

## Business overview

Safe Fertility Group Public Company Limited (“SAFE” or “the Company”) was established in 2009 by Dr. Wiwat Quangkananurug and family with a registered capital of 1,000,000 baht, divided into 10,000 ordinary shares with a par value of 100 baht per share. The company provides fertility medical center services under the name "Medical Center for Fertility - Safe Fertility Center" with the determination of Dr. Wiwat who is a physician specializing in the treatment of infertility with assisted reproductive technology that will help people who suffer from infertility have children as they wish and complete their families using advanced technology with standards and safety. Dr. Wiwat has experience in infertility services for more than 22 years, both in terms of knowledge and understanding in infertility treatment and services.

At present, the Company has 2 subsidiaries in which the Company holds 99.99% and 80% respectively, namely: (1) Next Generation Genomic Co., Ltd. (NGG) operates a business of genetic diagnosis. embryos and fetuses and various genetics laboratory services and (2) Safe Wellness Co., Ltd. (SWC) operates a skin and aesthetic business. The Company and its subsidiaries will be referred to later as “the Group” by providing services of subsidiaries to support the business of the company, including providing services to customers from leading hospitals and fertility treatment centers in Thailand. However, SWC established on 15 November 2022 and has no commercial income in 2022.

## Performance Analysis

	For the nine-month period ended 30 September		Increase (Decrease)	
	2022	2023	Mil. Baht	%
	(Mil. Baht)	(Mil. Baht)		
Revenue from sales and services	556.65	629.19	72.54	13.03
Cost of sales and services	(248.60)	(279.08)	30.48	12.26
<b>Gross profit</b>	<b>308.05</b>	<b>350.11</b>	<b>42.06</b>	<b>13.66</b>
Other income	1.17	4.52	3.35	286.79
Profit before expenses	309.21	354.63	45.42	14.69
Selling expenses	(27.59)	(38.39)	10.80	39.15
Administrative expenses	(116.45)	(122.77)	6.32	5.42
Reversal of expected credit loss	0.35	(0.81)	(1.16)	(330.72)
Other gain(loss)	0.003	0.001	(0.002)	(58.70)
Net gain (loss) from exchange rate	0.06	(0.005)	(0.07)	(108.44)
<b>Profit before finance costs and income tax</b>	<b>165.59</b>	<b>192.66</b>	<b>27.17</b>	<b>16.35</b>
Finance costs	(2.57)	(2.46)	0.10	(4.03)
Profit before income tax	163.02	190.20	27.17	16.67

	For the nine-month period ended 30 September		Increase (Decrease)	
	2022	2023	Mil. Baht	%
	(Mil. Baht)	(Mil. Baht)		
Income tax	(32.86)	(42.18)	9.32	28.35
<b>Net profit for the period</b>	<b>130.16</b>	<b>148.02</b>	<b>17.86</b>	<b>13.72</b>

#### Revenue from sales and services

The Group has revenue from sales and services for the nine-month period ended 30 September 2023 equal to 629.19 million baht, compared to the same period of 2022 at 556.65 million baht, an increase 72.54 million baht or 13.03%.

The Company's revenue can be classified into 3 main groups as follows: 1) revenue from infertility treatment services 2) revenue from embryo and fetal genetic screening services and 3) revenue from skin and aesthetic business. Revenue from infertility treatment services is the major revenue of the Group.

	Operate By	For the nine-month period ended 30 September		Increase (Decrease)	
		2022	2023	Mil. Baht	%
		(Mil. Baht)	(Mil. Baht)		
Revenue from infertility treatment services	SAFE	473.74	497.96	25.46	5.39
Revenue from embryo and fetal genetic testing services	NGG	82.91	127.92	43.76	52.00
Revenue from skin and aesthetic business	SWC	-	3.31	3.31	100.00
<b>Total revenue from sales and services</b>		<b>556.65</b>	<b>629.19</b>	<b>72.54</b>	<b>13.03</b>
Other income		1.17	4.52	3.35	286.79
<b>Total income</b>		<b>557.82</b>	<b>633.71</b>	<b>75.89</b>	<b>13.60</b>

#### - Revenue from infertility treatment services

For the nine-month period ended 30 September 2023, revenue from infertility treatment services was 497.96 million baht, compared to the same period of 2022 at 473.74 million baht, an increase 25.46 million baht or 5.39% due to increasing of the treatment cycle from foreign customers.

