

29 February 2012

Subject: Management Discussion and Analysis for the fourth quarter 2011 and 2011 results

To: Directors and Manager  
The Stock Exchange of Thailand

**Bumrungrad Hospital PCL**  
**Management Discussion and Analysis for 4Q11 and 2011**  
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## Summary

The Company reported total revenues in 4Q11 of Baht 2,576 million, a 1.6% increase from 4Q10 revenues of Baht 2,535 million. The flood situation caused weak volume and additional expenses in 4Q11. The 4Q11 reported net profit was Baht 374 million, an 8.5% increase from 4Q10 net profit of Baht 345 million. The resulting Net profit margin was 14.4% in 4Q11, an increase from 13.5% in 4Q10.

4Q11 reported net profit included extraordinary items related to the realignment of the corporate structure of the group to focus on expansion in Thailand. This included the sale of certain assets of Bumrungrad International Limited and a partial interest in the investment in Bumrungrad Medical Center Limited, which are discussed in further detail in the Extraordinary Items section of this document. Excluding these extraordinary items, the net profit was Baht 291 million, a 15.5% decrease from 4Q10 net profit of Baht 345 million. The net profit margin excluding extraordinary item was 11.2% in 4Q11.

For 2011, the Company reported total revenues of Baht 11,306 million, a 12.4% increase from 2010 revenues of Baht 10,056 million. The Company's 2011 reported net profit was Baht 1,588 million, a 26.2% increase from Baht 1,258 million in 2010. The resulting Net profit margin was 13.9% in 2011, an increase from 12.5% in 2010. Excluding extraordinary items, the 2011 net profit was Baht 1,555 million, a 17.7% increase from Baht 1,321 million in 2010. Net profit margin excluding extraordinary items was 13.7% in 2011, an increase from 13.1% in 2010.

Details of the management discussion and analysis are as follows.

## Income statements

### Quarterly Operational Performance

For 4Q11, the Company reported Revenues from hospital operations of Baht 2,504 million, a 0.9% increase year over year from Baht 2,481 million in 4Q10. As a result of flooding in parts of Bangkok and

surrounding provinces, both inpatient and outpatient volumes decreased in 4Q11 compared with 4Q10. However, inpatient revenue per admission grew in 4Q11 due to longer length of stay and change in specialty mix. Outpatient service revenue decreased by 7.0% while inpatient service revenue increased by 8.8% year over year. The revenue contribution by inpatient service was 51.0% and outpatient service was 49.0% in 4Q11. In terms of revenues by nationality, revenues from international patients were 55.8% and revenues from Thai patients were 44.2%. The flooding had a larger impact on volumes and revenues from international patients and outpatient services.

Rental income was Baht 27 million in 4Q11, down from Baht 31 million in 4Q10. Other income was Baht 45 million in 4Q11, significant growth from Baht 24 million in 4Q10 as a result of the increase in interest income and gain on exchange rate. Total revenues in 4Q11 were Baht 2,576 million, compared to Baht 2,535 million in 4Q10, a 1.6% increase year over year.

In 4Q11, the Company reported Cost of hospital operations of Baht 1,569 million, a 3.8% increase year over year from Baht 1,512 million in 4Q10. The increase was mainly due to amounts paid as flood relief or other benefits to employees, and other labor-related payments or adjustments. Therefore, gross profit was Baht 935 million, a 3.6% decrease year over year from Baht 969 million in 4Q10, resulting in gross margin of 37.3% in 4Q11 vs. 39.1% in 4Q10.

4Q11 Administrative expenses were Baht 454 million, a 16.1% increase year over year from Baht 391 million in 4Q10. The increase was mainly due to various factors to include amounts paid as flood relief or other benefits to employees, other labor-related payments or adjustments, certain accounting changes, and legal fees associated with various projects. As a result, EBITDA was Baht 543 million in 4Q11, a 14.0% decrease year over year from Baht 632 million in 4Q10. Consequently, EBITDA margin was 21.2% in 4Q11 which decreased from 24.9% in 4Q10.

