

No. 003/2022

24 February 2022

RE: Management Discussion and Analysis for Year 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 Year 2021, ended 31 December 2021, compare with Year 2020 as follows.

#### Major developments in Year 2021

On 28 March 2021, the Company has opened a new hospital of Principal Healthcare - Lamphun Company Limited, PRINC Hospital Lamphun, with 59-bed and extended its operation of specialized medical departments including innovative tools and medical equipment in response to the expanding city and support social security patients. PRINC Hospital Lamphun will provide comprehensive medical services which will give people in Lamphun and Chiangmai access to better public health system together with connecting to the medical network for referring specialists in the northern area.

On 1 April 2021, the Company has opened the PRINC Hospital Sisaket, the second private hospital in Sisaket province, a 59-bed hospital with medical services to provide people easy access to treatment and help alleviate the congestion of the large hospitals. It is also an alternative treatment for people in the area and nearby provinces including neighboring countries such as Cambodia, and encouraging medical personnel to work in their home provinces. Furthermore, it is providing the opportunities to the employees who working in different areas are able to earn the same income as working in a major city and return to work at their own hometown.

On 25 May 2021, the Company sold and received the payment of THB 346.23 million newly-issued ordinary shares from RATCH Group Public Company Limited (RATCH) which is the newly-issued ordinary shares approved by AGM 2021 held on 26 April 2021 under the General Mandate basis. The offering price is THB 4.09 per share (comparing with volume weighted average price of the Company’s shares on the Stock Exchange of Thailand for the past 15 consecutive business days prior to the first offering date of the newly-issued ordinary shares to RATCH (i.e. 25 May 2021) at the price of THB 4.45 per share, the offering price of the newly-issued ordinary shares is the price having discount from the market price of 8.13 percent) which accounts for the total amount of THB 1,416.1 million. The payment was divided into the par value and the share premium of 346.2 and 1,069.9 million Baht, respectively. The Company has completed the registration of the

increase in the Company's paid-up capital with the Department of Business Development, Ministry of Commerce on 25 May 2021.

On 23 December 2021, Principal Healthcare Company Limited, a subsidiary of the Company established a new subsidiary, Principal Healthcare – Sakon Nakhon Company Limited, for long-term land lease and construction of a 59-bed hospital by joint shareholding with Ratch Group Public Company Limited. The hospital will play an important role in improving the quality of life of the people in Sakon Nakhon and neighboring provinces for better access to public health system and also focus on the people who living near the border and who is disadvantaged, to have equal access to public health by providing medical equipment information technology system. Construction is expected to be completed and start to open for service in 2023 by the medical service that will start providing services in the first phase is expected to cover Medicine, Obstetrics, Surgical, Pediatrics, including Accident & Emergency which necessary for people in the area to access comprehensive and standardized health care services.

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

For 2022, the hospital business continues to have a positive impact on the spread of Covid-19 in the country for at least 6 months. This will be an important factor affecting the hospital business in terms of revenue from medical treatment for infected patients and providing vaccination against such diseases. However, the overall situation will be better than 2021, with the situation may return to a more normal life. This will allow normal patients to start returning to the hospital more. Both in patients with congenital disease and pediatric patients, which have decreased from normal in the past 2 years.

