

Bumrungrad Hospital Public Company Limited
Management Discussion and Analysis
For the Third Quarter ended 30 September 2009

The Company reported total revenues in 3Q09 of Baht 2,337 million, a 2% increase from 3Q08 revenues of Baht 2,294 million. The 3Q09 net profit was Baht 319 million, a 5% increase from 3Q08 net profit of Baht 305 million. For first nine months of 2009, the Company reported total revenues of Baht 6,909 million, a 3% increase from 9M08 revenues of Baht 6,709 million. The 9M09 net profit was Baht 946 million, a 5% increase from 9M08 net profit of Baht 899 million. Details of the management discussion and analysis are as follows:

1. Profit and Loss Statements

For 3Q09, the Company reported revenues from hospital operations of Baht 2,270 million, an increase by 2% y-o-y from Baht 2,219 million in 3Q08, as a result of growth in inpatient revenues of 5% and growth in outpatient revenues of 1% y-o-y.

Other income slightly decreased to Baht 24 million in 3Q09 from Baht 30 million in 3Q08. As a result, 3Q09 total revenues was Baht 2,337 million, compared to Baht 2,294 million in 3Q08, an increase of 2%, in line with the increase in revenues from hospital operations.

In 3Q09, the Company reported cost of hospital operation of Baht 1,397 million, compared to Baht 1,377 million in 3Q08, an increase by 1% y-o-y, slightly at a lower rate than the increase in revenues, attributable to tight cost control implemented since end of 2008, coupled with the economies of scale as third quarter is the high season for the hospital. Gross profit, therefore, increased by 4% to Baht 874 million in 3Q09 from Baht 843 million in 3Q08, with improvement in gross margin to 38.5% in 3Q09 from 38.0% in 3Q08.

The Company's administrative expenses were Baht 361 million in 3Q09, a 7% increase from Baht 337 million in 3Q08, higher than the increase in total revenues, due to the higher expenses related to the two new start-up companies, Asia Global Health Co., Ltd., an investment company looking for healthcare opportunities in the region, and Asia Global Research Co., Ltd., a clinical research company. As a result of the higher administrative expenses, EBITDA was flat at Baht 555 million in 3Q09, compared to Baht 557 million in 3Q08, with EBITDA margin of 23.8% in 3Q09, compared to 24.3% in 3Q08.

Depreciation and amortization in 3Q09 was Baht 135 million, compared to Baht 124 million in 3Q08. The increase in depreciation was attributable to the rolling renovation of inpatient beds which started in February 2008. Financing expenses decreased to Baht 19 million in 3Q09 from Baht 30 million in 3Q08, as the outstanding principal of the long-term loan decreased according to the scheduled repayment, together with the decrease in interest rate (Minimum Lending Rate / MLR). Corporate income tax decreased to Baht 102 million, an effective tax rate of 25.3% in 3Q09, from Baht 117 million, an effective tax rate of 28.9% in 3Q08. The decrease in the effective tax rate was a result of the tax savings scheme issued by the Revenue Department allowing 25% of the Company's qualified CAPEX to be taxable.

In 3Q09, the Company reported share of income from investments in joint venture and associated companies of Baht 19 million, a 14% increase from Baht 17 million in 3Q08, which was mainly as a result of better performance of operations of Bumrungrad International Limited.

As a result of the above, the Company reported net profit of Baht 319 million in 3Q09, an increase of 5% from Baht 305 million in 3Q08. Net margin was 13.6% in 3Q09, an increase from 13.2% in 3Q08.

For 9M09, the Company reported revenues from hospital operations of Baht 6,711 million, an increase by 3% from Baht 6,523 million in 9M08. The increase is the result of 3% increase in inpatient revenues and 5% increase in outpatient revenues.

Other income increased to Baht 72 million in 9M09 from Baht 59 million in 9M08, primarily from the sale of membership of the “Healthy Living Club” loyalty program, which was launched in June 2008, together with revenues from “the Mezz” food center in the new Bumrungrad International Clinic Building, which was also opened in June 2008. As a result, 9M09 total revenues were Baht 6,909 million, compared to Baht 6,709 million in 9M08, an increase of 3%, which is the same rate as the increase in revenues from hospital operations.

