



# Management Discussion and Analysis

For the Annual Operating Results

Ended December 31, 2007

**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: 662-998-5145-7 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 14 operating plants, totaling 3,509 equity MW at present. In 2007, EGCO's significant events are summarized as follows:

- The 50% share of profit in the joint venture BLCP Power Limited (BLCP), a 1,434 MW coal-fired power plant, has been recognised since January 2007.
- The Amata Power Bang Pakong Expansion (APBP-Expansion Project), a 55 MW combined cycle gas turbine power plant, achieved Commercial Operation Date (COD) on April 25, 2007.
- Unit 1 of the Kaeng Khoi 2 (KK2) combined cycle gas turbine IPP project of the joint venture Gulf Power Generation Co., Ltd (GPG), with capacity of 734 MW, was completed and achieved its COD on May 5, 2007.

EGCO Group's consolidated net profit for 2007 ended December 31, 2007, was Baht 8,402 million, an increase of Baht 2,386 million or 40% compared to 2006. Excluding the impact of foreign exchange on EGCO and subsidiaries, the net profit was Baht 8,281 million, representing an increase of Baht 2,982 million or 56% as compared to the previous year; the details of the change are as follows:

- EGCO's net loss of Baht 394 million, representing an increase in the loss of Baht 289 million, resulted from higher administrative expenses and an increase of interest expenses from short-term loans.

- **IPP Group**, consisting of Rayong Electricity Generating Co., Ltd. (REGCO), Khanom Electricity Generating Co., Ltd.(KEGCO), the joint venture BLCP and the joint venture GPG, showed a net profit and share of profits from joint ventures totaling Baht 7,735 million, up Baht 2,869 million thanks to the recognition of the share of profit from BLCP since January 2007 as well as the share of profit from GPG thanks to Unit 1 of KK2 which was completed and achieved its COD since May 2007.

- **Small Power Producer (SPP) Group**, which is comprised of three joint ventures including Gulf Electric Public Company Limited (GEC)(excluding GPG), Amata-EGCO Power Ltd. (AEP), Amata Power (Bang Pakong) Ltd. (APBP); and two subsidiaries including EGCO Cogeneration Co., Ltd. (EGCO Cogen) and Roi-Et Green Co., Ltd. (Roi-Et Green), reported a net profit of Baht

882 million, an increase of Baht 446 million that mainly resulted from GEC's higher net profit owing to a gain from foreign exchange rate.

- **Overseas Group**, which is comprised of two joint ventures including the Conal Holdings Corporation (Conal) and Nam Theun 2 Power Co., Ltd. (NTPC). The net loss from this group was Baht 197 million, an increase in the loss by Baht 40 million from 2006 mainly resulting from Conal's net profit of Baht 53 million, down by Baht 65 million, caused by a decrease in electricity sales after transferring the Northern Mindanao Power Corporation (NMPC) to National Power Corporation (NPC) in February 2006 as well as the Peso appreciation. Meanwhile, NTPC's loss decreased by Baht 25 million from lower foreign exchange loss.

- **Other Business Group** includes two subsidiaries, EGCO Engineering & Service Co., Ltd. (ESCO) and Egcom Tara Co., Ltd. (ET) and one joint venture, Amata Power-ESCO Service Co.,Ltd. (AMESCO), that showed net profit totaling Baht 255 million, a decrease of Baht 4 million due mostly to the decline in ESCO's net profit by Baht 17 million from lower service income. Meanwhile, ET's net profit increased by Baht 13 million from higher water sales.

## 2. Business Expansion Analysis

EGCO is the first IPP in Thailand established on May 12, 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 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 profile.

As at the end of December 2007, Thailand's total generating capacity was reported at 28,250.25 MW<sup>1</sup>, of which 12.42% was attributable to EGCO. During the year 2007, the peak demand reached 22,586.1 MW<sup>1</sup> on April 24, 2007, which was 7.23% higher than the peak demand in May 2006.

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<sup>1</sup> Source: EGAT

On November 16, 2007, the Ministry of Energy resolved that 17 bids, out of 20 bids, were qualified for the initial round (Technical Proposal) of IPP bidding, and all 3 bids from EGCO passed this round. Later on, on December 7, 2007, the Ministry of Energy announced the winner in the second round of IPP Bidding (Financial Proposal). Four companies, except EGCO, have won in this round of bidding with electricity generating capacity totaling 4,400 MW (increased from 3,200 MW) and coming on line during 2012-2014.

For EGCO, our business strategy will place more emphasis on expansion investment opportunities in ASEAN markets, including neighboring Mekong countries such as Lao PDR, Myanmar and Cambodia, with respect to projects that will supply electricity to Thailand, and also investment in a domestic project in Thailand relating to fuel storage and supply. As for renewable energy projects, EGCO will continue to pursue investment opportunities in prospective domestic projects using wind, waste and biomass as fuel sources.

As of December 31, 2007, EGCO has 14 operating plants with capacity totaling 3,509 equity MW, of which 59% comprises two natural gas-fired IPPs which are the 1,232 MW REGCO plant and the 824 MW KEGCO plant. EGCO has another 717 equity MW representing 20% of EGCO's total equity MW portfolio from the BLCP Power facility, a 1,434 MW coal-fired power plant located in Map Ta Phut Industrial Estate in Rayong Province. The BLCP facility uses high quality imported coal from Australia.

