



# Management Discussion and Analysis

For the Annual Operating Results

Ended December 31, 2008

**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 structured as a holding company which invests in subsidiaries, associates and interests in joint ventures, totaling 15 companies. All of EGCO's subsidiaries, associates and interests in joint ventures can be categorized into four investment groups as follows:

1. **Independent Power Producer (IPP)** consists of Rayong Electricity Generating Co., Ltd. (REGCO), Khanom Electricity Generating Co., Ltd. (KEGCO), BLCP Power Limited (BLCP) and Gulf Power Generation Co., Ltd (GPG).
2. **Small Power Producer (SPP)** consists of Gulf Electric Public Company Limited (GEC)(excluding GPG), EGCO Cogeneration Co., Ltd. (EGCO Cogen), Roi-Et Green Co., Ltd. (Roi-Et Green), Amata-EGCO Power Ltd. (AEP) and Amata Power (Bangpakong) Ltd. (APBP).
3. **Overseas** consists of Conal Holdings Corporation (Conal), Nam Theun 2 Power Co., Ltd. (NTPC) and Quezon Power (Philippines) Limited Co. (Quezon).
4. **Other Business** consists of EGCO Engineering & Service Co., Ltd. (ESCO), Egcom Tara Co., Ltd. (ET) and Amata Power-ESCO Service Co.,Ltd. (AMESCO).

EGCO, Subsidiaries, Associates and Interests in Joint Ventures entities hereinafter collectively referred to as EGCO Group<sup>1</sup> possesses 13 operating plants, totaling 3,967.6 equity MW at present. In 2008, EGCO Group's significant events, which increased revenues and equity MW, are summarized as follows:

- Combined cycle gas turbine IPP project of GPG, the Kaeng Khoi 2 (KK2) unit 2, with the installed capacity of 755 MW achieved its Commercial Operating Date (COD) on February 27, 2008.
- The sale of shares in AEP, APBP and AMESCO to Amata Power Ltd. (Amata Power) in May 2008.
- The purchase of 23.4% stake in Quezon which owns, operates and maintains a 502.50 MW (installed capacity) coal-fired power plant on November 29, 2008.

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<sup>1</sup> Subsidiaries: REGCO, KEGCO, EGCO Cogen, Roi-Et Green, ESCO and ET

Associate: AEP

Interests in joint ventures: BLCP, GPG, APBP, GEC (excluding GPG), Conal, NTPC, Quezon and AMESCO

The decrease in the demand for electricity of Thailand caused by the economic slowdown has an influence on the future growth, financial position and operating results of EGCO Group. Therefore, to sustain EGCO Group's market share and strength in the energy sector, EGCO's business strategy will place more emphasis on expanding investment opportunities in (i) ASEAN markets, (ii) fuel-related projects, and (iii) prospective domestic projects using renewable energy as fuel sources.

EGCO Group's consolidated net profit for 2008 ended December 31, 2008 was Baht 6,927 million, a decrease of Baht 1,475 million or 18% compared to 2007. Excluding the loss on foreign exchange rate due to the Baht depreciation, which was mostly an accounting number to be shown in accordance with the Thai Accounting Standard, EGCO Group's profit was Baht 7,491 million, an increase of Baht 99 million or 1.34% mainly resulting from GPG's recognition of the KK2 unit 2's operating result, which achieved COD on February 27, 2008. Meanwhile, the decrease in KEGCO's electricity sales was from a decrease in the Base Availability Credit.

## **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, associates and joint ventures. 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 (PPAs). 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.

At the end of the year 2008, Thailand's total generating capacity was reported at 29,891.65 MW<sup>1</sup>. During the year 2008, the peak demand reached 22,568 MW<sup>1</sup> in April 2008, which was 0.08% slightly lower than the peak demand in April 2007.

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<sup>1</sup> Source: EGAT

During the year 2008, the declining economy has lowered the demand for electricity, which has urged EGAT to postpone the COD in many projects, including the three independent power producers who won 2007 IPP bidding, for another year. EGAT would also delay a number of coal fired and nuclear power plants, as well as an agreement with neighboring countries to push back supplying power to EGAT by another year. In the meantime, the Ministry of Energy is revising the SPP plan in order to stimulate private investment after EGAT agreed to delay the operation date of its power plants and the three IPPs. The PDP2007 is now in the process of being revised.

To sustain EGCO Group's market share and strength in energy sector, EGCO's business strategy will place more emphasis on expanding investment opportunities in ASEAN markets, fuel-related projects, and prospective domestic projects using renewable energy as fuel sources.

