

12 November 2018

Subject Management's Discussion and Analysis of Financial Condition and Results of Operations
For Nine Months Period Ended 30 September 2018

To The President
The Stock Exchange of Thailand

Praram 9 Hospital Public Company Limited (the "**Company**") (the "**Hospital**") would like to report Management's Discussion and Analysis of Financial Condition and Results of Operations for nine months period ended 30 September 2018 as follows

Summary

The Company reported total revenue in 3Q2018 of Baht 716.0 million, a 10.7% increase from 3Q2017 total revenue of Baht 647.0 million. Net profit for 3Q2018 was Baht 87.3 million, a net profit margin of 12.2%, which increase 7.7% from 3Q2017 net profit of Baht 81.1 million, a net profit margin of 12.5%.

For nine months period ended 30 September 2018, the Company reported total revenue of Baht 2,011.3 million, a 13.2% increase from nine months period ended 30 September 2017 of Baht 1,777.6 million. Net profit for nine months period ended 30 September 2018 was Baht 189.9 million, a net profit margin of 9.4%, which increase 6.8% from nine months period ended 30 September 2017 net profit of Baht 177.8 million, a net profit margin of 10.0%.

Income Statement

1. Quarterly Results of Operation

Revenue (Millions of Baht)	Three Months Period Ended 30 September		Change (%)
	2017	2018	
Medical Revenue from Out-patient Department	344.8	388.1	12.5
Medical Revenue from Inpatient Department	294.9	322.7	9.4
Medical Revenue	639.8	710.8	11.1
Other Revenue	7.2	5.2	-27.8
Total Revenue	647.0	716.0	10.7

The Company reported medical revenue in 3Q2018 of Baht 710.8 million, a 11.1% increase from 3Q2017 medical revenue of Baht 639.8 million. The main reasons are the increasing number of visits from out-patients department and admissions from inpatient department, which increased 7.7% and 4.0% respectively. The average out-patient's revenue per visit increased 4.5% from 3Q2017 of Baht 3,302 per visit to Baht 3,452 per visit in 3Q2018. Outpatient revenue 3Q2018 increased 12.5%, in the top four medical centers: Orthopedic Center, Gastrointestinal and liver disease Center, Emergency Center, Skin and cosmetic laser surgery Center. There were an increasing number of foreign patients in Myanmar and Chinese.

Inpatient revenue 3Q2018 increased 9.4%. Number of inpatient increased 4.0%. Revenue per admission increased 5.2% from Baht 87,384 per admission to Baht 91,905 per admission due to increasing of inpatient with complicated diseases such as Kidney Transplantation, Breast cancer surgery and Minimal Invasive Surgery.

Cost of Hospital Operations and Expenses <i>(Millions of Baht)</i>	Three Months Period Ended 30 September		Change
	2017	2018	
Cost of Hospital Operations	433.0	483.6	11.7%
<i>As % of medical revenue</i>	67.7%	68.0%	
Selling and Administrative Expenses	116.7	125.7	7.7%
<i>As % of total revenue</i>	18.0%	17.6%	

The Company reported cost of hospital operations in 3Q2018 of Baht 483.6 million or 68.0% of medical revenue, a 11.7% increase from 3Q2017 cost of hospital operations of Baht 433.0 million or 67.7% of medical revenue. The proportion of revenue increased slightly. This was mainly due to the increase in doctor fee and medical staff expenses as compared with 3Q2017. For 3Q2018, the Company reported selling and administrative expenses of Baht 125.7 million or 17.6% of total revenue, a 7.7% increase from 3Q2017 selling and administrative expenses of Baht 116.7 million or 18.0% of total revenue. The major increase was from selling and administrative. This was due to the increase in sales and administrative expenses and staff welfare compared to the 3Q2017. However, selling and administrative expenses was lower than the increased in total revenue.

