

11 August 2011

Subject: Management Discussion and Analysis for the second quarter 2011 results

To: Directors and Manager
The Stock Exchange of Thailand

Bumrungrad Hospital PCL.
Management Discussion and Analysis for 2Q11 results
11 August 2011

Summary

The Company reported total revenues in 2Q11 of Baht 2,854 million, 28% increase from 2Q10 revenues of Baht 2,233 million. Strong operations reflected growth in the international patient segment, cost efficiencies and a recovery from slower operations during the political unrest in 2Q10. The 2Q11 reported net profit was Baht 344 million, 105% increase from 2Q10 net profit of Baht 167 million. The resulting net profit margin was 12.1% in 2Q11, an increase from 7.5% in 2Q10.

For 1H11, the Company reported total revenues of Baht 5,653 million, 16% increase from 1H10 revenues of Baht 4,859 million. The Company's 1H11 reported net profit was Baht 760 million, a 42% increase from Baht 537 million in 1H10. Resulting net profit margin was 13.4% in 1H11, an increase from 11.0% in 1H10.

The Company's results for both 2Q11 and 2Q10 reflected extraordinary items related to Bumrungrad International Limited which are discussed in further detail in the Extraordinary Items section of this document. Excluding extraordinary items, the 2Q11 net profit was Baht 394 million, a 71% increase from Baht 230 million in 2Q10, while the 1H11 net profit was Baht 810 million, a 35% increase from Baht 600 million in 1H10. Net profit margin excluding extraordinary items was 13.8% in 2Q11, an increase from 10.3% in 2Q10. Net profit margin excluding extraordinary items was 14.3% in 1H11, an increase from 12.3% in 1H10.

Details of the management discussion and analysis are as follows.

Profit and Loss Statement

Quarterly operation performance

For 2Q11, the Company reported revenues from hospital operations of Baht 2,783 million, a 28% increase year over year from Baht 2,175 million in 2Q10. Total patient volumes increased significantly from 2Q10. Outpatient revenue per episode continued to grow for 2Q11 compared with 2Q10. Inpatient revenue per episode was slightly down from 2Q10 because of the impact of shorter length of stay. Outpatient service

revenue increased by 35% year over year while inpatient service revenue increased by 21% year over year. The revenue contribution by inpatient service was 49% and outpatient service was 51% in 2Q11. In terms of revenues by nationality, revenues from international patients were 61% and revenues from Thai patients were 39%.

Rental income was Baht 31 million in 2Q11, flat with Baht 30 million in 2Q10. Other income was Baht 40 million in 2Q11, significant growth from Baht 27 million in 2Q10 as a result of the increase in interest income and gain on exchange rate. Total revenues in 2Q11 were Baht 2,854 million, compared to Baht 2,233 million in 2Q10, a 28% increase year over year.

In 2Q11, the Company reported cost of hospital operations of Baht 1,668 million, a 23% increase year over year from Baht 1,359 million in 2Q10, lower than the growth rate of revenues from hospital operations as a result of improved efficiencies in management of medical supplies and economies of scale. Therefore, gross profit was Baht 1,115 million, a 37% increase year over year from Baht 817 million in 2Q10, reflecting gross margin at 40.1% in 2Q11 vs. 37.5% in 2Q10.

2Q11 Administrative expenses were Baht 443 million, a 13% increase year over year from Baht 394 million in 2Q10, lower than the growth rate of Total revenues as a result of lower marketing expenses, and lower donation expenses. As a result, EBITDA was Baht 738 million in 2Q11, a 54% increase year over year from Baht 480 million in 2Q10. Consequently, EBITDA margin was 25.9% in 2Q11 which improved from 21.5% in 2Q10.

