

Bumrungrad Hospital Plc.
Management Discussion and Analysis for the second quarter 2010
16 August 2010

The Company reported total revenues in 2Q10 of Baht 2,236 million, flat compared to 2Q09 revenues of Baht 2,244 million. The 2Q10 reported net profit was Baht 167 million, 42% decrease from 2Q09 net profit of Baht 288 million. Weak operation reflected an impact from political protest and share of loss from sale of investment in Asia Renal Care (ARC) Group. Excluding the extraordinary item, which is the loss on sale of ARC Group, the 2Q10 net profit was Baht 230 million, 20% decrease from 2Q09 net profit.

For 1H10, the Company reported total revenues of Baht 4,864 million, 6% increase from 1H09 revenues of Baht 4,572 million. The 1H10 reported net profit was Baht 537 million, 14% decrease from 1H09 net profit of Baht 627 million. Excluding an extraordinary item, the 1H10 net profit was Baht 600 million, 4% decrease from 2Q09 net profit which was weighted down by the weak net profit in 2Q10. Details of the management discussion and analysis are as follows.

Profit and Loss Statement

Quarterly operation performance

For 2Q10, the Company reported revenues from hospital operations of Baht 2,178 million, flat y-o-y, compared to Baht 2,180 million in 2Q09. The patient volume was impacted from political protest during April and May, particularly for outpatient service in May due to the difficulties in accessing the hospital. However, the revenue per outpatient visit and revenue per patient day continued to increase from higher intensity and price increase since the beginning of the year. As the result, inpatient revenues increased by 7% y-o-y while outpatient revenues decreased by 7% y-o-y in 2Q10.

Rental income was Baht 30 million in 2Q10, insignificant change from Baht 31 million in 2Q09. Other income declined to Baht 27 million in 2Q10 from Baht 33 million in 2Q09. Total revenues in 2Q10 were Baht 2,236 million, compared to Baht 2,244 million in 2Q09, flat y-o-y, along with revenues from hospital operations.

In 2Q10, the Company reported cost of hospital operations of Baht 1,364 million, a moderate increase by 1% y-o-y from Baht 1,348 million in 2Q09, higher than the growth rate of revenues from hospital operations owing to lower patient volume resulting in less benefit from economies of scale. Therefore, gross profit declined by 2% y-o-y to Baht 814 million in 2Q10 from Baht 832 million in 2Q09, reflecting lower gross profit margin at 37.4% in 2Q10 from 38.2% in 2Q09.

In 2Q10, administrative expenses were Baht 361 million, 7% increase y-o-y compared to Baht 339 million in 2Q09, which was higher than the increase in total revenues. However, when compared to 1Q10, administrative expenses declined from Baht 408 million. The increase y-o-y was due to salary increase from an increase in headcount to accommodate the volume growth in 1Q10 and overtime

expenses as the hospital staffed personnel during the political unrest for the preparation of mass casualties, the increase in marketing expenses due to increased marketing efforts during the downturn, increase in donation expenses related to the 500-heart project "Rak Jai Thai", and additional expenses related to subsidiaries, Asia Global Research Co., Ltd. (AGR), a clinical research company, which started their operations in second half of 2009 and Vitechpro, a new division of Vitallife Corporation Limited, focused on wholesale of nutraceutical products, laboratory services and anti-aging training. As a result, EBITDA was Baht 480 million in 2Q10, 10% decline from Baht 534 million in 2Q09. Consequently, EBITDA margin was 21.5% in 2Q10, declining from 23.8% in 2Q09.

2Q10 depreciation and amortization was Baht 144 million, higher than Baht 136 million in 2Q09 due to the completion of renovation of inpatient wards together with the new Women Center and Digestive Disease Center. Financing expenses decreased to Baht 16 million in 2Q10 compared to Baht 19 million in 2Q09, as a result of lower loan outstanding from the scheduled repayment of the previous loan facility, together with lower interest rate from the refinanced loan, where the interest rate was reduced from MLR – 1.25% to MLR – 1.5%. The corporate income tax in 2Q10 was Baht 94 million, compared to Baht 106 million in 2Q09, or at the effective tax rate of 29.3% in 2Q10 and 27.9% in 2Q09.

