



# EGCO

บริษัท ผลิตไฟฟ้า จำกัด (มหาชน)  
ELECTRICITY GENERATING PUBLIC COMPANY LIMITED

## Management Discussion and Analysis

For the Three-month Period Operating Results

Ended March 31, 2007

**Note:** This Management Discussion and Analysis (MD&A) was made to disclose information and the vision of the management in order to assist investors to better understand the company's financial status and operation. It also supports the "Good Corporate Governance Project" of the Securities and Exchange Commission (SEC).

The objective of this MD&A is to present the information and the explanation of financial status and operating results as of the date hereof. The information provided in this MD&A may change if the aforementioned factors or situation are changed in the future; the investors are, therefore, required to have their own discretion regarding the usage of this information for any purpose. For further detail, please contact Investor Relations Section of the Electricity Generating Public Company Limited at Tel: 662-998-5145-7 or Email: [ir@egco.com](mailto:ir@egco.com)

## Management Discussion and Analysis

### 1. Executive Summary

The Electricity Generating Public Company Limited (EGCO) is an Independent Power Producer (IPP) with 15 operating plants totaling 3,509 equity MW at present. From January 2007 onwards, the 50% share of profit in BLCP Power Limited (BLCP), a 1,434 MW coal-fired power plant, has been acknowledged.

The Amata Power Bang Pakong Expansion (APBP-Expansion Project), a 55 MW combined cycle gas turbine small power plant, achieved COD on April 25, 2007. In addition, unit 1 of the Kaeng Khoi 2 (KK2) combined cycle gas turbine IPP project, with capacity of 734 MW, was completed and achieved its COD on May 5, 2007.

EGCO Group's consolidated net profit for the first quarter of 2007 ended March 31, was Baht 2,538 million, an increase of Baht 468 million or 23% compared to the same period of 2006. Excluding the impact of foreign exchange, the net profit was Baht 2,474 million, representing an increase of Baht 792 million or 47% as compared to the same period of the previous year. The details of net profit (**before FX**) are as follows:

- EGCO's net loss of Baht 45 million, representing a decrease in net profit of Baht 153 million, resulted from a fall in revenue of Baht 44 million, mostly from other income and dividend income; plus higher administrative expenses of Baht 88 million mostly from project development cost; and an increase of interest expenses from short term loans in the amount of Baht 20 million.
- **IPP Group**, consisting of Rayong Electricity Generating Co., Ltd. (REGCO), Khanom Electricity Generating Co., Ltd. (KEGCO) and BLCP, showed a net profit and share of profit from joint ventures totaling Baht 2,095 million, up Baht 632 million thanks to a share of profit from BLCP that started from January 2007 onwards.
- **Small Power Producer (SPP) Group**, which is comprised of five companies including Gulf Electric Public Company Limited (GEC), Amata-EGCO Power Ltd. (AEP), Amata Power (Bang Pakong) Ltd. (APBP), TLP Cogeneration Co., Ltd. (TLP Cogen) and Roi-Et Green Co., Ltd. (Roi-Et Green), reported a net profit of Baht 409 million, an increase of Baht 411 million that mainly resulted from GEC's higher net profit owing to a gain from foreign exchange rate and other income from KK2 Project-Unit 1's liquidated damages claimed from contractors owing to delayed COD.
- **Overseas Group** refers to the Conal Holdings Corporation (Conal) and Nam Theun 2 Power Co., Ltd. (NTPC). The net loss from this group was Baht 68 million, down by Baht 89

million mainly resulting from NTPC's loss of Baht 79 million from a loss on foreign exchange rate. Conal's net profit was reported at Baht 10 million, down by Baht 33 million, caused by a decrease in electricity sales after transferring the Northern Mindanao Power Corporation (NMPC) to National Power Corporation (NPC) in February 2006.

- **Other Business Group** includes two subsidiaries, EGCO Engineering & Service Co., Ltd. (ESCO) and Egcom Tara Co., Ltd. (ET) and one joint venture, Amata Power-ESCO Service Co.,Ltd. (AMESCO), that showed net profit totaling Baht 83 million, a decrease of Baht 10 million due mostly to lower service income from ESCO.

## 2. Business Expansion Analysis

EGCO was the first IPP in Thailand established in May 12, 1992. EGCO is structured as a holding company with a number of operating subsidiaries. The company's vision is to be the leading Thai integrated electric power company with comprehensive energy services in Thailand and in the ASEAN region, and full commitment to environmental protection and social development.

