



STRATEGIC EXECUTION

ANNUAL REPORT 2018

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About this report

The Annual Report 2018 has been prepared in accordance with the International <IR> Framework by the International Integrated Reporting Council and the Global Reporting Initiative (GRI) – Core Option and GRI Sector Disclosures to enhance reporting connectivity while providing stakeholders with a more holistic view of how the Company creates and sustains value.

STRATEGIC EXECUTION

This report summarises how we have made progress against the strategy during the financial year and demonstrates our commitment to creating value for material stakeholders. The acquisition of Fortis Healthcare was a notable strategic milestone, as it has significantly boosted our presence and portfolio in India, creating for greater potential for operating synergy.

OUR GROUP STRATEGY

Our business strategy drives our mission and objectives to deliver the highest quality of healthcare.

[+ Pages 38 and 39](#)

CASE STUDY ON FORTIS HEALTHCARE

We have scaled up our operations in India through the acquisition of Fortis Healthcare. A significant benefit that lies in the synergy across our hospitals awaits.

[+ Pages 26 and 27](#)

PERFORMANCE REVIEW

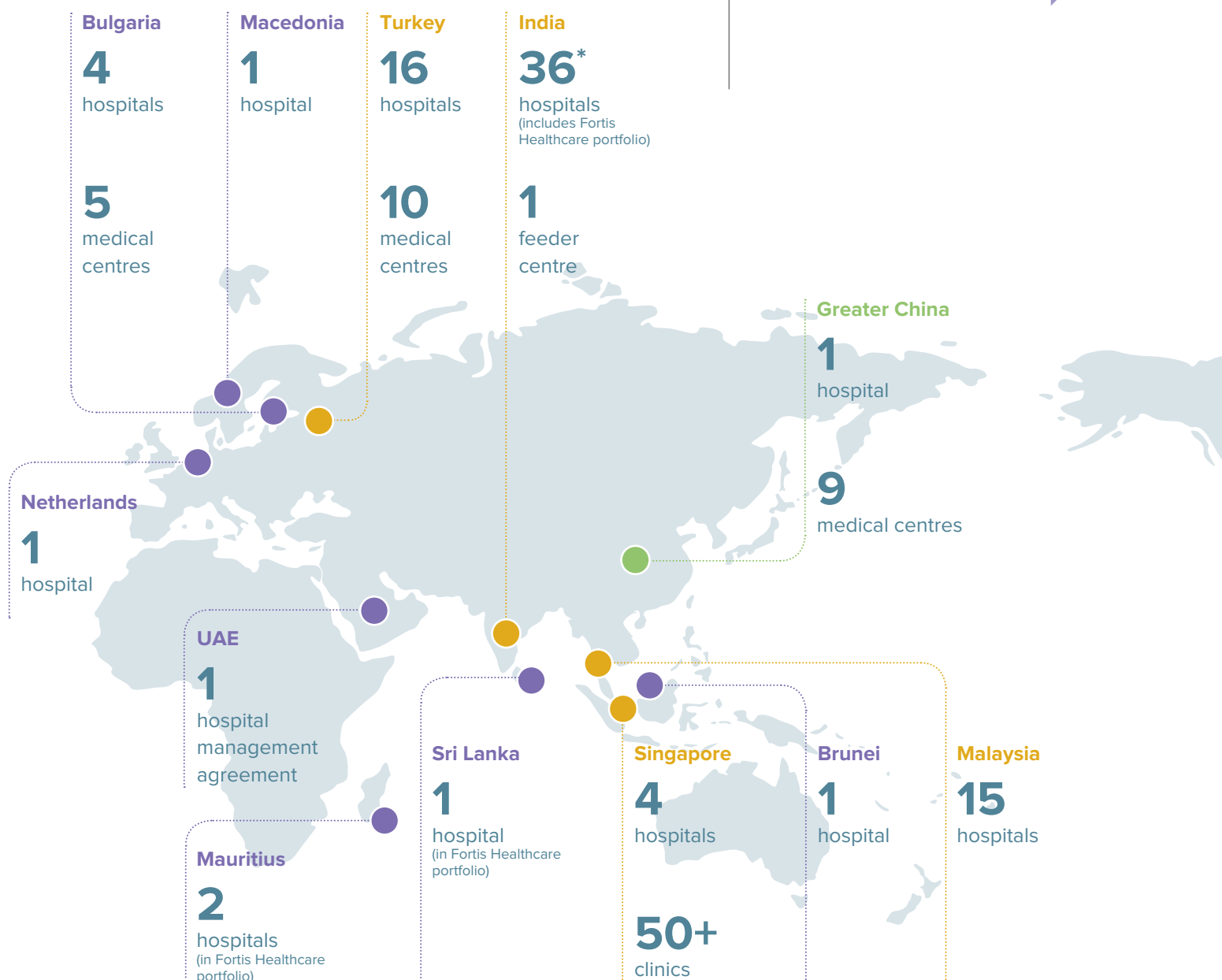
The Group has done well to conclude the financial year with resilient performance despite challenging business conditions in which we operate.

[+ Pages 42 to 53](#)

STRONG INTERNATIONAL PRESENCE

INVESTMENT CASE

We offer an attractive investment proposition, based on the following qualities that come together to deliver long term shareholder value.



● Home Markets ● Key Growth Markets ● Other International Markets

* Includes the 50/50 Indian JV, Apollo Gleneagles Hospital

OUTSTANDING CLINICAL OUTCOMES

Our steadfast commitment to international clinical governance standards has resulted in excellent outcomes at IHH Healthcare's business units. Resolute in maintaining this, we have in place the International Clinical Governance Advisory Council (ICGAC) to oversee the effectiveness of our clinical governance. The Council, made up of independent thought leaders, former academics, practicing professionals and management representatives, serves as the advisory body in the areas of patient safety, clinical quality training initiatives, education and related activities. All these serve to strengthen IHH Healthcare's reputation as a world-class healthcare institution.

4

Key Advisory Members

with exceptional achievements in the medical field

TRUSTED BY PATIENTS AROUND THE REGION

Our comprehensive service offerings and talent representing the best in their fields back up our excellent reputation for high quality service. We also recognise that quality output will not happen without quality input. This is why we have continually sought innovative ways to enhance our suite and standards of services. This progressive approach has made us a trusted healthcare provider for local patients and medical travellers.

20+

Patient Assistance Centres

worldwide to refer foreign patients and provide a one-stop seamless patient care experience to our hospitals

STRONG LEADERSHIP

Successful organisations are steered by visionaries who have the best interests of their stakeholders at heart. IHH Healthcare is led by a dynamic and accomplished team who believe in no less. At the helm, is a team of medical, legal and financial professionals with an excellent track record of hospital management and administration in both public and private healthcare. Under their expertise and strict governance standards, they have grown IHH Healthcare's footprint to 83 hospitals in 12 countries worldwide.

10

Highly Valued Professionals in Group Management

comprising of specialists in their individual expertise

STRATEGIC EXECUTION

As a forward-thinking Group, we recognise the need to continually strive for greater success. While our existing hospitals will be placed under expansion plans as and when they are needed, we are already venturing into new markets by establishing new hospitals. IHH Healthcare has identified India and Greater China as two key growth markets with immense potential. The team has planned strategies and projected pipelines to become a major international healthcare player.

2

Greenfield Hospital Projects in Greater China

total of 800-bed capacity in the project pipeline

Group Overview

IHH AT A GLANCE

As at 29 March 2019



OUR TRUSTED BRANDS

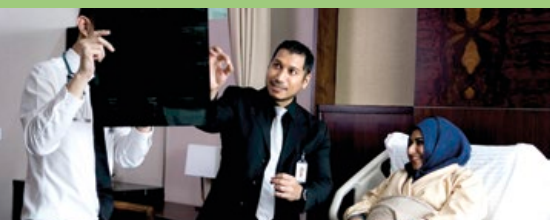
IHH offers an integrated network of hospital and ancillary services through a wide array of brands. Our brands are among the most prestigious in Asia and are widely recognised for their clinical excellence in Central & Eastern Europe.

Gleneagles



Gleneagles is the Group's international brand, with footprint in Malaysia, Singapore, India, China, Hong Kong and Brunei. Across Asia, the brand is synonymous with personalised care and superior clinical outcomes.

Mount Elizabeth



With two established hospitals in Singapore specialising in tertiary and quaternary care, Mount Elizabeth is among the world's top destinations for medical treatment.

Pantai



Pantai has a strong reputation in Malaysia for delivering quality healthcare through a wide spectrum of services ranging from hospitals to laboratory and rehabilitation services.

Acibadem



Acibadem is renowned for its clinical excellence as a leading private healthcare provider in Turkey. It offers the full suite of integrated healthcare services and has a presence in Bulgaria, Macedonia and the Netherlands.

Parkway Shenton



Parkway Shenton is a well-known primary healthcare brand in Singapore with an extensive network of over 1,000 general practitioner clinics, 24-hour clinics and executive health screening centres across the island state.

ParkwayHealth



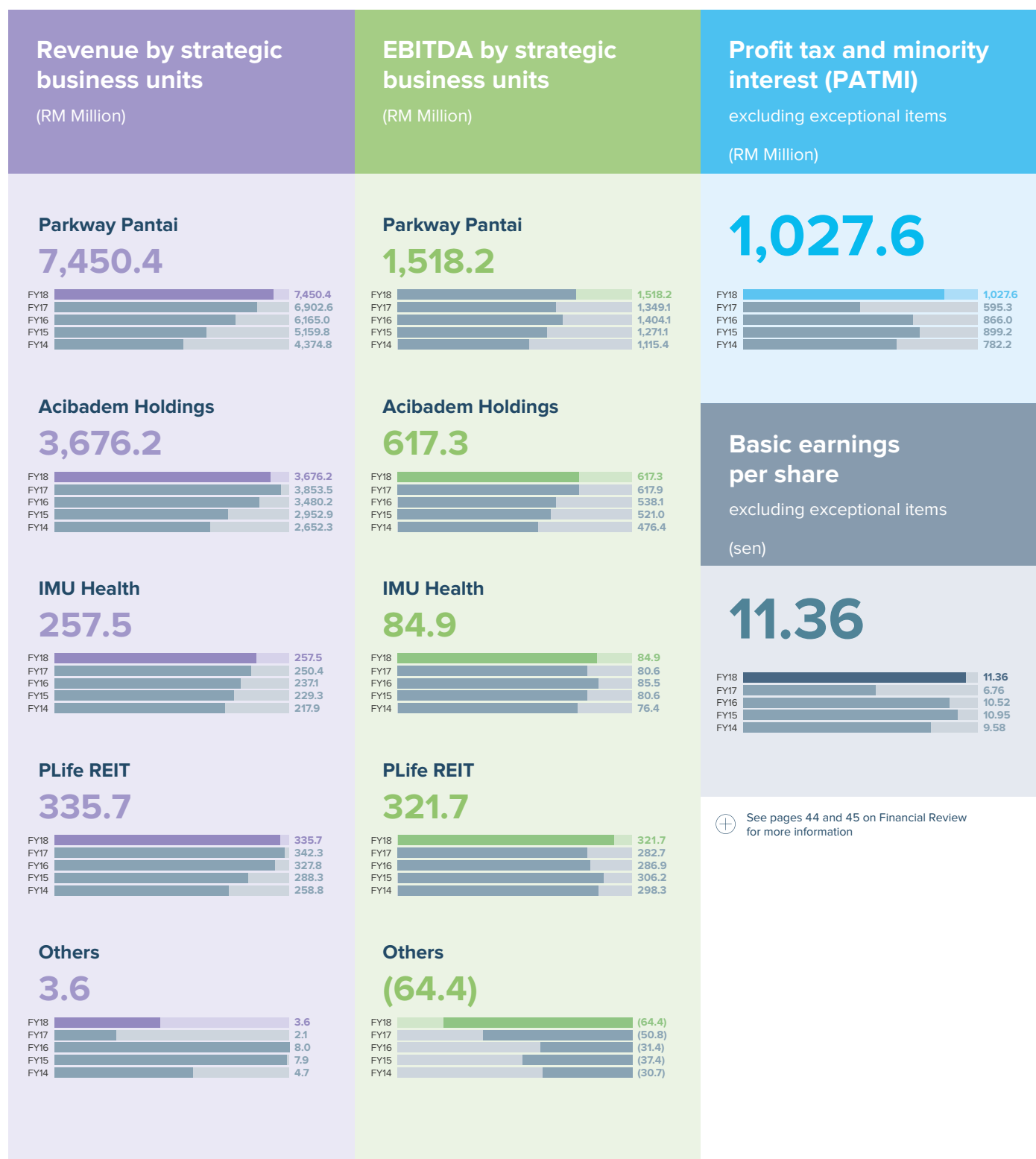
ParkwayHealth is the brand for Parkway Pantai's ancillary services in Singapore, including radiology and laboratory services. It is also the preferred primary healthcare network for expatriates in China.

Fortis Healthcare



Fortis Healthcare is a leading integrated healthcare delivery service provider in India. The healthcare verticals of the company primarily comprise hospitals, diagnostics and day care specialty facilities. Currently, the company operates its healthcare delivery services in India, Mauritius and Sri Lanka.

FINANCIAL HIGHLIGHTS



The above charts are not drawn to scale.

	FY2014	FY2015	FY2016	FY2017	FY2018
A INCOME STATEMENT (RM MILLION)					
Revenue by Strategic Business Units					
Parkway Pantai	4,374.8	5,159.8	6,165.0	6,902.6	7,450.4
Acibadem Holdings	2,652.3	2,952.9	3,480.2	3,853.5	3,676.2
IMU Health	217.9	229.3	237.1	250.4	257.5
Others ⁵	4.7	7.9	8.0	2.1	3.6
	7,249.7	8,349.8	9,890.3	11,008.6	11,387.8
PLife REIT total revenue	258.8	288.3	327.8	342.3	335.7
PLife REIT inter-segment revenue	(164.4)	(182.7)	(196.3)	(208.3)	(202.5)
Total	7,344.0	8,455.5	10,021.9	11,142.6	11,520.9
EBITDA¹ by Strategic Business Units					
Parkway Pantai	1,115.4	1,271.1	1,404.1	1,349.1	1,518.2
Acibadem Holdings	476.4	521.0	538.1	617.9	617.3
IMU Health	76.4	80.6	85.5	80.6	84.9
Others ⁵	(30.7)	(37.4)	(31.4)	(50.8)	(64.4)
	1,637.6	1,835.3	1,996.2	1,996.8	2,156.0
PLife REIT	298.3	306.2	286.9	282.7	321.7
Total	1,935.9	2,141.5	2,283.2	2,279.5	2,477.7
Profit After Tax and Minority Interest ("PATMI")					
Including Exceptional Items	754.3	933.9	612.4	970.0	627.7
Excluding Exceptional Items	782.2	899.2	866.0	595.3	1,027.6
B FINANCIAL POSITION (RM MILLION)					
Total Assets	28,640.3	35,497.9	37,188.0	38,924.2	45,114.5
Net Borrowings	1,801.5	4,718.5	5,043.9	1,559.5	2,771.9
Equity attributable to Owners of the Company	19,451.7	22,155.7	21,985.7	21,890.2	21,994.0
C FINANCIAL RATIOS					
Basic Earnings per Share (sen)					
Including Exceptional Items	9.24	11.38	7.44	11.31	6.54
Excluding Exceptional Items	9.58	10.95	10.52	6.76	11.36
Net Assets² per Share (RM)	2.38	2.69	2.67	2.66	2.51
Net Tangible Assets³ per Share (RM)	0.95	1.04	1.02	1.08	0.92
Return on Shareholders' Fund⁴ (%)					
Including Exceptional Items	3.88%	4.22%	2.79%	4.43%	2.85%
Excluding Exceptional Items	4.02%	4.06%	3.94%	2.72%	4.67%
Return on Total Assets (%)					
Including Exceptional Items	2.63%	2.63%	1.65%	2.49%	1.39%
Excluding Exceptional Items	2.73%	2.53%	2.33%	1.53%	2.28%
Net Debt Equity Ratio (times)	0.08	0.19	0.21	0.06	0.10

Notes

The above historical financial summary may not be comparable across the period presented due to the changes in the Group structure

For changes in the accounting policies and adoption of new and/or revised accounting standards, as well as changes in presentation of financial statements for the respective financial year under review, only the comparative figures for the previous year were

restated to conform with the requirements arising from the said changes or adoption.

