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IHH Healthcare Berhad

IHH posts solid growth for FY2013, announces dividend policy

- IHH Board of Directors announces new dividend policy and recommends its maiden single-tier cash dividend since listing.
- For the full year, Group underlying revenue[1], EBITDA[1] & PATMI[1] excluding exceptional items grew to RM6.7 bn (18%), RM1.5 bn (32%), and RM602.5 mil (70%) respectively.
- For the final quarter, Group underlying revenue[1], EBITDA[1] & PATMI[1] excluding exceptional items increased to RM1.8bn (17%), RM408.7mil (47%) and RM179.1 mil (153%) respectively.

KUALA LUMPUR/SINGAPORE, 27 February 2013 – IHH Healthcare Berhad ("**IHH**" or the "**Group**"), today announced its dividend policy as well as continued double-digit growth for the full year ended 31 December 2013.

Under the new policy, the dividend paid will be no less than 20% of the Group's profits after tax and minority interests (PATMI), excluding exceptional items. This is after considering the level of available cash and cash equivalents; return on equity and retained earnings; and projected levels of capital expenditure and other investment plans. The IHH Board of Directors today recommended a first and final single tier cash dividend of 2 sen for the financial year ended 31 December 2013.

For the full year FY 2013 – the group's revenue declined 3% to RM6,756.5 million while YTD 2013 earnings before interest, tax, depreciation, amortisation, exchange differences & other non-operational items (EBITDA) increased 6% to RM1,658.3 million. Stripping out one-off effects of the sale of Novena medical suites in 2012, contribution from PLife REIT and exceptional items, the group's underlying operational performance saw strong growth, with revenue up 18% to RM6.7 billion while EBITDA increased 32% to RM1.5 billion and PATMI rose a significant 70% to RM602.5 million.

The strong revenue and EBITDA performance was driven by organic growth of existing operations, and ramping up of new hospitals. Both Mount Elizabeth Novena Hospital and Acibadem Ankara Hospital achieved positive EBITDA in YTD 2013. The Group also consolidated full 12 months of

[1] For accurate picture of the Group's *underlying operational* performance, exclude:

i. Recognition of the RM1.2 billion one-off sale of Novena medical suites in April 2012
ii. The consolidation of PLife REIT as IHH owns only 35.8% stake
iii. Exceptional items

Acibadem Holdings performance in YTD 2013 as opposed to 11 months in YTD 2012 when the Group acquired Acibadem Holdings on 24 January 2012.
The strong PATMI growth was also on the back of finance costs savings from the repayment of the Parkway and Acibadem acquisition loans from the utilisation of the IPO proceeds as well as the recapitalisation of Acibadem in Q4 2012. Additionally, the group also recovered about RM22 million in relation to prior year tax and investment tax allowances of RM22.9 million which goes to offset the incremental depreciation and finance costs from 3 new hospitals in Singapore and Turkey upon completion of construction in 2012.

For the three months ended 31 Dec 2013, the Group's headline and underlying performance also improved significantly, with solid double-digit YoY growths across the board. Headline revenue, EBITDA and PATMI grew 17% (RM1.8 billion), 27% (RM450.6 million) and 47% (RM230.1 million) respectively. Excluding one-off effects of the sales of medical suites in Q4 2012, consolidation of PLife REIT, and exceptional items, the Group's underlying operational performance grew strongly with revenue increasing 17% to RM1.8 billion compared to Q4 2012 while EBITDA rose 47% YoY to RM408.7 million and PATMI increased 153% to RM179.1 million.

The strong revenue performance in Q4 2013 vs Q4 2012 was driven by increased volume and revenue intensity throughout operations, and the ramping up of new hospitals. Mount Elizabeth Novena Hospital and Acibadem Ankara Hospital both contributed positive EBITDA in the quarter compared to start-up losses in Q4 2012, while Acibadem Bodrum Hospital significantly reduced its start-up losses in Q4 2013 versus the same period last year.

The strong PATMI growth was due to three factors: double-digit EBITDA growth, recapitalisation of Acibadem in Q4 2012, and recognition of investment tax allowances of approximately RM22.9 million in in Q4 2013.

IHH Managing Director and CEO, Dr Tan See Leng, said: "Our strong performance in FY2013 and Q4 gives us solid momentum into this new year. We will continue organic growth and will generate new revenue streams as we execute aggressively on our pipeline of expansion projects across multiple markets."

