11 April 2018

GEMS ANNOUNCES RESULTS FOR SIX MONTHS TO 28 FEBRUARY 2018 AND SIGNING OF MOU IN SAUDI ARABIA

GEMS MENASA Cayman Ltd ("GEMS" or "the Company"), the leading K-12 education business operating in the United Arab Emirates and GCC, is pleased to present its results for the six months to 28 February 2018

	12 Months to 31 August			Six months to 28 February		
Operational Summary	**2015**	**2016**	**2017**	**2017**	**2018**	***% Growth***
Number of schools	**40**	**42**	**47**	**47**	**47**	
Enrolment	98,671	104,200	114,644	113,345	118,408	*4.5%*
Capacity	107,624	116,188	132,407	132,438	139,519	*5.3%*
Capacity utilisation (%)	92%	90%	87%	86%	85%	
Pupil Teacher Ratio	17.7x	17.3x	16.8x	16.8x	16.5x	

Financial Summary	**2015**	**2016**	**2017**	**2017**	**2018**	***% Growth***
Total Average Revenue per Student (ARPS)	$7,139	$7,579	$8,079	$4,856	$5,089	*4.8%*
School Average Revenue per Student (School ARPS)	$6,153	$6,640	$7,074	$4,290	$4,445	*3.6%*
Revenue (US$MM)	704.4	789.7	926.2	550.4	602.6	*9.5%*
Adjusted EBITDA (US$MM) [1]	162.6	212.8	261.6	194.3	206.0	*6.0%*
EBITDA (US$MM)	150.2	203.3	258.4	192.5	202.5	*5.2%*
L12M EBITDA				239.9	268.4	*11.9%*
Senior Net Debt (US$MM) [2]	473.6	499.3	724.2	551.1	887.4	
Total Net Debt inc Perpetual subordinated notes ("Sukuk") (US$MM)	667.3	693.0	917.9	744.8	1,081.1	
Senior Net Debt / Adjusted EBITDA (x)	2.9	2.3	2.8	2.2	3.2	
Total Net Debt inc Perpetual subordinated notes ("Sukuk") / Adjusted EBITDA (x)	4.1	3.3	3.5	3.0	4.0	

[1] *Adjusted EBITDA excludes pre-operating expenses and exceptional costs*

[2] *Senior Facility Covenant EBITDA (excludes pre operating expenses, exceptional costs and certain new school operational losses, as defined in GEMS' Common Terms Agreement) increased by 9.5% from USD$ 261.4 MM to US$ 286.2 MM on a L12M basis*

[3] *Mature schools: Schools opened before September 2013; Maturing schools: Schools opened between September 2013 and August 2017; New schools: Schools opened during and after September 2017*

Operational highlights

- Enrolment rose 4.5% year on year to 118,408 students.

- Capacity grew by 5.3% year on year to 139,519 seats, reflecting the opening of one new school in the period, National School for Boys (Mid Market Plus, Dubai).

- New capacity expansion resulted in utilization of 85% (H117: 86%).

- Secured a number of ratings upgrades in our Dubai and Abu Dhabi schools.

Financial highlights

- Half year total revenue grew by 9.5% year on year to US$602.6MM.

- Average Half Year revenues per student ("ARPS") rose by 4.8% year on year, driven by School Average Revenue per Student ("School ARPS") up 3.6%, along with growth in support services revenues

- Adjusted EBITDA grew by 6.0% year on year to US$206.0MM (H117: US$194.3MM).

- Deployed US$221.7MM of capex, including US$202.6MM of school capex.

Recent events

- Memorandum of Understanding signed with Ministry of Education of the Kingdom of Saudi Arabia, and MASIC, to explore opportunities in Saudi Arabia.

- Post balance sheet date, relocated GEMS Heritage School, in Dubai, into new purpose built premises, and opened a further school, GEMS English Our own English Private School, in Sharjah.

- Repurchased school buildings at GEMS Modern Academy from an institutional investor for an aggregate consideration of US$53.1MM, extinguishing a historic sale & leaseback arrangement, expected to lower rental costs in the second half.

