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

To: Directors and Manager  
The Stock Exchange of Thailand

**Bumrungrad Hospital PCL.  
Management Discussion and Analysis for 3Q13 results  
8 November 2013**

## Summary

The Company reported Total revenues in 3Q13 of Baht 3,758 million, a 10.4% decline from 3Q12 revenues of Baht 4,195 million. Net profit for 3Q13 decreased 34.6% to Baht 703 million from Baht 1,075 million in 3Q12. The resulting Net profit margin was 18.7% in 3Q13 compared to 25.6% in 3Q12.

For 9M13, Total revenues advanced to Baht 10,915 million, a 2.0% improvement over 9M12 revenues of Baht 10,697 million. Net profit for 9M13 decreased 12.1% to Baht 1,894 million in 9M13 from Baht 2,155 million in 9M12. Consequently, the Net profit margin dropped to 17.3% in 9M13 from 20.0% in 9M12.

The Company's Total revenues and results for 3Q12 and 9M12 included extraordinary items related to the sale of investments in Bangkok Chain Hospital PCL (doing business as "Kasemrad Hospital Group"), and the Share of loss from Bumrungrad International Limited mostly associated with the sale of the investment in Asian Hospital Inc. and certain wind-down costs. The details of these transactions are presented in the Extraordinary Items section of this document.

Excluding these extraordinary items, Adjusted Total revenues would be Baht 3,405 million in 3Q12 compared with 3,758 million in 3Q13, leading to adjusted growth of 10.4%. Adjusted Net profit in 3Q12 would be Baht 515 million compared with Baht 703 million in 3Q13, producing an adjusted increase of 36.4%. The Adjusted Total revenues in 9M12 would be Baht 9,907 million versus Baht 10,915 million in 9M13, resulting in adjusted growth of 10.2%, while Adjusted Net profit in 9M12 would be Baht 1,607 million versus Baht 1,894 million in 9M13, resulting in growth of 17.9% for the nine-month period.

Details of the management discussion and analysis are as follow:

## Income statements

### Quarterly Operational Performance

For 3Q13, the Company reported Revenues from hospital operations of Baht 3,659 million, an 11.1% improvement year-over-year from Baht 3,292 million in 3Q12. Outpatient and Inpatient volumes decreased somewhat in 3Q13 compared with 3Q12 in both Thai and international markets. However, revenue intensity improved 3.9% for outpatient services and 3.4% on a patient-day basis for inpatient services. As a result, inpatient and outpatient service revenues grew by 9.5% and 12.3%, respectively. The revenue contribution from inpatient services in 3Q13 was 47.9% and from outpatient services was 52.1%, compared with 48.5% and 51.5%, respectively, for 3Q12. Revenues from international patients accounted for 60.2% of the total in 3Q13, with the remaining 39.8% from Thai patients.

Rental income was Baht 19 million in 3Q13 compared with Baht 30 million in 3Q12 due to the planned expiration of an apartment building lease, and the conversion of previous rental space to temporary offices for hospital personnel necessitated by the campus expansion. Exchange gains increased to Baht 22 million from Baht 20 million due to favorable exchange rates associated with collections on certain Middle East accounts. Interest income decreased from Baht 39 million in 3Q12 to Baht 37 million in 3Q13, mainly due to slightly lower interest rates. In 3Q12, the Company recognized a Baht 790 million pretax gain from the sale of all shares in Bangkok Chain Hospital PCL, as further explained in the Extraordinary Items section of this document. The net impact of the above was a decline of 10.4% in Total revenues to Baht 3,758 million in 3Q13 from Baht 4,195 million in 3Q12. Excluding the pretax gain from the sale of investments in Bangkok Chain Hospital PCL of Baht 790 million, Adjusted Total revenues would be Baht 3,405 million in 3Q12 versus Baht 3,758 million in 3Q13, yielding adjusted growth of 10.4%.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 2,236 million for 3Q13, or 6.1% more year-over-year from Baht 2,107 million in 3Q12, which was less than the 11.1% growth in Revenues from hospital operations. The increase includes approximately Baht 44 million in merit, benefits, and inflationary increases associated with employee labor costs and Baht 19 million additional Depreciation and amortization costs. Administrative expenses (including Depreciation and amortization) were Baht 594 million in 3Q13, increasing 4.7% from Baht 567 million in 3Q12. This change includes Baht 7 million more in software support and maintenance expense; Baht 7 million additional marketing related expenses due to timing differences of expenditures between periods; and Baht 3 million in merit, benefits, and inflationary increases relative to employee labor costs. EBITDA grew 24.6% year-over-year from Baht 876 million in 3Q12 to Baht 1,092 million in 3Q13, with an EBITDA margin of 29.3% in 3Q13 compared to 26.0% in 3Q12.

