

Apollo Hospitals announces Q2FY16 results

H1FY16 Standalone Revenues up 19% at Rs. 2,632 Crore
Standalone EBITDA (including new units' losses) up 14% at Rs. 374 Crore
Standalone PAT up 6% at Rs. 185 Crore

H1FY16 Consolidated Revenues up 18% at Rs. 2,973 Crore
Consolidated EBITDA up 12% at Rs. 409 Crore
Consolidated PAT up 13% at Rs. 189 Crore

Apollo Hospitals in Chennai successfully completes Asia's first en-bloc combined heart and liver transplant

Apollo Hospitals deepens its clinical offerings in Cardiology, Oncology & Neurosciences across all its Hospitals as the NCD (Non Communicable Diseases) burden in the country begins to take alarming proportions.

Apollo Health City, Hyderabad, wins the award for 'Best Medical Tourism Facility in India' for the third time

Central Government launches SEHAT, a telemedicine initiative in partnership with Apollo Hospitals

SAP continues strong performance - Revenues grow 34% on a y-on-y basis
SAP EBITDA Margins excluding Hetero Batch of Stores at 4.0%
Pan-India pharmacy network at 2,217 stores as of end Q2FY16

Plans to add 895 beds by end FY16
North Bangalore (180), Belapur – Navi Mumbai (400) and Vizag (250 beds) to be commissioned and Indore (65) to be operationalized by end FY16

India, November 14, 2015: Apollo Hospitals Enterprise Ltd (AHEL), a leading healthcare provider, today reported its financial results according to Indian GAAP for the quarter ended September 30, 2015.

Q2FY16 Standalone Revenues were at Rs. 13,673 million as compared to Rs. 11,529 million in Q2FY15, up by 18.6%. The Q2FY16 results displayed operational improvements across all the businesses as there is EBITDA margin expansion in existing hospitals, new Hospitals as well as SAPs. EBITDA grew by 11.9% from Rs. 1,726 million in Q2FY15 to Rs. 1,932 million in Q2FY16. The EBITDA margin was 14.1%. The blended EBITDA margin is lower as the SAP segment has contributed to 43% of revenues in Q2FY16 compared to 38% in Q2FY15. Profit after Tax (PAT) grew by 2.4% from Rs. 915 million in Q2FY15 to Rs. 937 million in Q2FY16.

Dr. Prathap C Reddy, Chairman said, we have and will continue to leverage technology to overcome the limitations to delivery of healthcare service and with the recent developments by the government on emphasizing the importance of technology our initiatives like 'Ask Apollo' will only enhance healthcare accessibility. The Ministry of IT has collaborated with the Apollo Hospitals to launch tele-medicine services under which people can consult doctors through video link and also order generic drugs online.

On the hospital front, we have further strengthened our clinical offerings in cardiology, Oncology and Neurosciences across our hospitals as we wage a war against NCDs (Non Communicable Diseases) which is today becoming a huge burden on our country. Homecare will play a very significant role in the healthcare industry in the next few years and we have now created a company under AHEL with a separate operational team who will drive this pan-India with best-in-class protocols and services.

Our contribution towards medical education has always been and will continue to be one of our focus areas. Recently, we collaborated with American College of Cardiology (ACC), to expand medical education in India by providing new opportunities to cardiovascular physicians to improve their skills.

We are humbled to receive for the third time the award for 'Best Medical Tourism Facility in India' for our Hyderabad hospital, presented by the Hon. Sir Pranab Mukherjee, The President of India."

Financial Highlights

- Consolidated H1FY16 Performance
 - Revenues grew by 18.1% to Rs. 29,725 million compared to Rs. 25,175 million in H1FY15.
 - EBITDAR grew by 14.6% to Rs. 4,969 million as against Rs. 4,337 million in Q2FY15.
 - EBITDA grew by 12% to Rs. 4,095 million as against Rs. 3,656 million in H1FY15.
 - PAT was Rs. 1,892 million compared to Rs. 1,676 million in H1FY15, growth of 12.9%.
 - Diluted EPS of Rs. 13.6 per share in H1FY16. (not annualised)

- Consolidated Q2 FY16 Performance
 - Revenues grew by 18.1% to Rs. 15,526 million compared to Rs. 13,150 million in Q2FY15.
 - EBITDAR grew by 13.9% to Rs. 2,580 million as against Rs. 2,265 million in Q2FY15.
 - EBITDA increased by 10.1% to Rs. 2,120 million as against Rs. 1,925 million in Q2FY15.
 - PAT was higher at Rs. 1,095 million compared to Rs. 881 million in Q2FY15, growth of 24.3%.
 - Diluted EPS of Rs. 7.87 per share in Q2 FY16 (not annualized).