As of December 31, 2008, EGCO Group has 13 operating plants<sup>1</sup> with capacity totaling 3,967.6 equity MW representing 13.27% of Thailand's total generating capacity, of which 3,589.5 equity MW is contracted for sale to EGAT under long-term PPAs. Out of EGCO's total equity MW portfolio, 51.82% comprises two natural gas-fired IPPs which are the 1,232 MW REGCO plant and the 824 MW KEGCO plant.

Moreover, EGCO Group has 50% stake in BLCP Power facility or 717 equity MW which represents 18.07% of EGCO's total equity MW portfolio. BLCP Power facility is a 1,434 MW coal-fired power plant, using high quality imported coal from Australia, located in Map Ta Phut Industrial Estate in Rayong Province.

EGCO Group also has 50% stake in KK2 project (by holding 50% of shares in GEC which holds 99.99% in GPG, the project owner) or 755 equity MW which represents 19.03% of EGCO's total equity MW portfolio. KK2 project is a 1,510 MW natural gas-fired power plant located in Saraburi province comprising two combined cycle units, 755 MW each. The COD for KK2 project unit 1 was on May 5, 2007 and the COD for unit 2 was on February 27, 2008.

On November 29, 2008, EGCO International (B.V.I.) Ltd. (EGCO BVI), a wholly owned subsidiary of EGCO, purchased 90% of the outstanding shares of GPI Quezon Ltd. (GPIQ). This purchase provided EGCO BVI with a 23.4% indirect ownership interest in Quezon which owns,

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<sup>1</sup> EGCO sold off its entire 50% stake in two power plants: AEP and APBP to Amata Power in May 2008. This represents a disposal of 41.3 equity MW.

operates and maintains 502.50 MW (installed capacity) coal-fired electric generation or 117.60 equity MW.

EGCO is also a shareholder in Nam Theun 2 project which is currently under development with the project's COD targeted for December 2009. This project represents an additional 271.70 equity MW. The project is a 1,086.80 MW (installed capacity) hydroelectric power plant located in the Lao PDR. EGCO holds a 25% ownership in the project company, NTPC. EGAT is contracted to take off 995 MW and the balance will be sold to the Lao PDR. At the end of December 2008, the overall project progress was 95.1% complete.

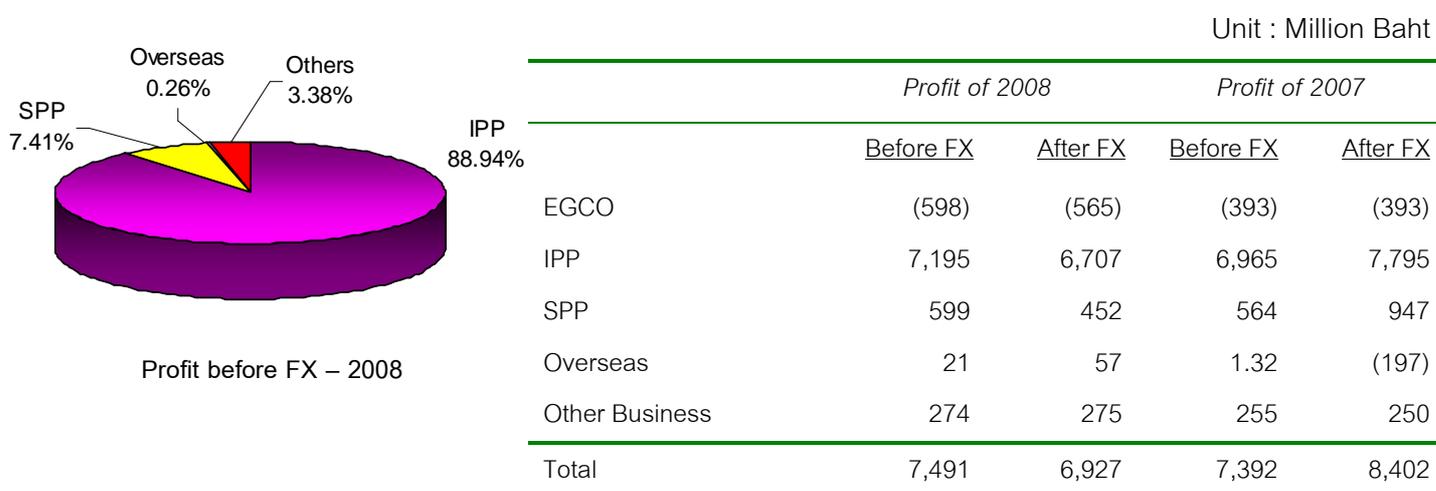
In the absence of unforeseen circumstances, the company has a policy to dividend 40% of the consolidated net profit after taxation, or to increase the dividend amount in a steady manner, to the shareholders. This dividend policy may change in the light of investment opportunities that may become available 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.**

Interim dividend for the first-half operating results of 2008 was paid at the rate of Baht 2.50 per share.