The Company reported share of loss from investments in joint venture and associated companies of Baht 59 million in 2Q10, compared to share of profit of Baht 15 million in 2Q09. The 2Q10 share of loss was attributable to share of income from CDE Trading Company Limited of Baht 1 million and share of loss from Bumrungrad International Limited of Baht 60 million.

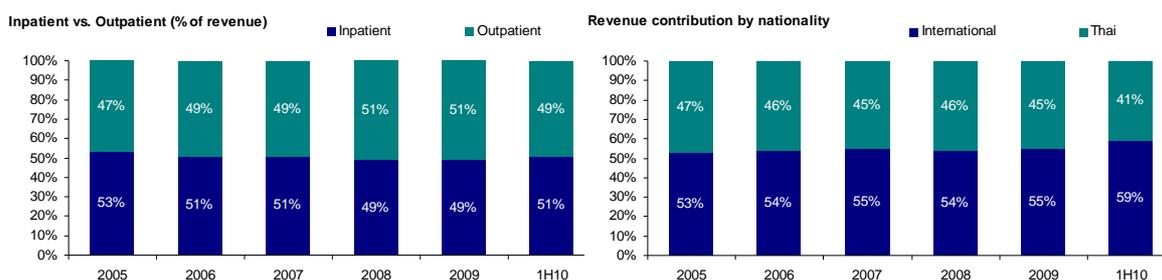
In 2Q10, Bumrungrad International Limited reported share of loss of Baht 60 million compared to share of income of Baht 14 million in 2Q09. The share of loss in 2Q10 composed of (1) loss on sale of Asia Renal Care (ARC) Group of Baht 63 million, consisting of loss on sale of Asia Renal Care Limited of Baht 9 million and loss on the translation adjustment of Baht 63 million, which was the difference between the foreign exchange rate at the investment date in June 2007 and the foreign exchange rate as at the end of the period, 30 June 2010, netted off with gain on sale of Asia Renal Care (Thailand) Co., Ltd. of Baht 9 million, and (2) share of income from Bumrungrad International Limited, operations of Baht 2 million. Comparing the share of income from operations, Bumrungrad International Limited's performance decreased from Baht 14 million in 2Q09 to Baht 2 million in 2Q10, primarily from the ARC's accounting adjustment in 2Q10

As a result of the above, the Company's 2Q10 net profit excluding extraordinary item, which is the loss on sale of ARC Group, was Baht 230 million, compared to reported net profit of Baht 167 million, a 20% decrease and 42% decrease respectively from net profit of Baht 288 million in 2Q09. Net profit margin excluding extraordinary item was 10.3%, while reported net profit margin was 7.5% in 2Q10, a decline from 12.8% in 2Q09.

For 2Q10, basic EPS was Baht 0.23, 43% decrease y-o-y from Baht 0.40 in 2Q09. 2Q10 fully diluted EPS was Baht 0.19, 42% decrease y-o-y from Baht 0.33 in 2Q09.

First Half 2010 operation performance

For the first half of 2010, the Company reported revenues from hospital operations of Baht 4,732 million, 7% increase y-o-y from Baht 4,441 million in 1H09. The revenue growth was driven by strong revenues from hospital operation in 1Q10 from the increase in patient volume, primarily from the international segment. However the 1Q10 results were partially offset by weak revenues from hospital operation in 2Q10 due to political instability. Inpatient revenues increased by 13% y-o-y, while outpatient revenues were flat y-o-y in 1H10. The revenue contribution by inpatient was 51% and outpatient was 49% in 1H10. In terms of revenues by nationality, revenue from international patient was 59% and Thai patient was 41%.



Rental income was Baht 67 million in 1H10, a slight increase from Baht 63 million in 1H09. Other income was Baht 64 million in 1H10, insignificant change from Baht 67 million in 1H09. Total revenues in 1H10 were Baht 4,864 million, compared to Baht 4,572 million in 1H09, 6% increase y-o-y, in-line with the increase in revenues from hospital operation.

In 1H10, the Company reported cost of hospital operations of Baht 2,876 million, 6% increase y-o-y from Baht 2,718 million in 1H09, at a slower pace than growth in revenues from hospital operation. As a result, gross profit was Baht 1,857 million in 1H10, 8% increase y-o-y from Baht 1,723 million in 1H09. Consequently, gross profit margin was 39.2% in 1H10, higher than 38.8% in 1H09.

