



# EGCO

บริษัท ผลิตไฟฟ้า จำกัด (มหาชน)  
ELECTRICITY GENERATING PUBLIC COMPANY LIMITED

## Management Discussion and Analysis

For the Annual Operating Results

Ended December 31, 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 13 operating plants totaling 3,133.6 equity MW after the completion of share payment and share transfer for the acquisition of a 50% stake in BLCP, a 1,434 MW coal-fired power plant, from CLP Power (BLCP) Ltd. on January 30, 2007.

EGCO Group's consolidated net profit for 2006, ended December 31, 2006, was Baht 6,036 million, an increase of Baht 1,943 million or 48% compared to 2005. Excluding the impact of foreign exchange, the net profit was Baht 5,270 million, representing an increase of Baht 892 million or 20% as compared to the previous year. The details of net profit (**before FX**) are as follows:

- **EGCO's** net loss of Baht 165 million, representing a decrease in net profit of Baht 169 million, resulted from a fall in income by Baht 85 million, mostly from lower dividend income and other income, plus higher administrative expenses of Baht 84 million mostly from historical development cost of Nam Theun 1.
- **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 4,928 million, up Baht 720 million thanks to 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 126 million, a decrease of Baht 173 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 119 million, up by Baht 423 million mainly resulting from NTPC's recording of net loss of Baht 29 million in 2006 whilst it reported net loss of Baht 455 million in 2005, mostly from development expenses of Baht 280 million.
- **Other Business Group** includes two subsidiaries, EGCO Engineering & Service Co., Ltd. (ESCO) and Egcom Tara Co., Ltd. (ET) from which net profit totaled Baht 262 million, an increase of Baht 91 million due mostly to higher service income from ESCO.

## 2. Business Expansion Analysis

EGCO was the first IPP in Thailand established in 1992. EGCO is structured as a holding company with a number of subsidiaries. The company's vision is to be the leading Thai integrated electric power company with comprehensive energy services in Thailand and in the ASEAN region, and full commitment to environmental protection and social development.

Our major business is to produce electricity and supply it to Electricity Generating Authority of Thailand (EGAT) under long-term power purchase agreements (PPA). EGCO focuses its investment on pursuing opportunities in power generation in Thailand and also seeks to expand its business in ASEAN countries with the aim to provide strong returns to shareholders by improving the profitability of our existing assets and acquiring new projects with acceptable risk and return profiles.

As at the end of December 2006, Thailand's total generating capacity was reported at 27,107 MW<sup>1</sup>, of which 10.24% was attributable to EGCO. During the year 2006, the peak demand reached 21,064 MW<sup>1</sup> in May, which was 2.56% higher than the peak demand in April 2005.

Due to the economic slowdown, higher electricity tariff and the government's successful energy-saving measures, the actual electricity demand becomes lower than the forecast that Thailand Load Forecast Subcommittee announced in 2004. Therefore, the Power Development Plan for 2007-2021 is in the process of revision.

The next round of IPP Bidding is scheduled to be launched in 2007. EGCO has already undertaken extensive preparation works in anticipation of this opportunity.

From February 1, 2007, EGCO has 13 operating plants with capacity totaling 3,133.6 equity MW, of which 66% is comprised of two natural gas-fired IPPs which are the 1,232 MW REGCO plant and the 824 MW KEGCO plant.

Moreover, on January 30, 2007, EGCO completed the acquisition of 50% of the BLCP Power facility, a 1,434 MW coal-fired power plant situated in Map Ta Phut Industrial Estate in Rayong Province. The BLCP facility uses high quality imported coal from Australia. The shares in BLCP were acquired from CLP Power (BLCP) Ltd., a subsidiary of CLP Holdings Limited. As a

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<sup>1</sup> Source: EGAT

result, EGCO has acquired 717 equity MW representing 23% of the company's total equity MW portfolio. The first unit achieved commercial operation on October 1, 2006 and the second unit on February 1, 2007.

