

August 11, 2023

Subject: Management's Discussion and Analysis of the consolidated financial statements for the second quarter ("2Q23") and six-month period ended 30 June 2023

To: Directors and Managers
The Stock Exchange of Thailand

Operating Result Overview

The Company's operating result for 2Q23 continues to grow as planned. The Company has opened Chularat Mae Sot Hospital in Mae Sot District, Tak province, with 59 IPD beds (1st Phase) in late 2Q23. In addition, the Company has acquired Good Estate Co.,Ltd to provide the medical services and support to stroke patients after surgery, post-surgery patients and short-term and long-term elderly care.

The Company's revenue from hospital operations in 2Q23 decreased YoY mainly due to a significant decrease in COVID-19 related revenues. However, revenue from normal hospital operation continues to grow driven by the medical service expansion and medical treatment potential (High Intensity Care), including the increasing return of Thai and International patients.

Management's discussion and analysis of financial statement for 2Q23 ended 30 June 2023

Chularat Hospital Public Company Limited ("the Company") reported the operating performance for the 2Q23 as follows:

Statement of comprehensive income	2Q23	2Q22	Increase (Decrease)	Change (%)
Unit : Million Baht				
Revenues from hospital operations	1,798.6	2,784.5	(985.9)	(35%)
Other revenues	69.7	68.1	1.6	2%
Total revenues	1,868.3	2,852.6	(984.3)	(35%)
Cost of hospital operations	1,380.5	1,497.0	(116.5)	(8%)
Administrative expenses	221.9	223.1	(1.2)	(1%)
Net profit of the Company	206.0	878.2	(672.2)	(77%)
<i>Earnings per share (Baht/share)</i>	<i>0.0187</i>	<i>0.0798</i>		
<i>Gross Profit Margin (%)</i>	<i>23.24%</i>	<i>46.24%</i>		
<i>Net Profit Margin (%)</i>	<i>11%</i>	<i>31%</i>		

The Company's net profit was Baht 206.0 million for 2Q23, decreasing by Baht 672.2 million, or 77% compared to 2Q22. Overview of operating results was discussed as below.

Revenues from hospital operations

In 2Q23, the Company has revenues from hospital operations of Baht 1,798.6 million, decreasing by Baht 985.9 million, or 35% YoY.

Revenue from general patients in 2Q23 decreased by 8% YoY. The revenue from outpatients (OPD) decreased by Baht 131.5 million and inpatients (IPD) increased by Baht 30 million mainly from a significant decreased revenue from the COVID-19 related services (Screening Service and Alternative Vaccine) and the return of general patients, both Thai and International patients.

Revenue from Social Security scheme in 2Q23 increased by 23% YoY driven by the increased number of the registered member, the increased reimbursement rate for basic payment (Capitation, effective on May 1, 2023) and the return of inpatients with High Cost care (Adj.RW \geq 2).

Revenue from other governmental scheme in 2Q23 decreased by 96% YoY mainly due to a significant decreased revenue from the COVID-19 related services and a decreased COVID-19 medical treatment revenue amounting to Baht 46 million (Actual receipt was less than the accrued amount.).

Other revenue in 2Q23 increased by Baht 1.6 million from management services providing to government hospitals.

Unit: Million Baht	2Q23	2Q22	Increase (Decrease)	Change (%)
Revenue from general patients	1,164.20	1,265.69	(101.49)	(8%)
Revenue from outpatients (OPD)	539.86	671.33	(131.47)	(20%)
Revenue from inpatients (IPD)	624.34	594.36	29.98	5%
Revenue from government welfare programs	634.36	1,518.80	(884.44)	(58%)
Social security schemes	596.21	485.95	110.26	23%
Other governmental schemes	38.15	1,032.85	(994.70)	(96%)
Total revenue from hospital operations	1,798.56	2,784.49	(985.93)	(35%)

Operation costs

In 2Q23, the Company's gross profit margin decreased from 46.24% to 23.24%, resulting in net profit margin decreased from 31% to 11% YoY, mainly due to a significant decreased revenue from the COVID-19 related services, a revenue reduction of Baht 46 million from the difference of the actual and accrued revenue for COVID-19 medical treatment and the opening of a new hospital, leading to an increased operating expense from wages and depreciation.

The Company's net profit 2Q23 was Baht 206.0 million, decreasing by Baht 672.2 million, or 77% YoY, in accordance with the decreasing operating results and aforementioned reasons.

