

Bumrungrad Hospital Public Company Limited
Management Discussion and Analysis
For the year ended 31 December 2007

1. Basis of Consolidation

On 27 April 2007, the Company's shareholding in Bumrungrad International Limited was decreased from 51.0% to 31.5% as the Company waived its rights to subscribe to Bumrungrad International Limited's new shares to allow Asia Financial Holdings to own 19.5% of Bumrungrad International Limited. As a result, the status of Bumrungrad International Limited has changed from a subsidiary to an associated company. Therefore, while Bumrungrad International Limited's accounts were consolidated in the Company's financial statements as at 31 March 2007, as at 31 December 2007, the accounts are no longer consolidated but are equity accounted instead. Consequently, the year-end 2006 income statements reflect the consolidation of Bumrungrad International Limited accounts for the entire year, while the year-end 2007 income statements reflect the consolidation of Bumrungrad International Limited's 1Q07 accounts and only the equity-accounting of Bumrungrad International Limited's 2Q07, 3Q07 and 4Q07 performance.

2. Revenues, Net Profit and Margins

For 4Q07, the Company reported revenues from hospital operations of Baht 2,049 million, an increase by 8% y-o-y from Baht 1,890 million in 4Q06. The increase is mainly the result of the continuous growth in hospital operations, where inpatient revenues increased by 7% while outpatient revenues increased by 12%.

Total revenues for 4Q07 was at Baht 2,945 million, compared to Baht 1,946 million in 4Q06, an increase of 51%, primarily because the Company reported share of profit from investments accounted for under equity method of Baht 839 million in 4Q07 compared to a loss of Baht 12 million in 4Q06. The share of profit of Baht 839 million comprised of the following: (1) share of profit from investments in Bumrungrad International Limited of Baht 10 million and (2) share of profit from investments in Global Care Solutions (Thailand) Company Limited ("GCS Thailand") of Baht 829 million. The Company purchased 30% stake in GCS Thailand in September 2007. GCS Thailand is the hospital software development company which the Company is using its products, H2000. Subsequently in November 2007, Microsoft Corporation announced the purchase of all of GCS Thailand's assets. Therefore, the share of GCS Thailand's profit of Baht 829 million is primarily the one-time gain from sale of assets in GCS Thailand, netted off with GCS Thailand's operations. However, the share of loss from investments in associated company of Baht 12 million in 4Q06 was Asian Hospital Inc.'s (AHI), Bumrungrad Hospital Limited's associated company at that time.

In 4Q07, the Company reported cost of hospital operation of Baht 1,272 million, an increase by 6% y-o-y from Baht 1,201 million, slightly lower than the growth rate of the increase in revenues from hospital operations as a result of slightly better cost control throughout the year 2007. Gross profit margin, therefore, improved to 37.9% in 4Q07 compared to 36.5% in 4Q06.

The Company's administrative expenses increased to Baht 371 million in 4Q07 compared to Baht 269 million in 4Q06. The 4Q07 administrative expenses of Baht 371 million are slightly higher than the previous three quarters in 2007 which were at approximately Baht 330 million because of

higher salaries and wages and the donation for the “80 hearts program” for underprivileged children as part of the Company’s corporate social responsibilities. As a result, EBITDA excluding non-operating items slightly decreased by 2% to Baht 463 million in 4Q07 from Baht 470 million in 4Q06, with EBITDA margin lower at 22.0% in 4Q07 compared to 24.2% in 4Q06.

Although EBITDA saw a decrease by 2% y-o-y, the Company’s net profit excluding non-operating items increased by 4% to Baht 263 million in 4Q07 from Baht 254 million in 4Q06. This was mainly because of lower corporate income tax of Baht 80 million in 4Q07 compared to Baht 96 million in 4Q06, as 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 taxable. As a result, net profit margin excluding non-operating items was at 12.4% in 4Q07, compared to 13.0% in 4Q06.