In addition to the operating assets, EGCO is a partner in three additional power plant projects that are under development. These projects represent an additional 1,010 equity MW. Each is summarized briefly below:

1. **The Kaeng Khoi 2 (KK2) project**, a 1,468 MW natural gas-fired power plant located 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 units 1 and 2, each with the capacity of 734 MW, are scheduled to occur in March 2007 and March 2008, respectively. Currently, the overall progress for this project is 93%.
2. **The Nam Theun 2 project** is a 1,070 MW hydroelectric power plant situated in the Lao PDR. EGCO holds a 25% ownership stake in the project company, NTPC. This project's COD is targeted for December 2009 with EGAT contracted to take off 995 MW and the balance to be sold to the Lao PDR. At the end of the year 2006, the overall project progress was 39% complete.
3. **The Amata Power Bang Pakong Expansion (APBP-Expansion Project)**, a 55 MW combined cycle gas turbine power plant supplying industrial users in Amata Nakorn Industrial Park. EGCO has a 15% stake in this project by holding 50% of shares in EGCO Joint Ventures and Development Co.,Ltd (EGCO JD), which owns 30% of APBP. EGCO's partner in EGCO JD is Chevron Bang Pakong Power Holding Ltd., which is a subsidiary of Chevron Corporation of the USA. This project has been in construction since June 2005 and the COD is scheduled for the 1<sup>st</sup> quarter of 2007. Presently, the project is 96% complete.

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

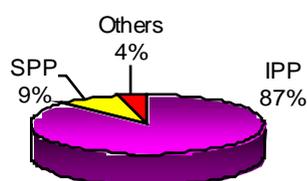
EGCO is structured as a holding company and it invests primarily in electricity generation and energy service businesses. The main sources of its income are dividends from investments in its subsidiaries, joint ventures, and associates. The objective of the holding company structure is to provide flexibility 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 (SBLC) 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 Group's consolidated net profit for 2006 ending December 31, 2006 was Baht 6,036 million, an increase of Baht 1,943 million or 48% compared to 2005. The gross profit was reported at Baht 9,060 million, up Baht 1,189 million or 15% as compared to 2005 as a result of higher electricity sales of REGCO and KEGCO. The operating profit was reported at Baht 9,158 million, an increase of Baht 2,494 million or 37% as compared to 2005. This was thanks to higher electricity sales, gain on foreign exchange rates following the Baht appreciation and higher interest income that resulted from higher interest rates.



Net Profit after FX – 2006

	Unit : Million Baht			
	Net Profit of 2006		Net Profit of 2005	
	Before FX	After FX	Before FX	After FX
EGCO	(165)	(165)	4	57
IPP Group	4,928	5,480	4,208	3,973
SPP Group	126	563	299	199
Overseas	119	(107)	(304)	(304)
Others	262	264	170	169

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

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

The EGCO Group's 2006 net profit included foreign exchange gain of Baht 766 million whereas it incurred a foreign exchange loss of Baht 285 million for 2005. An unrealized foreign currency exchange gain in the amount of Baht 691 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 (December 31, 2006) and the previous period (December 31, 2005).

Excluding the effect of foreign currency exchange gain, the profit was Baht 5,270 million, representing an increase of Baht 892 million or 20% as compared to 2005.

Excluding the effect of foreign currency exchange gain of Baht 766 million, interest expenses of Baht 1,557 million, income tax of Baht 1,277 million and depreciation and amortization of Baht 2,806 million, the earnings before interest, tax, depreciation and amortization (EBITDA) would be Baht 10,910 million, representing an increase of Baht 1,130 million or 12% as compared to 2005, in which the EBITDA was Baht 9,780 million, excluding the effect of foreign currency exchange loss of Baht 285 million, interest expenses of Baht 1,859 million, income tax amounting to Baht 475 million and depreciation and amortization amounting to Baht 3,067 million.

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

- Gross Profit Ratio was 50.28%
- Operating Profit Ratio was 50.82%
- Net Profit Ratio was 31.66%
- Net Profit Ratio (excluding the effect of foreign exchange) was 27.64%
- Earnings per share (EPS) was Baht 11.46
- Earnings (excluding the effect of foreign exchange) per share (EPS) was Baht 10.01
- Return on Equity (ROE) was 18.17%

The gross profit margin of 50.28% was slightly higher than last year's margin of 49.13%. The net profit ratio (excluding the effect of foreign exchange) was reported at 27.64%, higher than the 2005 ratio of 25.98% mainly due to an increase of REGCO and KEGCO's net profit as well as a decrease of NTPC's expenses.

