



EGCO

บริษัท ผลิตไฟฟ้า จำกัด (มหาชน)
ELECTRICITY GENERATING PUBLIC COMPANY LIMITED

Management Discussion and Analysis

For the Three-month Period Operating Results

Ended March 31, 2005

Note: This Management Discussion and Analysis (MD&A) was made to disclose information and the vision of the management in order to assist investors to better understand the company's financial status and operation. It also supports the "Good Corporate Governance Project" of the Securities and Exchange Commission (SEC).

The objective of this MD&A is to present the information and the explanation of financial status and operating results as of the date hereof. The information provided in this MD&A may change if the aforementioned factors or situation are changed in the future; the investors are, therefore, required to have their own discretion regarding the usage of this information for any purpose. For further detail, please contact Investor Relations Section, Corporate and Investor Relations Division of the Electricity Generating Public Company Limited at Tel: 662-998-5131-2 or Email: ir@egco.com

Management Discussion and Analysis

1. Executive Summary

The Electricity Generating Public Company Limited (EGCO) is an Independent Power Producer (IPP) with 12 operating plants totaling 2,414 equity MW. In addition to our existing assets, Nam Theun 2, one of our major power plant projects under development has progressed remarkably. The World Bank and the Asian Development Bank (ADB), leading a group of commercial and bi-lateral lenders, have agreed to support the project. The Financial Documents providing for the equivalent of USD 1,550 million of capital were signed on April 29, 2005 and the First Drawdown is expected shortly.

For the first quarter of 2005 operating result, EGCO's consolidated net profit was Baht 1,497 million, an increase of Baht 89 million or 6% compared to the same period of 2004. Excluding the impact of foreign exchange, the net profit was Baht 1,469 million, representing an increase of Baht 88 million or 6% as compared to the same period of last year. The details of net profit (before F/X) are as follows:

- **EGCO's** net profit decreased by Baht 72 million as a result of less dividends from its financial investments.
- **IPP Group**, consisting of Rayong Electricity Generating Co.,Ltd (REGCO) and Khanom Electricity Generating Co.,Ltd (KEGCO), was responsible for an increase of Baht 14 million mainly due to a decrease of REGCO and KEGCO's interest expenses.
- **SPP Group**, which is comprised of five companies including Gulf Electric Public Company Limited (GEC), Amata-EGCO Power Ltd. (AEP), Amata Power (Bang Pakong) Ltd. (APBP), TLP Cogeneration Co.,Ltd. (TLP Cogen) and Roi-Et Green Co.,Ltd. (Roi-Et Green), was responsible for an increase in net profit of Baht 90 million which resulted from a decrease in GEC's maintenance cost and administrative expenses together with a decrease in TLP Cogen's administrative expenses.
- **Overseas Group** refers to the Conal Holdings Corporation (CONAL) and Nam Theun 2 Power Co.,Ltd. (NTPC). The net profit from this group was up by Baht 32 million due to an increase in CONAL's electricity sales and the deferred tax adjustment for fiscal 2004.
- **Other Business Group** includes two subsidiaries, EGCO Engineering & Service Co.,Ltd. (ESCO) and Egcom Tara Co., Ltd. (ET) from which net profit increased by Baht 24 million due to increased service income of ESCO.

2. Business Expansion Analysis

EGCO, the first Independent Power Producer (IPP) in Thailand, was established in 1992 as a holding company. Our vision is to be the leading Thai integrated electric power company with comprehensive energy services in Thailand and in the ASEAN region with full commitment to environmental protection and social development as well as to our public shareholders. EGCO focuses its investment on pursuing opportunities in power generation in Thailand and also seeking to expand its business in the ASEAN countries by acquisitions. We will continue to provide strong returns to shareholders by improving the profitability of our existing assets and acquiring new projects with acceptable returns and risks.

