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Subject: Management Discussion and Analysis for the fourth quarter 2012 and 2012 results

To: Directors and Manager
The Stock Exchange of Thailand

Bumrungrad Hospital PCL.
Management Discussion and Analysis for 4Q12 and 2012 results
21 February 2013

Summary

The Company reported Total revenues in 4Q12 of Baht 3,345 million, or 29.8% more than 4Q11 revenues of Baht 2,576 million. Net profit for 4Q12 grew by 8.0% to Baht 404 million from Baht 374 million in 4Q11, with the resulting Net profit margin of 12.1% in 4Q12 compared with 14.4% in 4Q11. The change in Net profit margin was due to certain extraordinary items in 4Q11 noted below.

For 2012, Total revenues advanced to Baht 14,042 million, producing a 24.2% improvement over 2011 revenues of Baht 11,306 million. This revenue growth, combined with certain extraordinary items detailed below, contributed to 67.9% Net profit improvement to Baht 2,667 million in 2012 from Baht 1,588 million in 2011. Consequently, the Net profit margin rose to 18.9% in 2012 from 13.9% in 2011.

The Company's total revenues and results for 2012 included extraordinary items related to the sale of all of its investment in Bangkok Chain Hospital PCL (doing business as "Kasemrad Hospital Group"), its remaining investment in ABSPC Group Co., Ltd. (formerly known as "Bumrungrad Medical Center Co., Ltd."), and its Share of loss from Bumrungrad International Limited (BIL) caused mostly by taxes relative to the gain of the sale of all its investment in Asian Hospital Inc. The Company's results for 2011 and 4Q11 included the extraordinary items from the sale of its partial investment in ABSPC Group Co., Ltd., the share repurchase of Bumrungrad International Holdings (Hong Kong) Limited, and the sale of all investment in Asian Hospital Inc. by its associate, BIL. The details of these transactions are presented in the Extraordinary Items section of this document.

Excluding these extraordinary items, Adjusted Net profit totals Baht 291 million in 4Q11 compared with Baht 404 million in 4Q12, producing adjusted growth of 38.7%, and year-over-year improvement in Adjusted Net profit margin. Adjusted Total revenues in 2012 would be Baht 13,252 million versus Baht 11,306 million in 2011, resulting in an adjusted gain of 17.2%, while Adjusted Net profit in 2012 would total Baht 2,015 million compared with Baht 1,555 million in 2011, producing adjusted growth of 29.6%. Adjusted Net profit margin would be 15.1% in 2012 compared with 13.7% in 2011.

Details of the management discussion and analysis are as follow:

Quarterly Operational Performance

For 4Q12, the Company reported Revenues from hospital operations of Baht 3,235 million, a 29.2% gain year-over-year from Baht 2,504 million in 4Q11. As a result of flooding in parts of Bangkok and surrounding provinces in 4Q11, volumes rose in 4Q12 compared with 4Q11 in both Thai and international markets. Inpatient revenue per admission remained stable in 4Q12 due to shorter length of stay than that experienced during the floods. For outpatient services, revenue intensity improved 9.5% year-over-year, with a slight intensity increase for inpatient services on a patient day basis. As a result, outpatient and inpatient service revenues grew by 36.6% and 20.8%, respectively. The revenue contribution from inpatient services in 4Q12 was 47.9% and from outpatient services was 52.1%, compared with 51.0% and 49.0%, respectively, for 4Q11. In terms of revenues by nationality for 4Q12, international patients accounted for 60.5% with the remaining 39.5% from Thai patients, reflecting a higher revenue intensity and ratio of international business than the prior period. The flooding in 2011 also contributed to the changes in revenue mix noted above.

Interest income advanced to Baht 38 million in 4Q12 from Baht 9 million in 4Q11 mainly due to Baht 4,482 million in net cash proceeds from the sale of all shares in Bangkok Chain Hospital PCL in July 2012. Exchange gains grew to Baht 15 million from Baht 13 million due to higher collections on Middle East contracts. Total revenues in 4Q12 were Baht 3,345 million, compared to Baht 2,576 million in 4Q11, a 29.8% improvement year-over-year.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 2,128 million for 4Q12, or 25.9% more year-over-year from Baht 1,690 million in 4Q11. Administrative expenses (including Depreciation and amortization) for 4Q12 increased 26.0% increase year-over-year to Baht 629 million from Baht 499 million in 4Q11. As previously noted, Revenue from hospital operations grew by 29.2%, outpacing the above increases in cost and contributing to improved margins.