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

The 2006 total revenues of EGCO, its subsidiaries and joint ventures as well as the share of profits from its associates and interests in joint ventures (excluding the effect of foreign currency

exchange rate and profit attributable to minorities) were Baht 19,067 million, an increase of Baht 2,214 million or 13% compared to 2005. The 2006 total expenses of EGCO, its subsidiaries and joint ventures were Baht 13,466 million, an increase of Baht 1,254 million or 10% from 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	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Total Revenues	393	478	11,053	9,572	5,853	5,287	765	847	1,004	669	19,067	16,854
Total Expenses	558	474	6,125	5,364	5,597	4,917	484	990	703	468	13,466	12,212

1) EGCO's 2006 total revenues, amounting to Baht 393 million, were comprised of dividend income from financial investment of Baht 168 million, interest income of Baht 163 million and other income of Baht 62 million. This showed a decrease of Baht 85 million or 18% as compared to 2005, mainly from other income amounting being lower by Baht 79 million or 56% and dividend income falling Baht 73 million or 30%; whereas interest income reported an increase of Baht 67 million or 70% thanks to higher interest rates. The fall in other income was mainly due to lower NTPC's net reimbursement of additional internal development cost according to Shareholders' Agreement amounting to Baht 29 million in 2006 compared to Baht 110 million in 2005.

EGCO's dividend income is essentially from Krung Thai Dividend Selected Flexible Portfolio Fund (KTSF) in the amount of Baht 130 million representing a decrease of Baht 1 million as compared to 2005; dividends from Eastern Water Resources Development and Management Public Company Limited (EASTW) of Baht 31 million, down by Baht 61 million and dividend from others of Baht 8 million, down by Baht 11 million.

Total expenses of EGCO, which were administrative expenses, totaled Baht 558 million, an increase from 2005 by Baht 84 million or 18% due to the incurrence of Nam Theun 1's historical development cost amounting to Baht 47 million, financing fees on the SBLCs for the equity commitment to NTPC in the amount of Baht 10 million as well as the company's contribution for the 60<sup>th</sup> Anniversary Celebration of His Majesty's Accession to the Throne and the International Horticultural Exposition for His Majesty the King (Royal Floral Ratchaphruek 2006) totaling Baht 9 million.

2) **IPP Group** consisting of two principal subsidiaries, REGCO and KEGCO, represented Baht 11,053 million in the total revenues, up by Baht 1,480 million or 15% as compared to 2005 whilst the total expenses were Baht 6,125 million, up by Baht 760 million or 14%. The details are as follows:

*Total Revenues and Expenses of IPP Group:*

Unit: Million Baht

	REGCO		KEGCO		Total		
	2006	2005	2006	2005	2006	2005	%Chg
Revenues	5,630	5,131	5,422	4,441	11,053	9,572	15%
Expenses	2,943	2,872	3,182	2,493	6,125	5,364	14%

- **Sales of electricity** of IPP Group were Baht 10,665 million, representing an increase of Baht 1,287 million or 14% compared to last year. The increase was a result of a growth in REGCO's electricity sales of Baht 353 million to be Baht 5,392 million and KEGCO's electricity sales of Baht 934 million to be Baht 5,273 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

	2006	2005	%Changes
REGCO	5,392	5,039	7%
KEGCO	5,273	4,339	22%
<i>Total Sales of Electricity - IPP</i>	<b>10,665</b>	<b>9,378</b>	<b>14%</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 2006, REGCO and KEGCO received compensation for the exchange rate effect of Baht 810 million.

- **Interest income and others** amounted to Baht 388 million, an increase of Baht 194 million or 100%, mainly from REGCO's increased interest income in the amount of Baht 143 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. However, the process of capital reduction of REGCO from Baht 9,220 million to Baht 4,702 million was completed in December 2006. KEGCO's interest income increased by Baht 47 million resulting from an increase in interest rates. REGCO and KEGCO's other revenues increased by Baht 4 million.

- **Cost of sales** totaled Baht 3,548 million, an increase of Baht 280 million or 9% compared to 2005, mainly because KEGCO's cost of sales increased by Baht 378 million or 26% from major maintenance expenses as planned; whilst REGCO's cost of sales decreased by Baht 98 million or 5% as compared to 2005 when the replacement of the impaired steam turbine rotor took place.

