

Bumrungrad Hospital Public Company Limited
Management Discussion and Analysis
For the Second Quarter ended 30 June 2007

1. Basis of Consolidation

On 27 April 2007, the Company's shareholding in Bumrungrad International Limited ("BIL") was decreased from 51.0% to 31.5% as the Company waived its rights to subscribe to BIL's new shares to allow Asia Financial Holdings ("AFH") to own 19.5% of BIL. As a result, the status of BIL has changed from a subsidiary to an associated company. Therefore, while BIL's accounts were consolidated in the Company's financial statements as at 31 March 2007, as at 30 June 2007, the accounts are no longer consolidated but are equity accounted instead. Consequently, the 6-months 2006 income statements reflect the consolidation of BIL accounts for the entire 6 months, while the 6-months 2007 income statements reflect the consolidation of BIL's 1Q07 accounts and only the equity-accounting of BIL's 2Q07 performance.

2. Revenues, Net Profit and Margins

For 2Q07, the Company reported revenues from hospital operations of Baht 2,061 million, an increase by 11% y-o-y from Baht 1,852 million in 2Q06. The increase is mainly the result of the continuous growth in hospital operations, where inpatient revenues increased by 11% while outpatient revenues increased by 12%. Total revenues for 2Q07 was at Baht 2,114 million, compared to Baht 1,918 million in 2Q06, an increase of 10%, slightly lower than the increase in revenue from hospital operations as in 2Q07, BIL revenues from hospital management are no longer consolidated in the Company's consolidated financial statements.

In 2Q07, the Company reported cost of hospital operation of Baht 1,265 million, an increase by 10% y-o-y, slightly lower than the increase in revenues, attributable to higher intensity for 2Q07. Gross profit margin, therefore, increased to 38.6% for 2Q07 compared to 37.7% in 2Q06.

The Company's administrative expenses were at Baht 323 million in 2Q07. In 2Q06, the Company reported administrative expenses of Baht 275 million, which included a one-time reversal of non-operating accrued expense related to intended bond issuance of Baht 20 million. Taking that out, 2Q06 administrative expenses were at Baht 295 million, resulting in an increase by 10% y-o-y for 2Q07, in line with the increase in revenues and costs. As a result, EBITDA increased from Baht 466 million (excluding one-time item) in 2Q06 to Baht 524 million in 2Q07, with EBITDA margin slightly higher in 2Q07 at 24.8%, compared to 24.3% in 2Q06.

The Company's share of loss from investments in associated company in 2Q07 of Baht 4 million was a contribution of BIL's net loss, while because BIL's accounts were consolidated in 2006, the loss from investments in associated company in 2Q06 of Baht 17 million was the net loss contributed by Asian Hospital Inc. ("AHI"), BIL's associated company in the Philippines. Similarly, in 2Q06, the Company reported net loss attributable to minority interest of Baht 4 million, attributable to the minority interest of BIL, whereas in 2Q07, because BIL's accounts are no longer consolidated, the Company no longer recorded any loss attributable to minority interest.

The Company reported net profit of Baht 283 million for 2Q07, an increase of 15% for its hospital operations from Baht 246 million (excluding one-time item) in 2Q06, and an increase of 6% from the reported net profit of Baht 266 million in 2Q06. As a result, net margin was at 13.4% in 2Q07, compared to 12.9% (net profit excluding the one-time item) and 13.9% (reported net profit) in 2Q06.

For the first half of 2007, the Company reported revenues from hospital operations of Baht 4,119 million, an increase by 11% from Baht 3,719 million in 1H06. The increase is the result of 10% increase in inpatient revenues and 12% increase in outpatient revenues. Total revenues for 1H07 were at Baht 4,246 million, compared to Baht 3,841 million in 1H06, also an increase of 11%. The Company reported revenues from hospital management of Baht 17 million in 1H07, lower than Baht 37 million in 1H06, because 1H07 revenue only has BIL's 1Q07 revenue from hospital management, as in 2Q07, BIL's accounts are no longer consolidated in the Company's consolidated financial statements.

The cost of hospital operations for 1H07 was at Baht 2,522 million, an increase of 9% from 1H06. The gross margin, therefore slightly increased from 37.7% in 1H06 to 38.8% in 1H07.

