TRIS RATING

CreditNews ข่าวเครดิต

BUMRUNGRAD HOSPITAL PLC

Announcement no. 826

21 October 2011

Company Rating:	A
Outlook:	Stable
New Issue Rating:	-

Rating Rationale

TRIS Rating assigns a company rating of "A" to Bumrungrad Hospital PLC (BH). The rating reflects BH's leading position in Thailand's private hospital market, the capabilities of the hospital's physicians and management team, ability to attract medical staff, and a strong financial position. However, these strengths are partially offset by intense competition in both local and international healthcare markets, single premise limitation, and potential future debt-financed investments.

BH operates a hospital in Bangkok under the name "Bumrungrad International Hospital". The flagship hospital in Bangkok generates over 95% of the company's total revenue. BH is a leading private healthcare provider in Thailand and Asian region with service capacities of 3,900 outpatients per day and 512 inpatient beds. Foreign patients account for approximately 60% of the total revenue. About 70% of total revenue is from self-pay patients.

BH is well managed by a competent and experienced professional and medical staff team. Its flagship hospital earns a very strong brand recognition and three decades of solid medical records. BH targets mostly premium local and foreign patients and competes with differentiation on services and quality. The company has a very strong revenue generating capacity per patient, a key factor in attracting and retaining talent medical staff and specialists.

The company's competitive edge as a medical hub in Asia is underpinned by its first-mover advantage in the regional medical tourist segment, economies of scale, and strong referral networks overseas. In addition, BH enjoys Thailand's developed infrastructure and welcoming atmosphere as a destination for foreign tourists. Medical costs in Thailand are also highly competitive compared with other advanced neighbouring countries.

Hospital industry in Asia, notwithstanding Thailand, is undergoing a consolidation transformation. Several hospitals merged to achieve size and scope. Smaller and stand-alone hospitals, such as BH, are facing rising challenges from strong capital-based hospitals with extensive networks and diverse geographies.

BH's financial profile is strong. Revenue has grown respectably over the past few years. Rising revenue per patient helped offset slowdown in the number of patient visits during political unrests. Operating margins and cash flows should continue to remain stable in the medium term. Leverage level has risen in recent periods after BH built a new OPD clinic and upgraded its flagship Bangkok facilities, as well as acquired 24.99% of Bangkok Chain Hospital PLC's (KH) shares. Debt to capitalization rose from 20.1% in 2010 to 44.5% at the end of June 2011. BH's rating takes into account potential debt-financed investment projects in the future.

Rating Outlook

The "stable" outlook reflects the expectation that BH will be able to maintain its leading position in Thailand's private hospital market. With its strong brand and efficient operations, the company should continue to attract strong profile medical

Contacts:

Yingyong Chiaravutthi, CFA
yingyong@tris.co.th

Sarinthorn Sosukpaibul
sarinthorn@trisrating.com

Kanokporn Nitnitiphrut
kanokporn@tris.co.th

Suchada Pantu
suchada@tris.co.th

WWW. TRISRATING.COM

staff and premium patients. BH is also expected to maintain its debt to capitalization not to exceed 50% for an extended period.

Bumrungrad Hospital PLC (BH)

Company Rating:	A
Rating Outlook:	Stable

KEY RATING CONSIDERATIONS

Strengths/Opportunities

- Leading position and strong brand recognition among hospitals in Thailand
- Experienced management team
- Solid business profile which attracts a competent medical team
- Strong financial profile

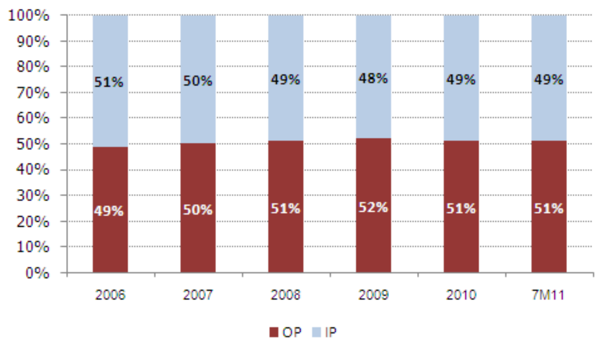
Weaknesses/Threats

- Competition in both domestic and regional markets
- Limit by a single premise
- Potential future debt-financed investments

CORPORATE OVERVIEW

BH operates a hospital in Bangkok under the name "Bumrungrad International Hospital". The company was established in 1980 as a 220-bed facility. BH was listed on the Stock Exchange of Thailand (SET) in 1989. In 1997, the company opened a 554-bed facility that was operated by its subsidiary, Bumrungrad Medical Center Co., Ltd. (BMC). In 2004, BMC sold all movable assets and transferred its operating licenses involving in the hospital business back to BH.