### 3. Report and Analysis of the Operating Results

This report contains the analysis of the financial statements of EGCO, subsidiaries, associates and interests in joint ventures as follows:

#### 3.1 Operational Results



Remarks:

- Profits before FX separate out foreign exchange impact from EGCO, subsidiaries and joint ventures.
- IPP : REGCO, KEGCO, BLCP, GPG
- Overseas : Conal, NTPC, Quezon
- SPP : GEC (excluding GPG), AEP, APBP, EGCO Cogen, Roi-Et Green
- Others : ESCO, ET, AMESCO

EGCO Group's profit before the effect of foreign exchange rate of EGCO Group for 2008 ended December 31, 2008 was Baht 7,491 million, representing an increase of Baht 99 million or 1.34% as compared to 2007 thanks to the increase in the share of profit from KK2 unit 2 (which achieved COD on February 27, 2008) that was greater than the decline in KEGCO's profit caused by a decrease in the Base Availability Credit.

Taking the loss on foreign exchange rate caused by the Baht depreciation into account, EGCO Group's profit for 2008 was Baht 6,927 million, a decrease of Baht 1,475 million or 18% compared to the previous year. In 2008, EGCO Group's loss on foreign exchange rate totaled Baht 564 million while in 2007 it registered a foreign exchange gain of Baht 1,011 million. This creates a difference caused by foreign exchange rate of Baht 1,575 million between 2007 and 2008. The gain (loss) on foreign exchange rate is mostly an accounting number to be shown in accordance with the Thai Accounting Standard. It incurs from the difference of the translation of the net debt denominated in foreign currency into the Thai Baht equivalent amount using the foreign exchange rate at the end of this accounting period (December 31, 2008) and the previous period (December 31, 2007). The loss on foreign exchange rate of 2008 are as follows:

- The loss on foreign exchange rate of EGCO and subsidiaries of Baht 25 million, an increase in the loss of Baht 146 million compared to the previous year, which recorded the gain from foreign exchange rate of Baht 121 million.
- The loss on foreign exchange rate of joint ventures of Baht 539 million, an increase in the loss of Baht 1,428 million compared to the previous year, which showed the gain from foreign exchange rate of Baht 890 million.

<i>Gain (Loss) on FX from Joint Ventures:</i>	Unit : Million Baht	
	<b>2008</b>	<b>2007</b>
<i>BLCP</i>	(231)	591
<i>GPG</i>	(287)	170
<i>GEC (excluding GPG)</i>	(61)	316
<i>APBP and AEP</i>	6	11
<i>Conal</i>	53	11
<i>NTPC</i>	(8)	(210)
<i>Quezon</i>	(10)	-
<b><i>Total Gain (Loss) from FX</i></b>	<b>(539)</b>	<b>890</b>

The gross profit of EGCO and subsidiaries was reported at Baht 4,430 million, down by Baht 799 million or 15% as compared to the previous year, as a result of lower contracted electricity sales of KEGCO and EGCO Cogen's higher cost of sales due to maintenance cost under planned outage. The operating profit of EGCO and subsidiaries was reported at Baht 3,735 million, a decrease of Baht 1,223 million or 25% as compared to 2007. The additional reason for the lower operating profit in 2008 is the gain from the disposal of open-ended funds in 2007 while there was no such gain in 2008.

As for EGCO Group, excluding the effect of foreign exchange loss of Baht 564 million, finance costs of Baht 2,618 million, income tax of Baht 913 million and depreciation and amortization of Baht 4,410 million, the earnings before finance costs, tax, depreciation and amortization (EBITDA) for 2008 would be Baht 15,432 million, representing an increase of Baht 479 million or 3% as compared to 2007, in which the EBITDA was Baht 14,953 million, excluding the effect of foreign exchange gain of Baht 1,011 million, finance costs of Baht 2,663 million, income tax amounting to Baht 753 million and depreciation and amortization amounting to Baht 4,146 million.

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

- Gross Profit Ratio was 42.93%
- Operating Profit Ratio was 36.19%
- Net Profit Ratio was 45.22%
- Net Profit Ratio (excluding the effect of foreign exchange of EGCO and subsidiaries) was 45.39%
- Earnings per share (EPS) was Baht 13.16
- Earnings (excluding the effect of foreign exchange of EGCO and subsidiaries) per share (EPS) was Baht 13.21
- Return on Equity (ROE) was 16.01%

The gross profit margin of 42.93% was lower than the previous year's margin of 47.80% due to a decrease in gross profit of KEGCO from lower electricity sales; whereas the net profit ratio (excluding the effect of foreign exchange of EGCO and subsidiaries) was reported at 45.39%, lower than 2007 ratio of 49.75% mainly due to a decrease of share of profits from BLCP.