<i>Cost of Sales – IPP Group:</i>			Unit : Million Baht
	2006	2005	%Changes
REGCO	1,737	1,834	(5%)
KEGCO	1,811	1,434	26%
<i>Total Cost of Sales – IPP Group:</i>	<b>3,548</b>	<b>3,268</b>	<b>9%</b>

- **Administrative expenses and income taxes** were Baht 1,525 million, an increase of Baht 886 million or 139%, mainly from KEGCO's first corporate tax payment amounting to Baht 521 million. Although KEGCO's BOI tax exemption 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 188 million resulting from its increased profitability. REGCO's 50% corporate tax reduction will end on April 19, 2008. And its administrative expenses were up by Baht 209 million mainly from the make-whole premium payment of Baht 193 million.

- **Interest expenses** were Baht 1,051 million, a decrease of Baht 406 million or 28%, resulting from the decrease in interest expenses at REGCO and KEGCO of Baht 228 million and Baht 178 million, respectively, owing to lower principal amounts of loans and debentures.

3) SPP Group's total revenues were reported at Baht 5,853 million for 2006, an increase of Baht 566 million or 11% compared to 2005. The SPP Group incorporates five companies, GEC, AEP, APBP, TLP Cogen and Roi-Et Green. The expenses were Baht 5,597 million, an increase from last year by Baht 680 million or 14%. The details are as follows:

Total Revenues and Expenses of SPP Group:

Unit : Million Baht

	GEC		TLP Cogen		APBP		Roi-Et Green		Total		
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	% Chg
<b>Revenues</b>	3,217	3,034	1,985	1,738	405	314	246	202	5,853	5,287	11%
<b>Expenses</b>	3,498	3,032	1,648	1,436	308	310	143	139	5,597	4,917	14%

- **Sales of electricity of the SPP Group** were Baht 5,700 million, representing an increase of Baht 512 million or 10% compared to last year. Most of the increase of SPP group's electricity sales was from TLP Cogen, GEC, APBP and Roi-Et Green in the amount of Baht 235 million, Baht 151 million, Baht 81 million and Baht 45 million, respectively. The TLP Cogen's increased electricity sales were a result of higher tariff and units of sales to EGAT and industrial users. The increase of GEC's electricity sales was due to peak-load demand calls from EGAT. APBP's electricity sales showed an increase in 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 thanks to the tariff formula that is linked to the price of fuel oil.

Sales of Electricity – SPP Group:

Unit : Million Baht

	2006	2005	%Changes
GEC	3,168	3,017	5%
TLP Cogen	1,962	1,727	14%
APBP	338	257	31%
Roi-Et Green	233	187	24%
<b>Total Sales of Electricity – SPP Group</b>	<b>5,700</b>	<b>5,188</b>	<b>10%</b>

- **Interest income and others** amounted to Baht 111 million, an increase of Baht 38 million or 51%, mainly from an increase of GEC's interest income of Baht 30 million as well as an increase of TLP Cogen's interest income of Baht 12 million thanks to higher interest rates. In contrast, APBP's other income showed a decrease in the amount of Baht 6 million since there was a recognition of insurance claims of a physical impairment of an electricity generating

equipment in 2005; Roi-Et Green's other income was down as well by Baht 5 million from lower income from selling bagasse and ashes.

- **Share of profit from an associate** was from AEP totaling Baht 42 million, an increase of Baht 16 million or 60% as compared to 2005 due to increased electricity sales to EGAT and industrial users.

- **Cost of Sales** of SPP Group were reported at Baht 4,654 million, an increase of Baht 454 million or 11% as compared to 2005. This was substantially driven by an increase in cost of sales of TLP Cogen amounting to Baht 228 million from higher fuel costs and usages as well as an increase in cost of sales at GEC amounting to Baht 224 million owing to major maintenance cost plus maintenance expense incurred from the spare part replacement in the gas turbine. The APBP's cost of sales was Baht 1 million higher; Roi-Et Green's cost of sales was also up by Baht 1 million.

