

EGCO

บริษัท ผลิตไฟฟ้า จำกัด (มหาชน)
ELECTRICITY GENERATING PUBLIC COMPANY LIMITED

Management Discussion and Analysis

For the Nine-month Period Operating Results

Ended September 30, 2006

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

The objective of this MD&A is to present the information and the explanation of financial status and operating results as of the date hereof. The information provided in this MD&A may change if the aforementioned factors or situation are changed in the future; the investors are, therefore, required to have their own discretion regarding the usage of this information for any purpose. For further detail, please contact Investor Relations Section of the Electricity Generating Public Company Limited at Tel: 662-998-5131-3 or Email: ir@egco.com

Management Discussion and Analysis

1. Executive Summary

The Electricity Generating Public Company Limited (EGCO) is an Independent Power Producer (IPP) with 11 operating plants totaling 2,405 equity MW.

For the first nine-month operating results ended September 30, 2006, EGCO's consolidated net profit was Baht 5,054 million, an increase of Baht 1,831 million or 57% compared to the same period of 2005. Excluding the impact of foreign exchange, the net profit was Baht 4,452 million, representing an increase of Baht 921 million or 26% as compared to the same period of last year. The details of net profit (**before FX**) are as follows:

- **EGCO's** net profit of Baht 24 million, representing a decrease of Baht 15 million, resulted from higher administrative expenses.

- **IPP Group**, consisting of Rayong Electricity Generating Co., Ltd (REGCO) and Khanom Electricity Generating Co., Ltd (KEGCO), showed a net profit for both companies of Baht 3,988 million, up Baht 742 million from higher sales of electricity.

- **Small Power Producer (SPP) Group**, which is comprised of five companies including Gulf Electric Public Company Limited (GEC), Amata-EGCO Power Ltd. (AEP), Amata Power (Bang Pakong) Ltd. (APBP), TLP Cogeneration Co., Ltd. (TLP Cogen) and Roi-Et Green Co., Ltd. (Roi-Et Green), reported a net profit of Baht 162 million, a decrease of Baht 122 million which resulted primarily from an increase in GEC's cost of sales, administrative expenses and interest expenses.

- **Overseas Group** refers to the Conal Holdings Corporation (Conal) and Nam Theun 2 Power Co., Ltd. (NTPC). The net profit from this group was Baht 86 million, up by Baht 287 million mainly resulting from NTPC's recording of expenses of Baht 22 million for the first nine months of 2006 whilst it reported expenses of Baht 346 million for the same period of 2005, mostly from development expenses of Baht 280 million.

- **Other Business Group** includes two subsidiaries, EGCO Engineering & Service Co., Ltd. (ESCO) and Egcom Tara Co., Ltd. (ET) from which net profit totaled Baht 192 million, an increase of Baht 29 million due mostly to higher service income from ESCO.

2. Business Expansion Analysis

EGCO is the first Independent Power Producer (IPP) in Thailand which was established in 1992. EGCO is structured as a holding company with a number of subsidiaries. Our vision is “To be the leading Thai integrated electric power company with comprehensive energy services in Thailand and in the ASEAN region, with full commitment to environment protection and social development support”.

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

As at the end of September 2006, Thailand’s total generating capacity was reported at 26,394 MW¹, of which 9.1% was attributable to EGCO. During the year 2006, the peak demand reached 21,064 MW¹ in May, which was 2.56% higher than the peak demand in April 2005.

Following the coup d’etat on September 19, 2006 and the establishment of a new government, the new Energy Minister, Dr. Piyasvasti Amranand, favours more competition in IPP Biddings, including the participation of EGAT subsidiaries, in order to create the maximum benefit for consumers. This is a positive development for EGCO and we have developed strategies to utilize our expertise within the group to participate in the new Bidding program. We understand that, following the resignation of the members of the Electricity Regulatory Board in October, the Ministry of Energy is developing a new regulatory framework to monitor the IPP bidding program that is scheduled for 2007.