Ongoing capital spending contributed to higher 4Q12 Depreciation and amortization of Baht 176 million from Baht 166 million in 4Q11. The Company reported Baht 1 million Share of profit from investments in associates in 4Q12, compared to Share of profit of Baht 14 million in 4Q11. Included in the 4Q11 amount was Baht 37 million attributable to Share of profit from Bangkok Chain Hospital PCL which was sold in early July 2012, resulting in no Share of profit in this quarter, 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.

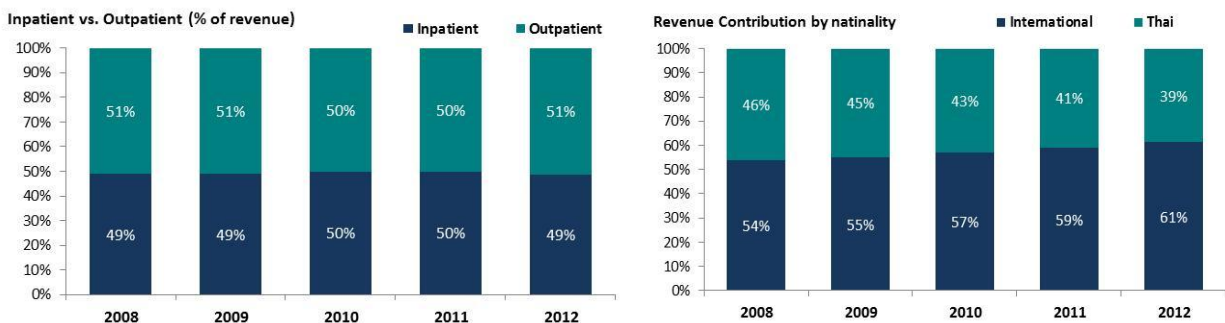
Finance cost was Baht 60 million in 4Q12 compared to Baht 61 million in 4Q11, due to slightly lower costs associated with the bonds issued in December 2011, compared with that of the previous debt. The lower cost bonds were outstanding for the full three months of 4Q12, while the higher cost debt refinanced by these bonds was outstanding most of the 4Q11.

Corporate income tax in 4Q12 was Baht 124 million, compared to negative expense of Baht 35 million in 4Q11. This variance was primarily related to a tax benefit of Baht 106 million occurring from the loss on sale of the partial investment in ABSPC Group Co., Ltd. (formerly known as “Bumrungrad Medical Center Co., Ltd.”) in 4Q11. The above was somewhat offset by the reduction of the statutory corporate income tax rate from 30% in 2011 to 23% in 2012.

Basic EPS for 4Q12 was Baht 0.55, growing 8.0% year-over-year from Baht 0.51 in 4Q11, while 4Q12 Diluted EPS also grew at the same rate to Baht 0.47 from Baht 0.43 in 4Q11. Excluding the extraordinary items related to the sale of investments in ABSPC Group Co., Ltd. in 4Q11 and the sale of investments in Asian Hospital Inc. by Bumrungrad International Limited, Adjusted Basic EPS for 4Q11 was Baht 0.40 compared to Baht 0.55 in 4Q12, resulting in a 38.7% gain year-over-year, while Adjusted Diluted EPS also advanced at the same rate to Baht 0.47 in 4Q12 from Baht 0.34 in 4Q11.

2012 Operational Performance

The Company reported 2012 Revenues from hospital operations of Baht 12,856 million, providing 16.7% growth year-over-year from Baht 11,015 million in 2011. Both inpatient and outpatient volumes improved in 2012 compared with 2011, driven by advanced in both international and Thai markets. Revenue intensity also increased in 2012 for both inpatient and outpatient services. As a result, inpatient revenues increased 13.4% and outpatient revenues rose by 18.3%. Revenues in 2012 from inpatient services were 48.6% and from outpatient services were 51.4%. As to contributions by nationality, revenues from international patients were 61.3% and from Thai patients 38.7%, reflecting a somewhat higher growth rate and ratio in international business than those of the prior period.