Administrative expenses in the first half of 2007 were at Baht 655 million, compared to Baht 570 million (excluding one-time item of Baht 20 million) in 1H06, or an increase of 15%, higher than the increase in revenues, due to the increase in advertising and salary expenses primarily in 1Q07. EBITDA increased from Baht 947 million (excluding one-time item) in 1H06 to Baht 1,056 million in 1H07 and EBITDA margin slightly increased from 24.7% in 1H06 to 24.9% in 1H07.

The Company's share of gain from investments in associated company in 1H07 of Baht 4 million was a contribution of BIL's net loss of Baht 4 million in 2Q07, offset with a contribution of AHI's net profit of Baht 8 million in 1Q07, while the loss from investments in associated company in 1H06 of Baht 18 million was entirely the contribution from net loss of AHI. Similarly, in 1H06, the Company reported net loss attributable to minority interest of Baht 5 million, attributable to 6 months net loss to the minority interest of BIL, whereas in 1H07, because BIL's accounts are no longer consolidated in 2Q07, the Company reported net loss attributable to minority interest of only Baht 2 million, which is the first 3 months net loss to minority interest of BIL.

The Company reported 1H07 net profit of Baht 579 million, an increase of 13% for its hospital operations from Baht 513 million (excluding one-time item) in 1H06, and an increase of 9% from the reported net profit of Baht 533 million in 1H06. As a result, net margin was at 13.6% in 1H07, compared to 13.4% (net profit excluding the one-time item) and 13.9% (reported net profit) in 1H06.

Basic EPS stood at Baht 0.39 per share in 2Q07, an increase by 5% y-o-y from Baht 0.37 per share in 2Q06. Similarly, fully diluted EPS was up by 6% to Baht 0.33 per share in 2Q07 from Baht 0.31 per share in 2Q06. For the first half 2007, Basic EPS stood at Baht 0.79 per share, an increase by 8% from Baht 0.73 per share in 1H06. Similarly, fully diluted EPS was up by 10% to Baht 0.67 per share in 1H07 from Baht 0.61 per share in 1H06.

(Unit: Baht Million)

	2Q07	2Q06	Y-o-Y Growth	1H07	1H06	Growth
Revenues from Hospital Operations	2,061	1,852	11%	4,119	3,719	11%
Total Revenues	2,114	1,918	10%	4,246	3,841	11%
Gross Profit	796	698	14%	1,597	1,402	14%
<i>Gross Profit Margin</i>	38.6%	37.7%		38.8%	37.7%	
EBITDA (excluding non-operating item)	524	466	12%	1,056	947	12%
EBITDA Margin	24.8%	24.3%		24.9%	24.7%	
Net Profit (excluding non-operating item)	283	246	15%	579	513	13%
<i>Net Profit Margin (excluding non-operating item)</i>	13.4%	12.9%		13.6%	13.4%	
Net Profit	283	266	6%	579	533	9%
<i>Net Profit Margin</i>	13.4%	13.9%		13.6%	13.9%	
EPS – Basic	0.39	0.37	5%	0.79	0.73	8%
EPS – Fully Diluted	0.33	0.31	6%	0.67	0.61	10%

3. Balance Sheet

As at 30 June 2007, the Company reported total current assets of Baht 1,360 million, a decrease from Baht 1,629 million as at 31 December 2006. This is primarily due to a decrease in cash from Baht 854 million as at 31 December 2006 to Baht 510 million as at 30 June 2007, as BIL's cash position is no longer consolidated into the Company's consolidated financial statements. Investments in associated company increased from Baht 465 million as at 31 December 2006 to Baht 1,055 million as at 30 June 2007. The investment of Baht 465 million in 2006 is the equity-accounting investment of AHI, as at the time, BIL's accounts were still consolidated with the Company's, while the investment of Baht 1,055 million was the equity-accounting investment of BIL as BIL's accounts are no longer consolidated. As a result, the Company's total assets increased slightly to Baht 6,935 million as at 30 June 2007 from Baht 6,623 million as at 31 December 2006.

