

Bumrungrad Hospital Public Company Limited
Management Discussion and Analysis
For the Second Quarter ended 30 June 2009

The Company reported total revenues in 2Q09 of Baht 2,244 million, a 3% increase from 2Q08 revenues of Baht 2,186 million. The 2Q09 net profit was Baht 288 million, also a 3% increase from 2Q08 net profit of Baht 280 million. For first half of 2009, the Company reported total revenues of Baht 4,572 million, a 4% increase from 1H08 revenues of Baht 4,415 million. The 1H09 net profit was Baht 627 million, a 5% increase from 1H08 net profit of Baht 594 million. Details of the management discussion and analysis are as follows:

1. Profit and Loss Statements

For 2Q09, the Company reported revenues from hospital operations of Baht 2,180 million, an increase by 2% y-o-y from Baht 2,128 million in 2Q08, as a result of growth in inpatient revenues of 2% and growth in outpatient revenues of 6%.

Other income increased to Baht 23 million in 2Q09 from Baht 18 million in 2Q08, primarily from the sale of membership of the “Healthy Living Club” loyalty program, which was launched in June 2008, together with revenues from “the Mezz” food center in the new Bumrungrad International Clinic Building, which was also opened in June 2008. As a result, total revenues for 2Q09 was Baht 2,244 million, compared to Baht 2,186 million in 2Q08, an increase of 3%, slightly higher than the increase in revenue from hospital operations.

In 2Q08, the Company reported cost of hospital operations of Baht 1,348 million, an increase by 1% y-o-y from Baht 1,333 million in 2Q08, slightly lower than the increase in revenues, attributable to tight cost control implemented since end of 2008. Gross profit, therefore, increased by 5% to Baht 832 million in 2Q09 from Baht 795 million in 2Q08, with an improvement in gross margin to 38.4% in 2Q09, compared to 37.3% in 2Q08.

The Company’s administrative expenses were Baht 339 million in 2Q09, a 7% increase from Baht 317 million in 2Q08, but a modest increase of 4% from Baht 324 million in 1Q09. As a result, EBITDA increased by 4% to Baht 534 million in 2Q09 from Baht 514 million in 2Q08, with EBITDA margin of 23.8% in 2Q09, compared to 23.5% in 2Q08.

Depreciation and amortization in 2Q09 was Baht 136 million, compared to Baht 107 million in 2Q08. The increase was primarily from the opening of the new Bumrungrad International Clinic building in May 2008 and the rolling renovation of inpatient beds which started in February 2008.

In 2Q09, the Company reported share of income from investments in associated companies of Baht 15 million, a 40% increase from Baht 10 million in 2Q08. The 2Q09 share of income from investments in associated companies of Baht 15 million is attributable to Bumrungrad International Limited of Baht 14 million and CDE Trading Company Limited of Baht 1 million. In 2Q09, contribution from Bumrungrad International Limited has increased to Baht 14 million from Baht 5 million in 2Q08. The contribution from Bumrungrad International Limited in 2Q08 was unusually low because there were some accounting adjustments as Bumrungrad International Limited started to consolidate Asian Hospital Inc. in that quarter as its shareholding in AHI exceeded 50% from the conversion of management fees into equity. For CDE Trading Limited, the contribution decreased to Baht 1 million

in 2Q09 from Baht 6 million in 2Q08, as in 2Q08, CDE Trading had foreign exchange gain on the unreceived USD proceeds from the sale of its assets to Microsoft in 4Q07, while the company is temporarily inactive in 2009.

As a result of the above, the Company reported net profit of Baht 288 million in 2Q09, a 3% increase from Baht 280 million in 2Q08. 2Q09 net margin was 12.8%, stable compared to 12.7% in 2Q08.

For the first half of 2009, the Company reported revenues from hospital operations of Baht 4,441 million, an increase by 3% from Baht 4,304 million in 1H08. The increase is the result of 3% increase in inpatient revenues and 7% increase in outpatient revenues.

Other income increased to Baht 48 million in 1H09 from Baht 29 million in 1H08, primarily from the sale of membership of the “Healthy Living Club” loyalty program, which was launched in June 2008, together with revenues from “the Mezz” food center in the new Bumrungrad International Clinic Building, which was also opened in June 2008. As a result, total revenues in 1H09 were Baht 4,572 million, compared to Baht 4,415 million in 1H08, an increase of 4%, slightly higher than the increase in revenues from hospital operations.

The cost of hospital operations in 1H09 was Baht 2,718 million, an increase of 3% from Baht 2,644 million in 1H08, in line with the increase in revenues from hospital operations. Therefore, the Company reported gross profit of Baht 1,723 million in 1H09, a 4% increase from Baht 1,660 million in 1H08, with gross margin of 38.8% in 1H09 compared to 38.6% in 1H08.

Administrative expenses in the first half of 2009 were Baht 663 million, compared to Baht 636 million in 1H08, or an increase of 4%, about the same rate as the increase in revenues, as a result of continued control of administrative expenses. EBITDA increased by 5% to Baht 1,146 million in 1H09 from Baht 1,091 million in 1H08 and EBITDA margin increased to 25.1% in 1H09 from 24.7% in 1H08.

Depreciation and amortization in 1H09 was Baht 269 million, compared to Baht 207 million in 1H08. The increase was primarily from the opening of the new Bumrungrad International Clinic building in May 2008, the purchase of BH Tower building in February 2008, and the renovation of inpatient beds which started in February 2008.

