

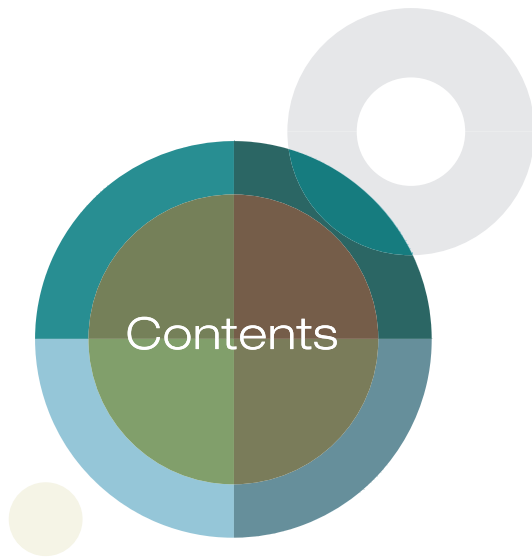


Roadmap to Good Corporate Governance

Annual Report 2002
Electricity Generating Public Company Limited

A Decade of Excellence

It is 10 years of the Electricity Generating Public Company Limited (EGCO) since it was established with the philosophy **“We give you more than just brightness”**. EGCO, Thailand's first and largest Independent Power Producer, was established with the collaboration and perseverance to set a prototype of privatization in electricity generation. The company is committed to conduct business under continuation of management, electricity generation, and resources and energy conservation to provide Thai people with clean and secure energy along with a quality of life and pleasant environment forever.



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10 YEARS OF GREAT JOURNEY : From the first step of the journey, EGCO has intended to provide Thai people with clean and secure energy along with a quality of life and long-lasting pleasant environment. We do not only develop, learn, and expand our business, but also set a clear policy to become a corporate governance for a better standard, management quality, work efficiency, and integrity which awards us honorable trophy from the Thai Rating Information Service Company Limited (TRIS). EGCO is ensured that our journey is on the road of long-lasting growth.

10-year journey towards good corporate governance

From the first step as one of the main players in the power industry, EGCO was well aware of its great responsibility for the Thai people.

Consequently, EGCO puts all the effort, personnel and financial resources in business development. EGCO also adheres to the transparent working philosophy with the aim to light up the country with non-polluted energy.

In 2002 which was the tenth year of the operation, EGCO still adhered to the above philosophy while continuing to create better things for the Thai society and the environment. As a result, EGCO was honored as one of the best top five of Asian companies in term of governance rating in year 2002 and won the 2001 best practices on good corporate governance. This pride encourages us to go ahead with all creative force to be the green power producer company with reliable supply to suffice our slogan “We give you more than just brightness”.

- Corporate Governance Rating by TRIS 2002
- Disclosure Award 2002
- Energy Star Award 2002

Roadmap to Good Corporate Governance



Responsibility

The Board of Directors, the management and all the employees strive towards efficiency and effectiveness in carrying out the assigned duties. This can be proved by the successful track record.

Accountability

Being aware of the responsibility towards the shareholders, the Board of Directors and the management operate the business to achieve the corporate goals while adhering to the governing laws and regulations. Performance are reported and evaluated for better improvement.

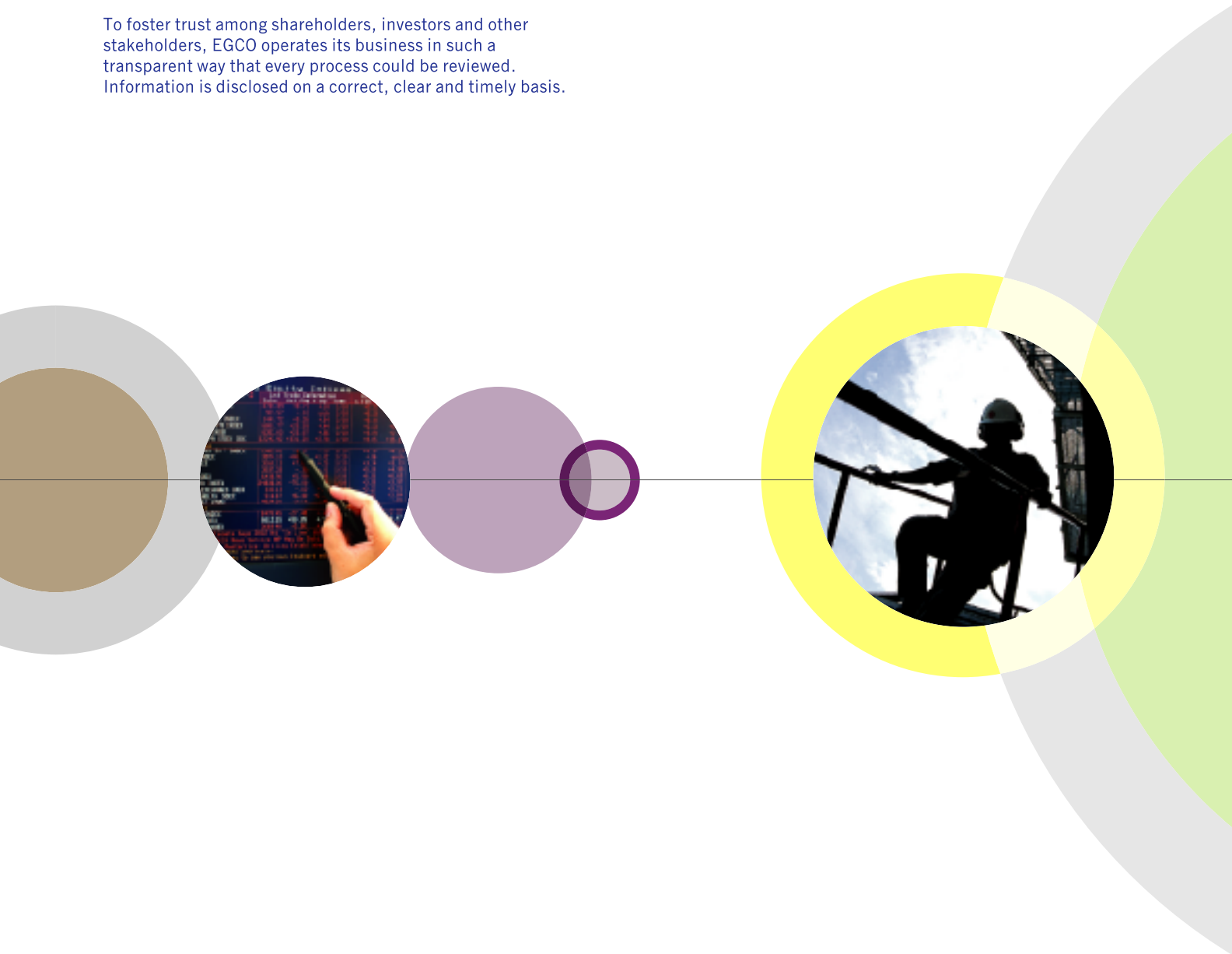


Equitable treatment

EGCO respects the shareholders' right to access all necessary information on a timely, correct, and materially complete basis. This equitable treatment concept is also used when dealing with other stakeholders.

Transparency

To foster trust among shareholders, investors and other stakeholders, EGCO operates its business in such a transparent way that every process could be reviewed. Information is disclosed on a correct, clear and timely basis.



Creation of long term value

The Board of Directors use their knowledge and expertise to create sustainable and long-term shareholders' value in accordance with the vision and mission of the company. EGCO will ethically conduct the business with regards to the risk management and the good corporate governance concept.

Promotion of Best Practices

EGCO constantly adopt the best practices to be a business leader while cultivating good corporate culture.



Social and Environmental Awareness

With the intention to promote the well being of the community and the environment conservation, EGCO set the working procedures that efficiently generate power with minimal impact to the environment. EGCO encourages the employees to involve in community activities and to protect the environment.

General Information

Company	Business	Registered Share Capital (Million Baht)	Par Value (Baht)	Paid-up Share Capital (Million Baht)	Ownership Interest (%)
Electricity Generating Public Company Limited (EGCO) Registration Number 333 Head Office EGCO Tower, 222 Moo 5, Vibhavadi Rangsit Road, Tungsoyong, Laksi, Bangkok 10210, Thailand Tel. 66 0 2998-5000, 0 2998-5999 Fax 66 0 2955-0956-9 Website www.egco.com	Holding Company focusing on Power business and others related to power business	5,300	10	5,264.65	-

Subsidiaries

Company	Business	Registered Share Capital (Million Baht)	Par Value (Baht)	Paid-up Share Capital (Million Baht)	Ownership Interest (%)
Rayong Electricity Generating Company Limited (REGCO) Office EGCO Tower Tel. 66 0 2998-5000, 66 0 2998-5999 Fax 66 0 2955-0931 Site Office 35 Rayong Highway No. 3191 Huay Pong, Amphur Muang, Rayong 21150, Thailand Tel. 66 0 3868-1012, 66 0 3868-1016, 66 0 3868-1020 Fax 66 0 3868-1784	IPP at 1,232 megawatt net installed capacity	4,700	10	4,700	99.99
Khanom Electricity Generating Company Limited (KEGCO) Office EGCO Tower Tel. 66 0 2998-5000, 0 2998-5999 Fax 66 0 2955-0932 Site Office 112 Moo 8, Tongnean District, Amphur Khanom Nakhon Sri Thammarat 80210, Thailand Tel. 66 0 7552-9173, 66 0 7552-9179 Fax 66 0 7552-8358	Independent Power Producer (IPP) at 824 megawatt net installed capacity	5,000	10	4,850	99.99
EGCO Engineering & Service Company Limited (ESCO) Office EGCO Tower Tel. 66 0 2998-5000, 66 0 2998-5999 Fax 66 0 2955-0933 Site Office 35 Rayong Highway No. 3191 Huay Pong, Amphur Muang, Rayong 21150, Thailand Tel. 66 0 3868-2611-4 Fax 66 0 3868-2823	Engineering, Operation and Maintenance Services for Power Plants and Manufacturers	350	10	350	99.99
TLP Cogeneration Company Limited (TLP COGEN) Office EGCO Tower Tel. 66 0 2998-5000, 66 0 2998-5999 Fax 66 0 2955-0956-9	Small Power Producer (SPP) at 117 megawatt net installed capacity	1,060	10	1,060	80
Thai LNG Power Corporation Limited (TLPC) Office EGCO Tower Tel. 66 0 2998-5000, 66 0 2998-5999 Fax 66 0 2955-0956-9	Holding Company focusing on SPP	750	10	525	100
Egcom Tara Company Limited (ET) Office EGCO Tower Tel. 66 0 2998-5000, 66 0 2998-5999 Fax 66 0 2955-0945 Site office - Plant 1 332 Moo 2, Pongsawai, Amphur Muang Ratchburi 70000, Thailand - Plant 2 250 Moo 1, Pangpuay, Amphur Damneansaduak, Ratchburi 70130, Thailand	Piped water generating and supply business	345	10	345	70

Subsidiaries

Company	Business	Registered Share Capital (Million Baht)	Par Value (Baht)	Paid-up Share Capital (Million Baht)	Ownership Interest (%)
EGCO International (BVI) Limited (EGCO BVI) Office EGCO Tower Tel. 66 0 2998-5000, 66 0 2998-5999 Fax 66 0 2955-0956-9 Oversea office Romasco Place, Wickhams Cay 1, PO Box 3140, Road Town, Tortola, British Virgin Islands	Holding Company focusing on investment in foreign electricity generating companies	2.00 ^{1/} (50,000 USD)	39.952886 ^{1/} (1 USD)	2.00 ^{1/} (50,000 USD)	100
EGCO Energy International (Denmark) Limited (EGCO DENMARK)* (EGCO BVI is a company's shareholder) Office EGCO Tower Tel. 66 0 2998-5000, 66 0 2998-5999 Fax 66 0 2955-0956-9 Oversea office C/O Forum Administration A/S Norre Farimagsgade 3, Dk-1364 Copenhagen K, Denmark	Holding Company	0.67 ^{2/} (133,000 DKK)	500.34 ^{2/} (100 DKK)	0.67 ^{2/} (133,000 DKK)	100
EGCO Green Energy Company Limited (EGCO Green) Office EGCO Tower Tel. 66 0 2998-5000, 66 0 2998-5999 Fax 66 0 2955-0956-9	Holding Company focusing on Power business	171	10	139.38	74

Joint Ventures

Company	Business	Registered Share Capital (Million Baht)	Par Value (Baht)	Paid-up Share Capital (Million Baht)	Ownership Interest (%)
Gulf Electric Public Company Limited (GEC) Office 11th FL., M. Thai Tower I, All Seasons Place, 87 Wireless Road, Lumpini, Phatumwan, Bangkok 10330, Thailand Tel. 66 0 2654-0155 Fax 66 0 2654-0156-7	Holding Company focusing on IPP and SPP	5,000	10	4,000	50
EGCO Joint Ventures and Development Company Limited (EGCO JD) Office EGCO Tower Tel. 66 0 2998-5000, 66 0 2998-5999 Fax 66 0 2955-0956-9	Holding Company focusing on SPP Business and others related to energy business	1,168.43	10	696.72	50
Conal Holding Corporation (CONAL) (EGCO Denmark is a company's shareholder) Office EGCO Tower Tel. 66 0 2998-5000, 66 0 2998-5999 Fax 66 0 2955-0956-9 Oversea office Alsons Building, 2285 Pasong Toma Extension, Makati, City Metro Manila 1231, Philippines	Holding Company focusing on Power business in Philippines	729.32 ^{3/} (800,000,000 PESO)	91.17 ^{3/} (100 PESO)	729.32 ^{3/} (800,000,000 PESO)	40
Nam Theun 2 Power Company Limited (NTPC) Office 26 Khun Boulom Road, PO Box 5862, Vientiane, Lao PDR Tel. 856-21-217421/2 Fax. 856-21-217420	Independent Power Producer (IPP) of hydro power plant 1,070 megawatts	13,945.80 ^{4/} (330,000,000 USD Million)	4.226 ^{4/} (100 USD)	42.26 ^{4/} (1,000,000 USD Million)	25

Joint Ventures

Company	Business	Registered Share Capital (Million Baht)	Par Value (Baht)	Paid-up Share Capital (Million Baht)	Ownership Interest (%)
Eastern Water Resources Development and Management Public Company Limited (EASTWATER) Office 9/9 Vibhavadi Rangsit Road, Talad Bangkhen, Laksi Bangkok 10210, Thailand Tel. 66 0 2940-9731-2, 66 0 2940-9974-6 Fax 66 0 2561-3793, 66 0 2940-7520	Water resources development and management for supplying raw water to the customers	1,050	10	1,000	20
PMI International Company Limited ** Office 254 Phayathai Road, Patumwan, Bangkok, 10330, Thailand Tel. 66 0 2218-8431-2 Fax 66 0 2218-8433	To provide training and education in energy and energy conservation	2.5	10	0.30	10

Note : The Exchange rate as of Investment Date

^{1/} 1 USD = Baht 39.952886 (July 13, 21, 2000)

^{2/} 1 DKK = Baht 5.00339 (July 20, 2000)

^{3/} 1 PESO = Baht 0.91165 (August 25, 2000)

^{4/} 1 USD = Baht 42.26 (August 30, 2002)

* The Dissolution of EGCO Denmark was effective as of May 31, 2002.

** On December 3, 2002, PMI's Board of Directors in the extraordinary Meeting No.1/2002 passed the resolution to dissolve PMI and presently, it is on the process of the dissolution of the company

Reference Persons

Share and Debenture registrar	Thailand Securities Depository Company Limited 62 The Stock Exchange of Thailand Building, Ratchadaphisek Road, Klongtoey, Bangkok 10110, Thailand Tel 66 0 2229-2800, 66 0 2654-5599 Fax. 66 0 2359-1259 Call Center 0 2229 2888 E-mail: contact.tsd@set.or.th Website: http://www.tsd.co.th
Auditor	Nangnoi Charoenthaveesub Certified Public Accountant (Thailand) No.3044 PricewaterhouseCoopers ABAS Limited 15th Floor, Bangkok City Tower, 179/74-80 South Sathorn Road, Bangkok 10120, Thailand Tel 66 0 2286-9999, 66 0 2344-1000 Fax. 66 0 2286-5050
Financial Advisor	National Securities Company Limited 18th, 14th and 11th Floor, MBK Tower, 444 Phayathai Road, Pathumwan, Bangkok 10330, Tel 66 0 2217- 9595, 66 0 2217-6922 Fax. 66 0 2216-9261

● Message from the Chairman



The year 2002 proved to be another outstanding year for the *Electricity Generating Company Plc.* despite the volatile economic environment coming from within and outside the country. After 10 years in energy business in Thailand, *EGCO* continues to excel in its corporate goals and mission. Our business has expanded while our performance is of high quality consistent with the principle of good corporate governance. We will continue to strive for the benefits of stakeholders and the Thai society at large.

For the whole 2002, *EGCO* recorded a net profit of Baht 2,958 million or Baht 5.62 per share. This represented an increase of Baht 19 million or 0.65% over net profit in the year 2001. Half-year dividends were paid at the rate of Baht 1.25 per share. We are confident that we would be able to maintain dividend payment no less than those paid in previous years.

In the past year, *EGCO* increased its investment in the *Gulf Electric Plc.*, a joint venture with *Electric Power Development Co. Ltd.* of Japan, to acquire *Nong Khae* and *Samut Prakarn Cogeneration Projects*. Many improvements have also been made to strengthen our corporate governance, including establishing performance evaluation for the Board of Directors and Audit Committee, compiling handbook for directors and improving Code of Conducts. Our corporate governance is well recognized and received many accolades. The *Thai Rating and Information Service (TRIS)* has rated our corporate governance as "good to excellence". Furthermore, we were ranked first in the Utility Category and second overall in Thailand among 183 large corporate in the Emerging Markets surveyed by *Euromoney* in its July 2002 issue.

Towards the end of 2002 and early 2003, *EGCO* began to restructure its organization and management and strengthen our human resources to upgrade our capability and improve our efficiency and effectiveness. This is in order to prepare ourselves for changing business environment and increased competition. The change will become effective from 2003 onward.

Lastly, on behalf of the Board of Directors, I would like to extend our best wishes and express our deepest gratitude to our shareholders and investors, both local and foreign, who continue to place their trusts in the company. I also would like to thank management, staff, and all who have supported the company well throughout the years.

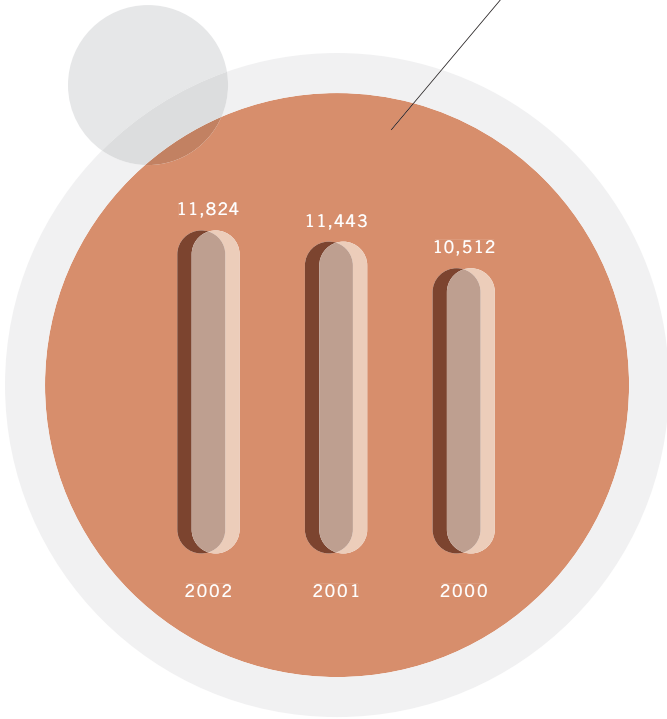
Sommai Phasee

Chairman

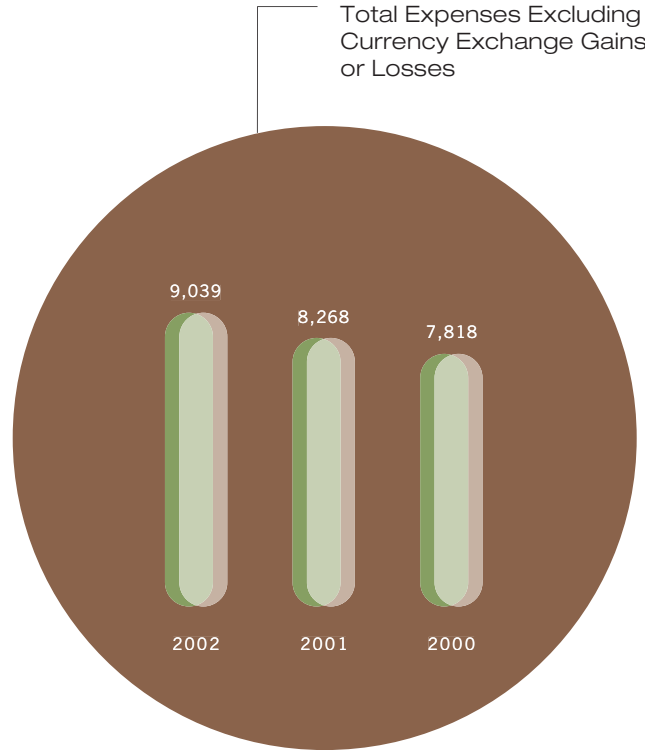
Financial Overview

Consolidated	2002	2001	2000
Financial Performance (M.Baht)			
Sales and service income	11,463	10,732	9,697
Other income and share of profit from			
Subsidiaries, joint ventures and associates	361	711	815
Cost of sales and cost of service	4,926	4,033	3,462
Other expenses	963	936	1,031
Impairment charged	342	–	–
Interest expenses	2,807	3,299	3,325
Profit attributable to minorities	236	203	(38)
Net Profit (loss) before Fx	2,784	3,175	2,694
Fx gain (loss)	174	(236)	(1,478)
Net Profit (loss)	2,958	2,939	1,216
Financial Position (M.Baht)			
Total Assets	55,873	52,965	55,112
Total Liabilities	34,925	33,780	37,664
Shareholders' equity	20,948	19,185	17,448
Minority Interest	724	641	469
Authorized and paid up share capital	5,265	5,259	5,244
Per Share Data (Baht)			
Net Profit (loss) before Fx	5.29	6.04	5.14
Net Profit (loss)	5.62	5.60	2.32
Book Value	39.79	35.26	32.38
Dividend	n.a.	2.25	2.00
Ratio Analysis			
Liquidity ratio (Time)	2.21	2.80	2.85
Cashflows liquidity ratio (Time)	1.02	1.01	0.96
Gross profit ratio (%)	57.02	62.42	64.30
Return on equity ratio (%)	15.26	16.55	7.21
Return on assets ratio (%)	5.44	5.44	2.32
Debt to equity ratio (Time)	1.67	1.76	2.16

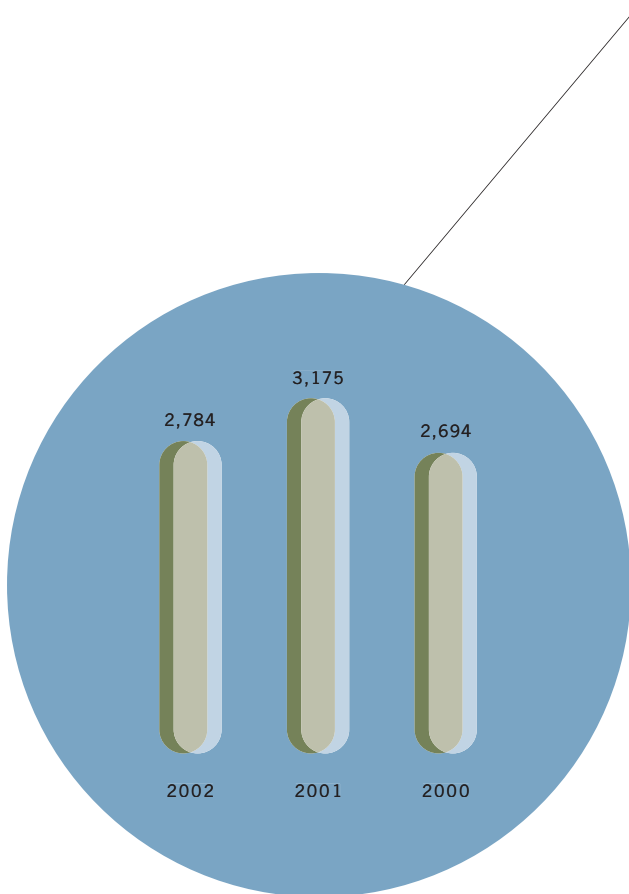
Total Revenues



Total Expenses Excluding Currency Exchange Gains or Losses



Net Profit Excluding Currency Exchange Gains or Losses



Total Assets



Review of 2002 Operation

Highlights of Operations

- EGCO was rated good to excellent company on governance rating from Thai Rating and Information Service Company Limited (TRIS).
- EGCO inked the Memorandum of Understanding (MoU) with the Ministry of Industry, Mines and Energy of the Cambodia for the progress of High Voltage Transmission System Project for receiving the electrical power from Thailand to Cambodia.
- GEC signed Share Sale and Purchase Agreement with Tractebel S.A. in order to purchase 100% stake in Nong Khae Cogeneration Company limited and Samutprakarn Cogeneration Company Limited.
- NTPC signed Concession Agreement with the Government of Lao PDR for the development of Nam Theun 2 Hydroelectric Project.
- EGCO won “Disclosure Award 2002” as a listed company with quality disclosure to the public from the Office of the Securities and Exchange Commission (SEC).
- EGCO was awarded Top 5 of the best corporate governance company among energy group in Asia from Asiamoney Magazine poll.
- REGCO and KEGCO were awarded “EIA Award 2002” for their best qualification of environmental management system.
- EGCO Tower received Certificate “Best 50” of Energy Globe Award 2002 and Energy - Star Award 2002

Business Operation

The year 2002 marked the 10th year that EGCO, the first independent power producer of Thailand has been in operation. Since its foundation, EGCO managed and operated in conformance with corporate governance practices to step forward to be the leading, Thai owned and integrated electric power company with comprehensive energy services in Thailand and in the ASEAN region and to maximise the stakeholders value with the full commitment to environment protection and social development support. For the year 2002, EGCO registered a net profit of Baht 2,958 million (or Baht 5.62% per share), an increase of Baht 19 million over the year 2001.

Subsidiaries

1. Rayong Electricity Generating Company Limited (REGCO) Rayong Electricity Generating Company Limited was established on June 1, 1994 to acquire 1,232 megawatts Rayong combined cycle power station from EGAT. The Rayong power station comprised 4 units of combined-cycle power plants generating and supplying the electric power to EGAT under 20-year Power Purchase Agreement (PPA).

In 2002, the company's net generation sold to EGAT was equal to 6,200.82 million kilowatt-hours, 6.15% increased from the year 2001, with the consumption of 54,968.78 million cubic feet of natural gas, representing a 5.46% increase. The electricity revenue was Baht 4,605.06 million Baht, lower than the previous year by 6%, due to lower capacity rate which had already been stated in the PPA. Net profit was Baht 1,852.51, reduced from last year by 2.62%. In addition, the average Equivalent Availability Factor (EAF) for 2002 was 89.70% which merited a bonus payment from EGAT for the sixth consecutive year.

As the company was aware of its responsibility to society and environment as well as committed to minimize any possible impact from its operations that may effect the environments, REGCO received Environmental Impact Assessment Award (EIA Award) in the years 1999 and 2002. In addition, the company was granted the ISO 14001 Certification from Thailand Environment Institute (TEI) in 2001.

The company's goals for 2003 are still focusing on efficiency and reliability of the power plant. REGCO planned to

re-certify ISO 9001:2000, maintain good corporate governance, implement full scheme of risk management and best practice on power plant operation, i.e. Benchmarking as well as put more emphasis on financial and budgeting management in order to fulfil all stakeholders' satisfaction. Besides, the company will retain ISO 14001 without environment exceedences together with safety performance for employees and communities.

2. Khanom Electricity Generating Company Limited (KEGCO) was founded on February 20, 1995 to acquire a power station with 824 megawatts installed capacity from EGAT, the largest power station in Southern Thailand, comprising two thermal power plants and one combined-cycle power plant.

In 2002, KEGCO generated 5,528.38 million kilowatt-hours of power (net sales), representing a 7.54% decrease compared to last year. The electricity revenue was Bt 4,358.08 million, representing a 16.60% increase from 2001 due to the increase of electricity tariff. The company's net profit of Bt 1,497.73 million compared with the net profit of Bt 1,222.49 million in 2001 amounted to the increase of Bt 275.24 million that the majority was due to the increasing rate of electricity revenue being higher than expenses. KEGCO consumed 57,113.73 million cubic feet of natural gas, 0.08 million litres of fuel oil, and 0.49 million litres of diesel oil throughout 2002.

As KEGCO was strongly aware of its important role to enhance the stability of electric power system, KEGCO's production comprised 65% of the South's electric power demand. Also being a major part of the South's economic expansion, KEGCO had constantly applied management standards including continuous development of human resources and technology to achieve breakthrough in performance results. Thus, in 2002, KEGCO had implemented the Quality Management System, ISO 9001: 2000 which attained the certification from RWTUV (Thailand) Limited since October 12, 2001. Besides emphasizing its efficient production, KEGCO had applied safety management including health standards and was awarded "Occupational Health and Safety Awards" from the Ministry of Labour and Social Welfare on May 8, 2002 for the three consecutive years. In addition, KEGCO deemed its duty to take responsibility for communities and environment. Therefore, it had consistently applied Environmental Management System Standard, ISO 14001 since the attainment of the certificate in 2001. KEGCO also achieved Environmental Impact Assessment Award (EIA Award 2002) for the three consecutive years from the Ministry of Natural Resources and Environment on December 4, 2002.

3. EGCO Engineering & Service Company Limited (ESCO) was established on September 8, 1995 to provide operation services, maintenance services, engineering and construction for power plants, petrochemical plants, oil refineries and other industries including companies within the EGCO group itself.

The company concentrates on the quality for all kind of services provided. With high skilled staff, modern tools and effective management technique ESCO satisfied customers in success of work through good performance resulting in the increase in number of customers and revenue in maintenance services, its core business, year by year. The revenue from power plant operation and maintenance services in 2002 was Bt 268.936 million, representing a 44.16% increase compared to 2001 and net operating profit was Bt 66.758 million, a 48.80% increase from 2001. In 2002, the accumulated deficit was wiped out and the retained earning of Bt 49.037 million was obtained.

Amata Power-ESCO Service Company Limited (AMESCO), which was a joint venture company of ESCO, was established on February 28, 1997, held by ESCO 50% and Amata Power Company Limited 50%. AMESCO provides operation and maintenance services for Amata-EGCO Power Plant and Amata Power (Bang Pakong) Power Plant. In 2002, the performance of company was outstanding as the year before, the availability factor averaged in 12 months for Amata-EGCO Power Plant and Amata Power (Bang Pakong) Power Plant was achieved at 96.28% and 95.44% respectively which is much higher than the target specified in O&M Contract.

4. EGCO International (BVI) Limited (EGCO BVI) was established in British Virgin Islands on the 12th day of April 2000. Presently its authorized capital is USD 50,000. The issued and paid-up capital is USD 25.091 million with the surplus of USD 25.089 million. EGCO holds a 100% share in EGCO BVI. The objective of setting up EGCO BVI was to be a vehicle for the investment abroad and to serve the tax optimization purpose. Hence, for the initial investment in the Philippines, EGCO uses EGCO BVI as the First Tier company to invest in the Second Tier Company which is EGCO Energy International (Denmark) Limited Aps. (EGCO Denmark) and uses EGCO Denmark as a vehicle to invest directly in the Philippines.

However, later in the following year, there were changes in Danish tax legislation which were brought into force in July 2001 and resulted in the elimination of the existing tax efficiency structure. So the liquidation of EGCO Denmark has been decided by the board of directors and the liquidation of the Danish entity has now been completed, which, for Danish tax and corporate law purposes, was effective as of 31 May 2002. Consequently, the investment in the Philippines has been transferred to EGCO BVI which is EGCO Denmark's parent company.

5. Thai LNG Power Corporation Limited (TLPC) was founded on September 28, 1995 with registered capital of Bt 750 million to undertake Liquefied Natural Gas-LNG business. TLPC also seeks an opportunity for expanding into the power generation businesses. At that time, EGCO held 10% shares of TLPC.

In 1997, TLPC purchased a Small Power Producer (SPP) project from Rayong Power Company Limited, which was developing a power plant project in Rayong Industrial Park. TLPC established TLP Cogeneration Company Limited to proceed the developing of such power plant project.

On March 2, 2001, EGCO purchased all shares from the existing shareholders with the objective to invest in SPP by joining the other worldclass companies in Thailand and abroad.

6. TLP Cogeneration Company Limited (TLP COGEN) EGCO acquired 60% of shares in TLP COGEN from TLPC on February 14, 2001. At that time, EGCO held 10% of shares in TLPC. Later on, EGCO purchased the remaining 90% of TLPC shares from existing shareholders. EGCO sold 20% of shares in TLP COGEN to EPDC. Present, EGCO held 80% of shares in TLP COGEN by holding 40% of shares directly and holding the remaining 40% shares through TLPC.