- Standalone H1FY16 Performance
 - Revenues grew by 19.3% to Rs. 26,323 million compared to Rs. 22,066 million in H1FY15.
 - EBITDA grew by 13.8% to Rs. 3,742 million as against Rs. 3,289 million in H1FY15.

- PAT was Rs. 1,845 million compared to Rs. 1,742 million in H1FY15, growth of 5.9%.
- Diluted EPS of Rs 13.26 per share in H1FY15. (not annualised)

- Standalone Q2 FY16 Performance
 - Revenues grew by 18.6% to Rs. 13,673 million compared to Rs. 11,529 million in Q2FY15.
 - EBITDAR grew by 14.8% to Rs. 2,309 million as against Rs. 2,012 million in Q2FY15.
 - EBITDA grew by 11.9% to Rs. 1,932 million compared to Rs. 1,726 million in Q2FY15.
 - PAT grew by 2.4% at Rs. 937 million as against Rs. 915 million in Q2FY15.
 - Diluted EPS of Rs. 6.73 per share is n Q2 FY16 (not annualised).

Segment-wise Performance Update

Hospitals

Healthcare services division grew by 11% to Rs. 15,291 million in H1 FY16 compared to Rs. 13,832 million in H1FY15. **This performance includes a growth of 83% from new hospitals added to the network.** EBITDAR was Rs. 3,716 million in H1FY16 compared to Rs. 3,323 million in H1FY15, registering a growth of 12%. Of this, existing hospitals contributed Rs. 3,638 million in H1FY16 while new hospitals reported an EBITDAR of Rs. 77 million.

Healthcare Services EBITDA grew 10% to Rs. 3,339 million in H1FY16 compared to Rs. 3,026 million in H1FY15. **The EBITDA margin at existing Healthcare centers (LFL) expanded by 90 bps from 23.5% in H1FY15 to 24.4% in H1FY16.**

The Chennai cluster continued to report healthy momentum in volume growth as Inpatient Volumes grew 9% and outpatient volumes increased by 10%. Revenues grew 13% from Rs. 6,063 million in H1FY15 to Rs. 6,866 million in H1FY16. Existing hospitals reported 8% growth in revenues and the balance was from the new hospitals at Vanagram, Karapakkam, OMR and Women & Child – SMR. Occupancy was 954 beds (63% utilization on an increased capacity of 1,505 beds) in H1 FY16 as compared to 949 beds (71% utilization on 1,342 beds) in H1FY15.

The impact of rationalization of cases at the Hyderabad cluster continued with revenues growing 7% from Rs. 2,445 million in H1FY15 to Rs. 2,618 million in H1FY16. As a result of rationalization, occupancy was at 567 beds (61% utilization on 930 beds) in H1 FY16 as compared to 608 beds (65% utilization of 930 beds) in H1FY15. An increase in high acuity cases, larger numbers of international patients contributed to the revenue growth.

Our Joint Venture & Subsidiary hospitals delivered a healthy performance with Hospitals in Bangalore, Ahmedabad & Kolkata reporting year-on-year revenue growth of 13%, 11% & 6% respectively. Indore

reported y-on-y revenue growth of 68% from a small base. Growth was achieved through a mix of higher volumes as well as improvements in pricing and acuity-mix.

Hospitals outside of the core clusters also performed well with healthy growth in revenues as well as improvements in key operational matrices:

- Jayanagar, Bangalore reported occupancy of 66 beds (60% utilization) as compared to 55 beds (50% utilization) in H1FY15.
- Acuity-mix improvements were visible in the performance of the Mysore hospital which reported a revenue growth of 30% with an occupancy of 72% from 71% in the same period last year.
- Hospitals at Madurai and Karaikudi also reported growth in revenues by 16% & 11% respectively on a y-on-y basis.
- Bhubaneswar reported 6% growth in revenues despite a marginal reduction in occupied beds at 211 beds (80% utilization on 264 beds) in H1FY16 compared to 216 beds in H1FY15.

Standalone Pharmacies

In H1 FY16, 117 stores were added and 26 stores were closed for a net addition of 91 stores. With the integration of the Hetero Pharmacy network – the total store network as of Sep 30, 2015 stands at 2,217 operational stores.

Revenues grew by an impressive 34% from Rs. 8,234 million in H1FY15 to Rs. 11,032 million in H1FY16. Excluding the Hetero network of stores, revenue growth was 28%.

EBITDA grew by 53% on a year-on year basis from Rs. 263 million in H1FY15 to Rs. 403 million in H1FY16. Excluding the Hetero network of stores, EBITDA growth was 59%.