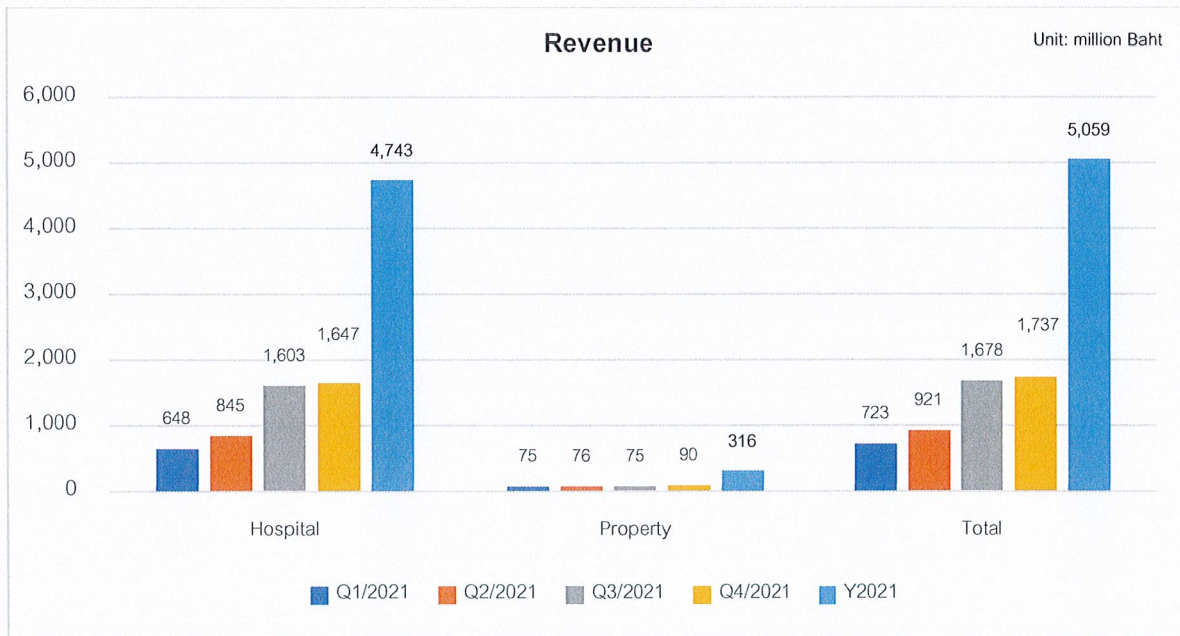
Moreover, businesses still have to prepare to cope with the changes after the spread of Covid-19 to deal with increasingly uncertain situations. As well as to consider the introduction of medical technology or Health Tech to be used in hospital management and in the treatment of patients including providing more convenience to patients. As well as expanding the customer base who use the service into the local community level and expanding the services to be more diverse to respond the treatment and patients' need.

For the healthcare business of the Company in 2021, the revenue growth mostly came from the number of inpatients and outpatients as a result of the severe spread of Covid-19 causing the number of daily infections to increase and from Covid-19 related services i.e., Covid-19 screening test, admission of Covid-19 patients both the patients who received the screening from all hospitals in the group, field hospitals, and hospitals. The revenue stream also came from selling alternative Covid-19 vaccines and providing vaccination service for the public. In the last quarter of 2021 in November, businesses also have additional support from travelers as the relaxation of the government's lockdown measures has improved economic activities and the permission for tourists from low- risk countries without quarantine (Test and GO), has brought back both domestic and foreign patients. As a result, the revenue of all hospitals in the group amounted 2,452.3 million Baht (107.1%),

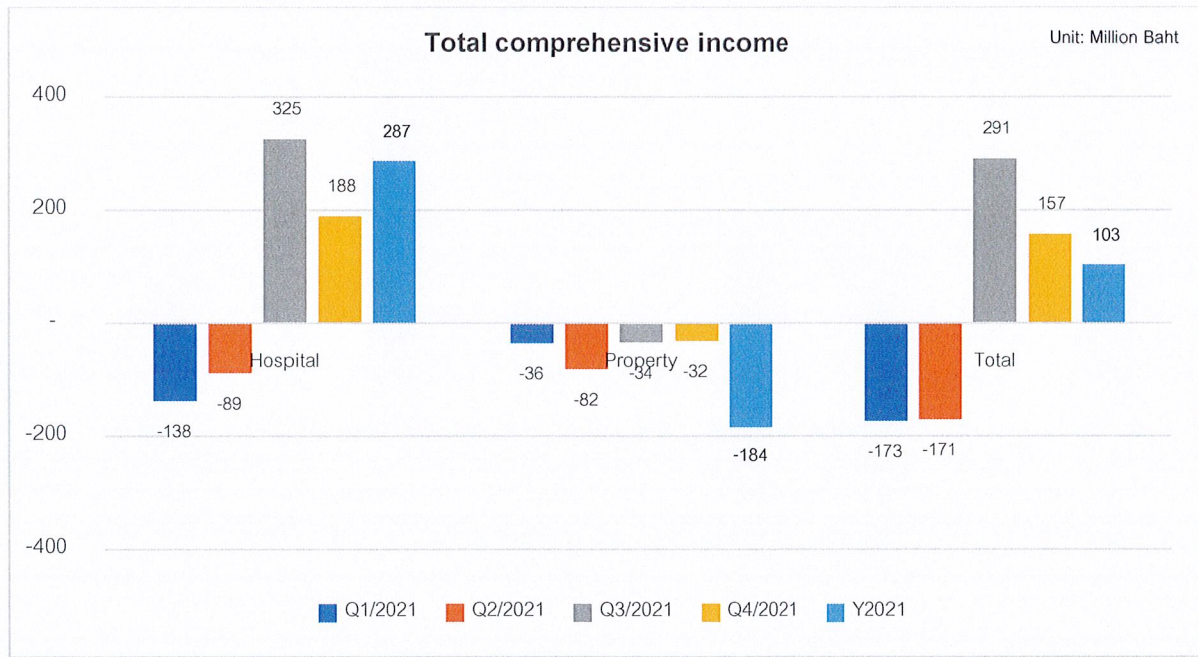
especially the revenue contribution of Princ Hospital Suvarnabhumi of 1,183.7 million Baht (641.0%) which is higher compared to that period of last year.

