

No. KLINIQ-002

4 November 2022

Re: Management discussion and analysis for the six-month periods ended 30 June 2022

Attn: President, The Stock Exchange of Thailand

The Klinique Medical Clinic Public Company Limited (the "Company") would like to submit the management discussion and analysis for the six-month periods ended 30 June 2022 as follow;

**Cash sales**

In the period of 6 months of 2022, the Company cash sales has increased by Baht 326.39 million or 76.10% from the same period last year which is due to (1) the recovery of Covid-19 pandemic and ease of government policies where there is no longer closure orders on aesthetic clinics leading to more confidence of clients, (2) higher demand for laser services as there is strong reception for new laser machines which have been recently purchased and growing demand for the newly opened surgery center, and (3) expansion of new branches to reach new clients.

**Revenue from service**

In the period of 6 months of 2022, the revenue from service has increased by Baht 279.47 million or 74.54% from the same period last year due to a growing number of laser treatments, increase in demand for injectables, and increase in surgery cases. In the period of 6 months of 2021, aesthetics clinics was closed due to the lock down policy however such measures are no longer in place for the period of 6 months of 2022 leading to the Company's revenue resuming to normal. The Company has also expanded branches from 31 branches in the period of 6 months 2021 to 39 branches in the period of 6 months 2022.

**Breakage Revenue**

In the period of 6 months of 2022, the Company's breakage revenue decreased from the same period last year by Baht 11.16 million or 19.11% due to the recovery of Covid-19 which is different from the same period last year where the Company's branches have been affected by the strict lock-down policy in Bangkok and vicinities. This resulted in more clients coming to receive treatments. As a result, the breakage ratio calculated by independent actuarial had decreased.

#### Revenue from sales of cosmeceuticals

In the period of 6 months of 2022, the Company had an increase in revenue from sales of cosmeceuticals by Baht 1.19 million or a 9.98% increase due to the increase in number of client visits and change in treatment course for such periods that may have different medicines and cosmeceuticals.

#### Other revenue

In the period of 6 months of 2022, the Company has an increase in other revenue by Baht 1.52 million or 153.53% from the same period in the previous year due to relief measures from the social security office and insurance claims from repair of medical equipment.

#### Cost of service, Gross Profit, and Gross Profit Margin

In the period of 6 months of 2022, the Company has an increase in cost of service by Baht 117.77 million or a 62.56% increase from the same period in the previous year due to increase in cost of medicine, medical supplies, doctor fees, and employee benefits which is in line with the revenue. Additionally, there has been an increase in lease expenses from the expansion of branches from 31 branches in the period of 6 months 2021 to 39 branches in the period of 6 months 2022. Lease expenses have slightly increased as the Company has received discounts in the period of 6 months 2021. Additionally, the Company recorded revenue from barter trade in the period of 6 months 2021 for the amount of Baht 6.38 million. Since such revenue is an accounting item, removing such item will result in the gross profit margin decreasing from 57.71% in the period of 6 months 2021 to 57.18% in the period of 6 months 2022. Majority of cost of service in the period of 6 months 2022 consists of doctor's fee (including salary and other benefits) for 38.24%, cost of medicine and medical supplies for 36.70%, and depreciation of right of use for 19.11%.

#### Selling Expenses

In the period of 6 months of 2022, the Company has an increase of selling expenses by Baht 61.87 million or a 45.46% increase from the same period in the previous year due to the increase in salary and employee benefits for the new 8 branches. Commission has also increased in line with revenue. Marketing expenses has also increased from business resuming to normal, however, the percentage of selling expense to revenue has slightly decreased

as the Company is able to achieve greater efficiency. Key components of selling expenses in the period of 6 months 2022 consist of salary, commission and branch employee benefits for 81.03% and marketing expenses for 18.97%.

#### Administrative Expenses

In the period of 6 months of 2022, the Company has an increase of administrative expenses by Baht 31.63 million or a 55.07% increase from the same period in the previous year due to increase in salary and employee benefits from additional headcounts in the marketing department, IT department, and administration department to support branch expansion. Key components of administrative expenses in the period of 6 months 2022 include salary headquarter employee benefits for 34.29%, depreciation for 16.27%, bank fee for 16.79%, and advisory fees and other expenses for 13.02%

#### Financial Expenses

In the period of 6 months of 2022, the Company has an increase in financial expense by Baht 193 million or a 71.48% increase from the same period in the previous year which is a result from expansion of new branches leading to higher interest expenses from the financial lease which is also in line with right of use.

#### Net Income and Net Profit Margin

In the period of 6 months of 2022, the Company's net profit margin increased from 13.26% in the same period in the previous year to 13.97% which is in line with the increase in gross profit margin. The main reason was the recovery of Covid-19 which led to a growing number of clients and resulted in higher revenue and stronger growth than the previous period.

#### Assets

The Company's total asset as of 30 June 2022 increased by Baht 254.66 million compared to 31 December 2021 due to increase in building and equipment from the purchase of medical equipment to support branch expansion, new branches, and increase in cash from normal operations. The Company's asset will decrease due to the Board of Directors declaring an interim dividend payment of Baht 43.20 million and Baht 85.00 million on 15 August 2022 and 28 September 2022, respectively.

Liabilities

The Company's total liabilities as of 30 June 2022 increased by Baht 179.33 million compared to 31 December 2021 due to increase in financial lease from branch expansion, increase in unearned revenue which is in line with increase in customers and number of branches.

Shareholders' Equity

The Company's total equity as of 30 June 2022 increased from 31 December 2021 due to (1) 6 month 2022 net income of Baht 100.34 million and (2) annual dividend payment of 2021 of Baht 25.00 million.

The board of directors meeting 5/65 on 15 August 2022 has declared an interim dividend payment of Baht 0.27 per share or a total of Baht 43.20 million which will affect the shareholders' equity by reducing the unappropriated retained earnings to be Baht 100.62 million after the dividend payment.

The board of directors meeting 6/65 on 28 September 2022 has declared an interim dividend payment of Baht 0.53 per share or a total of Baht 85.00 million which will affect the shareholders' equity by reducing the unappropriated retained earnings to be Baht 15.62 million after the dividend payment.

It is informed for your kind acknowledgement.



Yours truly,

Dr. Apiruj Thongwattana

Chief Executive Officer

Authorized Persons to Disclose Information