

MANAGEMENT DISCUSSION AND ANALYSIS

Executive Summary 4Q16 and 2016 Performance

Bangkok Dusit Medical Services Public Company Limited ("Company") reported consolidated operating income during fourth quarter of 2016 ("4Q16") of Baht 17,666 million, an increase of 5% yoy. The growth was attributable to an increase in revenue from hospital operations of 5% yoy which was mainly driven by an increase in number of both outpatients together with increasing healthcare inflation, intensity and complexity cases. This decelerate growth was mainly from a decrease of international patients' revenue. However, Thai patients' revenue continued to grow.

Revenue growth from hospital operations in 4Q16 was from existing hospitals growth of approximately 3% yoy contributing of 91% of revenue from hospital operations and 13 new network hospitals^{1/} growth of approximately 36% yoy contributing of 9% of revenue from hospital operations. Revenue of network hospitals in Bangkok and vicinity grew 3% yoy and revenue of network hospitals in the upcountry grew 8% yoy in 4Q16.

In addition, revenue from sales of goods and food were Baht 681 million in 4Q16, increased by 5% yoy due mainly to an increase in sales of A.N.B. Laboratories Co., Ltd. ("A.N.B"), and Bangkok Save Drug Co., Ltd. ("Save Drug").

^{1/} 13 new network hospitals, become part of BDMS less than 2 full calendar years, are consisted of the following hospitals:- Bangkok Chiangmai, Sanamchan, Thepakorn, Phuket International, Bangkok Khon Kaen, Royal Phnom Penh, Bangkok Chinatown, Muang Petch, Sri Rayong, Dibuk, Samitivej Chonburi, Muangraj and Paolo Rangsit.

In 4Q16, the Company and its subsidiaries reported EBITDA of Baht 3,666 million, decreased by 6% yoy. Consequently, the Company and its subsidiaries reported net profit of Baht 1,977 million, decreased by 8% yoy.

For a year ended December 31, 2016 ("2016"), the consolidated operating income were Baht 68,844 million, an increase of 8% yoy. The growth was attributable to an increase in revenue from hospital operations of 8% yoy which mainly driven by an increase in number of both outpatients and inpatients due to an expansion of our network hospitals, patient ward expansion and renovation and qualified clinical staffs and specialist doctors together with increasing healthcare inflation, intensity and complexity cases.

Revenue growth from hospital operations in 2016 was from existing hospitals growth of approximately 5% yoy contributing of 92% of revenue from hospital operations and new network hospitals growth of approximately 56% yoy contributing of 8% of revenue from hospital operations. Revenue of network hospitals in Bangkok and vicinity grew 6% yoy and revenue of network hospitals in the upcountry grew 12% yoy in 2016.

In addition, revenue from sales of goods and food was Baht 2,749 million in 2016, increased by 6% yoy due mainly to an increase in sales of A.N.B., The Medicpharma Co., Ltd ("Medicpharma") and Save Drug.

In 2016, the Company and its subsidiaries reported EBITDA of Baht 14,727 million, increased by 4% yoy. Consequently, the Company

and its subsidiaries reported recurring profit of Baht 8,178 million, increased by 5% yoy. If including non-recurring items which are gain on sale of other long-term investments totaling Baht 209 million in 2016, net profit would be Baht 8,386 million or increased by 5% yoy.

4Q16 Consolidated Financial Summary

Operating Income			
(THB mm)	4Q16	4Q15	%Chg
Revenues from hospital operations	16,669	15,934	5%
Revenue from sales of goods and food	681	646	5%
Other income	317	249	27%
Total Operating Income	17,666	16,829	5%

In 4Q16, total operating income were Baht 17,666 million, an increase of Baht 837 million or 5% yoy, primarily due to

- Revenues from hospital operations were Baht 16,669 million, an increase of Baht 735 million or 5% yoy. The growth was contributable to an increase in number of outpatients across our network hospitals and opening of Paolo Rangsit since January 2016 together with an increasing healthcare inflation, intensity and complexity cases.

