



# EGCO

บริษัท ผลิตไฟฟ้า จำกัด (มหาชน)  
ELECTRICITY GENERATING PUBLIC COMPANY LIMITED

## Management Discussion and Analysis

For the Six-month Period Operating Results

Ended June 30, 2006

**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 of the Electricity Generating Public Company Limited at Tel: 662-998-5131-3 or Email: [ir@egco.com](mailto:ir@egco.com)

## Management Discussion and Analysis

### 1. Executive Summary

The Electricity Generating Public Company Limited (EGCO) is an Independent Power Producer (IPP) with 11 operating plants totaling 2,405 equity MW.

For the first six-month operating results ended June 30, 2006, EGCO's consolidated net profit was Baht 3,652 million, an increase of Baht 1,313 million or 56% compared to the same period of 2005. Excluding the impact of foreign exchange, the net profit was Baht 3,226 million, representing an increase of Baht 504 million or 19% as compared to the same period of last year. The details of net profit (**before FX**) are as follows:

- **EGCO's** net profit of Baht 71 million, representing an increase of Baht 15 million, resulted from higher interest income and other income from the recognition of NTPC's net reimbursement of internal development cost according to Shareholders' Agreement for the first six months of 2006.
- **IPP Group**, consisting of Rayong Electricity Generating Co., Ltd (REGCO) and Khanom Electricity Generating Co., Ltd (KEGCO), showed a net profit for both companies of Baht 2,846 million, up Baht 566 million from higher sales of electricity.
- **Small Power Producer (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), reported a net profit of Baht 90 million, a decrease of Baht 65 million which resulted primarily from an increase in GEC's cost of sales, administrative expenses and interest 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 Baht 75 million, down by Baht 37 million owing to Conal's transferring of the Northern Mindanao Power Corporation (NMPC)'s power plant to National Power Corporation (NPC), plus a reported net loss of Baht 9 million for the first six months of 2006 as a result of NTPC's proportionate consolidation, starting from the third quarter of 2005 following the commencement of the construction of the power plant in the Lao People's Democratic Republic (Lao PDR) and EGCO's entering into an agreement to provide credit support in the form of Standby Letters of Credit for its agreed equity commitments to NTPC.
- **Other Business Group** includes two subsidiaries, EGCO Engineering & Service Co., Ltd. (ESCO) and Egcom Tara Co., Ltd. (ET) from which net profit totaled Baht 144 million, an increase of Baht 24 million due mostly to higher service income from ESCO.

## 2. Business Expansion Analysis

EGCO is the first IPP in Thailand established in 1992 through a divestment by the Electricity Generating Authority of Thailand (EGAT). EGCO is structured as a holding company with a number of subsidiaries. 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 environment protection and social development support”.

EGCO's major business is to produce electricity and supply it to EGAT under long-term power purchase agreement (PPA). EGCO also focuses its investment on pursuing opportunities in power generation in Thailand and also seeking to expand its business in the ASEAN countries by acquisitions with the aim 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 June 2006, Thailand's total generating capacity was reported at 26,457 MW<sup>1</sup>, of which 9.1% was attributable to EGCO Group. During the first half of the year 2006, the peak demand reached 21,064 MW in May<sup>1</sup>, which was 2.6% higher than the peak demand in April 2005.

Following the economic slowdown due to high oil prices and interest rates, as well as low economic confidence index, EGAT will revise the projection for power demand for the period 2011-2015 from 13,000 MW to 9,000 MW in the power development plan (PDP). The Electricity Regulatory Board is now in the process of hiring a consulting firm to draw up terms of reference for the IPP bids. The terms are expected to be completed in 2007, after which the board would announce the bidding invitations to investors worldwide. EGCO has developed strategies to utilize its expertise within the group to prepare and participate in this new bidding program.