TLP COGEN has the registered capital of Bt 1,060 million which was fully paid up on December 13, 2002. TLP COGEN was established to invest in Small Power Producer project. TLP COGEN power plant, which is a combined cycle plant with the installed capacity of 117 megawatt under construction, is located in Tambol Mabkha, Nikom Pattana sub district, Rayong province. This power plant is capable of supplying steam to industrial users up to 30 ton per hour. Electricity and steam shall be sold to industrial users in Rayong industrial park while electricity of 60 megawatts shall be sold to EGAT under 21 years agreement. It is expected that TLP COGEN can be put in commercial operation at the beginning of year 2003.

7. EGCO Green Energy Company Limited was established on April 27, 2000 under the cooperation between EGCO and EPDC. With an aim to invest in environmental friendly projects, EGCO Green Energy invested in Roi-Et Green Company Limited to develop a rice husk power plant project in Roi-Et Province.

EGCO holds 74% of its shares and EPDC holds the rest with the initial registered capital at Bt 100,000. On June 4, 2001 the company increased its capital up to Bt 171 million.

8. Roi-Et Green Company Limited was established on July 27, 2000 under the cooperation between EGCO Green Energy Company Limited, the joint venture company between EGCO and EPDC, and Sommai Rice Mill Partnership. EGCO Green Energy holds 95% of its shares while Sommai Rice Mill Partnership holds the rest. The company's core mission is to operate a rice-husk power plant at Nua Muang Subdistrict, Muang District of Roi-Et Province, with the total project cost of Bt 600 million. The capital was registered at Bt 180 million.

The company is financially supported by the Industrial Finance Corporation of Thailand (IFCT) and receives privilege from the Office of Board of Investment (BOI). To promote utilization of renewable energy efficiently especially the recycling of agricultural waste as fuel in electricity generating process, Global Environment Facility (GEF) partly subsidizes the company's guarantee fee of the loan agreement.

Roi-Et Green's 9.9 megawatts rice husk power plant is in construction process which takes approximately 18 months. On March 8, 2002 the Foundation Stone Laying ceremony was held. The generated electricity of 8.8 megawatts will be supplied to EGAT under SPP scheme for 21 years. The Commercial Operating Date (COD) is scheduled in April 2003.

9. Agro Energy Company Limited (AE) was established on November 2, 1999, wholly owned by ESCO, to procure agricultural waste and deliver to power plant for using as fuel, e.g. rice husk for Roi-Et Green Power Plant which is the plant in the EGCO Group.

10. Egcom Tara Company Limited (ET) was established on April 23, 1999 with a registered capital of Bt 345 million. ET's shareholders consist of EGCO 70%, Eastern Water Resources Development and Management Public Company Limited 15%, Require Construction company Limited 5 %, Tyco Earth Tech (Thailand) Limited 5%, and Mr. Jaturong Saduagkan 5%.

The company's core mission is to generate water supply according to Thai Industrial Standard (TIS) and supply it to the Provincial Waterworks Authority of Thailand (PWA) for sale at Lak Muang Water Station, Damnoen Saduak Water Station and Samut Songkhram Water Station. ET has entered into the agreement, which started on April 7, 2001, with PWA for the production of water supply for a period of 30 years. ET has a capacity of 36,000 cubic meter/day. The total lengths of water pipes from water treatment plants to PWA's Water Station are 31 kilometer. Moreover, ET has obtained a privilege from the Office of the Board of Investment (BOI) to have 8 years tax holiday period for corporate income tax.

In 2002, ET ran the business for two years and succeeded in a lot of works. As for the quality, the water that ET provided to Samutsongkhram and Damnoen Saduak municipality was certified and declared as drinkable water supply, "Nam Prapa Duem Dai" by the Department of Health, Ministry of Public Health. As for the workplace environment, ET was awarded as pleasant workplace by the Department of Health, Ministry of Public Health as well. Finally, as for the production, ET managed to set a security system as precaution against serious accidents among workers which can lead to absence from work over 3 days. All of these can verify that ET is able to become the water supply generating company which holds a long - term contract to supply quality water with low capital investment, and risk management, natural and environmental concerns.

In 2003, as a result of the shareholders' resolution in September 2002, ET now plans to enter the Stock Exchange of Thailand to create growth and stability.

Joint Ventures

1. Gulf Electric Public Company Limited (GEC) was established on November 12, 1998 with a registered capital of Baht 5 billion. GEC is a holding company. The major shareholders of GEC are Electricity Generating Public Company Limited (EGCO) and Electric Power Development Company Limited (JPOWER), which equally hold 50% of the shares.

1.1 Gulf Power Generation Company Limited (GPG) owns the Bo Nok Coal-fired Power Plant Project (IPP), having an installed capacity of 734 megawatts, located at Bo Nok district, Prachuab Kirikhan province. The delay in the schedule and compensation are being discussed with EGAT.

1.2 Gulf Cogeneration Company Limited (GCC) owns and operates the Kaeng Khoi Cogeneration Power Plant. The facility has an installed capacity of 107 megawatts and a steam generating capacity of 16 tons per hour, located at Kaeng Khoi district, Saraburi province. During the year 2002, the Kaeng Khoi Cogeneration Power Plant achieved generation having a net electricity sale of 693.92 million kilowatt-hours (kW-hrs.). This is an increase of 1.8 % from the year 2001. The provision of electricity to EGAT

was increased by 1.67%, and the industrial customers increased their power consumption by 3.6%. In all, 636.04 kilowatt-hours were distributed to EGAT and 57.88 kilowatt-hours to the industrial customers. The total revenue from this power distribution was equal to Baht 1.582 billion, lower than the year 2001 by 0.3%, due to an average gas price decreased of 1.5% and an average exchange rate decrease of 3.45%. GCC earned revenue from interest bearing deposits of Baht 5 million and other income of Baht 40,000. GCC had operating expenses (not including the effect from the exchange rate conversion) totaling Baht 1.296 billion, decreased by 5.5%. GCC gross profit from operation was about Baht 290.21 million, increased by 34.4%, or in other terms, a profit of Baht 0.41/kW-hr. The availability of the power plant was 96.94%.

1.3 Nong Khae Cogeneration Company Limited (NKCC) owns and operates the Nong Khae Gas-fired Cogeneration Power Plant. The facility has a gross electrical capacity of 126 megawatts, and an average steam generating capacity of 24 tons per hour. The power plant is located in Nong Khae district, Saraburi province. During the year 2002, the Kaeng Khoi Cogeneration Power Plant achieved generation having a net electricity sale of 782.53 million kilowatt-hours (kW-hrs.). This is an increase of 14.82 % from the year 2001. In all, 638.66 kilowatt-hours were distributed to EGAT and 143.87 kilowatt-hours to the industrial customers. The total revenue from this power distribution was equal to Baht 1.752.7 billion, higher than the year 2001 by 10.25%. NKCC earned revenue from steam Baht 37.2 million, interest bearing deposits of Baht 6.2 million. NKCC had operating expenses (not including the effect from the exchange rate conversion) totaling Baht 1.570.6 billion, gross profit from operation was about Baht 219.3 million, or in other terms, a profit of Baht 0.23/kW-hr. The availability of the power plant was 98.25%.

1.4 Samutprakarn Cogeneration Company Limited (SCC) owns and operates the Samutprakarn Gas-fired Cogeneration Power Plant. The facility has a net output capacity of 121 megawatts of power and 35 tons per hour of steam. The power plant is located in Bangpoo sub-district, Samutprakarn province. The project has been in commercial operation since August 1999. During the year 2002, the Samutprakarn Gas-fired Cogeneration Power Plant achieved generation having a net electricity sale of 717.73 million kilowatt-hours. In all, 613.04 kilowatt-hours were distributed to EGAT and 104.69 kilowatt-hours to the industrial customers. The total revenue from this power distribution was equal to Baht 1.759.98 billion. SCC had operating expenses (not including the effect from the exchange rate conversion) totaling Baht 1.574.26 billion. SCC gross profit from operation was about Baht 185.72 million, or in other terms, a profit of Baht 0.23/kW-hr. The availability of the power plant was 94.63%.

1.5 Gulf Siam City Generation Company Limited has changed the name to Gulf Yala Green Company Limited (GYG or Gulf Yala Green) in April 2002 in order to develop the Yala Power Project, a 20.2 megawatt parawood fueled biomass power plant in Lam Mai sub-district, Yala province in stead of the gas-fired power plant in Saraburi province. GEC holds 95% of the shares in Gulf Yala Green Company Limited.

1.6 Trang Biomass Company Limited (TBC or Trang Biomass) has developed the Trang Power Project, a 20 megawatt parawood and palm shell fueled biomass power plant in Lam Phu Ra sub-district, Trang province. Trang Biomass Company Limited is a joint-venture between the Woodwork Group of Companies and GEC.

Both GYG and TBC are selected to receive the support of the renewable SPP Program.

2. EGCO Joint Ventures & Development Company Limited (EGCO JD) was established on September 4, 1995 with registered capital of Bt 800 million and paid-up capital of Bt 447.72 million. At the first stage, EGCO is the major shareholders holding 99.99 percent of shares in EGCO JD. Its objectives were joint venture business with leading companies both in Thailand and abroad focusing on the investment in power station project and energy related business.

In 2000, EGCO decided to join with Unocal Bang Pakong Limited (UBP) by using EGCO JD as a joint venture vehicle. The Joint venture has been successfully accomplished on December 28, 2001. On January 2, 2002, EGCO JD increased its registered capital from 80,000,000 shares to 116,843,386 shares and the paid-up capital was also increased to Bt 696.72 million resulting

that the joint venture between EGCO and UBP in EGCO JD is in equal share percentage. According to this joint venture, EGCO JD became one of the shareholders of two co-generation power plants operating under Small Power Producer (SPP) program, namely, Amata-EGCO Power Limited (AEP) and Amata Power (Bang Pakong) Limited (APB).

AEP, the first company that EGCO JD invested in, was established on October 24, 1995 with registered capital of Bt 1,500 million and paid-up capital of Bt 1,350 million. The shareholders consisting of Amata Power Limited, the major shareholder which held 69.3% of shares, EGCO JD which held 29.7% of shares and the other small shareholders which, in total, held the rest of 1% of shares. AEP owns and operates a 165 megawatts co-generation power plant located in Amata Nakorn Industrial Park which delivered power and steam to the 44 industrial users with the total signed Power Purchase Agreement (PPA) of 77 megawatts. The remaining power of 90 megawatts was delivered to EGAT under 21 years long term PPA starting from September 1999. In total, this co-generation plant operates at its full capacity with the plant availability higher than 98%.

APB, the company that EGCO JD became one of the shareholder after successfully join with UBP in 2001, was established in May 1999. Current registered capital is Bt 560 million which was fully paid up. The existing shareholders consisting of Amata Power Limited, the major shareholder with held 70% of shares, EGCO JD which held 30% of shares. APB owns and operates a 112 megawatts co-generation power plant located in Amata Nakorn Industrial Park which delivered power and steam to the 20 industrial users with the total signed PPA of 29.58 megawatts. The remaining power of 90 megawatts was delivered to EGAT under 21 years long term PPA starting from September 28, 2001. This co-generation plant also operates at its full capacity with high plant availability higher than 98%.

3. Conal Holdings Corporation (Conal) is the pioneer Independent Power Producer (IPP) in Mindanao which is centrally located in the Asia Pacific, comprising one-third of the Philippines' total land area. Its head office is in Manila. The power generation business is conducted through three subsidiaries, Northern Mindanao Power Corporation (NMPC), Western Mindanao Power Corporation (WMPC) and Southern Philippines Power Corporation (SPPC). The operation and maintenance service is conducted by Alto Power Management Corporation (APMC).

NMPC consists of two phases of diesel-fired power plants of 60.9 and 42 megawatts, total combined capacity of 102.9 megawatts.

WMPC is a diesel-fired power plant with total capacity of 100 megawatts.

SPPC is also a diesel-fired power plant with total capacity of 50 megawatts.

APMC provides operation and maintenance services including plant management to the three mentioned power plants and also third party power plants.

EGCO has invested in Conal through EGCO Denmark for 40%. However, presently EGCO Denmark has been liquidated resulted in the transfer of investment in Conal to EGCO BVI which is the parent company of EGCO Denmark.

Other

– **PMI International Co., Ltd. (PMI)** was established on November 1, 1996 with registered capital of Baht 2.5 million to provide training and education in support of energy saving management and developing management skills in the electric power industry.

PMI was a joint venture among the Intellectual Property Institute of Chulalongkorn University, Electric Power Research Institute, Southern Electric International and EGCO, which held 10% of shares.

The PMI Executive Committee at its Extraordinary Meeting no.01/2002 has proposed the Chairman to liquidate the company, effective from January 1, 2003 onward.

Revenue Structure

Product / Service	Transaction	% Shareholding	2002		2001		2000	
			Revenue	%	Revenue	%	Revenue	%
Electricity	REGCO	99.99%						
	Capacity Charge		4,521.65	37.27%	4,822.53	41.53%	4,883.96	46.29%
	Energy Charge		83.41	0.69%	77.37	0.67%	103.60	0.98%
	KEGCO	99.99%						
	Capacity Charge		4,345.75	35.82%	3,725.06	32.08%	3,882.66	36.80%
	Energy Charge		12.29	0.10%	12.48	0.11%	11.38	0.11%
	GEC	50.00%						
	Energy Charge		936.81	7.72%	792.71	6.83%	356.95	3.38%
	CONAL	40.00%						
Energy Charge		958.39	7.90%	1,003.93	8.65%	341.97	3.24%	
EGCO JD (APB)	14.85%							
	Energy Charge		244.43	2.01%	–	–	–	–
Water	ET	70.00%	122.59	1.01%	91.70	0.79%	–	–
Service	ESCO ^{/1}	99.99%	237.40	1.96%	174.28	1.50%	107.34	1.02%
	CONAL	40.00%	–	–	32.32	0.28%	–	–
Interest income	EGCO ^{/2}		53.97	0.44%	77.21	0.66%	180.24	1.71%
	REGCO ^{/3}	99.99%	142.88	1.18%	294.77	2.54%	331.71	3.14%
	KEGCO ^{/4}	99.99%	135.84	1.12%	229.76	1.98%	250.12	2.37%
	ESCO, EGCO JD, ET, TLPC		8.64	0.07%	11.51	0.10%	14.64	0.14%
	TLP Cogen, EGCO green, Roi-Et green		22.92	0.19%	32.82	0.28%	–	–
GEC, CONAL								
Others	EGCO ^{/5}		231.55	1.91%	189.70	1.63%	46.39	0.44%
	REGCO	99.99%	25.83	0.21%	12.38	0.11%	5.50	0.05%
	KEGCO	99.99%	8.78	0.07%	3.87	0.03%	8.68	0.08%
	ESCO, EGCO JD, ET, TLPC		10.92	0.09%	25.84	0.22%	25.51	0.24%
	TLP Cogen, EGCO green, Roi-Et green		28.13	0.23%	1.80	0.02%	–	–
	GEC, CONAL							
Total revenues (revenues item in consolidated)			12,132.17	100.00%	11,612.02	100.00%	10,550.65	100.00%

Notes

- ^{/1} For year 2002, ESCO's service income was Baht 237,402,377 (excluding related party transaction which was Baht 64,030,892 of operating and maintenance service income from REGCO, Baht 2,021,865 of profit from TLPC Power plant construction and Baht 1,389,797 of loss from Roi-Et power plant construction)
- ^{/2} EGCO's interest income in 2002 was Baht 53,968,573 (excluding related party transactions which was Baht 10,971,970 Of KEGCO's debenture and Baht 1,477,791 of ST loan to GEC)
- ^{/3} REGCO's interest income in 2002 was Baht 142,879,760 (excluding related party transactions which was Baht 2,783,871 and Baht 1,828,662 of EGCO's and KEGCO's debenture respectively)
- ^{/4} KEGCO's interest income in 2002 was Baht 135,835,421 (excluding related party transactions which was Baht 20,094,229 of EGCO's debenture)
- ^{/5} EGCO's other income in 2002 was Baht 231,553,398 (excluding related party transactions which was Baht 5,124,240 Baht 4,095,181, Baht 2,675,840, Baht 529,870, Baht 1,084,080, Baht 238,080, Baht 3,154,493, Baht 217,680 and Baht 4,061,080 of office rental and service income from REGCO, KEGCO, ESCO, EGCO JD, ET, TLPC, TLP Cogen, EGCO green and Roi-Et green respectively)

World Economy in 2002

In 2002, the World economy started to recover at a slow pace by growing at 2.6 percent. **The US economy** has improved slightly due to increased consumer confidence which in turn, led to the notable growth in private spending. Meanwhile, manufacturing production index declined, unemployment rate remained at high level, and private investment was stagnant. Security prices also remained at low level, partly due to lack of confidence in the sound financial reports of Listed Companies in the US stock exchanges. Correspondingly, the US government adopted several policies to build up investors' confidence, including an expansionary monetary policy to continually stimulate domestic economy. For instance, the Fed cut the Federal Fund Rate by 50 basis points from 1.75 percent to 1.25 percent, which was the lowest level in the forty-one years. As such, the US economy was expected to grow at 2.6 percent. **The EU economy** recovered at a slower level, led by rising in private consumption and exports. Though initially contracted, private investment showed an improvement at the end of the year. The EU economy was expected to expand at 0.9 percent. **The Japanese economy** has slightly recovered, contributed by the expansion of private and government spendings. Meanwhile, the manufacturing production index remained at a negative level, exports started to slow down, and unemployment rate remained high. In addition, banks' credit expansions continually declined, and the delay in solving financial sector's problems persisted. As a consequence, it was estimated that The Japanese economy's expansion rate will be at 0.7 percent.

Thai Economy in 2002

Thai economy has continually improved with the GDP's growth at 4.9 percent. The favorable growth markedly presented during the second half of the year 2002. Such recovery was driven mostly by strong domestic demand as indicated by increasing in private consumption. In addition, the government adopted economic stimulus policies including expansionary of monetary policies by emphasizing on a low interest rate policy; supportive fiscal policy i.e. housing loans, consumer loans and credit card loans; and supportive programs for low income citizen i.e. public bank, villages funds, housing transfer' taxes reductions, and so forth. All of these policies were the major contributing factors to accelerate consumer spendings of both durable and non-durable goods, assisting on an on-going favorable growth. A significant progress in private investment was also evident, especially growth in a property sector, led by rising in domestic housing demands. Furthermore, rising private investment index i.e. growth in automobile's sales supported by low interest rate environment confirmed the private investment growth's performance. It was expected that consumer consumption and private investment would expand by 3.9 percent and 7.2 percent, compared to 3.6 percent and 0.9 percent, respectively, from last year.

Manufacturing production continued to expand along with favorable export growth. The growth in manufacturing production index for broad-base industries reflected increased manufacturing productions for domestic consumption and exports alike. Consequently, the labor market started to improve, evident by the decline in unemployment rate; and domestic economic stability continued to be favorable with low inflation rate climate.

The electricity consumption also increased in line with the continual expansion of economic growth. In 2002, the electricity consumption expanded by 7.32 percent, increased from 5.51 percent in 2001. Accordingly, the electricity consumption grew paralleled with the manufacturing production.

For a Balance of Payment consideration, exports were in good shape by rising expansion into regional markets, resulting in continuous trade surplus and current account surplus. Lower capital outflow also strengthened international reserves, which was maintained at the highest level since the year 1997.

For a monetary condition, Monetary Policy Commission, Bank of Thailand, announced the key policy rate (Repurchase

Rate : RP 14 days) cut by 25 basis points on November 19, 2002 to the level of 1.75 percent due to inflationary pressures, accompanied by abundant liquidity in the financial system. Overall, Commercial banks still hesitated to extend credits, which resulted in negative credit expansion. However, the credit expansion started to improve in certain sectors i.e. an automobile sector, a property sector and consumer loans. Such credit expansion, was the result of tax policies and expansionary fiscal policies. The policies promoted commercial bank credit's growth including (BIBF) during the second half of the year.

In summary, Thailand's economic growth in the year 2002 has remarkably expanded. This recovery was driven mostly by strong domestic demand as indicated by rising in consumption and private investment. Meanwhile, concerned factors that may affect the continuous improvement of Thai economy are non-performing loans, production efficiency, and high public debt.

World Economic Trend in 2003

World economy in the year 2003 will expand at a faster pace than that of the year 2002. However, there will be uncertainty during the first half of the year 2003 since the conflict between the US and Iraq may develop into war. The World economy is expected to recover during the second half of the year 2003 with an expected GDP growth of 3.2 percent, increased from 2.6 percent in the year 2002. **US economy** is expected to expand by 2.6 percent. Nevertheless, it depends on some risk factors such as conflict between US and Iraq, which will lead to a surge in oil prices and further affect consumers and investors' confidence and thus consumer spending and private investment. If such conflict ends up early and the effect is in short-term, the recover will begin again during the second half of the year 2003. Such recovery will be supported by government stimulus policies including an expansionary monetary policy, which will keep the interest rates at low level. In addition, the policies may emphasize not only on government spending but also on other economic policies i.e. sound financial report to boost consumers and investors' confidence. Major concerns over the US economic recovery are the slump in the US stock market over the past three years, weak currency value, and hiking public debt level. Since the terrorist attack on September 11, 2001, the government policies aimed mainly at anti-terrorism. As a result, the conflict between the US and Iraq will be prolonged and possibly developed into war. Amidst the uncertainty, the US's economic growth in the past resulted from over consumption (negative saving), resulting in continuous trade deficits. The deficits may contribute to declining investors' confidence. As a consequence, the government policies should concern not only the welfare of its citizen but also the improved investors' confidence. **EU economy** will expand at 1.8 percent in the year 2003, improved notably from 0.9 percent from the previous year. Factors contributing to this expected growth are exports, private investment and government policies to build up consumers and investors' confidence. It is expected that the European Central Bank will adopt a low interest rate policy to build up confidence of economic's recovery, to relief budget deficit burden and to support economic's recovery. **Japanese economy** relies on the solution of the financial sector problem, increased consumer confidence in economic recovery, reducing unemployment problem, and accelerating the progress of economic restructuring. In the year 2003, Japanese economy is expected to grow by 1.0 percent.

Thailand Economic Trend in 2003

Thai economy is expected to continually expand at a moderate rate of 3.5-4.5 percent. Since there are uncertainties from global economic growth and the dispute between US and Iraq during the first half of the year 2003. Domestic factors contributing to Thai economy's performance are domestic economy's accommodative policy; low interest rate policy; stability of exchange rates; and government support to business sectors i.e. a property sector and SMEs. In addition, consumers and investors'

improved confidence will boost private consumption and investment up, stimulating consumer demand for durable goods i.e. accommodations, automobile sales. Private investment is expected to continue an upward trend.

Electricity consumption is expected to grow by 6.22 percent, slightly decreased from 7.32 percent previous year, partly due to the slow growing in the Thai economy.

An expected improving World economic condition during the second half of the year 2003 together with an expected recovery of the Asean economy will be favorable to Thailand's export sector, which depends much more on the Asean market. Thai export is expected to expand at 6.0 percent. Trade account and current account is projected to be in a surplus of 2.0 and 5.5 billion US dollars, respectively, suggesting five consecutive years of the current account surpluses. Furthermore, low of foreign exchange rates' volatilities, sufficient international reserves, and lower short-term foreign debts will compliment to the economic policy implementation and thus create an economic stability for Thailand.

Besides domestic stimulus policies, government gives the priority to support SMEs systematically, resolve NPL problem efficiently, and privatise state-owned enterprises. In addition, the government aims to strengthen Thailand's economic foundations. Enhancing the country's competitiveness will lead to the long term economic stability.

Source: 1. Economic Figures are from The National Economic Social and Development Board.

2. Electricity Consumption Figures are from Electricity Generating Authority of Thailand.

Current status of Thai Electricity Industry

It is clear that since 2002 Thai economy has started to return to normal and has continued to grow. Consequently, the overall demand for electricity, as well as electricity consumption by industrial sector, has increased. EGAT's reserve, however, is still at a high level, as although EGAT decides to delay the purchase of power from the planned coal-fired plants (BLCP, Bo Nok, and Hin Krut) due to inconclusive outcomes of negotiation of issues raised by local people and NGOs, newly constructed private power plants like Bowin Power and Eastern Power have begun to transmit electricity to EGAT's system. EGAT has recently confirmed that BLCP will proceed as originally scheduled. As for Hin Krut, the plant will be relocated and the fuel will be switched from coal to natural gas. Unlike Hin Krut, while Bo Nok power plant will not be relocated and will still utilize coal as fuel, the developer is confident that it can solve the ongoing problems, reach mutual understanding with the protestors, and also set up a tripartite committee to deal with any issues brought up by the local community. As one of the shareholders of the developer of Bo Nok project, Gulf Electric Public Company Limited (GEC), EGCO has constantly monitored the situation and has instructed GEC to negotiate with EGAT in order to find solutions that are acceptable and beneficial to both parties, as well as to work out the issues with the protestors. Option to change fuel type will be kept open in case that the change is required by EGAT or is in line with government's policy.

According to EGAT, electricity demand for 2002 - 2016 and proportions of different types of fuel utilized in power production will be as illustrated in Figure 1 and Figure 2.

With regard to the purchase of electricity from neighboring countries, Nam Thun 2 hydropower project in Lao PDR is now in the process of finalizing the power purchase agreement with EGAT and it is expected that required financing should be obtained by mid-2004. After the project is constructed and is in operation, it will contribute to system reliability in the northeastern part of Thailand and will increase EGAT's flexibility to dispatch from the most appropriate plants.

As for Cambodia, investment in electricity generation and sale, like any other types of investment, has come to a halt due to anti-Thai riots and Cambodia's animosity towards investment from Thailand. Because of the incident, EGCO has decided to postpone the transmission system project for delivering electrical power to Siem Reap, Battambang, and Banteay Mean Chey. EGCO previously anticipated that the contracts could be finalized and project financing process could be commenced within this year. EGCO now, however, believes that the project will be delayed by at least a year or until the investment climate is proper.

After considering the forecasted generating capacity (Figure 3), it can be seen that private participation and purchase of power from neighboring countries will constantly increase while excess reserve will decrease and that from 2008 EGAT will need additional installed capacity of approximately 2,000 MW a year.

Therefore, Thai electricity supply industry has to be expanded in order to support the growth of industrial sector and it is necessary that power projects have to be developed immediately as it takes time to perform financial and environmental studies, to select the concessionaires, to obtain necessary approvals, as well as to construct the project.

Generating Capacity Forecast to 2016

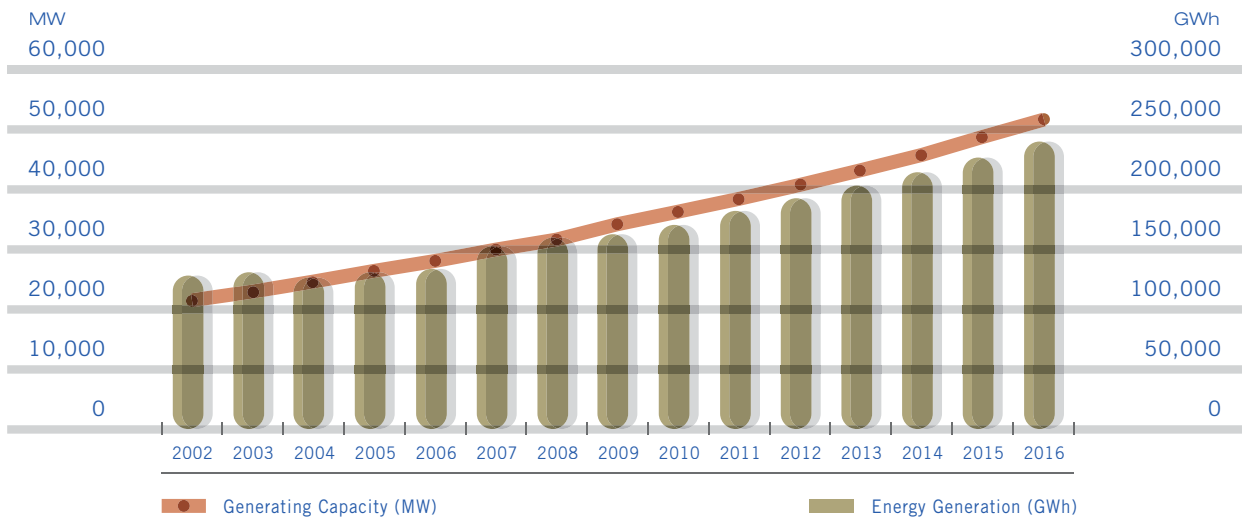


FIGURE 1

Proportions of different types of fuel utilized in power production

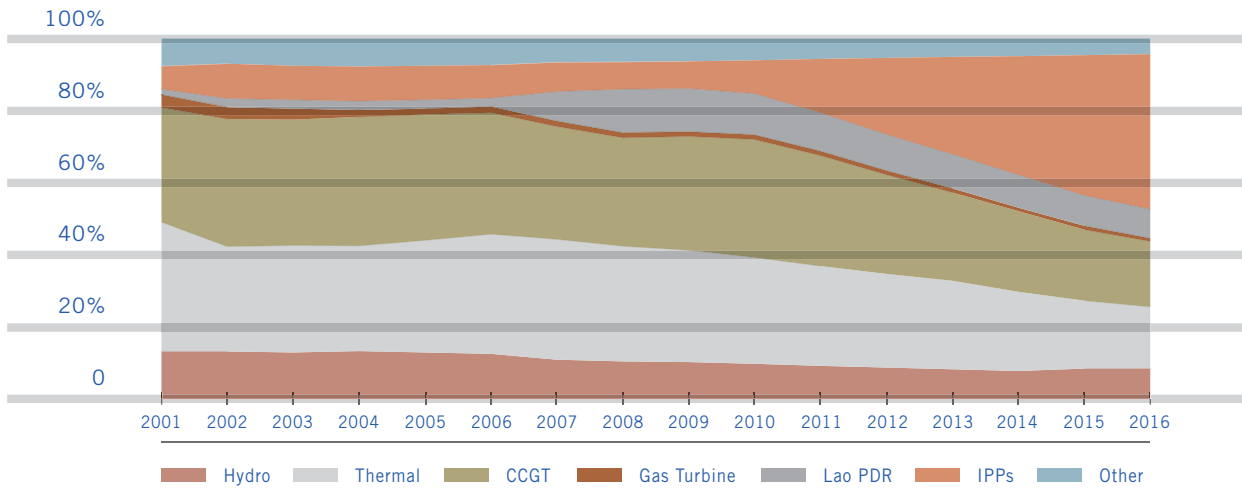


FIGURE 2

Forecast Generating Capacity

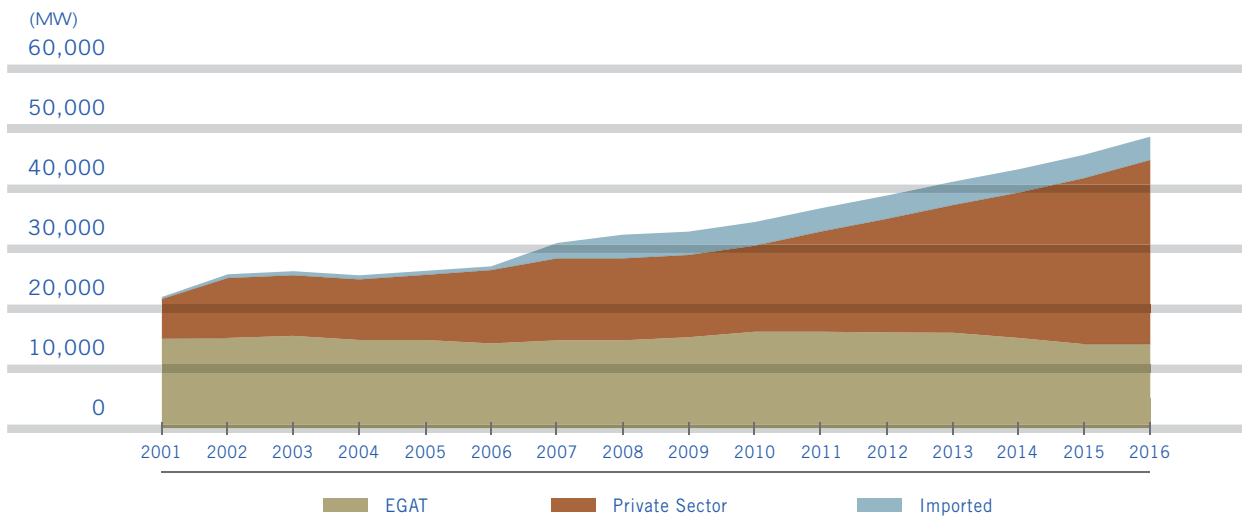


FIGURE 3

Risk Factors

EGCO is a holding company with investment in generation and sale of electricity as major businesses. Risk factors that will affect its operations are thus those stemming from its core businesses especially from its significant subsidiaries, REGCO and KEGCO. Both companies' combined revenues constitute 76.46% of EGCO's total revenues.

Moreover, EGCO has begun to realize revenues from investment in other subsidiaries and joint ventures in the past 5-6 years. Risk factors of these companies are different from REGCO's and KEGCO's.

