

May 14, 2015

Bangkok Dusit Medical Services Public Company Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Executive Summary

1Q15 Performance

Bangkok Dusit Medical Services Public Company Limited ("Company") and its subsidiaries reported consolidated operating income during first quarter of 2015 ("1Q15") of Baht 15,748 million, an increase of 12% yoy. The growth was attributable to an increase in revenue from hospital operations of 10% yoy from an increase in revenue of network hospitals in Bangkok and vicinity of approximately 8% yoy and network hospitals in the upcountry of approximately 12% yoy. Key growth drivers were attributable to an increase in number of both outpatients and inpatients of approximately 6% yoy and an increase in healthcare inflation and patient intensity of approximately 4% yoy. An expansion of 7 new network hospitals during the second half of 2014 which are Bangkok Hospital Chiangmai, Sanamchan Hospital, Thepakorn Hospital, Phuket International Hospital, Bangkok Hospital Khon Kaen, Royal Phnom Penh Hospital and Bangkok Hospital Chinatown and 3 new network hospitals during 1Q15 which are Muang Petch Hospital, Sri Rayong Hospital and Dibuk Hospital also contributed to continuous growth in revenue from hospital operations.

In addition, revenue from sales of goods and food increased 53% yoy due mainly to the consolidation of Bangkok Save Drug Co., Ltd. ("Save Drug").

The Company and its subsidiaries reported EBITDA of Baht 3,871 million, increased by 12% yoy.

Consequently, the Company and its subsidiaries reported net profit of Baht 2,289 million, increased by 10% yoy.

Major Development in 1Q15

1. Investment in General Hospital Product PCL

In 1Q15, Royal Bangkok Healthcare Co., Ltd. ("RBH"), a subsidiary company, invested in General Hospital Products PCL ("GHP"), purchasing 1,337,586 shares from minority shareholders, representing 22.29% of the paid up capital. The total investments in GHP, including of previously held shareholding of 0.44% by another subsidiary, totally representing 22.67% of the paid up capital of such company which is indirectly held by the Group. Therefore GHP had changed its status to become an associated company.

RBH also purchased additional investment in GHP after end of 1Q15. As a result, RBH and another subsidiary company hold 44.71% in GHP with the total investment of Baht 306.5 million.

2. New network hospitals during 1Q15

• Muang Petch Hospital

Muang Petch Hospital has become our network hospital as a part of Sanamchan Hospital entire business transfer since 2014 and has been opened since January 2015. It is a secondary care hospital targeting middle income patients in Petchburi province. Muang Petch Hospital has total of 255 structured beds, of which 20 beds are opened during first phase.

- **Sri Rayong Hospital**

Sri Rayong Hospital has been opened since January 2015. It is a secondary care hospital located in Rayong targeting middle income patients. Sri Rayong Hospital has total of 195 structured beds, of which 55 beds are opened during first phase.

- **Dibuk Hospital**

Dibuk Hospital has been opened since January 2015. It is a secondary care hospital targeting middle income patient in Phuket. Dibuk Hospital has total of 100 structured beds, of which 32 beds are opened during first phase. Dibuk Hospital is our third hospital in Phuket. Currently BDMS could cover all the patient segments from International, high income and middle income Thai patients in Phuket.

In this regard, the Company currently operates 40 network hospitals in Thailand and in Cambodia.

1Q15 Consolidated Financial Summary

Operating Income			
(THB mm)	1Q15	1Q14	%Chg
Revenues from hospital operations	14,845	13,440	10%
Revenue from sales of goods and food	703	461	53%
Other income	200	122	63%
Total Operating Income	15,748	14,023	12%

In 1Q15, total operating income were Baht 15,748 million, an increase of Baht 1,725 million or 12% from 1Q14, primarily due to

- Revenues from hospital operations were Baht 14,845 million, an increase of Baht 1,405 million or 10% from 1Q14. 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 and the consolidation of new network hospital since 3Q14 onwards which are Bangkok Hospital Chiangmai, Sanamchan Hospital, Thepakorn Hospital, Phuket International Hospital, Bangkok Hospital Khon Kaen, Royal Phnom Penh Hospital, Bangkok Hospital Chinatown, Muang Petch Hospital, Sri Rayong Hospital and Dibuk Hospital.