Currently, EGCO has 11 operating plants totaling 2,405 equity MW, of which 86% 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, the company has 4 new power plant projects in construction representing an additional 1,021 equity MW as follows:

1. **The Kaeng Khoi 2 (KK2) Project**, a 1,468 MW natural gas-fired power plant in Saraburi Province. EGCO has a 50% stake in this project by holding 50% of shares in GEC, which owns 99.99% of Gulf Power Generation Co., Ltd. (GPG), the KK2 project company. The commercial operation dates (COD) for unit 1 and unit 2 with the capacity of 734

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<sup>1</sup> Source: Electricity Generating Authority of Thailand (EGAT)

megawatts each are scheduled on March 1, 2007 and March 1, 2008, respectively. Currently, the overall progress for this project is 83.4%.

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, NTPC. This project is targeted for COD in December 2009 with the contracted capacity to EGAT of 995 MW. The balance will be sold to the Government of Laos. Up until the second quarter of 2006, the overall project progress is 23.5%.
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 in the past two years, the construction of this project has been delayed. The project has obtained an approval from EGAT to reschedule the COD from April 2006 to October 2006. The overall project progress up until this quarter is 96.1%
4. **The Amata Power Bang Pakong Expansion (APBP-Expansion) Project** is a 55 MW combined cycle gas turbine power plant supplying industrial users in Amata Nakorn Industrial Park. EGCO has 15% stake in this project by holding 50% of shares in EGCO Joint Venture and Development, which owns 30% of APBP . This project has started construction since June 2005 and the COD is scheduled in February 2007. Presently, the overall project progress is 68.1%

In the absence of unforeseen circumstances, the company has a policy to dividend approximately 40% of the net profit after taxation, or to increase the dividend amount in a steady manner, to the shareholders. 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.

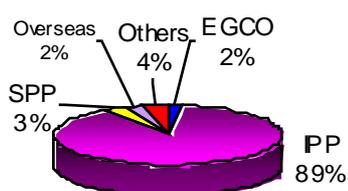
During the third quarter of 2005, NTPC has commenced the construction of the power plant in the Lao PDR and EGCO has entered into the agreement to provide credit support in the form of Standby Letters of Credit for its agreed equity commitments to NTPC of USD 94 million. Accordingly, investment in NTPC has been accounted for under the proportionate consolidation method in the consolidated financial statements since the third quarter of 2005 because its financial statements were material to EGCO Group.

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 six months of 2006, as of June 30, 2006, was Baht 3,652 million, an increase of Baht 1,313 million or 56% compared to the same period of the year 2005.

Unit : Million Baht



Net Profit after FX – 1H2006

	Net Profit of 1H2006		Net Profit of 1H2005	
	Before FX	After FX	Before FX	After FX
EGCO	71	71	56	109
IPP Group	2,846	3,252	2,280	1,998
SPP Group	90	104	155	(4)
Overseas	75	81	111	116
Others	144	144	120	120

Remarks: - IPP : REGCO, KEGCO  
- Overseas : Conal, NTPC

- SPP : GEC, AEP, APBP, TLP Cogen, Roi-Et Green  
- Others : ESCO, ET

The net profit for the first six months of 2006 included foreign exchange gain of Baht 426 million whereas the Company incurred a foreign exchange loss of Baht 383 million for the first six months of 2005. An unrealized foreign currency exchange gain in the amount of Baht 393 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 (June 30, 2006) and the previous period (December 31, 2005).

Excluding the effect of foreign currency exchange gain, the profit was Baht 3,226 million, representing an increase of Baht 504 million or 19% as compared to the same period of 2005.

For the first six months of 2006, excluding the effect of foreign currency exchange gain of Baht 426 million, interest expenses of Baht 893 million, income tax of Baht 651 million and depreciation and amortization of Baht 1,365 million, the earnings before interest, tax, depreciation and amortization (EBITDA) would be Baht 6,135 million, representing an increase of Baht 848 million or 16% as compared to the same period of 2005, in which the EBITDA was Baht 5,287 million, excluding the effect of foreign currency exchange loss of Baht 383 million, interest expenses of Baht 956 million, income tax amounting to Baht 256 million and depreciation and amortization amounting to Baht 1,353 million.