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

As at the end of April 2007, Thailand's total generating capacity was reported at 27,788.5 MW<sup>1</sup>, of which 12.63% was attributable to EGCO. The peak demand in 2007 reached 22,586.1 MW<sup>1</sup>. This occurred on April 24, 2007, and represented an increase of 7.23% over the peak demand in May 2006.

The National Energy Policy Committee (NEPC) is expected to endorse a request for proposals to develop new IPP capacity in June 2007 in line with the Power Development Plan

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<sup>1</sup> Source: EGAT

(PDP) newly approved by NEPC. It is anticipated that the request for proposals will invite private sector bidders to bid for:

Phase I: 3,000 megawatts of new capacity during the period from 2012-2014, and

Phase II: 4,200 megawatts of new capacity during the period from 2015 to 2017.

It is expected that the private investors will be allowed to propose fuel type for the first phase of the capacity building plan. EGCO, with its 15-year experience in the power industry, is well prepared to bid in this program.

Currently, EGCO has 15 operating plants with capacity totaling 3,509 equity MW, of which 59% is comprised of two natural gas-fired IPPs which are the 1,232 MW REGCO plant and the 824 MW KEGCO plant. EGCO also has another 717 equity MW representing 20% of the company's total equity MW portfolio from the BLCP Power facility, a 1,434 MW coal-fired power plant situated in Map Ta Phut Industrial Estate in Rayong Province. The BLCP facility uses high quality imported coal from Australia.

The details of two projects that achieved COD, adding 375 equity MW to EGCO's portfolio, are as follows:

1. **The Kaeng Khoi 2 (KK2) project**, a 1,468 MW natural gas-fired power plant located in Saraburi Province. EGCO has a 50% stake in this project by holding 50% of shares in GEC, which owns 99.99% of Gulf Power Generation Co.,Ltd. (GPG), the KK2 project company. Unit 1 with the capacity of 734 MW achieved commercial operation on May 5, 2007.
2. **The Amata Power Bang Pakong Expansion (APBP-Expansion Project)**, a 55 MW combined cycle gas turbine power plant supplying industrial users in Amata Nakorn Industrial Park. EGCO has a 15% stake in this project by holding 50% of shares in EGCO Joint Ventures and Development Co.,Ltd (EGCO JD), which owns 30% of APBP. EGCO's partner in EGCO JD is Chevron Bang Pakong Power Holding Ltd., which is a subsidiary of Chevron Corporation of the USA. This project has been in construction since June 2005 and achieved commercial operation on April 25, 2007.

EGCO is a partner in two additional power plant projects that are under development. These projects represent an additional 635 equity MW. Each is summarized briefly below:

1. **The Unit 2 of Kaeng Khoi 2 (KK2) project**, a 734 MW natural gas-fired power plant. The COD for unit 2 is scheduled for March 2008. Currently, the overall progress for this project is 93.2%.
2. **The Nam Theun 2 project** is a 1,070 MW hydroelectric power plant situated in the Lao PDR. EGCO holds a 25% ownership stake in the project company, Nam Theun II Power Company Ltd. (NTPC). This project's COD is targeted for December 2009 with EGAT contracted to take off 995 MW and the balance to be sold to the Lao PDR. At the end of March 2007, the overall project progress was 48.2% complete.

In the absence of unforeseen circumstances, the company has a policy to dividend approximately 40% of the net profit after taxation, or to increase the dividend amount in a steady manner, to the shareholders. This dividend policy may change in the light of investment opportunities that may become available to the company or as a result of other economic or financial factors or when a dividend payment may have a significant impact on the normal operation of the company.

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

EGCO is structured as a holding company and it invests primarily in electricity generation and energy service businesses. The main sources of its income are dividends from investments in its subsidiaries, joint ventures, and associates. The objective of the holding company structure is to provide flexibility for business expansion and to facilitate financing of new projects without recourse to existing ones.

The two changes in accounting policies that have been implemented from January 1, 2007 are as follows;

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

According to the notification of Federation of Accounting Professions No. 26/2549 dated on October 11, 2006 and No. 32/2549 dated on November 3, 2006 in relation to the amendment of TAS 44 "Consolidated financial statements and accounting for investment in subsidiaries" and TAS 45 "Accounting for investments in Associates" which require the change from the equity method of accounting to cost method of accounting for the investment in subsidiaries and associates presented in the company financial statements. According to the cost method of accounting, income from the investment will be recognised when dividends are declared. The

notification is mandatory from January 1, 2007. The cost method of accounting has been implemented among EGCO Group from January 1, 2007 onwards and retrospective adjustments have been made for the purpose of comparison.