Currently, EGCO has 11 operating plants totaling 2,405 equity MW, of which 86% is produced from two natural gas-fired IPP power plants: a 1,232 MW REGCO plant and a 824 MW KEGCO plant. In addition to our existing assets, we are developing 4 power plant projects, representing an additional 1,021 equity MW as follows:

1. **The Kaeng Khoi 2 (KK2) project**, a 1,468 MW natural gas-fired power plant in Saraburi Province. EGCO has a 50% stake in this project by holding 50% of shares in GEC, which

¹ Source: EGAT

owns 99.99% of Gulf Power Generation Co.,Ltd. (GPG), the KK2 project company. The commercial operation dates (COD) for unit 1 and unit 2 with the capacity of 734 megawatts each are scheduled on March 1, 2007 and March 1, 2008, respectively. Currently, the overall progress for this project is 90%.

2. **The Nam Theun 2 project**, a 1,070 MW hydroelectric power plant in the Lao PDR, in which EGCO has a 25% stake in the project company, NTPC. This project is targeted for COD by 16 December 2009 with the contracted capacity to EGAT of 995 MW. The balance will be sold to the Government of Laos. Up until the third quarter of 2006, the overall project progress is 27%.
3. **The Gulf Yala Green Project**, is a 23 MW parawood-fuel biomass power plant in Yala Province, in which EGCO holds a stake of 49% through its ownership of GEC. Due to the public security situation in the three southernmost provinces of Thailand in the past two years, the construction of this project has been delayed. The project has received an approval from EGAT to postpone the COD from April 2006 to October 2006. Currently, the project has postponed COD to the last week of November 2006. The overall project progress up until this quarter is 99%.
4. **The Amata Power Bang Pakong Expansion (APBP-Expansion Project)** is a 55 MW combined cycle gas turbine power plant supplying industrial users in Amata Nakom Industrial Park. EGCO has 15% stake in this project by holding 50% of shares in EGCO Joint Ventures and Development, Co.Ltd, which owns 30% of APBP. This project has started construction since June 2005 and the COD is scheduled in February 2007. Presently, the overall project progress is 81%

Apart from the above-mentioned projects, EGCO signed a Share Purchase Agreement to acquire a 50% stake in BLCP, a 1,434-Megawatt coal fired power plant situated in Map Ta Phut Industrial Estate in Rayong using imported high quality coal from Australia, from CLP Power (BLCP) Ltd., a subsidiary of CLP Holdings Limited, for the price of Baht 6,645 million which covers the Baht 2,000 million advance payment made by EGCO to CLP Power (BLCP) Ltd. for the equity injection into BLCP on 6 November 2006. In accordance with the Share Purchase Agreement, the transaction of acquiring BLCP ordinary shares will take place after all conditions precedent are fulfilled. Details of such conditions precedent are summarized as follows:

- The passing at a board of directors' meeting and a shareholders' meeting of EGCOMP of a resolution approving the acquisition of the BLCP shares from the CLP Group in compliance with relevant SET's notification;
- Obtaining consent for the acquisition transaction from relevant government authorities such as EGAT in accordance with the PPA;
- Obtaining consent for the acquisition transaction from BLCP's creditors, from BLCP's shareholders other than the CLP Group and from any person that is party to an agreement in relation to the business of power generation to which BLCP is a party.

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

3. Report and Analysis of the Operating Results

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

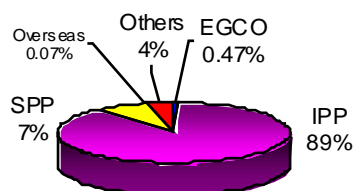
During the third quarter of 2005, NTPC has commenced the construction of the power plant in the Lao PDR and EGCO has entered into the agreement to provide credit support in the form of Standby Letters of Credit (SBLC) for its agreed equity commitments to NTPC of USD 94 million. Accordingly, investment in NTPC has been accounted for under the proportionate consolidation method in the consolidated financial statements since the third quarter of 2005 because its financial statements were material to EGCO Group.

This report contains the analysis of the financial statements of EGCO and its subsidiaries as follows:

3.1 Operational Results

EGCO's consolidated net profit for the first nine months of 2006, as of September 30, 2006, was Baht 5,054 million, an increase of Baht 1,831 million or 57% compared to the same period of the year 2005.