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

The 2008 annual operating results, excluding FX of EGCO Group and profit attributable to minorities (MI), are as follows:

- Total revenues were Baht 10,712 million, a decrease of Baht 882 million or 8% compared to 2007.
- Total expenses were Baht 8,293 million, an increase of Baht 63 million or 1% from the previous year.
- The share of profits from joint ventures for 2008 was Baht 5,157 million, an increase of Baht 995 million or 24% compared to the previous year.

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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<i>Total Revenues</i>	249	498	7,195	7,910	2,234	2,186	-	-	1,034	1,000	10,712	11,594
<i>Total Expenses</i>	847	891	4,767	4,813	1,961	1,822	-	-	717	703	8,293	8,230
<i>Profits bf Share of Profits (Loss) from JVEs</i>	(598)	(393)	2,428	3,097	273	364	-	-	317	297	2,419	3,364
<i>Share of Profits (Loss) from JVEs</i>	-	-	4,767	3,868	365	290	21	1.32	3.68	2.29	5,157	4,162
<i>Net Profit bf FX and MI</i>	(598)	(393)	7,195	6,965	638	654	21	1.32	320	300	7,576	7,526

1) EGCO's total revenues in 2008, amounting to Baht 249 million decreased by Baht 248 million or 50%, which mainly resulted from other income of Baht 61 million, down by Baht 240 million or 80% lower because there was a gain from the disposal of open-ended funds in 2007 while there was no such gain in 2008; in addition, dividend income in 2008 decreased by Baht 56 million or 42% due to Eastern Water Resources Development and Management Public Company Limited (EASTW) being the only source of dividend of Baht 78 million. Meanwhile, interest income of Baht 110 million increased by Baht 47 million or 75% from a higher deposit amount.

Total expenses of EGCO were Baht 847 million, a decrease from 2007 by Baht 44 million or 5%. This resulted mainly from the decrease in advertising expenses and project development expenses which included consulting fees.

2) IPP's total revenues were Baht 7,195 million, a decrease of Baht 715 million or 9% as compared to previous year, meanwhile the total expenses were Baht 4,767 million, down by Baht 46 million or 1%. The share of profits from joint ventures was reported at Baht 4,767 million, an increase by Baht 899 million or 23% as compared to 2007. The details are as follows:

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

Unit : Million Baht

	REGCO		KEGCO		BLCP		GPG		Total		
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	%Chg
Total revenues	3,952	3,600	3,243	4,311	-	-	-	-	7,195	7,910	(9%)
Total expenses	2,448	2,183	2,319	2,630	-	-	-	-	4,767	4,813	(1%)
Profits bf Share of Profits (Loss) from JVEs	1,505	1,416	923	1,681	-	-	-	-	2,428	3,097	(22%)
Share of Profits (Loss) from JVEs	-	-	-	-	3,200	3,315	1,567	553	4,767	3,868	23%
Net Profit bf FX and MI	1,505	1,416	923	1,681	3,200	3,315	1,567	553	7,195	6,965	3%

• **Sales of electricity** of IPP were Baht 7,105 million, representing a decrease of Baht 704 million or 9% compared to the previous year. The decrease was a result of KEGCO's lower electricity sales by Baht 1,024 million to register Baht 3,211 million caused by a decrease in the Base Availability Credit for KEGCO. Meanwhile, REGCO's electricity sales increased by Baht 320 million to register Baht 3,894 million from an increase in the Capacity Rate. These changes 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. Moreover, to minimize exchange rate risk, on November 8, 2007, REGCO 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, 2008, the electricity revenues under the foreign currency forward contract of USD 24.29 million were fixed at Baht 33.80 per US Dollar. The contract is effective from November 8, 2007 to January 5, 2010.

Sales of Electricity – IPP:

Unit : Million Baht

	2008	2007	%Changes
REGCO	3,894	3,574	9%
KEGCO	3,211	4,235	(24%)
Total Sales of Electricity – IPP	7,105	7,809	(9%)

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 2008, REGCO and KEGCO received compensation for the exchange rate effect of Baht 320 million.

- **Interest income and others** amounted to Baht 90 million, a decrease of Baht 11 million or 11%, mainly from the decrease of KEGCO's and REGCO's interest income by Baht 42 million and Baht 8 million, respectively, owing to lower interest rates. Meanwhile, other income of REGCO increased by Baht 41 million mainly from environmental management fee.