Interest income grew to Baht 98 million in 2012 from Baht 30 million in 2011 mainly due to Baht 4,482 million in net cash proceeds from the sale of shares in Bangkok Chain Hospital PCL in July 2012 and higher interest rates. The Company also recognized a pretax gain from this sale of Baht 790 million in 2012. Exchange gains advanced to Baht 70 million in 2012, versus Baht 45 million in 2011 due to higher collections on Middle East contracts. Total revenues in 2012 grew 24.2% year-over-year to Baht 14,042 million from Baht 11,306 million in 2011. Excluding the pretax gain from the sale of the investment in Bangkok Chain Hospital PCL of Baht 790 million, Adjusted Total revenues in 2012 total Baht 13,252 million compared with Baht 11,306 million in 2011, resulting in Adjusted Total revenue growth of 17.2%.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 8,232 million in 2012, or 16.4% higher than Baht 7,070 million in 2011. Administrative expenses (including Depreciation and amortization) were Baht 2,305 million in 2012, increasing 13.3% from Baht 2,035 million in 2011. As previously noted, Revenue from hospital operations rose 16.7%, outpacing the above increases in cost and contributing to improved margins.

Continuing capital spending increased 2012 Depreciation and amortization to Baht 709 million, a 9.5% change year-over-year. The Company reported Baht 93 million as Share of profit from investments in associates in 2012, compared to Baht 83 million in 2011. The variance was primarily attributable to a reduction in Share of loss from Bumrungrad International Limited from Baht 49 million in 2011 to Baht 17 million in 2012, while the Share of profit from Bangkok Chain Hospital PCL declined from Baht 129 million in 2011 to Baht 107 million in 2012, due to the sale of this investment in July 2012. The 2011 Share of loss from Bumrungrad International Limited included the loss related to the share repurchase of Bumrungrad International Holdings (Hong Kong) Limited and the loss from sale of Asian Hospital Inc. by Bumrungrad International Limited. The details of these transactions are further explained in the Extraordinary Items section of this document.

Finance cost was Baht 241 million in 2012 compared to Baht 189 million in 2011, due to interest expense and amortization of bond issuance cost associated with the debt borrowed to fund the purchase of common shares of Bangkok Chain Hospital PCL on 18 March 2011. Such debt, which was refinanced by bonds issued in December 2011, was outstanding for the full year in 2012, compared with just over nine months in 2011.

The reduction of the statutory corporate income tax rate from 30% in 2011 to 23% in 2012 resulted in lower income tax on net profit from operations in 2012 compared with 2011. However, the income taxes associated with the gain on sale of all investment in Bangkok Chain Hospital PCL, offset with the tax benefit from the disposition of the remaining investment in ABSPC Group Co., Ltd., resulted in a slight increase in corporate income tax in 2012 to Baht 690 million from Baht 506 million in 2011. Details of these transactions are presented in the Extraordinary Items section of this document.

Basic EPS was Baht 3.66 for 2012, advancing 67.9% year-over-year from Baht 2.18 in 2011. Diluted EPS also grew by the same rate year-over-year to Baht 3.07 in 2012 from Baht 1.83 in 2011. Excluding extraordinary items, Adjusted Basic EPS for 2012 was Baht 2.77, resulting 29.6% adjusted growth year-over-year from Adjusted Basic EPS of Baht 2.14 in 2011, while 2012 Adjusted Diluted EPS also increased at the same rate to Baht 2.32 from Adjusted Diluted EPS of Baht 1.79 in 2011.

Income statements						
(Unit: Baht million)	4Q12	4Q11	Change	2012	2011	Change
Revenues from hospital operations	3,235	2,504	29.2%	12,856	11,015	16.7%
Gain on sale of investment	-	-	n/a	790	-	n/a
Total revenues	3,345	2,576	29.8%	14,042	11,306	24.2%
EBITDA	726	543	33.6%	3,326	2,819	18.0%
Share of profit from investments in associates	1	14	-95.5%	93	83	12.9%
Net profit	404	374	8.0%	2,667	1,588	67.9%
<i>EBITDA margin</i>	22.0%	21.2%		25.3%	25.0%	
<i>Net profit margin</i>	12.1%	14.4%		18.9%	13.9%	
EPS						
(Unit: Baht)	4Q12	4Q11	Change	2012	2011	Change
EPS – Basic	0.55	0.51	8.0%	3.66	2.18	67.9%
EPS – Diluted	0.47	0.43	8.0%	3.07	1.83	67.9%

Statements of financial position

As at 31 December 2012, the Company reported Total current assets of Baht 7,670 million, an increase from Baht 2,704 million as at 31 December 2011. Most of this increase was due to an additional Baht 4,773 million in Cash and cash equivalents relative to Baht 4,482 million net cash proceeds from the sale of the investment in Bangkok Chain Hospital PCL. Trade accounts receivable was Baht 1,314 million as at 31 December 2012 versus Baht 1,110 million as at 31 December 2011. The collection period decreased to 36.7 days as at 31 December 2012 from 37.2 days as at 31 December 2011, due largely to collections on Middle East contracts.