In 2007, EGCO commenced the commercial operation of the 734-MW KK2 project Unit 1 on May 5. EGCO has a 50% stake in this project, by holding 50% of shares in GEC which owns 99.99% of GPG. KK2 project is a 1,468 MW gas-fired power plant located in Saraburi province.

In addition to the operating assets, EGCO is a partner in two additional power plant projects that are under development. These projects represent an additional 635 equity MW. Each is summarized briefly below:

1. **The Unit 2 of KK2 project**, a 734 MW gas-fired power plant. The COD for Unit 2 is scheduled to occur in March 1, 2008. Currently, the overall progress of this project is 99.5%; and on January 25, 2008, EGAT has approved the purchase of additional power prior to the COD of KK2 Unit 2 after a successful commissioning.
2. **Nam Theun 2 project** is a 1,070 MW hydroelectric power plant located in the Lao PDR. EGCO holds a 25% ownership 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

will be sold to the Lao PDR. At the end of December 2007, the overall project progress was 78% complete.

In the absence of unforeseen circumstances, the company has a policy to dividend 40% of **the consolidated 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. **The dividend payment shall not exceed the retained earnings of the company financial statements.**

### 3. Accounting Policies

The early adoption and two changes in accounting policies, which were implemented on January 1, 2007, are as follows:

#### 1. **The draft Thai Accounting Standard (TAS): Employee Benefits**

The Federation of Accounting Profession has drafted TAS regarding Employee Benefits which is in accordance with the International Accounting Standard (IAS) 19: Employee Benefits. The draft TAS is expected to become effective in 2009. Therefore, the Board of Directors considered and resolved to early adopt this standard commencing 2007 onwards which is considered to better reflect the financial position and operating results of the EGCO group and also better reflect liabilities and expenses that shall be paid in exchange for services rendered by employees.

Commencing January 1, 2007, the Group has adopted the accounting policy according to the draft TAS: Employee Benefits for the post employment benefits, payable to employees under the labour laws applicable in Thailand and countries in which the Group has operations. The Group has applied retrospective adjustments for the adoption of new accounting policy which is to adjust the employee costs associated with past services against retained earnings brought forward and recognise the employee costs associated with services of the current year in the statement of income. The effects of the adoption of the new accounting policy on the consolidated balance sheet as at December 31, 2006 and the consolidated statements of income for the year ended December 31, 2006 are as follows:

## Consolidated balance sheet as at December 31, 2006

Unit : Million Baht

Increase in retirement benefits obligation	(116)
Decrease in interests in joint ventures	(2)
Increase in net liabilities in a joint venture	(3)
Decrease in retained earnings as at 31 December 2006	(121)

## Consolidated statements of income for the year ended December 31, 2006

Unit : Million Baht

Decrease in net profit	(20)
Decrease in basic earnings per share (Baht)	(0.03)

### 2. Accounting standard for investment in subsidiaries, associates and interests in joint ventures presented in the company financial statements

According to the notification of the Federation of Accounting Professions dated May 2, 2007 relating to amendment of TAS 44 "Consolidated financial statements and separate financial statements" and TAS 45 "Investments in associates" which require a change from the equity method of accounting to the cost method of accounting for investments in subsidiaries and associates and interests in joint ventures presented in the company financial statements, income from investments will be recorded when dividends are declared under the cost method. The notification is mandatory for financial statements on or after January 1, 2007. The cost method of accounting was implemented within EGCO Group from January 1, 2007 onwards and retrospective adjustments have been made for the purpose of comparison.

Accordingly, in 2007, EGCO's Group had net income of Baht 8,402 million, or Baht 15.96 per share in the consolidated financial statements, and a net profit of Baht 8,584 million, or Baht 16.31 per share, in the company financial statements. The difference of net income in these statements was due to the change in accounting for investment in subsidiaries and interests in joint ventures reported in the company financial statements. The performance of subsidiaries and interests in joint ventures has been proportionately recorded in the consolidated financial statements, whereas the net profit in the company financial statements is solely from the performance of the parent company and the dividends declared from subsidiaries and joint ventures. In this case, the EGCO Holding Company had an operational loss of Baht 31 million

and its subsidiaries and joint ventures declared their dividends in the amount of Baht 8,615 million.

Moreover, the effects of the change on the company's balance sheet as at December 31, 2006 is as follows:

	Unit : Million Baht
Decrease in investments in subsidiaries	(4,033)
Decrease in net interests in joint ventures	(280)
Decrease in net liabilities in a joint venture	(620)
Decrease in other liabilities	(911)
Increase in translation adjustments	14
Decrease in Retained earnings as at December 31, 2006	(2,796)

The change in such accounting policy has an impact on the company financial statements only and does not have any impact on the consolidated financial statements.

### **3. Accounting policy for interests in joint ventures in the consolidated financial statements**

From January 1, 2007, the Group has changed the accounting policy for interests in joint ventures in the consolidated financial statements from "Proportionate Consolidation" to the "Equity Method". The Group is of the view that the use of equity accounting provides a better understanding among investors of the company's business and financial position since the joint venture entity, which invested in power plant business, raised debt secured against its own assets with limited recourse to its shareholders. The group has restated the consolidated financial statements to reflect the change in this accounting policy.

The consolidated balance sheet as at December 31, 2006 and the consolidated statement of income for 2006 ended December 31, 2006, were adjusted for the purpose of comparison. Accordingly, this new accounting policy has been applied to the interests in seven joint ventures namely BLCP, GEC, APBP, AEP, Conal, NTPC and AMESCO.