The Company had two one-time non-operating items in 4Q07. The share of profit from investments in GCS Thailand of Baht 829 million was as a result of gain from sale of GCS Thailand’s assets as mentioned above. The Company also recorded a loss on impairment of fixed assets of Baht 370 million, which was the impairment of the old version of hospital software H2000 as the Company launched the new version of the software in the beginning of the year 2008. Taking into account these two one-time non-operating items, the Company reported a net profit of Baht 721 million in 4Q07, an increase of 184% from Baht 254 million in 4Q06. Net profit margin also significantly increased to 24.5% in 4Q07 from 13.0% in 4Q06.

For the year 2007, the Company reported revenues from hospital operations of Baht 8,323 million, an increase by 9% from Baht 7,651 million in 2006. The increase is mainly the result of the continuous growth in hospital operations, where inpatient revenues increased by 9% while outpatient revenues increased by 11%.

Total revenues for the year 2007 was at Baht 9,413 million, compared to Baht 7,896 million in 2006, an increase of 19%, primarily because the Company reported share of profit from investments in associated companies of Baht 854 million in 2007 compared to a profit of Baht 8 million in 2006. The profit of Baht 854 million in 2007 included the following: (1) share of profit from AHI in 1Q07, when Bumrungrad International Limited’s financial statement was still consolidated with the Company’s, of Baht 8 million, (2) share of profit from investment in Bumrungrad International Limited of Baht 18 million in 2Q07, 3Q07 and 4Q07 and (3) share of profits from GCS Thailand of Baht 829 million. Share of profit from GCS Thailand is the one-time gain from sale of assets in GCS Thailand, netted off with GCS Thailand’s 4Q07 operations.

In 2007, the Company reported cost of hospital operation of Baht 5,120 million, an increase by 7% from Baht 4,775 million in 2006, slightly lower than the growth rate of the increase in revenues from hospital operations as a result of slightly better cost control throughout the year 2007. Gross profit margin, therefore, improved to 38.5% in 2007 compared to 37.6% in 2006.

The Company’s administrative expenses increased to Baht 1,356 million in 2007 compared to Baht 1,149 million in 2006, or an increase of 18%, because of higher salaries and wages, coupled with higher advertising expenses throughout 2007 with advertisements on television and publications. As a result, EBITDA excluding non-operating items increased by 6% to Baht 2,070 million in 2007 from Baht 1,946 million in 2006, with EBITDA margin slightly lower at 24.2% in 2007 compared to 24.7% in 2006.

The Company reported higher depreciation of Baht 408 million in 2007, compared to Baht 342 million in 2006 as the hospital had a major technology upgrade of its equipment because the

existing hospital building has reached its tenth year of operation. As a result, net profit excluding one-time non-operating item for 2007 was at Baht 1,147 million, a 5% increase from Baht 1,096 million in 2006. Net profit margin excluding non-operating items slightly was at 13.4% in 2007, compared to 13.9% in 2006.

In 2007, the Company had two one-time non-operating items: (1) share of profit from investments in GCS Thailand of Baht 829 million, and (2) loss on impairment of fixed assets of Baht 370 million, which was the impairment of the old version of hospital software H2000. Taking into account these two one-time non-operating items, the Company reported a net profit of Baht 1,605 million in 2007, an increase of 47% from Baht 1,096 million in 2006. Net profit margin also significantly increased to 17.1% in 2007 from 13.9% in 2006.

For 4Q07, basic EPS (excluding non-operating item) stood at Baht 0.35 per share, while reported basic EPS was at Baht 0.99 per share, flat and an increase of 184% respectively from Baht 0.35 per share in 4Q06. Year-end 2007 basic EPS (excluding non-operating item) was at Baht 1.54 per share, while reported basic EPS was at Baht 2.20 per share, or an increase of 2% and 46% respectively from Baht 1.51 per share for year-end 2006. Similarly, for 4Q07 fully diluted EPS (excluding non-operating items) was at Baht 0.29 per share while reported fully diluted EPS was at Baht 0.83 per share, flat and an increase of 184% respectively from Baht 0.29 per share in 4Q06. Year-end 2007 fully diluted EPS (excluding non-operating item) was at Baht 1.29 per share, while reported basic EPS was at Baht 1.85 per share, or an increase of 3% and 47% respectively from Baht 1.26 per share for year-end 2006.

