

Demerger of Hospitals Business of Fortis into Manipal

Significant Complementarity and Growth Benefits To All Stakeholders



March 2018

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Transaction Overview and Structure

FHL Hospitals Business and Manipal – A Snapshot

	Fortis Healthcare – Hospitals	Manipal Hospitals	Combined Entity																																				
Overview	<ul style="list-style-type: none"> ▶ Leading Indian integrated healthcare delivery service provider with 34 hospitals across India 	<ul style="list-style-type: none"> ▶ South India's foremost multi-specialty healthcare provider with 11 hospitals spread across India and Malaysia 	<ul style="list-style-type: none"> ▶ Leading integrated healthcare delivery service provider with Pan India presence 																																				
Geographic Presence	<ul style="list-style-type: none"> ▶ India Presence: 31 hospitals in 15 cities across 10 states ▶ International Presence: Mauritius, Uganda and Sri Lanka 	<ul style="list-style-type: none"> ▶ India Presence: 10 hospitals in 7 cities across 6 states ▶ International Presence: Malaysia (hospital) and Nigeria (clinic) 	<ul style="list-style-type: none"> ▶ India Presence : 41 hospitals in 19 cities across 12 states ▶ International Presence : 5 countries 																																				
Specialities⁽¹⁾	<table border="1"> <tr><td>Cardio</td><td>27%</td></tr> <tr><td>Neuro</td><td>8%</td></tr> <tr><td>Renal</td><td>8%</td></tr> <tr><td>Ortho</td><td>11%</td></tr> <tr><td>Onco</td><td>8%</td></tr> <tr><td>Others</td><td>39%</td></tr> </table>	Cardio	27%	Neuro	8%	Renal	8%	Ortho	11%	Onco	8%	Others	39%	<table border="1"> <tr><td>Cardio</td><td>14%</td></tr> <tr><td>Neuro</td><td>7%</td></tr> <tr><td>Renal</td><td>4%</td></tr> <tr><td>Ortho</td><td>11%</td></tr> <tr><td>Onco</td><td>14%</td></tr> <tr><td>Others</td><td>50%</td></tr> </table>	Cardio	14%	Neuro	7%	Renal	4%	Ortho	11%	Onco	14%	Others	50%	<table border="1"> <tr><td>Cardio</td><td>24%</td></tr> <tr><td>Neuro</td><td>8%</td></tr> <tr><td>Renal</td><td>7%</td></tr> <tr><td>Ortho</td><td>11%</td></tr> <tr><td>Onco</td><td>9%</td></tr> <tr><td>Others</td><td>42%</td></tr> </table>	Cardio	24%	Neuro	8%	Renal	7%	Ortho	11%	Onco	9%	Others	42%
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Others	42%																																						
Key Financials (TTM Dec'17)	<ul style="list-style-type: none"> ▶ Revenue: INR 3,727 cr ▶ EBITDAC Margin: 13.5% ▶ EBITDA Margin: 6.4% 	<ul style="list-style-type: none"> ▶ Revenue: INR 1,503 cr ▶ EBITDA Margin: 16.0%⁽²⁾ 	<ul style="list-style-type: none"> ▶ Revenue: INR 5,230 cr ▶ EBITDA Margin⁽³⁾: 14.2% 																																				
KPIs	<ul style="list-style-type: none"> ▶ Hospitals: 34⁽⁴⁾ ▶ Bed capacity: 4,685⁽⁴⁾ ▶ Doctors: 2,650+ ▶ Nurses: 6,500+ ▶ Total Employees: 15,850+ 	<ul style="list-style-type: none"> ▶ Hospitals: 11 ▶ Bed capacity: 2,973⁽⁵⁾ (additional 3,400+ beds in teaching hospitals) ▶ Doctors: 1,600+ (additional 1,300+ doctors in teaching hospitals) ▶ Nurses: 2,800+ ▶ Total Employees: 8,850+ 	<ul style="list-style-type: none"> ▶ Hospitals: 45 ▶ Bed capacity: 7,658 ▶ Doctors: 4,200+ ▶ Nurses: 9,300+ ▶ Total Employees: 24,700+ 																																				

Notes: (1) Revenue breakup for the nine month period ending 31st December 2017 excluding OPD; (2) Excludes one-off expense of INR 15 cr and loss from a operations of INR 27 cr from a newly commissioned hospital; (3) Includes c. INR 266 cr of BT costs eliminated on acquisition of RHT assets; (4) Includes 883 O&M beds across 8 hospitals (5 in India and 3 overseas); (5) Includes 850 installed capacity beds across 7 existing hospitals; (6) All financials throughout the presentation for Manipal Hospitals are unaudited management estimates

Why Manipal Hospitals?



Manipal Hospitals is one of India's foremost multi-specialty healthcare providers

Notes: (1) Historical revenue normalized for business reorganization and discontinued operations

Transaction Overview

Overview

- ▶ The Board of Directors of Fortis Healthcare Limited (“FHL”) at their meeting today:
 - Approved the demerger of hospitals business of FHL (“F-HBU”) into Manipal Hospitals
 - Approved the sale of 20.0% stake in SRL to Manipal Hospitals for INR 720 Crs
- ▶ As part of the transaction, Dr. Ranjan Pai, promoter of Manipal Hospitals and TPG to invest c. INR 3,900 Crs into Manipal Hospitals to fund:
 - Acquisition of 50.9% stake in SRL (20.0% from FHL and 30.9% from other investors for which discussions are ongoing)
 - Acquisition of RHT assets
- ▶ Key shareholders of the resultant entity will be Dr. Ranjan Pai and TPG Capital
- ▶ The ongoing demerger scheme for SRL will be withdrawn in due course

Swap Ratio

- ▶ 10.83 shares of Manipal Hospitals for every 100 shares of FHL; Manipal Hospitals shares to be listed

Approvals

- ▶ The key approvals required for the proposed transaction are:
 - Shareholder approval⁽¹⁾ of FHL and Manipal Hospitals
 - Securities and Exchange Board of India (SEBI); Stock Exchanges
 - Competition Commission of India (CCI)
 - National Company Law Tribunal (NCLT)