Chart 1: BH's Revenue Contribution by Service Type

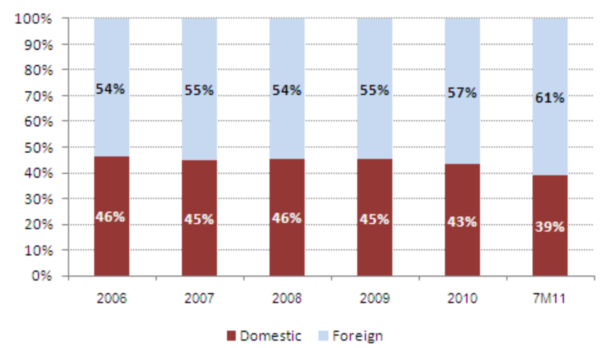


Source: BH

The company's flagship hospital in Bangkok generates over 95% of its total revenue. At the end of June 2011, the hospital had service capacities of approximately 4,000 outpatient (OP) visits per day and 538 registered inpatient (IP) beds. The actual number of beds was 512. The revenue contributions from OP and IP have stayed about equal.

Foreign patients account for approximately 60% of BH's total revenue. About 70% of total revenue is from self-pay patients. The remaining 30% of BH's total revenue is from insurance payments and corporate contracts. Corporate contracts also include patients from the Middle East region whose services are paid by their respective state authorities.

Chart 2: BH's Revenue Contribution by Nationality



Source: BH

BH's largest shareholder is Bangkok Bank PLC (BBL) and its affiliates, which includes BBL, Sinsuptawee Asset Management Co., Ltd., and Bangkok Insurance PLC, which together held approximately 24% in BH's total outstanding shares at the end of June 2011. The second largest shareholder is Bangkok Dusit Medical Services PLC (BGH), holding about 14.2%. BGH became BH's second largest shareholder after purchasing BH shares in the stock market during 2010 to early 2011.

In 2008, BH opened Bumrungrad International Clinic, a 22-storey OP-only facility adjacent to BH's existing flagship facility in Bangkok. The new clinic will increase BH's OP capacity from about 4,000 visits per day to 5,520 visits per day by 2013. BH is also currently renovating the IP wards in its main facility. The renovation will ultimately raise the number of registered beds from 538 to 572 by 2016.

BH invests overseas through its affiliate, Bumrungrad International Ltd. (BIL). BIL was set up in 2002 initially as BH's wholly-owned subsidiary. BH gradually reduced its stake in BIL to 31.5% by 2007 and has kept its holding at this level since then. The remaining stake in BIL is held by four strategic partners: Istithmar PJSC, Temasek, AFH International Co., Ltd. (a Hong Kong company related to BBL's major shareholders), and BBL. At the end of June 2011, BIL owned a 56.5% stake in Asian Hospital Inc. (AHI), a 253-bed hospital in the Philippines, and had a contract to manage Mafraq Hospital in Abu Dhabi, United Arab Emirates (UAE).

RECENT DEVELOPMENTS

- ***Purchased 24.99% of KH***

In March 2011, BH purchased a 24.99% stake in Bangkok Chain Hospital PLC (KH) from Land & Houses PLC (LH) for a total of Bt3.56 billion in cash. BH financed the transaction with a bridge loan from a bank. After the transaction, KH becomes BH's associated company. BH expects to refinance the bridge loan by the end of 2011.

