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

To: Directors and Manager
The Stock Exchange of Thailand

Bumrungrad Hospital PCL.
Management Discussion and Analysis for 4Q13 and 2013 results
20 February 2014

Summary

The Company reported Total revenues in 4Q13 of Baht 3,736 million, an 11.7% improvement over 4Q12 revenues of Baht 3,345 million. Net profit for 4Q13 grew 55.3% to Baht 626 million from Baht 403 million in 4Q12, while Net profit margin rose to 16.8% in 4Q13 from 12.1% in 4Q12.

For 2013, Total revenues advanced to Baht 14,651 million, a 4.3% improvement over 2012 revenues of Baht 14,042 million. Net profit declined 1.4% to Baht 2,521 million in 2013 from Baht 2,558 million in 2012, with Net profit margin of 17.2% in 2013 compared with 18.1% in 2012.

The Company's Total revenues and results for 2012 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 were Baht 13,252 million in 2012 compared with 14,651 million in 2013, leading to adjusted growth of 10.6%. Adjusted Net profit in 2012 was Baht 2,010 million compared with Baht 2,521 million in 2013, producing an adjusted increase of 25.4%, while Adjusted Net profit margin was 15.1% in 2012 versus 17.2% in 2013, a 2.1% improvement from the prior year.

Details of the management discussion and analysis are as follow:

Income statements

Quarterly Operational Performance

For 4Q13, the Company reported Revenues from hospital operations of Baht 3,641 million, a 12.5% improvement year-over-year from Baht 3,235 million in 4Q12. Outpatient and inpatient volumes declined somewhat in 4Q13 compared with 4Q12 mainly from the Thai market. However, revenue intensity improved 4.8% for outpatient services and 5.8% for inpatient services on a patient-day basis, or 5.1% in terms of admissions. As a result, both inpatient and outpatient service revenues grew by 12.6%. The revenue contribution for inpatient services and outpatient services remained the same in 4Q13 as in 4Q12 at 47.9% and 52.1%, respectively. Revenues by market segment also remained essentially the same in 4Q13 as in 4Q12, with international patients comprising 60.9% of the total in 4Q13 and Thai patients the remaining 39.1%.

Rental income was Baht 24 million in 4Q13 compared with Baht 33 million in 4Q12 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 declined to Baht 9 million from Baht 15 million due to timing differences associated with collections on certain Middle East accounts. Interest income increased from Baht 38 million in 4Q12 to Baht 40 million in 4Q13, mainly due to increased cash balances.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 2,253 million for 4Q13, or 5.4% more year-over-year from Baht 2,138 million in 4Q12, which compared favorably to the 12.5% growth in Revenues from hospital operations. Included in the year-over-year change was reduced expense of Baht 51 million related to the cost of gold and restructuring associated with the Company's long-term service award program, and a Baht 25 million decrease in the employee annual bonus award related to extraordinary items occurring in the prior year. These expense reductions were mostly offset by additional Depreciation and amortization of Baht 51 million associated with the campus expansion and revised estimated useful lives of certain assets. Administrative expenses (including Depreciation and amortization) were Baht 732 million in 4Q13, or 18.2% more than Baht 619 million in 4Q12. The change between periods includes Baht 72 million additional Depreciation and amortization costs, as noted above; Baht 12 million additional marketing related expenses, due to timing differences of expenditures between periods; Baht 9 million in employee medical benefits and inflationary increases in staff costs; and Baht 7 million more in training expenses, mostly due to timing differences of expenditures between periods. EBITDA grew 39.3% year-over-year from Baht 726 million in 4Q12 to Baht 1,011 million in 4Q13, with an EBITDA margin of 27.4% in 4Q13 compared to 22.0% in 4Q12.

Depreciation and amortization increased from Baht 176 million in 4Q12 to Baht 300 million in 4Q13, largely associated with the campus expansion and revised estimated useful lives of certain assets. The Company reported Baht 2 million Share of profit from investments in associates in 4Q13, compared to Baht 1 million in 4Q12.

Finance cost was Baht 60 million in 4Q12 compared to negative Baht 35 million in 4Q13, primarily due to Baht 97 million in capitalized interest expense associated with the campus expansion.