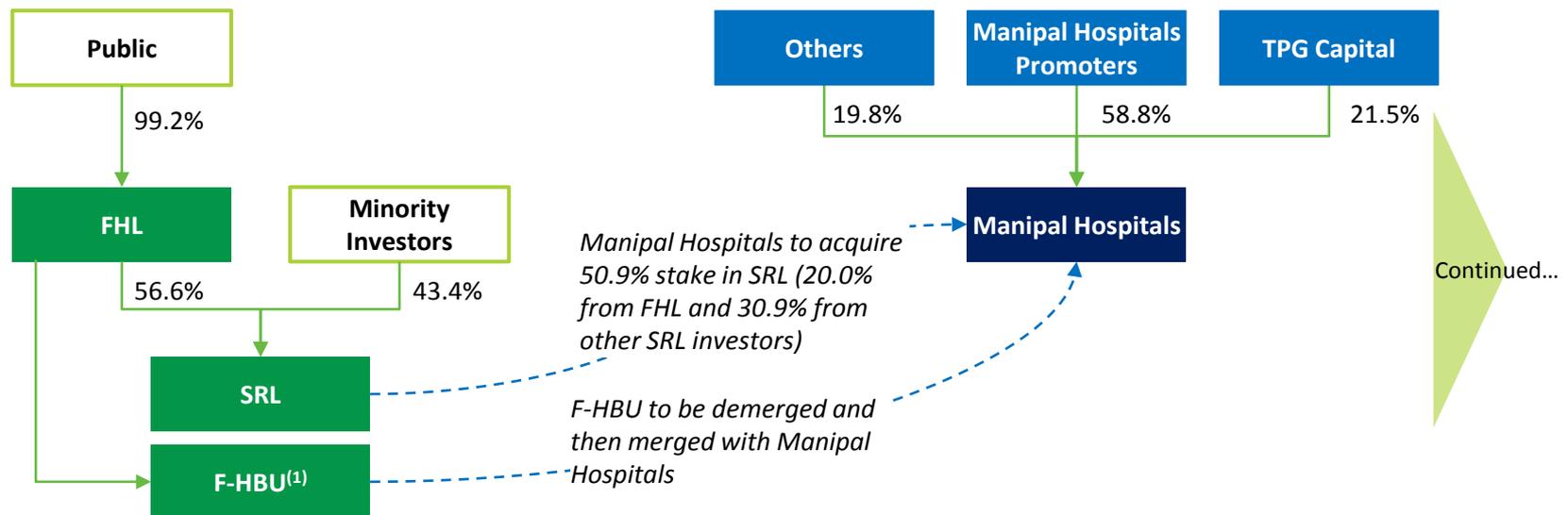
Target Completion Date

- ▶ The process is expected to be completed in approximately twelve months (Q4FY19)

6 Note: (1) Company is voluntarily planning to obtain an upfront shareholder’s approval in addition to the approval at the NCLT convened shareholder’s meeting

Proposed Transaction (1/2)

Demerger of F-HBU into Manipal Hospitals; Acquisition of 50.9% stake in SRL

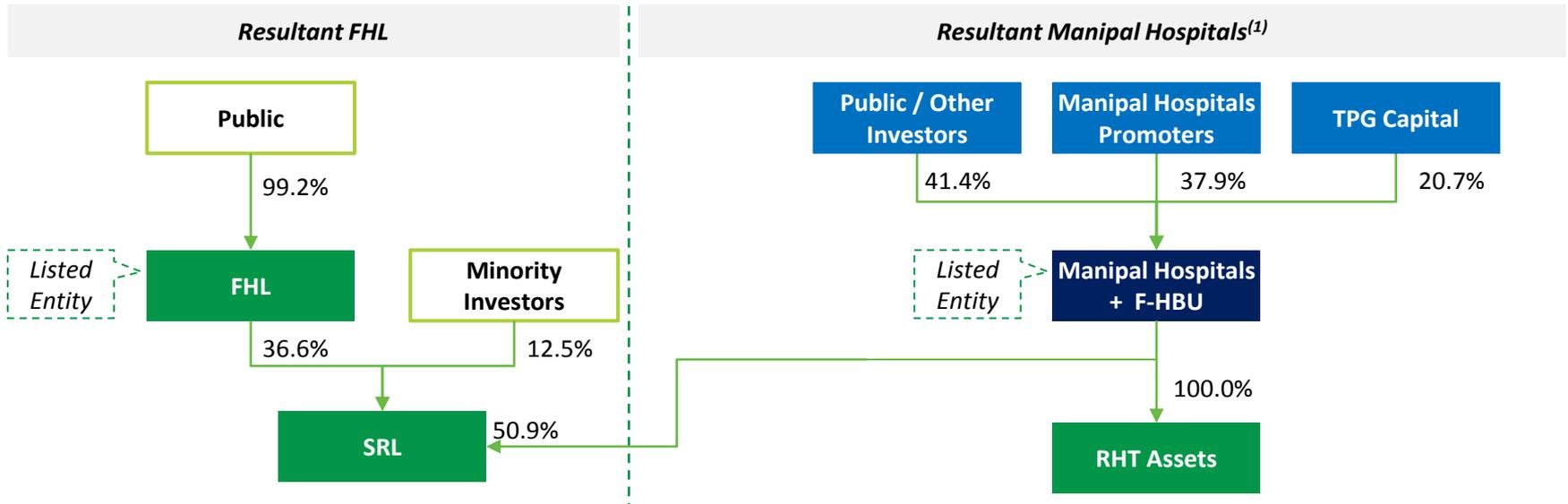


- (I) F-HBU to demerge from FHL into Manipal Hospitals and shareholders of FHL to receive shares of Manipal Hospitals
- (II) Manipal Hospitals to acquire 50.9% stake in SRL (20.0% from FHL and 30.9% from other investors for which discussions are ongoing)

Note: (1) F-HBU includes all hospital business assets and liabilities of FHL

Proposed Transaction (2/2)

Resultant Structure:



- (I) Post the transaction, the shareholders of FHL will continue to hold shares in the resultant FHL (comprising 36.6% stake in SRL)
- (II) Additionally, for every 100 share held in FHL, 10.83 shares of Resultant Manipal Hospitals (comprising the entire hospitals business of FHL and Manipal Hospitals) will be issued

Note: (1) Adjusted for primary infusion of INR 3,900 cr in Manipal Hospitals by its Promoters and TPG Capital

Key Transaction Rationale

1 Creates the leading healthcare company in the country



2 Benefits from complementary geographic footprint



3 Strengthens presence in core markets



4 Promotes excellence in healthcare practices



5 Offers significant synergy potential



6 Accelerates growth potential

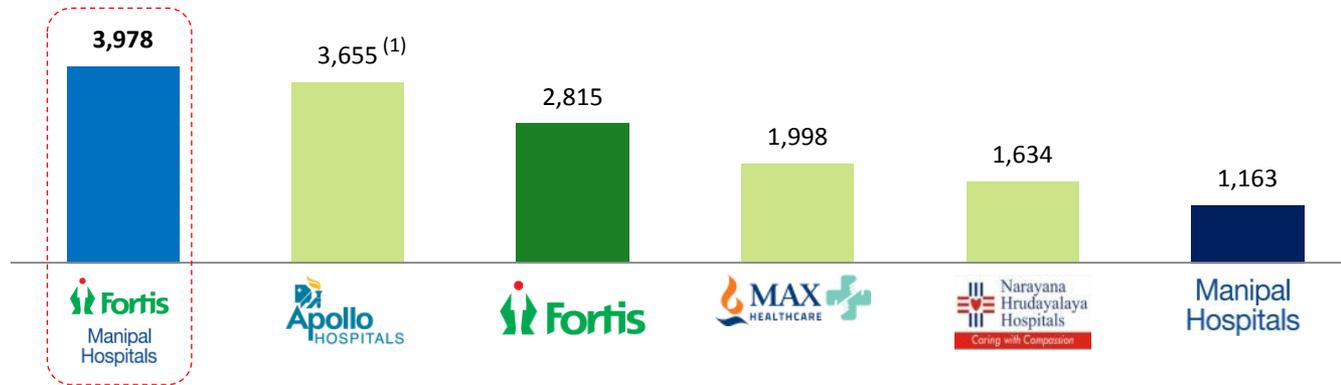


Combination likely to create significant value for all stakeholders and will provide a strong promoter and shareholder base to FHL's hospitals business and SRL