Accordingly, in the consolidated financial statements of the first quarter of 2007, EGCO's Group had net income of Baht 2,538 million, or Baht 4.82 per share, while a net profit of Baht 2,407 million, or Baht 4.57 per share, in the company financial statements. The difference of net income in these statements was due to the change in accounting for investment in subsidiaries and interests in joint ventures reported in the company financial statement. The performance of subsidiaries and interests in joint ventures has been proportionately recorded in the consolidated financial statements, whereas the net profit in the company financial statements is solely from the performance of the parent company. TAS 44 allows the parent company to realize gains from investment in subsidiaries and interests in joint ventures only when it receives dividends from such subsidiaries and joint ventures. In this case, the EGCO Holding Company had an operational profit of Baht 35 million and received their dividend in the amount of Baht 2,372 million.

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

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

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

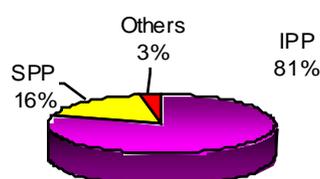
The consolidated balance sheet as at December 31, 2006 and the consolidated statement of income for the three-month period ended March 31, 2006 were adjusted for the purpose of comparison. Accordingly, this new accounting policy has been applied to seven joint ventures namely BLCP, GEC, APBP, AEP, Conal,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

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

### 3.1 Operational Results

EGCO Group's consolidated net profit for the first quarter of 2007 ending March 31, 2007 was Baht 2,538 million, an increase of Baht 468 million or 23% compared to the same period of 2006 which was caused mainly by an increase of the share of profit from joint ventures amounting to Baht 1,591 million, primarily from BLCP and GEC. The gross profit was reported at Baht 1,392 million, down by Baht 908 million or 39% as compared to the same period of last year, as a result of lower contracted electricity sales of REGCO and KEGCO. The operating profit was reported at Baht 1,400 million, a decrease of Baht 1,400 million or 50% as compared to the same period of 2006. This resulted from lower electricity sales, foreign exchange gain and interest income.

Unit : Million Baht



Net Profit after FX  
Q1 of 2007

	Net Profit Q1'07		Net Profit Q1'06	
	Before FX	After FX	Before FX	After FX
EGCO	(45)	(45)	108	108
IPP Group	2,095	2,130	1,463	1,779
SPP Group	409	439	(3)	71
Overseas	(68)	(68)	21	21
Others	83	82	93	92

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

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

The net profit of EGCO Group in the first quarter of 2007 included foreign exchange gain of only Baht 64 million whereas it incurred a foreign exchange gain of Baht 388 million for the first quarter of 2006. An unrealized foreign currency exchange gain in the amount of Baht 64 million is an accounting number in accordance with the Thai accounting standard. It incurs from the difference of the translation of the net debt denominated in foreign currency to the Thai Baht equivalent amount using the foreign exchange rate at the end of this accounting period (March 31, 2007) and the previous period (December 31, 2006).

Excluding the effect of foreign currency exchange gain, the profit was Baht 2,474 million, representing an increase of Baht 792 million or 47% as compared to the same period of 2006.

Excluding the effect of foreign currency exchange gain of Baht 64 million, interest expenses of Baht 191 million, income tax of Baht 163 million and depreciation and amortization of Baht 528 million, the earnings before interest, tax, depreciation and amortization (EBITDA) would be Baht

3,355 million, representing an increase of Baht 531 million or 19% as compared to the first quarter of 2006, in which the EBITDA was Baht 2,824 million, excluding the effect of foreign currency exchange gain of Baht 388 million, interest expenses of Baht 337 million, income tax amounting to Baht 286 million and depreciation and amortization amounting to Baht 520 million.

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

- Gross Profit Ratio was 50.54%
- Operating Profit Ratio was 50.86%
- Net Profit Ratio was 56.98%
- Net Profit Ratio (excluding the effect of foreign exchange) was 55.53%
- Earnings per share (EPS) was Baht 4.82
- Earnings (excluding the effect of foreign exchange) per share (EPS) was Baht 4.70
- Return on Equity (ROE) was 6.93%

The gross profit margin of 50.54% was lower than the same period of last year's margin of 62.66%; whereas the net profit ratio (excluding the effect of foreign exchange) was reported at 55.53%, higher than the same period of 2006 ratio of 43.32% mainly due to the acknowledgement of BLCP's net profit as a share of profit from joint venture, plus an increase of GEC's other income, which was partially offset with a decrease of net profit of REGCO and KEGCO from lower electricity sales.

