

EGCO

บริษัท ผลิตไฟฟ้า จำกัด (มหาชน)
ELECTRICITY GENERATING PUBLIC COMPANY LIMITED

Management Discussion and Analysis

For the Annual Period Operating Results

Ended December 31, 2005

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 12 operating plants totaling 2,414 equity MW and two major power plant projects under development, namely Nam Theun 2 (NT2) project and Kaeng Khoi 2 (KK2) project. The first drawdown under NT2's construction facilities was equivalent to USD 238 million and it took place on June 15, 2005 after the World Bank and the Asian Development Bank (ADB) and a numerous other public and private sector lenders agreed to support the project. The KK2 project was also able to refinance its Thai bank sourced U.S. dollar loans with a cheaper source of funds from a syndicate of offshore lenders and the Japan Bank for International Cooperation (JBIC). The first drawdown under the refinanced facilities occurred on January 18, 2006.

EGCO's consolidated net profit for 2005 was Baht 4,093 million representing a decrease of Baht 569 million or 12% compared to the year 2004. Excluding the impact of foreign exchange, the net profit was Baht 4,378 million, representing a decrease of Baht 217 million or 5% as compared to last year. The details of net profit (**before F/X**) are as follows:

- EGCO's net gain of Baht 4 million, a decrease of Baht 82 million, reflected less dividends from its financial investments.
- **IPP Group** which consists of Rayong Electricity Generating Co.,Ltd (REGCO) and Khanom Electricity Generating Co.,Ltd (KEGCO) showed a net profit of Baht 4,208 million, an increase of Baht 153 million mainly due to an increase of KEGCO's electricity revenues plus a decrease of REGCO and KEGCO's interest expenses.
- **SPP Group**, comprising five companies including the 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), had a net profit of Baht 299 million, an increase of Baht 4 million caused by an increase in GEC and TLP Cogen's electricity sales together with a decrease in TLP Cogen's administrative expenses.
- **Overseas Group**, which refers to Conal Holdings Corporation (CONAL) and Nam Theun 2 Power Co.,Ltd. (NTPC), reported a net loss of Baht 304 million, a decrease of Baht 343 million. This is a result of the proportionate consolidation of the operating result of NTPC starting from the third quarter of 2005 following the commencement of the construction of the power plant in the Lao People's Democratic Republic (Lao PDR), leading to a reported net loss of Baht 455 million.

- **Other Business Group** includes two subsidiaries, EGCO Engineering & Service Co.,Ltd. (ESCO) and Egcom Tara Co., Ltd. (ET), from which the net profit increased by Baht 50 million due to the increase of service fee received by ESCO. The net profit of this business group was reported at Baht 170 million.

2. Business Expansion Analysis

EGCO is the first Independent Power Producer (IPP) in Thailand established in 1992 through the partial privatization of EGAT Public Company Limited or EGAT (formerly named “The Electricity Generating Authority of Thailand”). 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.

EGCO’s major business is to produce and sell electricity to EGAT under long-term power purchase agreements (PPA). EGCO focuses its investment on pursuing opportunities in power generation in Thailand and also seeks to expand its business in the ASEAN countries with the aim to provide returns to shareholders by improving the profitability of its existing assets and acquiring new projects with acceptable returns and risks.

As at the end of December 2005, Thailand’s total generating capacity was reported at 26,450.56 MW¹, of which 9.1% of total capacity was generated by EGCO. In April 2005, the peak demand reached 20,537.50 MW¹, which was 6.27% higher than the peak demand in March 2004.

On November 22, 2005, the cabinet approved the appointment of an interim regulatory committee consisting of seven-members to oversee policies for the electricity sector. The next round of IPP bidding for capacity required in 2011-2015, which is to be originated and overseen by the new regulator, is now expected to commence within 2006. The regulation of IPP bidding is not yet finalized and the impact of this regulation on EGCO cannot presently be determined. Utilizing the expertise within the group, EGCO has begun to prepare and position itself for participation in this new capacity program.

