

No. 025/2021

12 November 2021

RE: Management Discussion and Analysis for Q3/2021

TO: President, Stock Exchange of Thailand

Principal Capital Public Company Limited (“Company”) would like to submit the following Management Discussion and Analysis on the Company and Consolidated Financial Statements for Q3/2021, ended 30 September 2021, compare with same quarter of the Year 2020 as follows.

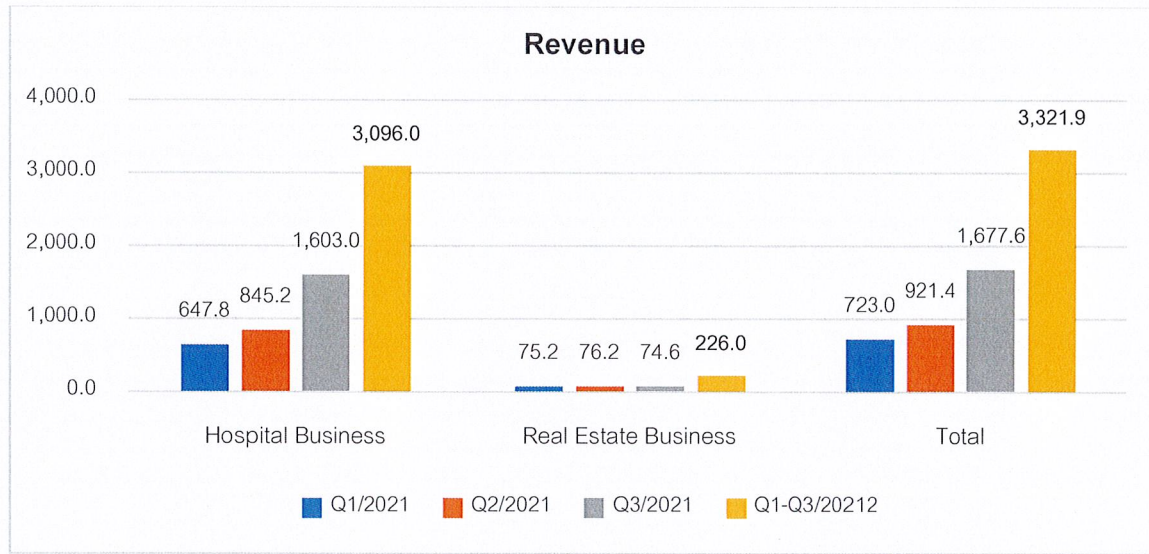
The economic and industrial situations affecting the operation and business policies, strategies and decisions

For the Hospital Business, the situation Covid-19 outbreak is intensifying especially in April – September 2021. As a result, in Q3 of this year, the hospitals that can help the government in treatment and caring for Covid-19 patients help all hospitals in the Group had a revenue increasing 1,029.9 million Baht (179.7%) from the Q3 of 2020. Especially, PRINC Hospital Suvarnabhumi which income increased to 661.5 million Baht (1510.8%). All hospitals in the Group had a revenue increasing from customers who test and treat Covid-19 in the hospitals, field hospitals and hospitels including the revenue from selling the alternative vaccines and providing the vaccination services for public. The Company expects that in the last quarter of this year the revenue of the hospitals will continue to expand well. Although the Covid-19 situation in the country and public access to vaccines showed the positive signs, has resulted in fewer infections and deaths, cause the income from Covid-19 patients tends to decrease according to the controlled and improved of infection situation, the release of lock down economic activities, especially the opening of the country to accommodate tourists would be able to get some confidence and return of the group of patient who are not related to the Covid-19 back to normal service. Especially the group of same Thai patients who treat common diseases, group of company employees who need annual health check-up and there are some patients who may adjust their behavior to turn to medical services through Health Tech such as Tele-medicine that expected to play a role and be another way to generate more revenue for the business.