4Q11 Depreciation and amortization was Baht 166 million, higher than Baht 157 million in 4Q10, as a result of ongoing capital spending for the campus master plan. The Company reported Share of income from investments in joint venture and associated companies of Baht 14 million in 4Q11, compared to Baht 10 million in 4Q10. The 4Q11 share of income was primarily attributable to share of income from Kasemrad Hospital Group of Baht 37 million, offset with share of loss from Bumrungrad International Limited (BIL) of Baht 23 million. Share of loss from BIL was impacted by an extraordinary item, as further explained in the Extraordinary Items section of this document.

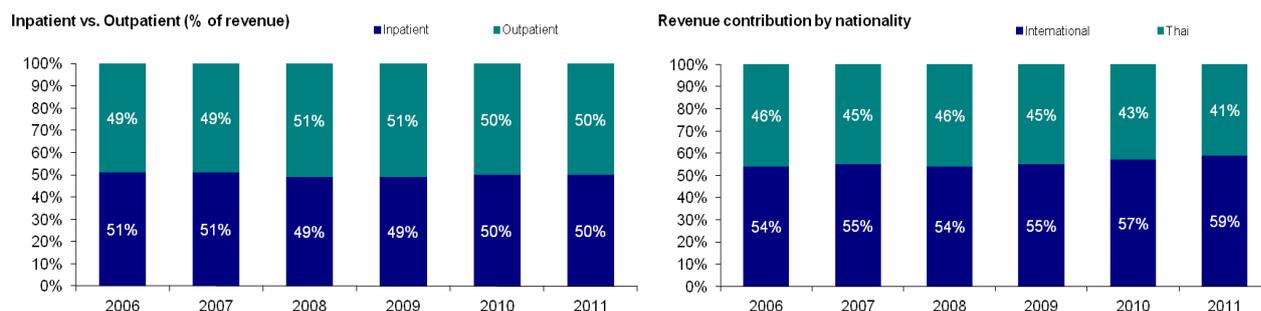
Finance cost was Baht 61 million in 4Q11, higher than Baht 18 million in 4Q10 primarily because of Baht 41 million in interest expense related to debt financing for the purchase of common shares of Bangkok Chain Hospital PCL, doing business as Kasemrad Hospital Group on 18 March 2011.

Corporate income tax in 4Q11 was a negative Baht 35 million, a decrease from Baht 123 million in 4Q10. This variance was primarily related to a tax loss of Baht 106 million occurring from the sale of a partial interest in the investment in Bumrungrad Medical Center Ltd.

For 4Q11, basic EPS was Baht 0.51, an 8.5% increase year over year from Baht 0.47 in 4Q10. 4Q11 fully diluted EPS was Baht 0.43, an 8.5% increase year over year from Baht 0.40 in 4Q10.

## 2011 Operational Performance

For 2011, the Company reported Revenues from hospital operations of Baht 11,015 million, a 12.5% increase year over year from Baht 9,794 million in 2010. The revenue growth was driven by strong revenues from hospital operations during the first 9-months before the impact of the flood situation in 4Q11. Patient volume increased from 2010, primarily from the international segment and domestic outpatient visits. In 2011, inpatient revenues increased by 13.6% year over year, while outpatient revenues increased 11.7% year over year. The revenue contribution by inpatient was 49.7% and outpatient was 50.3% in 2011. In terms of revenues by nationality, revenue from international patients was 59.1% and from Thai patients was 40.9%.



Rental income was Baht 121 million in 2011, a decline from Baht 130 million in 2010. Other income was Baht 170 million in 2011, an increase from Baht 119 million in 2010 as the result of an increase in interest income and gain on exchange rate. Total revenues in 2011 were Baht 11,306 million, compared to Baht 10,056 million in 2010, a 12.4% increase year over year.

In 2011, the Company reported Cost of hospital operations of Baht 6,599 million, an 11.6% increase year over year from Baht 5,912 million in 2010, in line with the growth in Revenues from hospital operation. As a result, gross profit was Baht 4,416 million in 2011, a 13.8% increase year over year from Baht 3,882 million in 2010. Consequently, gross profit margin was 40.1% in 2011, higher than 39.6% in 2010.