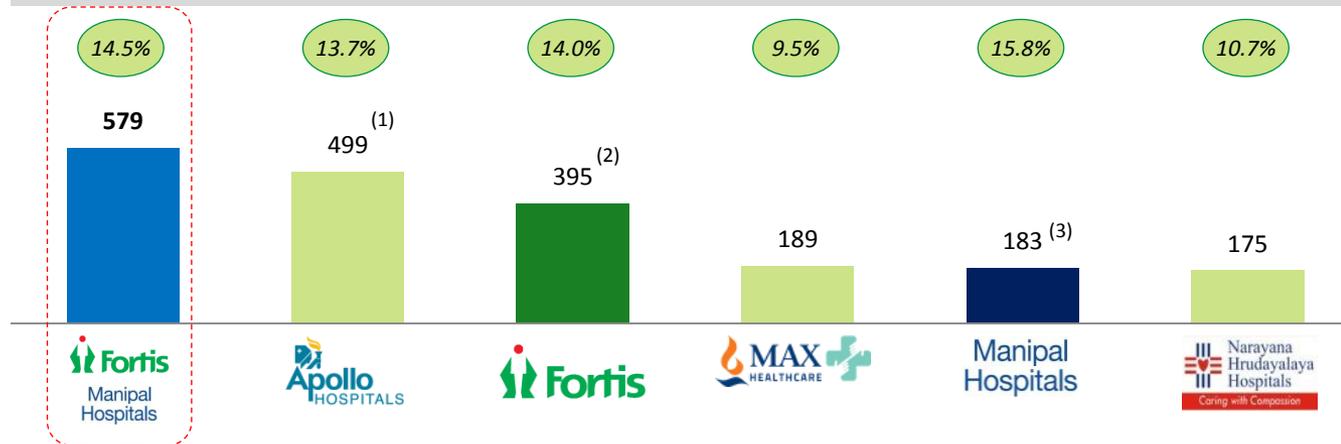
Leading healthcare company in the country (1/3)

Largest hospitals provider by Revenue and EBITDA

Hospital Business Revenue (9MFY18, INR Cr)



Hospital Business EBITDA (9MFY18, INR Cr)



Creation of a leading healthcare platform with significant future growth potential



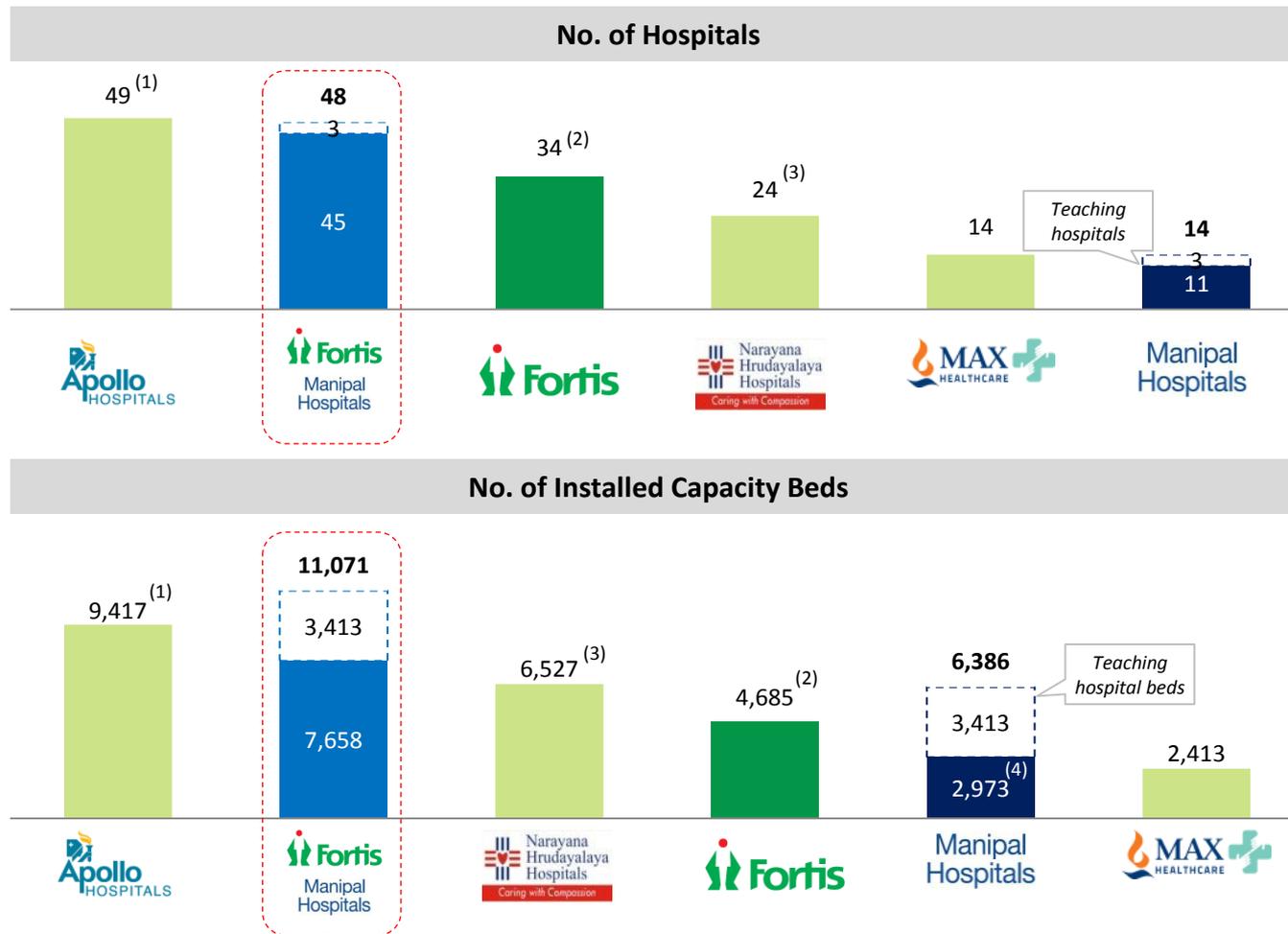
Best-in-class profitability

Source: Reported financials as per Company filings

Note: (1) Apollo hospital business revenue and EBITDA calculated as (consolidated EBITDA – standalone pharmacy business EBITDA); (2) Fortis EBITDAC before business trust costs; (3) Excludes one-off expense of INR 15 cr and loss from a operations of INR 22 cr from a newly commissioned hospital

Leading healthcare company in the country (2/3)

2nd largest by number of hospitals and operating beds



Pan Indian presence with meaningful scale in core markets



Complementary operational fit with enhanced service offerings

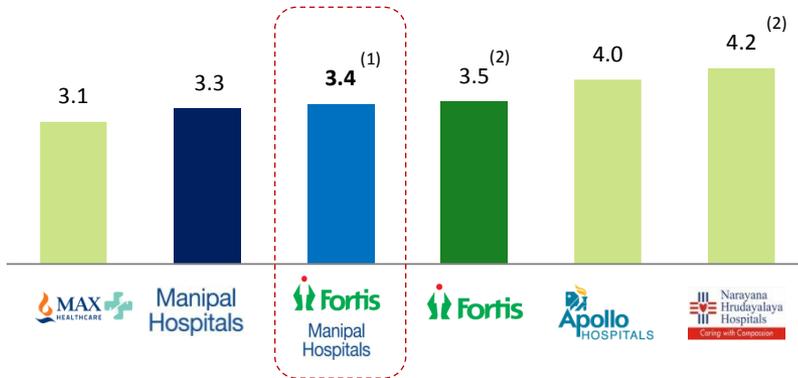
Source: Reported as per Company filings

Note: (1) Excludes 11 day care centers and 11 Cradles; (2) Includes 883 O&M beds across 8 hospitals (5 in India and 3 overseas); (3) 20 owned / operated hospitals (with P&L responsibility) in India, 3 managed hospitals and 1 hospital in Cayman Islands; (4) Includes 850 capacity beds across 7 existing hospitals