As at the end of March 2005, Thailand's total generating capacity was reported at 26,443 MW¹, of which 9.1% was attributable to EGCO. In March 2005, the peak demand reached 20,221.50 MW¹, which was 4.63% higher than the peak demand in March 2004. It is expected that the next round of IPP bidding (for capacity required in 2011-2015) will be launched within 2005 by a regulatory body to be established by the Ministry of Energy. The Renewable Portfolio System (RPS) program is also expected to be implemented (5% of total additional capacity). EGCO will utilize its expertise within the group to prepare and participate in this new bidding program.

Currently, EGCO has 12 operating plants totaling 2,414 equity MW, of which 85% is produced from two natural gas-fired IPP power plants: a 1,232 MW REGCO plant and a 824 MW KEGCO plant. In addition to our existing assets, we are developing 3 power plant projects, representing an additional 1,011 equity MW as follows:

1. **The Kaeng Khoi 2 (KK2) project**, a 1,468 MW natural gas-fired power plant in Saraburi Province, formerly known as "Bo Nok project". EGCO holds a 50% stake in this project by holding 50% of shares in GEC, which holds 100% ownership in Gulf Power Generation Co.,Ltd. (GPG). The commercial operation dates (COD) for unit 1 and unit 2 with the capacity of 734 megawatts each are scheduled on March 1, 2007 and March 1, 2008, respectively.
2. **The Nam Theun 2 project**, a 1,070 MW hydroelectric power plant in the Lao PDR, in which EGCO has a 25% stake in the project company, Nam Theun 2 Power Co., Ltd. The PPA was signed in November 2003. This project is targeted for COD in the second half of

¹ Source: Electricity Generating Authority of Thailand (EGAT)

2009 with the contracted capacity to EGAT of 995 MW. The project has an estimated project cost of over USD 1.2 billion. Financial commitments for USD 1,550 million equivalents of capital were signed on April 29, 2005 and the First Drawdown is expected shortly.

3. **The Gulf Yala Green Project**, is a 23 MW parawood-fuel biomass power plant in Yala Province, in which EGCO holds a stake of 47.5% through its ownership of GEC. Due in part to the public security situation in the three southernmost provinces of Thailand, the construction of this project has been delayed. The project is in the process of getting approval from EGAT to postpone the COD from August 2005 to April 2006.

In the absence of unforeseen circumstances, the company intends to distribute approximately 40% of the available profits of the company by way of dividend. This dividend policy may change in the light of investment opportunities that may become available to the company or as a result of other economic or financial factors or when a dividend payment may have a significant impact on the normal operation of the company.

3. Report and Analysis of the Operating Results

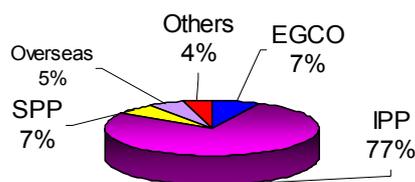
EGCO is structured as a holding company and it invests primarily in electricity generation and energy service businesses. The main sources of its income are dividends from investments in its subsidiaries, joint ventures, and associates. The objective of the holding company structure is to provide flexibility for business expansion and to facilitate financing of new projects without recourse to existing ones.

This report contains the analysis of the financial statements of EGCO and its subsidiaries as follows:

3.1 Operational Results

EGCO's consolidated net profit for the first quarter of 2005, as of March 31, 2005, was Baht 1,497 million, an increase of Baht 89 million or 6% compared to the same period of the year 2004.

Unit:: Million Baht



Net Profit after FX – 1Q2005

	Net Profit of 1Q2005		Net Profit of 1Q2004	
	Before FX	After FX	Before FX	After FX
EGCO	105	109	177	178
IPP Group	1,145	1,140	1,131	1,153
SPP Group	84	102	(6)	5
Overseas	69	80	37	30
Others	65	65	41	41

Remarks: - IPP : REGCO, KEGCO - SPP : GEC, AEP, APBP, TLP Cogen, Roi-Et Green
 - Overseas : Conal, Nam Theun 2 - Others : ESCO, ET

The net profit for the first quarter of 2005 included foreign exchange gain of Baht 28 million whereas the Company incurred a foreign exchange gain of Baht 27 million for the first quarter of 2004. An unrealized foreign currency exchange gain in the amount of Baht 19 million is an accounting number in accordance with the Thai accounting standard. It incurs from the difference of the translation of the net debt denominated in foreign currency to the Thai Baht equivalent amount using the foreign exchange rate at the end of this accounting period (March 31, 2005) and the previous period (December 31, 2004).