### **4. Report and Analysis of the Operating Results**

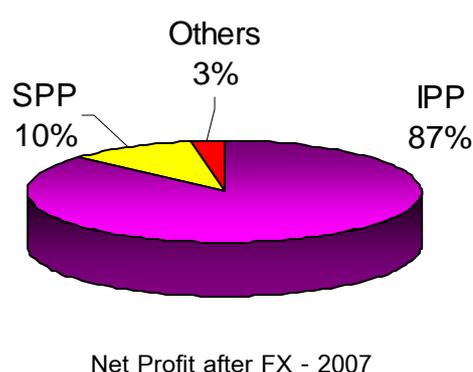
EGCO is structured as a holding company and it invests primarily in electricity generation and energy service businesses. The main sources of its income are dividends from investments in its subsidiaries, joint ventures, and associates. The objective of the holding company structure is to provide flexibility 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 and interests in joint ventures as follows:

#### 4.1 Operational Results

EGCO Group's consolidated net profit for 2007 ended December 31, 2007 was Baht 8,402 million, an increase of Baht 2,386 million or 40% compared to 2006; this was caused mainly by an increase of the share of profits from joint ventures amounting to Baht 5,134 million, primarily from BLCP, GPG and GEC.

The gross profit was reported at Baht 5,229 million, down by Baht 2,795 million or 35% as compared to last year, as a result of lower contracted electricity sales of REGCO and KEGCO. The operating profit was reported at Baht 4,938 million, a decrease of Baht 3,624 million or 42% as compared to 2006. The fall in electricity sales, foreign exchange gain and interest income, at EGCO and subsidiaries, was the main factor behind the drop in the gross profit and the operating profit.



	Unit : Million Baht			
	Net Profit of 2007		Net Profit of 2006	
	Before FX	After FX	Before FX	After FX
EGCO	(394)	(394)	(104)	(104)
IPP Group	7,735	7,804	4,866	5,418
SPP Group	882	939	436	598
Overseas	(197)	(197)	(157)	(157)
Others	255	250	258	261
<b>Total</b>	<b>8,281</b>	<b>8,402</b>	<b>5,299</b>	<b>6,016</b>

Remarks:

- Net profit consolidated under the equity method does not separate out foreign exchange impact from joint ventures.
- IPP : REGCO, KEGCO, BLCP, GPG
- SPP : GEC (excluding GPG), AEP, APBP, EGCO Cogen, Roi-Et Green
- Overseas : Conal, NTPC
- Others : ESCO, ET, AMESCO

The net profit of EGCO Group in 2007 included foreign exchange gains from EGCO and subsidiaries of only Baht 121 million whereas it incurred a foreign exchange gain of Baht 716 million in 2006. An unrealized foreign currency exchange gain in the amount of Baht 70 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, 2007) and the previous period (December 31, 2006).

Excluding the effect of foreign currency exchange gain from EGCO and subsidiaries, the profit was Baht 8,281 million, representing an increase of Baht 2,982 million or 56% as compared to 2006.

Excluding the effect of foreign currency exchange gain from EGCO and subsidiaries of Baht 121 million, interest expenses of Baht 819 million, income tax of Baht 634 million and depreciation and amortization of Baht 2,190 million, the earnings before interest, tax, depreciation and amortization (EBITDA) would be Baht 11,924 million<sup>1</sup>, representing an increase of Baht 2,187 million or 22% as compared to 2006, in which the EBITDA was Baht 9,737 million, excluding the effect of foreign currency exchange gain of Baht 716 million, interest expenses of Baht 1,166 million, income tax amounting to Baht 1,130 million and depreciation and amortization amounting to Baht 2,142 million.

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

- Gross Profit Ratio was 47.80%
- Operating Profit Ratio was 45.14%
- Net Profit Ratio was 50.48%
- Net Profit Ratio (excluding the effect of foreign exchange from EGCO and subsidiaries) was 49.75%
- Earnings per share (EPS) was Baht 15.96
- Earnings (excluding the effect of foreign exchange from EGCO and subsidiaries) per share (EPS) was Baht 15.73
- Return on Equity (ROE) was 21.89%

The gross profit margin of 47.80% was lower than last year's margin of 57.98% due to a decrease in net profit of REGCO and KEGCO from lower electricity sales; whereas the net profit ratio (excluding the effect of foreign exchange from EGCO and subsidiaries) was reported at 49.75%, higher than 2006 ratio of 36.29% mainly due to the recognition of BLCP and GPG's net profit as share of profit from joint ventures.

#### **4.2 Income, Expense and Share of profits from Joint Ventures Analysis**

In 2007, operating results of EGCO and subsidiaries (Subs), excluding the effect of foreign currency exchange rate (Fx) and profit attributable to minorities (MI), are as follows:

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<sup>1</sup> Excluding the effect of foreign currency exchange, interest expenses, income tax, depreciation and amortization of joint ventures, EBITDA was Baht 14,934 million.

- Total revenues were Baht 11,594 million, a decrease of Baht 3,092 million or 21% compared to 2006.
- Total expenses were Baht 8,230 million, a decrease of Baht 906 million or 10% from last year.

