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7 August 2013

Subject: Management Discussion and Analysis for the second quarter 2013 results

To: Directors and Manager
The Stock Exchange of Thailand

Bumrungrad Hospital PCL.
Management Discussion and Analysis for 2Q13 results
7 August 2013

Summary

The Company reported Total revenues in 2Q13 of Baht 3,591 million, a 10.0% increase from 2Q12 revenues of Baht 3,266 million. Net profit for 2Q13 grew by 16.0% to Baht 579 million from Baht 499 million in 2Q12. The resulting Net profit margin was 16.1% in 2Q13 compared to 15.0% in 2Q12.

For 1H13, Total revenues increased to Baht 7,157 million, producing a 10.1% improvement over 1H12 revenues of Baht 6,502 million. Net profit advanced to Baht 1,192 million in 1H13 from Baht 1,080 million in 1H12. Consequently, the Net profit margin rose to 16.6% in 1H13 from 16.3% in 1H12.

The Company's Net profit for 2Q12 and 1H12 included Share of profit from Bangkok Chain Hospital PCL (doing business as "Kasemrad Hospital Group") of Baht 52 million and Baht 107 million, respectively. On 10 July 2012, the Company sold all of its investment in Bangkok Chain Hospital PCL, resulting in no corresponding Share of profit in 2Q13 and 1H13.

Details of the management discussion and analysis are as follow:

Income statements

Quarterly Operational Performance

For 2Q13, the Company reported Revenues from hospital operations of Baht 3,494 million, a 10.1% improvement year-over-year from Baht 3,174 million in 2Q12. Outpatient volumes increased in 2Q13 compared with 2Q12 in the international market and were essentially the same for the Thai market. Inpatient volumes increased slightly in terms of admissions but declined on a patient-day basis, due to the impact of an unusually long average length of stay from high-acuity cases in 2Q12. Revenue intensity improved 4.8% for outpatient services and 2.1% on a patient-day basis for inpatient services. As a result, inpatient and outpatient service revenues grew by 6.5% and 14.0%, respectively. The revenue contribution from inpatient services in 2Q13 was 47.0% and from outpatient services was 53.0%, compared with 48.7% and 51.3%,

respectively, for 2Q12. Revenues from international patients accounted for 61.2% of the total in 2Q13, with the remaining 38.8% from Thai patients, reflecting a small increase to the 37.2% from Thai patients in 2Q12.

Rental income was Baht 19 million in 2Q13 compared with Baht 30 million in 2Q12 due to the planned expiration of an apartment building lease. Exchange gains decreased to Baht 11 million from Baht 25 million due to timing differences associated with collections on certain Middle East contracts, as well as less favorable exchange rates. The above were more than offset by an increase in Interest income from Baht 13 million in 2Q12 to Baht 40 million in 2Q13, mainly due to increased cash balances associated with Baht 4,482 million in net cash proceeds from the sale of all shares in Bangkok Chain Hospital PCL in July 2012. The impact of the above was an increase of 10.0% in Total revenues to Baht 3,591 million in 2Q13 from Baht 3,266 million in 2Q12.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 2,204 million for 2Q13, or 8.0% more year-over-year from Baht 2,041 million in 2Q12, which was in line with the 10.1% growth in Revenues from hospital operations. Administrative expenses (including Depreciation and amortization) were Baht 605 million in 2Q13, increasing 5.7% from Baht 572 million in 2Q12. This change included Baht 13 million additional marketing related expenses due to timing differences of expenditures between periods, Baht 9 million merit and inflationary increases for employee salaries and wages, and Baht 4 million more in software support and maintenance expense. EBITDA grew 14.8% year-over-year from Baht 815 million in 2Q12 to Baht 935 million in 2Q13, with an EBITDA margin of 26.3% in 2Q13 compared to 25.0% in 2Q12.

Ongoing capital spending, largely due to the campus expansion, contributed to higher 2Q13 Depreciation and amortization of Baht 193 million from Baht 175 million in 2Q12. The Company reported Baht 1 million Share of profit from investments in associates in 2Q13, compared to Share of profit of Baht 53 million in 2Q12. Included in the 2Q12 was Baht 52 million attributable to Share of profit from Bangkok Chain Hospital PCL which was sold in early July 2012, resulting in no corresponding Share of profit in 2Q13.