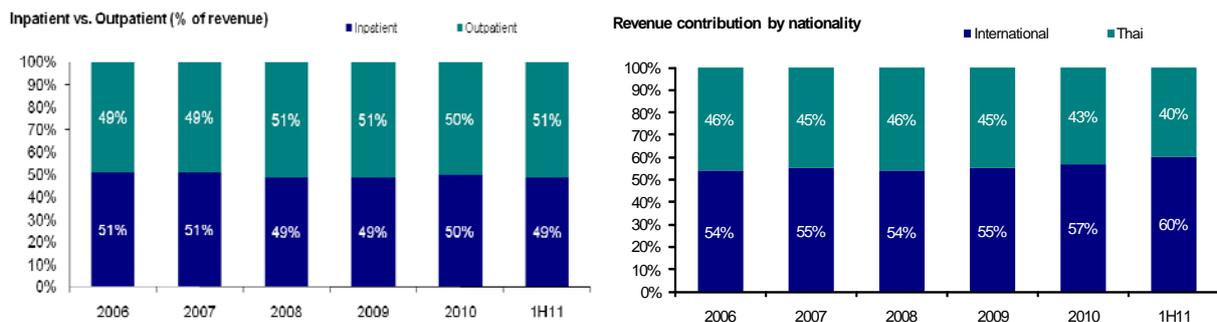
2Q11 Depreciation and amortization was Baht 161 million, higher than the Baht 144 million in 2Q10, as a result of the completion of the new Women Center and Digestive Disease Center. Financing expense was Baht 52 million in 2Q11, higher than Baht 16 million in 2Q10, primarily because of Baht 33 million in interest expense related to debt financing for the purchase of common shares of Bangkok Chain Hospital PCL doing business as Kasemrad Hospital Group on 18 March 2011. The corporate income tax in 2Q11 was Baht 185 million, compared to Baht 94 million in 2Q10, at the effective tax rate of 35.0% in 2Q11 and 29.3% in 2Q10. The higher effective tax rate in 2Q11 was a result of income tax of Baht 25 million on a stock dividend from Bangkok Chain Hospital PCL, due to a holding period of less than 3 months prior to declaration date. Excluding this dividend tax, the effective tax rate for 2Q11 was 30.3%.

The Company reported share of loss from investments in joint venture and associated companies of Baht 0.4 million in 2Q11, compared to share of loss of Baht 59 million in 2Q10. The 2Q11 share of loss was primarily attributable to share of loss from Bumrungrad International Limited of Baht 45 million, offsetting the share of income from Kasemrad Hospital Group Baht 44 million. These share of loss results for both periods were impacted by extraordinary items, as further explained in the Extraordinary Items section of this document.

For 2Q11, basic EPS was Baht 0.47, a 105% increase year over year from Baht 0.23 in 2Q10. 2Q11 fully diluted EPS was Baht 0.40, a 111% increase year over year from Baht 0.19 in 2Q10.

First Half 2011 operation performance

For the first half of 2011, the Company reported revenues from hospital operations of Baht 5,517 million, 17% increase from Baht 4,727 million in 1H10. The revenue growth was driven by strong revenues from hospital operations in 2Q11 from the increase in patient volume, primarily from the international segment and the recovery from slower operations as a result of political unrest in 1H10. Inpatient revenues increased by 13% y-o-y, while outpatient revenues increased 20% y-o-y in 1H11. The revenue contribution by inpatient was 49% and outpatient was 51% in 1H10. In terms of revenues by nationality, revenue from international patient was 60% and Thai patient was 40%.



Rental income was Baht 61 million in 1H11, a slight decline from Baht 67 million in 1H10. Other income was Baht 75 million in 1H11, increased from Baht 64 million in 1H10 because of increase in interest income and gain on exchange rate. Total revenues in 1H11 were Baht 5,653 million, compared to Baht 4,859 million in 1H10, 16% increase y-o-y.

In 1H11, the Company reported cost of hospital operations of Baht 3,255 million, 14% increase from Baht 2,857 million in 1H10, at a slower pace than growth in revenues from hospital operations attributable to improved efficiencies in management of medical supplies and economies of scale. As a result, gross profit was Baht 2,263 million in 1H11, 21% increase from Baht 1,870 million in 1H10. Consequently, gross profit margin was 41.0% in 1H11, higher than 39.6% in 1H10.

1H11 Administrative expenses were Baht 886 million, 5% increase from Baht 842 million in 1H10, lower than the increase in total revenues. The slower growth in administrative expenses was due to the lower marketing spending, lower donation expenses, and lower bad debt expenses. As a result, EBITDA was Baht 1,506 million in 1H11, significantly increased by 30% from Baht 1,159 million in 1H10. Consequently, EBITDA margin improved to 26.7% in 1H11 compared to 23.9% in 1H10.

