

No. 014/2022

9 August 2022

RE: Management Discussion and Analysis for Q2/2022

TO: President, Stock Exchange of Thailand

Principal Capital Public Company Limited (the "Company") and its subsidiaries would like to submit the following Management Discussion and Analysis for Q2/2022, ended 30 June 2022, compare with same quarter of the Year 2021 as follows:

Major developments in Q2/2022

The Q2/2022 is the quarter of the company's business expansion. Not only to taking care of the situation of the Covid-19 outbreak, but also expanded its business in depth. By opening more medical centers and complex diseases clinic, including the opening of a digestive and liver center, a heart care center at PRINC Hospital Suvarnabhumi, a NCDs care center at the Pitsanuvej Uttaradit Hospital, including the development of a health check-up center and the development of the Long Covid product in the hospitals.

In addition, the business expansion in a broad range of seeking new potential markets both domestically and internationally after opening the country. The proportion of foreign tourists admitted to the affiliated hospitals has increased especially after easing in border areas and traveling through airports There are tourists from Laos, Myanmar and Cambodian returned to the affiliated hospitals especially, PRINC Hospital Ubonratchathani, PRINC Hospital Sisaket, PRINC Hospital Suvarnabhumi and PRINC Hospital Lamphun. Moreover, also developed a referral system for patients and carry out marketing activities to expand the potential to support more customers from neighboring countries.

Joining the business with Pewdee Clinic Aesthetics Company Limited is an opportunity to expand health business services. Especially in the shopping mall area under the brand 'Pewdee Clinic'. With the official opening ceremony at PRINC Hospital Suvarnabhumi on 15 July 2022, it is the 11th branch located on the 2nd floor of PRINC Hospital Suvarnabhumi. There is a plan to expand a total of 14 branches in this year, which is an important step in the business development into a comprehensive health and beauty business, Aesthetic & Wellness in the future.

The economic and industrial situations affecting the operation and business policies, strategies and decisions

For Q2/2022, the hospital business continues to have a positive impact as a result of increased income from normal patients. Where income from services related to Covid-19 started to decline more than in the previous quarter. Due to the severity of the disease and the behavior of the patients began to change. By focusing on Self-Isolation/Home-Isolation rather than being treated at a hospital or hospitel. Moreover, the government's limitation on medical expenses for patients with severe symptoms. (Yellow patient) and open to the public for free vaccination causing income for vaccines to begin to decline. However, all affiliated hospitals still had income in the three-month period, which was THB 733.3 million (87.6%) higher than the same period last year, especially PRINC Hospital Suvarnabhumi, which had a higher income of THB 233.4 million (96.0%).

However, it is expected that in the second half of 2022, the revenue of the hospital business is expected to recover from the relaxation of government measures to allow economic activities. As a result, normal patients in the country tend to gradually return to use more services. Relaxation for foreigners to travel to Thailand including the return of patients in the Medical tourism. However, factors that may affect the recovery must be monitored both the number of infected epidemic situation and from the fact that on 4 July 2022, the NHSO board meeting resolved to approve the adjustment of the rules. Guidelines for reimbursement for Covid-19 services adjust Covid-19 endemic which will enter the period after Pandemic (Post-Pandemic) There is no pandemic in Thailand. and the disease has decreased in severity The health system can support This could result in a drop in revenues related to Covid-19

For the real estate business, after 1 May 2022, Thailand announces to open the country and most relax measures against Covid-19 since the epidemic, that found a better signal. The number of foreign tourists has continued to increase. Revenues during the three months increased by THB 30.6 million or 65.3 % from the same period last year. Although the booking amount is not very high, because the second quarter of every year is the low season. But it can be seen that the real estate business tends to gradually recover. In addition, on 1 July 2022, the Centers for Disease Control and Prevention (CDC) opened the country for foreigners to travel as usual by canceling registration through Thailand Pass and exempting health insurance which is an important positive factor for Thai tourism. In the second half of 2022, will be an important tourist season that foreign tourists tend to travel to Thailand a lot and if the government can control the situation without the outbreak of Covid-19 more broadly, it will have a positive effect on tourism in the area.