- **Cost of sales** totaled Baht 3,451 million, an increase of Baht 19 million or 0.55% compared to 2007 from an increase of KEGCO's cost of sales totaling Baht 18 million due to higher maintenance cost.

*Cost of Sales – IPP:*

Unit : Million Baht

	<b>2008</b>	<b>2007</b>	<b>%Changes</b>
REGCO	1,842	1,841	0.07%
KEGCO	1,609	1,591	1%
<b>Total Cost of Sales – IPP</b>	<b>3,451</b>	<b>3,433</b>	<b>0.55%</b>

- **Administrative expenses and income taxes** were Baht 974 million, an increase of Baht 132 million or 16%, mainly from higher tax payment at REGCO that amounted to Baht 246 million or 114% higher due to a higher revenue and the end of corporate tax reduction BOI privilege on April 19, 2008. Meanwhile, tax payment at KEGCO decreased by Baht 167 million or 47% due to lower revenues. KEGCO currently enjoy 50% corporate tax reduction BOI privilege on profits from power generation, ending on September 25, 2009.

- **Finance costs** were Baht 342 million, a decrease of Baht 197 million or 37%, resulting from KEGCO's lower principal amounts of debentures and KEGCO's completion of loan repayment in June 2008.

- **Share of profits from joint ventures**, BLCP and GPG, was recognised in the amount of Baht 4,767 million, an increase by Baht 899 million or 23% that resulted from KK2 unit 1 and 2's sales of electricity which achieved COD in May 2007 and February 2008, respectively.

3) SPP's total revenues were reported at Baht 2,234 million, an increase of Baht 48 million or 2% compared to 2007. The total expenses were Baht 1,961 million, an increase from the previous year by Baht 139 million or 8%. The share of profits from joint ventures was reported at Baht 365 million, up by Baht 75 million or 26% as compared to the previous year. The details are as follows:

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

Unit : Million Baht

	EGCO Cogen		Roi-Et Green		GEC (exclude GPG)		APBP and AEP		Total		
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	% Chg
	Total revenues	1,947	1,944	287	242	-	-	-	-	2,234	2,186
Total expenses	1,804	1,670	157	153	-	-	-	-	1,961	1,822	8%
Profits bf Share of Profits (Loss) from JVEs	143	274	130	90	-	-	-	-	273	364	(25%)
Share of Profits (Loss) from JVEs	-	-	-	-	324	189	41	102	365	290	26%
Net Profit bf FX and MI	143	274	130	90	324	189	41	102	638	654	(2%)

• **Sales of electricity** of SPP were Baht 2,216 million, representing an increase of Baht 63 million or 3% compared to the previous year. Most of the increase of SPP group's electricity sales was from Roi-Et Green in the amount of Baht 54 million, resulting mainly from higher Energy Charge due to higher fuel oil cost, which was in accordance with the tariff formula. Moreover, EGCO Cogen's electricity sales also increased by Baht 9 million mainly from a higher steam sales of Baht 13 million.

Sales of Electricity – SPP:

Unit : Million Baht

	2008	2007	%Changes
EGCO Cogen	1,935	1,926	0.48%
Roi-Et Green	281	226	24%
<b>Total Sales of Electricity – SPP</b>	<b>2,216</b>	<b>2,152</b>	<b>3%</b>

• **Interest income and others** amounted to Baht 19 million, a decrease of Baht 15 million or 44%, mainly because the four-year subsidy for guarantee fee from UNDP for Roi-Et Green ended in 2007, causing a lower other income of Baht 9 million, and the lower interest rates caused a decrease in interest income of Roi-Et Green and EGCO Cogen of Baht 6 million.

• **Cost of Sales** of SPP was reported at Baht 1,836 million, an increase of Baht 159 million or 9% as compared to 2007. This was substantially driven by an increase in cost of sales of EGCO Cogen and Roi-Et Green in the amount of Baht 152 million and Baht 7 million, respectively, as a result of higher fuel cost and maintenance cost from planned outage.

Cost of Sales – SPP :

Unit : Million Baht

	2008	2007	%Changes
EGCO Cogen	1,698	1,546	10%
Roi-Et Green	138	131	5%
<b>Total Cost of Sales – SPP</b>	<b>1,836</b>	<b>1,677</b>	<b>9%</b>

- **Administrative expenses and income taxes** were Baht 38 million, down by Baht 11 million or 23% as compared to 2007. This mainly resulted from a decrease of income tax by Baht 16 million due to income tax payment in 2007 following Thai LNG Power Co., Ltd. (TLPC)'s liquidation.