- Purchased the facilities management arm of CMC from the Varkey Group, GEMS' major shareholder, lowering the costs of facilities management.

Outlook

- Based on opening enrolment of our Indian curriculum schools in early April 2018, we anticipate closing enrolment for the year for FY2018 to be approximately 121,000 representing a 5.5% year on year growth in enrolment.

- GEMS is targeting average revenue per student for the full year (Total ARPS) to be approximately US$8,450, representing a targeted 4.5% growth in ARPS year on year.

- GEMS announces its intention to call its Perpetual Subordinated Notes ("Sukuk") at the first call date of 21 November 2018.

Dino Varkey, CEO, said

"Our business continues to grow year on year. We have seen continued expansion in enrolment across our schools in the UAE and Qatar. Enrolment in our maturing [3] schools grew by 23% year over year as we ramp up these recently opened sites. Enrolment in our mature segment also grew, as we extended our schools through expansions. During the period we insourced our facilities management provider, and bought back our school building at GEMS Modern Academy, previously held via a Sale and Leaseback structure, both of which will have cost benefits in H2 2018.

In addition to our core UAE market, we are excited by prospects in Saudi Arabia. We recently announced a Memorandum of Understanding between GEMS Education, the Ministry of Education and Mohammed

Alsubeaei & Sons Investments Company (MASIC). In partnership, we will explore expanding our network of schools further into the Kingdom. We are also excited to expand Tellal, our teacher training and school leadership development institution into Saudi Arabia. Through this and every other action we take, we continue to focus on our mission of putting a quality education within the reach of every child."

Segmental Performance

Six Months to 28 February 2018

	School operations	School support services	Corporate head office and others	Adjustments and eliminations	Consolidated
Revenue	US$MM	US$MM	US$MM	US$MM	US$MM
External Customers	525.0	77.5	0.1		602.6
Internal customers	1.3	11.2	0.2	(12.7)	0
Total Revenue	**526.3**	**88.7**	**0.3**	**(12.7)**	**602.6**
Expenses					
Staff expenses	(250.6)	(30.3)	(14.6)	1.3	(294.2)
Rental - operating leases	(37.2)	(1.7)	(0.5)		(39.4)
Depreciation, impairment and amortisation	(30.8)	(4.3)	(0.8)	(0.4)	(36.3)
Other education and administrative expenses	(54.8)	(16.9)	(3.6)	9.3	(66.0)
Segmental profit/(loss)	**152.9**	**35.5**	**(19.2)**	**(2.5)**	**166.7**
Add: One-off costs			3.0		3.0
Add: Depreciation, impairment and amortisation	30.8	4.3	0.8	0.4	36.3
Adjusted EBITDA [2]	**183.7**	**39.8**	**(15.4)**	**(2.1)**	**206.0**

Six months to 28 February 2017

	School operations	School support services	Corporate head office and others	Adjustments and eliminations	Consolidated
Revenue	US$MM	US$MM	US$MM	US$MM	US$MM
External Customers	485.2	65.0	0.2		550.4
Internal customers	1.0	5.9	0.2	(7.1)	0
Total Revenue	**486.2**	**70.9**	**0.4**	**(7.1)**	**550.4**
Expenses					
Staff expenses	(222.2)	(26.2)	(10.5)	1.2	(257.7)
Rental - operating leases	(34.3)	(0.8)	(0.5)	-	(35.6)
Depreciation, impairment and amortisation	(24.3)	(5.5)	(1.0)	(2.0)	(32.8)
Other education and administrative expenses	(53.7)	(13.6)	(1.3)	5.8	(62.8)
Segmental profit/(loss)	151.7	24.8	(12.9)	(2.1)	161.5
Adjusted EBITDA [2]	**176.0**	**30.3**	**(11.9)**	**(0.1)**	**194.3**

Schools segment

Capacity

Year over year, GEMS added approximately 7,100 net new seats across its network, a 5.3% capacity expansion. Most of this expansion came in our maturing segment, defined as schools opened from FY2014 onwards. Of the capacity gains, 2,400 seats related to new school construction, and approximately 4,700 related to expansions of existing schools.

