IHH Healthcare Berhad

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Kuala Lumpur/Singapore, 28 August 2018

IHH Healthcare reports Q2 2018 profit of RM165.1 million

Q2 HIGHLIGHTS:

Resilient core performance: Revenue and EBITDA decreased on stronger Malaysian Ringgit; PATMI (excluding exceptionals) nearly triples

- Q2 2018 revenue decreased 4% year-on-year to RM2.7 billion; EBITDA marginally down 1% to RM527.9 million on stronger Malaysian Ringgit; On constant currency terms, increased 14% and 13% respectively
- PATMI (excluding exceptionals) grew by 197% to RM256.5 million from low base in Q2 2017, stronger operational performance, and foreign exchange gains on USD-denominated cash balances
- Headline PATMI of RM165.1 million against a strong Q2 2017, which included one-off gain of RM241.1 million from divestment of stake in Apollo Hospitals

Strong balance sheet with prudent cash management

- Net gearing of 0.04 times with RM6.2 billion cash position

Proposed Fortis Healthcare acquisition in India presents unique opportunity that fits IHH's core strategy to focus on key emerging markets

- Approval received from Fortis Healthcare shareholders for preferential subscription; subject to approval of proposed acquisition by Competition Commission of India
- Prudent and disciplined approach expected to create value for all stakeholders, generating significant growth opportunity in one of world's fastest growing markets

GROUP RESULTS HIGHLIGHTS

Consolidated Financial Results for the period ended 30 Jun	Q2 2018 (RM million)	Q2 2017 (RM million)	Variance (%)	H1 2018 (RM million)	H1 2017 (RM million)	Variance (%)
Revenue	2,659.7	2,771.8	(4)	5,514.7	5,456.7	1
EBITDA	527.9	535.8	(1)	1,136.8	1,101.4	3
PATMI	165.1	316.6	(48)	222.3	786.6	(72)
PATMI *(less exceptional items)*	256.5	86.2	197	377.0	288.0	31

IHH Healthcare Berhad ("**IHH**" or the "**Group**"), a leading premium global healthcare provider, today announced earnings for the second quarter and first half ("**Q2 2018**" and "**H1 2018**" respectively) ended 30 June 2018.

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For the three months ended 30 June 2018, the Group's revenue decreased 4% year-on-year ("**YoY**") to RM2.7 billion. Earnings before interest, tax, depreciation, amortisation, exchange differences and other non-operational items ("**EBITDA**") edged down by 1% to RM527.9 million.

Both revenue and EBITDA were affected by the translational effect from a stronger Malaysian Ringgit against the currencies of other countries in which IHH operates. On constant currency terms, revenue and EBITDA grew 14% and 13% respectively, due to sustained organic growth at existing operations and on the continued ramp up of Gleneagles Hong Kong and Acibadem Altunizade which opened in March 2017.

Headline PATMI declined 48% to RM165.1 million for Q2 2018. This was against a high base in Q2 2017, which included a one-off gain of RM241.1 million from its divestment of Apollo Hospitals. PATMI (excluding exceptional items)[*] grew by 197% to RM256.5 million. This was from a lower base in Q2 2017 that saw the Group record accrued interest expenses on capital gains tax payable, additional tax provisions for prior years, as well as from recognising RM77.1 million in foreign exchange gains for Q2 2018 on its USD-denominated cash balances.

For the six months ended 30 June 2018, revenue increased 1% YoY to RM5.5 billion while EBITDA rose 3% YoY to RM1.1 billion. Stripping out the translational effects of the stronger Ringgit, revenue and EBITDA growth were 15% and 14% respectively. Headline PATMI was RM222.3 million, 72% lower than the RM786.6 million for H1 2017. PATMI (excluding exceptional items)* increased 31% to RM377.0 million.

The Group maintained a strong financial position as at end-June 2018, with a cash balance of RM6.2 billion and net gearing of 0.04 times (31 Dec 2017: 0.03 times). Net cash generated from operating activities was RM951.5 million.

MANAGEMENT COMMENTS:

IHH Managing Director and CEO, Dr Tan See Leng, said: "Our core operations remained resilient and performed well despite increasing business headwinds. The stronger Malaysian Ringgit had a translational effect on our financials, and must be viewed against a strong Q2 2017 which included a one-off divestment gain. As long-term healthcare operators in our markets, our overall focus is on driving core performance, which we continue to deliver consistently.