- **Finance costs** were Baht 87 million, a decrease of Baht 9 million or 10%, mainly from a lower debt principal of EGCO Cogen.

- **Share of profits from joint ventures**, GEC (excluding GPG), APBP and AEP, totaled Baht 365 million, an increase of Baht 75 million or 26% compared to the previous year as a result of an increase of electricity sales at GEC (excluding GPG).

However, the share of profits from APBP and AEP covered the operating results until May 15, 2008 before the selling of the stake in these power plants.

4) **Overseas** share of profits from joint ventures was reported at Baht 21 million, an increase of Baht 20 million or 1,517% mainly from a decrease in Conal's interest expenses, owing to the prepayment of long term loans and the recognition of Quezon's share of profit.

5) **Other Business's** total revenues were Baht 1,034 million, an increase of Baht 34 million or 3% as compared to 2007 and total expenses were Baht 717 million, an increase of Baht 14 million or 2%. The share of profit from the joint venture was reported at Baht 3.68 million, an increase of Baht 1.39 million or 61% as compared to the previous year. The details are as follows:

*Total Revenues, Total Expenses and Share of Profit (Loss) from JVE of Other Business: Unit : Million Baht*

	ESCO		ET		Total		
	2008	2007	2008	2007	2008	2007	% Chg
<i>Total revenues</i>	796	773	238	228	1,034	1,000	3%
<i>Total expenses</i>	641	631	76	72	717	703	2%
<i>Profits bf Share of Profits (Loss) from JVEs</i>	155	142	161	156	317	297	7%
<i>Share of Profits (Loss) from JVEs</i>	3.68	2.29	-	-	3.68	2.29	61%
<i>Net Profit bf FX and MI</i>	159	144	161	156	320	300	7%

- **Service income** from ESCO amounted to Baht 770 million, up by Baht 10 million or 1%, resulting mostly from higher maintenance service income and spare parts sale to overseas power plants.

- **Sales of water** from ET, were Baht 229 million, up by Baht 12 million, or 5%, 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 35 million, an increase of Baht 12 million or 55% due to a gain from the sale of shares in AMESCO totaling Baht 15 million.

- **Cost of services** was Baht 531 million, a decrease of Baht 4 million or 1%.

- **Cost of water sales** of ET was Baht 71 million, an increase of Baht 5 million or 8%.

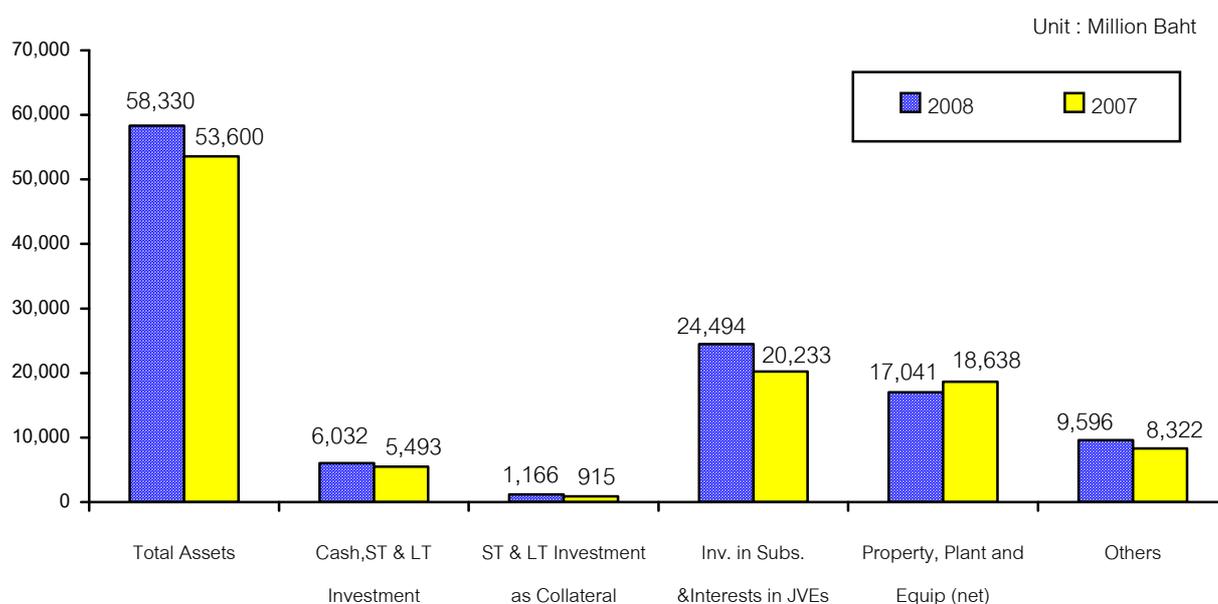
- **Administrative expenses and income taxes** totaled Baht 115 million, an increase of Baht 15 million or 14% compared to 2007, mostly from an increase in ESCO's income taxes by Baht 15 million from higher revenues.

