



Update on Indonesian Hospital Sector



Highlights

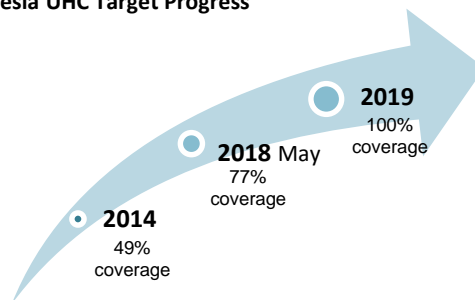
The overall healthcare landscape is undergoing major developments with the current state of the Universal Health Coverage (UHC) system covering 76.5% residents in Indonesia.

The Government of Indonesia (Gol) has been optimistic to achieve its ambitious target of 100% coverage by 2019. The Gol has committed to fill the gap of 23.5% uninsured residents within the year. Demand on Indonesia's healthcare market will continue to increase largely due to this planned full implementation of the UHC scheme initiated in January 2014.

In terms of healthcare facilities, there were 58 new *Puskesmas* opened in 2017, which makes a total of 9,825 units with a ratio of *Puskesmas* per 30,000 population of 1.13. There were 175 new hospitals opened in 2017, of which 76 were private hospitals and the rest were public hospitals. In total, there were 2,776 hospitals bringing the total of hospital beds to 305,055 in 2017. There was an improvement in terms of ratio of hospital bed per 1,000 population, from 1.12 in 2016 to 1.16 in 2017.

Majority of the newly opened public hospitals are owned by local governments and state-owned enterprises. The leading private hospital player, Siloam, has opened 8 new hospitals in 2017, of which 2 were located outside of Java Island. Some of the private hospital groups have started expanding their operation in developing areas including Nusa Tenggara and Bangka Belitung.

Indonesia UHC Target Progress



Source: Various sources

Healthcare Facilities in 2017



9,825 Puskesmas
100% Public
3,454 Inpatient & 6,371 Outpatient
1.13 Puskesmas per 30,000 people



2,776 Hospitals with 305,055 Beds
1,009 Public & 1,767 Private
2,198 General & 578 Specialized
1.16 Hospital Bed per 1,000 people

Source: Indonesia Health Profile 2017, Ministry of Health



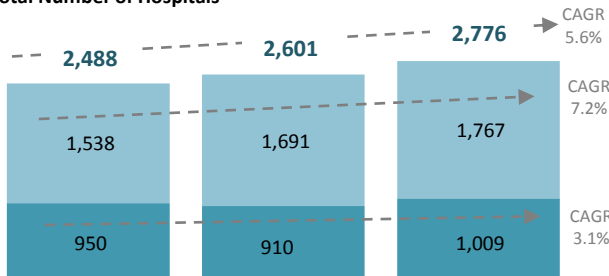
The Current State

2015

2016

2017

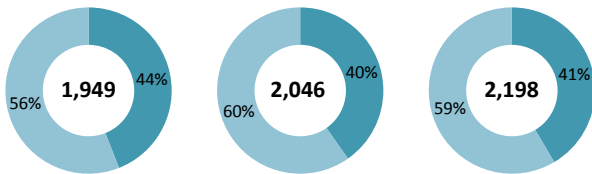
Total Number of Hospitals



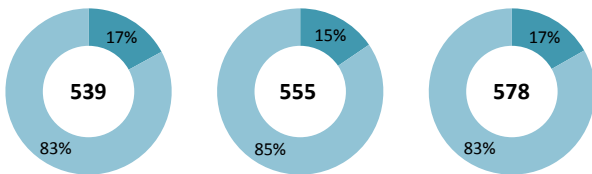
The total number of hospitals in Indonesia has increased from 2,488 hospitals in 2015 to 2,776 hospitals in 2017, with a CAGR of 5.6%.

According to the Ministry of Health Regulation No. 56/2014, hospitals in Indonesia are divided into Public and Private. Public hospitals are those managed by the Ministry of Health and other ministries, Regional Government, Military/Police, and state-owned enterprises (SOEs). Meanwhile, a private hospitals are those managed by private organizations for commercial purposes. As of December 2017, there were 1,009 public hospitals (with CAGR of 3.1%) and 1,767 private hospitals (with CAGR of 7.2%) in Indonesia. The significant portion of the private hospitals underlined the important role of private sector in the healthcare industry.