Unit : Million Baht



Net Profit after FX – 9M2006

	Net Profit of 9M2006		Net Profit of 9M2005	
	Before FX	After FX	Before FX	After FX
EGCO	24	24	39	92
IPP Group	3,988	4,482	3,246	3,012
SPP Group	162	354	283	153
Overseas	86	4	(201)	(196)
Others	192	192	164	164

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

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

The net profit for the first nine months of 2006 included foreign exchange gain of Baht 603 million whereas the Company incurred a foreign exchange loss of Baht 307 million for the first nine months of 2005. An unrealized foreign currency exchange gain in the amount of Baht 279 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 (September 30, 2006) and the previous period (December 31, 2005).

Excluding the effect of foreign currency exchange gain, the profit was Baht 4,452 million, representing an increase of Baht 921 million or 26% as compared to the same period of 2005.

For the first nine months of 2006, excluding the effect of foreign currency exchange gain of Baht 603 million, interest expenses of Baht 1,268 million, income tax of Baht 947 million and depreciation and amortization of Baht 2,079 million, the earnings before interest, tax, depreciation and amortization (EBITDA) would be Baht 8,746 million, representing an increase of Baht 1,107 million or 14% as compared to the same period of 2005, in which the EBITDA was Baht 7,639 million, excluding the effect of foreign currency exchange loss of Baht 307 million, interest expenses of Baht 1,404 million, income tax amounting to Baht 405 million and depreciation and amortization amounting to Baht 2,300 million.

Important Financial Ratios for the period were as follows;

- Gross Profit Ratio was 52.36%
- Net Profit Ratio (excluding the effect of foreign exchange) was 30.52%

- Earnings (excluding the effect of foreign exchange) per share (EPS) was Baht 8.46

The gross profit margin of 52.36% was slightly higher than the same period of last year's margin of 50.63%. The net profit ratio (excluding the effect of foreign exchange) was reported at 30.52%, higher than the ratio in the same period of 2005 at 27.87% mainly due to an increase of REGCO and KEGCO's net profit as well as a decrease of NTPC's expenses.

3.2 Income and Expenses Analysis

The total revenues of EGCO and its subsidiaries for the first nine months of 2006 as well as the share of profits from its associates and interest in joint ventures were Baht 14,585 million, an increase of Baht 1,918 million or 15% compared to the same period of 2005. And total expenses from EGCO, its subsidiaries and joint ventures in the first nine months of 2006 were Baht 9,864 million, an increase of Baht 938 million or 11% 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	
	9M'06	9M'05	9M'06	9M'05	9M'06	9M'05	9M'06	9M'05	9M'06	9M'05	9M'06	9M'05
Total Revenues	344	331	8,569	7,284	4,426	3,854	559	635	686	564	14,585	12,667
Total Expenses	320	292	4,581	4,038	4,160	3,523	338	697	465	376	9,864	8,926

1) EGCO's revenues, amounting to Baht 344 million, were comprised of dividend income from financial investment of Baht 167 million, interest income of Baht 128 million and other income of Baht 49 million. This showed an increase of Baht 13 million or 4% as comparing to the same period of last year, mainly from higher interest income amounting to Baht 52 million, or 69%, thanks to higher interest rates and higher other income of Baht 26 million. This was partially offset with a decrease of dividend income of Baht 65 million, or 28% as compared to the same period of 2005. The other income was up by Baht 26 million due to NTPC's net reimbursement of internal development cost according to Shareholders' Agreement amounting to Baht 36 million in the first nine months of 2006.

EGCO's dividend income is essentially from Krung Thai Dividend Selected Flexible Portfolio Fund (KTSF) in the amount of Baht 130 million representing an increase of Baht 6 million as compared to the same period of 2005; dividends from Eastern Water Resources Development and Management Public Company Limited (EASTW) of Baht 31 million, down by Baht 61 million.

Total expenses of EGCO, which were administrative expenses, totaled Baht 320 million, an increase from the same period of last year by Baht 29 million or 10% due to financing fees on the SBLCs for the equity commitments to NTPC and the release of cash from the Debt Service Reserve Accounts (DSRA) of REGCO and KEGCO as well as the company's contribution for the 60th Anniversary Celebrations of His Majesty's Accession to the Throne.

