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

To: Directors and Manager
The Stock Exchange of Thailand

Bumrungrad Hospital PCL.
Management Discussion and Analysis for 4Q14 and 2014 results
26 February 2015

Summary

The Company reported Total revenues in 4Q14 of Baht 4,251 million, a 13.8% improvement over 4Q13 revenues of Baht 3,736 million. Net profit for 4Q14 grew 9.9% to Baht 689 million from Baht 626 million in 4Q13, with Net profit margin at 16.2% in 4Q14 compared to 16.8% in 4Q13. The change in Net profit margin was due to a decrease in capitalized interest expense associated with the campus expansion caused by the full Y2013 amount recorded in 4Q13, versus monthly recording in Y2014. Excluding this variance, Net profit margin for 2013 would have been 15.0%.

For 2014, Total revenues increased to Baht 15,911 million, producing an 8.6% improvement over 2013 revenues of Baht 14,651 million. Net profit advanced 8.3% to Baht 2,730 million in 2014 from Baht 2,521 million in 2013, with Net profit margin at 17.2% for both 2014 and 2013.

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 ("UBSD") in Mongolia. HHE's consolidated assets, liabilities, and operating results, which include SST and BML as of the acquisition date, are included in the Company's consolidated financial statements for 4Q14 and 2014. 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

The Company reported Revenues from hospital operations of Baht 4,166 million, a 14.4% improvement year-over-year from Baht 3,641 million in 4Q13. Outpatient and inpatient volumes advanced 14.9% and 19.8%, respectively, in 4Q14 compared with 4Q13, with most of the increase due to volumes

contributed by the UBSD acquisition, and strong growth in international volumes. Excluding UBSD, outpatient and inpatient volumes grew 3.7% and 7.4%, respectively. International outpatient volumes increased 8.2%, while inpatient volumes jumped 12.7%. Impacted by the significantly lower intensity services provided by UBSD compared to those provided by the Company, revenue intensity declined 7.0% and 11.3% for outpatient and inpatient services, respectively. Revenue intensity, excluding UBSD, declined 0.3% for inpatient services and rose 2.1% for outpatient services. The combined results of the above resulted in outpatient service revenues advancing 14.4% while inpatient service revenues grew 13.9%. The revenue contribution from inpatient services in 4Q14 was 47.8% and from outpatient services was 52.2%, compared with 47.9% and 52.1%, respectively, for 4Q13. In terms of revenues by market segment, international patients accounted for 63.2% of the total in 4Q14, with the remaining 36.8% from Thai patients, reflecting a decrease in the 39.1% from Thai patients in 4Q13, and the noted improvement of the international business.

Rental income was Baht 14 million in 4Q14 compared with Baht 24 million in 4Q13 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 increased to Baht 15 million from Baht 9 million mostly due to timing differences associated with collections on certain Middle East accounts. Interest income decreased from Baht 40 million in 4Q13 to Baht 36 million in 4Q14, mainly due to decreased interest rates.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 2,574 million for 4Q14, or 14.2% more year-over-year from Baht 2,253 million in 4Q13, compared to the 14.4% growth in Revenues from hospital operations. Administrative expenses (including Depreciation and amortization) were Baht 757 million in 4Q14, or 3.5% more than Baht 732 million in 4Q13. The small percentage increase in Administrative expenses was mostly due to Baht 27 million increase in repairs and maintenance expense, Baht 26 million associated with a physical inventory adjustment, and Baht 19 million in additional software support and maintenance offset by a Baht 46 million reduction in Depreciation and amortization associated with the revised estimated useful lives of certain assets in 4Q13, and Baht 11 million decrease in Bad debt expense, as a result of additional reserves taken in 4Q13. EBITDA grew 16.9% year-over-year from Baht 1,011 million in 4Q13 to Baht 1,182 million in 4Q14, with an EBITDA margin of 28.0% in 4Q14 compared to 27.4% in 4Q13.

Depreciation and amortization was Baht 298 million in 4Q14 compared to Baht 300 million in 4Q13. The Company reported Share of profit from investments in associates of Baht 2 million in 4Q13 compared to Baht 1 million in 4Q14.

