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Subject: Management Discussion and Analysis for the second quarter 2012 results

To: Directors and Manager
The Stock Exchange of Thailand

Bumrungrad Hospital PCL.
Management Discussion and Analysis for 2Q12 results
14 August 2012

Summary

The Company reported Total revenues in 2Q12 of Baht 3,266 million, a 14.4% increase from 2Q11 revenues of Baht 2,854 million. Net profit for 2Q12 grew 45.4% to Baht 500 million from Baht 344 million in 2Q11, with the resulting Net profit margin advancing to 15.1% in 2Q12 compared with 12.1% in 2Q11.

For 1H12, Total revenues increased to Baht 6,502 million, producing a 15.0% improvement over 1H11 revenues of Baht 5,653 million. This revenue growth contributed to a 42.5% Net profit increase to Baht 1,083 million in 1H12 from Baht 760 million in 1H11. Consequently, the Net profit margin rose to 16.4% in 1H12 from 13.4% in 1H11.

The Company's results for 2011 reflect an extraordinary item related to Bumrungrad International Limited, as further explained in the Extraordinary Item section of this document. Excluding the extraordinary item, 2Q11 Net profit was Baht 394 million, while 1H11 Net profit was Baht 810 million, resulting in adjusted Net profit growth of 27.0% and 33.7% in 2Q12 and 1H12, respectively. Net profit margin excluding the extraordinary item was 13.8% in 2Q11 and 14.3% in 1H11.

Details of the management discussion and analysis are as follow:

Income statements

Quarterly Operational Performance

For 2Q12, the Company reported Revenues from hospital operations of Baht 3,174 million, a 14.1% increase year-over-year from Baht 2,783 million in 2Q11. Outpatient volumes increased in 2Q12 compared with 2Q11, primarily due to strong growth in international markets. While inpatient admissions for 2Q12 approximated those of 2Q11, inpatient days increased due to a longer average length of stay from higher acuity cases. Revenue intensity also increased in 2Q12 in both inpatient and outpatient services, with the inpatient revenue intensity increase driven by the longer length of stay noted above. As a result, inpatient and outpatient service revenue increased by 12.8% and 14.0%, respectively. The revenue contribution from inpatient services in 2Q12 was 48.7% and from outpatient services was 51.3%, both in line with 2Q11 contribution percentages. In terms of revenues by nationality, international patients accounted for 62.8% with

the remaining 37.2% from Thai patients, reflecting a somewhat higher growth rate and ratio in international business than those of the prior period.

Interest income increased to Baht 13 million in 2Q12 from Baht 5 million in 2Q11, while Exchange gains grew to Baht 25 million in 2Q12, from Baht 12 million in 2Q11. Total revenues in 2Q12 were Baht 3,266 million, compared to Baht 2,854 million in 2Q11, a 14.4% increase year-over-year.

The Company reported Cost of hospital operations of Baht 1,913 million for 2Q12, a 14.7% increase year-over-year from Baht 1,668 million in 2Q11. The increase in Cost of hospital operations was slightly higher than the 14.1% increase in Revenues from hospital operations due to additional staff related expense mostly as a result of the government mandated minimum wage adjustment effective 1 April 2012. Gross profit for 2Q12 was Baht 1,261 million, a 13.1% increase year-over-year from Baht 1,115 million in 2Q11, effecting a Gross profit margin of 39.7% in 2Q12 compared to 40.1% in 2Q11. Excluding the impact of the minimum wage adjustment, the Gross profit margin improved year-over-year.

Administrative expenses for 2Q12 were Baht 525 million, an 18.4% increase from Baht 443 million in 2Q11. Aside from certain expenses associated with increased volumes, the variance was mostly due to additional staff related expense and outsourced services expense as a result of the minimum wage adjustment, and increased marketing related expenses due to timing differences of expenditures between periods. EBITDA was Baht 815 million in 2Q12, a 10.5% increase from Baht 738 million in 2Q11, with EBITDA margin at 25.0% in 2Q12 compared to 25.9% in 2Q11. When the effect of the minimum wage adjustment is excluded, EBITDA margin improved in 2Q12 from the prior year.

Ongoing capital spending contributed to increased 2Q12 Depreciation and amortization of Baht 175 million from Baht 161 million in 2Q11. The Company reported Baht 53 million Share of profit from investments in associates in 2Q12, compared to Share of loss of Baht 0.4 million in 2Q11. Included in the 2Q12 amount is Baht 52 million attributable to Kasemrad Hospital Group. The 2Q11 Share of loss was mostly due to a Share of loss from Bumrungrad International Limited of Baht 45 million, offset by Share of profit from Kasemrad Hospital Group of Baht 44 million. The 2Q11 Share of loss was caused by an extraordinary item, as further explained in the Extraordinary Item section of this document.