EBITDA <i>(Millions of Baht)</i>	Three Months Period Ended 30 September		Change (%)
	2017	2018	
Earnings before interest and tax	97.3	106.6	9.6
Depreciation and Amortization	38.1	39.3	3.1
EBITDA	135.4	145.9	7.8
<i>EBITDA Margin (as % of total revenue)</i>	20.9%	20.4%	

The Company reported 3Q2018 earnings before interest, tax, depreciation and amortization (EBITDA) of Baht 145.9 million or 7.8% EBITDA margin, a 20.4% increase from 3Q2017 EBITDA of Baht 135.4 million or 20.9%. This was due to the higher cost over the slightly increased revenue.

Net Profit <i>(Millions of Baht)</i>	Three Months Period Ended 30 September		Change (%)
	2017	2018	
Earnings before tax	97.3	106.6	9.6%
Income Tax Expenses	16.2	19.3	19.2%
Net Profit	81.1	87.3	7.7%
<i>Net Profit Margin</i>	12.5%	12.2%	
Basic earnings per share (Baht per share)	0.14	0.15	7.7%

Apart from the reported financials aforementioned, the Company reported income tax expenses of Baht 19.3 million in 3Q2018, a 19.2% increase from income tax expenses in 3Q2017 of Baht 16.2 million. The reason for Earnings before income tax increases.

In 3Q2018, the Company reported a net profit of baht 87.3 million or a net profit margin of 12.2%, a 7.7% increase from net profit in 3Q2017 of Baht 81.1 million or a net profit margin of 12.5%. The Company reported a basic

earnings per share of Baht 0.15 per share in 3Q2018, a 7.7% increase from Baht 0.14 per share in 3Q2017, which were both calculated based on weighted average number of ordinary shares of 600,000,000 shares.

2. Nine Months Period Ended 30 September Results of Operation

Revenue (Millions of Baht)	Nine Months Period Ended 30 September		Change (%)
	2017	2018	
Medical Revenue from Out-patient Department	920.1	1,089.8	18.4
Medical Revenue from Inpatient Department	833.6	898.9	7.8
Medical Revenue	1,753.7	1,988.7	13.4
Other Revenue	23.8	22.6	-5.1
Total Revenue	1,777.6	2,011.3	13.2

The Company reported medical revenue during nine months period ended 30 September 2018 of Baht 1,988.7 million, a 13.4% increase from nine months period ended 30 September 2017 medical revenue of Baht 1,753.7 million. This was due to an increase in visitations from out-patients department and admission from inpatient department, which increased 11.7% and 12.8% respectively, almost overall increasing from out-patient of all departments and patients with complicated diseases. The Company out-patients revenue per visit during nine months period ended 30 September 2018 was Baht 3,432 per visit, a 6.0% increase from Baht 3,238 per visit during nine months period ended 30 September 2017. This was mainly due to the epidemic of rotavirus during the first half of 2018 and more complex medical treatments. Nonetheless, revenue per admission of inpatient department was decreased 4.4% from Baht 95,147 per admission during nine months period ended 30 September 2017 to Baht 90,959 per admission during nine months period ended 30 September 2018. This was due to the epidemic of rotavirus which is not a complex disease, and, thus, incurred lower medical bill than other treatments in the past. However, the average the revenue per admission of inpatient was decreased by 4.4% as of 30 September 2018. This was due to number of inpatients increase 12.8% while the total the revenue growth 7.8% from inpatient slightly.

Cost of Hospital Operations and Expenses (Millions of Baht)	Nine Months Period Ended 30 September		Change (%)
	2017	2018	
Cost of Hospital Operations	1,226.9	1,376.9	12.2%
<i>As % of medical revenue</i>	<i>70.0%</i>	<i>69.2%</i>	
Selling and Administrative Expenses	336.2	404.5	20.3%
<i>As % of total revenue</i>	<i>18.9%</i>	<i>20.1%</i>	

