

Bumrungrad Hospital Public Company Limited

Management Discussion and Analysis

For the Third Quarter 2006

1. Revenues and Margins

For 3Q06, the Company reported total revenues of Baht 2,131 million, an increase by 16% y-o-y from Baht 1,839 million in 3Q05. The increase is mainly the result of the continuous growth in hospital operations, where inpatient revenues increased by 14% while outpatient revenues increased by 16%.

In 3Q06, the Company reported cost of hospital operation of Baht 1,258 million, an increase by 14% y-o-y, slightly at a slower rate than the increase in revenues. As a result, gross profit margin increased to 38.4% for 3Q06 compared to 38.0% in 3Q05. Administrative expenses increased at a higher rate of 31% y-o-y to Baht 329 million because the hospital is incurring higher repair and maintenance cost as the existing hospital building is entering its tenth year and therefore requires more maintenance. In addition, there is a provision for 50% diminution of an option to invest in China of approximately Baht 20 million. As a result, EBITDA margin declined to 24.3% in 3Q06, compared to 26.0% in 3Q05.

Comparing q-o-q, the Company's total revenues increased by 11% to Baht 2,131 million in 3Q06 from Baht 1,918 million in 2Q06. This is due to the seasonality factor of the hospital business as third quarter is the hospital's high season with domestic patients coming back from long holidays in second quarter, together with the high season of medical tourism for the Middle East patients. The cost of hospital operations increased by 9%, at a slower rate than the increase in revenues because of economies of scale from the higher volume and intensity factor, resulting improvement in gross profit margin from 37.7% in 3Q05 to 38.4% in 3Q06. Administrative expenses saw an increase of 21% similarly because of higher maintenance costs and provision. As a result, EBITDA margin saw a slight decline from 25.4% in 2Q06 to 24.3% in 3Q06.

For the nine months 2006, the Company reported total revenues of Baht 5,954 million, an increase by 18% from Baht 5,064 million in 9M05. The increase is the result of 14% increase in inpatient revenues and 22% increase in outpatient revenues. The cost of hospital operations for 9M06 was at Baht 3,574 million, or an increase of 16% from 9M05, in line with the increase in the hospital operations. The gross margin therefore increased from 37.4% for 9M05 to 38.0% for 9M06. Administrative expenses increased by 16% to accommodate the growth in hospital operations, resulting in a slight increase in EBITDA margin from 24.3% in 9M05 to 24.9% in 9M06.

2. Profit from Investments, Corporate Income Tax and Net Profit

In 3Q06, the Company reported share of profit from investments accounted for under equity method of Baht 30 million, which is a combination of an equity sharing from Asian Hospital Inc.'s 3Q06 performance of Baht 4 million and one-time gain related to the acquisition of Asian Hospital Inc. of Baht 26 million.

The Company's corporate income tax increased significantly to Baht 128 million in 3Q06 from Baht 65 million in 3Q05 as the Company has used up all of its tax loss carried forward in 2005 and starts to pay tax at the full rate in 2006. As a result, net profit margin decreased from 16.8% in 3Q05 to 14.7% in 3Q06. Despite the decrease in net profit margin, the Company reported stable net profit Baht 309 million in 3Q06.

Comparing q-o-q, the Company's corporate income tax increased from Baht 100 million in 2Q06 to Baht 128 million in 3Q06, yielding an effective tax rate of 27% and 29% respectively. Although EBITDA margin slightly declined q-o-q, with the share of profit from investments and the effective tax rate close to the full tax of 30%, the net profit margin slightly increased to 14.7% in 3Q06 compared to 13.9% for 2Q06.

For 9M06, the Company reported corporate income tax of Baht 336 million, an increase of 123% from Baht 151 million in 9M05, as the Company pays full tax rate in 2006. As a result, the net profit margin slightly decreased from 15.4% in 9M05 to 14.2% in 9M06.