<i>Cost of Sales – SPP Group:</i>			Unit : Million Baht
	<i>2006</i>	<i>2005</i>	<i>%Changes</i>
<i>GEC</i>	<i>2,727</i>	<i>2,503</i>	<i>9%</i>
<i>TLP Cogen</i>	<i>1,541</i>	<i>1,313</i>	<i>17%</i>
<i>APBP</i>	<i>272</i>	<i>271</i>	<i>0.19%</i>
<i>Roi-Et Green</i>	<i>114</i>	<i>113</i>	<i>1%</i>
<b><i>Total Cost of Sales – SPP Group</i></b>	<b><i>4,654</i></b>	<b><i>4,200</i></b>	<b><i>11%</i></b>

- **Administrative expenses and income taxes** were Baht 511 million, up by Baht 122 million or 31% as compared to 2005. This increase was substantially from GEC's administrative expenses and income taxes which were higher by Baht 126 million, totaling Baht 462 million, that resulted mainly from prepayment fee and debt refinancing 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 432 million, an increase of Baht 104 million or 32%, driven mainly by an increase in GEC's interest expenses amounting to Baht 116 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 12 million and Baht 2 million, respectively, owing to lower principal amounts.

4) **Overseas Group** refers to Conal and NTPC, of which their revenues were Baht 765 million, a decrease of Baht 83 million or 10% compared to 2005. The expenses were Baht 484 million, a decrease of Baht 506 million or 51% compared to 2005, owing to the following reasons:

*Total Revenues and Expenses of Overseas Group:*

Unit : Million Baht

	<i>Conal</i>		<i>NTPC</i>		<i>Total</i>		
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>% Chg</i>
<i>Revenues</i>	762	844	3	3	765	847	(10%)
<i>Expenses</i>	452	533	31	458	484	990	(51%)

- **Sales of electricity** of the Overseas Group were Baht 676 million, a decrease of Baht 126 million or 16% compared to 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 88 million, an increase of Baht 43 million or 95% as compared to 2005, mainly due to an increase of Conal's other income from input VAT.

- **Cost of Sales** were Baht 153 million, a decrease of Baht 141 million or 48% due to the transferring of NMPC's Power Plant.

- **Administrative expenses and income taxes** were Baht 259 million, a decrease of Baht 369 million or 59%. This was due to the change to the proportionate consolidation method for the accounting of NTPC that led to a recognition of these expenses in the amount of Baht 31 million for 2006 whereas the expenses were recognised in the amount of Baht 458 million in 2005, mainly from development expenses of Baht 280 million. Conal's income tax increased by Baht 74 million, mainly owing to the adjustment of a deferred income tax incurred in 2005; whereas the transferring of NMPC's Power Plant resulted in lower administrative expenses by Baht 14 million.

- **Interest expenses** were Baht 72 million, up by Baht 3 million or 5%.

5) **Other Business Group** includes two subsidiaries, ESCO and ET. Total revenues were Baht 1,004 million, an increase by Baht 335 million or 50% as compared to 2005 and total expenses totaled Baht 703 million, an increase of Baht 235 million or 50%. The details are as follows:

Total Revenues and Expenses of Other Business Group:

Unit : Million Baht

	ESCO		ET		Total		
	2006	2005	2006	2005	2006	2005	% Chg
Revenues	804	497	201	172	1,004	669	50%
Expenses	640	405	63	63	703	468	50%

- **Service income** from ESCO amounted to Baht 788 million, up by Baht 301 million or 62%, 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 192 million, up by Baht 24 million, or 14%, thanks to an increase of minimum take and tariff under the long-term Water Purchase Agreement with Provincial Waterworks Authority.

- **Interest income and others** amounted to Baht 23 million, an increase of Baht 9 million or 61%, mainly from ET's interest income, up Baht 5 million and ESCO's interest income, up Baht 4 million thanks to the higher interest rates.

- **ESCO's interest in joint ventures** totaled Baht 2 million, an increase of Baht 1 million, mainly from Amata Power-Esco Service Co., Ltd (AMESCO).

- **Cost of Services** were Baht 547 million, an increase of Baht 212 million or 63%, 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 59 million, up Baht 4 million or 7% mainly from an increase of operating and maintenance service costs.