General Hospital



Specialized Hospital



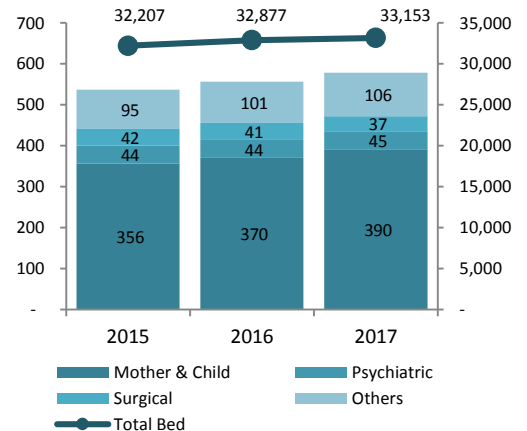
According to the aforementioned regulation, hospitals are also divided by the type of services provided: general and specialized. As of December 2017, there were 2,198 general hospitals (with CAGR of 6.2%) and 578 specialized hospitals (with CAGR of 3.6%). The private sector dominates the ownership of both general and specialized hospitals, with more than 80% of the specialized hospitals owned by the private sector. In terms of specialization, majority of the specialized hospitals provide mother & child health services. The total specialized hospital bed in 2017 was 33,153.

The Regulation also classified hospitals into Class A, Class B, Class C, and Class D. In 2017, the Class A category, which provides extensive specialist and sub-specialist medical services, only made up 2.6% of all hospitals in Indonesia, equivalent to a total of 27,390 beds.

Public Hospital Private Hospital

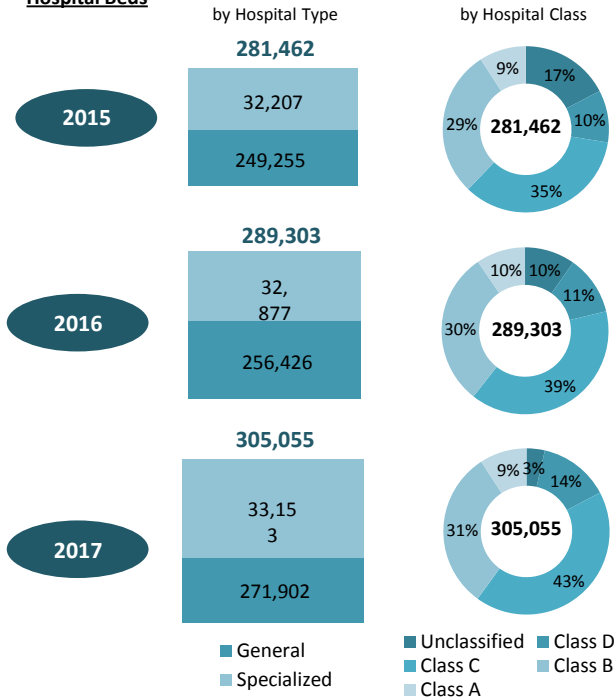
Hospital Classes	Services Provided	No. of Hospitals 2017
Hospital Class A	provides extensive specialist and sub-specialists medical services	71
Hospital Class B	provides extensive specialist and limited sub-specialists medical services	397
Hospital Class C	provides minimum specialist medical services	1,340
Hospital Class D	provides basic medical services	737
Unclassified	no assessment conducted yet	231