Total non-current assets decreased to Baht 8,192 million as at 31 December 2012 from Baht 10,768 million as at 31 December 2011, mainly due to the sale of the investment in Bangkok Chain Hospital PCL, and capital reductions associated with the wind-down of Bumrungrad International Limited. Property, plant and equipment increased from capital expenditures associated with the campus expansion. Total assets grew to Baht 15,862 million as at 31 December 2012 from Baht 13,473 million as at 31 December 2011.

Total current liabilities were Baht 2,138 million as at 31 December 2012, an increase from Baht 1,506 million as at 31 December 2011. This change resulted primarily from Baht 248 million additional Income tax payable; Baht 197 million more in trade and other payables, largely due to the campus expansion; and Baht 125 million increase in various accrued expenses.

Non-current liabilities, consisting mostly of Long-term debentures, had no significant changes as the Company completed the bond issuance in December 2011, with little, if any, subsequent change. As a result of the increase in Cash and cash equivalents related to net cash proceeds from the sale of investments, strong operating results, increased collections, the total debt as at 31 December 2012 was lower than the cash and cash

equivalents balance, leading to a net cash balance after considering outstanding debt. The Company's Interest coverage ratio was 13.8x in 2012 compared to 14.9x in 2011. The decrease in the Interest coverage ratio was due to higher interest expense associated with the debt financing related to the investment in Bangkok Chain Hospital PCL. Such debt, which was refinanced by bonds issued in December 2011, was outstanding for the full year in 2012, compared with just over nine months in 2011.

Total shareholders' equity grew to Baht 8,388 million as at 31 December 2012 from Baht 6,734 million as at 31 December 2011. This increase primarily resulted from the Company's 2012 Net profit of Baht 2,667 million, offset by a dividend payment of Baht 912 million. Average return on assets (ROA) increased from 14.0% in 2011 to 18.2% in 2012. Similarly, Average return on equity (ROE) increased from 24.8% in 2011 to 35.3% in 2012.

Unit: Baht million	31-Dec-12	31-Dec-11	Change
Total assets	15,862	13,473	17.7%
Total liabilities	7,474	6,739	10.9%
Total shareholders' equity	8,388	6,734	24.6%
	2012	2011	
Interest coverage ratio (x)	13.8	14.9*	

* 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 will be 12.9x

	2012	2011
Average collection period (days)	36.7	37.2
Average inventory period (days)	11.7	13.2
Average payables period (days)	28.1	30.1
Net debt to equity (x)	(0.1)**	0.6
Average return on assets (%)	18.2%	14.0%
Average return on equity (%)	35.3%	24.8%

** Cash and cash equivalents balance exceed the total debt as at 31 December 2012

Cash flow statements

The Company's Net cash flows from operating activities in 2012 was Baht 3,025 million, compared to Baht 2,061 million in 2011, due to stronger operating results, improved working capital and a reduction in corporate income tax paid. Net cash inflows from investment activities were Baht 2,931 million in 2012, versus net cash flows used in 2011 of Baht 3,945 million. The Baht 3,563 million impact from the purchase of common shares of Bangkok Chain Hospital PCL was included in 2011, while 2012 included the receipt of net proceeds of Baht 4,482 million from the sale of all this investment. In addition, the Company received the proceeds from the capital reduction exercise by Bumrungrad International Limited of Baht 362 million during 2012, compared with Baht 613 million received during 2011. In September 2012, the Company acquired all common shares of Ruenmongkol Co., Ltd. for Baht 1,045 million for the ownership in its land and buildings located in Sukhumvit Soi 1 area, to facilitate the expansion of capacity near the main campus. Capital expenditures also increased compared with the same period last year, mainly for the expansion of capacity at the existing campus and the acquisition of land on Petchaburi Road to support future growth plans.

The Company reported Net cash used in financing activities of Baht 1,179 million in 2012, versus net cash flows from financing activities Baht 2,518 million in 2011, as the Company received Baht 4,955 million in net proceeds from the bonds issued in December 2011 to refinance the debt mainly associated with the purchase of the common shares of Kasemrad Hospital Group. The above was partially offset by the repayment of this debt from the net proceeds. Additionally, the dividend payment increased in 2012 in line with the growth of net profit. As a result, Cash and cash equivalents were Baht 6,034 million as at 31 December 2012, compared to from Baht 1,261 million as at 31 December 2011.

