

**Bumrungrad Hospital Public Company Limited**  
**Management Discussion and Analysis**  
**For the year ended 31 December 2008**

The Company reported total revenues in 2008 of Baht 8,882 million, a 4% increase from 2007. The 2008 net profit was Baht 1,191 million, also a 4% increase from 2007 net profit, excluding a one-time non-operating item in 2007 related to the sale of hospital software by CDE Trading Company Limited, an associated company. When the one-time net gain in 2007 from the sale of the software is included in the 2007 returns, 2008 net profit was down by 26% from 2007. Details of the management discussion and analysis are as follows:

**1. Basis of Consolidation**

On 27 April 2007, the Company's shareholding in Bumrungrad International Limited 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, from 2Q07 onwards, Bumrungrad International Limited's accounts are no longer consolidated but are equity accounted instead. Consequently, please note that the 2007 income statements reflect the consolidation of Bumrungrad International Limited's 1Q07 accounts and the equity-accounting of Bumrungrad International Limited's 2Q07, 3Q07 and 4Q07 performance, while the 2008 income statement does not consolidate Bumrungrad International Limited's accounts.

**2. Profit and Loss Statement**

For 4Q08, the Company reported revenues from hospital operations of Baht 2,106 million, an increase by 3% y-o-y from Baht 2,049 million in 4Q07. The increase is mainly the result of the continuous growth in hospital operations, where inpatient revenues increased by 1% y-o-y while outpatient revenues increased by 9% y-o-y. Other income increased to Baht 28 million in 4Q08 from Baht 14 million in 4Q07, 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 4Q08 was Baht 2,173 million, compared to Baht 2,106 million in 4Q07, an increase of 3%, in line with the increase in revenues from hospital operations.

In 4Q08, the Company reported cost of hospital operation of Baht 1,300 million, an increase by 2% y-o-y from Baht 1,272 million in 4Q07, slightly lower than the growth rate of the increase in revenues from hospital operations as a result of rigid cost control. Gross profit, therefore, increased by 4% to Baht 806 million in 4Q08 from Baht 777 million in 4Q07, with improvement in gross profit margin to 38.3% in 4Q08 compared to 37.9% in 4Q07.

The 4Q08 administrative expenses of Baht 366 million is slightly lower than Baht 371 million in 4Q07, as 4Q07 administrative expenses included the donation for the "80 hearts program" for underprivileged children as part of the Company's corporate social responsibilities. The 4Q08

expenses are at the same level as in 3Q08, because of the expenses related to the new Bumrungrad International Clinic Building since its grand opening in May 2008. As a result, EBITDA was Baht 507 million in 4Q08, a 10% increase from Baht 463 million in 4Q07. Consequently, EBITDA margin significantly improved to 23.3% in 4Q08 compared to 22.0% in 4Q07.

The 4Q08 depreciation and amortization was Baht 128 million, compared to Baht 104 million in 4Q07. The increase was a result of the opening of the new Bumrungrad International Clinic Building in May 2008, when the Company started to recognize the related depreciation. The corporate income tax in 4Q08 was Baht 81 million, compared to Baht 80 million in 4Q07, or at the effective tax rate of 23.0% in 4Q08 and 24.0% in 4Q07. The low effective tax rates for both periods were 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 21 million in 4Q08, the majority of which is the contribution from Bumrungrad International Limited. In 4Q08, Bumrungrad International Limited made a full provision of approximately Baht 76 million (at Bumrungrad International Limited level) for the investment in Bumrungrad Hospital Dubai, as currently, the project is on hold and under review. In 4Q07, the share of income from investments was Baht 839 million, which 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 CDE Trading Company Limited (previously Global Care Solutions (Thailand) Company Limited) of Baht 829 million, which was a one-time gain from sale of assets, mainly the hospital software, of CDE Trading to Microsoft, netted off with CDE Trading's operations.

The Company reported net profit of Baht 292 million in 4Q08, an increase of 11% from normal net profit of Baht 263 million in 4Q07 (excluding one-time non-operating items which are the allowance for loss on impairment of assets of Baht 370 million and share of profit from investments in CDE Trading of Baht 829 million), but a decrease of 60% from reported net profit of Baht 721 million in 4Q07. Net profit margin increased to 13.3% in 4Q08 compared to the normal net profit margin (excluding one-time non-operating items) of 12.4% in 4Q07, but a decline from reported net profit margin of 24.5% in 4Q07.