1. Being earnings before interest, tax, depreciation, amortisation, exchange differences, share of results of associates and joint ventures and other non-operational items.
2. Being net assets attributable to ordinary shareholders (excluding non-controlling interests).

3. Being net assets attributable to ordinary shareholders (excluding non-controlling interests) less goodwill and intangible assets.
4. Being PATMI for the year over equity attributable to owners of the Company as at year-end.
5. Others comprise mainly IHH Group's corporate office as well as other investment holding entities

OPERATIONAL AND SUSTAINABILITY HIGHLIGHTS

	FY2014	FY2015	FY2016	FY2017	FY2018
PARKWAY PANTAI LIMITED – Malaysia Operations Division					
No. of hospitals at end of year	12	14	14	14	15
No. of licensed beds ¹ at end of year	2,118	2,235	2,385	2,399	2,503
No. of operational beds ¹ at end of year	1,969	2,065	2,143	2,182	2,327
Inpatient admissions ²	185,000	183,265	192,113	197,563	203,419
Average length of stay ³ (days)	2.8	2.8	2.7	2.7	2.7
Occupancy rate ⁴	73%	68%	69%	67%	67%
Average revenue per inpatient admission (in RM)	4,906	5,491	5,915	6,237	6,615
PARKWAY PANTAI LIMITED – Singapore Operations Division					
No. of hospitals at end of year	4	4	4	4	4
No. of licensed beds ¹ at end of year	908	908	914	942	967
No. of operational beds ¹ at end of year	869	880	892	928	942
Inpatient admissions ²	64,723	67,917	74,119	76,459	76,917
Average length of stay ³ (days)	3.1	3.0	2.9	2.8	2.8
Occupancy rate ⁴	66%	63%	65%	64%	63%
Average revenue per inpatient admission (in SGD)	8,667	8,904	8,866	9,527	10,266
Average revenue per inpatient admission (in RM, SGD1=RM3.04044)	26,352	27,071	26,957	28,968	31,213
PARKWAY PANTAI LIMITED – India Operations Division⁵					
No. of hospitals at end of year		8	8	9	33
No. of licensed beds ¹ at end of year		1,552	1,546	1,664	5,954
No. of operational beds ¹ at end of year		1,260	1,192	1,192	4,845
Inpatient admissions ²		59,884	62,126	72,005	88,793
Average length of stay ³ (days)		4.0	3.9	3.9	3.7
Occupancy rate ⁴		52%	56%	63%	59%
Average revenue per inpatient admission (in INR)		109,270	119,140	122,003	127,112
Average revenue per inpatient admission (in RM, INR1=RM0.05871)		6,415	6,995	7,163	7,463
ACIBADEM HOLDINGS – Turkey Operations Division					
No. of hospitals at end of year	17 ⁷	18 ⁷	20	21	21
No. of licensed and operational beds ⁶ at end of year	2,526	2,772	3,446	3,818	4,099
No. of overnight beds ⁶ at end of year	1,683	1,903	2,556	2,729	2,781
Inpatient admissions ²	131,176	130,429	171,583	213,590	229,433
Average length of stay ³ (days)	3.4	3.6	3.3	3.4	3.4
Occupancy rate ⁴	73%	72%	70%	74%	78%
Average revenue per inpatient admission (in TL)	6,321	7,290	7,104	7,956	9,896
Average revenue per inpatient admission (in RM, TL1=RM0.78024)	4,932	5,688	5,543	6,207	7,721

Notes

The above information comprises of operational data relating to hospitals owned by subsidiaries of the Group only. It does not include data relating to hospitals owned by joint ventures and associates of the Group and does not include hospitals that is managed for third parties.

Parkway Pantai Limited and Acibadem Holdings do not compile certain operational data, including the number of operational beds, the average length of stay and occupancy rates on the same basis and therefore, these numbers may not be comparable.

For changes in classification/definitions for the respective financial year under review, only the comparative figures for the previous year were restated to conform with the current classification/definitions.

1. Licensed beds are the approved number of beds by the Ministry of Health that the hospital regularly maintains and staffs.

Operational beds is an internal measure for which we include licensed beds utilised for our patients.

2. Represents the total number of overnight inpatients admitted to our hospitals.
3. Represents the average number of days an overnight inpatient stays at our hospitals.
4. Represents the percentage of hospital operational/overnight beds occupied by inpatients.
The occupancy rate may be lower due to new hospitals that are in the ramp up stage.
5. The Group acquired Continental and Global Hospitals during FY2015. Information disclosed is for full year FY2015.
The Group acquired Fortis Group in November 2018. Information disclosed for FY2018 includes operational data of Fortis
6. Under Turkish Law, "licensed beds" refers to the approved number of beds used for observation

and treatment of at least 24 hours, including intensive care, premature and infant unit beds, beds in the burn care units and as indicated in the hospital operation licenses.

In addition to licensed beds, "operational beds" includes beds used for treatments of less than 24 hours, such as for chemotherapy, radiotherapy and sedation or other beds such as incubators, labour beds and beds for examination, small treatments and relaxation, from which Acibadem derives revenue and does not require licensing.

"Overnight beds" comprise beds used for observation and treatment of at least 24 hours.

7. Number of hospitals includes Aile Hospital Goztepe, whose operations was suspended in late April 2012 for building works.
8. SGD: Refers to Singapore Dollars; TL: Refers to Turkish Lira; INR: Refers to Indian Rupees

NUMBER OF HOSPITALS

15

Malaysia

4

Singapore

33

India¹

21

Turkey²



NUMBER OF OPERATIONAL BEDS

2,327

Malaysia

942

Singapore

4,845

India¹

4,099

Turkey²



NUMBER OF INPATIENT ADMISSIONS

203,419

Malaysia

76,917

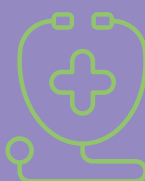
Singapore

88,793

India¹

229,433

Turkey²



AVERAGE REVENUE PER INPATIENT ADMISSION (RM)

6,615

Malaysia

31,213

Singapore

7,463

India¹

7,721

Turkey²



⊕ See pages 46 to 53 on Operating Review for more information

1. The Group acquired Fortis Group in November 2018. Information disclosed for FY2018 includes operational data of Fortis Group post-acquisition.
2. Information disclosed for Turkey includes operational data from Acibadem Holdings' overseas operations in Macedonia, Bulgaria and the Netherlands.

CORPORATE MILESTONES

2018

JAN

12

Launch of Pantai-Gleneagles Global Liver Programme first-of-its-kind cross-border collaboration to develop a unique liver programme for Malaysians



APR

20

IMU won the Bronze Award for “CSR Leadership Award” at the World Renowned Global CSR Summit & Awards for its IMU Cares programme



MAR

21

Grand opening ceremony of Gleneagles Hong Kong Hospital and launching of Obstetrics and Neonatal services for the hospital

FEB

27

IHH announced Full Year 2017 Results

APR

4

Acibadem Ankara Hospital's Prostate Diseases Diagnosis and Treatment Center opened



MAY

6

Acibadem University Atakent's Hospital Lymphedema Center opened



28

IHH's 8th Annual General Meeting FY2017 held in Kuala Lumpur, Malaysia

JUN

1

Global Hospitals, Mumbai successfully celebrated completion of 250 liver transplants

8

IMU is the first university in the world with an accredited Dietetic Degree by the International Confederation of Dietetics Association

AUG

30

Parkway Pantai announced the installation of a proton therapy system in Mount Elizabeth Novena Hospital, Singapore



NOV

13

IHH concluded the preferential allotment for 31.1% interest in Fortis Healthcare and successfully appointed four directors to the board

29

Mitsui entered a share purchase agreement to increase their stake in IHH Healthcare to 32.9%

30

IHH consolidated its interest in Acibadem to approximately 90%

OCT

1

Parkway Pantai announced the acquisition of Amanjaya Specialist Centre, Kedah



16

Acibadem Maslak Hospital completes its expansion and is now the largest hospital of Acibadem Group after expanding its service area by 2.5 times

JUL

13

IHH Healthcare announced acquisition of controlling stake in Fortis Healthcare Limited

18

IHH paid out final single tier cash dividend of 3 sen per ordinary share

DEC

13

Parkway Pantai partnered a Singapore-based company to launch an AI-powered predictive hospital bills estimation system

AWARDS AND ACCREDITATIONS

AWARDS



TOP:
2018 Asia Pacific Healthcare and Medical Tourism Awards
BOTTOM:
IMTJ Medical Travel Awards 2018

IHH HEALTHCARE BERHAD

Asiamoney Asia's Outstanding Companies Poll 2018

- Overall Most Outstanding Company in Malaysia
- Most Outstanding Company in Malaysia – Healthcare Sector

Institutional Investor Asia's Most Honored Companies Awards

- Most Honored Company in Malaysia

National Annual Corporate Reports Awards (NACRA) 2018

- Certificate of Merit

IR Magazine Forum & Awards – South East Asia 2018

- Certificate of Excellence in Investor Relations

MALAYSIA OPERATIONS

GLENEAGLES KUALA LUMPUR IMTJ Medical Travel Awards 2018

- International Hospital of the Year Award
- Best Marketing Initiative for Less Pain, More Gain – Minimally Invasive Surgery campaign
- Highly Commended Award for Excellence in Customer Service

GLENEAGLES PENANG Dr Sun Yat-Sen Spirit Award 2018

- Gold Prize

AMANJAYA SPECIALIST CENTRE National Energy Awards 2018

- Energy Efficiency, Runner-Up

ASEAN Energy Awards 2018

- Energy Efficiency & Conservation, 2nd Runner-Up

SINGAPORE OPERATIONS

MOUNT ELIZABETH HOSPITAL 2018 Asia Pacific Healthcare and Medical Tourism Awards

- Hospital of the Year in Asia Pacific
- Hospital of the Year in Singapore
- Neurology Service Provider of the Year
- ENT Service Provider of the Year
- Gastroenterology Service Provider of the Year
- Cardiology Service Provider of the Year
- Best Health Screening Provider of the Year

Healthcare Humanity Awards 2018

- Chaw Ei Ei, Senior Staff Nurse, Mount Elizabeth Hospital

Tan Chin Tuan Nursing Award 2018

- Harbans Kaur, Senior Enrolled Nurse, Mount Elizabeth Hospital

GLENEAGLES HOSPITAL 2018 Asia Pacific Healthcare and Medical Tourism Awards

- Smart Hospital of the Year in Asia Pacific
- Transplant Service Provider of the Year

President's Award for Nurses 2018

- Mona Soh, Director of Nursing, Gleneagles Hospital

TURKEY OPERATIONS

Capital 500 – Turkey's Largest Company

- 81st in net revenue
- 1st in healthcare sector
- 12th in number of employees
- 57th among Istanbul Companies

Fortune 500 – “Largest Companies in Turkey”

- 69th in net revenue
- 1st in healthcare sector
- 11th in number of employees
- 42nd among Istanbul companies

International Travel and Health Insurance Journal

- Medical Provider of the Year

Quality Medal Quality Certificate

- Best Quality Private Hospital in Turkey

INDIA OPERATIONS

Asia Pacific Society of Infection Control

- Centre of Excellence Award

Obesity & Metabolic Surgery Society of India

- Centre of Excellence Award

GREATER CHINA OPERATIONS

GLENEAGLES HONG KONG HOSPITAL

- 2017 Best 50 Hospitals in Guangdong-Hong Kong-Macau Greater Bay Area



GHK named one of the “2017 Best 50 Hospitals in the Guangdong-Hong Kong-Macau Greater Bay Area” by Asclepius Healthcare

ACCREDITATIONS

Joint Commission International (“JCI”)			
Malaysia	Singapore	Turkey	India
Pantai Hospital Kuala Lumpur Gleneagles Kuala Lumpur Gleneagles Penang	Gleneagles Hospital Mount Elizabeth Hospital Mount Elizabeth Novena Hospital Parkway East Hospital	Acibadem Adana Hospital Acibadem Maslak Hospital Acibadem Sistina Clinical Hospital Macedonia Acibadem Mehmet Ali Aydinlar University Atakent Hospital Acibadem Tokuda Hospital Bulgaria Acibadem City Clinic Cardio Center Bulgaria Acibadem City Clinic Oncology Center Bulgaria	Fortis Escorts Heart Institute Fortis Hospital, Bangalore Fortis Hospital, Mulund Fortis Hospital, Mohali Continental Hospitals

ISO 15189: 2014	
Malaysia	Pantai Premier Pathology
Singapore	Parkway Laboratory Services (“PLS”), Ayer Rajah Crescent (Clinical and Genetics) PLS, Mount Elizabeth Novena Hospital (Cytology)
Turkey	Acibadem Labmed Clinical Laboratories Acibaadem Sistina Clinical Hospital/Diagnostic Laboratory Acibadem Maslak Hospital/Pathology Laboratory
ISO 9001: 2015	
Malaysia	IMU’s Quality Management System
India	Gleneagles Global Hospitals, Parel

Malaysia Society for Quality Health (“MSQH”)			
1. Pantai Hospital Ampang	6. Pantai Hospital Klang	11. Gleneagles Kota Kinabalu	
2. Pantai Hospital Ayer Keroh	7. Pantai Hospital Kuala Lumpur	12. Gleneagles Kuala Lumpur	
3. Pantai Hospital Batu Pahat	8. Pantai Hospital Manjung	13. Gleneagles Medini	
4. Pantai Hospital Cheras	9. Pantai Hospital Penang	14. Gleneagles Penang	
5. Pantai Hospital Ipoh	10. Pantai Hospital Sungai Petani		
National Accreditation on Board for Hospitals and Healthcare Providers (“NABH”)			
1. Gleneagles Global Health City, Perumbakkam	3. Aware Gleneagles Global Hospitals, LB Nagar	5. Continental Hospitals	
2. BGS Gleneagles Global Hospitals, Kengeri	4. Gleneagles Hospitals, Parel	6. 19 Fortis Hospitals*	

* Footnote to refer to https://www.nabh.co/List_of_Certified_Organisation.aspx for further information



Strategic Report

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DRIVING VALUE CREATION

IHH's value creation model is designed to benefit all stakeholders. Our purpose is to make a difference by delivering excellent patient care and gathering passionate individuals to improve healthcare quality. In turn, we create an investment opportunity that is both fulfilling and financially proven for our stakeholders.

CHAIRMAN'S STATEMENT



Dato' Mohammed Azlan Hashim
Non-Executive Chairman

IHH Healthcare (“IHH”) is committed to deliver world-class healthcare to our patients and to ensure the organisation continues to do so now and in the future. It is paramount that we get our fundamentals right and remain steadfastly committed to grow as a sustainable organisation through effective governance and prudent oversight.

A SUSTAINABLE ORGANISATION

Our vision towards embedding sustainability throughout the value chain focuses on five intrinsic elements – Our Patients, Our People, Our Organisation, Our Environment and Our Community. These elements address aspects of sustainability that are pertinent to the interests of our key stakeholder groups. We endeavour to deliver sustainable and quality patient care, manage healthcare costs and provide a safe and conducive workplace for all staff, all guided by a robust governance framework helmed by astute leaders.

Using a collaborative and multifaceted approach, we are developing a healthier population with a broader sense of responsibility toward the sustainable use of healthcare resources.

It is paramount that we get our fundamentals right and remain steadfastly committed to grow as a sustainable organisation through effective governance and prudent oversight.

11.36

Basic Earnings
per Share (sen)
(Excluding Exceptional Items)

3.0 sen

Dividend per Ordinary Share

IMPROVING SATISFACTION LEVELS

Our patients' involvement is essential in obtaining meaningful feedback on their experience at IHH. Patient satisfaction surveys help identify gaps and develop effective action plans for service quality improvement. The parameters upon which patient (i.e. inpatient and outpatient) satisfaction is assessed at our hospitals include quality of care, the admission process, consultation services, dietary services, food and beverage services, maintenance and security.

