

**Bumrungrad Hospital Public Company Limited**  
**Management Discussion and Analysis**  
**For the year ended 31 December 2009**

The Company reported total revenues in 2009 of Baht 9,338 million, a 5% increase from 2008 revenues of Baht 8,882 million. The 2009 net profit was Baht 1,246 million, also a 5% increase from 2008 net profit of Baht 1,191 million. Details of the management discussion and analysis are as follows:

**1. Profit and Loss Statement**

For 4Q09, the Company reported revenues from hospital operations of Baht 2,358 million, an increase by 12% y-o-y from Baht 2,106 million in 4Q08. The increase is mainly the result of the continuous growth in hospital operations, where inpatient revenues increased by 15% y-o-y while outpatient revenues increased by 11% y-o-y.

Other income slightly decreased to Baht 25 million in 4Q09 from Baht 28 million in 4Q08. Total revenues in 4Q09 were Baht 2,429 million, compared to Baht 2,173 million in 4Q08, an increase of 12%, in line with the increase in revenues from hospital operations.

In 4Q09, the Company reported cost of hospital operations of Baht 1,439 million, an increase by 10% y-o-y from Baht 1,304 million in 4Q08, slightly lower than the growth rate of revenues from hospital operations as a result of continuous rigid cost control, coupled with economies of scale as the hospital saw high volume especially from international patients in fourth quarter of 2009. Gross profit, therefore, increased by 15% to Baht 919 million in 4Q09 from Baht 802 million in 4Q08, with improvement in gross profit margin to 39.0% in 4Q09 compared to 38.1% in 4Q08.

The 4Q09 administrative expenses were Baht 391 million, compared to Baht 338 million in 4Q08, an increase of 16%, higher than the increase in total revenues. The higher increase was due to additional bonus accrual starting in September 2009 to be in line with 2008 bonus rate, as the financial performance of the Company began to improve, together with additional expenses related to two new subsidiaries, 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, EBITDA was Baht 557 million in 4Q09, a 10% increase from Baht 507 million in 4Q08. Consequently, EBITDA margin slightly declined to 22.9% in 4Q09 compared to 23.3% in 4Q08.

The 4Q09 depreciation and amortization was Baht 135 million, compared to Baht 128 million in 4Q08. The increase was attributable to the rolling renovation of inpatient beds which started in February 2008. Financing expenses slightly increased to Baht 30 million in 4Q09 compared to Baht 28 million in 4Q08, despite the decrease in loan outstanding and decrease in interest rate, as the Company paid prepayment fee of Baht 12 million in October 2009 when the Company refinanced its loan. The corporate income tax in 4Q09 was Baht 106 million, compared to Baht 81 million in 4Q08, or at the effective tax rate of 26.1% in 4Q09 and 23.0% in 4Q08. The effective tax rate in 4Q08 was low because the Company applied the tax savings scheme issued by the Revenue Department

allowing 25% of the Company's qualified CAPEX to be tax deductible expense in the fourth quarter in 2008, while in 2009, the scheme was applied throughout the year.

The Company reported share of income from investments in joint venture and associated companies of Baht 0.2 million in 4Q09, compared to Baht 21 million in 4Q08. The 4Q09 share of income of Baht 0.2 million is attributable to share of income from CDE Trading Company Limited of Baht 0.9 million, netted off with share of loss from Bumrungrad International Limited of Baht 0.7 million. The contribution from CDE Trading Company Limited is small as CDE Trading is now temporarily inactive. For Bumrungrad International Limited, share of income from the operations of Bumrungrad International Limited is Baht 23 million in 4Q09, stable compared to Baht 21 million in 4Q08. However, with its accounting adjustment of approximately Baht -22 million in 4Q09, because of the impairment of goodwill for Asia Renal Care's (ARC) clinics in Japan as the financials are no longer consolidated into ARC accounts, impairment of Bumrungrad International Limited's hospital software, netted off with the change in the accounting method for the recognition of minority interest of Asian Hospital Group (AHI) in the Philippines, Bumrungrad International Limited reported a share of loss of Baht 0.7 million in 4Q09.

As a result of the above, the Company reported net profit of Baht 300 million in 4Q09, an increase of 3% from net profit of Baht 292 million in 4Q08. Net profit margin was 12.3% in 4Q09, a decrease from 13.3% in 4Q08.

For the year 2009, the Company reported revenues from hospital operations of Baht 9,069 million, an increase by 5% from Baht 8,629 million in 2008. The increase is mainly the result of the continuous growth in hospital operations, where inpatient revenues increased by 6% while outpatient revenues increased by 7%.

Other income increased to Baht 97 million in 2009 from Baht 87 million in 2008, 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. Total revenues in 2009 was Baht 9,338 million, compared to Baht 8,882 million in 2008, an increase of 5%, in line with the increase in revenues from hospital operations.