Finance cost was Baht 61 million in 2Q13 compared to Baht 60 million in 2Q12, and was primarily due to interest expense and amortization of bond issuance cost associated with bonds issued in December 2011 to refinance debt.

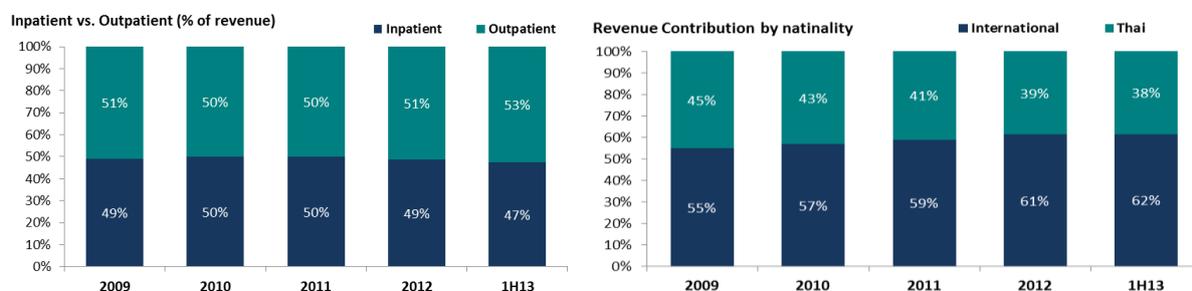
Corporate income tax of Baht 143 million in 2Q13 was lower than Baht 146 million in 2Q12, mostly due to Baht 22 million from the reduction of the statutory corporate income tax rate from 23% in 2012 to 20%, Baht 11 million reduction associated with taxes paid on cash dividends received from Bangkok Chain Hospital PCL in 2Q12, offset by Baht 30 million increased taxes due to higher taxable profit in 2Q13 compared with 2Q12.

Basic EPS for 2Q13 was Baht 0.79, producing a 16.0% increase year-over-year from Baht 0.68 in 2Q12, while 2Q13 Diluted EPS also increased at the same rate to Baht 0.67 from Baht 0.58 in 2Q12.

First Half Operational Performance

For 1H13, the Company reported Revenues from hospital operations of Baht 6,951 million, a 9.8% improvement year-over-year from Baht 6,329 million in 1H12. Outpatient volumes increased in 1H13 compared with 1H12 in both Thai and international markets, while inpatient volumes slightly decreased. Both outpatient and inpatient volumes were impacted by one fewer day in 1H13, as well as an exceptionally strong 1H12. For outpatient services, revenue intensity improved 4.8% year-over-year, while inpatient service intensity approximated that of 1H12 on a patient-day basis and was slightly less on an admission basis. As a

result, inpatient and outpatient service revenues grew by 5.6% and 13.7%, respectively. The revenue contribution from inpatient services in 1H13 was 47.3% and from outpatient services was 52.7%, compared with 49.1% and 50.9%, respectively, for 1H12, reflecting the higher intensity growth in outpatient business. In terms of revenues by nationality in 1H13, international patients accounted for 61.6% with the remaining 38.4% from Thai patients, effecting a small increase to the 37.9% from Thai patients in 1H12.



Rental income was Baht 53 million in 1H13 compared to Baht 63 million in 1H12 due to the planned expiration of an apartment building lease. Interest income advanced to Baht 78 million in 1H13 from Baht 21 million in 1H12, mainly due to increased cash balances associated with Baht 4,482 million in net cash proceeds from the sale of all shares in Bangkok Chain Hospital PCL in July 2012. Exchange gains decreased to Baht 23 million from Baht 34 million due to timing differences associated with collections on certain Middle East contracts, as well as less favorable exchange rates. Total revenues in 1H13 were Baht 7,157 million, compared to Baht 6,502 million in 1H12, a 10.1% improvement year-over-year.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 4,347 million for 1H13, or 8.7% more year-over-year from Baht 3,998 million in 1H12, which was in line with the 9.8% growth in Revenues from hospital operations. Administrative expenses (including Depreciation and amortization) were Baht 1,201 million in 1H13, increasing 8.4% from Baht 1,109 million in 1H12. This change included Baht 21 million additional marketing related expenses due to timing differences of expenditures between periods, Baht 17 million impact from the minimum wage adjustment effective on 1 April 2012, Baht 17 million merit and inflationary increases for employee salaries and wages, and Baht 10 million additional software support and maintenance costs. EBITDA grew 11.0% year-over-year from Baht 1,724 million in 1H12 to Baht 1,913 million in 1H13, with the EBITDA margin advancing to 27.0% in 1H13 compared with 26.6% in 1H12.