1H10 administrative expenses were Baht 769 million, 16% increase y-o-y from Baht 663 million in 1H09, higher than the increase in total revenues. The increase was due to higher salaries from higher bonus accrual in 1Q10, where the bonus level was back at the normal rate with the turn-around of the economy, together with higher headcount to accommodate increasing volume and higher overtime costs in 2Q10 as the hospital staffed the personnel during the political unrest to prepare for any possible mass casualties, higher marketing expenses for the increased marketing efforts, higher donation expenses from Rak Jai Thai project, together with additional expenses related to subsidiaries, Asia Global Research Co., Ltd. (AGR), a clinical research company, which started their operations in second half of 2009 and start-up expenses of Vitechpro, the wholesale business of Vitallife Corporation Limited. As a result, EBITDA was Baht 1,159 million in 1H10, slightly increased by 1% from Baht 1,146 million in 1H09. Consequently, EBITDA margin declined to 23.8% in 1H10 compared to 25.1% in 1H09.

1H10 depreciation and amortization was Baht 285 million, higher than Baht 269 million in 1H09 due to the completion of renovation of inpatient wards together with the new Women Center and Digestive Disease Center. Financing expenses decreased to Baht 32 million in 1H10 compared to Baht 42 million in 1H09, as a result of lower loan outstanding from the scheduled repayment of the previous loan, together with lower interest rate from the refinanced loan, where the interest rate was reduced

from MLR – 1.25% to MLR – 1.5%. The corporate income tax in 1H10 was Baht 258 million, compared to Baht 237 million in 1H09, or at the effective tax rate of 30.5% in 1H10 and 28.4% in 1H09.

The Company reported share of loss from investments in joint venture and associated companies of Baht 49 million in 1H10, compared to share of profit of Baht 28 million in 1H09. The 1H10 share of loss was attributable to share of income from CDE Trading Company Limited of Baht 2 million and share of loss from Bumrungrad International Limited of Baht 51 million. The loss of Baht 51 million in 2010 for Bumrungrad International Limited was lower than Baht 26 million share of profit in 1H09, mainly due to loss on sale of ARC Group in 2Q10 of Baht 63 million.

As a result of the above, the Company's 1H10 net profit excluding extraordinary item, which is the loss on sale of ARC Group, was Baht 600 million, compared reported net profit of Baht 537 million in 1H10, a 4% decrease and 14% decrease respectively from net profit of Baht 627 million in 1H09. Net profit margin excluding extraordinary item was 12.3%, while reported net profit margin was 11.0% in 1H10, a decline from 13.6% in 1H09.

For 1H10, basic EPS was Baht 0.74, 14% decrease y-o-y from Baht 0.86 in 1H09. 1H10 fully diluted EPS was Baht 0.62, also a 14% decrease y-o-y from Baht 0.72 in 1H09.

Income statement (Unit: Baht million)			Y-o-Y Growth			Y-o-Y Growth
	2Q10	2Q09		1H10	1H09	
Revenues from Hospital Operations	2,178	2,180	0%	4,732	4,441	7%
Total Revenues	2,236	2,244	0%	4,864	4,572	6%
Gross Profit	814	832	-2%	1,857	1,723	8%
EBITDA	480	534	-10%	1,159	1,146	1%
Share of Income from Investments in Joint Venture and Associated Companies	-59	15	N.A.	-49	28	N.A.
Net Profit	167	288	-42%	537	627	-14%
Net profit excluding extraordinary item	230	288	-20%	600	627	-4%
EPS – Basic	0.23	0.40	-43%	0.74	0.86	-14%
EPS – Fully Diluted	0.19	0.33	-42%	0.62	0.72	-14%
<i>Gross Profit Margin</i>	37.4%	38.2%		39.2%	38.8%	
<i>EBITDA Margin</i>	21.5%	23.8%		23.8%	25.1%	
<i>Net Profit Margin</i>	7.5%	12.8%		11.0%	13.6%	
<i>Net profit margin excluding extraordinary item</i>	10.3%	12.8%		12.3%	13.6%	