(Unit: Baht Million)

	4Q07	4Q06	Y-o-Y Growth	2007	2006	Growth
Revenues from hospital operations	2,049	1,890	8%	8,323	7,651	9%
Total Revenues	2,945	1,946	51%	9,413	7,896	19%
Gross Profit	777	689	13%	3,203	2,875	11%
<i>Gross Profit Margin</i>	37.9%	36.5%		38.5%	37.6%	
EBITDA (Excluding non-operating item)	463	470	-2%	2,070	1,946	6%
<i>EBITDA Margin</i>	22.0%	24.2%		24.2%	24.7%	
Net Profit (Excluding non-operating item)	263	254	4%	1,147	1,096	5%
<i>Net Profit Margin (Excluding non-operating item)</i>	12.4%	13.0%		13.4%	13.9%	
Net Profit	721	254	184%	1,605	1,096	47%
<i>Net Profit Margin</i>	24.5%	13.0%		17.1%	13.9%	
EPS – Basic (excluding non-operating items)	0.35	0.35	-	1.54	1.51	2%
EPS – Basic	0.99	0.35	184%	2.20	1.51	46%
EPS – Fully Diluted (excluding non-operating items)	0.29	0.29	-	1.29	1.26	3%
EPS – Fully Diluted	0.83	0.29	184%	1.85	1.26	47%

3. Balance Sheet

As at 31 December 2007, the Company reported total current assets of Baht 1,417 million, a decrease from Baht 1,629 million as at 31 December 2006. This is primarily due to a decrease in cash from Baht 854 million as at 31 December 2006 to Baht 550 million as at 31 December 2007, as Bumrungrad International Limited's cash position is no longer consolidated into the Company's consolidated financial statements. Investments in associated company increased from Baht 465 million as at 31 December 2006 to Baht 1,523 million as at 31 December 2007. The investment of Baht 465 million in 2006 is the investment in AHI, as at the time, Bumrungrad International Limited's accounts were still consolidated with the Company's, while the investment of Baht 1,523 million in 2007 was the investment in Bumrungrad International Limited of Baht 1,091 million and investment in CDE Trading Co., Ltd. (previously GCS Thailand) of Baht 432 million. GCS Thailand registered its name change to CDE Trading Co., Ltd. on 3 December 2007. The net property, plant and equipment as at 31 December 2007 was at Baht 4,145 million, an increase from Baht 3,752 as at 31 December 2006, as a result of increases in medical and hospital equipment because of the major technology upgrade and increase in construction in progress as the seven additional floors of the new BI Clinic Building are being constructed, to be opened in mid-2008. On the other hand, intangible assets decreased to Baht 349 million as at 31 December 2007 from Baht 732 million as at 31 December 2006 because of the write-down of the software of Baht 370 million for the impairment of old version of hospital software. As a result of the above items, the Company's total assets increased to 7,466 million as at 31 December 2007 from Baht 6,623 million as at 31 December 2006.

The Company's average collection period increased to 26 days as at 31 December 2007 from 22 days as at 31 December 2006, 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 slightly increased from 12 days in 2006 to 13 days in 2007.

Total liability was at Baht 3,117 million as at 31 December 2007, compared to Baht 2,994 million as at 31 December 2006, primarily due to increases in accounts payable and accrued physician fees, which increase in line with the hospital operations. Accounts payable increased to Baht 622 million as at 31 December 2007 from Baht 552 million as at 31 December 2006, while accrued physician fees increased to Baht 293 million as at 31 December 2007 from Baht 256 million as at 31 December 2006. Average payable period slightly increased to 41 days in 2007 from 39 days in 2006. With long term loan outstanding (including the current portion) remaining stable, net debt to equity remains strong, with a slight increase to 0.28x as at 31 December 2007 from 0.27x as at 31 December 2006. The Company's interest coverage ratio improved to 18.7x in 2007 from 17.7x in 2006.

Shareholder's equity attributable to Company's shareholders (excluding equity attributable to minority shareholders of subsidiaries) increased to Baht 4,349 million as at 31 December 2007 from Baht 3,284 million as at 31 December 2006, primarily as a result of the capital increase of shareholders of an associated company, Bumrungrad International Limited (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 96 million, the Company's net profit for the year 2007 of Baht 1,605 million, netted off with dividend payment of Baht 621 million and interest expense on convertible bonds of Baht 18 million.

