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9 May 2014

Subject: Management Discussion and Analysis for the first quarter 2014 results

To: Directors and Manager
The Stock Exchange of Thailand

**Bumrungrad Hospital PCL.
Management Discussion and Analysis for 1Q14 results
9 May 2014**

Summary

The political unrest in Thailand, culminating in the State of Emergency issued during January 2014, caused weak volumes and low revenue intensity in 1Q14. The Company reported Total revenues in 1Q14 of Baht 3,679 million, a 3.2% improvement over 1Q13 revenues of Baht 3,566 million. Net profit for 1Q14 grew 4.2% to Baht 639 million from Baht 613 million in 1Q13, while Net profit margin rose to 17.4% in 1Q14 from 17.2% in 1Q13.

On 28 March 2014, Health Horizons Enterprises Pte. Ltd. (“HHE”), an overseas subsidiary 80% owned by the Company, acquired 100% of the common shares of Bumrungrad Mongolia LLC (“BML”), which holds 51% of the common shares of Seoul Seniors Tower LLC (“SST”), for approximately USD 12 million in cash. Additionally, HHE provided a loan of USD 3.3 million to SST, which owns and operates Ulaanbaatar Songdo Hospital in Mongolia. The details of this transaction are presented in the Significant Event section of this document.

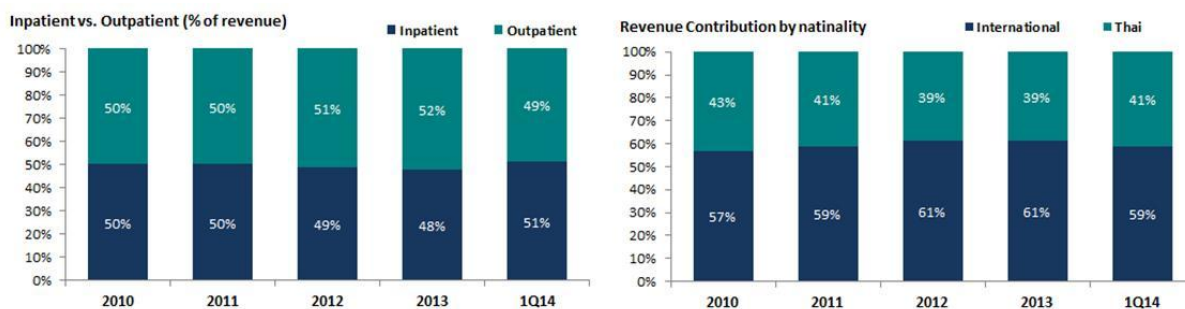
Details of the management discussion and analysis follow:

Income statements

Quarterly Operational Performance

For 1Q14, the Company reported Revenues from hospital operations of Baht 3,589 million, a 3.8% improvement year-over-year from Baht 3,457 million in 1Q13. Political unrest in Thailand had a significant impact on 1Q14 volumes, as both inpatient and outpatient volumes decreased by 1.9% and 8.1%, respectively, from 1Q13. Volumes dropped as much as 26% from average daily outpatient visits and 14% from average daily admissions of 1Q13 during the week between the “Bangkok Shutdown” and the declaration of the State of Emergency. Volumes from the international market segment were significantly more impacted than volumes from the Thai and expat market segments. After hitting the above noted lows, volumes began recovering mostly from the Thai and expat market segments, resulting in an overall decline of 9% from average daily outpatient visits and 3% from average daily admissions year-over-year, for the approximate two-month period the State of Emergency was in effect. Thai volumes ended the quarter with a

5.9% increase in admissions and 2.7% decrease in outpatient volumes, while international volumes declined 12.3% in admissions and 18.2% in outpatient visits year-over-year. Impacted by the more significant drop in international volumes and elective procedures, revenue intensity decreased by 5.4% for outpatient services but improved by 3.0% for inpatient services on a patient-day basis and in terms of admissions. As a result, outpatient service revenues decreased by 3.8% while inpatient service revenues grew by 11.0%. The revenue contribution from inpatient services in 1Q14 was 51.1% and from outpatient services was 48.9%, compared with 47.6% and 52.4%, respectively, for 1Q13. In terms of revenues by market segment, international patients accounted for 59.0% of the total in 1Q14, with the remaining 41.0% from Thai patients, reflecting an increase to the 37.9% from Thai patients in 1Q13.