	12 Months to 31 August			Six Months to 28 February		
Capacity by Segment	**2015**	**2016**	**2017**	**2017**	**2018**	***% Growth***
Premium	28,342	28,968	32,502	32,533	32,008	*-2%*
Mid-Market Plus	18,158	24,492	30,337	30,337	32,590	*7%*
Mid-Market	61,124	62,728	69,568	69,568	74,921	*8%*
Total Capacity	**107,624**	**116,188**	**132,407**	**132,438**	**139,519**	*5%*
Of which are mature [3] schools	*91,306*	*94,760*	*99,383*	*99,383*	*99,315*	*0%*
Of which are maturing [3] schools	*16,318*	*21,428*	*33,024*	*33,055*	*37,804*	*14%*
Of which are new [3] schools opened post August 2017				n/a	*2,400*	*n/a*

GEMS opened one new school in the course of H1 FY2018, GEMS National School for Boys in Al Barsha ("NSB"), a UK curriculum Mid-Market Plus segment school. NSB is located next to GEMS existing National School for Girls ("NSG") which was opened in FY2017. Both schools offer a specialized curriculum, based on the National Curriculum for England & Wales, but tailored and targeted to the national Emirati community, and taught in a bi-lingual English & Arabic format in the foundation years. During the course of FY2017 GEMS offered both boys and girls education at the NSG site, and the opening of the boys' campus now allows GEMS to expand both schools as co-located, but single gender schools. Since opening, the two schools have attracted approximately 600 students across the two campuses. We note the focus of Dubai's Knowledge and Human Development Agency and the Government of Dubai, including recent statements by H.H Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai, on increasing the participation of Emiratis in the private school sector, and believe that provision of high quality, international curriculum education tailored to the preferences of Emirati nationals is an exciting opportunity for GEMS.

GEMS further expanded GEMS Founders School, Al Barsha, through the opening of phase II, which we accelerated in order to be available for the 2018 school year. Phase II adds a further 1,800 seats at this highly successful school, and has allowed the secondary section to be opened earlier than we had expected. The expanded school is currently at over 75% capacity utilization in its second year of operation. Planned capacity expansions were also delivered at GEMS Winchester School Fujairah, and at GEMS Westminster School, Ras al Khaimah. Both schools continue to grow enrolments into this additional capacity.

Premium capacity was impacted by the merger of GEMS Dubai American Academy (DAA) and GEMS Nations Academy (GNA), which took effect from the start of the financial year. The merger of the schools lowered overall capacity in our premium segment, but increased the aggregate enrolment at the two schools. Moving DAA to GNA's site has allowed DAA, which was 100% utilized pre-merger, to further expand enrolment. We note that the school has maintained its outstanding rating, despite the disruption of the merger and site move. This outcome is a testament to the hard work and dedication of the school's students, faculty and senior leadership team.

Enrolment & utilization

Enrolment rose 4.5% year on year to 118,408 students through the addition of approximately 5,000 net adds. Capacity utilization modestly contracted to 85% (H117: 86%) reflecting the effect of adding new capacity in our maturing schools. Enrolment growth in H1 FY2018 was entirely organic, compared to overall enrolment growth in the prior year, which was positively impacted by the acquisition of the Wesgreen schools, which contributed c.3,500 additional students in that year.

Enrolment growth was mostly attributable to GEMS maturing schools which attracted c. 4,100 new students, a 23% year on year growth rate in this segment. Enrolment growth was strongest in our Mid-Market Plus segment (6.7% year on year). This segment includes many of our newer, maturing schools, and is the segment where we have the most available places to fill. Enrolment in our Mid-Market segment was also strong, led by the performance of Founders' School in Dubai. The strength of demand in Mid-Market and Mid-Market Plus segments matches our focus on adding capacity at these price points in the near term.