*Important Financial Ratios* for the period were as follows;

- Gross Profit Ratio was 53.37%
- Net Profit Ratio (excluding the effect of foreign exchange) was 32.65%
- Earnings (excluding the effect of foreign exchange) per share (EPS) was Baht 6.13

The gross profit margin of 53.37% was slightly lower than the same period of last year's margin of 53.47%. The net profit ratio (excluding the effect of foreign exchange) was reported at 32.65%, lower than the ratio in the same period of 2005 at 32.71%.

### **3.2 Income and Expenses Analysis**

The total revenues of EGCO and its subsidiaries for the first six months of 2006 as well as the share of profits from its associates and interest in joint ventures were Baht 9,881 million, an increase of Baht 1,560 million or 19% compared to the same period of 2005. And total expenses from EGCO, its subsidiaries and joint ventures in the first six months of 2006 were Baht 6,468 million, an increase of Baht 1,012 million or 19% from the same period of last year. The details according to their groups of business are as follows:

Total Revenues and Expenses:

Unit : Million Baht

	EGCO		IPP		SPP		Overseas		Others		Total	
	1H'06	1H'05	1H'06	1H'05	1H'06	1H'05	1H'06	1H'05	1H'06	1H'05	1H'06	1H'05
Total Revenues	284	245	5,780	4,820	2,919	2,439	381	418	517	399	9,881	8,321
Total Expenses	213	189	2,935	2,540	2,759	2,259	207	203	354	264	6,468	5,456

1) EGCO's revenues, amounting to Baht 284 million, showed an increase of Baht 38 million or 16% from the same period of last year, mainly from an increase of other income of Baht 30 million and an increase of interest income of Baht 13 million and partially offset with a decrease of dividend income of Baht 4 million as compared to the same period of 2005. During the first six months of 2006, EGCO's revenues comprised of dividend income from financial investment of Baht 167 million, interest income of Baht 72 million and other income of Baht 45 million.

EGCO's revenues are essentially from Krung Thai Dividend Selected Flexible Portfolio Fund (KTSF) in the amount of Baht 130 million representing an increase of Baht 39 million as compared to the same period of 2005; dividends from Eastern Water Resources Development and Management Public Company Limited (EASTW) of Baht 31 million, down by Baht 31 million; and interest income of Baht 72 million, up by Baht 13 million from higher interest rates. The other income was up by Baht 30 million due to NTPC's net reimbursement of internal development cost according to Shareholders' Agreement amounting to Baht 35 million in the first six months of 2006.

Total expenses of EGCO, which were administrative expenses, totaled Baht 213 million, an increase from the same period of last year by Baht 24 million or 13% due to financing fees on the SBLCs for the agreed equity commitments to NTPC and the release of cash from the Debt Service Reserve Accounts (DSRA) of REGCO and KEGCO as well as the company's contribution for the 60<sup>th</sup> Anniversary Celebrations of His Majesty's Accession to the Throne.

2) IPP Group consisting of two principal subsidiaries, REGCO and KEGCO, represented Baht 5,780 million in the total revenues, up by Baht 960 million or 20% as compared to the same period of 2005 whilst the total expenses were Baht 2,935 million, up by Baht 394 million or 16%. The details are as follows:

Total Revenues and Expenses of IPP Group:

Unit: Million Baht

	REGCO		KEGCO		Total		
	1H'06	1H'05	1H'06	1H'05	1H'06	1H'05	%Chg
Revenues	2,855	2,509	2,925	2,311	5,780	4,820	20%
Expenses	1,388	1,339	1,546	1,202	2,935	2,540	16%

• **Sales of electricity** of IPP Group were Baht 5,566 million, representing an increase of Baht 820 million or 17% compared to the same period of last year. The increase was a result of a growth in REGCO's electricity sales of Baht 236 million to be Baht 2,720 million and KEGCO's electricity sales of Baht 585 million to be Baht 2,846 million. These increases were caused by an increase in the Capacity Rate for REGCO and the Base Availability Credit for KEGCO which 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.