During 1Q15, Thai and international patients grew 5% and 16% yoy respectively resulting in the revenue proportion between Thai and international patients slightly changed from 70%:30% in 1Q14 to 69%:31% in 1Q15. From type of patient perspectives, outpatient revenues grew by 12% yoy while the inpatient revenues increased by 9% yoy.

- Revenues from sales of goods and food were Baht 703 million, an increase by 53% yoy, mainly from the consolidation of Save Drug totaling Baht 266 million as Save Drug has become our subsidiary since 4Q14.
- Other incomes were Baht 200 million, an increased by 63% yoy mainly from Phyathai 1 Hospital Co., Ltd. income tax refund from The Revenue Department of totaling Baht 57 million.

Operating Expenses			
(THB mm)	1Q15	1Q14	%Chg
Cost of hospital operations and others	9,993	8,781	14%
Administrative expenses	2,933	2,639	11%
Total Operating Expenses and Depreciation	12,927	11,420	13%

In 1Q15, the Company and its subsidiaries reported total operating expenses & depreciation of Baht 12,927 million, an increase of Baht 1,507 million or 13% yoy.

- Cost of hospital operations and others (including depreciation and amortization)

were Baht 9,993 million, an increased by 14% yoy. An increase was due mainly to rising in clinical staffs expenses as a result of an increase in annual salary, number of clinical staffs and newly recruited specialist doctors both full-time and part-time to accommodate the network expansion together with an increase in medical supplies expenses, depreciation and amortization expenses from opening new network hospitals and the consolidation of cost of Save Drug.

- The administrative expenses (including depreciation and amortization) were Baht 2,933 million, an increased by 11% yoy, due mainly to an increase in number of non-clinical staffs, annual salary increase and repair and maintenance expenses.
- The depreciation and amortization expenses were Baht 1,050 million in 1Q15, an increased by 22% yoy due mainly to depreciation and amortization of new network hospitals.

Other Major Items

- Share of income from investments in associated companies were Baht 323 million in 1Q15, an increase of Baht 76 million or 31% yoy. Share of income from investments in associated companies in 1Q15 were mainly from share of income from investment in Bumrungrad Hospital Public Co., Ltd of Baht 233 million together with investment in Ramkhamhaeng Hospital Public Co., Ltd of Baht 82 million.
- Finance expenses increased to Baht 270 million or increased by 13% yoy due mainly to an issuance of convertible bonds.
- Taxes in 1Q15 were Baht 522 million, an increase from Baht 453 million in 1Q14, due mainly to an increase in pre-tax profit together with an expiration of tax privileges of The Medic Pharma Co., Ltd, our subsidiary,

from The Board of Investment of Thailand in 2014.

Profitability Analysis

(THB mm)	1Q15	1Q14	%Chg
EBITDA	3,871	3,464	12%
EBITDA margin	24.6%	24.7%	
EBIT	3,162	2,865	10%
EBIT margin	20.1%	20.4%	
Net profit	2,289	2,075	10%
Net profit margin	14.5%	14.8%	
Basic earnings per share	0.15	0.13	10%

Remarks

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

EBITDA Margin = EBITDA / Operating income

As previously mentioned, EBITDA increased from 3,464 in 1Q14 to Baht 3,871 million in 1Q15 or increased by 12% yoy. EBITDA margin slightly decrease from 24.7% in 1Q14 to 24.6% in 1Q15.

Net profit was Baht 2,289 million in 1Q15, an increase of Baht 214 million, or increased by 10% yoy. Net profit margin, however, decreased from 14.8% in 1Q14 to 14.5% in 1Q15. Basic earnings per share were 0.15 Baht per share or increased by 10% yoy.