### **3.2 Income and Expense Analysis**

In the first quarter of 2007, total revenues of EGCO, its subsidiaries and the share of profits from its joint ventures (excluding the effect of foreign currency exchange rate and profit attributable to minorities) were Baht 4,455 million, an increase of Baht 574 million or 15% compared to the same period of 2006. And in the first quarter of 2007, total expenses of EGCO and its subsidiaries were Baht 1,940 million, a decrease of Baht 210 million or 10% from the same period of last year. The details according to their groups of business are as follows:

#### *Total Revenues and Expenses:*

Unit : Million Baht

	EGCO		IPP		SPP		Overseas		Others		Total	
	Q1'07	Q1'06	Q1'07	Q1'06	Q1'07	Q1'06	Q1'07	Q1'06	Q1'07	Q1'06	Q1'07	Q1'06
Total Revenues	113	157	3,265	2,904	888	463	(68)	21	257	336	<b>4,455</b>	<b>3,881</b>
Total Expenses	158	50	1,170	1,441	449	424	-	-	163	234	<b>1,940</b>	<b>2,149</b>

1) EGCO's total revenues in the first three months of 2007, amounting to Baht 113 million, were comprised of dividend income from financial investment of Baht 82 million, interest income of Baht 23 million and other income of Baht 8 million. Compared to the same period of 2006, this showed a decrease of Baht 44 million or 28%. This mainly resulted from lower dividend income by Baht 18 million or 18%. Dividends from Krung Thai Dividend Selected Flexible Portfolio Fund (KTSF) dropped Baht 65 million, whilst dividends from Eastern Water Resources Development and Management Public Company Limited (EASTW) were up by Baht 31 million and dividend from others up by Baht 16 million. The other income was lower by Baht 16 million or 68%, owing to lower revenue recognition of Internal Development Cost of NTPC in accordance with the Shareholders' Agreement, which was Baht 2 million for the first quarter of 2007 whilst it was Baht 13 million for the same period of 2006. The interest income was down by Baht 10 million, or 29% as compared to the same period of 2006 as a result of lower interest rate and deposit amounts.

Total expenses of EGCO, including administrative expenses and interest expenses, totaled Baht 158 million, an increase from the first quarter of 2006 by Baht 109 million or 220%. This resulted mainly from increased project development expenses; as well as interest expenses of Baht 20 million, incurred after the first drawdown of short term loans from two Thai commercial banks on January 29, 2007.

2) IPP Group consisting of two principal subsidiaries, REGCO, KEGCO, and one principal Joint Venture, BLCP, recorded Baht 3,265 million in total revenues and share of profit from Joint Venture, up by Baht 361 million or 12% as compared to the same period of 2006 whilst the total expenses were Baht 1,170 million, down by Baht 272 million or 19%. The details are as follows:

Total Revenues and Expenses of IPP Group:

Unit: Million Baht

	REGCO		KEGCO		BLCP		Total		
	Q1'07	Q1'06	Q1'07	Q1'06	Q1'07	Q1'06	Q1'07	Q1'06	%Chg
Revenues	901	1,432	1,090	1,471	1,274	-	3,265	2,904	12%
Expenses	561	709	608	733	-	-	1,170	1,441	(19%)

- Sales of electricity of IPP Group were Baht 1,954 million, representing a decrease of Baht 855 million or 30% compared to the same period last year. The decrease was a result of REGCO's lower electricity sales of Baht 479 million to register Baht 891 million and KEGCO's

lower electricity sales of Baht 376 million to register Baht 1,063 million. These decreases were caused by a decrease in the Capacity Rate for REGCO and the Base Availability Credit for KEGCO which was in accordance with the capacity payment formula calculated on a "Cost Plus Basis" under the PPAs and in line with the company's projection.

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

	Q1'07	Q1'06	%Changes
REGCO	891	1,370	(35%)
KEGCO	1,063	1,439	(26%)
<i>Total Sales of Electricity - IPP</i>	<b>1,954</b>	<b>2,809</b>	<b>(30%)</b>

The PPAs cover the full amount of the projected fixed costs, debt financing charges and major maintenance charges, which are used in calculating the electricity tariffs for each period. Moreover, the calculation of the capacity payment is adjusted to include compensation for the exchange rate effect from debt services and expenses of major maintenance parts denominated in US Dollar. REGCO and KEGCO receive the compensation monthly for each billing period. They receive higher capacity charge than that stated in the original PPAs before the inclusion of foreign exchange indexation if the exchange rate is above Baht 28 per US Dollar and vice versa.

In the first quarter of 2007, REGCO and KEGCO received compensation for the exchange rate effect of Baht 114 million.