Excluding the effect of foreign currency exchange gain, the profit was Baht 1,469 million, represented an increase of Baht 88 million or 6% as compared to the same period of 2004.

Important Financial Ratios for the period were as follows;

- Gross Profit Ratio was 54%.
- Net Profit Ratio (excluding the effect of foreign exchange) was 35%.
- Earnings (excluding the effect of foreign exchange) per share (EPS) was Baht 2.80.

The net profit margin (excluding the effect of foreign exchange) of 35% was higher than last year's margin of 32%, primarily as a result of the increase in GEC's and CONAL's net profit.

3.2 Income Analysis

The total revenues of EGCO and its subsidiaries for the first three-months of 2005 as well as the share of profits from its associates and interest in joint ventures were Baht 4,215 million, a decrease of Baht 136 million or 3% compared to the same period of 2004. The details are as follows:

<i>Total Revenues:</i>	Unit : Million Baht		
	1Q2005	1Q2004	%Changes
<i>EGCO</i>	200	285	(30%)
<i>IPP Group</i>	2,418	2,555	(5%)
<i>SPP Group</i>	1,171	1,163	1%
<i>Overseas</i>	199	183	9%
<i>Others</i>	226	164	38%

1) **EGCO's Revenues**, amounting to Baht 200 million, represented a decrease of Baht 85 million or 30% from last year, driven mostly by a dividend income from financial investments which decreased by Baht 102 million as compared to the same period of 2004.

EGCO's revenues are essentially dividends from Krung Thai Dividend Selected Flexible Portfolio Fund (KTSF) in the amount of Baht 91 million representing a decrease of Baht 136 million as compared to the same period of 2004; dividends from Eastern Water Resources Development and Management Public Company Limited (EASTW) of Baht 61 million, up by Baht 21 million; and interest income of Baht 24 million, up by Baht 9 million.

2) **Revenues from the IPP Group**, consisting of two principal subsidiaries, REGCO and KEGCO, were Baht 2,418 million. The details are as follows:

- **Sales of electricity** were Baht 2,382 million, representing a decrease of Baht 130 million or 5% compared to last year. The decrease was an effect from a fall in REGCO's electricity sales of Baht 101 million caused by a decrease of the Capacity Rate and a fall in KEGCO's electricity sales of Baht 28 million due to a decrease of the Base Availability Credit. This was in accordance with the capacity payment formula calculated on a "Cost Plus Basis" under the PPAs and in line with the company's projection.

<i>Sales of Electricity – IPP Group:</i>	Unit : Million Baht		
	1Q2005	1Q2004	%Changes
<i>REGCO</i>	1,235	1,336	(8%)
<i>KEGCO</i>	1,147	1,175	(2%)

The PPAs cover the full amount of the projected fixed costs, debt financing charges and major maintenance charges, which are used in calculating the electricity tariffs for each period. Moreover, the calculation of the capacity payment is adjusted to include compensation of the exchange rate effect from debt services and expenses of major maintenance parts denominated

in US Dollar. REGCO and KEGCO receive the compensation monthly for each billing period. They receive higher capacity charge if the exchange rate is above Baht 28 per US Dollar and vice versa.

In the first quarter of 2005, REGCO and KEGCO received compensation for the exchange rate effect of Baht 164 million.

- **Interest income and others** amounted to Baht 37 million, a decrease by Baht 7 million or 17%, mainly from REGCO and KEGCO's lower amount of deposits at banks and financial institutions which caused a drop in return of Baht 6 million. Moreover, other revenues decreased by Baht 1 million.