The EBITDA margin expanded by 46 bps to 3.65% in H1FY16 compared to 3.19% in H1 FY15. This was after absorbing costs of Hetero pharmacy operations following its integration as well as from the ongoing efforts to rationalise costs which have yielded results. **Excluding the Hetero network the EBITDA margin was 4.0% in H1FY16.**

The trends in in same-store sales across various batches of stores with like-for-like growth in revenue per store at 14% for the pre 2008 batch of stores, 18% (2009 batch) and 17% (2010 batch).

Apollo Munich Health Insurance Company Limited

Gross Written Premium grew by 35% from Rs. 3,001 million in H1FY15 to Rs. 4,051 million in H1FY16. The Earned premium grew by 14% from Rs. 3,240 million in H1FY15 to Rs. 3,693 million in H1FY16. The incurred claim loss ratio was higher at 66.5% in H1FY16 compared to 64.6% in H1FY15.

Increased scale of the business, deeper penetration across key markets in the country and introduction of unique plans have resulted in steady improvements in business performance. Apollo Munich reported EBITDA of Rs. 71 million in H1FY16 an increase of 77% from Rs. 40 million in H1FY15. The Company reported a PAT of Rs. 20 million in H1FY16 compared to a PAT of Rs. 2 million in H1FY15. AUMs stood at Rs. 7,162 million as of Sept 30, 2015.

Retail Healthcare

Apollo Health & Lifestyle Ltd. (AHLL) is a wholly owned subsidiary which houses the retail healthcare business of Apollo Hospitals. This includes the lifestyle birthing centers known as 'CRADLE', Dental, Dialysis, Daycare and short stay surgery centers, diagnostic centers and clinics. The current portfolio comprises 11 Day surgery centers, 6 Cradles, 57 Diagnostic centers and 64 Clinics housed under AHLL while 74 Dental Clinics, 32 Sugar Clinics and 5 Dialysis centers are a part of the extended network.

Total Income grew by 50% to Rs. 632 million in H1 FY16 compared to Rs. 420 million in H1 FY15. The business reported an EBITDA loss of Rs. 171 million in H1FY16.

CLINICAL AND OPERATIONAL HIGHLIGHTS

CLINICAL EXCELLENCE HIGHLIGHTS

- *Apollo Chennai hospital successfully completed Asia's first en-bloc combined heart and liver transplant in Chennai. This complex procedure was performed on a 30-year-old man from Tiruchengode in Tamil Nadu who was suffering from a congenital condition where the failure of the right side of the heart causes liver failure. While the patient waited since April for a suitable donor for the heart and liver transplant, the surgery was performed in October. Two teams – a heart transplant team and a liver transplant team – simultaneously worked together to perform this rare procedure. Both the heart and the liver were transplanted when they were connected together as one single organ having open both chest and abdominal cavity at the same time. This was done at one thirtieth of the cost in the Unites States, where such a surgery typically costs Rs 12 Crores.*
- *In yet another clinical breakthrough, Apollo Cradle, the premier birthing center, in October 2015 showcased its expertise in handling high-risk pregnancies by helping a woman with not one but two rheumatologic complications deliver a healthy baby boy.*
- *A child suffering from a rare metabolic disorder Ornithinetranscarbamylase (OTC) wherein the liver lacks enzymes required for processing proteins recently went through a complex pediatric liver transplant surgery at Apollo Hospital, Hyderabad. Liver transplantation requires advanced infrastructure and well qualified staff who are specialised for dealing with critical pediatric patients. Apart from a meticulous surgery, the biggest challenge is the intensive care in the post-operative period. The liver transplant programme at Apollo Hospitals, Hyderabad has a success rate of over 97 per cent, which besides being the best in India, is also one of the best in the world.*
- *Recently, a liver was transported from in a record time an organ was transported to Madurai, Tamil Nadu from Nellore, Andhra Pradesh which saved the life of a 40 year old man who suffered from an advanced stage of liver disease. The City Police has created a green corridor – the third created in the city – from Madurai airport to Apollo Specialty Hospitals in K.K. Nagar which helps cut short the time for organ transportation in case of emergencies. The Delhi Traffic Police too are facilitating the transplants by creating green corridors for ambulances that transport organs between hospitals. This ensures the organs are 'viable' – healthy enough for transplantation – as almost all have to be transplanted within three-six hours. Eight green corridors have been creased for the smooth transfer of organs to hospitals where surgeries were scheduled to be performed. Of the eight corridors, four are inter-state – from Haryana, Rajasthan and UP. In another case a Mumbai woman was successfully transplanted a liver donated from a brain dead woman in Pondicherry. The liver travelled over 330 kms in just four hours, thanks to the green corridor that was created for this purpose.*
- *On the occasion of 'World Heart Day' Apollo Hospitals launched few novel initiatives to reach out to the people and raise awareness on heart ailments. The hospital offered various programmes for all patients for about sixty days. Any person suspecting of chest pain walking into any Apollo Hospitals was offered free ECG and specialist consultation for the next sixty days.*
- *The healthcare sector has gained significant importance in the recent past and 'Homecare' is one such new initiative which is expanding rapidly in this city. With experience of over 500 plus home base care patients of diverse clinical conditions, Apollo Hospitals, is geared up to render homecare service in India.*