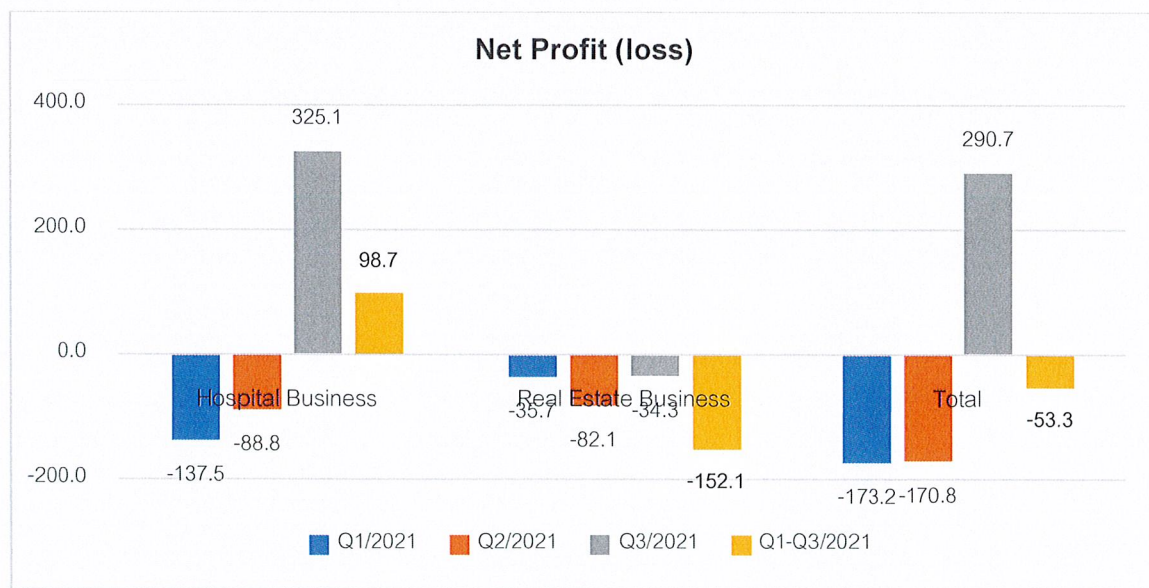
While the outbreak Covid-19 in early 2020 has adverse effects on operating results of the Group of the Company’s Real Estate Business until the present continuously. The global and Thailand Covid-19 outbreak-initiated government-imposed travelling restrictions and controls as well as upended the normal way of living and economic activities. As a result, hotel revenue for the nine-month of the year 2021 significantly dropped by Baht 50.4 million which is 26.9 compared to same period of the previous year. In response, the Group offered adjusted the business plan to seek for the long-term customers in Service Apartment and also adjusted the marketing plan to increase the customers required a long-stay for a year or less but more than a month, instead

of relying on international tourism market. Opening the country, to accept foreign tourists without quarantine from 1 November 2021, would help bring back the tourism sector. Furthermore, the last two months of the year overlap until the beginning of next year is the prime tourist season that foreign tourists tend to visit Thailand compared to other times. Therefore, this should help the number of foreign tourists increase in the last 2 months of this year continue until the first quarter of 2022, which may be increased gradually and show up more clearly in December this year and beyond.

Operating results for nine-month period ended 30 September 2021



It can be seen that in the Q3/2021, the revenue of the hospital business was increase from the last 2 quarters from the revenue of the test and treat Covid-19 and revenue from selling the alternative vaccines and providing the vaccination services for public. While the revenue of the real estate business in the past 3 quarters have similar revenue from the impact of the Covid-19 outbreak.



For net profit (loss), in Q3, the hospital business showed a significant improvement increased revenue from the previous two quarters and turned loss to profit. While the real estate business in the past 3 quarters still have loss with the largest loss in Q2 which the subsidiary has loss on write-offs of Assets 43.3 million Baht which is one-time transaction.

In the last quarter of this year, If the situation of Covid-19 is still close to this quarter and the opening of the country that will have a positive effect on the real estate business, management expects that in 2021 the full-year operating results will return to profit once again.

