

10 November 2011

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

To: Directors and Manager
The Stock Exchange of Thailand

Bumrungrad Hospital PCL.
Management Discussion and Analysis for 3Q11 results
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Summary

The Company reported total revenues in 3Q11 of Baht 3,077 million, a 16% increase from 3Q10 revenues of Baht 2,661 million. Strong operations reflected growth in the international patient segment, and cost efficiencies. The 3Q11 reported net profit was Baht 454 million, a 20% increase from 3Q10 net profit of Baht 377 million. The resulting Net profit margin was 14.5% in 3Q11, an increase from 14.1% in 3Q10.

For 9M11, the Company reported total revenues of Baht 8,730 million, a 16% increase from 9M10 revenues of Baht 7,521 million. The Company's 9M11 reported net profit was Baht 1,214 million, a 33% increase from Baht 914 million in 9M10. Resulting Net profit margin was 13.8% in 9M11, an increase from 12.2% in 9M10.

Details of the management discussion and analysis are as follows.

Profit and Loss Statement

Quarterly operation performance

For 3Q11, the Company reported Revenues from hospital operations of Baht 2,994 million, a 16% increase year over year from Baht 2,586 million in 3Q10. Total patient volumes and revenue per episode increased in 3Q11 compared with 3Q10. Outpatient service revenue increased by 15% year over year while inpatient service revenue increased by 19% year over year. The revenue contribution by inpatient service was 50% and outpatient service was 50% in 3Q11. In terms of revenues by nationality, revenues from international patients were 59% and revenues from Thai patients were 41%.

Rental income was Baht 33 million in 3Q11, flat with Baht 32 million in 3Q10. Other income was Baht 50 million in 3Q11, significant growth from Baht 30 million in 3Q10 as a result of the increase in interest

income and gain on exchange rate. Total revenues in 3Q11 were Baht 3,077 million, compared to Baht 2,661 million in 3Q10, a 16% increase year over year.

In 3Q11, the Company reported Cost of hospital operations of Baht 1,775 million, a 15% increase year over year from Baht 1,544 million in 3Q10, in line with the growth rate of Revenues from hospital operations. Gross profit was Baht 1,219 million, a 17% increase year over year from Baht 1,042 million in 3Q10, reflecting gross margin at 40.7% in 3Q11 vs. 40.3% in 3Q10.

3Q11 Administrative expenses were Baht 519 million, a 16% increase year over year from Baht 446 million in 3Q10, in line with the growth rate of Total revenues. As a result, EBITDA was Baht 769 million in 3Q11, a 17% increase year over year from Baht 659 million in 3Q10. Consequently, EBITDA margin was 25.1% in 3Q11 which improved marginally from 24.9% in 3Q10.

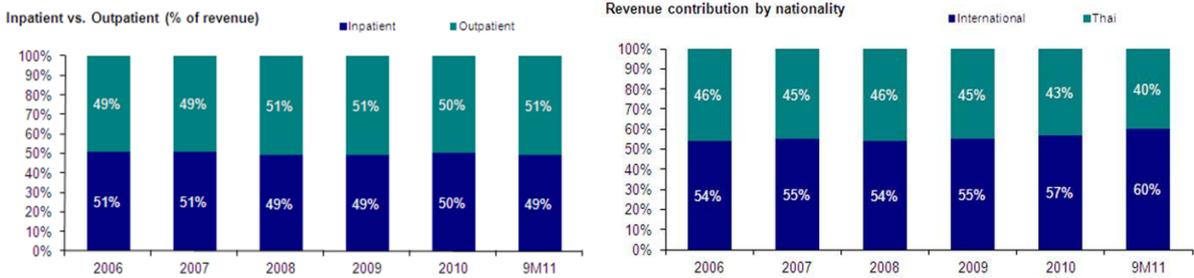
3Q11 Depreciation and amortization was Baht 163 million, higher than the Baht 154 million in 3Q10, as a result of the ongoing capital spending for the campus master plan. The Company reported Share of income from investments in joint venture and associated companies of Baht 59 million in 3Q11, compared to Baht 4 million in 3Q10. The 3Q11 share of income was primarily attributable to share of income from Kasemrad Hospital Group of Baht 48 million, and the share of income from Bumrungrad International Limited of Baht 9 million.