9M09 cost of hospital operations was Baht 4,115 million, an increase of 2% from Baht 4,021 million in 9M08, slightly lower than the increase in revenues from hospital operations, as a result of continuous cost control. Therefore, gross profit increased to Baht 2,596 million in 9M09, a 4% increase from Baht 2,503 million in 9M08, with improvement in gross margin to 38.7% in 9M09 from 38.4% in 9M08.

Administrative expenses in 9M09 were Baht 1,024 million, compared to Baht 973 million in 9M08, or an increase of 5%, higher than the increase in total revenues due to the higher expenses related to the two new start-up companies, Asia Global Health Co., Ltd. and Asia Global Research Co., Ltd. EBITDA therefore increased by 3% to Baht 1,701 million in 9M09 from Baht 1,648 million in 9M08, and EBITDA margin remained stable at 24.6% in both 9M09 and 9M08.

Depreciation and amortization in 9M09 was Baht 404 million, compared to Baht 331 million in 9M08, an increase of 22% as a result of the opening of the new Bumrungrad International Clinic building in May 2008. Financing expenses decreased to Baht 61 million in 9M09 from Baht 86 million in 9M08, as the outstanding principal of the long-term loan decreased according to the scheduled repayment, together with the decrease in interest rate (Minimum Lending Rate / MLR). Corporate income tax decreased to Baht 339 million, an effective tax rate of 27.4% in 9M09, from Baht 359 million, an effective tax rate of 29.0% in 9M08. The decrease in the effective tax rate was a result of the tax savings scheme issued by the Revenue Department allowing 25% of the Company’s qualified CAPEX to be taxable.

In 9M09, the Company reported share of income from investments in joint venture and associated companies of Baht 47 million, a 116% increase from Baht 22 million in 9M08. The 9M09 share of income from investments in associated companies of Baht 47 million is attributable to Bumrungrad International Limited of Baht 44 million and CDE Trading Company Limited of Baht 3 million. The contribution from Bumrungrad International was stable at Baht 44 million for both 9M09 and 9M08. For CDE Trading Limited, the contribution significantly improved to share of profit of Baht 3 million in 9M09, compared to share of loss of Baht 22 million in 9M08. The share of loss in 9M08 of Baht 22 million was primarily a result of foreign exchange loss on the unreceived USD proceeds from the sale of its assets to Microsoft in 4Q07, as the Thai Baht strengthened against US dollars since

the time of sale. In 9M09, CDE Trading Limited contributed a small profit of Baht 3 million as the company is temporarily inactive in 2009.

As a result of the above, the Company reported 9M09 net profit of Baht 946 million, an increase of 5% from Baht 899 million in 9M08. Net margin improved to 13.6% in 9M09, compared to 13.4% in 9M08.

Basic EPS was Baht 0.44 in 3Q09, an increase of 5% from Baht 0.42 in 3Q08. Similarly, fully diluted EPS was Baht 0.37 in 3Q09, an increase of 6% from Baht 0.35 in 3Q08. For 9M09, basic EPS was Baht 1.30, an increase by 6% from Baht 1.23 in 9M08. Similarly, fully diluted EPS was up by 5% to Baht 1.09 in 9M09 from Baht 1.04 in 9M08.

(Unit: Baht Million)

	3Q09	3Q08	Y-o-Y Growth	9M09	9M08	Growth
Revenues from Hospital Operations	2,270	2,219	2%	6,711	6,523	3%
Total Revenues	2,337	2,294	2%	6,909	6,709	3%
Gross Profit	874	843	4%	2,596	2,503	4%
<i>Gross Profit Margin</i>	38.5%	38.0%		38.7%	38.4%	
EBITDA	555	557	0%	1,701	1,648	3%
<i>EBITDA Margin</i>	23.8%	24.3%		24.6%	24.6%	
Share of income (loss) from investments in joint venture and associated companies	19	17	14%	47	22	116%
Net Profit	319	305	5%	946	899	5%
<i>Net Profit Margin</i>	13.6%	13.2%		13.6%	13.4%	
EPS – Basic	0.44	0.42	5%	1.30	1.23	6%
EPS – Fully Diluted	0.37	0.35	6%	1.09	1.04	5%