Specialized Hospital by Type

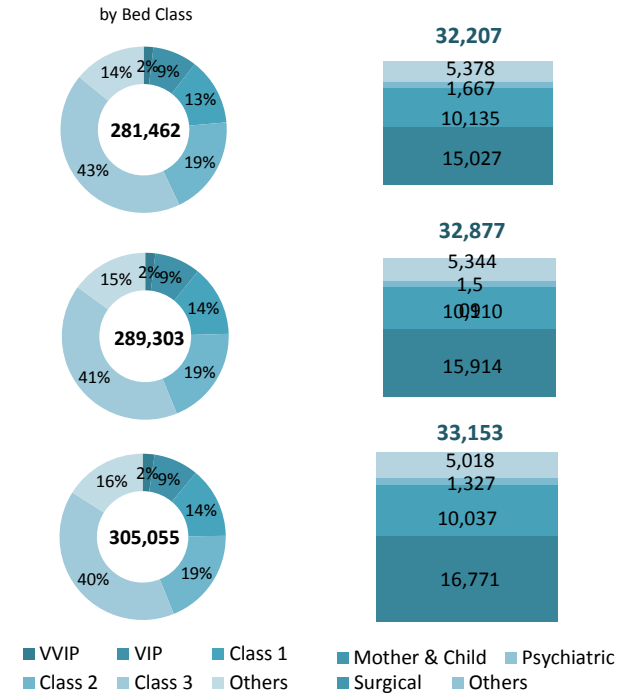


Source: Indonesia Health Profile 2017, Ministry of Health

Hospital Beds



Specialized Hospital Beds

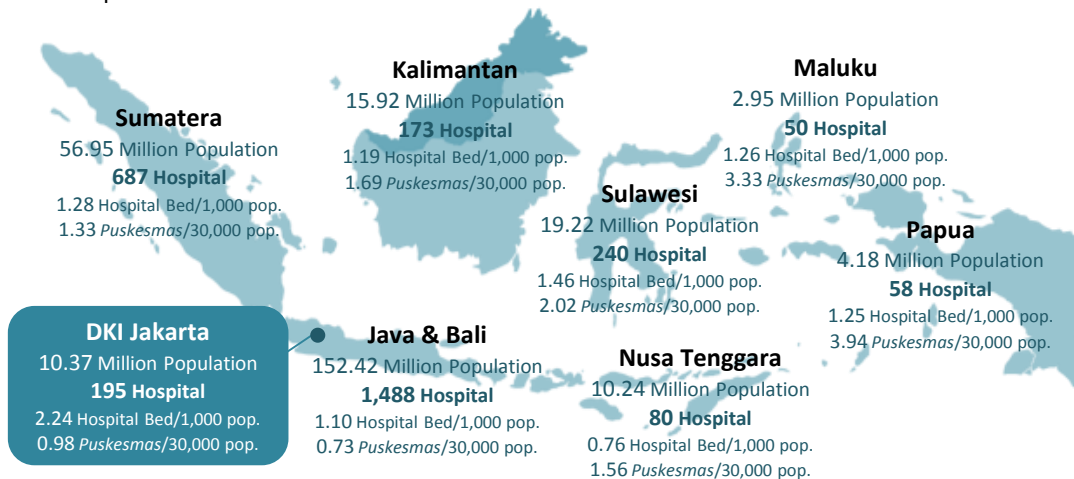


Regional disparities remain a challenge as majority of hospitals in Indonesia are still clustered in the Java & Bali Islands.

With the increasing coverage of UHC, the Government has to anticipate further increase in demand for hospitals. Private hospital players have started expanding its operation to developing cities. Big hospital chain like Siloam has opened 2 hospitals in the Nusa Tenggara Region. There are still certain gap of supply and demand on healthcare in cities such as Riau and Lampung, whereby they experience significant economic growth but lower hospital bed ratios. Please refer to page 10 for more data on hospitals.

Population served per Hospital and Bed

Region	Population served per			
	Hospital		Bed	
	2016	2017	2016	2017
Sumatera	88,937	82,897	824	779
Java and Bali	106,928	102,433	939	906
Nusa Tenggara	138,352	128,036	1,370	1,323
Kalimantan	97,719	92,047	852	838
Sulawesi	85,852	80,080	728	686
Maluku	60,447	59,080	823	793
Papua	71,944	72,079	793	799
Average	92,883	88,093	904	875



Source: Indonesia Health Profile 2017, Ministry of Health



Developing the Healthcare Industry

Indonesia had one of the lowest healthcare spending as % of GDP, only 3.4%, compared to neighboring countries like Malaysia (4.0%) and Singapore (4.3%) in 2015.

Indonesia still lags behind Singapore and Malaysia, especially in the public sector coverage as only 38.2% of health expenditure were covered by the Government. In comparison, almost 80% of the health expenditure in Cambodia was borne by the private sector rather than the Government. The 16 million populated country was leading in terms of the health expenditure, paying around 6.0% of the GDP on it. The Philippines is one of a leading countries in terms of Public-Private Partnership (“PPP”) project development.

