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## The merger with Phyathai and Paolo Memorial Hospital Group

On April 1, 2011, the Company completely acquired and accepted the Entire Business Transfer of Health Network Public Company Limited (“Health Network”), for which the Company paid the total consideration of Baht 11,484 million in the form of 230.9 million new ordinary shares, Baht 680 million in cash and the novation of loan agreement of Health Network in the amount of Baht 379 million. As a result, the Company has become a major shareholder and consolidated the performance of:

- ♦ **The Phyathai Hospital Group**, which has Prasit Patana Public Company Limited (“PPCL”) as the major shareholder, consists of Phyathai 1 Hospital Company Limited, Phyathai 2 Hospital Company Limited, Phyathai 3 Hospital Company Limited and Sriracha Nakhon Hospital Public Company Limited (Phyathai Sriracha).
- ♦ **The Paolo Memorial Hospital Group** consists of Paolo Medic Hospital Company Limited (Paolo Memorial Hospital, Phaholyothin), Paolo Samutprakarn Company Limited (Paolo Memorial Hospital, Samutprakarn), Siam Medical Company Limited (Paolo Memorial Hospital, Chokchai 4) and Thai Medical Centre Public Company Limited (Paolo Memorial Hospital, Nawamin).

After the Entire Business Transfer, the Company has increased its shareholding in PPCL from 19.47% to 68.64% of the total issued and paid up capital. The Company, consequently, made a tender offer to purchase all securities in PPCL. Upon completion of the tender offer on May 23, 2011, the Company purchased additional shares in PPCL totaling 2,940 million by cash payment of Baht 43 million and issuance of 64.4 million new ordinary shares, totaling Baht 2,897 million and increased the Company’s shareholding in PPCL to 97.1%.

With reference to the Thai Financial Reporting Standard (“TFRS 3”) – Business Combinations (effective in 2011), the acquisition of PPCL is classified as “Step Acquisition” which required the Company to revalue the original stake of 19.47% in PPCL at fair value. As a result, the Company recognized the gain on fair value adjustments of investment in PPCL for Baht 440 million on the acquisition date.

Thailand

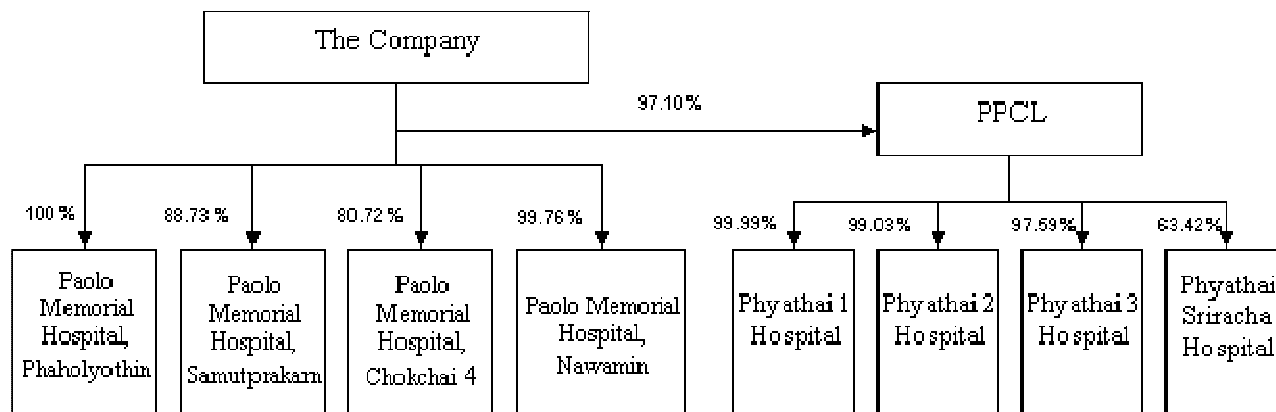


Overseas



The Merger also led to the recognition of goodwill amounting to Baht 9,310 million.