Ongoing capital spending, largely due to the campus expansion, contributed to higher 3Q13 Depreciation and amortization of Baht 200 million from Baht 184 million in 3Q12. The Company reported Baht 2 million Share of profit from investments in associates in 3Q13, compared to Share of loss of Baht 18 million in 3Q12. The Share of loss in 3Q12 was mostly from Bumrungrad International Limited and was related to capital gain taxes associated with the sale of its investment in Asian Hospital Inc. in December 2011, along with certain wind-down costs as further explained in the Extraordinary Items section of this document.

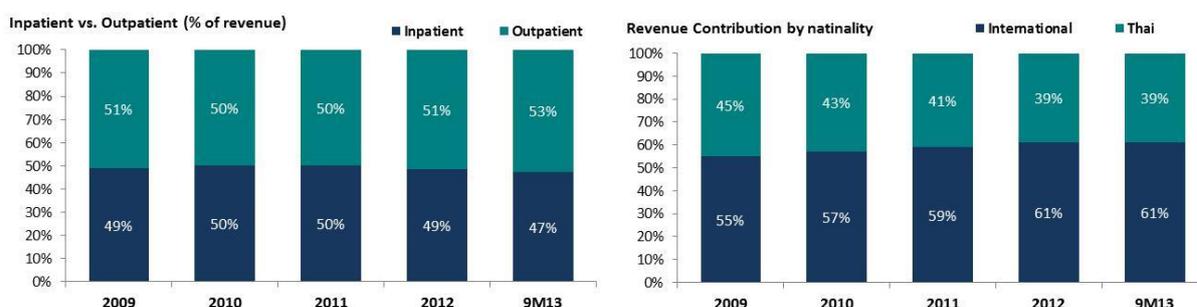
Finance cost was Baht 62 million in 3Q13 compared to Baht 60 million in 3Q12, and was primarily due to interest expense and amortization of bond issuance cost associated with bonds issued in December 2011 to refinance debt.

Corporate income tax of Baht 166 million in 3Q13 was lower than Baht 367 million in 3Q12. The variance is mostly due to the Baht 211 million reduction associated with the gain from sale of all shares in Bangkok Chain Hospital PCL in 3Q12, Baht 26 million from the reduction of the statutory corporate income tax rate from 23% in 2012 to 20% in 2013, offset by Baht 45 million increased taxes due to higher taxable operating profit in 3Q13 compared with 3Q12.

Basic EPS for 3Q13 of Baht 0.96 was 34.6% lower than Baht 1.48 in 3Q12, while 3Q13 Diluted EPS also decreased at the same rate to Baht 0.81 from Baht 1.24 in 3Q12. Excluding the extraordinary items related to the sale of investment in Bangkok Chain Hospital PCL and the Share of loss from Bumrungrad International Limited, mostly associated with the sale of the investment in Asian Hospital Inc. and certain wind-down costs, Adjusted Basic EPS for 3Q12 was Baht 0.71, resulting in a 36.4% increase year-over-year to Baht 0.96 in 3Q13. Adjusted Diluted EPS also increased at the same rate from Baht 0.59 in 3Q12 to Baht 0.81 in 3Q13.

### Nine Months Operational Performance

For 9M13, the Company reported Revenues from hospital operations of Baht 10,610 million, a 10.3% improvement from Baht 9,621 million in 9M12. Outpatient volumes slightly increased in 9M13 compared with 9M12 in the international market, with Thai outpatient volumes remaining about the same. Thai inpatient volumes slightly increased in 9M13, while international inpatient volumes decreased. Both outpatient and inpatient volumes were impacted by one fewer day in 9M13, as well as a strong 9M12. For outpatient services, revenue intensity improved 4.5% year-over-year, while inpatient service intensity improved 1.1% year-over-year on a patient-day basis and was slightly less on an admission basis. As a result, inpatient and outpatient service revenues grew by 6.9% and 13.2%, respectively. The revenue contribution from inpatient services in 9M13 was 47.5% and from outpatient services was 52.5%, compared with 48.9% and 51.1%, respectively, for 9M12, reflecting the higher intensity growth in outpatient business. In terms of revenues by nationality in 9M13, international patients accounted for 61.1% with the remaining 38.9% from Thai patients, an increase from the 38.4% Thai portion in 9M12.