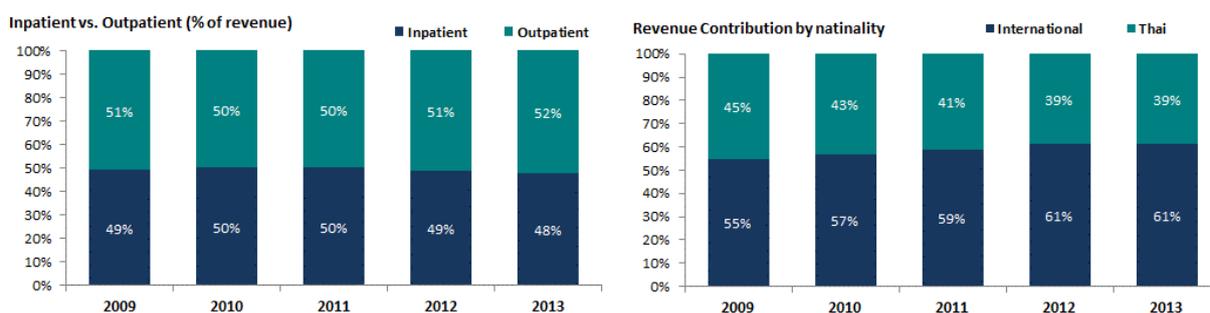
Corporate income tax of Baht 161 million in 4Q13 was higher than Baht 125 million in 4Q12. The variance is mostly due to Baht 59 million additional taxes due to higher taxable operating profit in 4Q13

compared with 4Q12, offset by the reduction of the statutory corporate income tax rate from 23% in 2012 to 20% in 2013.

Basic EPS for 4Q13 of Baht 0.86 was 55.3% higher than Baht 0.55 in 4Q12, while 4Q13 Diluted EPS increased at the same rate to Baht 0.72 from Baht 0.46 in 4Q12.

2013 Operational Performance

The Company reported 2013 Revenues from hospital operations of Baht 14,251 million, a 10.8% improvement from Baht 12,856 million in 2012. Outpatient volumes were mostly the same between 2013 and 2012, decreasing slightly in the Thai market, while inpatient volumes reflected a small decline in 2013, mostly from the international market. Both outpatient and inpatient volumes were impacted by one fewer day in 2013, as well as a strong 2012. For outpatient services, revenue intensity improved 4.4% year-over-year, while inpatient service intensity improved 2.3% year-over-year on a patient-day basis and 0.9% year-over-year on an admission basis. Accordingly, inpatient and outpatient service revenues grew by 8.3% and 13.1%, respectively. The revenue contribution from inpatient services in 2013 was 47.6% and from outpatient services was 52.4%, compared with 48.6% and 51.4%, respectively, for 2012, reflecting the higher intensity growth in outpatient business. Revenues by nationality in 2013 remained consistent with the prior year at 61.1% from international patients and 38.9% from Thai patients.



Rental income was Baht 95 million in 2013 compared to Baht 126 million in 2012 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 154 million in 2013 from Baht 98 million in 2012, mainly due to higher average 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 declined to Baht 54 million from Baht 70 million due to timing differences associated with collections on certain Middle East accounts. Total revenues in 2013 were Baht 14,651 million, compared to Baht 14,042 million in 2012, a 4.3% improvement year-over-year. In 2012, Total revenues included the 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. Excluding this pretax gain, Adjusted Total revenues in 2012 were Baht 13,252 million compared with Baht 14,651 million in 2013, resulting in adjusted growth of 10.6% year-over-year.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 8,836 million for 2013, or 7.2% more than Baht 8,242 million in 2012, which was less than the 10.8% growth in Revenues from hospital operations. The change includes approximately Baht 158 million in merit, minimum wage, benefits, and inflationary increases associated with employee labor costs; Baht 105 million additional Depreciation and amortization costs associated with the campus expansion and revised estimated useful

