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RE: Management Discussion and Analysis for Q2 2023

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 2023, ended 30 June 2023, compare with same quarter of the Year 2022 as follows.

#### Major developments in Q2 2023

The Company continued to expand its hospitals and healthcare businesses in accordance with the plan. On 1 April 2023, Pitsanuloke Medical Company Limited, a subsidiary of the Company, accepted the transfer of the entire business (Entire Business Transfer) of Phitsanulok Ruamphat Hospital Company Limited ("RP") RP has 100 registered beds and located nearby Pitsanuvej Hospital, a tertiary-level hospital under Principal Healthcare Group. Entering into this transaction, it enhances the service capacity and competitiveness. It is the 14<sup>th</sup> hospital in the group and started to recognize revenue in Q2 2023.

In terms of quality and service standards, hospitals in the group have been certified to international standards and received quality awards in Q2 2023. For Example, Princ Hospital Suvarnabhumi was certified for quality of medical care and service with international standards by Joint Commission International (JCI) and received the Secondary Hospital Award of the Year Thailand at the Healthcare Asian Award 2023 in Singapore. Pitsanuvej Hospital also won the CSSA Award for Tertiary Care Center of Excellence (COE) Gold "Excellence" from the Central Sterilizing Services Association of Thailand.

The expansion of specialized medical centers and treatment of complex diseases in Q2 2023 is in line with the plan and has been adjusted to meet the growing demand for medical services in each area. Which are (1) Princ Hospital Paknampho in Nakhon Sawan province offers total knee replacement surgery, varicose vein treatment with radiofrequency ablation, tubal ligation reversal surgery, and a PEWDEE Skin & Aesthetic Clinic. (2) Princ Hospital Lamphun and Sirivej Lamphun Hospital offer knee replacement surgery, cataract surgery, arteriovenous fistula (AVF) surgery (3) Princ Hospital Suvarnabhumi in Samut Prakan Province offers open heart surgery, coronary angiography (CAG), endoscopic spine decompression with discectomy, Online Hemodiafiltration (OL-HDF), and stereotactic brain tumor craniotomy. Princ Hospital

Suvarnabhumi also expanded partnerships to enhance medical services, especially in specialized dentistry, by partnering with Thonglor Dental Hospital Co.,Ltd. (TDH Dental) to open a comprehensive dental department on July 24, 2023, at 2nd Floor, Princ Suvarnabhumi Hospital.

In addition, the company also operates on the Klai Baan Klai Jai Clinic (KBKJ) which is the clinic under the network of Thai Universal Health Coverage Scheme (UHC). As in Q2 2023, KBKJ clinic has total of 37 branches located in Bangkok and the metropolitan area of Bangkok. KBKJ clinic coordinates with the network alliance company Pharmcare for arranging telemedicine, connecting patients with physicians using VDO call and the service could be reimbursed by Thai Universal Health Coverage Scheme (UHC). KBKJ also expands the customer base to patients who holding insurance via Third Party Administration (TPA), which allowing patients using health insurance could attend the clinic without advancing any payments in total of 69 insurance holder companies.

#### Economic and Industry Conditions Affecting Operations, Policies, Strategies, and Business Decisions

In Q2 2023, the COVID-19 situation returned to near-normal levels, resulting in a significant decrease in revenue from hospitals related to COVID-19. Meanwhile, revenue from non-COVID-19 related businesses increased due to the recovery of demand for healthcare spending that was interrupted during the COVID-19 pandemic, both from domestic and international patients. The reopening of the country has led to an increase in revenue from international patients who still have confidence in the quality of care, cost of treatment, and cost of living in Thailand compared to neighboring countries. Domestic demand for healthcare services is also growing steadily due to a lifestyle that is more prone to disease, the aging society, and the spread of new diseases. The company's hospital group is preparing to open specialized medical centers in various fields, such as Princ Hospital Suvarnabhumi, which plans to serve tertiary-level patients. The hospital will open a heart center, cancer center, brain and nervous system center, minor surgery center, and chronic disease center for elderly care. The hospital will also renovate its premium patient rooms to accommodate patients with high purchasing power.

In Q2 2023, the hotel business is expected to recover more significantly. The easing of COVID-19 control measures has led to a significant increase in the number of foreign tourists, especially from Malaysia, Russia, and India. However, the hotel business overview in 2023 is still facing challenges from the uncertain tourist market due to the global recession, inflation, rising interest rates, and geopolitical tensions. These factors will have an impact on both the cost of goods and energy prices. The company plans to increase occupancy rates by adjusting room rates to match tourist demand and increasing the number of events, activities, and conferences. The company expects to return to revenue levels similar to 2019 (pre-COVID-19) in 2023.