<u>Segmental review: Organic growth and ramp-up of new hospitals drive results</u>

Parkway Pantai saw its full-year revenue[2] grow 13% to RM3.9 billion and its EBITDA[2] grow 32% to RM968.8 million. The strong growth was driven by higher inpatient admissions and day cases at both Singapore and Malaysia Hospitals with an increase of 7.3% and 7.4% in inpatients admissions for Singapore and Malaysia Hospitals respectively. Price increases and the handling of more complex cases increased revenue intensity by 5.7% to RM21,395 per inpatient admission and 6.5% to RM4,493 per inpatient admission for the Singapore and Malaysia Hospitals respectively.

For the final quarter, Parkway Pantai's Singapore hospitals saw a strong YoY increase in both local and foreign patients, especially medical travellers from non-traditional markets, with a 6.7% increase in inpatient admissions to 15,224 compared to the same period last year. Revenue growth at Parkway Pantai was also driven by higher revenue intensities that resulted from more complex cases undertaken by the hospitals and price increases to compensate for cost inflation. As a result, Q4 2013 revenue per inpatient admission increased 7.7% to approximately RM21,241 in Singapore and increased 4.7% to RM4,477 in Malaysia.

Despite increasing cost pressures, EBITDA of Parkway Pantai's existing operations grew on the back of higher revenues and operating leverage from the higher patient volumes. Novena Hospital

[2] Excluding sales of Novena medical suites in 2012

continued to contribute significantly to Parkway Pantai's EBITDA as the hospital ramps up its revenue and optimises its resources as patient volumes increase, providing RM12.5 million in EBITDA contribution for Q4 2013 as compared to significant start-up losses of RM16.4 million incurred in Q4 2012.

Acibadem Holdings posted YTD revenue and EBITDA growth of 26% and 40% to RM2.6 billion and RM462.8 million respectively. The growth was partly attributed to the full year consolidation of Acibadem as opposed to 11 months in YTD 2012. Assuming full 12 months results consolidation of Acibadem Holdings in YTD 2012, revenue and EBITDA would have grown 14% and 20% respectively in YTD 2013 driven by higher inpatient admissions from existing and new hospitals, higher revenue intensity, and better operating leverage achieved to offset higher staff and rental costs as well as pre-operating expenses of Acibadem Atakent Hospital which opened in January 2014.

Notwithstanding the depreciation of TL against RM, Acibadem's Q4 revenue grew 20% to RM684.3 million from RM570.6 million in the same period last year due to higher inpatient admissions which grew 7.4% to 30,296 in Q4 2013. The growth was also boosted by the newly opened Acibadem Bodrum Hospital and Acibadem Ankara Hospital. Overall, average revenue per inpatient admission increased 10.3% YoY to RM9,774 in Q4 2013 due to more complex cases and price increases.

Acibadem Holding's EBITDA increased 61% from RM79.8 million in Q4 2012 despite higher pre-operating costs of Acibadem Atakent Hospital running up to its commencement in January 2014. The robust EBITDA growth in Q4 2013 was on the back of strong operating performance of existing hospitals as well as higher revenue and operating leverage from Acibadem Bodrum Hospital and Acibadem Ankara Hospital which commenced operations in 2012.

IMU Health, IHH's medical education arm, IMU Health registered 13% revenue growth in FY2013 compared to FY2012 due to higher fee income from IMU Health's medical and nursing programmes. IMC Education Sdn Bhd, which was transferred from Parkway Pantai to IMU Health in October 2012, also contributed to the revenue growth in the year.

PLife REIT, a REIT with a portfolio of healthcare properties that IHH manages indirectly, saw its external revenue decline 10% in FY2013 due to the translation effects of the weakening Japanese Yen on PLife REIT's revenue earned from its Japanese properties. This was partially offset by an increase in rental income when it completed its acquisition of two Japanese nursing homes in July 2013 and the acquisition of another five Japanese nursing homes in September 2013. PLife REIT's YTD EBITDA was mainly eroded by the RM4.4 million valuation loss recognised in FY2013 on its investment properties that were rented to external parties, compared to a valuation gain of RM1.6 million recognised in FY2012.