Financing expense was Baht 55 million in 3Q11, higher than Baht 18 million in 3Q10, 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 3Q11 was Baht 170 million, compared to Baht 127 million in 3Q10, at the effective tax rate of 30.1% in 3Q11 and 25.4% in 3Q10.

For 3Q11, basic EPS was Baht 0.62, a 19% increase year over year from Baht 0.52 in 3Q10. 3Q11 fully diluted EPS was Baht 0.52, a 21% increase year over year from Baht 0.43 in 3Q10.

9M11 operation performance

For the 9M11, the Company reported revenues from hospital operations of Baht 8,511 million, a 16% increase from Baht 7,313 million in 9M10. The revenue growth was driven by strong revenues from hospital operations from the increase in patient volume, primarily from the international segment and the recovery from slower operations as a result of political unrest. Inpatient revenues increased by 15% year over year, while outpatient revenues increased 19% year over year in 9M11. The revenue contribution by inpatient was 49% and outpatient was 51% in 9M11. In terms of revenues by nationality, revenue from international patient was 60% and Thai patient was 40%.



Rental income was Baht 94 million in 9M11, a slight decline from Baht 100 million in 9M10. Other income was Baht 125 million in 9M11, increased from Baht 95 million in 9M10 because of increase in interest income and gain on exchange rate. Total revenues in 9M11 were Baht 8,730 million, compared to Baht 7,521 million in 9M10, a 16% increase year over year.

In 9M11, the Company reported cost of hospital operations of Baht 5,030 million, a 14% increase from Baht 4,401 million in 9M10, 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 3,482 million in 9M11, a 20% increase from Baht 2,912 million in 9M10. Consequently, gross profit margin was 40.9% in 9M11, higher than 39.8% in 9M10.

9M11 administrative expenses were Baht 1,404 million, a 9% increase from Baht 1,287 million in 9M10, lower than the increase in total revenues. The slower growth in administrative expenses was due to the lower donation expenses, lower marketing spending, and lower bad debt expenses. As a result, EBITDA was Baht 2,275 million in 9M11, significantly increased by 25% from Baht 1,818 million in 9M10. Consequently, EBITDA margin improved to 26.1% in 9M11 compared to 24.2% in 9M10.

9M11 depreciation and amortization was Baht 482 million, higher than Baht 439 million in 9M10 due to the ongoing capital spending for the campus master plan. The Company reported share of profit from investments in joint venture and associated companies of Baht 69 million in 9M11, compared to share of loss of Baht 45 million in 9M10. The results for both periods were impacted by extraordinary items, as further explained in the Extraordinary Items section of this document. The share of profit from Kasemrad Hospital Group was Baht 92 million during 9M11.

Financing expense increased to Baht 128 million in 9M11 compared to Baht 50 million in 9M10, primarily as a result of Baht 69 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 9M11 was Baht 541 million, compared to Baht 385 million in 9M10, or at the effective tax rate of 32.1% in 9M11 and 28.6% in 9M10. The higher effective tax rate in 9M11 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 9M11 was 30.6%.

The Company's results for both 9M11 and 9M10 reflected extraordinary items in the 2nd quarter related to Bumrungrad International Limited which are discussed in further detail in the Extraordinary Items section of this document. Excluding extraordinary items, the 9M11 net profits was Baht 1,264 million, a 29% increase from Baht 977 million in 9M10. Net profit margin excluding extraordinary items was 14.4% in 9M11, an increase from 13.0% in 9M10.

For 9M11, basic EPS was Baht 1.67, 34% increase from Baht 1.25 in 9M10. 9M11 fully diluted EPS was Baht 1.40, also a 33% increase from Baht 1.05 in 9M10.