Revenues from hospital operations	Chg. (yoy)	% to revenue
Revenues growth from hospital operations	5%	100%
Breakdown by existing and new hospitals		
Existing Hospitals	3%	91%
New Hospitals	36%	9%
Breakdown by location		
Bangkok & Vicinity	3%	60%
Upcountry	8%	40%
Breakdown by nationality		
Thai	9%	71%
International	(4)%	29%

Existing hospitals grew approximately 3% yoy while new network hospitals grew approximately 36% yoy. Such growth from new network hospitals was mainly from Phuket International Hospital, Bangkok Hospital Chiangmai, Bangkok Hospital Khon Kaen, Royal Phnom Pehn Hospital, Samitivej Chonburi Hospital, Thepakorn Hospital and Paolo Rangsit Hospital. In addition, the proportion of existing to new hospitals is 91%:9% respectively. Revenue of network hospitals in Bangkok and vicinity grew 3% yoy while revenue of network hospitals in the upcountry grew 8% yoy in 4Q16.

In 4Q16, Thai patients grew 9% while international patients declined 4% yoy which due mainly to decrease in revenue from Middle East patients. However, Company foreseen continued growth from other regions. Although international patients' revenue declined, the revenue proportion between Thai and international patients remained unchanged at 71%:29% in 4Q15 and 4Q16. From type of patient perspectives, outpatient revenues grew by 8% yoy while the inpatient revenues increased by 2% yoy.

- Revenues from sales of goods and food were Baht 681 million in 4Q16, increased by 5% yoy due mainly to an increase in sales of A.N.B. and Save Drug.
- Other incomes were Baht 317 million in 4Q16, increased by 27% yoy mainly from gain on fair value adjustments of investment property of Baht 65 million to reflect the actual usage of the property.

Operating Expenses			
(THB mm)	4Q16	4Q15	%Chg
Cost of hospital operations and others	11,686	10,854	8%
Administrative expenses	3,571	3,237	10%
Total Operating Expenses (Including depreciation)	15,256	14,090	8%

In 4Q16, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 15,256 million, an increase of Baht 1,166 million or 8% yoy.

- Cost of hospital operations and others (including depreciation and amortization) were Baht 11,686 million, increased by 8% yoy. An increase was due mainly to rising in doctor fees and clinical staffs expenses as a result of an increase in newly recruited specialist doctors both full-time and part-time and clinical staffs to accommodate the network expansion.
- The administrative expenses (including depreciation and amortization) were Baht 3,571 million, increased by 10% yoy due mainly to an increase non-clinical personnel expenses and other administrative expenses.
- The depreciation and amortization expenses were Baht 1,256 million in 4Q16, increased by 8% yoy due mainly to depreciation and amortization of new network hospitals.

Other Major Items

- Share of income from investments in associated companies were Baht 307 million in 4Q16, an increase of Baht 14 million or 5% yoy. Share of income from investments in associated companies were mainly from share of income from investment in Bumrungrad Hospital Public Co., Ltd. ("BH") of Baht 197 million, increased by 7% yoy together with investment in Ramkhamhaeng Hospital Public Co., Ltd ("RAM") of Baht 91 million, decreased by 4% yoy.
- Finance expenses decreased to Baht 246 million in 4Q16 or decreased by 14% yoy due mainly to an adjustment in the assumption for calculating expected convertible bonds redemption in relation to the BDMS share price.

- Taxes in 4Q16 were Baht 403 million, an increase from Baht 538 million in 4Q15, due mainly to a decrease in pre-tax profit together with tax saving from tax privileges on fixed-asset investment.

Profitability Analysis

(THB mm)	4Q16	4Q15	%Chg
EBITDA	3,666	3,903	(6)%
EBITDA margin	20.8%	23.2%	
EBIT	2,729	3,045	(10)%
EBIT margin	15.4%	18.1%	
Net profit	1,977	2,153	(8)%
Net profit margin	11.2%	12.8%	
EPS (THB)	0.13	0.14	(8)%

Remarks

EBITDA = Total operating income – Total operating expenses (Excluding depreciation and amortization)

EBITDA Margin = EBITDA / Operating income

EBITDA decreased from Baht 3,903 million in 4Q15 to Baht 3,666 million in 4Q16 or decreased by 6% yoy. EBITDA margin also decreased from 23.2% in 4Q15 to 20.8% in 4Q16.