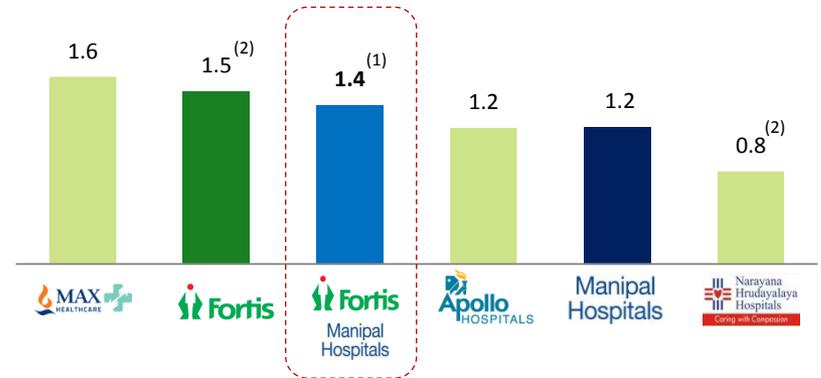
Leading healthcare company in the country (3/3)

Best in class operating metrics

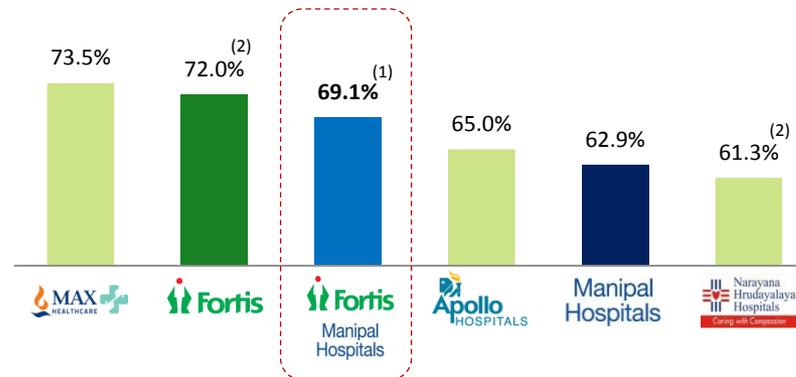
ALOS (# of days, 9MFY18)



ARPOB per year (INR Crs, 9MFY18)

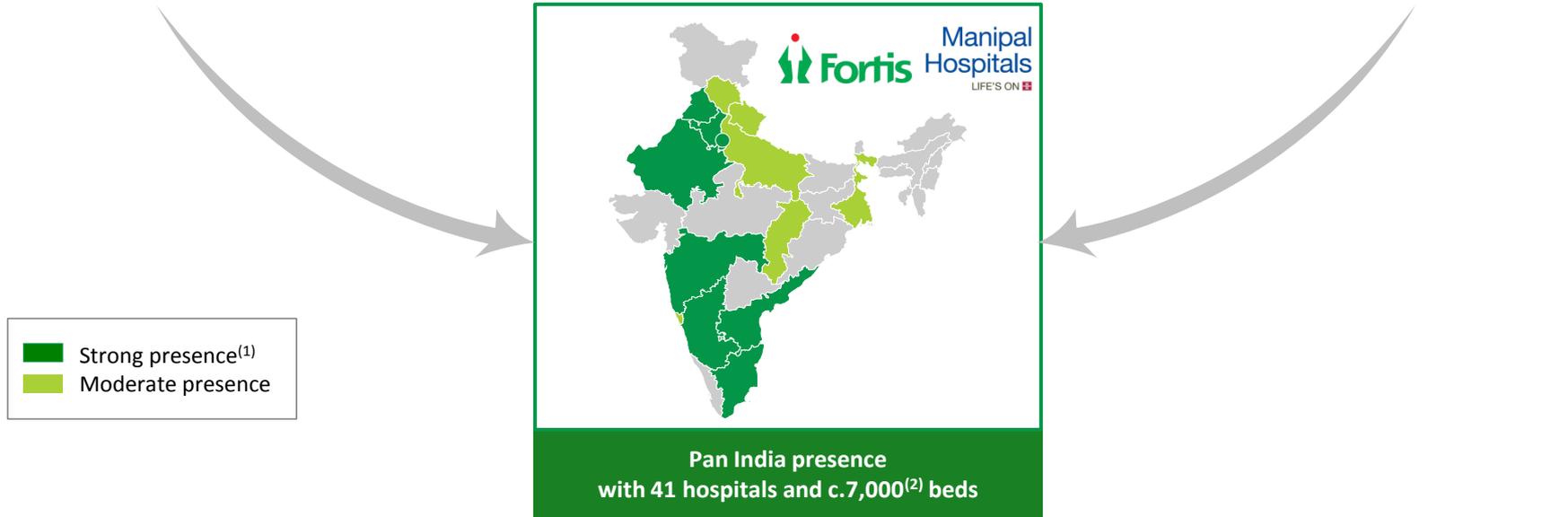
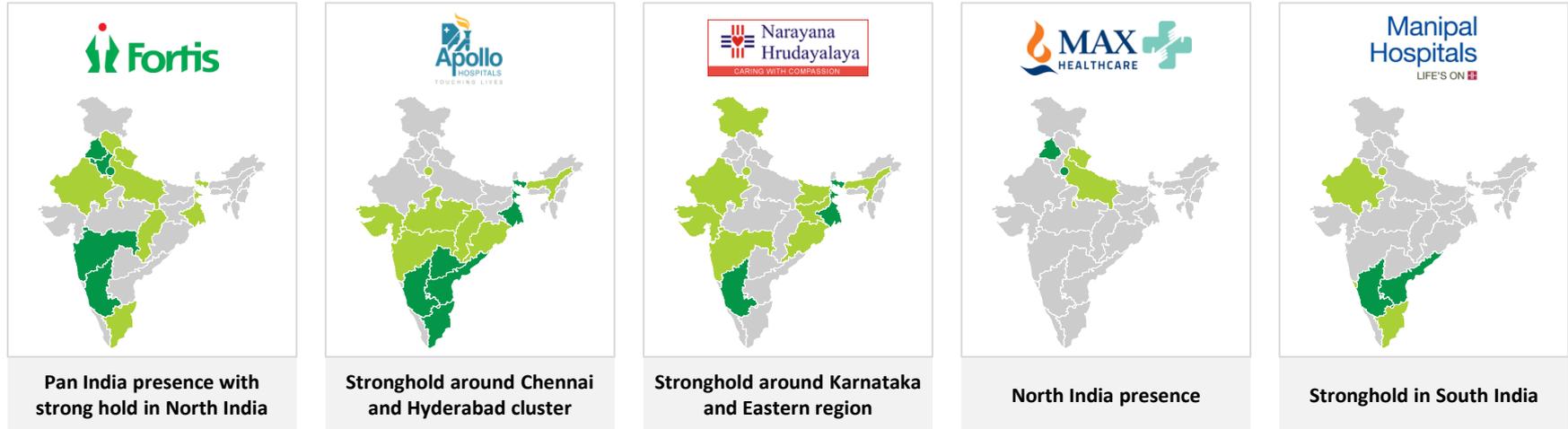


Occupancy (% , 9MFY18)