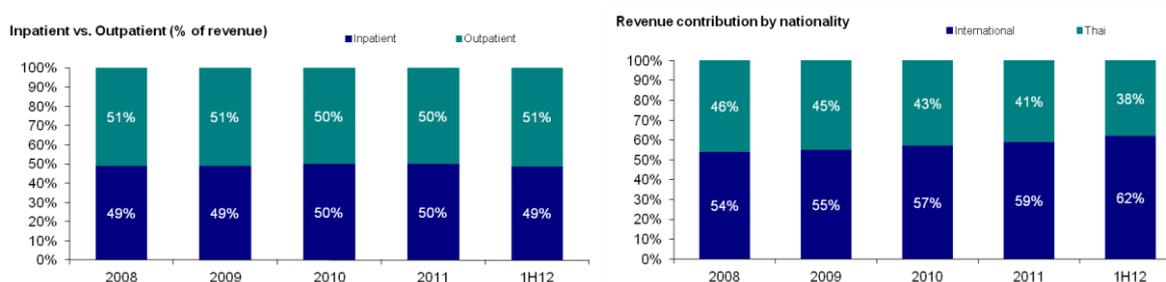
Finance cost increased to Baht 60 million in 2Q12 from Baht 52 million in 2Q11, primarily due to slightly higher interest expense and amortization of bond issuance cost associated with bonds issued in December 2011 to refinance debt.

Corporate income tax in 2Q12 decreased to Baht 145 million from Baht 185 million in 2Q11, with an effective tax rate of 24.5% compared to 35.0% in 2Q11. Most of the decrease is related to the reduction of the statutory corporate income tax rate from 30% in 2011 to 23% in 2012. The variance between the statutory and effective tax rates for 2Q12 is due to an adjustment of 2011 taxes made during 2012, while the 2Q11 variance was caused by 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 the declaration date. Excluding this dividend tax, the effective tax rate for 2Q11 was 30.3%.

Basic EPS for 2Q12 was Baht 0.69, resulting in a 45.4% increase year-over-year from Baht 0.47 in 2Q11, while 2Q12 fully diluted EPS also increased 45.4% to Baht 0.58 from Baht 0.40 in 2Q11.

First Half Operational Performance

The Company reported 1H12 Revenues from hospital operations of Baht 6,329 million, contributing to a 14.7% increase year-over-year from Baht 5,517 million in 1H11. Both inpatient and outpatient volumes increased in 1H12 compared with 1H11, driven by strong growth in international markets. Revenue intensity also increased in 1H12 for both inpatient and outpatient services. As a result, inpatient and outpatient revenues increased by 14.2% and 14.3%, respectively. Revenues in 1H12 from inpatient services were 49.1% and from outpatient services were 50.9%, mirroring 1H11 percentages. As to contributions by nationality, revenues from international patients were 62.1% and from Thai patients 37.9%, again reflecting a somewhat higher growth rate and ratio in international business than those of the prior period.



Interest income grew to Baht 21 million in 1H12 from Baht 7 million in 1H11, while Exchange gains increased to Baht 34 million in 1H12, compared with Baht 22 million in 1H11, and Other income advanced to Baht 55 million in 1H12 from Baht 46 million in 1H11. Total revenues in 1H12 increased 15.0% year-over-year to Baht 6,502 million from Baht 5,653 million in 1H11.

The Company reported Cost of hospital operations of Baht 3,748 million in 1H12, a 15.2% increase from Baht 3,255 million in 1H11. The increase in Cost of hospital operations was slightly higher than the 14.7% increase in Revenues from hospital operations due to additional staff related expense as a result of the government mandated minimum wage adjustment and increased doctor fees relative to high intensity cases. Gross profit was Baht 2,582 million, a 14.1% increase year-over-year from Baht 2,263 million in 1H11, resulting in a Gross profit margin of 40.8% in 1H12 compared to 41.0% in 1H11. Excluding the impact of the minimum wage adjustment, Gross profit margin in 1H12 improved year-over-year.