Net profit was Baht 1,977 million, decreased by 8% yoy. As a result, net profit margin decreased from 12.8% in 4Q15 to 11.2% in 4Q16. EPS was Baht 0.13 per share or decreased by 8% yoy.

The Company restated financial statements in 4Q15 resulting in an increase in net profit from Baht 2,050 million to Baht 2,153 million or increased by Baht 103 million. Such increase was from an adoption of new financial reporting standards and cumulative effects of adjustment of prior years' financial statements.

Major Development

- (1) TRIS Rating affirmed the Company rating and senior unsecured debenture rating at AA-

On January 25, 2017, Tris Rating affirmed the Company and senior unsecured debenture

ratings at AA- with stable outlook. The ratings reflect Company's leading market position as the largest private hospital operator in Thailand, the extensive hospital network and solid reputations of hospital brands, as well as the experienced management team and capable physicians. The ratings also take into consideration the sound operating performance and a moderate financial risk profile, reflecting a rise in cash flow, satisfactory liquidity and moderate use of debt.

During 2017-2019, TRIS Rating forecasts that BDMS will deliver a sound operating performance driven by growth in patient volume and the new hospitals added to the network. The operating margin may be pressured from fixed operation cost, depreciation and amortization charges for new hospitals, and a ramp up of BDMS Wellness Clinic. However, BDMS is expected to manage expenditures and continues cost saving effort, in order to maintain operating margin.

(2) BDMS Wellness Clinic

On September 28, 2016, Board of Directors approved the establishment of a subsidiary under the name of BDMS Wellness Clinic Company Limited with registered capital of Baht 6,400 million to purchase and acquire land in the Nai Lert Park project with the total area of approximately 15 rai including the structures located thereon, comprising Swiss Hotel Park Nai Lert, Promenade building and other buildings for the purposes of the development of the holistic service medical center project through BDMS Wellness Clinic CO., Ltd. The operation will be started in 2017.

The total value of transaction is approximately Baht 12,800 million including the purchase price of land and building of Baht 10,800

million and investment and development of asset for business operation of Baht 2,000 million.

On February 20, 2017, BDMS Wellness Clinic accepted the transfer of ownership of the land and building from the sellers sooner than planned originally by 2Q17 with the payment of Baht 2,000 million and the rest will pay by May 27, 2017.

(3) Expansion of network hospitals

Since 2016 till now, company had added two hospitals as follows:-

• New network hospitals

Hospital	Number of Structured beds	Opening Month
Paolo Rangsit	150	Jan 16
Paolo Kaset (Mayo Hospital)	162	Jan 17

• Existing hospital expansion

During 1Q16, Phuket International Hospital has opened a brand new six-storey building complex with over 21,000 square meters in total with 46 structured beds to deliver world-class cosmetic procedures to medical tourism.

(4) Expansion of Medicpharma

On November 2, 2016, Medicpharma opened new medicine factory located in Sinsakhon Industrial Estate with the land size of 15 rai. This new factory will increase manufacturing capacity and will produce generic drug in the form of solid, liquid, semi-solid dosage and penicillin in accordance with international standard. The factory also achieved Good Manufacturing Practice: GMP PIC/s. The old factory will shift to vitamin and food supplement.

(5) Purchasing shares of Bangkok Helicopter Services Co., Ltd. (BHS) and purchasing of new helicopter

In May 2016, Royal Bangkok Healthcare Co., Ltd., a subsidiary company, purchased remaining shares of BHS, a helicopter operator who provides sky ICU service to BDMS network, at the amount of Baht 42.84 million. As a result, Company increased its shareholding in BHS from 49% to 100%.

Moreover, the Company bought new Helicopter H145 which is compact to land in confined areas. H145 is quiet aircraft during taking-off, cruise flight and approach making it more friendly to community. This model can share cost of pilots, mechanics, spare parts and special equipment with the old model resulting in operating cost saving.