Total liability was at Baht 3,326 million as at 30 June 2007, an increase of 11% compared to Baht 2,994 million as at 31 December 2006, primarily due to an increase in corporate income tax payable and accrued expenses. In addition, the Company made an additional loan drawdown of Baht 330 million, netted off with loan repayment of Baht 164 million. Consequently, net debt to equity increased from 0.24x as at 31 December 2006 to 0.39x as at 30 June 2007. The Company's interest coverage ratio improved to 19.2x in 1H07 from 16.8x in 1H06.

Shareholder's equity attributable to Company's shareholders (excluding equity attributable to minority shareholders of subsidiaries) increased to Baht 3,608 million as at 30 June 2007 from Baht 3,284 million as at 31 December 2006, primarily as a result of the Company's net profit for 1H07 of Baht 579 million, netted off with dividend payment of Baht 329 million. As at 31 December 2006, the Company reported equity attributed to minority shareholders of subsidiaries of Baht 344 million, which was the minority interest of BIL, while there was no equity attributed to minority shareholders

as at 30 June 2007 as BIL accounts are no longer consolidated. Annualized average return on assets for 1H07 was at 17.1% while annualized average return on equity remained high at 32.0% for 1H07.

4. Liquidity

The Company's cash flow from operating activities for 1H07 was at Baht 676 million, compared to Baht 636 million for 1H06. The increase was primarily attributable to improved profits from operations. Net cash used in investment activities increased to Baht 405 million in 1H07 from Baht 187 million in 1H06, primarily because of the Company's additional investments in BIL of Baht 266 million. Net cash used in financing activities decreased from Baht 502 million in 1H06 to Baht 172 million in 1H07, mainly due to an increase in long-term loan of Baht 330 million. As a result, cash and cash equivalents at the end of the period increased to Baht 510 million as at 30 June 2007 from Baht 491 million as at 30 June 2006.

Liquidity ratio as at 30 June 2007 remained the same as at 30 June 2006 at 0.76x, while quick ratio was at 0.61x as at 30 June 2007, an increase from 0.53x as at 30 June 2006, primarily because of an increase in trade account receivables from Baht 402 million as at 30 June 2006 to Baht 574 million as at 30 June 2007. The increase in trade account receivables was due to the fact that the Company's composition of insurance and corporate contracts is gradually changing towards an increasing of foreign accounts, which consequently increased the length of collection period.

5. Change in Accounting Policy

Since 1 January 2007, the Company changed its accounting policy regarding investments in subsidiaries, associates and jointly controlled entities so that the Company financial statement (or "The separate financial statement"), which formerly reported investments using the equity method, now reports investments using the cost method in accordance with the Notification No. 26/2006 issued by the Federation of Accounting professions regarding the Accounting Standard No. 44 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" (Amendment No. 1). Therefore the Company restated its financial statement, using the cost method as the cost of investment in subsidiaries and associates of the Company financial statement. This adjustment caused the followings effects:

- Net income in the Company financial statement does not equal net income in the Consolidated financial statement.
 - In 2Q07, net income on the Company financial statement was Baht 275 million, lower than Baht 283 million in the consolidated financial statement by Baht 8 million. For 2Q06, net income on the Company financial statement was Baht 236 million, lower than the net income in the consolidated financial statement of Baht 266 million by Baht 30 million. This is because the Company financial statement did not include share of net income from investments under the equity method in the total amount of Baht 8 million and Baht 30 million in 2Q07 and 2Q06 respectively.
 - For 1H07, net income on the Company financial statement was Baht 560 million, lower than Baht 579 million in the consolidated financial statement by Baht 19 million. For 1H06, net income on the Company financial statement was Baht 490 million, lower than the net

income in the consolidated financial statement of Baht 533 million by Baht 43 million. This is because the Company financial statement did not include share of net income from investments under the equity method in the total amount of Baht 19 million and Baht 43 million in 1H07 and 1H06 respectively.

- The effect on the Company's balance sheet as at 31 December 2006 are as follows:

Decrease in investment in subsidiary companies (net of excess of investment over book value of a subsidiary)	Baht 99 million
Decrease in translation adjustment	Baht 13 million
Decrease in unrealized gain resulting from the sale of subsidiary's shares to the public in excess of par value	Baht 156 million
Increase in retained earnings	Baht 70 million

However, the change of accounting policy affects only the accounts relating to investments in subsidiaries and associates of the Company financial statements. It does not have any effect on the consolidated financial statements or the Company's business fundamentals.