The Company reported cost of hospital operations during nine months period ended 30 September 2018 of Baht 1,376.9 million or 69.2% of medical revenue, a 12.2% increase from nine months period ended 30 September 2017 cost of hospital operations of Baht 1,226.9 million or 70.0% of medical revenue. The lower cost of hospital operations as % of medical revenue was mainly due to a decrease in doctor fee, depreciation and more effective cost management initiatives. For nine months period ended 30 September 2018, the Company reported selling and administrative expenses of Baht 404.5 million or 20.1% of total revenue, a 20.3% increase from nine months period ended 30 September 2017 selling and administrative expenses of Baht 336.2 million or 18.9% of total revenue. This was due to high-value expenses; which are, initial financial reporting of founders' benefits which calculated based on actuarial calculation, marketing and

advertisements related to the rebranding toward digital hospital transformation, employee benefits expenses incurred from the accident occurred in January 2018, and allowance for doubtful account. Moreover, there are non-recurring items during nine months period ended 30 September 2018 which included advisory expenses, front-end fee on loan from financial institution, and initial public offering related expenses. The Company reported high-value expenses and non-recurring items during nine months period ended 30 September 2018 of Baht 26.4 million.

EBITDA <i>(Millions of Baht)</i>	Nine Months Period Ended 30 September		Change (%)
	2017	2018	
Earnings before interest and tax	214.5	229.9	7.2%
Depreciation and Amortization	112.5	115.8	3.0%
EBITDA	327.0	345.7	5.7%
<i>EBITDA Margin (as % of total revenue)</i>	<i>18.4%</i>	<i>17.2%</i>	

The Company reported nine months period ended 30 September 2018 earnings before interest, tax, depreciation and amortization (EBITDA) of Baht 345.7 million or 17.2% EBITDA margin, a 5.7% increase from nine months period ended 30 September 2017 EBITDA of Baht 327.0 million or 18.4% EBITDA margin. This was due to an decrease in selling and administrative expenses, with mainly contributed from high-value expenses and non-recurring items.

Net Profit <i>(Millions of Baht)</i>	Nine Months Period Ended 30 September		Change (%)
	2017	2018	
Earnings before tax	214.5	229.9	7.2%
Income Tax Expenses	36.7	40.0	8.9%
Net Profit	177.8	189.9	6.8%
<i>Net Profit Margin</i>	<i>10.0%</i>	<i>9.4%</i>	
Basic earnings per share (Baht per share)	0.30	0.32	6.8%

Apart from the reported financials aforementioned, the Company reported income tax expenses of Baht 40.0 million for nine months period ended 30 September 2018, a 8.9% increase from income tax expenses for nine months period ended 30 September 2017 of Baht 36.7 million.

For nine months period ended 30 September 2018, the Company reported an adjusted net profit¹ of baht 213.9 million, a 20.3% increase from net profit for nine months period ended 30 September 2017 of Baht 177.8 million. The Company reported a basic earnings per share of Baht 0.36 per share for nine months period ended 30 September 2018, a 20.3% increase from Baht 0.30 per share for nine months period ended 30 September 2017, which were both calculated based on weighted average number of ordinary shares of 600,000,000 shares.

¹ Adjusted for Non-recurring items and high-value expenses which included

- (1) Non tax deductible expenses: Allowance for doubtful account of Baht 5.6 million and initial financial reporting of founders' benefits which calculated based on actuarial calculation of Baht 8.5 million.
- (2) Tax deductible expenses: advisory expenses of Baht 6.4 million, front-end fee on loan from financial institution of Baht 2.1 million, and initial public offering related expenses of Baht 3.8 million and initial

The adjustment for nine months period ended 30 September 2018 was Baht 23.9 million

Financial Conditions

Statement of financial position <i>(Millions of Baht)</i>	As of 31 December 2017	As of 30 September 2018	Change (%)
Current assets	878.6	439.4	-50.0%
Non-current assets	1,978.0	2,259.3	14.2%
Total assets	2,856.6	2,698.7	-5.5%
Current liabilities	654.5	793.1	21.2%
Non-current liabilities	107.0	126.5	18.2%
Total liabilities	761.6	919.6	20.7%
Total shareholders' equity	2,095.0	1,779.1	-15.1%
Total liabilities and shareholders' equity	2,856.6	2,698.7	-5.5%

1. Assets

As of 30 September 2018, the Company reported current assets of Baht 439.4 million, a 50.0% decrease from Baht 878.6 million as of 31 December 2017. This was mainly due to the sale of current investments for the Company's liquidity management and payment for new building construction of Baht 453.1 million. Moreover, there was a decrease in trade and other receivables of Baht 5.8 million. As of 30 September 2018, the Company reported trade receivables of Baht 123.3 million, a 3.1% decrease from Baht 127.2 million as of 31 December 2017. This was resulted from an average collection period from 21.7 days as of 31 December 2017 to 18.2 days as of 30 September 2018, due to a more efficiency in receivables collection.