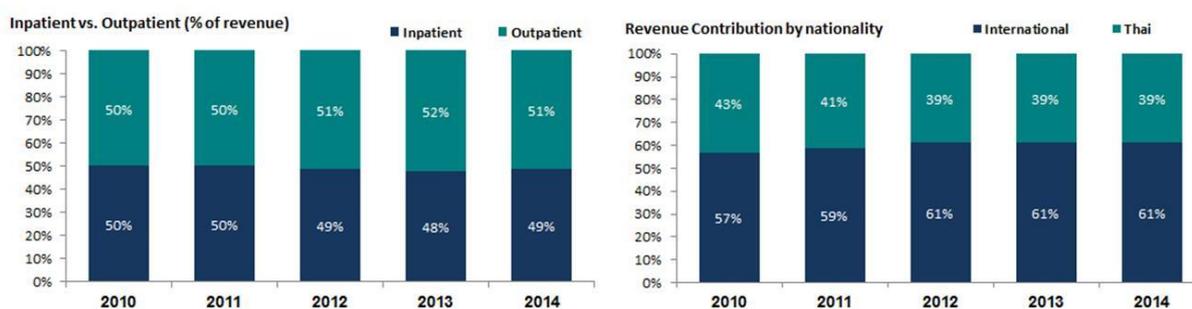
Finance cost was Baht 47 million in 4Q14 compared to negative Baht 35 million in 4Q13, primarily due to all 2013 capitalized interest expense associated with the campus expansion of Baht 97 million fully booked in 4Q13, while it was recorded on a monthly basis in 2014.

Corporate income tax of Baht 185 million in 4Q14 was higher than Baht 161 million in 4Q13. The variance is mostly due to Baht 16 million additional taxes due to higher taxable operating profit in 4Q14 compared with 4Q13, offset by tax benefits of Baht 5 million associated with outside training.

Basic EPS for 4Q14 of Baht 0.95 was 9.9% higher than Baht 0.86 in 4Q13, while 4Q14 Diluted EPS increased at the same rate to Baht 0.79 from Baht 0.72 in 4Q13.

2014 Operational Performance

Revenues from hospital operations were Baht 15,571 million for 2014, a 9.3% improvement year-over-year from Baht 14,251 million in 2013. Outpatient and inpatient volumes advanced 7.5% and 11.2%, respectively, in 2014 compared with 2013 as a result of volumes added by the UBSD acquisition. Excluding UBSD volumes, outpatient volumes declined 1.5% in 2014 while inpatient volume grew 1.8% in 2014, both impacted by the ongoing political environment in Thailand that began in 1Q14 and continued to contribute to weak volumes and lower revenue intensity, especially through 2Q14. Volumes from the international market segment were significantly more impacted than volumes from the Thai and expat market segments during this period, although international volumes progressively recovered after 2Q14 and exhibited strong growth in 4Q14. Thai volumes ended 2014 with a 2.6% increase in admissions and a 1.2% decrease in outpatient visits, while international volumes, excluding UBSD, slightly increased 0.9% in admissions with a 1.9% decrease in outpatient visits year-over-year. Impacted by the significantly lower intensity services provided by UBSD compared to the Company's, and to a lesser degree the drop in international volumes and elective procedures caused by the unstable Thailand political environment, revenue intensity decreased by 8.9% and 6.7% for outpatient and inpatient services, respectively. Revenue intensity, excluding UBSD, decreased 1.7% for outpatient services, while inpatient services intensity improved 3.1% on a patient-day basis and 1.7% on an admission basis. The combined results of the above resulted in outpatient service revenues advancing 6.3% while inpatient service revenues grew by 11.7%. The revenue contribution from inpatient services in 2014 was 48.8% and from outpatient services was 51.2%, compared with 47.6% and 52.4%, respectively, for 2013. In terms of revenues by market segment, international patients accounted for 61.5% of the total in 2014, with the remaining 38.5% from Thai patients, reflecting a small decrease to the 38.9% from Thai patients in 2013.



Rental income was Baht 58 million in 2014 compared to Baht 95 million in 2013 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. Interest income decreased from Baht 154 million in 2013 to Baht 138 million in 2014, mainly due to decreased cash balances and interest rates. Exchange gains decreased to Baht 46 million from Baht 54 million mostly due to timing differences associated with collections on certain Middle East accounts. Total revenues in 2014 were Baht 15,911 million, compared to Baht 14,651 million in 2013, an 8.6% improvement year-over-year.