The shareholding structure after the Entire Business Transfer of Health Network and the tender of PPCL as of June 30, 2010 is as follows:-

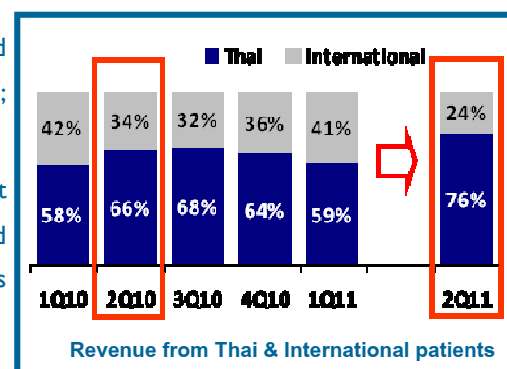


## Performance Highlights

For the first half of 2011 ("6M11"), the Company and its subsidiaries recorded a consolidated net profit of Baht 2,222 million; an increase of Baht 1,152 million, or 108% yoy from 6M10. The summarized 6M11 consolidated performance is as follows:-

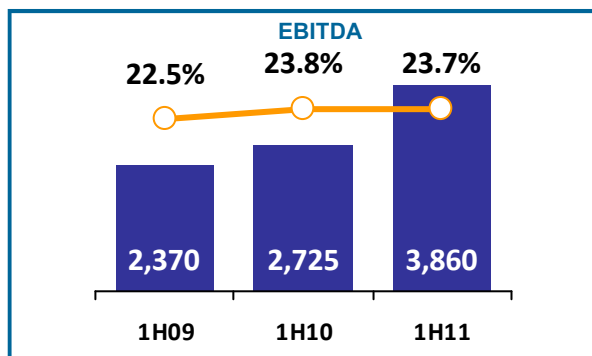
### 1. Operating income

- ◆ Revenue from hospital operations during 6M11 were Baht 16,278 million, an increase of Baht 4,848 million or 42% from 6M10, primarily due to:
  - ◆ Revenue from hospital operations during 6M11 were Baht 15,607 million, an increase of Baht 4,372 million or 39% from 6M10, primarily due to:
    - ◆ the consolidation of revenues from Phyathai Hospital Group and Paolo Memorial Hospital Group of Baht 2,745 million in 2Q11; and
    - ◆ the revenue growth of organic BDMS hospital operations of Baht 12,862 million, or increased 14% yoy from 6M10. Both Thai and international patients from organic BDMS hospital operations grew 14% yoy respectively. From type of patient perspective, inpatient and outpatient revenues also grew by 14% yoy.
- ◆ Revenue from sales of goods and food were Baht 474 million, an increase of Baht 400 million from 6M10, as a result of consolidation of revenue from sales of goods of A.N.B. Laboratories Company Limited for Baht 392 million since, during 4Q10, Royal Bangkok Healthcare Company Limited, the Company's subsidiary company, acquired 100% of A.N.B. Laboratories Company Limited, a manufacturer and distributor of medicines and pharmaceutical products.
- ◆ Other income were Baht 197 million, an increase of Baht 76 million from 6M10, due mainly to consolidation of Phyathai Hospital Group and Paolo Memorial Hospital Group together with one of the subsidiaries receiving an insurance claim from flooding for Baht 24 million.



## 2. Operating expenses

- ◆ The Company and its subsidiaries reported cost of hospital operations and others of Baht 9,444 million in 6M11, an increase by 46% yoy. An increase was due mainly to the consolidation of Phyathai Hospital Group and Paolo Memorial Hospital Group, an organic growth in revenue from hospital operations together with the rise in doctor fee especially specialized doctors and rise in clinical staff expenses from newly graduated nurses recruitment together with the recruitment of experienced nurses to support the continued business growth. In addition, the cost of hospital operations and others also included cost of good sold from A.N.B. Laboratories Company Limited. Since the revenue from hospital operations and revenue from sales of goods and foods grew at the slower pace than cost of hospital operations and others, the gross margin decreased from 42.4% in 6M10 to 39.5% in 6M11.



- ◆ The administrative expenses were Baht 2,974 million in 6M11, an increase by 33% yoy, due mainly to the consolidation of Phyathai Hospital Group and Paolo Memorial Hospital Group.

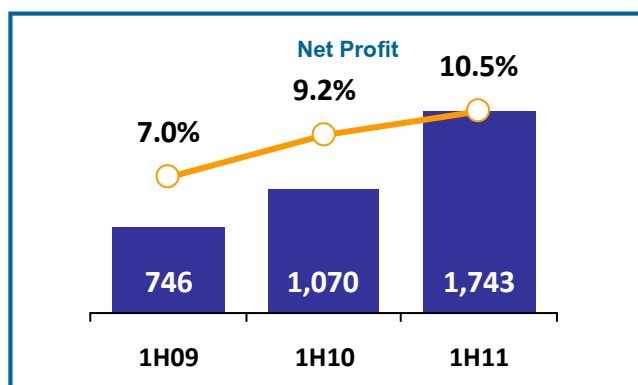
EBITDA; however, increased from Baht 2,725 million in 6M10 to Baht 3,860 million in 6M11, increased by 42% yoy. While the EBITDA margin decreased slightly from 23.8% in 6M10 to 23.7% in 6M11.