Currently, EGCO has 12 operating plants totaling 2,414 equity MW, of which 85% is produced from two natural gas-fired IPP power plants: a 1,232 MW REGCO plant and a 824 MW KEGCO plant. In

¹ Source: EGAT Public Company Limited (EGAT)

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 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 the shares in GEC, which 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 a capacity of 734 megawatts each are scheduled on March 1, 2007 and March 1, 2008, respectively. The Thai bank sourced U.S. dollar loans were successfully refinanced with loans from JBIC and a syndicate of international commercial banks. The new terms are markedly improved over the original loan terms; the first drawdown under the refinanced facilities took place on January 18, 2006.
2. **The Nam Theun 2 project**, a 1,070 MW hydroelectric power plant in the Lao PDR in which EGCO has a 25% ownership stake through the project company, NTPC. On April 29, 2005, financial commitments were signed and the first drawdown occurred on June 15, 2005. The construction was slightly behind schedule due to heavy rainfalls during the raining season. Progress has been made to recover the time during the current dry season phase. This project is targeted for COD in November 2009 with a contracted capacity to EGAT of 995 MW. The balance will be sold to the Government of Laos.
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 47.5% through its ownership of GEC. Due to the security situation in the three southernmost provinces of Thailand, 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 1, 2006.
4. **The Amata Power Bang Pakong Expansion (APBP-Expansion Project)** will be a 55 MW natural gas-fired power plant supplying industrial users in Amata Nakorn Industrial Estate. EGCO has 15% stake in this project by holding 50% of shares in EGCO Joint Venture and Development, which owns 29.7% of APBP. On September 28, 2005, a loan agreement to fund the expansion project was entered into with KASIKORNBANK Public Company Limited. The first drawdown under this facility was made on October 7, 2005. The COD for the expansion project is scheduled in the first quarter of 2007. Presently, this project is under construction.

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 that invests primarily in electricity generation and energy service businesses. The main source of its income is 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. Accordingly, investment in NTPC was accounted for under the proportionate consolidation method in the consolidated financial statements as of December 31, 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 2005, as of December 31, 2005, was Baht 4,093 million, a decrease of Baht 569 million or 12% compared to 2004.



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

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

The net profit for 2005 included a foreign exchange loss of Baht 285 million whereas the Company incurred a foreign exchange gain of Baht 67 million for 2004. An unrealized foreign currency exchange loss in the amount of Baht 395 million for 2005 is an accounting number in accordance with the Thai accounting standard. It incurs from the difference of the translation of the net outstanding debt denominated in foreign currency to the Thai Baht equivalent amount using the foreign exchange rate at the end of this accounting period (December 31, 2005) and the previous period (December 31, 2004).

Excluding the effect of foreign currency exchange, the profit was Baht 4,378 million, representing a decrease of Baht 217 million or 5% as compared to 2004.

For 2005, excluding the effect of foreign currency exchange of Baht 285 million, interest expenses of Baht 1,859 million, income tax of Baht 475 million and depreciation and amortization of Baht 3,067 million, the earnings before interest, tax, depreciation and amortization (EBITDA) would be Baht 9,780 million, representing a decrease of Baht 282 million or 3% as compared to 2004, in which the EBITDA was Baht 10,061 million, excluding the effect of foreign currency exchange of Baht 67 million, interest expenses of Baht 2,220 million, income tax amounting to Baht 597 million and depreciation and amortization amounting to Baht 2,650 million.

Important Financial Ratios for the period were as follows;

- Gross Profit Ratio was 49.13%.
- Net Profit Ratio (excluding the effect of foreign exchange) was 25.98%.
- Earnings (excluding the effect of foreign exchange) per share (EPS) was Baht 8.32.

The gross profit ratio of 49.13% was lower than last year's ratio of 51.39%, mainly caused by a decrease in electricity revenues of REGCO plus the starting of the proportionate consolidation of NTPC's operating results during a development phase that led to a reported net loss of Baht 455 million. Consequently, the net profit margin (excluding the effect of foreign exchange) of 25.98% was lower than last year's margin of 27.85%.