1H11 Depreciation and amortization was Baht 320 million, higher than Baht 285 million in 1H10 due to the completion of renovation of inpatient wards together with the new Women Center and Digestive Disease Center. Financing expense increased to Baht 73 million in 1H11 compared to Baht 32 million in 1H10, primarily as a result of Baht 36 million in interest expense related to the debt financing for the purchase of common shares of Bangkok Chain Hospital PCL doing business as Kasemrad Hospital Group on 18 March 2011. The corporate income tax in 1H11 was Baht 370 million, compared to Baht 258 million in 1H10, or at the effective tax rate of 33.1% in 1H11 and 30.5% in 1H10. The higher effective tax rate in 1H11 was a result of income tax on the stock dividend from Bangkok Chain Hospital PCL as explained earlier. Excluding this transaction, effective tax rate for 1H11 was 30.8%.

The Company reported share of profit from investments in joint venture and associated companies of Baht 10 million in 1H11, compared to share of loss of Baht 49 million in 1H10. The results for both periods were impacted by extraordinary items, as further explained in the Extraordinary Items section of this document. These items largely offset the benefit of the share of profit from Kasemrad Hospital Group of Baht 44 million during 1H11.

For 1H11, basic EPS was Baht 1.04, 41% increase from Baht 0.74 in 1H10. 1H11 fully diluted EPS was Baht 0.88, also a 42% increase from Baht 0.62 in 1H10.

Income statement (Unit: Baht million)	2Q11	2Q10	Y-o-Y Growth	1H11	1H10	Y-o-Y Growth
Revenues from Hospital Operations	2,783	2,175	28%	5,517	4,727	17%
Total Revenues	2,854	2,233	28%	5,653	4,859	16%
Gross Profit	1,115	817	36%	2,263	1,870	21%
EBITDA	738	480	54%	1,506	1,159	30%
Share of Income from Investments in Joint Venture and Associated Companies	0	-59	-99%	10	-49	-121%
Net Profit	344	167	105%	760	537	42%

Income statement (Unit: Baht million)	2Q11	2Q10	Y-o-Y Growth	1H11	1H10	Y-o-Y Growth
EPS – Basic	0.47	0.23	104%	1.04	0.74	41%
EPS – Fully Diluted	0.40	0.19	111%	0.88	0.62	42%
<i>Gross Profit Margin</i>	40.1%	37.5%		41.0%	39.6%	
<i>EBITDA Margin</i>	25.9%	21.5%		26.7%	23.9%	
<i>Net Profit Margin</i>	12.1%	7.5%		13.4%	11.0%	

Balance Sheet

As at 30 June 2011, the Company reported total current assets of Baht 3,195 million, an increase from Baht 1,855 million as at 31 December 2010, primarily because of an increase of Baht 1,251 million in cash and cash equivalents. Trade accounts receivable was Baht 1,019 million as at 30 June 2011, an increase from Baht 946 million as at 31 December 2010, as a result of the high revenue in the Middle East corporate accounts. The collection period was 35.8 days as at 30 June 2011 compared to 33.6 days as at 31 December 2010. Total non-current assets increased to Baht 10,142 million as at 30 June 2011 compared to Baht 7,297 million as at 31 December 2010 because of the increase in Investment in associated companies from the purchase of common shares of Kasemrad Hospital Group. As a result, Total assets increased to Baht 13,337 million as at 30 June 2011 from Baht 9,152 million as at 31 December 2010.

Total liabilities were Baht 7,106 million as at 30 June 2011, an increase from Baht 3,082 million as at 31 December 2010, primarily from an increase in short-term loan of Baht 3,570 million to finance the purchase of common shares of Kasemrad Hospital Group, an increase in current liabilities related to operations such as corporate income tax payable and accrued expenses and an increase in provision for long-term employee benefits of Baht 289 million resulting from a change in accounting policy. The interest-bearing debt (short-term loan + long-term loans) increased to Baht 5,000 million as at 30 June 2011 from Baht 1,530 million as at 31 December 2010 due to the increase in short-term loan of Baht 3,570 million to finance the purchase of common shares of Kasemrad Hospital Group. With a higher debt position, net debt to equity increased to 0.51x as at 30 June 2011 from 0.15x as at 31 December 2010. The Company's interest coverage ratio was 20.6x in 1H11 compared to 35.9x in 2010. The decrease in interest coverage ratio was due to higher interest expense.

Total shareholders' equity increased to Baht 6,231 million as at 30 June 2011 from Baht 6,069 million as at 31 December 2010, primarily as a result of the Company's 1H11 net profit of Baht 760 million, netted off with Baht 276 million from cumulative effect of change in accounting policy for employee benefits, Baht 365 million from dividend payment and other retain earnings increase Baht 42 million. Annualized average return on assets (ROA) in 1H11 was 13.5% while annualized average return on equity (ROE) was 24.7% in 1H11.

