

November 11, 2022

Subject: Management's Discussion and Analysis of the consolidated financial statements for the third quarter ("3Q22") and nine-month period ended 30 September 2022

To: Directors and Managers
The Stock Exchange of Thailand

Operating Result Overview

Operating result for this year was in line with the COVID-19 situation. During the beginning of the year, the COVID-19 cases were still high, easily infected but with mild symptoms, resulting in high numbers of medical care and treatments provided to the COVID-19 patients, supported by the government policy. The COVID-19 situation began to unravel and improved in the middle of the year. As a result, the government declared COVID-19 endemic and cancelled the medical treatment payment to hospitals by the beginning of 3Q22, leading to a significant decrease in this revenue.

Meanwhile, with overall situation returning to normal, general patients (both Thai and International patients) returned to receive the medical treatments and services. As a result, the revenue from general patients increased and the operating result for the 3Q22 has continued to grow.

Management's discussion and analysis of financial statement for 3Q22 ended 30 September 2022

Chularat Hospital Public Company Limited ("the Company") reported the operating performance for the 3Q22 as follows:

Statement of comprehensive income	3Q22	3Q21	Increase (Decrease)	Change (%)
Unit : Million Baht				
Revenues from hospital operations	2,026	4,390	(2,364)	(54%)
Other revenues	74	68	6	9%
Total revenues	2,100	4,458	(2,358)	(53%)
Cost of hospital operations	1,480	2,159	(679)	(31%)
Administrative expenses	253	338	(85)	(25%)
Net profit of the Company	258	1,563	(1,305)	(83%)
<i>Earnings per share (Baht/share)</i>	<i>0.0235</i>	<i>0.1421</i>		
<i>Gross Profit Margin (%)</i>	<i>26.95%</i>	<i>50.82%</i>		
<i>Net Profit Margin (%)</i>	<i>12%</i>	<i>35%</i>		

The Company's net profit was Baht 258 million for 3Q22, decreasing by Baht 1,305 million, or 83% compared to 3Q21. Overview of operating results was discussed as below.

Revenues from hospital operations

In 3Q22, the Company has revenues from hospital operations of Baht 2,026 million, decreasing by Baht 2,364 million, or 54% YoY.

Revenue from general patients in 3Q22 increased by 19% YoY. The revenue from outpatients (OPD) increased by Baht 136.33 million and inpatients (IPD) increased by Baht 76.56 million mainly from various revenue centers, including the service expansion, whereas the revenue from COVID-19 related revenues (Vaccination and Treatment) significantly dropped.

Revenue from Social Security scheme in 3Q22 increased by 54% YoY driven by the increased number of the registered member and the return of inpatients with High Cost Care (Adj.RW \geq 2).

Revenue from other governmental scheme in 3Q22 decreased by 95% YoY mainly from the changes in government policy regarding the payment for COVID-19 patient care (Reduction and Cancellation), including a significant decrease in COVID-19 cases compared to the previous year.

Other revenue in 3Q22 increased by Baht 6 million from management services providing to government hospitals.

Unit: Million Baht	3Q22	3Q21	Increase (Decrease)	Change (%)
Revenue from general patients	1,311.65	1,098.76	212.89	19%
Revenue from outpatients (OPD)	697.11	560.78	136.33	24%
Revenue from inpatients (IPD)	614.54	537.98	76.56	14%
Revenue from government welfare programs	714.66	3,291.73	(2,577.07)	(78%)
Social security schemes	565.06	367.06	198.00	54%
Other governmental schemes	149.60	2,924.67	(2,775.07)	(95%)
Total revenue from hospital operations	2,026.31	4,390.49	(2,364.18)	(54%)

Operation costs

In 3Q22, the Company's gross profit margin decreased from 50.82% to 26.95%, resulting in net profit margin decreased from 35% to 12% YoY from a decrease in COVID-19 related revenue, leading to normal gross profit margin and net profit margin. The Company has continued to have an effective cost management and cost control measures.

The Company's net profit in 3Q22 was Baht 258 million, decreasing by Baht 1,305 million, or 83% YoY, in accordance with the decreasing operating results and aforementioned reasons.

Management's discussion and analysis of financial statement for the nine-month period ended 30 September 2022

Chularat Hospital Public Company Limited ("the Company") reported the operating performance for the 9M22 as follows:

Statement of comprehensive income	9M22	9M21	Increase (Decrease)	Change (%)
Unit : Million Baht				
Revenues from hospital operations	8,382	7,876	506	6%
Other revenues	209	189	20	11%
Total revenues	8,591	8,065	526	7%
Cost of hospital operations	4,679	4,359	320	7%
Administrative expenses	680	704	(24)	(3%)
Net profit of the Company	2,493	2,391	102	4%
<i>Earnings per share (Baht/share)</i>	<i>0.2266</i>	<i>0.2174</i>		
<i>Gross Profit Margin (%)</i>	<i>44.18%</i>	<i>44.65%</i>		
<i>Net Profit Margin (%)</i>	<i>29%</i>	<i>30%</i>		

The Company's net profit was Baht 2,493 million for 9M22, increasing by Baht 102 million, or 4% compared to 9M21. Overview of operating results was discussed as below.