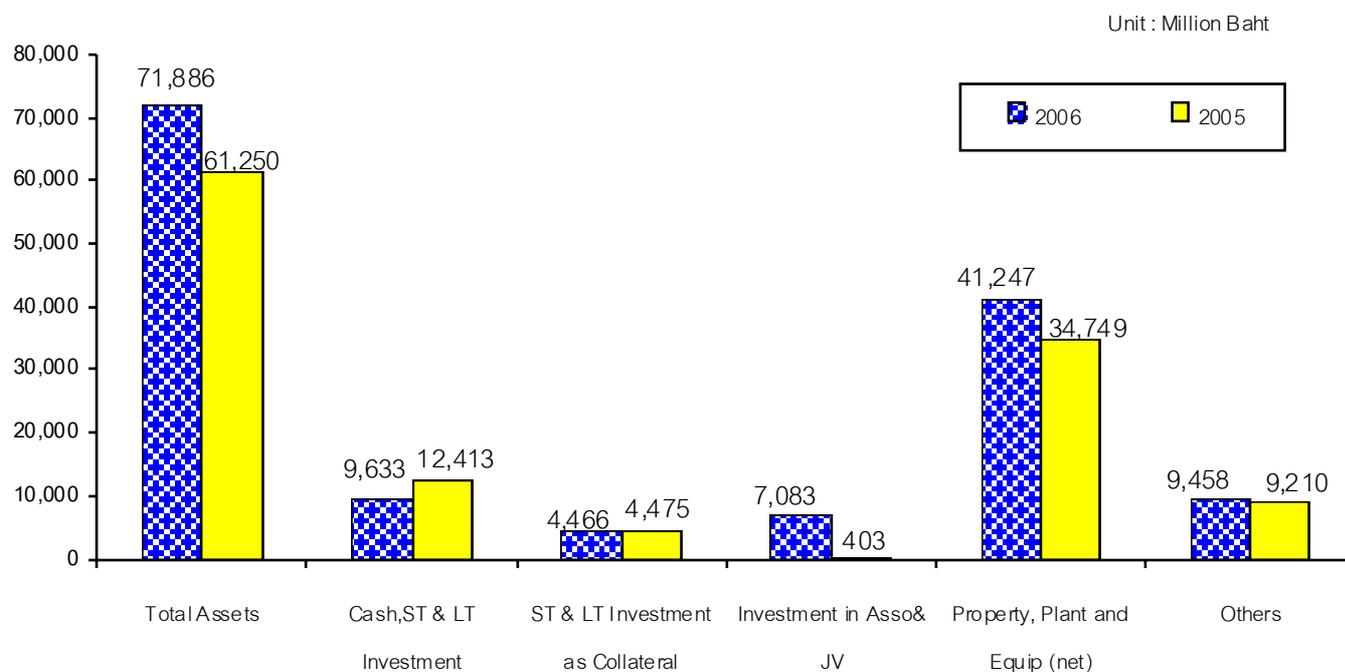
- **Administrative expenses and income taxes** totaled Baht 95 million, an increase of Baht 22 million or 31% compared to 2005, mostly from ESCO's higher administrative expenses and income taxes.

- **Interest expenses** were Baht 3 million, a decrease of Baht 3 million or 54% compared to 2005, owing to lower principal amount of ET's debt.

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

##### 4.1 Asset Analysis

As at December 31, 2006, total assets of EGCO, its subsidiaries and joint ventures amounted to Baht 71,886 million, an increase of Baht 10,636 million or 17% 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 9,633 million or 13% of the total assets, down Baht 2,780 million or 22%. This resulted mainly from a decrease of cash and cash equivalent by Baht 2,972 million due to EGCO's advance payment of Baht 2 billion to CLP Power (BLCP) Ltd, a subsidiary of CLP Holdings Limited, for the subscription of newly issued BLCP shares, along with REGCO's prepayment of its remaining balance of US Institutional Loans totaling USD 78 million (equivalent to Baht 3,222 million). On the other hand, there was an increase of Baht 99 million in deposits at financial institutions and short-term marketable securities, and an increase of Baht 93 million in long-term investments in marketable securities.

2) Short-term and long-term investments used as collateral were Baht 4,466 million or 6% of the total assets, down Baht 10 million or 0.21%. This decrease was mainly because cash reserve is no longer required at REGCO after the payment of all its debt. Meanwhile, GEC incurred an increase in cash reserved for additional debt drawdown and debenture issuance.