- **ESCO's share of profit from a joint venture, AMESCO**, totaled Baht 3.68 million, an increase of Baht 1.39 million or 61%.

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

##### 4.1 Asset Analysis

As at December 31, 2008, total assets of EGCO Group amounted to Baht 58,330 million, an increase of Baht 4,730 million or 9% from December 31, 2007. The important details are as follows:



1) **Cash and deposits at financial institutions, and short-term and long-term marketable securities** were Baht 6,032 million or 10% of the total assets, up Baht 540 million or 10%. This resulted mainly from an increase of cash and cash equivalent by Baht 1,228 million due to cash receipts from operating activities of Baht 4,881 million, the short-term loan amounting to Baht 3,500 million, dividends from joint ventures totaling Baht 2,007 million, cash receipts from the sale of shares in EGCO Joint Ventures & Development Co., Ltd. (EGCO JD) and AMESCO totaling Baht 815 million, and dividend of Baht 78 million received from EASTW. Meanwhile, the investment in joint ventures was Baht 5,235 million, debentures and loans repayment totaled Baht 1,563 million and dividend payment to shareholders amounted to Baht 2,753 million.

2) **Short-term and long-term investments used as collateral** were Baht 1,166 million or 2% of the total assets, up Baht 251 million or 27%. This increase mainly came from the use of deposit of Baht 450 million as collateral for Standby Letters of Credit related to the investment in Quezon Project of EGCO. Meanwhile, there is the use of cash to pay the principal and interest of the debt of KEGCO and EGCO Cogen.

3) **Investment in subsidiaries and interests in joint ventures** recorded under the equity method in the consolidated financial statements as at December 31, 2008 amounted to Baht 24,494 million or 42% of the total assets, up Baht 4,261 million or 21%. The major change can be defined as follows:

3.1) an increase in share of profit from investment according to the equity method amounting to Baht 4,712 million.

3.2) an investment in additional paid-up shares of NTPC and Quezon's shares amounting to Baht 4,360 million.

3.3) dividends received from BLCP, GEC and Conal by Baht 3,823 million.

3.4) the sale of shares in EGCO JD and AMESCO amounting to Baht 835 million.

3.5) transferring from investment in joint ventures to subsidiaries amounting to Baht 10 million.

3.6) loss from translation adjustment totaling Baht 143 million.

For the company financial statements, the original cost was applied to record the investment in subsidiaries and interests in joint ventures at the beginning. The book value as at December 31, 2008 was Baht 34,325 million, up Baht 4,671 million, thanks to the additional paid-up shares in joint ventures, namely Quezon, NTPC and Sustainable Energy and Environmental Development Co.,Ltd. (SEED), amounting to Baht 4,172 million, Baht 886 million and Baht 10

million, respectively. Meanwhile, the sale of shares in EGCO JD amounted to Baht 348 million and the impairment recognition of Conal amounted to Baht 48 million.

4) **Property, plant and equipment (net)** totaled Baht 17,041 million or 29% of the total assets. They were down Baht 1,597 million or 9% due to the decrease in property, plant and equipment from the depreciation of EGCO and subsidiaries' assets totaling Baht 2,169 million and the reclassification of unutilised capital spare parts from property, plant and equipment to spare parts and supplies at REGCO, KEGCO and EGCO Cogen totaling Baht 259 million. Meanwhile, there was a recording of capital spare parts as property, plant and equipment following the major maintenance at REGCO, KEGCO and EGCO Cogen in the amount of Baht 744 million and net purchase of property, plant and equipment totaling Baht 87 million.

5) **Other assets** were Baht 9,596 million or 16% of the total assets, up Baht 1,275 million or 15% mainly from an increase of dividends receivable from a joint venture by Baht 1,815 million. Meanwhile, spare parts and supplies were down Baht 493 million.