2011 Administrative expenses were Baht 1,859 million, a 10.7% increase year over year from Baht 1,679 million in 2010, slightly lower than the increase in Total revenues. EBITDA was Baht 2,819 million in 2011, a 15.1% increase year over year from Baht 2,450 million in 2010. Consequently, EBITDA margin increased to 25.0% in 2011 from 24.4% in 2010.

2011 Depreciation and amortization was Baht 648 million, higher than Baht 596 million in 2010 due to ongoing capital spending for the campus master plan. The Company reported Share of income from investments in joint venture and associated companies of Baht 83 million in 2011, compared to share of loss of Baht 35 million in 2010. The results for both periods were impacted by extraordinary items, as further explained in the Extraordinary Items section of this document. The share of income from Kasemrad Hospital Group was Baht 129 million for 2011.

Finance cost increased to Baht 189 million in 2011 compared to Baht 68 million in 2010, primarily as a result of Baht 111 million in interest expense related to the debt financing for the purchase of common shares of Bangkok Chain Hospital PCL, doing business as Kasemrad Hospital Group on 18 March 2011.

Corporate income tax in 2011 was Baht 506 million, compared to Baht 507 million in 2010, or at the effective tax rate of 25.2% in 2011 and 28.2% in 2010. The lower effective tax rate in 2011 was a result of the sale of a partial interest in the investment in Bumrungrad Medical Center Ltd. in 4Q11, resulting in a tax loss of Baht 106 million. This was offset with income tax of Baht 25 million on a stock dividend from Bangkok Chain Hospital PCL, due to a holding period of less than 3 months prior to the declaration date.

For 2011, basic EPS was Baht 2.18, a 26.2% increase from Baht 1.73 in 2010. 2011 fully diluted EPS was Baht 1.83, also a 26.2% increase from Baht 1.45 in 2010.

Income statements		Y-o-Y		Y-o-Y		
Unit: Baht million	4Q11	4Q10	Change	2011	2010	Change
Revenues from Hospital Operations	2,504	2,481	0.9%	11,015	9,794	12.5%
Total Revenues	2,576	2,535	1.6%	11,306	10,056	12.4%
Gross Profit	935	969	-3.6%	4,416	3,882	13.8%
EBITDA	543	632	-14.0%	2,819	2,450	15.1%
Share of Income from Investments in Joint Venture and Associated Companies	14	10	38.9%	83	-35	NA
Net Profit	374	345	8.5%	1,588	1,258	26.2%
<i>Gross Profit Margin</i>	37.3%	39.1%		40.1%	39.6%	
<i>EBITDA Margin</i>	21.2%	24.9%		25.0%	24.4%	
<i>Net Profit Margin</i>	14.4%	13.5%		13.9%	12.5%	

EPS		Y-o-Y		Y-o-Y		
Unit: Baht	4Q11	4Q10	Change	2011	2010	Change
EPS – Basic	0.51	0.47	8.5%	2.18	1.73	26.2%
EPS – Fully Diluted	0.43	0.40	8.5%	1.83	1.45	26.2%

## Statements of financial position

As at 31 December 2011, the Company reported Total current assets of Baht 2,704 million, an increase from Baht 1,855 million as at 31 December 2010, primarily due to an increase of Baht 633 million in Cash and cash equivalents. Trade accounts receivable was Baht 1,110 million as at 31 December 2011, an increase from Baht 946 million as at 31 December 2010, as a result of higher revenue from Middle East corporate accounts. The collection period was 37.2 days as at 31 December 2011 compared to 33.5 days as at 31 December 2010. Total non-current assets increased to Baht 10,768 million as at 31 December 2011 compared to Baht 7,297 million as at 31 December 2010 because of the increase in Investment in associated companies from the purchase of common shares of Kasemrad Hospital Group and capital expenditures associated with the campus expansion. As a result, Total assets increased to Baht 13,473 million as at 31 December 2011 from Baht 9,152 million as at 31 December 2010.

