

Bumrungrad Hospital Public Company Limited
Management Discussion and Analysis
For the year ended 31 December 2006

1. Revenues and Margins

For 4Q06, the Company reported total revenues of Baht 1,942 million, an increase by 11% y-o-y from Baht 1,743 million in 4Q05. The increase is mainly the result of the continuous growth in hospital operations, where inpatient revenues increased by 6% while outpatient revenues increased by 15%.

In 4Q06, the Company reported cost of hospital operation of Baht 1,201 million, an increase by 12% y-o-y, slightly at a faster rate than the increase in revenues. This was due to lower economies of scale as 4Q06 saw a slightly lower patient volume than 4Q05 as a result of political uncertainties since the end of September 2006, combined with the end of high season of Middle Eastern patients in early October. As a result, gross profit margin decreased to 36.5% for 4Q06 compared to 38.2% in 4Q05. Administrative expenses increased at a higher rate of 25% y-o-y to Baht 286 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, and higher salaries and wages in 2006 attributable to year-end bonus payment. As a result, EBITDA margin declined to 23.3% in 4Q06, compared to 25.1% in 4Q05.

Comparing q-o-q, the Company's total revenues decreased by 9% to Baht 1,942 million in 4Q06 from Baht 2,131 million in 3Q06. 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 decreased by 5%, at a slower rate than the decrease in revenues because of lower economies of scale from the lower volume, resulting in a weakening gross profit margin from 38.4% in 3Q06 to 36.5% in 4Q06. Administrative expenses decreased by 18% to Baht 286 million, as 3Q06 selling and administrative expenses included a one-time provision for 50% diminution of an option to invest in China of approximately Baht 20 million. As a result of lower gross margin, EBITDA margin also saw a decline from 24.3% in 3Q06 to 23.3% in 4Q06.

For the year 2006, the Company reported total revenues of Baht 7,896 million, an increase by 16% from Baht 6,807 million for year 2005. The increase is the result of 12% increase in inpatient revenues and 20% increase in outpatient revenues. The cost of hospital operations for the year ended 2006 was at Baht 4,775 million, or an increase of 15% from year-end 2005, in line with the increase in the hospital operations. The gross margin therefore remained stable at 37.6% for both 2005 and 2006. Administrative expenses increased by 18% to accommodate the growth in hospital operations, resulting in a stable EBITDA margin at 24.5% for both 2005 and 2006.

2. Corporate Income Tax and Net Profit

The Company's corporate income tax increased significantly to Baht 96 million in 4Q06 from Baht 67 million in 4Q05 as the Company has used up all of its tax loss carried forward in 2005 and started to pay tax at the full rate of approximately 28% in 2006. As a result, net profit margin decreased

from 15.7% in 4Q05 to 13.1% in 4Q06. Consequently, the Company reported a slight decrease in net profit from Baht 273 million in 4Q05 to Baht 254 million in 4Q06.

Comparing q-o-q, the Company's corporate income tax decreased from Baht 128 million in 3Q06 to Baht 96 million in 4Q06, yielding an effective tax rate of 28.5% and 28.3% respectively. As a result, net profit margin decreased to 13.1% in 4Q06, compared to 14.5% in 3Q06.

For 2006, the Company reported corporate income tax of Baht 432 million (effective tax rate of 28.3%), an increase of 98% from Baht 218 million (effective tax rate of 17.1%) for 2005, as the Company pays full tax rate in 2006. As a result, the net profit margin decreased from 15.5% for year 2005 to 13.9% for year 2006. However, the Company's net profit still saw a 5% increase from Baht 1,053 million in 2005 to Baht 1,096 million in 2006.

Basic EPS stood at Baht 0.35 per share for 4Q06, an 8% decrease from Baht 0.37 per share in 4Q05, and a 17% decrease q-o-q from Baht 0.42 per share in 3Q06. Similarly, fully diluted EPS was at Baht 0.29 per share for 4Q06, a 6% decrease from Baht 0.31 per share in 4Q05, and a 19% decrease from Baht 0.36 per share in 3Q06. Year-end 2006 basic EPS was at Baht 1.51 per share, or an increase of 4% from Baht 1.45 per share for year-end 2005. Similarly, fully diluted EPS increased by 4% from Baht 1.21 per share for 2005 to Baht 1.26 per share for year-end 2006.

(Unit: Baht Million)

	4Q06	3Q06	Q-o-Q Growth	4Q05	Y-o-Y Growth	2006	2005	Growth
Total Revenues	1,942	2,131	-9%	1,743	11%	7,896	6,807	16%
Gross Profit	689	784	-12%	663	4%	2,875	2,501	15%
Gross Profit Margin	36.5%	38.4%		38.2%		37.6%	37.6%	
EBITDA	453	508	-11%	437	4%	1,928	1,657	16%
EBITDA Margin	23.3%	24.3%		25.1%		24.5%	24.4%	
Net Profit	254	309	-18%	273	-7%	1,096	1,053	5%
Net Profit Margin	13.1%	14.5%		15.7%		13.9%	15.5%	
EPS – Basic	0.35	0.42	-17%	0.38	-8%	1.51	1.45	4%
EPS – Fully Diluted	0.29	0.36	-19%	0.31	-6%	1.26	1.21	4%