Rental income was Baht 15 million in 1Q14 compared with Baht 34 million in 1Q13 due to the planned expiration of a service 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 12 million due to timing differences associated with collections on certain Middle East accounts. Interest income was Baht 37 million in 1Q14 essentially the same as 1Q13.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 2,169 million for 1Q14, or 1.2% more year-over-year from Baht 2,143 million in 1Q13, compared to the 3.8% growth in Revenues from hospital operations. The change between periods was more than accounted for by Baht 38 million additional Depreciation and amortization associated with the campus expansion and revised estimated useful lives of certain assets. The increase in Depreciation and amortization was offset by reductions of Baht 24 million in supply costs. Administrative expenses (including Depreciation and amortization) were Baht 681 million in 1Q14, or 14.2% more than Baht 596 million in 1Q13. The change between periods includes Baht 48 million in donations to support nurse recruitment; Baht 12 million more in Depreciation and amortization, as noted above; Baht 12 million in expenses related to the acquisition of the subsidiary in Mongolia described in the Significant Event section of this document, and Baht 4 million additional marketing related expenses due to timing differences of expenditures between periods. EBITDA grew 5.5% year-over-year from Baht 978 million in 1Q13 to Baht 1,032 million in 1Q14, with an EBITDA margin of 28.3% in 1Q14 compared to 27.7% in 1Q13.

Depreciation and amortization increased from Baht 190 million in 1Q13 to Baht 240 million in 1Q14, largely associated with the campus expansion and revised estimated useful lives of certain assets. The Company reported Baht 1 million Share of profit from investments in associates in 1Q14 and 1Q13.

Finance cost dropped from Baht 59 million in 1Q13 to Baht 45 million in 1Q14, primarily due to Baht 14 million in capitalized interest expense associated with the campus expansion.

Corporate income tax of Baht 146 million in 1Q14 was lower than Baht 155 million in 1Q13. The variance is mostly due to tax benefits associated with donation to a nursing school and training expenses of Baht 10 million and Baht 2 million, respectively, offset by Baht 3 million additional taxes due to higher taxable operating profit in 1Q14.

Basic EPS for 1Q14 of Baht 0.88 was 4.2% higher than Baht 0.84 in 1Q13, while 1Q14 Diluted EPS increased at the same rate to Baht 0.74 from Baht 0.71 in 1Q13.

Income statements			
(Unit: Baht million)	1Q14	1Q13	Change
Revenues from hospital operations	3,589	3,457	3.8%
Total revenues	3,679	3,566	3.2%
EBITDA	1,032	978	5.5%
Net profit	639	613	4.2%
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<i>EBITDA margin</i>	28.3%	27.7%	
<i>Net profit margin</i>	17.4%	17.2%	
EPS			
(Unit: Baht)	1Q14	1Q13	Change
EPS – Basic	0.88	0.84	4.2%
EPS – Fully Diluted	0.74	0.71	4.2%

Statements of financial position

As at 31 March 2014, the Company reported Total current assets of Baht 7,887 million, an increase from Baht 7,552 million as at 31 December 2013. The variance is mostly due to an increase of Baht 386 million in Cash and cash equivalents, offset with a reduction of Baht 81 million in Trade and other receivables, mostly in Trade receivables. Trade receivables were Baht 1,212 million as at 31 March 2014 versus Baht 1,284 million as at 31 December 2013. The collection period was 33.8 days as at 31 March 2014 compared to 35.3 days as at 31 December 2013.

Total non-current assets increased to Baht 10,475 million as at 31 March 2014 from Baht 9,700 million as at 31 December 2013, mostly due to Property, plant and equipment and Goodwill associated with the acquisition of the subsidiary in Mongolia, described in the Significant Event section of this document. Total assets grew to Baht 18,362 million as at 31 March 2014 from Baht 17,252 million as at 31 December 2013.

Total current liabilities were Baht 2,224 million as at 31 March 2014, a slight increase from Baht 2,125 million as at 31 December 2013. The variance is mostly due to increases of Baht 144 million in Income tax payable and Baht 62 million in Accrued expenses mostly for interest payable, offset by Baht 99 million reduction in Trade and other payables.

Non-current liabilities rose to Baht 5,643 million as at 31 March 2014 from Baht 5,529 million as at 31 December 2013, largely due to Baht 103 million in Long-term loans of the subsidiary in Mongolia. The total debt as at 31 March 2014 remained significantly lower than the Cash and cash equivalents balance, leading to a net cash balance after considering outstanding debt. After adding back the 1Q14 capitalized interest expense related to the campus expansion of Baht 14 million, the Company's Interest coverage ratio improved to 17.5x in 1Q14 from 16.5x in 1Q13, due to higher EBITDA in 1Q14 compared to 1Q13.