MEDICAL TOURISM & INTERNATIONAL PROGRAMMES

There is huge dearth of experience and medical infrastructure in certain economically challenged countries. AHEL has taken an initiative in bridging this gap through conducting and organizing learning programs for medical professional in these countries. About 10 percent of the patients treated annually at Apollo hospitals were medical tourists from outside India.

- *Apollo Hospitals has in the past conducted several professional development programmes with Nigerian doctors and has a Continuing Medical Education (CME) programme which is focused towards improving patient care by providing physicians and other health care professionals with evidence-based training on advances in medicine, new medical technology and biomedical research. About 100 doctors from the Abuja University Teaching Hospital (ABTH) have been retrained on specialist medical procedures by medical experts from the Apollo Hospitals in India.*
- *The University of Ilorin Teaching Hospital (UIITH), Nigeria recently performed open heart surgery through collaboration with Apollo Children's hospital, Chennai, the UIITH successfully performed the surgery on two minors. The Apollo Hospital team led by Dr. Neville Solomon voluntarily supported the UIITH's open heart surgery initiative. The hospital has successfully carried out surgery on over 2000 children for heart related diseases over the period of time.*
- *Apollo Hospitals is looking to set up an office in Cambodia, and eventually develop telemedicine facilities there. This is for the purpose of training local doctors which would encourage more Cambodians to travel to its facilities in India for complicated medical procedures.*
- *Nigeria, West Africa's biggest nation, has seen its citizens spend millions of dollars on medical treatment in India due to an inadequate health delivery sector, but this is changing as the Indian government and private healthcare providers are turning to invest locally. In 2012, about 40 percent of all visas to India from Nigeria were for medical tourism and Nigerians spent about \$260 million on medical expenses in India. Apollo Hospital group has opened telemedicine centers in Nigeria and recently partnered with Airtel Nigeria to provide video consultation with doctors to Airtel Nigeria's premier customers. Apollo Hospitals has also partnered with Sanofi for diabetes management and is planning to replicate its Apollo Sugar Clinics concept in Nigeria.*

KNOWLEDGE PROGRAMMES

Apollo Hospitals has been the harbinger of the healthcare movement in India and has been continually in pursuit of creating benchmark standards in the field of medicine. Apollo Hospitals aims to be at the forefront of medical education too which is part of the larger plan to adopt non-linear ways to help save capital costs and widen reach.

- *Apollo Hospitals has signed an MoU with Prof Dr Heiko Graichen, medical director of Asklepios, Orthopedic Clinic Lindenlohe, Germany, a global authority on RTKR, aiming to build a pool of orthopedic surgeons trained in revision total knee replacement (RTKR) in India. Dr Heiko Graichen will train Indian surgeons in his center on revision knee arthroplasty besides visiting Apollo twice a year to operate and teach surgeons about it, as per the MoU.*
- *'Figure 1' an App service that connects physicians, nurses, dentists, medical students and other healthcare professionals to discuss and share medical cases by uploading images, has partnered with Apollo Hospitals*

to host the first live event in India to share case studies for 24 hours. The cases posted hourly will demonstrate typical medical conditions in India and treatment procedures. Canada based Joshua Landy, Co-founder, Figure 1, believes the platform will help spread knowledge in tier-II and -III cities where there are limited sources.

- Continuing with its focus on clinical excellence, Indraprastha Apollo Hospitals, India's First Internationally Accredited Hospital commenced the Third Kunwar Viren Oswal Course in Pediatric Gastroenterology, Hepatology, Liver Transplantation and Nutrition. Starting with the first successful pediatric liver transplant in India in 1998, Apollo Hospitals has been a pioneer in the field of pediatric gastroenterology, Hepatology and nutrition.

COLLABORATIONS

A combination of best-in-class clinical excellence, high standards of patient care and cutting edge technology which are accessible to all remains the centerpiece of the Apollo story. Collaborations and partnerships offer immense strategic support in this direction.

