



No. RJH – SET3/2017

28 February 2017

Subject : Management Discussion and Analysis for the year ended on 31 December 2016
To : The President
The Stock Exchange of Thailand

According to the resolution of the meeting of the Board of Directors No. 1/2017 of Rajthanee Hospital Public Company Limited (the “Company”) held on 28 February 2017, approving the audited consolidated financial statements for the year ended on 31 December 2016, the Company would like to report factors that affect the financial performance of the Company and its subsidiary for the year 2016 as follows;

Statements of Comprehensive Income

Revenue from Hospital Operations

The Company and its subsidiary generated the total revenues from hospital operations for the year 2015 and 2016 in amounts of Baht 1,024.3 million and Baht 1,209.5 million, respectively, resulting in an overall growth rate of 18.08%. Total revenues increase in every section, i.e., 1. The revenues from non-capitation patients for the year 2015 and 2016 were Baht 526.5 million and Baht 597.9 million, respectively, which grew at a rate of 13.56% due to increasing number of non-capitation patients, the growth of average revenue per visit, including the increasing number of 15 in-patient beds during the year 2016; 2. The revenues from patients under the Social Security Scheme for the year 2015 and 2016 were in amounts of Baht 455.7 million and Baht 548.6 million, respectively, resulting in a growth rate of 20.39% primarily due to the increase in number of registered patients under the Social Security Scheme; and 3. The revenues from other capitation patients were Baht 42.1 million and Baht 63.0 million for the year 2015 and 2016, respectively. Resulting in a growth rate of 49.64%, it is mainly due to the increase in number of patients with heart diseases under the Universal Health Coverage.

Cost of Hospital Operations

The costs of hospital operations for the year 2015 and 2016 were in amounts of Baht 801.7 million and Baht 876.6 million, respectively. The proportion of the costs of hospital operations incurred compared to the total revenues for the year 2016 decreased to 71.48%, while it was 78.27% for



the year 2015. These resulted from the efficiency of medicine and medical supplies cost management, introducing an energy saving project, thereby saving the utility expenses and also resulted from the significant increase of revenue from the hospital operations.

Administrative Expenses

For the year 2015 and 2016, the Company and its subsidiary incurred administrative expenses of Baht 110.1 million and Baht 137.4 million, respectively. The percentages of the administrative expenses compared to the total revenues for the year 2015 and 2016 were 10.75% and 11.36%, respectively. The increase thereof resulted primarily from the addition to workforce for supporting the growth of the Company and its subsidiary and non-recurring expenses related to the Company's organization development program which amounted to approximately Baht 1.7 million and the non-expenses of approximately Baht 7 million related to the initial public offering and the listing of the Company's shares on the Stock Exchange of Thailand.

Financing Costs

The Company and its subsidiary's financing costs in relation to the loans from financial institutions and related companies for the year 2015 and 2016 were in amounts of Baht 34.9 million and Baht 26.3 million, respectively. The proportion of which compared to the total revenues decreased from 3.41% for the year 2015 to 2.17% for the year 2016. This is because the Company and its subsidiary applied the proceeds derived from the initial public offering in August 2016 and the rights offering in November 2016, respectively, to repay the loans from financial institutions in a total amount of Baht 533.8 million.

Net Profits

For the year 2015 and 2016, the Company and its subsidiary's net profits were Baht 63.8 million and Baht 154.9 million, respectively, resulting in a growth of 142.79%. Equity holders of the Company's net profits for the year 2016 were Baht 154.6 million, improving in an amount of Baht 75.4 million or a growth of 95.20% compared to that of the year of 2015 being Baht 79.2 million. The increase in net profits resulted from the investments made to enhance the medical competency together with more effective management of costs and expenses and the net profits from the subsidiary's financial performance which amounted to Baht 1.8 million for the year 2016, as opposed to the net loss of approximately Baht 30.5 million in 2015.



Statement of Financial Position

The Company and its subsidiary's total assets as of 31 December 2015 and 2016 were Baht 1,065.1 million and Baht 1,823.7 million, respectively. The primary assets were cash and cash equivalent, temporary investments, Social Security Office receivables and property, plant and equipment.

As of 31 December 2015 and 2016, cash and cash equivalent together with temporary investments were Baht 4.2 million and Baht 711.3 million, respectively. The increase thereof was due to the cash received from initial public offering in 2016 that the Company invested in fixed deposits with financial institutions at the average interest rate of approximately 1.59% and due to the cash received by the subsidiary from the rights offering and invested in a marketable fixed income fund at an average yield of approximately 1.30%.

As of 31 December 2015 and 2016, the Social Security Office receivables were Baht 106.8 million and Baht 137.0 million, respectively. The Social Security Office receivables as of 31 December 2016 rose as a result of the increase in number of the patients under the Social Security Scheme to whom the Company and the subsidiary provided the medical services compared to that in the previous year and of the Social Security Office's partially delayed payments to be made to participating hospitals under the Social Security Scheme.

The property, plant and equipment as of 31 December 2015 and 2016 were Baht 721.8 million and Baht 769.5 million, respectively, and represented 67.77% and 42.19% of the total assets, respectively. In this regard, the proportion of this category of assets to the total assets decreased, despite the increase in book values, due to the significantly increase in total assets, that is, the proceeds derived from the initial public offering.

The Company and its subsidiary's total liabilities as of 31 December 2015 and 2016 were Baht 789.9 million and Baht 282.6 million, respectively. The primary liabilities were trade payables and loans. The trade payables as of 31 December 2015 and 2016 were Baht 110.6 million and Baht 114.7 million, respectively.



As of 31 December 2015 and 2016, the Company and its subsidiary's outstanding long-term loans from financial institutions were Baht 562.7 million and Baht 79.5 million, respectively. The decrease resulted from loan repayment in a total amount of Baht 533.8 million in 2016.

The shareholders' equity of the Company and the subsidiary as of 31 December 2015 and 2016 were Baht 270.5 million and Baht 1,490.2 million, respectively. The increase thereof primarily resulted from the initial public offering of the Company's 74,999,599 newly issued ordinary shares with a par value of Baht 1 per shares, constituting the proceeds of Baht 74.99 million and share premium of Baht 1,092.9 million. In addition, the Company also received from the subsidiary the proceeds derived from the rights offering being non-controlling interests in an amount of Baht 36.0 million, as well as the financial performance of the Company and the subsidiary that improved in the previous year as above-mentioned.

Please be informed accordingly.

Yours sincerely,

(Mr. Wachira Wudhikulprapan)
Managing Director