

No. WPH – SET 4/2017

8 November 2017

Subject : Management Discussion and Analysis for the 9-month period and Quarter 3 of 2017 ending on 30 September 2017

To : Directors and Manager
The Stock Exchange of Thailand

According to the resolution of the meeting of the Board of Directors No.8/2017 of WattanaPAT Hospital Trang Public Company Limited (“the Company”) held on 7 November 2017, approving the reviewed consolidated financial statements for 3rd Quarter of 2017 ending on 30 September 2017, the Company and its subsidiaries would like to report factors that affect the financial performance for 3rd Quarter of 2017 as follows;

Statements of Comprehensive Income

Revenue from Hospital Operations

The Company generated the revenue from hospital operations in 3Q2016 and 3Q2017 were in amounts of Baht 155.79 million and Baht 127.59 million, respectively, which decreased by 18.0%. There are three main reasons for the decrease in revenue. Firstly, the southern economy dramatically declined in 2017. Trang’s economy depends heavily on agriculture sector. Prices of both the rubber and oil palm suffer in year 2017, and also the harvested volume was declined significantly. Resulting in the lower average income earned per person. Secondly, the intensity and complexity of cases in Trang comparing to the same period last year significantly reduced such as Dengue fever decreasing by 75% and Influenza decreasing by 35% (Statistical reference from Trang Public Health Organization). Thirdly, the insurers have stricken their policies regarding admission process and patient’s length of stay. Furthermore, there have been an increasing numbers of suggestions towards OPD treatments. However, the revenue of OPD increased by 12.2% comparing to the same period last year due to the increasing number of out patients. Therefore, the hospital management is focusing on improving the quality of medical services related to non-communicable diseases such cardiovascular disease, neurologic diseases, emergency care etc. In addition, an emphasis on health service for well people such as physical checkup center by launching the new campaigns targeting market in Trang and nearby provinces in order to gain larger market share.

Cost of Hospital Operations

The cost of hospital operations in 3Q2016 and 2017 were in amounts of Baht 94.89 million and 95.14 million respectively, increasing by 0.3%. The proportion of the costs of hospital operations incurred compared to total revenues in 3Q16 and 3Q17 were 74.6% and 61.0%, respectively. This increase stemmed from doctor's fee, remuneration, and any other employee benefits, which resulted from the increase of medical staff in order to support its expansion for both WPH and WPA (WattanaPAT Hospital Trang Public company Limited known as "WPH" and WattanaPAT Ao-nang Hospital Company Limited known as "WPA") such as Cardiology, Neurology and Ophthalmology clinic. Also, the increasing in the depreciation of fixed asset investments such as 1.5 Tesla Magnetic Resonance Imaging Scanners and CT Scan 192 Slices in amounts of Baht 40.50 million and 19.18 million, respectively.

Selling Expenses

The selling expenses in 3Q2016 and 2017 were in amounts of Baht 2.90 million and 2.88 million, respectively. The proportion of selling expenses incurred compared to total revenues were 1.9% and 2.3% respectively.

Administrative Expenses

The selling expenses in 3Q2016 and 2017 were in amounts of Baht 23.69 million and 27.21 million respectively. The proportion of administrative expenses incurred compared to total revenues were 15.2% and 21.3% respectively. The increase arise mainly from the advisory fees which were mostly one-off expenses regards to becoming a listed company in the Stock Exchange of Thailand. Moreover, the company has recently set up a new department in order to ensure the sufficiency of internal control. In addition, another one-off expense was public relation expenses regarding the Initial Public Offering (IPO) in September 2017. Lastly, the establishment of provident fund.

Financing Costs

The financing costs of financial institutions in 3Q2016 and 2017 were in amounts of 1.37 million and 2.46 million. After the IPO, the short term and long term loans were paid off. Hence, there is no incurring interest expense in Q4/2017.

Net Profit

For Q3/2016 and 2017, the net profits were Baht 33.81 million and Baht -2.54 million, respectively. The proportion of net profit incurred compared to the total revenue for 3rd quarters of 2016 and 2017 accounted for 21.6% and -2.0%, respectively, which resulted from revenue declined and the increasing of the cost of hospital operation, selling and administrative expense, and financial costs.

Statement of Financial Position**Total Assets**

The company's total assets as of 31 December 2016, 30 September 2017 were Baht 631.26 million and 939.80 million respectively. This increase resulted from the IPO in September 2017 and the investment in Property, Plant and Equipment. Also, the establishment of a medical international clinic including preparation for the construction of WattanaPAT Ao Nang Hospital.

Current Assets

The company's current assets as of 31 December 2016, 30 September 2017 were Baht 106.65 million, and 376.88 million respectively, the proportion of current assets to the total assets accounted for 16.9% and 40.1% respectively. Main current assets include cash and cash equivalents, short term investment, trade and other current receivables, inventories, other current assets.

Non Current Assets

The Company's current assets as of 31 December 2016, 30 September 2017 were Baht 524.61 million and 562.93 million respectively. The mainly non current assets were property, plant and equipment. The proportion of the non current assets incurred compared to the total assets were 81.2% and 58.5% respectively. The decrease were due to increasing in cash and cash equivalents. The Initial public offering of IPO in September 2017, which the company repaid the loan from financial institutions to reduce some financial costs. The remaining will be in cash and cash equivalents.

Total Liabilities

Total liabilities as of 31 December 2016 and 30 September 2017 were Baht 280.29 million and 104.77 million respectively. The mainly liabilities were provisions for long-term employee benefits, trade and other payables.

Current Liabilities

Current liabilities as of 31 December 2016 and 30 September 2017 were Baht 158.21 million and 75.20 million respectively. The proportion of current liabilities incurred compared to total liabilities were 56.4% and 71.78% respectively, which the primary liabilities were trade payable.

Non current liabilities

Non current liabilities as of 31 December 2016 and 30 September 2017 were Baht 122.08 million and 29.57 million respectively. The main non current liabilities were provisions for long-term employee benefits.

Shareholders' Equities

Shareholders' Equities as of 31 December 2016 and 30 September 2017 were Baht 350.97 million and 835.04 million respectively. The proportion of Shareholders' Equity increased from the share capital and capital in excess of par value. And The Initial public offering of IPO in September 2017.

Please be informed accordingly.

Yours sincerely,

(Mr.Chane Laosonthorn)

Director