In 2009, the Company reported cost of hospital operations of Baht 5,553 million, an increase by 4% from Baht 5,324 million in 2008, slightly at a lower rate than that of revenues from hospital operations as a result of continuous cost control throughout the year. Gross profit, therefore, increased by 6% to Baht 3,516 million in 2009 from Baht 3,305 million in 2008, with improvement in gross profit margin to 38.8% in 2009 compared to 38.3% in 2008.

The Company's administrative expenses increased to Baht 1,416 million in 2009 compared to Baht 1,311 million in 2008, or an increase of 8%, which is a faster rate than the increase in total revenues as a result of additional expenses related to two new subsidiaries, 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, EBITDA was Baht 2,258 million in 2009, a 5% increase from Baht 2,155 million in 2008. Consequently, EBITDA margin remained stable at 24.2% in 2009 compared to 24.3% in 2008.

The Company reported depreciation and amortization of Baht 539 million in 2009, an increase of 17% from Baht 459 million in 2008, as a result of the opening of the new Bumrungrad International Clinic Building in May 2008, together with the rolling renovation of inpatient beds which

started in February 2008. Financing expenses decreased to Baht 91 million in 2009 compared to Baht 114 million in 2008, as the loan outstanding decreased according to the scheduled repayment of the previous loan agreement, prior to the refinancing in October 2009, together with the decrease in interest rate, MLR (minimum lending rate). The corporate income tax was Baht 444 million in 2009, compared to Baht 440 million in 2008, or at the effective tax rate of 27.1% in 2009 and 27.4% in 2008. The low effective tax rates for both periods was because the Company was able to take advantage of the tax savings scheme issued by the Revenue Department allowing 25% of the Company's qualified CAPEX to be tax deductible expense.

The Company reported share of income from investments in joint venture and associated companies of Baht 47 million in 2009, compared to Baht 43 million in 2008. The 2009 share of income of Baht 47 million is attributable to share of income from Bumrungrad International Limited of Baht 43 million and share of income from CDE Trading Company Limited of Baht 4 million. The decrease in share of income from Bumrungrad International Limited to Baht 43 million in 2009 from Baht 65 million in 2008 is attributable to the year-end accounting adjustment of approximately Baht -23 million at the end of 2009 because of the impairment of goodwill for Asia Renal Care's (ARC) clinics in Japan as the financials are no longer consolidated into ARC accounts, impairment of Bumrungrad International Limited's hospital software, netted off with the change in the accounting method for the recognition of minority interest of Asian Hospital Group (AHI) in the Philippines. Taking out the accounting adjustment, the share of income of Bumrungrad International Limited from its operations was stable at Baht 67 million in 2009, compared to Baht 65 million in 2008. For CDE Trading Company Limited, the contribution significantly improved to share of profit of Baht 4 million in 2009, compared to share of loss of Baht 22 million in 2008. The share of loss in 2008 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 Group in 4Q07, as the Thai Baht strengthened against US dollars since the time of sale. In 2009, CDE Trading Company Limited contributed a small profit of Baht 4 million as the company is temporarily inactive.

As a result of the above, the Company reported net profit of Baht 1,246 million in 2009, an increase of 5% from net profit of Baht 1,191 million in 2008. Net profit margin remained stable at 13.3% both in 2009 and 2008.

For 4Q09, basic EPS was Baht 0.41, a 3% increase y-o-y from Baht 0.40 in 4Q08. For the year 2009, basic EPS was Baht 1.71, a 5% increase from Baht 1.64 in 2008. Similarly, 4Q09 fully diluted EPS was Baht 0.35, a 3% increase from Baht 0.34 in 4Q08. For the year 2009, fully diluted EPS was Baht 1.44, a 5% increase from Baht 1.37 in 2008.

In terms of working capital, the Company's average collection period increased to 26.7 days as at 31 December 2009 from 25.6 days as at 31 December 2008, because of the increase in Middle East corporate accounts, together with increasing international insurance contracts. The Company's average inventory period slightly decreased to 12.5 days compared to 13.2 days as at 31 December 2008. The average payable period slightly decreased to 33.3 days as at 31 December 2009 from 34.0 days as at 31 December 2008.