However, the company still aware of the factors that will have various negative effects that will affect both core businesses, such as inflation, higher cost of living, economic recession, rising interest rates and energy costs by trying to control costs as well as various investments of all subsidiaries.

Operating results for Q2/2022

Consolidated	Q2/2022	Q2/2021	Increase (decrease)	Change %
Unit: THB million				
Revenues from hospital operations	1,646.4	845.2	801.3	94.8
Revenues from sales and services	104.9	76.2	28.7	37.7
Costs of hospital operations	1,125.7	701.7	424.0	60.4
Costs of sales and services	<u>64.9</u>	<u>62.7</u>	<u>2.2</u>	<u>3.6</u>
Gross Profit	560.7	156.9	403.7	257.3
Other income	12.6	15.9	(3.3)	-20.6
Selling and Administrative expense	336.2	298.0	38.2	12.8
Finance costs	<u>39.9</u>	<u>40.2</u>	<u>(0.4)</u>	<u>-1.0</u>
Profit (loss) before income tax expense	197.3	(165.4)	362.6	219.3
Income tax expense	<u>(31.7)</u>	<u>(5.4)</u>	<u>(26.3)</u>	<u>-481.8</u>
Profit (loss) for the period	<u>165.5</u>	<u>(170.8)</u>	<u>336.4</u>	<u>196.9</u>

The Company and the subsidiaries had Revenues from hospital operations of THB 1,646.4 million and Costs of hospital operations was THB 1,125.7 million. Revenues from sales and services was THB 104.9 million and Costs of sales and services was THB 64.9 million. Other income was THB 12.6 million. Selling and Administrative expense was THB 336.2 million. Finance costs was THB 39.9 million. As a result, profit for this period was THB 165.5 million, increased by THB 336.4 million or 196.9 % (In Q2/2021, there was a loss of THB 170.8 million.)

Total Revenues



If considering quarterly from Q1/2021 to the present, it can be seen that the Hospital business still generates high revenue but decreased from the previous quarter affected by the decrease of the Covid-19 patients. Although the number of patients who came for regular treatment increased, it can't compensate for the declining income of Covid-19 related services. The Real estate business in this quarter was the highest earning quarter compared with last 5 quarters as a result of government measures that have resulted in increased tourist arrivals both in the part of customers who travel for business and other purposes.

<u>Consolidated</u>	Q2/2022	Q2/2021	Increase (decrease)	Change %
Unit: THB million				
Hospital business				
- Existing Hospitals	1,570.9	837.6	733.3	87.6
Clinics and other healthcare related businesses				
	75.6	7.6	68.0	891.3
Real estate business	104.9	76.2	28.7	37.7
Total Revenues	1,751.3	921.4	829.9	90.1

The Company and the subsidiaries generated revenues THB 1,751.3 million, which was an increase of THB 829.9 million or 90.1% resulted from the following;

- The Hospital business:
 - Existing Hospitals: A revenue was increase THB 733.3 million (87.6%) from all hospitals. Especially, PRINC Hospital Suvarnabhumi which was increase THB 233.4 million (96.0%), PRINC Hospital Lamphun which was increase THB 93.6 million (234.2%), Virajsilp Hospital which was increase THB 56.0 million (100.4%), PRINC Hospital Ubonratchathani which was increase THB 38.9 million (182.1%) and PRINC Hospital Sisaket which was increase THB 28.0 million (158.5%). By which the revenue increase comes from customers who come for regular check-ups and the Covid-19 related services that still have customers but decreased from the previous quarter.
- Clinics and other healthcare related businesses including Klai Baan Klai Jai Clinics with revenue of THB 36.4 million (higher than the same quarter of the prior year by THB 28.8 million) and Pewdee clinic which began to recognize revenue on 1 April 2022 onwards, with revenue of 38.2 million baht
- The Real estate business: A revenue was increase THB 28.7 million (37.7%) from measures to boost the economy and tourism and due to the government's relaxation, the number of tourists both domestically and internationally was increased as following;