The share of profits from joint ventures for 2007 were Baht 5,051 million (including a gain from foreign exchange of Baht 890 million), an increase of Baht 5,134 million compared to last year which showed the share of loss totaling Baht 83 million. The details according to their groups of business are as follows:

*Total Revenues, Total Expenses and Share of Profits (Loss) from JVEs:*

Unit : Million Baht

	EGCO		IPP		SPP		Overseas		Others		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<i>Total Revenues</i>	497	400	7,910	11,053	2,186	2,231	-	-	1,000	1,002	11,594	14,686
<i>Total Expenses</i>	891	504	4,813	6,134	1,822	1,791	-	-	703	706	8,230	9,135
<i>Profits bf Share of Profits (Loss) from JVEs</i>	(394)	(104)	3,097	4,919	364	440			297	296	3,364	5,551
<i>Share of Profits (Loss) from JVEs</i>	-	-	4,638	(52)	608	125	(197)	(157)	2.29	1.5	5,051	(83)
<i>Net Profit bf Subs's Fx and MI</i>	(394)	(104)	7,735	4,866	972	565	(197)	(157)	300	298	8,416	5,468

1) EGCO's total revenues in 2007, amounting to Baht 497 million, were comprised of dividend income from financial investment of Baht 134 million, interest income of Baht 63 million and other income of Baht 301 million. Compared to 2006, this showed an increase of Baht 98 million or 24%, which mainly resulted from higher other income of Baht 243 million thanks to gain from the redemption of Krung Thai Dividend Selected Flexible Portfolio Fund (KTSF) amounting to Baht 258 million. However, interest income decreased by Baht 111 million, or 64% as a result of lower interest rate and deposit amounts. Moreover, dividend income also decreased by Baht 34 million or 20% mainly a result of the drop in dividends from KTSF by Baht 78 million. Meanwhile, dividends from Eastern Water Resources Development and Management Public Company Limited (EASTW) were up by Baht 31 million and dividend from other open-end funds up by Baht 13 million.

Total expenses of EGCO, including administrative expenses and interest expenses, were Baht 891 million, an increase from 2006 by Baht 387 million or 77%. This resulted mainly from the increase of interest expenses totaling Baht 186 million, incurred from the short-term loans of Baht 4,350 million from two Thai commercial banks; the first drawdown of the short-term loans was on January 29, 2007 and the repayment of the whole amount was made on December 28, 2007. In addition, there was an increase of advertising expenses for the re-branding project and project development expenses which included consulting fees.

2) IPP Group consisting of two principal subsidiaries, REGCO and KEGCO; and two principal joint ventures, BLCP and GPG. Total revenues were Baht 7,910 million, a decrease of Baht 3,142 million or 28% as compared to last year, meanwhile the total expenses were Baht 4,813 million, down by Baht 1,321 million or 22%. The share of profits from joint ventures were reported at Baht 4,638 million (including a gain from foreign exchange of Baht 728 million), up by Baht 4,690 million as compared to 2006 which showed the share of loss totaling Baht 52 million. The details are as follows:

*Total Revenues, Total Expenses and Share of Profits(Loss) from JVEs of IPP Group:* Unit: Million Baht

	REGCO		KEGCO		BLCP		GPG		Total		
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	%Chg
Total revenues	3,599	5,630	4,311	5,422	-	-	-	-	7,910	11,053	(28%)
Total expenses	2,183	2,947	2,630	3,187	-	-	-	-	4,813	6,134	(22%)
Profits bf Share of Profits (Loss) from JVEs	1,416	2,683	1,681	2,235	-	-	-	-	3,097	4,919	(37%)
Share of Profits (Loss)from JVEs	-	-	-	-	3,907	-	731	(52)	4,638	(52)	n.a.
Net Profit bf Subs's Fx and MI	1,416	2,683	1,681	2,235	3,907	-	731	(52)	7,735	4,866	59%

- **Sales of electricity** of IPP Group were Baht 7,809 million, representing a decrease of Baht 2,856 million or 27% compared to last year. The decrease was a result of REGCO's lower electricity sales by Baht 1,818 million to register Baht 3,574 million due to a decrease in the Capacity Rate and Baht appreciation. To minimize exchange rate risk, REGCO has entered into a revenue swap contract with a financial institution to fix the exchange rate to be used in the conversion of part of the USD-linked revenue provided in the PPA. As at December 31, 2007, the electricity revenue under the foreign currency forward contract of USD 47.82 million has a fixed exchange rate of Baht 33.80 per 1 USD. The contract is effective from November 8, 2007 to January 5, 2010. Moreover, KEGCO's lower electricity sales by Baht 1,038 million to register Baht 4,235 million was caused by a decrease in the Base Availability Credit for KEGCO which partly resulted from Baht appreciation. These decreases were 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

	2007	2006	%Changes
REGCO	3,574	5,392	(34%)
KEGCO	4,235	5,273	(20%)
Total Sales of Electricity - IPP	7,809	10,665	(27%)

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 tariff 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 2007, REGCO and KEGCO received compensation for the exchange rate effect of Baht 393 million.

- **Interest income and others** amounted to Baht 101 million, a decrease of Baht 287 million or 74%, mainly from REGCO's decreased interest income in the amount of Baht 211 million. It resulted from lower interest rates and lower amount of deposits at banks and financial institutions due to a capital reduction at REGCO from Baht 9,220 million to Baht 4,702 million in December 2006. KEGCO's interest income decreased by Baht 75 million resulting from lower interest rates.