Ongoing capital spending, largely due to the campus expansion, contributed to higher 1H13 Depreciation and amortization of Baht 383 million from Baht 349 million in 1H12. The Company reported Baht 2 million Share of profit from investments in associates in 1H13, compared to Share of profit of Baht 111 million in 1H12. Included in the 1H12 was Baht 107 million attributable to Share of profit from Bangkok Chain Hospital PCL which was sold in early July 2012, resulting in no corresponding Share of profit in 1H13.

Finance cost was the same for both 1H13 and 1H12 at Baht 120 million, and was primarily due to interest expense and amortization of bond issuance cost associated with bonds issued in December 2011 to refinance debt.

Corporate income tax of Baht 299 million in 1H13 was lower than Baht 307 million in 1H12, mostly due to Baht 45 million from the reduction of the statutory corporate income tax rate from 23% in 2012 to 20%, Baht 11 million reduction associated with taxes paid on cash dividends received from Bangkok Chain

Hospital PCL in 2Q12, offset by Baht 49 million increased taxes due to higher taxable profit in 1H13 compared with 1H12.

Basic EPS for 1H13 was Baht 1.64, producing a 10.4% increase year-over-year from Baht 1.48 in 1H12, while 1H13 Diluted EPS also increased at the same rate to Baht 1.37 from Baht 1.24 in 1H12.

Income statements						
(Unit: Baht million)	2Q13	2Q12	Change	1H13	1H12	Change
Revenues from hospital operations	3,494	3,174	10.1%	6,951	6,329	9.8%
Total revenues	3,591	3,266	10.0%	7,157	6,502	10.1%
EBITDA	935	815	14.8%	1,913	1,724	11.0%
Share of profit from investments in associates	1	53	-97.6%	2	111	-98.2%
Net profit	579	499	16.0%	1,192	1,080	10.4%
<i>EBITDA margin</i>	26.3%	25.0%		27.0%	26.6%	
<i>Net profit margin</i>	16.1%	15.0%		16.6%	16.3%	
EPS						
(Unit: Baht)	2Q13	2Q12	Change	1H13	1H12	Change
EPS – Basic	0.79	0.68	16.0%	1.64	1.48	10.4%
EPS – Fully Diluted	0.67	0.58	16.0%	1.37	1.24	10.4%

Statements of financial position

As at 30 June 2013, the Company reported Total current assets of Baht 7,900 million, an increase from Baht 7,670 million as at 31 December 2012, mostly due to an increase of Baht 112 million in Trade and other receivables and an additional Baht 86 million in Cash and cash equivalents from operating activities. Trade accounts receivables were Baht 1,430 million as at 30 June 2013 versus Baht 1,314 million as at 31 December 2012. The collection period was 37.9 days as at 30 June 2013 compared to 36.7 days as at 31 December 2012, primarily from timing differences associated with collections on certain Middle East accounts. A Middle east payment actually received in early July 2013 would have reduced the 37.9 days collection period to 35.2 days had it been received prior to the end of June.

Total non-current assets increased to Baht 8,578 million as at 30 June 2013 from Baht 8,315 million as at 31 December 2012, mostly due to increased Property, plant and equipment associated with the campus expansion. Total assets grew to Baht 16,478 million as at 30 June 2013 from Baht 15,985 million as at 31 December 2012.