The Company reported Cost of hospital operations (including Depreciation and amortization) of Baht 9,496 million for 2014, or 7.5% more year-over-year from Baht 8,836 million in 2013, compared to the 9.3% growth in Revenues from hospital operations. The percentage of Cost of hospital operations to Revenues from hospital operations improved from 62.0% in 2013 to 61.0% in 2014. Administrative expenses (including Depreciation and amortization) were Baht 2,806 million in 2014, increasing 11.0% from Baht 2,527 million in 2013. This change included Baht 74 million in additional repair and maintenance expense, Baht 69 million in donations to support nurse recruitment, Baht 43 million in inflationary increases in staff cost, Baht 29 million in

Depreciation and amortization associated with the campus expansion and revised estimated useful lives of certain assets, and Baht 20 million more in software support and maintenance. EBITDA grew 12.4% year-over-year from Baht 4,016 million in 2013 to Baht 4,516 million in 2014, with the EBITDA margin advancing to 28.6% in 2014 compared with 27.7% in 2013.

Depreciation and amortization increased from Baht 882 million in 2013 to Baht 1,045 million in 2014, largely associated with the campus expansion. The Company reported Baht 6 million Share of profit from investments in associates in 2013 compared to Baht 3 million Share of loss from investments in 2014. The 2014 Share of loss was mostly due to realized exchange rate losses of Bumrungrad International Limited (BIL) connected with the planned closure of its subsidiaries [Bumrungrad International Holdings (Hong Kong) Limited and Bumrungrad International Holdings Pte. Ltd.] in June 2014 as part of the BIL wind-down process.

Finance cost increased from Baht 148 million in 2013 to Baht 186 million in 2014, primarily due to Baht 42 million less in capitalized interest expense associated with the campus expansion.

Corporate income tax of Baht 685 million in 2014 was higher than Baht 625 million in 2013, mostly due to Baht 58 million increased taxes due to higher taxable profit in 2014 compared with 2013, and Baht 10 million tax benefit from realized loss on impairment of the investment in Asia Global Research Co.,Ltd. (AGR) in 2013, offset by tax benefits of Baht 14 million related to donations to St. Louis College to support the nurse training program and Baht 15 million associated with outside training.

Basic EPS for 2014 was Baht 3.75, producing an 8.3% increase year-over-year from Baht 3.46 in 2013, while 2014 Diluted EPS also increased at the same rate to Baht 3.15 from Baht 2.91 in 2013.

Income statements						
(Unit: Baht million)	4Q14	4Q13	Change	2014	2013	Change
Revenues from hospital operations	4,166	3,641	14.4%	15,571	14,251	9.3%
Total revenues	4,251	3,736	13.8%	15,911	14,651	8.6%
EBITDA	1,182	1,011	16.9%	4,516	4,016	12.4%
Net profit	689	626	9.9%	2,730	2,521	8.3%
<i>EBITDA margin</i>	28.0%	27.4%		28.6%	27.7%	
<i>Net profit margin</i>	16.2%	16.8%		17.2%	17.2%	
EPS						
(Unit: Baht)	4Q14	4Q13	Change	2014	2013	Change
EPS – Basic	0.95	0.86	9.9%	3.75	3.46	8.3%
EPS – Fully Diluted	0.79	0.72	9.9%	3.15	2.91	8.3%

Statements of financial position

As at 31 December 2014, the Company reported Total current assets of Baht 8,499 million, an increase from Baht 7,552 million as at 31 December 2013. The variance is mostly due to an increase of Baht 1,536 million in Cash and cash equivalents and Baht 218 million in Trade and other receivables, offset with a decrease of Baht 796 million in Short-term investments, due to fewer fixed deposits invested for periods over three months and less than one year, and therefore, included as Cash and cash equivalents rather than

Short-term investments. Previously, fixed deposits with a maturity exceeding three months but not more than one year were included with Cash and cash equivalents, but are now reported as a separate line item for all periods presented. Trade receivables were Baht 1,516 million at 31 December 2014 versus Baht 1,284 million 31 December 2013. The collection period was 34.7 days at 31 December 2014 compared to 35.3 days 31 December 2013.

Total non-current assets increased to Baht 10,645 million at 31 December 2014 from Baht 9,700 million 31 December 2013, mostly due to additional Property, plant and equipment and Goodwill associated with the acquisition of UBSD in Mongolia, described in the Significant Event section of this document. Total assets grew to Baht 19,145 million at 31 December 2014 from Baht 17,252 million 31 December 2013.

Total current liabilities were Baht 2,326 million at 31 December 2014, an increase from Baht 2,163 million 31 December 2013. The variance is mostly due to Baht 70 million additional Accrued expenses, mostly for accrued vacation and accrued bonus, Baht 49 million additional Accrued physicians' fees, and Baht 41 million additional Income tax payable.