- The Marriott Executive Apartment Sathorn Vista – Bangkok, had a revenue increasing THB 17.7 million (100.4%). From the occupancy Rate, which was increase from 40.2 % in Q2/2021 to 65.0%, from the increasing number of tourists from both business customers and customers who come to travel,
- The Somerset Ekamai Bangkok, had a revenue increasing THB 12.9 million (44.1%). From the occupancy Rate, which was increase from 47.8 % in Q2/2021 to 73.6 %. From long - term customer (Service Apartment) in tower A and also more short stay customers in tower C, while
- Bangkok Business Center office building, had a revenue decreasing THB 1.7 million from rental fee. But income from utilities increased as the tenants return to work in office buildings as usual.

Gross Profit

<u>Consolidated</u>	Q2/2022	Q2/2021	Increase (decrease)	Change %
Unit: THB million				
<u>Hospital business</u>				
- Existing Hospitals	495.2	147.4	347.8	235.9
<u>Clinics and other healthcare related businesses</u>				
	25.5	(4.2)	29.7	703.1
<u>Real estate business</u>	<u>40.0</u>	<u>13.7</u>	<u>26.2</u>	<u>191.0</u>
Total Gross Profit	<u>560.7</u>	<u>156.9</u>	<u>403.7</u>	<u>257.3</u>

The Company and its subsidiaries had gross profit THB 560.7 million, increasing THB 403.7 million or 257.3% as a result of:

- The Hospital business:
 - Existing Hospitals: The gross profit increasing THB 347.8 million (235.9) from all hospitals
- Clinics and other healthcare related businesses: Klai Baan Klai Jai Clinics had gross profit of THB 15.8 million, increasing THB 20.0 million (Q2/2021 had negative gross profit THB 4.2 million) and Pewdee Clinic had gross profit of THB 9.8 million.
- The Real estate business has gross profit increasing THB 26.2 million (191.0%) from the higher revenues of Marriott Executive Apartments Sathorn Vista - Bangkok and Somerset Ekkamai Bangkok.

Selling and administrative expenses

Consolidated	Q2/2022	Q2/2021	Increase (decrease)	Change %
Unit: THB million				
Hospital business				
- Existing Hospitals	281.3	211.8	69.5	32.8
- New Hospital	0.3	-	0.3	100.0
Clinics and other healthcare related businesses	8.4	3.0	5.4	181.4
Real estate business	<u>46.2</u>	<u>83.3</u>	<u>(37.1)</u>	<u>-44.5</u>
Total Selling and administrative expenses	<u>336.2</u>	<u>298.0</u>	<u>38.2</u>	<u>12.8</u>

Selling and administrative expenses was THB 336.2 million, increased by THB 38.2 million (12.8%) from the existing hospitals that had expenses increasing on the part of the employee, marketing and operation from the revenues increase. In addition, in this quarter, PRINC Hospital Suvarnabhumi and PRINC Hospital Ubonratchathani had expenses in donating vaccines to government hospitals totaling THB 23.2 million. The new hospital (PRINC Hospital Sakon Nakhon) had an operation expenses THB 0.3 million, Klai Baan Klai Jai Clinics and Pewdee Clinic had selling and administrative expenses of THB 46.2 million. For real estate business, expenses were reduced by THB 37.1 million from Q2/2021, there was a write-off of assets of THB 43.3 million, which was a one-time transaction.