Rental income was Baht 72 million in 9M13 compared to Baht 93 million in 9M12 due to the planned expiration of an apartment building lease, and the conversion of previous rental space to temporary offices for hospital personnel necessitated by the campus expansion. Interest income advanced to Baht 115 million in 9M13 from Baht 60 million in 9M12, 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 45 million from Baht 54 million due to timing differences associated with collections on certain Middle East accounts. In 9M12, the Company recognized a Baht 790 million pretax gain from the sale of all shares in Bangkok Chain Hospital PCL, as further explained in the Extraordinary Items section of this document. Total revenues in 9M13 were Baht 10,915 million, compared to Baht 10,697 million in 9M12, a 2.0% improvement year-over-year. Excluding the pretax gain from the sale of investments in Bangkok Chain Hospital PCL of Baht 790 million, Adjusted Total revenues in 9M12 would be Baht 9,907

million compared with Baht 10,915 million in 9M13, resulting in an adjusted growth of 10.2% for the nine-month period.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 6,583 million for 9M13, or 7.8% more year-over-year from Baht 6,104 million in 9M12, which was less than the 10.3% growth in Revenues from hospital operations. The increase includes approximately Baht 131 million in merit, minimum wage, benefits, and inflationary increases associated with employee labor costs; Baht 54 million additional Depreciation and amortization costs; and Baht 14 million in additional electricity cost. Administrative expenses (including Depreciation and amortization) were Baht 1,796 million in 9M13, increasing 7.1% from Baht 1,676 million in 9M12. This change included Baht 27 million additional marketing related expenses due to timing differences of expenditures between periods; Baht 25 million in merit, minimum wage, benefits, and inflationary increases associated with employee labor costs; and Baht 18 million additional software support and maintenance costs. EBITDA grew 15.6% year-over-year from Baht 2,600 million in 9M12 to Baht 3,005 million in 9M13, with the EBITDA margin advancing to 27.8% in 9M13 compared with 26.4% in 9M12.

Ongoing capital spending, largely due to the campus expansion, contributed to higher 9M13 Depreciation and amortization of Baht 583 million from Baht 533 million in 9M12. The Company reported Baht 4 million Share of profit from investments in associates in 9M13, compared to Share of profit of Baht 93 million in 9M12. The decrease was primary attributable to Baht 107 million Share of profit from Bangkok Chain Hospital PCL, which was sold in early July 2012, resulting in no corresponding Share of profit in 9M13. This was offset by Baht 17 million Share of loss from Bumrungrad International Limited in 9M12 which included the capital gain taxes associated with the sale of its investment Asian Hospital Inc. in December 2011, along with certain wind-down costs.

Finance cost was Baht 183 million in 9M13 compared to Baht 180 million in 9M12, 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 464 million in 9M13 was lower than Baht 674 million in 9M12, mostly due to Baht 223 million associated with the gain from the sale of all shares in Bangkok Chain Hospital PCL in 9M12, Baht 71 million from the reduction of the statutory corporate income tax rate from 23% in 2012 to 20% in 2013, offset by Baht 94 million increased taxes due to higher taxable operating profit in 9M13 compared with 9M12.

Basic EPS for 9M13 of Baht 2.60 was 12.1% lower than Baht 2.96 in 9M12, while 9M13 Diluted EPS also decreased at the same rate to Baht 2.18 from Baht 2.48 in 9M12. Excluding the extraordinary items related to the sale of investments in Bangkok Chain Hospital PCL and the Share of loss from Bumrungrad International Limited, mostly associated with the sale of the investment in Asian Hospital Inc. and certain wind-down costs, Adjusted Basic EPS for 9M12 was Baht 2.21, resulting in a 17.9% increase year-over-year to Baht 2.60 in 9M13. Adjusted Diluted EPS also increased at the same rate from Baht 1.85 in 9M12 to Baht 2.18 in 9M13.

Income statements						
(Unit: Baht million)	3Q13	3Q12	Change	9M13	9M12	Change
Revenues from hospital operations	3,659	3,292	11.1%	10,610	9,621	10.3%
Gain from sale of investment in a subsidiary and an associate	-	790	-100%	-	790	-100%
Total revenues	3,758	4,195	-10.4%	10,915	10,697	2.0%
EBITDA	1,092	876	24.6%	3,005	2,600	15.6%
Share of profit (loss) from investments in associates	2	(18)	109.9%	4	93	-95.8%
Net profit	703	1,075	-34.6%	1,894	2,155	-12.1%
<i>EBITDA margin</i>	29.3%	26.0%		27.8%	26.4%	
<i>Net profit margin</i>	18.7%	25.6%		17.3%	20.0%	
EPS						
(Unit: Baht)	3Q13	3Q12	Change	9M13	9M12	Change
EPS – Basic	0.96	1.48	-34.6%	2.60	2.96	-12.1%
EPS – Fully Diluted	0.81	1.24	-34.6%	2.18	2.48	-12.1%

## Statements of financial position

As at 30 September 2013, the Company reported Total current assets of Baht 7,896 million, an increase from Baht 7,670 million as at 31 December 2012. The variance is mostly due to an increase of Baht 288 million in Cash and cash equivalents from operating activities offset with a decrease of Baht 97 million in Trade and other receivables. Trade accounts receivables were Baht 1,219 million as at 30 September 2013 versus Baht 1,314 million as at 31 December 2012. The collection period was 34.6 days as at 30 September 2013 compared to 36.7 days as at 31 December 2012.