The risk factors can be classified as below:

Business Performance Risks

Risk of losing customers

REGCO and KEGCO are Independent Power Producers (IPPs) for Electricity Generating Authority of Thailand (EGAT) as the sole customer under long-term Power Purchase Agreements (PPAs). As EGAT is a good state enterprise with strong financial standing, REGCO and KEGCO have no risk of losing customers. In addition, the power tariff calculation under the PPAs is a cost plus basis and already takes into account all related significant factors. That is, all cost items incurred shall be borne by EGAT. EGCO will get the equity internal rate of return in both subsidiaries at approximately 20% and 19% respectively throughout the contractual term.

As for EGCO's power businesses other than REGCO and KEGCO, the risk of losing customers is as follows:

- Investments in Small Power Producers (SPPs) are secured with long-term PPAs with EGAT with approximate offtakes of 70-85%. Therefore, the risk of losing customers for these SPPs is unlikely. In view of the remaining power that supplies to industrial customers in the industrial estate, the SPPs will try to mitigate the risk of losing customers through long-term offtake agreements. However, the risk of being penalized will occur if their steam sales fail to meet the minimum offtake quantity.

- For investment in Philippines, Conal has held stakes in three power producers, i.e. Northern Mindanao Power Corporation (NMPC), Southern Philippines Power Corporation (SPPC) and Western Mindanao Power Corporation (WMPC). These companies solely sell their electricity to National Power Corporation (NPC). There is no risk of losing customers as long-term power purchase agreements have been concluded with NPC, which has been rated by Standard & Poors at BBB and BB+¹ for its onshore and offshore debt servicing capability respectively. Meanwhile, the tariff calculation covers both fixed and variable costs of generation.

Risk from power sector reform

Thailand's electricity supply industry (ESI) reform² has been implemented consistently since 2000. However, with the problems experienced by other countries, the Government has carefully reconsidered the scheme thereby Energy Policy and Planning Office (EPPO), the Ministry of Energy has introduced New Electricity Supply Arrangement (NESA). Under NESA, competition is still encouraged at both the wholesale and retail levels, like the power pool structure, while buyers and sellers are allowed to directly ink sales contracts. In addition, the Central Dispatching Center takes charge of balancing and strengthening the power system. EGAT's generation, transmission and control systems are proposed to be separated, with the generation system undertaken by at least two entities. For Provincial Electricity Authority of Thailand (PEA) and Metropolitan Electricity Authority of Thailand (MEA), EPPO recommends separation of their retail, distribution and support units to accommodate sales through the power pool. Another reform guideline is partial liberalization proposed by EGAT, thereby only large power users, constituting about 30% of electricity consumption in Thailand, can directly purchase power from producers and the structures of the three power authorities will remain as at present.

¹ Source : Standard & Poor's Credit Rating as of February 28, 2003

² Source : Document on ESI seminar conducted by EPPO on December 23, 2002

As the Ministry of Energy has not yet decided to arrange the PPAs between EGAT and both IPPs and SPPs, any impact to REGCO, KEGCO and SPPs in EGCO group are not determined.

For ESI reform in the Philippines, RA No.9136, otherwise know as “Electricity Power Industry Reform Act of 2001” was effective in 2001, providing for the privatization of NPC and the restructuring of the electric power industry. Subsequently, additional laws with regard to the NPC privatization were promulgated and effective on 22 March 2002³. However, the implementation under the newly promulgated laws are being processed. Therefore, any impact of the laws on Conal cannot presently be determined.

However, according to Energy Conversion Agreement with NPC, Conal is entitled to receive the compensation amounts from NPC, in the event of amendment, modification or repeal of any Philippines law or any government regulation that will materially reduce, prejudice or otherwise adversely affect Conal’s interest in the project or the power plant/station, and/or conal’s economic return on its investments.

Political Risk

The Philippines, in which Conal is located, has higher political risk than Thailand as measuring by Sovereign Rating, rated by Standard & Pooors⁴.

Operational Risks

Availability

REGCO and KEGCO may have to bear a risk of being penalized if their availability falls below the dead band and dependable contracted capacity respectively. However, due to their good maintenance plan and actual performance in 2002, both companies were able to maintain the average equivalent availability factor at the level higher than the target. As such, REGCO received the bonus from EGAT for 6 consecutive year and KEGCO had accumulated hours for calculation of bonus from EGAT.

Average Equivalent Availability Factor of REGCO and KEGCO in 2002

	Targeted Availability	Average Equivalent Availability Factor
REGCO	88.29	89.70
KEGCO	78.88	84.85

The SPPs also have a risk of being reduced contracted capacity under the PPAs if their availability fails to meet the contracted level. However, since the beginning of their power generation, the SPPs in EGCO’s group have all along been able to maintain the contracted capacity provided in the PPAs.

The three power plants in the Philippines may have risk of being penalized if their availability falls below the defined level in each year. To prevent this event, SPPC and WMPC have contracted with Alto Power Management Corporation (APMC), in which Conal holds 60% stake, for plant management, operation and maintenance. Under the contract, APMC shall guarantee the contracted availability and be responsible for any penalty cost incurred. Moreover, NMPC2 has contracted with APMC for plant management and with Wartsila NSD Philippines, Inc. (WNSD) for maintenance service on “as needed basis”.

³ Source : Official Web Site of the Phillippine Department of Energy

⁴ Source : Standard & Poor’s Credit Rating as of February 28, 2003

Heat rate

REGCO and KEGCO's risks from heat rate maintaining will occur when the heat rate of power generation is higher than the agreeable level, hence higher cost of natural gas. The higher fuel cost is to be borne by both companies themselves.

Due to high efficiency in power plant management and EGAT's power dispatching control, together with managerial personnel experience in running the power plant, the internationally acceptable plant design and construction as well as technology and machinery, coupled with the maintenance plan and the maintenance contract with EGAT, REGCO and KEGCO are able to maintain the heat rate not higher than the agreed level.

Company	Targeted Heat Rate	Heat Rate in 2002
REGCO	Not exceed 103% of 7,259.57 BTU/KWh	101.84 % of 7,259.57 BTU/KWh
KEGCO	9,601.16 BTU/KWh	9,068.88 BTU/KWh

The SPPs, with technology and machinery of international standard, have very low risk from maintaining the heat rate.

NMPC, SPPC and WMPC may have a risk of using the heat rate of electricity generation at the higher-than-agreed level. That is, they will have to bear the extra cost of fuel. Nonetheless, they have already passed the heat rate tests conducted by NPC. Moreover, APMC contracted with SPPC and WMPC to guarantee the heat rate at the specified level and APMC will be responsible for any penalty charge if occurred, the same as in the case of availability.

Financial Risks

Foreign exchange fluctuations

REGCO and KEGCO have borrowed US Dollar-denominated loans while bringing about Baht revenues. They are thus exposed to foreign exchange risk that can severely impact their financial status.

Under the managed float system promulgated by the Thai Government on July 2, 1997, EGAT compensated for any loss incurred from such event by adjusting its capacity charge to cover the impact of the foreign exchange rate of over Baht 28 per US Dollar on the foreign debt financing charge and the major maintenance part charge in foreign currencies. Such adjustment can absorb most of the impacts of the foreign exchange fluctuations.

Moreover, REGCO and KEGCO have maintained reserve accounts to mitigate the foreign exchange risk by setting aside 2.52% of their outstanding unhedged US Dollar-denominated loans every six months until this amount reaches the lesser of 25% of the said loans or USD 60 million for REGCO, and the lesser of 25% of the said loans or USD 43 million for KEGCO. At present, REGCO has already made up US Dollar 60 million in the reserve account and KEGCO has already reached 25% of its unhedged loan outstanding. Thus, both have minimal exposure to the foreign exchange risk.

EGAT has also adjusted for the SPPs the capacity payment covering the event of foreign exchange rate of over Baht 27 per US Dollar so as to offset the impact of the currency fluctuation. For the electricity charge applicable to general customers, there is no direct adjustment to compensate for the currency change impact. However, the electricity charge is generally based on the formula adopted by the PEA whereby part of the charge will vary according to the cost of fuel and the foreign exchange rate, called fuel adjustment charge (Ft), which is changeable and announced every four months. As such, the electricity charge to general customers will vary according to the cost of fuel and the foreign exchange rate.

NMPC has fully settled its US Dollar-denominated loans while SPPC and WMPC, which still record outstanding US Dollar-denominated loans, have not applied any foreign exchange hedging instrument. However, the tariff charged by SPPC and WMPC on NPC under the specified formula is calculated based on both the US Dollar and the Peso, hence reducing the currency risk to some extent. However, there is not any impact to EGCO's total revenue from this factor.

Interest rate fluctuations

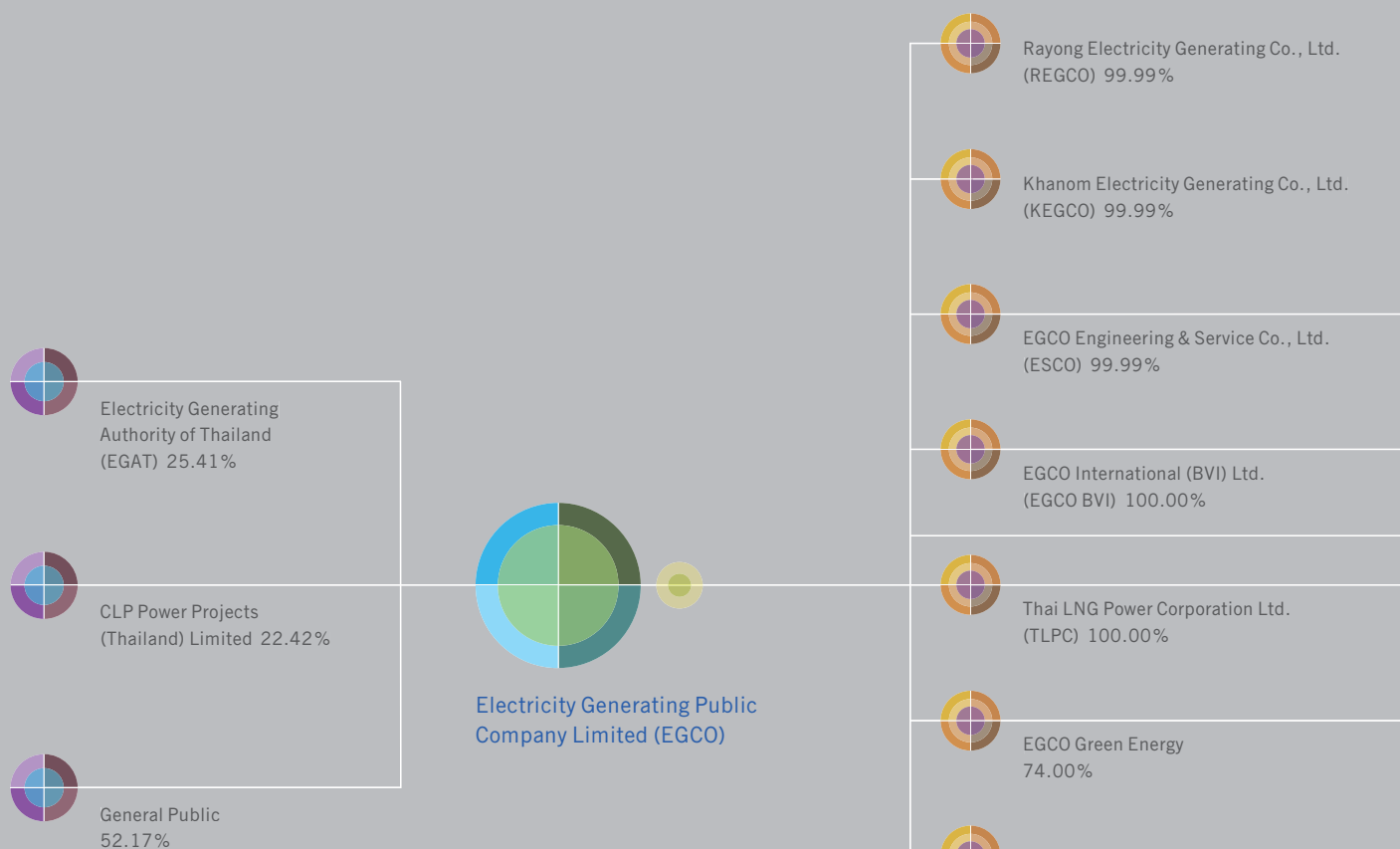
REGCO and KEGCO earlier borrowed US Dollar-denominated loans carrying floating interest rates and thus bearing risk of interest rate fluctuations. They later arranged interest rate swaps from the floating rates to fixed rates, thereby reducing interest rate risk. REGCO under its debt restructuring scheme on September 30, 1999 also swapped its Baht loans from a floating interest rate to a fixed interest rate. By so doing, it will no longer bear interest rate fluctuation risk from its borrowing.

Inflation

Capacity payment and energy payment Calculation of REGCO and KEGCO is exposed to the inflation risk from the event that the actual inflation and expense is become higher than the index used for calculating the tariff according to the PPAs. Nonetheless, the operating costs and maintenance charges constitute only a small proportion of the total expenses in the capacity payment and energy payment. Therefore, the inflation risk has minimal impact on both companies' operations.

On the other hand, SPPs are exposed to inflation rate risk since the tariff formula under the PPAs with EGAT does not take into account the inflation rate. Moreover, basing on PEA's tariff formula in tariff calculation under the power sales agreements with customers in the industrial estate is of not so much use in relieving the risk.

Group Structure and Shareholders (as of December 31, 2002)

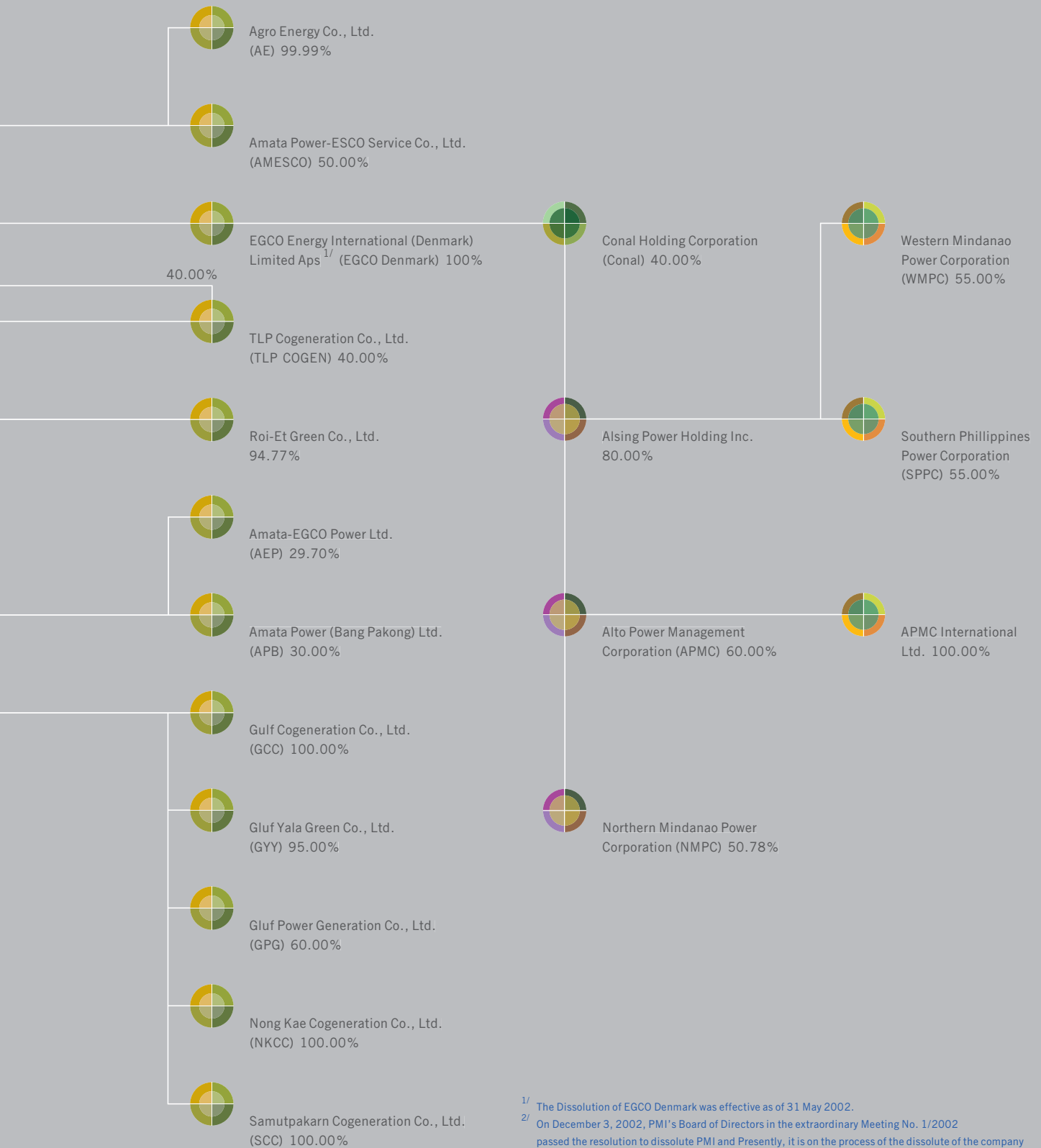


Name of 10 Major Shareholders

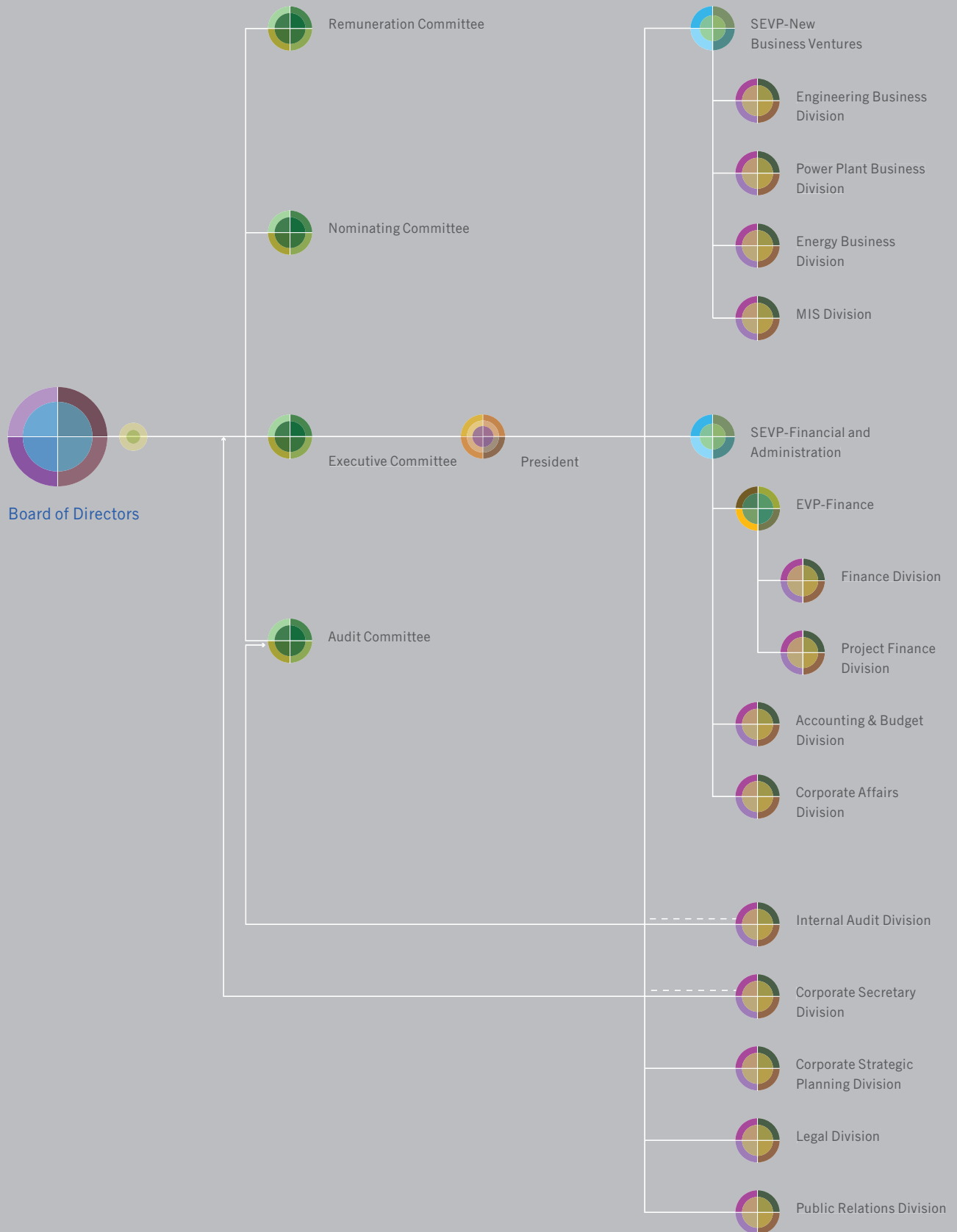
As of September 9, 2002

(The date of the interim dividend payment was on September 24, 2002)

No.	Name	Amount of Shares	%
1.	Electricity Generating Authority of Thailand	133,773,662	25.41
2.	CLP Power Projects (Thailand) Limited	118,023,606	22.42
3.	Thai NVDR Co., Ltd.	43,170,000	8.20
4.	Thailand Securities Depository Co., Ltd. For Depositors	17,938,080	3.41
5.	HSBC Bank Plc.	13,309,835	2.53
6.	State Street Bank & Trust Company	9,055,225	1.72
7.	The Bank of New York Nominees Limited	8,750,000	1.66
8.	Chase Nominees Limited 1	7,541,500	1.43
9.	HSBC (Singapore) Nominees PTE Ltd.	6,900,678	1.31
10.	Littledown Nominees Limited 9	6,108,747	1.16



Organization Chart



Board of Directors

Mr. Sommai Phasee



Chairman
Chairman, Remuneration Committee
Chairman, Nominating Committee
Age 58

Education
– M.Sc. (Economics), Thammasat University
– M.Sc. (Economics Planning and Development),
Vanderbilt University, USA

Working Experience

- Director-General, the Fiscal Policy Office, Ministry of Finance
- Inspector-General, Ministry of Finance
- Director, Export-Import Bank of Thailand
- Director, Bank of Thailand

Current Position

- Deputy Permanent Secretary, Ministry of Finance
- Director, Electricity Generating Authority of Thailand
- Director, Financial Institutions Development Fund
- Chairman, Thai Maritime Navigation Co., Ltd.
- Director, the Thai Military Bank PCL.

Mr. Aswin Kongsiri



Independent Director
Chairman, Audit Committee
Nominating Committee Member
Remuneration Committee Member
Age 57

Education
– BA (Honours), Philosophy, Politics and Economics,
Oxford University, England
– Banff School of Advanced Management, Alberta, Canada
– National Defence College, The National Defence Course
for the Joint State-Private Sectors, Class 6

Working Experience

- President, The Industrial Finance Corporation of Thailand
- Chairman of Executive Board, Bangkok Bank of Commerce PCL.
- Chairman, Bangkok Commercial Asset Management Co., Ltd.

Current Position

- Director & Executive Director, Siam Commercial Bank PCL.
- Director & Executive Director, The Industrial Finance Corporation of Thailand

Mr. Boonshai Jiwalai



Independent Director
Remuneration Committee Member
Nominating Committee Member
Age 67

Education
– Training under Colombo Plan
(Maintenance of Boiler and Steam Turbine)
– Diploma, Psychological Operation Staff Course
– Diploma, Mini MBA, Chulalongkorn University
– Diploma, the Senior Executive Program,
Sasin Graduate Institute of Business Administration of
Chulalongkorn University
– B.Eng. (Mechanical Engineering), Chulalongkorn University

Working Experience

- President, Mining Business,
Electricity Generating Authority of Thailand
- Deputy Governor, Mining Business,
Electricity Generating Authority of Thailand
- Director, Mae Moh Mine,
Electricity Generating Authority of Thailand
- Division Chief of Turbine Maintenance,
Electricity Generating Authority of Thailand
- Power Plant Superintendent Region 3,
Electricity Generating Authority of Thailand

Dr. Chaipat Sahasakul



Independent Director
Audit Committee Member
Age 48

Education
– Ph.D. in Economics, University of Rochester, USA
– M.A. in Economics, Thammasat University
– B.A. in Economics, Thammasat University

Working Experience

- Senior Executive Vice President,
MFC Asset Management PCL.
- Senior Vice President and Spokesman,
Stock Exchange of Thailand
- Executive Vice President,
Morgan Grenfell Thai Co., Ltd., Bangkok, Thailand

Current Position

- Secretary - General, Agricultural Futures Trading Commission

Mr. Worawit Khamkanist



Independent Director
Audit Committee Member
Age 63

Education

- M.Sc. (Mechanical Engineering), University of Alabama, USA

Working Experience

- Managing Director, Electricity Generating PCL.
- President, Mining Business, Electricity Generating Authority of Thailand
- Assistant Governor, Mae Moh Power Plant, Electricity Generating Authority of Thailand

Current Position

- Director, P&W Consultant Co., Ltd.
- Director, KAF Co., Ltd.
- Managing Director, Aqua Plus Co., Ltd.
- Independent Director and Member of Audit Committee, Public Warehouse Organization, Ministry of Commerce

Mr. Somchai Wongsawat



Director
Age 55

Education

- Master Program of Public and Private Management, MPPM
- Diploma, National Defence College, Regular Course, Class 38
- Barrister-at-law, Thai Bar Association
- L.L.B., Thammasat University

Working Experience

- Deputy Permanent Secretary for Justice
- Permanent Secretary for Justice

Current Position

- Permanent Secretary for Justice
- Director, Electricity Generation Authority of Thailand

M.L. Chanaphun Kridakorn



Director
Executive Committee Member
Age 59

Education

- Executive Education, Harvard Business School, Boston, USA
- Master of Engineering (Water Resources Engineering), Asian Institute of Technology
- B.Eng. (Irrigation Engineering), Kasetsart University

Working Experience

- Deputy Governor, Hydro Plant, Electricity Generating Authority of Thailand
- Assistant Governor, Hydro Plant, Electricity Generating Authority of Thailand
- Director, Corporate Planning Office, Electricity Generating Authority of Thailand

Current Position

- Deputy Governor, Policy and Planning, Electricity Generating Authority of Thailand

Ms. Angoon Kamolyabutr



Director
Age 61

Education

- Diploma Advanced Management Program : the International Senior Management Program (AMP; ISMP), Harvard Business School, USA
- Diploma, the Senior Executive Program, Sasin Graduate Institute of Business Administration of Chulalongkorn University
- Diploma, the Financial Management Program Organized by Carl Duisberg Gessellshat E.V., Germany
- B. Sc.(Accounting), Chulalongkorn University

Working Experience

- Deputy Governor - Account and Finance, Electricity Generating Authority of Thailand
- Assistant Governor - Account and Finance, Electricity Generating Authority of Thailand
- Treasurer, Electricity Generating Authority of Thailand

Current Position

- Director, Rayong Electricity Generating Co., Ltd.
- Director, Khanom Electricity Generating Co., Ltd.
- Director, EGCO Engineering & Service Co., Ltd.
- Director, Thai LNG Power Corporation Ltd.
- Director, Gulf Electric PCL.
- Director, Matching Studio PCL.

Mr. J.S. Dickson Leach



Director
Age 56

Education

- MBA, Columbia University, USA

Working Experience

- Held directorships / senior positions in a variety of industrial companies associated with Sir Elly Kadoorie & Sons Limited

Current Position

- Chairman, Sir Elly Kadoorie & Sons Ltd.
- Vice Chairman, CLP Holdings Ltd., Hong Kong
- Chairman, CLP Power International Ltd., Hong Kong
- Chairman, CLP Power China Ltd., Hong Kong
- Chairman, Tai Ping Carpets International Ltd.
- Director, Carpets International Thailand Ltd.
- Director, The Hongkong&Shanghai Hotels Ltd.

Mr. Richard McIndoe



Director
Age 38

Education

- Insead Business School (France), Master of Business Administration
- Cambridge University (U.K.), Master of Arts, Modern History

Working Experience

- Managing Director, InterGen, China
- Vice President - Development and Finance, InterGEN, China
- Director, UBS Warburg, Hong Kong

Current Position

- Finance Director, CLP Power International Ltd., Hong Kong

Mr. Peter Albert Littlewood



Director
Age 51

Education

- MA (1st Class Honours), Cambridge University, UK

Working Experience

- Project Manager for CLP's generating plant projects
- General Manager for CLP's generation business group and later for CLP strategic development
- Director of various CLP Group companies

Current Position

- Operations Director, CLP Power International Ltd., Hong Kong
- Director, Rayong Electricity Generating Co., Ltd.
- Director, Khanom Electricity Generating Co., Ltd.
- Director, EGCO Engineering & Service Co., Ltd.
- Director, Thai LNG Power Corporation Ltd.

Mr. Andrew J. Pickering



Director
Age 43

Education

- Queensland University LLB (Honours), 1988
- Victoria University of Wellington, BA (Honours) - Pure Mathematics, 1981

Working Experience

- Regional General Counsel - Asia Pacific, Edison Mission Energy, Melbourne
- Vice President - Business Development, Edison Mission, Melbourne
- Partner - Banking & Finance Group, Blake Dawson Waldron, Melbourne

Current Position

- General Counsel & Project Development Director, CLP Power International Ltd.
- Alternate Director, Nam Thuen 2 Power Co., Ltd.

Mr. Kraisi Karnasuta



Director and President
Vice Chairman, Executive Committee
Age 55

Education

- Advanced Management Program (AMP) Harvard University, USA
- Diploma from the National Defense Academy
- Master of Engineering (Electrical), University of Washington, USA
- B. Eng. (Electrical), Chulalongkorn University

Working Experience

- President - Maintenance Business Unit, Electricity Generating Authority of Thailand
- Assistant Governor - Transmission System Operation, Electricity Generating Authority of Thailand
- Assistant Governor - Transmission System Maintenance, Electricity Generating Authority of Thailand
- Director, Power System Control Division, Electricity Generating Authority of Thailand

Current Position

- Chairman, Rayong Electricity Generating Co., Ltd.
- Chairman, Khanom Electricity Generating Co., Ltd.
- Chairman, EGCO Engineering and Service Co., Ltd.
- Chairman, Thai LNG Power Corporation Ltd.
- Chairman, Egcom Tara Co., Ltd.

Subcommittee Member (as at December 31, 2002)

Executive Committee

Name	Position	Starting Date
Mr. Kenneth W. Oberg ¹	Chairman	October 1, 2002
Mr. Kraisi Karnasuta	Vice Chairman	October 28, 2002
M.L. Chanaphun Kridakorn	Committee Member	July 1, 2001
Mr. Angoon Kamolyabutr	Committee Member	October 1, 2002

¹ resigned as member of executive committee on December 16, 2002

Audit Committee

Name	Position	Starting Date
Mr. Aswin Kongsiri	Chairman	July 1, 2001
Mr. Worawit Khamkanist	Committee Member	October 28, 2002
Mr. Chaipat Sahasakul	Committee Member	April 22, 2002

Remuneration Committee / Nominating Committee

Name	Position	Starting Date
Mr. Sommai Phasee	Chairman	January 25, 1999
Mr. Aswin Kongsiri	Committee Member	July 1, 2001
Mr. Boonshai Jiwalai	Committee Member	July 1, 2001
Mr. Kenneth W. Oberg ¹	Committee Member	January 25, 1999

¹ resigned as member of executive committee on December 16, 2002

Executive Officers



1. Mr. Kraisi Karnasuta

Director and President, Vice Chairman, Executive Committee

Age 55

Education

- Advanced Management Program (AMP) Harvard University, USA
- Diploma from the National Defense Academy
- Master of Engineering (Electrical), University of Washington, USA
- B. Eng. (Electrical), Chulalongkorn University

Working Experience

- President - Maintenance Business Unit, Electricity Generating Authority of Thailand
- Assistant Governor - Transmission System Operation, Electricity Generating Authority of Thailand
- Assistant Governor - Transmission System Maintenance, Electricity Generating Authority of Thailand
- Director, Power System Control Division, Electricity Generating Authority of Thailand

Current Position

- Chairman, Rayong Electricity Generating Co., Ltd.
- Chairman, Khanom Electricity Generating Co., Ltd.
- Chairman, EGCO Engineering & Service Co., Ltd.
- Chairman, Thai LNG Power Corporation Ltd.
- Chairman, Egcom Tara Co., Ltd.

2. Dr. Siwanan Na Nakorn

Senior Executive Vice President - New Business Ventures

Age 57

Education

- Ph.D. (Electrical Engineering), Iowa State University, USA

Working Experience

- Chief, Special Energy Division, Thermal Power Engineering Department, Electricity Generating Authority of Thailand

Current Position

- Director, Rayong Electricity Generating Co., Ltd.
- Director, Khanom Electricity Generating Co., Ltd.
- Director, EGCO Engineering & Service Co., Ltd.
- Director and Managing Director, Thai LNG Power Corporation Ltd.
- Director, Gulf Electric Public Co., Ltd.