Total shareholders' equity grew to Baht 10,495 million as at 31 March 2014 from Baht 9,597 million as at 31 December 2013. This increase resulted from the Company's 1Q14 Net profit of Baht 639 million; change in Non-controlling interests of the subsidiaries of Baht 265 million represented Non-controlling interests of the subsidiary in Mongolia, offset with other changes in Retained earnings of Baht 5 million. Average return on assets (ROA) decreased from 15.2% in 2013 to 14.3% in 1Q14. Similarly, Average return on equity (ROE) declined from 27.8% in 2013 to 25.4% in 1Q14. Both of the decreases were due to the relatively lower increase in Net profit of 1Q14 compared with 1Q13 mainly attributable to the political unrest in Thailand.

Unit: Baht million	31-Mar-14	31-Dec-13	Change
Total assets	18,362	17,252	6.4%
Total liabilities	7,867	7,655	2.8%
Total shareholders' equity	10,495	9,597	9.4%
	1Q14	1Q13	
Interest coverage ratio (x)	17.5*	16.5	
	1Q14	2013	
Average collection period (days)	33.8	35.3	
Average inventory period (days)	13.7	11.8	
Average payables period (days)	29.5	29.5	
Net debt to equity (x)	(0.1)**	(0.1)**	
Average return on assets (%)	14.3%	15.2%	
Average return on equity (%)	25.4%	27.8%	

* After adding back the 1Q14 capitalized interest expense related to the campus expansion.

** 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 1Q14 were Baht 1,032 million, compared to Baht 891 million in 1Q13. This increase was due to additional cash from operations and changes in working capital. Net cash flows used in investment activities were Baht 629 million in 1Q14, compared to Baht 194 million in 1Q13. This change was mainly due to Baht 309 million for the Company's portion of the acquisition of the subsidiary in Mongolia, Baht 86 million for the Company's portion of a loan repayment made by the subsidiary in Mongolia, described in the Significant Event section of this document, and Baht 38 million additional ongoing capital spending mostly associated with the campus expansion. The Company reported Net cash flows used in financing activities of Baht 16 million in 1Q14 versus Baht 17 million in 1Q13. As a result of the above, Cash and cash equivalents were Baht 6,244 million as at 31 March 2014, compared to Baht 6,715 million as at 31 March 2013.

The Company's Liquidity ratio as at 31 March 2014 slightly decreased to 3.5x from 3.6x as at 31 December 2013. The Quick ratio as at 31 March 2014 and 31 December 2013 remained the same at 3.4x.

Unit: Baht million	1Q14	1Q13
Net cash flows from operating activities	1,032	891
Net cash flows used in investing activities	(629)	(194)
Net cash flows used in financing activities	(16)	(17)
Net increase in cash and cash equivalents	386	680
Cash and cash equivalents at end of period	6,244	6,715
	31-Mar-14	31-Dec-13
Liquidity ratio (x)	3.5	3.6
Quick ratio (x)	3.4	3.4

Significant Event

On 28 March 2014, Health Horizons Enterprises Pte. Ltd. ("HHE"), an overseas subsidiary 80% owned by the Company, acquired 100% of the common shares of Bumrungrad Mongolia LLC ("BML"), which holds 51% of the common shares of Seoul Seniors Tower LLC ("SST"), for approximately USD 12 million in cash. Additionally, HHE provided a loan of USD 3.3 million to SST, which owns and operates Ulaanbaatar Songdo Hospital in Mongolia.

The seller of shares of SST is entitled to receive additional contingent consideration in the form of earn-out payments, provided certain cumulative net profit targets are achieved through December 31, 2016, at the maximum of MNT 10,965.9 million, which has not yet been recorded.

HHE's consolidated assets and liabilities, which include SST and BML as of the acquisition date, are included in the Company's consolidated financial statements for 1Q14. HHE has recorded the net tangible assets of SST and BML acquired at their fair values as of the acquisition date. The remaining excess of the purchase price over the net value of the tangible assets acquired was allocated as goodwill. The preliminary amount of goodwill, which excludes any impact from additional contingent consideration, is approximately USD 3.5 million.

Please be informed accordingly.

Yours faithfully,

(Dr. Chanvit Tanhiphat, MD)

Vice Chairman