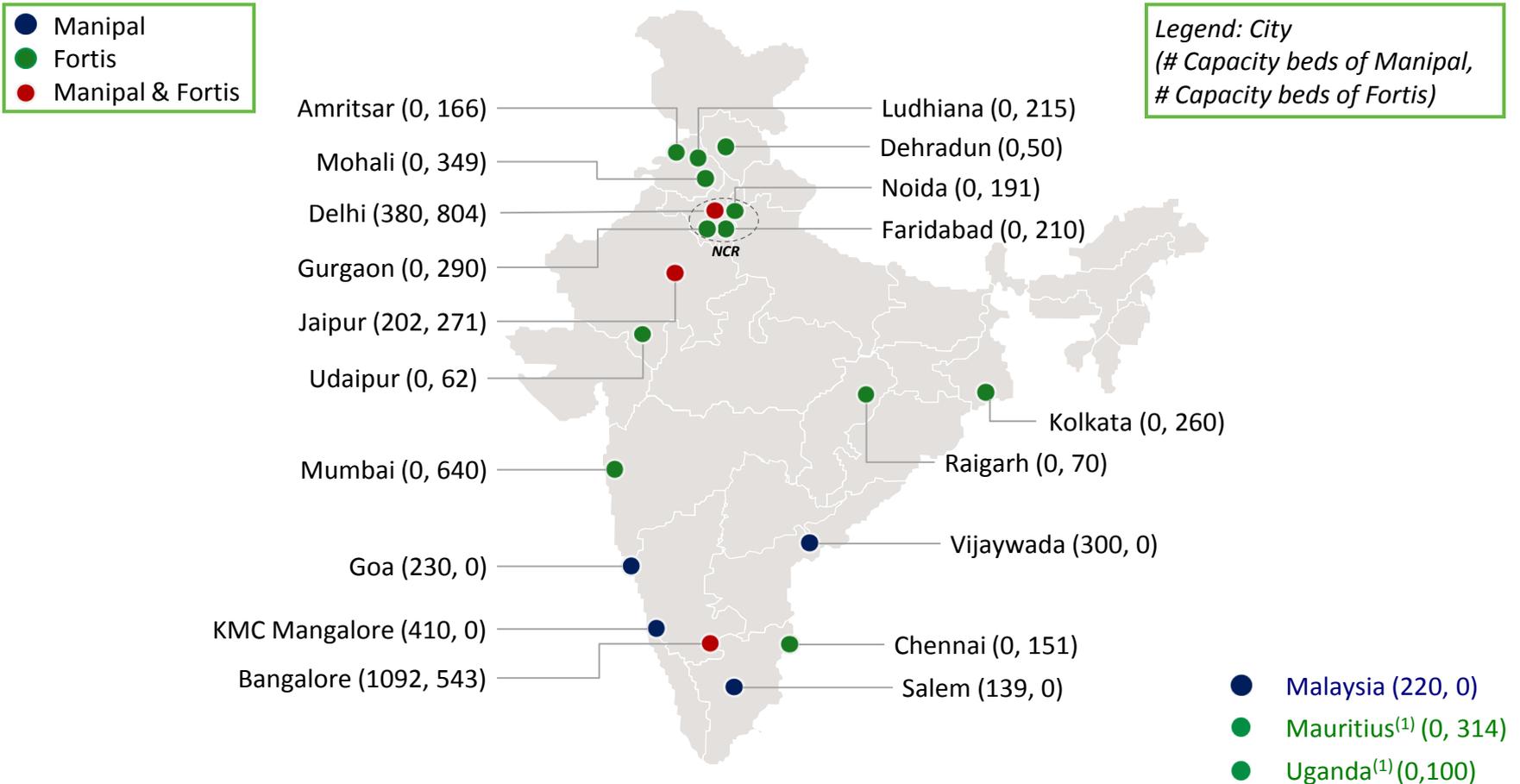
Note: (1) Combined entity operating metrics calculated as weighted average operating metrics of individual companies (weighted by no of operating beds); (2) 9M FY18 numbers calculated as average of Q1, Q2 and Q3 of FY18

Benefits from complementary geographic footprint (1/2)



Notes: (1) Estimate based on number of operating beds in respective regions as disclosed in company filings; (2) Includes c. 1,600 installed capacity beds completed or nearing completion

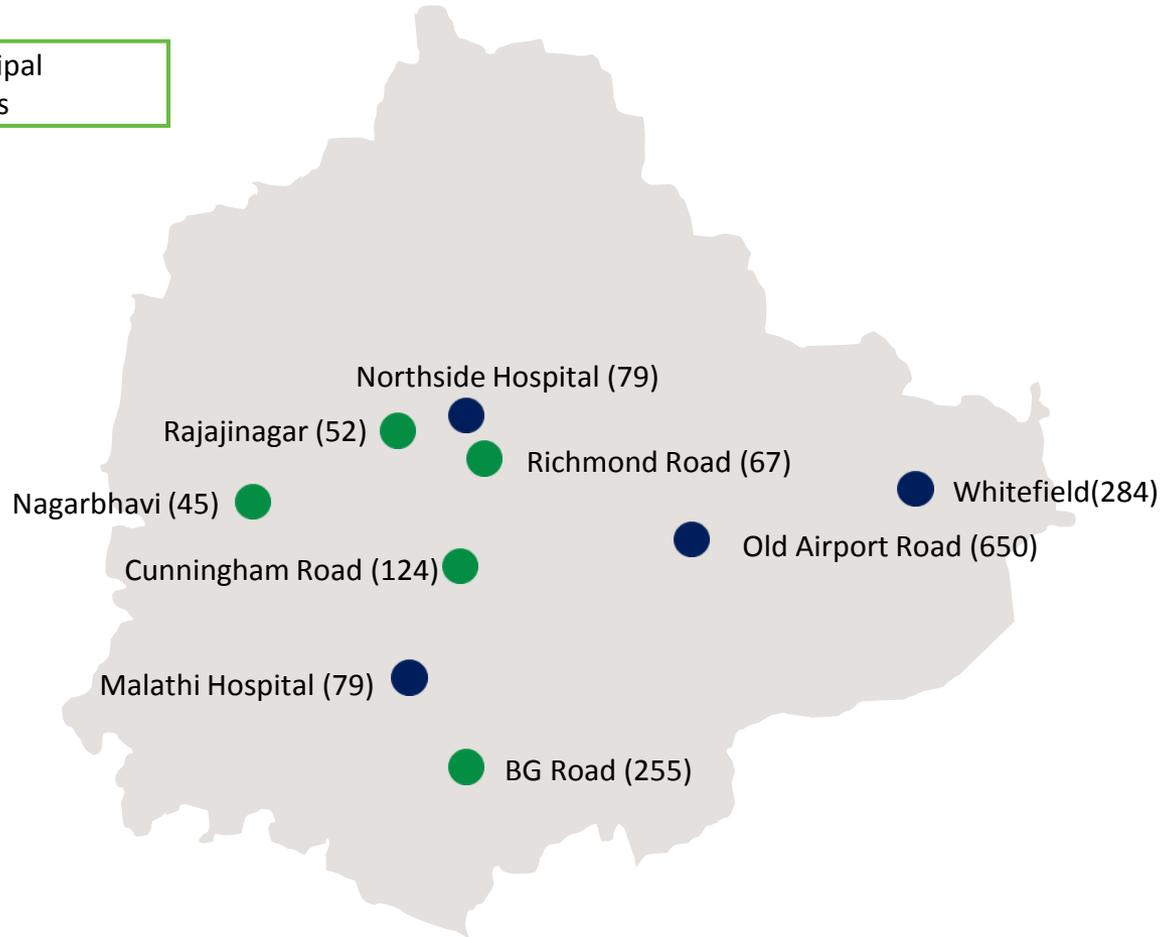
Benefits from complementary geographic footprint (2/2)