Non-current liabilities rose to Baht 5,559 million as 31 December 2014 from Baht 5,492 million 31 December 2013, mostly due to Baht 61 million increase in Provision for long-term employee benefits. As a result of the increase in Cash and cash equivalents, Net debt to equity improved to 0.0x as at 31 December 2014 from 0.2x as at 31 December 2013. After adding back the 2014 and 2013 capitalized interest expense related to the campus expansion of Baht 55 million and Baht 97 million, respectively, the Company's Interest coverage ratio improved to 18.8x in 2014 from 16.4x in 2013, due to higher EBITDA in 2014 compared to 2013.

Total shareholders' equity grew to Baht 11,260 million at 31 December 2014 from Baht 9,597 million 31 December 2013. This increase resulted from the Company's 2014 Net profit of Baht 2,730 million and change in Non-controlling interests of the subsidiaries of Baht 377 million representing Non-controlling interests of the subsidiary in Mongolia, offset with a dividend payment of Baht 1,387 million and other changes in Retained earnings of Baht 57 million. Average return on assets (ROA) decreased slightly from 15.2% in 2013 to 15.0% in 2014. Average return on equity (ROE) declined from 27.8% in 2013 to 26.2% in 2014. Both of these changes were mostly attributable to the impact associated with the UBSD acquisition.

Unit: Baht million	31-Dec-14	31-Dec-13	Change
Total assets	19,145	17,252	11.0%
Total liabilities	7,885	7,655	3.0%
Total shareholders' equity	11,260	9,597	17.3%
	2014	2013	
Interest coverage ratio (x)	18.8*	16.4*	
Average collection period (days)	34.7	35.3	
Average inventory period (days)	12.3	11.8	
Average payables period (days)	29.8	29.5	
Net debt to equity (x)	0.0	0.2	
Average return on assets (%)	15.0%	15.2%	
Average return on equity (%)	26.2%	27.8%	

* After adding back the 2014 and 2013 capitalized interest expense related to the campus expansion.

Cash flow statements

The Company's Net cash flows from operating activities in 2014 were Baht 3,890 million, compared to Baht 3,274 million in 2013. This increase was due to additional cash from operations and increased working capital. Net cash flows used in investment activities were Baht 756 million in 2014, compared to Baht 4,785 million in 2013. This change was mainly due to Baht 3,513 million less in Short-term investments and Baht 922 million less capital spending in 2014, offset with Baht 309 million for the Company's portion of the acquisition of the subsidiary in Mongolia, and 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. The variance in Short-term investments is mostly related to a change in reporting classifications. Previously, Short-term investments, defined as investments with a maturity exceeding three months but less than one year, were included with Cash and cash equivalents, but are now reported as a separate line item for all periods presented. The Company reported Net cash flows used in financing activities of Baht 1,594 million in 2014 versus Baht 1,383 million in 2013. This increase was primarily from Baht 176 million long-term loan from an associate in 2013. As a result of the above, Cash and cash equivalents were Baht 4,676 million as at 31 December 2014, compared to Baht 3,139 million as at 31 December 2013.

The Company's Liquidity ratio as at 31 December 2014 increased to 3.7x from 3.5x as at 31 December 2013. Similarly, the Quick ratio increased to 2.7x as at 31 December 2014 from 2.0x as at 31 December 2013.

Unit: Baht million	2014	2013
Net cash flows from operating activities	3,890	3,274
Net cash flows used in investing activities	(756)	(4,785)
Net cash flows used in financing activities	(1,594)	(1,383)
Net increase (decrease) in cash and cash equivalents	1,536	(2,895)
Cash and cash equivalents at end of period	4,676	3,139
	31-Dec-14	31-Dec-13
Liquidity ratio (x)	3.7	3.5
Quick ratio (x)	2.7	2.0

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 (“UBSD”) 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 31 December 2016, at the maximum of MNT 10,965.9 million.

The Group has reviewed and reassessed the likelihood that the Group would incur such additional contingent consideration by taking into account the current economic situation and the current performance and forecast operating results of Ulaanbaatar Songdo Hospital for the years 2014 - 2016. As at 31 December 2014, the Group estimated that there is no likelihood that the Group would incur such additional contingent consideration.

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 as from the first quarter of 2014. 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 amount of goodwill is approximately USD 3.4 million.

Please be informed accordingly.

Yours faithfully,

(Dr. Chanvit Tanhiphat, MD)

Vice Chairman