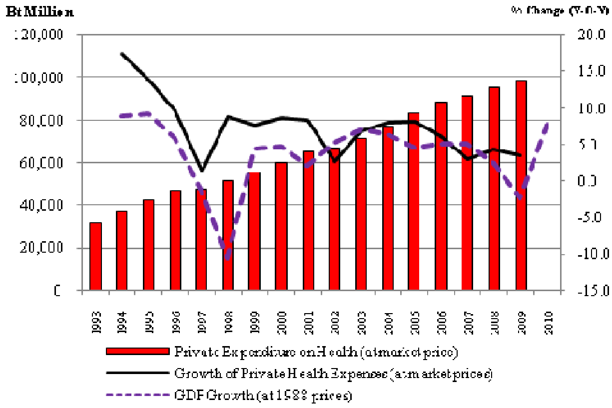
- ***Reduced capital in BIL***

In April 2011, BIL reduced its registered and paid-up capital from Bt3.2 billion to Bt1.176 billion and returned the capital to shareholders. As a result, BH received Bt612.6 million because of its 31.5% holding in BIL.

INDUSTRY ANALYSIS

Private sector expenditures for healthcare services account for about 50% of total healthcare spending in Thailand. The Office of the National Economic and Social Development Board (NESDB) reported that spending on healthcare services by the private sector grew by an average rate of 6.7% per annum during 1995-2009. In 2009, nationwide private spending for healthcare services was Bt98,343 million, a 3.49% increase from Bt95,025 million in 2008. Household payments comprised the largest portion of total spending for healthcare services in Thailand. The remaining portion was paid by private health insurance companies to cover insured individuals and groups.

Chart 3: Private Expenditures for Healthcare Services



Source: Office of the National Economic and Social Development Board (NESDB)

According to the World Health Organization (WHO), the proportion of payments made through private health insurance over total private healthcare expenditures in Thailand equaled 24.22% in 2009, almost double the 12.77% ratio in 2000. Private sector expenditures for healthcare services tend to move in tandem with gross domestic product (GDP) growth. The domestic economy, the worldwide economy, and the arrival of foreign healthcare clients are three major factors that determine the business prospects of private hospitals, especially those hospitals focusing on foreign patients. Thailand's widespread flooding in 2011 and the volatile worldwide economy could pose a threat to this business in the near term, but the effect is expected to be temporary.

- ***Government healthcare spending increased continuously***

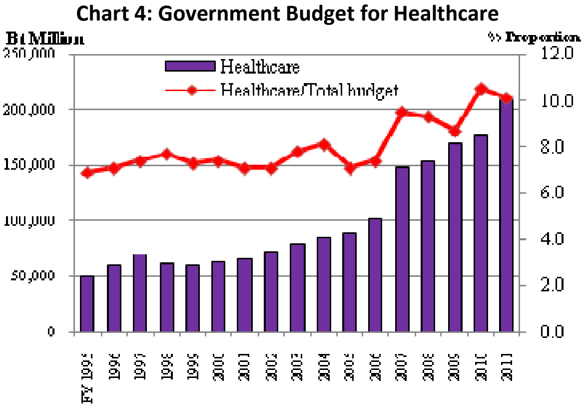
In 2009, over 99% of the Thai population was covered by some form of a public healthcare scheme, of which the three most important ones are universal healthcare coverage (UC), social security (SC) and civil servant medical benefits (CS). The government budget for healthcare has increased steadily since 1999. In fiscal year 2011, Bt208,093 million, or about 10.1% of the total budget, was allocated for public healthcare. This proportion was slightly lower than the proportion of 10.5% in the previous fiscal year.

Introduced in 2001, UC is overseen by the National Health Security Office (NHSO) under the Ministry of Public Health. It is the largest public health insurance scheme, covering every Thai citizen that is not included in SC or CS. At present, UC covers approximately 75% of the total population. Insured persons under UC are entitled to receive almost free medical services at selected hospitals. The UC budget is allocated annually by the government. In 2011, the budget was set at Bt101 billion.

SC, which was introduced in 1990, covers all workers employed in the private sector, which is about 15% of the Thai population. SC is funded from employees' salaries and contributions from employers and the government. Based on each employee's salary, a minimum of 5% will be collected monthly, then combined with a 5% contribution from the employer and 2.75% from the government. Funds paid into SC will accumulate and will be paid to employees when they become sick, unemployed, disabled, or die. SC funds can also be paid as maternity benefits.

