

No. CHG 004/2021

February 25, 2021

Subject: Management's Discussion and Analysis of the consolidated financial statements for the fourth quarter ("4Q20") and year ended 31 December 2020 ("2020")

To: Directors and Manager
The Stock Exchange of Thailand

Management's discussion and analysis of financial statement for 4Q20 ended 31

December 2020

Chularat Hospital Public Company Limited ("the Company") reported the operating performance for the 4Q20 as follows:

Statement of comprehensive income Unit : Million Baht	4Q20	4Q19	Increase (Decrease)	Change (%)
Revenues from hospital operations	1,511	1,328	183	14%
Total revenues	1,524	1,332	192	14%
Cost of hospital operations	1,001	974	27	3%
Administrative expenses	207	186	21	11%
Net profit of the Company	254	134	120	90%
<i>Earnings per share (Baht/share)</i>	<i>0.0231</i>	<i>0.0122</i>		
<i>Gross Profit Margin (%)</i>	<i>33.75%</i>	<i>26.66%</i>		
<i>Net Profit Margin (%)</i>	<i>17%</i>	<i>10%</i>		

The Company's net profit was Baht 254 million for 4Q20, increasing by Baht 120 million, or 90% compared to 4Q19. Overview of operating results was discussed as below.

Revenues from hospital operations

In 4Q20, the Company has revenues from hospital operations of Baht 1,511 million, increasing by Baht 183 million, or 14% YoY.

Revenue from general patients in 4Q20 increased by 9% YoY. The revenue from outpatients (OPD) increased by Baht 82 million and inpatients (IPD) decreased by Baht 2.07 million. The overall revenue from general patients has improved mainly from the return of both outpatients and inpatients. In addition, the Company has collaborated with government accredited hotels to provide an Alternative State Quarantine (ASQ), a period of mandatory quarantine residence for arriving international visitors, resulting in revenue increase in this segment. However, base on the current situation, there are still travel restrictions for international patients who intend to come to Thailand for medical treatments.

Revenue from Social Security schemes in 4Q20 increased by 22% YoY. This is due to an increased fixed payment rate per head/year by 9% or about Baht 140 per head/year from Baht 1,500 to Baht 1,640 effective on 1 January 2020, there was no negative impact on medical treatment income of High Intensity Diseases (Adj.RW ≥ 2) as in 4Q19 and an increased accrued medical treatment income of Chronic Diseases (OPD) from the new accrual basis to be in line with the actual payment.

Revenue from other governmental schemes in 4Q20 increased by 23% YoY. This is due to the increased number of cases and the increased payment rate of National Health Security (NHSO).

Unit: Million Baht	4Q20	4Q19	Increase (Decrease)	Change (%)
Revenue from general patients	945.79	865.86	79.93	9%
Revenue from outpatients (OPD)	526.08	444.08	82.00	18%
Revenue from inpatients (IPD)	419.71	421.78	(2.07)	0.5%
Revenue from government welfare programs	564.75	462.22	102.53	22%
Social security schemes	440.91	361.23	79.68	22%
Other governmental schemes	123.84	100.99	22.85	23%
Total revenue from hospital operations	1,510.54	1,328.08	182.46	14%

Operation costs

In 4Q20, the Company's gross profit margin increased from 26.66% to 33.75%, resulting in net profit margin increased from 10% to 17% YoY. This is mainly due to an effective cost management including the cost control on unnecessary expenses to be in line with the decreased revenue.

The Company's net profit 4Q20 was Baht 254 million, increasing by Baht 120 million, or 90% YoY, in accordance with the increasing operating results.

Management's discussion and analysis of financial statement for year ended 31 December 2020

Chularat Hospital Public Company Limited ("the Company") reported operating performance for the year ended 2020 as follows:

Statement of comprehensive income Unit : Million Baht	2020	2019	Increase (Decrease)	Change (%)
Revenues from hospital operations	5,433	5,166	267	5.2%
Total revenues	5,462	5,188	274	5.3%
Cost of hospital operations	3,685	3,629	56	1.5%
Administrative expenses	673	672	1	0.1%
Net profit of the Company	877	705	172	24.4%
<i>Earnings per share (Baht/share)</i>	<i>0.0797</i>	<i>0.0641</i>		
<i>Gross Profit Margin (%)</i>	<i>32.17%</i>	<i>29.75%</i>		
<i>Net Profit Margin (%)</i>	<i>16%</i>	<i>14%</i>		

The Company's net profit for 2020 was Baht 877 million, increasing by Baht 172 million, or 24.4% compared to 2019. Overview of operating results was discussed as below.

Revenues from hospital operations

In 2020, the Company has revenues from hospital operations of Baht 5,433 million, increasing by Baht 267 million, or 5.2% YoY.

Revenue from general patients in 2020 decreased by 1% YoY. The revenue from outpatients (OPD) increased by Baht 34.78 million and inpatients (IPD) decreased by Baht 60.89 million, mainly from the impact of the COVID-19 pandemic affecting the revenue from both outpatients and inpatients, especially the international patients who cannot come to Thailand for medical treatments due to travel restrictions and limitations. Fortunately, the situation has improved since the third quarter mainly from the Company's COVID-19 related services, including being an Alternative State Quarantine (ASQ) in collaboration with government accredited hotels, resulting in revenue decrease by 1% YoY.