2) **IPP Group** consisting of two principal subsidiaries, REGCO and KEGCO, represented Baht 8,569 million in the total revenues, up by Baht 1,285 million or 18% as compared to the same period of 2005 whilst the total expenses were Baht 4,581 million, up by Baht 543 million or 13%. The details are as follows:

Total Revenues and Expenses of IPP Group:

Unit: Million Baht

	REGCO		KEGCO		Total		
	9M'06	9M'05	9M'06	9M'05	9M'06	9M'05	%Chg
Revenues	4,264	3,803	4,305	3,481	8,569	7,284	18%
Expenses	2,322	2,233	2,259	1,805	4,581	4,038	13%

- **Sales of electricity** of IPP Group were Baht 8,250 million, representing an increase of Baht 1,077 million or 15% compared to the same period of last year. The increase was a result of a growth in REGCO's electricity sales of Baht 299 million to be Baht 4,063 million and KEGCO's electricity sales of Baht 778 million to be Baht 4,188 million. These increases were caused by an increase in the Capacity Rate for REGCO and the Base Availability Credit for KEGCO which was in accordance with the capacity payment formula calculated on a "Cost Plus Basis" under the PPAs and in line with the company's projection.

Sales of Electricity – IPP Group:

Unit : Million Baht

	9M2006	9M2005	%Changes
REGCO	4,063	3,763	8%
KEGCO	4,188	3,410	23%
<i>Total Sales of Electricity - IPP</i>	8,250	7,173	15%

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 nine months of 2006, REGCO and KEGCO received compensation for the exchange rate effect of Baht 652 million.

- **Interest income and others** amounted to Baht 318 million, an increase of Baht 208 million or 188%, mainly from REGCO's increased interest income in the amount of Baht 158 million. It resulted from higher amount of deposits at banks and financial institutions due to EGCO's equity injection in REGCO, together with higher interest rates. Moreover, KEGCO's interest income increased by Baht 45 million resulting from an increase in interest rates. REGCO and KEGCO's other revenues increased by Baht 5 million.

- **Cost of sales**, with the total of Baht 2,546 million, an increase of Baht 97 million or 4% compared to the same period of 2005, mainly because KEGCO's cost of sales increased by Baht 199 million or 20% from major maintenance expenses as planned; whilst REGCO's cost of sales decreased by Baht 102 million or 7% as compared to the same period of last year when the replacement of the impaired steam turbine rotor took place.

<i>Cost of Sales – IPP Group:</i>			Unit : Million Baht
	9M2006	9M2005	%Changes
REGCO	1,345	1,447	(7%)
KEGCO	1,201	1,002	20%
<i>Total Cost of Sales – IPP Group:</i>	2,546	2,449	4%

- **Administrative expenses and income taxes** were Baht 1,169 million, an increase of Baht 689 million or 144%, mainly from KEGCO's first corporate tax payment amounting to Baht 411 million. Although KEGCO's BOI Tax Privilege for 8 years ended on September 25, 2004, the loss carried forward was utilized up until the end of 2005. Thereafter the 50% corporate tax reduction privilege is applied. This 5-year tax reduction privilege will end on September 25, 2009. In addition, REGCO's corporate tax payment increased by Baht 100 million resulting from its increased revenues. The REGCO's 50% Corporate Tax Reduction is ending on April 19, 2008.

- **Interest expenses** were Baht 866 million, a decrease of Baht 243 million or 22%, resulting from the decrease in interest expenses at REGCO and KEGCO of Baht 118 million and Baht 125 million, respectively, owing to lower principal amounts of loans and debentures.

3) SPP Group's total revenues were reported at Baht 4,426 million for the first nine months of 2006, an increase of Baht 572 million or 15% compared to the same period of 2005. The SPP Group incorporates five companies, GEC, AEP, APBP, TLP Cogen and Roi-Et Green. The expenses were Baht 4,160 million, an increase from the same period of last year by Baht 637 million or 18%. The details are as follows:

Total Revenues and Expenses of SPP Group:

Unit : Million Baht

	GEC		TLP Cogen		APBP		Roi-Et Green		Total		
	9M'06	9M'05	9M'06	9M'05	9M'06	9M'05	9M'06	9M'05	9M'06	9M'05	% Chg
Revenues	2,394	2,201	1,494	1,274	339	237	199	142	4,426	3,854	15%
Expenses	2,607	2,164	1,232	1,049	223	214	96	96	4,160	3,523	18%