## 3. Depreciation and amortization expenses

The depreciation and amortization expenses were Baht 1,254 million in 6M11, an increase by 17% yoy due mainly to the consolidation of property, premises and equipments from Phyathai Hospital Group and Paolo Memorial Hospital Group.

## 4. Others

- ◆ Interest income was Baht 23 million, decreased by 6% yoy, as a result of a decrease in short-term investments.
- ◆ Dividend income was Baht 52 million mainly from the investment in BH.
- ◆ Share of income from investments in associated companies was Baht 176 million, increased by 46% yoy, due mainly to an increase in share of income from investment in Ramkhamhaeng Hospital Public Co., Ltd.
- ◆ Finance expenses increased to Baht 375 million or increased by 23% yoy due mainly to consolidation of long-term loans from financial institution of Phyathai Hospital Group and Paolo Memorial Hospital Group.



- ◆ Taxes in 6M11 were Baht 640 million, an increase from Baht 387 million in 6M10, due mainly to increase in pre-tax profit.

As a result, if excluding non-recurring items which are gain on fair value adjustment of investments totaling Baht 479 million, net profit was Baht 1,743 million, an increase by 63% yoy. Net profit margin, excluding non-recurring items, increased from 9.2% in 2Q10 to 10.5% in 2Q11 and the basic earnings per share increased from Baht 0.88 in 6M10 to Baht 1.27 in 6M11 or grew 44% yoy.

5. Non-recurring items

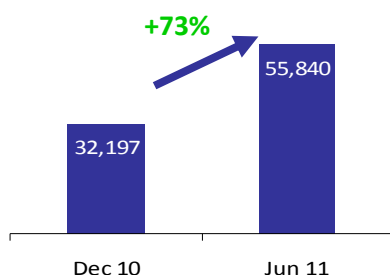
The Company and its subsidiaries also recorded non-recurring items for gain on fair value adjustment of investments totaling Baht 479 million as a result of “Step Acquisition” in accordance with Thai Financial Reporting Standard (“TFRS 3”) – Business Combinations (effective in 2011) which the Company are required to revalue the original stake from the carrying cost to the fair value and recognize the difference in the statements of income. During 2Q11, there are two Step Acquisitions from the following investments:-

- (1) Acquisition of PPCL As of 1Q11, the Company held 455.8 million shares or 19.47% of registered and paid up capital in PPCL at the carrying cost of Baht 1,072.5 million. Upon the Entire Business Transfer of Health Network and the completion of the tender offer of PPCL shares during 2Q11, the Company had increased its stake in PPCL to 97.1%. Consequently, on the acquisition date (April 1, 2011), the Company revalued the original stake of 19.47% at fair value, resulting in gain on fair value adjustment of investment in PPCL of Baht 440 million.
- (2) Additional investment in Udon Pattana (1994) Co., Ltd. As of 1Q11, the Company held 10% of registered and paid-up capital in Udon Pattana (1994) Co., Ltd. During 2Q11, the Company purchased additional investment of 1,474,000 shares, totaling Baht 35.8 million or 4.91% of shareholding in Udon Pattana (1994) Co., Ltd. together with PPCL shareholding of 10% or 9.71 indirect percentage of shareholding by the Company resulting in an increased in percentage of shareholding from 10% to 24.62% and changes its status to become an associated company. The Company, therefore, revalued the original stake of 10% at fair value using the book value as a benchmark resulting in gain on fair value adjustment of investment in Udon Pattana (1994) Co., Ltd. of Baht 39 million. The Company has also reversed allowance for impairment of such investments of Baht 12 million.

If including the non-recurring items, the Company and its subsidiaries recorded a consolidated net profit of Baht 2,222 million in 6M11; an increase of Baht 1,152 million, or 108% yoy. Net profit margin significantly increased from 9.2% in 6M10 to 13.1% in 6M11 and the basic earnings per share increased from Baht 0.88 in 6M10 to Baht 1.61 in 6M11 or grew 83% yoy.

