<b>17,240</b>

**Sweden IVF**

Contingent consideration is payable subject to attainment of EBITDA targets. Significant unobservable inputs used are EBITDA and discount rate (10.0%). Full value of contingent consideration payable is US\$ 8,682,000 and its present value is US\$7,539,000. A 1% increase in discount rate would result in decrease in fair value of the contingent consideration by US\$ 98,000 and a 1% decrease in discount rate would result in increase in fair value by US\$ 101,000. Management believe EBITDA targets for FY 2019 – FY 2021 will be met and accordingly not considered sensitive to fair value measurement.

**Premier**

Contingent consideration is payable subject to attainment of 2019 net profit targets. Significant unobservable inputs used are profit before tax, multiple of 8 and discount rate (11.0%). Full value of contingent consideration payable is US\$ 2,922,000 and its present value is US\$2,908,000. A 1% increase in discount rate would result in decrease in fair value of the contingent consideration by US\$ 23,000 and a 1% decrease in discount rate would result in increase in fair value by US\$ 24,000. Management believe profit before tax targets for FY 2019 will be met and accordingly not considered sensitive to fair value measurement.

**FMC**

The contingent consideration in relation to FMC were paid as the target were met.

**Cytomed**

Contingent consideration is payable subject to attainment of EBITDA targets. Significant unobservable inputs used are EBITDA and discount rate (13.5%). Full value of contingent consideration payable is US\$ 4,083,000 and its present value is US\$3,974,000. A 1% increase in discount rate would result in decrease in fair value of the contingent consideration by US\$ 21,000 and a 1% decrease in discount rate would result in increase in fair value by US\$ 21,000. Management believe EBITDA targets for FY 2019 will be met and accordingly not considered sensitive to fair value measurement.

**Biogenesi**

The contingent consideration in relation to FMC were paid as the target were met.

NMC Health plc

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
At 30 June 2019

**28 FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE** continued

**Contingent consideration** continued

***Fecunmed***

The contingent consideration in relation to Fecunmed were remeasured and consequently no contingent liability is payable as the revenue target were not met.

***Royal RAK***

Contingent consideration is payable subject to collection of receivables. Full value of contingent consideration payable is US\$ 619,000 and its present value is US\$544,000. Management believe receivables collection targets will be met and accordingly not considered sensitive to fair value measurement.