- **Sales of electricity of the SPP Group** were Baht 4,287 million, representing an increase of Baht 514 million or 14% compared to the same period of last year. Most of the increase of SPP group's electricity sales was from TLP Cogen, GEC, APBP and Roi-Et Green in the amount of Baht 210 million, Baht 182 million, Baht 64 million and Baht 58 million, respectively. The TLP Cogen's increased electricity sales was a result of higher tariff and units of sales to EGAT and industrial users and an increase of GEC's electricity sales was due to peak-load demand calls from EGAT. The APBP's electricity sales showed an increase in the first nine months of 2006 when compared to the same period of 2005 in which a physical impairment of an electricity generating equipment happened. And the increase of Roi-Et Green's electricity sales came from higher tariff as well, thanks to the tariff formula that is linked to the price of fuel oil.

Sales of Electricity – SPP Group:

Unit : Million Baht

	9M2006	9M2005	%Changes
GEC	2,371	2,189	8%
TLP Cogen	1,476	1,266	17%
APBP	254	190	33%
Roi-Et Green	186	128	45%
Total Sales of Electricity – SPP Group	4,287	3,773	14%

- **Interest income and others** amounted to Baht 72 million, an increase of Baht 27 million mainly from an increase of GEC's interest income of Baht 13 million as well as an increase of TLP Cogen's interest income of Baht 10 million thanks to higher interest rates. And an increase of

APBP's other income in the amount of Baht 6 million was a result of the acknowledgement of insurance claims of a physical impairment of an electricity generating equipment.

- **Share of profit from associates** was from AEP totaling Baht 67 million, an increase of Baht 32 million as compared to the same period of 2005 due to a gain on foreign exchange rate and increased electricity sales from EGAT and industrial users.

- **Cost of Sales** of SPP Group were reported at Baht 3,470 million, an increase of Baht 421 million or 14% as compared to the same period of 2005. This was substantially driven by an increase in cost of sales of GEC amounting to Baht 220 million owing to higher fuel costs and usages as well as an increase at TLP Cogen amounting to Baht 192 million from higher fuel costs and usages. The Baht 6 million higher of APBP's cost of sales was in line with an increase in its sales. And there was an increase at Roi-Et Green's cost of sales by Baht 3 million due to higher operating and maintenance cost.

Cost of Sales – SPP Group: Unit : Million Baht

	<i>9M2006</i>	<i>9M2005</i>	<i>%Changes</i>
<i>GEC</i>	<i>2,032</i>	<i>1,813</i>	<i>12%</i>
<i>TLP Cogen</i>	<i>1,152</i>	<i>960</i>	<i>20%</i>
<i>APBP</i>	<i>201</i>	<i>195</i>	<i>3%</i>
<i>Roi-Et Green</i>	<i>85</i>	<i>82</i>	<i>4%</i>
<i>Total Cost of Sales – SPP Group</i>	<i>3,470</i>	<i>3,049</i>	<i>14%</i>

- **Administrative expenses and income taxes** were Baht 345 million, up by Baht 113 million or 48% as compared to the first nine months of 2005. This increase was substantially from GEC's higher administrative expenses and income taxes of Baht 111 million, reported at Baht 324 million, that resulted from prepayment fee for refinancing and debt restructuring service fees at GEC's 3 subsidiaries, namely: Gulf Cogeneration Co., Ltd. (GCC), Nong Khae Cogeneration Co., Ltd. (NKCC), and Samutprakarn Cogeneration Co., Ltd. (SCC) .

- **Interest expenses** were Baht 344 million, an increase of Baht 104 million or 43%, driven mainly by an increase in GEC's interest expenses amounting to Baht 113 million due to an unwind cost of Interest Rate Swap Agreement and loan drawdown for administrative expenses for Khaeng Khoi 2 Project. TLP Cogen and Roi-Et Green's interest expenses were down by Baht 9 million and Baht 2 million, respectively, owing to lower principal amounts.