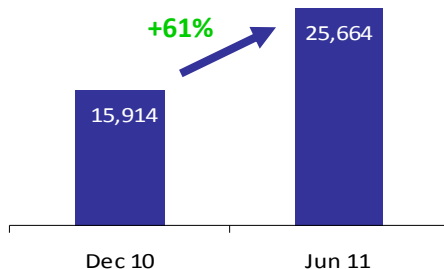
# Summary of Balance Sheets

**Total Assets ( in THB mm)**



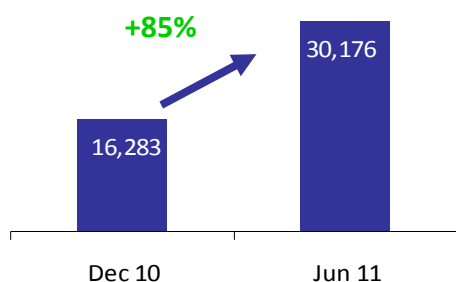
The consolidated financial position of the Company and its subsidiaries as of June 30, 2011 : The Company and its subsidiaries reported total assets of Baht 55,840 million, an increase of Baht 23,643 million or 73% from December 31, 2010, due mainly to an increase in property, premises and equipments of Baht 9,762 million, a recording of goodwill arise from the Merger of Baht 9,310 million and an increase in cash and cash equivalents of Baht 1,715 million. Such increases were due mainly to the consolidation of Phyathai and Paolo Memorial Hospital Group. In addition, there was also an increase in other long-term investments of Baht 2,371 million as a result of an investment in BH of Baht 3,456 million, offset with change in investment in PPCL of Baht 1,072 million from other long-term investments to become the Company's subsidiary.

**Total Liabilities ( in THB mm)**



Total consolidated liabilities as of June 30, 2011 were Baht 25,664 million, an increase of Baht 9,750 million or 61% from December 31, 2010, due mainly to the consolidation of long-term loans from financial institution for Phyathai and Paolo Memorial Hospital Group of Baht 5,140 million, an increase in short-term loans from financial institutions of Baht 998 million and an increase in accrued expenses of Baht 1,090 million. Total debt to equity decreased from 0.7x as of December 31, 2010 to 0.6x as of March 31, 2011 while net debt to equity remains unchanged at 0.5x as of December 31, 2010 and as of June 20, 2011

**Total Shareholders' Equity (in THB mm)**



Total consolidated shareholders' equity were Baht 30,176 million, increased by Baht 13,893 million or 85% from the year ended 2010. This is due mainly to total comprehensive income during 6M11 together with an issuance of 295.2 million ordinary shares of Baht 13,175 million in relation to the Entire Business Transfer of Health Network and the tender offer for PPCL shares. In addition, the Company sold 4.1 million newly issued ordinary shares totaling Baht 156 million to major shareholders of Health Network Public Company Limited on a private placement basis. This is offset by change in non-controlling interests of subsidiaries from purchase investment in subsidiaries as a result of additional investment in PPCL of Baht 1,660 million and the cumulative effect of change in accounting policy for employee benefits of Baht 536 million. For the first-time adoption of TAS 19 employee benefits, the Company elected to recognize the transitional liability, which exceeds the liability that would have been recognized at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2011.

# Analyst Presentation



BDMS hosted the Analyst meeting for the 2Q11 results on August 24, 2011. The meeting provided the investment community an opportunity to update the performance and address any questions or comment to the management. Participants are both buy-side and sell-side analysts, investors, together with BDMS management, Khun Narumol Noi-Am, BDMS CFO, Khun Att Thongtang, CEO Phyathai & Paolo, Khun Paiboon Fuengfuskul, CFO Phyathai & Paolo and Ajaya Intaraprasong, BDMS Finance Director, Investor Relations

Presentation material also posted on our website at [www.bangkokhospital.com](http://www.bangkokhospital.com) under investor relations.



Thailand



Overseas



**Bangkok Dusit Medical Services Public Company Limited** ( SET Symbol : BGH ) is the largest private hospital operator in Thailand in terms of patient services revenue and market capitalization with approximately THB 55.8 billion in assets as of June 2011. Bangkok Dusit Medical Services Public Company Limited ("BDMS") has 25 hospitals in Thailand and 2 hospitals in Cambodia. BDMS is focused on Bangkok and various high-growth markets in the Southern and Eastern regions of Thailand and overseas locations. The Company is committed to be the leading network healthcare provider by meeting the needs of Thai and foreign patients with high quality, internationally-accepted standards, and value for money services together with the state-of-the art medical technology.

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