

13 August 2019

Subject Management's Discussion and Analysis of Financial Condition and Results of Operations
For Six Months Period Ended 30 June 2019

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 six months period ended 30 June 2019 as follows:-

Summary

The Company earned total revenue in 2Q2019 of Baht 679.8 million, increased by 5.9% from 2Q2018 which earned total revenue of Baht 642.0 million. Net profit for 2Q2019 was Baht 35.7 million or 5.2% net profit margin, decreased by 29.2% as compared to the same period of last year which incurred net profit of Baht 50.4 million, or 7.8% net profit margin.

For six months period ended 30 June 2019, the Company earned total revenue of Baht 1,384.1 million, increased by 6.9% as compared to the same period of last year which earned total revenue of Baht 1,295.3 million. Net profit for six months period ended 30 June 2019 was Baht 121.8 million, or 8.8% net profit margin, increased by 18.7% as compared to the same period of last year which incurred net profit of Baht 102.6 million, or 7.9% net profit margin.

Income Statement

1. Quarterly Results of Operation

Revenue (Millions of Baht)	Three Months Period Ended 30 June		Change (%)
	2018	2019	
Medical Revenue from Out-patient Department	352.6	376.0	6.6
Medical Revenue from Inpatient Department	283.0	294.7	4.1
Medical Revenue	635.6	670.7	5.5
Other Revenue	6.4	9.1	41.5
Total Revenue	642.0	679.8	5.9

The Company earned medical revenue in 2Q2019 of Baht 670.7 million, increased by 5.5% from 2Q2018 which earned medical revenue of Baht 635.6 million. This was mainly because of an increase in out-patient revenue by 6.6%. The incremental in out-patient revenue was mainly because of an increase in insurance & corporate patients which grew 19.9% while international patients also grew 14.8% resulting from marketing campaign and marketing activities.

While in-patient revenue slightly increased by 4.1% from 2Q2018, mainly revenue from complicated case such as kidney transplant. However, economic slowdown situation created impact to in-patient revenue. Some patients decided to postpone non-emergency medical treatment because they had more concern on spending. In addition, no epidemic incurred this year comparing to the same period of last year, in-patient revenue increased a bit.

Cost of Hospital Operations and Expenses (Millions of Baht)	Three Months Period Ended 30 June		Change
	2018	2019	(%)
Cost of Hospital Operations	448.7	489.2	9.0
As % of medical revenue	70.6	72.9	
Selling and Administrative Expenses	133.5	147.5	10.5
As % of total revenue	20.8	21.7	

In 2Q2019, the cost of hospital operations (including depreciation and amortization) Baht 489.2 million or 72.9% of medical revenue, increased by 9.0% from Baht 448.7 million or 70.6% of medical revenue that was occurred in 2Q2018. The higher cost of hospital operations as percentage of medical revenue was mainly because of the Labor Protection Act (No.7) B.E.2019¹ that stipulated the additional legal severance pay rates for employees who have worked for an uninterrupted period of 20 years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. Thus, the company had recorded the cost of hospital operation as Baht 15.5 million, or 2.3% of medical revenue.

In 2Q2019, the selling and administrative expenses (including depreciation and amortization) was recorded at Baht 147.5 million or 21.7% of total revenue, increased by 10.5% from Baht 133.5 million that was existed in 2Q2018 or 20.8% of total revenue. This was mainly because of the stipulated of the Labor Protection Act (No.7) B.E.2019¹. Thus, the company had recorded selling and administrative expenses for Baht 12.1 million, or 1.8% of total revenue.

EBITDA (Millions of Baht)	Three Months Period Ended 30 June		Change
	2018	2019	(%)
Earnings before interest and tax	59.8	43.1	-27.9
Depreciation and Amortization	38.5	40.8	6.1
EBITDA	98.2	83.9	-14.6
EBITDA Margin (as % of total revenue)	15.3	12.3	

The Company reported 2Q2019 earnings before interest, tax, depreciation and amortization (EBITDA) of Baht 83.9 million or 12.3% EBITDA margin, decreased by 14.6% from 2Q2018 of Baht 98.2 million or 15.3% EBITDA margin. This was mainly because of the increase in expenses due to the stipulated of the Labor Protection Act (No.7) B.E.2019¹ effecting to incremental of hospital operation and selling and administration expenses to Baht 27.6 million, or 4.1% of total revenue

¹ The Labor Protection Act (No.7) B.E.2019 was stipulated additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5th May 2019. This change is considered a post-employment benefits plan amendment and the company has additional long-term employee benefit liabilities and recognition of past service costs as expenses in the statement of comprehensive income.