	12 Months to 31 August			**Six Months to 28 February**		
Enrolment by segment	**2015**	**2016**	**2017**	**2017**	**2018**	***% Growth***
Premium	24,217	26,335	27,193	27,284	27,393	*0.4%*
Mid-Market Plus	14,796	16,246	21,349	21,265	22,680	*6.7%*
Mid-Market	59,658	61,619	66,102	64,796	68,335	*5.4%*
Total Enrolment	**98,671**	**104,200**	**114,644**	**113,345**	**118,408**	*4.5%*
Of which is in mature schools	*89,214*	*91,361*	*96,660*	*95,581*	*96,301*	*0.8%*
Of which is in maturing schools	*9,457*	*12,839*	*17,984*	*17,764*	*21,897*	*23.3%*
Of which is in new schools					*210*	*n/a*
Capacity Utilisation (%)						
Premium	85%	91%	84%	84%	86%	
Mid-Market Plus	81%	66%	70%	70%	70%	
Mid-Market	98%	98%	95%	93%	91%	
Total capacity utilisation (%)	**92%**	**90%**	**87%**	**86%**	**85%**	
mature schools	98%	96%	97%	96%	97%	
maturing schools	58%	60%	54%	54%	58%	

Overall growth in our Premium segment was modestly positive year on year. We note that within our 15 Premium segment schools (16 including the Little GEMS Nursery), 11 schools are mature, and have only modest unutilized capacity, with that capacity primarily in senior grades. All our premium schools are rated Good, Very good or Outstanding by the Dubai School Inspection Bureau ("DSIB") or their equivalent education regulator.

Within the Premium school segment, overall enrolment levels have been impacted by the performance of three individual schools. We are focused on the performance of these schools, including the school level academic management, which has yielded positive results in the recent DSIB inspection round, which will support marketing efforts to attract new students in the next enrollment cycle. Enrollment performance of these schools has dampened overall growth in enrolment of our maturing premium schools.

<u>School Revenues & Pricing</u>

	12 Months to 31 August			**Six Months to 28 February**		
Revenues, US$MM	**2015**	**2016**	**2017**	**2017**	**2018**	***% Growth***

Premium	353.9	409.3	444.4	265.3	280.2	*5.6%*
Mid-Market Plus	90.0	111.8	162.4	92.4	110.2	*19.2%*
Mid-Market	158.6	173.0	207.0	121.8	139.1	*14.2%*
Less: Eliminations	*4.6*	*(2.2)*	*(2.8)*	*6.6*	*(3.2)*	
School Operations Segment Revenue	**607.1**	**691.9**	**811.0**	**486.2**	**526.3**	***8.2%***
Mature Schools	*514.5*	*562.2*	*627.1*	*370.1*	*397.1*	*7.3%*
Maturing schools	*88.0*	*131.9*	*186.6*	*109.5*	*130.9*	*19.5%*
New schools					*1.5*	*n/a*
Less: Eliminations	*4.6*	*(2.2)*	*(2.8)*	*6.6*	*(3.2)*	
Average School Revenue Per Student , US$						
Premium	14,614	15,542	16,342	9,725	10,230	*5.2%*
Mid-Market Plus	6,083	6,880	7,607	4,347	4,857	*11.7%*
Mid-Market	2,658	2,808	3,131	1,880	2,036	*8.3%*
School ARPS(1)	**6,153**	**6,640**	**7,074**	**4,290**	**4,445**	***3.6%***
Mature Schools	*5,767*	*6,154*	*6,488*	3,872	4,124	*6.5%*
Maturing schools	*9,305*	*10,270*	*10,378*	6,166	5,978	*(3.1)%*
New schools					7,077	*n/a*

(1) Post intragroup eliminations

Revenues in GEMS' school operations segment grew by 8.2% year on year. Overall, revenue growth was broadly equally split between enrolment growth and pricing growth, with H1 School ARPS rising by 3.6% year on year. Revenue growth was strongest in our maturing school segment, where revenues grew by 19.5% year on year, mostly attributable to the 23% enrolment growth in this segment. Similarly, our Mid-Market Plus and Mid-Market segments grew by a combined US$35MM year on year, accounting for over two thirds of school revenue growth. Revenues in our Premium segment grew by 5.6% year on year, despite modest net enrolment growth in the period.