In this regard, the Company can enhance our Company competitive edge in developing our Centers of Excellence network.

2016 Consolidated Financial Summary

Operating Income			
(THB mm)	2016	2015	%Chg
Revenues from hospital operations	65,237	60,240	8%
Revenue from sales of goods and food	2,749	2,595	6%
Other income	859	798	8%
Total Operating Income	68,844	63,633	8%

In 2016, total operating income were Baht 68,844 million, an increase of Baht 5,211 million or 8% yoy, primarily due to

- Revenues from hospital operations were Baht 65,237 million, an increase of Baht 4,997 million or 8% from 2015. The growth was contributable to an increase in number of outpatients and inpatients across our network hospitals, patient ward renovation and

qualified clinical staffs and specialist doctors together with the opening of Paolo Rangsit since January 2016 and an increasing healthcare inflation, intensity and complexity cases.

Revenues from hospital operations	Chg. (yoy)	% to revenue
Revenues growth from hospital operations	8%	100%
Breakdown by existing and new hospitals		
Existing Hospitals	5%	92%
New Hospitals	56%	8%
Breakdown by location		
Bangkok & Vicinity	6%	60%
Upcountry	12%	40%
Breakdown by nationality		
Thai	9%	71%
International	5%	29%

Existing hospitals grew approximately 5% yoy while new network hospitals grew approximately 56% yoy. Such growth from new network hospitals was mainly from Muangraj Hospital, Samitivej Chonburi Hospital, Bangkok Hospital Chiangmai, Phuket International Hospital, Bangkok Hospital Khon Kaen, Royal Phnom Pehn Hospital and Paolo Rangsit Hospital. In addition, the proportion of existing to new hospitals is 92%:8% respectively. Revenue of network hospitals in Bangkok and vicinity grew 6% yoy while revenue of network hospitals in the upcountry grew 12% yoy in 2016.

In 2016, Thai and international patients grew 9% and 5% yoy respectively resulting in the revenue proportion between Thai and international patients remained unchanged at 71%:29% in 2015 and in 2016. From type of patient perspectives, outpatient revenues grew by 11% yoy while the inpatient revenues increased by 7% yoy in 2016.

- Revenues from sales of goods and food were Baht 2,749 million in 2016, an increase of 6%

yoy, mainly from an increase in sales of A.N.B., Medicpharma and Save Drug.

- Other incomes were Baht 859 million in 2016, increased by 8% yoy mainly from gain on fair value adjustments of investment property of Baht 65 million.

Operating Expenses			
<i>(THB mm)</i>	2016	2015	%Chg
Cost of hospital operations and others	45,277	41,151	10%
Administrative expenses	13,644	12,649	8%
Total Operating Expenses			
(Including depreciation)	58,921	53,800	10%

In 2016, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 58,921 million, an increase of Baht 5,121 million or 10% yoy.

- Cost of hospital operations and others (including depreciation and amortization) were Baht 45,277 million, increased by 10% yoy. An increase was due mainly to rising in doctor fees and clinical staffs expenses as a result of an increase in newly recruited specialist doctors both full-time and part-time and clinical staffs to accommodate the network expansion together with cost of sales of A.N.B, Medicpharma and Save Drug.
- The administrative expenses (including depreciation and amortization) were Baht 13,644 million, increased by 8% yoy, due mainly to an increase non-clinical personnel expenses and other administrative expenses.
- The depreciation and amortization expenses were Baht 4,804 million in 2016, increased by 10% yoy due mainly to depreciation and amortization of new network hospitals.

Other Major Items

- Share of income from investments in associated companies were Baht 1,370 million in 2016, an increase of Baht 111 million or 2% yoy. Share of income from investments in associated companies were mainly from investment in BH of Baht 868 million together with investment in RAM of Baht 435 million.
- Finance expenses decreased to Baht 881 million in 2016 or decreased by 22% yoy due mainly to (1) an interest rate swap contract with financial institution for debenture totaling Baht 4,000 million by the exchange of a floating interest rate for a fixed rate resulting in interest savings during this period together with (2) an adjustment in the assumption for calculating expected convertible bonds redemption in relation to the BDMS share price.
- Tax expenses in 2016 were Baht 1,922 million, slightly increase from Baht 1,895 million in 2015, due mainly to an increase in pre-tax profit netted with tax savings from tax privileges on fix-asset investment.