4) **Overseas Group** refers to Conal and NTPC, of which their revenues were Baht 559 million, a decrease of Baht 75 million or 12% compared to the same period of 2005. The expenses were Baht 338 million, a decrease of Baht 359 million or 51% compared to the same period of 2005, owing to the following reasons:

Total Revenues and expenses of Overseas Group: Unit : Million Baht

	<i>Conal</i>		<i>NTPC</i>		<i>Total</i>		
	<i>9M'06</i>	<i>9M'05</i>	<i>9M'06</i>	<i>9M'05</i>	<i>9M'06</i>	<i>9M'05</i>	<i>% Chg</i>
<i>Revenues</i>	557	632	2	2	559	635	(12%)
<i>Expenses</i>	316	353	22	344	338	697	(51%)

- **Sales of electricity** of the Overseas Group were Baht 502 million, a decrease of Baht 98 million or 16% compared to the same period of last year. This resulted from the contractual transfer of the 40 MW of NMPC's Power Plant to NPC in February 2006.

- **Interest income and others** amounted to Baht 57 million, an increase of Baht 23 million or 68% as compared to the first nine months of 2005, mainly due to an increase of Conal's other income.

- **Cost of Sales** were Baht 109 million, a decrease of Baht 52 million or 32% due to the transferring of NMPC.

- **Administrative expenses and income taxes** were Baht 174 million, a decrease of Baht 313 million or 64%. This was due to the change to the proportionate consolidation method for the accounting of NTPC that led to a recognition of these expenses in the amount of Baht 22 million for this period whereas the expenses were acknowledged in the amount of Baht 346 million in the first nine months of 2005, mainly from development expenses of Baht 280 million. Conal's income tax increased by Baht 50 million, mainly owing to the adjustment of a deferred income tax incurred in the first nine months of 2005; whereas the transferring of NMPC resulted in lower administrative expenses by Baht 38 million.

- **Interest expenses** were Baht 55 million, up by Baht 7 million or 13%.

5) **Other Business Group** includes two subsidiaries, ESCO and ET. Total revenues were Baht 686 million, an increase by Baht 123 million or 22% as compared to the same period of 2005 and total expenses totaled Baht 465 million, an increase of Baht 88 million or 23%. The details are as follows;

Total Revenues and Expenses of Other Business Group:

	<i>ESCO</i>		<i>ET</i>		<i>Total</i>		
	<i>9M'06</i>	<i>9M'05</i>	<i>9M'06</i>	<i>9M'05</i>	<i>9M'06</i>	<i>9M'05</i>	<i>% Chg</i>
<i>Revenues</i>	539	436	148	128	686	564	22%
<i>Expenses</i>	419	330	46	47	465	376	23%

- **Service income** from ESCO amounted to Baht 525 million, up by Baht 99 million or 23%, resulting mostly from an increase of operation and maintenance (O&M) services and selling spare parts to Elgali 2 Power Plant in Sudan.

- **Sales of water from a subsidiary**, ET, were Baht 142 million, up by Baht 17 million, or 13%, thanks to an increase of minimum take and tariff under the Water Purchase Agreement.

- **Interest income and others** amounted to Baht 16 million, an increase of Baht 7 million or 71%, mainly from ET's interest income, up Baht 4 million and ESCO's interest income, up Baht 3 million thanks to the higher interest rates.

- **ESCO's share of profit from associates** totaled Baht 3 million, an increase of Baht 1 million, mainly from Amata Power-Esco Service Co., Ltd (AMESCO).

- **Cost of Services** were Baht 362 million, an increase of Baht 88 million or 32%, resulting from an increase in the costs of ESCO's operation and maintenance (O&M) services to customers and spare parts which was consistent with its increased revenues.

- **Cost of water sales** of ET was Baht 43 million, up Baht 2 million or 5% mainly from an increase of operating and maintenance service costs.