CS covers state employees, representing about 8% of the total population. The annual budget is set at around Bt62 billion, but actual payments are running almost twice this figure. These public systems help increase access to healthcare services and raise spending on medical services. The government budget for healthcare has increased steadily since 1999.

Chart 4: Government Budget for Healthcare



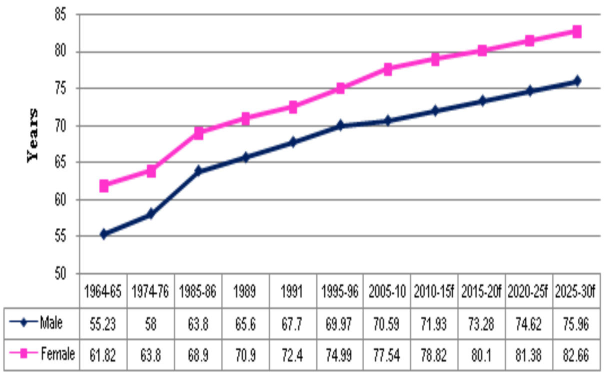
Source: Bureau of the Budget

A Royal Decree published on 2 April 2010 widened the scope of healthcare coverage for civil servants, allowing greater access to private hospitals, a higher ceiling on healthcare costs, and expanded coverage for some retirees.

- ***Aging population signals greater demand***

Demand for healthcare is on the rise as the Thai population is aging and healthcare subsidies are popular public policies.

Chart 5: Thai Population Life Expectancy at Birth



Source: NESDB

The NESDB reported the population aged 60 and older accounted for 11.89% of the total population in 2010, up from 9.38% in 2000. This portion of the population is expected to increase to 17.51% of the total population in 2020 and 25.12% in 2030, according to the NESDB. Along with global aging society, the average life expectancy of Thais has been increasing. In 2010, the average life expectancy of the Thai population was 73.28 years for males and 80.1 years for females, higher than the average life expectancy of 69.97 years and 74.99 years, respectively, during 1995-1996. This shift will raise future demand for healthcare.

- ***Competitive market with mergers and acquisitions in Thailand's hospital industry***

The healthcare industry in Thailand is competitive, with plenty of healthcare service providers. As of 2010, the public sector segment comprised 1,286 public hospitals with 133,683 registered beds. The public sector has dominated the healthcare service industry in Thailand, accounting for about 80% of total registered hospitals and beds. The remainder is provided by privately-owned hospitals, which generally target higher income patients or foreigners.

Over the past few years, many private hospitals merged in order to strengthen competitive position and reduce costs. BGH increased its shareholding in Ramkhamhaeng Hospital Group to 38.24% in 2008. In

2009, BGH increased 3.12% of shareholding in Phyathai Hospital Group, holding 19.43% of total shares. Later on, BGH merged with Phyathai Hospital Group and Paolo Hospital Group in 2010 and became the largest hospital network in Thailand. In 2011, BH acquired 24.99% of KH and became the second-largest group of hospitals in Thailand.

Many private hospitals are equipped with expensive medical devices and specialized doctors. Some hospitals also target foreign patients and partner with international organizations to increase their competitive edge. Several private hospitals try to differentiate themselves from competitors by specializing in certain areas, such as heart disease, cancer treatment, or orthopedics.

- ***Global economic crisis and serious flooding in Bangkok expected to slow foreign medical tourists in the short run***

Many medical treatments in Thailand cost much less than in other countries. This cost advantage was the driving force behind the government policy to promote Thailand as the "Medical Hub of Asia". The goal was to raise the number of foreigners coming to Thailand for medical care. The promotional plans targeted residents of Indochina, South Asia, the Middle East, East Asia, and the European Union. The Department of Export Promotion reported the number of foreign patients in 2009 was about 1.39 million persons. The number of foreign patients has grown from 0.55 million in 2001. The volatile worldwide economy and widespread flooding in Bangkok mean that the number of foreign patients may decline in the second half of 2011. Foreign tourist arrivals are expected to drop in the last quarter of 2011. Total foreign tourist arrivals in 2011 are expected to be about 18.5 million persons, down from the previous projection of 19.5 million persons before the flood crisis.

