

No. CHG 014/2019

August 13, 2019

Subject: Management's Discussion and Analysis of the consolidated financial statements for the three-month and six-month period ended 30 June 2019

To: Directors and Manager
The Stock Exchange of Thailand

Management's discussion and analysis of financial statement for the three-month period ended 30 June 2019

Chularat Hospital Public Company Limited ("Company") reported operating performance for the 2Q19 as follows:

Statement of comprehensive income Unit : Million Baht	2Q19	2Q18	Increase (decrease)	Change
Revenues from hospital operations	1,178.56	1,039.45	139	13%
Total revenues	1,186.97	1,046.76	140	13%
Cost of hospital operations	866.06	714.86	151	21%
Administrative expenses	164.99	115.74	49	43%
Net profit of the Company	122.82	177.96	(55)	(31%)
<i>Earnings per share (Baht/share)</i>	<i>0.0112</i>	<i>0.0162</i>		
<i>Gross Profit Margin (%)</i>	<i>26.52%</i>	<i>31.23%</i>		
<i>Net Profit Margin (%)</i>	<i>10%</i>	<i>17%</i>		

The Company's net profit of Baht 122.82 million for 2Q19, decreasing by Baht 55 million, or 31%, compared to 2Q18. Overview of operating results was discussed as below.

Growth of revenues from hospital operations

In 2Q19, the Company has revenues from hospital operations of Baht 1,178.56 million, increasing by Baht 139 million, or 13% YoY. This is mainly due to growth in general patients of 12% YoY. The revenue from outpatients (OPD) and inpatients (IPD) increased by Baht 44.67 million and Baht 30.66 million respectively, mainly from expansion of services area to support the increase in patient number.

Revenue from Social Security schemes in 2Q19 increased by 12% YoY. This is due to an increasing number of registered member.

Revenue from other governmental schemes in 2Q19 has increased by 44% YoY. This is due to an increase in patient number and also the government has adjusted the payment rate of National Health Security (NHSO) from Baht 6,000/Adj.RW to Baht 8,050/Adj.RW since October 2018. As a result, the situation and trend of revenues continue to grow.

Unit: Million Baht	2Q19	2Q18	Increase (decrease)	Change
Revenue from general patients	729.02	653.68	75.34	12%
Revenue from outpatients (OPD)	380.27	335.60	44.67	13%
Revenue from inpatients (IPD)	348.75	318.08	30.66	10%
Revenue from government welfare programs	449.54	385.77	63.77	17%
Social security schemes	365.32	327.25	38.07	12%
Other governmental schemes	84.22	58.52	25.70	44%
Total revenue from hospital operations	1,178.55	1,039.45	139.10	13%

Operation costs

In 2Q19, the Company's gross profit margin has decreased from 31.23% to 26.52%, resulting in net profit margin decreasing from 17% to 10% YoY. The main causes are the opening of 2 new hospitals Chularat 304 Inter Hospital and Ruampat Chachoengsao hospital

cannot generate the same profit margin as the existing hospitals during the initial stage, including the record of provision for employee benefits as required by Labor Protection Act.

Management's discussion and analysis of financial statement for the six-month period ended 30 June 2019

Chularat Hospital Public Company Limited ("Company") reported operating performance for the 6M19 as follows:

Statement of comprehensive income Unit : Million Baht	6M19	6M18	Increase (decrease)	Change
Revenues from hospital operations	2,406.91	2,199.17	208	9%
Total revenues	2,419.35	2,131.24	288	14%
Cost of hospital operations	1,719.43	1,426.80	293	21%
Administrative expenses	319.33	245.19	74	30%
Net profit of the Company	302.12	371.44	(69)	(19%)
<i>Earnings per share (Baht/share)</i>	<i>0.0275</i>	<i>0.0338</i>		
<i>Gross Profit Margin (%)</i>	<i>28.56%</i>	<i>35.12%</i>		
<i>Net Profit Margin (%)</i>	<i>12%</i>	<i>17%</i>		

The Company's net profit for 6M19 was Baht 302.12 million for 2Q19, decreasing by Baht 69 million, or 19%, compared to 6M18. Overview of operating results was discussed as below.

Growth of revenues from hospital operations

In 6M19, the Company has revenues from hospital operations of Baht 2,406.91 million, increasing by Baht 208 million, or 9% YoY. This is mainly due to growth in general patients of 14% YoY. The revenue from outpatients (OPD) and inpatients (IPD) increased by Baht 93.67 million and Baht 90.66 million respectively, mainly from expansion of services area to support the increase in patient number.