Basic EPS stood at Baht 0.42 per share for both 3Q06 and 3Q05 and increased by 14% q-o-q compared to Baht 0.37 per share in 2Q06. Similarly, fully diluted EPS remained constant at Baht 0.36 per share for both 3Q06 and 3Q05 and increased by 16% q-o-q, compared to Baht 0.31 per share in 2Q06. 9M06 basic EPS was at Baht 1.16 per share, or an increase of 8% from Baht 1.07 per share for 9M05. Similarly, fully diluted EPS increased by 8% from Baht 0.90 per share for 9M05 to Baht 0.97 per share in 9M06.

	(Unit: Million Baht)							
	3Q06	2Q06	Q-o-Q Growth	3Q05	Y-o-Y Growth	9M06	9M05	Growth
Total Revenues	2,131	1,918	11%	1,839	16%	5,954	5,064	18%
Gross Profit	784	698	12%	673	16%	2,186	1,838	19%
Gross Profit Margin	38.4%	37.7%		38.0%		38.0%	37.4%	
EBITDA	508	486	5%	477	7%	1,476	1,226	20%
EBITDA Margin	24.3%	25.4%		26.0%		24.9%	24.3%	
Net Profit	309	266	16%	308	0.4%	842	780	8%
Net Profit Margin	14.7%	13.9%		16.8%		14.2%	15.4%	

3. Balance Sheet

Total assets increased to Baht 6,414 million as at 30 September 2006 from Baht 5,728 million as at 31 December 2005, primarily because of increase in cash and accounts receivables to support the growth of hospital operations, coupled with the increase in property, plant and equipment from the construction of new outpatient and parking building, netted off with decrease in pledge of fixed deposits at financial institutions, as the condition on maintaining an escrow account for the term loan has been released.

Total liability was at Baht 3,006 million as at 30 September 2006, stable compared to Baht 3,032 million as at 31 December 2005. Net Debt to equity declined to 0.25x as at 30 September 2006 compared to 0.38x as at 31 December 2005, as a result in an increase in cash to Baht 861 million as at 30 September 2006 from Baht 544 million as at 31 December 2005.

Shareholder's equity attributable to Company's shareholders increased to Baht 3,044 million as at 30 September 2006 from Baht 2,615 million as at 31 December 2005, primarily as a result of 9M06 net profit of Baht 842 million and share premium of subsidiary, Bumrungrad International Limited of Baht 162 million, netted off with dividend payment of Baht 548 million. In July 2006, the Company's shareholding in its subsidiary, Bumrungrad International Limited, has been diluted from 100% to 51% through a sale of new shares to strategic partners. Consequently, the equity attributable to minority shareholders of subsidiaries significantly increased from Baht 81 million as at 31 December 2005 to Baht 364 million as at 30 September 2006. Annualized return on assets for 9M06 was at 19% while annualized return on equity remained high at 36.8% for 9M06.

4. Liquidity

The Company's cash flow from operating activities for 9M06 was at Baht 807 million, lower than 9M05 of Baht 1,171 million, primarily because of the decrease in corporate income tax payable resulting from payment of income tax. Net cash used in investment activities decreased to Baht 331 million in 9M06 from Baht 579 million in 9M05 as in 9M05, the Company spent Baht 323 million in investment in Asian Hospital Inc. to expand its hospital business into the Philippines. Net cash used in financing activities significantly decreased to Baht 159 million in 9M06 from Baht 775 million in 9M05, as in 2006, the Company's 51% subsidiary, Bumrungrad International Limited, received cash from shares issued in the amount of Baht 453 million, together with the Company's increase in short term loan of Baht 200 million. As a result, cash and cash equivalents at the end of the period increased to Baht 861 million in 9M06 from Baht 540 million in 9M05.

Liquidity ratio stood at 0.94x for 3Q06, an increase from 0.76x in 2Q06, and 0.71x in 3Q05, as a result of a stronger cash position. Consequently, quick ratio was at 0.75x in 3Q06, an increase from 0.53x in 2Q06 and 0.54x in 3Q05.