The Company's Liquidity ratio as at 31 December 2012 increased to 3.6x from 1.8x as at 31 December 2011, due to the increase in Cash and cash equivalents. Similarly, the Quick ratio increased to 3.4x as at 31 December 2012 from 1.6x as at 31 December 2011.

Unit: Baht million	2012	2011
Net cash flows from operating activities	3,025	2,061
Net cash flows from (used in) investing activities	2,931	(3,945)
Net cash flows (used in) from financing activities	(1,179)	2,518
Net increase in cash and cash equivalents	4,773	633
Cash and cash equivalents at end of period	6,034	1,261
	31-Dec-12	31-Dec-11
Liquidity ratio (x)	3.6	1.8
Quick ratio (x)	3.4	1.6

Extraordinary Items

During 2011, the Company recorded 3 extraordinary items as follow:

- 1) In 2010, Bumrungrad International Limited (BIL) completed the sale of an investment in Asia Renal Care Limited (ARC), a 100% indirectly owned subsidiary. As a result of the sale of ARC, BIL's cash balances were in excess of its cash requirements. A decision to reduce capital reflected 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 by 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. These exchange rate-related factors led to a Share of loss from BIL of Baht 50 million recorded in 2Q11.
- 2) In December 2011, Bumrungrad International Limited completed the sale of its investment in Asian Hospital Inc. (AHI), a 56.5% subsidiary. The sale resulted in a share loss to the Company in the amount of Baht 24 million due to a loss from translation adjustment of Baht 40 million.
- 3) In December 2011, the Company completed the sale of a partial interest in its investment in a subsidiary (ABSPC Group Co., Ltd., formerly known as "Bumrungrad Medical Center Co., Ltd.") to a third party. As a result of the sale, the Company recognized an associated tax benefit from the loss on sale of Baht 106 million.

During 2012, the Company recorded 3 extraordinary items as follow:

- 1) On 10 July 2012, the Company sold all of its investment in Bangkok Chain Hospital PCL, doing business as "Kasemrad Hospital Group", totaling 498.75 million shares (including shares received by the Company as a dividend in 2011), at a price of Baht 9.15 for each share. The Company received proceeds from the share sale of Baht 4,482 million after deducting applicable transaction costs associated with the sale. A pre-tax gain on sale of Baht 790 million was part of total revenue and net profit in the consolidated financial statements in 2012.

Taxes incurred on the sale were Baht 204 million. As a result, a net gain on the sale of Baht 586 million is included in the 2012 net profit. The sale of this investment was made in accordance with a resolution of the Company's Board of Directors Meeting held on 2 July 2012.

- 2) On 26 September 2012, the Company sold all of its remaining investment in a subsidiary (ABSPC Group Co., Ltd., formerly known as "Bumrungrad Medical Center Co., Ltd.") to a third party. This investment, consisting of 63,747 shares and representing a 51% shareholding in BMC, was sold at a price of Baht 24.00 per share, totaling Baht 1.5 million, providing a small gain on the sale of less than Baht 0.1 million. As a result of the sale, ABSPC Group Co., Ltd. is no longer a subsidiary of the Company. The Company recognized an associated tax benefit, from the loss on sale, of Baht 85 million in 3Q12. The sale of this investment in ABSPC Group Co., Ltd. was made in accordance with a resolution of the Board of Directors' meeting held on 9 November 2011.

- 3) In 3Q12, the Company recorded the Share of loss from Bumrungrad International Limited which included the capital gain taxes and tax advisory services of Baht 14 million associated with the sale of investment in Asian Hospital Inc., a 56.5% subsidiary which was sold in December 2011, as well as certain wind-down costs of Bumrungrad International Limited of Baht 5 million. Bumrungrad International Limited had applied for Tax Treaty Relief on the sale of Asian Hospital Inc. which was ultimately not granted in the final phase of the process, triggering capital gain taxes on the transaction.

Significant Events

On 24 September 2012, the Company acquired 34,000,000 common shares, representing 100% of the total issued and paid-up share capital, of Ruenmongkol Co., Ltd. at Baht 10.00 per share. The transaction value was Baht 1,045 million (including investment acquisition expenses), with an objective to have ownership in the land and constructions, located in Sukhumvit Soi 1 area, to facilitate the expansion of capacity near the main campus. This investment was made in accordance with a resolution of the Company's Board of Directors Meeting held on 10 August 2012.

Please be informed accordingly.

Yours faithfully,

(Dr. Chanvit Tanphiphat, MD)

Vice Chairman