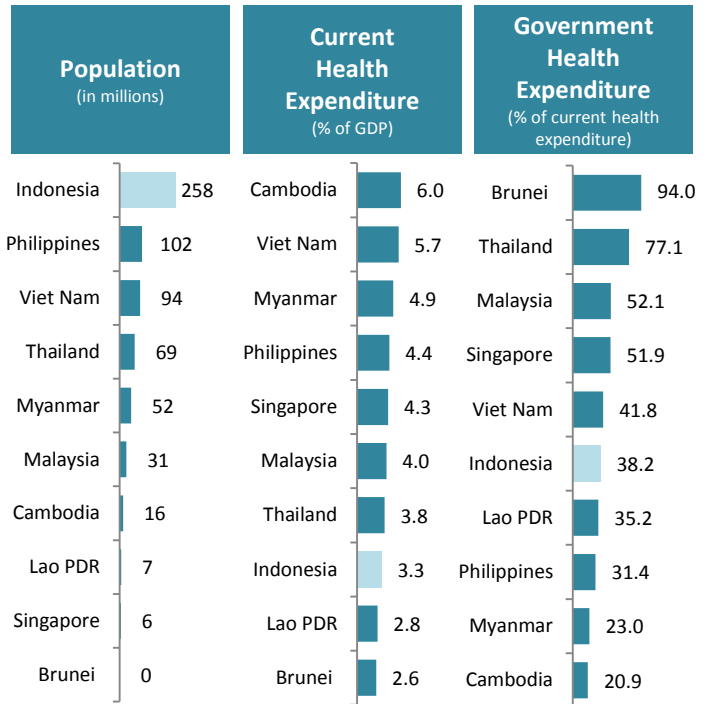
However, the Indonesian Government reflects its focus in delivering a public health system that can support the delivery of UHC for the entire population by 2019. Since 2016, the Government has increased the budget allocation for healthcare from 3.7% in 2015 to 5.0% in 2016. This translated to a 40.1% jump in terms of budget value, from IDR65.9 trillion in 2015 to IDR92.3 trillion in 2016. In 2017, the budget further increased by 13.7% to IDR104.9 trillion. For 2018, the Government still decided to allocate 5.0% of the state budget on healthcare, which in terms of value is equal to IDR111.0 trillion or an increase of 5.8% .

While the allocation of the state budget on healthcare has been stable at 5.0% for the last 3 years, the Ministry of Health budget in 2017 decreased from IDR65.7 trillion to IDR59.1 trillion. Despite a lower budget, the realization of budget increased from 86.8% in 2016 to 93.4% in 2017.

Private sector plays an important role in the healthcare market in Indonesia, especially on hospital development. Overall, the private sector covered 61.8% of the health expenditure in Indonesia. With the number of private hospitals previously stated underlines the position of private players in the industry.

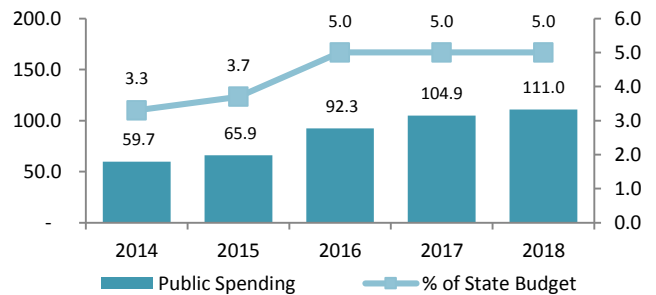
Established in 1996, Siloam has now become the largest private hospital group in Indonesia with a total of 31 hospitals in 2017. Since its IPO completion in 2013, Siloam has actively expand its footprints by developing hospitals in developing cities and targeting to reach a total of 50 hospitals

ASEAN Healthcare Expenditure in 2015



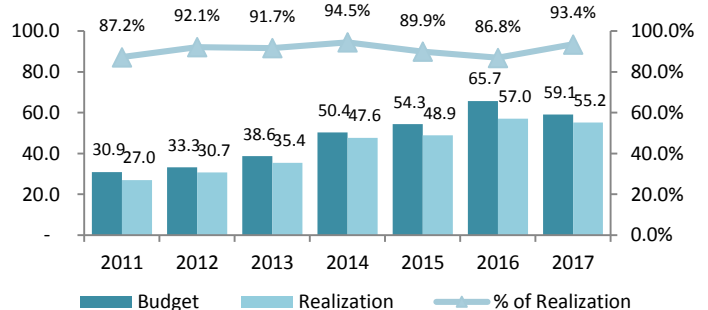
Source: WHO Global Health Expenditure Database