3) **Investment in associates and interests in joint ventures** amounted to Baht 7,083 million or 10% of the total assets, up by Baht 6,680 million. The increase was mainly from the recognition of investment in BLCP amounting to Baht 6,645 million plus the recognition of the share of profit of AEP.

Since most conditions precedent as specified in the BLCP's Share Purchase Agreement were fulfilled in 2006 except for the legal transfer of shares and the formal receipt of the lenders' consent letter which occurred in January 2007, EGCO, therefore, concluded that the share purchase was completed within 2006. However, EGCO has not accounted for such interest by proportionate consolidation because EGCO will have effective joint control over BLCP in 2007.

4) **Property, plant and equipment (net)** totaled Baht 41,247 million or 57% of the total assets. They were up Baht 6,498 million or 19% due to an increase in property, plant and equipment related to GEC (GPG and GYG), NTPC and APBP's construction of Baht 7,520 million, Baht 1,140 million and Baht 180 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 301 million, Baht 396 million and Baht 40 million, respectively.

Meanwhile, the decrease in property, plant and equipment was from the depreciation of EGCO and subsidiaries' assets totaling Baht 2,555 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 211 million, Baht 207 million and Baht 35 million, respectively.

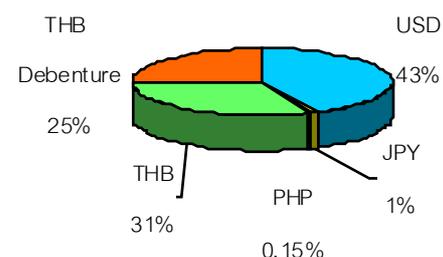
5) **Other assets** were Baht 9,458 million or 13% of the total assets, up Baht 248 million or 3% mainly from an increase of other current assets by Baht 167 million, other non-current assets by Baht 166 million, trade receivable from a related party (EGAT) by Baht 117 million; whilst spare parts and supplies dropped by Baht 171 million.

#### **4.2 Liability Analysis**

As at December 31, 2006, the EGCO Group's total liabilities were Baht 35,302 million, up Baht 6,166 million or 21% as a result of recording the connected transaction for the acquisition of shares in BLCP as amounts due to related parties of Baht 4,645 million. The increase came also from additional loan drawdown and debenture issuance. The total liabilities consist of the following:

1) **Long-term loans and debentures** totaled Baht 25,245 million, or 72% of total liabilities, up Baht 1,760 million or 7%. The details are as follows:

- USD loans in the amount of USD 306 million
- Yen loans in the amount of Yen 970 million
- Filipino Peso loans in the amount of Peso 52 million
- Baht loans in the amount of Baht 8,018 million
- Baht debentures in the amount of Baht 6,337 million



In 2006, there was additional loan drawdown that totaled Baht 10,859 million for the construction at GEC, NTPC and APBP in the amount of Baht 9,208 million, Baht 1,523 million and Baht 128 million, respectively. On the other hand, there was loan principal repayment of Baht 9,434 million: from REGCO - Baht 4,048 million which included prepayment of its US Institutional Loans for the remaining balance; KEGCO- Baht 1,304 million; TLP Cogen - Baht 149 million; ET – Baht 60 million; Roi-Et Green – Baht 34 million; Conal – Baht 223 million; APBP – Baht 33 million; and GEC – Baht 3,583 million. Based on EGCO's equity ownership of 50% in GEC, 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. And REGCO, KEGCO and GEC's debenture repayments were Baht 735 million, Baht 583 million and Baht 145 million, respectively.

*Maturity of long-term loans and debentures as of December 31, 2006*

Unit: Million Baht

	KEGCO	TLP Cogen	Roi-Et Green	APBP	GEC	Conal	NTPC
<i>Within 1 Year</i>	2,012	150	29	41	350	189	-
<i>1-5 Years</i>	3,637	765	122	209	5,149	369	389
<i>&gt; 5 Years</i>	-	655	142	166	8,536	-	2,336
<b>Total</b>	<b>5,649</b>	<b>1,570</b>	<b>294</b>	<b>416</b>	<b>14,035</b>	<b>558</b>	<b>2,724</b>

Long-term loans and debentures are secured liabilities over land, buildings, power plants and equipment of subsidiaries and joint ventures. The subsidiaries and joint ventures have to maintain cash reserves for the purpose of repayment of principal and interest due within one year and as a reserve for minimising the foreign exchange risk.