Balance Sheet

As at 30 June 2010, the Company reported total current assets of Baht 1,583 million, an increase from Baht 1,332 million as at 31 December 2009, primarily because of increase in trade accounts receivable to Baht 894 million as at 30 June 2010 from Baht 658 million as at 31 December 2009 as a result of the increase in the Middle East corporate accounts, together with increasing international insurance contracts. Therefore, collection period increased to 33.5 days as at 30 June 2010 compared to 26.7 days as at 31 December 2009. Total non-current assets slightly increased to Baht 7,362 million as at 30 June 2010 compared to Baht 7,235 million as at 31 December 2009 because of the increase in property, plant and equipment to Baht 5,852 million as at 30 June 2010 from Baht 5,667 million as at 31 December 2009. This was primarily a result of increase in assets related to the renovation of inpatient wards and renovation of Women Center and Digestive Disease Center. As a result, total assets increased to Baht 8,945 million as at 30 June 2010 from Baht 8,567 million as at 31 December 2009.

Total liabilities were Baht 3,277 million as at 30 June 2010, an increase from Baht 3,094 million as at 31 December 2009, primarily from increase in current liabilities related to operations, such as construction and medical equipment payables, accrued physician fees and corporate income tax payable. The interest-bearing debt (short-term loan + long-term loans) slightly increased to Baht 1,650 million as at 30 June 2010 from Baht 1,620 million as at 31 December 2009. With stable debt position and cash balance, together with an increase in shareholders' equity, net debt to equity slightly decreased to 0.22x as at 30 June 2010 from 0.23x as at 31 December 2009. Because the Company no longer has current portion of long term loans since 1Q10, as the refinanced loan has 2 years grace period, together with decrease in interest expense, the Company's debt service coverage ratio significantly improved to 36.5x in 1H10 compared to 24.8x in 2009.

Total shareholders' equity increased to Baht 5,669 million as at 30 June 2010 from Baht 5,473 million as at 31 December 2009, primarily as a result of the Company's 1H10 net profit of Baht 537 million, netted off with dividend payment of Baht 329 million in 1H10. Annualized average return on assets in 1H10 was 12.3% while annualized average return on equity was 19.3% in 1H10.

Unit: Baht million	30-Jun-10	31-Dec-09	Growth
Total Assets	8,945	8,567	4%
Total Liabilities	3,277	3,094	6%
Total Shareholders' Equity	5,669	5,473	4%
Average Collection Period (days)	33.5	26.7	
Average Inventory Period (days)	12.2	12.5	
Average Payables Period (days)	32.0	33.3	
Net Debt to Equity (x)	0.22	0.23	
	1H10	2009	
Debt Service Coverage Ratio (x)	36.5	24.8	
Average Return on Assets (%)	12.3%	14.9%	
Average Return on Equity (%)	19.3%	24.1%	

Liquidity

The Company's cash flow from operating activities in 1H10 was Baht 726 million, lower than Baht 792 million in 1H09, primarily from the increase in trade accounts receivable. Net cash used in investment activities was Baht 417 million in 1H10, compared to Baht 389 million in 1H09, the increase attributable to the increase in acquisition of plant and equipment from the completion of renovation of wards and the new Women Center and Digestive Diseases Center. The Company reported net cash flow used in financing activities of Baht 296 million in 1H10, a decrease from Baht 476 million in 1H09, because the Company repaid its long term loan in 1H09 according to the repayment schedule of the previous long-term loan agreement, while the refinanced loan in October 2009 has 2-years grace period. As a result, cash and cash equivalents at the end of the period was Baht 400 million as at 30 June 2010, an increase from Baht 311 million as at 30 June 2009.

Liquidity ratio as at 30 June 2010 increased to 0.86x compared to 0.80x as at 31 December 2009, as a result of the increase in cash and cash equivalents and accounts receivable. Similarly, quick ratio increased to 0.70x as at 30 June 2010, compared to 0.63x as at 31 December 2009.

Unit: Baht million	1H10	1H09
Cash Flow from Operating Activities	726	792
Cash Flow from Investing Activities	-417	-389
Cash Flow from Financing Activities	-296	-476
Net Increase (Decrease) in cash and cash equivalents	13	-74
Cash and Cash Equivalents at end of year	400	311
	30-Jun-10	31-Dec-09
Liquidity Ratio (x)	0.86	0.80
Quick Ratio (x)	0.70	0.63