

May 13, 2016

Bangkok Dusit Medical Services Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Executive Summary

1Q16 Performance

Bangkok Dusit Medical Services Public Company Limited ("Company") and its subsidiaries reported consolidated operating income during first quarter of 2016 ("1Q16") of Baht 17,297 million, an increase of 10% yoy. The growth was attributable to an increase in revenue from hospital operations of 11% yoy which was mainly driven by an increase in number of both outpatients and inpatients due to an expansion of our network hospitals. In addition, Paolo Rangsit, 43rd network hospital, has been opened during 1Q16.

Revenue from hospital operations was from existing hospitals growth of approximately 7% yoy and the 13 new network hospitals^{1/} growth of approximately 4%. Revenue of network hospitals in Bangkok and vicinity grew approximately 7% yoy and revenue of network hospitals in the upcountry grew approximately 15% yoy.

The Company and its subsidiaries reported EBITDA of Baht 4,077 million, increased by 5% yoy. Consequently, the Company and its subsidiaries reported net profit of Baht 2,406 million, increased by 5% yoy.

^{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.

Major Development in 1Q16

1. New network hospitals

Since 27 January 2016, Paolo Rangsit Hospital ("PLR") has become our 43rd network hospital. It is a secondary care hospital targeting middle income patients in Rangsit area. PLR has total of 150 structured beds, of which 59 beds are opened during first phase. It offers the high standards of medical treatment with variety of medical centers such as Pediatric Center, Obstetrics and Gynecology Center and Orthopedic Center.

2. Expansion of Phuket International Hospital

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.

3. Purchasing shares of Bangkok Helicopter Services Co., Ltd. ("BHS")

On 27 April 2016, Board of Directors approved for our subsidiaries to purchase 5,100,000 shares of BHS at Baht 8.40 per share totalling Baht 42.84 million. BHS is a helicopter operator who provides sky ICU service to BDMS network. As a result, Company increased its shareholding in BHS from 49% to 100%. Increasing stake in BHS will help enhance the Company competitive edge in developing our Centers of Excellence network.

4. Renting aircraft model ATR72 from Bangkok Airways PCL for

On 27 April 2016, Board of Directors approved for the Company or its subsidiary to enter in to a rental agreement with Bangkok Airways PCL for aircraft model ATR72 for 3 years for

the purpose of air ambulance. The total contract value is Baht 432 million. This will provide full medical team and equipment to escort and treat a patient during the transfer and also provide more flexibility to mobilize the medical team when necessary.

1Q16 Consolidated Financial Summary

Operating Income			
(THB mm)	1Q16	1Q15	%Chg
Revenues from hospital operations	16,406	14,845	11%
Revenue from sales of goods and food	727	703	3%
Other income	164	200	(18)%
Total Operating Income	17,297	15,748	10%

In 1Q16, total operating income were Baht 17,297 million, an increase of Baht 1,549 million or 10% from 1Q15, primarily due to

- Revenues from hospital operations were Baht 16,406 million, an increase of Baht 1,561 million or 11% from 1Q15. The growth was contributable to an increase in number of outpatients and inpatients across our network hospitals together with patient ward renovation, an increase in patient referral both from network and non-network hospitals and the opening of Paolo Rangsit since January 2016. Revenue from hospital operations was from existing hospitals growth of approximately 7% yoy and the 13 new network hospitals growth of approximately 4%. Revenue of network hospitals in Bangkok and vicinity grew approximately 7% yoy while revenue of network hospitals in the upcountry grew approximately 15% yoy. During 1Q16, Thai and international patients grew approximately 11% and 9% yoy respectively resulting in the revenue

proportion between Thai and international patients remains unchanged at 69%:31% in 1Q15 and in 1Q16. From type of patient perspectives, outpatient revenues grew by approximately 12% yoy while the inpatient revenues increased by approximately 8% yoy.