Across all our hospital networks, patient satisfaction levels are monitored at the individual hospital regularly. This survey activity provides a benchmark and a target-driven approach to understand patients' expectations and to exceed them, as we have done over the years.

PRINCIPLE OF FAIRNESS

At IHH, we strive to be the employer of choice and continue to invest in talent development to ensure we attract and retain the very best people. We have identified managerial responsibility as one of the key contributors to the long term success of the Group. Managers are expected to set the right example for their teams, both in work ethics and workplace behaviour. In addition, the Group also sends managers for intense and hands-on performance appraisal management training. This allows the managers to better set performance standards and to communicate well with their teams, placing the well-being and the career and personal development of our staff at our heart.

Honesty, trust and fairness are valued as important attributes in the workplace. Corporate town halls are conducted annually across our home markets to

encourage open and transparent lines of communication between executives and employees. Furthermore, we offer our staff competitive remuneration, healthcare benefits, rigorous employee appraisals and a conducive workplace to encourage learning, cultural diversity and development of innovative ideas.

CHAIRMAN'S STATEMENT

IHH's Six SDG Focus Areas

Our SDG focus areas are Good Health and Well-Being (SDG3); Affordable and Clean Energy (SDG7); Decent Work and Economic Growth (SDG8); Industry, Innovation and Infrastructure (SDG9); Responsible Consumption and Production (SDG12) and Peace, Justice and Strong Institutions (SDG16).



BUILDING RESILIENCE

There are many challenges that we face in our journey towards strengthening sustainability. These include increasing life expectancies, the rising prevalence of chronic illnesses, inflexible labour markets affecting healthcare provision, the inability to recruit and retain staff due to the stiff competition between hospitals, inadequate governance arrangements in the healthcare sector, large inequalities in healthcare provision and misalignment of care provision with need and geopolitical risks in the countries in which we operate in.

While some of these factors are beyond our control, we are committed to building resilience and embedding a strong corporate culture that enables early adoption, adaptation and innovation to be driven throughout our organisation and into the core of the healthcare services we deliver.

SUPPORTING THE LARGER COMMUNITY

We strive to create a positive impact on society through our corporate social responsibility (CSR) initiatives and outreach programmes in Malaysia, Singapore, Turkey and India. IHH delivers quality healthcare services of enduring and sustainable value to underprivileged communities. We work to improve accessibility to healthcare services, increase public awareness about healthcare, nurture the next generation of healthcare professionals and fund community projects.

WORKING TOWARDS INTERNATIONAL BENCHMARKS

We believe in setting international and national benchmarks to continuously strive to maintain our accreditations and certifications. The high standards of IHH's healthcare services continue to be acknowledged by international and regional quality accreditation agencies, such as Joint Commission International

(JCI), International Standard Organisation (ISO), Malaysian Society for Quality in Health (MSQH) and National Accreditation Board for Hospitals and Healthcare Providers (NABH). In securing these accreditations and certifications, we are motivated to continuously improve on our standards and deliver service focused on patient-centred safety and quality excellence. This also provides us with a leading edge to handle future challenges in producing excellent private healthcare.

UPHOLDING STRICT PRINCIPLES OF CORPORATE GOVERNANCE

Corporate integrity, ethical conduct and accountability are fundamental to build trust within the organisation and between IHH and our external stakeholders, as well as our vendors and suppliers. We are committed to maintain and uphold the highest standard of corporate governance integrity and ethics, which is embedded in our corporate culture.

We have adopted six Sustainable Development Goals outlined by the United Nations into the core of how we work. Our vision is to build a sustainable organisation that delivers long term growth to our stakeholders.

SUSTAINABLE DEVELOPMENT GOALS

Sustainability initiatives offer a strong financial return on investment, as well as intangible benefits of engaging and empowering staff and supporting community health improvement. The 2030 Agenda for Sustainable Development is the world's first comprehensive blueprint for shared peace and prosperity for people and the planet, now and into the future. Recognising that the Sustainable Development Goals (SDGs) embrace all aspects of health, these actions are intended to encourage not only the realigning of present efforts in relation to the 2030 Agenda but also investigate new ways of accelerating gains already made in improving health and well-being.

Our SDG focus areas are Good Health and Well-Being (SDG3); Affordable and Clean Energy (SDG7); Decent Work and Economic Growth (SDG8); Industry, Innovation and Infrastructure (SDG9); Responsible Consumption and Production (SDG12) and Peace, Justice and Strong Institutions (SDG16).

These focus areas reflect our commitment to ensuring sustainability in the short, medium and long term.

PILLARS OF SUSTAINABILITY

Using the Group's main pillars of sustainability – Our Patients, Our People, Our Organisation, Our Environment and Our Community – we have highlighted the material sustainability matters within each pillar that are pertinent to strengthening our commitment. The framework of our sustainability reporting practice has been guided by the Global Reporting Initiative (GRI) Standards – Core Option and GRI Sector Disclosures.

Our patients 	We promote a patient-centred culture, prioritising quality of care, patient satisfaction, food quality and the rational use of medicine, to create an impact on the well-being of our patients and their families.
Our people 	We provide a safe working environment that is conducive to the personal and professional growth of our employees, with a corporate culture built on good communication practices, transparency and integrity.
Our organisation 	We strengthen our international market presence without compromising aspects of quality and sustainability and are responsive to the challenges and changing expectations of stakeholders within the healthcare industry.
Our environment 	We manage our impact on the environment by prioritising the need for strict adherence to environmental regulations governing waste and by improving our energy performance.
Our community 	We dedicate resources and skills to improve the health and well-being of vulnerable sections of the communities in which we operate.

CHAIRMAN'S STATEMENT

Since 2016, our journey to build on our practice of sustainability reporting has provided an effective platform for the Group to standardise and work towards accomplishing these common goals.

Every year, we reaffirm our commitment to sustainability. We overcome the challenges of steering the organisation at the Group level and ensure that the plans

and strategies for improved sustainability cascade down to our home markets which are geographically spread out. Since 2016, our journey to build on our

practice of sustainability reporting has provided an effective platform for the Group to standardise and work towards accomplishing these common goals.

WHERE WE WERE		WHERE WE ARE NOW	WHERE WE AIM TO BE
2016	2017	2018	2019
INAUGURAL SUSTAINABILITY STATEMENT <i>Scope: Malaysia (including IMU), Singapore and Turkey</i> Disclosing Economic and Social Sustainability Indicators	SUSTAINABILITY REPORT <i>Scope: Malaysia (including IMU), Singapore, Turkey and India</i> - Disclosing Economic, Environmental and Social Sustainability Indicators - Reporting Sector Specific GRI Disclosures - Establishing six United Nations SDG Focus Areas	INTEGRATED REPORT <i>Scope: Malaysia (including IMU), Singapore, Turkey and India</i> - Selecting key Environmental, Economic and Social Indicators that are pertinent to sustainable healthcare - Reporting in line with GRI Standards – Core Option and Sector Specific Disclosures	INTEGRATED REPORT <i>Scope: Expanding on the scope to include all geographies</i> - Strengthening the sustainability performance of the Group and commitment to the United Nations SDGs - Reporting in line with GRI Standards – Core Option and Sector Specific Disclosures

It is our priority to maintain this momentum and resilience as we focus on driving performance in our markets for the Group.

BOARD CHANGES

We have made effective changes to the committees given the increased size and complexity of the reporting structure of the Group.

The Nomination and Remuneration Committee has now been separated into two entities: the Nomination Committee and the Remuneration Committee. Likewise, the Audit and Risk Management Committee saw a separation into the Audit Committee and the Risk Management Committee. The objective of these separations is to streamline our governance structure and to live up to our reputation of good corporate governance.

In April 2018, we announced the appointment of Ms Jill Margaret Watts as a Non-Executive Director. Ms Watts was the former Group CEO of BMI (GHG) Healthcare Group and was voted the most influential leader in the United Kingdom's private healthcare sector.

During the year, we saw the departure of Mr Kuok Khoo Ean who retired from the Board after six years. I would like to thank Mr Kuok for his invaluable contribution to IHH.

OUR GRATITUDE

All facets of our businesses are ultimately focused on providing best-in-class care for our patients. This translates into growing the business for our stakeholders. On behalf of the Board, I would like to take this opportunity to celebrate the progress we are making and to thank everyone for their contributions to our continued success in 2018.

To our loyal shareholders, we thank you for your faith in us to represent your interests in the boardroom. Our gratitude also goes to our specialists, consultants and allied healthcare professionals who take pride in their work and who exemplify our Group's mission to give our patients the best possible care, taking our brand names to greater heights.

We would also like to thank our patients for the conviction that you have placed in us as your preferred healthcare partner. It is with this, that IHH will always be, foremost, in the business of building and maintaining trust. It is certainly our privilege to serve you and have you under our care.

Finally, my appreciation goes to our Board members, management team and staff for your dedication to continually transform IHH into the dynamic Group that we envision ourselves to be.

The work that we have done over the year has produced encouraging results, putting IHH in a stronger position to deliver sustainable growth. It is our priority to maintain this momentum and resilience as we continue to focus on driving performance for the Group.

Thank you.

Dato' Mohammed Azlan Hashim
Non-Executive Chairman

CEO'S MESSAGE



Dr Tan See Leng

Managing Director and Chief Executive Officer

IHH Healthcare (“IHH”) has always adopted a long-term view on delivering growth and creating long-term value in its business operations across the markets in which it operates. In 2018, we have been able to advance our work in sustainability and in the process, fortify our Company’s competitive advantage. Our ability to react to key market movements in response to geopolitical changes also puts us in a good position to safeguard the interest and returns of our stakeholders.

STRATEGIC MILESTONES IN 2018

IHH has grown significantly, while strategically investing to strengthen our position. The past year has been brisk for the business with new acquisitions in the region, positioning us for sustained growth. We continue to see growing demand for quality healthcare services, which is why we place emphasis on investing in our people and in the business.

I am pleased to report that we delivered resilient performance amidst cautious global macroeconomic growth, reflecting the underlying strength of our business and the distinct progress in

In 2018, we have been able to advance our work in sustainability and in the process, fortify our Company's competitive advantage. Our ability to react to key market movements in response to geopolitical changes also puts us in a good position to safeguard the interest and returns of our stakeholders.

Revenue

RM11.5 billion

EBITDA

RM2.5 billion

executing on our strategy as we position for growth in the year ahead. For the full year ended 31 December 2018, the Group's revenue increased 3% YoY to RM11.5 billion. Earnings before interest, tax, depreciation, amortisation, exchange differences and other non-operational items ("EBITDA") increased 9% YoY to RM2.5 billion. This came on the back of sustained organic growth at existing hospitals and the continuous ramp up of the two hospitals opened in March 2017. Headline profit after tax and minority interest ("PATMI") was RM627.7 million, compared to RM970.0 million in the previous corresponding year. PATMI excluding exceptional items increased 73% YoY to RM1.0 billion due to stronger operational performance and boosted by foreign exchange gains from the US Dollar denominated cash balances.

Looking at the Group's Malaysia operations, we have been able to deliver excellent patient care and achieve good

clinical outcomes, becoming the preferred hospital of choice for our patients. We witnessed strong growth performance amid the active ramp up of Pantai Hospital Manjung, Gleneagles Kota Kinabalu Hospital and Gleneagles Medini Hospital. It is encouraging to note that all three hospitals have contributed to revenue and achieved positive EBITDA. As a result of our continuous effort to focus on Centres of Excellence to carry out complex procedures within our Malaysia hospitals, we have been able to offer the highest quality of medical treatments and improve the mix of higher revenue intensity treatments.

Healthcare has been identified as a key National Economic Area to drive Malaysia towards a high-income nation by 2020. Malaysia has been receiving more than one million health travellers seeking treatments in Malaysia. Across some of our hospitals, we have seen growth in foreign medical travellers from Indonesia,

China and South Asia. We believe IHH can capitalise on the growth of medical tourism and to position itself as the preferred healthcare provider in this Asian region.

Given the increased demand for private healthcare services, the Group acquired a 100% stake in Amanjaya Specialist Centre Sdn Bhd in its efforts to boost its capacity in Sungai Petani, Kedah. This 98-bed multi-specialty hospital enables synergies with the 118-bed Pantai Hospital Sungai Petani to expand our healthcare offerings for the patients in Kedah.

Spreading our wings for our patients in Malaysia, we launched the Pantai-Gleneagles Global Liver Programme in a first-of-its-kind cross-border collaboration between Pantai Hospital Kuala Lumpur and Gleneagles Global Health City, Chennai. This collaboration allows the Group to extend its liver treatment and transplant expertise to patients through its integrated healthcare network.

CEO'S MESSAGE

Equally unrelenting is our drive to enhance service offerings in the Singapore market. Paving the way for pioneering technology in Singapore, we broke ground at Mount Elizabeth Novena Hospital for the installation of a state-of-the-art, underground proton beam therapy system. This advanced precision cancer treatment system provides a more targeted and precise treatment of tumours, leading to less severe side effects during and after treatment. Available from 2021, Mount Elizabeth Novena Hospital will be the first private hospital in Singapore and South East Asia to offer proton beam therapy to patients.

With Turkey being an important destination for medical tourism, we have been ramping up operations of our hospitals. Acibadem Altunizade Hospital, which opened in March 2017, continues to experience growth in both patient volume and number of complex procedures. Acibadem Maslak Hospital recently completed its expansion to double its bed capacity in October 2018 to cater for increasing patient demand. After the expansion, Acibadem Maslak Hospital is the largest private healthcare facility in Turkey.

Currency volatility often poses problems to any multinational company operating in Turkey. Pursuant to the shareholders' agreement in 2011, we have increased our interest in Acibadem Holdings from 60% to approximately 90%. By simplifying the shareholding structure of Acibadem Holdings, this transaction will allow IHH to further consolidate its control in the Turkish operations. At the same time, IHH will have the financial flexibility to deleverage Acibadem Holdings' balance sheet and will be in a better position to ride out the forex volatility.

In India, we consolidated the operations of Continental Hospitals and Global Hospitals acquired in 2015 and integrated them under the Gleneagles brand name to drive greater brand synergies. We achieved significant upscaling of the market through the acquisition of Fortis Healthcare ("Fortis"). This calculated move has enabled us to become the

second largest healthcare provider in India.

With the successful acquisition of Fortis with a 31.1% interest on 13 November 2018, we create a leading healthcare platform with significant future growth potential. Fortis has a high quality asset portfolio and a well-recognised brand with an extensive reach in India. Adding Fortis to the Group complements IHH's existing South India focused portfolio and provides access to a leading platform with a pan-India presence and a strong position in the North Capital Region. Fortis is also a leader in complex and innovative medical procedures with expertise in areas consistent with IHH's focus on multi-specialty tertiary and quaternary care. Fortis, via SRL Diagnostics ("SRL"), has a leading nationwide diagnostics business, an area we see as increasingly important to the future of healthcare. With that, we are excited with the IHH-Fortis partnership as a transformational opportunity for the Group. Together, we have a clear vision that IHH and Fortis will become a leading provider across South, Central Asia and Indo-China.

A qualified opinion was issued for the statutory audit of Fortis for the financial year ended 31 March 2018. The qualifications are in connection to the matters raised in the independent investigation report submitted by external lawyers to former Fortis Board on 12 June 2018 (prior to the acquisition of Fortis on 13 November 2018). Additionally, there are investigations by the Securities and Exchange Board of India ("SEBI") and the Serious Fraud Investigation Office ("SFIO"), Ministry of Corporate Affairs of India.

As a consequence of the qualifications raised in Fortis for the financial period ended 31 December 2018, IHH's audited accounts for the financial year ended 31 December 2018 will include some of these qualifications.

Based on the findings from the independent investigation report, the newly constituted Fortis Board, which consists of five IHH nominees and three independent directors, initiated specific

improvement projects to strengthen the corporate governance standards, operating processes and control environment within Fortis. These projects include revisions to the line of authority limits, changing of authorised signatories, review of financial reporting processes, assessment of secretarial documentation in regards to compliance to regulatory requirements and systems design and control enhancements. All identified and required disclosures have been recorded in the financial statements of Fortis before the acquisition by IHH in November 2018. We will also initiate a forensic audit to ascertain the extent of diversion of funds from Fortis.