Sales of Electricity – IPP Group:

Unit : Million Baht

	1H2006	1H2005	%Changes
REGCO	2,720	2,485	9%
KEGCO	2,846	2,262	26%
Total Sales of Electricity - IPP	<b>5,566</b>	<b>4,746</b>	<b>17%</b>

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 for 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 than that stated in the original PPAs before the inclusion of foreign exchange indexation if the exchange rate is above Baht 28 per US Dollar and vice versa.

In the first six months of 2006, REGCO and KEGCO received compensation for the exchange rate effect of Baht 450 million.

• **Interest income and others** amounted to Baht 214 million, an increase of Baht 140 million or 190%, mainly from REGCO's increased interest income in the amount of Baht 108 million. It resulted from higher amount of deposits at banks and financial institutions due to EGCO's equity injection in REGCO, together with higher interest rates. Moreover, KEGCO's interest income increased by Baht 27 million resulting from an increase in interest rates. REGCO and KEGCO's other revenues increased by Baht 5 million.

- **Cost of sales**, with the total of Baht 1,657 million, an increase of Baht 210 million or 14% compared to the same period of 2005, mainly because KEGCO's cost of sales increased by Baht 180 million or 28% from major maintenance expenses as planned and REGCO's cost of sales increased by Baht 29 million or 4% as compared to the same period of last year.

*Cost of Sales – IPP Group:* Unit : Million Baht

	1H2006	1H2005	%Changes
REGCO	842	813	4%
KEGCO	815	634	28%
<i>Total Cost of Sales – IPP Group:</i>	<b>1,657</b>	<b>1,447</b>	<b>14%</b>

- **Administrative expenses and income taxes** were Baht 665 million, an increase of Baht 329 million or 98%, mainly from KEGCO's first corporate tax payment amounting to Baht 282 million. Although KEGCO's BOI Tax Privilege for 8 years ended on September 25, 2004, the loss carried forward was utilized up until the end of 2005. Thereafter the 50% corporate tax reduction privilege is applied. This 5-year tax reduction privilege will end on September 25, 2009. In addition, REGCO's corporate tax payment increased by Baht 66 million resulting from its increased revenues.

- **Interest expenses** were Baht 612 million, a decrease of Baht 144 million or 19%, resulting from the decrease in interest expenses at REGCO and KEGCO of Baht 63 million and Baht 81 million, respectively, owing to lower principal amounts.

3) **SPP Group's** total revenues were reported at Baht 2,919 million for the first six months of 2006, an increase of Baht 479 million or 20% compared to the same period of 2005. The SPP Group incorporates five companies, GEC, AEP, APBP, TLP Cogen and Roi-Et Green. The expenses were Baht 2,759 million, an increase from the same period of last year by Baht 500 million or 22%. The details are as follows:

*Total Revenues and Expenses of SPP Group:* Unit : Million Baht

	GEC		TLP Cogen		APBP		Roi-Et Green		Total		
	1H'06	1H'05	1H'06	1H'05	1H'06	1H'05	1H'06	1H'05	1H'06	1H'05	% Chg
<b>Revenues</b>	1,558	1,383	983	818	247	143	131	96	2,919	2,439	20%
<b>Expenses</b>	1,736	1,386	812	672	148	138	63	64	2,759	2,259	22%

**Sales of electricity** of the SPP Group were Baht 2,803 million, representing an increase of Baht 406 million or 17% compared to the same period of last year. Most of the increase of SPP group's electricity sales was from GEC, TLP Cogen, APBP and Roi-Et Green in the amount of Baht 170 million, Baht 161 million, Baht 43 million and Baht 33 million, respectively. An increase of GEC's electricity sales was due to peak-load demand calls from EGAT and TLP Cogen's increased electricity sales was a result of higher tariff and units of sales to EGAT and industrial users. The APBP's electricity sales showed an increase in the first half of 2006 when compared to the same period of 2005 in which a physical impairment of an electricity generating equipment happened. And the increase of Roi-Et Green's electricity sales came from higher tariff as well, thanks to the tariff formula that is linked to the price of fuel oil.