Unit: Baht million	30-Jun-11	31-Dec-10	Growth
Total Assets	13,337	9,152	46%
Total Liabilities	7,106	3,082	131%
Total Shareholders' Equity	6,231	6,069	3%
Average Collection Period (days)	35.8	33.6	
Average Inventory Period (days)	11.7	12.8	
Average Payables Period (days)	31.1	33.0	
Net Debt to Equity (x)	0.51	0.15	
	1H11	1H10	
Interest Coverage Ratio (x)*	20.6	35.9	
Average Return on Assets (%)	13.5%	14.2%	
Average Return on Equity (%)	24.7%	21.8%	

* Interest expense related to the purchase of common shares of Bangkok Chain Hospital PCL doing business as Kasemrad Hospital Group to calculate interest coverage ratio was Bt 36.2 million based on remaining days after the transaction settled. If we assumed impact for the full period, interest expense from this transaction would be Bt 65.5 million and interest coverage ratio would be 10.9x

Liquidity

The Company's cash flow from operating activities in 1H11 was Baht 1,271 million, an increase from Baht 726 million in 1H10. Net cash used in investment activities was Baht 3,109 million in 1H11, an increase from Baht 417 million in 1H10, including the impact of the purchase of common shares of Kasemrad Hospital Group and the receipt of proceeds of Baht 613 million from the capital reduction exercise by Bumrungrad International Limited. The Company reported net cash flow from financing activities of Baht 3,089 million in 1H11, an increase from Baht 296 million net cash flow used in financing activities in 1H10, because the Company raised Baht 3,570 million short-term loans for the purchase of common shares of Kasemrad Hospital

Group. As a result, Cash and cash equivalents at the end of the period was Baht 1,879 million as at 30 June 2011, an increase from Baht 400 million as at 30 June 2010.

Liquidity ratio as at 30 June 2011 decreased to 0.57x compared to 1.12x as at 31 December 2010, as a result of the increase in short-term loans. Similarly, quick ratio decreased to 0.52x as at 30 June 2011 compared to 0.95x as at 31 December 2010.

Unit: Baht million	1H11	1H10
Cash Flow from Operating Activities	1,271	726
Cash Flow from Investing Activities	-3,109	-417
Cash Flow from Financing Activities	3,089	-296
Net Increase (Decrease) in cash and cash equivalents	1,251	13
Cash and Cash Equivalents at end of period	1,879	400
	30-Jun-11	31-Dec-10
Liquidity Ratio (x)	0.57	1.12
Quick Ratio (x)	0.52	0.95

Extraordinary Items

Extraordinary items occurred in 2Q10 in the amount of Baht 63 million and 2Q11 in the amount of Baht 50 million. Bumrungrad International Limited (BIL) completed the sale of an investment in Asia Renal Care Limited (ARC), a 100% indirectly owned subsidiary, in 2010. BIL contributed share of loss of Baht 59 million to the Company in 2Q10 which was due primarily to a loss from translation adjustment of Baht 63 million from the sale of ARC. As a result of the sale of ARC, BIL's cash balances were in excess of its cash requirements. A decision to reduce capital reflected the exercise of prudent financial management and corporate governance.

Excess cash was held by BIL's 100% owned subsidiary, Bumrungrad International Holdings (Hong Kong) Limited (BIHL), which had previously held shares in ARC. As part of the strategy to complete the capital reduction by BIL, BIHL repurchased its own shares from BIL. The share repurchase transaction resulted in a share of loss by the Company from a translation adjustment that was partially offset by a foreign exchange gain on the repayment of an intercompany loan between BIL and BIHL. These exchange rate-related factors led to a Baht 50 million negative impact on the Company's share of loss by BIL of Baht 45 million for 2Q11.

These transactions were completed in relation to the capital reduction strategy of BIL. On 14 March 2011, the share capital of BIL was reduced, by way of a reduction of the number of shares, from Baht 3,199,336,700 to Baht 1,176,000,000. After elimination of BIL's retained deficit, the resulting cash distributed by BIL to shareholders on 19 April 2011 was Baht 1,944,910,646. The cash distribution to the Company was Baht 612,646,853.

Please be informed accordingly.

Yours faithfully,

(Mrs.Linda Lisahapanya)

Managing Director

For additional information made available to the public from time to time, investors and other interested parties may access the information that the Company provides to analysts and others at <http://www.bumrungrad.com/investor/investor.html>