Non-recurring items

In 2016, the Company and its subsidiaries recorded non-recurring items of totaling Baht 209 million mainly from gain on sale of investment in Bangkok Chain Hospital Public Co., Ltd. of Baht 206 million (before taxes).

In 2015, the Company and its subsidiaries recorded non-recurring items of totaling Baht 209 million from gain on fair value adjustments of investment in relation to the Entire Business transfer of G. Wasupol Co., Ltd. (Muangraj Hospital).

Profitability Analysis

(THB mm)	2016	2015	%Chg
EBITDA	14,727	14,220	4%
EBITDA margin	21.4%	22.3%	
EBIT *	11,367	11,157	2%
EBIT margin *	16.5%	17.5%	
Recurring profit *	8,178	7,812	5%
Recurring profit margin *	11.9%	12.3%	
Net profit	8,386	8,021	5%
Net profit margin	12.2%	12.6%	
(THB)			
EPS *	0.53	0.50	5%
EPS	0.54	0.52	5%

* Excluding non-recurring items

Remarks

EBITDA = Total operating income – Total operating expenses (Excluding depreciation and amortization)

EBITDA Margin = EBITDA / Operating income

As previously mentioned EBITDA increased from Baht 14,220 million in 2015 to Baht 14,727 million in 2016 or increased by 4% yoy. However, EBITDA margin decreased from 22.3% in 2015 to 21.4% in 2016.

Recurring profit was Baht 8,178 million in 2016, increased by 5% yoy. However, recurring profit margin decreased from 12.3% in 2015 to 11.9% in 2016. EPS (pre non-recurring) was Baht 0.53 per share increased by 5% yoy.

If including the non-recurring items, net profit was Baht 8,386 million, increased by 5% yoy. However, net profit margin decreased from 12.6% in 2015 to 12.2% in 2016. EPS was Baht 0.54 per share or increased by 5% yoy.

The Company restated financial statements in 2015 resulting in an increase in net profit of Baht 103 million and decrease in retained earnings of Baht 1,177 million due to an adoption of new financial reporting standards and cumulative effects of adjustment of prior years' financial

statements. (Please refer to notes to consolidated financial statements #3 and #4)

Assets

(THB mm)	Dec 16	Dec 15	%Chg
Cash & cash equivalents	4,217	5,529	(24)%
Short-term investments	548	28	1,838%
Trade & other receivables	6,033	6,484	(7)%
Inventories	1,516	1,286	18%
Investment in associates	16,401	15,093	9%
Property, premises & equipment	56,164	52,950	6%
Goodwill	16,932	16,932	0%
Other assets	5,129	4,033	27%
Total assets	106,939	102,335	4%

The consolidated financial position of the Company and its subsidiaries as of December 31, 2016: The Company and its subsidiaries reported total assets of Baht 106,939 million increased by 4% from December 31, 2015, due mainly to net increase in property, premises and equipment of Baht 3,214 million to expand our network hospitals both existing hospital, namely Bangkok Hospital Headquarter, to become Center of Excellence and new hospital namely Bangkok Hospital Surat together with expansion of manufacturing plant of Medicpharma and the deposit payment for land and building of the Nai Lert Park project of Baht 1,080 million or about 10% of purchase price netted with a decrease in cash and cash equivalents of Baht 1,312 million.

Liabilities and Equity

(THB mm)	Dec 16	Dec 15	%Chg
Debentures *	12,589	10,591	19%
Long-term loans *	7,705	9,446	(18)%
Convertible debentures	9,874	9,683	2%
Other liabilities	18,465	27,617	5%
Total liabilities	48,635	47,338	3%
Equity attributable to equity holder of the Company	55,678	52,499	6%
Non-controlling interests	2,586	2,498	4%
Total equity	58,264	54,997	6%

* Including current portion

Total consolidated liabilities as of December 31, 2016 were Baht 48,635 million, which was increased from December 31, 2015, due mainly to an issuance of debentures of Baht 3,000 million together with an increase in short-term loans from financial institutions of Baht 1,503 million netted with a redemption of maturing debentures of Baht 1,000 million and repayment of long-term loans from financial institutions of Baht 1,741 million.