Administrative expenses were Baht 1,010 million in 1H12, resulting in a 14.0% increase from Baht 886 million in 1H11. The increase was mainly due to additional staff related expense and outsourced services expense as a result of the minimum wage adjustment. EBITDA was Baht 1,724 million in 1H12, a 14.4% increase from Baht 1,506 million in 1H11, with EBITDA margin at 26.6% in 1H12 versus 26.7% in 1H11. When the effect of the minimum wage adjustment is excluded, EBITDA margin improved in 1H12 from the corresponding period in the prior year.

Continuing capital spending increased 1H12 Depreciation and amortization to Baht 349 million versus Baht 320 million in 1H11. The Company reported Baht 111 million as Share of profit from investments in associates in 1H12, compared to Baht 10 million in 1H11. The 1H12 increase was primarily attributable to Share of profit from Kasemrad Hospital Group of Baht 107 million. Share of profit for 1H11 included Baht 44 million from Kasemrad Hospital Group, offset by Share of loss from Bumrungrad International Limited of Baht 35 million. The 1H11 Share of loss was caused by an extraordinary item, as further explained in the Extraordinary Item section of this document.

Finance cost was Baht 120 million in 1H12 compared to Baht 73 million in 1H11, due to Baht 119 million in interest expense and amortization of bond issuance cost associated with the debt borrowed to fund the purchase of common shares of Bangkok Chain Hospital PCL, doing business as Kasemrad Hospital Group on 18 March 2011. Such debt, which was refinanced by bonds issued in December 2011, was outstanding for the full six months in 1H12, compared with just over three months in 1H11.

Corporate income tax in 1H12 was Baht 304 million, a decrease from Baht 370 million in 1H11, with an effective tax rate of 23.9% in 1H12 and 33.1% in 1H11. This variance was mostly due to the reduction of the statutory corporate income tax rate from 30% in 2011 to 23% in 2012. The variance between the statutory and effective tax rates for 1H12 is due to an adjustment of 2011 taxes made during 2012, while the 1H11 variance was caused by 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 the declaration date. Excluding this dividend tax, the effective tax rate for 1H11 was 30.8%.

Basic EPS was Baht 1.49 for 1H12, a 42.5% increase year-over-year from Baht 1.04 in 1H11. Fully diluted EPS also grew 42.5% year-over-year to Baht 1.25 in 1H12 from Baht 0.88 in 1H11.

Income statements						
(Unit: Baht million)	2Q12	2Q11	Change	1H12	1H11	Change
Revenues from hospital operations	3,174	2,783	14.1%	6,329	5,517	14.7%
Total revenues	3,266	2,854	14.4%	6,502	5,653	15.0%
Gross profit	1,261	1,115	13.1%	2,582	2,263	14.1%
EBITDA	815	738	10.5%	1,724	1,506	14.4%
Share of profit from investments in associates	53	0	NA	111	10	995%
Net profit	500	344	45.4%	1,083	760	42.5%
<i>Gross profit margin</i>	39.7%	40.1%		40.8%	41.0%	
<i>EBITDA margin</i>	25.0%	25.9%		26.6%	26.7%	
<i>Net profit margin</i>	15.1%	12.1%		16.4%	13.4%	
EPS						
(Unit: Baht)	2Q12	2Q11	Change	1H12	1H11	Change
EPS – Basic	0.69	0.47	45.4%	1.49	1.04	42.5%
EPS – Fully Diluted	0.58	0.40	45.4%	1.25	0.88	42.5%

Statements of financial position

As at 30 June 2012, the Company reported Total current assets of Baht 3,790 million, an increase from Baht 2,704 million as at 31 December 2011, mostly due to an increase of Baht 1,011 million in Cash and cash equivalents. Trade accounts receivable was Baht 1,199 million as at 30 Jun 2012 versus Baht 1,110 million as at 31 December 2011. The collection period decreased to 35.5 days as at 30 June 2012 from 37.2 days as at 31 December 2011, due largely to collections from Middle East contracts. Total non-current assets decreased to Baht 10,710 million as at 30 June 2012 from Baht 10,768 million as at 31 December 2011, due mostly to the decrease in Investments in associates primarily related to the capital reduction of Bumrungrad International Limited, offset by an increase in Property, plant and equipment. Total assets increased to Baht 14,500 million as at 30 June 2012 from Baht 13,473 million as at 31 December 2011.

Total current liabilities were Baht 1,935 million as at 30 June 2012, an increase from Baht 1,506 million as at 31 December 2011, primarily from an increase of Baht 170 million in Income tax payable and an increase of Baht 189 million in various other Accrued expenses.