As at 31 December 2006, the Company reported equity attributed to minority shareholders of subsidiaries of Baht 344 million, which was the minority interest of Bumrungrad International Limited, while there was no equity attributed to minority shareholders as at 31 December 2007 as Bumrungrad International Limited's accounts are no longer consolidated. Average return on assets for 2007 was at 22.8%, an increase from 17.7% in 2006 because the net profit in 2007 included net one-time non-operating income of Baht 473 million (share of profit from investments in GCS Thailand netted off with loss on impairment of fixed assets). Similarly, average return on equity remained high at 40.2% for 2007, compared to 34.7% in 2006.

	(Unit: Baht Million)		
	2007	2006	<i>Growth</i>
Total Assets	7,466	6,623	13%
Total Liabilities	3,117	2,994	4%
Total Shareholders' Equity (excluding equity attributable to minority shareholders of subsidiaries)	4,349	3,284	32%
Average Collection Period (days)	26	22	
Average Inventory Period (days)	13	12	
Average Payables Period (days)	41	39	
Net Debt to Equity	0.28x	0.27x	
Interest Coverage Ratio	18.7x	17.7x	
Average Return on Assets	22.8%	17.7%	
Average Return on Equity	40.2%	34.7%	

4. Liquidity

The Company's cash flow from operating activities in 2007 was at Baht 1,341 million, 18% higher than 2006 of Baht 1,137 million, primarily because of the better operation and increase in accrued expenses. Net cash used in investment activities decreased to Baht 585 million in 2007 from Baht 678 million in 2006, primarily because in 2007, the Company received dividend payment of Baht 418 million from GCS Thailand. Net cash used in financing activities significantly increased to Baht 617 million in 2007 from Baht 141 million in 2006, as in 2006, Bumrungrad International Limited received cash from shares issued in the amount of Baht 453 million, as that time, Bumrungrad International Limited accounts were still consolidated with the Company's. With a deduction of cash and cash equivalents of subsidiary (Bumrungrad International Limited) as at the date of a subsidiary changed to an associated company of Baht 442 million, the Company's cash and cash equivalents at the end of the period decreased to Baht 550 million as at 31 December 2007 from Baht 854 million as at 31 December 2006.

Liquidity ratio as at 31 December 2007 decreased to 0.80x from 1.04x as at 31 December 2006, while quick ratio was at 0.64x as at 31 December 2007, a decrease from 0.88x as at 31 December 2006. The decrease in both liquidity and quick ratios are primarily due to a decrease in

cash and cash equivalents of Baht 304 million, from Baht 854 million as at 31 December 2006 to Baht 550 million as at 31 December 2007.

	(Unit: Baht Million)	
	2007	2006
Cash Flow from Operating Activities	1,341	1,137
Cash Flow from Investing Activities	-585	-678
Cash Flow from Financing Activities	-617	-141
Net Increase (Decrease) in cash and cash equivalents	139	318
Cash and Cash Equivalents at end of year	550	854
Liquidity Ratio	0.80x	1.04x
Quick Ratio	0.64x	0.88x

5. 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.

- i. In 4Q07, net income on the Company financial statement was Baht 288 million, lower than Baht 721 million in the consolidated financial statement by Baht 433 million. For 4Q06, net income on the Company financial statement was Baht 247 million, lower than the net income in the consolidated financial statement of Baht 254 million by Baht 7 million. This is because the Company financial statement did not include share of net income from investments under the equity method of Baht 433 million and Baht 7 million in 4Q07 and 4Q06 respectively.
- ii. For the year 2007, net income on the Company financial statement was Baht 1,129 million, lower than Baht 1,605 million in the consolidated financial statement by Baht 476 million. For the year 2006, net income on the Company financial statement was Baht 1,039 million, lower than the net income in the consolidated financial statement of Baht 1,096 million by Baht 57 million. This is because the Company financial statement did not include share of net income from investments under the equity method of Baht 476 million and Baht 57 million for the year 2007 and 2006 respectively.

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.