3) **Revenues from the SPP Group** were Baht 1,171 million, an increase of Baht 8 million or 1% compared to the same period of 2004. The SPP Group incorporates five companies, GEC, AEP, APBP, TLP Cogen and Roi-Et Green. The details are as follows:

- **Sales of electricity** of the SPP Group were Baht 1,143 million, representing a decrease of Baht 16 million or 1% compared to the same period of last year.

Sales of Electricity – SPP Group:

	Unit : Million Baht		
	1Q2005	1Q2004	%Changes
GEC	648	661	(2%)
TLP Cogen	403	396	2%
APBP	54	69	(21%)
Roi-Et Green	38	34	12%

The major factor, which led to a decrease of sales in the SPP group was a decrease of electricity sales at APBP due to a physical impairment of an electricity generating equipment.

- **Interest income and others** amounted to Baht 12 million, an increase of Baht 5 million mainly from the increase in TLP Cogen's interest income and GEC's other income.

- **Share of profit of associates and joint ventures** was from AEP totaling Baht 16 million, an increase of Baht 18 million as compared to the same period of 2004 due to major maintenance in 2004.

4) **Revenues from the Overseas Group** were Baht 199 million, an increase of Baht 16 million compared to the same period of 2004. The overseas group refers to CONAL and NTPC. The details are as follows:

- **Sales of electricity** of the overseas group were Baht 188 million, an increase of Baht 8 million or 4% compared to last year, resulting from higher capacity payment.

- **Interest income and others** amounted to Baht 11 million, a decrease of Baht 1 million or 5%.

- **Share of expenses of associates and joint ventures** showed a decrease of Baht 9 million compared to the same period in the previous year. This is because NTPC is accounted on an equity method and the recognition of the share of expenses caused the investment value to become zero in 2004 while the recognized share of expenses in the first quarter of 2004 was Baht 9 million.

5) **Revenues from the Other Business Group** were Baht 226 million, an increase by Baht 62 million or 38%. The other business group includes two subsidiaries, ESCO and ET. The details are as follows:

<i>Revenues from the Other Business:</i>	Unit : Million Baht		
	1Q2005	1Q2004	% Changes
<i>Service Income – ESCO</i>	182	122	49%
<i>Sales of Water – ET</i>	41	39	6%

- **Service income** from ESCO amounted to Baht 182 million, up by Baht 60 million or 49%, resulting mostly from an increase of operation and maintenance (O&M) services and selling spare parts to Elgali 2 Power Plant in Sudan.

- **Sales of water from a subsidiary**, ET, were Baht 41 million, up by Baht 2 million, or 6%, thanks to an increase of water tariff under the Water Purchase Agreement.

- **Interest income and others** amounted to Baht 3 million, an increase by Baht 0.47 million or 19%, mainly from ET's other revenues.

- **ESCO's share of profit of associates and joint ventures** totaled Baht 0.08 million, a decrease by Baht 1 million, mainly from Amata Power-Esco Service Co.,Ltd (AMESCO)'s increased expenses.

3.3 Expense Analysis

Total expenses from EGCO, its subsidiaries and joint ventures in the first quarter of 2005 were Baht 2,661 million, a decrease of Baht 252 million or 9% from the same period of last year. The details are as follows:

<i>Total Expenses:</i>		Unit : Million Baht	
	1Q2005	1Q2004	% Changes
<i>EGCO</i>	95	108	(13%)
<i>IPP Group</i>	1,274	1,424	(11%)
<i>SPP Group</i>	1,066	1,158	(8%)
<i>Overseas</i>	73	106	(31%)
<i>Others</i>	153	117	31%

1) **Total expenses of EGCO**, which were administrative expenses, totaled Baht 95 million, a decrease from last year by Baht 14 million or 13% because EGCO's debenture matured in October 2004.

2) **The IPP Group's expenses** were Baht 1,274 million, a decrease of Baht 151 million or 11%. The details are as follows:

- **Cost of sales**, with the total of Baht 725 million, a decrease by Baht 65 million or 8% compared to the same period of 2004, mainly from the result of a decrease of REGCO's major maintenance expenses.