If such items were excluded, the company would report earnings before interest, tax, depreciation and amortization (EBITDA) at Baht 111.5 million, or 16.4% EBITDA margin.

Net Profit (Millions of Baht)	Three Months Period Ended 30 June		Change (%)
	2018	2019	
Earnings before tax	59.8	43.1	-27.9
Income Tax Expenses	9.4	7.4	-21.0
Net Profit	50.4	35.7	-29.2
<i>Net Profit Margin</i>	<i>7.8</i>	<i>5.2</i>	
Basic earnings per share (Baht per share)	0.08	0.05	-37.5

In addition to the above items, in 2Q2019, the company still had income tax expenses of Baht 7.4 million, decreased by 21.0% from Baht 9.4 million in 2Q2018 resulting from decrease in company's gain.

In 2Q2019, the Company had a net profit of Baht 35.7 million or 5.2% net profit margin, decreased by 29.2% from Baht 50.4 million or 7.8% net profit margin in 2Q2018. Company's basic earnings per share was 0.05 Baht/share and 0.08 Baht/share for 2Q2019 and 2018, respectively. Basic earnings per share was calculated by using 786,300,000 common shares for the year ended 2019 and 600,000,000 common shares for the year ended 2018. If the recorded was excluded the impact of the stipulated of the Labor Protection Act (No.7) B.E.2019¹, the company would reported net income at Baht 63.3 million, increased by 25.5% from Baht 50.4 million as reported on 2Q2018 that stood for 9.3% per net income.

2. Six Months Period Ended 30 June Results of Operation

Revenue (Millions of Baht)	Six Months Period Ended 30 June		Change (%)
	2018	2019	
Medical Revenue from Out-patient Department	701.7	750.3	6.9
Medical Revenue from Inpatient Department	576.3	615.6	6.8
Medical Revenue	1,277.9	1,365.9	6.9
Other Revenue	17.4	18.2	4.5
Total Revenue	1,295.3	1,384.1	6.9

The Company earned medical revenue for the six months period ended 30 June 2019 of Baht 1,365.9 million, increased by 6.9% from six months period ended 30 June 2018 which earned medical revenue of Baht 1,277.9 million. Out-patient revenue grew 6.9% while in-patient revenue grew 6.8%. This was mainly because of an incremental in revenue from insurance & corporate patients which grew 12.5% while international patients also grew 21.9% resulting from marketing campaigns and marketing activities. Even if no epidemic incurred this year effecting to decrease in number of in-patient customers comparing to the same period of last year, revenue per case increased due to increase in proportion of complicated cases.

¹ The Labor Protection Act (No.7) B.E.2019 was stipulated additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5th May 2019. This change is considered a post-employment benefits plan amendment and the company has additional long-term employee benefit liabilities and recognition of past service costs as expenses in the statement of comprehensive income.

Cost of Hospital Operations and Expenses (Millions of Baht)	Six Months Period Ended 30 June		Change
	2018	2019	(%)
Cost of Hospital Operations	893.2	959.6	7.4
As % of medical revenue	69.9	70.3	
Selling and Administrative Expenses	278.8	277.6	-0.4
As % of total revenue	21.5	20.1	

The Company reported cost of hospital operations (including depreciation and amortization) for the six months period ended 30 June 2019 of Baht 959.6 million or 70.3% of medical revenue, increased by 7.4% from six months period ended 30 June 2018 which cost of hospital operations was Baht 893.2 million or 69.9% of medical revenue. The main reason that the proportion of hospital operations increased was the stipulated of the Labor Protection Act (No.7) B.E.2019¹ impacting to expense realization amounting Baht 15.5 million. If the items were excluded, company would report cost of hospital operations (including depreciation and amortization) at Baht 944.1 million, increased by 5.7%, which would be slightly increase when compare to 6.9% increased of Medical Revenue.