Well diversified pan-India presence with leading position in most markets

3 Strengthens presence in core markets - Bangalore

- Manipal
- Fortis



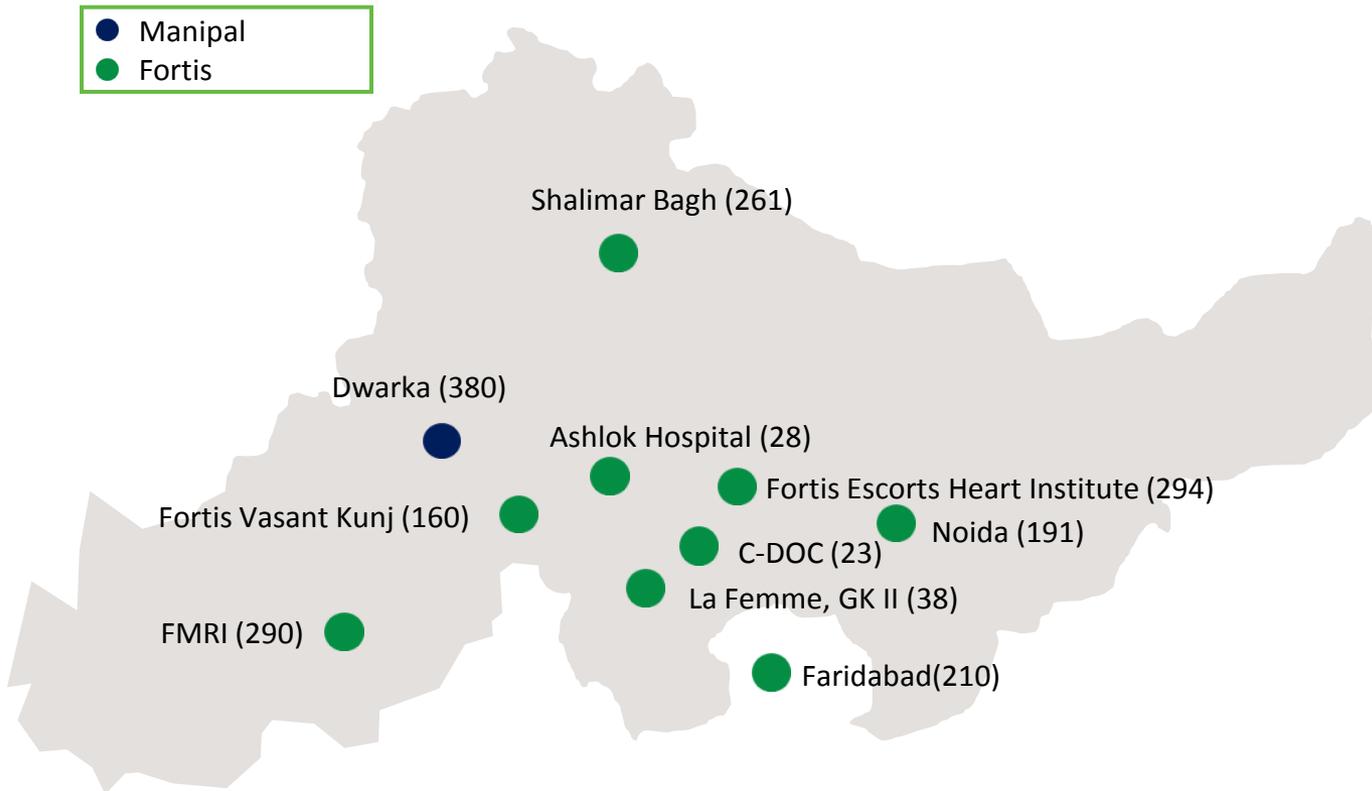
Post the combination, combined entity will have 9 hospitals with 1,600+ beds



Strategically located facilities with best-in-class complementary service offerings

Notes: (1) Numbers in brackets represent number of capacity beds

3 Strengthens presence in core markets - NCR



The combined entity will have 10 hospitals with c.1,900 beds in National Capital Region (“NCR”)



Committed to treat patients with best-in-class service offerings

Notes: (1) Numbers in brackets represent number of capacity beds

Promotes excellence in healthcare practices (1/3)

Combined entity to have stronger presence across clinical specializations

● Strong ● Moderate ● Weak

Speciality	Fortis	+	Manipal	=	Merge Co
Cardiac	●	+	●	=	●
Orthopaedics	●	+	●	=	●
Nephrology / Urology	●	+	●	=	●
Oncology	●	+	●	=	●
Transplants	●	+	●	=	●
Women & Child	●	+	●	=	●
Critical Care	●	+	●	=	●

Promotes excellence in healthcare practices (2/3)

Cutting edge medical technology and practices

Fortis

- ▶ 4 Da Vinci Robot
- ▶ 8 LINAC
- ▶ 32 Cath Labs
- ▶ 17 MRI
- ▶ 21 CT Scanners
- ▶ 6 PET CTs



Digital MRI



Brain Lab and Elekta



Bi-plane Cardiac Cath Lab



CT-based Brain Suite

Manipal

- ▶ 3 Da Vinci Robot
- ▶ 6 LINAC
- ▶ 11 Cath Labs
- ▶ 16 MRI
- ▶ 25 CT Scanners
- ▶ 2 PET CTs



Da vinci X Surgical Robotic Arm



Philip FD 20 Cath Lab + 3D EP



Cath Lab



EPIQ 7 C ECHO Cardiography

Promotes excellence in healthcare practices (3/3)

Awards and Accreditations

Fortis Hospital Business



✓ 4 JCI hospitals



✓ 19 NABH accredited Hospitals

Hospitals



✓ 10 NABH accredited Blood Bank

Blood Bank



✓ 22 NABH Nursing Excellence

Nursing Excellence

Manipal



✓ 9 hospitals



✓ 5 Labs



✓ 8 hospitals



✓ 2 AAHRPP⁽¹⁾

Hospitals



✓ 2 NABH accredited Blood Bank

Blood Bank



✓ 2 NABH Nursing Excellence

Nursing Excellence

Note: (1) Association for the Accreditation of Human Research Protection Program

Offers significant synergy potential

Areas of synergies

Revenue Synergies

- ▶ Pan India presence
- ▶ Stronger brand equity
- ▶ Scale benefits
- ▶ Doctor retention
- ▶ Patient flow
- ▶ Leverage with credit customers

200-300bps higher revenue growth potential



Supply Chain Synergies

- ▶ Reduction in pharma, consumables and other expenses

SG&A / Shared Services Synergies

- ▶ Potential rationalization of general and administrative expenses
- ▶ Shared services and infrastructure

Opportunity for 150-250bps EBITDA margin expansion



Capex Synergies

- ▶ Scale to drive cost efficiency in capex related purchases
- ▶ Sharing of high end medical infrastructure in core markets