- **Interest income and others** amounted to Baht 36 million, a decrease of Baht 58 million or 62%, mainly from REGCO's decreased interest income in the amount of Baht 50 million. It resulted from lower interest rates and lower amount of deposits at banks and financial institutions due to capital reduction at REGCO from Baht 9,220 million to Baht 4,702 million in December 2006. KEGCO's interest income decreased by Baht 6 million resulting from lower interest rates. REGCO and KEGCO's other revenues also decreased by Baht 3 million.

- **Share of profit from Joint Venture**, BLCP, was recognized in the amount of Baht 1,274 million. The recognition in the proportion of 50% started in January 2007.

- **Cost of sales** totaled Baht 816 million, an increase of Baht 39 million or 5% compared to the first quarter of 2006, mainly because of REGCO's increased cost of sales by Baht 65 million or 15% from higher fuel cost caused by EGAT's ordering of machine start-up and shut-down. Meanwhile, KEGCO's cost of sales decreased by Baht 26 million or 7% as compared to the same period of 2006 when there was planned major maintenance.

<i>Cost of Sales – IPP Group:</i>		Unit : Million Baht	
	Q1'07	Q1'06	%Changes
REGCO	484	419	15%
KEGCO	332	358	(7%)
<i>Total Cost of Sales – IPP Group:</i>	<b>816</b>	<b>777</b>	<b>5%</b>

- **Administrative expenses and income taxes** were Baht 207 million, a decrease of Baht 149 million or 42%, mainly from lower tax payment at REGCO and KEGCO. REGCO and KEGCO currently enjoy 50% corporate tax reduction privilege on profits from power generation, ending on April 19, 2008 and September 25, 2009, respectively.

- **Interest expenses** were Baht 147 million, a decrease of Baht 162 million or 52%, resulting from REGCO's payment of all of its debt in December 2006 and KEGCO's lower principal amounts of loans and debentures.

3) **SPP Group's** total revenues and share of profit from joint ventures were reported at Baht 888 million for the first quarter of 2007, an increase of Baht 425 million or 92% compared to the first quarter of 2006. The SPP Group incorporates five companies, namely: GEC, AEP, APBP, TLP Cogen and Roi-Et Green. The expenses were Baht 449 million, an increase from last year by Baht 28 million or 7%. The details are as follows:

<i>Total Revenues and Expenses of SPP Group:</i>									Unit : Million Baht		
	GEC		TLP Cogen		APBP		Roi-Et Green		Total		
	Q1'07	Q1'06	Q1'07	Q1'06	Q1'07	Q1'06	Q1'07	Q1'06	Q1'07	Q1'06	% Chg
Revenues	494	466	68	78	315	(141)	10	60	888	463	92%
Expenses	415	390	34	34	-	-	-	-	449	424	6%

- **Sales of electricity of the SPP Group** were Baht 548 million, representing an increase of Baht 18 million or 3% compared to the same period of last year. Most of the increase of SPP group's electricity sales was from TLP Cogen in the amount of Baht 27 million, resulting from higher tariff received from EGAT and higher electricity sales to industrial users; whilst Roi-Et Green's electricity sales decreased by Baht 9 million from lower tariff, as its tariff formula is linked to the price of fuel oil which experienced a drop.

<i>Sales of Electricity – SPP Group:</i>		Unit : Million Baht	
	Q1'07	Q1'06	%Changes
TLP Cogen	489	462	6%
Roi-Et Green	59	68	(13%)
<i>Total Sales of Electricity – SPP Group</i>	<b>548</b>	<b>530</b>	<b>3%</b>

- **Interest income and others** amounted to Baht 15 million, an increase of Baht 1 million or 9%, mainly from an increase of TLP Cogen's interest income of Baht 2 million.

- **Share of profit from interests in joint ventures, GEC, APBP and AEP**, totaled Baht 325 million, up by Baht 406 million as compared to the same period of 2006. The share of profit from joint venture, GEC, contributed the most in the amount of Baht 315 million, an increase of Baht 456 million as compared to the same period of last year. This was primarily a result of the gain on foreign exchange rate, up by Baht 191 million, plus an increase of other income in the amount of Baht 122 million, mostly from KK2 Project-Unit 1's liquidated damage claim on the EPC contractor owing to the delayed COD.

Meanwhile, the share of profit from interest in joint ventures, APBP and AEP, totaled Baht 10 million, down by Baht 50 million, which was primarily from AEP's higher maintenance expenses and lower electricity sales to EGAT.

- **Cost of Sales** of SPP Group were reported at Baht 419 million, an increase of Baht 27 million or 7% as compared to the first quarter of 2006. This was substantially driven by an increase in cost of sales of TLP Cogen amounting to Baht 26 million from higher fuel costs and usages as well as an increase in cost of sales at Roi-Et Green, also up by Baht 1 million.