3. Mr. Machima Kunjara Na Ayudhya

Senior Executive Vice President - Finance and Administration

Age 54

Education

- M.A. (Economics), Pittsburg State University, USA
- B.A. (Economics), Thammasat University

Working Experience

- Director of Real Property Renting Management Division, the Treasury Department, Ministry of Finance

Current Position

- Director, Rayong Electricity Generating Co., Ltd.
- Director, Khanom Electricity Generating Co., Ltd.
- Director, EGCO Engineering & Service Co., Ltd.
- Director, Thai LNG Power Corporation Ltd.
- Director, Krung Thai Bank PCL.
- Director, Listed Companies Association

4. Mr. Anan Gee-Em

Senior Executive Vice President and Managing Director,
Khanom Electricity Generating Co., Ltd.

Age 59

Education

- M.Sc. (Honours) (Management Engineering),
Adamson University, Philippines
- B.Eng. (Electrical), Feati University, Philippines

Working Experience

- Director and Managing Director, Rayong Electricity Generating Co., Ltd.
- Assistant Director, Southern Region Operation Department, Electricity Generating Authority of Thailand
- Engineer Level 11, Operation Department, Electricity Generating Authority of Thailand

Current Position

- Director, Khanom Electricity Generating Co., Ltd.
- Director, Roi-Et Green Co., Ltd.
- Director, EGCO Green Energy Co., Ltd.

7. Ms. Pikul Srisastra

Executive Vice President - Finance

Age 52

Education

- B.Sc. (Accounting), Chulalongkorn University

Working Experience

- Deputy Managing Director - Finance & Administration, Khanom Electricity Generating Co., Ltd.
- Deputy Managing Director - Finance & Administration, Rayong Electricity Generating Co., Ltd.
- Finance Division Manager, Rayong Electricity Generating Co., Ltd.
- Assistant Chief of Bonds, Securities and Loans Division, Electricity Generating Authority of Thailand
- Head of Financial Policy Section, Finance Division, Electricity Generating Authority of Thailand

Current Position

- Deputy Managing Director - Finance and Administration, Rayong Electricity Generating Co., Ltd.
- Director, EGCO Joint Ventures & Development Co., Ltd.
- Director, Gulf Electric PCL.

5. Mr. Sinchai Nerngjumnong

Senior Executive Vice President and Managing Director
Rayong Electricity Generating Co., Ltd.

Age 55

Education

- B. Eng. (Mechanical), 2nd Class Honour, Chulalongkorn University

Working Experience

- Managing Director, Khanom Electricity Generating Co., Ltd.
- Deputy Managing Director, Rayong Electricity Generating Co., Ltd.
- Operation Division Manager, Rayong Electricity Generating Co., Ltd.
- Assistant Director, Rayong Power Plant, Electricity Generating Authority of Thailand
- Assistant Director, Bang Pakong Power Plant Operation Department - Combined Cycle, Electricity Generating Authority of Thailand

Current Position

- Director and Managing Director, Rayong Electricity Generating Co., Ltd.
- Director, TLP Cogeneration Co., Ltd.

8. Mr. Voravit Potisuk

Senior Vice President - Engineering Business Division

Age 45

Education

- B.Eng. (Electrical & Communication Engineering)
Chulalongkorn University
- MBA, The University of The Thai Chamber of Commerce

Working Experience

- Vice President (Power Plant Project) Sri U-Thong Co., Ltd.
- Chief, Electrical Project Division, South Bangkok Combined Cycle Power Plant Project Block 1, Electricity Generating Authority of Thailand

Current Position

- Director, EGCO Green Energy Co., Ltd.
- Director, TLP Cogeneration Co., Ltd.
- Director, EGCO Tara Co., Ltd.
- Director, Trang Biomass Co., Ltd.

6. Mr. Somyos Polachan

Executive Vice President and Managing Director,
EGCO Engineering & Service Co., Ltd.

Age 57

Education

- Bachelor of Engineering (Honours), Chulalongkorn University
- High Certificate in Nuclear Engineering, Chulalongkorn University
- Advance Certificate in Electricity Utilities Management,
Austin, Texas, USA

Working Experience

- Executive Director & Project Director, Thai - Lao Power Co., Ltd.
- Vice President - Corporate Affairs, The Aromatics (Thailand) PCL.
- Assistant Director of Corporate Planning Department, Electricity Generating Authority of Thailand
- Chief of Maintenance Training Division, Training Department, Electricity Generating Authority of Thailand
- Assistant Chief of Operation Division, Operation Department, North Bangkok Thermal Power Plant, Electricity Generating Authority of Thailand

Current Position

- Director, EGCO Engineering & Service Co., Ltd.
- Director, EGCO Joint Ventures & Development Co., Ltd.
- Director, Amata - EGCO Power Co., Ltd.
- Director, Amata Power - ESCO Service Co., Ltd.
- Chairman and Director, Agro Energy Co., Ltd.

9. Dr. Sakul Pochanart

Senior Vice President - Power Plant Business Division

Age 45

Education

- D.Sc. (Civil Engineering) Sever Institute of Technology,
Washington University, USA

Working Experience

- Chief, Civil Engineering Unit, Oil and Gas-Fired Power Plant Engineering, Project, Stage 1, Electricity Generating Authority of Thailand
- Head, Special Structural Design Section,
- Civil Engineering Department, Electricity Generating Authority of Thailand

Current Position

- Director, EGCO Green Energy Co., Ltd.
- Director, Roi-Et Green Co., Ltd.
- Director, Gulf Yala Green Co., Ltd.

10. Dr. Gumpanart Bumroongit

Senior Vice President - Energy Business Division

Age 38

Education

- Ph.D. (Electrical Engineering), Southern Illinois University at Carbondale, Illinois, USA

Working Experience

- Manager - Project Development, Energy Business Division, Electricity Generating PCL.

11. Mr. Kiaticchai Siljitsong

Senior Vice President - MIS Division

Age 51

Education

- M.Eng. (Energy Technology), Asian Institute of Technology

Working Experience

- Chief, Special Energy Planning and Development Division, Development and Planning Department, Electricity Generating Authority of Thailand
- Assistant Chief of Special Energy Engineering Division, Thermal Power Engineering Department, Electricity Generating Authority of Thailand

12. Ms. Chutiporn Prayong

Senior Vice President - Finance Division

Age 57

Education

- B.Sc. (Accounting), Thammasat University

Working Experience

- Chief, Credits and Contracts Division, Treasury Department, Electricity Generating Authority of Thailand
- Assistant Chief, Bond Securities and Loans Division, Treasury Department, Electricity Generating Authority of Thailand

Current Position

- Director, EGCO Green Energy Co., Ltd.
- Director, TLP Cogeneration Co., Ltd.

13. Ms. Pannee Booncharoensombut

Senior Vice President - Project Finance Division

Age 43

Education

- B.A. (Economics), Chulalongkorn University

Working Experience

- Onshore Loan and Security Section Manager, Finance Division, Rayong Electricity Generating Co., Ltd.

Current Position

- Manager - Finance Division, Rayong Electricity Generating Co., Ltd.

14. Mr. Suvapan Chomchalerm

Senior Vice President - Accounting and Budget Division

Age 41

Education

- M.Sc. (Accounting), Thammasat University

Working Experience

- Manager-Accounting and Budget Analysis Section, Accounting and Budget Division

15. Ms. Chantima Rugpong

Senior Vice President - Corporate Affairs Division

Age 43

Education

- MBA, The National Institute of Development Administration
- B.A. (English), Silpakorn University

Working Experience

- Manager-Procurement and Service Section, Corporate Affairs Division, Electricity Generating PCL.
- Administrative Officer Level 8, acting as the Manager of the Bidding Document Section, Lam Takhong Hydro Power Plant Construction Project, Electricity Generating Authority of Thailand

16. Ms. Jutatip Mahavera

Senior Vice President - Internal Audit Division

Age 50

Education

- Public and Private Management, University of Texas at Austin, USA (Hubert H. Humphrey Fellowship Program 1993-1994)
- M.Sc. (Accounting), Thammasat University

Working Experience

- Assistant chief, Audit Division 1, Internal Audit Department, Electricity Generating Authority of Thailand

17. Ms. Vasana Vongpromek

Senior Vice President - Corporate Secretary Division

Age 44

Education

- MBA, Kasetsart University
- B.A. (Honours), Chulalongkorn University

Working Experience

- Administrative Officer Level 7, Development and Planning Department, Electricity Generating Authority of Thailand

18. Mr. Arthaporn Vatanasuti

Senior Vice President - Legal Division

Age 51

Education

- MM., SASIN Graduate Institute of Business Administration, Chulalongkorn University
- LL.M., Temple University, USA
- LL.B., Chulalongkorn University

Working Experience

- Assistant chief, Legal Division, Legal Department, Electricity Generating Authority of Thailand
- Head, Foreign Contract Verification and Analysis Section, Legal Division, Electricity Generating Authority of Thailand

19. Mr. Wuthichai Sithipreedanant

Senior Vice President - Public Relations Division

Age 40

Education

- M.A. (Public Administration), Chulalongkorn University
- B.A. (Communication Arts), Chulalongkorn University

Working Experience

- Assistant Superintendent, Public Relations Department, Electricity Generating Authority of Thailand
- Administrative Officer Level 7, Public Relations Division, Public Relations Department, Electricity Generating Authority of Thailand

Directors' Remuneration

(1) Explicit Remuneration

(1.1) Total Remuneration of all Board Member

The Board of Directors is composed of thirteen directors.

(Unit : Baht)

Total Remuneration in 2002						
No.	Names	Period of Service in 2002	Meeting Allowance	Period of Service in 2001	Bonus ^{1/}	Total Remuneration
1.	Mr. Sommai Phasee	12	600,000.00	12	606,060.00	1,206,060.00
2.	Mr. Kraisi Karnasuta ^{2/}	3	–	–	–	–
3.	Mr. James Seymour Dickson Leach	12	456,000.00	12	493,360.00	949,360.00
4.	Mr. Peter Albert Littlewood	12	472,000.00	12	501,860.00	973,860.00
5.	Mr. Richard McIndoe ^{2/}	1	40,000.00	–	–	40,000.00
6.	Mr. Andrew J. Piking ^{2/}	3	120,000.00	–	–	120,000.00
7.	M.L. Chanaphun Kridakorn	12	480,000.00	9	382,780.00	862,780.00
8.	Mrs. Angoon Kamolyabutr	12	472,000.00	9	382,780.00	854,780.00
9.	Mr. Somchai Wongsawat	12	456,000.00	7	297,720.00	753,720.00
10.	Mr. Worawit Khamkanist	12	480,000.00	12	510,370.00	990,370.00
11.	Mr. Boonshai Jiwalai	12	480,000.00	12	510,370.00	990,370.00
12.	Mr. Chaipat Sahasakul ^{2/}	9	360,000.00	–	–	360,000.00
13.	Mr. Aswin Kongsiri	12	480,000.00	7	297,720.00	777,720.00
14.	Khunying Nongkran Chandhanayingyong ^{3/}	4	120,000.00	12	510,370.00	630,370.00
15.	Mr. Kenneth W. Oberg ^{3/}	12	472,000.00	12	510,370.00	982,370.00
16.	Mr. Thomas Watter ^{3/}	8	312,000.00	12	510,370.00	822,370.00
17.	Mr. Sitthiporn Ratanopas ^{3/}	9	–	12	–	–
18.	Mr. Viravat Chalayon ^{4/}	–	–	6	255,190.00	255,190.00
19.	Mr. Sirin Nimmanahaeminda ^{4/}	–	–	4	127,590.00	127,590.00
20.	Mr. Chaiwat Wongwattanasan ^{4/}	–	–	5	170,120.00	170,120.00
21.	Dr. Khien Vongsuriya ^{4/}	–	–	4	127,590.00	127,590.00
			5,800,000.00		6,194,620.00	11,994,620.00

^{1/} The Shareholders' Annual General Meeting No. 1/2002 held on April 22, 2002, resolved to paid in 2001 bonus of director in May 2002.

^{2/} In 2002, four directors were appointed.

^{3/} In 2002, three directors resigned and one director was retired by rotation.

^{4/} In 2001, two directors resigned and two directors were retired by rotation.

(1.2) Total Remuneration of the Executive Board and the Management

(Unit : Baht)

Remuneration	Executive Board (4 Persons) ^{1/}	Year 2002 Management (5 Persons) ^{2/}	Total Remuneration
Total Salary	–	14,798,667.00	14,798,667.00
Bonus ^{3/}	–	6,194,279.95	6,194,279.95
Meeting Allowance	2,140,000.00	–	2,140,000.00
Total	2,140,000.00	20,992,946.95	23,132,946.95

^{1/} In 2002, three directors resigned while three directors appointed the Directors.

^{2/} Since two Senior Executive Vice Presidents were seconded to be the Managing Directors of REGCO and KEGCO and were paid by those companies, EGCO accounted for the remuneration of only three executive

^{3/} In 2002, bonus was paid in January 2003.

(1.3) Total Remuneration of REGCO Management

(Unit : Baht)

Remuneration	Executive Board (10 Persons)	Year 2002 Management (8 Persons)	Total Remuneration
Total Salary	–	12,104,077.10	12,104,077.10
Bonus ^{1/}	–	4,952,572.35	4,952,572.35
Meeting Allowance ^{2/}	–	–	–
Total	–	17,056,649.45	17,056,649.45

^{1/} In 2002, bonus was paid in January 2003.

^{2/} EGCO accounted for the meeting allowance of REGCO Board

(1.4) Total Remuneration of KEGCO Management

(Unit : Baht)

Remuneration	Executive Board (10 Persons)	Year 2002 Management (7 Persons)	Total Remuneration
Total Salary	–	13,297,892.90	13,297,892.90
Bonus ^{1/}	–	5,421,824.75	5,421,824.75
Meeting Allowance ^{2/}	–	–	–
Total	–	18,719,717.65	18,719,717.65

^{1/} In 2002, bonus was paid in January 2003.

^{2/} EGCO accounted for the meeting allowance of KEGCO Board

2. Other Remuneration

Warrant

The resolution of the board of Directors at the Meeting No.7/1996 on July 26, 1996 considerably allocated the warrant of 100,000 units within the period of 5 years for the employees of the company and its subsidiaries, which EGCO has more than 75% of voting rights. The warrants were allocated to the Executive Management (President and Senior Executive Vice President of the

company and its subsidiaries) for the total of 1,000,000 units. The other 9,000,000 units, is allocated to the division managers and the rest of employees. The employees who have the right to exercise the warrants shall meet the following qualifications:

- A) As of August 31, 1996, any full time employees or employees under probation of EGCO and its subsidiaries, which EGCO has more than 75% of voting rights, shall have the right to receive the warrants in the first year.
- B) Employee who officially starts after July 31, 1996 will have the right to receive allocation in the following year or in first year of service if the process can be completed in time. The warrants will be offered until the end of the program or all the reserved shares are fully subscribed.
- C) On April 17 of each year, the Employee who is in the service less than 6 months is not eligible to receive any warrant in that year, but they will receive the warrants in the following year.
- D) In case that any employee, who holds more than one title in the company and/or its subsidiaries, will receive the offered warrant in the amount based on the represented title that earns the salary.
- E) The methodology of the allocation depends on the year in service, the position, and the salary.
- F) On the allocation date, the person who has the right to receive the warrants must be the company of the company or its subsidiaries.

Moreover, the Board of Directors at the Meeting No. 3/2001, held on April 30, 2001, passed the resolution to allocate the fifth-year warrants under Employee Stock Ownership Program to employees of EGCO and its subsidiaries. The exercised date is scheduled on July 17, 2001 or on the first anniversary from warrants' issued date (June 17, 2002). Thus, on July 17, 2001, employee who is in the service less than 6 months is not eligible to receive any warrant in the fifth year, which is the last year of the program.

Since January 21, 1997, EGCO has issued warrants for 5 years to the employees of the company and its subsidiaries under the Employee Stock Ownership Plan (ESOP), which was approved by the office of The Securities and Exchange Commission (SEC). The total issued warrants were 7,338,600 units which has been allocated to the management of EGCO and its subsidiaries for 1,509,600 units, which accounted for 20.57% of the total issued warrants.

In 2001, the company allocated 100,700 units of warrants to the Executive Management. The details are as follows:

1. Mr. Sitthiporn Ratanopas	26,200 units
2. Dr. Siwanan Na Nakorn	22,100 units
3. Mr. Machima Kunjara Na Ayudhya	21,300 units
4. Mr. Anan Gee-em	16,400 units ^{1/}
5. Mr. Sinchai Nerngjumnong	14,700 units ^{1/}

^{1/} The allocated amounts are based on the position of Managing Director of REGCO and KEGCO, respectively.

Since June 17, 2002, EGCO's warrant holders exercised their rights to subscribe 518,500 ordinary shares in the fifth year.

Provident Fund

In 2002, the company and its subsidiaries paid the provident fund to executive management as follows:

Company	Year 2002	
	Members	Provident fund
EGCO	3	1,054,030.00
REGCO	8	953,950.43
KEGCO	7	927,529.94

Other Remuneration of Management

Management	The amount of warrants ^{1/} Fifth Year	The exercise of warrant holders Fifth Year	
		1st	2nd
		July 17, 2001	June 17, 2002
Mr. Sommai Phasee	-	-	-
Mr. Kraisi Karnasuta	-	-	-
Mr. James Seymour Dickson Leach	-	-	-
Mr. Peter Albert Littlewood	-	-	-
Mr. Richard McIndoe	-	-	-
Mr. Andrew J. Piking	-	-	-
M.L. Chanaphun Kridakorn	-	-	-
Mrs. Angoon Kamolyabutr	-	-	-
Mr. Somchai Wongsawat	-	-	-
Mr. Worawit Khamkanist	-	-	-
Mr. Boonshai Jiwalai	-	-	-
Mr. Chaipat Sahasakul	-	-	-
Mr. Aswin Kongsiri	-	-	-
Mr. Sitthiporn Ratanopas	26,200	26,200	-
Dr. Siwanan Na Nakorn	22,100	-	22,100
Mr. Machima Kunjara Na Ayudhya	21,300	-	21,300
Mr. Anan Gee-em	16,400	16,400	-
Mr. Sinchai Nerngjumnong	14,700	14,700	-

Notes : ^{1/} EGCOMP issued warrants on ordinary shares for employees only.

Governance Report

Governance Report

The Electricity Generating PCL or EGCO, which conducts the business under the oversight of the Board of Directors, strongly intends to carry out the business for the shareholders' benefits. Beyond the strictly legal aspects of compliance, EGCO has adopted the governance policy in consistent with the "Best Practices for Directors of Listed Company" and good corporate governance criteria issued by the Stock Exchange of Thailand (SET).

1. Governance Policy

Being fully aware that the good corporate governance would ensure long-term and sustainable shareholders' value, the Board of Directors has established the governance policy as listed below.

- Be responsible for shareholders and other stakeholders by protecting the company assets as well as the good reputation.
- Establish clear responsibilities in accordance with the assigned mission with discipline and awareness of existing and future risks.
- Have clear and transparent decision making process and working procedures.
- Treat the stakeholders equitably and avoid bias or situation that may raise any conflict of interest.
- Create shareholders' sustainable wealth and long-term value.
- Constantly adopt the best practices to continuously increase the competitiveness.
- Be sensitive to community and environment concerns.

EGCO has cultivated the good governance into the corporate culture by establishing the Good Corporate Governance Committee at the management level to communicate the concept to the employees via document and training. Relevant employees are encouraged to develop the knowledge and true understanding on corporate governance issue.

2. Shareholders' Rights

EGCO always respects the shareholders' right to voice their opinion and to protect their investments by electing directors and exercising votes on significant matters such as directors' remuneration, amendment of articles of association, capital increase, etc. EGCO allows no cross shareholding in the Group to make sure that the return would be to the shareholders. Although there are connected transactions from the power purchase and major maintenance services between the Electricity Generating Authority of Thailand and EGCO Group companies, such transactions are well in line with the terms and conditions in the power purchase agreements and the major maintenance agreements. In addition, EGCO follows the established process to present all major agenda to the shareholders' meeting. The numbers of votes in favor, against and abstention are clearly recorded in the minutes of meeting. EGCO also respects the shareholders' right to access all necessary information on a timely correct, and complete in material aspect of which the information could be reviewed.

3. Right of stakeholders

Under the vision to be a business leader, EGCO values the support from all stakeholders namely customers, suppliers, lenders and local communities to enhance the competitive advantages and long-term success. In respect of this, EGCO equitably treats all stakeholders and focuses on quality, environment conservation, health and society contribution. The evidences of EGCO's success in this areas could be seen from Rayong and Khanom Power Plants which won the EIA awards for two and three years consecutively. In addition, Khanom Power Plant was also honored as the distinguished workplace on safety, health and environment for 3 years (2000-2002) consecutively.

EGCO believes in the value of our human resources and will strive to be the employer of choice by promoting the participative management with equal opportunity for career advancement. Personnel are encouraged to enter the development program to enhance their capabilities to bring out their highest working potentials for quality and excellence in the company's business.

4. Shareholders' Meeting

EGCO regards the annual general meeting as an important event to report the company performance to the shareholders and answer their questions. For the 2002 annual general meeting, EGCO sent the notice of the shareholders' meeting together with all agenda document to the shareholders in advance. The shareholders' meeting was well processed in presenting the significant matters for the shareholders' approval. All directors attended the meeting and provided the time to answer the questions and listened to the shareholders' recommendations of which the major issues and directors' explanation were recorded in the minutes of meeting.

5. Board of Directors

The Board of Directors comprises competent and knowledgeable members with business experience and qualifications that meet the governing laws and SET's regulations to make positive contribution to EGCO governance. Of all the thirteen members, there are four independent directors, eight outside directors and one executive director, the President.

The Chairman is the non-executive director and is not the same person as the President nor the Chairman of the Executive Committee for segregation of duties between policy making and company management. In addition, EGCO established the written procedure (Table of Authority) determining which issues require a decision and role of the Board and the Management for clarity and efficiency.

6. Vision and Leadership

The Board of Directors strives to achieve growth and create shareholders' value based on the corporate vision and objectives taking into account the appropriate Code of Conducts, internal and external risks and good corporate governance principle. The Board always renders independent judgement in carrying out the business with correct, materially sufficient, transparent, and timely disclosure in accordance with the applicable standards. Major activities of the board in 2002 were as follows.

- Work with the management in setting the vision, policies, objectives, strategies, mission and business direction and monitor the company performance in compliance with the corporate objectives, governing laws and regulations, Articles of Association and shareholders' resolutions.

- Manage that the director selection process is procedural and transparent and the remuneration of the directors and key management is comparative to peer companies.

- Establish the performance based remuneration package for the employees and management and set challenging corporate performance indicators.

- Manage that the internal control is adequate and the audit is independent with the focus on risk monitoring, financial control, legal compliance and adequacy of internal control system. Monitor the conflict of interests which may incur by management, directors and shareholders.

- Develop the suitable efficient and effective governance system and tools such as director orientation, director manual

and training courses by the Thai Institute of Directors (IOD). In 2002, there were four directors and two executives who attended the Directors' Certification Program and one director who attended the Chairman 2000 Program.

- Implement Board's self - appraisal collectively in compliance with the recommendation of the Nominating Committee to address the strength and weakness for governance improvement.

7. Board Meeting

The Board of Directors contributes the time and effort to the mission and makes themselves available to attend the meetings which are scheduled in advance for the whole years. Each meeting would take approximately 3-4 hours. In 2002, there were 8 meetings with 7 scheduled and one extra meeting. The Management delivers the notice of the meeting together with the agenda document to the Board to allow the directors adequate time to study the matters. Directors could also propose the additional agenda and could render independent opinion in the meeting. The minutes are put in writing which covers directors' opinion both in favor and against the resolution. Certified version of the minutes is securely filed and available for review by directors or concerned parties.

List of directors and attendance record in 2002 is as listed below.

Name	Position	Appointment Date	Attendance (no.)
Mr. Sommai Phasee ¹	Chairman	May 12, 1992	8/8
Mr. Boonshai Jivalai Khunying Nongkran	Independent Director	October 31, 1996	8/8
Chandhanayingyong ²	Independent Director	April 29, 1999	2/2
Mr. Worawit Khamkanist	Independent Director	April 29, 1997	8/8
Mr. Aswin Kongsiri	Independent Director	June 25, 2001	8/8
Mr. Chaipat Sahasakul	Director	April 22, 2002	6/6
Mr. Somchai Wongsawat	Director	June 25, 2002	7/8
M.L. Chanaphun Kridakorn	Director	April 30, 2002	8/8
Ms. Angoon Kamolyabutr	Director	April 30, 2002	8/8
Mr. J.S. Dickson Leach	Director	July 24, 1998	6/8
Mr. Kenneth W. Oberg ³	Director	July 24, 1998	8/8
Mr. Peter Albert Littlewood	Director	February 22, 1999	8/8
Mr. Thomas Watters ⁴	Director	March 20, 2000	5/5
Mr. Andrew J. Pickering	Director	October 28, 2002	2/2
Mr. Richard McIndoe	Director	December 16, 2002	1/1
Mr. Sitthiporn Ratanopas ⁵	President	March 20, 2000	6/6
Mr. Kraisi Karnasuta	President	October 28, 2002	2/2

¹ being appoint the chairman on April 30, 2001

² Vacating the office by rotation on April 22, 2002

³ Vacating the office by resignation on December 16, 2002

⁴ Vacating the office by resignation on September 1, 2002

⁵ Vacating the office by resignation on October 1, 2002

8. Sub-Committees

The Board appoints directors with knowledge and expertise to be the members of the Board committee to enhance the governance efficiency.

- **Audit Committee**

The Audit Committee comprises three independent directors with the 3-year term of service. The Audit Committee undertakes its responsibilities as described in the Audit Committee Charter, which is reviewed annually to be in consistent with the changing internal and external environment. In summary, the Audit Committee's mission covers the financial statement review, legal compliance review, internal control review, auditor selection and risk management policy review.

There were 10 meetings in 2002.

- **Executive Committee**

The Executive Committee comprises four directors with the 3-year term of service. The Executive Committee endorses recommendations to the Board or approves actions within its delegated authority. The Committee meets regularly and the meeting results are reported to the Board.

There were 12 meetings in 2002.

- **Remuneration Committee**

The Executive Committee comprises four directors with the 3-year term of service. The mission is to determine the compensation package for directors, Group Committee members and EGCO Group's top management as well as the meeting allowance, annual bonus, other financial and non-financial fringe benefits and guidelines for the top management's annual compensation.

There were 8 meetings in 2002.

- **Nominating Committee**

The Nominating Committee comprises four directors with the 3-year term of service. It is assigned to determine the structure and the composition of the Board of Directors, to nominate qualified persons to be the directors of EGCO directors and Group companies together with the members of the standing committees, to nominate the EGCO President as well as to set the succession plan criteria.

There were 10 meetings in 2002.

9. Remuneration for Directors and Executives

The Shareholders' Meeting approves the remuneration of the Board of Directors via the recommendation by the Nominating Committee to ensure that such package is comparable to the peer companies and adequate to attract and retain the qualified directors. Directors who are assigned to be the committee members are paid appropriately more in proportion with the increased mission.

Remuneration for top executives is determined in consistent with the principles and policies of the Board and linked with the performance of the company and each individual endorsed by the Remuneration Committee and approved by the Board.

10. Conflict of Interests

Guidelines on keeping and protecting inside information are defined and notified to directors, management and employees to avoid the conflict of interests. Reports on transaction that may induce the conflict of the interests are acknowledged and thoroughly considered by the Board and in compliance with Stock Exchange of Thailand's rules and regulations. Necessary information such as transaction price, contractors, and rationale are disclosed in the annual report and the Form 56-1. In addition, the Board also establishes the policy for the directors and management to report the securities holding to Stock Exchange of Thailand and the Office of the Securities and Exchange Commission in compliance with article 59 of the Acts on Securities and Stock Exchange BE 2535. The Directors' Manual and the Code of Conducts also prohibits directors, management or any responsible personnel to disclose confidential information to outsiders or unauthorized persons.

11. Code of Conducts

Believing that reputation on business ethics is the valuable asset, EGCO compiled the manual on code of conducts containing the Company's comprehensive list of performance standards in compliance with the relevant laws, rules and regulations and EGCO policies. This Code of Conducts will be reviewed at least every two years. The 2002 version is a revision of the previous one to suit the business environment. Procedure is also established to monitor compliance with punishment for non-compliance.

12. Internal Control

The Board of Directors entrusts the Audit Committee with the responsibility to review the effectiveness and efficiency of the internal control systems established by the management. The review is to ensure a sound internal control system to mitigate risks, protect the assets of EGCO and its subsidiaries from loss and / or mistreatment, and to ensure that EGCO's financial reporting is correct and reliable.

The EGCO internal control system is composed of the following systems.

Control Environment

The Board set forth the annual business objectives of EGCO and subsidiaries by establishing the key performance indicators covering the finance, customer satisfaction, business process and learning to be notified to all employees to discharge their duties in pursuit of the corporate achievement.

The Management has established the appropriate control system by setting the Code of Conducts to be adhered to by all directors and employees.

Risk Assessment

EGCO has established the prudent and efficient risk management by introducing the integrated risk management framework. This approach does not only help enhancing the fulfillment of business value, but also provide responsive mechanism for changes in business environment. Focus will be directed to the significant risk indicators which will impair or enhance the performance in relation to the key drives of shareholder value.

Aiming at truly embedding risk management into the corporate culture, the Audit Committee is entrusted to oversee the company's risk management. The risk management committee has been established at the management level comprising top Group executives with the ultimate responsibility for providing a framework for managing risks across the organization. The Committee will maintain a commitment to ensure effective risk management at all levels is in existence. In this regard, the Risk

Management Manual has been developed to provide guidance for EGCO management and staff to manage and control risks. Workshop is also provided for employees in every business line from time to time.

Control Activities

EGCO has established the written investment guidelines together with the relating regulations with clear accountability and authorization to ensure that management and employees carry out their duties in compliance with the related laws and the regulations.

Information and Communication

EGCO arranges the efficient system to ensure right, adequate and timely flow of information to management, employees and concerned parties.

In 2002, EGCO has implemented the online Management Reporting System to increase the efficiency in keeping the business records and issuing reports on accounting, finance, electricity generation data and other significant information to support the analysis and the executive decision as well as issuing report to concerned parties.

Monitoring

The Internal Audit Department accounts for ensuring the effectiveness of the internal control system and providing scheduled audit report to the Management and Audit Committee for improvement.

The external auditor reviews the internal accounting control system to determine the approach, timeframe and scope of work in auditing financial statements. In 2002, the auditors did not find any significant area of concern with respect to the internal accounting control system.

13. Relations with Investors

Being aware of the importance of company information for the decision making of investors and stakeholders, the Board set forth the policy to disclose the financial and non-financial information in a materially sufficient, adequate, reliable and timely basis. Investor relations Section is responsible to communicate with institutional and individual investors, analysts and concerned government agencies.

EGCO will foster trust by announcing the financial results as early as possible and within the timeframe stipulated by laws. In addition, EGCO makes full use of the Internet as the enabling technology to make information broadly available to our shareholders in the investor relations section. EGCO was awarded by the SEC and SET to be one of the forty companies with quality disclosure.

14. Achievement

With the adherence to the good corporate governance, EGCO won the Best Practices Award Contest on Corporate Governance for 2001 hosted by the Internal Audit Association of Thailand. Accepting the SEC's invitation to be one of the pioneer companies for governance rating by Thai Rating and Information Service (TRIS), EGCO was ranked 7.98 from the full score of 10 which was in the range of "good to excellence". In addition, EGCO was honored for good corporate governance practices by outside organizations as follows.

- The best in utility sector, the second best in Thailand and 28th of the 183 big companies in the emerging markets in term of governance rating conducted by Euromoney in the July 2002 issue.
- One of the top five energy company in term of governance rating conducted by Asia Money in the October 2002 issue based on self appraisal and analyst survey and the second best if based on the analyst survey only.

● The Related Party Transactions with Persons who may have Conflict of Interests with the Company

EGCO has the related party transactions with persons who may have conflict of interests with the company as follows:

Power Purchase and Major Maintenance

The following EGCO's affiliates have related party transaction with a person who may have conflict of interests, i.e. Electricity Generating Authority of Thailand (EGAT), a major shareholder.

- EGCO's subsidiaries : REGCO and KEGCO
- Subsidiaries of EGCO Joint Venture, GEC : GCC, SCC and NKCC
- A joint venture of EGCO Joint Venture, EGCOJD : APB

The details are as follows:

The transactions between REGCO and EGAT

1 REGCO sells electricity to EGAT under the Power Purchase Agreement (PPA) dated October 3, 1994. The agreement was effective on December 7, 1994 for the period of 20 years, and the first amendment to PPA dated January 30, 1998 was effective in July, 1997.

2 REGCO signed the Major Maintenance Agreement (MMA) with EGAT dated November 18, 1999 to extend for the latter to provide major maintenance services, repair services, administrative services, and additional services related to its power plant for the forthcoming period of 6 years starting from December 7, 2000.

The transactions between KEGCO and EGAT

1. KEGCO sells electricity to EGAT under the Power Purchase Agreement (PPA) dated May 14, 1996. The agreement was effective on June 19, 1996 for the period of 15 and 20 years, and the First Amendment to PPA dated January 30, 1998 was effective in July 1997.