Q3/2021 operating results

Consolidated	Q3/2021	Q3/2020	Increase (decrease)	Change %
Unit: million				
Revenues from hospital operations	1,603.0	573.1	1,029.9	179.7
Revenues from sales and services	74.6	76.0	(1.4)	-1.9
Costs of hospital operations	959.8	503.2	456.6	90.7
Costs of sales and services	61.1	67.0	(5.8)	-8.7
Gross Profit	656.7	79.0	577.7	731.6
Other income	15.5	42.1	(26.6)	-63.1
Selling and Administrative expenses	280.2	217.0	63.2	29.1
Finance costs	36.2	34.7	1.5	4.3
Profit (loss) before income tax expense	355.9	(130.6)	486.5	372.5
Income tax expense	(65.2)	(10.8)	54.4	501.7
Total comprehensive income (expense) for the period	290.7	(141.4)	432.2	305.5

In Q3 of 2021, the Company and its subsidiaries had revenues from hospital operations of 1,603.0 million Baht. Costs from hospital operations of 959.8 million Baht and revenue from sales and services of 74.6 million Baht. Costs from sales and services of 61.1 million baht, selling and administrative expenses 280.2 million Baht and financial costs 36.2 million Baht. As a result, the Company was a profit for the period of 290.7 million Baht and the operating result will be better than the same quarter of the previous year 432.2 million Baht or 305.5%

The following explains the operating in Q3/2021 results by business group.

Total Revenues

Unit: million	Q3/2021	Q3/2020	Increase (decrease)	Change %
<u>Hospital Business</u>				
- Existing Hospitals	1,537.0	573.1	963.9	168.2
- New Hospitals	66.0	-	66.0	100.0
<u>Property development and rental business</u>	74.6	76.0	(1.4)	-1.9
Total Revenues	1,677.6	649.1	1,028.5	158.4

The Company and the subsidiaries generated revenues 1,677.6 million Baht, increase of 1,028.5 million Baht or 158.4 resulted from the following;

- The Hospital business
 - Existing hospitals: The hospital that was opened for the full quarter of the two years had a revenue increasing 963.9 million Baht (168.2%) from all hospitals, especially, PRINC Hospital Suvarnabhumi which income increased to 661.5 million Baht or 1510.8%. Also, the revenue from Virajsilp Hospital increasing 93.1 million Baht (180.5%), PRINC Hospital Paknampo increasing 62.7 million Baht (54.5%), PRINC Hospital Lamphun increasing 47.5 million Baht (209.5%) from customers who test and treat Covid-19 in the hospitals, field hospitals and hospitals.
 - New opening hospitals: The hospital that was not opened for the full quarter in 2020 which are PRINC Hospital Sisaket and Klai Baan Klai Jai Clinics which revenue increasing 66.0 million Baht.
- The property development had a revenue decreasing 1.4 million Baht (1.9%) mainly due to the pandemic of Covid-19 that effected from the second quarter of 2020 until the present as following;
 - Bangkok Business Center office building had a revenue decrease of 4.4 million Baht because the revenue from rental fee and utility fees had reduce due to the pandemic of Covid-19 resulting to the non-extended lease contract for some tenants and mostly the tenants are Work from Home,
 - The Marriott Executive Apartment Sathorn Vista - Bangkok Project, had a revenue decreasing 0.5 million Baht because the Average Daily Revenue (ADR) reduce from

3,123 Baht to 2,747 Baht but the occupancy rate increasing from 33.5% in the Q3 of 2020 to 38.7% in this quarter, while,

- The Somerset Ekamai Bangkok Project had a revenue increasing 3.4 million Baht from the increasing of occupancy rate from 37.4% in the Q3 of 2020 to 47.7% in this quarter from the promotion and discount providing for the customers, including seek for the long-term customers of service apartment in tower A.

Gross Profit

Unit: million	Q3/2021	Q3/2020	Increase (decrease)	Change %
<u>Hospital Business</u>				
- Existing Hospitals	626.4	69.9	556.5	796.1
- New Hospitals	17.0	-	17.0	100.0
Property development and rental business	13.3	9.1	4.2	46.3
Total Gross Profit	656.7	79.0	577.7	731.6

The Company and its subsidiaries had gross profit of 656.7 million baht, increasing 577.7 million baht or 731.6% as a result of both businesses.

- Hospital business
 - The existing hospitals: The gross profit increasing 556.5 million Baht (796.1 %) from all hospitals, especially, PRINC Hospital Suvarnabhumi has gross profit increasing 391.5 million Baht or 2010.4% (the same quarter of the previous year, gross profit was -19.5 million Baht), PRINC Hospital Paknampo has gross profit increasing 65.3 million Baht (800.6%), and Virajsilp Hospital has gross profit increasing 58.2 million Baht (497.4%) from the revenue increasing.
 - The new opening hospitals: PRINC Hospital Sisaket, and Klai Baan Klai Jai has gross profit increasing from the revenue increasing.
- Real estate business has gross profit increasing 4.2 million Baht (46.8%) due to the Q1 the subsidiary company has reclassify investment property 1,010.7 million Baht which will sell to third party to be non-current assets held-for-sale resulting to the non-calculated depreciation for this quarter 5.3 million Baht.