3. Balance Sheet

Total assets increased to Baht 6,623 million as at 31 December 2006 from Baht 5,728 million as at 31 December 2005, primarily because of increase in cash from Baht 544 million in 2005 to Baht 854 million in 2006, mainly from the Company's subsidiary, Bumrungrad International Company Limited (BIL)'s capital increase of Baht 453 million, increase in accounts receivables from Baht 339 million in 2005 to Baht 525 million in 2006, in line with the growth of revenues from hospital operations and increasing average collectible days because of increasing foreign accounts, coupled with the increase in property, plant and equipment from Baht 3,270 million in 2005 to Baht 3,752 million in 2006 from the construction of new outpatient and parking building, netted off with decrease in pledge of fixed

deposits at financial institutions from Baht 230 million in 2005 to Baht 10 million in 2006, as the condition on maintaining an escrow account for the term loan has been released.

The Company's average collection period increased to 22 days as at 31 December 2006 from 18 days as at 31 December 2005, as the Company's composition of insurance and corporate contracts are gradually changing towards an increasing of foreign accounts. Naturally, these accounts take longer to process and collect the bills. The Company's average inventory period remains stable at 12 days for both 2005 and 2006.

Total liability was at Baht 2,994 million as at 31 December 2006, stable compared to Baht 3,032 million as at 31 December 2005. The Company's long-term debt (including current portion) remained stable at Baht 1,751 million as at 31 December 2006 compared to Baht 1,779 million as at 31 December 2005, as during 2006, the Company made a scheduled repayment of Baht 329 million and made a draw-down of Baht 300 million in 4Q06. Net debt to equity declined to 0.24x as at 31 December 2006 compared to 0.37x as at 31 December 2005, as a result in an increase in cash and increase in equity. The Company's interest coverage ratio improved to 17.5x for the year 2006 from 15.6x in 2005 as EBITDA improves.

Shareholder's equity attributable to Company's shareholders (excluding equity attributable to minority shareholders of subsidiaries) increased to Baht 3,284 million as at 31 December 2006 from Baht 2,615 million as at 31 December 2005, primarily a result of unrealized gain from BIL's capital increase to strategic partners in excess of par value (Baht 153.52 per share vs. par value of Baht 100 per share) of Baht 156 million, coupled with 2006 net profit of Baht 1,096 million netted off with dividend payment of Baht 548 million. In July 2006, the Company waived its rights to subscribe to BIL's 5,764,701 new shares to allow strategic partners to buy such shares. As a result, its shareholding in BIL was diluted to 51% from 100%. Consequently, the equity attributable to minority shareholders of subsidiaries significantly increased from Baht 81 million as at 31 December 2005 to Baht 344 million as at 31 December 2006. Average return on assets for 2006 was at 18% while average return on equity remained high at 35% for 2006.

(Unit: Baht Million)

	2006	2005	Growth
Total Assets	6,623	5,728	16%
Total Liabilities	2,994	3,032	-1%
Total Shareholders' Equity (excluding equity attributable to minority shareholders of subsidiaries)	3,284	2,615	35%
Average Collection Period (days)	22.0	17.6	
Average Inventory Period (days)	11.9	11.0	
Average Payables Period (days)	39.1	39.0	
Net Debt to Equity	0.24x	0.37x	
Interest Coverage Ratio	17.5x	15.6x	
Average Return on Assets	17.7%	19.6%	
Average Return on Equity	34.7%	44.3%	

4. Liquidity

The Company's cash flow from operating activities for 2006 was at Baht 1,137 million, lower than 2005 of Baht 1,513 million, primarily because of the increase in accounts receivable, decrease in corporate income tax payable resulting from income tax payment, decrease in accrued expense as miscellaneous expenses have been paid down and decrease in accounts payable – others as the Company paid for its construction of the new outpatient center. Net cash used in investment activities decreased to Baht 678 million in 2006 from Baht 859 million in 2005, primarily because in 2005, 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 141 million in 2006 from Baht 857 million in 2005, as in 2006, BIL received cash from shares issued in the amount of Baht 453 million, together with the Company's increase in long term loan of Baht 300 million. As a result, cash and cash equivalents at the end of the period increased to Baht 854 million as at 31 December 2006 from Baht 544 million as at 31 December 2005.

Liquidity ratio stood at 1.04x as at 31 December 2006, an increase from 0.70x as at 31 December 2005, as a result of stronger cash position. Consequently, quick ratio was at 0.99x as at 31 December 2006, an increase from 0.65x as at 31 December 2005.

	(Unit: Baht Million)	
	2006	2005
Cash Flow from Operating Activities	1,137	1,513
Cash Flow from Investing Activities	-678	-859
Cash Flow from Financing Activities	-141	-857
Net Increase (Decrease) in cash and cash equivalents	318	-203
Cash and Cash Equivalents at end of year	854	544
Liquidity Ratio	1.04x	0.70x
Quick Ratio	0.99x	0.65x