Between October and November 2011, much of Bangkok was affected by flooding. Some hospitals located in flooded areas suspended their OPD operations, except for emergency cases. Moreover, as the news spread overseas via the domestic and international media, some foreign patients may avoid coming to Thailand. A number of private hospitals targeting foreign patients have found that their patients postponed or even cancelled their treatments.

Competitors include overseas hospital operators because other Asian countries, including Singapore, Malaysia, Hong Kong, and India also target medical tourists. Hospital operators in Thailand are going to face tougher competition in the future as healthcare services are included as a topic for discussion in the upcoming ASEAN Economic Community (AEC) meetings. AEC is expected to be fully implemented in 2015 to encourage intra-ASEAN trade and services.

BUSINESS ANALYSIS

- ***Leading private hospital in Thailand***

BH's strong business profile reflects its leading position in the private hospital segment of the healthcare services industry. The company's flagship hospital in Bangkok, Bumrungrad International Hospital, has earned a very strong brand recognition, built for over three decades.

BH is the second largest SET-listed private hospital operator in Thailand in terms of revenue, following BGH. BH's revenue in 2010 stood at Bt9.9 billion. In terms of the number of registered beds, BH's share is relatively small. At the end of June 2011, BH had a total of 538 registered beds, representing only about 4% of the total number of hospital beds in private hospitals in Bangkok.

BH targets mostly premium local and foreign patients and competes by differentiating itself based on superior service and medical quality. The hospital is also highly regarded for its broad range of specialist services, tertiary care, and advanced technologies.

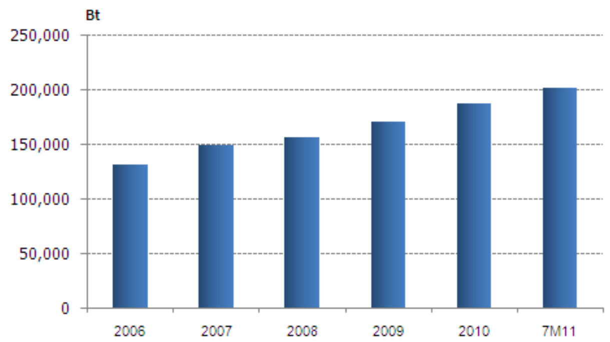
BH's ability to generate strong and steady growth in revenue per patient is underpinned by its strong brand franchise and respectable medical track record. The company's OP revenue per visit in the first seven months of 2011 stood at Bt5,973, up steadily from Bt3,878 in 2006. During the same period, IP revenue per admission was Bt202,529 , up from Bt131,262 in 2006.

TRIS Rating views the company's proven ability to generate steady growth in revenue per patient as a key element in attracting and retaining talented clinical staff and specialists. This factor supports BH's medium-term competitive position and its revenue growth profile.

Chart 6: BH's OP Revenue Per Visit

Source: BH

Chart 7: BH's IP Revenue Per Admission



Source: BH

- ***One of the top private hospitals in Asia***

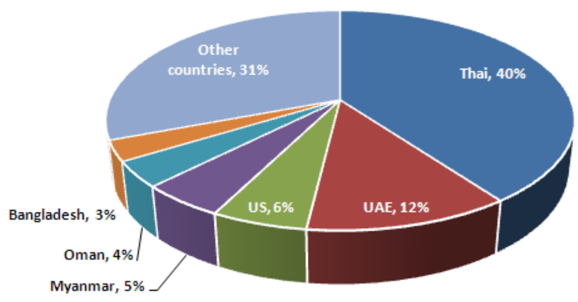
Besides being a leading private hospital in Thailand, BH is also well regarded as a top destination for medical tourists in Asia. Foreign patients account for approximately 45% of its total patient visits, and 60% of its total revenue.

BH has successfully maintained a relatively steady number of foreign patients during the past several years. BH serves around 400,000 foreign patients per annum, of which about 100,000 patients are expatriates residing in Thailand. BH's medical tourist customers represent about 23% of the total of 1.3 million medical tourists which have arrived annually in Thailand during the past few years.

Accepting foreign patients gives BH a diverse source of revenue, reducing the reliance on and competitive pressure from domestic demand for healthcare services. TRIS Rating views BH's diverse and solid base of foreign patients as a distinctive competitive edge. BH is able to achieve a certain level of economies of scale, absorbing significant overhead costs stemming from different needs of foreign patients.