lives of certain assets; Baht 101 million in mostly inflationary increases related to cost of medicine and medical supplies; and Baht 16 million more in electricity cost. Administrative expenses (including Depreciation and amortization) were Baht 2,527 million in 2013, increasing 10.1% from Baht 2,295 million in 2012. This variance included Baht 68 million additional Depreciation and amortization costs, as described above; Baht 46 million in merit, minimum wage, benefits, and inflationary increases associated with employee labor costs; Baht 39 million additional marketing expenses mostly related to doctor campaigns, medical specialty programs, and international patient referrals; and Baht 19 million more in software support and maintenance costs. EBITDA grew 20.8% year-over-year from Baht 3,326 million in 2012 to Baht 4,016 million in 2013, with the EBITDA margin advancing to 27.7% in 2013 compared with 25.3% in 2012.

Depreciation and amortization increased from Baht 709 million in 2012 to Baht 882 million in 2013, largely associated with the campus expansion and revised estimated useful lives of certain assets. The Company reported Baht 6 million Share of profit from investments in associates in 2013, compared to Share of profit of Baht 93 million in 2012. The reduction 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 2013. This was offset by Baht 17 million Share of loss from Bumrungrad International Limited in 2012 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 148 million in 2013 compared to Baht 241 million in 2012. The decrease was primarily due to Baht 97 million in capitalized interest expenses related to the campus expansion.

Corporate income tax of Baht 625 million in 2013 was lower than Baht 799 million in 2012, mostly due to Baht 223 million associated with the gain from the sale of all shares in Bangkok Chain Hospital PCL in 2012, Baht 94 million from the reduction of the statutory corporate income tax rate from 23% in 2012 to 20% in 2013, offset by Baht 153 million increased taxes due to higher taxable operating profit in 2013 compared with 2012.

Basic EPS for 2013 of Baht 3.46 was 1.4% lower than Baht 3.51 in 2012, while 2013 Diluted EPS declined at the same rate to Baht 2.91 from Baht 2.95 in 2012. Excluding the extraordinary items related to the sale of investments in Bangkok Chain Hospital PCL and the Share of loss from Bumrungrad International Limited, , Adjusted Basic EPS for 2012 was Baht 2.76, resulting in a 25.4% improvement year-over-year to Baht 3.46 in 2013. Adjusted Diluted EPS grew at the same rate from Baht 2.32 in 2012 to Baht 2.91 in 2013.

Income statements						
(Unit: Baht million)	4Q13	4Q12	Change	2013	2012	Change
Revenues from hospital operations	3,641	3,235	12.5%	14,251	12,856	10.8%
Gain from sale of investment in a subsidiary and an associate	-	-	n/a	-	790	-100%
Total revenues	3,736	3,345	11.7%	14,651	14,042	4.3%
EBITDA	1,011	726	39.3%	4,016	3,326	20.8%
Share of profit from investments in associates	2	1	223.5%	6	93	-93.7%
Net profit	626	403	55.3%	2,521	2,558	-1.4%

Income statements						
	4Q13	4Q12		2013	2012	
<i>EBITDA margin</i>	27.4%	22.0%		27.7%	25.3%	
<i>Net profit margin</i>	16.8%	12.1%		17.2%	18.1%	
EPS						
(Unit: Baht)	4Q13	4Q12	Change	2013	2012	Change
EPS – Basic	0.86	0.55	55.3%	3.46	3.51	-1.4%
EPS – Fully Diluted	0.72	0.46	55.3%	2.91	2.95	-1.4%

Statements of financial position

As at 31 December 2013, the Company reported Total current assets of Baht 7,552 million, a decrease from Baht 7,670 million as at 31 December 2012. The variance is mostly due to a reduction of Baht 177 million in Cash and cash equivalents and a decline of Baht 28 million in Trade and other receivables, offset with an increase of Baht 71 million in Inventories. Trade accounts receivables were Baht 1,284 million as at 31 December 2013 versus Baht 1,314 million as at 31 December 2012. The collection period was 35.3 days as at 31 December 2013 compared to 36.7 days as at 31 December 2012.

Total non-current assets increased to Baht 9,700 million as at 31 December 2013 from Baht 8,315 million as at 31 December 2012, mostly due to additional Property, plant and equipment associated with the campus expansion. Total assets grew to Baht 17,252 million as at 31 December 2013 from Baht 15,985 million as at 31 December 2012.