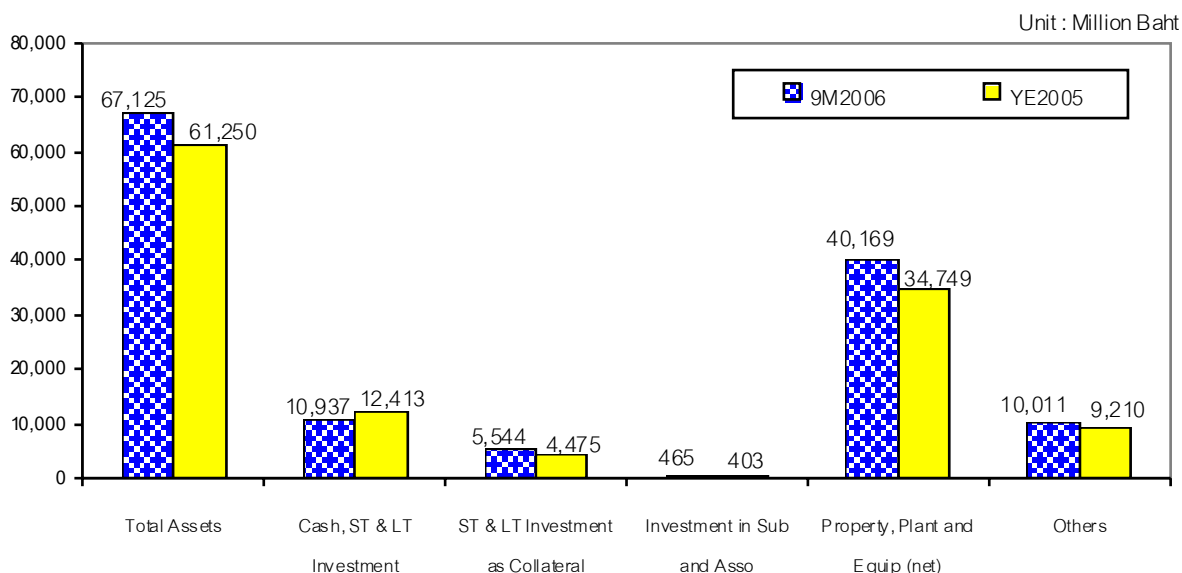
- **Administrative expenses and income taxes** totaled Baht 58 million, an increase of Baht 1 million or 1% compared to the same period of 2005, mostly from an ESCO's higher administrative expenses.

- **Interest expenses** were Baht 2 million, a decrease of Baht 2 million or 52% compared to the first nine months of 2005, owing to lower principal amount of EGCOM TARA's debt.

4. Report and Analysis of Financial Position

4.1 Asset Analysis

As at September 30, 2006, total assets of EGCO, its subsidiaries, associates and joint ventures amounted to Baht 67,125 million, an increase of Baht 5,875 million or 10% from December 31, 2005. The important details are as follows:



1) Cash and deposits at financial institutions, and short term and long term marketable securities were Baht 10,937 million or 16% of the total assets, down Baht 1,476 million or 12%. This resulted mainly from cash and cash equivalent that decreased by Baht 2,724 million due to REGCO's prepayment its remaining balance of US Institution Notes. On the other hand, there was an increase of Baht Baht 1,140 million in deposits at financial institutions and short-term marketable securities, plus an increase of Baht 109 million in long-term investments in marketable securities.

2) Short-term and long-term investments used as collateral were Baht 5,544 million or 8% of the total assets, up Baht 1,069 million or 24%. This increase mainly came from cash reserved for the purpose of repayment of principal and payment of interest at GEC and REGCO.

3) Investment in subsidiaries, associates and interests in joint ventures amounted to Baht 465 million or 1% of the total assets, up by Baht 61 million or 15%. This increase is mainly a result of the recognition of the share of profit of AEP.

4) Property, plant and equipment (net) totaled Baht 40,169 million or 60% of the total assets. They were up Baht 5,420 million or 16% due to an increase in property, plant and equipment related to GEC (GPG and GYG), NTPC and APBP's construction of Baht 5,855 million, Baht 1,370 million and Baht 137 million, respectively; as well as the recording of capital spare parts as property, plant and equipment following the major maintenance of REGCO, KEGCO and TLP Cogen in the amount of Baht 263 million, Baht 305 million and Baht 40 million, respectively.

Meanwhile, a decrease in property, plant and equipment was from depreciation of EGCO and subsidiaries' assets totaling Baht 1,909 million and the reclassification of unutilised capital

spare parts from property, plant and equipment to inventories of REGCO, KEGCO and TLP Cogen amounting to Baht 189 million, Baht 164 million and Baht 35 million, respectively.

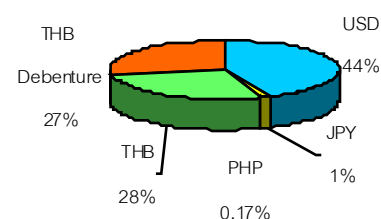
5) **Other assets** were Baht 10,011 million or 15% of the total assets, up Baht 801 million or 9% mainly from an increase of trade receivable from a related party (EGAT) Baht 450 million, other current assets increased by Baht 232 million, GEC's advanced payment and input VAT refund of Baht 110 million and ESCO's unearned income of Baht 81 million. Other non-current assets increased by Baht 217 million.