Patients from the Middle East region account for the largest portion of BH's total foreign patients. UAE patients accounted for about 12% of BH's total revenue in the first half of 2011. BH's competitive position in attracting patients from the Middle East is underpinned by its long and established referral networks, as well as the location of its flagship facility, which is in the Middle Eastern neighborhood of Bangkok.

Chart 8: BH's Revenue by Patient Nationality (Jan-Jun 2011)



Source: BH

- ***Competent management and medical teams***

BH is run by a professional management team with a great deal of experience in the healthcare industry. The company's management has been with the company for over a decade. The corporate management team oversees the company's long-term plans and expansion strategies. Meanwhile, doctors and nursing staff are overseen by the group medical division, which is headed by a team of doctors. The team of doctors reports directly to BH's managing director. BH gives a high priority to its recruitment criteria for doctors. The qualifications of BH's clinical staff are considered very strong.

- ***Overseas expansion has yet to yield positive results***

BH began to expand overseas in 2004 through four major projects. The company later divested two of the projects in 2009 and 2010.

BH, through its then-subsidiary BIL, invested in AHI in 2005 and partnered with Istithmar to build a hospital under the Bumrungrad brand in Dubai, UAE, in 2006. In 2007, BIL purchased 100% ownership of Asia Renal Care Limited (ARC), a Singaporean company providing kidney dialysis services in Asia, for US$75 million. BIL also secured a four-year contract with the Health Authority of Abu Dhabi to manage Mafraq Hospital in Abu Dhabi, UAE.

During 2009-2010, BIL divested its stakes in the hospital project in Dubai and in ARC. The divestments meant a loss of Bt320 million for BIL. The effect on BH's bottom line was considered to be immaterial.

BIL is not expected to make significant contribution to BH's profits nor will the contribution rise substantially in the near future.

- ***Greater focus on domestic market***

In the next few years, BH plans to put a greater focus on the domestic market as worldwide economic prospects remain uncertain.

In the domestic market, BH will continue to explore expansion opportunities in the middle-income patient segment possibly by investing in other hospitals. BH is also considering about adding its second campus under Bumrungrad brand which will continue to target high-end market. BH's investment in KH reflects the company's initial step to improve growth in the market.

At the moment, BH's credit profile is constrained by its premises. The company generates almost all of its revenue from a single facility in Bangkok. TRIS Rating expects competition among healthcare providers in Thailand to be more intense, going forward. Other hospital operators are looking to consolidate in order to expand their market bases, raise bargaining power, reduce overlapping investments, and create referral networks. Although TRIS Rating believes that BH has a strong edge in the high-income segment, the company will inevitably face increasing challenges from stronger rivals if it remains as a single-premises facility.

FINANCIAL ANALYSIS

- ***Strong and stable margins***

BH's financial profile is strong. Revenue has grown steadily at single digit rates over the past couple of years. The growth came amid a challenging operating environment, ranging from political unrest to a sharp economic contraction.

BH's revenue has been driven largely by rising revenue per patient, which helped offset a downward trend in patient volume. Declining patient volume partly reflects BH's pricey image, which reduces visits by patients requiring only minor treatments. However, the patient volume picked up in the first half of 2011 compared with the same period last year.

Table 1: BH's Revenue Profile

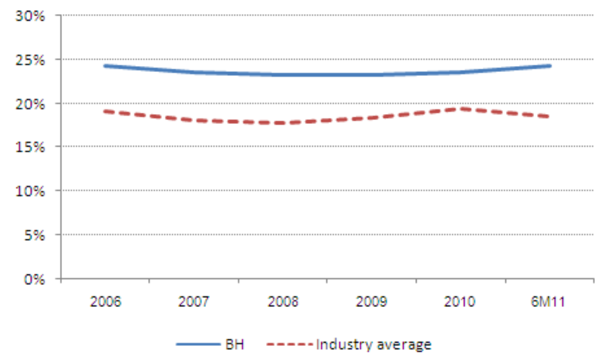
	2008	2009	2010	Jan-Jul 2011
OP visits /day	2,707	2,677	2,680	2,909
OP revenue per visit (Bt)	4,858	5,294	5,604	5,973
IP admit /day	80	78	78	82
IP revenue /admit (Bt)	156,403	171,539	188,204	202,529

Source: BH

In the medium term, TRIS Rating expects BH's revenue will grow at mid-single digit rates under our baseline scenario. A sustainable recovery in BH's patient volume should support the company's credit profile.