Allocation of State Budget to Healthcare



Source: Indonesia State Budget 2018

Budget Allocation and Realization of Ministry of Health



Source: Indonesia Health Profile 2017, Ministry of Health

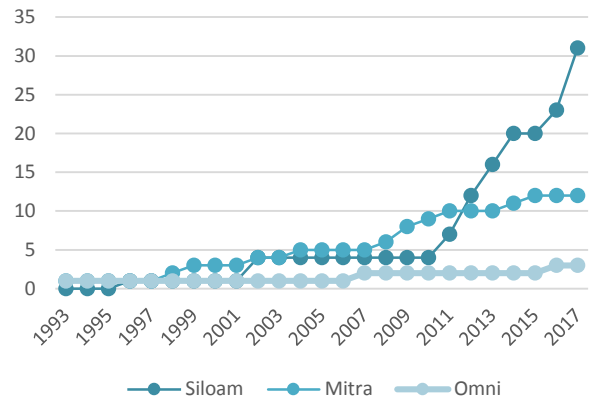
by the end of 2019. In the past 5 years, Siloam has opened 19 hospitals, of which 13 were located outside of Java. From the total of 31 hospitals, 19 were greenfield hospitals while the rest were acquired. As per March 2018, 16.59% of Siloam's share belongs to a world leader in private equity, CVC Capital Partners. This describes investors' confidence in the development of the healthcare sector in Indonesia.

Mitra opened its first hospital in the east side of Jakarta, Jatinegara, in 1989. In almost 30 years, Mitra has also emerged as one of the leading private hospital operators in Indonesia. Most of Mitra Hospitals are located in the Greater Jakarta area. Similar to Siloam, Mitra has also received fund injection from a Netherland-based private equity firm, Lion Investments Partners BV.

Among the leading private players, OMNI was the first to enter the market in 1984, opening its first hospital in Pulomas, Jakarta. The group completed its IPO in the same year as Siloam and is currently expanding by developing a hospital in Balikpapan.

Hermina Hospital has completed its IPO process in the second quarter of 2018. According to Frost & Sullivan report, Hermina is the second largest hospital group in Indonesia, in terms of total number of hospitals. The chain is also expanding its operation to outside of Java and is planning to open new hospitals in Samarinda, Padang, and Palembang within 2018 using proceeds from the IPO.

Total Number of Hospitals



Number of Hospitals in 2017

Hospital	IPO	Within Java	Outside Java	Total Hospital	Total Beds
Siloam	2013	16	15	31	6,301
Mitra	2015	12	-	12	2,228
OMNI	2013	3	-	3	650
Hermina*	2018	24	5	29	2,780

Source: Hospitals' Annual Report 2017 & Website
*Figure of May 2018



Opportunities and Challenges

Indonesia's healthcare industry will keep developing rapidly with the planned UHC coverage and the continuing rise of the middle class. Aggressive expansion has been taken by private hospital groups such as Siloam and Mitra to cities outside of Java. The low number of hospital beds per 1,000 population in some areas reflect the high demand of more hospital beds, both public and private, especially outside of Greater Jakarta area. Substantial private investments needed to meet the increasing demand of hospitals.

The Indonesian Government has been focusing on the development of PPP scheme including for the social infrastructure such as hospital. Currently, there are 3 current projects under the development using the PPP schemes that received a Project Development Facility ("PDF") from the Ministry of Finance through PT SMI. Originated from the state budget, this facility was allocated to help the contracting agency develop the PPP project. There are also some other PPP projects in process including the expansion of Dharmais Cancer Hospital project.

PDF Awarded Hospital Projects in Indonesia

PPP Project	Contracting Agency	Project Value	Government Support	Status
Dr.Pirngadi Regional Public Hospital	City of Medan	IDR 542 Billion (~USD 41.06 Million)	• Potential Govt Guarantee through IIGF	FBC Drafting
Sidoarjo Regional Public Hospital	Sidoarjo District	IDR 350,00 Billion (~USD26.52 Million)	• Potential Govt Guarantee through IIGF	Pre-Qualification
Sam Ratulangi Teaching Hospital	Ministry of Research and Higher Education	IDR 387,23Billion (~USD29.01 Million)	• Potential Govt Guarantee through IIGF	MOF Principle Approval

Source: PT SMI

Case Study:

Sidoarjo Regional Public Hospital

PPP Project with Government Support

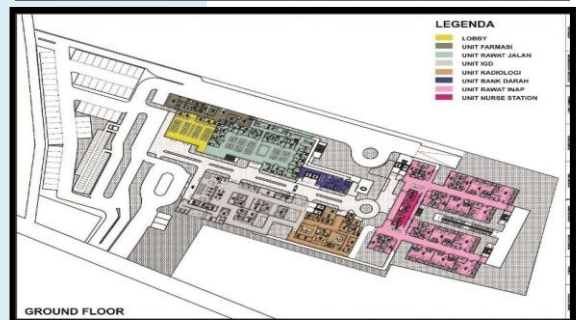
The Sidoarjo District is currently attempting to develop a type C hospital with a capacity of 191 beds through a PPP scheme with availability payment. This hospital will have a leading traumatology center in the region.

