(Translation)

Ratchaburi Electricity Generating Holding Public Company Limited

Management Discussion and Analysis

For the 1st Quarter ended 31 March, 2005

1. Business Operation

The Company and its subsidiaries' operation and management policies had been set to reflect their core business objective, to expand its investment in power business to increase revenues and generating capacity of the Company. On March 9, 2005 Ratchaburi Gas Co., Ltd. ("Ratchaburi Gas"), the Company's subsidiary, acquired additional 12.5 percent of total shares of Tri Energy Co., Ltd. ("Tri Energy"), or 4,279,750 shares at the price of Baht 525.29 million. This transaction increased the shares proportion of Ratchaburi Gas in Tri Energy from 37.5 percent to 50 percent and the total capacity of the Company increased from 3,907.50 megawatts to 3,995 megawatts.

1.1 Operating Performances

Net profit in the 1st quarter of 2005 was Baht 2,149.14 million. This represents an increase of Baht 614.16 million or 40.01 percent from Baht 1,534.98 million in the 1st quarter of 2004. Total income in the 1st quarter of 2005 was Baht 10,933.67 million, increasing by Baht 1,223.12 million or 12.60 percent from that of in the 1st quarter of 2004. Cost of sales and expenses in the 1st quarter of 2005 was Baht 8,784.53 million, increasing Baht 608.96 million or 7.45 percent from that of in the 1st quarter of 2004.

1.2 Analysis of Income

Total revenues of the Company and its subsidiaries for the 1st quarter of 2005 were Baht 10,933.67 million, increasing by Baht 1,223.12 million or 12.60 percent from Baht 9,710.55 million in the 1st quarter of 2004. The main reasons were as follows:

1) The electricity sales of Ratchaburi Electricity Generating Company Limited for the 1st quarter of 2005 was Baht 10,659.66 million, increasing by Baht 1,080.73 million or 11.28 percent from Baht 9,578.93 million in the 1st quarter of 2004. This main reasons were as follows:

- Revenue received from the availability payment for the 1st quarter of 2005 was Baht 3,349.23 million, increasing by Baht 538.63 million or 19.16 percent from Baht 2,810.60 million in the 1st quarter of 2004. The main reason was due to the fact that the availability payment rate in the year 2005 was higher than that of in the year 2004 as specified in the Power Purchase Agreement (PPA).

- Revenue received from the energy payment for the 1st quarter of 2005 was Baht 7,310.43 million, increasing by Baht 542.10 million or 8.01 percent from Baht 6,768.33 million in the 1st quarter of 2004. This mainly was due to increase in energy generation and resulting in higher consumption of natural gas and oil in the 1st quarter of 2005.

2) Other income for the 1st quarter of 2005 was Baht 108.22 million, increasing by Baht 101.46 million from Baht 2.76 million in the 1st quarter of 2004. The main reason was Ratchaburi Electricity Generating Company Limited, the Principal Subsidiary, received compensation of combustion system improvement for Ratchaburi Power Plant in the amount of Baht 106 million in order to take natural gas with heating value higher than the value specified in the Gas Sales Agreement.

3) Share of profit of joint ventures for the 1st quarter of 2005 was Baht 104.20 million, increasing by Baht 11.01 million from Baht 93.19 million in the 1st quarter of 2004. The main reason was the Company recorded share of profit of Tri Energy Company Limited ("Tri Energy") for the 1st quarter of 2005 in the amount of Baht 115.29 million, increasing by Baht 20.17 million from Baht 95.12 million in the 1st quarter of 2004. The main reason was that on March 9, 2005 Ratchaburi Gas Company Limited ("Ratchaburi Gas"), the Company's subsidiary, acquired additional 12.5 percent of total shares of Tri Energy, or 4,279,750 shares at the price of Baht 525.29 million. This transaction increased the shares proportion of Ratchaburi Gas in Tri Energy from 37.5 percent to 50 percent.