Our venture in Hong Kong has begun to bear fruit. The two-year-old Gleneagles Hong Kong Hospital ("GHK") has seen EBITDA losses narrowed. This encouraging result was driven by an increased number of complex surgeries and rising average revenue per inpatient admission. I am pleased to report that outpatient and inpatient admission has continued to increase quarter-on-quarter, and we have started to see growth in the take up on fixed-priced packages. More than 1,000 doctors have been accredited, and we expect more doctors to join GHK, including Hong Kong University-seconded doctors and sessional doctors who have ramped up their caseload at the hospital. GHK continues to introduce new clinical services, maintain a strong engagement with the specialists and increasing patient volumes via various marketing programmes.

ON THE HORIZON

Despite near-term business headwinds and challenges, our core operations have remained resilient and are performing well. Our organic and inorganic growth strategies have worked positively and in the way we envisioned. As it is, IHH boasts the largest portfolio of private hospitals in the world. In addition, our network gives us an added advantage as we enjoy synergistic benefits of medical knowledge sharing and increased efficiency in managing complex cases. Around the world, patients are beginning to expect better, faster and more accurate diagnoses and treatments.

Our focus and continued investments in technology and innovation will also enable IHH to capitalise on the opportunities in the healthcare industry.

There is however, always a certain element of risk in any business. The expanded scale of operations in more countries means that the group is increasingly subject to foreign exchange risks, as is the case of Turkey. As we operate in an increasingly competitive and fragmented healthcare landscape, we also foresee rising competition from various sources, such as from the public healthcare system and from disruptive digital healthcare start-ups. We also face increased competition for trained healthcare personnel in the markets we operate. As such, we are continually looking to increase and deepen our talent bench by attracting, retaining and developing quality healthcare personnel to support our growth strategy.

Looking ahead, the Group will execute a multi-country portfolio approach to diversify its earnings base and enhance its differentiated offering via organic and inorganic growth. The Group is consolidating its market leading position through improving clinical outcomes, enhancing our service offerings, adding capacity to existing facilities and leveraging technology to increase operational efficiencies. Given the strong demand for private healthcare, our pipeline of expansion and new hospital openings is backed by our positive cash flows in our home markets. The strategy is to provide a good balance of cashflow generative markets, such as that of Singapore and Malaysia, medium-term growth momentum from Turkey and long-term growth opportunities from India and Greater China.

We are confident that our resilience will take us much further ahead, and we will be able to weather the challenging economic climate. We will continue to create value for all stakeholders by growing sustainably and prudently.

Thank you.

Dr Tan See Leng
Managing Director and
Chief Executive Officer

Forging Ahead in India with Fortis Healthcare

In November 2018, we reached a significant milestone by making further inroads into the Indian market. IHH is well aware of the near term challenges that come with this acquisition, and we would like to share with our stakeholders our plans to turn around Fortis.

Q: WHAT ARE THE SHORT-TERM STRATEGIES IN HANDLING FORTIS' EXISTING CHALLENGES?

A: There are several legacy issues within Fortis. These include financial and governance issues that are currently under investigation. One of our immediate approaches is to ensure adequate funding for the buyback of all assets of Religare Health Trust ("RHT"), a Singapore associate of Fortis, which will provide an immediate boost to Fortis EBITDA margins. The buy-back of the Indian assets from RHT was successfully completed on 15 January 2019.

IHH has also initiated a disciplined turnaround plan. This includes improving operational efficiencies and operating leverage, renegotiating some of Fortis' credit lines as well as procurement costs to leverage IHH's global procurement pricing arrangement with some of its vendors.

Q: HOW DOES IHH PLAN TO UNLOCK FORTIS' POTENTIAL FOR THE LONG TERM?

A: We are aware that the fundamentals at Fortis require strengthening. It is only with a strong foundation that we can look forward to restore its performance. We have done our due diligence and are cautiously optimistic in turning things around. First and foremost, we have reconstituted the Board with a total of eight members, three current independent directors and five additional non-executive directors nominated by IHH, to ensure the highest standards of governance.

For the mid to longer term, we will look to harness the advantages of SRL, a Fortis subsidiary that focuses on diagnostic testing. SRL plays a strategic role for Fortis and is an integral part of our strategic vision. We believe India remains a largely under-served market and there is tremendous scope to develop SRL into a lab powerhouse in India.

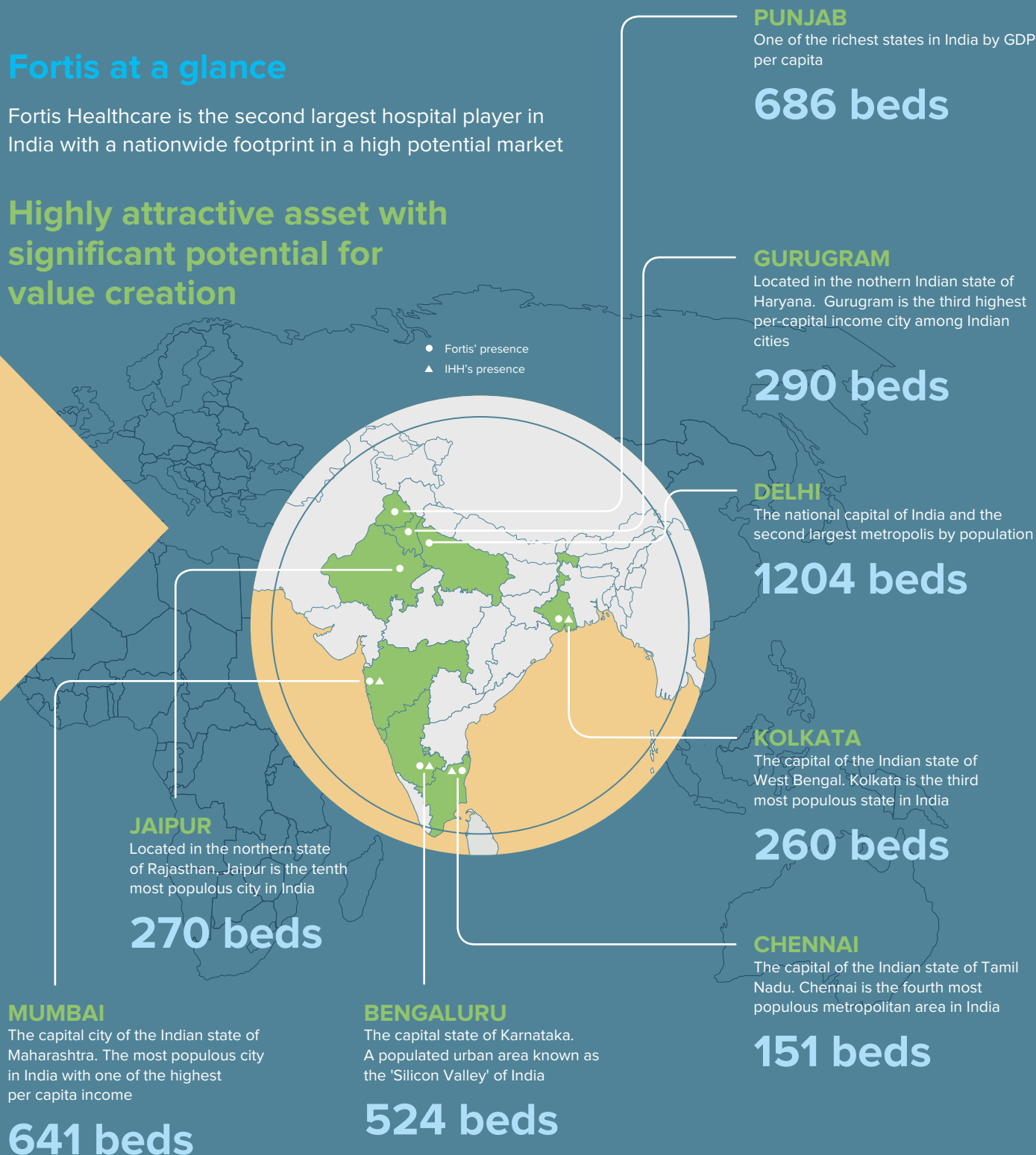
FORTIS HEALTHCARE

IHH Healthcare's ("IHH") 31.1% acquisition of Fortis Healthcare ("Fortis") presents a timely opportunity for the Group to expand its growth footprint in India at a time when demand for quality private healthcare in the country is on a rapid rise.

Fortis at a glance

Fortis Healthcare is the second largest hospital player in India with a nationwide footprint in a high potential market

Highly attractive asset with significant potential for value creation





SEIZING TRANSFORMATIONAL OPPORTUNITY

India's burgeoning healthcare market offers enormous growth potential for the Group. Fortis, India's second largest hospital chain, has a strong presence in North India and complements our existing South India portfolio. By focusing on multi-specialty tertiary and quaternary care, this acquisition entrenches our leadership positioning in complex and innovative medical procedures and capitalises on our deep expertise in the areas of organ transplants, gastroenterology, cardiac sciences, orthopedics, mother and child health and oncology.

SYNERGISTIC EXPANSION OF OUR INDIA PORTFOLIO

The addition of Fortis to our stable marks a significant expansion of the Group's capabilities in India, our fourth home market after Malaysia, Singapore and Turkey. The number of hospitals in our portfolio has increased from seven to 36, and beds from approximately 1,200 to 5,000.

COMPLEMENTARY PRESENCE IN A GROWING MARKET

Of the total population of 1.2 billion in India, North India commands the largest market share at 30.5% and it is one of the fastest developing markets in terms of healthcare infrastructure. As of 2011, North India had 3.4 doctors per 10,000 people, in contrast to 11.6 doctors in South India. Beyond augmenting our existing portfolio with a presence in North India, the acquisition of Fortis strategically propels the Group to a strong leadership position in the pan-India market.

ESTABLISHING A LAB POWERHOUSE

India's laboratory diagnostics market remains largely fragmented and growing. Fortis-owned SRL Diagnostics has tremendous potential in IHH's vision for Fortis. We see strategic value in developing SRL Diagnostics as part of IHH's international diagnostic offerings.

LEVERAGING OUR INTERNATIONAL AND LOCAL EXPERTISE

IHH brings to the table decades of international private healthcare experience. The benefits we will bring together as a Group, including Fortis, will include cost rationalisation, implementing a strong corporate governance structure, optimising financial costs and exchanging best practices across our international footprint.

TURNING OBSTACLES INTO OPPORTUNITIES

This acquisition provides IHH with the mandate to partner and support Fortis to become a leading healthcare provider in India. Despite facing significant headwinds, including operational and financial issues, Fortis brings to the table a high-quality asset portfolio. IHH values the potential of Fortis and plans to turn these obstacles into opportunities for growth.

BUSINESS MODEL

IHH Healthcare is a leading premium private healthcare operator. The Group's vast healthcare network is built to provide a full spectrum of healthcare services and related services to create sustainable value for our stakeholders, including the provision of excellent clinical outcomes for our patients.

Our Assets

FINANCIAL CAPITAL

IHH Healthcare has a strong financial profile in our home and key markets. We have good access to capital and invest for growth with a disciplined and prudent approach supported by a cash-generative operating model.

PHYSICAL CAPITAL

The Group boasts an integrated healthcare network with multi-specialty hospitals, medical clinics, and a comprehensive range of ancillary services across 11 countries. As a leading premium integrated healthcare service, our hospital facilities are equipped with the best-in-class medical equipment and technology to provide their services.

HUMAN CAPITAL

The skills and experience of our employees are instrumental in building relationships with our patients and stakeholders. Our multi-pronged talent retention programme offers competitive remuneration, training and development opportunities to attract and retain high quality clinical and non-clinical staff.

CLINICAL GOVERNANCE FRAMEWORK

Our Board of Directors and management team have established an all-inclusive clinical governance framework to ensure that all patients receive the best possible care.

INNOVATION CAPITAL

Our focus on individual patient experience drives our quest for innovative solutions to improve patient care and outcomes. Leveraging intellectual and digital assets brings us benefits in the area of hospital bill estimates and empowers our patients to seek treatment options that are most cost efficient and effective for recovery.

BRAND CAPITAL

Our healthcare brands, including but not exclusive to Gleneagles, Mount Elizabeth, Pantai, Parkway Shenton, ParkwayHealth and Acibadem, are reputed for their premier service quality and are among the most prestigious in Asia, Central and Eastern Europe and the Middle East.

SOCIAL AND RELATIONSHIP CAPITAL

Our commitment to our key stakeholders is paramount to the level of service we provide. We proactively engage with our patients, employees, doctors, business partners, governments and communities to build long term relationships.

What We Do

As a leading healthcare service provider, we offer a thorough and integrated network of clinical services designed to complement each other for an exceptional patient experience.



PRIMARY CARE

Access to basic day-to-day healthcare services via outpatient treatment of common illnesses, routine check-ups and vaccinations. This includes preventive care and patient education.



SECONDARY & TERTIARY CARE

Secondary care comprises specialist consultation, local surgeries, emergency care, laboratory services, diagnostics and acute treatment. Tertiary care goes a step beyond with specialist consultative care, advanced treatment or complex surgeries and inpatient care.



QUATERNARY CARE

Quaternary care is an advanced level of medical care, which involves high-intensity complex surgeries, such as organ transplants, neurosurgery, cardiac surgery and reconstructive plastic surgery. These vastly complex clinical procedures require highly trained, experienced surgeons and best-in-class intensive care units and facilities.



COMPLEMENTARY ANCILLARY SERVICES

Our suite of complementary ancillary services includes comprehensive diagnostics, analytical laboratory testing, therapeutic radiology, physiotherapy, integrated rehabilitation and advanced molecular diagnostics.



MEDICAL EDUCATION

We offer quality education in health and medical sciences to train and develop nurses, doctors, allied healthcare professionals and other medical and healthcare sector professionals.

The IHH Healthcare Edge



Delivering Value to Our Stakeholders

PATIENTS

Our patients are at the centre of what we do. They rely on us to give sound medical advice and deliver superior clinical outcomes, with the help of the latest medical technologies. When our doctors and specialists are well-equipped with knowledge and have access to excellent laboratories for diagnostics and other services, our patients are assured of speed, comfort and high-quality medical care.

EMPLOYEES

When employees know and feel that they are valued, they are motivated to do their best. Competitive remuneration and a nurturing work environment aside, we provide continuous training and development opportunities for all our employees in both clinical and business services.

DOCTORS & BUSINESS PARTNERS

We view our doctors, healthcare professionals and vendors as important partners, and we seek to establish a relationship of trust and mutual growth for long-term winning outcomes. The doctors enjoy access to our best-in-class medical equipment and professional support from our staff. Our suppliers and vendors are required to be registered and approved by the local regulatory bodies for the sale of medical consumables and pharmaceutical items. We engage suppliers who are ethical and committed to the sustainable development of the business.

SHAREHOLDERS

We deliver value to shareholders through growth in capitalisation and shareholder returns. We reciprocate their trust and loyalty through active stewardship of the company based on a strong corporate governance framework.

1

OUTSTANDING
CLINICAL OUTCOMES

2

TRUSTED BY PATIENTS
AROUND THE REGION

3

STRONG
LEADERSHIP

4

STRATEGIC
EXECUTION

STAKEHOLDER ENGAGEMENT

Our stakeholders have a direct influence on our business, and they are important barometers that gauge the impact of our business activities and sustainability initiatives. We engage with a wide range of stakeholder groups on a regular basis to understand their needs and expectations. The table below captures our key stakeholder groups, their expectations and the methods by which we engage them to meet their expectations.