"As a growth company with a long runway, we will continue to create value for all stakeholders by growing sustainably and prudently. In Turkey, we are watching Lira developments closely and are accelerating plans to restructure and reduce Acibadem's foreign debt to manage our exposure to currency volatility. In Greater China, we remain on track to sequentially realise our greenfield pipeline; and in India, we are heartened by the resounding mandate from Fortis shareholders at the recent shareholders' meeting, which speaks to their trust in our ability to drive performance at Fortis while

[*] Stripping out exceptional items provides a better gauge of underlying operational performance

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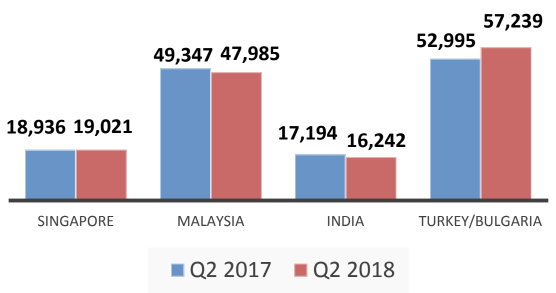
addressing its immediate funding needs. Adding Fortis Healthcare to the IHH family signifies a transformational growth opportunity for us in one of the world's fastest growing markets."

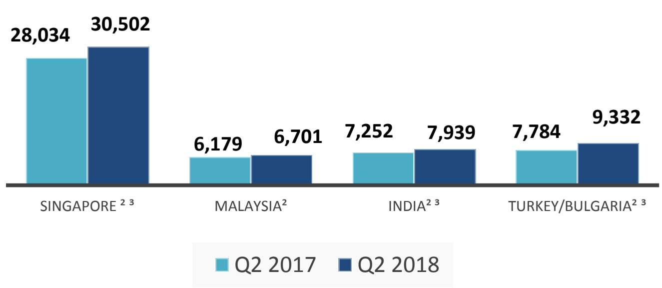
SEGMENTAL RESULTS OVERVIEW: Q2 2018

Segment	Revenue (RM million)			EBITDA (RM million)		
	Q2 2018	Q2 2017	Variance (%)	Q2 2018	Q2 2017	Variance (%)
Parkway Pantai	1,770.2	1,714.7	3	349.2	334.7	4
Acibadem Holdings	790.4	953.6	(17)	108.3	145.0	(25)
IMU Health	64.6	68.4	(5)	23.4	24.6	(5)
PLife REIT	33.2	34.6	(4)	67.1	69.8	(4)

Inpatient Admission Volumes[1] (YoY)



Revenue Intensity Per Inpatient[1] (RM)



1. Based on Singapore, Malaysia, India and Acibadem Holdings hospitals only. Excludes hospitals operated by joint venture companies, hospitals under hospital management agreements and other international hospitals.
2. Specialist fees not included in Singapore's and Malaysia's average revenue per inpatient admission
3. Based on a uniform exchange rate throughout the periods shown (SGD: 2.95508; INR:0.05895; TL:0.99982)

Parkway Pantai, the Group's largest operating subsidiary, reported a 3% increase in revenue on sustained organic growth from its existing operations, the continued ramp up of its hospitals in Malaysia and higher contribution from Gleneagles Hong Kong Hospital. EBITDA grew 4% as Gleneagles Hong Kong Hospital continued to narrow its start-up losses to RM42.7 million in Q2 2018 (Q2 2017: RM68.7 million). On constant currency terms, revenue and EBITDA grew by 8% and 7% respectively.

Inpatient admissions at its Singapore hospitals grew 0.4% to 19,021, driven predominantly by local patients as well as foreign patients from non-traditional markets such as Vietnam. Average revenue per inpatient admission ("**revenue intensity**") rose 8.8% to RM30,502.

Inpatient admissions at its Malaysia hospitals decreased 2.8% to 47,985 in Q2 2018 on the additional public holidays declared following the general election. However, revenue intensity increased 8.4% to RM6,701 with more complex cases being undertaken.

In India, inpatient admissions decreased 5.5% to 16,242. Revenue intensity increased by 9.5% to RM7,939 on the corresponding improvement in case mix.