For the year 2008, the Company reported revenues from hospital operations of Baht 8,629 million, an increase by 4% from Baht 8,323 million in 2007. The increase is mainly the result of the continuous growth in hospital operations, where inpatient revenues increased by 2% while outpatient revenues increased by 9%. Other income increased to Baht 87 million in 2008 from Baht 43 million in 2007, 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 2008 was Baht 8,882 million, compared to Baht 8,559 million in 2007, an increase of 4%, in line with the increase in revenues from hospital operations

In 2008, the Company reported cost of hospital operation of Baht 5,324 million, an increase by 4% from Baht 5,120 million in 2007, at the same growth rate as that of revenues from hospital operations. Gross profit, therefore, increased by 3% to Baht 3,305 million in 2008 from Baht 3,203 million in 2007, with stable gross profit margin at 38.3% in 2008 compared to 38.5% in 2007.

The Company's administrative expenses increased to Baht 1,396 million in 2008 compared to Baht 1,356 million in 2007, or an increase of 3%, in line with total revenues as a result of rigid cost

control. As a result, EBITDA was Baht 2,155 million in 2008, a 4% increase from Baht 2,070 million in 2007. Consequently, EBITDA margin remained stable at 24.3% in 2008 compared to 24.2% in 2007.

The Company reported depreciation and amortization of Baht 459 million in 2008, higher than Baht 408 million in 2007. The increase was a result of the opening of the new Bumrungrad International Clinic Building in May 2008. The corporate income tax was Baht 440 million in 2008, compared to Baht 445 million in 2007, or at the effective tax rate of 27.7% in 2008 and 28.5% in 2007. 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 43 million in 2008, comprising of (1) share of profit from Bumrungrad International Limited of Baht 65 million, a significant improvement from Baht 18 million in 2007, mainly from the better performance of each of the project, with the exception of Bumrungrad Hospital Dubai, which Bumrungrad International Limited has made a full provision for the investment in 4Q08, as the project has been put on hold and under review, and (2) share of loss from CDE Trading of Baht 22 million, primarily resulting from the foreign exchange loss on the amount of the proceeds from the sale of its assets that have not been received in 1Q08, as the Thai Baht strengthened against US dollars. In 2007, the share of income from investments was Baht 854 million, significantly higher than in 2007 because of a one-time non-operating item, which was the share of profits from CDE Trading of Baht 829 million, which was the one-time gain from sale of assets, mainly hospital software, in CDE Trading, netted off with CDE Trading's 4Q07 operations. The remaining 2007 share of investment are (1) share of profit from Asian Hospital Inc. in the Philippines in 1Q07, when Bumrungrad International Limited's financial statement was still consolidated with the Company's, of Baht 8 million, and (2) share of profit from investment in Bumrungrad International Limited of Baht 18 million in 2Q07, 3Q07 and 4Q07.

The Company reported net profit of Baht 1,191 million in 2008, an increase of 4% from normal net profit of Baht 1,145 million in 2007 (excluding one-time non-operating items which are the allowance for loss on impairment of assets of Baht 370 million and share of profit from investments in CDE Trading Company Limited of Baht 829 million), but a decrease of 26% from reported net profit of Baht 1,603 million in 2007. Net profit margin remained stable at 13.3% in 2008 compared to the normal net profit margin (excluding one-time non-operating items) of 13.3% in 2007, but lower than the reported net profit margin of 17.0% in 2007.

For 4Q08, basic EPS was Baht 0.40, an 11% increase y-o-y from normal basic EPS (excluding one-time non-operating items) of Baht 0.36 in 4Q07, but a 60% decrease y-o-y from reported basic EPS of Baht 0.99 in 4Q07. For the year 2008, basic EPS was Baht 1.64, a 6% increase from normal basic EPS (excluding one-time non-operating items) of Baht 1.54 in 2007, but a 26% decrease from reported basic EPS of Baht 2.20 in 2007. Similarly, for 4Q08, fully diluted EPS was Baht 0.34, an 11% increase from normal fully diluted EPS (excluding one-time non-operating items) of Baht 0.30 in 4Q07, but a 60% decrease from reported fully diluted EPS of Baht 0.83 in 4Q07. For the year 2008, fully diluted EPS was Baht 1.37, a 6% increase from normal fully diluted EPS (excluding one-time non-operating items) of Baht 1.29 in 2007, but a 26% decrease from reported fully diluted EPS of Baht 1.85 in 2007.