STAKEHOLDER GROUP	STAKEHOLDER PROFILE
Senior Management	As the leaders of the Group, they play a vital role in determining the direction of the organisation towards building economic resilience, environmental stewardship and social responsibility, for the present and future.
Doctors, Nurses and Employees	Our doctors, nurses and employees are our most important assets and a key resource for all our activities. We consider employee satisfaction to be important and ensure that morale remains high throughout our business. Employees are also encouraged to interact with Senior Management and express their concerns at town hall meetings. We listen and respond to our employees' needs and concerns through various communication and feedback channels.
Patients	Patients are the cornerstone of IHH's business, and it is essential to enhance the quality of life of our patients by providing comprehensive high-quality healthcare services. Garnering feedback on patient experience is an important measure of our performance by which we strive to improve continuously.
Investors and Shareholders	As owners and providers of equity capital to the business, shareholders may reap the benefits of the company's success in the form of increased stock valuation. The shareholder also enjoys certain rights such as the entitlement to be appraised of the latest developments in the company and to provide feedback about the company.
Academia	As an internal stakeholder, IHH's academic community play an important role in shaping the lives of future doctors, nurses, pharmacists, dentists and other healthcare professionals.

STAKEHOLDER EXPECTATIONS	METHODS OF ENGAGEMENT	FREQUENCY OF ENGAGEMENT METHOD
- Financial performance - Staffing issues - Succession planning	CEO meeting	Fortnightly
	Board meeting	Quarterly and as and when required
- Staff and doctor engagement/feedback sessions - Positive workplace culture and a conducive workplace	Town hall meeting	Annually and as and when required
	Focus group session	As and when required
	Employee Engagement Survey	Once every two years
	Physician meeting	As and when required
- Delivery of quality healthcare - Patient experience - Health awareness and information - Cost-effectiveness	Consultations	As and when required
	Patient Satisfaction Survey	Ongoing engagement throughout the financial year
- Continued growth and financial sustainability - Clear and transparent reporting - Good corporate governance - Effective and timely shareholder engagement	Annual General Meeting (AGM)	Annually
	Extraordinary General Meeting (EGM)	As and when required
	Investor conference	Ongoing engagement throughout the financial year
	Non-deal roadshows	Ongoing engagement throughout the financial year
	Corporate website	Throughout the year
- Staff engagement - Preparing students for employment - Research and development - Building stronger links between the community and university	Town hall meeting	Twice a year
	Faculty meeting	Once every two months
	Deans' meeting	Quarterly
	Staff Barometer Survey	Biennially

STAKEHOLDER ENGAGEMENT

STAKEHOLDER GROUP	STAKEHOLDER PROFILE
Accreditation Bodies	The accreditation bodies – such as Joint Commission International (JCI), Malaysian Society for Quality in Health (MSQH) and National Accreditation Board for Hospitals and Healthcare Providers (NABH) – strengthen our performance as quality healthcare providers by advocating, promoting, and supporting continuous quality improvements and safety in the healthcare arena in each country we operate.
Regulators	Our regulators and authorities specify the laws and regulations that determine the scope and extent of our activities in our respective countries. We maintain open channels of communication with them, as they are the ones best positioned to provide advice and clarification in relation to our operations and obligations. IHH works proactively with local regulators and authorities from every jurisdiction as local requirements vary from one country to the other.
Local Communities	The local communities and vulnerable sections therein are the key beneficiaries of our CSR projects. Our engagement with these communities is primarily to ensure that our CSR programmes are making a positive difference in their lives and to ascertain how our programmes can be further improved to better serve them.
Intermediaries	All role players in healthcare, such as employers, third party administration, insurance companies, managed care organisations and general practitioners.
Suppliers and Service Providers	As providers of vital services that are key enablers for us, it is important that we maintain a professional relationship of trust where views from either party can be freely exchanged. The Group relies on its suppliers to deliver products and services of the highest quality in line with internal, regulatory and accreditation agency standards.

STAKEHOLDER EXPECTATIONS	METHODS OF ENGAGEMENT	FREQUENCY OF ENGAGEMENT METHOD
- Regular audits and verifications - Meeting international benchmarks	JCI audit and inspection	Triennially
	MSQH surveillance audit	Annually
	MSQH certification inspection	Every four years
	NABH surveillance audit	Every one and a half years
	NABH certification audit	Triennially
- Compliance - Regulatory reform relating to hospital planning - Employee and patient safety	Formal correspondence and meetings	Ad-hoc
	Hospital visits	Ad-hoc
	Ministry of Health audit and inspection	Biennially or ad-hoc
- Improving accessibility to healthcare services - Increasing public awareness about healthcare - Providing opportunities to the next generation of healthcare professionals - Funding community projects	Free medical treatment	Ongoing programme (Life Renewed)
	Health awareness initiatives	Ad-hoc
	Scholarships and professorships	Endowed and carried out in perpetuity
	Sponsorships and donations	Ad-hoc
- At the service level, timeliness of the guarantee letter issuance from intermediaries - The cost of healthcare in private hospitals, especially in medical treatment packages and services	Guarantee Letter/Referrals	Daily
	Health talks, forums, Continuing Medical Education (CME)	Monthly
	Process and service improvements	Monthly
	Hospital empanelment/renewal	As and when required
	Claim and charges review meeting	As and when required
- Cost effectiveness - Fair and transparent negotiations	Vendor presentations and product demonstrations	Upon the introduction of new products
	Formal sessions to update knowledge on product information	At least twice a year
	Tender briefing	Held at each tender session upon user's request to brief tenderers on tender specifications
	Tender clarification sessions	Held with each tender launched
	Purchase committee negotiation with suppliers	Price negotiations with vendors are carried out continuously – both for existing and new purchases

MATERIAL MATTERS

For our 2018 reporting, we have selected material sustainability matters that have a short-term, medium-term and long-term impact on the decision-making of our key stakeholder groups and the economic, environmental and social performance of our business operations. The Sustainability Management Committee (SMC) evaluated each material sustainability matter to identify the core matters that define IHH's commitment to economic, environmental and social sustainability practices and its impact on key stakeholder groups.

Our Patients	Our People	Our Organisation	Our Environment	Our Community
 • Quality of care • Patient satisfaction/expectation • Patient and family safety • Patient menu • Availability of beds • Privacy of medical records	 • Ethics and integrity • Employee health and safety • Training and development • Employee welfare • Talent retention • Availability of skilled manpower • Management of human rights across the value chain	 • International healthcare services • Cost-effectiveness • Emergency preparedness • Transparency • Security and asset protection • Compliance and regulatory risks • Maintenance cost • Hospital infrastructure and employee insurance cost • Innovation • Vendor and supplier development	 • Hazardous waste management • Energy efficiency • Water availability • Plastic waste management • Carbon emissions • Green design and construction	 • Community development • Affordable treatment and access to medical treatment

The core material matters that have been selected for this year of reporting are captured in the table below, along with a description of why each is important and the corresponding SDGs.

Material Matter	Why is it material?	Sustainable Development Goal
Our Patients		
Quality of Care	Providing quality care involves identifying value and value-added activities from the patient's perspective. Patient satisfaction levels have a direct impact on our reputation as a main player in the healthcare industry, which then impacts our business performance. Our regular practice of garnering patient feedback also allows us to understand areas that need improvement and records our journey to maintain high satisfaction levels.	
Patient and Family Safety	Healthcare is complex and dynamic, with future demographic changes and developments in drugs and technologies serving to continually increase this complexity. To meet these challenges, we need continuous high-level individual and organisational commitment to aspects of patient safety. These include our efforts to ensure food safety and quality in preparing patient menus and measures to ensure the rational use of medicine. Our safety improvement activities focus on the patient as the central and most important aspect of healthcare, while supporting healthcare professionals to give the very best care they can, given their skills and professional dedication.	 

Material Matter	Why is it material?	Sustainable Development Goal
Our People		
Employee Health and Safety	We believe that our ability to be truly sustainable is highly dependent on the safety, health and welfare of our people. Integrating and articulating occupational health and safety (OSH) measures throughout our value chain ensures a key aspect of sustainability relating to our social impact is addressed. Complying with the legal requirements relating to OSH, such as setting up OSH Committees and keeping a regular record of safety statistics in each of the countries we operate, sets the foundation of our OSH efforts.	
Training and Development	The development of meaningful and regular training programmes for our staff increases employee retention, job satisfaction and productivity. Moreover, the healthcare industry is an ever-changing field that requires extensive skills and training. At IHH, mentoring processes, training, development resources and a community of practice are built at the Group and hospital levels. The personal and professional development of our employees is indicative of the importance IHH places on the growth of its doctors, nurses, academics and other staff.	
Our Organisation		
International Healthcare Services	We have the expertise to serve the higher demands and diverse needs of international patients. Through IHH's international healthcare services, we are able to provide access for thousands of patients to enhanced health services, thus improving the quality of life, as well as creating jobs, opportunities for cultural enrichment and technological advances within the community.	 
Cost-Effectiveness	We recognise the benefits of cost-effectiveness in minimising administration and improving quality, accountability and accessibility to healthcare, and its relevance in the context of sustainability. The challenges are ongoing. These include balancing the high prices of drugs and the demand for patient-centred healthcare models, ensuring that the core processes of care remain of high quality and providing affordable healthcare that is cost-effective. Achieving this balance requires numerous stakeholders, multiple approaches and coordinated actions undertaken across various system components.	
Emergency Preparedness	Laboratory readiness and having a response plan for the rapid detection and containment of outbreaks of emerging and dangerous pathogens are critical aspects of our responsibility towards our patients, employees and the public. Our role in controlling such an outbreak is critical and if unprepared, can have a potential negative impact on all three aspects of sustainability, i.e. economic, environmental and social. Communication and creating awareness are important parts of a robust response plan.	
Our Environment		
Waste Management	Healthcare organisations have many environmental aspects that can directly or indirectly affect the community and the region in which they operate. The types of waste generated from our operations include hazardous and infectious waste, which can have a severe negative impact on the environment and community, if not treated or disposed properly.	
Energy Efficiency	Healthcare facilities are known to be among the most energy-intensive facilities. Without compromising on the health and safety of our operations and patients, we recognise the importance of managing IHH's energy consumption. Measures that we have undertaken across all our hospitals include upgrading the HVAC systems, investing in more energy-efficient chillers and innovative technology, replacing compact fluorescent lamp (CFL) lighting with light emitting diodes (LED) and creating awareness of energy-saving practices. The benefits of such efforts can be seen in the form of cost-savings and a reduced impact on the environment.	 
Our Community		
Community Development	We are committed to supporting the vulnerable sections of the community. Through our donations, community engagement activities and provision of pro bono healthcare services, we are able to cater to the medical needs and other needs of the community. Our efforts in this direction are towards building social resilience and sharing our knowledge and skills to improve public health.	

MARKET OUTLOOK

We contemplate and plan our strategies for growth in a fast-moving healthcare environment of rapid technological advancements, studying the development of long-term trends on a global scale.

TREND	IMPACT TO GROUP	OUR RESPONSE	LINK TO STRATEGY
Strong demand for private healthcare	By the year 2050, we expect to see an elderly population of nearly 923 million in Asia. The region's growing ageing population and increasing affluence will significantly drive demand for private healthcare as life expectancy, chronic diseases and co-morbidity rise. At IHH Healthcare, we are readying ourselves to capitalise on these growth opportunities.	We are expanding capacity in our existing hospitals in Malaysia and strategically building a pipeline of hospital projects in large and high-potential cities in the key growth markets of India and China.	<i>Organic growth</i> <i>Inorganic growth</i> <i>Enhance service offerings</i>
Competition for skilled healthcare professionals	The demand for skilled healthcare professionals has grown immensely worldwide. The World Health Organization and the World Bank have projected an 18 million shortage in global health workers in 2030. Southeast Asia alone will require approximately 4.7 million more health workers to achieve effective coverage. This pursuit for effective and skilled professionals has also resulted in growing labour costs over the years.	In addition to ensuring competitive remuneration packages and career development opportunities for our employees, we leverage technology and innovation to drive productivity. The well-established international reputation and cross-country exchange programmes between our operating subsidiaries continue to give us the upper hand in talent recruitment and retention.	<i>Invest in people</i> <i>Leverage innovation</i>
Productivity challenges	With labour shortages and a higher cost base, delivering effective and efficient service is a challenge for many healthcare providers. As the healthcare industry is largely reliant on manpower, the growing population in both number and needs will require us to find effective solutions to reduce labour-intensive tasks and enhance overall productivity.	IHH Healthcare continues to seek new ways to raise productivity standards through increased digitisation, innovation and technology. We believe in cultivating a culture of consistent upskilling through training and maintaining positive mindsets. The Group organises an annual Quality Summit where innovative projects from staff across different countries are presented. Selected projects are potentially implemented to realise synergies across the Group.	<i>Invest in people</i> <i>Leverage innovation</i>

TREND	IMPACT TO GROUP	OUR RESPONSE	LINK TO STRATEGY
Technological Disruption	Global consulting firms have identified technological disruptions as one of the impending, if not current, issues that the healthcare industry will face. With the exponential growth of technology, innovators and non-traditional healthcare players around the world have begun to enter the industry for a piece of the pie. For the Group, any failure to keep up with the changes will put us behind the curve.	Taking an active approach, we established the Innovation Office at Parkway Pantai in 2016 to bring new technologies and business models to the organisation, whether by partnership or investment. We embrace the innovation culture and encourage new ideas throughout all levels of the Company. This was manifested in the successful launch of Parkway Pantai's inaugural Innovation Challenge where over 150 entries were submitted by teams from across all our markets. Winning ideas included an automated self-service X-Ray kiosk and a tech-equipped "smart" ambulance.	<i>Organic growth</i> <i>Inorganic growth</i> <i>Enhance service offerings</i>
Geopolitical Tensions	Escalating geopolitical tensions have taken a toll on global investment portfolios, with some markets facing uncertainties. The unstable political climate in the Middle East, especially in Turkey, has seen the US imposing sanctions and tariffs, severely affecting the Turkish Lira. For IHH Healthcare, this currency volatility is impacting Acibadem, which operates in Turkey. While Acibadem's expanding operations have shown promising results, financial performance has been impacted by foreign exchange translation losses upon consolidation at the Group.	IHH Healthcare is committed to managing geopolitical risks by applying defenses to our strategies. One of the immediate ways is to defer all expansion capital expenditure for Acibadem. The Group is also closely monitoring developments involving the Turkish Lira, and we have established clear plans to reduce Acibadem's foreign debt to manage its exposure to currency volatility. Moreover, diversification of our businesses and geographies in the Group reduces our reliance on a single market. This allows cyclical dips in one market to be offset by gains in another. Our strong portfolio of cash-generative assets and ready cashflow in developed markets such as Singapore and Malaysia is well poised to support the growth of the emerging markets of Turkey, India and Greater China.	<i>Invest in people</i> <i>Leverage innovation</i>
Increased Competition	We operate in an increasingly competitive marketplace and a fragmented healthcare industry where new entrants can impact the demand for our services. Competition from established healthcare providers aside, we have been increasingly facing pressure from disruptive digital healthcare startups that have entered the market.	We have enhanced our capabilities and capacities to undertake more complex medical cases. In addition, we are taking advantage by tapping our wide pool of talent to develop high-value-added service and product offerings to boost our competitive strength in the marketplace. For instance, we have introduced synergistic patient programs in some of our home markets, with a key focus on improving collaboration between our experts across our hospital networks.	<i>Invest in people</i> <i>Leverage innovation</i>

BUSINESS STRATEGY

Our values and purpose are aligned to the strategic endeavours that drive our competitive advantage in a dynamic marketplace. Through methodical assessments of potential opportunities, we strive to implement transformative initiatives that are designed to strengthen the business for our stakeholders.