Pricing growth of 3.6% was largely attributable to academic fee inflation. In GEMS' Dubai schools, we applied the 2017-2018 Education Cost Index inflator of 2.4% to school fees at the start of the academic year. Our average ECI multiplier, which is driven by the inspection performance of our schools, was 1.6x for the FY2017-2018 year. Full cost increases were applied to all but one school in FY2018 in Dubai, and similar increases were pursued at our schools in other Emirates.

GEMS FY2018 intake included an influx of children in Kindergarten and primary sections ("Junior Grades"). The proportion of children joining in these age groups was higher than we have experienced in the last three years. These children joined mostly maturing schools, and were added largely in our Mid-Market price segment. The effect of primary age children, for whom fees are lower, joining mostly Mid-Market schools, which also have a lower fee point than the overall portfolio, has contributed to a modest dilution of the overall average student age and price point in our maturing segment, which has in turn offset the natural grade ageing effect on average school fee increases. In FY2017, 14% of students were in Kindergarten grades. In H1 FY2018 this proportion increased to 17% of total students. In total this contributed to a 3.1% decrease in ARPS in the Maturing segment year on year, even though underlying fees were increased in each school, year on year in line with ECI and school multipliers. Given the average tenure in our mature schools has generally been increasing year on year, we see the injection of a new larger cohort of younger children into the system as a positive development for the mid-term, as we expect this new cohort of children to progress through our schools in the coming years.

H2 enrolment growth will also come primarily in the Mid-Market, Indian curriculum segment. The effect of this negative grade-ageing and portfolio mix is likely to be felt in School ARPS growth for the full year. GEMS is targeting FY2018 ARPS will be in the area of US$8,450 representing an approximate 4.5% growth in Total ARPS year on year.

School segment costs and margins

Overall H1 FY2018 School operations segment Adjusted EBITDA margins reduced from 36.2% to 34.9% in H1 FY2018, largely as a function of higher employment costs and one-off costs. Year on year, staffing expenses in the school segment rose by 12.8%. This increase was driven by an increase in teaching headcount over the period, as well as the impact of incremental pay awards to teaching staff, which was in part one off, as noted below. Year on year teaching headcount increased by 421 colleagues to 7,181 teachers (H1 FY2017: 6,760). Approximately two thirds of the incremental staff were added in maturing schools to enable their ramp up. It is typical for staffing in maturing schools to occur ahead of enrolment ramp up, with optimization of Pupil Teacher Ratios largely occurring in later years as schools reach maturity. Overall, teaching headcount increases resulted in a reduction of the overall Pupil Teacher Ratio from 16.8x to 16.5x, year over year.

As previously disclosed, GEMS made a one off step up in non-pay compensation and benefits packages (including health insurance and housing allowances) for our Indian curriculum teachers in the course of FY2017. Given the timing of the start of the Indian curriculum academic year, the impact of this step up, which took effect from April 2017, was mostly felt in our H1 FY2018 results. From H1 FY2018, GEMS has also restructured the salary and compensation packages for our Arabic & Islamic studies teachers in order to more closely align pay with performance in this segment, which has contributed to staffing cost inflation also. We made this investment in teacher compensation in order to secure our best teachers for the coming year, and to continue to improve the level of education quality in our schools.

We expect staffing costs as a percentage of revenues to peak in FY2018 before a reduction in FY2019 and continued reduction to historic levels thereafter, driven by improving PTR as maturing schools ramp-up.

GEMS was able to partly offset increases in teaching cost expense through continued cost management below the gross profit line. Rental expenses rose by 8.5% year on year, including the impact of the lease expense at NSB opened in H1 FY2018, as rental costs inflated less quickly than revenues. During the period, GEMS repurchased the buildings of GEMS Modern Academy, which is expected to reduce rental expense in the second half, as set out below in more detail below.

