IHH Healthcare Berhad

FOR IMMEDIATE RELEASE
Kuala Lumpur/Singapore, 30 August 2019

IHH Healthcare Reports Q2 2019 Profit of RM185.0 million

Q2 HIGHLIGHTS:

Strong double-digit gains in revenue and EBITDA on sustained organic growth and improved operational performance

- Q2 2019 revenue and EBITDA up YoY 37% and 47% respectively
- Headline PATMI up 12% YoY; PATMI (excluding exceptionals) down 6% due to higher finance costs
- Significantly narrowed foreign exchange losses on translation of non-Turkish Lira debt
- Robust balance sheet and prudent cash management, with net gearing of 0.15 times and RM5.0 billion cash position

Second straight quarter of operational profit for Fortis Healthcare:

- Fortis reported a robust financial performance with a strong uptick in operational profitability for both the hospitals and the diagnostics business

GROUP RESULTS HIGHLIGHTS

Consolidated Financial Results for the period ended 30 Jun	Q2 2019 (RM million)	Q2 2018 (RM million)	Variance (%)	H1 2019 (RM million)	H1 2018 (RM million)	Variance (%)
Revenue	**3,645.3**	2,659.7	37	**7,288.0**	5,514.7	32
EBITDA	**773.7**	527.9	47	**1,587.4**	1,136.8	40
PATMI	**185.0**	165.1	12	**274.5**	222.3	23
PATMI *(less exceptional items)*	**240.1**	256.5	(6)	**428.5**	377.0	14

IHH Healthcare Berhad ("**IHH**" or the "**Group**"), a leading premium global healthcare provider, today announced earnings for the second quarter and first half ended 30 June 2019 ("**Q2 2019**" and "**H1 2019**" respectively).

For the three months ended 30 June 2019, the Group's revenue increased 37% year-on-year ("**YoY**") to RM3.6 billion. Earnings before interest, tax, depreciation, amortisation, exchange differences and other non-operational items ("**EBITDA**") rose by 47% to RM773.7 million.

Revenue and EBITDA improved on sustained organic growth at existing operations and contribution from Gleneagles Hong Kong Hospital and Acibadem Altunizade Hospital, both opened in March 2017. Amanjaya Specialist Centre ("**Amanjaya**") and Fortis Healthcare ("**Fortis**"), acquired in October 2018 and November

2018 respectively, also contributed to the higher revenue and EBITDA. On constant currency terms and excluding the impact from MFRS 16 *Leases*[1], revenue and EBITDA grew 38% and 31% respectively.

Headline PATMI for Q2 2019 increased 12% to RM185.0 million. PATMI (excluding exceptional items)[2] declined 6% from a year ago to RM240.1 million mainly due to higher financing costs.

For the six months ended 30 June 2019, revenue increased 32% YoY to RM7.3 billion while EBITDA rose 40% to RM1.6 billion. This included one-off trustee management fee income of RM28.5 million from RHT relating to disposal of RHT assets. On constant currency terms and excluding the impact from MFRS 16 *Leases*, the Group's revenue and EBITDA increased 38% and 30% respectively.

The Group maintained a strong financial position as at end-June 2019, with net cash generated from operating activities of RM1.0 billion and an overall cash balance of RM5.0 billion. Net gearing was 0.15 times (31 December 2018: 0.10 times) due to strategic investments including Fortis in India.

MANAGEMENT COMMENTS:

IHH Managing Director and CEO, Dr Tan See Leng, said: "We delivered strong underlying performance as we execute on our strategy in a disciplined manner. The foundation that has been laid will position IHH well for its next phase of growth."

"In India, we are pleased with our continued progress on our turnaround plan for Fortis. For a second straight quarter, Fortis delivered an operational profit before tax, while also achieving higher revenue and bolstering its balance sheet. Management remains fully confident that this transformational acquisition continues to be accretive for IHH in years to come."

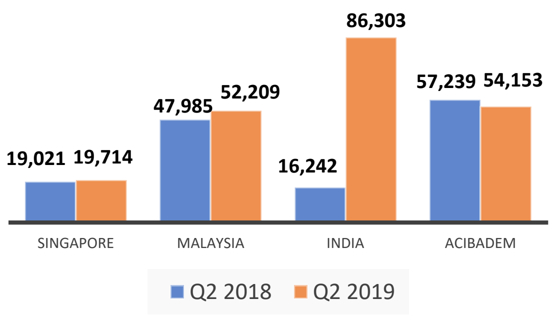
"Our proactive steps to pare down non-Lira debt for Acibadem has reduced the impact of forex volatility on our earnings. In Greater China, we continued to ramp up Gleneagles Hong Kong and look forward to the opening of Gleneagles Chengdu and Gleneagles Shanghai over the next 18 months."