3.2 Income Analysis

The total revenues of EGCO and its subsidiaries for 2005 as well as the share of profits from its associates and interest in joint ventures were Baht 16,854 million, an increase of Baht 354 million or 2% compared to 2004. The details are as follows:

<i>Total Revenues:</i>	Unit : Million Baht		
	2005	2004	%Changes
<i>EGCO</i>	478	587	(19%)
<i>IPP Group</i>	9,572	9,846	(3%)
<i>SPP Group</i>	5,287	4,778	11%
<i>Overseas</i>	847	730	16%
<i>Others</i>	669	559	20%

1) **EGCO's Revenues** totaled Baht 478 million, representing a decrease of Baht 109 million or 19% from last year due to a decrease of dividend income of Baht 234 million or 49% as compared to 2004, reflecting the stock market fluctuation, which was partially offset with an increase of other income by Baht 113 million due partly to the NTPC's net reimbursement of internal development cost according to shareholders' agreement amounting to Baht 110 million and an increase in interest income by Baht 12 million. EGCO's revenues comprised of dividend income from financial investment of Baht 241 million, interest income of Baht 96 million and other income of Baht 140 million.

EGCO's revenues are essentially dividends from Krung Thai Dividend Selected Flexible Portfolio Fund (KTSF) in the amount of Baht 130 million representing a decrease of Baht 298 million as compared to 2004; dividends from Eastern Water Resources Development and Management Public Company Limited (EASTW) of Baht 92 million, up by Baht 51 million mostly as a result of EASTW's higher dividend pay-out.

2) **Revenues from the IPP Group**, consisting of two principal subsidiaries, REGCO and KEGCO, were Baht 9,572 million. The details are as follows:

- **Sales of electricity** amounting to Baht 9,378 million, represented a decrease of Baht 293 million or 3% compared to last year. REGCO's electricity sales of Baht 5,039 million reflected a decrease of Baht 409 million, caused by a decrease of the Capacity Rate whilst KEGCO's electricity sales of Baht 4,339 million represented an increase of Baht 115 million, as a result of an increase of the Base Availability Credit. This 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.

<i>Sales of Electricity – IPP Group:</i>	Unit : Million Baht		
	2005	2004	%Changes
<i>REGCO</i>	5,039	5,448	(8%)
<i>KEGCO</i>	4,339	4,224	3%

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 U.S. dollar. 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 U.S. dollar and vice versa.

In 2005, REGCO and KEGCO received compensation for the exchange rate effect of Baht 744 million.

- **Interest income and others** amounted to Baht 194 million, an increase of Baht 20 million or 11%, mainly from REGCO's increased interest income in the amount of Baht 25 million. It resulted from higher amount of deposits at banks and financial institutions due to EGCO's equity injection in REGCO. On the other hand, KEGCO's interest income decreased by Baht 2 million and REGCO and KEGCO's other revenues decreased by Baht 3 million.

3) Revenues from the SPP Group were Baht 5,287 million, an increase of Baht 509 million or 11% compared to 2004. The SPP Group incorporates five companies, GEC, AEP, APBP, TLP Cogen and Roi-Et Green. The details are as follows:

- **Sales of electricity** of the SPP Group were Baht 5,188 million, representing an increase of Baht 505 million or 11% compared to last year.

Sales of Electricity – SPP Group:

	2005	2004	Unit : Million Baht %Changes
<i>GEC</i>	3,017	2,640	14%
<i>TLP Cogen</i>	1,727	1,629	6%
<i>APBP</i>	257	272	(5%)
<i>Roi-Et Green</i>	187	142	32%

Most of the increase of SPP group's electricity sales was from GEC, TLP Cogen, and Roi-et Green in the amount of Baht 377 million, Baht 97 million and Baht 46 million, respectively. An increase of GEC's electricity sales was due to peak-load demand calls from EGAT and TLP Cogen's increased electricity sales was a result of higher tariff for EGAT and industrial users plus higher steam sales to industrial users in 2005. The increase of Roi-et electricity sales came from higher tariff as well, thanks to the tariff formula that is linked to the price of fuel oil. On the other hand, APBP's electricity sales decreased by Baht 15 million due to a physical impairment of an electricity generating equipment.