- **Revenue from embryo and fetal genetic testing services**

For the nine-month period ended 30 September 2023, revenue from embryo and fetal genetic testing services was 127.92 million baht, compared to the same period of 2022 at 82.91 million baht, an increase 43.76 million baht or 52.00%, mainly due to the increase in the number of NGS and QualiFi tests. Embryo and fetal genetic testing is a service that is getting more and more popular because it increases the chances of pregnancy and the fertility of the child to be born.

- **Revenue from skin and aesthetic business**

For the nine-month period ended 30 September 2023, revenue from skin and aesthetic business was 3.13 million baht. Safe Wellness Co., Ltd. (SWC) operates a skin and aesthetic business under the brand "The Fountain Wellness Center". The company was registered on 15 November 2022 and has no commercial revenue in 2022.

- **Other income**

For the nine-month period ended 30 September 2023, other income was 4.52 million baht, compared to the same period of 2022 at 1.17 million baht, an increase 3.35 million baht or 286.32%, mainly due to interest income increase and higher interest rate

#### **Cost of sales and services**

The Group's costs of services consist of 6 main groups of expenses: 1) medicine, medical supplies, and medical equipment, 2) doctor fees, 3) employee benefit expenses. 4) depreciation, including depreciation of medical tools and equipment, etc. 5) Medical practice expenses, and 6) Other costs, such as maintenance costs of medical tools and equipment, etc. The cost of services with the greatest proportion is medicines, medical supplies, and medical equipment.

For the nine-month period ended 30 September 2023, the cost of services of the Group was 279.08 million baht, compared costs of services for the same period of 2022 at 248.60 million baht, an increase 30.47 million baht or 12.26%, mainly due to (1) an increase in the cost of medicines, medical supplies and medical equipment of 24.42 million baht, (2) an increase in doctor fees of 4.01 million baht, (3) a decrease in depreciation of 3.12 million baht, (4) an increase in repair and maintenance of 2.29 million baht, and (5) an increase in other expenses of 2.22 million baht

#### **Gross profit and Gross profit margin**

For the nine-month period ended 30 September 2023, the Group had a gross profit of 350.11 million baht, compared to gross profit for the same period in 2022 at 308.04 million baht, an increase of 42.06 million baht or 13.66%, in line with the increase in revenue from services, in particular, revenue from genetic testing services for embryos and fetuses increased significantly. As a result, the group has higher gross profits. Meanwhile, the gross profit margin for the nine-month period ending 30 September 2023 was 55.64%, compared to the same period of 2022 equal to 55.34%, the gross profit margin was relatively stable.

### **Selling expenses**

The Group can divide selling expenses into 4 parts, namely 1) commission fee, 2) employee expenses, 3) advertising and sales promotion expenses, and 4) other distribution costs such as entertainment and promotion expenses. other sales, etc.

For the nine-month period ended 30 September 2023, the Group had selling expenses equal to 38.39 million baht, compared to the same period in 2022 with sales expenses equal to 27.59 million baht, an increase of 10.80 million baht or 39.13% due to an increase in commission 3.14 million baht from the increased number of patients receiving treatment, resulting in higher commissions paid to agents. and advertising and promotion expenses increased by 5.72 million baht from focusing on marketing communications and organizing marketing activities.

### **Administrative expenses**

The Group divided administrative expenses into 5 parts, namely 1) employee and management expenses, 2) depreciation expenses, 3) rental and service expenses, 4) repair and maintenance expenses, and 5) other administrative expenses such as cleaning expenses, signboard tax, bank charge, professional fees, and fines, etc. The main administrative expenses of the Group are employee and management expenses and depreciation.

For the nine-month period ended 30 September 2023, the Group had administrative expenses of 122.77 million baht, compared to the same period in 2022 at 116.45 million baht, an increase of 6.32 million baht or an increase of 5.42%, mainly due to Employee benefit expenses increased by 3.43 million baht, other expenses increased by 4.68 million baht and depreciation decreased by 2.14 million baht.