Summary of the operating performance results for Q2 2023 and six-month period ended Q2 2023

Consolidated Unit: THB million	Q2		Change	For the six-month period ended Q2		Change
	2023	2022	%	2023	2022	%
Revenues from healthcare services	1,146.7	1,646.4	-30.4	2,215.9	3,633.3	-39.0
Revenues from sales and services	138.3	104.9	31.9	279.4	203.2	37.5
Costs of healthcare services	(1,009.1)	(1,133.5)	11.0	(1,925.3)	(2,366.6)	18.6
Costs of sales and services	(84.3)	(64.9)	-29.8	(166.6)	(127.4)	-30.7
<b>Gross profit</b>	<b>191.6</b>	<b>552.9</b>	<b>-65.3</b>	<b>403.4</b>	<b>1,342.4</b>	<b>-69.9</b>
Other income	22.5	12.6	77.8	40.1	82.5	-51.4
Selling expenses	(26.0)	(18.3)	-42.4	(58.5)	(33.5)	-74.5
Administrative expenses	(510.0)	(306.7)	-66.3	(806.7)	(567.6)	-42.1
Other expenses	(5.5)	(3.4)	-64.5	(11.0)	(7.3)	-50.2
Finance costs	(56.0)	(39.9)	-40.5	(103.9)	(77.4)	-34.4
Share of loss of an associate	(0.1)	(0.0)	-252.8	(0.1)	(0.1)	-27.6
<b>Profit (loss) before income tax expense</b>	<b>(383.6)</b>	<b>197.3</b>	<b>-294.5</b>	<b>(536.8)</b>	<b>739.0</b>	<b>-172.6</b>
Income tax expense	(2.0)	(31.7)	93.6	(5.8)	(116.9)	95.1
<b>Profit (loss) for the period</b>	<b>(385.7)</b>	<b>165.5</b>	<b>-333.0</b>	<b>(542.5)</b>	<b>622.1</b>	<b>-187.2</b>
Other comprehensive income for the period, net of tax	-	-	-	2.6	-	n/a
<b>Total comprehensive income (expense) for the period</b>	<b>(385.7)</b>	<b>165.5</b>	<b>-333.0</b>	<b>(540.0)</b>	<b>622.1</b>	<b>-186.8</b>
<b>Profit (loss) attributable to:</b>						
Owner of the parent	(374.4)	134.8	-377.7	(514.9)	555.7	-192.7
<b>Total comprehensive income (expense) attributable to:</b>						
Owner of the parent	(374.4)	134.8	-377.7	(512.4)	555.7	-192.2

In Q2 2023, Total revenues from the Company and its subsidiaries were THB 1,285.0 million, a decrease of 26.6%, mainly due to as followings;

- Revenues from Healthcare Services business were THB 1,146.7 million, a decrease of 30.4% from;
  - Existing Hospitals decreased by THB 535.9 million (34.1%) due to the drop-in revenues related to COVID-19, while revenues not related to COVID-19 higher from all hospitals as well in all hospitals, an increase of 37.4%, from both the former medical centers and the specialized medical centers that are newly opened in each hospital. In addition, the northeastern region hospitals had patients from neighboring countries returning for treatment increase 548.8%

- New Hospitals are Princ Hospital Sakon Nakhon, which opened in January 2023 and Ruamphat Phitsanulok Hospital, which received the entire business transfer in April 2023, had a total revenue of THB 54.5 million.
- Clinics and other healthcare related businesses namely (a) Klai Baan Klai Jai Clinic had revenue of THB 18.6 million, a decrease of THB 17.8 million (48.9%) over the same quarter of 2022, due to the drop-in revenues related to COVID-19 and Home Isolation, also changes in the law on the disbursement of government and (b) Pewdee Clinic had revenue of THB 37.6 million, closed to the same quarter last year.
- Revenues from Property development and rental business were THB 138.3 million, an increase of 31.9% from;
  - The Marriott Executive Apartment Sathorn Vista – Bangkok, had a revenue increased by THB 22.7 million (64.3%). From the occupancy rate, which was increase from 65.0 in Q2 2022 to 80.9% and from the increase in average daily rate (ADR) from THB 3,330 to THB 4,416, due to the tourists return following the easing of COVID-19 restrictions
  - The Somerset Ekamai Bangkok, had a revenue increased by THB 10.4 million (24.5%). From the occupancy Rate, which was increase from 73.6% in Q2 2022 to 82.8%, due to the long-term customer (Service Apartment) and short stay customers.
  - Bangkok Business Center office building, had a revenue increased by THB 0.6 million (2.2%). The slow growth rate is a result of changing the work trends of many companies, affect the demand for office rental slowed down. However, the Company have changed the policy and improving various building systems to accommodate the needs of tenants such as changing the parking system, etc.