	ORGANIC GROWTH	INORGANIC GROWTH
Description	We pursue growth by increasing capacity at our existing hospitals or through organic growth in our existing or new markets. Backed by our strong financials, we continue to strategically invest in areas with the potential to build scale and bolster the Group's leadership positions in these markets.	Alongside organic growth, acquisitions in new and existing markets are expected to be accretive for IHH Healthcare's topline. Our acquisition programme is underpinned by the strong cashflow generated from our home markets. Together with our experienced management team, we will execute a multi-pronged strategy to enhance our diversified offering via organic and inorganic growth.
Our Progress in 2018	The ramp up of Gleneagles Hong Kong Hospital, which opened in March 2017, remains on track. The hospital has undertaken a high volume of complex cases and has continued to narrow its EBITDA losses since its opening. Doubling its capacity to approximately 400 beds is Acibadem Maslak Hospital in Istanbul, which commenced operation for its increased capacity in October 2018. This multi-disciplinary tertiary hospital offers a range of speciality services, including a Spine Centre and Breast Health Centre. This expansion with the addition of new beds has further enhanced its contribution to the Group revenue. Also in Istanbul, the multi-disciplinary tertiary Acibadem Altunizade Hospital opened in March 2017 with 350 beds. Oncology is one of Acibadem Altunizade's many speciality focuses, and in 2017, the hospital conducted about 15,000 chemotherapy sessions and 26,000 radiotherapy sessions. Acibadem Altunizade Hospital is the second leading hospital after Acibadem Maslak Hospital within the Acibadem Group. Overall, as the new hospitals ramp up their operations and achieve operating leverage, this has led to an increased top line contribution and EBITDA losses to continue to narrow in 2018.	The acquisition of Fortis Healthcare marks a significant milestone in the Group's expansion path in India. The acquisition of a controlling interest in Fortis Healthcare will significantly increase our reach across India, complementing our existing capabilities in the high-value quaternary care segment. Adding to the successful acquisition in India, the Group acquired a 100% stake in Amanjaya Specialist Centre Sdn Bhd – a 98-bed multi-specialty hospital in Sungai Petani, Kedah in Malaysia on 1 October 2018. By streamlining processes and operations between Amanjaya and the full-capacity Pantai Hospital Sungai Petani, the Group is expected to benefit with more effective growth in the region.
Link to Principal Risks  See page 41 on Principal Risk for more information	▶ Geopolitical risk ▶ Foreign exchange risk	▶ Geopolitical risk ▶ Foreign exchange risk

←

**Supported by
our Sustainability
Strategy**

1

QUALITY HEALTHCARE

To prioritise patient experience and encourage feedback to meet satisfaction levels, and to continuously benchmark our quality standards to international standards throughout our operations

ENHANCE SERVICE OFFERINGS

To improve revenue intensity, we are looking to deepen and widen our offerings, especially in high acuity services. We aim to do this by bringing together Centres of Excellence in the hub hospitals that carry out complex procedures such as stem cell transplants, robotic surgery, multi organ transplants and advanced cardiac and neuro-vascular intervention. We constantly seek to bring in the latest technology and tests to boost clinical outcomes.

As a premier private healthcare provider, IHH Healthcare seeks to provide patients with many quality service options for consideration. In this light, Mount Elizabeth Novena Hospital announced that it would be the first private hospital in Singapore and South East Asia to be equipped with the state-of-the-art proton beam therapy for precision cancer treatment from 2021.

The Group also launched the Pantai-Gleneagles Global Liver Programme, a first-of-its-kind cross-border collaboration between Pantai Hospital Kuala Lumpur and Gleneagles Global Health City, Chennai. In this programme, Malaysians requiring liver treatment and transplant can now turn to one of South Asia's largest and most established liver transplant centres in India.

Our Malaysian operations have also upgraded their service offerings in ophthalmology, fertility and cardiology at three hospitals in Malaysia.

- Pantai Hospital Kuala Lumpur introduced a new IVF test to its offerings
- Pantai Hospital Cheras installed a new optical coherence tomography machine.
- Pantai Hospital Ayer Keroh is equipped with a new Bi-Plane X-Ray System.

- ▶ **Talent and workforce management risk**
- ▶ **Cybersecurity risk**

LEVERAGE INNOVATION

At IHH Healthcare, we have a dedicated team that explores innovative evidence-based solutions to offer value-driven services to anchor our ambition to be the preferred healthcare partner for our patients and potential customers. Through incremental innovation, which builds on existing capabilities to generate near-term tangible outcomes, we shore up our existing business model as we seek out the next game-changing solution in healthcare service delivery.

The Group believes that innovation can spark from within. At the inaugural Parkway Pantai Innovation Challenge in 2018, we saw more than 150 project submissions from teams across all our markets. The Challenge, rooted in the concept of incremental innovation, saw two Special Commendation and 10 Merit Award winners. Upon the feasibility study of the winning proposals, the chances of turning these ideas into reality are high. Currently, seven of the projects from the challenge have already been tested for feasibility and successfully implemented.

The Group worked with a Singapore based AI start-up to develop a system to provide more accurate "Estimated Total Bill Size" for patients during financial counselling. In November 2018, we rolled out the predictive engine in our Singapore hospitals, and we target to apply the system in other countries in future phases.

At our precision medicine arm, Angsana Molecular & Diagnostics, we are leveraging genomics for better diagnostics and to customise patient treatment to improve outcomes with Mammaprint and Pharmacogenomics (PGxONE™ Plus). Mammaprint is a genomics test that analyses the activity of certain genes in early-stage breast cancer. PGxONE™ Plus predicts how patients will respond to different types of drugs based on their individual genetic makeup.

- ▶ **Cybersecurity risk**

INVEST IN PEOPLE

The best strategies will only be successful with the right people to execute them. That is why attracting the right talent with competitive remuneration and career pathways is key for our progression. Succession planning is also important for the longevity of the Company. Aside from developing future healthcare talents in educational institutions, we are exploring international exchanges within the Group for employees to learn and share best practices across geographies.

The Group conducts employee engagement survey to measure the engagement level of employees on targeted initiatives and to improve employee engagement within the organisation.

The Group continues to invest in its people through competitive remuneration packages, training and development and cultural alignment. To enable our people to achieve their true potential and beyond, we have in place the Management Associate Programme (MAP) and Individual Development Plan (IDP). These two programmes offer on-the-job training and career development opportunities for those in leadership positions, senior professionals and young graduates.

The MAP is a structured development programme for young graduates that offers training and multidisciplinary exposure in both management and hospital administration. Our Management Associates are evaluated through a 360 Degree Feedback process from relevant supervisors and employees that is reported to management.

The IDP provides employees the necessary support for individual professional development. The plan helps chart their career paths with clear objectives and a timeline. Knowing where they are headed gives our employees greater impetus to do their best for the business.

As a Group, we conduct a biennial Employee Engagement Survey as part of our regular ongoing journey to understand how staff feel about working at IHH Healthcare, areas of strength as a preferred employer and areas to improve to support the work done by our staff.

- ▶ **Talent and workforce management risk**

2

SUSTAINABLE GROWTH

To develop our operations in each market in a manner that provides economic opportunity, strengthens the local healthcare infrastructure, builds local talent and supports the surrounding communities

3

NEW MARKETS

To expand into emerging markets by identifying opportunities, formulating implementable strategies, establishing a strong market presence and strengthening the business case for sustainability

4

ECO-EFFICIENCY

To implement measures and consider alternatives throughout our operations to manage our performance on matters relating to energy and other areas that have an environmental impact

RISK MANAGEMENT

Managing risk is an integral part of our business strategy and critical to achieving sustainable long-term growth and profitability. IHH Healthcare's robust risk management framework is underpinned by a disciplined risk culture which encourages ownership and accountability for risk management at all levels.

RISK MANAGEMENT FRAMEWORK

The Board has overall responsibility for risk governance and ensures that Group management maintains an effective risk management and internal control framework.

The Audit Committee ("AC") and Risk Management Committee ("RMC") oversee the Risk Management framework and policies. In doing this, the AC and RMC identify, for the Board's determination, the Group's level of risk tolerance and

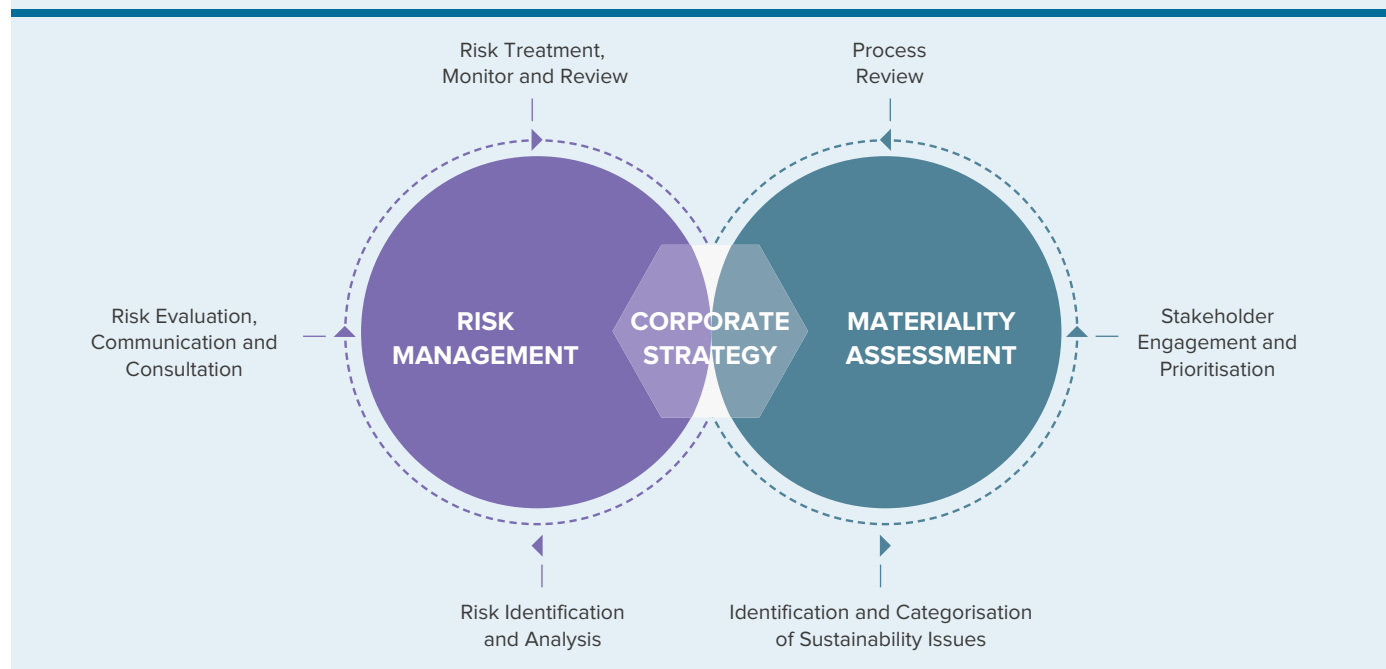
actively highlight, assess and monitor key business risks of the Group. The RMC has a specific focus on clinical governance and quality risk.

In addition, the AC is responsible for assisting the Board in fulfilling its statutory and fiduciary responsibilities in ensuring that the Company has in place a sound and robust internal control framework. The AC also ensures that such framework has been effectively implemented to enhance the Group's ability to achieve its strategic objectives.

An Enterprise Risk Management ("ERM") framework is deployed at the Group level and major operations divisions. This framework identifies, assesses and mitigates relevant risk in a timely manner, with at least quarterly updates to the AC and RMC.

Our Corporate Governance Overview Statement, Statement on Risk Management and Internal Control, Audit Committee Report and Risk Management Committee Report are described in more detail on pages 112 to 126.

Integration of Risk Management and Material Matters



The Group faces an evolving landscape of economic, environmental, social and governance-related ("ESG") risks and/or opportunities that have the potential to significantly impact our business performance and sustainability.

Materiality assessment has been embedded into the Group's processes and integrated into our ERM framework, including the risk dimension of missed

opportunities. Through this, matters that are critical to the Group are identified and assessed based on risk rating criteria of likelihood and impact. This approach allows us to compare sustainability issues with other business risks. For more information on material sustainability matters, refer to page 34.

Risk and Sustainability collaborators have also been appointed across major Group

entities to manage sustainability risks through responses needed to counter threats and take advantage of opportunities. Annual risk reviews are undertaken with independent assurance to ensure our risk management framework and processes are sound and effective. Refer to page 127 for more on our risk management strategy.

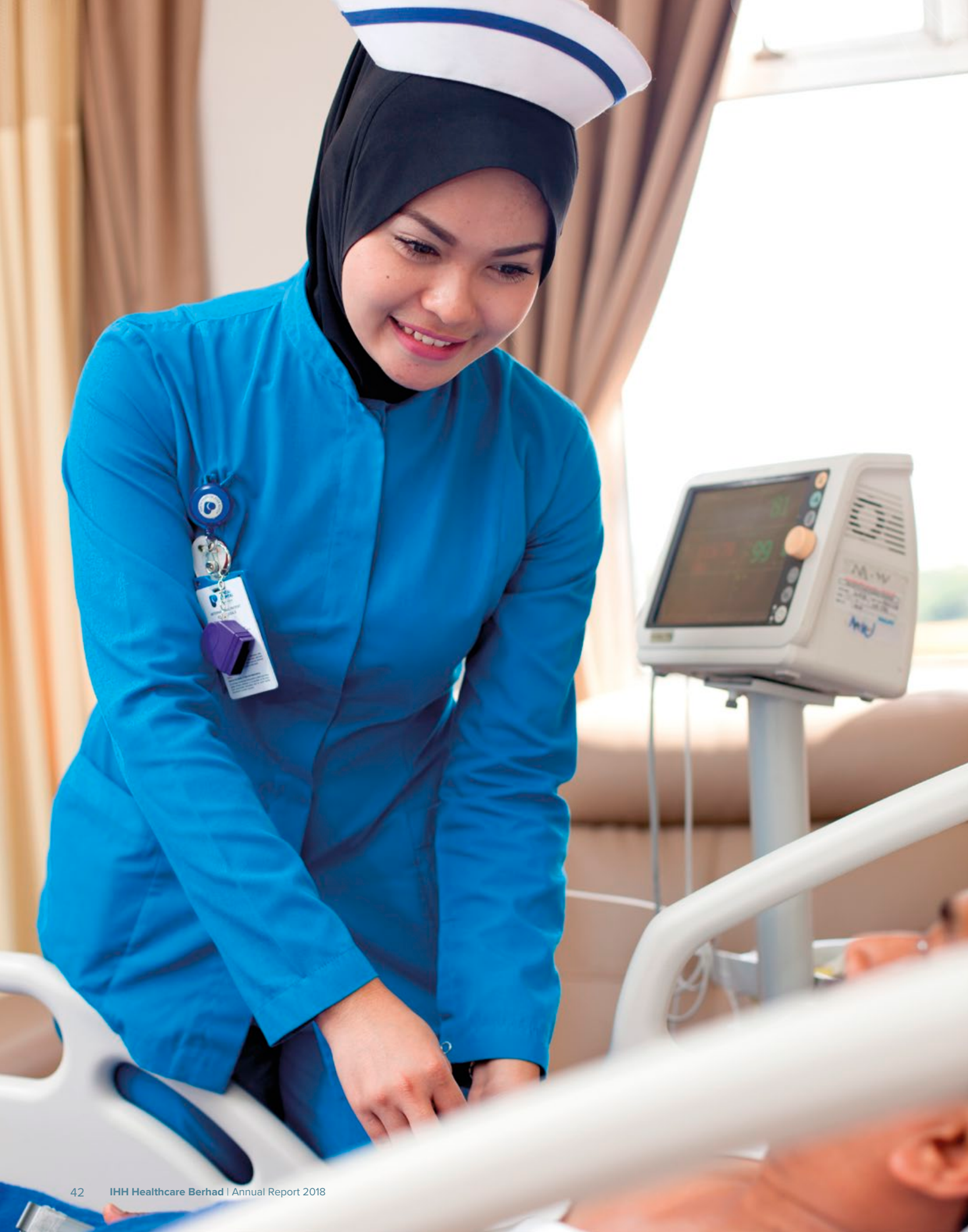
PRINCIPAL RISK

The Group has established an effective and structured risk management system that helps to identify, track and mitigate principal risks associated with our operations. This system enhances the Group's decision-making capabilities to ensure that all risks are managed in line with returns and expectations.