### **Finance costs**

For the nine-month period ended 30 September 2023, the Group had financial costs of 2.46 million baht, compared the same period of 2022 with financial cost equal 2.56 million baht, a decrease of 0.10 million baht or 4.033%, due to the lease liabilities decreased. As a result, interest expenses decreased.

### **Net profit and Net profit margin**

For the nine-month period ended 30 September 2023, the Group had a net profit of 148.02 million baht, representing a net profit margin of 23.53%, compared the same period of 2022 with net profit of 130.16 million baht and net profit margin 23.38%, an increase of 17.86 million baht at a growth rate of 13.72% due to increased sales and service income. and administrative expenses decreased

## Financial position analysis

	31 December 2022	30 September 2023	Increase (Decrease)	
	(Mil. Baht)	(Mil. Baht)	Mil. Baht	%
Assets	1,412.69	1,364.09	(48.60)	(3.44)
Liabilities	202.45	234.58	32.14	15.87
Equity	1,210.24	1,129.51	80.73	(6.67)

### Assets

The Group has total assets as at 30 September 2023 equal to 1,364.09 million baht, compared as at 31 December 2022 with total assets of 1,412.69 million baht, a decrease 48.60 million baht or 3.44%. The Group's significant assets include cash and cash equivalents, financial assets measured at fair value through profit or loss, building and equipment and right-of-use assets, etc. The details of the changes are as follows.

	31 December 2022	30 September 2023	Increase (Decrease)	
	(Mil. Baht)	(Mil. Baht)	Mil. Baht	%
<b><u>Current assets</u></b>				
Cash and cash equivalents	850.66	756.93	(93.73)	(11.02)
Financial assets measured at fair value through profit or loss	228.47	230.70	2.23	0.97
Trade and other accounts receivable	20.25	30.42	10.17	50.25
Inventories	48.67	67.15	18.49	38.00
<b>Total current assets</b>	<b>1,148.05</b>	<b>1,085.20</b>	<b>(62.84)</b>	<b>(5.47)</b>
<b><u>Non-current assets</u></b>				
Building and equipment (net)	150.46	133.26	(17.20)	(11.43)
Right-of-use assets (net)	87.13	72.58	(14.54)	(16.69)
Intangible assets (net)	-	47.60	47.60	100.00
Deferred tax assets (net)	7.38	7.28	(0.1)	(1.35)
Other non-current assets	5.63	6.41	0.78	13.86
<b>Total non-current assets</b>	<b>14.04</b>	<b>11.75</b>	<b>(2.29)</b>	<b>(16.33)</b>
<b>Total assets</b>	<b>264.64</b>	<b>278.89</b>	<b>14.24</b>	<b>5.38</b>

### - Cash and cash equivalents

Cash and cash equivalents of the Group consist of cash and cash deposits. As at 30 September 2023, the Group had cash and cash equivalents in the amount of 756.93 million baht, compared to at the end of 2022 which cash

and cash equivalents equal to 850.66 million baht, a decrease of 93.73 million baht or 11.02%. The changes in cash and cash equivalents are mainly due to increases or decreases in the Group's net cash flows from or uses in operating, investing, and financing activities. (Please consider additional information in the section cash flow analysis)

- **Financial assets measured at fair value through profit or loss**

As at 30 September 2023, the Group had financial assets measured at fair value through profit or loss in the amount of 230.70 million baht, compared to the end of 2022 with an amount of 228.47 million baht, an increase of 2.23 million baht or 0.97%, due to fair value is measured through profit or loss. The financial assets invested by the Group are still debt securities

- **Trade and other accounts receivable**

As at 30 September 2023, the Group had trade and other receivables in the amount of 30.42 million baht, compared to the end of 2022 with an amount of 20.25 million baht, an increase of 10.17 million baht or 50.25%, due to prepayment for transaction costs related to share insurance offering to the public and NGG's trade accounts receivable increased from increased sale.

- **Inventories**

As at 30 September 2023, the Group had inventories in amount of 67.15 million baht, compared to the end of 2022 with an amount of 48.67 million baht, an increase of 18.49 million baht, or 38.00%.