For the real estate business of the Company, since the beginning of 2020, when the Covid-19 pandemic started, our business has continuously experienced a negative impact due to the Covid-19 outbreak that occur in many areas around the world and in Thailand this results in control and restrictions on both domestic and international travel, including new normal lifestyle. As a result, the revenue of hotel business significantly decreased 34.5 million Baht or 14.85% compared to 2020. Because in the first quarter of 2020, continues to operate normally. But after the government announced the relaxation of measures a permission for foreign tourists from low- risk countries without quarantine tourists effective on November 1, 2021 cancel a nighttime curfew in all areas and measures to promote Thai tourism, resulting in the last quarter of 2021 the revenue in hotel business increased 15.9 million baht or 35.69% compared to that period of 2020. The Company expects that in 2022 after more widespread distribution of vaccines. As a result, the number of foreign and Thai travelers has continued to increase. This will make the hotel business will have a rising trend of post pandemic recovery.

**Operating results for Year 2021**



In 2021, the company had the total revenues totaling 5,058.8 million Bath. In Q3 and Q4, the Hospital Business's revenue increased significantly from the last 2 quarters from the income of the screening Covid-19, the Covid-19 treatment, the sale of alternative vaccines including the vaccination services. For the Real Estate Business, income in the last quarter after the government has relaxed the country's lockdown measures, resulting in higher income from the past 3 quarters.



In 2021, the company had a total comprehensive income of 103.4 million baht, which the operating results in each quarter were in the same direction as the revenues. Except in the second quarter of the real estate business which had a loss more than other quarters because the subsidiary had a loss on write-offs of asset 43.3 million Baht, which is a one-time transaction.

Consolidated	Year 2021	Year 2020	Increase (decrease)	Change %
Unit: million				
Revenues from hospital operations	4,742.7	2,290.3	2,452.4	107.1
Revenues from sales and services	316.1	360.4	(44.3)	-12.3
Costs of hospital operations	3,389.3	2,025.2	1,364.1	67.4
Costs of sales and services	<u>254.9</u>	<u>307.0</u>	<u>(52.1)</u>	<u>-17.0</u>
<b>Gross Profit</b>	<b>1,414.6</b>	<b>318.5</b>	<b>1,096.1</b>	<b>344.1</b>
Other income	61.9	107.5	(45.6)	-42.4
Selling and Administrative expenses	1,136.1	786.6	349.5	44.4
Finance costs	<u>146.6</u>	<u>132.6</u>	<u>14.0</u>	<u>10.6</u>
<b>Profit (loss) before income tax expense</b>	<b>193.9</b>	<b>(493.3)</b>	<b>687.2</b>	<b>139.3</b>
Income tax expense	<u>(101.0)</u>	<u>(44.2)</u>	<u>(56.8)</u>	<u>-128.5</u>
<b>Profit (loss) for the year</b>	<b>92.9</b>	<b>(537.5)</b>	<b>630.4</b>	<b>117.3</b>

Other comprehensive income	<u>10.6</u>	<u>0.2</u>	<u>10.4</u>	<u>5200.0</u>
Total comprehensive income (expense) for the year	<u>103.4</u>	<u>(537.3)</u>	<u>640.7</u>	<u>119.2</u>

In 2021, the Company and the subsidiaries generated revenue totaling 4,4742.7 million Baht from the Hospital business and incurred costs totaling 3,389.3 million Bath from the hospital business, and revenues from sales and services totaling 316.1 million Baht and incurred costs of sales and services totaling 254.9 million Bath. Selling and administrative expenses totaling 1,136.1 million Baht and financial cost totaling 146.6 million Baht. As a result, the Company has a profit for the year of 92.9 million baht, which is a higher performance than the previous year by 630.4 million baht or 117.3% (In 2020, there is a loss for the year 537.5 million baht) The Company had other comprehensive income from remeasurements of employee benefit obligations net of tax 10.6 million Baht, resulting in 2021 having a total comprehensive income of 103.4 million baht, higher than the previous year by 640.7 million baht or 119.2% (In 2020, there was a total comprehensive expense of 537.3 million Baht.)