Total liabilities were Baht 6,739 million as at 31 December 2011, an increase from Baht 3,082 million as at 31 December 2010, primarily from an increase of Baht 3,570 million to finance the purchase of common

shares of Kasemrad Hospital Group, and an increase in provision for long-term employee benefits of Baht 278 million due to a change in accounting policy. In December 2011, existing short-term and long-term loans were refinanced with the issuance of new debentures with 5, 7 and 10 year maturity dates, in amounts of Baht 1,500 million, Baht 1,000 million, and Baht 2,500 million, with interest rates of 4.13%, 4.59%, and 4.97%, respectively and a weighted average interest rate of 4.64%. TRIS Rating affirmed the Company rating of "A" with "Stable" outlook, and assigned the rating of "A" to these debentures. The proceeds from this debenture issue were directed to repayment of the aforementioned loans, and did not materially change the total outstanding debt balance of the Company. The increase of Baht 3,425, million compared to the interest-bearing debt of Baht 1,530 million as at 31 December 2010, was primarily due to the financing of the purchase of common shares of Kasemrad Hospital Group. With a higher debt position, net debt to equity increased to 0.6x as at 31 December 2011 from 0.2x as at 31 December 2010. The Company's interest coverage ratio was 14.9x in 2011 compared to 35.9x in 2010. The decrease in interest coverage ratio was due to higher interest expense.

An Extraordinary General Meeting of Shareholders of the Company held on 8 December 2011 approved amendments to terms and conditions of the Convertible bonds including the cancellation of the condition that prohibited the Company from creating any liabilities and indebtedness without prior written consent of the holders of the Convertible bonds, the extension of the tenor of the Convertible bonds for an additional 5 years resulting in maturities on 23 August 2017, and the release of certain security interests of the holders of the Convertible bonds as of 23 August 2012.

Total shareholders' equity increased to Baht 6,734 million as at 31 December 2011 from Baht 6,069 million as at 31 December 2010. This increase was primarily as a result of the Company's 2011 net profit of Baht 1,588 million, netted off with Baht 276 million from the cumulative effect of a change in accounting policy for employee benefits and Baht 694 million from dividend payments. Average return on assets (ROA) in 2011 was 14.0% while average return on equity (ROE) was 24.8% in 2011.

Unit: Baht million	31-Dec-11	31-Dec-10	Change
Total Assets	13,473	9,152	47.2%
Total Liabilities	6,739	3,082	118.6%
Total Shareholders' Equity	6,734	6,069	10.9%
	2011	2010	
Average Collection Period (days)	37.2	33.5	
Average Inventory Period (days)	13.2	12.7	
Average Payables Period (days)	30.1	32.8	
Net Debt to Equity (x)	0.6	0.2	
Interest Coverage Ratio (x)*	14.9	35.9	
Average Return on Assets (%)	14.0%	14.2%	
Average Return on Equity (%)	24.8%	21.8%	

\* Interest expense related to the purchase of common shares of Bangkok Chain Hospital PCL doing business as Kasemrad Hospital Group to calculate interest coverage ratio was Baht 111 million based on remaining days after the transaction settled. Assuming this interest expense was incurred for the full year, interest expense from this transaction would be Baht 140 million and interest coverage ratio would be 12.9x

## Cash flow statements

The Company's cash flow from operating activities in 2011 was Baht 1,879 million, compared to Baht 1,648 million in 2010. Net cash used in investment activities was Baht 3,945 million in 2011, compared to Baht 665 million in 2010, including the impact of the purchase of common shares of Kasemrad Hospital Group, ongoing capital spending for the campus master plan and the receipt of proceeds of Baht 613 million from the capital reduction exercise by Bumrungrad International Limited. The Company reported net cash flow from financing activities of Baht 2,700 million in 2011, an increase from Baht 742 million from net cash flow used in financing activities in 2010, as the Company raised Baht 3,570 million short-term loans for the purchase of common shares of Kasemrad Hospital Group. As a result, Cash and cash equivalents was Baht 1,261 million as at 31 December 2011, an increase from Baht 627 million as at 31 December 2010.