Total current liabilities were Baht 2,115 million as at 30 June 2013, a decrease from Baht 2,138 million as at 31 December 2012, primarily from Baht 78 million reduction of Income tax payable, offset by Baht 67 million more in various Accrued expenses.

Non-current liabilities rose to Baht 5,553 million as at 30 June 2013 from Baht 5,337 million as at 31 December 2012, mostly due to a Baht 176 million long-term loan from an associate. As a result of the

increase in Cash and cash equivalents related to strong operating results, increased collections, and net cash proceeds from the sale of investments, the total debt as at 30 June 2013 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 15.9x in 1H13 compared to 14.4x in 1H12. The increase in the Interest coverage ratio was due to higher EBITDA in 1H13 compared to 1H12.

Total shareholders' equity grew to Baht 8,810 million as at 30 June 2013 from Baht 8,511 million as at 31 December 2012. This increase resulted from the Company's 1H13 Net profit of Baht 1,192 million, netted off with a dividend payment of Baht 876 million and other changes in Retained earnings of Baht 16 million. Average return on assets (ROA) decreased slightly from 18.1% in 2012 to 14.7% in 1H13. Similarly, Average return on equity (ROE) decreased from 35.0% in 2012 to 27.5% in 1H13. Both decreases were due to extraordinary items in 2012, consisting mostly of the net gain realized by the Company from the sale of all of its investment in Bangkok Chain Hospital PCL.

Unit: Baht million	30-Jun-13	31-Dec-12	Change
Total assets	16,478	15,985	3.1%
Total liabilities	7,668	7,474	2.6%
Total shareholders' equity	8,810	8,511	3.5%
	1H13	1H12	
Interest coverage ratio (x)	15.9	14.4	
	1H13	2012	
Average collection period (days)	37.9	36.7	
Average inventory period (days)	10.6	11.7	
Average payables period (days)	28.9	28.1	
Net debt to equity (x)	(0.1)*	(0.1)*	
Average return on assets (%)	14.7%	18.1%	
Average return on equity (%)	27.5%	35.0%	

* Cash and cash equivalents balance exceed the total debt at the end of period.

Cash flow statements

The Company's Net cash flows from operating activities in 1H13 were Baht 1,506 million, compared to Baht 1,738 million in 1H12. This change was due to increased cash from operations offset by a net decrease in working capital, mostly due to payment of liabilities associated with the campus expansion and a larger corporate income tax payment attributable to the net gain realized by the Company from the sale of all of its investment in Bangkok Chain Hospital PCL. Net cash flows used in investment activities were Baht 587 million in 1H13, compared with Baht 117 million in 1H12. This change was due to the Baht 340 million cash received from Bumrungrad International Limited relative to the capital reduction exercise in 1H12, and Baht 167 million additional cash out flow associated with ongoing capital spending in 1H13. The Company reported Net cash used in financing activities of Baht 832 million in 1H13 versus Baht 608 million in 1H12, mostly due to a higher dividend payment connected with the gain from the sale of shares in Bangkok Chain Hospital PCL in July 2012, offset by Baht 176 million long-term loan from an associate. As a result of the above, and the Baht 4,482 million in net cash proceeds from the sale of all shares in Bangkok Chain Hospital

PCL in July 2012, Cash and cash equivalents were Baht 6,120 million as at 30 June 2013, compared to Baht 2,272 million as at 30 June 2012.

The Company's Liquidity ratio as at 30 June 2013 increased to 3.7x from 3.6x as at 31 December 2012. Similarly, the Quick ratio increased to 3.6x as at 30 June 2013 from 3.4x as at 31 December 2012.

Unit: Baht million	1H13	1H12
Net cash flows from operating activities	1,506	1,738
Net cash flows used in investing activities	(587)	(117)
Net cash flows used in financing activities	(832)	(608)
Net increase in cash and cash equivalents	87	1,013
Cash and cash equivalents at end of period	6,120	2,272
	30-Jun-13	31-Dec-12
Liquidity ratio (x)	3.7	3.6
Quick ratio (x)	3.6	3.4

Please be informed accordingly.

Yours faithfully,

(Dr. Chanvit Tanphiphat, MD)

Vice Chairman