Gross profit from the Company and its subsidiaries were THB 191.6 million, a decrease of 65.3%, mainly due to the decrease of revenue from Healthcare Services business, while some fixed costs which are disproportionate such as the cost of employee and the cost of doctor's fees together with the cost of energy which increased considerably. While the gross profit from Property development and rental business increased due to an increase in revenue and able to control costs better as well.

Selling and administrative expenses were THB 536.1 million, an increase of 64.9%, mainly due to the Company and its subsidiaries have recognized loss from allowance for expected credit loss for trade receivables from the National Health Security Office of COVID-19 in the amount of THB 197.8 million because the management considers that such receivables significantly increase credit risk, (This is a one-time item) as well as, personnel expenses, marketing expenses, utility bills and operating expenses of the Healthcare



Services business are still high. The Property development and rental business also had expenses increased due to the personnel expenses, marketing expenses, operating expenses as well.

Finance cost were THB 56.0 million, an increase of 40.5% due to an increase in loans from financial institutions. In addition, the Minimum Loan Rate (MLR) of financial institutions has increased over the same quarter last year. As a result of the mentioned above, a Loss in Q2 2023 was THB 385.7 million, of which the loss attributable to owners of the parent company was THB 374.4 million.

For the results of the six-month period ended 30 June 2023, Total revenues from the Company and its subsidiaries were THB 2,495.3 million, a decrease of 35.0% over the same period of 2022, mainly due to the drop-in revenues related to COVID-19. Gross profit was THB 403.4 million. Selling and administrative expenses were THB 865.2 million. Finance cost was THB 103.9 million. Resulting in loss for the six-month period of THB 540.0 million (excluding non-recurring items loss for the period of THB 342.2 million)

From the foregoing it can be seen that, in first half of 2023, the decrease in revenues from COVID-19, the costs which are disproportionate and the continuously increase in energy costs and loan interest rates. Moreover, in Q2, there was one-time expense of THB 197.8 million. As a result, the Company's and its subsidiaries operating results was in deficit. The Company expects that in the second half of 2023, the operating results will improve from the specialized medical centers, business expansion in both the hospital and related to the Healthcare Services business; furthermore, the Company has a policy and plan to control costs and expenses to be at a reasonable level.

#### Statement of Financial Position

Consolidated	Unit:	30	June	31	December	Increase	Change
THB million		2023		2022		(decrease)	%
Total assets		17,333.2		17,777.4		(444.2)	-2.5
Total liabilities		7,555.6		7,456.4		99.1	1.3
Equity attributable to owners of the parent		8,992.7		9,505.1		(512.5)	-5.4
Debt to Equity Ratio (times)		0.84		0.78			

As of 30 June 2023, the Company and its subsidiaries had Total assets of THB 17,333.2 million, a decrease of THB 444.2 million from 31 December 2022 resulting from;

- Financial assets measured at fair value through profit or loss decrease by THB 552.0 million from selling short-term investments in mutual funds that waiting to be paid for business operations.
- Trade receivables and other receivables decrease by THB 521.5 million due to the decrease of trade receivables by THB 321.9 million and the recognized loss from allowance for expected credit loss for trade receivables from the National Health Security Office of COVID-19 in the amount of THB 197.8 million, while
- Non-current assets increased by THB 523.3 million from assets received from acquisition of a subsidiary on purchase price allocation process of Ruamphat Phitsanulok Hospital in the amounting of THB 504.7 million.

As of 30 June 2023, the Company and its subsidiaries had Total liabilities THB 7,555.6 million, an increase of THB 99.1 million from 31 December 2022 resulting from;

- Borrowings from financial institutions increased by THB 177.9 million due to the increase in drawdown of subsidiaries for investment.
- Lease liabilities increased by THB 16.6 million from the purchase of medical equipment and tools.

The debt-to-equity (D/E) ratio stood at 0.84, an increase from 0.78 as of 31 December 2022, due to the borrowings from financial institutions and increased lease liabilities. While the shareholders' equity decreased from the losses incurred during the period.

For your kind acknowledgement.

Yours respectfully.

- Signature -

(Krittavith Lertutsahakul, M.D.)

Managing Director