(Unit: Baht Million)

	4Q08	4Q07	Y-o-Y Growth	YE08	YE07	Growth
Revenues from Hospital Operations	2,106	2,049	3%	8,629	8,323	4%
Total Revenues	2,173	2,106	3%	8,882	8,559	4%
Gross Profit	806	777	4%	3,305	3,203	3%
<i>Gross Profit Margin</i>	38.3%	37.9%		38.3%	38.5%	
EBITDA (Excluding one-time non-operating item)	507	463	10%	2,155	2,070	4%
<i>EBITDA Margin (Excluding one-time non-operating item)</i>	23.3%	22.0%		24.3%	24.2%	
Share of Income from Investments in Joint Venture and Associated Companies	21	839	-97%	43	854	-95%
Net Profit (Excluding one-time non-operating item)	292	263	11%	1,191	1,145	4%
<i>Net Profit Margin (Excluding one-time non-operating item)</i>	13.3%	12.4%		13.3%	13.3%	
Net Profit	292	721	-60%	1,191	1,603	-26%
<i>Net Profit Margin</i>	13.3%	24.5%		13.3%	17.0%	
EPS – Basic (Excluding one-time non-operating item)	0.40	0.36	11%	1.64	1.54	6%
EPS – Basic	0.40	0.99	-60%	1.64	2.20	-26%
EPS – Fully Diluted (Excluding one-time non-operating item)	0.34	0.30	11%	1.37	1.29	6%
EPS – Fully Diluted	0.34	0.83	-60%	1.37	1.85	-26%

### 3. Balance Sheet

As at 31 December 2008, the Company reported total current assets of Baht 1,142 million, a decrease from Baht 1,410 million as at 31 December 2007. This is primarily due to a decrease in cash to Baht 385 million as at 31 December 2008 from Baht 550 million as at 31 December 2007, as cash has been used primarily for the acquisition of BH Tower, the construction of Bumrungrad International Clinic Building, and the purchase of medical equipment; together with the decrease in trade accounts receivable to Baht 494 million as at 31 December 2008 from Baht 590 million as at 31 December 2007, as the collection of receivables, especially from the Middle East continue to improve. Total non-current assets increased to Baht 6,963 million as at 31 December 2008 from Baht 6,049 million as at 31 December 2007 as a result of the increase in property, plant and equipment, netted off with decrease in investments in associated companies. Property, plant and equipment increased to Baht 5,374 million as at 31 December 2008 from Baht 4,145 million as at 31 December 2007, because of the acquisition of BH Tower in February 2008, the completion and opening of the seven floors of Bumrungrad International Clinic Building on 30 May 2008, and the purchase of medical equipment. Investments in associated companies decreased to Baht 1,235 million as at 31 December 2008 from Baht 1,523 million as at 31 December 2007 as the investment amount in CDE Trading was adjusted by the dividend received of Baht 438 million in second quarter of 2008, resulting in investment in CDE Trading of Baht -28 million as at 31 December 2008 from Baht 432 million as at 31 December 2007. In addition, the Company recorded an investment in joint venture of Baht 6 million as at 31 December 2008, as in 4Q08, the Company invested a 51% stake in Asia

Renal Care (Thailand) Company Limited (ARC Thailand), with the purpose to invest in dialysis business in Thailand. In February 2009, ARC Thailand has entered into an agreement to make a 20% investment in Nephromed Company Limited, a chain of 14 dialysis centers in Thailand. As a result, the Company's total assets increased to Baht 8,104 million as at 31 December 2008 from Baht 7,459 million as at 31 December 2007.