This project has received an approval from the Ministry of Finance to obtain a project preparation services from PT SMI through the Project Development Facility (“PDF”). Under this scheme, the SPV will be responsible to build and operate the hospital. And as the GCA, this scheme will require the Sidoarjo District to pay the availability payment to the SPV of the project.

Project Summary

Project Name	Sidoarjo Regional Public Hospital
Location	Sidoarjo District, East Java, Indonesia
Scheme	PPP with Availability Payment
Contracting Agency	Local Government Sidoarjo District
Private Parties	In process
Govt Support	<ul style="list-style-type: none">• Availability Payment• Potential Govt Guarantee through IIGF
Contract Duration	10 years
Project Value	IDR 251,00 Billion (~USD19.02 Million)
Status	Pre-Qualification

Source: Local Government of Sidoarjo



With these projects as examples, it is expected that other project owners will have the commitment to develop PPP projects. Turkey now has several number of hospitals under construction through the PPP scheme. Etlik Hospital is one of the firsts PPP-based hospital with some supports from the multilateral development banks.

Major improvements in every aspects of the healthcare industry have to be done to boost the competitiveness of Indonesia.

Divided into more than 17,000 islands is a major challenge for Indonesia, especially in terms of logistics costs that can triple that of international transport costs. Another elements in the healthcare industry, especially doctors and nurses, are also still limited. For some people, the satisfaction of the quality of services provided by the Indonesian doctors are still low. Hence the reason for seeking alternative medical services in neighboring countries, such as Singapore. With the

prohibition of foreign doctors operating in the country, it is very hard to keep up with the demand as hospital numbers has also been increasing rapidly.

In addition, other elements such as pharmaceutical and technology also have to keep up. The size of Indonesian population seeking for medical treatments overseas are quite considerable. Besides doctors, most of them were looking for the same thing, better technologies. The view that Indonesian technologies lags behind are still there.

It is also challenging for imported equipment to enter the Indonesian market. There is a mandatory requirement for imported medical equipment to have a local distributor. While finding a partner is not easy, even more a reliable one. To make it competitive and attractive for investors, the Government of Indonesia still needs to make significant improvements in the environment of the healthcare industry.

Case Study:

Turkey's Etlik Hospital

PPP Project with MDB's collaboration

Driven by the high dependency of hospital development on the state budget, the Government of Turkey was supported by the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation (IFC), and the Black Sea Trade Development Bank (BSTDB) to develop Etlik Hospital under PPP scheme in 2015. The funding from the multilateral development banks was essential to achieving financial close. The hospital was expected to service the health needs of nearly 12 million residents of Ankara and Central Anatolia with 3,586 bed facility.

Project Summary

Project Name	Ankara Erlik Integrated Health Campus
Location	Ankara
Scheme	Design-Build-Finance-Lease-Transfer (DBFLT)
Contracting Agency	Ministry of Health
Private Parties	EBRD, IFC, and BSTDB
Contract Duration	3 + 25 years
Project Value	EUR 1.1 billion
Status	Construction

Source: World Bank



Disclaimer

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Corporate Secretary PT SMI

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Email : corporatesecretary@ptsmi.co.id

Public complaints on PT SMI service will be kept strictly confidential and handled by a special committee to ensure that complaints are addressed appropriately.



