

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2023

B1 REVIEW OF THE PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES

Additional information as required by Appendix 9B of Bursa Malaysia Listing Requirements:

- a. Review on statements of comprehensive income for current quarter compared to the corresponding quarter of the preceding financial period (3 months)

Group

The Group closed its revenue at RM829.0 million for the first quarter in 2023, surpassing the revenue in the first quarter in the preceding financial period of RM641.6 million by 29%. This is evidenced with the increase in the patient visits and bed occupancy rate ("BOR") to 821,126 patients from 786,421 patients and 70% from 48% respectively.

For the record, EBITDA for the current quarter reported at RM190.2 million, 27% better against RM150.3 million the same quarter under review in prior year. Profit before tax ("PBT") showed an excellent performance to RM77.6 million, a twofold increase from RM38.4 million in Q1 2022. This better performance was mainly driven by the performance from the Malaysia segment.

Malaysia

The Malaysia segment contributes an increment of RM182.1 million in its current quarter revenue to RM800.7 million from RM618.6 million in the Q1 2022. The increment represents 97% of the total increment for the Group.

The segment recorded a 25% higher EBITDA of RM192.8 million for the period ended 31 March 2023 from RM154.2 million reported in the same period in prior year. PBT of RM87.2 million is an increase of 81% as compared to RM48.3 million recorded in the previous corresponding quarter.

As compared to previous corresponding quarter, total patient visits for the quarter were 777,161 patients, an increase of 4% from 745,338 patients while the BOR recorded at 70% against 48% contributed by the increase in inpatient days to 210,448 days in comparison to 141,371 days for the period ended 31 March 2022. The slowing down of Covid-19 rate in Malaysia supported by the opening of national border since 1 April 2022, contributed to this better performance.

Apart from the improved hospital activities, improvement in the share of profit from associates also contributed to the better result in current financial period.

Others

The Others segment operations inclusive of aged care and retirement village in Australia operated by Jeta Garden, education services by KPJ Healthcare University College ("KPJUC") and hospital and management services by KPJ Dhaka. In current period under review, this segment recorded a 7% increase in revenue to RM29.1 million (Q1 2022 : RM27.2 million)

Others segment recorded negative EBITDA of RM2.0 million and loss before tax of RM9.6 million a significant increase against negative EBITDA of RM83,000 and loss before tax of RM7.2 million recorded in the previous corresponding quarter.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2023 (CONTINUED)

B1 REVIEW OF THE PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES (CONTINUED)

Additional information as required by Appendix 9B of Bursa Malaysia Listing Requirements: (continued)

b. Review on statements of comprehensive income for current financial period compared to prior financial period

Group

The Group closed its revenue at RM829.0 million for the first quarter in 2023, surpassing the revenue in the first quarter in the preceding financial period of RM641.6 million by 29%. This is evidenced with the increase in the patient visits and BOR to 821,126 patients from 786,421 patients and 70% from 48% respectively.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE FIRST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2023 (CONTINUED)**B1 REVIEW OF THE PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES (CONTINUED)**

Additional information as required by Appendix 9B of Bursa Malaysia Listing Requirements: (continued)

b. Review on statements of comprehensive income for current financial period compared to prior financial period (continued)

Others (continued)

Others segment recorded negative EBITDA of RM2.0 million and loss before tax of RM9.6 million a significant increase against negative EBITDA of RM83,000 and loss before tax of RM7.2 million recorded in the previous corresponding quarter.

c. Review on statements of financial position for current financial period compared to prior financial period

Total assets as at 31 March 2023 reported at RM7,622.0 million, 3% higher in comparison to RM7,368.4 million as at 31 March 2022. The completion of sale and leaseback arrangement with Al-'Aqar Healthcare REIT, the opening of new hospital, KPJ Damansara 2 and the development in KPJ Penang are the main contribution factor to the increment in total assets. Likewise, the growing hospital activities led to increase in the trade and other receivables balances as at period under review.

The Group's total liabilities as at 31 March 2023 was RM5,217.7 million, 3% above than RM5,088.0 million as at 31 March 2022. This was derived from the increase in lease liabilities balance from the new lease arrangements.

d. Review on statements of cash flows for current financial period compared to prior financial period

The Group recorded net cash from operating activities of RM187.5 million, an increase of 56% from RM120.4 million in the prior year. The transition to endemic phase saw the increased level of activities in the hospitals with a steady increase of patient visits.