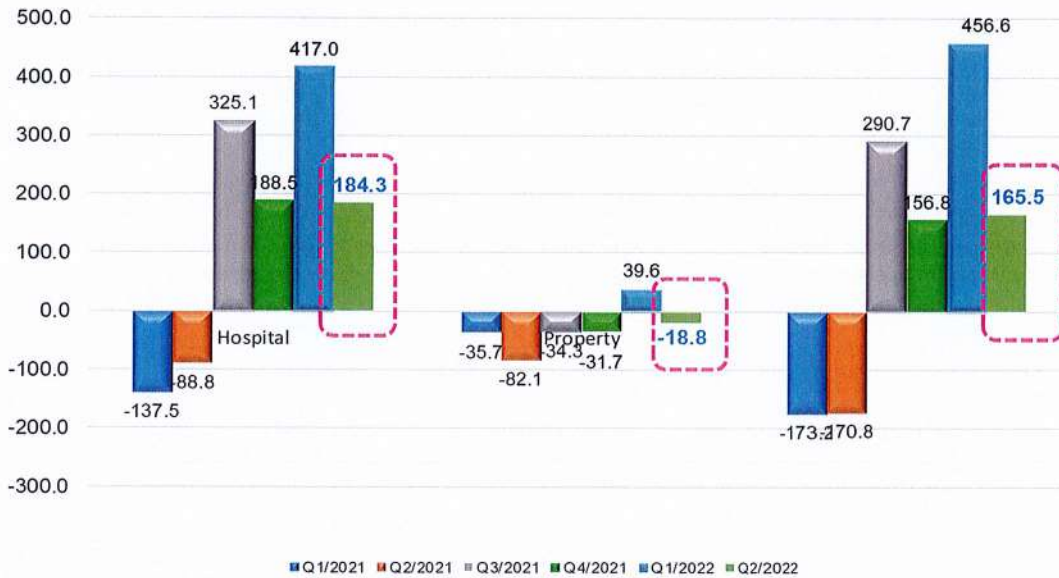
EBITDA

Consolidated	Q2/2022	Q2/2021	Increase (decrease)	Change %
Unit: THB million				
EBITDA	397.7	25.4	372.3	1468.2
Finance costs	39.9	40.2	(0.4)	-1.0
Depreciation and amortization	160.6	150.5	10.1	6.7
Income tax expense	<u>(31.7)</u>	<u>(5.4)</u>	<u>(26.3)</u>	<u>-481.8</u>
Profit (loss) for the period	<u>165.5</u>	<u>(170.8)</u>	<u>336.4</u>	<u>196.9</u>

EBITDA for this quarter was THB 397.7 million, higher than the previous year THB 25.4 million or 1468.2% from the revenue increasing in the both businesses. Finance costs were THB 39.9 million, decreasing THB 0.4 million or 1.0%. Depreciation was THB 160.6 million, increasing THB 10.1 million. Income tax expense was increasing because in this quarter Performance of all hospitals, especially PRINC Hospital Suvarnabhumi,

Pitsanuvej Hospital, Virajsilp Hospital and PRINC Hospital Lamphun, had net profits, so the consolidated financial statements had increased income tax.

Profit (loss) for the period



Profit for the period: The Company and its subsidiaries had a profit in this quarter of THB 165.5 million increasing THB 336.4 million or 196.9%. It can be seen that the profit of the Hospital business began to decline from the previous quarter from the decline in the cost of treatment for Covid-19 while the Real estate business was the best performing quarter. (In last quarter, there is a one-time transaction that is a total profit of THB 71.1 million. Excluding this item, there will be a loss of THB 31.5 million.)

YTD Q2/2022 operating results

Consolidated	YTD	YTD	Increase	Change
Unit: million	Q2/2022	Q2/2021	(decrease)	%
Revenues from hospital operations	3,633.3	1,493.0	2,140.4	143.4
Revenues from sales and services	203.2	151.4	51.8	34.2
Costs of hospital operations	2,350.0	1,282.5	1,067.5	83.2
Costs of sales and services	<u>127.4</u>	<u>132.9</u>	<u>(5.5)</u>	<u>-4.1</u>
Gross Profit	1,359.0	228.8	1,130.2	493.9
Other income	82.5	34.0	48.5	142.5
Selling and Administrative expenses	625.0	526.5	98.5	18.7
Finance costs	<u>77.4</u>	<u>74.0</u>	<u>3.3</u>	<u>4.5</u>
Profit (loss) before income tax expense	739.0	(337.6)	1,076.6	318.9
Income tax expense	<u>(116.9)</u>	<u>(6.4)</u>	<u>(110.5)</u>	<u>-1719.1</u>
Profit (loss) for the period	<u>622.1</u>	<u>(344.0)</u>	<u>966.2</u>	<u>280.8</u>