*Cost of Sales – SPP Group:*

Unit : Million Baht

	Q1'07	Q1'06	%Changes
<i>TLP Cogen</i>	388	363	7%
<i>Roi-Et Green</i>	31	30	4%
<b>Total Cost of Sales – SPP Group</b>	<b>419</b>	<b>392</b>	<b>7%</b>

- **Administrative expenses and income taxes** were Baht 7 million, up by Baht 1 million or 29% as compared to the same period of 2006.

- **Interest expenses** were Baht 24 million, a decrease of Baht 3 million or 12%, mainly from a decrease in TLP Cogen's interest expenses amounting to Baht 3 million due to lower principal.

4) **Overseas Group** refers to Conal and NTPC, of which their share of loss from joint ventures were reported at Baht 68 million, a decrease in profit of Baht 89 million compared to the first quarter of 2006. Conal's share of profit was reported at Baht 10 million, a decrease of Baht 33 million compared to the same period of 2006, mainly from a decrease of electricity sales after transferring NMPC, a 40 MW power plant, to NPC in February 2006. NTPC's share of loss was

Baht 79 million, an increase in loss of Baht 56 million as compared to the same period of 2006, caused by a foreign exchange loss of Baht 68 million.

5) **Other Business Group** includes two subsidiaries, ESCO and ET and a joint venture, AMESCO. Total revenues were Baht 257 million, a decrease by Baht 79 million or 24% as compared to the same period of 2006 and total expenses totaled Baht 163 million, a decrease of Baht 72 million or 31%. The details are as follows:

*Total Revenues and Expenses of Other Business Group:* Unit : Million Baht

	<i>ESCO</i>		<i>ET</i>		<i>Total</i>		
	<i>Q1'07</i>	<i>Q1'06</i>	<i>Q1'07</i>	<i>Q1'06</i>	<i>Q1'07</i>	<i>Q1'06</i>	<i>% Chg</i>
<i>Revenues</i>	200	290	57	46	257	336	(24%)
<i>Expenses</i>	144	220	19	15	163	234	(31%)

- **Service income** from ESCO amounted to Baht 197 million, down by Baht 88 million or 31%, resulting mostly from a decrease of spare parts sale to Elgali 2 Power Plant in Sudan.

- **Sales of water from a subsidiary**, ET, were Baht 55 million, up by Baht 10 million, or 21%, thanks to the increase of the minimum take and tariff under the long-term Water Purchase Agreement with Provincial Waterworks Authority.

- **Interest income and others** amounted to Baht 5 million, an increase of Baht 0.19 million or 4%, mainly from ET's interest income, up Baht 1.43 million and ESCO's interest income, up Baht 0.47 million, whilst ESCO's other income was down by Baht 1.72 million.

- **ESCO's interest in joint ventures** totaled Baht 1 million, a decrease of Baht 0.5 million from AMESCO.

- **Cost of Services** were Baht 109 million, a decrease of Baht 78 million or 42%, resulting from a decrease in the costs of ESCO's spare parts sale to customers which was consistent with its decreased revenues.

