

Bumrungrad Hospital Public Company Limited
Management Discussion and Analysis
For the Second Quarter ended 30 June 2008

1. Basis of Consolidation

On 27 April 2007, the Company's shareholding in Bumrungrad International Limited was decreased from 51.0% to 31.5% as the Company waived its rights to subscribe to Bumrungrad International Limited's new shares to allow Asia Financial Holdings to own 19.5% of Bumrungrad International Limited. As a result, the status of Bumrungrad International Limited has changed from a subsidiary to an associated company. Therefore, from 2Q07 onwards, Bumrungrad International Limited's accounts are no longer consolidated but are equity accounted instead. Consequently, please note that the 6M07 income statements reflect the consolidation of Bumrungrad International Limited's 1Q07 accounts and the equity-accounting of Bumrungrad International Limited's 2Q07 performance, while the 6M08 income statement does not consolidate Bumrungrad International Limited's accounts.

2. Profit and Loss Statements

For 2Q08, the Company reported revenues from hospital operations of Baht 2,128 million, an increase by 3% y-o-y from Baht 2,061 million in 2Q07, as a result of growth in inpatient revenues of 2% and growth in outpatient revenues of 8%.

Total revenues for 2Q08 was Baht 2,197 million, compared to Baht 2,114 million in 2Q07, an increase of 4%, slightly higher than the increase in revenue from hospital operations. In 2Q08, the Company reported share of income from investment in associated company of Baht 10 million, of which Baht 5 million is the share from Bumrungrad International Limited's operations while another Baht 5 million is the share from CDE Trading Co., Ltd. from the foreign exchange translation.

In 2Q08, the Company reported cost of hospital operation of Baht 1,330 million, an increase by 5% y-o-y from Baht 1,265 million in 2Q07, higher than the increase in revenues, attributable to higher salaries related to overtime, coupled with the pre-operating costs of the new Bumrungrad International Clinic, which was opened on 30 May 2008, such as electricity costs. The higher overtime costs were a result of preparation of staff for the opening of the new Bumrungrad International Clinic and the continued implementation of the new hospital software. Gross profit, therefore, remained constant at Baht 797 million in 2Q08 from Baht 796 million in 2Q07, with gross margin of 37.5% in 2Q08, compared to 38.6% in 2Q07.

The Company's administrative expenses were Baht 340 million in 2Q08, a 5% increase from Baht 323 million in 2Q07, in line with the increase in cost of hospital operations. As a result, EBITDA slightly decreased to Baht 514 million in 2Q08 from Baht 524 million in 2Q07, with EBITDA margin of 23.5% in 2Q08, compared to 24.8% in 2Q07.

The Company reported net profit of Baht 280 million in 2Q08, a 1% decline from Baht 283 million in 2Q07. As a result, 2Q08 net margin was 12.7%, compared to 13.4% in 2Q07.

For the first half of 2008, the Company reported revenues from hospital operations of Baht 4,304 million, an increase by 4% from Baht 4,119 million in 1H07. The increase is the result of 3% increase in inpatient revenues and 9% increase in outpatient revenues.

Total revenues in 1H08 were Baht 4,420 million, compared to Baht 4,246 million in 1H07, also an increase of 4%. The Company reported revenues from hospital management of Baht 17 million in 1H07, while there was none in 1H08 because 1H07 revenue included Bumrungrad International Limited's revenue from hospital management in 1Q07, as Bumrungrad International Limited's accounts were still consolidated in the Company's consolidated financial statements at that time.

The cost of hospital operations for 1H08 was Baht 2,647 million, an increase of 5% from Baht 2,522 million in 1H07. Therefore, the Company reported gross profit of Baht 1,657 million in 1H08, a 4% increase from Baht 1,597 million in 1H07, with gross margin of 38.5% in 1H08 compared to 38.8% in 1H07.

Administrative expenses in the first half of 2008 were Baht 673 million, compared to Baht 655 million in 1H07, or an increase of 3%, slightly lower than the increase in revenues, as a result of continued control of administrative expenses. EBITDA increased to Baht 1,091 million in 1H08 from Baht 1,056 million in 1H07 and EBITDA margin slightly decreased to 24.7% in 1H08 from 24.9% in 1H07.

The Company reported 1H08 net profit of Baht 594 million, an increase of 3% from Baht 579 million in 1H07. As a result, net margin was 13.4% in 1H08, compared to 13.6% in 1H07.