2. KEGCO signed the Major Maintenance Agreement (MMA) with EGAT to extend for the latter to provide major maintenance services, repair services, administrative services, and additional services related to its power plant for a period of 6 year commencing on June 19, 2002.

The related party transactions of REGCO and KEGCO with EGAT is in accordance with the agreed price as determined in the PPA and MMA, which have been reviewed by National Energy Policy Council and approved by the cabinet.

Related party transactions with EGAT of GCC, SCC, NKCC, and APB

Company	Starting commercial operation	Years of Contract
GCC	September 1998	21 Years
SCC	August 1999	21 Years
NKCC	October 2000	21 Years
APB	September 2001	21 Years

The related party transactions with EGAT of GCC, SCC, NKCC and APB are under agreed prices as determined in the PPAs, which are based for all Small Power Producers.

Moreover, GCC, SCC, NKCC and APB have lodged the bank guarantees as collateral against the premature termination of the PPAs. These guarantees will be returned at PPA's maturity.

The Value of Related Party Transactions

unit : million Baht

Lists	REGCO	KEGCO	GEC	APB
	2002	2002	(EGCO portion only) 2002	(EGCO portion only) 2002
Transactions				
1. Sales of Electricity	4,605	4,358	841	211
2. Major Maintenance Expenses	268	245	-	-
Outstanding Balance				
1. Trade Account Receivable	827	482	376	37

Loan

EGCO provides the loan to AEP, an associate of EGCO's Joint Venture, as approved by the Board of Director of EGCO. The details are disclosed in the note to the consolidated and company financial statement for the year ended December 31, 2002 that the loans were under the normal commercial terms and conditions.

As at December 31, 2002, the outstanding amount is 32 Million Baht.

Commitments

EGCO has commitments under the Sponsor Support Agreements, which were made in respect of loans of its subsidiaries, joint venture and an associate of joint venture, and performance bonds of its subsidiary on behalf of EGCO. The details are as follows:

1. EGCO has commitment under the Sponsor Support Agreement, which was made in respect of AEP's loan, in the amount of 30% of total obligations for the following supports:

- Take-or-pay support under the Gas Sale Agreement
- Not be able to fulfill determined amount under reserve account support
- Decrease of gas compressors

In 2002, the commitment amount under the Sponsor Support Agreements was USD 4.57 million and it will gradually decrease for the period of 14 years starting from February 10, 1997.

2. EGCO has commitment under the Sponsor Support Agreement, which was made in respect of loan of EGCOMTARA, for cost overrun and/or Cash deficiency. The total obligations will not exceed Baht 51 million. As, EGGO will commit on the portion of its 70% stakes in EGCOMTARA, it will be responsible for not exceeding Baht 35.7 million.

3. EGCO has commitment under the Sponsor Support Agreement, which was made in respect of loan of TLP Cogen. EGCO will be responsible for not exceeding the total loan amount, USD 25 million and Baht 1,456 million. The commitment will depend on disbursement of TLP Cogen's loan. In 2005, EGCO has commitment amounting to USD 25 million and Baht 630 million.

4. EGCO has commitment under the Sponsor Support Agreement in respect of loan of Roi-et Green for cost overrun. The total obligations are not exceeding 60 Million Baht. The commitment amount is based on its proportion in EGCO Green, 74%, (EGCO Green held 95% stake in Roi-et Green). Hence EGCO will be responsible for not exceeding Baht 44.4 million.

5. EGCO has commitment under the Sponsor Support Agreement in respect of loan of GEC for the acquisition of SCC and NKCC. The total obligations are not exceeding 20% of GEC's outstanding long-term loan. Thus EGCO will be responsible for not exceeding Baht 110 million.

6. EGCO has commitment for performance bonds of ESCO on behalf of EGCO in the total amount of Baht 40 million.

The transactions No 1-6 were approved by the Board of Directors of EGCO and most of them complied with EGCO's Investment Guideline which determined that any Sponsor Support or Contingent Liability of EGCO to its subsidiaries shall not exceed 25% of EGCO's equity in each subsidiary.

Management Discussion and Analysis

1. Report and analysis of the Operating Results

Electricity Generating Public Company Limited (EGCO) was established on May 12, 1992 in accordance with the government's policy to allow private investors to participate in the electricity-generating business.

Currently, EGCO's shareholding structure comprised the Electricity Generating Authority of Thailand (EGAT) 25.41%, CLP Power Projects (Thailand) Limited 22.42%, and General Public 52.17% (with the foreign limit of 45%).

EGCO is structured as a holding company for the purpose of owning shares in the companies, which generate and trade electricity, and in other related energy businesses. Source of its income is dividends received from the company's business group in form of shares of profits from investments in its subsidiaries, joint ventures, and associates. The objective of the structure is to enable the flexibility to expand its businesses and to enhance the ability or a quality to efficiently manage its subsidiaries' projects as well as the ability to finance the new projects with non-recourse to the existing ones.

1.1 Income Analysis

In 2002, the total revenues of EGCO, its subsidiaries, and joint ventures were Baht 12,060 million, increasing by Baht 411 million or 4% as compared to 2001. The details are as follows;

1) Sales of electricity from the principal subsidiaries, REGCO and KEGCO, amounted to Baht 8,963 million, representing an increase of Baht 326 million or 3%. Sales from KEGCO rose by Baht 621 million while sales from REGCO decreased by Baht 295 million. The sales were determined in accordance to the capacity payment formula, calculated on a "Cost Plus Basis" under Power Purchase Agreement (PPA), and were in line with the company's projection.

However, the calculation of the capacity payment is adjusted to receive compensation of the exchange rate effect from debt burden dominated in US Dollar and expenses of major maintenance parts. REGCO and KEGCO receive the compensation monthly for each billing period. They receive higher capacity charge if the exchange rate is above Baht 28 per US Dollar, and lower capacity charge if the exchange rate is below Baht 28 per US Dollar.

The compensation of the exchange rate effect for 2002 amounted to Baht 1,153 million.

2) Shares of electricity sales from joint ventures were from GEC, CONAL, and APB in total of Baht 2,139 million, up Baht 343 million, mostly due to the first year realization of revenues from APB, a new joint venture of EGCO JD.

3) Sales of water from a subsidiary, Egcom TARA, was Baht 123 million, up Baht 31 million since its revenues were recognized for full-year 2002 while its last year's revenues had been recorded since February. In addition, the increase in sales of water was derived from increasing demand for water consumption in 2002.

4) Service income totaled Baht 237 million, rising by Baht 29 million due to an increased income from ESCO which provided Operating and Maintenance (O&M) services to the companies outside the group.

5) Interest income and other income amounting to Baht 669 million, down Baht 210 million or 23%, due to the reduction in interest rate and deposits at banks and financial institutions, in which the funds were used for investment and debt repayment.

6) Shares of loss of subsidiaries, joint ventures, and associates from AEP, AMESCO, and Nam Theun 2 Project amounted to Baht 72 million, down Baht 108 million. Most were the results of Nam Theun 2 Project's development expenses of Baht 125 million whereas EGCO recognized shares of profits from its associates, AEP and AMESCO, in total of Baht 17 million.

1.2 Expense Analysis

Total expenses from EGCO, its subsidiaries and joint ventures in 2002 were in the amount of Baht 9,039 million, up Baht 771 million or 9% due to the following reasons;

1) Cost of sales in total of 4,719 million, up Baht 867 million or 22%, mainly as a result of increased major maintenance costs from KEGCO. Besides, cost of sales from APB of Baht 175 million was first recognized this year, and cost of sales from Egcom TARA of Baht 55 million up Baht 8 million due to its full-year recording.

2) Cost of services amounted to Baht 208 million, up Baht 27 million, which was in line with the increase in service income.

3) Administrative expenses and other expenses were Baht 963 million, up Baht 27 million or 2%, mostly from the increase in administrative expenses of EGCO. As mentioned in MD&A for the second quarter of 2002, the main reason was the loss on the forward contract of the foreign currency in the amount of Baht 38 million whereas the expenses of other companies in the group decreased.

EGCO had the forward contract to prepare for the payments of the share purchases under its investment plan to increase its stakes in GEC, which invests in Bo Nok Power Plant. At that time, the economy was not recovered as forecasted, and the situation of the electricity industry was not favorable to pursue the plan. By comparing higher risk to the return from the particular project and the concerning of importance to sustain its shareholder value; therefore, it decided not to increase its stakes in such project. Furthermore, there was still some fluctuation of the currency exchange market. To minimize the loss, EGCO decided to close the position of the forward contract. However, EGCO thinks that the loss was not significantly material. Presently, EGCO is working on the improvement of its risk management process for the whole group.

4) Impairment Charge amounted to Baht 342 million from Bonok Power Plant Project, which was recognized as expense on the Profit and Loss Statement in 2002 due to the uncertainty and the risk of developing Bonok Power Plant. In the case that EGAT cancels the project, the project owner is able to ask for the compensation, but it would require some period of time to receive it. EGCO has reviewed the impact of the problem and planned to implement the project with careful and conservative approach as well as realized the importance of the shareholder value. The company considerably recognized the impairment charge of the particular project after it has assessed the recoverability of its investment in this project. The impairment provision is approximately Baht 222 million and a provision for impairment of the goodwill arising from the acquisition of Bonok Project of Baht 120 million, totaling for the impairment charge in 2002 of Baht 342 million.

5) Interest Expenses was Baht 2,807 million, down Baht 492 million or 15% resulting from the decrease in interest expenses of EGCO, REGCO, KEGCO, GEC, and CONAL, in the amount of Baht 97 million, Baht 208 million, Baht 89 million, Baht 23 million, and Baht 87 million, respectively. The main reasons were from lower debt principal amount, stronger Baht than previous accounting period, and lower interest rate of EGCO's debentures. However, the interest expense from APB of Baht 14 million was first recognized in this year.

Regarding the EGCO's debenture, the company first entered into an interest rate swap agreement to convert a fixed rate at the rate of 8% per annum to a floating rate based on six-month THBFIX plus a certain margin; thus, the interest expense in October 2001 was reduced to 6% per annum. Later, EGCO entered into a new interest rate swap agreement in 2002 to convert the floating interest rate on six-months THBFIX plus a certain margin to a fixed interest rate at 6.95%, which was effective since April 21, 2002.

1.3 Operational Results and Conclusion

Net profit for the year 2002 was Baht 2,958 million, increasing by Baht 19 million owing to the aforementioned reasons and the effect on unrealised foreign currency exchange gain of Baht 174 million whereas the company incurred exchange loss of Baht 236 million in the previous year.

The foreign currency exchange gain or loss 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 Thai Baht equivalent amount using the foreign exchange rate at the end of this accounting period (December 31, 2002) and the previous period (December 31, 2001).

If excluding the effect of foreign currency exchange gain, the net profit for the year 2002 was Baht 2,784 million, down Baht 391 million or 12% lower than last year. The main reasons were from the impairment charge and shares of loss of subsidiaries, joint ventures, and associates as mentioned earlier.

Overall, EGCO's major revenues are still from REGCO and KEGCO, which are determined under the secured long-term agreement with EGAT to cover all the cost and return on equity at the rate of 20% and 19% over the life of the projects for REGCO and KEGCO, respectively. Therefore, the analysis of the whole company's operating result should consider the forecast of the subsidiaries, joint ventures, and associates as a supplement. Excluding REGCO and KEGCO, it may simply be concluded that the company's operating result was not significant at the moment comparing to its principal subsidiaries while the returns from its new projects have not yet been realised due to the constructing phase.

Important Financial Ratios for the period were as follows;

- Gross Profit per total revenues was 57%.
- Net Profit (excluding the effect of foreign exchange) margin was 23%.
- Earning (excluding the effect of foreign exchange) per share (EPS) was Baht 5.29.

1.4 Business Expansion Analysis

EGCO's policy is to address the importance to increase its shareholder value so that the company has adjusted the business expansion strategy by focusing only on high quality projects as well as maintaining its strong credit standing in order to receive the sustainable and long-term growth.

Moreover, EGCO also aims to complete all the developing projects. In 2003, EGCO will start recognizing the revenues from TLP Cogen and Roi-Et Green, which have COD in January and April, 2003 respectively.

As of September 27, 2002, GEC, EGCO's joint venture in which EGCO holds 50% stake, signed Share Sale and Purchase Agreement with Tractebel S.A. in order to purchase 100% stake in both NKCC and SCC in the amount of USD 94.3 Million. Therefore, our committed installed capacity will amount to 2,913 MW, up 126 MW from 2001.

EGCO invests through GEC because it will enhance the synergy by helping to manage cost effectively, such as the utilization of human resources and spare parts, etc. among the power plants. Moreover, the maintenance schedule can be well planned which enables the plants to dispatch the electricity to the customer all the time and save the standby energy charge paid to Provincial Electricity Authority of Thailand (PEA).

The company has a dividend policy to pay dividend twice a year and to maintain sufficient cash flow to pay the dividend not lower than Baht 2 per share or at least 40% of its net profit without any impact on the capital expenditure required for the existing projects.

2. Report and Analysis of Financial Position

2.1 Asset Analysis

As at December 31, 2002, total assets of EGCO, its subsidiaries, and joint ventures amounted to Baht 55,873 million, increasing by Baht 2,908 million or 5%. The important details are as follows;

1) Cash, deposit at banks and financial institutions, and short term and long term marketable securities were Baht 5,501 million or 9% of the total assets, which decreased by Baht 866 million or 13%. The reduction in 2002 was mainly from dividend payment, and investment activities, and debt repayment.

2) Short-term and long-term investments used as collateral were Baht 10,411 million or 18% of the total assets. They increased by Baht 133 million or 1% for the cash reserve of the debt repayment. Some of the investments were denominated in US Dollar.

3) Investment in associates and other companies amounted to Baht 822 million or 1% of the total assets, which was Baht 111 million or 15% higher than last year owing to the increase of investment in Nam Theun 2 Project of Baht 183 million, of which Baht 125 million was partially recognized. The company also received shares of profit from AEP and AMESCO totaling of Baht 53 million.

4) Property, plant, and equipment amounted to Baht 32,034 million or 57% of the total assets, up Baht 3,035 million or 10% mainly due to the increases in the assets from NKCC and SCC and the construction of TLP Cogen and Roi-Et-Green.

5) Other assets were Baht 7,104 million or 12% of the total assets, up Baht 496 million or 7% mainly from the increase of trade accounts receivable, spare parts and supplies, and the amortization of the goodwill of the Bonok Project.

2.2 Liability Analysis

As at December 31, 2002, the company's total liabilities were Baht 34,925 million, up Baht 1,145 million or 3% as a result of the debt in GEC, NKCC, SCC and the loan drawdown by TLP Cogen and Roi-Et Green.

The liabilities consisted of the followings;

1) Long-term loans and debentures totaled Baht 32,444 million. The details are as follows;

- USD loans in the amount of USD 439 million
- Yen loans in the amount of Yen 645 million
- Philippines Peso loans in the amount of Peso 126 million
- Baht loans in amount of Baht 4,576 million
- Debentures in the amount of Baht 9,681 million

2) Other liabilities amounted to Baht 2,481 million, mostly resulted from interest payable, bank overdrafts, trade accounts payable value added tax payable, and dividend payable.

As a credible, high-quality company, the company is committed to administering its obligation in compliance with good corporate governance. It has, accordingly, set up a reserve fund of 25% of total obligations to its subsidiaries and associates; thus, reducing the risk of default and providing extra return in the form of interest income and increased financial stability.

As at December 31, 2002, the company had a reserve fund of Baht 400 million, amounting to 25% of its aforementioned total obligation and an additional allocation of Baht 54 million is in the process.

EGCO had also invested USD 131 million in its subsidiaries' collateral accounts. In additions, EGCO had currency and interest rate swap agreement to convert part of its loan with a floating interest rate to Thai Baht currency at a fixed interest rate of 11% per annum. Under this contract, the balance of this loan amounted to USD 68 million. Therefore, the net USD exposure was USD 240 million.

2.3 Shareholder's Equity Analysis

As at December 31, 2002, Shareholder's Equity (excluding minority interest and net of treasury stock), amounted to Baht 20,224 million, which was 1,680 million higher than the previous year. The main reasons were the profits from operation and unrealised gains on investments in marketable securities

From the analysis of the above assets and liabilities, the company's capital structure was as follows;

Shareholders' equity was Baht 20,948 million or 37%.

Liabilities were Baht 34,925 million or 63%.

Important financial ratios were as follows;

- Debt to equity ratio was 1.67 times, lower than 1.76 times in 2001
- Book value per share was Baht 39.81, higher than Baht 35.26 in 2001

3. Report and Analysis of Cash Flows Position

Cash Flows Statement shows the change in cash flows from operating activities, investing activities, and financing activities at the end of the accounting period, and it indicates the ending balance of the cash and the cash equivalents. As at December 31, 2002, the ending balance of the cash and the cash equivalent was Baht 2,275 million, down by Baht 1,158 million from last year. The details of source of funds and use of funds are as follows;

- **Net cash receipt from operating activities** of 6,155 million from the net profit for the year adjusted with the non-cash items and other non relating operating activities, such as depreciation, unrealised foreign currency exchange gains, gains on disposal of marketable securities, minority interest and changes in operating assets and liabilities.

- **Net cash payment for investing activities** was Baht 4,760 million, which was spent mostly on the construction of NKCC, SCC, TPL Cogen, and Roi-Et Green and the investment in the Nam Theun 2 Project of Baht 183 million whereas the dividends from investing in CONAL and EASTW amounted to Baht 179 million, and Baht 32 million, respectively.

- **Net cash payment for financing activities** was Baht 2,553 million, mainly because there was higher short-term and long-term debt repayments, treasury stock, and dividend payment of Baht 4,190 million, Baht 52 million, and Baht 1,412 million, respectively. The company also recorded the increase in cash from loan drawdown of TLP Cogen, Roi-Et Green and GEC in the amount of Baht 1,699 million, Baht 204 million, and Baht 1,100 million, respectively and the increase in minority interest from TLP COGEN and Roi-Et Green in total of Baht 98 million.

In conclusion, EGCO has a policy to manage its capital by focusing on the short-term and long-term value to benefit its shareholders. Therefore, the company carefully prioritizes to utilize its capital by investing only in high quality projects as well as managing adequate funds for investment in existing projects and for paying dividend to its shareholders twice a year, continuously.

Management Discussion and Analysis

1. Report and analysis of the Operating Results

Electricity Generating Public Company Limited (EGCO) was established on May 12, 1992 in accordance with the government's policy to allow private investors to participate in the electricity-generating business.

Currently, EGCO's shareholding structure comprised the Electricity Generating Authority of Thailand (EGAT) 25.41%, CLP Power Projects (Thailand) Limited 22.42%, and General Public 52.17% (with the foreign limit of 45%).

EGCO is structured as a holding company for the purpose of owning shares in the companies, which generate and trade electricity, and in other related energy businesses. Source of its income is dividends received from the company's business group in form of shares of profits from investments in its subsidiaries, joint ventures, and associates. The objective of the structure is to enable the flexibility to expand its businesses and to enhance the ability or a quality to efficiently manage its subsidiaries' projects as well as the ability to finance the new projects with non-recourse to the existing ones.

1.1 Income Analysis

In 2002, the total revenues of EGCO, its subsidiaries, and joint ventures were Baht 12,060 million, increasing by Baht 411 million or 4% as compared to 2001. The details are as follows;

1) Sales of electricity from the principal subsidiaries, REGCO and KEGCO, amounted to Baht 8,963 million, representing an increase of Baht 326 million or 3%. Sales from KEGCO rose by Baht 621 million while sales from REGCO decreased by Baht 295 million. The sales were determined in accordance to the capacity payment formula, calculated on a "Cost Plus Basis" under Power Purchase Agreement (PPA), and were in line with the company's projection.

However, the calculation of the capacity payment is adjusted to receive compensation of the exchange rate effect from debt burden dominated in US Dollar and expenses of major maintenance parts. REGCO and KEGCO receive the compensation monthly for each billing period. They receive higher capacity charge if the exchange rate is above Baht 28 per US Dollar, and lower capacity charge if the exchange rate is below Baht 28 per US Dollar.

The compensation of the exchange rate effect for 2002 amounted to Baht 1,153 million.

2) Shares of electricity sales from joint ventures were from GEC, CONAL, and APB in total of Baht 2,139 million, up Baht 343 million, mostly due to the first year realization of revenues from APB, a new joint venture of EGCO JD.

3) Sales of water from a subsidiary, Egcom TARA, was Baht 123 million, up Baht 31 million since its revenues were recognized for full-year 2002 while its last year's revenues had been recorded since February. In addition, the increase in sales of water was derived from increasing demand for water consumption in 2002.

4) Service income totaled Baht 237 million, rising by Baht 29 million due to an increased income from ESCO which provided Operating and Maintenance (O&M) services to the companies outside the group.

5) Interest income and other income amounting to Baht 669 million, down Baht 210 million or 23%, due to the reduction in interest rate and deposits at banks and financial institutions, in which the funds were used for investment and debt repayment.

6) Shares of loss of subsidiaries, joint ventures, and associates from AEP, AMESCO, and Nam Theun 2 Project amounted to Baht 72 million, down Baht 108 million. Most were the results of Nam Theun 2 Project's development expenses of Baht 125 million whereas EGCO recognized shares of profits from its associates, AEP and AMESCO, in total of Baht 17 million.

1.2 Expense Analysis

Total expenses from EGCO, its subsidiaries and joint ventures in 2002 were in the amount of Baht 9,039 million, up Baht 771 million or 9% due to the following reasons;

1) Cost of sales in total of 4,719 million, up Baht 867 million or 22%, mainly as a result of increased major maintenance costs from KEGCO. Besides, cost of sales from APB of Baht 175 million was first recognized this year, and cost of sales from Egcom TARA of Baht 55 million up Baht 8 million due to its full-year recording.

2) Cost of services amounted to Baht 208 million, up Baht 27 million, which was in line with the increase in service income.

3) Administrative expenses and other expenses were Baht 963 million, up Baht 27 million or 2%, mostly from the increase in administrative expenses of EGCO. As mentioned in MD&A for the second quarter of 2002, the main reason was the loss on the forward contract of the foreign currency in the amount of Baht 38 million whereas the expenses of other companies in the group decreased.

EGCO had the forward contract to prepare for the payments of the share purchases under its investment plan to increase its stakes in GEC, which invests in Bo Nok Power Plant. At that time, the economy was not recovered as forecasted, and the situation of the electricity industry was not favorable to pursue the plan. By comparing higher risk to the return from the particular project and the concerning of importance to sustain its shareholder value; therefore, it decided not to increase its stakes in such project. Furthermore, there was still some fluctuation of the currency exchange market. To minimize the loss, EGCO decided to close the position of the forward contract. However, EGCO thinks that the loss was not significantly material. Presently, EGCO is working on the improvement of its risk management process for the whole group.

4) Impairment Charge amounted to Baht 342 million from Bonok Power Plant Project, which was recognized as expense on the Profit and Loss Statement in 2002 due to the uncertainty and the risk of developing Bonok Power Plant. In the case that EGAT cancels the project, the project owner is able to ask for the compensation, but it would require some period of time to receive it. EGCO has reviewed the impact of the problem and planned to implement the project with careful and conservative approach as well as realized the importance of the shareholder value. The company considerably recognized the impairment charge of the particular project after it has assessed the recoverability of its investment in this project. The impairment provision is approximately Baht 222 million and a provision for impairment of the goodwill arising from the acquisition of Bonok Project of Baht 120 million, totaling for the impairment charge in 2002 of Baht 342 million.

5) Interest Expenses was Baht 2,807 million, down Baht 492 million or 15% resulting from the decrease in interest expenses of EGCO, REGCO, KEGCO, GEC, and CONAL, in the amount of Baht 97 million, Baht 208 million, Baht 89 million, Baht 23 million, and Baht 87 million, respectively. The main reasons were from lower debt principal amount, stronger Baht than previous accounting period, and lower interest rate of EGCO's debentures. However, the interest expense from APB of Baht 14 million was first recognized in this year.

Regarding the EGCO's debenture, the company first entered into an interest rate swap agreement to convert a fixed rate at the rate of 8% per annum to a floating rate based on six-month THBFIX plus a certain margin; thus, the interest expense in October 2001 was reduced to 6% per annum. Later, EGCO entered into a new interest rate swap agreement in 2002 to convert the floating interest rate on six-months THBFIX plus a certain margin to a fixed interest rate at 6.95%, which was effective since April 21, 2002.

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Social and Environmental Care

Beyond the management capabilities and the adherence to good corporate governance, the factor that lead to the corporate success is EGCO's intention to nurture the balance between the society and the environment to achieve the sustainable business as well as the well being of the Thai society.

EGCO has established the clear policy to always conduct the business with regard to the environment protection and social development. Our effort can be proven by EGCO's constant record of concrete ideas and practices. For example, in 2002, EGCO's head office in Bangkok had been domestically and internationally awarded the green building not only for its high technology, but also the design that harmonizes with nature. The trees around the building demonstrate the importance of environmental conservation which is beneficial to all.

In addition, Rayong Electricity Generating Company (REGCO) and Khanom Electricity Generating Company (KEGCO), EGCO's subsidiaries, won the EIA awards for the best environmental management from the Ministry of Science, Technology and Environment in 2000 and in 2002. Besides, REGCO received the ISO 14001 certification for their environmental management system from the Thai Environment Institute in 2001. And in the same year, KEGCO was also accredited the ISO 14001, the international environmental standard for their environmental management system from RWTUV (Thailand) Limited.

The investment in the biomass power plant is another example of EGCO's desire to produce energy from agricultural waste. This project does not only help cut fuel import but also reduces the air pollution caused by the dust from the rice husk. The project is established under the name of Roi Et Green Company, a good example of the study and the concept of utilizing agricultural waste to generate electricity to serve future energy needs in Thailand. The power plant is now under construction and will be complete by early 2003.

Being sensitive to the concerns of the communities around our power plants, EGCO has established the policy that the Group companies must be a good corporate citizen by providing support to the activities for public benefits wherever possible. Furthermore, EGCO carries out many environmental conservation programs including the cooperation with the government and private sectors in creating betterment of the society.

Taking at heart that the success of the company begins from the trust and the support from the public, EGCO intends to continue its moral and beneficial activities based on the friendship between the society and the environment. At EGCO, we believe that "The world is our home".



Financial Statement



● Statement of Directors' Responsibilities

According to the Public Limited Companies Act B.E. 2535, the Accounting Act B.E. 2543 and the financial reporting requirements of the Securities and Exchange Commission, the Board of Directors is responsible for having the management prepare the consolidated and company's financial statements in accordance with the Thai Accounting Standards issued by the Institute of Certified Accountants and Auditors of Thailand to reveal the company's financial position and operating results of each financial year.

The Board of Directors is well aware of its duties and responsibilities as the directors of a listed company to ensure the accurate, duly sufficient and transparent financial statements according to the generally accepted accounting principles in Thailand, with adequate internal control systems to safeguard the company's assets from unlawful conduct and abnormalities as well as compliance with relevant laws and regulations for the benefit of shareholders and investors to have true, adequate and timely information.

To achieve the above objectives, the Board of Directors has issued the company's regulation on accounting, financial and budget B.E. 2544 to be adhered to by the Management. The Audit Committee has been appointed to oversee that the company's financial statements be prepared in a proper and prudent manner in accordance with the generally accepted accounting principles and appropriate accounting policies with adequate disclosure of important information in the notes to the financial statements. Also, the Audit Committee has reviewed the effectiveness and adequacy of risk management and internal control systems to ensure that risks are properly mitigated, the company and its subsidiaries' assets are protected from loss or use by unauthorized persons and also the company's financial statements are correct and reliable.

The Board of Directors is of the opinion that the consolidated and company's financial statements for the year 2002 were prepared in a proper and prudent manner and presented the company's financial position and operating results in a correct, duly sufficient and reliable manner in compliance with the generally accepted accounting principles and all governing rules and regulations, with appropriate and consistent accounting policies and adequate important information disclosure.

Audit Committee's Report

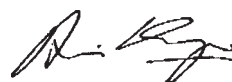
The Audit Committee of the Electricity Generating Public Company Limited (EGCO) is composed of three independent directors. At the beginning of 2002, the Chairman of the Audit Committee was Mr. Aswin Kongsiri, and Khunying Nongkran Chandhanayingyong and Mr. Worawit Khamkanist were Committee members.

During 2002, some of the members of EGCO's Board of Directors were changed due to the expiration of their term. This resulted in a change of the Audit Committee members. Consequently, Dr. Chaipat Sahasakul, independent director, was appointed as a member of the Audit Committee to replace Khunying Nongkran Chandhanayingyong effective April 22, 2002.

The Audit Committee has performed its duties in conformity with the mission entrusted to it by the Board of Directors as prescribed in the Audit Committee Charter. During 2002, the Committee held 10 meetings. The major items completed from the meetings are summarized as follows:

- Review of the financial statements with both the external auditor and management with comments and recommendations. This procedure ensured that the financial information was correct, reliable, and major issues were disclosed duly and adequately to meet the accounting standards and requirements of relevant laws and regulations.
- Consideration and recommendation pertaining to the selection of the external auditor, as well as the audit fees, to the Board of Directors for appointment by the shareholders.
- Review of the Audit committee Charter to allow for improvement in terms of providing more clarity as well as focusing on good corporate governance, the code of conduct, and risk management.
- Consideration and improvement of the Internal Audit Charter by defining the internal auditor's duties and responsibilities in order to comply with the revised Standards for the Professional Practice of Internal Auditing, which came into effect on January 1, 2002.
- Consideration and recommendation of the internal audit reports, and also on the results of the Quality Assurance Review of the internal audit function performed by an independent expert. The objective of the Quality Assurance Review was to ensure that the operations of the internal audit division comply with the Standards for the Professional Practice of Internal Auditing, and that the internal audit activities cover risk management, control and governance processes.
- Consideration and improvement of guidelines for EGCO Group's Code of Conduct allowing for more clarity and the ability to cope with changing situations. Monitoring and reporting processes are defined in the revision as well.
- Consideration of the summary results of EGCO and its subsidiaries' risk management in the past year with the recommendation that the risk management report should be presented to the Committee at every audit committee meeting.
- Exclusive meeting with the external auditors to request information on any problems and difficulties they encountered. Services other than auditing performed by the external auditors for EGCO Group were also reviewed in order to maintain the independence of the external auditor.
- Recommendations to the management on operations improvements to increase assurance that EGCO and its subsidiaries accurately complied with relevant laws and regulations, and all related party transactions and conflicts of interest are accurately and duly disclosed.
- Self-assessment of the Audit Committee's performance. The self-assessment questionnaire was derived from "Research Report, Improving Audit Committee Performance: What Works Best" of The Institute of Internal Auditors USA. The result of the assessment was reported to the Board of Directors and reveal that the structure, qualifications, meetings and performance of the Audit Committee are effective and comply with international best practices and SET's recommendations. Furthermore, the Committee also considered issues resulting from the self-assessment which needed to be improved, and included these improvements in the 2002 revised Audit Committee Charter. These issues included the overseeing of the risk management and the code of conduct.

Upon consideration of the above performance, the Committee is of the opinion that, in the year 2002, EGCO conducted its business consistent with the practices of good corporate governance. The risk management and internal control systems are appropriate and adequate to ensure that the financial statements and significant financial information disclosure are correct, duly, and reliable.



Mr. Aswin Kongsiri

Chairman of the Audit Committee

Auditor's Report

To the Shareholders of Electricity Generating Public Company Limited

I have audited the accompanying consolidated and company balance sheets as at 31 December 2002 and 2001, and the related consolidated and company statements of income, changes in shareholders' equity, and cash flows for the years then ended of Electricity Generating Public Company Limited and its subsidiaries, and of Electricity Generating Public Company Limited, respectively. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial position as at 31 December 2002 and 2001, and the consolidated and company results of operations, and cash flows for the years then ended of Electricity Generating Public Company Limited and its subsidiaries, and of Electricity Generating Public Company Limited, respectively, in accordance with generally accepted accounting principles.