<i>Cost of Sales – IPP Group:</i>		Unit: Million Baht	
	1Q2005	1Q2004	%Changes
<i>REGCO</i>	416	484	(14%)
<i>KEGCO</i>	309	306	1%

- **Administrative expenses and other expenses** were Baht 175 million, an increase of Baht 5 million or 3%, mainly from REGCO's higher corporate income tax payment in the amount of Baht 5 million.

- **Interest expenses** were Baht 373 million, a decrease of Baht 91 million or 20%, resulting from the decrease in interest expenses at REGCO and KEGCO of Baht 56 million and Baht 35 million, respectively, owing to lower principal amounts.

3) **The SPP Group's expenses** were Baht 1,066 million, a decrease from the same period of last year by Baht 92 million or 8%, according to the following reasons:

- **Cost of Sales** were Baht 931 million, a decrease of Baht 24 million or 2%, substantially driven by a decrease in cost of sales of GEC amounting to Baht 54 million, a result of lower major

maintenance expenses. APBP's and TLP Cogen's cost of sales increased by Baht 15 million and Baht 7 million, respectively, due to higher maintenance expenses. Moreover, Roi-Et Green's cost of sales increased by Baht 9 million due to higher fuel costs.

<i>Cost of Sales - SPP:</i>		Unit : Million Baht	
	1Q2005	1Q2004	%Changes
<i>GEC</i>	539	593	(9%)
<i>TLP Cogen</i>	301	294	2%
<i>APBP</i>	64	50	29%
<i>Roi-Et Green</i>	27	18	47%

- **Administrative expenses and other expenses** were Baht 58 million, a decrease of Baht 70 million or 55%, coming substantially from lower GEC's administrative expenses by Baht 43 million according to goodwill adjustment of Baht 43 million and write-off of development cost of Baht 9 million in the first quarter of 2004. For TLP Cogen, it saw a decrease of Baht 26 million as there was a refinancing fee incurred in the first quarter of 2004.

- **Interest expenses** were Baht 77 million, an increase of Baht 2 million or 3%, mainly driven by an increase in interest expenses of TLP Cogen due to higher interest rate.

4) **The Overseas Group's expenses** were Baht 73 million, a decrease of Baht 33 million or 31% compared to the same period of 2004, owing to the following reasons:

- **Cost of Sales** were Baht 39 million, an increase of Baht 0.01 million or 0.02%.
- **Administrative expenses and other expenses** were Baht 19 million, a decrease of Baht 32 million or 63% due to CONAL's deferred tax adjustment of 2004.

- **Interest expenses** were Baht 16 million, a decrease of Baht 1 million or 4% owing to lower principal amount.

5) **The Other Business Group's expenses** were Baht 153 million, an increase of Baht 36 million or 31%, owing to the following reasons:

- **Service costs** were Baht 110 million, an increase of Baht 32 million or 41%, resulting from an increase of ESCO's operation and maintenance (O&M) services to customers which was consistent with its increased revenue.

- **Cost of water sales** of ET was Baht 13 million, a decrease of Baht 1 million or 8% mainly from a decrease of operating and maintenance service costs.