- **Building and equipment - net**

Buildings and equipment of the Group mainly consist of buildings, office furnishings, and medical tools and equipment. As at 30 September 2023, the Group had net buildings and equipment in amount of 133.26 million baht, compared to the end of 2022 with an amount of 150.46 million baht, a decrease of 17.20 million baht or 11.43% due to the net of purchasing assets of 14.77 million baht and depreciation during the period of 31.96 million baht. The Group has not made any significant additional investments. As a result, the overall of buildings and equipment - net value decreased according to the accumulated depreciation.

- **Right-of-use assets - net**

As at 30 September 2023, the Group had right-of-use assets - net in amount of 72.58 million baht, compared to the end of 2022 with an amount of 87.13 million baht, a decrease of 14.51 million baht or 16.69% due to the assessment of new lease liabilities and net depreciation of right-of-use assets. The Group has not yet entered into any significant additional lease agreements. As a result, overall, the net right-of-use assets have a decreased value due to accumulated depreciation.

### Liabilities

The Group has total liabilities as at 30 September 2023 equal to 236.16 million baht, compared as at 31 December 2022 with total liabilities of 202.45 million baht, an increase 32.14 million baht or 15.87%. The main liabilities of the Group are trade and other payables, lease liabilities, income tax payable, other current liabilities, employee benefit obligations and provision for decommissioning of fixed assets.

	31 December 2022	30 September 2023	Increase (Decrease)	
	(Mil. Baht)	(Mil. Baht)	Mil. Baht	%
<b><u>Current liabilities</u></b>				
Trade and other accounts payable	66.35	108.94	42.59	64.18
Current portion of lease liabilities	13.78	12.95	(0.83)	(6.00)
Income tax payable	17.69	17.10	(0.59)	(3.36)
Other current liabilities	1.30	2.32	1.02	77.98
<b>Total current liabilities</b>	<b>99.13</b>	<b>141.32</b>	<b>42.18</b>	<b>42.55</b>
<b><u>Non-current liabilities</u></b>				
Lease liabilities (net)	72.54	59.65	(12.90)	(17.78)
Employee benefit obligations	17.48	19.95	2.47	14.12
Provision for decommissioning	13.29	13.67	0.38	2.87
<b>Total non-current liabilities</b>	<b>103.32</b>	<b>93.27</b>	<b>(10.05)</b>	<b>(9.73)</b>
<b>Total liabilities</b>	<b>202.45</b>	<b>234.58</b>	<b>32.14</b>	<b>15.87</b>

#### - Trade and other accounts payable

As at 30 September 2023, the Group had trade and other payables in the amount of 108.94 million baht, compared to the end of 2022 with an amount of 66.35 million baht, an increase of 42.59 million baht, or 64.18%. due to an increase in trade payables from the purchase of NGG's lab solution, which is in line with the income increased

#### - Income tax payable

As at 30 September 2023, the Group has income tax payable in the amount of 17.10 million baht, compared to the end of 2022 with an amount of 17.69 million baht, a decrease of 0.59 million baht, or 3.36%.

#### - Lease liabilities

As at 30 September 2023, the Group had lease liabilities in the amount of 72.60 million baht, compared to the end of 2022 with an amount of 86.32 million baht, a decrease of 13.72 million baht, or 15.90% due to the payment of rent in the nine-month period of 2023

- **Employee benefit obligations**

- As at 30 September 2023, the Group has employee benefits obligations in the amount of 19.95 million baht, compared to the end of 2022 with an amount of 17.48 million baht, an increase of 2.47 million baht, or 14.12%. The employee benefit obligations of the Group comprise retirement benefits and other long-term employee benefits. The Company has obligations for compensation to employees upon retirement under labor law and according to other employee compensation programs. The Company treats this compensation as a defined benefit plan for employees that an independent expert has assessed such obligations based on actuarial principles.

