



IHH Healthcare Berhad

IHH Achieves Double-Digit YoY Growth in Q2

- Headline Q2 revenue, EBITDA and PATMI grew 11%, 16%, 33% YoY to RM1.9 billion, RM488.0 million and RM209.1 million respectively
- Core earnings registered 21% healthy growth
- Pantai Hospital Manjung began operations in May 2014; newly opened Acibadem Atakent nearly doubles revenue over Q1; Mount Elizabeth Novena grew EBITDA sixfold YoY

KUALA LUMPUR/SINGAPORE, 28 August 2014 – IHH Healthcare Berhad (“**IHH**” or the “**Group**”), today announced double-digit growth in headline revenue and core earnings for its second quarter financial and operating results ended June 30, 2014. This was driven by sustained growth in patient volumes and revenue intensity of existing operations, continued operational efficiencies and commencement of operations at new hospitals.

For the three months ended June 2014, the Group’s headline revenue grew 11% over the same period last year to RM1.9 billion. Earnings before interest, taxes, depreciation, amortisation, exchange differences & other non-operational items (“EBITDA”) increased by 16% YoY to RM488.0 million. Profit after tax and minority interests (“PATMI”) grew by 33% YoY to RM209.1 million on the back of the strong EBITDA growth.

The Group’s underlying operational performance was similarly solid. After stripping out exceptional items and the contribution from PLife REIT*, revenue grew 11% YoY to RM1.8 billion, resulting from higher inpatient admissions and revenue intensity, as well as contributions from Acibadem Atakent Hospital and Pantai Hospital Manjung, which opened in January 2014 and May 2014 respectively.

Benefiting from organic growth, new revenue streams, and the continuous ramp up of operations for Mount Elizabeth Novena Hospital, Acibadem Ankara Hospital and Acibadem Bodrum Hospital which incurred significant start-up costs last year, EBITDA excluding contributions from PLife REIT*, grew 16% YoY to RM434.9 million. Core earnings, or PATMI excluding exceptional items, also improved 21% YoY to RM178.6 million. This was offset slightly by the incremental depreciation and financial costs that have to be recorded for Acibadem Atakent Hospital and Pantai Hospital Manjung following their completion.

For the six months ended June 2014, the Group’s revenue, excluding contribution from PLife REIT*, was 9% higher YoY at RM3.6 billion, while EBITDA grew 14% to RM819.5 million and PATMI excluding exceptional items improved by 27% to RM338.6 million. This was attributed to YoY growth in patient volume, revenue intensity of existing operations and opening of the

* For a more accurate reflection of the Group’s underlying operating performance, the effects of the consolidation of PLife REIT, in which IHH owns a 35.8% indirect stake, should be stripped out

Acibadem Atakent Hospital and Pantai Hospital Manjung in January 2014 and May 2014 respectively.

In spite of the weakening Turkish Lira (“TL”), core earnings were minimally affected as the strengthening Singapore dollar offset the Lira’s impact after translating into the Group’s financial statements, which is reported in Malaysian Ringgit.

The Group further strengthened its already robust balance sheet, bringing down its net gearing to 0.10x as at the end of June 2014, from 0.12x as at December 2013. With strong operating cash flows, backed by a cash balance of RM2.3 billion, IHH remains in a strong position to support its annual dividend and capital expenditure commitments.

IHH Managing Director and CEO, Dr Tan See Leng, said: “We continue to bolster our strong fiscal position through our robust performance this quarter, extracting operating leverage, delivering organic growth and benefiting from increased scale. We remain confident about the demand for quality private healthcare services in the markets where we operate, and look forward to increasing revenue contribution from our pipeline of projects as they come on stream.”

Segmental review: Higher revenues and operating leverage offset cost pressures

Parkway Pantai, the Group’s largest operating subsidiary, registered a 15% YoY increase in Q2 2014 revenue to RM1.1 billion and a 21% YoY growth in EBITDA to RM296.7 million, as a result of the continuous ramp up of its Mount Elizabeth Novena Hospital in Singapore as well as from its other hospitals and healthcare businesses.

Revenue from Mount Elizabeth Novena Hospital in Singapore surged by 87% YoY to RM81.0 million in Q2 2014, and continued operating leverage drove EBITDA to approximately RM18.2 million, seven times the RM2.6 million EBITDA in Q2 2013.

Healthy revenue growth for Parkway Pantai was also due to a higher average revenue per inpatient admission, which improved 0.7% to RM21,499 in Singapore and increased 8.6% to RM4,900 in Malaysia. These resulted from more complex cases undertaken and price increases to compensate for inflation.