BH's operating margins (before depreciation and amortization) have been strong and stable over the past few years, ranging between 23%-25%. This strength largely reflects the company's strong business fundamentals and the stability of demand for healthcare services. BH's operating margins are generally higher than the industry average of other SET-listed healthcare providers.

Chart 9: BH's Operating Margin VS. Industry Average of SET-Listed Competitors



Sources: BH and TRIS Rating estimates

In the medium term, TRIS Rating expects BH's operating margins to remain stable, underpinning the company's strong cash flows.

- ***Potential debt-funded investments***

BH's leverage increased markedly in the first half of 2011 after the company built a new OP clinic and upgraded its flagship Bangkok facility. In addition, BH acquired 24.99% of KH shares in early 2011. The debt to capitalization ratio rose from 20.1% in 2010 to 44.5% at the end of June 2011.

BH's credit rating takes into account the potential for future debt-financed investment projects as the company explores expansion opportunities, particularly in the domestic market. To maintain its credit rating, BH is expected that the company will not let its debt to capitalization ratio exceed 50% for an extended period.

- ***Strong liquidity profile***

BH has an ample liquidity cushion. Its stable cash flows are sufficient to pay down all maturing debt obligations as well as finance capital investments.

BH generated Bt1.9 billion in funds from operations (FFO) in 2010. Capital expenditures in 2012 are expected to be Bt1.4 billion, in part to fund the new OP clinic. From 2013 onwards, maintenance capital spending should be Bt600-Bt700 million per annum. Under TRIS Rating's baseline scenario, free cash flows (FFO – capital expenditures) will remain positive in the medium term.

BH has short-term debts of Bt3,570 million. The debt was used to finance the KH share purchase in early 2011. The debt is rolled over on a three-month basis with the next rollover date in December 2011 and will mature in March 2012. The company expects to refinance the debt with debentures. The amount of outstanding long-term debts maturing in the next three years is approximately Bt300 per annum. Undrawn credit facilities at the end of June 2011 were Bt2,820 million.

BH has convertible debentures worth Bt550 million outstanding. The convertible bonds are held by BBL and its affiliates. The bonds are assumed to be fully converted into 137 million shares of common stock in 2012, given the greater conversion value compared with the redemption at the face value of the debentures.

Financial Statistics and Key Financial Ratios*

Unit: Bt million

		---------------------------- Year Ended 31 December ----------------------------				
	Jan-Jun 2011	2010	2009	2008	2007	2006
Sales and service revenues	5,517	9,936	9,201	8,757	8,473	7,826
Finance cost	73	68	91	114	111	110
Net income from operations	737	1,232	1,207	1,160	1,576	1,080
Funds from operations (FFO)	1,211	1,906	1,725	1,639	1,564	1,483
Capital expenditures	172	694	837	1,722	570	680
Total assets	13,338	9,152	8,567	8,104	7,466	6,623
Total debts	5,000	1,530	1,620	1,885	1,772	1,751
Total liabilities	7,106	3,082	3,094	3,239	3,117	2,994
Shareholders' equities	6,231	6,069	5,473	4,865	4,349	3,629
Depreciation & amortization	320	596	539	459	408	342
Dividends	354	620	583	583	621	548
Operating income before depreciation and amortization as % of sales	24.96	23.47	23.21	23.26	23.57	24.31
Pretax return on permanent capital (%)	12.54 **	24.61	25.17	26.63	37.03	32.55
Earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage (times)	20.49	35.24	25.09	18.99	22.96	17.70
FFO/total debt (%)	24.21 **	124.56	106.50	86.92	88.25	84.67
Total debt/capitalization (%)	44.52	20.13	22.84	27.93	28.95	32.55

* *Consolidated financial statements*
** *Non-annualized*

Rating Symbols and Definitions

TRIS Rating uses eight letter rating symbols for announcing medium- and long-term credit ratings. The ratings range from AAA, the highest rating, to D, the lowest rating. The medium- and long-term debt instrument covers the period of time from one year up. The definitions are:

AAA The highest rating, indicating a company or a debt instrument with smallest degree of credit risk. The company has extremely strong capacity to pay interest and repay principal on time, and is unlikely to be affected by adverse changes in business, economic or other external conditions.