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

#### Total Revenues

Unit: million Baht	Year 2021	Year 2020	Increase (decrease)	Change %
<u>Hospital Business</u>				
- Existing Hospitals	3,906.8	2,104.1	1,802.7	85.7
- New Opening Hospitals	835.9	186.2	649.7	348.9
Property development and rental business	<u>316.1</u>	<u>360.4</u>	<u>(44.3)</u>	<u>-12.3</u>
<b>Total Revenues</b>	<b><u>5,058.8</u></b>	<b><u>2,650.7</u></b>	<b><u>2,408.1</u></b>	<b><u>90.8</u></b>

The Company and the subsidiaries generated revenues 5,058.8 million Baht, increase of 2,408.1 million Baht or 90.8% resulted from the following;

- The Hospital business
  - Existing hospitals: The hospital that was opened for the full two years had a revenue increasing 1,802.7 million Baht (85.7%) from all hospitals, especially, PRINC Hospital Suvarnabhumi which income increased to 1,183.7 million Baht (641.0%). Also, PRINC Hospital Paknampo increasing 221.4 million Baht (46.2%), and PRINC Hospital Lamphun

increasing 157.0 million Baht (172.1%) from customers who test and treat Covid-19 in the hospitals, field hospitals and hospitels.

- New opening hospitals: The hospital opened during year 2020 or year 2021 which are Virajsilp Hospital, PRINC Hospital Ubonratchthani, PRINC Hospital Sisaket and Klai Baan Klai Jai Clinics which revenue increasing same as the existing hospitals as a result of the test and treat of Covid-19.
- The property development had a revenue decreasing 44.3 million Baht (12.3%) 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 9.3 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, and,
  - The Marriott Executive Apartment Sathorn Vista - Bangkok Project, had a revenue decreasing 34.1 million Baht because the Average Daily Revenue (ADR) reduce from 3,478 Baht to 2,775 Baht and the occupancy rate decreasing from 47.9% in 2020 to 41.4% in this year because during the Q1/2020 the Covid-19 situation has not affected the hotel's operating results, while,
  - The Somerset Ekamai Bangkok Project had a revenue decreasing only 0.4 million Baht or 0.3% from the increasing of occupancy rate from 46.3 % to 49.9% from the promotion and discount providing for the customers, including seek for the long-term customers of service apartment in tower A. and try to keep old customers and find new long-term customers.

#### Gross Profit

Unit: million Baht	Year 2021	Year 2020	Increase (decrease)	Change %
<u>Hospital Business</u>				
- Existing Hospitals	1,089.8	236.3	853.5	361.2
- New Opening Hospitals	263.6	28.8	234.7	813.9
<u>Property development and rental business</u>	<u>61.2</u>	<u>53.4</u>	<u>7.9</u>	<u>14.8</u>
<b>Total Gross Profit</b>	<b><u>1,414.6</u></b>	<b><u>318.5</u></b>	<b><u>1,096.1</u></b>	<b><u>344.1</u></b>

The Company and its subsidiaries had gross profit of 1,414.6 million baht, increasing 1,096.1 million baht or 344.1 % as a result of both businesses.

- Hospital business
  - The existing hospitals: The gross profit increasing 853.5 million Baht (361.2%) from all hospitals, especially, PRINC Hospital Suvarnabhumi has gross profit increasing 644.6 million Baht or 840.2 % (the previous year, gross profit was -76.7 million Baht), PRINC Hospital Paknampo has gross profit increasing 113.1 million Baht (229.8%), and PRINC Hospital Lamphun has gross profit increasing 44.2 million Baht (222.7%) from the revenue increasing.
  - The new opening hospitals: All hospitals has gross profit increasing.
- Real estate business has gross profit increasing 7.9 million Baht (14.8 %) due to 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.