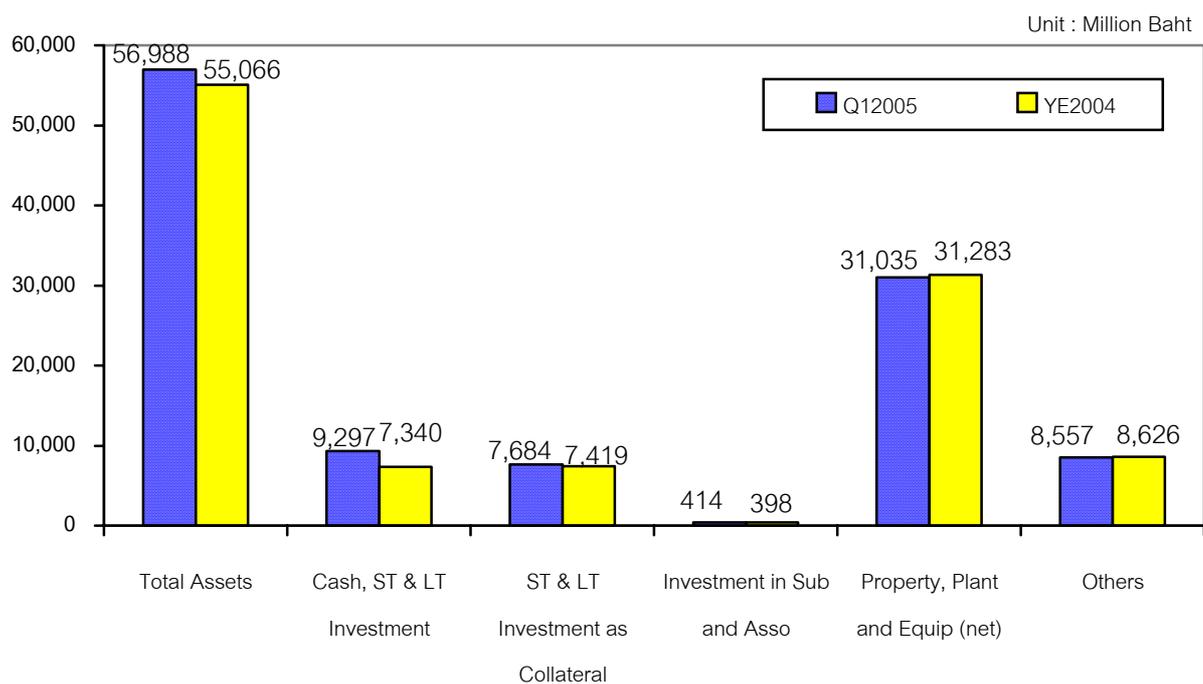
- **Administrative expenses and other expenses** were Baht 28 million, an increase of Baht 7 million or 30%, mostly from ESCO's expenses, which was in line with an increase of ESCO revenues.

- **Interest expenses** were Baht 2 million, a decrease of Baht 1 million or 40%, resulting from the lower principal amount of ET.

4. Report and Analysis of Financial Position

4.1 Asset Analysis

As at March 31, 2005, total assets of EGCO, its subsidiaries, associates and joint ventures amounted to Baht 56,988 million, an increase of Baht 1,921 million or 3% from December 31, 2004. The important details are as follows:



1) **Cash and deposits at financial institutions, and short term and long term marketable securities** were Baht 9,297 million or 16% of the total assets, up Baht 1,957 million or 27%. This was categorized by an increase of Baht 1,693 million in cash and cash equivalent, Baht 230 million in deposits at financial institutions and short-term marketable securities and Baht 35 million in long-term investments in marketable securities.

2) **Short-term and long-term investments used as collateral** were Baht 7,684 million or 13% of the total assets, up Baht 265 million or 4% after REGCO obtained lenders' approval in this quarter to reduce the Foreign Exchange Reserve Account (FEXRA) to USD 1.5 million and to release Debt Service Reserve Account (DSRA) amounting to USD 13.2 million by pledging a Bank Guarantee.

3) **Investment in subsidiaries and associates and interests in joint ventures** amounted to Baht 414 million or 1% of the total assets, up by Baht 16 million or 4%. This increase is mainly a result of the recognition of the share of profit of AEP.

4) **Property, plant and equipment (net)** totaled Baht 31,035 million or 54% of the total assets. They were down Baht 248 million or 1% due to the depreciation of EGCO and subsidiaries' assets totaling Baht 614 million, the reclassification of unutilised capital spare parts from property, plant and equipment to inventories of TLP Cogen and KEGCO amounting to Baht 23 million and Baht 7 million, respectively. However, an increase in property, plant and equipment was substantially from GEC's construction of Baht 208 million and the recording of capital spare parts as property, plant and equipment according to the major maintenance of REGCO and TLP Cogen in the amount of Baht 106 million and Baht 28 million, respectively. The translation adjustment increased by Baht 31 million as well.