- **Cost of sales** totaled Baht 3,433 million, a decrease of Baht 120 million or 3% compared to 2006, mainly because KEGCO's cost of sales in 2007 decreased by Baht 223 million or 12% due to a high major maintenance cost in 2006. Meanwhile, REGCO's cost of sale increased by Baht 103 million or 6%, from major maintenance cost in 2007.

<i>Cost of Sales – IPP Group:</i>		Unit : Million Baht	
	<i>2007</i>	<i>2006</i>	<i>%Changes</i>
<i>REGCO</i>	<i>1,841</i>	<i>1,738</i>	<i>6%</i>
<i>KEGCO</i>	<i>1,592</i>	<i>1,815</i>	<i>(12%)</i>
<i>Total Cost of Sales – IPP Group:</i>	<i>3,433</i>	<i>3,553</i>	<i>(3%)</i>

- **Administrative expenses and income taxes** were Baht 841 million, a decrease of Baht 685 million or 45%, mainly from lower REGCO's administrative expenses of Baht 207 million or 63% compared to last year when REGCO incurred a make-whole premium payment from a loan prepayment; and tax payment at REGCO and KEGCO decreased by Baht 507 million from lower revenues. REGCO and KEGCO currently enjoy 50% corporate tax reduction privilege on profits from power generation, ending on April 19, 2008 and September 25, 2009, respectively.

- **Interest expenses** were Baht 539 million, a decrease of Baht 515 million or 49%, resulting from REGCO's payment of all of its debt with financial institutions in December 2006 and KEGCO's lower principal amounts of loans and debentures.

• **Share of profits from joint ventures**, BLCP and GPG, were recognised in the amount of Baht 4,638 million. BLCP's recognition of net profit since January 2007 amounted to Baht 3,907 million, which included a foreign exchange gain of Baht 591 million, and GPG's net profit was Baht 731 million, which included a foreign exchange gain of Baht 137 million, thanks to KK2 Project-Unit 1's sales of electricity to EGAT after achieving its COD in May 2007, plus other income from KK2 Project-Unit 1's liquidated damage claim on the EPC contractor owing to the delayed COD.

**3) SPP Group** incorporates five companies, namely: GEC (excluding GPG), AEP, APBP, EGCO Cogen and Roi-Et Green. The total revenues were reported at Baht 2,186 million, a decrease of Baht 45 million or 2% compared to 2006. The expenses were Baht 1,822 million, an increase from last year by Baht 31 million or 2%. The share of profits from joint ventures were reported at Baht 608 million (including a gain from foreign exchange of Baht 360 million), an increase of Baht 483 million or 386% compared to last year. The details are as follows:

*Total Revenues, Total Expenses and Share of Profits(Loss) from JVEs of SPP Group:*

Unit : Million Baht

	EGCO Cogen		Roi-Et Green		GEC (exclude GPG)		APBP and AEP		Total		
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	% Chg
<i>Total revenues</i>	1,944	1,985	242	246	-	-	-	-	2,186	2,231	(2%)
<i>Total expenses</i>	1,670	1,648	152	143	-	-	-	-	1,822	1,791	2%
<i>Profits bf Share of Profits (Loss) from JVEs</i>	274	337	90	103	-	-	-	-	364	440	(17%)
<i>Share of Profits (Loss)from JVEs</i>	-	-	-	-	497	0.75	111	124	608	125	386%
<i>Net Profit bf Subs's Fx and MI</i>	274	337	90	103	497	0.75	111	124	972	565	72%

• **Sales of electricity** of the SPP Group were Baht 2,152 million, representing a decrease of Baht 42 million or 2% compared to last year. Most of the decrease of SPP group's electricity sales was from EGCO Cogen in the amount of Baht 36 million, resulting mainly from lower electricity sales to industrial users as well as the Baht appreciation which caused a drop in revenue from EGAT. Roi-Et Green's electricity sales decreased by Baht 6 million from lower tariff, as its tariff formula is linked to the price of fuel oil which experienced a drop.

*Sales of Electricity – SPP Group:*

Unit : Million Baht

	2007	2006	%Changes
<i>EGCO Cogen</i>	1,926	1,961	(2%)
<i>Roi-Et Green</i>	226	233	(3%)
<i>Total Sales of Electricity – SPP Group</i>	2,152	2,194	(2%)

• **Interest income and others** amounted to Baht 34 million, a decrease of Baht 3 million or 9%, mainly from lower interest income totaling Baht 7 million cause by lower interest rates.

- **Cost of Sales** of SPP Group were reported at Baht 1,677 million, an increase of Baht 22 million as compared to 2006. This was substantially driven by an increase in cost of sales of Roi-Et Green and EGCO Cogen amounting to Baht 17 million and Baht 5 million, respectively, due to higher fuel costs.

*Cost of Sales – SPP Group:*

Unit : Million Baht

	2007	2006	%Changes
<i>EGCO Cogen</i>	1,546	1,541	0.30%
<i>Roi-Et Green</i>	131	114	15%
<b><i>Total Cost of Sales – SPP Group</i></b>	<b>1,677</b>	<b>1,655</b>	<b>1%</b>

- **Administrative expenses and income taxes** were Baht 53 million, up by Baht 24 million or 82% as compared to 2006. This mainly resulted from EGCO Cogen's penalty payment to EGAT amounting to Baht 16 million, since its thermal process ratio did not meet the requirement in accordance with the PPA; and the income tax payment following Thai LNG Power Co., Ltd. (TLPC)'s liquidation amounting to Baht 13 million.