*Sales of Electricity – SPP Group:*

	1H2006	1H2005	Unit : Million Baht %Changes
GEC	1,544	1,374	12%
TLP Cogen	973	812	20%
APBP	167	124	34%
Roi-Et Green	120	87	38%
<i>Total Sales of Electricity – SPP Group</i>	<b>2,803</b>	<b>2,397</b>	<b>17%</b>

- **Interest income and others** amounted to Baht 53 million, an increase of Baht 30 million mainly from an increase of APBP's other income in the amount of Baht 17 million according to the acknowledgement of insurance claims of a physical impairment of an electricity generating equipment since last year and an increase of Baht 7 million from GEC's interest income due to higher interest rates.

- **Share of profit of associates and joint ventures** was from AEP totaling Baht 63 million, an increase of Baht 44 million as compared to the same period of 2005 due to a gain on foreign exchange rate and increased electricity sales from EGAT and industrial users.

- **Cost of Sales** of SPP Group were reported at Baht 2,277 million, an increase of Baht 343 million or 18% as compared to the same period of 2005. This was substantially driven by an increase in cost of sales of GEC amounting to Baht 191 million owing to higher fuel costs and usages as well as an increase at TLP Cogen amounting to Baht 146 million from higher fuel costs and usages. There was an increase at Roi-Et Green's cost of sales by Baht 2 million due to higher operating and maintenance cost. And the Baht 5 million higher of APBP's cost of sales was in line with an increase in its sales.

Cost of Sales – SPP Group:

Unit : Million Baht

	1H2006	1H2005	%Changes
GEC	1,333	1,142	17%
TLP Cogen	758	612	24%
APBP	132	127	4%
Roi-Et Green	55	53	3%
<b>Total Cost of Sales – SPP Group</b>	<b>2,277</b>	<b>1,934</b>	<b>18%</b>

- **Administrative expenses and income taxes** were Baht 242 million, up by Baht 79 million or 49% as compared to the first six months of 2005. These increases were substantially from GEC's higher administrative expenses and income taxes of Baht 77 million, reported at Baht 225 million, that resulted from prepayment fee for refinancing and debt restructuring service fees at GEC's 3 subsidiaries, namely; Gulf Cogeneration Co., Ltd. (GCC), Nong Khae Cogeneration Co., Ltd. (NKCC), and Samutprakarn Cogeneration Co., Ltd. (SCC) .

- **Interest expenses** were Baht 240 million, an increase of Baht 78 million or 48%, driven by an increase in GEC's interest expenses amounting to Baht 83 million due to an unwind cost of Interest Rate Swap Agreement and loan drawdown for administrative expenses for Khaeng Khoi 2 Project. TLP Cogen and Roi-Et Green's interest expenses were down by Baht 5 million and Baht 1 million, respectively, owing to lower principal amounts.

4) **Overseas Group** refers to Conal and NTPC, of which their revenues were Baht 381 million, a decrease of Baht 36 million or 9% compared to the same period of 2005. The expenses were Baht 207 million, an increase of Baht 4 million or 2% compared to the same period of 2005, owing to the following reasons:

Total Revenues and expenses of Overseas Group:

Unit : Million Baht

	Conal		NTPC		Total		
	1H'06	1H'05	1H'06	1H'05	1H'06	1H'05	% Chg
<b>Revenues</b>	380	418	2	-	381	418	(9%)
<b>Expenses</b>	197	203	10	-	207	203	2%

- **Sales of electricity** of the Overseas Group were Baht 344 million, a decrease of Baht 52 million or 13% compared to the same period of last year. This resulted from the contractual transfer of the 40 MW of NMPC's Power Plant to NPC in February 2006.