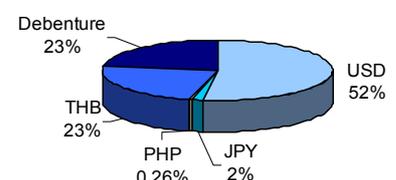
5) **Other assets** were Baht 8,557 million or 15% of the total assets, down Baht 69 million or 1% mainly from accounts receivable and accounts receivable from related companies that were down Baht 605 million while the increased shareholder loans to NTPC amounted to Baht 236 million. Remaining other assets were up by Baht 300 million.

4.2 Liability Analysis

As at March 31, 2005, the company's total liabilities were Baht 26,268 million, up Baht 304 million or 1% as a result of the increase in interest payable and loan drawdown. The total liabilities consist of the following:

1) **Long-term loans and debentures** totaled Baht 24,068 million, or 92% of total liabilities, up Baht 135 million or 1%. The details are as follows:

- USD loans in the amount of USD 321 million
- Yen loans in the amount of Yen 1,115 million



- Philippines Peso loans in the amount of Peso 87 million
- Baht loans in the amount of Baht 5,657 million
- Baht debentures in the amount of Baht 5,558 million

In the first three-months of 2005, the amount of loans denominated in Baht increased by Baht 267 million due to the loan drawdown for the construction of GEC whereas the amount of loans denominated in USD and Yen decreased by Baht 138 million, mostly from principal repayment by TLP Cogen, GEC, Roi-Et green and APBP. For the Baht debentures, there is no change.

2) **Other liabilities** amounted to Baht 2,200 million or 8% of total liabilities, mostly resulted from bank overdrafts and short-term loans of Baht 115 million, trade accounts payable of Baht 467 million, related companies' trade accounts payable of Baht 62 million, interest payable of Baht 479 million, value added tax payable and income tax payable of Baht 514 million, dividend payable of Baht 13 million and others Baht 550 million.

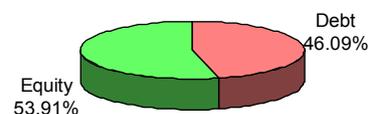
4.3 Shareholders' Equity Analysis

As at March 31, 2005, Shareholders' Equity (excluding treasury stock) amounted to Baht 30,720 million, which was Baht 1,617 million higher than the amount as at December 31, 2004. This was due mainly to the profits from operation of the first quarter of 2005.

The analysis of the company's capital structure as at March 31, 2005 is summarized as follows:

Shareholders' equity was Baht 30,720 million or 53.91%.

Liabilities were Baht 26,268 million or 46.09%.



Important financial ratios were as follows:

- Debt to equity ratio was 0.86 times, lower than 0.89 times at the end of last year.
- Book value per share was Baht 56.46, higher than Baht 53.55 at the end of last year.

5. Report and Analysis of Cash Flow Position

Cash Flow Statement shows the change in cash flows from operating activities, investing activities, and financing activities at the end of the accounting period, and indicates the ending balance of the cash and the cash equivalents. As at March 31, 2005, the ending balance of the cash and the cash equivalent was Baht 3,544 million, up by Baht 1,693 million from the end of 2004. The details of the sources and uses of funds are as follows:

-**Net cash received from operating activities** totaled Baht 2,034 million. Most of this was cash from operating activities that amounted to Baht 2,043 million whereas cash paid for working capital decreased by Baht 9 million.

-**Net cash payment for investing activities** was Baht 504 million. Cash payment for deposits at financial institutions increased by Baht 304 million. In addition, the investment in GEC's construction of Power Plant amounted to Baht 181 million and shareholder loans to NTPC amounted to Baht 232 million. Whereas the cash inflow was Baht 69 million from the net disposals of short-term investments, and dividends from EASTW, KTSF and the other open-ended funds amounted to Baht 61 million, Baht 91 million and Baht 14 million, respectively.

- **Net cash received from financing activities** was Baht 165 million, mainly owing to loan drawdown of GEC in the amount of Baht 372 million while the loan repayment from TLP Cogen, Roi-Et Green, APBP and GEC amounted to Baht 193 million.