Asset

(THB mm)	Mar 15	Dec 14	%Chg
Cash & cash equivalents	2,575	3,608	(29)%
Short-term investments	1,385	1,878	(26)%
Trade & other receivables	6,556	5,822	13%
Inventories	989	1,111	(11)%
Investment in associates	14,626	14,183	3%
Property, premises & equipment	47,456	46,935	1%
Goodwill	16,000	16,000	0%
Other assets	3,841	3,833	0%
Total assets	93,427	93,370	0%

The consolidated financial position of the Company and its subsidiaries as of March, 31 2015: The Company and its subsidiaries reported total assets of Baht 93,427 million slightly increased from December 31, 2014.

Liabilities and Equity

(THB mm)	Mar 15	Dec 14	%Chg
Debentures*	8,592	11,092	(23)%
Long-term loans*	10,670	10,964	(3)%
Convertible debentures	9,428	9,346	1%
Other liabilities	13,449	12,970	4%
Total liabilities	42,140	44,372	(5)%
Equity attributable to equity holder of the			
Company	49,067	46,780	5%
Non-controlling interests	2,220	2,218	0%
Total equity	51,287	48,998	5%

* Including current portion

Total consolidated liabilities as of March 31, 2015 were Baht 42,140 million, a decrease of Baht 2,231 million or 5% from December 31, 2014, due mainly to redemption of maturing debentures of Baht 2,500 million together with decrease in trade and other payables of Baht 471 million.

Total consolidated shareholders' equity as of March 31, 2015 was Baht 51,287 million, an increased by Baht 2,289 million or 5% from December 31, 2014. This is due mainly to comprehensive income during 1Q15.

Liquidity and Capital Management

Cash Flow

(THB mm)	1Q15
Net cash from operating activities	3,023
Net cash used in investing activities	(1,288)
Net cash used in financing activities	(2,768)
Net decrease in cash and cash equivalents	(1,033)
Beginning cash and cash equivalents	3,608
Ending cash and cash equivalents	2,575

For the three-month period ended March 31, 2015, the Company and its subsidiaries had net decrease in cash and cash equivalent of Baht 1,033 million, with the cash and cash equivalents at the beginning of the period of Baht 3,608 million. As a result, cash and cash equivalents at the end of the period was Baht 2,575 million. Details of cash flow by activities during the period are as follows:-

Net cash flows from operating activities were Baht 3,023 million, resulting mainly from profit during 1Q15.

Net cash used in investing activities were Baht 1,288 million. The investing activities during the period were mainly from purchase of property, premises and equipment for Baht 1,647 million to expand our network hospitals.

Net cash used in financing activities were Baht 2,768 million comprising mainly from redemption of maturing debentures of Baht 2,500 million and repayment of long-term loans from financial institutions of Baht 285 million.

Ratios Analysis

Returns (%)	1Q15	1Q14
Return on Asset	9.8	10.6
Return on Equity	19.1	19.9
Liquidity (x)		
Current ratio	1.1	0.9
Quick ratio	1.0	0.8
Assets & Liabilities Management (Days)		
Average Collection Period	38.4	37.7
Average Inventory Period	9.5	10.4
Average Payable Period	37.7	39.7

Remark: Assets & Liabilities Management is calculated based on 360 days

Ratios Analysis

Leverage & Coverage Ratios (x)	1Q15	1Q14
Interest coverage	14.3	14.5
	Mar-15	Dec-14
Total debt to equity	0.6	0.6
Net debt to equity	0.5	0.6
Net debt to EBITDA	1.7	2.2

Remark: Interest coverage = EBITDA/Interest Expenses

Return on assets and return on equity during 1Q15 decreased from 1Q14 as a result of an increase in net fixed assets to accommodate our network expansion while current ratio and quick ratio during 1Q15 increased from 1Q14 as a result of redemption of maturing debentures.

Average collection period increased from 37.7 days in 1Q14 to 38.4 days in 1Q15 due to growth in private health insurance.

Interest coverage ratio slightly decreased from 14.5x in 1Q14 to 14.3x in 1Q15. However, total debt to equity remains unchanged at 0.6x as of December 31, 2014 and as of March 31, 2015. Net debt to equity slightly decreased from 0.6x as of December 31, 2014 to 0.5x as of March 31, 2015 while net debt to EBITDA decreased from 2.2 x as of December 31, 2014 to 1.7x as of March 31, 2015.

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