Outlook and prospects for 2014

In Parkway Pantai's Singapore operations, Mount Elizabeth Novena Hospital will progressively open additional wards and beds during the year to meet growing patient demand. The Group expects medical tourism revenues to continue to grow as it diversifies into non-traditional sources of foreign patients through corporate arrangements put in place in the prior year and continuous marketing efforts. The planning and construction of Parkway Pantai's new hospitals in Malaysia and Hong Kong are progressing well as the new Pantai Manjung Hospital is expected to be operational in Q2 2014, whilst Gleneagles Medini is expected to market its medical suites during the latter half of 2014, subject to obtaining all necessary approvals from the authorities.

In Acibadem Holdings, patient volumes are expected to grow due to continued demand for private healthcare and increased affordability of private medical healthcare following higher claims limits for Social Security Institution patients. Overall, EBITDA margins are expected to be healthy as a result of higher revenues and operating leverage. Furthermore, the volume growth of patients is expected to be supported by additional capacity from the newly opened 278-bed Acibadem Atakent Hospital. Amidst the expected volatility of the TL, Acibadem Holdings will continue to monitor its liquidity position to hedge its cashflows by conserving hard currency receipts from its medical travellers to service these debts and interest payments.

Overall, the Group is optimistic that the demand for quality private healthcare will grow in all its home markets due to the demographics and the growing upper/middle classes in the regions where the Group operates. With the increased demand for trained healthcare professionals and inflationary pressures, the Group expects to incur higher salaries and wages and other operating costs in its home markets but it will mitigate this through price adjustments and extracting operating leverage from the growth in revenues.

IHH Chairman, Tan Sri Dato' Dr Abu Bakar Bin Suleiman: "FY2013 was a year where we achieved strong traction with new projects and in new markets, balanced with solid organic performance. The Group continues to be in great hands with Dr. Tan at the helm and we're delighted to be starting the new financial year by introducing a dividend policy to enhance the returns passed on to our shareholders."

For further information or to speak to an IHH spokesperson, please contact:

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About IHH Healthcare Berhad ("IHH")
IHH Healthcare Berhad is a leading premium healthcare provider in markets where the demand for quality care is strong and growing. We are the second largest healthcare group in the world by market capitalisation and are listed on the Main Market of Bursa Malaysia and Main Board of SGX-ST. Our companies offer the full spectrum of integrated healthcare services from clinics to hospitals to quaternary care and a wide range of ancillary services including medical education. We are the leading player in our home markets of Singapore, Malaysia and Turkey, and key markets of the People's Republic of China (PRC), Hong Kong and India. We are also present in Vietnam, Brunei, the UAE and Macedonia. We employ more than 24,000 people and operate over 5,000 licensed beds across 33 hospitals worldwide. Our "Mount Elizabeth", "Gleneagles", "Pantai" and "Acibadem" brands are among the most prestigious in Asia and Central and Eastern Europe, with a growing presence in the Middle East and North Africa
www.ihh-healthcare.com

APPENDIX I

Financial Results Highlights

Unaudited condensed consolidated statements of comprehensive income for the financial period ended 31 December 2013

Group performance

	4th Quarter ended		Variance	YTD (12 months ended)		Variance
	31 Dec 2013	**30 Dec 2012**		**31 Dec 2013**	**31 Dec 2012**	
	RM million		%	RM million		%
Revenue	1,780.1	1,527.7	17	6,756.6	6,962.5	-3
EBITDA	450.6	354.5	27	1,658.3	1,569.0	6
PATMI	230.1	156.5	47	631.2	750.8	-16
PATMI (excluding exceptional items)[3]	188.2	108.6	73	648.6	619.1	5

Group performance

(adjusted to exclude effects of the recognition of medical suite sales and consolidation of PLife REIT)

	4th Quarter ended		Variance	YTD (12 months ended)		Variance
	31 Dec 2013	**30 Dec 2012**		**31 Dec 2013**	**31 Dec 2012**	
	RM million		%	RM million		%
Revenue	1,757.3	1,505.5	17	6,675.3	5,663.1	18
EBITDA	408.7	277.2	47	1,476.2	1,114.4	32
PATMI	221.0	118.6	86	585.0	485.2	21
PATMI (excluding exceptional items)[3]	179.1	70.7	153	602.5	353.5	70

[3] Exceptional items, net of tax and minority share