1.3 Analysis of Cost of Sales and Expenses

Cost of sales and expenses in the 1st quarter of 2005 were Baht 8,784.53 million, increasing by Baht 608.96 million or 7.45 percent from Baht 8,175.57 million in the 1st quarter of 2004. The main reasons were as follows;

1) Cost of sales in the 1st quarter of 2005 was Baht 8,334.46 million, increasing by Baht 609.39 million or 7.89 percent from Baht 7,725.07 million in the 1st quarter of 2004. This was resulting from

- An increase in fuel costs amounted to Baht 594.77 million. This mainly was due to increase in energy generation, resulting in higher consumption and price of natural gas and oil in the 1st quarter of 2005.
- The maintenance expenses in the 1st quarter of 2005 was Baht 157.67 million, increasing by Baht 9.53 million or 6.43 percent from Baht 148.14 million in the 1st quarter of 2004. The

main reason was that during the 1st quarter of 2005 Combined Cycle Power Plant Block 1 was shutdown for Minor Inspection and Combustion Inspection while in the 1st quarter of 2004, the Combined Cycle Power Plant Block 1 was only shutdown for Combustion Inspection.

However, in the 1st quarter of 2005 the equipment repairing expenses for Combustion Inspection of Combined Cycle Power Plant Block 1, estimated to Baht 136.78 million, has not been recorded as expenses. The repairing expenses will be recorded as expenses when repairing work is completed.

- Ratchaburi Electricity Generating Co.Ltd., the Principal Subsidiary had an accounting policy to calculate the value of spare parts by recognizing the allowance for obsolescence as an annual expense, averaged by the remained operating life of the power plants commencing from 2004 onwards. The allowance for obsolescence, which is categorized as the cost of sales of power plants, was Baht 13.11 million in the 1st quarter of 2005.
- The insurance expenses in the 1st quarter of 2005 were Baht 44.48 million, decreasing by Baht 11.50 million from Baht 55.98 million in the 1st quarter of 2004. The main reason was that the company received discount for the good claim bonus of the power plant's insurance premium for the year 2005.

2) Interest expenses for the 1st quarter of 2005 was Baht 286.54 million, decreasing by Baht 26.67 million or 8.52 percent from Baht 313.21 million in the 1st quarter of 2004. The main reason was the principal has been repaid according to its schedule at the end of each quarter.

3) Income tax expenses for the 1st quarter of 2005 was Baht 42.97 million, increasing by Baht 34.29 million or 3.95 times from Baht 8.68 million in the 1st quarter of 2004. The main reason was the compensation of combustion system improvement for Ratchaburi Power Plant in the amount of Baht 106 million as clarified in item 1.2 (2), was subject to 30 percent income tax rate.

2. Analysis of Financial Status

2.1 Analysis of Assets

As at March 31, 2005, the Company and its subsidiaries had total assets of Baht 68,629.28 million, Baht 864.91 million or 1.24 percent increase from Baht 69,494.19 million on December 31, 2004. The classifications are provided below:

1) The current assets as at March 31, 2005 totaled of Baht 15,645.54 million with a decrease of Baht 949.94 million from Baht 16,595.48 million on December 31, 2004. The main reasons were as follows:

- Trade receivable decrease of Baht 2,737.42 million from the end of the previous year since trade receivable on March 31, 2005 was the amount of the accrued sales revenue for one month (March 2005) but trade receivable on December 31, 2004 was the amount of accrued sales revenue for two months (November and December, 2004)
- Short-term investments in promissory notes and short-term investments pledged as collaterals (according to conditions of loan agreement) increasing by Baht 1,899.46 million from the end of previous year.