General education and administrative expenses rose by only 2.0% year on year in the school segment. Cost management was largely achieved through the purchase in H1 FY2018 of the facilities management (“FM”) business of Chicago Maintenance and Construction (“CMCFM”), which provides FM services to GEMS schools. CMCFM was acquired from GEMS’ largest shareholder, the Varkey Group in an arms-length transaction which was reviewed and approved by the company’s independent board directors. FM expenses are a significant proportion of GEMS’ school administration costs, and insourcing of this cost has resulted US$1.8MM of cost savings during H1 FY2018. General education and administrative expenses are typically higher in H1 vs H2 due to summer recess. Overall GEMS is targeting SG&A costs being broadly flat in FY2018 vs FY2017 as a result of these and other initiatives.

GEMS’ H1 margins are structurally higher than full year margins, as GEMS revenues are weighted towards the first half, when six months of revenue are recorded, versus the second half when only four months are recorded given the summer recess, whilst costs are incurred across all 12 months of the financial year.

School Support Services Segment

GEMS’ support services segment grew revenues by 25% year on year. Segmental revenue growth was broadly equally attributable to a continued expansion of GEMS’ school transport business user base, in line with overall growth in student numbers, and an expansion in revenues from GEMS other support services businesses. In addition, GEMS recorded income from Hamilton Aquatics, a swim training company it acquired during H1 FY2018 for the first time as part of its H1 revenues.

Post-acquisition, CMCFM is in the process of being rebranded as a new business, “Infracare”, and integrated within the school support services segment. Support services revenue also included a contribution from third party revenues generated by Tellal, the company’s teacher training and school leadership development institute. Revenues from Tellal are recorded in the support services segment.

Margins in the support services segment were supported by control of staffing and central expenses. Year on year margins expanded from 42.7% to 44.9% in this segment as a result.

Corporate head office and others

Net Expenses in the corporate segment grew to US$19.2MM (H117: US$12.9MM) driven by higher staff costs arising from greater staff numbers in central functions and one off costs. Central costs fell between FY2015-2017 in part through a reduction in reliance on external third party consultancy costs. GEMS has expanded its central capability through selected hiring of leading professionals to support the company's future growth. In addition, as the company and its shareholders evaluate a public offering of securities, GEMS has absorbed certain one off costs, which have been excluded from Adjusted EBITDA. For the full year, GEMS has a corporate cost target of c.US$35MM (FY2017: US$27MM excluding one off expenses).

Rental expenses

GEMS continues to actively manage its portfolio of leases to optimize its lease expense. During the period, GEMS bought back its rights, title and interest in and to the lease, buildings and improvements for GEMS Modern Academy from an institutional investor for an aggregate consideration of US$53.1 million. Following the purchase, GEMS reversed in the course of H1 FY2018 US$4.1MM of non-cash lease smoothing expenses which had been booked in previous years. Note that a similar reversal of US$5.8MM was also included in the earnings of H1 FY2017, following the acquisition of three Al Khail school buildings for US$159.8MM earlier in that year.

Rental expense at GEMS Modern Academy was US$2.7MM in H1 FY2018. The repurchase of the building is expected to generate rental savings of approximately US$5.4MM for the next 12 months. GEMS will record the rental benefits arising from this transaction from H2 FY2018 onwards, and as a result is targeting rental expense of US$77MM for FY2018 (FY2017 US$73MM). GEMS has a further three buildings owned under sale and leaseback arrangements, and has a call option over two of these buildings. The rental costs for these two properties in FY2018 are US$7.8MM, and given the escalating nature of their rents, calling these two leases option could generate cost savings of US$8.0MM in FY2019 if executed.

Funding

As highlighted in GEMS' full year results announcement, during the course of H1, the company successfully refinanced its existing bank debt facilities with a new syndicated facility, underwritten by a group of leading regional and international lenders. GEMS drew an initial US$900MM of the US$1.25Bn facility in order to refinance existing loans held. GEMS made a subsequent drawing to partly fund the repurchase of buildings at GEMS Modern Academy. In aggregate, GEMS had gross borrowings of US$962MM as at 28 February 2018, of which US$932MM was drawn against our syndicated facility. Of the US$1.25Bn facility, US$250MM is a revolving credit facility, which remains undrawn, and for which no immediate use of funds is identified.