Total liabilities were Baht 3,239 million as at 31 December 2008, a slight increase from Baht 3,110 million as at 31 December 2007. This was primarily due to increase in interest-bearing debt (short-term loan + long-term loans inclusive of the current portion) to Baht 1,885 million as at 31 December 2008 from Baht 1,772 million as at 31 December 2007, as the Company made a draw down of Baht 400 million in February 2008 to finance the acquisition of BH Tower, netted off with scheduled repayment of Baht 487 million in 2008, together with additional drawdown of short term loan of Baht 200 million for working capital. With the increase in its debt position together with lower cash balance, net debt to equity increased to 0.31x as at 31 December 2008 from 0.28x as at 31 December 2007. The Company's interest coverage ratio remained stable at 18.8x in 2008 compared to 18.7x in 2007.

Total shareholder's equity increased to Baht 4,865 million as at 31 December 2008 from Baht 4,349 million as at 31 December 2007, as a result of the Company's 2008 net profit of Baht 1,191 million, netted off with dividend payment of Baht 584 million and translation adjustment of an associated company (Bumrungrad International Limited) during 2008 of Baht 63 million. Average return on assets for 2008 was 15.3% compared to 22.8% in 2007, while average return on equity remained high at 25.9% in 2008 compared to 40.2% in 2007. The return on assets and return on equity in 2007 were exceptionally high as the reported net income used to calculate the ratios included one-time non-operating items as explained earlier.

In terms of working capital, the Company's average collection period slightly decreased to 25.6 days as at 31 December 2008 from 26.1 days as at 31 December 2007, as the collection of corporate contracts especially from the Middle East accounts continued to improve. The Company's average inventory period remained stable at 13.2 days as at 31 December 2008 compared to 13.0 days as at 31 December 2007. The average payable period decreased to 34.0 days as at 31 December 2008 compared to 37.0 days as at 31 December 2007 as the Company has reinforced the repayment policy to pay the suppliers quicker in 2008.

	(Unit: Baht Million)		
	2008	2007	Growth
Total Assets	8,104	7,459	9%
Total Liabilities	3,239	3,110	4%
Total Shareholders' Equity	4,865	4,349	12%
Average Collection Period (days)	25.6	26.1	
Average Inventory Period (days)	13.2	13.0	
Average Payables Period (days)	34.0	37.0	
Net Debt to Equity	0.31x	0.28x	
Interest Coverage Ratio	18.8x	18.7x	

	2008	2007	Growth
Average Return on Assets	15.3%	22.8%	
Average Return on Equity	25.9%	40.2%	

#### 4. Liquidity

The Company's cash flow from operating activities in 2008 was Baht 1,762 million, an increase from Baht 1,341 million in 2007, primarily attributable to decrease in trade accounts receivable. Net cash used in investment activities increased to Baht 1,440 million in 2008, compared to Baht 585 million in 2007 because of acquisition of property, plant and equipment and repayment of construction and medical equipment payable related to the acquisition of BH Tower, the construction of the Bumrungrad International Clinic Building and the purchase of medical equipment. The Company reported net cash flow used in financing activities of Baht 488 million in 2008, compared to Baht 617 million in 2007, as a result of drawdown of short-term loan of Baht 200 million in 2008. As a result, cash and cash equivalents at the end of the period was Baht 385 million as at 31 December 2008 compared to Baht 550 million (after deduction of cash of subsidiary, Bumrungrad International Limited, as at the date that the subsidiary changed to an associated company) as at 31 December 2007.

Liquidity ratio as at 31 December 2008 decreased to 0.54x from 0.79x as at 31 December 2007, while quick ratio was 0.41x as at 31 December 2008, a decrease from 0.64x as at 31 December 2007. The decrease in both liquidity and quick ratios are due to the decrease in total current assets, primarily from decrease in cash and cash equivalents and trade accounts receivable, coupled with the increase in total current liabilities, primarily from the increase in short term loan from financial institution.

	(Unit: Baht Million)	
	2008	2007
Cash Flow from Operating Activities	1,762	1,341
Cash Flow from Investing Activities	-1,440	-585
Cash Flow from Financing Activities	-488	-617
Net Increase (Decrease) in cash and cash equivalents	-165	139
Cash and Cash Equivalents at end of year	385	550
Liquidity Ratio	0.54x	0.79x
Quick Ratio	0.41x	0.64x