2) The non current assets totaled of Baht 52,983.74 million increased by Baht 85.03 million or 0.16 percent from Baht 52,898.71 million in the end of previous year. The main reasons were as follows:

- Interests in joint ventures increasing by Baht 638.46 million as the result of profit sharing from of Tri Energy Co.,Ltd increased in the amount of Baht 640.58 million. The detail was that Ratchaburi Gas, the Company's subsidiary, acquired additional 12.5 percent of total shares of Tri Energy on March 9, 2005 at the price of Baht 525.29 million. This transaction increased the shares proportion of Ratchaburi Gas in Tri Energy from 37.5 percent to 50 percent. Furthermore, the Company received profit sharing from Tri Energy in the amount of Baht 115.29 million in the 1st quarter of 2005.
- Net property, plant and equipment decreased in the amount of Baht 228.12 million from previous year. The main reasons were the depreciation of net property, plant and equipment during the period in the amount of Baht 644.95 million and recording the fuel oil handing system in the amount of Baht 400 million which its operation commencing on January 1, 2005.
- Long-term investments pledged as collateral totaled to Baht 57.14 million increased from the end of the previous year.
- Long-term loans to related parties totaled to Baht 19.37 million increased from the end of the previous year.

2.2 Analysis of Liabilities

As at 31 March, 2005, the Company and its subsidiaries had total liabilities of Baht 38,012.13 million, which was Baht 3,014.05 million or 7.35 percent decreased from Baht 41,026.18 million on December 31, 2005. The main reasons were as follows:

1) Current liabilities was decreasing by Baht 2,247.29 million. Due to trade payable was decreased in the amount of Baht 2,182.82 million since trade payable on March 31,2005 was the amount of accrued fuel costs for one month (March 2005) but trade payable on December 31,2004 was the amount of accrued fuel costs for two months (November and December, 2004).

2) Non-current liabilities was decreasing by Baht 766.76 million. The underlying factor was the repayment of long-term loans in the amount of Baht 736.27 million.

2.3 Analysis of Shareholders' Equity

As at March 31, 2005, the Company and its subsidiaries had total shareholders' equity of Baht 30,617.15 million, which was Baht 2,149.14 million or 7.55 percent increased from Baht 28,464.01 million on December 31, 2004. This was due to the Company and its subsidiaries's operating profit for the 1st quarter of 2005.

The total shareholders' equity in the amount of Baht 30,617.15 million was clarified as issued and paid-up share capital Baht 14,500 million, premium on share capital Baht 1,531.78 million, legal reserves Baht 1,102.83 million, and unappropriated retained earnings Baht 13,482.54 million.

2.4 Major Financial Ratios of 1st quarter of 2005 and 2004.

		Q1/2005	Q1/2004
1)	Current Ratio (times)	2.35	1.84
2)	Ratio of Net Profit (%)	19.66	15.81
3)	Rate of Return on Equity (%)	7.27	6.02
4)	Rate of Return on Assets (%)	3.11	2.28
5)	EBITDA (Million Baht)	3,150	2,511
6)	Ratio of EBITDA to Assets (%)	4.56	3.72
7)	Debt to Equity Ratio (times)	1.24	1.58
8)	Debt Service Coverage Ratio (times)	3.04	2.46
9)	Book Value per Share (Baht)	21.12	18.12
10)	Earning per Share (Baht)	1.48	1.06

3. Analysis of Cash Flows

The ending balance of cash and cash equivalents of the Company and its subsidiaries as at March 31, 2005 was Baht 254.13 million with a decrease of Baht 352.51 million or 58.11 percent, from Baht 606.64 million on March 31, 2004. The details were summarized below:

1) Net cash provided by operating activities increased in the amount of Baht 2,498.22 million. The main reasons were

- The cash flows before changes in operating assets and liabilities were increased by Baht 623.03 million.
- Net cash receipts from operating activities increased in the amount of Baht 4,054.97 million because of decreased in trade receivable as clarified in 2.1 (1) and net cash receipts from operating activities decreased in the amount of Baht 2,094.64 million because of decreased in trade payable as clarified in 2.2 (1).

2) Net cash payments from investing activities decreased in the amount of Baht 2,701.62 million because of a decrease in deposits at financial institution, short-term and long-term investments in the total amount of Baht 2,908.84 million.

3) Net cash provided by financing activities decreased in the amount of Baht 30.65 million. The main reason was the repayment of long-term loan increasing in the amount of 29.98 million from the same period of previous year.