For six months period ended 30 June 2019, the Company reported selling and administrative expenses (including depreciation and amortization) of Baht 277.6 million or 20.1% of total revenue, decreased by 0.4% as compared to the same period of last year which incurred selling and administrative expenses of Baht 278.8 million or 21.5% of total revenue. The main reason of this reduction was there were non-recurring items included in six months period ended 30 June 2018 amounting Baht 20.6 million such as recording the first employee welfare obligations related to medical welfare for directors and / or founders based on the estimation of actuarial principles, consulting fees, preparation expenses due to listing a company on the Stock Exchange of Thailand and etc. If the mentioned expense were excluded, it would be Baht 258.2 million, increased by 7.5% (or increased by Baht 19.4 million) as compared to the same period of this year. The main reasons of the incremental are given below.

- Employee expense increased Baht 12.1 million due to the announcement of Labor Protection Act (No.7) B.E.2019¹.
- Other employee expenses in accordance with new hiring of employee following to the business expansion plan.

EBITDA (Millions of Baht)	Six Months Period Ended 30 June		Change
	2018	2019	(%)
Earnings before interest and tax	123.3	146.9	19.1
Depreciation and Amortization	76.5	80.5	5.2
EBITDA	199.8	227.4	13.8
EBITDA Margin (as % of total revenue)	15.4	16.4	

¹ The Labor Protection Act (No.7) B.E.2019 was stipulated additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5th May 2019. This change is considered a post-employment benefits plan amendment and the company has additional long-term employee benefit liabilities and recognition of past service costs as expenses in the statement of comprehensive income.

The Company reported six months period ended 30 June 2019 earnings before interest, tax, depreciation and amortization (EBITDA) of Baht 227.4 million or 16.4% EBITDA margin, increased by 13.8% as compared to the same period of last year which reported EBITDA of Baht 199.8 million or 15.4% EBITDA margin.

As mention of the announcement of the Labor Protection Act (No.7) No.7) B.E.2019¹, if these expenses were excluded, the Company would report earnings before interest, tax, depreciation and amortization (EBITDA) at Baht 255.0 million or 18.4% of total revenue.

Net Profit (Millions of Baht)	Six Months Period Ended 30 June		Change
	2018	2019	(%)
Earnings before tax	123.3	146.9	19.1
Income Tax Expenses	20.7	25.1	21.0
Net Profit	102.6	121.8	18.7
<i>Net Profit Margin</i>	<i>7.9</i>	<i>8.8</i>	
Basic earnings per share (Baht per share)	0.17	0.15	-11.8

Apart from the report, the Company reported income tax expenses of Baht 25.1 million for six months period ended 30 June 2019, increased by 21.0% as compared to the same period of last year which incurred income tax expenses of Baht 20.7 million relating to increase in earnings before tax.

For six months period ended 30 June 2019, the Company earned the net profit of Baht 121.8 million or 8.8% net profit margin, increased by 18.7% as compared to the same period of last year which earned net profit of Baht 102.6 million or 7.9% net profit margin. Company's basic earnings per share was 0.15 Baht/share and 0.17 Baht/share for the six months period end 30 June 2019 and 2018, respectively. Basic earnings per share was calculated by using 786,300,000 common shares for the year ended 2019 and 600,000,000 common shares for the year ended 2018. If the impact of Labor Protection Act (No.7) B.E.2019¹ were excluded, the Company would generate net income of Baht 149.4 million, increased by 45.6% as compared to the same period of last year which incurred net income of Baht 102.6 million.