Revenue from Social Security schemes in 6M19 increased by 9% YoY. This is due to the actual payment from customer complaint and discharge type was over the accrual amount and the increasing number of registered member.

Revenue from other governmental schemes in 6M19 has increased by 33% YoY. This is due to an increase in patient number and also the government has adjusted the payment rate of National Health Security (NHSO) from Baht 6,000/Adj.RW to Baht 8,050/Adj.RW since October 2018. As a result, the situation and trend of revenues continue to grow.

Unit: Million Baht	6M19	6M18	Increase (decrease)	Change
Revenue from general patients	1,492.02	1,307.69	184.33	14%
Revenue from outpatients (OPD)	772.27	678.60	93.67	14%
Revenue from inpatients (IPD)	719.25	629.08	90.66	14%
Revenue from government welfare programs	914.54	811.77	102.77	13%
Social security schemes	754.32	691.25	63.07	9%
Other governmental schemes	160.22	120.52	39.70	33%
Total revenue from hospital operations	2,406.55	2,119.45	287.10	14%

Operation costs

In 6M19, the Company's gross profit margin has decreased from 35.12% to 28.56%, resulting in net profit margin decreasing from 17% to 12% YoY. The main causes are the opening of 2 new hospitals Chularat 304 Inter Hospital and Ruampat Chachoengsao hospital cannot generate the same profit margin as the existing hospitals during the initial stage, including the record of the provision for employee benefits as required by Labor Protection Act.

Statement of financial position	30 June	31 December	Increase	Change
Unit : Million Baht	2019	2018	(decrease)	
Total assets	5,929	5,708	221	4%
Total liabilities	2,238	1,965	273	14%
Shareholders' equity	3,691	3,743	(52)	(2%)
Debt to equity ratio (x)	0.61	0.52		

As of June 30, 2019, the Company has total assets of Baht 5,929 million, increasing by Baht 221 million from December 31, 2018, primarily due to

- Cash and cash equivalent decreased by Baht 36 million from the Company's operation, as reported in the cash flow statement.
- Trade and other receivables increased by Baht 45 million; accrued medical treatment income increases by Baht 122 million, which are in line with the growth of revenue from Social Security Office.
- Property, plant and equipment increased by Baht 66 million from expansion of Chularat 304 Inter hospital and Ruampat Chachoengsao hospital, mainly from construction of building for more services area.

Total liabilities amounting to Baht 2,238 million as of June 30, 2019, increasing by Baht 273 million from December 31, 2018, as described below.

- Short-term loans from financial institutions increased by Baht 150 million.
- Trade and other payables increased by Baht 31 million.
- Income Tax payable increased by Baht 22 million.
- Long-term loans from financial institutions increased by Baht 44 million.
- Provision for long-term employee benefits increased by 19 million.

Total shareholders' equity amounting to Baht 3,691 million as of June 30, 2019, decreasing by Baht 52 million from December 31, 2018 is in line with the net profit and dividend policy of the Company.

Debt to equity ratio (DE Ratio) is 0.61, which reflects the ability to loan from financial institution for expansion of new hospital projects in line with the Company's strategy.

Cash flow statement Unit : Million Baht	6M2019	6M2018	Increase (decrease)
Net cash from (used in) operating activities	331.77	357.71	(26)
Net cash from (used in) investing activities	(229.55)	(304.37)	75
Net cash from (used in) financing activities	(138.52)	32.83	(171)
Net increase (decrease) in cash and cash equivalents	(36.30)	86.17	(122)
Cash and cash equivalents at beginning of period	470.64	414.00	57
Cash and cash equivalents at end of period	434.34	500.17	(66)

In 6M19, the Company's net cash from operating activities amounting to Baht 331.77 million, has decreased by Baht 26 million YoY, in accordance with the operating profit. Net cash used in investing activities amounting to Baht 229.55 million in 6M19 and Baht 304.37 million in 6M18, was decreased from the investment plan and construction of building, including the acquisition of tools and medical instruments. Net cash from financing activities decreased by Baht 171 million YOY, mainly due to long-term loans payment and dividend payment.

Please be informed accordingly.

Yours faithfully,

(Mr.Kumpol Plussind)
Chief Executive Officer