Accelerates growth potential

Significant recent investment to fuel near term growth

Greenfield Hospitals

Fortis



Arcot Road

195

Manipal



Dwarka

380

Fortis



BG Road

214

Manipal



Malaysia

150



Ludhiana - 2

64



White field

284



Noida

30



KMC, Mangalore

160

No. of beds

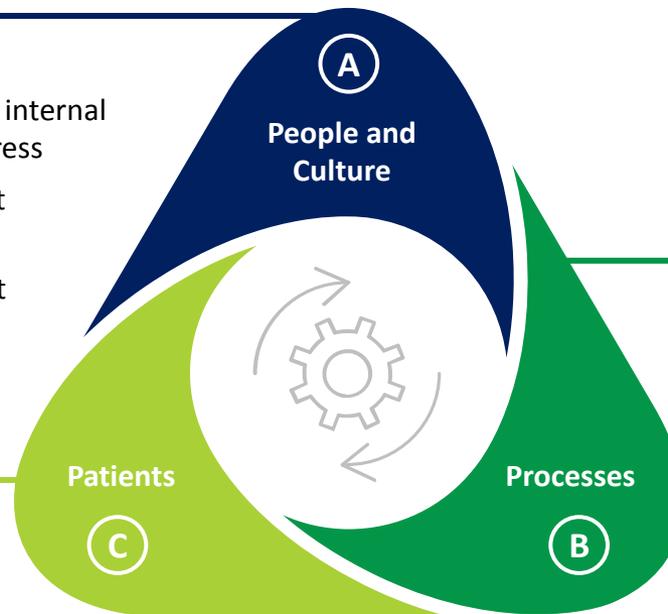
Significant capex incurred to build a strong pipeline of 1,500+ bed capacity

Integration plan to enable smooth transition

Companies to put together an 'empowered' integration team (after receiving requisite approvals) to preempt potential integration challenges

- ▶ Aligning company leadership
- ▶ Engage employees through regular internal communication on demerger progress
- ▶ Objective / transparent assessment processes for role fitment
- ▶ Adapt both cultures and adopt best practices

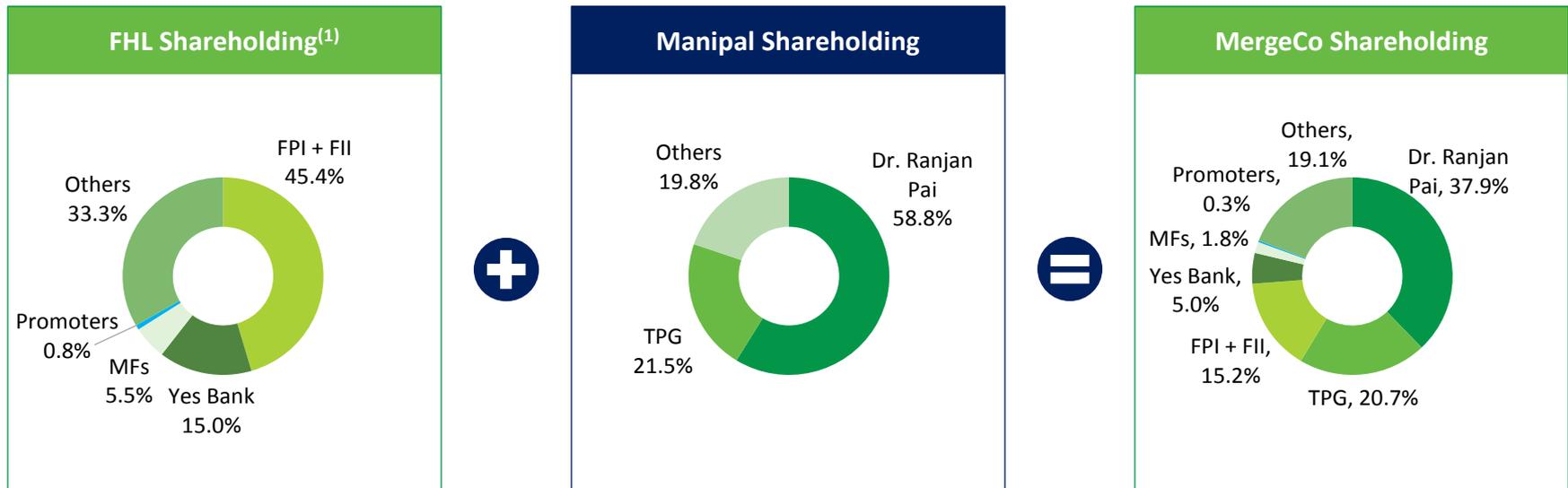
- ▶ Effective communication with patients on demerger to ensure appropriate positioning of the combined entity



- ▶ Standardize and optimize processes and procedures across functions (legal, tax, IT, patient care, medical excellence etc.)
- ▶ Share and implement best operational expertise
- ▶ Integration of supply chain (sourcing vendors, service providers etc.)

Proforma Shareholding Pattern

- ▶ Key shareholders of the resultant entity will be Dr. Ranjan Pai and TPG
 - As part of the proposed transaction, Dr. Ranjan Pai and TPG will invest c. INR 3,900 Crs as equity in the combined entity when demerger becomes effective



*Adjusted for proposed investment of
~ INR 3,900 Crs*

Notes: (1) As on 25th March 2018

Hospitals Proforma Financials

Key Parameters	F – HBU	Manipal Hospitals	Combined Entity ⁽¹⁾ (Including RHT)
INR Crs; (TTM Dec'17)			
Revenue	3,727	1,503	5,230
EBITDAC	505	-	-
EBITDA	239	240 ⁽²⁾	745 ⁽³⁾
<i>EBITDAC (%)</i>	13.5%	-	-
<i>EBITDA (%)</i>	6.4%	16.0%	14.2%
Net Debt	1,311	1,266	3,563 ⁽⁴⁾
Operating Parameters			
No of Hospitals	34	11	45
No of Operational Beds	4,445	2,122	6,567
Capacity Beds	4,685	2,973	7,658
No of Patients ⁽⁵⁾	2,667,157	1,355,200	4,022,357
IPD ⁽⁵⁾	293,496	139,708	433,204
OPD ⁽⁵⁾	2,373,661	1,215,491	3,589,153

Notes: (1) While the combined entity will consolidate SRL results, the financials presented here do not include SRL revenue of INR 845 Crs and EBITDA of INR 168 Crs for TTM Dec'17; (2) Excludes one-off expense of INR 15 cr and loss from a operations of INR 27 cr from a newly commissioned hospital; (3) Includes c. INR 266 cr of BT costs eliminated on acquisition of RHT assets; (4) Represents proforma calculation as of today adjusted for (a) debt of c. INR 2,600 Crs for acquisition assets of RHT Health Trust, (b) proceeds received from sale of SRL stake and (c) receipt of dividends from RHT; (5) 9M Dec'17 annualized

Transaction Process

Transaction Process

Demerger Process

- Obtaining in-principle approval for the proposed scheme from shareholders (*)
- CCI Filing and filing for approval from Stock Exchanges and SEBI
- Receipt of CCI and SEBI and stock exchanges approval
- Filing of Scheme with NCLT
- NCLT convened shareholder and creditor meet
- Receipt of scheme approval by NCLT
- Listing approval from Stock Exchanges

Estimated
Completion
~ Q4 FY19

RHT Process

- Receipt of SGX Approval
- Receipt of Unitholders Approval
- Completion of RHT acquisition

Estimated
Completion
~ Q2 FY19

* Upfront shareholder approval being taken voluntarily and is not required by law