Performance for the six – month period ended 30 June 2022, The Company and its subsidiaries had Revenues from both businesses total THB 3,836.5 million, Costs from both businesses total THB 2,477.4 million. Selling and Administrative expense was THB 625.0 million and Finance costs was THB 77.4 million. As a result the Company had profit for the period was THB 622.1 million higher than the six – month period, 2021, which had a loss of THB 344.0 million, amounting to THB 966.2 million or 280.8%.

The total revenues increase THB 2,192.2 million result from

- Revenues from hospital operations increase THB 2,037.9 million.
 - The Revenue from all Existing Hospitals was increase. Especially, PRINC Hospital Suvarnabhumi which was increase THB 911.8 million (286.1%) from customers who come for regular check-ups and the Covid-19 related services in the 1st quarter.
 - The Revenue from New Hospitals, PRINC Hospital Sisaket, was increase total THB 84.2 million.
- Revenue from Clinics and other healthcare related businesses increased THB 102.5 million from Klai Baan Klai Jai Clinics and Pewdee Clinic.
- Revenue from the real estate business was increase THB 51.8 million from the revenue increase of both properties in this quarter.

Costs of sales and services was increasing THB 1,062.0 million from direct cost both the costs associated with the doctor and the other, both of the newly opened hospital and the existing hospital. In addition, the depreciation expense in the part of the newly opened hospital was higher as well.

Selling and Administrative expense was increase THB 98.5 million from variable expenses with higher incomes of both businesses from marketing expenses and operating expenses increased. In addition, in this quarter, PRINC Hospital Suvarnabhumi and PRINC Hospital Ubonratchathani had expenses in donating vaccines to government hospitals totaling THB 23.2 million.

Statement of Financial Position

Consolidated	30 June	31 December	Increase	Change
Unit: THB million	2022	2021	(decrease)	%
Total assets	18,314.7	17,415.4	899.4	5.2
Total liabilities	6,703.1	6,554.9	148.2	2.3
Equity attributable to owners of the parent	10,363.7	9,808.2	555.6	5.7
Debt to Equity Ratio (times)	0.65	0.67		

As of 30 June 2022, the Company and its subsidiaries had total assets of THB 18,314.7 million, increasing THB 899.4 million, compared to total assets as at 31 December 2021, resulting from;

- Cash and Cash equivalents increased THB 409.2 million due to an increase in deposits at financial institutions from depositing in special savings accounts with higher interest rates than savings accounts.
- Trade receivables of the National Health Security Office (NHSO) and the Social Security Office for the treatment of UCEP Covid-19 amounting to THB 256.8 million.
- Other non-current assets increased THB 312.3 million from assets acquired from the purchase of a subsidiary (Pewdee Clinic Esthetics Company Limited), which is in the process of allocation of the purchase price of THB 237.7 million.

As of 30 June 2022, the Company and its subsidiaries had total Liabilities of THB 6,703.1 million, increasing from total liabilities as at 31 December 2021 by THB 148.2 million, for the following reasons;

- Short-term loans from financial institution, increased by THB 500.1 million, which is a loan from some financial institution to use as working capital of the Company.
- Hospital acquisition and subsidiary's shares acquisition payables increased by THB 46.5 million due to the purchase of Pewdee Clinic.

Shareholders' equity increased from 31 December 2021 by THB 555.6 million, resulting in profitable performance in half year.

The debt-to-equity (D/E) ratio stood at 0.65, close to 0.67 on 31 December 2021.

For your kind acknowledgement.

Yours respectfully.

Signature  _____

(Miss Preeyaporn Aphiwathwitthaya)

Division Director, Accounting Services