Revenues from hospital operations

In 9M22, the Company has revenues from hospital operations of Baht 8,382 million, increasing by Baht 506 million, or 6% YoY.

Revenue from general patients in 9M22 increased by 38% YoY. The revenue from outpatients (OPD) increased by Baht 627.51 million and inpatients (IPD) increased by Baht 499.24 million mainly driven by the COVID-19 related revenue, alternative vaccination and the return of general patients (Both Thai and International patients).

Revenue from Social Security scheme in 9M22 increased by 21% YoY driven by the increased number of the registered member and the return of inpatients with High Cost Care (Adj.RW_≥2).

Revenue from other governmental scheme in 9M22 decreased by 24% YoY mainly due to the decreased revenue from the COVID-19 related services and the changes in government policy (Payment for COVID-19 patient care.)

Other revenue in 9M22 increased by Baht 20 million from management services providing to government hospitals.

Unit: Million Baht	9M22	9M21	Increase (Decrease)	Change (%)
Revenue from general patients	4,071.83	2,945.08	1,126.75	38%
Revenue from outpatients (OPD)	2,250.69	1,623.18	627.51	39%
Revenue from inpatients (IPD)	1,821.14	1,321.90	499.24	38%
Revenue from government welfare programs	4,310.36	4,931.21	(620.85)	(13%)
Social security schemes	1,522.64	1,255.59	267.05	21%
Other governmental schemes	2,787.72	3,675.62	(887.90)	(24%)
Total revenue from hospital operations	8,382.19	7,876.29	505.90	6%

Operation costs

In 9M22, the Company's gross profit margin decreased from 44.65% to 44.18%, resulting in net profit margin decreased from 30% to 29% YoY. Expenses in hospital operations (doctor fee, medicines, medical supplies, etc.) increased in line with an increased revenue. However, the reason for the decrease in gross profit margin and net profit margin is due to the decreased revenue for COVID-19 patient care.

The Company's net profit in 9M22 was Baht 2,493 million, increasing by Baht 102 million, or 4% YoY, in accordance with the increasing operating results and aforementioned reasons.

Statement of financial position	30 September	31 December	Increase	Change
Unit : Million Baht	2022	2021	(Decrease)	(%)
Total assets	10,741	10,550	191	1.8%
Total liabilities	3,146	2,709	437	16.1%
Shareholders' equity	7,595	7,841	(246)	(3.1%)
Debt to equity ratio (x)	0.41	0.35		

As of September 30, 2022, the Company has **total assets** of Baht 10,741 million, increased by Baht 191 million from December 31, 2021, primarily due to

- Cash and cash equivalent decreased by Baht 1,043 million from the Company's operation, as reported in the cash flow statement.
- Trade and other receivables increased by Baht 85 million; accrued medical treatment income increased by Baht 1,324 million from the increased revenue and the payment schedule.
- Other current assets decreased by Baht 330 million from the receipt of alternative vaccine and the recognized revenue for the expired portion in accordance with the terms of service.
- Property, plant and equipment increased by Baht 172 million from the hospital expansion projects.

Total liabilities amounting to Baht 3,146 million as of September 30, 2022, increasing by Baht 437 million from December 31, 2021, as described below.

- Short-term loans from financial institutions increased by Baht 987 million for liquidity purpose.
- Trade and other payables increased by Baht 102 million.
- Income Tax Payable decreased by Baht 597 million from the corporate tax payment of Y2021 and half year tax payment.
- Long-term loans from financial institutions decreased by Baht 35 million.

Total shareholders' equity amounting to Baht 7,595 million as of September 30, 2022, decreasing by Baht 246 million from December 31, 2021 is in line with the net profit and dividend policy of the Company.

Debt to equity ratio (DE Ratio) is 0.41, which reflects the ability to loan from financial institution for business expansion and in line with the Company's strategy.

Cash flow statement			
Unit : Million Baht	9M22	9M21	Change
Net cash from operating activities	1,297	1076	221
Net cash used in investing activities	(485)	(248)	(237)
Net cash used in financing activities	(1,855)	(588)	(1,267)
Net increase in cash and cash equivalents	(1,043)	240	(1,283)
Cash and cash equivalents at beginning of period	2,790	548	2,242
Cash and cash equivalents at end of period	1,747	788	959

In 9M22, the Company's Net cash from operating activities amounting to Baht 1,297 million, increased by Baht 221 million YoY, mainly due to the operating profit from the Company's operation. Net cash used in investing activities increased by Baht 237 million from the construction expenses according to the expansion plan. Net cash used in financing activities amounting to Baht 1,855 million YoY, from the dividend payment.

Please be informed accordingly.

Yours faithfully,

(Mr.Kumpol Plussind)
Chief Executive Officer