Nangnoi Charoenthaveesub

Certified Public Accountant

(Thailand) No. 3044

PricewaterhouseCoopers ABAS Limited

Bangkok

21 February 2003

Balance Sheets

Electricity Generating Public Company Limited
As at 31 December 2002 and 2001

ASSETS	Notes	Consolidated		Company	
		2002 Baht	2001 Baht	2002 Baht	2001 Baht
Current Assets					
Cash and cash equivalents	5	2,274,707,433	3,434,787,785	1,125,362,249	2,524,903,144
Short-term investments	6, 29(b)				
- Deposits at banks and financial institutions		890,239,269	642,684,475	400,000,000	205,942,900
- Marketable securities		118,382,925	72,628,198	120,122,605	138,587,758
Short-term investments used as collateral	7				
- Deposits at banks and financial institutions		5,892,270,051	5,027,922,454	-	-
- Marketable securities		743,468,994	691,770,401	-	-
Trade accounts receivable, net	8	265,053,235	252,101,882	-	-
Trade receivable from a related party	28	1,722,439,587	1,566,214,770	-	-
Dividend receivable from subsidiaries		-	-	1,204,677,104	356,664,060
Amounts due from and short-term loan to related companies	28	52,879,732	39,375,885	11,716,721	8,418,733
Spare parts and supplies, net	9	2,872,730,085	2,650,765,908	-	-
Other current assets	28	294,278,832	416,024,729	31,528,865	41,338,639
Total Current Assets		15,126,450,143	14,794,276,487	2,893,407,544	3,275,855,234
Non-Current Assets					
Long-term investments in marketable securities and others	10, 28	2,218,133,560	2,217,579,038	2,274,596,787	2,192,079,038
Long-term investments used as collateral	7, 28				
- Deposits at a bank and financial institutions		1,791,946,894	2,599,990,828	-	-
- Marketable securities		1,983,673,639	1,958,369,638	-	-
Loan to an associate	28	32,490,000	32,490,000	32,490,000	32,490,000
Investments in subsidiaries	11	424,066	440,243	13,365,021,418	13,353,744,675
Investments in associates	11	279,930,149	229,342,151	-	-
Interests in joint ventures, net	11	541,984,376	482,465,557	3,632,785,227	2,712,413,874
Goodwill, net	12	1,219,432,814	1,016,535,445	-	-
Property, plant and equipment, net	13	32,033,957,904	28,998,578,409	841,457,296	891,975,497
Other non-current assets, net	14	644,395,803	635,123,114	84,146,574	99,390,712
Total Non-Current Assets		40,746,369,205	38,170,914,423	20,230,497,302	19,282,093,796
Total Assets		55,872,819,348	52,965,190,910	23,123,904,846	22,557,949,030



Machima Kunjara Na Ayudhya
(for) Director

Balance Sheets

Electricity Generating Public Company Limited
As at 31 December 2002 and 2001

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Consolidated		Company	
		2002 Baht	2001 Baht	2002 Baht	2001 Baht
Current Liabilities					
Bank overdrafts and short-term loans from banks		487,889,040	208,526,024	-	-
Trade accounts payable		547,501,942	252,846,184	-	-
Trade payable to a related party	28	80,944,471	35,990,462	-	-
Current portion of long-term loans and debentures	16, 17, 28	4,649,349,322	4,182,600,835	1,295,000,000	1,197,350,000
Amounts due to related companies	28	19,878,052	14,120,332	-	-
Short-term loan from a joint partner	15	250,000,000	-	-	-
Other current liabilities					
- Interest payable	28	197,795,871	224,082,872	41,941,667	60,550,000
- Value added tax payable		107,538,847	94,450,528	-	-
- Others		500,311,333	271,304,271	98,746,104	60,235,597
Total Current Liabilities		6,841,208,878	5,283,921,508	1,435,687,771	1,318,135,597
Non-Current Liabilities					
Long-term loans, net	16	19,789,279,590	18,813,057,348	-	-
Debentures, net	17, 28	8,005,485,168	9,674,592,701	1,400,650,000	2,695,650,000
Long-term loan from a joint partner	15	275,000,000	-	-	-
Other non-current liabilities		14,116,101	8,240,000	-	-
Total Non-Current Liabilities		28,083,880,859	28,495,890,049	1,400,650,000	2,695,650,000
Total Liabilities		34,925,089,737	33,779,811,557	2,836,337,771	4,013,785,597
Shareholders' Equity					
Share capital	18				
Authorized share capital		5,300,000,000	5,300,000,000	5,300,000,000	5,300,000,000
Issued and paid-up share capital		5,264,650,000	5,259,465,000	5,264,650,000	5,259,465,000
Premium on share capital	18	8,601,300,000	8,590,930,000	8,601,300,000	8,590,930,000
Retained earnings					
Appropriated					
- Legal reserve	20	530,000,000	442,832,100	530,000,000	442,832,100
Unappropriated		5,769,104,168	4,167,710,163	5,769,104,168	4,167,710,163
Unrealised gains on investments in marketable securities - available-for-sale		185,797,319	115,851,509	249,931,927	115,851,509
Translation adjustments		(75,249,744)	(32,625,339)	(75,249,744)	(32,625,339)
Total parent's shareholders' equity		20,275,601,743	18,544,163,433	20,339,736,351	18,544,163,433
Minority interest	11.5, 19	724,297,144	641,215,920	-	-
Total Shareholders' Equity		20,999,898,887	19,185,379,353	20,339,736,351	18,544,163,433
Less Treasury stock	18	(52,169,276)	-	(52,169,276)	-
Total Shareholders' Equity, net		20,947,729,611	19,185,379,353	20,287,567,075	18,544,163,433
Total Liabilities and Shareholders' Equity, net		55,872,819,348	52,965,190,910	23,123,904,846	22,557,949,030

The notes to the consolidated and company financial statements on pages 68 to 96 are an integral part of these financial statements.

Statements of Income

Electricity Generating Public Company Limited
For the years ended 31 December 2002 and 2001

	Notes	Consolidated		Company	
		2002 Baht	2001 Baht	2002 Baht	2001 Baht
Revenues					
Sales and service income	28	11,462,724,852	10,732,374,881	-	-
Cost of sales and cost of services	28	(4,926,288,591)	(4,033,147,365)	-	-
Gross profit		6,536,436,261	6,699,227,516	-	-
Administrative expenses		(900,275,725)	(889,273,807)	(420,802,788)	(391,140,943)
Profit (loss) from sales and services		5,636,160,536	5,809,953,709	(420,802,788)	(391,140,943)
Other income					
- Interest income	28	364,242,365	646,070,747	66,418,334	88,774,526
- Dividend income		211,059,565	148,293,145	208,608,455	148,293,145
- Others		94,149,306	85,284,469	44,125,487	56,163,295
Impairment charged	14	(342,000,000)	-	(342,000,000)	-
Directors' remuneration	24	(15,738,590)	(15,584,270)	(14,520,000)	(12,872,800)
Currency exchange gains (losses)		174,034,226	(236,255,557)	-	-
Operating profit (loss)		6,121,907,408	6,437,762,243	(458,170,512)	(110,782,777)
Share of profit (loss) of subsidiaries, associates and joint ventures		(72,527,046)	35,094,800	3,639,877,471	3,347,357,870
Profit before interest and tax		6,049,380,362	6,472,857,043	3,181,706,959	3,236,575,093
Interest expenses	28	(2,807,288,643)	(3,299,278,296)	(223,228,382)	(297,496,515)
Income tax		(47,247,242)	(31,042,046)	-	-
Profit before minorities		3,194,844,477	3,142,536,701	2,958,478,577	2,939,078,578
Profit attributable to minorities		236,365,900	203,458,123	-	-
Net profit for the year	21	2,958,478,577	2,939,078,578	2,958,478,577	2,939,078,578
Basic earnings per share					
	22				
Profit before minority interest		6.07	5.99	5.62	5.60
Profit attributable to minorities		0.45	0.39	-	-
Net profit for the year		5.62	5.60	5.62	5.60
Diluted earnings per share					
	22				
Profit before minority interest		-	5.94	-	5.55
Profit attributable to minorities		-	0.39	-	-
Net profit for the year		-	5.55	-	5.55

The notes to the consolidated and company financial statements on pages 68 to 96 are an integral part of these financial statements.

Statements of Changes in Shareholders' Equity

Electricity Generating Public Company Limited
For the years ended 31 December 2002 and 2001

	Notes	Consolidated										
		Issued and paid-up share capital	Premium on share capital	Legal reserve	Retained earnings	Fair value reserve	Translation adjustments	Minority interest	Treasury stock	Total		
		Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Opening balance as at 1 January 2002		5,259,465,000	8,590,930,000	442,832,100	4,167,710,163	115,851,509	(32,625,339)	641,215,920	-	-	19,185,379,353	
Legal reserve	20	-	-	87,167,900	(87,167,900)	-	-	-	-	-	-	
Translation adjustments		-	-	-	-	-	(42,624,405)	522,086	-	-	(42,102,319)	
Net profit for the year		-	-	-	2,958,478,577	-	-	-	-	-	2,958,478,577	
Dividends paid	23	-	-	-	(1,269,916,672)	-	-	(141,719,200)	-	-	(1,411,635,872)	
Unrealised gains on investments in marketable securities - available-for-sales		-	-	-	-	69,945,810	-	-	-	-	69,945,810	
Ordinary shares	18	5,185,000	-	-	-	-	-	-	-	-	5,185,000	
Premium on share capital	18	-	10,370,000	-	-	-	-	-	-	-	10,370,000	
Minority interest	11.5, 19	-	-	-	-	-	-	224,278,338	-	-	224,278,338	
Treasury stock	18	-	-	-	-	-	-	-	(52,169,276)	-	(52,169,276)	
Closing balance as at 31 December 2002		5,264,650,000	8,601,300,000	530,000,000	5,769,104,168	185,797,319	(75,249,744)	724,297,144	(52,169,276)	20,947,729,611		
Opening balance as at 1 January 2001		5,243,971,000	8,559,942,000	295,878,172	2,874,510,361	118,627,107	(114,404,771)	469,341,410	-	-	17,447,865,279	
Legal reserve	20	-	-	146,953,928	(146,953,928)	-	-	-	-	-	-	
Translation adjustments		-	-	-	-	-	81,779,432	-	-	-	81,779,432	
Net profit for the year		-	-	-	2,939,078,578	-	-	-	-	-	2,939,078,578	
Dividends paid	23	-	-	-	(1,498,924,848)	-	-	(217,321,306)	-	-	(1,716,246,154)	
Unrealised losses on investments in marketable securities - available-for-sales		-	-	-	-	(2,775,598)	-	-	-	-	(2,775,598)	
Ordinary shares	18	15,494,000	-	-	-	-	-	-	-	-	15,494,000	
Premium on share capital	18	-	30,988,000	-	-	-	-	-	-	-	30,988,000	
Minority interest	11.5, 19	-	-	-	-	-	-	389,195,816	-	-	389,195,816	
Closing balance as at 31 December 2001		5,259,465,000	8,590,930,000	442,832,100	4,167,710,163	115,851,509	(32,625,339)	641,215,920	-	-	19,185,379,353	

The notes to the consolidated and company financial statements on pages 68 to 96 are an integral part of these financial statements.

Statements of Changes in Shareholders' Equity

Electricity Generating Public Company Limited
For the years ended 31 December 2002 and 2001

	Notes	Issued and paid-up share capital	Premium on share capital	Legal reserve	Company		Translation adjustments	Minority interest	Treasury stock	Total
					Retained earnings	Fair value reserve				
		Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Opening balance as at 1 January 2002		5,259,465,000	8,590,930,000	442,832,100	4,167,710,163	115,851,509	(32,625,339)	-	-	18,544,163,433
Legal reserve	20	-	-	87,167,900	(87,167,900)	-	-	-	-	-
Translation adjustments		-	-	-	-	-	(42,624,405)	-	-	(42,624,405)
Net profit for the year		-	-	-	2,958,478,577	-	-	-	-	2,958,478,577
Dividends paid	23	-	-	-	(1,269,916,672)	-	-	-	-	(1,269,916,672)
Unrealised gains on investments in marketable securities - available-for-sales		-	-	-	-	134,080,418	-	-	-	134,080,418
Ordinary shares	18	5,185,000	-	-	-	-	-	-	-	5,185,000
Premium on share capital	18	-	10,370,000	-	-	-	-	-	-	10,370,000
Treasury stock	18	-	-	-	-	-	-	(52,169,276)	(52,169,276)	(52,169,276)
Closing balance as at 31 December 2002		5,264,650,000	8,601,300,000	530,000,000	5,769,104,168	249,931,927	(75,249,744)	-	(52,169,276)	20,287,567,075
Opening balance as at 1 January 2001		5,243,971,000	8,559,942,000	295,878,172	2,874,510,361	118,627,107	(114,404,771)	-	-	16,978,523,869
Legal reserve	20	-	-	146,953,928	(146,953,928)	-	-	-	-	-
Translation adjustments		-	-	-	-	-	81,779,432	-	-	81,779,432
Net profit for the year		-	-	-	2,939,078,578	-	-	-	-	2,939,078,578
Dividends paid	23	-	-	-	(1,498,924,848)	-	-	-	-	(1,498,924,848)
Unrealised losses on investments in marketable securities - available-for-sales		-	-	-	-	(2,775,598)	-	-	-	(2,775,598)
Ordinary shares	18	15,494,000	-	-	-	-	-	-	-	15,494,000
Premium on share capital	18	-	30,988,000	-	-	-	-	-	-	30,988,000
Closing balance as at 31 December 2001		5,259,465,000	8,590,930,000	442,832,100	4,167,710,163	115,851,509	(32,625,339)	-	-	18,544,163,433

The notes to the consolidated and company financial statements on pages 68 to 96 are an integral part of these financial statements.

Statements of Cash Flows

Electricity Generating Public Company Limited
For the years ended 31 December 2002 and 2001

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Cash flows from operating activities				
Net profit for the year	2,958,478,577	2,939,078,578	2,958,478,577	2,939,078,578
Adjustments to reconcile net profit to net cash provided by operations:				
- Depreciation and amortisation	2,196,489,440	2,179,253,999	64,507,716	62,724,988
- Impairment charged	342,000,000	-	342,000,000	-
- Unrealised currency exchange (gains) losses	(165,005,175)	238,163,788	-	-
- (Gains) losses on disposals of marketable securities	1,082,521	(2,567,223)	1,082,521	(2,567,223)
- Gains on disposal of a subsidiary	-	(22,266,016)	-	(6,879,806)
- Gains on disposals of property, plant and equipment	(1,543,484)	-	(2,292,096)	(2,620,197)
- Gains on share dilution	-	(16,947,636)	-	(16,947,636)
- Allowance for obsolescence	38,811,511	40,502,279	-	-
- Dividends received from other companies	(211,059,565)	(148,293,145)	(208,608,455)	(148,293,145)
- Share of (profit) loss of subsidiaries, associates and joint ventures	72,527,046	(35,094,800)	(3,639,877,471)	(3,347,357,870)
- Minority interest	236,365,900	203,458,123	-	-
- Others	48,688,823	4,640,874	20,400,000	-
Cash flows before changes in operating assets and liabilities	5,516,835,594	5,379,928,821	(464,309,208)	(522,862,311)
Changes in operating assets and liabilities: (excluding the effects of acquisition and disposal)				
- Short-term and long-term investments used as collateral	331,479,530	791,670,138	-	-
- Trade accounts receivable and trade receivable from a related party	128,293,434	(59,085,960)	-	-
- Amounts due from related companies	(2,309,996)	12,760,459	(3,297,989)	8,711,036
- Spare parts and supplies	(216,002,056)	(283,645,560)	-	-
- Other current assets	133,955,765	53,788,400	(9,748,944)	56,636,391
- Other non-current assets	16,238,431	(120,002,508)	15,204,138	(73,330,236)
- Trade accounts payable and trade payable to a related party	137,264,891	(171,006,449)	-	-
- Amounts due to related companies	5,731,971	(9,926,580)	-	(28,880)
- Other current liabilities	106,918,344	(73,161,611)	19,037,085	(5,656,036)
- Other non-current liabilities	(3,554,942)	(10,429,875)	-	-
Net cash receipts (payments) from operating activities	6,154,850,966	5,510,889,275	(443,114,918)	(536,530,036)

The notes to the consolidated and company financial statements on pages 68 to 96 are an integral part of these financial statements.

Statements of Cash Flows

Electricity Generating Public Company Limited
For the years ended 31 December 2002 and 2001

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	(2,047,772,500)	(344,256,265)	–	(445,500,000)
Disposal of a subsidiary	–	193,863,059	–	193,863,059
Investments in subsidiaries, an associate and interests in a joint venture	(182,617,686)	(109,843,847)	(1,423,389,816)	(561,141,507)
Net purchases of short-term investments	(331,221,873)	(516,505,558)	(223,033,820)	(120,969,336)
Purchases of long-term investments	(10,000,000)	(214,951,222)	(10,000,000)	(169,311,044)
Disposals of long-term investments	98,210,596	74,779,526	95,944,506	74,779,526
Net purchases of property, plant and equipment	(2,488,232,292)	(456,777,428)	(11,657,419)	(12,817,110)
Loans and advance made to a joint venture and related companies	(44,620,044)	(12,018,161)	(50,000,000)	(7,290,000)
Loan and advance payment received from joint ventures	37,348,267	–	50,000,000	–
Dividends received from subsidiaries	–	–	2,910,117,979	3,033,265,649
Dividends received from other companies	211,059,565	148,293,145	208,608,455	148,293,145
Others	(2,163,780)	(8,621,431)	–	–
Net cash receipts (payments) from investing activities	(4,760,009,747)	(1,246,038,182)	1,546,589,885	2,133,172,382
Cash flows from financing activities				
Proceeds from issue of ordinary shares	15,555,000	46,482,000	15,555,000	46,482,000
Proceeds from issue of ordinary shares from minority of a subsidiary and of a subsidiary of a joint venture	81,651,620	136,461,340	–	–
Payments on treasury stock	(52,169,276)	–	(52,169,276)	–
Net proceeds (payment) from short-term loans	282,385,281	(23,784,642)	–	–
Net proceeds from short-term loan from a joint partner	250,000,000	–	–	–
Proceeds from long-term loans	2,194,425,335	104,293,051	–	–
Payments on long-term loans and debentures	(4,189,768,716)	(4,531,097,964)	(1,197,350,000)	(1,107,000,000)
Proceeds from long-term loan from a joint partner	275,000,000	–	–	–
Dividends paid to shareholders	(1,412,493,664)	(1,611,178,802)	(1,269,051,586)	(1,497,169,077)
Proceeds from advance from a related company	2,160,000	–	–	–
Net cash payments from financing activities	(2,553,254,420)	(5,878,825,017)	(2,503,015,862)	(2,557,687,077)
Net decrease in cash and cash equivalents	(1,158,413,201)	(1,613,973,924)	(1,399,540,895)	(961,044,731)
Beginning balance	3,434,787,785	5,024,291,200	2,524,903,144	3,485,947,875
Effects of exchange rate changes	(1,667,151)	24,470,509	–	–
Ending balance	2,274,707,433	3,434,787,785	1,125,362,249	2,524,903,144
Cash and cash equivalents are made up as follows:				
- Cash in hand and at banks	1,434,963,887	1,864,618,035	623,776,730	1,410,053,826
- Short-term investments - maturity within three months	839,743,546	1,570,169,750	501,585,519	1,114,849,318
	2,274,707,433	3,434,787,785	1,125,362,249	2,524,903,144
Supplementary information for cash flows:				
Interest paid	3,006,069,450	3,386,213,703	228,758,268	400,000,000
Tax paid	13,786,490	14,367,320	–	–

The notes to the consolidated and company financial statements on pages 68 to 96 are an integral part of these financial statements.

Notes to the Consolidated and Company Financial Statements

Electricity Generating Public Company Limited
For the years ended 31 December 2002 and 2001

1. General information

Electricity Generating Public Company Limited (“the Company”) is a public limited company, incorporated and resident in Thailand. The address of its registered office is 15th Floor EGCO Tower, 222 Moo 5, Vibhavadi Rangsit Road, Tungsonghong, Laksi, Bangkok 10210.

The Company is listed on the Stock Exchange of Thailand.

The principal business operations of the Company and its subsidiaries, associates and joint ventures (together the “Group”) is to generate electricity for sale to government sectors both in Thailand and other country.

The Group has operations in over two countries and employs over 786 people (2001: 755 people).

2. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated and company financial statements are set out below.

Basis of preparation

The consolidated and company financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, being those Thai Accounting Standards issued by the Institute of Certified Accountants and Auditors of Thailand and approved under law by the Board of Supervision of Auditing Practice appointed by the Minister of Commerce under the Auditor Act B.E. 2505, and the financial reporting requirements of the Securities and Exchange Commission.

The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The accompanying consolidated and company financial statements are therefore not intended to present the financial position and results of operations and cash flows in accordance with jurisdictions other than Thailand. Consequently, these consolidated and company financial statements are not addressed to those in other countries and jurisdictions who are not informed about Thai Generally Accepted Accounting Principles and practices.

The consolidated and company financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

For the convenience of the user, an English translation of the consolidated and company financial statements has been prepared from the statutory financial statements that are issued in the Thai language.

Use of estimates

The preparation of financial statements in conformity with Thai Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Actual results may differ from those estimates.

Investments in subsidiaries

Investments in subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group. Separate disclosure is made for minority interest in the consolidated balance sheets and consolidated statements of income.

Investments in subsidiaries are reported by using the equity method of accounting in the Company's separate financial statements.

A list of the Group's principal subsidiaries and the financial effects of the acquisitions and disposals of subsidiaries is shown in Note 11.

Investments in associates

Investments in associates are accounted for by the equity method of accounting. These are undertakings in which the Group generally has between 20% and 50% of the voting rights, and over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group's interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associated undertakings includes goodwill (net of accumulated amortisation) on acquisition. Equity

accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated undertaking.

A list of the Group's principal associates is shown in Note 11.

Interests in joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. Under this method, the Group includes its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows in the relevant components of the consolidated financial statements. In the company financial statements, the equity method is applied for interests in joint ventures.

Further details about the joint ventures are shown in Notes 11 and 30.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary undertakings and joint ventures at the date of acquisition. Goodwill on acquisitions is reported in the consolidated balance sheet as goodwill and is amortised using the straight-line method over its estimated useful life which are between the periods of 3.5-20 years.

The carrying amount of goodwill is reviewed annually. Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

Dilution gains or losses

Dilution gains or losses that arise when the subsidiaries increase their authorised share capital and the Group does not increase its interest in the subsidiaries according to the original proportion held. The Group recognises the changing of investments in such subsidiaries to gains or losses on deemed disposal of interest on dilution of investments in subsidiaries in the consolidated and company statements of income.

Other investments

Investments other than investments in subsidiaries, associates and interests in joint ventures are classified into the following categories: held-to-maturity, available-for-sale and general investments. Investments with fixed maturity that the management has the intention and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has expressed the intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

The available-for-sale investments, comprising principally marketable debt securities, are fair valued annually at the close of business on 31 December. For investments traded in active market, fair value of marketable debt securities is determined by reference to the Bond Dealing Center quoted bid price. For other available-for-sale investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets. The unrealised gains and losses of available-for-sale investments are recognised in equity.

Investments in debt securities which are classified as held-to-maturity securities are carried at amortised cost.

Investments in non-marketable equity securities are classified as general investments and are carried at cost.

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to the consolidated and company statements of income.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the consolidated and company statements of income.

When disposing of part of the Group's holding of a particular investment in debt or equity securities, the carrying amount of the disposed part is determined by the weighted average carrying amount of the total holding of the investment.

Foreign currency translations

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the consolidated and company statements of income. Such balances are translated at year-end exchange rates. Liabilities which are covered by currency swap contract are translated into Thai Baht at the contract rate.

Statement of income of foreign entity is translated into the Group's reporting currency at the weighted average exchange rates for the year and the balance sheet is translated at the exchange rates ruling on balance sheet date. Currency translation differences arising from the retranslation of the net investment in a foreign joint venture, are taken to 'Translation adjustments' in shareholders' equity.

Financial instruments

Financial assets carried in the balance sheets include cash and cash equivalents, investments and trade accounts receivable. Financial liabilities carried in the balance sheet include trade accounts payable and loans. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The Group is also party to financial instruments that reduce exposure to fluctuations in foreign currency exchange and interest rates. These instruments, which comprise interest rate swap contracts and currency and interest rate swap contract, are not recognised in the consolidated and company financial statements on inception.

Interest rate swap contracts protect the Group from movements in interest rates. Any differential to be paid or received on interest rate swap contracts is recognised as a component of interest expense as incurred.

Currency and interest rate swap contract protects the Group from movements in exchange rates and interest rates. Any differential in interest rate to be paid or received is recognised as a component of interest expense as incurred. Gains or losses are therefore offset for financial reporting purposes are not recognised in the consolidated financial statements.

Disclosures about financial instruments to which the Group is a party are provided in Note 27.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at banks, short-term highly liquid investments with maturities of three months or less and bank overdrafts.

Trade accounts receivable

Trade accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful accounts receivable based on review of all outstanding amount at the year end. Bad debts are written off during the year in which they are identified.

Spare parts and supplies

Spare parts and supplies are stated at cost less allowance for obsolescence. Cost is calculated based on the moving average basis. The spare parts are categorised as “specific spare parts”, which are used for specific plant equipment in power plants of subsidiaries and joint ventures, and “common spare parts”, which are for general use.

The allowance for specific spare parts of subsidiaries is calculated by dividing the balances of specific spare parts in hand at the year end by the number of years remaining under the Power Purchase Agreement with the Electricity Generating Authority of Thailand. The allowance for common spare parts is generally provided based on an aging analysis.

Property, plant and equipment

All property, plant and equipment are initially recorded at cost. All plant and equipment are stated at historical cost less accumulated depreciation.

Depreciation is calculated on the straight-line method to write off the cost of each asset, except for land which is considered to have an indefinite life, to their residual values over their estimated useful lives as follows:

	<u>Years</u>
Power plants	15, 20 and 21
Water plants and transmission line	30
Buildings and structures	10 and 20
Transmission system	20 and 21
Office equipment, furniture and computers	3, 5 and 10
Operating and maintenance equipment	5
Motor vehicles	5

The power plants located in another country are generally depreciated by the units of production method based on estimated volume according to sales agreements. Whenever the actual production of the two plants falls below a specified level, depreciation charged to operations shall be the base depreciation amount. The base depreciation expense is computed based on the straight-line method over the estimated useful life of the power plants of 35 years. The actual production has fallen below a specified level; therefore, those power plants have been depreciated based on the straight-line method.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Estimated recoverable amount is the higher of the anticipated discounted cash flows from the continuing use of the asset and the amount obtainable from the sale of the asset less any cost of disposal.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the property for its intended use, as part of cost of the asset. All other borrowing costs are expensed. The borrowing costs include:

- Interest on long-term loans; and
- Amortisation of ancillary costs incurred in connection with the arrangement of borrowings
- Certain exchange differences and interest expenses arising from foreign currency loans but limited to an amount that would have been incurred had the loan been borrowed in local currency.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group’s outstanding borrowings during the year. Where funds are borrowed specifically for the acquisition, construction or

production of property, plant or equipment, the amount of borrowing costs eligible for capitalisation on that asset is determined from the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

Expenditures incurred for addition, renewal and betterment, which results in a substantial increase in an asset's current replacement value, are capitalised. Repair and maintenance costs are recognised as an expense when incurred.

Deferred income taxes

The Group does not recognise income taxes payable or receivable in future periods in respect of temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the consolidated or company financial statements.

Provident fund

The Company operates a provident fund, being a defined contribution plan, the assets for which are held in a separate trustee-administered fund. The provident fund is funded by payments from employees and by the Company.

The Company's contributions to the provident fund are charged to the company statement of income in the year to which they related.

Treasury stock

Treasury stock is carried at cost and shown as deduction from total shareholders' equity. Gains on disposal of treasury stock are determined by reference to its carrying amount and are taken to "Premium on treasury stock". Losses on disposal of treasury stock are determined by reference to its carrying amount and are taken to "Premium on treasury stock" and "Retained earnings" consecutively.

Revenue recognition

Sales are recognised on delivery of electricity and customer acceptance. Sales are shown net of sales taxes and discounts, and after eliminating sales within the Group.

Revenue from construction service is recognised in according to the percentage of completion method based on the ratio of actual cost incurred to the total estimated cost of the relevant contract. Revenue from other service is recognised when the services have been rendered in accordance with the term of the agreements or invoices have been issued.

Interest income is recognised on accrual basis unless collectibility is in doubt.

Dividend income is recognised when the shareholder's right to receive payment is established.

Major repair and maintenance expenses

Major repair and maintenance expenses relating to power plants, which are made to restore or maintain the future economic benefits, are expensed when incurred. Spare parts are charged to repair and maintenance expenses when they are issued from stocks.

Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Segment reporting

The segmental reporting has been prepared based on the Company's method of internal reporting, which desegregates its business by geographical areas.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. Statements of cash flows

Change in short-term and long-term deposits at banks and financial institutions used as collateral is included in cash flows from operating activities because proceeds of sales of electricity must be maintained in short-term and long-term deposits at banks and financial institutions used as collateral in accordance to the Master Agreements and loan agreements as described in Note 7.

4. Segment information

Financial information by geographical segments

For the year ended 31 December 2002

	Thailand	Philippines	Consolidated
	Baht	Baht	Baht
Revenue from sales and service income	10,504,337,404	958,387,448	11,462,724,852
Cost of sales and services	(4,597,255,165)	(329,033,426)	(4,926,288,591)
Segment results	5,907,082,239	629,354,022	6,536,436,261
Administrative expenses	(819,590,973)	(96,423,342)	(916,014,315)
Other income	622,149,565	47,301,671	669,451,236
Impairment charged (Note 14)	(342,000,000)	–	(342,000,000)
Currency exchange gains (losses)	200,306,135	(26,271,909)	174,034,226
Operating profit	5,567,946,966	553,960,442	6,121,907,408
Shares of loss from associates	(72,527,046)	–	(72,527,046)
Interest expenses	(2,691,262,017)	(116,026,626)	(2,807,288,643)
Profit before tax	2,804,157,903	437,933,816	3,242,091,719
Income tax	(13,316,013)	(33,931,229)	(47,247,242)
Profit before minority interest	2,790,841,890	404,002,587	3,194,844,477
Minority interest	3,443,932	232,921,968	236,365,900
Net profit	2,787,397,958	171,080,619	2,958,478,577
Segment assets	53,359,595,082	2,513,224,266	55,872,819,348

For the year ended 31 December 2001

	Thailand	Philippines	Consolidated
	Baht	Baht	Baht
Revenue from sales and service income	9,696,130,205	1,036,244,676	10,732,374,881
Cost of sales and services	(3,697,417,050)	(335,730,315)	(4,033,147,365)
Segment results	5,998,713,155	700,514,361	6,699,227,516
Administrative expenses	(812,691,487)	(92,166,590)	(904,858,077)
Other income	848,602,729	31,045,632	879,648,361
Currency exchange losses	(199,880,417)	(36,375,140)	(236,255,557)
Operating profit	5,834,743,980	603,018,263	6,437,762,243
Shares of profit from associates	35,094,800	–	35,094,800
Interest expenses	(3,096,321,533)	(202,956,763)	(3,299,278,296)
Profit before tax	2,773,517,247	400,061,500	3,173,578,747
Income tax	–	(31,042,046)	(31,042,046)
Profit before minority interest	2,773,517,247	369,019,454	3,142,536,701
Minority interest	(10,916,448)	214,374,571	203,458,123
Net profit	2,784,433,695	154,644,883	2,939,078,578
Segment assets	50,143,249,455	2,821,941,455	52,965,190,910

5. Cash and cash equivalents

Cash and cash equivalents of the Group comprise cash in hand and saving accounts. As at 31 December 2002 the interest rates bear at the rates of 0.25% to 3% per annum (2001: 0.25% to 3% per annum).

6. Short-term investments

Deposits at banks and financial institutions

Deposits at banks and financial institutions of the Group mainly comprise deposits at banks and promissory notes issued by local financial institutions. As at 31 December 2002 the interest rates bear at the rates of 0.5% - 3.75% per annum (2001: 1% to 9% per annum).

As at 31 December 2002 deposit at banks and financial institutions included reserved fund to administering obligations in compliance with good corporate governance, totalling Baht 400 million (2001: Baht 206 million (Note 29 (b))).

Marketable securities

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Available-for-sale				
Debt securities	110,460,005	70,460,005	112,199,685	136,419,565
Changes in fair value of investments	7,922,920	2,168,193	7,922,920	2,168,193
Short-term investments in marketable securities	118,382,925	72,628,198	120,122,605	138,587,758

7. Short-term and long-term investments used as collateral**Two subsidiaries of the Company**

Deposits at banks and financial institutions used as collateral are mainly of the two subsidiaries of the Company, which are Rayong Electricity Generating Company Limited (REGCO) and Khanom Electricity Generating Company Limited (KEGCO), are cash reserves to be maintained under the loan agreements and debentures referred to in Notes 16 and 17 respectively, for the purpose of repayment of principal and interest due within one year and as a reserve to minimise the exchange risk. These cash reserves are provided from the proceeds from sales of electricity.

As at 31 December 2002 and 2001, these cash reserves amounted to Baht 4,066 million and 3,744 million, respectively. The remaining balances of Baht 1,640 million and Baht 1,590 million as at 31 December 2002 and 2001, mainly represent Holding accounts of both subsidiaries and Borrower's accounts of KEGCO, which must be maintained in accordance with the loan agreements.

The cash reserve for minimising exchange risk represents deposits in US Dollars. The two subsidiaries have to provide this reserve until such account equals the lower of 25% of the aggregate outstanding unhedged US Dollar loans or an amount of US Dollars 103 million. As at 31 December 2002, the two subsidiaries provided this reserve at 25% of their outstanding unhedged US Dollar loans in a total amount of US Dollars 83 million.

Three subsidiaries of Gulf

Deposits at banks and financial institutions of Gulf of Baht 773 million mainly are of three subsidiaries which have been pledged as collateral to secure credit facilities according to long-term loan agreements. However, withdrawals can be made from the pledged accounts to provide working capital in the normal course of business of the subsidiaries.

Short-term investments and long-term investments used as collateral comprise of deposits at banks and financial institutions and marketable securities.

Deposits at banks and financial institutions used as collateral

As at 31 December 2002, short-term and long-term deposits under these reserves bear interest at the rates of 0.77% - 3.38% per annum for the foreign currency deposits and 0.25% - 8.00% per annum for the Thai Baht deposits.