Advisors to the Transaction

		Fortis Healthcare	Manipal – TPG
Fairness Opinion	▶	Karvy Investor Services Limited	NA
Valuation Expert	▶	Walker Chandiook & Co LLP	Walker Chandiook & Co LLP
Financial Advisors	▶	Standard Chartered Bank	Allegro Capital, Goldman Sachs, Kotak Investment Banking
Legal Advisor	▶	Cyril Amarchand Mangaldas	AZB Partners

Summary Takeaways



Manipal
Hospitals
LIFE'S ON



Creates the leading
healthcare company in
the country



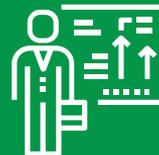
Offers significant
complementarity and
growth potential



Cements leadership
position in core
markets



Brings together two
strong cultures and
employee best practices



Marquee shareholders
for hospitals and
diagnostics businesses



Provides capital for
funding RHT
acquisition

Appendix

Fortis Hospitals – Key hospitals

9MFY18

Fortis Escorts Heart Institute, Delhi



No of Operational Beds	294
Revenue (INR Cr)	289
ARPOB (INR Cr)	1.62
Occupancy	83%

Fortis Hospital, BG Road, Bengaluru



No of Operational Beds	255
Revenue (INR Cr)	222
ARPOB (INR Cr)	1.56
Occupancy	75%

Fortis Mulund, Mumbai



No of Operational Beds	292
Revenue (INR Cr)	230
ARPOB (INR Cr)	1.57
Occupancy	68%

FMRI, Gurugram



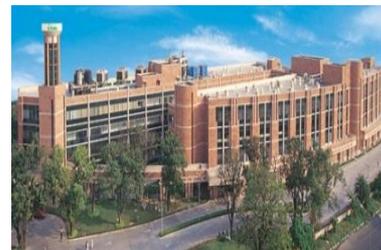
No of Operational Beds	290
Revenue (INR Cr)	392
ARPOB (INR Cr)	2.81
Occupancy	66%

Fortis Noida



No of Operational Beds	191
Revenue (INR Cr)	207
ARPOB (INR Cr)	1.84
Occupancy	82%

Fortis Mohali



No of Operational Beds	349
Revenue (INR Cr)	319
ARPOB (INR Cr)	1.65
Occupancy	75%

Manipal Hospitals - Key hospitals

9M FY18

Old Airport Rd, BLR



No of Capacity Beds	650
No of Operational Beds	614
Revenue (INR Cr)	547
ARPOB (INR Cr)	1.6
Occupancy	73%

Vijaywada



No of Capacity Beds	300
No of Operational Beds	241
Revenue (INR Cr)	74
ARPOB (INR Cr)	0.6
Occupancy	69%

KMC, Mangalore



No of Capacity Beds	410
No of Operational Beds	324
Revenue (INR Cr)	139
ARPOB (INR Cr)	0.8
Occupancy	68%

Jaipur



No of Capacity Beds	202
No of Operational Beds	202
Revenue (INR Cr)	59
ARPOB (INR Cr)	0.8
Occupancy	46%

Klang, Malaysia



No of Capacity Beds	220
No of Operational Beds	127
Revenue (INR Cr)	98
ARPOB (INR Cr)	1.8
Occupancy	55%

Goa

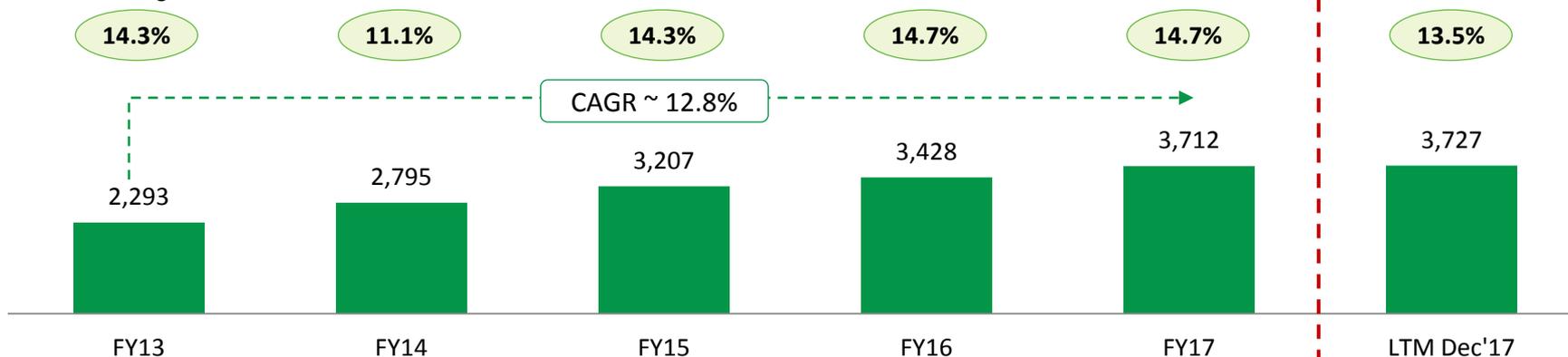


No of Capacity Beds	230
No of Operational Beds	121
Revenue (INR Cr)	51
ARPOB (INR Cr)	1.0
Occupancy	56%

Historical Financial Performance

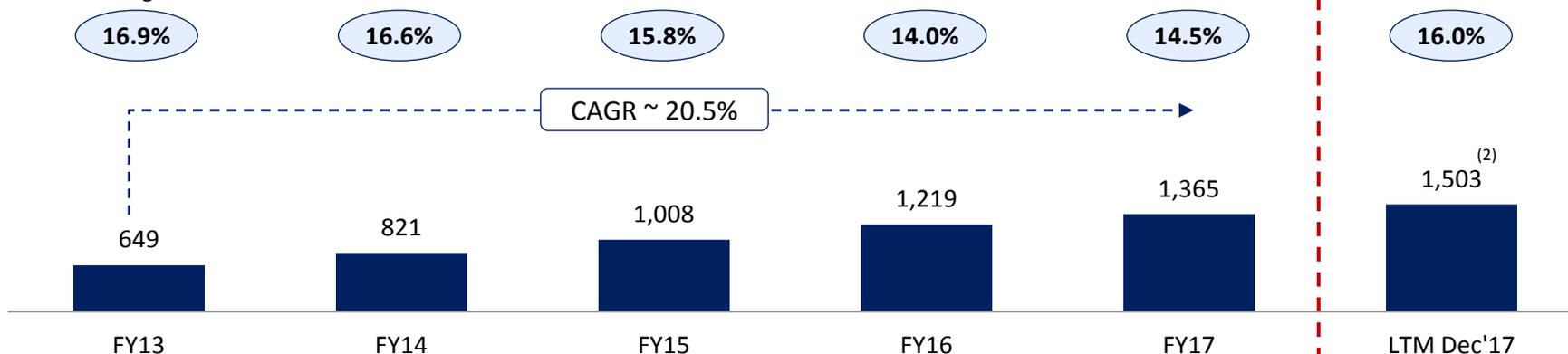
Fortis Hospitals Revenue (INR Cr) and EBITDAC (%)

EBITDAC Margin



Manipal Hospitals Revenue (INR Cr) and EBITDA (%)⁽¹⁾

EBITDA Margin



Source: Company filings

Notes: (1) Historical Revenue and EBITDA are normalized for business reorganization and discontinued operations; (2) Excludes one-off expense of INR 15 cr and loss from operations of INR 27 cr from a newly commissioned hospital

Thank You



Fortis Healthcare Limited

March 2018