In 1H09, the Company reported share of income from investments in associated companies of Baht 28 million, a significant increase from Baht 5 million in 1H08. The 1H09 share of income from investments in associated companies of Baht 28 million is attributable to Bumrungrad International Limited of Baht 26 million and CDE Trading Company Limited of Baht 2 million. In 1H09, contribution from Bumrungrad International was Baht 26 million, stable compared to Baht 28 million in 1H08. For CDE Trading Limited, the contribution significantly improved to share of profit of Baht 2 million in 1H09, compared to share of loss of Baht 24 million in 1H08. The share of loss in 1H08 of Baht 24 million was primarily a result of foreign exchange loss on the unreceived USD proceeds from the sale of its assets to Microsoft in 4Q07, as the Thai Baht strengthened against US dollars since the time of sale. In 1H09, CDE Trading Limited contributed a small profit of Baht 2 million as the company is temporarily inactive in 2009.

As a result of the above, the Company reported 1H09 net profit of Baht 627 million, an increase of 5% from Baht 594 million in 1H08. Net margin was 13.6% in 1H09, compared to 13.4% in 1H08.

Basic EPS was Baht 0.40 in 2Q09, a 4% increase from Baht 0.38 in 2Q08. Similarly, fully diluted EPS increased by 4% to Baht 0.33 in 2Q09 from Baht 0.32 in 2Q08. For the first half 2009, basic EPS was Baht 0.86, an increase by 5% from Baht 0.82 in 1H08. Similarly, fully diluted EPS was up by 5% to Baht 0.72 in 1H09 from Baht 0.69 in 1H08.

	(Unit: Baht Million)					
	2Q09	2Q08	Y-o-Y Growth	1H09	1H08	Growth
Revenues from Hospital Operations	2,180	2,128	2%	4,441	4,304	3%
Total Revenues	2,244	2,186	3%	4,572	4,415	4%
Gross Profit	832	795	5%	1,723	1,660	4%
<i>Gross Profit Margin</i>	38.4%	37.3%		38.8%	38.6%	
EBITDA	534	514	4%	1,146	1,091	5%
EBITDA Margin	23.8%	23.5%		25.1%	24.7%	
Share of income (loss) from investments in associated companies	15	10	40%	28	5	437%
Net Profit	288	280	3%	627	594	5%
<i>Net Profit Margin</i>	12.8%	12.7%		13.6%	13.4%	
EPS – Basic	0.40	0.38	4%	0.86	0.82	5%
EPS – Fully Diluted	0.33	0.32	4%	0.72	0.69	5%

2. Balance Sheet

As at 30 June 2009, the Company reported total current assets of Baht 1,222 million, an increase from Baht 1,142 million as at 31 December 2008 primarily because of increase in trade accounts receivable to Baht 590 million as at 30 June 2009 from Baht 494 million as at 31 December 2008. The increase in accounts receivable, primarily from the Middle East accounts, is in line with the increase in revenues, as collection period remains stable at 25.8 days as at 30 June 2009 compared to 25.7 days as at 31 December 2008. Total non-current assets slightly increased to Baht 7,103 million as at 30 June 2009 compared to Baht 6,963 million as at 31 December 2008 because of the increase in property, plant and equipment to Baht 5,512 million as at 30 June 2009 from Baht 5,374 million as at 31 December 2008. This was primarily a result of increase in assets related to the renovation of inpatient wards. As a result, total assets slightly increased to Baht 8,325 million as at 30 June 2009 from Baht 8,104 million as at 31 December 2008.

Total liabilities were Baht 3,150 million as at 30 June 2009, a decrease from Baht 3,239 million as at 31 December 2008. This was primarily due to the decrease in interest-bearing debt (short-term loan + long-term loans inclusive of the current portion) to Baht 1,700 million as at 30 June 2009 from Baht 1,885 million as at 31 December 2008, as the Company paid down its scheduled repayment of Baht 284 million, netted off with drawdown of additional short-term loan of Baht 100 million in 1H09. With the decrease in its debt position together with stable cash balance, net debt to equity decreased to 0.27x as at 30 June 2009 from 0.31x as at 31 December 2008. The Company's interest coverage ratio also significantly improved to 27.3x in 1H09 compared to 19.4x in 1H08.

Total shareholder's equity increased to Baht 5,175 million as at 30 June 2009 from Baht 4,865 million as at 31 December 2008, primarily as a result of the Company's 1H09 net profit of Baht 627 million, netted off with dividend payment of Baht 292 million in 2Q09. Annualized average return on assets for 1H09 was 15.3% while annualized average return on equity remained high at 25.0% for 1H09.

3. Liquidity

The Company's cash flow from operating activities for 1H09 was Baht 792 million, a decrease from Baht 982 million in 1H08, primarily attributable to the increase in trade accounts receivable. Net cash used in investment activities decreased to Baht 389 million in 1H09, compared to Baht 886 million in 1H08 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 in 1H08. The Company reported net cash flow used in financing activities of Baht 476 million in 1H09, higher than Baht 115 million in 1H08, because of repayment of short term and long term loans. As a result, cash and cash equivalents at the end of the period was Baht 311 million as at 30 June 2009 compared to Baht 532 million as at 30 June 2008.

Liquidity ratio as at 30 June 2009 remained stable at 0.53x, compared to 0.54x as at 31 December 2008. Similarly, quick ratio remained stable at 0.39x as at 30 June 2009, compared to 0.41x as at 31 December 2008.