4.2 Liability Analysis

As at September 30, 2006, the company's total liabilities were Baht 31,654 million, up Baht 2,519 million or 9% as a result of additional loan drawdown and debenture issuance. The total liabilities consist of the following:

1) **Long-term loans and debentures** totaled Baht 27,035 million, or 85% of total liabilities, up Baht 3,549 million or 15%. The details are as follows:

- USD loans in the amount of USD 320 million
- Yen loans in the amount of Yen 970 million
- Filipino Peso loans in the amount of Peso 61 million
- Baht loans in the amount of Baht 7,782 million
- Baht debentures in the amount of Baht 7,514 million



In the first nine months of 2006, there was additional loan drawdown that totaled Baht 9,823 million for the construction of GEC, NTPC and APBP. On the other hand, there was loan principal repayment of Baht 8,235 million: from REGCO - Baht 3,853 million for repayment of its Institution Notes; KEGCO- Baht 559 million; TLP Cogen - Baht 149 million; ET – Baht 30 million; Roi-et Green – Baht 34 million; Conal – Baht 103 million; APBP – Baht 33 million; and GEC – Baht 3,474 million. Based on EGCO's equity ownership of 50% in GEC, EGCO's proportion of 50% in GCC's issuance of Baht debenture to refinance GCC, NKCC and SCC's long-term debt facilities in April 2006 amounted to Baht 2,900 million. And KEGCO's debenture repayment was Baht 283 million.

2) **Other liabilities** amounted to Baht 4,619 million or 15% of total liabilities, represented a decrease of Baht 1,031 million which mostly resulting from a decrease of GEC's construction payable amounting to Baht 2,110 million whereas GEC's other non-current liabilities increased by Baht 487 million from retention and NTPC's non-current liabilities increased by Baht 263 million.

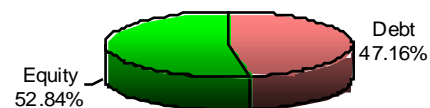
4.3 Shareholders' Equity Analysis

As at September 30, 2006, Shareholders' Equity amounted to Baht 35,471 million, which was Baht 3,356 million or 10% higher than the amount as at December 31, 2005. This was due mainly to the profits from operation of the first nine months of 2006.

The analysis of the company's capital structure as at September 30, 2006 is summarized as follows:

Shareholders' equity was Baht 35,471 million or 52.84%.

Liabilities were Baht 31,654 million or 47.16%.



Important financial ratios were as follows:

- Debt to equity ratio was 0.89 times, lower than 0.91 times at the end of last year.
- Book value per share was Baht 65.15, higher than Baht 58.96 at the end of last year.

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 September 30, 2006, the ending balance of the cash and the cash equivalent was Baht 6,096 million, down Baht 2,724 million from the end of 2005. The details of the sources and uses of funds are as follows:

-**Net cash received from operating activities** totaled Baht 4,941 million. Most of this was cash from operating activities that amounted to Baht 6,886 million whereas cash from working capital caused a decrease by Baht 1,945 million.

-**Net cash payment for investing activities** was Baht 9,747 million. There was cash payment for the investment in power plant construction that amounted to Baht 7,316 million at GEC, Baht 1,179 million at NTPC and Baht 137 million at APBP and short-term investment of Baht 1,141 million. The cash inflow was from dividends of KTSF, EASTW and the other open-ended funds which amounted to Baht 130 million, Baht 31 million and Baht 7 million, respectively.

- **Net cash received from financing activities** was Baht 2,100 million, mainly owing to loan drawdown of GEC in the amount of Baht 8,579 million, NTPC in the amount of Baht 1,129 million and APBP in the amount of Baht 94 million, plus GCC's debenture issuance of Baht 2,900 million. On the other hand, the loan repayment from REGCO, KEGCO, TLP Cogen, Roi-Et Green, ET, APBP, GEC and Conal totaled Baht 8,235 million and debenture repayment from KEGCO amounting to Baht 283 million. EGCO also paid dividend to shareholders in the amount of Baht 2,040 million.