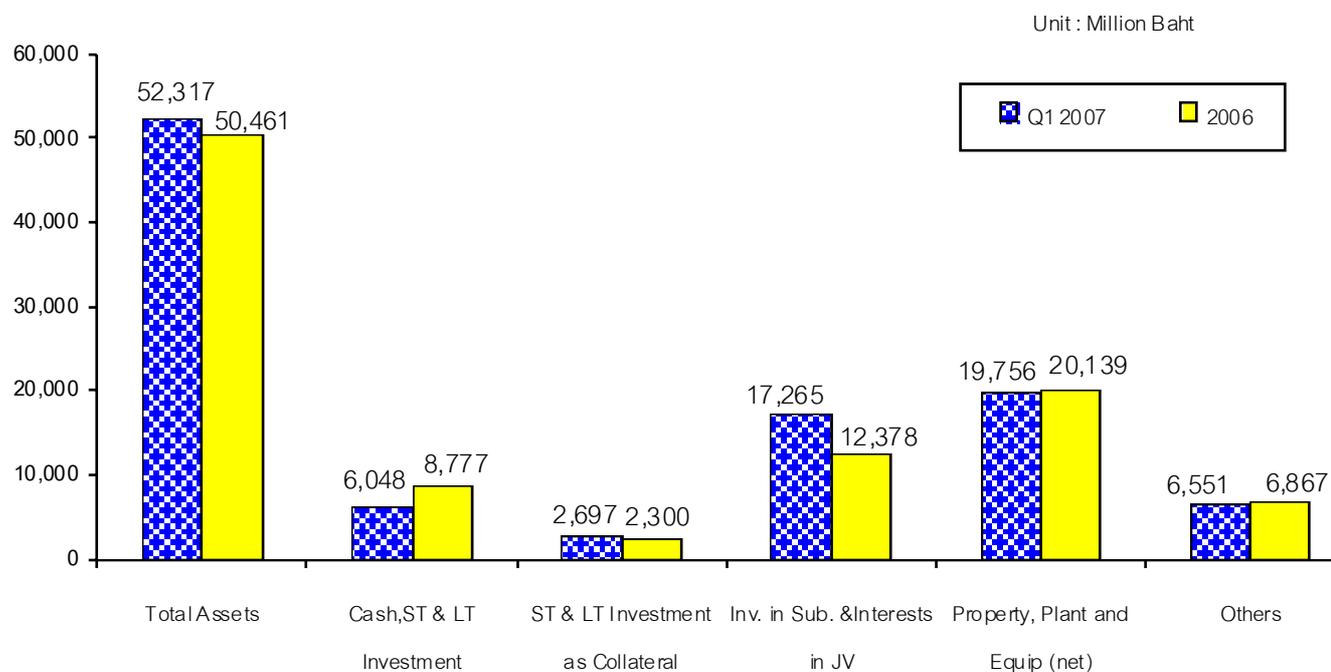
- **Cost of water sales** of ET was Baht 17 million, up Baht 4 million or 29% mainly from an increase of operating and maintenance service costs.

- **Administrative expenses and income taxes** totaled Baht 36 million, an increase of Baht 3 million or 10% compared to the same period of 2006, mostly from ESCO's higher administrative expenses of Baht 8 million; whilst ESCO's income tax decreased by Baht 6 million from a lower profit.

## 4. Report and Analysis of Financial Position

### 4.1 Asset Analysis

As at March 31, 2007, total assets of EGCO, its subsidiaries and interests in joint ventures amounted to Baht 52,317 million, an increase of Baht 1,857 million or 4% from December 31, 2006. The important details are as follows:



1) **Cash and deposits at financial institutions, and short term and long term marketable securities** were Baht 6,048 million or 12% of the total assets, down Baht 2,729 million or 31%. This resulted mainly from a decrease of cash and cash equivalent by Baht 2,633 million due to EGCO's payment for the acquisition of shares in BLCPL amounting to Baht 4,645 million to CLP Power (BLCPL) Ltd., a subsidiary of CLP Holdings Limited, and EGCO's payment for additional paid-up shares in BLCPL and GEC amounting to Baht 3,293 million. Meanwhile, EGCO drew down short-term financing of Baht 4,350 million from local banks.

2) **Short-term and long-term investments used as collateral** were Baht 2,697 million or 5% of the total assets, up Baht 397 million or 17%. This increase mainly came from cash reserved for the purpose of repayment of principal and payment of interest of KEGCO.

3) **Investment in subsidiaries and interests in joint ventures** as at March 31, 2007 amounted to Baht 17,265 million or 33% of the total assets, up Baht 4,887 million or 39%. The major change can be defined as follows :

3.1) investment in the additional paid-up shares amounting to Baht 3,293 million; GEC of Baht 1,043 million and BLCP of Baht 2,250 million.

3.2) an increase in share of profit from investment according to the equity method amounting to Baht 1,594 million.

For the company financial statements, the original cost was applied for recording the investment in subsidiaries and interests in joint ventures at the beginning; the book value as at March 31, 2007 was Baht 27,403 million, up Baht 3,293 million or 14%, thanks to the additional paid-up shares in joint ventures, GEC and BLCP.

4) **Property, plant and equipment (net)** totaled Baht 19,756 million or 38% of the total assets. They were down Baht 383 million or 2% due to the decrease in property, plant and equipment from the depreciation of EGCO and subsidiaries' assets totaling Baht 522 million and the reclassification of unutilised capital spare parts from property, plant and equipment to spare parts and supplies at REGCO totaling Baht 63 million. Meanwhile, there was a recording of capital spare parts as property, plant and equipment following the major maintenance at REGCO in the amount of Baht 139 million.

5) **Other assets** were Baht 6,551 million or 13% of the total assets, down Baht 315 million or 5% mainly from a decrease of trade receivable from a related party (EGAT) by Baht 245 million and spare parts and supplies by Baht 90 million.