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

June 2023

Chularat Hospital Public Company Limited ("the Company") reported the operating performance for the 6M23 as follows:

Statement of comprehensive income	6M23	6M22	Increase	Change
Unit : Million Baht			(Decrease)	(%)
Revenues from hospital operations	3,514.8	6,355.9	(2,841.1)	(45%)
Other revenues	142.3	135.0	7.3	5%
Total revenues	3,657.1	6,490.9	(2,833.8)	(44%)
Cost of hospital operations	2,656.7	3,199.1	(542.4)	(17%)
Administrative expenses	422.3	427.8	(5.5)	(1%)
Net profit of the Company	446.4	2,234.6	(1,788.2)	(80%)
<i>Earnings per share (Baht/share)</i>	<i>0.0406</i>	<i>0.2031</i>		
<i>Gross Profit Margin (%)</i>	<i>24.41%</i>	<i>49.67%</i>		
<i>Net Profit Margin (%)</i>	<i>12%</i>	<i>34%</i>		

The Company's net profit was Baht 446.4 million for 6M23, decreasing by Baht 1,788.2 million, or 80% compared to 6M22. Overview of operating results was discussed as below.

Revenues from hospital operations

In 6M23, the Company has revenues from hospital operations of Baht 3,514.8 million, decreasing by Baht 2,841.1 million, or 45% YoY.

Revenue from general patients in 6M23 decreased by 18% YoY. The revenue from outpatients (OPD) decreased by Baht 490.3 million and inpatients (IPD) decreased by Baht 1.8 million mainly from a significant decreased revenue from the COVID-19 related services. However, the return of general patients, both Thai and International patients, continues to increase steadily.

Revenue from Social Security scheme in 6M23 increased by 21% YoY driven by the increased number of the registered member, the increased reimbursement rate for basic payment (Capitation, effective on May 1, 2023), the return of inpatients with High Cost care (Adj.RW_≥2) and the adjustment to the accrued medical treatment income of Chronic Disease for 2023.

Revenue from other governmental scheme in 6M23 decreased by 97% YoY mainly due to a significant decreased revenue from the COVID-19 related services and a decreased COVID-19 medical treatment revenue amounting to Baht 46 million (Actual receipt was less than the accrued amount.).

Other revenue in 6M23 increased by Baht 7.3 million from management services providing to government hospitals.

Unit: Million Baht	6M23	6M22	Increase (Decrease)	Change (%)
Revenue from general patients	2,267.99	2,760.17	(492.18)	(18%)
Revenue from outpatients (OPD)	1,063.24	1,553.57	(490.33)	(32%)
Revenue from inpatients (IPD)	1,204.75	1,206.60	(1.85)	0%
Revenue from government welfare programs	1,246.79	3,595.70	(2,348.91)	(65%)
Social security schemes	1,159.60	957.58	202.02	21%
Other governmental schemes	87.19	2,638.12	(2,550.93)	(97%)
Total revenue from hospital operations	3,514.78	6,355.87	(2,841.09)	(45%)

Operation costs

In 6M23, the Company's gross profit margin decreased from 49.67% to 24.41%, resulting in net profit margin decreased from 34% to 12% YoY, mainly due to a significant decreased revenue from the COVID-19 related services and a revenue reduction of Baht 46 million from the difference of the actual and accrued revenue for COVID-19 medical treatment. During the COVID-19 period, the Company has increased its workforce and invested in various medical equipment to support COVID-19 patients. Therefore, after returning to normalcy the Company's operating expenses has increased from both the increased number of employee, the rising human resource expense, and other expenses, including the increased depreciation from investment in assets, resulting in a decreased gross profit margin and net profit margin.

The Company's net profit 6M23 was Baht 446.4 million, decreasing by Baht 1,788.2 million, or 80% YoY, in accordance with the decreasing operating results and aforementioned reasons.

Comparison of the operating performance for the 2Q23 and 2Q19 (Pre-COVID-19)

Statement of comprehensive income	2Q23	2Q19	Increase (Decrease)	Change (%)
Unit : Million Baht				
Revenues from hospital operations	1,798.6	1,178.6	620.0	53%
Other revenues	69.7	7.2	62.5	868%
Total revenues	1,868.3	1,187.0	681.3	57%
Cost of hospital operations	1,380.5	866.1	514.4	59%
Administrative expenses	221.9	165.0	56.9	34%
Net profit of the Company	206.0	122.8	83.2	68%

Compared to 2Q19 (Pre COVID-19), the Company's revenue from hospital operation for the 2Q23 increased by 53% (Revenue from general patients increased by 60%, revenue from Social Security Scheme increased by 63%, whereas the revenue from other governmental scheme (NHSO) decreased by 55%).