- **Interest income and others** amounted to Baht 37 million, an increase of Baht 16 million or 75% as compared to the first six months of 2005, mainly due to an increase of Conal's interest income and other income.

- **Cost of Sales** were Baht 56 million, a decrease of Baht 38 million or 41% due to the transferring of NMPC.

- **Administrative expenses and income taxes** were Baht 113 million, an increase of Baht 37 million or 49%. The change to the proportionate consolidation method for the accounting of NTPC led to a recognition of expenses in the amount of Baht 10 million for this period. Conal's expenses increased by Baht 27 million, mainly owing to the adjustment of a deferred income tax incurred in the first six months of 2005 which led to an increase of Baht 47 million; whereas the transferring of NMPC resulted in lower administrative expenses by Baht 21 million.

- **Interest expenses** were Baht 38 million, up by Baht 5 million or 15%.

5) **Other Business Group** includes two subsidiaries, ESCO and ET. Total revenues were Baht 517 million, an increase by Baht 118 million or 30% as compared to the same period of 2005 and total expenses totaled Baht 354 million, an increase of Baht 90 million or 34%. The details are as follows;

*Total Revenues and Expenses of Other Business Group:*

Unit : Million Baht

	ESCO		EGCOM TARA		Total		
	1H'06	1H'05	1H'06	1H'05	1H'06	1H'05	% Chg
<b>Revenues</b>	421	314	96	85	517	399	30%
<b>Expenses</b>	323	232	31	31	354	264	34%

- **Service income** from ESCO amounted to Baht 411 million, up by Baht 102 million or 33%, 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 93 million, up by Baht 10 million, or 12%, thanks to an increase of minimum take and tariff under the Water Purchase Agreement as indicated.

- **Interest income and others** amounted to Baht 10 million, an increase of Baht 3 million or 51%, mainly from ESCO's interest income, up Baht 2 million and ET's interest income, up Baht 2 million thanks to the higher interest rates.

- ESCO's share of profit of associates and joint ventures totaled Baht 3 million, an increase of Baht 3 million, mainly from Amata Power-Esco Service Co., Ltd (AMESCO).

- **Cost of Services** were Baht 281 million, an increase of Baht 92 million or 49%, resulting from an increase in the costs of ESCO's operation and maintenance (O&M) services to customers and spare parts which was consistent with its increased revenues.

- **Cost of water sales** of ET was Baht 28 million, up Baht 1 million or 4% mainly from an increase of operating and maintenance service costs.

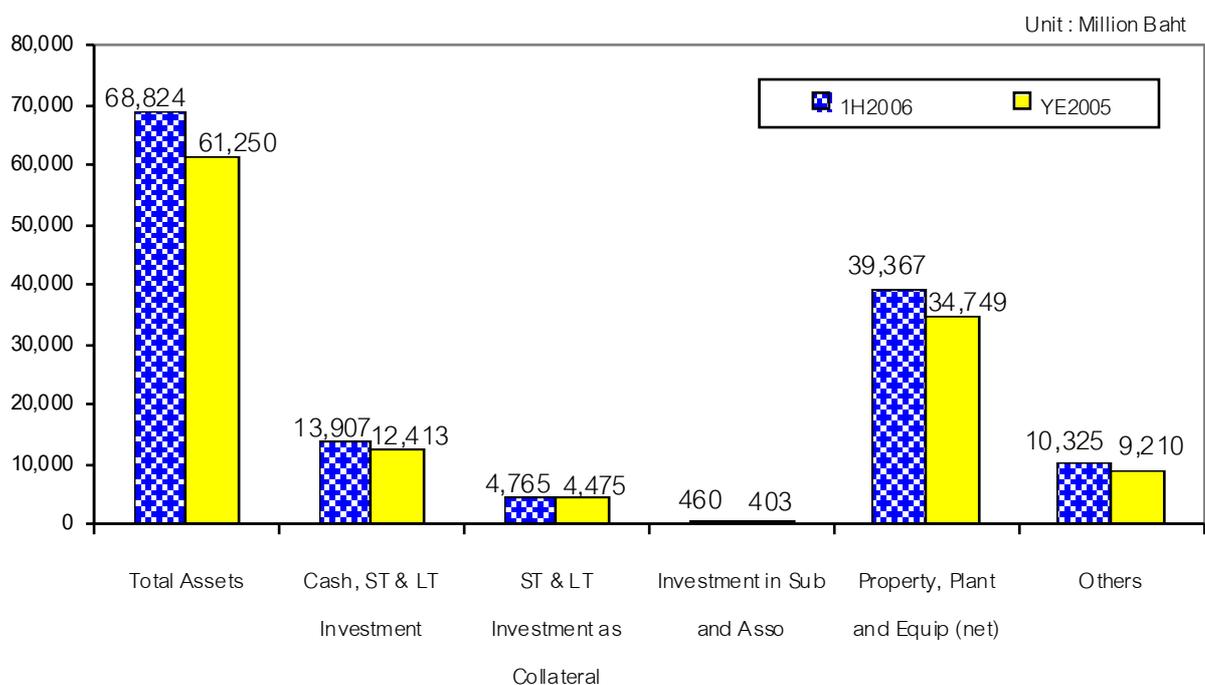
- **Administrative expenses and income taxes** totaled Baht 43 million, a decrease of Baht 1 million or 3% compared to the same period of 2005, mostly from the drop in ESCO's income tax by Baht 3 million due to decreased net profit .