- **Interest income and others** amounted to Baht 73 million, an increase of Baht 31 million mainly from the increase in APBP's other income totaling Baht 29 million due to insurance compensation. In addition, the interest income and others of Roi-et Green and TLP Cogen were up by Baht 3 million and Baht 6 million, respectively whilst the interest income and others of GEC was down by Baht 7 million.

- **Share of profit of associates and joint ventures** was from AEP totaling Baht 26 million, a decrease of Baht 27 million as compared to 2004. This was resulted from the fine charged by EGAT for not reaching the required ratio in the utilization of steam to thermal process as determined in the PPA.

4) **Revenues from the Overseas Group** were Baht 847 million, an increase of Baht 117 million compared to 2004. The overseas group refers to CONAL and NTPC. The details are as follows:

- **Sales of electricity** of the overseas group were Baht 802 million, an increase of Baht 85 million or 12% compared to last year, resulting from higher dispatch.

- **Interest income and others** amounted to Baht 45 million, up Baht 7 million or 19%.

- **Share of expenses** of NTPC was reported as zero, representing a decrease of Baht 25 million compared to the previous year. This was because NTPC was formerly accounted for on an equity method basis whilst from the third quarter of 2005 it is accounted for on a proportionate consolidation method basis following the commencement of the construction of the power plant in the Lao PDR.

5) **Revenues from the Other Business Group** were Baht 669 million, an increase by Baht 111 million or 20%. The other business group includes two subsidiaries, ESCO and ET. The details are as follows:

Revenues from the Other Business:

Unit : Million Baht

	2005	2004	% Changes
Service Income – ESCO	487	390	25%
Sales of Water – ET	168	157	7%

- **Service income** from ESCO amounted to Baht 487 million, up by Baht 96 million or 25%, 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 168 million, up by Baht 11 million, or 7%, thanks to an increase of water tariff under the Water Purchase Agreement.

- **Interest income and others** amounted to Baht 15 million, an increase by Baht 4 million or 34%, mainly from ET's interest income.

- ESCO's share of profit of associates and joint ventures totaled Baht 0.77 million, an increase by Baht 0.26 million, mainly from the share of loss of Agro Energy Co.,Ltd amounting to Baht 0.49 million that happened in 2004. On the other hand, Amata Power-Esco Service Co.,Ltd (AMESCO)'s increased expenses resulted in lower share of profit in the amount of Baht 0.24 million in 2005.

3.3 Expense Analysis

Total expenses from EGCO, its subsidiaries and joint ventures in 2005 were Baht 12,212 million, an increase of Baht 540 million or 5% from last year. The details are as follows:

<i>Total Expenses:</i>		Unit : Million Baht	
	2005	2004	% Changes
<i>EGCO</i>	474	501	(5%)
<i>IPP Group</i>	5,364	5,791	(7%)
<i>SPP Group</i>	4,917	4,415	11%
<i>Overseas</i>	990	553	79%
<i>Others</i>	468	412	13%

1) **Total expenses of EGCO**, which were administrative expenses, totaled Baht 474 million, a decrease of Baht 27 million or 5% from last year because EGCO's debenture matured in October 2004.

2) **The IPP Group's expenses** were Baht 5,364 million, a decrease of Baht 427 million or 7%. The details are as follows:

- **Cost of sales** of Baht 3,268 million, a decrease of Baht 61 million or 2% compared to 2004, mainly from KEGCO which experienced a decrease of Baht 89 million or 6% as compared to 2004 as a result of decreased insurance expense in 2005 and the incurrence of major maintenance cost in 2004. REGCO's cost of sales increase of Baht 28 million came from the maintenance expense incurred in the replacement of the impaired steam turbine rotor.

<i>Cost of Sales – IPP Group:</i>		Unit: Million Baht	
	2005	2004	%Changes
<i>REGCO</i>	1,834	1,806	2%
<i>KEGCO</i>	1,434	1,523	(6%)

- **Administrative expenses and income tax** were Baht 639 million, a decrease of Baht 30 million or 4%, mainly from REGCO's decreased income tax which was in line with a decline in revenues.

- **Interest expenses** were Baht 1,457 million, a decrease of Baht 336 million or 19%, resulting from the decrease in interest expenses at REGCO and KEGCO of Baht 196 million and Baht 140 million, respectively, owing to lower principal amounts. For REGCO, the USD syndicated loan was fully repaid since December 2004.