#### Selling and administrative expenses

Unit: million Baht	Year 2021	Year 2020	Increase (decrease)	Change %
<u>Hospital Business</u>				
- Existing Hospitals	818.6	567.7	250.9	44.2
- New Opening Hospitals	112.8	48.5	64.3	132.4
<u>Property development and rental business</u>	<u>204.8</u>	<u>170.2</u>	<u>34.6</u>	<u>20.3</u>
<b>Total Selling and administrative expenses</b>	<b><u>1,136.1</u></b>	<b><u>786.6</u></b>	<b><u>349.5</u></b>	<b><u>44.4</u></b>

In 2021, total sales and administrative expenses were 1,136.1 million Baht, an increase of 349.5 million Baht (44.4%) from the previous year. 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 increase of 34.6 million Baht according to the above table.

EBITDA :

Unit: million Baht	Year 2021	Year 2020	Increase (decrease)	Change %
EBITDA	940.0	211.0	729.0	345.4
Finance costs	146.6	132.6	14.0	10.5
Depreciation and amortisation	599.5	571.8	27.8	4.9
Income tax expense	<u>101.0</u>	<u>44.2</u>	<u>56.8</u>	<u>128.5</u>
Profit (loss) for the year	<u>92.9</u>	<u>(537.5)</u>	<u>630.4</u>	<u>117.3</u>

EBITDA for 2021 was 940.0 million Baht, 729.0 million Baht higher than the previous year (the previous year EBITDA 211.0 million Baht) or 345.4 % from the revenue increasing in the existing and new hospitals. Finance costs were 146.6 million Baht, increasing 14.0 million baht (10.5%) due to an increase in borrowing from financial institutions. Depreciation is 599.5 million baht, increasing 27.8 million baht from new hospitals in 2020 and 2021 and tax expenses increasing due to the operating result of all hospitals in the year especially, PRINC Hospital Suvarnabhumi, PRINC Hospital Lamphun and Virajsilp Hospital had a profit as a result, the consolidated financial statements have increased income tax expense.

Profit (loss) for the year: The Company and its subsidiaries had a profit in this year of 92.9 million Baht. When compared to 2020, the loss was 537.5 million baht, seems that the operating result is better than the previous year 630.4 million Baht or 117.3 % from the increasing significantly revenue of the hospital business

Financial Position

Statement of Financial Position	31 December 2021	31 December 2020	Increase (Decrease)	Change %
Total assets	17,415.3	15,415.1	2,000.2	13.0
Total liabilities	6,554.9	6,090.2	464.7	7.6
Equity attributable to owners of the parent	9,808.2	8,297.1	1,511.1	18.2
Debt to Equity Ratio (times)	0.67	0.73		

As of 31 December 2021, the Company and its subsidiaries had total assets of 17,415.3 million Baht, increasing 2,000.2 million Baht, compared to total assets as at 31 December 2020, resulting from;

- Trade receivables and other receivables increasing 1,337.9 million Baht from the advances for goods and service-Vaccine 631.7 million Baht (Moderna vaccines paid to the Government Pharmaceutical Organization that has not yet been received) and from the accounts receivable

699.0 million Baht ( National Health Security Office (NHSO) and Social Security Office for the cost of UCEP Covid-19 in the amount of 592.3 million Baht)

- Financial assets measured at fair value through profit or loss increasing 366.5 million Baht from short-term investments in mutual funds that the Company use to hold excess cash while waiting to be paid
- Cash and cash equivalents increasing 312.3 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.

As of 31 December 2021, the Company and its subsidiaries had total Liabilities of 6,554.9 million Baht, increasing from total liabilities as at 31 December 2020 by 464.7 million Baht, for the following reasons;

- Advances received from customers increasing 622.6 million Baht from the advance payment for vaccines 614.4 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 139.1 million Baht, resulting from the investment in PRINC Hospital Ubonratchthani and for the construction of PRINC Hospital Sisaket and PRINC Hospital Lamphun. While PRINC Hospital Paknampo has partially repaid the loan to financial institutions by borrowing the excess cash funds from the parent company
- Income tax payable increasing 66.7 million Baht from PRINC Hospital Suvarnabhumi, Pitsanuvej Hospital, Virajsilp Hospital and PRINC Hospital Lamphun which has a high profit that cause the Income tax payable increasing.

Shareholders' equity increased from 31 December 2020 by 1,511.1 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 and the operating result for this year which is a profit

The debt-to-equity (D/E) ratio stood at 0.67, reduced from 0.73 on 31 December 2020, resulting from the liabilities and the shareholders' equity increase during the year.

For your kind acknowledgement.

Yours respectfully

Signature \_\_\_\_\_



(Miss Preeyaporn Aphiwathwittaya)

Division Director, Accounting Services