Selling and administrative expenses

Unit: million	Q3/2021	Q3/2020	Increase (decrease)	Change %
<u>Hospital Business</u>				
- Existing Hospitals	235.9	176.1	59.8	34.2
- New Hospitals	8.1	0.1	8.0	8159.2
<u>Property development and rental business</u>	36.3	40.8	(4.6)	-11.2
Total Selling and administrative expenses	280.2	217.0	63.2	29.1

In Q3 of 2021, total sales and administrative expenses were 280.2 million Baht, an increase of 63.2 million Baht (29.1%). The existing hospitals increasing in employee expense, marketing expense and other operating expenses from the expansion of the number of beds and others resources to support the Covid-19 patients. The new hospitals that opened in the year, namely PRINC Hospital Sisaket, and Klai Baan Klai Jai Clinics, increasing in marketing and public relations expenses and other expenses. Furthermore, in the real estate business had decreasing expenses 4.6 million Baht from the revenue decreasing.

EBITDA :

Unit: million	Q3/2021	Q3/2020	Increase (decrease)	Change %
EBITDA	542.6	50.5	492.1	974.0
Finance costs	(36.2)	(34.7)	1.5	4.3
Depreciation and amortisation	(150.5)	(146.4)	4.0	2.7
Income tax expense	(65.2)	(10.8)	54.4	501.7
Profit (loss) for the period	290.7	(141.4)	432.2	305.5

EBITDA for Q3/2021 was 542.6 million Baht, 492.1 million Baht higher than the same quarter last year (Same Quarter of the previous year EBITDA 50.5 million Baht) or 974.0 % from the revenue increasing in the existing and new hospitals. Finance costs were 36.2 million Baht, increasing 1.5 million baht (4.3 %) due to an increase in borrowing from financial institutions. Depreciation is 150.5 million baht, increasing 4.0 million baht from new hospitals in 2020 and 2021 and tax expenses increasing in this quarter due to the operating result of PRINC Hospital Suvarnabhumi is growing therefore income tax occurs in the Separate Financial Statements.

Profit (loss) for the period: The Company and its subsidiaries had a profit in this quarter of 290.7 million Baht, the loss decreased from quarter 3/2020 by 141.4 million Baht, seems that the operating result is better than the

same quarter of the previous year 432.2 million Baht or 305.5% from the increasing significantly revenue of the hospital business.

YTD Q3/2020 operating results

Consolidated	YTD	YTD	Increase	Change
Unit: million	Q3/2021	Q3/2020	(decrease)	%
Revenues from hospital operations	3,096.0	1,600.3	1,495.7	93.5
Revenues from sales and services	226.0	282.6	(56.6)	-20.0
Costs of hospital operations	2,242.4	1,449.7	792.6	54.7
Costs of sales and services	194.1	222.8	(28.7)	-12.9
Gross Profit	885.5	210.3	675.2	321.1
Other income	49.6	68.7	(19.2)	-27.9
Selling and Administrative expenses	806.7	623.1	183.6	29.5
Finance costs	110.2	97.1	13.1	13.5
Profit (loss) before income tax expense	18.3	(441.2)	459.5	104.2
Income tax expense	(71.6)	(5.2)	(66.4)	-1268.0
Total comprehensive expense for the period	(53.3)	(446.5)	393.1	88.1

The 9-month operating result as of 30 September 2021, the Company and its subsidiaries had revenues from sales and services of 3,322.0 million Baht. Cost from sales and services 2,436.4 million baht, selling and administrative expenses 806.7 million Baht and financial costs 110.2 million Baht. As a result, the Company was a loss for the period of 53.3 million Baht which can explain the change as follow;

The revenues from sales and services increasing 1,439.1 million Baht from

- The revenue from Hospital business increasing 1,495.7 million Baht from
 - The revenue from all the existing hospitals increasing especially from PRINC Hospital Suvarnabhumi which income increased to 902.8 million Baht (744.9%) from customers who test and treat Covid-19.
 - The revenue from the new opening hospitals which are PRINC Hospital Ubonratchathani, Virajsilp Hospital, PRINC Hospital Sisaket and Klai Baan Klai Jai Clinics which revenue totally increasing 428.2 million Baht.