2) **Other liabilities** amounted to Baht 10,056 million or 28% of total liabilities, represented an increase of Baht 4,406 million which mostly resulted from an increase of amounts due to related parties totaling Baht 5,019 million. This reflected a recording of the connected transaction for the

acquisition of shares in BLCP as amounts due to a related party, CLP Power (BLCP) Ltd., of Baht 4,645 million, which was paid to CLP Power (BLCP) Ltd. and share transfer completed on January 30, 2007. The other non-current liabilities increased by Baht 816 million, trade payables increased by Baht 283 million and income tax payable up Baht 354 million; whereas GEC's construction payable decreased by Baht 1,932 million.

#### 4.3 Shareholders' Equity Analysis

As at December 31, 2006, Shareholders' Equity amounted to Baht 36,585 million, which was Baht 4,470 million or 14% higher than the amount as at December 31, 2005. This was due mainly to the following reasons:

- Net profits from 2006 operation amounted to Baht 6,036 million.
- The resolution of the Shareholders' Annual General Meeting No.1/2006 held on April 24, 2006 approved the dividend payment for the second half of the year 2005 to be 1.75 Baht per share, totaling Baht 921 million. The date of dividend payment was May 10, 2006.
- The Board of Directors at the meeting on August 28, 2006 approved the payment of interim dividend at Baht 2.00 per share with the dividend payment date on September 26, 2006, totaling Baht 1,053 million.

The analysis of the company's capital structure as at December 31, 2006 is summarized as follows:

Shareholders' equity was Baht 36,585 million or 50.89%.

Liabilities were Baht 35,302 million or 49.11%.

*Important financial ratios* were as follows:

- Debt to equity ratio was 0.96 times, higher than 0.91 times at the end of 2005.
- Book value per share was Baht 67.26, higher than Baht 58.96 at the end of 2005.



#### 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 December 31, 2006, the ending balance of the cash and the cash equivalent was Baht 5,849 million, down Baht 2,972 million from the end of 2005. This decrease was a result of a decrease of cash in hand and deposits at financial

institutions of Baht 3,112 million and the effect of foreign exchange rate changes of Baht 141 million. The details of the sources and uses of funds are as follows:

-**Net cash received from operating activities** totaled Baht 8,298 million. Most of this was cash from operating activities that amounted to Baht 8,280 million and cash from working capital of Baht 18 million.

-**Net cash payment for investing activities** was Baht 12,066 million. There was cash payment for the investment in power plant construction that amounted to Baht 8,121 million at GEC, Baht 1,739 million at NTPC and Baht 178 million at APBP. 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 8 million, respectively.

- **Net cash received from financing activities** was Baht 655 million, mainly owing to the loan repayment by REGCO, KEGCO, TLP Cogen, Roi-Et Green, ET, APBP, GEC and Conal totaling Baht 9,434 million, including the prepayment by REGCO of all its outstanding US Institutional Loans. The repayment of debentures by REGCO, KEGCO and GEC amounted to Baht 1,464 million and the payment of dividends by EGCO to shareholders was Baht 2,150 million. On the other hand, there was additional loan drawdown by GEC in the amount of Baht 9,208 million, NTPC in the amount of Baht 1,523 million and APBP in the amount of Baht 128 million, plus GCC's debenture issuance of Baht 2,900 million.

In 2006, the analysis of the company's liquidity ratios is as follows:

- Current ratio was 1.69 times, lower than 2.27 times for 2005
- Quick ratio was 1.27 times, lower than 1.79 times for 2005

Both liquidity ratios were lower compared to 2005, mostly as a result of the recording of the connected transaction for the acquisition of shares in BLCP as amounts due to a related party, CLP Power (BLCP) Ltd., of Baht 4,645 million, which was paid to CLP Power (BLCP) Ltd. in 2007. The fall in the ratios was partially offset by a decrease in the long-term loans maturing within one year that resulted from REGCO's prepayment of its outstanding US Institutional Loans.