SEGMENTAL RESULTS OVERVIEW: Q2 2019

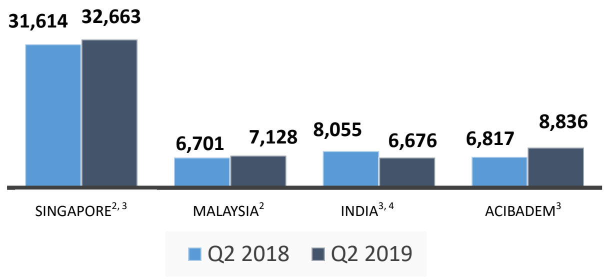
Segment	Revenue (RM million)			EBITDA (RM million)		
	Q2 2019	Q2 2018	Variance (%)	Q2 2019	Q2 2018	Variance (%)
Parkway Pantai	**2,648.0**	1,770.2	50	**512.2**	349.2	47
Acibadem Holdings	**895.5**	790.4	13	**186.9**	108.3	73
IMU Health	**66.7**	64.6	3	**24.8**	23.4	6
PLife REIT	**34.5**	33.2	4	**70.4**	67.1	5

[1] IHH adopted MFRS 16 *Leases* with effect from January 1, 2019. This change increased the Group's Q2 2019 EBITDA since the Group does not recognise operating lease expenses but instead recognises depreciation on "right-of-use" assets.
[2] Stripping out exceptional items provides a better gauge of underlying operating performance

Inpatient Admission Volumes[1,4] (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: 3.06279; INR:0.05982; TL:0.71617)
4. 2019 includes contribution from Fortis, that was acquired on 13 November 2018

<u>OPERATIONAL AND FINANCIAL UPDATES</u>

Parkway Pantai, the Group's largest operating subsidiary, reported a 50% increase in revenue on sustained organic growth from existing operations and the continuing ramp up of Gleneagles Hong Kong Hospital, as well as contributions from Amanjaya and consolidating Fortis to IHH's financial statements. EBITDA was boosted from lower operating losses at Gleneagles Hong Kong Hospital.

Inpatient admissions at its Singapore hospitals increased 3.6% to 19,714 and average revenue per inpatient admission ("**revenue intensity**") grew 3.3% to RM32,663.

Inpatient admissions at its Malaysia hospitals grew 8.8% to 52,209 while revenue intensity grew by 6.4% to RM7,128.

In India, inpatient admissions increased by 431% to 86,303 with the inclusion of Fortis' inpatient admissions numbers in the second quarter of 2019. Revenue intensity decreased by 17.1% to RM6,676 as Fortis' current revenue intensity is generally lower than Parkway Pantai's existing operations in India.

Fortis Healthcare, together with IHH, made further progress in improving its operational and financial performance. For its quarter ended 30 June 2019, Fortis reported an operational profit before tax of INR 20.4 crores, versus a loss of INR 118.2 crores for the quarter ended 30 June 2018, with revenue growth, a stronger balance sheet, an enhanced cash flows and an improved liquidity position.

Acibadem Holdings, Turkey's leading private healthcare provider in which IHH owns a 90% stake, saw revenue increase 13% while EBITDA increased 73% as its existing hospitals and healthcare business grew. In addition, medical tourism in the Central and Eastern Europe, the Middle East and North Africa ("**CEEMENA**") region generally improved.

Inpatient admissions decreased 5.4% to 54,153 due to fewer local patients at its non-Istanbul hospitals. Revenue intensity grew 29.6% to RM8,836 on a combination of price adjustments for patients on private insurance and paying out-of-pocket taking into account for inflation; undertaking more complex cases; and an increase in foreign patients.

In April this year, as part of its plan to reduce its exposure to Turkish Lira volatility, the Group paid down US$250 million equivalent of non-Lira debt for Acibadem. This has allowed IHH to significantly narrow the forex loss on translation of Acibadem's non-Lira debt to RM79.5 million in Q2 2019, from an exchange loss of RM189.2 million in Q2 2018.

IMU Health, the Group's medical education arm, saw revenue and EBITDA rise 3% and 6% respectively mainly on higher student intake for some of its courses.

PLife REIT, with a portfolio of 50 healthcare-related properties as at 30 June 2019, saw external revenue and EBITDA increase by 4% and 5% respectively. This was mainly due to a stronger Singapore Dollar against the Malaysian Ringgit which is the Group's reporting currency.

OUTLOOK AND PROSPECTS

As a leading international healthcare operator, IHH continues to believe in the sustained demand for quality private healthcare in its home and growth markets. The Group will consolidate its multi-country portfolio strategy to diversify its earnings base in cashflow-generative markets such as Singapore and Malaysia, medium-term growth momentum from Turkey and long-term growth opportunities from India and Greater China. IHH will also focus on ramping up its existing operations and integrating Fortis in the medium to long term.

Given the Group's geographic footprint across Asia and CEEMENA, the Group is susceptible to geopolitical risks and currency volatility. In particular for Turkey, we expect the ongoing political uncertainty to weigh on the economic activity of the country, which will result in currency fluctuations. We also expect regulatory risks arising from impending price controls in Malaysia, Singapore and India which may potentially impact the Group's profitability.

As part of its overall long-term strategy, the Group will look to drive earnings growth across all the markets where it operates. Its experienced management team has a proven execution track record of establishing and operating an extensive network of hospitals and expects to continue 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 55,000 people and operating over 15,000 licensed beds across 80 hospitals in 11 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 operating subsidiaries:

- **Parkway Pantai Limited** is one of Asia's largest integrated private healthcare groups with a network of 29 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 Amsterdam. The "Acibadem" brand is renowned for its clinical excellence in the Central & Eastern Europe, Middle East and North Africa ("CEEMENA") region.

- **Fortis Healthcare Limited** is a leading integrated private healthcare provider in India. It operates across a network of 30 healthcare facilities and 400 diagnostic centres in India, Dubai and Sri Lanka. Fortis is listed on the Bombay Stock Exchange.

- **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.