- Revenues from sales of goods and food were Baht 727 million, increased by 3% yoy. Revenue from sales of goods and food are consisted mainly of revenue from A.N.B. Laboratories Co., Ltd., Medic Pharma Co., Ltd. and Save Drug Center Co., Ltd. ("Save Drug"). In 1Q15, Company reported revenue from Save Drug since acquired in November 2014 to March 2015 for the period of 5 months while, during 1Q16, revenue from Save Drug were for the period of 3 months. If excluded revenue from Save Drug, revenue from sales of goods and food increased approximately 26% yoy. Moreover, revenues from sales of goods and food in 1Q16 are excluded revenue from Sodexo Healthcare Support Services (Thailand) Co., Ltd. ("Sodexo") as Company sold investment in Sodexo in 4Q15.
- Other incomes were Baht 164 million, decreased by 18% yoy mainly from income tax refund of our subsidiary from The Revenue Department totaling Baht 57 million in 1Q15.

Operating Expenses			
(THB mm)	1Q16	1Q15	%Chg
Cost of hospital operations and others	11,061	9,993	11%
Administrative expenses	3,311	2,933	13%
Total Operating Expenses and Depreciation	14,372	12,927	11%

In 1Q16, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 14,372 million, an increase of Baht 1,445 million or 11% yoy.

- Cost of hospital operations and others (including depreciation and amortization) were Baht 11,061 million, increased by 11% yoy. An increase was due mainly to rising in clinical staffs expenses as a result of an increase in number of clinical staffs and newly recruited specialist doctors both full-time and part-time to accommodate the network expansion.
- The administrative expenses (including depreciation and amortization) were Baht 3,311 million, increased by 13% yoy, due mainly to an increase in non-clinical staffs expenses together with other administrative expenses.
- The depreciation and amortization expenses were Baht 1,152 million in 1Q16, 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 337 million in 1Q16, an increase of Baht 14 million or 4% yoy. Share of income from investments in associated companies in 1Q16 were mainly from share of income from investment in Bumrungrad Hospital Public Co., Ltd of Baht 234 million together with investment in Ramkhamhaeng Hospital Public Co., Ltd of Baht 96 million.
- Finance expenses were Baht 213 million, decreased by 21% yoy due mainly to adjustment in the assumption for calculating expected convertible bonds redemption as the current BDMS share price already exceeds the redemption price of convertible bonds.
- Taxes in 1Q16 were Baht 563 million, an increase from Baht 522 million in 1Q15, due mainly to an increase in pre-tax profit.

Profitability Analysis

(THB mm)	1Q16	1Q15	%Chg
EBITDA	4,077	3,871	5%
EBITDA margin	23.6%	24.6%	
EBIT	3,272	3,162	3%
EBIT margin	18.9%	20.1%	
Net profit	2,406	2,289	5%
Net profit margin	13.9%	14.5%	
Basic earnings per share	0.16	0.15	5%

Remarks

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

EBITDA Margin = EBITDA / Operating income

As previously mentioned, EBITDA increased from 3,871 million in 1Q15 to Baht 4,077 million in 1Q16 or increased by 5% yoy. However, EBITDA margin decreased from 24.6% in 1Q15 to 23.6% in 1Q16.

Net profit was Baht 2,406 million in 1Q16, an increase of Baht 117 million, or increased by 5% yoy. Net profit margin, however, decreased from 14.5% in 1Q15 to 13.9% in 1Q16. Basic earnings per share was Baht 0.16 per share or increased by 5% yoy.

Asset

(THB mm)	Mar 16	Dec 15	%Chg
Cash & cash equivalents	5,235	5,529	(5)%
Short-term investments	46	28	62%
Trade & other receivables	6,610	6,484	2%
Inventories	1,205	1,286	(6)%
Investment in associates	15,612	15,093	3%
Property, premises & equipment	53,645	52,950	1%
Goodwill	16,932	16,932	0%
Other assets	4,212	4,033	4%
Total assets	103,498	102,335	1%

The consolidated financial position of the Company and its subsidiaries as of March, 31

2016: The Company and its subsidiaries reported total assets of Baht 103,498 million slightly increased from December 31, 2015.