AA The rating indicates a company or a debt instrument with a very low degree of credit risk. The company has very strong capacity to pay interest and repay principal on time, but is somewhat more susceptible to the adverse changes in business, economic, or other external conditions than AAA rating.

A The rating indicates a company or a debt instrument with a low credit risk. The company has strong capacity to pay interest and repay principal on time, but is more susceptible to adverse changes in business, economic or other external conditions than debt in higher-rated categories.

BBB The rating indicates a company or a debt instrument with moderate credit risk. The company has adequate capacity to pay interest and repay principal on time, but is more vulnerable to adverse changes in business, economic or other external conditions and is more likely to have a weakened capacity to pay interest and repay principal than debt in higher-rated categories.

BB The rating indicates a company or a debt instrument with a high credit risk. The company has less than moderate capacity to pay interest and repay principal on time, and can be significantly affected by adverse changes in business, economic or other external conditions, leading to inadequate capacity to pay interest and repay principal.

B The rating indicates a company or a debt instrument with a very high credit risk. The company has low capacity to pay interest and repay principal on time. Adverse changes in business, economic or other external conditions could lead to inability or unwillingness to pay interest and repay principal.

C The rating indicates a company or a debt instrument with the highest risk of default. The company has a significant inability to pay interest and repay principal on time, and is dependent upon favourable business, economic or other external conditions to meet its obligations.

D The rating for a company or a debt instrument for which payment is in default.

The ratings from AA to C may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within a rating category.

TRIS Rating's short-term ratings focus entirely on the likelihood of default and do not focus on recovery in the event of default. Each of TRIS Rating's short-term debt instrument covers the period of not more than one year. The symbols and definitions for short-term ratings are as follows:

T1 Issuer has strong market position, wide margin of financial protection, appropriate liquidity and other measures of superior investor protection. Issuer designated with a "+" has a higher degree of these protections.

T2 Issuer has secure market position, sound financial fundamentals and satisfactory ability to repay short-term obligations.

T3 Issuer has acceptable capacity for meeting its short-term obligations.

T4 Issuer has weak capacity for meeting its short-term obligations.

D The rating for an issuer for which payment is in default.

All ratings assigned by TRIS Rating are local currency ratings; they reflect the Thai issuers' ability to service their debt obligations, excluding the risk of convertibility of the Thai baht payments into foreign currencies.

TRIS Rating also assigns a **"Rating Outlook"** that reflects the potential direction of a credit rating over the medium to long term. In formulating the outlook, TRIS Rating will consider the prospects for the rated company's industry, as well as business conditions that might have an impact on the fundamental creditworthiness of the company. The rating outlook will be announced in conjunction with the credit rating. In most cases, the outlook of each debt obligation is equal to the outlook assigned to the issuer or the obligor. The categories for "Rating Outlook" are as followed:

Positive The rating may be raised.

Stable The rating is not likely to change.

Negative The rating may be lowered.

Developing The rating may be raised, lowered, or remain unchanged.

TRIS Rating may announce a **"CreditAlert"** as a part of its monitoring process of a publicly announced credit rating when there is a significant event that TRIS Rating considers to potentially exerting a substantial impact on business or financial profiles of the rated entity. Due to an insufficient data or incomplete developments of the event, such as merger, new investment, capital restructuring, and etc., current credit rating remains unchanged. The announcement aims to forewarn investors to take a more cautious stance in investment decision against debt instruments of the rated entity. CreditAlert report consists of a "Rational" indicating warning reasons, a "CreditAlert Designation", and a current credit rating. Rating Outlook is withheld in the announcement.

CreditAlert Designation illustrates a short-term rating outlook indicative of the characteristics of impacts on the credit rating in one of the three directions (1) *Positive* (2) *Negative* and (3) *Developing*.

TRIS Rating Co., Ltd.
Office of the President, Tel: 0-2231-3011 ext 500 / Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand www.trisrating.com