- While the revenue from property development, rental business decreasing 56.6 million Baht from 3 projects, mainly due to the pandemic of Covid-19, in the first quarter of the previous year the operating result of real estate business was normal then significantly dropped in second quarter of 2020 until the present results are the decreasing of 9-month this year compared to the same period last year.

Cost from sales and services increasing 763.9 million baht from direct cost in medical and related department of the new hospitals and existing hospitals. Furthermore, costs increasing from test and treat of covid-19.

Selling and administrative expenses increasing 183.6 million baht from the new hospitals and existing hospitals from the expansion of the number of beds and others resources to support the Covid-19 patients including the support from government in provided the vaccination services to public since the end of first quarter. Furthermore, Real Estate Business has loss on write-offs of Assets 47.6 million Baht that occurred in the last quarter and this quarter.

The 9-month operating result as of 30 September 2021, after deduct the financial costs and tax expenses, the Company had loss for the period 53.3 million Baht higher than the 9-month period of the previous year which had loss 446.5 million Baht at 393.1 million Baht or 88.1%, but if not including loss on write-offs of Asset (one-time transaction) 47.6 million Bath the Company will have loss only 5.7 million Baht.

Financial Position

Statement of Financial Position	30 September	31 December	Increase	Change
Unit: million	2021	2020	(Decrease)	%
Total assets	17,554.7	15,415.1	2,139.6	13.9
Total liabilities	6,852.0	6,090.2	761.8	12.5
Equity attributable to owners of the parent	9,677.5	8,297.1	1,380.4	16.6
Debt to Equity Ratio (times)	0.71	0.73		

As of 30 September 2021, the Company and its subsidiaries had total assets of 17,554.7 million Baht, increasing 2,139.6 million Baht, compared to total assets as at 31 December 2020, resulting from;

- Trade receivables and other receivables increasing 1,447.9 million Baht from the advances for goods and service - Vaccine 744.6 million Baht (Moderna vaccines paid to the Government Pharmaceutical Organization and Sinopharm vaccines paid to Chulabhorn Royal Academy that has not yet been received) and from the trade receivables 681.4 million Baht (National Health Security Office (NHSO) and Social Security Office for the cost of UCEP Covid-19)

- Cash and cash equivalents increasing 359.4 million Baht from increased deposits at financial institutions from reserves to pay for vaccines by depositing it in a special savings account that receives a higher interest rate than a regular savings account.
- Financial assets measured at fair value through profit or loss increasing 266.0 million Baht from the Company's short-term investment fund.

Liabilities of the Company and the subsidiaries as at 30 September 2021 totaled 6,852.0 million Baht, increasing from total liabilities as at 31 December 2020 by 761.8 million Baht, for the following reasons;

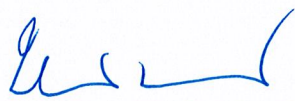
- Advances received from customers increasing 754.6 million Baht from the advances received for vaccine 734.2 million Baht (Moderna vaccines and Sinopharm vaccines that customers have already paid for vaccines, but the vaccines have not arrived yet or have not yet exercised the service).
- Long-term borrowing from the financial institutions, increased by 104.8 million Baht, resulting from the investment in PRINC Hospital Ubonratchathani.
- Income tax payable increasing 45.3 million Baht from PRINC Hospital Suvarnabhumi which has a high profit in this quarter that cause the income tax payable increasing.

Shareholders' equity increased from 31 December 2020 by 1,380.4 million Baht, from the payment of the newly-issued ordinary shares 1,416.1 million Baht was divided into the par value and the share premium of 346.2 and 1,069.9 million Baht respectively. While, the operating result for the 9 months of this year still have a small loss.

The debt-to-equity (D/E) ratio stood at 0.71, reduced from 0.73 on 31 December 2020, resulting from the liabilities and the shareholders' equity increase during the period.

For your kind acknowledgement.

Yours respectfully.

Signature 

(Miss Preeyaporn Aphiwathwittaya)

Division Director, Accounting Services