Key Area	Principal Risk Factor	Description	Mitigation Measures	Material Matters	Trend
Strategic	Geopolitical	The Group is subject to political, economic and social developments, conditions and changes in the countries that we operate, which include our home markets of Malaysia, Singapore, Turkey, India and key growth markets of China and Hong Kong.	Our key mitigating strategy includes the diversification of businesses and geographies in the Group. The Group's presence in various countries helps to mitigate the impact of political instability and market volatility in each specific country. For countries facing political uncertainties, we continue to actively monitor the situation to ensure the potential adverse impacts are understood and where possible, mitigated.	Compliance and regulatory risks	↔
Operational	Talent & Workforce Management	The Group's ability to meet our strategic objectives in delivering comprehensive innovative healthcare solutions is highly dependent on a diverse set of expertise, skill-sets and experience offered by our healthcare professionals from various countries. Inability or failure to recruit and retain key staff could affect the Group's operations.	Talent management and retention strategies are constantly reviewed in accordance with the Group's agile approach in retaining our workforce and attracting new talent to our team. Our learning and development programmes are in place to ensure our employees continuously strive to achieve their full potential.	- Employee welfare - Employee health and safety - Talent retention - Availability of skilled manpower - Training and development	↑
	Cybersecurity	The Group employs information technology (IT) systems to support its business, including the provision of healthcare and telemedicine services. Security breaches and other IT disruptions could interfere with the Group's operations and compromise information belonging to the Group and its patients, employees and partners, exposing the Group to liability which could adversely impact our business and reputation.	Cybersecurity measures are continuously reviewed and upgraded, including monitoring of networks and systems, vulnerability assessments and penetration testing and employee training. Although the Group maintains insurance coverage to mitigate against the various cybersecurity risks where feasible, there can be no guarantee that all costs or losses incurred will be fully insured.	Security and asset protection	↑
Financial	Foreign Exchange	Exchange rate instability could adversely affect our business, financial condition, results of operations and prospects. The Group is exposed to foreign exchange risk on sales, purchases, cash and cash equivalents, receivables and payables, and loans and borrowings that are denominated in a currency other than the respective functional currencies of Group entities.	The Group actively monitors its foreign currency risk and minimises such risk by borrowing in the functional currency as its foreign investments. It also enters into foreign exchange forward contracts and cross currency interest rate swaps to manage its exposure.	- Sustainable international healthcare services - High maintenance cost	↑

Trend indicates change in pre-mitigation risk level over the year:

 Pre-mitigation risk increased
  Pre-mitigation risk remained unchanged
  Pre-mitigation risk decreased



Performance Review

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ADVANCING PERFORMANCE

2018 was a year of achievements for IHH, with significant growth and milestones achieved both financially and operationally. With strong commitment toward advancing performance, IHH strategically optimises returns and captures prime opportunities, in turn delivering value for its stakeholders.

FINANCIAL REVIEW

OPTIMISING RETURNS

Our philosophy is to maintain a strong capital base and ensure IHH Healthcare's ("IHH") long term financial sustainability. Having a keen focus on value-creation and optimising returns, the Group saw considerable achievements in its financial performance for 2018, with cost management a continued priority.

YTD 2018 vs YTD 2017

The Group's revenue increased by 3% in 2018 compared to the same period the prior year. This can largely be attributed to sustained organic growth from existing operations, the continued ramp up of the two hospitals opened in March 2017 and expansions of flagship hospitals in Turkey and Malaysia. The acquisition of Amanjaya Specialist Centre ("Amanjaya") acquired in October 2018 and Fortis Healthcare ("Fortis") acquired in November 2018 also contributed to the increase in the Group's revenue, by RM8.8 million and RM217.1 million respectively.

The Group continues to leverage its operational efficiency which can be seen by our EBITDA growth of 9% compared to 2017. This was also boosted by Gleneagles Hong Kong's decreasing start-up costs, which narrowed from RM284.0 million in 2017 to RM178.1 million in 2018. Amanjaya and Fortis also contributed RM4.0 million and RM13.5 million respectively to the Group's EBITDA since acquisition. In addition, the Group recognized an RM50.4 million revaluation gain on PLife REIT's investment properties. This can be compared to RM6.4 million revaluation gain in 2017.

The Group's PATMI, excluding exceptional items, increased 73% to RM1.0 billion, primarily from stronger operational performance across our home markets. It was also boosted by

foreign exchange gains of RM67.7 million mainly arising from the strong US dollar on the Group's USD-denominated cash balances as compared to RM66.4 million exchange losses recognised in 2017.

For 2019, cost management continues to be a priority at IHH. The Group will continue to leverage on an effective cost management system focused on three key pillars:

1. Achieving synergies from economies of scale and improved operational efficiencies;
2. Increasing the productivity of our people; and
3. Improving our patient turnaround time and reducing average length of stay for our patients

A qualified opinion was issued for the statutory audit of Fortis for the financial year ended 31 March 2018. The qualifications are in connection to the matters raised in the independent investigation report submitted by external lawyers to the former Fortis Board on 12 June 2018 (prior to the acquisition of Fortis on 13 November 2018). Additionally, there are investigations by the Securities and Exchange Board of India ("SEBI") and the Serious Fraud Investigation Office ("SFIO"), Ministry of Corporate Affairs of India.

As a consequence of the qualifications raised in Fortis' for the financial period

ended 31 December 2018, IHH's audited accounts for the financial year ended 31 December 2018 will include some of these qualifications.

Based on the findings from the independent investigation report, the newly constituted Fortis Board, which consists of five IHH nominees and three independent directors, initiated specific actions to strengthen the corporate governance standards, operating processes and control environment within Fortis. These actions include revisions made to the line of authority limits, changing of authorised signatories, review of financial reporting processes, assessment of secretarial documentation in regards to compliance to regulatory requirements and systems design and control enhancements. All identified and required disclosures were recorded in the financial statements of Fortis before the acquisition by IHH in November 2018. We will initiate a forensic audit to ascertain the extent of diversion of funds from Fortis.

Capital Management

The Group's strategic aim is to maintain a strong capital base while securing the long-term financial sustainability of IHH. Our objective is to prudently optimise a debt-to-equity ratio that ensures we remain well-capitalised while fulfilling debt covenants and regulatory requirements. We continue to build investor, creditor and market confidence

by staying resilient and flexible as we align our resources to mitigate risks, seize opportunities and support growth in all areas of our business.

On 30 November 2018, the Group became the single largest controlling shareholder in Fortis after completing an INR40 billion (RM2.4 billion) subscription by preferential allotment of shares for 31.1% interest in Fortis. On 1 October 2018, the Group completed a 100% acquisition of Amanjaya for RM104.8 million. The Group expects to invest approximately RM2.0 billion in capital expenditure ("CAPEX") for hospital expansion and greenfield projects over the next three years, in line with the Group's budget and CAPEX strategies.

Liquidity

The Group's current cash, short-term and long-term borrowings and anticipated cash flows from operations are sufficient to meet our cash needs. This includes our working capital and CAPEX requirements for the next 12 to 18 months. We will comply strictly with all financial covenants stipulated by our banks and our internal guidelines. We also monitor all cash deposits to reduce counter-party risks across various banks. To ensure that the business has sufficient liquidity to meet its obligations, whilst managing payments, receipts and financial risks effectively, we constantly review the funding strategy for IHH and its subsidiaries.

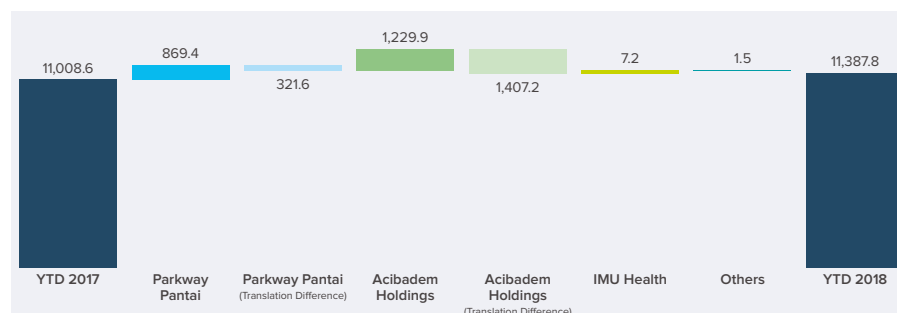
As at 31 December 2018, we have RM7.7 billion in cash and cash equivalents. Our cash consists primarily of cash on hand, balances and deposits with banks and fixed deposits with a tenure of three months or less.

The Group also has the following available line of credit:

- Revolving Credit Facility up to SGD1.8 billion in the form of a syndicated bank loan

Our total liabilities amount to RM16.6 billion. This includes short-term borrowings of RM1.1 billion and long-term borrowings of RM9.3 billion as at

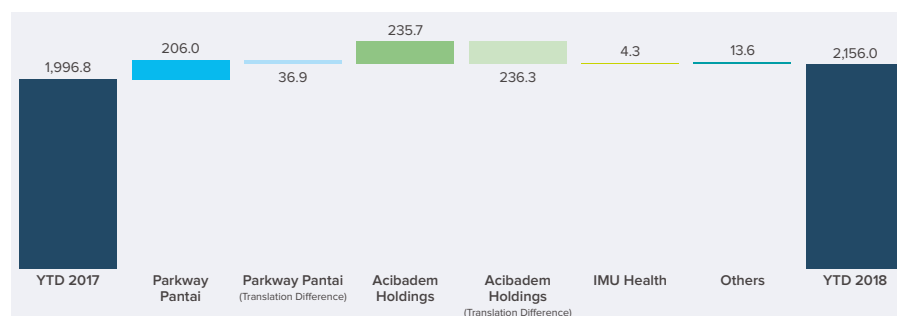
REVENUE (RM MILLION)



The above figures exclude PLife REIT

	YTD 2018 vs YTD 2017	
	Actual	At Constant Currency
Parkway Pantai	8%	13%
Acibadem Holdings	-5%	32%
IMU Heath	3%	3%
IHH Group (Excl PLife REIT)	3%	19%

EBITDA (RM MILLION)



The above figures exclude PLife REIT

	YTD 2018 vs YTD 2017	
	Actual	At Constant Currency
Parkway Pantai	13%	15%
Acibadem Holdings	0%	38%
IMU Heath	5%	5%
IHH Group (Excl PLife REIT)	8%	22%

end December 2018. With our healthy cash balance, operating cash flow and borrowings, we have been able to meet our immediate working capital needs and are confident that we can continue to do so for the foreseeable future.

OPERATING REVIEW

RESILIENT PERFORMANCE

With four home markets spanning Malaysia, Singapore, Turkey and India, as well as its key growth market of Greater China, the Group will be focused on ramping up existing operations and integrating Fortis Healthcare (“Fortis”). We will look to drive earnings across all the markets in which we operate in and establish the foundation to ensure IHH balances current returns with sustainable growth. As an avid believer of diversity and global outreach, IHH Healthcare’s (“IHH”) portfolio also includes its education arm, IMU Health, and PLife REIT, one of Asia’s largest healthcare REITs.

HOME MARKET – MALAYSIA



IHH Healthcare (“IHH”) is Malaysia’s second largest private healthcare provider by the number of licensed beds. Our hospital network operates under the Pantai and Gleneagles brands and has 15 hospitals with over 2,300 beds across Malaysia. Supporting our hospital network, we have ancillary healthcare services including, Pantai Integrated Rehab and Pantai Premier Pathology.

Performance Highlights

Inpatient admissions increased 3% to 203,419 in 2018. We completed the expansion of Pantai Hospital Kuala Lumpur in November 2018. To cater to the rising demand for private healthcare, we have announced plans to expand Pantai Hospital Ayer Keroh and Pantai Hospital Klang over the next two years, adding a capacity of 300 new beds.

KEY FACTS

RM2.0 billion
Revenue

RM578.5 million
EBITDA

Expansion Pipeline	
Type	Hospital
Expansion	Pantai Hospital Ayer Keroh 160 bed capacity (by 2020)
Expansion	Pantai Hospital Klang 140 bed capacity (by 2021)

The average revenue per inpatient admission increased 6% to RM6,615 as more complex procedures were undertaken. Our Malaysia operations have continued to improve their service offerings. In January 2018, a first-of-its kind cross-border collaboration between Pantai Hospital Kuala Lumpur and Gleneagles Global Health City Chennai, Malaysians requiring liver treatment and transplant can turn to one of South Asia’s largest and most established liver transplant centres in India. This unique liver programme for Malaysia will be able to help more patients suffering from severe liver ailments by providing them with the best treatment option at an affordable cost.

Our Malaysia operations have also introduced new equipment and tests to boost clinical outcomes and to benefit patients across the peninsula. To keep up with innovative evidence-based solutions, we recently upgraded service offerings in ophthalmology, fertility and cardiology at three hospitals in the country. Pantai Hospital Ayer Keroh prioritises heart health through dedicated facilities like the Cardiac Catheterisation Lab (“Cath Lab”). Staying up to date with the latest industry advances, the Cath Lab recently launched a Bi-Plane X-Ray System on 8 October 2018, featuring two X-ray sources, flat panel detectors and automatic positioning movements. Pantai Hospital Kuala Lumpur became the first hospital to offer a new IVF test, EndoneTRIO Analysis. Launched on 6 September 2018, the new test increases the chances of pregnancy by determining the status of a woman’s endometrial receptivity. Pantai Hospital Cheras unveiled its new optical coherence tomography (“OCT”) machine on 18 August 2018, promising faster and more detailed diagnosis.

To meet the rising demand in Malaysia, the Group acquired the 98-bed Amanjaya Specialist Centre to expand healthcare services available in Kedah, Malaysia and

meet the local community’s needs. The acquisition will enable us to grow our healthcare services at Pantai Hospital Sungei Petani, which is operating at near maximum capacity. By streamlining and synergizing operations, we will be able to better serve patients in Kedah.

Outlook

The demand for healthcare is rising and continues to be unabated with opportunities for improved diagnostics and treatments. Healthcare expenditure will continue to rise because of an ageing population, increased incidences of non-communicable diseases and prolonged life expectancies. This would suggest that our home market of Malaysia will continue to see sustainable growth and demand for private healthcare consumption in the future.

Medical tourism in Malaysia has also experienced growth over recent years, driven by a rise in quality, competitive rates and greater cross-mobility amongst the region’s population. Malaysia is fast gaining a reputation as a choice destination for foreign patients seeking cost-effective medical treatments. With a well-developed healthcare infrastructure, our Malaysia hospitals have seen continued growth in foreign patients. As we move towards enhancing the delivery of clinical outcomes and healthcare facilities, we expect to seize the opportunity to capitalize on medical tourism across our Malaysia network of hub hospitals.

Overall, consumer demand for more comprehensive care and preventive treatments is on the rise. As a result, IHH will look to further grow our presence both organically, as shown in our expansion pipeline, and inorganically, through exploring various opportunities to consolidate our leading position in Malaysia.

OPERATING REVIEW

HOME MARKET – SINGAPORE

What we do



PRIMARY
CARE



SECONDARY &
TERTIARY
CARE



QUATERNARY
CARE



COMPLEMENTARY
ANCILLARY
SERVICES



MEDICAL
EDUCATION

As Singapore's leading private healthcare provider, our brands Mount Elizabeth, Gleneagles and Parkway are synonymous with exceptional quality and prestige in healthcare services. We have four hospitals with close to 1,000 licensed beds and a network of more than 50 medical centres and clinics. Our one-stop continuum of care also includes ancillary services in the form of ParkwayHealth Laboratory, ParkwayHealth Radiology and Angsana Molecular & Diagnostics ("Angsana"). Through Parkway College we also operate an education arm for Nursing, Allied Health and healthcare management.

Performance Highlights

Our Singapore Operation's revenue increased 1% to RM3.9 billion from RM3.8 billion. EBITDA increased 8% to RM1.1 billion. Inpatient admission increased 0.6% to 76,917 while its revenue per inpatient admission increased 7.7% to RM31,213. As a leading healthcare provider, we are known for excellent clinical outcomes, best-in-class quality and safety and immediate access to care. We remain committed to providing peace of mind for patients and cost-effective services. Whilst our hospitals in Singapore are almost fully ramped up, efforts continue to further enhance our service offerings and provide value-based treatments for our patients.