Income statement (Unit: Baht million)	3Q11	3Q10	Y-o-Y Growth	9M11	9M10	Y-o-Y Growth
Revenues from Hospital Operations	2,994	2,586	16%	8,511	7,313	16%
Total Revenues	3,077	2,661	16%	8,730	7,521	16%
Gross Profit	1,219	1,042	17%	3,482	2,912	20%
EBITDA	769	659	17%	2,275	1,818	25%
Share of Income from Investments in Joint Venture and Associated Companies	59	4	NA	69	-45	NA
Net Profit	454	377	20%	1,214	914	33%
EPS – Basic	0.62	0.52	19%	1.67	1.25	34%
EPS – Fully Diluted	0.52	0.43	21%	1.40	1.05	33%
<i>Gross Profit Margin</i>	40.7%	40.3%		40.9%	39.8%	
<i>EBITDA Margin</i>	25.1%	24.9%		26.1%	24.2%	
<i>Net Profit Margin</i>	14.5%	14.1%		13.8%	12.2%	

Balance Sheet

As at 30 September 2011, the Company reported Total current assets of Baht 3,206 million, an increase from Baht 1,855 million as at 31 December 2010, primarily because of an increase of Baht 1,114 million in Cash and cash equivalents. Trade accounts receivable was Baht 1,174 million as at 30 September 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 37.2 days as at 30 September 2011 compared to 33.6 days as at 31 December 2010. Total non-current assets increased to Baht 10,133 million as at 30 September 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 13,338 million as at 30 September 2011 from Baht 9,152 million as at 31 December 2010.

Total liabilities were Baht 6,988 million as at 30 September 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 Accrued expenses and an increase in provision for long-term employee benefits of Baht 293 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 September 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 0.5x as at 30 September 2011 from 0.15x as at 31 December 2010. The Company's interest coverage ratio was 17.8x in 9M11 compared to 36.4 in 9M10. The decrease in interest coverage ratio was due to higher interest expense.

Total shareholders' equity increased to Baht 6,350 million as at 30 September 2011 from Baht 6,069 million as at 31 December 2010, primarily as a result of the Company's 9M11 net profit of Baht 1,214 million, netted off with Baht 276 million from cumulative effect of change in accounting policy for employee benefits, Baht 694 million from dividend payment and other retain earnings increase Baht 36 million. Annualized average return on assets (ROA) in 9M11 was 14.4% while annualized average return on equity (ROE) was 26.1% in 9M11.

Unit: Baht million	30-Sep-11	31-Dec-10	Growth
Total Assets	13,338	9,152	46%
Total Liabilities	6,988	3,082	127%
Total Shareholders' Equity	6,350	6,069	5%
Average Collection Period (days)	37.2	33.5	
Average Inventory Period (days)	11.6	12.7	
Average Payables Period (days)	30.9	32.8	
Net Debt to Equity (x)	0.5	0.2	
	9M11	9M10	
Interest Coverage Ratio (x)*	17.8	36.4	
Average Return on Assets (%)	14.4%	13.9%	
Average Return on Equity (%)	26.1%	21.7%	

* 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 69.5 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 98.8 million and interest coverage ratio would be 14.5x

Liquidity

The Company's cash flow from operating activities in 9M11 was Baht 1,561 million, compared to Baht 1,187 million in 9M10. Net cash used in investment activities was Baht 3,193 million in 9M11, compared to Baht 569 million in 9M10, 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 2,746 million in 9M11, an increase from Baht 592 million net cash flow used in financing activities in 9M10, 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 1,741 million as at 30 September 2011, an increase from Baht 413 million as at 30 September 2010.

Liquidity ratio as at 30 September 2011 decreased to 0.58x compared to 1.12x as at 31 December 2010, as a result of the increase in short-term loans. Similarly, quick ratio decreased to 0.53x as at 30 September 2011 compared to 0.95x as at 31 December 2010.

Unit: Baht million	3Q11	3Q10
Cash Flow from Operating Activities	1,561	1,187
Cash Flow from Investing Activities	-3,193	-569
Cash Flow from Financing Activities	2,746	-592
Net Increase (Decrease) in cash and cash equivalents	1,114	27
Cash and Cash Equivalents at end of year	1,741	413
	30-Sep-11	31-Dec-10
Liquidity Ratio (x)	0.58	1.12
Quick Ratio (x)	0.53	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 impacts 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,

(Dr. Chanvit Tanphiphat)

Director