- **Interest expenses** were Baht 92 million, a decrease of Baht 14 million or 13%, mainly from a decrease in EGCO Cogen's interest expenses amounting to Baht 13 million due to lower principal.

- **Share of profits from joint ventures, GEC (excluding GPG), APBP and AEP**, totaled Baht 608 million, up by Baht 483 million or 386% as compared to 2006. The share of profit from the joint venture GEC contributed the most in the amount of Baht 497 million, an increase of Baht 496 million as compared to last year. This was primarily a result of an increase of gain on foreign exchange rate, up by Baht 373 million, and higher sales of electricity.

Meanwhile, the share of profits from joint ventures, APBP and AEP, totaled Baht 111 million, down by Baht 13 million or 10%, which was primarily from AEP's lower electricity sales to EGAT and higher maintenance expenses.

**4) Overseas Group** refers to Conal and NTPC, of which their share of losses from joint ventures were reported at Baht 197 million, an increase in loss of Baht 40 million compared to 2006. Conal's share of profit was reported at Baht 53 million, a decrease of Baht 65 million compared to 2006, mainly from a decrease of electricity sales after transferring NMPC, a 40 MW power plant, to NPC in February 2006 and the Peso appreciation. NTPC's share of loss was Baht 250 million (including a loss from foreign exchange of Baht 210 million), a decrease in loss of Baht 25 million as compared to 2006, caused mainly by lower foreign exchange loss.

5) **Other Business Group** includes two subsidiaries, ESCO and ET and a joint venture, AMESCO. Total revenues were Baht 1,000 million, a decrease by Baht 2 million or 0.23% as compared to 2006 and total expenses totaled Baht 703 million, a decrease of Baht 3 million or 0.45%. The share of profit from a joint venture was reported at Baht 2.29 million, an increase of Baht 0.78 million or 51% as compared to the last year. The details are as follows:

*Total Revenues, Total Expenses and Share of Profits(Loss) from JVEs of Other Business Group: Unit : Million Baht*

	ESCO		ET		Total		
	2007	2006	2007	2006	2007	2006	% Chg
<i>Total revenues</i>	773	802	228	201	1,000	1,003	(0.23%)
<i>Total expenses</i>	631	643	72	63	703	706	(0.45%)
<i>Profits bf Share of Profits (Loss) from JVEs</i>	142	159	156	138	297	297	0%
<i>Share of Profits (Loss)from JVEs</i>	2.29	1.51	-	-	2.29	1.51	51%
<i>Net Profit bf Subs's Fx and MI</i>	144	160	156	138	300	298	0.33%

- **Service income** from ESCO amounted to Baht 760 million, down by Baht 27 million or 3%, resulting mostly from lower maintenance service income from Granite Services International Co., Ltd., which is the subsidiary of GE and a decrease of spare parts sale to Elgali 2 Power Plant in Sudan.

- **Sales of water** from ET, were Baht 218 million, up by Baht 26 million, or 14%, thanks to the increase of the minimum take and tariff under the long-term Water Purchase Agreement with Provincial Waterworks Authority.

- **Interest income and others** amounted to Baht 22 million, a decrease of Baht 1 million or 4%, mainly from a decrease in ESCO's other income amounting to Baht 1 million.

- **Cost of services** were Baht 536 million, a decrease of Baht 13 million or 2%, resulting from a decrease in the cost of maintenance services and the cost of ESCO's spare parts sale to customers which were consistent with its decreased revenues.

- **Cost of water sales** of ET was Baht 66 million, up Baht 7 million or 12% mainly from an increase of operating and maintenance service costs which was consistent with its increased revenues.

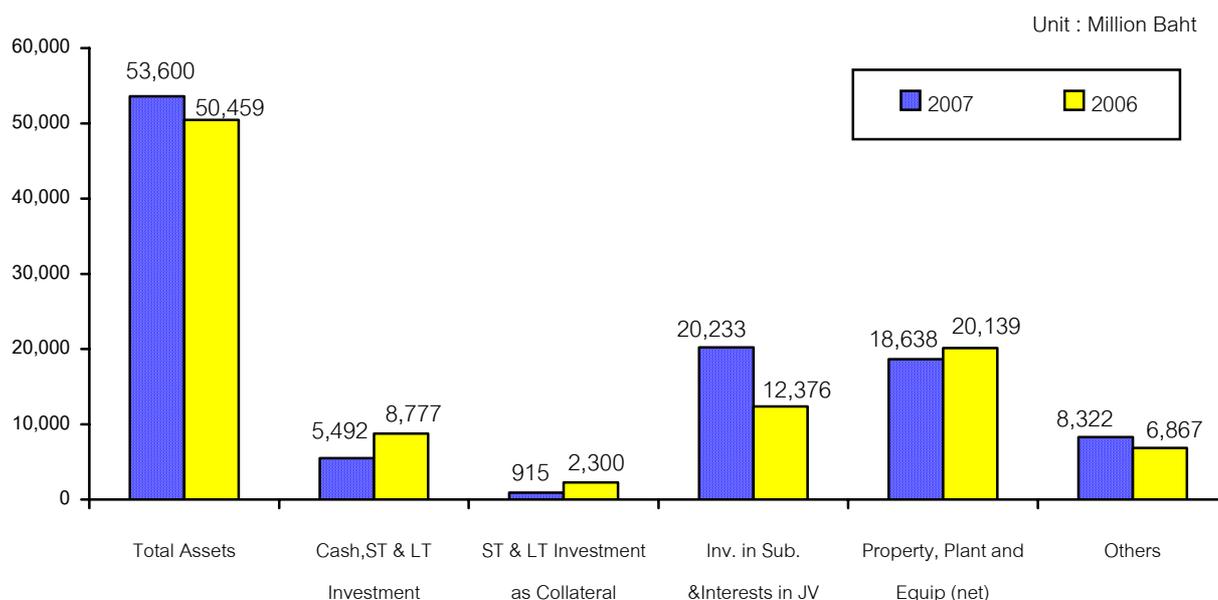
- **Administrative expenses and income taxes** totaled Baht 101 million, an increase of Baht 6 million or 6% compared to 2006, mostly from an increase in ESCO's administrative expenses by Baht 6 million.