Acibadem Holdings, Turkey's leading private healthcare provider in which IHH owns a 60% majority stake, saw revenue and EBITDA decrease by 17% and 25% respectively, on the stronger Ringgit. On constant currency terms, revenue increased 26% from higher contribution from Acibadem Altunizade Hospital and sustained organic growth across its operations. EBITDA increased by 19% on the improved revenue, excluding the translational effect from the stronger Ringgit.

Inpatient admissions grew 8% to 57,239 on the contribution from Acibadem Altunizade and the sustained ramp up of operations including in Bulgaria. Revenue intensity improved by 19.9% to RM9,332 from taking on more complex cases and receiving more foreign patients.

IMU Health, the Group's medical education arm, saw revenue decrease by 5% due to lower intake of students from a year ago. EBITDA fell by 5% on higher operating and marketing expenses.

PLife REIT, with a portfolio of 50 healthcare-related properties as at 30 June 2018, saw its external revenue decrease 4% and EBITDA decline by 4% mainly due to the stronger Ringgit against the Singapore Dollar upon the translation of its results. On a constant currency basis, both PLife REIT's revenue and EBITDA increased 1% as compared to Q2 2017.

OPERATIONAL AND FINANCIAL UPDATES

Since June 2018, the Turkish Lira has depreciated significantly against the US Dollar and Euro. This may result in continued foreign currency exchange volatility and potential losses on its income statement. The Group is accelerating its plans to restructure and reduce its foreign currency debt burden on Acibadem Holdings' balance sheet. In the meantime, we have deferred all expansion capital expenditure for Acibadem.

On 13 July 2018, the Group announced the proposed acquisition of a controlling stake in Fortis Healthcare Limited ("Fortis") through a INR40 billion subscription to a preferential allotment of equity shares for a 31.1% interest in Fortis and subsequent mandatory cash open offer for up to an additional 26.0% equity interest, at an offer price of INR170 per share. Earlier this month, IHH received 99.7% of votes from Fortis shareholders in support of its preferential allotment and will be undertaking the mandatory cash open offer in September, subject to the proposed acquisition's approval by the Competition Commission of India.

OUTLOOK AND PROSPECTS

As a leading healthcare operator, IHH continues to believe in the long-term growth potential and sustained demand for quality private healthcare in its home markets of Malaysia, Singapore, India and Turkey, and key growth market of Greater China.

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The Group will look to strengthen its service offerings and focus on building its Centres of Excellence, especially in high acuity services, to drive revenue intensity across all its hospitals. It will also ramp up newer hospitals to further optimise operating leverage, consolidate acquired assets and prepare for the progressive opening of its slate of greenfield and expansion projects.

IHH is confident that it remains well-placed to capture opportunities with its strong balance sheet and operating cash flow. The experienced management team has a proven execution track record of establishing and operating an extensive network of hospitals and delivering long term value to all stakeholders.

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About IHH Healthcare Berhad ("IHH")
IHH Healthcare Berhad is a leading premium integrated healthcare provider in markets where the demand for quality care is strong and growing. We are one of the largest healthcare groups in the world by market capitalisation and are listed on the Main Market of Bursa Malaysia and the Main Board of SGX-ST.

Employing more than 35,000 people and operating over 10,000 licensed beds across 49 hospitals in 9 countries worldwide, the Group offers the full spectrum of integrated healthcare services from clinics to hospitals to quaternary care and a wide range of ancillary services across our three operating subsidiaries:

- **Parkway Pantai Limited** is one of Asia's largest integrated private healthcare groups with a network of 28 hospitals throughout the region, including Malaysia, Singapore, India, China, Brunei and UAE. Its "Mount Elizabeth", "Gleneagles", "Parkway" and "Pantai" brands are among the most prestigious in Asia.
- **Acibadem Holdings** is Turkey's leading private healthcare provider, offering integrated healthcare services across 22 hospitals in Turkey, Macedonia, Bulgaria and Iraq. The "Acibadem" brand is renowned for its clinical excellence in the Central & Eastern Europe, Middle East and North Africa ("CEEMENA") region.
- **IMU Health** is IHH's medical education arm, and oversees the established higher learning institutions of International Medical College ("IMC") and International Medical University ("IMU") in Malaysia.

IHH is the leading player in our home markets of Malaysia, Singapore, Turkey and India, and key growth markets of China and Hong Kong. For more information, please visit www.ihhhealthcare.com.