As of 30 September 2018 the Company reported non-current assets of Baht 2,259.3 million, a 14.2% increase from Baht 1,978.0 million as of 31 December 2017. This was mainly due to an increase in land for nurse condo and assets under installation and construction in progress.

2. Liabilities

As of 30 September 2018, the Company reported current liabilities of Baht 793.1 million, a 21.2% increase from Baht 654.5 million as of 31 December 2017. This was mainly due to an increase in other payables from guarantees, nurse condo's land purchase payable and purchase of new building fixed assets.

As of 30 September 2018, the Company reported non-current liabilities of Baht 126.5 million, a 18.2% increase from Baht 107.0 million as of 31 December 2017. This was mainly due to an increase in provision for long-term employee benefits for founders and employees which were calculated by actuarial.

3. Shareholders' equity

As of 30 September 2018, the Company reported shareholders' equity of Baht 1,779.1 million, a 15.1% decrease from Baht 2,095.0 million as of 31 December 2017. This was mainly due to the announced dividend payment from the Company's retained earnings of Baht 504.0 million and increase net profit of Baht 189.9 million.

In 2018, the Company restructured its shareholders' equity as part of listing in the Stock Exchange of Thailand preparation. The annual general meeting in 2018 as of 28 March 2018 approved the restructuring plan as follow:

- (1) a change in the par value of ordinary shares from Baht 100 per share to Baht 1 per share, such that the Company's ordinary shares increased from 6,000,000 shares to 600,000,000 shares.
- (2) an increase in the Company's registered share capital, from Baht 600 million to Baht 800 million as part of listing in the Stock Exchange of Thailand preparation and initial public offering.

Key Financial Ratio	For the year 2017	For nine month period ended 30 September 2018
Liquidity Ratio		
Current ratio	1.3	0.6
Average collection period	21.7	18.2
Average days sales of inventory	8.7	8.0
Average account payables days	23.3	21.5
Cash cycle	7.1	4.8
Profitability Ratio		
Gross profit margin	30.6	30.8
Net profit margin	10.7	9.4
Return on average shareholders' equity	13.2	14.5
Return on average assets	10.2	10.5
Financial Policy Ratio		
Debt to equity ratio	0.4	0.5
Interest bearing debt to equity ratio	-	-

Cash flow statement

Cash flow statement (Millions of Baht)	Nine Months Period Ended 30 September	
	2017	2018
Cash flows from (used in) operating activities	379.6	366.7
Cash flows from (used in) investing activities	(258.6)	164.2
Cash flows from (used in) financing activities	(48.0)	(505.1)
Net increase (decrease) in cash and cash equivalents	73.0	25.8

For nine months period ended 30 September 2018, the Company reported cash flows from operating activities of Baht 366.7 million, a 12.9% increase from Baht 379.6 million for nine months period ended 30 September 2017. This was mainly due to a increase in trade and other receivables, and decrease in trade and other payables.

For nine months period ended 30 September 2018, the Company reported cash flows from investing activities of Baht 164.2 million, a Baht 422.8 million increase from cash flows used in investing activities of Baht 258.6 million for nine months period ended 30 September 2017. This was mainly due to the sale of current investments which included investment in bonds and short-term mutual fund.

For nine months period ended 30 September 2018, the Company reported cash flows used in financing activities of Baht 505.1 million, a Baht m 457.1 million increase from cash flows used in financing activities of Baht 48.0 million for nine months period ended 30 September 2017. This was mainly due to the dividend payment during the period.

Please be informed accordingly,

Yours sincerely,

Praram 9 Hospital Public Company Limited

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M.D. Satian Pooprasert

Managing Director