Total current liabilities were Baht 2,125 million as at 31 December 2013, a decrease from Baht 2,138 million as at 31 December 2012. The reduction was primarily from Baht 43 million less Income tax payable; a Baht 14 million decline in Accrued physician fee, and a Baht 10 million decrease in various Accrued expenses; offset by Baht 59 million more in Trade and other payables.

Non-current liabilities rose to Baht 5,529 million as at 31 December 2013 from Baht 5,337 million as at 31 December 2012, mostly due to a Baht 176 million long-term loan from an associate. Although Cash and cash equivalents decreased somewhat as noted above, the total debt as at 31 December 2013 remained significantly lower than the Cash and cash equivalents balance, leading to a net cash balance after considering outstanding debt. After adding back the 2013 capitalized interest expense related to the campus expansion of Baht 97 million, the Company's Interest coverage ratio improved to 16.4x in 2013 from 13.8x in 2012, due to higher EBITDA in 2013 compared to 2012.

Total shareholders' equity grew to Baht 9,597 million as at 31 December 2013 from Baht 8,511 million as at 31 December 2012. This increase resulted from the Company's 2013 Net profit of Baht 2,521 million, netted off with a dividend payment of Baht 1,387 million and other changes in Retained earnings of Baht 47 million. Average return on assets (ROA) decreased from 18.1% in 2012 to 15.2% in 2013. Similarly, Average return on equity (ROE) declined from 35.0% in 2012 to 27.8% in 2013. Both changes 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-Dec-13	31-Dec-12	Change
Total assets	17,252	15,985	7.9%
Total liabilities	7,655	7,474	2.4%
Total shareholders' equity	9,597	8,511	12.8%
	2013	2012	
Interest coverage ratio (x)	16.4	13.8	
Average collection period (days)	35.3	36.7	
Average inventory period (days)	11.8	11.7	
Average payables period (days)	29.5	28.1	
Net debt to equity (x)	(0.1)*	(0.1)*	
Average return on assets (%)	15.2%	18.1%	
Average return on equity (%)	27.8%	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 2013 were Baht 3,274 million, compared to Baht 3,025 million in 2012. This increase was due to additional cash from operations offset by changes in working capital and increased corporate income tax paid. Net cash flows used in investment activities were Baht 2,068 million in 2013, compared with Net cash flows from investment activities of Baht 2,931 million in 2012. This change was due to the net proceeds of Baht 4,482 million from the sale of the investment in Bangkok Chain Hospital PCL in 2012; Baht 1,235 million additional ongoing capital spending in 2013 mostly associated with the campus expansion; and proceeds received from the capital reduction exercise by Bumrungrad International Limited of Baht 362 million in 2012. The above were somewhat 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 2012. The Company reported Net cash used in financing activities of Baht 1,383 million in 2013 versus Baht 1,179 million in 2012, mostly due to a higher dividend payment in 2013, offset by a Baht 177 million long-term loan from an associate in 2013. As a result of the above, Cash and cash equivalents were Baht 5,857 million as at 31 December 2013, compared to Baht 6,034 million as at 31 December 2012.

The Company's Liquidity ratio and Quick ratio both remained the same year-over-year at 3.6x and 3.4x, respectively.

Unit: Baht million	2013	2012
Net cash flows from operating activities	3,274	3,025
Net cash flows (used in) from investing activities	(2,068)	2,931
Net cash flows used in financing activities	(1,383)	(1,179)
Net (decrease) increase in cash and cash equivalents	(177)	4,777
Cash and cash equivalents at end of period	5,857	6,034
	31-Dec-13	31-Dec-12
Liquidity ratio (x)	3.6	3.6
Quick ratio (x)	3.4	3.4

Extraordinary Items

During 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 2012.

Taxes incurred on the sale were Baht 223 million for 2012. As a result, a net gain on the sale of Baht 567 million is included in 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) 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.

Please be informed accordingly.

Yours faithfully,

(Dr. Chanvit Tanhiphat, MD)

Vice Chairman