

Bumrungrad Hospital Public Company Limited  
Management Discussion and Analysis  
For the First Quarter ended 31 March 2007

1. Revenues, Net Profit and Margins

For 1Q07, the Company reported total revenues of Baht 2,135 million, an increase by 11% y-o-y from Baht 1,923 million in 1Q06. The increase is mainly the result of the continuous growth in hospital operations, where inpatient revenues increased by 8% while outpatient revenues increased by 13%.

In 1Q07, the Company reported cost of hospital operation of Baht 1,257 million, an increase by 8% y-o-y, slightly lower than the increase in revenues, attributable to higher intensity for 1Q07. Gross profit margin, therefore, increased to 38.9% for 1Q07 compared to 37.7% in 1Q06. Administrative expenses increased by 20% y-o-y to Baht 332 million in 1Q07 because of higher advertising expenses in 1Q07 with the launch of advertisements on television and publications, with the objective to target the domestic market, and higher salaries and wages primarily as a result of gradual increase of staff volume throughout the year 2006 to accommodate future patient growth as well as the opening of the new BI clinic. As a result, EBITDA increased from Baht 481 million in 1Q06 to Baht 532 million in 1Q07, and EBITDA margin remained stable at 25.1% in both 1Q07 and 1Q06.

Similarly, the Company reported net profit of Baht 296 million for 1Q07, an increase of 11% from Baht 267 million in 1Q06. Net margin remained stable at 13.9% for both 1Q07 and 1Q06.

Basic EPS stood at Baht 0.41 per share in 1Q07, an increase by 11% from Baht 0.37 per share for 1Q06. Similarly, fully diluted EPS was up by 10% from Baht 0.31 per share in 1Q06 to Baht 0.34 per share in 1Q07.

	(Unit: Baht Million)		
	1Q07	1Q06	Y-o-Y Growth
Total Revenues	2,135	1,923	11%
Gross Profit	801	704	14%
<i>Gross Profit Margin</i>	38.9%	37.7%	
EBITDA	532	481	11%
EBITDA Margin	25.1%	25.1%	
Net Profit	296	267	11%
<i>Net Profit Margin</i>	13.9%	13.9%	
EPS – Basic	0.41	0.37	11%
EPS – Fully Diluted	0.34	0.31	10%

## **2. Balance Sheet**

Total assets increased to Baht 7,008 million as at 31 March 2007 from Baht 6,623 million as at 31 December 2006, primarily because of increase in cash and cash equivalents and accounts receivable. The Company's cash position increased from Baht 854 million as at 31 December 2006 to Baht 1,045 million as at 31 March 2007, primarily from the Company's operations. Trade accounts receivable increased from Baht 525 million as at 31 December 2006 to Baht 629 million as at 31 March 2007, as the Company's composition of insurance and corporate contracts is gradually changing towards an increasing of foreign accounts. Naturally, these accounts take longer to process and collect the bills. As a result, the Company is seeing an increase in average collectible days and consequently its accounts receivable.

Total liability was at Baht 3,096 million as at 31 March 2007, stable compared to Baht 2,994 million as at 31 December 2006. The Company's long-term debt (including current portion) slightly decreased from Baht 1,751 million as at 31 December 2006 to Baht 1,669 million as at 31 March 2007, as the Company made a scheduled repayment of Baht 82 million during 1Q07. Net Debt to equity decreased from 0.24x as at 31 December 2006 to 0.16x as at 31 March 2007 as the debt continues to be paid down, coupled with increase in cash. The Company's interest coverage ratio improved to 19.1x for 1Q07 from 17.8x in 1Q06 as EBITDA improves.

Shareholder's equity attributable to Company's shareholders (excluding equity attributable to minority shareholders of subsidiaries) increased to Baht 3,573 million as at 31 March 2007 from Baht 3,284 million as at 31 December 2006, primarily as a result of the Company's net profit for 1Q07. Annualized average return on assets for 1Q07 was at 17.4% while annualized average return on equity remained high at 31.4% for 1Q07.

## **3. Liquidity**

The Company's cash flow from operating activities for 1Q07 was at Baht 385 million, compared to Baht 365 million for 1Q06. The increase was primarily attributable to improved profits from operation. Net cash used in investment activities decreased to Baht 103 million in 1Q07 from Baht 178 million in 1Q06 because of slower investments in plant and equipment. Net cash used in financing activities remained stable at Baht 91 million in 1Q06 and 1Q07 primarily because of the scheduled repayment of long-term loan. As a result, cash and cash equivalents at the end of the period increased to Baht 1,045 million in 1Q07 from Baht 640 million in 1Q06.

Liquidity ratio stood at 1.11x for 1Q07 compared to 0.78x for 1Q06, primarily due to an increase in cash. Consequently, quick ratio was at 0.95x in 1Q07, an increase from 0.59x in 1Q06.

## **4. Change in Accounting Policy**

Since 1 January 2007, the Company changed its accounting policy regarding investments in subsidiaries, associates and jointly controlled entities so that the Company financial statement (or "The separate financial statement"), which formerly reported investments using the equity method, now reports investments using the cost method in accordance with the Notification No. 26/2006

issued by the Federation of Accounting professions regarding the Accounting Standard No. 44 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" (Amendment No. 1). Therefore the Company restated its financial statement, using the cost method as the cost of investment in subsidiaries and associates of the Company financial statement. This adjustment caused the followings effects:

- Net income in the Company financial statement does not equal net income in the Consolidated financial statement. In 1Q07, net income on the Company financial statement was Baht 285 million, lower than Baht 296 million in the consolidated financial statement by Baht 11 million. For 1Q06, net income on the Company financial statement was Baht 254 million, lower than the net income in the consolidated financial statement of Baht 267 million by Baht 13 million. This is because the Company financial statement did not include share of net income from investments under the equity method in the total amount of Baht 11 million and Baht 13 million in 1Q07 and 1Q06 respectively.
- The effect on the Company's balance sheet as at 31 December 2006 are as follows:

Decrease in investment in subsidiary companies (net of excess of investment over book value of a subsidiary)	Baht 99 million
Decrease in translation adjustment	Baht 13 million
Decrease in unrealized gain resulting from the sale of subsidiary's shares to the public in excess of par value	Baht 156 million
Increase in retained earnings	Baht 70 million

However, the change of accounting policy affects only the accounts relating to investments in subsidiaries and associates of the Company financial statements. It does not have any effect on the consolidated financial statements or the Company's business fundamentals.