- The Ministry of Communications and Information Technology has launched telemedicine services in collaboration with the Apollo Hospitals on 25th August, under which people can consult doctors through video link and also order generic drugs online. Under the service, people can visit Common Service Centers (CSC) and fix an appointment for seeking expert consultancy with a doctor. The doctors at Apollo Hospitals will be able to provide consultancy to the patients using the video link facilities.
- America's top medical body, American College of Cardiology (ACC), has collaborated with Apollo Hospitals to expand medical education in India by providing new opportunities to cardiovascular physicians to improve their skills. As part of the collaboration, ACC will provide its guideline-driven educational content to physicians participating in Apollo's Medvarsity e-learning programme.
- In September 2015, Cab hire company, Uber signed a partnership agreement with Apollo Hospitals to provide free rides to and fro for people visiting its hospitals in 11 cities for a personalized health check. The cities are: Ahmedabad, Bengaluru, Chennai, Hyderabad, Indore, Kolkata, Mysore, New Delhi, Pune, Bhubaneswar and Visakhapatnam. All new user in these cities will be provided with a promo code by Apollo which will give them two free rides worth Rs 250 each to and from any Apollo Hospital across these 11 cities on booking a health check.
- The Indian Railway Catering and Tourism Corporation (IRCTC) has partnered with Apollo Hospitals to offer hassle-free travel for people who travel for medical care. Under the memorandum of understanding (MoU) with Apollo, IRCTC will operate a chartered coach from Kolkata to Chennai every 14 days and integrate its offerings with the preventive health check-up packages of Apollo Hospitals to offer a comprehensive package to the travelers.

AWARDS, ACHIEVEMENTS& OUTREACH

- In September, Apollo Health City, Hyderabad, was presented the 'Best Medical Tourism Facility' in India by the Government of India, for the year 2013-14. Presented by Sri Pranab Mukherjee, The President of India, in New Delhi. This is the third year Apollo Health City has been honored with this award, the Hospital was conferred the award in the years 2009-2010 and 2011-2012.

- *Apollo Hospitals was awarded the Porter Prize for Value Based Healthcare. The citation defining the recognition was “For redefining healthcare, providing an overall framework for diagnostics, participating in building a resilient health care system, focusing on providing value to patients, not just lowering costs; free flow of information i.e., information on results and prices needed for value-based competition and innovation in healthcare such as enhancing the patients experience, redefining the business around medical conditions.”*
- *Apollo Hospitals, Chennai was honored on being awarded as Comprehensive Neurosciences Service Provider Company of the Year by Frost & Sullivan at its 7th Annual India Healthcare Excellence Awards.*

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About Apollo Hospitals Enterprise Ltd. (AHEL)

It was in 1983, that Dr. Prathap Reddy made a pioneering endeavor by launching India’s first corporate hospital - Apollo Hospital in Chennai. Now, as Asia largest and most trusted healthcare group, its presence includes over 8,985 beds across 64 Hospitals, 2,217 Pharmacies, 249 Primary Care and Diagnostic Clinics, 100 Telemedicine units across 10 countries. Health Insurance services, Global Projects Consultancy, 15 colleges of Nursing and Hospital Management, a Research Foundation with a focus on global Clinical Trials, epidemiological studies, stem cell & genetic research and the first Proton Therapy Center across Asia, Africa and Australia.

In a rare honor, the Government of India issued a commemorative stamp in recognition of Apollo's contribution, the first for a healthcare organization. Apollo Hospitals Chairman, Dr. Prathap C Reddy, was conferred with the prestigious Padma Vibhushan in 2010. For more than 30 years, the Apollo Hospitals Group has continuously excelled and maintained leadership in medical innovation, world-class clinical services and cutting-edge technology. Our hospitals are consistently ranked amongst the best hospitals globally for advanced medical services and research.

Disclaimer

Some of the statements in this document that are not historical facts are forward looking statements. These forward-looking statements include our financial and growth projections as well as statements concerning our plans, strategies, intentions and beliefs concerning our business and the markets in which we operate.

These statements are based on information currently available to us, and we assume no obligation to update these statements as circumstances change. There are risks and uncertainties that could cause actual events to differ materially from these forward-looking statements. These risks include, but are not limited to, the level of market demand for our services, the highly-competitive market for the types of services that we offer, market conditions that could cause our customers to reduce their spending for our services, our ability to create, acquire and build new businesses and to grow our existing businesses, our ability to attract and retain qualified personnel, currency fluctuations and market conditions in India and elsewhere around the world, and other risks not specifically mentioned herein but those that are common to industry.

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