- **Provision for decommissioning**

As at 30 September 2023, the Group has a provision for decommissioning of fixed assets in the amount of 13.67 million baht, compared to the end of 2022 with an amount of 13.29 million baht, an increase of 0.38 million baht, or 2.87%. The provision for the decommissioning of fixed assets is from the estimation of the cost for dismantling the decorations at the end of the lease agreement and not to renew the agreement, or there is a premature termination of the lease to deliver the leased space in its original condition to the lessor Since the Group has entered into a land or building lease agreement for use as a business and decorated for business

### Equity

	31 December 2022	30 September 2023	Increase (Decrease)	
	(Mil. Baht)	(Mil. Baht)	Mil. Baht	%
<b>Equity</b>				
Issued and fully paid-up share capital	225.00	280.00	55.00	24.44
Premium on share capital	920.11	920.11	-	0.00
Discount from business combination under common control	(178.29)	(178.29)	-	0.00
Retained earnings - Appropriated	22.42	30.39	7.91	35.55
Retained earnings - Unappropriated	215.17	72.71	(142.46)	(66.21)
<b>Equity attributable to owners of parent</b>	<b>1,204.41</b>	<b>1,124.93</b>	<b>(79.49)</b>	<b>(6.60)</b>
Non-controlling interests	5.83	4.58	(1.25)	(21.43)
<b>Total equity</b>	<b>1,210.24</b>	<b>1,129.51</b>	<b>(80.73)</b>	<b>(6.67)</b>

As at 30 September 2023, the Group had shareholders' equity in amount of 1,129.51 million baht, compared as at 31 December 2022 with total equity of 1,210,24 million baht, a decrease 80.73 million baht or 6.67%. decreasing from the end of 2022 in the amount of 71.27 million baht or 5.89%, due to 1) net profit for the nine-month period ended 30 September 2023 in the amount of 148.02 million baht and 2) dividend payment in the amount of 255.75 million baht.



**Discount from business combination under common control**

The Extraordinary General Meeting of Shareholders No. 2/2017 held on 29 December 2017 has resolution to approve the purchase of 99.99% of shares in Next Generation Genomic Company Limited (a subsidiary) from the existing shareholders which is same shareholder with the Company. Therefore, it is considered a business combination under the common control. The Company paid for the shares by issuing 29,998 new ordinary shares with a par value of 100 baht per share, totaling 2,999,800 baht and having a value on the payment date of 6,896 baht per share, resulting in a premium on share capital at 6,796 baht per share or equivalent to 203,866,408 baht to existing shareholders of Next Generation Genomic Company Limited.

On 9 January 2018, the book value of the net assets of Next Generation Genomic Company Limited was 28,577,064 baht and the discount from business combination under common control was 178,289,144 baht.

**Liquidity**

	30 September 2022	30 September 2023
	(Mil. Baht)	(Mil. Baht)
Net cash receipts (payment) from operating activities	159.62	178.17
Net cash receipts (payment) from investing activities	54.70	(58.67)
Net cash receipts (payment) from financing activities	(68.92)	(213.24)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>145.40</b>	<b>(93.73)</b>
Cash and cash equivalents – opening balance	667.92	850.66
<b>Cash and cash equivalents – closing balance</b>	<b>813.32</b>	<b>756.93</b>

From changing in cash flows from operating activities, investing activities and financing activities, as at 30 September 2023, the Group had cash and cash equivalents at the end of the year equal to 756.93 million baht with the details of significant changes in cash flows as follows:

**Cash flows from operating activities**

For the nine-month period ending 30 September 2023, the Group had net cash from operating activities of 178.17 million baht. Profit from operating activities before changes in operating assets and liabilities equal to 236.40 million baht. Cash received from operations were other non-current asset of 2.29 million baht, trade payables of 11.54 million baht and other current liabilities 1.02 million baht. While cash used in operations were trade and other receivables of 10.98 million baht and inventory of 18.53 million baht.

### Cash flow from investing activities

For the nine-month period ending 30 September 2023, the Group had net cash outflows used in investing activities of 58.67 million baht, mostly from prepayment for right-of-use asset of 47.60 million baht and purchase of buildings and equipment of 11.72 million baht.

### Cash flow from financing activities

For the nine-month period ending 30 September 2023, the Group had net cash used in financing activities of 213.24 million baht, from repayments for lease liabilities in the amount of 10.39 million baht, Interest paid from lease liabilities in the amount of 2.09 million baht, dividend payment in the amount of 255.75 million baht and Issuance of ordinary shares in the amount of 55 million baht.