3) The SPP Group's expenses were Baht 4,917 million, an increase from last year of Baht 501 million or 11%, according to the following reasons:

- **Cost of Sales** were Baht 4,200 million, an increase of Baht 489 million or 13%, substantially driven by an increase at GEC amounting to Baht 293 million owing to maintenance expenses as well as an increase at TLP Cogen amounting to Baht 97 million from higher fuel costs and maintenance expenses. An increase at APBP amounting to Baht 69 million was due to higher maintenance expenses. Moreover, Roi-Et Green's cost of sales increased by Baht 31 million due to higher cost of rice husk used as fuel.

<i>Cost of Sales - SPP:</i>	Unit : Million Baht		
	2005	2004	%Changes
<i>GEC</i>	2,503	2,210	13%
<i>TLP Cogen</i>	1,313	1,216	8%
<i>APBP</i>	271	203	34%
<i>Roi-Et Green</i>	113	82	38%

- **Administrative expenses and income tax** were Baht 389 million, a decrease of Baht 19 million or 5%, coming substantially from TLP Cogen's lower administrative expenses in 2005 compared to 2004 when the company incurred refinancing fee of Baht 26 million. GEC incurred expenses totaling Baht 336 million, a fall by Baht 19 million whilst APBP incurred expenses of Baht 23 million, an increase of Baht 15 million owing to the fine charged by EGAT for not reaching the required ratio in the utilization of steam to thermal process as determined in the PPA.

- **Interest expenses** were Baht 328 million, an increase of Baht 31 million or 10%, driven by an increase in TLP Cogen's interest expenses amounting to Baht 16 million because of higher loan amount to cover the refinancing fee plus a higher interest rate from swapping floating rate to fixed rate. GEC's interest expenses increased by Baht 12 million due to loan drawdown for power plant construction. GEC and TLP Cogen's interest expenses were Baht 192 million and Baht 109 million, respectively.

4) The Overseas Group's expenses were Baht 990 million, an increase of Baht 437 million or 79% compared to 2004, owing to the following reasons:

- **Cost of Sales** were Baht 294 million, an increase of Baht 65 million or 29%, in line with an increase of revenues.

- **Administrative expenses and income tax** were Baht 628 million, an increase of Baht 376 million or 150%. This came from the change to the proportionate consolidation method for the accounting of NTPC which led to a recognition of expenses in the amount of Baht 460 million, mainly from the write-off of the development expense of Baht 280 million. Conal had an incurred expenses of Baht 168 million, a decrease of Baht 84 million thanks mainly to a decrease in income tax.

- **Interest expenses** were Baht 68 million, a decrease of Baht 5 million or 7% owing to lower principal amount of debt.

5) The Other Business Group's expenses were Baht 468 million, an increase of Baht 55 million or 13%, owing to the following reasons:

- **Service costs** were Baht 334 million, an increase of Baht 65 million or 24%, resulting from an increase of ESCO's operation and maintenance (O&M) services to customers which was consistent with its increased revenue.

- **Cost of water sales** of ET was Baht 55 million, a decrease of Baht 0.01 million or 0.03% mainly from a decrease of operating and maintenance service costs.