Total non-current assets increased to Baht 8,649 million as at 30 September 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 16,544 million as at 30 September 2013 from Baht 15,985 million as at 31 December 2012.

Total current liabilities were Baht 1,986 million as at 30 September 2013, a decrease from Baht 2,138 million as at 31 December 2012. The decrease was primarily from a Baht 205 million reduction of Income tax payable and a Baht 91 million reduction of Trade and other payables, offset by Baht 167 million more in various Accrued expenses.

Non-current liabilities rose to Baht 5,565 million as at 30 September 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 September 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 improved to 16.5x in 9M13, compared to 14.4x in 9M12, due to higher EBITDA in 9M13 compared to 9M12.

Total shareholders' equity grew to Baht 8,993 million as at 30 September 2013 from Baht 8,511 million as at 31 December 2012. This increase resulted from the Company's 9M13 Net profit of Baht 1,894 million, netted off with a dividend payment of Baht 1,387 million and other changes in Retained earnings of Baht 24 million. Average return on assets (ROA) decreased from 18.1% in 2012 to 15.5% in 9M13. Similarly, Average return on equity (ROE) decreased from 35.0% in 2012 to 28.9% in 9M13. 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-Sep-13	31-Dec-12	Change
Total assets	16,544	15,985	3.5%
Total liabilities	7,551	7,474	1.0%
Total shareholders' equity	8,993	8,511	5.7%
	9M13	9M12	
Interest coverage ratio (x)	16.5	14.4	
	9M13	2012	
Average collection period (days)	34.6	36.7	
Average inventory period (days)	10.8	11.7	
Average payables period (days)	28.0	28.1	
Net debt to equity (x)	(0.1)*	(0.1)*	
Average return on assets (%)	15.5%	18.1%	
Average return on equity (%)	28.9%	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 9M13 were Baht 2,487 million, compared to Baht 2,302 million in 9M12. This change was due to increased cash from operations offset by increased corporate income tax paid. Net cash flows used in investment activities were Baht 837 million in 9M13, compared with Net cash flows from investment activities of Baht 3,174 million in 9M12. This change was due to 9M12 including the net proceeds of Baht 4,482 million from the sale of the investment in Bangkok Chain Hospital PCL, and proceeds received from the capital reduction exercise by Bumrungrad International Limited of Baht 362 million. These were offset by the purchase of 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 in 9M12. The Company reported Net cash used in financing activities of Baht 1,361 million in 9M13 versus Baht 1,062 million in 9M12, mostly due to a higher dividend payment, offset by a Baht 176 million long-term loan from an associate. As a result of the above, Cash and cash equivalents were Baht 6,323 million as at 30 September 2013, compared to Baht 5,672 million as at 30 September 2012.

The Company's Liquidity ratio as at 30 September 2013 increased to 4.0x from 3.6x as at 31 December 2012. Similarly, the Quick ratio increased to 3.8x as at 30 September 2013 from 3.4x as at 31 December 2012.

Unit: Baht million	9M13	9M12
Net cash flows from operating activities	2,487	2,302
Net cash flows (used in) from investing activities	(837)	3,174
Net cash flows used in financing activities	(1,361)	(1,062)
Net increase in cash and cash equivalents	289	4,414
Cash and cash equivalents at end of period	6,323	5,672
	30-Sep-13	31-Dec-12
Liquidity ratio (x)	4.0	3.6
Quick ratio (x)	3.8	3.4

## Extraordinary Items

During the nine months of 2012, the Company recorded 2 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 3Q12 and 9M12.

Taxes incurred on the sale were Baht 211 million and Baht 223 million for 3Q12 and 9M12, respectively. As a result, a net gain on the sale of Baht 579 million and Baht 567 million is included in the 3Q12 and 9M12 net profit, respectively. 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) 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

- 1) On 25 October 2013, the Company set up and registered a new subsidiary, Life and Longevity Limited (LLL), in the HongKong Special Administrative Region of the People's Republic of China with a registered capital of USD 100,000, comprising of 100,000 common shares with par value of USD 1 each.

The investment was made in accordance with a resolution of the Investment Committee Meeting held on 20 September 2013, which approved the Company's established of a new subsidiary for the benefit of overseas investments of the Company.

- 2) On 30 October 2013, the Company acquired land and building from a third party at a price of Baht 837.5 million, for use in its operations, as approved on 6 August 2013 by a meeting of the Company's Board of Directors. This purchase price did not exceed the value appraised by an independent valuer.

Please be informed accordingly.

Yours faithfully,

(Dr. Chanvit Tanphiphat, MD)

Vice Chairman