Cash outflows from investing activities mainly comprised of increment in deposit with license banks at RM278.1 million and additions to property, plant, and equipment totaling RM66.4 million largely due to expansion of hospital business such as in KPJ Ipoh, KPJ Penang, KPJ Tawakkal and KPJ Johor. This resulted to a net cash outflows from investing activities amounting to RM330.7 million.

Cash inflows from financing activities were primarily generated from the drawdown of borrowings, mainly from the new issuance of Sukuk Wakalah Programme, but this was offset with payments of certain borrowings including Sukuk Murabahah Programme of RM100.0 million. The net cash outflows from financing activities closed at RM436.6 million.

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B2 MATERIAL CHANGES IN QUARTERLY RESULTS

	Quarter ended 31.03.2023			Quarter ended 31.12.2022			
	Continuing Operations RM'000	Discontinued Operations RM'000	Total RM'000	Continuing Operations RM'000	Discontinued Operations RM'000	Total RM'000	Var %
Revenue	828,981	10,302	839,283	780,936	9,818	790,754	6
Operating profit	112,531	(701)	111,830	121,112	(11,485)	109,627	2
EBITDA	190,177	712	190,889	201,996	(10,239)	191,757	0
Profit/(loss) before tax	77,634	(669)	76,965	90,486	(10,794)	79,692	(3)
Net profit/(loss) for the financial year	56,470	(805)	55,665	76,269	(10,274)	65,995	(16)
Total comprehensive income for the financial year	58,163	(1,095)	57,068	78,135	(8,428)	69,707	(18)
Profit attributable to Owners of the Company	51,895	(502)	51,393	72,088	(8,675)	63,413	(19)
No. of inpatient (episode)	88,036	2,655	90,691	83,502	2,771	86,273	5
No. of outpatient (episode)	733,090	30,998	764,088	737,232	31,603	768,835	(1)

The Group revenue for continuing operations improve by 6% to RM829.0 million as compared to revenue in preceding quarter of RM780.9 million. On top of better performance in patient visits as shown above, the Group BOR increased to 70% from 64%. This was evident with the increase in inpatient days from 201,117 days in last quarter to 215,836 days in current quarter under review.

Meanwhile, EBITDA and PBT for continuing operations stood at RM190.2 million and 77.6 million, 6% and 14% lower as compared to the preceding quarter of RM202.0 million and RM90.5 million, respectively. In prior quarter, the contributing factors to the higher profits were the one-off adjustment on the fair value of property, plant and equipment amounting RM6.7 million, the gain from revaluation of investment properties by RM3.4 million and gain from sale and leaseback arrangement by RM4.4 million. No such gain was recognised in the current quarter.

The discontinued operations is related to the divestment of Indonesia operations which are expected to be completed within the next 12 months. The execution of the divestment of certain subsidiaries in relation to this divestment is disclosed in note B6.

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B3 CURRENT YEAR PROSPECTS

The International Monetary Fund projected in its April 2023 World Economic Outlook report that the global gross domestic product will grow by 2.8% as compared to 3.4% in the previous year. However, the emerging and developing economies is expected to grow at 3.9%, outstripping the growth of advanced economies at 1.3%. The Malaysian economy meanwhile is expected to perform favourably as compared to the global and regional growth, with Bank Negara Malaysia projecting 4% - 5% growth in 2023. Sustained domestic demand, strong private expenditure and improvement in labour market conditions reflects the confidence in the Malaysian economy.

Against this background, our Group has achieved better than expected results for Quarter 1, 2023, benefiting from the continued resurgence in overall healthcare services. In the first quarter, the Group's BOR soared to 70%, the highest after pandemic. We also remain optimistic on the growth potential of the health tourism segment with more tourist arrivals expected in 2023, though we anticipate a gradual stabilisation of the upturn in the domestic market. Our Group's focus remains on initiatives aimed at enhancing efficiency, operationalising additional capacity introduced in 2022, and increasing revenue intensity by providing specialised services.

B4 PROFIT FORECAST / GUARANTEE

The Group is not subject to any variance of actual profit from forecast profit/profit guarantee for the current financial period under review.

B5 TAX

	Individual Quarter 3 months ended		For the Financial Period Ended	
	<u>31.03.2023</u>	<u>31.03.2022</u>	<u>31.03.2023</u>	<u>31.03.2022</u>
	RM'000	RM'000	RM'000	RM'000
Income tax expense	21,164	11,628	21,164	11,628

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the financial period. The effective tax rate ("ETR") for the current period is above the statutory rate mainly due to certain expenses were not deductible for tax purposes and the impact of business losses arising from the hospitals which that are currently under gestation period.