Parkway Pantai’s Singapore hospitals saw an 11.5% increase in inpatient admissions to 16,492 in Q2 2014. The growth was attributed to local patients as well as foreign patients from non-traditional markets such as the Middle East, Myanmar and China. Meanwhile, inpatient volumes at Parkway Pantai’s Malaysia hospitals grew 13% to 47,491 in Q2 2014.

Acibadem Holdings, Turkey’s largest private healthcare provider by registered beds, continued to exhibit solid underlying performance in the quarter. Revenue and EBITDA grew 4% YoY to RM675.6 million and RM123.6 million respectively in Q2 2014. In constant currency terms, revenue and EBITDA improved by 12% and 13% respectively over last year.

This was a result of organic growth at existing hospitals, the continued ramp up of Acibadem Ankara Hospital and Acibadem Bodrum Hospital, as well as contribution from the newly opened Acibadem Atakent Hospital, which nearly doubled its revenue from Q1 2014. The double-digit growth in EBITDA was achieved despite RM2.8 million in start-up losses from Acibadem Atakent Hospital.

Inpatient admissions grew 8% to 32,987 over Q2 2013, while average inpatient revenue per inpatient admission declined 1.9% to RM8,947 in Q2 2014 as fewer complex cases were undertaken.

IMU Health, the Group's education arm, posted a 13% YoY growth in revenue to RM57.6 million in Q2 2014 while EBITDA increased 17% over the previous year to RM23.8 million. Revenue growth was driven by higher student intake and an increase in course fees for IMU Health's medical and nursing programmes.

PLife REIT, which has a portfolio of 47 healthcare-related properties, saw external revenue grow by 37% YoY to RM24.7 million in Q2 2014, while EBITDA was 17% higher than the same period last year at RM53.2 million. Growth in its external revenue was driven by rental income contribution from the Japanese properties it acquired in the second half of 2013 and the first quarter of 2014.

Outlook and prospects

Overall, the Group is confident that its strong balance sheet and cash flow will support its expansion plans as it expects to continue registering earnings growth in 2014 barring any unforeseen circumstances. It remains optimistic about the growth in demand for quality private healthcare services across its home markets and in emerging markets, and the opening of new facilities will support this demand and drive revenue growth.

The Group plans to mitigate effects from higher staff costs and other inflationary pressures via price adjustments while extracting greater operating leverage from inpatient volume growth and improved margins from its new hospitals as they mature.

IHH faces currency volatility due to its expansive footprint across Asia as well as the Central and Eastern Europe, Middle East and North Africa ("CEEMENA") regions, which would result in translation differences in the Group's balance sheet and income statement as well as affect the comparability of financial performance across periods.

Where possible, the Group takes proactive steps to minimise such risks including borrowing in the functional currency of the operating entity or borrowing in the same currency as its foreign investment. Acibadem Holdings will monitor its liquidity position to hedge its cash flows by conserving hard currency receipts from medical travellers to service the debts and interest payments of its non-TL denominated loans.

IHH Chairman, Tan Sri Dato' Dr Abu Bakar Bin Suleiman, said: "We continue to deliver growth for our shareholders with another positive quarter. We remain confident of generating further value for investors as we continue to drive operating leverage with a healthy pipeline of projects ahead."

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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, Macedonia and Iraq. We employ more than 25,000 people and operate over 6,000 licensed beds across 37 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 30 June 2014

Group performance

(adjusted to exclude contribution from PLife REIT)

	2 nd Quarter ended		Variance	YTD (6 months ended)		Variance
	<u>30 June</u> <u>2014</u>	<u>30 June</u> <u>2013</u>		<u>30 June</u> <u>2014</u>	<u>30 June</u> <u>2013</u>	
	RM million		%	RM million		%
Revenue	1,840.4	1,661.9	11	3,575.1	3,266.5	9
EBITDA	434.9	374.3	16	819.5	721.8	14
PATMI	195.9	145.2	35	342.8	258.9	32
PATMI (excluding exceptional items)	178.6	148.0	21	338.6	266.7	27

Headline Group performance

	2 nd Quarter ended		Variance	YTD (6 months ended)		Variance
	<u>30 June</u> <u>2014</u>	<u>30 June</u> <u>2013</u>		<u>30 June</u> <u>2014</u>	<u>30 June</u> <u>2013</u>	
	RM million		%	RM million		%
Revenue	1,865.1	1,680.0	11	3,622.7	3,304.6	10
EBITDA	488.0	419.6	16	924.5	813.8	14
PATMI	209.1	156.8	33	368.2	284.0	30
PATMI (excluding exceptional items)	191.8	159.6	20	363.9	291.9	25