- **ESCO's share of profit from a joint venture** totaled Baht 2.29 million, an increase of Baht 0.78 million from AMESCO.

## 5. Report and Analysis of Financial Position

### 5.1 Asset Analysis

As at December 31, 2007, total assets of EGCO, its subsidiaries and interests in joint ventures amounted to Baht 53,600 million, an increase of Baht 3,141 million or 6% from December 31, 2006. The important details are as follows :



1) **Cash and deposits at financial institutions, and short-term and long-term marketable securities** were Baht 5,492 million or 10% of the total assets, down Baht 3,284 million or 37%. This resulted mainly from a decrease of cash and cash equivalent by Baht 1,851 million and a decrease of long-term investments in marketable securities by Baht 1,468 million from the redemption of KTSF. The decrease in cash and cash equivalent was from EGCO's payment for the acquisition of shares in BLCPP amounting to Baht 4,645 million to CLP Power (BLCPP) Ltd., a subsidiary of CLP Holdings Limited, and EGCO's payment for additional paid-up shares in BLCPP and GEC amounting to Baht 5,588 million. In addition, EGCO repaid loan and debenture amounting to Baht 2,196 million and paid dividend to shareholders in the amount of Baht 2,214 million. Meanwhile, EGCO received operating cash of Baht 6,318 million, drew down long-term financing of Baht 4,000 million from local banks, received net cash from ST&LT investment of Baht 1,618 million and received dividends from joint ventures totaling Baht 985 million.

2) **Short-term and long-term investments used as collateral** were Baht 915 million or 2% of the total assets, down Baht 1,385 million or 60%. This decrease mainly came from the use of cash to repay the principal and pay the interest of KEGCO's debt.

**3) Investment in subsidiaries and interests in joint ventures** recorded under the equity method in the consolidated financial statements as at December 31, 2007 amounted to Baht 20,233 million or 38% of the total assets, up Baht 7,857 million or 63%. The major change can be defined as follows :

3.1) an investment in the additional paid-up shares amounting to Baht 5,588 million, GEC of Baht 2,330 million and BLCP of Baht 3,258 million.

3.2) an increase in share of profit from investment according to the equity method amounting to Baht 5,301 million.

3.3) dividend received from BLCP, Conal and EGCO Joint Venture and Development Co.,Ltd. totaling Baht 3,140 million.

3.4) profit from translation adjustment totaling Baht 107 million.

For the company financial statements, the original cost was applied for recording the investment in subsidiaries and interests in joint ventures at the beginning; the book value as at December 31, 2007 was Baht 29,653 million, up Baht 5,543 million or 23%, thanks to the additional paid-up shares in joint ventures, GEC and BLCP. Meanwhile, after transferring the shareholding in EGCO Cogen from under TLPC to under EGCO following TLPC's liquidation, the value of EGCO Cogen was lower than EGCO's investment in TLPC by Baht 45 million.

**4) Property, plant and equipment (net)** totaled Baht 18,638 million or 35% of the total assets. They were down Baht 1,502 million or 7% due to the decrease in property, plant and equipment from the depreciation of EGCO and subsidiaries' assets totaling Baht 2,129 million and the reclassification of unutilised capital spare parts from property, plant and equipment to spare parts and supplies at REGCO and KEGCO totaling Baht 230 million. Meanwhile, there was a recording of capital spare parts as property, plant and equipment following the major maintenance at REGCO and KEGCO in the amount of Baht 590 million and net purchase of property, plant and equipment totaling Baht 267 million.

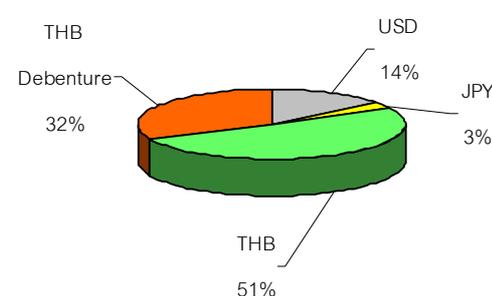
**5) Other assets** were Baht 8,322 million or 15% of the total assets, up Baht 1,455 million or 21% mainly from an increase of dividend receivable from a joint venture by Baht 2,075 million which was partially offset by a decrease of trade receivable from a related party by Baht 266 million, a decline in spare parts and supplies by Baht 219 million and a decrease of shareholder's loan to GEC by Baht 100 million.