- **Interest expenses** were Baht 2 million, a decrease of Baht 1.64 million or 48% compared to the first six months of 2005, owing to lower principal amount of EGCOM TARA's debt.

#### 4. Report and Analysis of Financial Position

##### 4.1 Asset Analysis

As at June 30, 2006, total assets of EGCO, its subsidiaries, associates and joint ventures amounted to Baht 68,824 million, an increase of Baht 7,574 million or 12% from December 31, 2005. The important details are as follows:



1) **Cash and deposits at financial institutions, and short term and long term marketable securities** were Baht 13,907 million or 20% of the total assets, up Baht 1,494 million or 12%. This resulted from an increase of Baht 2,150 million in deposits at financial institutions and short-term marketable securities, thanks to dividend payment from EGCO's subsidiaries, plus an increase of Baht 37 million in long-term investments in marketable securities. On the other hand, cash and cash equivalent was down by Baht 692 million.

2) **Short-term and long-term investments used as collateral** were Baht 4,765 million or 7% of the total assets, up Baht 290 million or 6%. This increase mainly came from cash reserved for the purpose of repayment of principal and payment of interest of REGCO.

3) **Investment in subsidiaries, associates and interests in joint ventures** amounted to Baht 460 million or 1% of the total assets, up by Baht 57 million or 14%. This increase is mainly a result of the recognition of the share of profit of AEP.

4) **Property, plant and equipment (net)** totaled Baht 39,367 million or 57% of the total assets. They were up Baht 4,618 million or 13% due to an increase in property, plant and equipment related to GEC, NTPC and APBP's construction of Baht 4,956 million, Baht 911 million and Baht 82 million, respectively; as well as the recording of capital spare parts as property, plant and equipment following the major maintenance of REGCO, KEGCO and TLP Cogen in the amount of Baht 263 million, Baht 220 million and Baht 40 million, respectively.

Meanwhile, a decrease in property, plant and equipment was from depreciation of EGCO and subsidiaries' assets totaling Baht 1,268 million and the reclassification of unutilised capital spare parts from property, plant and equipment to inventories of REGCO, KEGCO and TLP Cogen amounting to Baht 168 million, Baht 116 million and Baht 35 million, respectively.