Basic EPS was Baht 0.38 per share in 2Q08, a 3% decrease from 0.39 per share in 2Q07. Similarly, fully diluted EPS was down by 3% to Baht 0.32 per share in 2Q08 from Baht 0.33 per share in 2Q07. For the first half 2008, basic EPS was Baht 0.82 per share, an increase by 4% from Baht 0.79 per share in 1H07. Similarly, fully diluted EPS was up by 3% to Baht 0.69 per share in 1H08 from Baht 0.67 per share in 1H07.

	(Unit: Baht Million)					
	2Q07	2Q07	Y-o-Y Growth	1H07	1H07	Growth
Revenues from Hospital Operations	2,128	2,061	3%	4,304	4,119	4%
Total Revenues	2,197	2,114	4%	4,420	4,246	4%
Gross Profit	797	796	0%	1,657	1,597	4%
Gross Profit Margin	37.5%	38.6%		38.5%	38.8%	
EBITDA	514	524	-2%	1,091	1,056	3%
EBITDA Margin	23.5%	24.8%		24.7%	24.9%	
Net Profit	280	283	-1%	594	579	3%
Net Profit Margin	12.7%	13.4%		13.4%	13.6%	
EPS – Basic	0.38	0.39	-3%	0.82	0.79	4%
EPS – Fully Diluted	0.32	0.33	-3%	0.69	0.67	3%

3. Balance Sheet

As at 30 June 2008, the Company reported total current assets of Baht 1,336 million, a decrease from Baht 1,417 million as at 31 December 2007 primarily because of decrease in trade accounts receivable to Baht 540 million as at 30 June 2008 from Baht 597 million as at 31 December 2007, due to the collection of receivables. Total non-current assets increased to Baht 6,640 million as at 30 June 2008 from Baht 6,049 million as at 31 December 2007. This was mainly due to increase in property, plant and equipment to Baht 5,101 million as at 30 June 2008 from Baht 4,145 million as at 31 December 2007, because of the acquisition of BH Tower from Bangkok Bank Public Company Limited in February 2008, as well as the completion and opening of the seven floors of Bumrungrad International Clinic Building on 30 May 2008. As a result, total assets increased to Baht 7,975 million as at 30 June 2008 from Baht 7,466 million as at 31 December 2007

Total liabilities were Baht 3,397 million as at 30 June 2008, an increase from Baht 3,117 million as at 31 December 2007. This was primarily due to increase in total long-term loan (including current portion) to Baht 1,943 million as at 30 June 2008 from Baht 1,772 million as at 31 December 2007, as the Company made a draw down of Baht 400 million in February 2008 to finance the acquisition of BH Tower, netted off with scheduled repayment of Baht 230 million in 1H08. As a result, net debt to equity slightly increased to 0.31x as at 30 June 2008 from 0.28x as at 31 December 2007. The Company's interest coverage ratio remains high at 19.4x in 1H08 compared to 19.2x in 1H07.

Total shareholder's equity increased to Baht 4,578 million as at 30 June 2008 from Baht 4,349 million as at 31 December 2007, as a result of the Company's 1H08 net profit of Baht 594 million, netted off with dividend payment of Baht 292 million. Annualized average return on assets for 1H08 was 15.4% while annualized average return on equity remained high at 26.6% in 1H08.

4. Liquidity

The Company's cash flow from operating activities for 1H08 was Baht 982 million, an increase from Baht 676 million in 1H07, primarily attributable to decrease in trade accounts receivable. Net cash used in investment activities increased to Baht 886 million in 1H08, compared to Baht 405 million in 1H07 because of acquisition of property, plant and equipment and repayment of construction and medical equipment payable related to the acquisition of BH Tower and the construction of the Bumrungrad International Clinic of Baht 1,170 million. The Company reported net cash flow used in financing activities of Baht 115 million in 1H08, at the similar level of Baht 172 million in 1H07. As a result, cash and cash equivalents at the end of the period was Baht 532 million as at 30 June 2008 compared to Baht 510 million as at 30 June 2007.

Liquidity ratio as at 30 June 2008 slightly decreased to 0.67x from 0.80x as at 31 December 2007, primarily due to the slight decrease in total current assets from the decrease in trade accounts receivable, coupled with the slight increase in total current liabilities due to higher current portion of long-term loans and increase in accrued expenses. Consequently, quick ratio was 0.54x as at 30 June 2008, compared to 0.64x as at 31 December 2007.