## 5.2 Liability Analysis

As at December 31, 2007, the EGCO Group's total liabilities were Baht 11,605 million, down Baht 3,056 million or 21%. The total liabilities consist of the following:

1) **Long-term loans and debentures** totaled Baht 9,238 million, or 80% of total liabilities, up Baht 1,724 million or 23%. This mainly came from EGCO's drawdown of a long-term loan with a local commercial bank in the amount of Baht 4,000 million on December 28, 2007 to repay short-term loan's that EGCO borrowed in the amount of Baht 4,350 million from two local commercial banks on January 29, 2007. In addition, the long-term loans and debentures repayment from KEGCO, EGCO Cogen and Roi-et Green totaled Baht 2,196 million. The details are as follows :

- USD loans in the amount of USD 39 million
- Yen loans in the amount of Yen 873 million
- Baht loans in the amount of Baht 4,715 million
- Baht debentures in the amount of Baht 2,957 million



*Maturity of long-term loans and debentures as of December 31, 2007* Unit: Million Baht

	<i>EGCO</i>	<i>KEGCO</i>	<i>EGCO Cogen</i>	<i>Roi-Et Green</i>
<i>Within 1 Year</i>	-	1,379	150	30
<i>1-5 Years</i>	-	2,227	968	120
<i>&gt; 5 Years</i>	4,000	-	255	109
<b>Total</b>	<b>4,000</b>	<b>3,606</b>	<b>1,373</b>	<b>259</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 2,367 million or 20% of total liabilities, representing a decrease of Baht 4,781 million or 67% which mostly resulted from EGCO's payment for the acquisition of BLCP of Baht 4,645 million to CLP Power (BLCP) Ltd. in return for the share transfer on January 30, 2007. In addition, income tax payable was down Baht 315 million due to a decrease of REGCO and KEGCO. Meanwhile, net liabilities in a joint venture increased by Baht 200 million from recognising NTPC's share of loss.

### 5.3 Shareholders' Equity Analysis

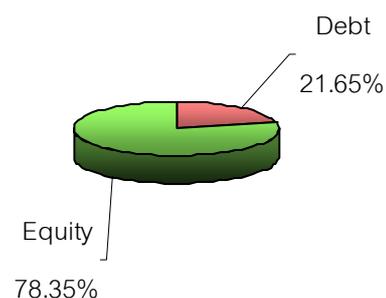
As at December 31, 2007, Shareholders' Equity amounted to Baht 41,996 million, which was Baht 6,198 million or 17% higher than the amount as at December 31, 2006. This was due mainly to the following reasons:

- the net profit in the consolidated financial statements that amounted to Baht 8,402 million.
- at the Annual General Shareholders' meeting on April 23, 2007, it was unanimously resolved to pay dividends in respect of the operating results for the six-month period ended December 31, 2006 at Baht 2 per share, totaling Baht 1,053 million. These dividends were paid to shareholders on May 8, 2007.
- the EGCO Board of Directors' meeting on August 25, 2007 approved to pay an interim dividend in respect of the operating results for the six-month period ended June 30, 2007 at Baht 2.25 per share, totaling Baht 1,185 million. These dividends were paid to shareholders on September 21, 2007.

The analysis of the company's capital structure as at December 31, 2007 can be summarized as follows:

Shareholders' equity was Baht 41,996 million or 78.35%.

Liabilities were Baht 11,605 million or 21.65%.



Important financial ratios were as follows:

- Debt to equity ratio was 0.28 times, lower than 0.41 times at the end of 2006.
- Book value per share was Baht 78.78, higher than Baht 67.03 at the end of 2006.

## 6. 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, 2007, the ending balance of the cash and the cash equivalent was Baht 3,750 million, down Baht 1,851 million. The details of the sources and uses of funds are as follows:

-**Net cash received from operating activities** totaled Baht 6,318 million. This was cash received from operating activities and working capital that amounted to Baht 5,236 million and Baht 1,082 million, respectively.

-**Net cash payment for investing activities** was Baht 7,758 million. Cash payment for the investment in the additional shares in joint ventures amounted to Baht 2,330 million at GEC and Baht 3,258 million at BLCP; and, cash payment for the acquisition of shares in BLCP amounted to Baht 4,645 million. Meanwhile, the net cash inflow from dividend from joint ventures amounted to Baht 985 million and net cash from the short-term and long-term investments amounted to Baht 1,618 million. In addition, the cash receipt from repayment of shareholder's loan by GEC amounted to Baht 100 million and dividends of EASTW and the other open-end funds amounted to Baht 61 million and Baht 73 million, respectively.

- **Net cash payment for financing activities** was Baht 411 million. The payment includes the loan repayment of KEGCO, EGCO Cogen and Roi-Et Green that totaled Baht 1,544 million and debenture repayment of KEGCO that totaled Baht 652 million. In addition, dividend payment to shareholders amounted to Baht 2,214 million. Meanwhile, EGCO drew down a long-term loan of Baht 4,000 million from a local bank on December 28, 2007.

In 2007, the analysis of the company's liquidity ratios is as follows :

- Current ratio was 4.22 times, compared to 1.65 times in 2006
- Quick ratio was 2.26 times, compared to 1.18 times in 2006

Both ratios were higher than the ratios in 2006 due to the payment for shares acquisition in BLCP totaling Baht 4,645 million to CLP Power (BLCP) Ltd.