Short-term investments in marketable securities used as collateral

	Consolidated		
	31 December 2002		
	Available-for-sale Baht	Current portion of investments Held-to-maturity Baht	Total Baht
Debt securities	664,855,601	78,574,451	743,430,052
Changes in fair value of investments	38,942	–	38,942
Short-term investments in marketable securities used as collateral	664,894,543	78,574,451	743,468,994

Consolidated
31 December 2001

	Current portion of investments		Total Baht
	Available-for-sale Baht	Held-to-maturity Baht	
Debt securities	597,601,629	95,339,201	692,940,830
Changes in fair value of investments	(1,170,429)	–	(1,170,429)
Short-term investments in marketable securities used as collateral	596,431,200	95,339,201	691,770,401

Long-term investments in marketable securities used as collateral

Consolidated
31 December 2002

	Current portion of investments		Total Baht
	Available-for-sale Baht	Held-to-maturity Baht	
Debt securities	1,827,212,416	148,061,983	1,975,274,399
Changes in fair value of investments	8,399,240	–	8,399,240
Long-term investments in marketable securities used as collateral	1,835,611,656	148,061,983	1,983,673,639

The above held-to-maturity investments of Baht 148,061,983 are due within 2-5 years.

Consolidated
31 December 2001

	Current portion of investments		Total Baht
	Available-for-sale Baht	Held-to-maturity Baht	
Debt securities	1,817,955,257	135,704,618	1,953,659,875
Changes in fair value of investments	4,709,763	–	4,709,763
Long-term investments in marketable securities used as collateral	1,822,665,020	135,704,618	1,958,369,638

The Group engaged an International Fund Manager to manage funds in US Dollar denominated Collateral Accounts. Most funds are invested in short-term and long-term marketable debt securities, under the investment guideline as stipulated in loan agreements with the Group's lenders.

Gains or losses on revaluation of investments which are classified as available-for-sale are charged to shareholders' equity and recognised as income or expenses in the consolidated and company statements of income when such investments are sold.

8. Trade accounts receivable, net

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Trade accounts receivable	268,388,235	257,350,323	–	–
<u>Less</u> Allowance for doubtful accounts	(3,335,000)	(5,248,441)	–	–
Trade accounts receivable, net	265,053,235	252,101,882	–	–

Outstanding trade accounts receivable as at 31 December can be analysed as follows:

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Up to 3 months	241,777,402	195,489,273	–	–
3 – 6 months	2,225,089	24,421,510	–	–
6 – 12 months	907,676	5,101,739	–	–
Over 12 months	23,478,068	32,337,801	–	–
	268,388,235	257,350,323	–	–
<u>Less</u> Allowance for doubtful accounts	(3,335,000)	(5,248,441)	–	–
Trade accounts receivable, net	265,053,235	252,101,882	–	–

9. Spare parts and supplies, net

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Fuel	331,054,631	325,204,524	–	–
Specific spare parts	2,687,070,174	2,160,424,202	–	–
Common spare parts	65,093,255	138,250,907	–	–
Spare parts in transit	2,273,664	199,493,056	–	–
	3,085,491,724	2,823,372,689	–	–
<u>Less</u> Allowance for obsolescence	(212,761,639)	(172,606,781)	–	–
Spare parts and supplies, net	2,872,730,085	2,650,765,908	–	–

10. Long-term investments in marketable securities and others

Long-term investments in marketable securities comprise of debt and equity securities.

Marketable securities and others

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Available-for-sale				
Debt securities	184,381,495	186,040,540	176,710,114	160,540,540
Equity securities	1,859,346,693	1,909,346,693	1,859,346,693	1,909,346,693
Changes in fair value of investments	172,105,372	119,891,805	236,239,980	119,891,805
Total long-term investments in marketable securities	2,215,833,560	2,215,279,038	2,272,296,787	2,189,779,038
Others equity security	2,300,000	2,300,000	2,300,000	2,300,000
Long-term investments in marketable securities and others	2,218,133,560	2,217,579,038	2,274,596,787	2,192,079,038

11. Investments in subsidiaries, associates and interests in joint ventures, net

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Investments in subsidiaries	424,066	440,243	13,365,021,418	13,353,744,675
Investments in associates	279,930,149	229,342,151	–	–
Interests in joint ventures	541,984,376	482,465,557	3,974,785,227	2,712,413,874
<u>Less</u> Provision for impairment (Note 14)	–	–	(342,000,000)	–
Investments in subsidiaries, associates and interests in joint ventures, net	822,338,591	712,247,951	16,997,806,645	16,066,158,549

The movements in investments in subsidiaries, associates and interests in joint ventures can be analysed as follows:

	Consolidated	2002 Company
	Baht	Baht
Opening net book value	712,247,951	16,066,158,549
Call for additional paid up share capital of subsidiaries and a joint venture (Note 11.2 and 11.5)	182,617,686	1,423,389,816
Share of profit (loss) from investments in subsidiaries, associates and interests in joint ventures	(72,527,046)	3,639,877,471
Dividends received from subsidiaries and joint ventures	–	(3,758,131,023)
Dissolution of a subsidiary	–	(841,278)
Change in fair value of marketable securities available-for-sales of a subsidiary	–	11,977,516
Translation adjustments	–	(42,624,406)
Impairment charged (Note 14)	–	(342,000,000)
Closing net book value	822,338,591	16,997,806,645

The Company holds ordinary shares in all its subsidiaries and there has been no change in these holdings since 2001, except for dissolution of a subsidiary, EGCO Mining Company Limited, in 2001.

11.1 The principal subsidiaries, which are all incorporated in Thailand except EGCO International B.V.I which is incorporated in the British Virgin Islands, are as follows:

Company 31 December 2002						
Business	Paid-up share capital Baht'000	Portion of Investment (%) (Including indirect holding)	Cost Method Baht'000	Equity Method Baht'000	Dividend Baht'000	
Rayong Electricity Generating Co., Ltd.	4,700,000	99.99	4,700,000	5,914,849	2,085,803	
Khanom Electricity Generating Co., Ltd.	4,850,000	99.99	4,850,000	5,388,981	1,751,318	
EGCO Engineering and Service Co., Ltd. and its subsidiary and joint venture	350,000	99.99	350,000	384,284	–	
- Subsidiary						
- AGRO Energy Co., Ltd.		99.99				
- Joint venture						
- Amata Power-Esco Service Co., Ltd.		50.00				
Egcom Tara Co., Ltd.	345,000	70.00	398,475	289,747	–	
EGCO Green Energy Co., Ltd. and its subsidiary	139,384	74.00	103,144	93,738	–	
- Roi-Et Green Co., Ltd.		95.00				
EGCO International B.V.I	–	99.99	–	378,686	–	
Thai LNG Power Corporation Limited and its subsidiary	525,000	100.00	525,000	522,547	–	
- TLP Cogeneration Co.,Ltd.	1,060,000	80.00	424,000	392,189	–	
			11,350,619	13,365,021	3,837,121	

The investment in Agro Energy Company Limited was accounted for under the equity method but not consolidated in the consolidated financial statements as at 31 December 2002 and 2001 because this subsidiary has not commenced its trading operation and its financial statements were not material to the Group.

11.1 The principal subsidiaries, which are all incorporated in Thailand except EGCO International B.V.I which is incorporated in the British Virgin Islands, are as follows: (continued)

Company 31 December 2001						
	Business	Paid-up share capital Baht'000	Portion of Investment (%) (Including indirect holding)	Cost Method Baht'000	Equity Method Baht'000	Dividend Baht'000
Rayong Electricity Generating Co., Ltd.	Electricity generating	4,700,000	99.99	4,700,000	6,148,141	1,542,627
Khanom Electricity Generating Co., Ltd.	Electricity generating	4,850,000	99.99	4,850,000	5,631,523	991,322
EGCO Engineering and Service Co., Ltd. and its subsidiary and joint venture	Power plant maintenance services	350,000	99.99	350,000	320,676	–
- Subsidiary						
- AGRO Energy Co., Ltd.	Trading / delivery services of natural scrap		99.99			
- Joint venture						
- Amata Power-Esco Service Co., Ltd.	Power plant operation		50.00			
EGCO Mining Co., Ltd.	Mining and other energy	176,000	70.00	124,800	841	–
Egcom Tara Co., Ltd.	Tap water business	345,000	70.00	398,475	270,130	–
EGCO Green Energy Co., Ltd. and its subsidiary	Investing in biomass fueled electric generating plant	87,259	74.00	64,572	63,754	–
- Roi-Et Green Co., Ltd.	Develop, design, construct and test operation of fueled electric generating plant from husk		95.00			
EGCO International B.V.I	Investing in power energy projects	–	99.99	–	188,682	–
Thai LNG Power Corporation Limited and its subsidiary	Investing in power energy projects	450,000	100.00	438,000	448,016	–
- TLP Cogeneration Co.,Ltd.	Electricity generating	742,000	80.00	417,600	281,982	–
				11,343,447	13,353,745	2,533,949

11.2 Principal movements in investments in subsidiaries during the year ended 31 December 2002

(a) EGCO Engineering and Service Company Limited

On 28 October 2002, the Board of Directors of EGCO Engineering and Service Co.,Ltd. approved to reduce the authorised share capital from Baht 350 million to Baht 250 million in order to reduce excess liquidity and to have an appropriate working capital to its business size. The capital reduction process is expected to be completed within the first quarter of 2003.

(b) Thai LNG Power Corporation Limited and its subsidiary

During the year 2002, Thai LNG Power Corporation Limited and TLP Cogeneration called for additional paid-up of Baht 1 per share from total shares of 75 million shares totalling Baht 75 million and Baht 3 per share from total shares 106 million totalling Baht 318 million, respectively. The Group paid for the additional paid-up at the same proportion as original investments.

(c) EGCO Green Energy Company Limited

In August 2002, EGCO Green Company Limited called for additional paid-up of Baht 3.05 per share from total shares of 17.1 million shares totalling Baht 52.1 million. The Group paid for the additional paid-up at the same proportion as original investment.

11.3 The principal associates, which have been included in the consolidated and company financial statements, are as follows:

		Consolidated				
Business	Portion of Investment (%)	31 December 2002		31 December 2001		
		Cost method Baht'000	Equity method Baht'000	Cost method Baht'000	Equity method Baht'000	
Amata-EGCO Power Limited	Electricity generating	14.85	200,475	279,930	200,475	229,342

11.4 The principal joint venture, which is incorporated in Thailand except Conal Holdings Corporation which is incorporated in the Philippines, are as follows:

		Consolidated				
Business	Portion of Investment (%)	31 December 2002		31 December 2001		
		Cost method Baht'000	Equity method Baht'000	Cost method Baht'000	Equity method Baht'000	
Amata Power-Esco Service Co., Ltd.	Power plant operation	50	1,000	5,490	1,000	2,948
Nam Theun 2	Electricity generating (development phase)	25	662,135	536,494	479,517	479,517
			663,135	541,984	480,517	482,465

The investment in Amata Power-Esco Service Company Limited was accounted for under the equity method but not proportionately consolidated in the consolidated financial statements as at 31 December 2002 and 2001 because its financial statements were not material to the Group.

Nam Theun 2 Power Company (NTPC) was incorporated in 2002 with the registered paid-up share capital of US Dollar 1 million in order to sign a Concession Agreement for the construction and operation of Nam Theun 2 hydroelectric power project with Government of Lao PDR (GOL). Under the Concession Agreement dated 30 October 2002 for the construction and operation of Nam Theun 2 hydroelectric power project, NTPC has the obligations to pay resource usage charge, income tax, environmental and social support fund inclusive of providing letters of credit totalling US Dollars 18 million in order to partly secure its obligations. The three shareholders which are EDF International, Ital-Thai Development Public Company Limited and Electricity Generating Public Company Limited are required to provide cash totalling US Dollar 1 million to NTPC for operational plan activities during the pre-financial close period. In addition, the three aforementioned shareholders have to pay goodwill fee, reimbursable project development cost and advisory expenses on behalf of GOL amounting to US Dollars 30 million to Electricité Du Laos at the completion date of financial close.

Investment in Nam Theun 2 project is currently in the development phase and has not commenced its trading operation and therefore is accounted for under the equity method. The investment in Nam Theun 2 project has been reclassified to present as investments in joint venture in the fourth quarter of 2002, previously present as other investment.

		Company				
		31 December 2002				
Business	Paid-up share capital Baht'000	Portion of Investment (%)	Cost Method Baht'000	Equity Method Baht'000	Dividend Baht'000	
EGCO Joint Venture and Development Co., Ltd	Investing in power energy business	696,720	50.00	348,360	463,979	–
Gulf Electric Public Co., Ltd. (Gulf)	Electricity generating	4,000,000	50.00	2,175,000	2,194,876	–
Conal Holdings Corporation (Conal)	Investing in power energy business	729,320	40.00	1,002,467	779,436	378,686
Nam Theun 2	Electricity generating (development phase)	10,565	25.00	662,135	536,494	–
				4,187,962	3,974,785	378,686
<u>Less Provision for impairment (Note 14)</u>				–	(342,000)	–
				4,187,962	3,632,785	378,686

		Company 31 December 2001				
	Business	Paid-up share capital Baht'000	Portion of Investment (%)	Cost Method Baht'000	Equity Method Baht'000	Dividend Baht'000
EGCO Joint Venture and Development Co., Ltd.	Investing in power energy business	696,720	50.00	348,360	358,898	–
Gulf Electric Public Co., Ltd. (Gulf)	Electricity generating	2,000,000	50.00	1,175,000	1,084,307	–
Conal Holdings Corporation (Conal)	Investing in power energy business	729,320	40.00	1,002,467	789,691	188,682
Nam Theun 2	Electricity generating (development phase)		25.00	479,517	479,517	–
				3,005,344	2,712,413	188,682

11.5 Principal movements in interests in joint ventures during the year ended 31 December 2002

Gulf

In November 2002, Gulf Electric Public Company Limited issued 200 million at par value of Baht 10 which were priced at Baht 10. The Group purchased new shares issued at the same proportion as original investments.

Commencing 1 January 2002, Gulf has applied Thai Accounting Standard No.46 "Joint Ventures" in accounting for its interest of 60% in Gulf Power Generation Company Limited by proportionate consolidation. Previously, Gulf Power Generation Company Limited had been included in the consolidated financial statements as subsidiary. The effect of this change has been to recognise only the proportionate share of each individual balance sheet and income statement items of the jointly controlled company.

The Company has not restated the consolidated financial statements as at 31 December 2001 as the effect is not material as shown below:

	Restated Baht'000	Previously reported Baht'000
Consolidated balance sheet		
Other assets	545,073	635,123
Minority interest (Note 19)	547,541	641,216

Consolidated profit and loss

Gulf Power Generation Company Limited has not commenced its normal trading operation, the effect of its profit or loss was not material to the consolidated financial statements.

On 28 November 2002, Gulf acquired 99.99% of the share capital of Samutprakarn Cogeneration Company Limited and Nongkhae Cogeneration Company Limited. The consideration of Baht 4,096 million was settled in cash on the same date. The consolidated net book value, amounting to Baht 3,302 million, as at 28 November 2002 was applied as the fair value of the net identifiable assets at the date of acquisition. The resulting goodwill of Baht 794 million will be amortised on a straight-line basis over the remaining years of the PPAs which are not over the periods of 18-19 years.

The acquired business contributed revenues of Baht 148 million and operating profit of Baht 15 million to the Group for the period from 28 November 2002 to 31 December 2002.

Details of acquisition of net consolidated assets of the two subsidiaries in the consolidated financial statements and the resulting goodwill are as follows:

	As at 28 November 2002	
	Consolidated Million Baht	Gulf Million Baht
Property, plant and equipment, net (Note 13)	3,118	6,236
Other assets less liabilities	(1,467)	(2,934)
Book value of net assets	1,651	3,302
Goodwill (Note 12)	397	794
Total purchase consideration	2,048	4,096

12. Goodwill, net

For the year ended 31 December 2002

Consolidated

	Baht
Opening net book value	1,016,535,445
Acquisition (Note 11.5)	397,156,789
Impairment charged (Note 14)	(120,017,432)
Amortisation	(69,947,605)
Translation adjustments	(4,294,383)
Closing net book value	1,219,432,814

13. Property, plant and equipment, net

Consolidated

	Land Baht	Buildings and Land improvements Baht	Power Plants & Substation, Transmission System and Water Plants Baht	Equipment and motor vehicles Baht	Construction in progress Baht	Total Baht
At 31 December 2001						
Cost	1,990,178,902	3,305,027,130	34,709,280,698	362,747,655	354,904,812	40,722,139,197
<u>Less</u> Accumulated depreciation	–	(915,995,094)	(10,589,903,763)	(217,661,931)	–	(11,723,560,788)
Net book value	1,990,178,902	2,389,032,036	24,119,376,935	145,085,724	354,904,812	28,998,578,409

Year ended 31 December 2002

Opening net book value	1,990,178,902	2,389,032,036	24,119,376,935	145,085,724	354,904,812	28,998,578,409
Translation adjustments	(784,497)	(487,230)	(99,054,765)	1,259,090	(113,037)	(99,180,439)
Joint venture acquired subsidiaries (Note 11.5)	77,598,727	2,458,502	3,022,241,745	14,638,188	942,816	3,117,879,978
Additions	4,424,800	20,427,741	86,069,183	44,441,895	2,401,442,479	2,556,806,098
Disposals/Transfer	(348,751,006)	95,864,593	(55,235,646)	(3,466,929)	(103,996,136)	(415,585,124)
Depreciation charged (Note 21)	–	(173,610,811)	(1,896,346,806)	(54,583,401)	–	(2,124,541,018)
Closing net book value	1,722,666,926	2,333,684,831	25,177,050,646	147,374,567	2,653,180,934	32,033,957,904

At 31 December 2002

Cost	1,722,666,926	3,425,266,743	37,659,436,195	369,379,165	2,653,180,934	45,829,929,963
<u>Less</u> Accumulated depreciation	–	(1,091,581,912)	(12,482,385,549)	(222,004,598)	–	(13,795,972,059)
Net book value	1,722,666,926	2,333,684,831	25,177,050,646	147,374,567	2,653,180,934	32,033,957,904

Company

	Land Baht	Buildings and Land improvement Baht	Equipment and Vehicles Baht	Total Baht
At 31 December 2001				
Cost		284,429,029	619,834,930	1,085,270,181
<u>Less</u> Accumulated depreciation		–	(88,343,987)	(193,294,684)
Net book value		284,429,029	531,490,943	891,975,497

Year ended 31 December 2002

Opening net book value		284,429,029	531,490,943	76,055,525	891,975,497
Additions		–	–	15,340,597	15,340,597
Disposals/Transfer		–	–	(1,391,082)	(1,391,082)
Depreciation charge (Note 21)		–	(34,158,995)	(30,308,721)	(64,467,716)
Closing net book value		284,429,029	497,331,948	59,696,319	841,457,296

At 31 December 2002

Cost		284,429,029	619,834,930	168,011,465	1,072,275,424
<u>Less</u> Accumulated depreciation		–	(122,502,982)	(108,315,146)	(230,818,128)
Net book value		284,429,029	497,331,948	59,696,319	841,457,296

As at 31 December 2002, land, buildings and equipments of five subsidiaries and three joint ventures have been mortgaged and pledged as collateral in accordance with the loan agreements and debentures as described in Notes 16 and 17.

Borrowing costs from two subsidiaries of the Company of Baht 45,038,737 (2001: Baht 332,403), arising on financing specifically entered into for the construction of a new power plants, were capitalised during the year and are included in 'Additions' of the consolidated financial statement. Capitalisation rates of 4.81% - 7.75% per annum (2001 : 3.25% per annum) was used representing the actual borrowing cost of the loan used to finance the projects.

14. Other non-current assets, net

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Deposits	10,036,933	10,837,149	7,496,166	7,571,989
Refundable tax	71,031,775	91,555,390	71,031,775	91,555,390
Project development costs and advances for Bor Nok Project	671,552,419	391,748,114	-	-
Others	113,757,244	140,982,461	5,618,633	263,333
<u>Less</u> Provision for impairment	(221,982,568)	-	-	-
	644,395,803	635,123,114	84,146,574	99,390,712

As at 31 December 2002, expenses related to the Bor Nok Project, which has been operated by a joint venture of Gulf, consist of project development costs, advances, and land purchased for the project, which are shown as other non-current assets in these consolidated financial statements, totalling Baht 672 million. In May 2002, the government assigned Electricity Generating Authority of Thailand (EGAT) to discuss the project status with the contractual party of this project who is a joint venture of Gulf with regard to the postponement of the commercial operation date. At the resolutions between EGAT and a joint venture of Gulf dated 4 October 2002 summarised that EGAT assigned such joint venture to submit new proposal in respect of alternative operations of this project including the determination of the commercial operation date to EGAT's committee. The new proposal is currently being reviewed by the EGAT's committee. As specified in the Sale/Purchase Agreement for electric supply with EGAT, such joint venture will be reimbursed project costs by EGAT should the project be discontinued by the government.

Due to the uncertainty of the project, the Company has assessed the recoverability of its investment in this project. The impairment provision by Baht 222 million was recognised in the second quarter of 2002. Furthermore, the impairment loss of the goodwill arising from the acquisition of Bor Nok Project amounting to Baht 120 million was recognised in the same quarter.

15. Short-term and long-term loans from a joint partner

As at 31 December	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Electric Power Development Co., Ltd				
- Short-term loans	250,000,000	-	-	-
- Long-term loans	275,000,000	-	-	-
<u>Total loans from a joint partner</u>	525,000,000	-	-	-

Short-term loans from a joint partner bears fixed interest at the rate of 4.5% per annum. Long-term loans from a joint partner bears fixed interest at the rates of 5%, 5.25% and 5.75% per annum for the first three years and at the fixed deposit rate plus a certain margin for the subsequent years. The principals and interest are repayable on annually and quarterly basis, respectively.

16. Long-term loans

The long-term loans are as follows:

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Current portion of long-term loans				
US Dollars	2,370,967,845	2,218,506,062	–	–
Peso Philippines	14,652,587	15,533,953	–	–
Thai Baht	588,201,815	396,687,500	–	–
	2,973,822,247	2,630,727,515	–	–
Long-term loans, net				
US Dollars	15,480,251,923	16,927,647,020	–	–
Peso Philippines	87,019,192	107,787,422	–	–
Thai Baht	3,988,351,512	1,754,020,313	–	–
Japanese Yen	233,656,963	23,602,593	–	–
	19,789,279,590	18,813,057,348	–	–
Total long-term loans	22,763,101,837	21,443,784,863	–	–

After taking account of interest rate swaps, the weighted average effective interest rate exposure of the long-term loans of the Group was approximately 8.58%.

Long-term loans of subsidiaries of the Company

The long-term loans of Rayong Electricity Generating Company Limited are the loans under the Master Agreement, Credit Agreement and Institutional Loan Agreement, each dated 30 November 1994.

The long-term loans of Khanom Electricity Generating Company Limited are the loans under the Master Agreement and Bank Credit Agreement, each dated 3 June 1996.

The long-term loans of Egcom Tara Company Limited and Roi-Et Green Company Limited are loans from a local financial institution. The long-term loans of TLP Cogeneration Company Limited are loans from local banks and a local financial institution.

The long-term loan information of subsidiaries of the Company is summarised as follows:

Total facilities	Outstanding balance as at 31 December 2002	Term of repayment (years)	Interest rate (% per annum)
Loans of Rayong Electricity Generating Company Limited			
USD 93 million	USD 24 million	10	LIBOR plus a certain margin
USD 48 million	USD 12 million	10	LIBOR plus a certain margin
USD 141 million	USD 127 million	15	Fixed rate at 8.85%
Baht 3,550 million	Baht 1,491 million	12	MLR minus a certain margin
Loans of Khanom Electricity Generating Company Limited			
USD 100 million	USD 68 million	12	LIBOR plus a certain margin
USD 165 million	USD 112 million	12	LIBOR plus a certain margin
Baht 225 million	Not yet drawdown	15	MLR minus a certain margin
Loans of Egcom Tara Company Limited			
Baht 300 million	Baht 240 million	7	Fixed rate at 10.25% from the borrowing date to September 2004 and MLR plus a certain margin for the subsequent
Loans of Roi-Et Green Company Limited			
JPY 1,260 million	JPY 645 million	12	Fixed rate at 3.25%
Loans of TLP Cogeneration Company Limited			
USD 29 million	USD 25 million	13.5	LIBOR plus a certain margin
Baht 1,457 million	Baht 630 million	13.5	MLR plus a certain margin

Maturity of long-term loans of subsidiaries:

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Within 1 year	2,444,046,626	2,147,266,544	–	–
Later than 1 year and not later than 5 years	10,795,019,725	10,338,444,849	–	–
Later than 5 years	4,103,972,357	5,364,428,616	–	–
	17,343,038,708	17,850,140,009	–	–

Rayong Electricity Generating Company Limited

Rayong Electricity Generating Company Limited has entered into an interest rate swap agreement to convert a floating interest rate based on LIBOR plus a certain margin to fixed interest rates at 8.12% and 8.22% per annum for 2 tranches of loan amounting to US Dollars 93 million and US Dollars 48 million. The agreement is effective from 30 November 1994 to 7 December 2004.

On 30 September 1999, the lenders of the Thai Baht loans transferred the right to receive the loan repayment amounting to Baht 1,517 million to the Mutual Fund, namely REGCO Loan Fund (1). On the same date the Mutual Fund settled the loans of Baht 1,517 million due by the subsidiary. The loan bears interest at 8% per annum. The repayment schedule for principal and interest is semi-annually. In addition, such subsidiary has also entered into an interest rate swap agreement to convert the floating interest rate to a fixed rate of 8% per annum for the remaining Thai Baht loan of Baht 1,110 million. The repayment schedules for principal and interest are semi-annually and monthly respectively.

Khanom Electricity Generating Company Limited

On 9 May 1996, Khanom Electricity Generating Company Limited entered into an interest rate swap agreement to convert the floating interest rate based on LIBOR plus a certain margin to a fixed interest rate at 8.0275% per annum on an outstanding loan of US Dollars 165 million. In addition, there is a currency and interest rate swap agreement to convert a loan of US Dollars 100 million with a floating interest rate to Thai Baht currency at a fixed interest rate of 11% per annum. As a result, the balance of this loan at 31 December 2002 amounted to US Dollars 68 million, approximately to Baht 1,716 million. These agreements are effective from 19 June 1996 to 14 June 2008.

The Master Agreements of both subsidiaries have certain clauses which state that cash reserves are to be maintained from the proceeds of sales of electricity to ensure repayments of principal and interest due within one year and other conditions as described in Note 7. Further, a reserve for minimising the exchange risk will be provided as described in the same note.

In addition, the PPAs, the Asset Purchase Agreements, the Major Maintenance Agreements, insurance policies and other related agreements with the lenders have been assigned as collateral in accordance with the conditions under of Master Agreements.

Land, buildings and equipment of the five subsidiaries of the Company, which are specified in the Master Agreements and loan agreements, are mortgaged and pledged as collateral in accordance with the loan agreements as described in Note 13.

Long-term loans of joint ventures

The long-term loan information of joint ventures is summarised as follows:

Total facilities		Outstanding balance as at 31 December 2002	Term of repayment (years)	Interest rate (% per annum)
Loans of EGCO Joint Venture and Development (EGCO JD)				
USD	8 million	USD 7 million	12	LIBOR plus a certain margin
USD	1 million	USD 1 million	12	LIBOR plus a certain margin
Baht	41 million	Baht 24 million	12	MLR plus a certain margin
Baht	15 million	Not yet drawdown	12	MLR plus a certain margin
Baht	24 million	Not yet drawdown	12	MLR plus a certain margin

Total facilities	Outstanding balance as at 31 December 2002	Term of repayment (years)	Interest rate (% per annum)
Loans of Gulf			
USD 40 million	USD 12 million	13	LIBOR plus a certain margin
	Baht 518 million		MLR
USD 16 million	USD 8 million	13	LIBOR plus a certain margin
	Baht 268 million		MLR
USD 10 million	USD 9 million	13	LIBOR plus a certain margin
Baht 520 million	Baht 457 million	13	MLR minus a certain margin
Baht 34 million	Baht 26 million	4	MLR plus a certain margin
Baht 600 million	Baht 272 million	11	MLR plus a certain margin
	Baht 251 million	13	MLR plus a certain margin
Baht 150 million	Baht 125 million	13	Fixed rate at 9% for the first five year and at MLR plus a certain margin for the subsequent years
Loans of Conal			
USD 23 million	Fully settled in 2002	10	LIBOR plus a certain margin
USD 30 million	USD 21 million	11.5	LIBOR plus a certain margin
USD 18 million	USD 13 million	11.5	LIBOR plus a certain margin
PHP 106 million	PHP 77 million	11.5	Fixed rate at 11%
PHP 66 million	PHP 49 million	11.5	Fixed rate at 11%

Maturity of long-term loans of joint ventures:

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Within 1 year	529,775,621	483,460,971	–	–
Later than 1 year and not later than 5 years	2,490,423,843	1,602,031,274	–	–
Later than 5 years	2,399,863,665	1,508,152,609	–	–
	5,420,063,129	3,593,644,854	–	–

Long-term loans of EGCO JD mainly are loans of its joint venture obtained from a local bank and a foreign bank. These loans are payable on semi-annually basis for principals and interest. Certain portion of the property, plant and equipment were pledged as security for such loans as described in Note 13.

Long-term loans of Gulf mainly are syndicated loans of its three subsidiaries obtained from various local banks and financial institutions. These loans are payable on a quarterly to an annually basis for principals and on a monthly to semi-annually basis for interest. Such loans are secured by mortgage of all of project's land and construction thereon, machinery, and equipment as described in Note 13 and by pledge of deposits at banks and financial institutions as described in Note 7.

Long-term loans of Conal mainly are syndicated loans of its two subsidiaries obtained from Philippines local banks. These loans are payable on a quarterly basis. Certain portion of the property, plant and equipment were pledged as security for such loans as described in Note 13.

17. Debentures

The debentures are debentures in Thai Baht of the Company and its two subsidiaries as follows:

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Current portion of debentures	1,675,527,075	1,551,873,320	1,295,000,000	1,197,350,000
Debentures, net	8,005,485,168	9,674,592,701	1,400,650,000	2,695,650,000
Total debenture	9,681,012,243	11,226,466,021	2,695,650,000	3,893,000,000

After taking account of interest rate swaps, the weighted average effective interest rate exposure of debentures of the Group and the Company were approximately 10.25% and 5.49%, respectively.

The debenture issued by the Company is summarised as follows:

	Outstanding balance as at 31 December 2002 (Baht Million)	Interest rate (% per annum)	Term of repayment (Years)	Final repayment (Date)
Debentures	2,696	8	5	21 October 2004

Maturity of debentures of the Company:

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Within 1 year	1,162,160,035	1,076,422,200	1,295,000,000	1,197,350,000
Later than 1 year and not later than 5 years	1,258,523,865	2,420,148,277	1,400,650,000	2,695,650,000
	2,420,683,900	3,496,570,477	2,695,650,000	3,893,000,000

The debentures of the Company are private placements, totalling 5,000,000 units of Baht 1,000 at face giving a total of Baht 5,000 million. The debentures are repayable semi-annually from 2001 to 2004. The debentures bear fixed interest at the rate of 8% per annum and the interest is paid semi-annually. The Company is required to comply with the conditions set out in the agreement.

The Company has entered into an interest rate swap agreement to convert a fixed interest rate at the rate of 8% per annum to a floating interest rate based on six-month THBFX plus a certain margin. This agreement is effective from 23 April 2001 to 21 October 2004. In addition, the Company has entered into another interest rate swap agreement to convert a floating interest rate based on THBFX plus a certain margin to fixed interest rate at the rate of 6.95% per annum for the debenture amount of Baht 2,696 million. This agreement is effective from 21 April 2002 to 21 October 2004.

The debenture issued by two subsidiaries of the Company are summarised as follows:

	Outstanding balance as at 31 December 2002 (Baht Million)	Interest rate (% per annum)	Term of repayment (Years)	Final repayment (Date)
Rayong Electricity Generating Company Limited				
Debentures No.1	1,250	11.25	5, 7, 10, 12	7 December 2006
Debentures No.2	420	11.25	1-12	7 December 2006
Khanom Electricity Generating Company Limited				
Debentures	5,664	11.5625	15	14 June 2011

Maturity of debentures of two subsidiaries of the Company:

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Within 1 year	513,367,040	475,451,120	-	-
Later than 1 year and not later than 5 years	3,792,990,346	3,649,093,946	-	-
Later than 5 years	2,953,970,957	3,605,350,478	-	-
	7,260,328,343	7,729,895,544	-	-

Rayong Electricity Generating Company Limited

The debentures of Rayong Electricity Generating Company Limited are dealt with by the Master Agreement and Debenture Holder Representative Appointment Agreement No.1 and No.2, each dated 30 November 1994.

The No.1 debentures of Rayong Electricity Generating Company Limited are divided into 4 parts, being repayable in 5 years, 7 years, 10 years, and 12 years in 1999, 2001, 2004 and 2006, respectively. The No.2 debentures are divided into 12 parts, being repayable in 1 to 12 years, in 1995 to 2006. The interest rate is payable semi-annually.