Revenue from Social Security schemes in 2020 increased by 15% YoY. This is due to an increased fixed payment rate per head/year by 9% or about Baht 140 per head/year from Baht 1,500 to Baht 1,640 effective on 1 January 2020 and there was no negative impact from the medical treatment income of High Intensity Diseases (Adj.RW \geq 2) as in 2019. In addition, the Company received the final payment of 2019 (Received in 3Q20) for medical treatment income of Chronic Diseases (OPD) which is more than the accrued amount, resulting in revenue increase and the new accrual basis for 2020.

Revenue from other governmental schemes in 2020 increased by 17% YoY. This is due to the increased number of cases and the increased payment rates of National Health Security (NHSO) as follows.

Month	2020	2019	% Change
January - May	8,250 /Adj.RW	8,050 /Adj.RW	2%
June - September	8,750 /Adj.RW	8,050 /Adj.RW	9%
October - December	8,350 /Adj.RW	8,250 /Adj.RW	1%

Unit: Million Baht	2020	2019	Increase (decrease)	Change
Revenue from general patients	3,208.23	3,234.34	(26.11)	(1%)
Revenue from outpatients (OPD)	1,688.37	1,653.59	34.78	2%
Revenue from inpatients (IPD)	1,519.86	1,580.75	(60.89)	(4%)
Revenue from government welfare programs	2,224.61	1,931.28	293.33	15%
Social security schemes	1,811.20	1,577.83	233.37	15%
Other governmental schemes	413.41	353.45	59.96	17%
Total revenue from hospital operations	5,432.84	5,165.62	267.22	5%

Operation costs

In 2020, the Company's gross profit margin increased from 29.75% to 32.17%, resulting in net profit margin increasing from 14% to 16% YoY. This is mainly due to an effective cost management and cost control measures that does not affect the standard and quality of medical treatment services, but in line with the COVID-19 situation and its impact.

The Company's net profit for 2020 was Baht 877 million, increasing by Baht 172 million, or 24.4% YoY, in accordance with the increasing operating results and cost control measures.

Statement of financial position	31 December	31 December	Increase	Change
Unit : Million Baht	2020	2019	(Decrease)	(%)
Total assets	6,201	6,265	(64)	(1.02%)
Total liabilities	2,008	2,370	(362)	(15.27%)
Shareholders' equity	4,193	3,895	298	7.65%
Debt to equity ratio (x)	0.48	0.61		

As of December 31, 2020, the Company has total assets of Baht 6,201 million, decreased by Baht 64 million from December 31, 2019, primarily due to

- Cash and cash equivalent increased by Baht 80 million from the Company's operation, as reported in the cash flow statement.

- Trade and other receivables increased by Baht 37 million; accrued medical treatment income decreased by Baht 113 million in line with the revenue growth and payment guideline from Social Security Office.
- Property, plant and equipment decreased by Baht 130 million from an adoption of Thai Financial Reporting Standard No. 16 Lease (TFRS 16), effective on 1 January 2020 classifying some Land, Building and equipment as Right-of-use assets at Baht 70 Million, decreasing from Depreciation which is more than the acquisition of the additional assets.

Total liabilities amounting to Baht 2,008 million as of December 31, 2020, decreasing by Baht 362 million from December 31, 2019, as described below.

- Short-term loans from financial institutions decreased by Baht 250 million.
- Trade and other payables decreased by Baht 37 million.
- Liabilities under lease agreement increased by Baht 65 million from an adoption of Thai Financial Reporting Standard No. 16 Lease (TFRS 16).
- Long-term loans from financial institutions decreased by Baht 133 million.

Total shareholders' equity amounting to Baht 4,193 million as of December 31, 2020, increasing by Baht 298 million from December 31, 2019 is in line with the net profit and dividend policy of the Company.

Debt to equity ratio (DE Ratio) is 0.48, which reflects the ability to loan from financial institution for business expansion and in line with the Company's strategy.

Cash flow statement	2020	2019	Change
Unit : Million Baht			
Net cash from operating activities	1,298	974	324
Net cash used in investing activities	(267)	(757)	490
Net cash used in financing activities	(951)	(220)	(731)
Net increase in cash and cash equivalents	80	(3)	83
Cash and cash equivalents at beginning of period	467	471	(4)
Cash and cash equivalents at end of period	547	468	79

In 2020, the Company's Net cash from operating activities amounting to Baht 1,298 million, increased by Baht 324 million YoY, in accordance with the operating profit. Net cash used in investing activities decreased by Baht 490 million from the investment plan and the acquisition of medical equipment for the two new hospitals in 2019, whereas the additional medical equipment and tools are acquired to increase the treatment potentials in 2020. Net cash used in financing activities amounting to Baht 951 million YoY, mainly due to the payment of long-term loans from financial institution for hospital expansion plans and the dividend payment of the Company.

Please be informed accordingly.

Yours faithfully,

(Mr.Kumpol Plussind)
Chief Executive Officer