Liabilities and Equity			
(THB mm)	Mar 16	Dec 15	%Chg
Debentures*	10,591	10,591	0%
Long-term loans*	9,089	9,446	(4)%
Convertible debentures	9,730	9,683	0%
Other liabilities	15,386	16,439	(6)%
Total liabilities	44,797	46,160	(3)%
Equity attributable to equity holder of the Company	56,286	53,676	5%
Non-controlling interests	2,415	2,499	(3)%
Total equity	58,701	56,175	4%

* Including current portion

Total consolidated liabilities as of March 31, 2016 were Baht 44,797 million, a decrease of Baht 1,363 million or 3% from December 31, 2015, due mainly to decrease in trade and other payables of Baht 540 million and decrease in long-term loans from financial institutions of Baht 396 million.

Total consolidated shareholders' equity as of March 31, 2016 was Baht 58,701 million, an increase by Baht 2,526 million or 4% from December 31, 2015. This is due mainly to comprehensive income during 1Q16.

Liquidity and Capital Management

Cash Flow	
(THB mm)	1Q16
Net cash from operating activities	2,639
Net cash used in investing activities	(2,443)
Net cash used in financing activities	(490)
Net decrease in cash and cash equivalents	(294)
Beginning cash and cash equivalents	5,529
Ending cash and cash equivalents	5,235

For the three-month period ended March 31, 2016, the Company and its subsidiaries had net decrease in cash and cash equivalent of Baht 294 million, with the cash and cash equivalents at the beginning of the period of Baht 5,529 million. As a result, cash and cash equivalents at the end of the period was Baht 5,235 million. Details of cash flow by activities during the period are as follows:-

Net cash flows from operating activities were Baht 2,639 million, resulting mainly from profit during 1Q16.

Net cash used in investing activities were Baht 2,443 million mainly from purchase of property, premises and equipment for Baht 2,363 million for our existing network hospitals expansion including Bangkok Hospital Headquarter to upgrade to become Center of Excellence (CoE) and new network hospital, namely Bangkok Hospital Surat.

Net cash used in financing activities were Baht 490 million comprising mainly from repayment of long-term loans from financial institutions of Baht 339 million.

Ratios Analysis		
Returns (%)	1Q16	1Q15
Return on Asset	9.4	9.8
Return on Equity	17.5	19.1
Liquidity (x)		
Current ratio	1.0	1.1
Quick ratio	0.9	1.0
Assets & Liabilities Management (Days)		
Average Collection Period	36.8	38.4
Average Inventory Period	10.1	9.5
Average Payable Period	38.0	37.7
Leverage & Coverage Ratios (x)		
Interest coverage	19.1	14.3

Remark

Assets & Liabilities Management based on 360 days
Interest coverage = EBITDA/Interest Expenses

Ratios Analysis

Leverage & Coverage Ratios (x)	Mar-16	Dec-15
Total debt to equity	0.5	0.5
Net debt to equity	0.4	0.4
Net debt to EBITDA	1.5	1.7

Remark

Debt refers to interest bearing debt

Return on assets during 1Q16 slightly decreased from 1Q15 as a result of an increase in net fixed assets to accommodate our network expansion. Return on Equity also decreased from 1Q15 as a result of an increase in retained earnings and revaluation surplus on land of eight subsidiaries.

Current ratio and quick ratio during 1Q16 slightly decreased from 1Q15. Average collection period decreased from 38.4 days in 1Q15 to 36.8 days in 1Q16.

Interest coverage ratio increased from 14.3x in 1Q15 to 19.1x in 1Q16. Total debt to equity and net debt to equity remain unchanged at 0.5x and 0.4x respectively as of December 31, 2015 and as of March 31, 2016 while net debt to EBITDA decreased from 1.7x as of December 31, 2015 to 1.5x as of March 31, 2016.

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

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