	12 Months to 31 August			**Six Months to 28 February**	
Indebtedness US$MM	**2015**	**2016**	**2017**	**2017**	**2018**
Senior Facility	568	669	725	753	932
Perpetual subordinated notes ("Sukuk")	194	194	194	194	194
Other term Loans	12	8	119	59	30
Gross Total Debt and Perpetual subordinated notes ("Sukuk")	**774**	**871**	**1038**	**1006**	**1156**
Less: Bank Balances and cash	(107)	(178)	(120)	(261)	(75)
Net Total Debt including Perpetual Subordinated Instrument ("Sukuk")	**667**	**693**	**918**	**745**	**1081**

GEMS intends to fully call for repayment its US$200MM of Perpetual subordinated notes ("Sukuk") at the first 21 November 2018 call date. We anticipate this repayment will be made from internal resources of the firm, including from the settlement by Varkey Group of the US$80MM Murabaha facility, extended by GEMS to Varkey Group in November 2013

Capex

GEMS continues to expand its school network. During the period GEMS deployed US$181MM of growth capital expenditure (H117: US$319MM), both inclusive of M&A expenditures. H1 FY2018 capex included US$108MM of new school capex, largely associated with the development of new school facilities for GEMS Heritage School, Dubai and GEMS Our Own English Private School, Sharjah, as well as capex for new schools planned for FY2019 which are currently under construction.

Both Heritage and Our Own English Private School opened post balance sheet date, and GEMS will record further capex for these schools in the second half of FY2018. Furthermore, GEMS plans to open GEMS Founders School, Mizhar in September 2018 at the start of the 2019 financial year. A portion of growth capex deployed in H1 FY2018 also related to this project. In aggregate, GEMS is targeting approximately US$215MM of growth capex during the course of FY2018 (before any further M&A expenditures).

In addition to growth capex, GEMS spent US$56MM of maintenance and transport capex during the period. GEMS took the opportunity to undertake a number of exceptional maintenance capex projects, anticipated to have long-term enduring benefit, during the period, and as such maintenance capex over the last 12 months was above the group's historic c. 4% of revenues range. In total GEMS targets spending US$95MM of maintenance and transport capex in the course of FY2018, of which approximately US$50MM is of a one off, non-recurring nature.

Outlook

The FY18-19 academic year for GEMS' 15 Indian curriculum schools commenced on 8 April 2018. Based on opening enrolment of our Indian curriculum schools in April 2018, we target closing enrolment across all of our schools for the 2018 financial year to be approximately 121,000 representing a 5.5% year on year growth in enrolment (FY2017 total year on year enrolment growth of 10%, of which organic-only enrolment growth was 7.0%). Furthermore, and noting the dilution to average student age referred to above, we target total average revenue per student for the full year to be approximately US$8,450, representing a 4.5% growth in total ARPS year on year (FY2017: US$8,079).

The ECI for academic year 2018-2019 has not yet been communicated publically by Dubai's Knowledge and Human Development Agency. In addition, ratings for Dubai Indian curriculum schools were published in February, but ratings of UK/US/IB schools are yet to be communicated. Notwithstanding, the majority of GEMS schools are rated as Good, Very Good or Outstanding, meaning that we generally expect to increase tuition fees by a multiple of ECI.

.

Press	Investors / analysts
UAE Zein Bushnaq Brunswick – Dubai Tel: +971 (4) 560 9600 Email: zbushnaq@brunswickgroup.com	Ed Senior Corporate Finance & IR GEMS Education Tel: +971 50 1488740 Email: edward.senior@gemseducation.com
International Robin Wrench Brunswick – London Tel: +44 (0) 20 7404 5959 Email: rwrench@brunswickgroup.com	

****

This document includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Company's control and all of which are based on the directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the directors or the Company concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of the Company and the industry in which it operates. In particular, the statements under the headings "Outlook" and add other specific sections regarding the Company's strategy and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this document regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Company. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. Such forward-looking statements contained in this document speak only as of the date of this document. The Company expressly disclaim any obligation or undertaking to update the forward-looking statements contained in this document to reflect any change in their expectations or any change in events, conditions or circumstances on which such statements are based unless required to do so by applicable law.