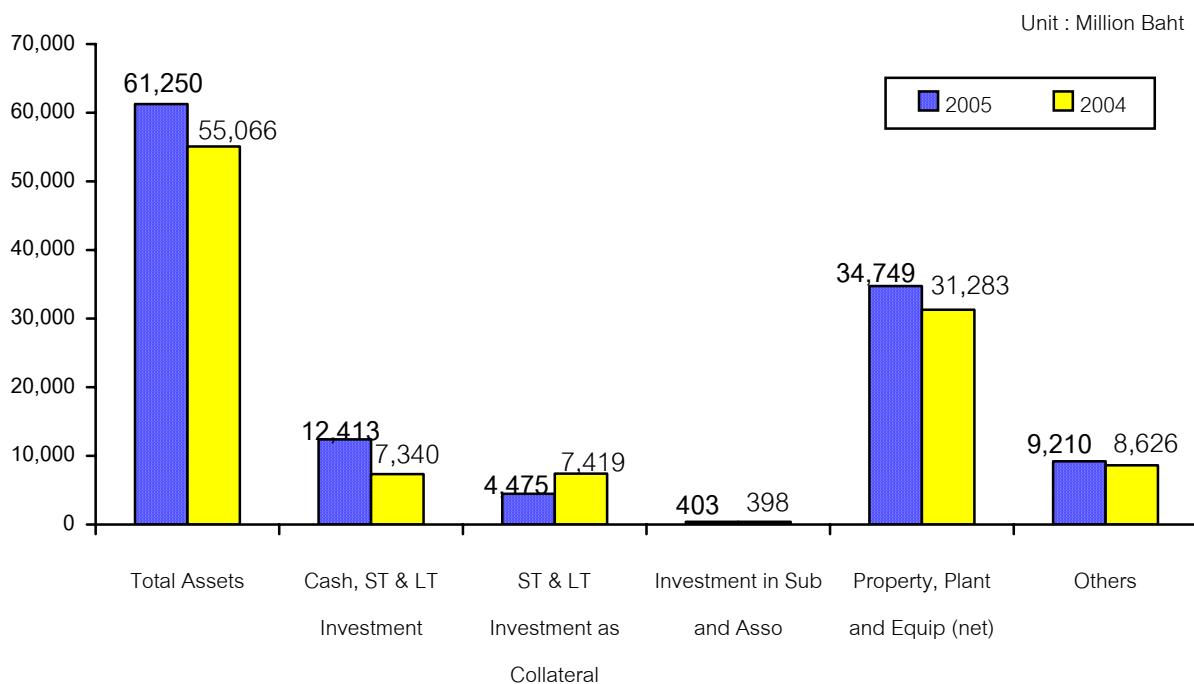
- **Administrative expenses and income tax** totaled Baht 72 million, a decrease of Baht 6 million or 7%. This was mostly from a decrease in ESCO's operating expenses of Baht 11 million or 21% due to Agro-Energy Co.,Ltd.'s write-off of bad debt in 2004. On the other hand, ESCO's income tax increased by Baht 5 million due to an increase in revenues.

- **Interest expenses** were Baht 6 million, a decrease of Baht 4 million or 40%, resulting from the lower principal amount of ET's debt.

4. Report and Analysis of Financial Position

4.1 Asset Analysis

As at December 31, 2005, total assets of EGCO, its subsidiaries, associates and joint ventures amounted to Baht 61,250 million, an increase of Baht 6,184 million or 11% from December 31, 2004. The important details are as follows:



1) **Cash and deposits at financial institutions, and short term and long term marketable securities** were Baht 12,413 million or 20% of the total assets, up Baht 5,073 million or 69%. This came from an increase in cash and cash equivalent of Baht 6,969 million, mainly from operating results amounting to Baht 9,347 million and GEC's and NTPC's loan drawdown totaling Baht 2,481 million whilst there were repayment of loan and debenture of Baht 3,421 million plus dividend payment to shareholders of Baht 1,707 million.

2) **Short-term and long-term investments used as collateral** were Baht 4,475 million or 7% of the total assets, down Baht 2,944 million or 40% since REGCO obtained lenders' approval in the first quarter of 2005 to reduce the Foreign Exchange Reserve Account (FEXRA) and to release Debt Service Reserve Account (DSRA) by pledging a bank guarantee.

3) **Investment in subsidiaries and associates and interests in joint ventures** amounted to Baht 403 million or 1% of the total assets, up by Baht 5 million or 1%. This increase is mainly a result of the recognition of the share of profit of AEP.

4) **Property, plant and equipment (net)** totaled Baht 34,749 million or 57% of the total assets. They were up Baht 3,466 million or 11% due to an increase in property, plant and equipment related to GEC and NTPC's construction of Baht 4,044 million and Baht 1,334 million, respectively; as well as the recording of capital spare parts as property, plant and equipment following the major maintenance of REGCO and TLP Cogen in the amount of Baht 222 million and Baht 28 million, respectively. The translation adjustment of overseas assets increased by Baht 116 million as well.