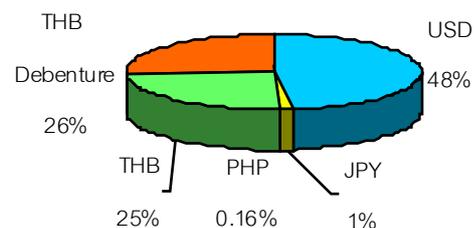
5) **Other assets** were Baht 10,325 million or 15% of the total assets, up Baht 1,115 million or 12% mainly from an increase of other current assets of Baht 566 million according to an increase of GEC's value added tax of Baht 304 million and advanced payment of Baht 70 million, while ESCO's unearned income increased by Baht 139 million and trade receivable from a related party was up Baht 428 million.

#### **4.2 Liability Analysis**

As at June 30, 2006, the company's total liabilities were Baht 33,809 million, up Baht 4,674 million or 16% as a result of additional loan drawdown and debenture issuance. The total liabilities consist of the following:

1) Long-term loans and debentures totaled Baht 28,478 million, or 84% of total liabilities, up Baht 4,993 million or 21%. The details are as follows:

- USD loans in the amount of USD 363 million
- Yen loans in the amount of Yen 1,018 million
- Filipino Peso loans in the amount of Peso 65 million
- Baht loans in the amount of Baht 7,323 million
- Baht debentures in the amount of Baht 7,511 million



In the first six months of 2006, there was additional loan drawdown that totaled Baht 7,685 million for the construction of GEC, NTPC and APBP. Reflecting EGCO's equity ownership of 50%, EGCO's proportion of 50% in GCC's issuance of Baht debenture to refinance GCC, NKCC and SCC's long-term debt facilities in April 2006 amounted to Baht 2,900 million. On the other hand, there was principal repayment of Baht 4,532 million and KEGCO's debenture repayment of Baht 287 million.

2) Other liabilities amounted to Baht 5,331 million or 16% of total liabilities, mostly resulting from construction payables amounting to Baht 1,202 million, trade payables of Baht 865 million, interest payable of Baht 176 million, value added tax payable and income tax payable of Baht 862 million, and others of Baht 2,226 million.

#### 4.3 Shareholders' Equity Analysis

As at June 30, 2006, Shareholders' Equity amounted to Baht 35,015 million, which was Baht 2,900 million higher than the amount as at December 31, 2005. This was due mainly to the profits from operation of the first six months of 2006.

The analysis of the company's capital structure as at June 30, 2006 is summarized as follows:

**Shareholders' equity** was Baht 35,015 million or 50.88%.

**Liabilities** were Baht 33,809 million or 49.12%.



***Important financial ratios*** were as follows:

- Debt to equity ratio was 0.97 times, higher than 0.91 times at the end of last year.
- Book value per share was Baht 64.23, higher than Baht 58.96 at the end of last year.

3. **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 June 30, 2006, the ending balance of the cash and the cash equivalent was Baht 8,128 million, down Baht 692 million from the end of 2005. The details of the sources and uses of funds are as follows:

-**Net cash received from operating activities** totaled Baht 3,224 million. Most of this was cash from operating activities that amounted to Baht 4,571 million whereas cash from working capital caused a decrease by Baht 1,348 million.

-**Net cash payment for investing activities** was Baht 8,663 million. There was cash payment for the investment in power plant construction that amounted to Baht 5,660 million at GEC, Baht 849 million at NTPC and Baht 82 million at APBP and short-term investment of Baht 1,863 million. The cash inflow was from dividends of KTSF, EASTW and the other open-ended funds which amounted to Baht 130 million, Baht 31 million and Baht 7 million, respectively.

- **Net cash received from financing activities** was Baht 4,763 million, mainly owing to loan drawdown of GEC in the amount of Baht 6,948 million, NTPC in the amount of Baht 678 million and APBP in the amount of Baht 60 million, plus GCC's debenture issuance of Baht 2,900 million. On the other hand, the loan repayment from REGCO, KEGCO, TLP Cogen, Roi-Et Green, ET, APBP, GEC and Conal totaled Baht 4,532 million and debenture repayment from KEGCO amounting to Baht 283 million. EGCO also paid dividend to shareholders in the amount of Baht 908 million.