

KPJ HEALTHCARE BERHAD
(Incorporated in Malaysia)

B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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

For the quarter under review, the Group closed its revenue at RM799.5 million, outdoing the revenue performance for the same quarter in prior year of RM699.3 million by 14%. This is evidenced with the increase in the inpatient visits to 82,479 patients from 72,424 patients, while the bed occupancy rate ("BOR") increased to 63% from 56% respectively.

For the record, EBITDA and profit before tax ("PBT") showed an outstanding performance in the quarter ended 30 June 2023 to RM185.1 million and RM68.5 million. This is 17% and 48% increase from the 3-month ended 30 June 2022 of RM158.4 million and RM46.2 million respectively.

Malaysia

As the main contributor to the Group revenue, this segment recorded a revenue of RM770.7 million in the second quarter in 2023, 14% surpassed the revenue of RM678.4 million in the corresponding quarter of prior period. Inpatient visits for this segment rose by 13% accompanied with the 17% improvement in inpatient days from 166,520 days in Q2 2022 to 194,641 days in current quarter under review. The additional 5% in number of beds especially in KPJ Batu Pahat, KPJ Penang and KPJ Bandar Dato Onn also contributed to the better performance in current period.

EBITDA for the segment improved by 19% to RM195.5 million for the quarter under review versus RM164.0 million for the same quarter in 2022. PBT at the same time grew by 48% to RM87.6 million against RM59.0 million. This better performance is in conjunction with the improvement in revenue activities.

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 the current quarter under review, this segment recorded a 23% increase in revenue to RM30.0 million (Q2 2022: RM24.4 million).

Others segment recorded a negative EBITDA of RM9.5 million and loss before tax of RM19.0 million a significant increase against negative EBITDA of RM2.4 million and loss before tax of RM9.9 million recorded in the previous corresponding quarter.

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B ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS FOR THE SECOND QUARTER AND FINANCIAL PERIOD ENDED 30 JUNE 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

YTD 2023's revenue from continuing operations closed at RM1,628.5 million, outperforming the revenue for the first 6 months in 2022 of RM1,341.0 million. EBITDA and PBT for the period ended 30 June 2023 reported at RM375.3 million and RM146.2 million, 22% and 73% higher than RM308.7 million and RM84.6 million for the first half year in the preceding financial period. For the record, this better performance was mainly driven by the performance from the Malaysia segment.

Malaysia

Malaysia segment revenue of RM1,571.4 million contributes 96% of the total Group's revenue. This is 21% better as compared to RM1,296.9 million reported for the period 30 June 2022.

The remarkable performance mainly contributed from the 25% improvement in inpatients visits to 165,660 patients from 132,422 patients coupled with BOR movement from 52% to 66%. Inpatient days moved to 405,089 days in comparison to 307,891 days for YTD 2022, affiliated with the surgeries that surged by 15% to 50,026 cases from 43,556 cases. The improved hospital activities in the current period is anticipated as the previous period's activities were still hampered by the Covid-19 pandemic restrictions, with the opening of national border only effected beginning 1 April 2022.

The segment recorded a 22% higher EBITDA of RM388.3 million for the period ended 30 June 2023 from RM318.2 million reported in the same period in prior year. PBT of RM174.8 million is an increase of 63% as compared to RM107.3 million recorded in the previous corresponding period.

Others

The Others segment operations consist 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 15% increase in revenue to RM59.1 million (YTD 2022: RM51.6 million)

This segment recorded negative EBITDA of RM11.5 million and loss before tax of RM28.6 million a significant increase against negative EBITDA of RM2.5 million and loss before tax of RM17.1 million recorded in the previous corresponding period. This was mainly attributed to the lower occupancy rate in Jeta Garden.