Financial Conditions

Statement of financial position (Millions of Baht)	As of 31 December 2018	As of 30 June 2019	Change (%)
Current assets	2,048.9	1,796.0	-12.3
Non-current assets	2,375.4	2,725.6	14.7
Total assets	4,424.3	4,521.6	2.2
Current liabilities	448.8	500.6	11.5
Non-current liabilities	102.2	131.4	28.6
Total liabilities	551.0	632.1	14.7
Total shareholders' equity	3,873.3	3,889.5	0.4
Total liabilities and shareholders' equity	4,424.3	4,521.6	2.2

1. Assets

As of 30 June 2019, the Company reported current assets of Baht 1,796.0 million, decreased by 12.3% as compared to Baht 2,048.9 million as of 31 December 2018. This was mainly because of the reduction of temporary investment at Baht 542.6 million (or decreased by 33.2%) due to selling of financial investment for dividends payment, payment for the building expansion project, nursing dormitory and home office. In addition, reclassification of bank deposit from long term to short term also impacted to presentation of company's cash and bank deposit amounting Baht 293.2 million.

As of 30 June 2019, the Company reported non-current assets of Baht 2,725.6 million, increased by 14.7% as compared to Baht 2,375.4 million as of 31 December 2018. This was mainly because of the increase in property under construction amounting Baht 377.1 million such as building expansion project, nursing dormitory and home office.

2. Liabilities

As of 30 June 2019, the Company reported current liabilities of Baht 500.6 million, increased by 11.5% as compared to Baht 448.8 million as of 31 December 2018. This was mainly because of the increase of retention, accrued income tax and accounts payable due to construction project such as building expansion, nursing dormitory, home office.

As of 30 June 2019, the Company had non-current liabilities of Baht 131.4 million, increased by 28.6% as compared to Baht 102.2 million as of 31 December 2018. This was mainly because of the increase in provision for employee benefits by the stipulated of the Labor Protection Act (No.7) B.E.2019¹ amounting Baht 27.6 million.

3. Shareholders' equity

As of 30 June 2019, the Company reported shareholders' equity of Baht 3,889.5 million, increased by 0.4% as compared to Baht 3,873.3 million as of 31 December 2018. This was mainly because of change in shareholders' benefit for six months period ended 30 June 2019 and dividends payment.

Key Financial Ratio	As of 31 December 2018	As of 30 June 2019
Liquidity Ratio		
Current ratio	0.5	3.6
Average collection period	40.6	43.6
Average days sales of inventory	41.0	42.0
Average account payables days	57.1	53.6
Cash cycle	24.4	32.0
Profitability Ratio		
Gross profit margin	30.1	29.7
Net profit margin	7.9	8.8
Return on average shareholders' equity	14.8	6.3
Return on average assets	11.0	5.0

¹ The Labor Protection Act (No.7) B.E.2019 was stipulated additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5th May 2019. This change is considered a post-employment benefits plan amendment and the company has additional long-term employee benefit liabilities and recognition of past service costs as expenses in the statement of comprehensive income.

Key Financial Ratio	As of 31 December 2018	As of 30 June 2019
Financial Policy Ratio		
Debt to equity ratio	0.5	0.2
Interest bearing debt to equity ratio	-	-

Cash flow statement

Cash flow statement (Millions of Baht)	Six Months Period Ended 30 June	
	2018	2019
Cash flows from (used in) operating activities	213.3	244.6
Cash flows from (used in) investing activities	266.1	157.8
Cash flows from (used in) financing activities	(504.7)	(109.3)
Net increase (decrease) in cash and cash equivalents	(25.3)	293.1

For six months period ended 30 June 2019, the Company reported cash flows from operating activities of Baht 244.6 million, increase by Baht 31.3 million as compared to the same period of last year which generated cash flows from operating activities of Baht 213.3 million. This was mainly because of the increase in operational results, trade payable and other payable.

For six months period ended 30 June 2019, the Company reported cash flows from investing activities of Baht 157.8 million, decreased by Baht 108.3 million as compared to the same period of last year which incurred cash flows from investing activities of Baht 266.1 million. This was mainly because of net cash received from sale of temporary investments, reclassification in bank deposits from long term to short term to prepare for payment of various projects. However, this amount was offset by the increase in the payment for construction project and account payable due amounting Baht 204.7 million.

For six months period ended 30 June 2019, the Company reported cash flows used in financing activities of Baht 109.3 million, decreased by Baht 395.4 million as compared to the same period of last year which reported cash flows used in financing activities of Baht 504.7 million because of dividend payment incurred last year.

Please be informed accordingly,

Yours sincerely,

Praram 9 Hospital Public Company Limited

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