The Company's liquidity ratio as at 31 December 2011 increased to 1.8x compared to 1.1x as at 31 December 2010, as a result of the refinanced loan. Similarly, the quick ratio increased to 1.6x as at 31 December 2011 compared to 1.0x as at 31 December 2010.

Unit: Baht million	2011	2010
Cash Flow from Operating Activities	1,879	1,648
Cash Flow from Investing Activities	-3,945	-665
Cash Flow from Financing Activities	2,700	-742
Net Increase (Decrease) in cash and cash equivalents	633	241
Cash and Cash Equivalents at end of year	1,261	627

	31-Dec-11	31-Dec-10
Liquidity Ratio (x)	1.8	1.1
Quick Ratio (x)	1.6	1.0

## Extraordinary Items

The Company and Bumrungrad International Limited (BIL) have pursued a realignment of corporate structure pursuant to the renewed strategic focus of the Company, which emphasizes growth opportunities within Thailand and a more selective review of international expansion initiatives. This realignment includes decisions by BIL to sell its interests in Asian Hospital, Inc., to not renew its contract for the management of Mafraq Hospital in Abu Dhabi, and to pursue a further capital reduction process as BIL becomes operationally inactive during 2012. Additionally as part of this realignment, the Company decided to sell a partial interest in its investment in Bumrungrad Medical Center Limited.

### Bumrungrad International Limited

Extraordinary items occurred in 2Q10 in the amount of Baht 63 million and in 2Q11 in the amount of Baht 50 million. During 2010, Bumrungrad International Limited (BIL) completed the sale of its investment in Asia Renal Care Limited (ARC), a 100% indirectly owned subsidiary. This sale resulted in a share loss of Baht 59 million to the Company in 2Q10, which was due to Baht 63 million loss from translation adjustment. Also as

a result of the sale of ARC, BIL's cash balances exceeded its cash requirements, resulting in a decision to reduce BIL capital. The decision reflects the exercise of prudent financial management and corporate governance.

Excess cash was held by BIL's 100% owned subsidiary, Bumrungrad International Holdings (Hong Kong) Limited (BIHL), which had previously held shares in ARC. As part of the strategy to complete the capital reduction by BIL, BIHL repurchased its own shares from BIL. The share repurchase transaction resulted in a share of loss to the Company from a translation adjustment that was partially offset by a foreign exchange gain on the repayment of an intercompany loan between BIL and BIHL. The resulting net share of loss from the share repurchase transaction alone was Baht 50 million, and was the primary cause for the Company's total share of loss from BIL of Baht 45 million for 2Q11.

The above transactions were completed in relation to the capital reduction strategy of BIL. On 14 March 2011, the share capital of BIL was reduced, by way of a reduction of the number of shares, from Baht 3,199,336,700 to Baht 1,176,000,000. After elimination of BIL's retained deficit, the resulting cash distributed by BIL to shareholders on 19 April 2011 was Baht 1,945 million. The cash distribution to the Company was Baht 613 million.

Extraordinary items occurred in 4Q11 in the amount of Baht 24 million, as BIL completed the sale of its investment in Asian Hospital Inc. (AHI), a 56.5% subsidiary in December 2011. The sale resulted in a share loss to the Company at the above amount due to a loss from translation adjustment of Baht 40 million. The sale of the interests in AHI provided BIL with excess cash, prompting the Board of BIL to pursue a further capital reduction process.

#### Bumrungrad Medical Center Limited

An extraordinary item of Baht 106 million in corporate income tax occurred in 4Q11, as the Company completed the sale of a partial interest in its investment in Bumrungrad Medical Center Limited (BMC) in December 2011, resulting in a loss on investment. BMC temporarily ceased operations in March 2010 after it had sold its final core asset to the Company.

Please be informed accordingly.

Yours faithfully,

(Dr. Chanvit Tanphiphat)

Vice Chairman