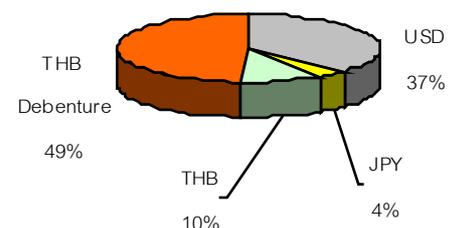
#### 4.2 Liability Analysis

As at March 31, 2007, the EGCO Group's total liabilities were Baht 13,915 million, down Baht 627 million or 4%. The total liabilities consist of the following:

1) **Short-term loans** totaled Baht 4,350 million, or 31% of total liabilities. On 3 January 2007, EGCO entered into short-term loan agreements with two local banks for a credit facility of up to Baht 4,000 million with each bank. The first drawdown was on 29 January 2007. The principal is to be repaid in one lump sum one year from the agreement entering date.

2) **Long-term loans and debentures** totaled Baht 7,350 million, or 53% of total liabilities, down Baht 163 million or 2%. The details are as follows:

- USD loans in the amount of USD 78 million
- Yen loans in the amount of Yen 921 million
- Baht loans in the amount of Baht 753 million
- Baht debentures in the amount of Baht 3,609 million



Maturity of long-term loans and debentures as of March 31, 2007

Unit: Million Baht

	KEGCO	TLP Cogen	Roi-Et Green
Within 1 Year	1,983	148	29
1-5 Years	3,623	934	120
> 5 Years	-	389	124
<b>Total</b>	<b>5,606</b>	<b>1,471</b>	<b>273</b>

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

3) **Other liabilities** amounted to Baht 2,215 million or 16% of total liabilities, representing a decrease of Baht 4,813 million which mostly resulted from EGCO's payment for the acquisition of BLCP of Baht 4,645 million to CLP Power (BLCP) Ltd. in return for the share transfer on January 30, 2007. In addition, trade payables decreased by Baht 264 million; whereas interest payable was up Baht 129 million and income tax payable up Baht 95 million.

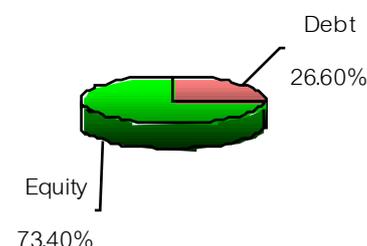
#### 4.3 Shareholders' Equity Analysis

As at March 31, 2007, Shareholders' Equity amounted to Baht 38,403 million, which was Baht 2,483 million or 7% higher than the amount as at December 31, 2006. This was due mainly to the net profit in the consolidated financial statements that amounted to Baht 2,538 million.

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

Shareholders' equity was Baht 38,403 million or 73.40%.

Liabilities were Baht 13,915 million or 26.60%.



**Important financial ratios** were as follows:

- Debt to equity ratio was 0.36 times, lower than 0.40 times at the end of 2006.
- Book value per share was Baht 71.91, higher than Baht 67.26 at the end of 2006.

## 5. Report and Analysis of Cash Flow Position

Cash Flow Statement shows the change in cash flows from operating activities, investing activities, and financing activities at the end of the accounting period, and indicates the ending balance of the cash and the cash equivalents. As at March 31, 2007, the ending balance of the cash and the cash equivalent was Baht 2,969 million, down Baht 2,633 million. The details of the sources and uses of funds are as follows:

-**Net cash received from operating activities** totaled Baht 1,031 million. This was cash received from operating activities that amounted to Baht 1,433 million and cash payment for working capital of Baht 402 million.

-**Net cash payment for investing activities** was Baht 7,922 million. Cash payment for the investment in the additional shares in joint ventures amounted to Baht 1,043 million at GEC and Baht 2,250 million at BLCP which cash payment for the acquisition of shares in BLCP amounted to Baht 4,645 million. The cash inflow was from dividends of EASTW and the other open-end funds which amounted to Baht 61 million and Baht 21 million, respectively.

- **Net cash received from financing activities** was Baht 4,258 million, mainly owing to the short-term loan drawn down by EGCO in the amount of Baht 4,350 million whereas the loan repayment of TLP Cogen and Roi-Et Green totaled Baht 92 million.

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

- Current ratio was 1.48 times, lower than 1.68 times for 2006
- Quick ratio was 0.96 times, lower than 1.18 times for 2006

Both liquidity ratios were slightly lower compared to 2006, as a result of the payment of the additional shares amounting to Baht 3,293 million to BLCP and GEC and the payment for shares acquisition in BLCP totaling Baht 4,645 million to CLP Power (BLCP) Ltd. while there was short-term loan drawdown amounting to Baht 4,350 million.