Total consolidated shareholders' equity as of December 31, 2016 was Baht 58,264 million, increased by 6% from December 31, 2015, due mainly from net income during 2016 netted with dividend payment of Baht 5,575 million and cumulative effect of changing accounting policy and adjustment of prior years' financial statements of Baht 1,177 million.

Liquidity and Capital Management

Cash Flow

(THB mm)	2016
Net cash from operating activities	12,447
Net cash used in investing activities	(9,492)
Net cash used in financing activities	(4,266)
Net decrease in cash and cash equivalents	(1,312)
Beginning cash and cash equivalents	5,529
Ending cash and cash equivalents	4,217

For the year ended December 31, 2016, the Company and its subsidiaries had net decrease in cash and cash equivalent of Baht 1,312 million from the beginning balance of Baht 5,529 million. As a result, cash and cash equivalents at the end of period was Baht 4,217 million. Details of cash flow by activities during the year are as follows:-

Net cash flows from operating activities were Baht 12,447 million, resulting mainly from profit during 2016.

Net cash used in investing activities were Baht 9,492 million. The investing activities during the period were mainly from purchase of property, premises and equipment for Baht 8,506 million and the deposit payment for land and building of the Nai Lert Park project of Baht 1,080 million.

Net cash used in financing activities were Baht 4,266 million comprising mainly from repayment of short-term loans from financial institutions of Baht 7,806 million, repayment of long-term loans from financial institutions of Baht 1,735 million, redemption of maturing debentures of Baht 1,000 million and dividend payment of Baht 5,575 million netted with cash received from short-term loans from financial institutions of Baht 9,309 million and an issuance of debentures of Baht 3,000 million.

Ratios Analysis

Returns (%)	2016	2015
Return on Asset	7.8	8.0
Return on Equity	15.1	15.7
Liquidity (x)		
Current ratio	0.7	0.9
Quick ratio	0.6	0.8
Assets & Liabilities Management (Days)	2016	2015
Average Collection Period	35.4	37.8
Average Inventory Period	11.1	10.5
Average Payable Period	37.7	40.8

Remark

Excluding non-recurring items

Assets & Liabilities Management based on 360 days

Ratios Analysis

Leverage & Coverage Ratios (x)	2016	2015
Interest coverage	16.7	12.5
Total debt to equity	0.5	0.5
Net debt to equity	0.5	0.4
Net debt to EBITDA	1.9	1.7

Remark

Excluding non-recurring items

Interest coverage = EBITDA/Interest Expenses

Debt refers to interest bearing debt

Return on assets and return on equity slightly decreased from 2015 as a result of the performance of new network hospitals which are ramping up and currently generate lower returns than existing hospitals.

Current ratio and quick ratio in 2016 also slightly decreased from 2015.

Average collection period and average payable period decreased from 37.8 days and 40.8 days in 2015 to 35.4 days and 37.7 days in 2016 respectively while average inventory period increased from 10.5 days in 2015 to 11.1 days in 2016.

Interest coverage ratio increased from 12.5x in 2015 to 16.7x in 2016 due mainly to decrease in finance expenses during the period.

Total interest bearing debt to equity remained unchanged at 0.5x as of December 31, 2015 and as of December 31, 2016. Net interest bearing debt to equity also increased from 0.4x as of December 31, 2015 to 0.5x as of December 31, 2016 and net interest bearing debt to EBITDA increased from 1.7x as of December 31, 2015 to 1.9x as of December 31, 2016.

The leverage and coverage ratios are well within the financial covenants of the long-term loans and debentures.

Management's Outlook

Increasing healthcare demand

Long-term prospect of healthcare sector is still intact as a result of aging population and rising income per capita, especially those in the rural area. People also pay more attention to their health wishing to live longer with a better quality of life. Moreover, increasing demand from medical tourism from Thailand's value for money and the quality of care are positive growth drivers.