Non-current liabilities, consisting mostly of Long-term debentures, had no significant changes as the Company completed the bond issuance in December 2011, with little, if any, subsequent change. As a result of the increase in Cash and cash equivalents related to strong operating results and increased collections, Net debt to equity decreased to 0.4x as at 30 June 2012 from 0.6x as at 31 December 2011. The Company's Interest coverage ratio was 14.4x in 1H12 compared to 20.6x in 1H11. The decrease in the Interest coverage ratio was due to higher interest expense associated with the debt financing related to the investment in Kasemrad Hospital Group.

Total shareholders' equity increased to Baht 7,324 million as at 30 June 2012 from Baht 6,734 million as at 31 December 2011. This increase primarily resulted from the Company's 1H12 Net profit of Baht 1,083 million, netted off with a dividend payment of Baht 474 million and other changes in Retained earnings of Baht 18 million. Average return on assets (ROA) increased 10% from 14.0% in 2011 to 15.5% in 1H12. Similarly, Average return on equity (ROE) increased 24% from 24.8% in 2011 to 30.8% in 1H12.

Unit: Baht million	30-Jun-12	31-Dec-11	Change
Total assets	14,500	13,473	7.6%
Total liabilities	7,176	6,739	6.5%
Total shareholders' equity	7,324	6,734	8.8%
	1H12	1H11	
Interest coverage ratio (x)	14.4	20.6*	

** Interest expenses 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 in the period 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 will be 10.9x*

	1H12	2011
Average collection period (days)	35.5	37.2
Average inventory period (days)	11.7	13.2
Average payables period (days)	27.2	30.1
Net debt to equity (x)	0.4	0.6
Average return on assets (%)	15.5%	14.0%
Average return on equity (%)	30.8%	24.8%

Cash flow statements

The Company's Net cash flows from operating activities in 1H12 was Baht 1,738 million, compared to Baht 1,302 million in 1H11, due to strong operating results and reduced Income tax payments in 1H12. Net cash flows used in investment activities was Baht 117 million in 1H12, versus Baht 3,103 million in 1H11. The Baht 3,563 million impact from the purchase of common shares of Kasemrad Hospital Group was included in 1H11, while 1H12 included the receipt of proceeds of Baht 340 million from the capital reduction exercise by Bumrungrad International Limited, netted with the Baht 501 million cash out flow associated with the Acquisition of Property, plant and equipment. The Company reported Net cash used in financing activities of Baht 608 million in 1H12, versus Baht 3,052 million provided by financing activities in 1H11, as the Company received Baht 3,570 million from short-term loans in 1H11 relative to the purchase of common shares of Kasemrad Hospital Group. As a result, Cash and cash equivalents were Baht 2,272 million as at 30 June 2012, compared to from Baht 1,879 million as at 30 June 2011.

The Company's Liquidity ratio as at 30 June 2012 increased to 2.0x from 1.8x as at 31 December 2011, due to the increase in Cash and cash equivalents. Similarly, the Quick ratio increased to 1.8x as at 30 June 2012 from 1.6x as at 31 December 2011.

Unit: Baht million	1H12	1H11
Net cash flows from operating activities	1,738	1,302
Net cash flows (used in) investing activities	-117	-3,103
Net cash flows (used in) from financing activities	-608	3,052
Net increase in cash and cash equivalents	1,011	1,251
Cash and cash equivalents at end of period	2,272	1,879
	30-Jun-12	31-Dec-11
Liquidity ratio (x)	2.0	1.8
Quick ratio (x)	1.8	1.6

Extraordinary Item

An extraordinary item occurred in 2Q11 in the amount of Baht 50 million. In 2010, Bumrungrad International Limited (BIL) completed the sale of an investment in Asia Renal Care Limited (ARC), a 100% indirectly owned subsidiary. 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 Share of loss from BIL of Baht 45 million for 2Q11, and Baht 35 million 1H11.

Subsequent Event

On 10 July 2012, the Company sold all of its investment in Bangkok Chain Hospital PCL, doing business as Kasemrad Hospital Group, totaling 498.75 million shares (including shares received by the Company as a dividend in 2011), at a price of Baht 9.15 for each share. The Company received proceeds from the share sale of approximately Baht 4,482 million after deducting applicable transaction costs associated with the sale. A pretax gain on sale of approximately Baht 790 million will be recognized in the 3rd quarter of 2012 in the consolidated financial statements. The sale of this investment was made in accordance with a resolution of the Company's Board of Directors Meeting held on 2 July 2012.

Please be informed accordingly.

Yours faithfully,

(Dr. Chanvit Tanhiphat, MD)

Vice Chairman