(Unit: Baht Million)

	4Q09	4Q08	Y-o-Y Growth	YE09	YE08	Growth
Revenues from Hospital Operations	2,358	2,106	12%	9,069	8,629	5%
Total Revenues	2,429	2,173	12%	9,338	8,882	5%
Gross Profit	919	802	15%	3,516	3,305	6%
<i>Gross Profit Margin</i>	39.0%	38.1%		38.8%	38.3%	
EBITDA	557	507	10%	2,258	2,155	5%
<i>EBITDA Margin</i>	22.9%	23.3%		24.2%	24.3%	
Share of Income from Investments in Joint Venture and Associated Companies	0	21	-99%	47	43	9%
Net Profit	300	292	3%	1,246	1,191	5%
<i>Net Profit Margin</i>	12.3%	13.3%		13.3%	13.3%	
EPS – Basic	0.41	0.40	3%	1.71	1.64	5%
EPS – Fully Diluted	0.35	0.34	3%	1.44	1.37	5%

## 2. Balance Sheet

As at 31 December 2009, the Company reported total current assets of Baht 1,332 million, an increase from Baht 1,142 million as at 31 December 2008 primarily because of increase in trade accounts receivable. The increase in accounts receivable to Baht 658 million as at 31 December 2009 from Baht 494 million as at 31 December 2008 was primarily the result of the increase in the Middle East corporate accounts, together with increasing international insurance contracts. Therefore, collection period increased to 26.7 days as at 31 December 2009 compared to 25.6 days as at 31 December 2008. Total non-current assets increased to Baht 7,235 million as at 31 December 2009 compared to Baht 6,963 million as at 31 December 2008 because of the increase in property, plant and equipment to Baht 5,667 million as at 31 December 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 8,567 million as at 31 December 2009 from Baht 8,104 million as at 31 December 2008.

Total liabilities were Baht 3,094 million as at 31 December 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 1,620 million as at 31 December 2009 from Baht 1,885 million as at 31 December 2008. During 2009, the Company repaid all of its long-term loan with a financial institution in the amount of Baht 1,685 million, of which the loan in the amount of Baht 1,430 million was refinanced with another financial institution in October 2009. In addition, the Company was granted additional credit line of long term loan of Baht 800 million. The interest rate is also lower by 0.25% at MLR (minimum lending rate) – 1.50%. The term of the loan is seven years with a two-year grace period. In addition, the Company's short-term credit line was increased to Baht 600 million.

With stable debt position and cash balance, and an increase in shareholders' equity, net debt to equity decreased to 0.23x as at 31 December 2009 from 0.31x as at 31 December 2008. The

Company's interest coverage ratio also significantly improved to 24.8x in 2009 compared to 18.8x in 2008.

Total shareholder's equity increased to Baht 5,473 million as at 31 December 2009 from Baht 4,865 million as at 31 December 2008, primarily as a result of the Company's 2009 net profit of Baht 1,246 million, netted off with dividend payment of Baht 584 million. Average return on assets in 2009 was 14.9% while average return on equity remained high at 24.1% in 2009.

(Unit: Baht Million)

	2009	2008	Growth
Total Assets	8,567	8,104	6%
Total Liabilities	3,094	3,239	-4%
Total Shareholders' Equity	5,473	4,865	12%
Average Collection Period (days)	26.7	25.6	
Average Inventory Period (days)	12.5	13.2	
Average Payables Period (days)	33.3	34.0	
Net Debt to Equity (x)	0.23	0.31	
Interest Coverage Ratio (x)	24.8	18.8	
Average Return on Assets (%)	14.9	15.3	
Average Return on Equity (%)	24.1	25.9	

### 3. Liquidity

The Company's cash flow from operating activities in 2009 was Baht 1,707 million, stable compared to Baht 1,762 million in 2008. Net cash used in investment activities decreased to Baht 824 million in 2009 from Baht 1,440 million in 2008, primarily because of acquisition of property, plant and equipment related to the acquisition of BH Tower, the construction of the Bumrungrad International Clinic Building and the purchase of medical equipment, together with the investment in associated company, Bumrungrad International Limited, in 2008. The Company reported net cash flow used in financing activities of Baht 881 million in 2009, compared to Baht 488 million in 2008, because of the scheduled repayment of the previous long-term loan agreement in 2009. As a result, cash and cash equivalents at the end of the period was Baht 387 million as at 31 December 2009, stable when compared to Baht 385 million as at 31 December 2008.

Liquidity ratio as at 31 December 2009 increased to 0.80x, compared to 0.54x as at 31 December 2008, primarily because of the increase in total current assets, as a result of the increase in accounts receivable, together with the decrease in total current liabilities, as there was no longer any current portion of long term loans in 2009, as all of the long-term loans have been refinanced in October 2009, with two-year grace period. Similarly, quick ratio increased to 0.63x as at 31 December 2009, compared to 0.41x as at 31 December 2008, as a result of the increase in accounts receivable.

(Unit: Baht Million)

	2009	2008
Cash Flow from Operating Activities	1,707	1,762
Cash Flow from Investing Activities	-824	-1,440
Cash Flow from Financing Activities	-881	-488
Net Increase (Decrease) in cash and cash equivalents	2	-165
Cash and Cash Equivalents at end of year	387	385
Liquidity Ratio (x)	0.80	0.54
Quick Ratio (x)	0.63	0.41