## Key financial ratios

### Liquidity Ratios

Financial ratios	Unit	31 December 2022	30 September 2023
Current ratio	times	11.58	7.68
Quick current ratio	times	8.79	7.20
Cash flow ratio	times	2.13	1.48
Trade receivable turnover	times	45.90	24.83
Average Collection Period	days	7.84	10.99
Inventories turnover	times	7.96	4.82
Average Sales (Inventory) Period	days	45.24	56.64
Account receivable turnover	times	5.10	3.18
Average Payment Period	days	70.60	85.85
Cash cycle	days	(17.51)	(18.22)

The Group has current ratios as at 30 June 2023 equal to 7.68 times. The current ratio decreased because cash and cash equivalents decreased from dividend payments. and an increase in other current liabilities

In addition, considering the cash cycle as at 30 June 2023, the Group had a cash cycle of (18.22) days. This was mainly due to an increase in the average debt collection period of 3.15 days, the average sales period increased by 11.40 days, and the average debt payment period increased by 15.25 days. The average of inventories and trade payables increased from NGG's laboratory fluid purchase list.

### Profitability Ratios

Financial ratios	Unit	31 December 2022	30 September 2023
Gross profit margin	%	54.70	55.64
Net profit margin	%	22.26	23.53
Return of equity (ROE)	%	14.03	14.47

Gross profit margin : The Group has a gross profit margin for nine-month period ending 30 September 2023 equal to 55.64% due to an increase in infertile people who came to receive treatment with the Group, especially from foreign customers without travel restrictions. Meanwhile The cost of service increased in a smaller proportion due to cost management measures, resulting profits higher.

Net profit margin : The Group has a gross profit margin for nine-month period ending 30 September 2023 equal to 23.53% due to revenue from sales and services increased. Although sales and administrative expenses increased, the proportion was less than revenue. As a result, the net profit margin increased.

Return on equity : As at 30 September 2023, The Group had return on equity equal to 14.47 %, slightly increased due to increased net profits.

### Efficiency ratios

Financial ratios	Unit	31 December 2022	30 September 2023
Return of assets (ROA)	%	11.94	14.21
Return of fixed assets	%	89.11	94.32
Asset turnover	times	53.64	60.42

Return on assets : As at 30 September 2023, The Group had return on assets equal to 14.21%, increasing from 2022, because the net profit increased.

Return of fixed assets : As at 30 September 2023, The Group had return on fixed assets equal to 94.32%

Asset turnover : As at 30 September 2023, The Group had asset turnover equal to 60.42 times. By the past period, The ratio has changed due to a significant factor, which is the continuously higher change in net profit and the proportion of fixed assets decreased because an additional investment is less than the depreciation in the period.

### Financial Risk Ratios

Financial ratios	Unit	31 December 2022	30 September 2023
Debt to equity	times	0.17	0.21
Dividend payout	%	80.69	110.15

The Group has total debt to equity ratio as at 30 September 2023 equal to 0.21 times which was mainly due to a decrease in shareholders' equity from paying dividends from retained earnings

**Details of Dividend Payment**

- At The Board of Directors' meeting on 11 May 2023, The Board of Directors resolved to approve the dividend payment from the retained earnings at the rate of 1.85 baht per share for 45.00 million shares, totaling 83.25 million baht. The company paid such dividends within May 2023

- At The Board of Directors' meeting on 10 August 2023, The Board of Directors resolved to approve the dividend payment from the retained earnings at the rate of 0.15 baht per share for 280.00 million shares, totaling 42 million baht. The company paid such dividends within August 2023

- At The Board of Directors' meeting on 27 September 2023, The Board of Directors resolved to approve the dividend payment from the retained earnings at the rate of 0.10 baht per share for 280.00 million shares, totaling 28 million baht. The company paid such dividends within October 2023

- At The Board of Directors' meeting on 25 October 2023, The Board of Directors resolved to approve the dividend payment from the retained earnings at the rate of 0.035 baht per share for 280.00 million shares, totaling 9.80 million baht. The company paid such dividends within October 2023