These favorable factors support our strategy for the continuous expansion by focusing on preventive care services at BDMS Wellness Clinic and upgrading our clinical capabilities for secondary care and tertiary care together with multidisciplinary specialists, state of the art medical equipment and experienced staffs to accommodate increasing demand of healthcare.

Key strategic priorities

The Company's diverse portfolio of network hospitals with multiple brands and diversified market segments play a crucial role in continuous growth in healthcare business and serving rising healthcare demand in the future. The company would focus on the following strategic priorities:

• Centers of Excellence

The Company is upgrading 9 hub hospitals to be Centers of Excellence. These hospitals are (1) Bangkok Hospital Headquarter (2) Samitivej Sukhumvit Hospital (3) Samitivej Srinakarin Hospital (4) Phyathai 2 Hospital (5) Bangkok Hospital Pattaya (6) Bangkok Hospital Phuket (7) Bangkok Hospital Chiangmai (8) Bangkok Hospital Udon and (9) Royal Phnom Penh Hospital. With the determination for continuous development of these network hospitals to be in accordance with the Joint Commission International (JCI), we also

cooperate with world leading institutions to uplift our Thai standard of care effectively to be equivalent to the international standard. The international cooperation also includes

- (1) Cancer: The University of Texas MD Anderson Cancer Center
- (2) Trauma : Hannover Medical School
- (3) Orthopedics and Spines : Missouri Orthopaedic Institute
- (4) Neurosciences : Neurosurgical Institute at Cedars-Sinai Medical Center
- (5) Heart Disease / Cardiovascular : Oregon Health & Science University (OHSU)

- ***BDMS Wellness Clinic***

BDMS Wellness Clinic provide holistic wellness service focusing on Preventive Medicine, Longevity and Anti-Aging area which will be the first in Asia. The goal is to improve physical and mental health of its visitors which becoming much more prevalent throughout the world. Currently, there are few medical service center that provide the holistic healthcare and wellness services. This development goes in line with the Company's strategies, which focus on horizontal growth and aim to cover all aspects of medical services from medical treatment, pharmaceutical business, medical laboratory as well as health & wellness.

- ***Ramp-up of the new network hospitals***

Since the beginning of 2017, the Company already added 44th new network hospital namely Paolo Kaset, which is a high growth potential tertiary care hospital. Moreover, the company plans to add more hospital network in upcountry i.e. Bangkok Hospital Surat and Bangkok Hospital Chiangrai.

To mitigate the operational and financial risks of new hospitals, the Company plans to open new hospitals in phases by gradually increase the bed capacity according to the patient demand.

Since we have added a number of new network hospitals recently, we would continue to focus on ramp-up operations of these new hospitals together with the focus on standardization of care and cooperation among our network hospitals for continued improvement in quality and operational efficiency.

- ***Expanding non-hospital business***

Non-hospital business, contributing about 4% of operating income in 2016, is expected to grow continuously especially for medical lab and shared services (National Healthcare Systems Co., Ltd), manufacturer and distributor of pharmaceutical products (A.N.B. and Medicpharma) and our drugstore business (Save Drug). This is attributable to growing demand for our healthcare related products supporting our operating income growth and increase profitability prospects.

- ***Principle of sustainability development***

The Company remains cautious with our operations and adapts our strategy to maintain operational resiliency and achieve business sustainability. The Company firmly believes in giving back to and taking care of our society, The Company operates in accordance with the principles of sustainable development, by placing importance on various points that have potential impacts on the service value chain, with regard to organizational capabilities to manage and measure the outcomes. Our hospitals in the BDMS network have received accreditation from JCI, Advanced Hospital Accreditation

(Advanced HA) and Hospital Accreditation (HA). Moreover, the Company and Vejdasit Foundation have been working in range of activities i.e. healthy checkup for the less-fortunate that have been running monthly, "Volunteering Project" to encourage our staff to make a contribution to the society through various projects as we are firmly committed to drive company forward as a sustainable organization that keeps growing alongside Thai society.