Comparison of the operating performance for the 6M23 and 6M19 (Pre-COVID-19)

Statement of comprehensive income	6M23	6M19	Increase (Decrease)	Change (%)
Unit : Million Baht				
Revenues from hospital operations	3,514.8	2,406.9	1,107.9	46%
Other revenues	142.3	10.9	131.4	1206%
Total revenues	3,657.1	2,419.4	1,237.7	51%
Cost of hospital operations	2,656.7	1,719.4	937.3	55%
Administrative expenses	422.3	319.3	103.0	32%
Net profit of the Company	446.4	302.1	144.3	48%

Compared to 6M19 (Pre COVID-19), the Company's revenue from hospital operation for the 6M23 increased by 46% (Revenue from general patients increased by 52%, revenue from Social Security Scheme increased by 54%, whereas the revenue from other governmental scheme (NHSO) decreased by 46%).

Compare to 2Q19 and 6M19, the overall revenue increases for the 2Q23 and 6M23 are mainly driven by the increasing number of patients from the service area expansion, capacity increase and the increasing medical treatment potential (by adding medical personnel with expertise in various fields and modern medical equipment). In addition, the Company has provided hospital management services and operated 3 heart centers at the public hospitals, resulting in customer base expansion and the Company's expertise and reputation.

Statement of financial position	30 June	31 December	Increase	Change
Unit : Million Baht	2023	2022	(Decrease)	(%)
Total assets	10,014	10,280	(266)	(2.6%)
Total liabilities	2,532	2,416	116	4.8%
Shareholders' equity	7,482	7,864	(382)	(4.9%)
Debt to equity ratio (x)	0.34	0.31		

As of June 30, 2023, the Company has **total assets** of Baht 10,014 million, decreased by Baht 266 million from December 31, 2022, primarily due to

- Cash and cash equivalent decreased by Baht 596 million from the Company's operation, as reported in the cash flow statement.
- Trade and other receivables increased by Baht 82 million; accrued medical treatment income decreased by Baht 455 million from the increased revenue and the payment schedule.
- Property, plant and equipment increased by Baht 585 million from the construction projects for expansion and the acquisition of medical equipment.
- Unallocated cost of business acquisition increased by Baht 70 million from the difference between costs of the business acquisition and net value assets from business acquisition.

Total liabilities amounting to Baht 2,532 million as of June 30, 2023, increasing by Baht 116 million from December 31, 2022, as described below.

- Bank overdrafts and short-term loans from financial institutions decreased by Baht 196 million.
- Trade and other payables increased by Baht 118 million.
- Income Tax Payable decreased by Baht 65 from the corporate tax payment of Y2022.
- Long-term loans from unrelated persons and financial institutions increased by Baht 228 million from affiliated companies' loans for business expansion.

Total shareholders' equity amounting to Baht 7,482 million as of June 30, 2023, decreasing by Baht 382 million from December 31, 2022 is in line with the net profit and dividend policy of the Company.

Debt to equity ratio (DE Ratio) is 0.34, which reflects the ability to loan from financial institution for business expansion and in line with the Company's strategy.

Cash flow statement	6M23	6M22	Change
Unit : Million Baht			
Net cash from operating activities	1,034.65	723.13	311.52
Net cash used in investing activities	(724.96)	(279.70)	(445.26)
Net cash used in financing activities	(905.56)	(1,951.57)	1,046.01
Net decrease in cash and cash equivalents	(595.87)	(1,508.14)	912.27
Cash and cash equivalents at beginning of period	2,000.74	2,789.67	(788.93)
Cash and cash equivalents at end of period	1,404.87	1,281.43	123.44

In 6M23, the Company's Net cash from operating activities amounting to Baht 1,034.65 million, from the operating profit and the receipt of accrued medical treatment income. Net cash used in investing activities increased by Baht 445.26 million from the acquisition and construction of new hospitals according to the expansion plan. Net cash used in financing activities amounting to Baht 905.56 million YoY, from the payment of short-term and long-term loans, including the dividend payment.

Please be informed accordingly.

Yours faithfully,

(Mr.Kumpol Plussind)

Chief Executive Officer