#### 4.2 Liability Analysis

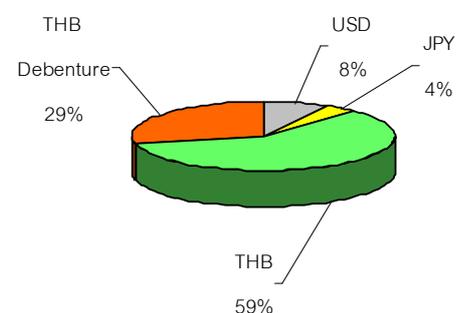
As at December 31, 2008, the EGCO Group's total liabilities were Baht 12,788 million, which was Baht 1,183 million or 10% higher than the amount as at December 31, 2007. The total liabilities consist of the following:

1) **Short-term loans** totaled Baht 3,500 million or 27% of total liabilities. This came from EGCO's drawn down of a short-term loan amounting to Baht 3,500 million according to a long-term promissory note agreement with a Thai commercial bank.

2) **Long-term loans and debentures** totaled Baht 7,770 million, or 61% of total liabilities, down Baht 1,468 million or 16%. This mainly came from the long-term loans and debentures repayment from KEGCO, EGCO Cogen and Roi-Et Green.

The details are as follows:

- USD loans in the amount of USD 18 million
- Yen loans in the amount of Yen 772 million
- Baht loans in the amount of Baht 4,636 million
- Baht debentures in the amount of Baht 2,227 million



Maturity of long-term loans and debentures as of December 31, 2008

Unit : Million Baht

	EGCO	KEGCO	EGCO Cogen	Roi-Et Green
Within 1 Year	-	817	157	39
1-5 Years	-	1,410	858	158
> 5 Years	4,000	-	229	101
<b>Total</b>	<b>4,000</b>	<b>2,227</b>	<b>1,244</b>	<b>299</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 as at December 31, 2008 totaling Baht 203 million for the purpose of payment of principal and interest due within one year.

2) **Other liabilities** amounted to Baht 1,518 million or 12% of total liabilities, representing a decrease of Baht 849 million or 36% which was mostly from a decrease in net liabilities in a joint venture by Baht 783 million as a result of the increased capital and the recognition of NTPC's share of loss totaling Baht 886 million and Baht 103 million, respectively. In addition, trade payables decreased by Baht 203 million mainly from EGCO Cogen and KEGCO. Meanwhile, income tax payable increased by Baht 129 million from REGCO.

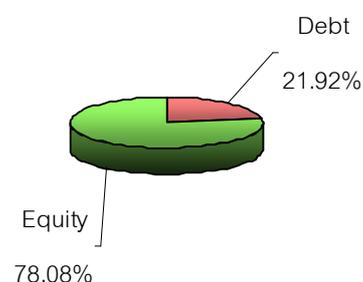
#### 4.3 Shareholders' Equity Analysis

As at December 31, 2008, Shareholders' Equity amounted to Baht 45,542 million, which was Baht 3,546 million or 8% higher than the amount as at December 31, 2007. This was due mainly to the net profit in the consolidated financial statements amounting to Baht 6,927 million. Meanwhile, appropriated dividend totaled Baht 2,603 million.

The analysis of the company's capital structure as at December 31, 2008 can be summarized as follows:

**Shareholders' equity** was Baht 45,542 million or 78.08%.

**Liabilities** were Baht 12,788 million or 21.92%.



**Important financial ratios** were as follows:

- Debt to equity ratio was 0.28 times, same as the end of 2007.
- Book value per share was Baht 85.60, higher than Baht 78.78 at the end of 2007.

## 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 cash and cash equivalents. As at December 31, 2008, the ending balance of cash and cash equivalents was Baht 4,979 million, which was Baht 1,228 million higher than the amount as at December 31, 2007. The details of the sources and uses of funds are as follows:

-**Net cash received from operating activities** totaled Baht 4,881 million. This was cash received from operating activities of Baht 5,813 million and cash payment for working capital of Baht 932 million.

-**Net cash payment for investing activities** was Baht 2,217 million mainly due to the investment in joint ventures of Baht 5,235 million. Meanwhile, dividends from joint ventures were Baht 2,007 million, cash receipts from the sale of shares in EGCO JD and AMESCO totaled Baht 815 million and dividend received from EASTW was Baht 78 million.

- **Net cash payment for financing activities** was Baht 1,435 million. The payment includes the payment of principal and interest of EGCO, KEGCO, EGCO Cogen and Roi-Et Green's debentures and loans totaling Baht 1,563 million. The dividend payment to shareholders amounted to Baht 2,753 million. Meanwhile, the company drew down short-term loan amounting to Baht 3,500 million.

For 2008, the analysis of the company's liquidity ratios was as follows:

- Current ratio was 2.58 times, compared to 4.22 times in 2007
- Quick ratio was 1.34 times, compared to 2.26 times in 2007

Both ratios were lower than the ratios in 2007 because EGCO drew down the short-term loan amounting to Baht 3,500 million.