To keep healthcare costs sustainable over the long term, the Group proactively engages with various stakeholders from government agencies to insurance companies to inform them of our

continued efforts to keep hospital charges competitive and transparent. We have taken the initiative to publish estimated bill sizes on our hospital websites, provide financial counselling and bundle common procedures to help patients make informed decisions to match their expectations and budget. In November 2018, Singapore's Ministry of Health published fee benchmarks for private surgeons developed by the Fee Benchmark Advisory Committee, as part of the measures to boost transparency and rein in rising healthcare costs.

IHH is supportive of this endeavour and is of the same view that the new fee benchmarks will benefit patients when evaluating their options. Our hospitals and doctors have also proactively taken additional steps to ensure that charges and services remain transparent and accessible. We also partner with specialists to offer packaged prices for selected procedures and also lowered hospital prices in four-bedded rooms to ensure that private healthcare at our hospitals remains accessible to patients.

Furthermore, our hospitals in Singapore have also started to use Artificial Intelligence ("AI") to dynamically generate personalised and more accurate hospital bill estimates for patients based on relevant parameters, such as the patient's medical condition and medical practices. It also considers a patient's current age, revisit frequency and existing co-morbidities like high blood pressure.

Our investment in this new AI-powered system empowers patients to make more well-informed decisions on the medical treatment options available. More importantly, it provides patients with greater peace of mind over their healthcare expenditure and allows them to focus on recovering.

In Singapore, we continue to look towards enhancing our comprehensive healthcare solutions for patients. We officially broke ground on 15 November 2018 for the state-of-the-art proton beam therapy

centre at Mount Elizabeth Novena Hospital. With the new proton beam facility, we will be able to offer the full array of surgical, chemotherapy and radiation modalities for cancer. The landmark project, at SGD65 million, is the single largest investment in medical technology the Group has made. Mount Elizabeth Novena Hospital will be the first private hospital in South-east Asia to offer proton beam therapy when the centre opens in 2021. Revolutionising the way cancer is treated in this region underscores our commitment to provide patients with cutting-edge and trustworthy healthcare solutions. We expect this new capability to enhance Singapore's position as the region's healthcare leader.

Our in-house molecular diagnostics capabilities, Angsana, offers precision medicine and molecular diagnostics tests, such as MammaPrint, to help doctors make informed and personalized treatment plans based on the genomic subtype and characteristics of individual patients, reducing the risk of overtreatment.

Outlook

Singapore continues to face an ageing population, increasing prevalence of chronic illness, escalating healthcare costs and increasing complexity of care needs. As the population ages and becomes increasingly conscious of personal health, patients will seek earlier diagnoses to enable preventive care. As such, we expect potential for growth in Singapore's healthcare industry.

Singapore is internationally recognised as one of the most efficient healthcare systems in the world. Singapore's medical tourism industry has experienced extensive growth in recent years driven by a rise in quality and greater cross-mobility among the region's population. With the move towards greater price transparency, this could further boost growth in foreign patient numbers and places Singapore ahead of the competition to become the region's preferred destination for those seeking the most complicated procedures and specialised medical care.

KEY FACTS

RM3.9 billion
Revenue

RM1.1 billion
EBITDA

HOME MARKET – TURKEY



Acibadem Holding (“Acibadem”) is one of Turkey’s leading private healthcare providers, operating more than 4,000 beds across 22 hospitals and 15 medical clinics across Turkey, Macedonia, Bulgaria and the Netherlands. It is known for high quality diagnostic services and clinical treatment offerings for Turkish and international patients, equipped with state-of-the-art medical technologies, including smart radiotherapy, robotic surgery, intraoperative radiotherapy and digital tomosynthesis mammography. Acibadem is a brand that resonates well with clinical excellence in Central and Eastern Europe and is a familiar medical hub for foreign patients in the region.

Performance Highlights

Despite a challenging year in Turkey, Acibadem revenue came in at RM3.7 billion compared to RM3.9 billion in 2017. EBITDA remained flat at RM617.3 million. Excluding the translation effects from the depreciating Turkish Lira, revenue increased 32% while its EBITDA increased 38% over the corresponding period last year.

Inpatient admissions grew 7.4% to 229,433 from the successful ramp-up of Acibadem Altunizade Hospital opened in March 2017

and the expansion of Acibadem Maslak Hospital completed in October 2018. The Group also saw strong growth in foreign patients in 2018 as key initiatives were undertaken to drive medical tourism for the Turkish operations.

Revenue per inpatient admission increased 24.4% to RM7,721. Acibadem continues to enhance its service offering through the introduction of new service lines and value propositions across its network of hospitals in Turkey, Bulgaria, Macedonia and the Netherlands.

Acibadem has recently installed the MRI-LINAC, a smart radiotherapy method with advanced hardware, providing important benefits to both the patient and the doctor. Acibadem has become the third center with an MRI-LINAC device in Europe and the ninth facility throughout the world. Acibadem also introduced the “Alzheimer’s and Aging Center” at Acibadem Eskisehir Hospital on 1 May 2018 to provide modern healthcare services for Alzheimer’s patients. In Macedonia, Acibadem Sistina Hospital opened the first private Pediatric Hematology and Oncology Center of Macedonia. The new center will provide opportunities for more medical services offered in pediatric branches.

On 30 November 2018, the Group completed a transaction that simplified Acibadem’s shareholding structure and increased its stake in Acibadem from 60% to approximately 90%. The transaction allows IHH to further consolidate its control in the Turkish operations. IHH is working to repay Acibadem’s existing non-Lira loans of US\$250 million equivalent to reduce its foreign debt obligations and deleverage its balance sheet. The Group has clear plans that will put Acibadem in a stronger position to manage volatility in the Turkish Lira.

Outlook

The Turkish operations expects patient volumes to grow with the continued demand, increased affordability of private healthcare and more foreign patients travelling to Turkey to seek medical treatments. Acibadem Altunizade Hospital will also continue to contribute to Acibadem’s revenue as patient volumes grow and more complex cases are undertaken. Acibadem Maslak Hospital’s capacity has recently been expanded and more beds were added. The new expanded facility commenced operations in early October, making it the largest private hospital in Turkey.

In view of the inflationary environment and the depreciating Turkish Lira against the US dollar and Euro, we expect a rising cost of purchases, resulting in higher pricing of drugs, consumables and medical equipment. However, the Group expects to mitigate these effects through tight cost controls, improvement in case mix and growth in foreign patient revenue.

KEY FACTS

RM3.7 billion
Revenue

RM617.3 million
EBITDA

OPERATING REVIEW

HOME MARKET – INDIA

What we do



PRIMARY
CARE



SECONDARY &
TERTIARY
CARE



QUATERNARY
CARE



COMPLEMENTARY
ANCILLARY SERVICES

With 36 hospitals, India is IHH's fourth home market. In 2015, the Group had pivoted from a greenfield strategy to a brownfield strategy with the acquisition of Continental Hospitals and Global Hospitals. To date, the Group has a 62.23% stake in Continental Hospitals and a 73.87% stake in Gleneagles Global Hospitals.

On 13 November 2018, IHH became the single largest controlling shareholder in Fortis after completing an INR40 billion (approximately RM2.4 billion) subscription to a preferential allotment of shares for 31.1% interest in Fortis Healthcare ("Fortis"). Fortis is a leading integrated healthcare services provider in India with operations spanning across both hospitals and diagnostics businesses. Currently, it is the second largest player in India by number of hospitals, operating a network of 32 hospitals across the country and internationally with a capacity of over 4,600 beds and employs more than 2,600 doctors and 13,200 support staff who catered to approximately 2.6 million patients in 2018.

In addition, the Group has a 50-50 joint venture with Apollo Hospitals, Apollo Gleneagles Hospitals in Kolkata.

Performance Highlights

Our India Operations saw revenue grow 20% to RM851.3 million with the consolidation of Fortis's financials to the Group's income statement. EBITDA decreased 54% to RM6.3 million. Inpatient admission grew 23.3% to 88,793 with the inclusion of Fortis' inpatient admission since acquisition. However, revenue per inpatient admission decreased 1.7% to RM7,463 as Fortis' revenue intensity is generally lower than existing operations in India.

The transformational acquisition of Fortis presents a significant expansion of IHH's exposure to India, one of the most attractive countries globally for healthcare, through a controlling interest in the second largest hospital chain in the country.

Fortis' hospitals have a stronger presence in North India, complementary to IHH's existing South-India focused portfolio, and provide access to a leading platform with pan-India presence. This offers the Group a significant synergy potential in management, administration and operations, leveraging IHH's global private healthcare execution track record and expertise.

In January 2019, Fortis completed the acquisition of RHT Health Trust's ("RHT") India assets for a total cash consideration of INR46.7 billion (approximately RM2.7 billion) as planned. This consolidates Fortis's control over the RHT assets for a more focused and streamlined business operation and will generate substantial cost savings as Fortis will no longer need to bear significant rental fees paid to the trust.

Fortis has two core business components: the hospital business and a diagnostic business called SRL Diagnostics. With its

strong focus on diagnostics, tertiary and quaternary care segments, there is significant opportunity for Fortis in the growing healthcare market in India.

Outlook

India is a market of tremendous potential, and the Group believes that the potential for growth continues to be supported by expanding demographics, an increase in the incidence of lifestyle related diseases and rising affluence. At the same time, the low cost of treatment, advanced facilities and availability of highly skilled doctors, makes India a popular location for medical tourism. It is estimated that India's medical tourism industry could be worth INR63 billion (USD9 billion) and account for 20% of the global market share by 2020. IHH is anticipating substantial growth opportunities with the burgeoning healthcare demand in India.

On our existing India operations, we are focused on improving operations, introducing new service lines and undertaking strict measures to control costs. We expect that over time, volume will ramp up and case mix will improve.

With the acquisition of a 31.1% interest in Fortis in November 2018, Fortis will continue to contribute to the Group's revenue and EBITDA. We will focus on integrating and executing the turnaround plans for Fortis to restore its operational performance back in line with "best in class" industry standards in the medium to long term.

KEY FACTS

RM851.3
million

Revenue

RM6.3 million
EBITDA

⊕ See page 26 on Fortis Healthcare for more information

KEY GROWTH MARKETS – GREATER CHINA



KEY FACTS

RM499.6
million

Revenue

(RM208.7)
million

EBITDA

Expansion Pipeline	
Type	Hospital
Greenfield	Gleneagles Chengdu 350 bed capacity by 2019
Greenfield	Gleneagles Shanghai 450 bed capacity by 2020

In China, we have eight ParkwayHealth Medical Centers under our auspices. In Hong Kong, we operate the 500-bed multi-specialty Gleneagles Hong Kong Hospital, which opened in March 2017. In our Greater China portfolio, we also operate the ParkwayHealth Central Hong Kong Medical Center and the Angsana Molecular and Diagnostics ancillary service.

Performance Highlights

Revenue from North Asia increased 50% to RM499.6 million from RM332.7 million as Gleneagles Hong Kong Hospital continues to ramp up and increased its top line contribution since its opening. We have also seen EBITDA losses narrowed to RM208.7 million as Gleneagles Hong Kong Hospital's start-up losses continue to decrease as a result of operating leverage. The new hospital continues to show encouraging signs as utilization is improving quarter on quarter aided by strong inpatient revenue intensity from the hospital's ability to undertake complex procedures.

In China, the new hospitals will complement IHH's existing medical centres that provide primary and specialist care to the premium self-pay or corporate-insured segment. Construction of Gleneagles Chengdu Hospital is moving ahead and, it is slated to open in late 2019. Construction of Gleneagles Shanghai Hospital in Hongqiao is also progressing well, and it is slated to open in late 2020. Consequentially, we would start to incur capital expenditure and pre-operating costs leading up to their phased bed opening.

Outlook

Private hospitals in China generally cater to the higher-income population, but they have also seen a growing demand from the middle class.

A population of eight million in urban Chengdu makes it the fifth largest city in China. Chengdu has a strong supply of medical talent, with the presence of Sichuan University's West China Medical Center, ranked third in China for medical education. In the recent years, the city has received a massive influx of capital as it opens itself up to foreign investment. This is evidenced by Chengdu's GDP, which grew an impressive 70% from 2012 to 2017. The continuous investment and the attractive proposition on the back of an increased urban population bode well for Gleneagles Chengdu Hospital.

In Shanghai, the municipal government has released a proposed guideline that aims to inject flexibility to the healthcare service industry. Likewise, this is expected to bode well for Gleneagles Shanghai Hospital.

With the continued ramp-up of operations at Gleneagles Hong Kong, we expect the hospital to continue to contribute to the Group's revenue and EBITDA.

OPERATING REVIEW

IMU HEALTH

What we do



MEDICAL
EDUCATION

KEY FACTS

**RM257.5
million**

Revenue

**RM84.9
million**

EBITDA

IMU Health is the medical and health sciences education arm of IHH. It manages the International Medical University ("IMU") and International Medical College ("IMC") in Malaysia, offering medical, dentistry, pharmacy, nursing, health sciences and complementary and alternative medicine programmes. Both institutions offer courses from diploma to postgraduate studies.

IMU was set up as a college in 1992 providing medical education to students who would then complete their medical degrees at partner universities abroad.

In 1999, it was conferred full university status and could then offer its own medical programme. This gave students the option to complete the course in Malaysia or choose a transfer programme.

Today, IMU has 32 partner universities in Australasia, the United Kingdom, Ireland, North America and China.

Performance Highlights

IMU Health's revenue increased 3% to RM257.5 million from RM250.4 million, as a result of higher student intake and strong demand for certain courses. As a result, EBITDA increased 5% to RM84.9 million from RM80.6 million the year before.

Outlook

The proliferation of institutions offering programmes in medicine, dentistry and pharmacy have led to increased competition for IMU. Nevertheless, there are still opportunities for attracting international students to medicine, dentistry and selected health sciences programmes. IMU is constantly working to benchmark its programmes to international standards.

IMU and IMC are in the process of developing programmes that will be delivered via e-learning. IMU has also broken ground on its hospital in December 2017 and is expected to open in 2021. The hospital will also be used to provide medical and nursing students access for attachments and observations in the hospital, in addition to the existing attachments in government hospitals.

PLIFE REIT

KEY FACTS

RM133.2
million
Revenue

RM321.7
million
EBITDA

The Group holds a 35.66% equity interest in the real estate arm, Parkway Life Real Estate Investment Trust ("PLife REIT"). One of Asia's largest listed healthcare REITs by asset size, PLife REIT invests in income-producing real estate and real estate-related assets used primarily for healthcare and healthcare-related purposes. PLife REIT owns a well-diversified portfolio of 50 properties with a total portfolio size of approximately S\$1.86 billion as at 31 December 2018.

Performance Highlights

PLife REIT's external revenue decreased by 1% to RM133.2 million due to the translation effects of a stronger ringgit. On constant currency, external revenue grew 4%, largely due to revenue contribution from the Japan nursing rehabilitation facility acquired in February 2018 and higher yielding properties acquired from an asset recycling initiative completed in February 2017. EBITDA increased 14% to RM321.7 million from the recognition of a RM50.4 million revaluation gain on its investment properties as compared to RM6.4 million in 2017. Gearing remained optimal at 36.1%. With the resilient performance and healthy liquidity position, Moody's maintained its investment grade rating of 'Baa2' with stable outlook for PLife REIT.

Outlook

The long-term outlook of the healthcare industry continues to be driven by an ageing population regionally and demand for better quality healthcare, as well as aged care services. With global growth expected to slow down and macroeconomic and geopolitical uncertainties as well as volatility within the financial markets likely to persist in 2019, PLife REIT remains cautious as it continues to build on its effective growth engines with the following strategies to deliver consistent value for Unitholders and growth for PLife REIT.

- Consolidate assets in Japan, generate operating synergies and derive further cost savings;
- Improve portfolio quality through asset enhancement initiatives and opportunistic acquisitions; and
- Manage assets proactively to improve performance, enhance competitiveness and extract further value from its overall portfolio.

PLife REIT, being one of only three healthcare REITs and trusts listed in Singapore, stands in good stead to continue offering investors stability with its long average lease expiry profile and downside protected rent structure for its portfolio.