Puskesmas and its ratio to population

Provinces	Puskesmas			Ratio of Puskesmas per 30,000 pop.		
	2015	2016	2017	2015	2016	2017
Aceh	339	340	341	2.03	2.00	1.97
North Sumatera	571	571	571	1.23	1.21	1.20
West Sumatera	264	264	269	1.52	1.51	1.52
Riau	212	213	215	1.00	0.98	0.97
Jambi	176	183	186	1.55	1.59	1.59
South Sumatera	322	322	322	1.20	1.18	1.17
Bengkulu	180	180	180	2.88	2.83	2.79
Lampung	291	292	297	1.08	1.07	1.07
Bangka Belitung Island	62	62	63	1.35	1.33	1.32
Riau Island	72	73	74	1.09	1.08	1.07
SUMATERA	2,489	2,500	2,518	1.35	1.34	1.33
DKI Jakarta	340	340	340	1.00	0.99	0.98
West Java	1,050	1,050	1,056	0.67	0.66	0.66
Central Java	875	875	876	0.78	0.77	0.77
DI Jogjakarta	121	121	121	0.99	0.98	0.96
East Java	960	960	963	0.74	0.74	0.74
Banten	233	233	233	0.58	0.57	0.56
Bali	120	120	120	0.87	0.86	0.85
JAVA & BALI	3,699	3,699	3,709	0.74	0.74	0.73
NTB	158	158	160	0.98	0.97	0.97
NTT	371	371	372	2.17	2.14	2.11
NUSA TENGGARA	529	529	532	1.59	1.57	1.56
West Kalimantan	238	238	241	1.49	1.47	1.47
Central Kalimantan	195	195	196	2.34	2.29	2.26
South Kalimantan	230	230	230	1.73	1.70	1.67
East Kalimantan	174	175	179	1.52	1.50	1.50
North Kalimantan	49	49	49	2.29	2.21	2.13
KALIMANTAN	886	887	895	1.73	1.70	1.69
North Sulawesi	187	188	189	2.33	2.31	2.30
Central Sulawesi	189	189	193	1.97	1.94	1.95
South Sulawesi	448	448	451	1.58	1.56	1.56
South-east Sulawesi	269	269	274	3.23	3.16	3.16
Gorontalo	93	93	93	2.46	2.42	2.39
West Sulawesi	94	94	94	2.20	2.16	2.12
SULAWESI	1,280	1,281	1,294	2.05	2.03	2.02
Maluku	199	199	199	3.54	3.48	3.42
North Maluku	127	128	129	3.28	3.24	3.20
MALUKU	326	327	328	3.43	3.38	3.33
West Papua	151	151	155	5.20	5.07	5.08
Papua	394	393	394	3.75	3.68	3.62
PAPUA	545	544	549	4.07	3.98	3.94
TOTAL	9,754	9,767	9,825	1.15	1.13	1.13

Source: Indonesia Health Profile 2017, Ministry of Health



Hospital, Hospital Beds, and Ratio of Bed/1,000 population in 2016

Provinces	Public Hospital				Private Hospital	Total Hospital	Total Bed	Bed /1,000 pop.
	MOH	Military / Police	Local Government	Others				
Aceh	-	5	27	-	36	68	8,444	1.66
North Sumatera	1	9	37	1	147	195	21,045	1.49
West Sumatera	2	4	21	-	40	67	6,463	1.23
Riau	-	4	18	1	49	72	6,255	0.96
Jambi	-	2	14	-	18	34	3,660	1.06
South Sumatera	2	4	25	-	34	65	9,252	1.13
Bengkulu	-	3	13	-	5	21	2,087	1.10
Lampung	-	2	15	-	47	64	6,355	0.77
Bangka Belitung Island	-	-	10	-	7	17	1,624	1.16
Riau Island	-	2	11	-	15	28	2,926	1.44
SUMATERA	5	35	191	2	398	631	68,111	1.21
DKI Jakarta	10	12	29	4	135	190	22,929	2.23
West Java	5	13	47	-	263	328	37,653	0.79
Central Java	5	12	57	3	213	290	38,342	1.13
DI Jogjakarta	1	3	10	-	60	74	6,688	1.80
East Java	1	32	67	2	275	377	38,870	0.99
Banten	1	2	10	-	82	95	10,017	0.82
Bali	1	3	11	-	42	57	6,204	1.48
JAVA & BALI	24	77	231	9	1,070	1,411	160,703	1.07
NTB	-	2	13	-	13	28	3,199	0.65
NTT	-	5	20	-	20	45	4,172	0.80
NUSA TENGGARA	-	7	33	-	33	73	7,371	0.73
West Kalimantan	-	6	19	-	20	45	4,960	1.02
Central Kalimantan	-	2	17	-	2	21	1,962	0.77
South Kalimantan	-	4	17	-	18	39	4,724	1.16
East Kalimantan	-	4	15	-	29	48	5,731	1.64
North Kalimantan	-	1	5	-	1	7	975	1.46
KALIMANTAN	-	17	73	-	70	160	18,352	1.17
North Sulawesi	2	4	16	1	20	43	4,990	2.05
Central Sulawesi	-	2	18	-	13	33	3,787	1.30
South Sulawesi	2	7	34	1	46	90	12,339	1.43
South-east Sulawesi	-	2	18	-	11	31	2,443	0.96
Gorontalo	-	-	9	-	4	13	1,504	1.31
West Sulawesi	-	-	8	-	3	11	1,009	0.77
SULAWESI	4	15	103	2	97	221	26,072	1.37
Maluku	-	4	17	-	7	28	2,202	1.28
North Maluku	-	2	13	-	5	20	1,322	1.11
MALUKU	-	6	30	-	12	48	3,524	1.21
West Papua	-	3	9	-	4	16	1,362	1.52
Papua	-	7	27	-	7	41	3,808	1.19
PAPUA	-	10	36	-	11	57	5,170	1.26
TOTAL	33	167	697	13	1,691	2,601	289,303	1.12