Khanom Electricity Generating Company Limited

The debentures of Khanom Electricity Generating Company Limited are dealt with by the Master Agreement and the Statements of the Terms and Conditions Regarding the Rights and Obligations of the Issuer and the Debentureholders, which were dated 3 June 1996 and 19 June 1996, respectively.

These debentures are secured debentures with the holders' names being registered, and total 750,000 units of Baht 10,000 at face value giving a total of Baht 7,500 million. The total debentures were offered to the public and are repayable within 15 years from the date of issue on 14 June 1996, at six monthly intervals until 2011. The interest is payable semi-annually at the rate of 11.5625% per annum.

Both subsidiaries are also required to maintain a reserve for repayments of principal and interest due within one year as described in Note 7 and to pledge the relevant agreements as collateral as described in Note 16.

18. Share capital and premium on share capital

	Number of shares	Ordinary shares Baht	Premium on shares capital Baht	Total Baht
At 1 January 2001	524,397,100	5,243,971,000	8,559,942,000	13,803,913,000
Issue of shares	1,549,400	15,494,000	30,988,000	46,482,000
At 31 December 2001	525,946,500	5,259,465,000	8,590,930,000	13,850,395,000
Issue of shares	518,500	5,185,000	10,370,000	15,555,000
At 31 December 2002	526,465,000	5,264,650,000	8,601,300,000	13,865,950,000

The total authorised number of ordinary shares is 530,000,000 shares (2001: 530,000,000 shares) with a par value of Baht 10 per share (2001: Baht 10 per share). The amount of 526,465,000 shares are issued and fully paid up.

Under the resolution of the Shareholders' Extraordinary Meeting no. 1/1995 on 22 August 1995, a 5-year allocation plan of 10 million warrants to the employees of the Company and its subsidiaries under the Employee Stock Ownership Plan (ESOP) with a par value of Baht 10 per share was approved. During the year, the Company received subscription of 518,500 additional shares at Baht 30 each. The Company registered the increased share capital with the Ministry of Commerce.

Treasury stock

The Company's Board of Directors Meeting dated 29 October 2001 has given the approval to repurchase its shares in order to manage the excess cash of the Company. The Board of Directors has approved the share repurchase scheme, with an investment amount not exceeding Baht 1,500 million or in term of shares repurchased does not exceed 43 million shares equivalent to 8% of the total shares issued and paid-up of the Company.

During the year ended 31 December 2002, the Company repurchased 1,300,800 shares of its own at the average price of Baht 40.11 per share.

19. Minority interest

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Opening balance	641,215,920	469,341,410	-	-
Acquisitions	-	63,303,905	-	-
Additional paid-up share capital of subsidiaries and a joint venture	81,651,620	122,433,788	-	-
Dissolution of a subsidiary	(70,446)	-	-	-
Disposal of a subsidiary of a joint venture	6,286	-	-	-
Reclassification (Note 11.5)	(93,675,022)	-	-	-
Shares of net profit of subsidiaries and joint ventures	236,365,900	203,458,123	-	-
Translation adjustments	522,086	-	-	-
Dividend payment of a joint venture	(141,719,200)	(217,321,306)	-	-
Closing balance	724,297,144	641,215,920	-	-

20. Legal reserve

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Opening balance	442,832,100	295,878,172	442,832,100	295,878,172
Appropriation during the year	87,167,900	146,953,928	87,167,900	146,953,928
Closing balance	530,000,000	442,832,100	530,000,000	442,832,100

Under the Public Companies Act, the Company is required to set aside as a statutory reserve at least 5% of its net profit until the reserve is not less than 10% of the registered capital. The reserve is non-distributable.

21. Net profit

The following items have been charged in arriving at net profit:

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Depreciation on property, plant and equipment (Note 13)	2,124,541,018	2,101,064,098	64,467,716	62,684,988
Major repair and maintenance expense	1,202,020,075	783,437,428	–	–
Staff costs	649,833,116	590,735,463	134,608,620	130,568,694
Impairment charged (Note 14)	342,000,000	–	342,000,000	–

22. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, net-off treasury stock.

	Consolidated		Company	
	2002	2001	2002	2001
Net profit attributable to shareholders (Baht)	2,958,478,577	2,939,078,578	2,958,478,577	2,939,078,578
Weighted average number of ordinary share in issue (share)	526,128,958	525,266,350	526,128,958	525,266,350
Basic earnings per share (Baht)	5.62	5.60	5.62	5.60

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, net-off treasury stock. The Company has provided share warrants to the employees of the Group under the Employee Stock Ownership Plan (ESOP) from 17 April 1997 to 17 June 2002.

The outstanding share warrants are assumed to have been exercised to purchase ordinary shares for the purpose of computing the dilution. For this calculation, no adjustment is made to net profit.

	Consolidated		Company	
	2002 Shares	2001 Shares	2002 Shares	2001 Shares
Weighted average number of ordinary shares in issue	–	525,266,350	–	525,266,350
Adjustments for share warrants	–	3,906,700	–	3,906,700
Weighted average number of ordinary shares for diluted earnings per share	–	529,173,050	–	529,173,050
Diluted earnings per share (Baht)	–	5.55	–	5.55

23. Dividends

At the annual shareholders' meeting dated 22 April 2002, it has approved to pay dividends in respect of 2001 performance as follows:

(a) Interim dividends for 525,946,500 shares at Baht 1 each, totalling Baht 526 million. These interim dividends were paid in the third quarter of 2001. The Company reversed a long-outstanding dividend payable approximately Baht 77 million in 2001.

(b) Final dividends for 525,826,500 shares of Baht 1.25 each, totalling Baht 657 million. These dividends were paid in the second quarter of 2002.

At a meeting of the Board of Directors dated 25 August 2002, an interim dividends in respect of the operating results of the six-month period ended 30 June 2002 for 525,194,200 shares at Baht 1.25 per share, totalling Baht 656 million was approved. These dividends were paid in the third quarter of 2002.

In addition, the Company reversed long outstanding dividend payable, belonged to foreign investors, who were unable to exercise rights to receive such dividends approximately Baht 43 million in the third quarter of 2002

24. Directors' remuneration

Directors' remuneration in the consolidated statements of income for the year ended 31 December 2002 amounts to Baht 16 million (2001 : Baht 15 million) and comprises of meeting fees and bonus. Expenses were approved at the Annual General Meeting of Shareholders.

25. Provident fund

The Group has provident funds for those employees who apply to join. The contributions comprise the employee and the Group's contribution at the same rate. The funds are managed by authorised fund managers in accordance with the Provident Fund Act 1987.

26. Promotional privileges

Rayong Electricity Generating Company Limited, Khanom Electricity Generating Company Limited, TLP Cogeneration Company Limited, Egcom Tara Company Limited and Roi-Et Green Company Limited, which are the Company's subsidiaries, have received promotional privileges from the Office of Board of Investment under promotion certificates issued on 15 June 1995, 6 November 1996, 7 June 1999, 6 December 2000 and 19 October 2001, respectively, in respect of generating electricity and tap water. Under these privileges, these subsidiaries have received exemption from certain taxes and duties as detailed in the certificates including exemption from corporate income tax for a period of 8 years from the date of first earning revenue. As a promoted industry these subsidiaries are required to comply with the terms and conditions as specified in the promotion certificates.

Three subsidiaries of Gulf have been granted promotional privileges by the Office of Board of Investment for the generation and distribution of electricity. Under these privileges, these subsidiaries have received exemption from corporate income tax for a period of 8 years from the date of first earning revenue from the promoted activities. As a promoted industry these subsidiaries are required to comply with the terms and conditions as specified in the promotion certificates.

Three subsidiaries of Conal have received promotional privileges from the Office of Board of Investment under the Omnibus Investments Code of 1987 in respect of generating electricity. Under these privileges, these subsidiaries have received exemption from corporate income tax for a period of 6 years from the date of first earning revenue from the promoted activities.

27. Financial instruments

The principal financial risks faced by the Group are interest rate and exchange rate risks. The Group borrows at both fixed and floating rates of interest and exchange to finance its operations.

The objectives in using derivative financial instruments are to reduce the uncertainty over future cash flows arising from movements in interest and exchange rates, and to manage the liquidity of the cash resources. Interest rate exposures are managed through interest rate swaps and currency and interest rate swaps as stated in Notes 16 and 17. In respect of currency exchange risk which mainly results from the US Dollar loans, this is minimised by adjusting of the exchange rate impact through the formulae for the calculation of sales of electricity charged to EGAT and National Power Corporation (NPC) as described in Note 28.

Trading for speculative purpose is prohibited. All derivative transactions are subject to approval by the Group Management Committee before execution. Decisions on the level of risk undertaken are confined to the Group Management Committee which has established limits by transaction type and by counter party.

(a) Financial assets and liabilities

As at 31 December, the Group has outstanding foreign currency assets and liabilities after taking accounts of currency swaps as follows:

	Consolidated		2002 Company	
	Currency Million	Million Baht	Currency Million	Million Baht
Assets				
US Dollars	151	6,505	–	–
Euro	0.5	21	–	–
		6,526		–
Liabilities				
US Dollars	447	18,126	–	–
Euro	0.3	15	–	–
Japanese Yen	651	236	–	–
		18,377		–

	Consolidated		2001 Company	
	Currency Million	Million Baht	Currency Million	Million Baht
Assets				
US Dollars	171	7,549	–	–
Deutsche Mark	2	30	–	–
		7,579		–
Liabilities				
US Dollars	509	23,265	–	–
Japanese Yen	70	24	–	–
		23,289		–

Foreign currency assets represent cash and cash equivalents, trade accounts receivable, US Dollars deposits with foreign and local banks and financial institutions and investments in US Dollars for the future payments of foreign currency liabilities. Foreign currency liabilities represent trade accounts payable, other payable, interest payable and long-term loans.

As at 31 December 2002 the Group has not entered into forward exchange contracts to cover the exchange risk to long-term loans in US Dollar which net of deposits in US Dollar amounted of US Dollars 224 million (2001: US Dollar 219 million).

Objectives and significant terms and conditions

In order to manage risks arising from fluctuations in interest rates and currency exchange rates, the Group uses of the following derivative financial instruments.

Interest rate swaps

Swap contracts are entered into to manage exposures to fluctuations in interest rates on specific transactions. As at 31 December 2002 the fixed interest rates for long-term loans in US Dollars and Baht amounted to US Dollars 149 million and Baht 1,490 million varied from 8% to 8.22% per annum (2001 : 8% to 8.22% per annum) and fixed interest rate for debentures of Baht 2,696 million was at the rate of 6.95% per annum (2001 : floating interest rate at the rate of a six-month THBFX plus a certain margin).

The remaining notional principal amounts of the outstanding interest rate swap contracts at 31 December were:

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Within 1 year	3,015,371,967	2,815,270,659	1,295,000,000	1,197,350,000
Later than 1 year but not later than 5 years	7,045,885,107	9,033,390,822	1,400,650,000	2,695,650,000
Later than 5 years	571,611,480	1,756,644,120	–	–
	10,632,868,554	13,605,305,601	2,695,650,000	3,893,000,000

Currency and interest rate swap

A swap contract is entered into to manage exposure to fluctuations in foreign currency exchange and interest rates on specific transactions. As at 31 December 2002 the long-term loans of US Dollars 68 million has the fixed exchange rate at Baht 25.23 per US Dollar 1 (2001 : Baht 25.23 per US Dollar 1) and the fixed interest rate at the rate of 11% per annum (2001 : 11% per annum). The agreement is effective from 19 June 1996 to 14 June 2008.

The remaining notional principal amounts of the outstanding currency and interest rate swap contract at 31 December were:

	Consolidated		Company	
	2002 Baht	2001 Baht	2002 Baht	2001 Baht
Within 1 year	201,840,000	176,610,000	–	–
Later than 1 year but not later than 5 years	1,311,960,000	1,110,120,000	–	–
Later than 5 years	201,840,000	605,520,000	–	–
	1,715,640,000	1,892,250,000	–	–

(b) Credit risk

The Group has no significant concentrations of credit risk relating to its cash and investments. The Group places its cash and investments with high quality institutions. The Group's policy is designed to limit exposure with any one institution and to invest its excess cash in low risk investment accounts. The Group has not experienced any losses on such accounts.

(c) Fair value

The carrying amounts of the following financial assets and financial liabilities approximate to their fair values: cash and cash equivalents, investments, trade receivables and payables, amounts due from and due to related companies, dividend receivables, other receivables and payables, short-term loans, and floating rate long-term loans. Information on the fair values of long-term loans, debentures, interest rate swap contracts and a currency and interest rate swap contract are detailed below.

The contract amounts and fair values of certain long-term loans and debentures are as follows:

	31 December 2002			
	Consolidated		Company	
	Contract amounts Million Baht	Fair values Million Baht	Contract amounts Million Baht	Fair values Million Baht
Long-term loans	22,763	24,302	–	–
Debentures	9,681	12,160	2,696	2,852

	31 December 2001			
	Consolidated		Company	
	Contract amounts Million Baht	Fair values Million Baht	Contract amounts Million Baht	Fair values Million Baht
Long-term loans	21,444	22,495	–	–
Debentures	11,226	13,881	3,893	4,103

The fair values long-term loans are based on discounted cash flows using a discount rate based upon the market rates at the balance sheet date.

The fair values of debentures are based on discounted cash flows using discount rate based upon the market interest rate available on the latest trading date in the Bond Dealing Center quoted bid price within the balance sheet date.

The fair values of the derivative financial instruments at the balance sheet are as follows:

	Consolidated		Company	
	2002 Million Baht	2001 Million Baht	2002 Million Baht	2001 Million Baht
Favorable (unfavorable) interest rate swaps	(627)	(594)	39	36
Favorable currency and interest rate swap	883	1,158	–	–

The fair values of interest rate swap and currency and interest rate swap contracts have been calculated by using rates quoted by the Group's bankers to terminate the contracts at the balance sheet date except the contract that prohibited to early terminate. The fair value of such contract approximates the original contract.

28. Related party transactions

Major shareholders of the Company are the Electricity Generating Authority of Thailand (EGAT) and CLP Power Projects (Thailand) Limited. They hold 25.41% and 20.73%, of the Company's share, respectively. The remaining Company's shares are widely held.

The information of the Company's subsidiaries, associates, and joint ventures is stated in Note 11.

The following material transactions were carried out with related parties:

(a) Sales of electricity

For the years ended 31 December	Consolidated			Company
	2002 Million Baht	2001 Million Baht	2002 Million Baht	2001 Million Baht
Sales of electricity				
- Electricity Generating Authority of Thailand	8,963	9,362	-	-

Two subsidiaries of the Company

Two subsidiaries of the Company, which are Rayong Electricity Generating Company Limited and Khanom Electricity Generating Company Limited, have entered into the Power Purchase Agreements (PPAs) with EGAT. The agreements are effective for periods of 15 and 20 years. According to the resolutions of the Cabinet's meetings dated 15 February 1994 and 23 January 1996, the electricity revenues from such agreements are calculated on a "Cost plus basis". There is a limitation of sales of electricity to third parties as specified in the agreements. These agreements have been pledged as collateral with the lenders under the Master Agreements.

In addition, these two subsidiaries are eligible to take into consideration and receive compensation for exchange rate effects to adjust the formulae for calculation of electricity sold to EGAT in each month pertaining to "The First Amendment to Power Purchase Agreements" dated 30 January 1998 over the periods of the PPAs. Compensation for the years ended 31 December 2002 and 2001 amounted to Baht 1,153 million and Baht 1,152 million respectively.

Under the PPAs, EGAT has to bear the natural gas cost until the subsidiaries enter into a natural gas purchase agreement with PTT Public Company Limited. Therefore, the calculation of revenues from the portion of energy sales of electricity does not include a calculation of the natural gas cost.

Three subsidiaries of Gulf

Three subsidiaries of Gulf have entered into the Power Purchase Agreements with EGAT. According to the agreements, these subsidiaries must start to sell electricity to EGAT within September 1998, August 1999 and October 2000 with such sales quantity and electricity rate in compliance with the agreement. These agreements are effective for a period of 21 years each commencing the first commercial operation dates, and these subsidiaries have pledged bank guarantees as collaterals for the cancellation in the amount of Baht 356 million. These guarantees will be received on maturity. In addition, on 24 December 1997 a subsidiary entered into a Supplemental Agreement to Power Purchase Agreement (PPA) with EGAT. The PPA was mainly amended to include the US Dollar indexation in the electric tariff formula as well as to expand the coverage of the Force Majeure Clause.

(b) Service income

For the years ended 31 December	Consolidated			Company
	2002 Million Baht	2001 Million Baht	2002 Million Baht	2001 Million Baht
Service income				
- Electricity Generating Authority of Thailand	29	27	-	-

EGCO Engineering and Service Company Limited has entered into Subcontract for Major Maintenance Agreements with EGAT to provide major maintenance services, repair services, administrative services, and additional services related to the power plants. The compensation for such service is calculated based on "Cost plus Basis". The agreements are effective for a period of 6 years commencing 26 January 2001 and 26 July 2002.

(c) Major maintenance expenses

For the years ended 31 December	Consolidated			Company
	2002 Million Baht	2001 Million Baht	2002 Million Baht	2001 Million Baht
Major maintenance expenses				
- Electricity Generating Authority of Thailand	820	309	-	-

Two subsidiaries of the Company, which are Rayong Electricity Generating Company Limited and Khanom Electricity Generating Company Limited, have entered into Major Maintenance Agreements with EGAT for the latter to provide major maintenance services, repair services, administrative services and additional services related to the subsidiaries' power plants. The price for such services is calculated under the agreements, based on the "Cost plus basis" and will be adjusted annually according to the Consumer Price Index. The agreements have been extended for a period of six years, commencing from 7 December 2000 and 19 June 2002. These agreements have been pledged as collateral with the lenders under the Master Agreements.

(d) Trade receivable from and trade payable to a related party

As at 31 December	Consolidated		Company	
	2002 Million Baht	2001 Million Baht	2002 Million Baht	2001 Million Baht
Trade receivable				
- Electricity Generating Authority of Thailand	1,722	1,566	-	-
Outstanding trade receivable as at 31 December can be analysed as follows:				
Up to 3 months	1,721	1,563	-	-
3-6 months	-	1	-	-
6-12 months	-	-	-	-
Over 12 months	1	2	-	-
	1,722	1,566	-	-
Trade payable				
- Electricity Generating Authority of Thailand	81	36	-	-

(e) Amounts due from and amounts due to related companies

As at 31 December	Consolidated		Company	
	2002 Million Baht	2001 Million Baht	2002 Million Baht	2001 Million Baht
Amounts due from related companies				
Subsidiaries				
- Khanom Electricity Generating Co., Ltd.	-	-	1	-
- EGCO Engineering and Service Co., Ltd.	-	-	1	-
Joint ventures				
- EGCO Joint Venture and Development Co., Ltd.	6	-	1	-
- Amata Power-Esco Service Co., Ltd.	3	-	-	-
- Conal Holdings Corporation	30	9	-	-
Associates				
- Amata-EGCO Power Co., Ltd.	9	7	9	7
- Others	5	11	-	1
	53	27	12	8
Amounts due to related companies				
Subsidiaries				
- Aqua Thai Co., Ltd.	-	7	-	-
- Tyco Earth Tech (Thailand) Co., Ltd.	8	-	-	-
Joint ventures				
- EGCO Joint Venture and Development Co., Ltd.	2	2	-	-
- Gulf Electric Public Co., Ltd.	2	-	-	-
- Conal Holdings Corporation	8	5	-	-
	20	14	-	-

(f) Loans to an associate and a joint venture

As at 31 December	Consolidated			Company
	2002 Million Baht	2001 Million Baht	2002 Million Baht	2001 Million Baht
Loan to an associate				
- Amata-EGCO Power Co., Ltd.	32	32	32	32
Loan to a joint venture				
- Joint Ventures between EGCO Engineering and Service Co., Ltd. and Ital-Thai Engineering Co., Ltd.	-	12	-	-

The loan to Amata-EGCO Power Company Limited is long-term loan which were given on commercial terms and conditions. The repayment of principal and interest of these loans is restricted until certain conditions specified in the loan agreements such as a required amount of cash reserves are met.

The loan to a joint venture between EGCO Engineering and Service Company Limited and Ital-Thai Engineering Company Limited represents promissory notes at call, bearing interest at the rate of 10% per annum.

(g) Investments in debentures issued by a subsidiary and the Company's debentures held by the subsidiaries and related interests

As at 31 December	Consolidated			Company
	2002 Million Baht	2001 Million Baht	2002 Million Baht	2001 Million Baht
Investments in debentures				
- Khanom Electricity Generating Co., Ltd.	-	-	60	66
Interest receivable				
- Khanom Electricity Generating Co., Ltd.	-	-	1	1
The Company's debentures held by				
- Rayong Electricity Generating Co., Ltd.	-	-	27	39
- Khanom Electricity Generating Co., Ltd.	-	-	248	357
Interest payable				
- Rayong Electricity Generating Co., Ltd.	-	-	1	1
- Khanom Electricity Generating Co., Ltd.	-	-	3	6
For the years ended 31 December				
Interest income on investments in debentures of				
- Khanom Electricity Generating Co., Ltd.	-	-	11	12
Interest expenses on the Company's debentures held by				
- Rayong Electricity Generating Co., Ltd.	-	-	3	4
- Khanom Electricity Generating Co., Ltd.	-	-	20	19

29. Commitments and contingent liabilities**Commitments and contingent liabilities of the Company**

(a) As at 31 December 2002, the Company has commitments under the Sponsor Support Agreements, which were made in respect of loans of associates and a joint venture and performance bond of subsidiaries on behalf of the Company totalling Baht 1,778 million and Baht 40 million, respectively.

(b) As a credible, high-quality company, the Company is committed to administering its obligations in compliance with good corporate governance. It has, accordingly, set up a reserve fund of 25% of total obligations to its subsidiaries and associates, thus reducing the risk of default and providing extra return in the form of interest income and increased financial stability. As at 31 December 2002, the reserve fund balance amounted to Baht 400 million. The Company is in the process of making an additional reserve in the amount of Baht 53 million.

Commitments and contingencies of joint ventures

(c) Under Shareholders' Agreement between MEC Laguna Power B.V. and Gulf, a joint venture of Gulf has commitments to pay to the two shareholders in respect of all project development costs for Bor Nok Project which incurred by each shareholder. The project development costs with the approval of the Management Committee of such joint venture will be treated as loans to the joint venture until repaid at closing of construction financing for the project. As at 31 December 2002 the Management Committee has not yet been appointed and therefore, the project development costs incurred by each shareholder have not been declared by the two shareholders. In addition, a part of project development costs which paid by MEC Laguna Power B.V. have not been included in these consolidated financial statements.

The joint venture of Gulf is obliged to provide capital amounting to Baht 90 million for the establishment of two compensation funds as insurance against any adverse environmental impact from the power plant throughout the project period. These funds will be managed by the Tripartite Committee, and these funds will be expired when the joint venture ceases the power plant project.

Significant agreements

Power Purchase Agreements

The Power Purchase Agreements with the Electricity Generating Authority of Thailand (EGAT) of Rayong Electricity Company Limited, Khanom Electricity Generating Company Limited and Gulf Electric Public Company Limited are mentioned in Note 28.

(d) Two subsidiaries of the Company which are TLP Cogeneration Company Limited (TLP Cogen) and Roi-Et Green Company Limited (Roi-Et Green) have entered into Power Purchase Agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT). The agreements are effective for a period of 21 years commencing January and April 2003, respectively. According to the PPAs, securities of Baht 86 million and Baht 37 million in the form of bank guarantees have to be provided as collateral by TLP Cogen and Roi-Et Green, respectively. The collateral will be returned to the subsidiaries upon the first commercial operation date.

(e) A joint venture of EGCO JD has entered into sales/purchase agreement for electricity supply with the Electricity Generating Authority of Thailand (EGAT) in 1998. The agreement covers a period of 21 years commencing the first commercial operation date. Under the agreement, such joint venture has to provide security of Baht 24 million in the form of a bank guarantee as security against the early cancellation of the agreement. The security is to be returned to the joint venture upon the expiry of the agreement.

(f) Under a Fast-Track Build, Operate and Transfer (BOT) project agreement with the National Power Corporation (NPC), a subsidiary of Conal has constructed, installed and currently operates two bunker diesel power stations in Mindanao, Philippines. NPC supplies all fuel necessary to generate electricity, with all electricity generated purchased by NPC at a price calculated based on the formulae provided in the agreements. The power stations are being operated for a period of 10 years and 12 years commencing from 1994 to 2003 and 2005, respectively. Upon expiration of the specified periods, such subsidiary shall transfer to NPC all its rights, title and interest in the power stations without compensation.

(g) Under a separate Energy Conversion Agreements (ECAs) with NPC, the other two subsidiaries of Conal have constructed a 100 and 50 megawatt bunker diesel power plants under a Build-Own-Operate (BOO) scheme. NPC supplies all fuel necessary to generate electricity, with all electricity purchased by NPC at a price calculated based on the formulae provided in the agreements. The two subsidiaries shall, directly or indirectly, own the power plants and shall operate and manage the power plants for a period of 18 years up to 2015 and 2016. Upon expiration of the 18-year cooperation period, the ECAs may be renewed upon the sole option of NPC.

These three subsidiaries of Conal are eligible to receive the compensation amounts from NPC, in the event of amendment, modification or repeal of any Philippines laws or any government regulations that will materially reduce, prejudice or otherwise adversely affect these subsidiaries' interest in the project or the power plant/station, and/or these subsidiaries' economic return on their investments.

Water Supply Agreement

(h) A subsidiary of the Company has entered into an agreement with the Provincial Waterworks Authority (PWA) for the generation of water supply for a period of 30 years. Under the agreement, the subsidiary has to produce water for sale to Ratchaburi and Samutsongkram waterworks. PWA has the obligation to purchase water at the specifying volume as defined in the agreement.

Gas Purchase Agreements

(i) A joint venture of EGCO JD has also entered into Gas Purchase Agreement with PTT Public Company Limited to purchase gas at specifying volume and price. The agreement was effective for a period of 21 years, which can be extended for a period of four years under the conditions stipulated in the agreement.

(j) The three subsidiaries of Gulf have entered into Gas Sale Agreements with PTT Public Company Limited. The agreements are effective for periods of 16-21 years. Under the agreements those subsidiaries have to purchase gas at specifying volume and price. Each agreement has an option to renew for additional periods of 4-5 years.

Fuel Supply Agreement

(k) A subsidiary of the Company has entered into Fuel Supply Agreement (rice husk) with a related company to purchase rice husk at specifying price as stated in the agreement. This agreement is effective for a period of 21 years.

Service and Capital Spare Parts Purchase Agreements

The Major Maintenance Agreements with the Electricity Generating Authority of Thailand (EGAT) of Rayong Electricity Company

Limited and Khanom Electricity Generating Company Limited are mentioned in Note 28.

(l) A subsidiary of the Company has entered into Subcontract for Major Maintenance Agreements with EGAT to provide major maintenance services, repair services, administrative services, and additional services related to the power plants. The agreements are effective for a period of 6 years commencing 26 January 2001 and 26 July 2002.

(m) A subsidiary of the Company has entered into Power Plants and Substation and Transmission System Repair and Maintenance Service Contract with a related company. The contract, totalling Baht 127 million, is effective for a period of 6 years up to 2006. In addition, such subsidiary has also entered into Spare Parts Repair Service Agreement with a supplier, previously a related company. The agreement, totalling Baht 27 million, is effective for a period of three years up to 2004.

(n) Two subsidiaries of the Company have entered into Operation and Maintenance Agreements with a contractor who is a related company. The agreements, in a total amount of Baht 401 million, cover a period of 5-6 years commencing the completion of each power plant.

(o) Two subsidiaries of the Company have entered into Long-term Part Agreements for Capital Spare Parts with a supplier. These agreements, totalling US Dollars 58 million, are effective for a period of 6 years up to 2007.

(p) A subsidiary of the Company has entered into Spare Parts Repair Service Agreement with a supplier. The contract, totalling Baht 34 million, is effective for a period of 3 years up to 2004.

(q) A subsidiary of the Company has entered into a purchase contract for capital spare parts with a supplier amounting to Sweden Krona 7.32 million. As at 31 December 2002, the outstanding contract balance was Sweden Krona 0.73.

(r) A subsidiary of the Company has entered into Operation and Maintenance Agreement for water plants with a supplier, previously a related company. According to the agreement, the subsidiary has committed to have the operating and maintenance cost specified in the agreement. This agreement is effective for a period of 3 years commencing 7 April 2001.

(s) The two subsidiaries of Gulf have entered into Energy Services Agreements for the sale of electricity and steam with various private entities for periods of 13-15 years commencing from the commercial operation date.

Furthermore, such two subsidiaries have entered into Contract for supply of parts and services for gas turbine-generators and inclusive of major maintenance services with a supplier. Each contract is effective for a period of 12 years commencing 22 December 1999. The total contract price is US Dollars 14 million and Baht 59 million which is subject to escalation in accordance with the contracts.

In 1998, the two subsidiaries have also entered into Operation and Maintenance Management Service Agreement with a supplier. Under the agreements, such subsidiaries have committed to pay an initial fee totalling of US Dollars 350,000 and a quarterly fee totalling of US Dollars 83,500. Those agreements are effective for a period of 15 years commencing from the final completion date of the facility construction. The fee will be charged depending on the services provided.

(t) A subsidiary of Conal has entered into the Maintenance Agreement with a supplier. This agreement is effective over a period of 10 years and will expire in 2003 for a yearly basic fee plus an additional amount calculated based on energy produced.

Capital commitments

(u) Capital expenditure regarding power plants and equipment contracted for at the balance sheet date but not recognised in the consolidated financial statements totalling of Baht 396 million, US Dollars 10 million, Japanese Yen 76 million.

(v) A joint venture of Gulf has entered into an On-shore Agreement with a local company for the survey of New Transmission Facilities for the power plant with a outstanding commitment under the agreement amounted to Baht 40 million.

30. Interests in joint ventures

Interest in EGCO Joint Venture and Development Company Limited

EGCO Joint Venture and Development Company Limited is joint venture between the Company and Unocal Bang Pakong Limited (UBP). The joint venture is governed by the Joint Venture Agreement in which the Group has a 50% interest as described in Note 11.

Interest in Gulf Electric Public Company Limited

Gulf Electric Public Company Limited is joint venture between the Company and Electric Power Development Company Limited (EPDC). The joint venture is governed by the Joint Venture Agreement in which the Group has a 50% interest as described in Note 11.

Interest in Conal Holdings Corporation

Conal Holdings Corporation (Conal) is joint venture between the Company and Alson Consolidated Resource, Inc. The joint venture is governed by the Joint Venture Agreement in which the Group has a 40% interest as described in Note 11.

The following amounts represent the Group's share of the assets, liabilities, revenues and expenses of the joint ventures are included in the consolidated financial statements ended 31 December:

2002

	EGCO Joint Venture and Development Company Limited Million Baht	Gulf Electric Public Company Limited Million Baht	Conal Holdings Corporation Million Baht
Balance sheets			
Current assets	165	1,376	897
Non-current assets	702	5,469	1,616
Current liabilities	(60)	(1,421)	(298)
Non-current liabilities	(343)	(3,453)	(1,382)
Net assets	464	1,971	833

Profit and Loss

For the year ended 31 December 2002

	Million Baht	Million Baht	Million Baht
Revenues	299	940	1,006
Expenses	194	820	602
Net profit	105	120	404
Joint venture proportion (%)	50	50	40

2001

	EGCO Joint Venture and Development Company Limited Million Baht	Gulf Electric Public Company Limited Million Baht	Conal Holdings Corporation Million Baht
Balance sheets			
Current assets	122	316	797
Non-current assets	668	2,133	2,025
Current liabilities	(57)	(418)	(450)
Non-current liabilities	(374)	(1,087)	(1,649)
Net assets	359	944	723

Profit and Loss

For the year ended 31 December 2001

	Million Baht	Million Baht	Million Baht
Revenues	–	796	1,067
Expenses	–	764	698
Net profit	–	32	369
Joint venture proportion (%)	50	50	40

31. Privatisation

Thailand

The privatisation of Electricity Generating Authority of Thailand and the electricity supply industry reform are being implemented following plan approved by the Cabinet on 3 October 2001. In the plan, it is expected that processes will be completed in year 2004. Presently the draft Energy Industry Act and State Investment Corporation Act are being considered by the Council of State; therefore, the effects of the law on the Group cannot be determined.

Philippines

RA No. 9136, otherwise known as "Electricity Power Industry Reform Act of 2001" (the Act) was effective on 26 June 2001, providing for the privatisation of National Power Corporation (NPC) and the restructuring of the electric power industry. Subsequently, additional laws with regard to the NPC privatisation were announced and effective on 22 March 2002. Such laws are currently in the process of being complied with the rules and regulations stipulated in the Act. As of 31 December 2002, the effects of the laws on the Group cannot presently be determined.

However, according to Energy Conversion Agreement (ECAs) with NPC, Conal is eligible to receive the compensation amounts from NPC, in the event of amendment, modification or repeal of any Philippines laws or any government regulations that will materially reduce, prejudice or otherwise adversely affect Conal's interest in the project or the power plant/station, and/or Conal's economic return on its investments.



Roadmap to
Good Corporate Governance