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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)

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

Total assets as at 30 June 2023 reported at RM7,159.6 million, 6% higher in comparison to RM6,783.1 million as at 30 June 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 contributing factors to the increase 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 30 June 2023 was RM4,733.9 million, 6% higher than RM4,486.9 million as at 30 June 2022. This was derived from the issuance of Sukuk Wakalah during the period as well as 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 a net cash generated from operating activities of RM283.6 million, 45% higher in comparison to RM195.0 million in the corresponding period as a result to significant improve in hospital operations' performance.

Cash outflows from investing activities mainly from addition to property, plant, and equipment totaling RM101.6 million largely due to expansion of hospital business such as in KPJ Penang, KPJ Ipoh, KPJ Tawakkal and KPJ Johor. The outflows were softened by the proceeds from disposals of interest in two of the Indonesian subsidiaries and land in Jeta Garden aggregated to RM42.5 million. This resulted to a net cash used in investing activities amounting to RM40.6 million.

Cash inflows from financing activities were primarily generated from the drawdown of borrowings, mainly from the new issuance of Sukuk Wakalah Programme of RM555.0 million. This was offset with payments of certain borrowings in current period including Sukuk Murabahah Programme of RM450.0 million. The net cash used in financing activities closed at RM69.9 million.

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B2 MATERIAL CHANGES IN QUARTERLY RESULTS

	Quarter ended 30.06.2023			Quarter ended 31.03.2023			
	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000	Var %
Revenue	799,512	7,241	806,753	828,981	10,302	839,283	(4)
Operating profit	106,114	(179)	105,935	112,531	(699)	111,832	(5)
EBITDA	185,086	790	185,876	190,177	712	190,889	(3)
Profit/(loss) before tax	68,528	(144)	68,384	77,634	(669)	76,965	(11)
Net profit/(loss) for the financial year	48,469	(246)	48,223	56,470	(805)	55,665	(13)
Total comprehensive income for the financial year	46,967	2,105	49,072	58,163	(1,095)	57,068	(14)
Profit attributable to Owners of the Company	46,947	(68)	46,879	51,895	(502)	51,393	(9)
No. of inpatient (episode)	82,479	1,416	83,895	88,036	2,655	90,691	(7)
No. of outpatient (episode)	690,499	18,051	708,550	733,090	30,998	764,088	(7)

Current quarter revenue from continuing operations for the Group saw a slight drop in comparison to the revenue in previous quarter. The reduction in performance can be evidenced by the decrease in patient visits by 7% as shown above, coupled with the decrease in the Group BOR from 70% to 63%. Inpatient days for the current quarter reported at 200,532 days, 7% behind the 215,836 days in previous quarter.

EBITDA and PBT for continuing operations for the current quarter under review also showed a decrease of 3% and 12%, respectively. EBITDA is more directly linked to the revenue performance while PBT is still subject to the fixed expenses such as depreciations and finance costs despite the lower hospital activities.

The discontinued operations are related to the divestment of Indonesia operations which are expected to be completed within the current financial year. 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

In its July 2023 World Economic Outlook report, the International Monetary Fund revised its global gross domestic product growth projection to 3.0%, a positive shift from the 2.8% projected in its April 2023 report. Meanwhile, as per Bank Negara Malaysia report, the Malaysian economy's projected growth of 4% - 5% in 2023 remains on track for realisation, bolstered by robust households, solid economic fundamentals and an improved outlook. However, since then, the national GDP have been growing at a subdued rate and this is expected to continue into the third quarter of 2023. On the contrary, the healthcare sector is anticipated to remain robust in the upcoming period, driven by the demand witnessed in the first half of the year.

Premised on the above, the Group is optimistic to maintain its momentum for the upcoming quarters. The current increasing revenue trend, coupled with our ongoing efforts in increasing our beds, recruiting more consultants and expanding our range of services, are expected to maintain our encouraging results and contribute positively to our performance.

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>30.06.2023</u>	<u>30.06.2022</u>	<u>30.06.2023</u>	<u>30.06.2022</u>
	RM'000	RM'000	RM'000	RM'000
Income tax expense	20,059	15,709	41,223	27,337

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 that are currently under gestation period.