Source: Indonesia Health Profile 2016, Ministry of Health



Hospital, Hospital Beds, and Ratio of Bed/1,000 population in 2017

Provinces	Public Hospital				Private Hospital	Total Hospital	Total Bed	Bed /1,000 pop.
	MOH	Military / Police	Local Government	Others				
Aceh	-	5	27	4	34	70	8,943	1.72
North Sumatera	1	9	38	16	156	220	23,310	1.63
West Sumatera	2	4	23	2	47	78	7,101	1.33
Riau	-	4	17	5	46	72	6,581	0.99
Jambi	-	2	14	-	19	35	4,012	1.14
South Sumatera	2	4	26	4	33	69	8,714	1.05
Bengkulu	-	3	13	-	6	22	2,328	1.20
Lampung	-	2	17	-	52	71	7,316	0.88
Bangka Belitung Island	-	-	10	-	9	19	1,756	1.23
Riau Island	-	3	11	-	17	31	3,047	1.46
SUMATERA	5	36	196	31	419	687	73,108	1.28
DKI Jakarta	10	12	29	10	134	195	23,204	2.24
West Java	5	14	49	6	280	354	40,105	0.83
Central Java	5	12	56	4	219	296	39,078	1.14
DI Jogjakarta	1	3	10	2	65	81	6,870	1.83
East Java	1	33	69	8	282	393	41,384	1.05
Banten	1	2	10	1	92	106	10,895	0.88
Bali	1	3	15	-	44	63	6,708	1.58
JAVA & BALI	24	79	238	31	1,116	1,488	168,244	1.10
NTB	-	2	14	1	15	32	3,389	0.68
NTT	-	5	23	-	20	48	4,351	0.82
NUSA TENGGARA	-	7	37	1	35	80	7,740	0.76
West Kalimantan	-	6	18	1	21	46	5,090	1.03
Central Kalimantan	-	2	17	-	2	21	2,062	0.79
South Kalimantan	-	4	17	2	18	41	5,016	1.22
East Kalimantan	-	4	18	3	30	55	5,796	1.62
North Kalimantan	-	1	8	-	1	10	1,038	1.50
KALIMANTAN	-	17	78	6	72	173	19,002	1.19
North Sulawesi	2	4	19	1	21	47	5,299	2.15
Central Sulawesi	-	2	20	-	13	35	4,218	1.42
South Sulawesi	2	8	35	4	51	100	13,162	1.51
South-east Sulawesi	-	2	19	1	11	33	2,668	1.03
Gorontalo	-	-	9	1	3	13	1,559	1.33
West Sulawesi	-	-	8	-	4	12	1,100	0.83
SULAWESI	4	16	110	7	103	240	28,006	1.46
Maluku	-	4	17	-	7	28	2,230	1.28
North Maluku	-	2	15	-	5	22	1,494	1.24
MALUKU	-	6	32	-	12	50	3,724	1.26
West Papua	-	4	9	1	2	16	1,342	1.47
Papua	-	6	28	-	8	42	3,889	1.19
PAPUA	-	10	37	1	10	58	5,231	1.25
TOTAL	33	171	728	77	1,767	2,776	305,055	1.16

Source: Indonesia Health Profile 2017, Ministry of Health