2. Balance Sheet

As at 30 September 2009, the Company reported total current assets of Baht 1,215 million, an increase from Baht 1,142 million as at 31 December 2008 primarily because of increase in trade accounts receivable to Baht 619 million as at 30 September 2009 from Baht 494 million as at 31 December 2008. The increase in accounts receivable was primarily the result of the increase in the Middle East corporate accounts. Therefore, collection period slightly increased to 26.4 days as at 30 September 2009 compared to 25.7 days as at 31 December 2008. Total non-current assets increased to Baht 7,141 million as at 30 September 2009 compared to Baht 6,963 million as at 31 December 2008 because of the increase in property, plant and equipment to Baht 5,549 million as at 30 September 2009 from Baht 5,374 million as at 31 December 2008. This was primarily a result of increase in assets related to the renovation of inpatient wards. As a result, total assets increased to Baht 8,356 million as at 30 September 2009 from Baht 8,104 million as at 31 December 2008.

Total liabilities were Baht 3,174 million as at 30 September 2009, a decrease from Baht 3,239 million as at 31 December 2008. The interest-bearing debt (short-term loan + long-term loans inclusive of the current portion) decreased to Baht 1,808 million as at 30 September 2009 from Baht 1,885 million as at 31 December 2008, as the Company paid down its scheduled repayment of Baht

427 million, netted off with drawdown of additional short-term loan of Baht 350 million in 9M09. As a result, long-term loans from financial institutions decreased to Baht 689 million as at 30 September 2009 from Baht 1,116 million as at 31 December 2008 while short-term loans from financial institutions increased to Baht 550 million as at 30 September 2009 from Baht 200 million as at 31 December 2008. The shift of debt profile towards more short-term loan in the third quarter of 2009 was pending the refinancing of the Company's loans. On 1 October 2009, the Company refinanced its existing loan in the total amount of Baht 1,420 million, and was granted additional credit line of long term loan of Baht 800 million. The interest rate is also lower by 0.25% at MLR – 1.50%. The term of the loan is 7 years with 2-years grace period. In addition, the Company's short-term credit line was increased to Baht 600 million.

With the stable debt position together with lower cash balance, and an increase in shareholders' equity, net debt to equity decreased to 0.29x as at 30 September 2009 from 0.31x as at 31 December 2008. The Company's interest coverage ratio also significantly improved to 28.1x in 9M09 compared to 19.2x in 9M08.

Total shareholder's equity increased to Baht 5,181 million as at 30 September 2009 from Baht 4,865 million as at 31 December 2008, primarily as a result of the Company's 9M09 net profit of Baht 946 million, netted off with dividend payment of Baht 584 million. Annualized average return on assets for 9M09 was 15.3% while annualized average return on equity remained high at 25.1% for 9M09.

3. Liquidity

The Company's cash flow from operating activities for 9M09 was Baht 1,184 million, a decrease from Baht 1,336 million in 9M08, primarily attributable to the increase in trade accounts receivable. Net cash used in investment activities decreased to Baht 615 million in 9M09 from Baht 1,211 million for 9M08, because 2008 had two special investment activities in the first nine months: (1) the acquisition of property, plant and equipment and repayment of construction and medical equipment payable related to the acquisition of BH Tower and the construction of the Bumrungrad International Clinic of Baht 1,496 million, netted off with (2) dividends received from CDE Trading Limited of Baht 438 million. The Company reported net cash flow used in financing activities of Baht 677 million in 9M08, compared to Baht 414 million in 9M09, as a result of net repayment of loans of Baht 77 million in 9M09 compared to net drawdown of loan of Baht 155 million in 9M08. As a result, cash and cash equivalents at the end of the period was Baht 276 million as at 30 September 2009 compared to Baht 262 million as at 30 September 2008.

Liquidity ratio as at 30 September 2009 decreased to 0.49x, compared to 0.54x as at 31 December 2008, primarily because of the increase in total current liabilities due to the increase in short-term loans from financial institutions. Similarly, quick ratio decreased to 0.36x as at 30 September 2009, compared to 0.41x as at 31 December 2008.