However, a decrease in property, plant and equipment was from depreciation of EGCO and subsidiaries' assets totaling Baht 2,525 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 15 million, Baht 27 million and Baht 23 million, respectively.

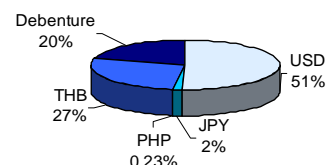
5) **Other assets** were Baht 9,210 million or 15% of the total assets, up Baht 584 million or 7% mainly from spare parts and supplies up by Baht 400 million, trade receivable and trade receivable from related companies that were up Baht 260 million, other assets that were up by Baht 546 million mainly from the license of operating NTPC power plant, while net goodwill was down by Baht 76 million and long-term loans to related parties were down by Baht 547 million following NTPC's shareholder loan repayment for the whole amount and GEC's shareholder loan partial repayment.

4.2 Liability Analysis

As at December 31, 2005, the company's total liabilities were Baht 29,136 million, up Baht 3,172 million or 12% driven by increasing long-term loan drawdown from financial institutions. The total liabilities consist of the following:

1) **Long-term loans and debentures** totaled Baht 23,485 million, or 81% of total liabilities, down by Baht 448 million or 2%. The details are as follows:

- USD loans in the amount of USD 295 million
- Yen loans in the amount of Yen 1,066 million
- Filipino Peso loans in the amount of Peso 70 million
- Baht loans in the amount of Baht 6,549 million
- Baht debentures in the amount of Baht 4,927 million



In 2005, the amount of loans increased by Baht 2,914 million due to the loan drawdown for the construction of GEC and NTPC while principal repayment of long-term loans and debentures by subsidiaries totaled Baht 3,421 million.

2) **Other liabilities** amounted to Baht 5,650 million or 19% of total liabilities, mostly from construction payables of Baht 2,459 million, bank overdrafts and short-term loans from financial institutions of Baht 109 million, trade payables of Baht 751 million, interest payable of Baht 161 million, value added tax payable and income tax payable of Baht 336 million, and others of Baht 1,834 million.

4.3 Shareholders' Equity Analysis

As at December 31, 2005, Shareholders' Equity amounted to Baht 32,115 million, which was Baht 3,012 million higher than the amount as at December 31, 2004. This was due mainly to the profits from operation of 2005.

The analysis of the company's capital structure as at December 31, 2005 is summarized as follows:

Shareholders' equity was Baht 32,115 million or 52.43%.

Liabilities were Baht 29,136 million or 47.57%.

Important financial ratios were as follows:

- Debt to equity ratio was 0.91 times, higher than last year at 0.89.
- Book value per share was Baht 58.96, higher than Baht 53.55 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 December 31, 2005, the ending balance of the cash and the cash equivalent was Baht 8,820 million, up by Baht 6,969 million from the end of 2004. The details of the sources and uses of funds are as follows:

-**Net cash received from operating activities** totaled Baht 9,347 million. Most of this was cash from operating activities that amounted to Baht 7,546 million and cash received from working capital increase of Baht 1,801 million.

-**Net cash payment for investing activities** was Baht 18 million. The cash outflows were from the investment in GEC and NTPC's power plant construction amounting to Baht 1,236 million and Baht 1,433 million, respectively; whereas, cash received from deposits at financial institutions increased by Baht 2,032 million. Cash received from shareholder's loan repayment from NTPC, GEC and AEP was Baht 971 million, Baht 76 million and Baht 32 million, respectively. In addition, cash inflows were from dividends of EASTW, KTSF and the other open-end funds, which amounted to Baht 92 million, Baht 130 million and Baht 19 million, respectively.

- **Net cash payment for financing activities** was Baht 2,363 million, mainly owing to loan and debenture repayment from REGCO, KEGCO, ET, TLP Cogen, Roi-Et Green, APBP, GEC and Conal, which amounted to Baht 3,421 million, plus dividend payment to shareholders that amounted to Baht 1,707 million; while there was debt drawdown at GEC in the amount of Baht 1,096 million and NTPC of Baht 1,385 million and cash received from selling treasury stock of Baht 100 million.