(Translation)

Ratchaburi Electricity Generating Holding Public Company Limited and its subsidiaries

Management Discussion and Analysis

For the 2nd Quarter ended 30 June, 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. Currently, The Company is involved in an investment in Nam Ngum II Hydroelectric Power Project through the shares acquisition of South East Asia Energy Limited (SEAN), a subsidiary company of CH. Karnchang Public Company Limited, in the proportion of 25-30 percent of the total shares. The source of this investment fund which is expected to be approximately Baht 2,353-2,824 million will be derived from the Company's internal cash and /or project loan. Such acquisition is presently in negotiation proceedings and would additionally increase in the total installed generation capacity of the Company to about 153.75 – 184.5 Megawatts from its present generation capacity of 4,345 Megawatts (including the 350-Megawatt Combined-Cycle Power Plant Project of Ratchaburi Power Company Limited). This transaction will support the Company's financial strength and purport its revenue growth opportunity with an expected commercial operation date in January 2013.

Furthermore, TRIS Rating Co., Ltd. has upgraded the Company's rating to "AA-" from "A+". The rating reflects stable dividends from its 99.99%-owned operating subsidiary, Ratchaburi Electricity Generating Co., Ltd., (Principal Subsidiary), its moderately conservative investment policy and the company's strong position to participate in an upcoming new independent power project. At the same time, TRIS Rating has also upgraded the company rating of Ratchaburi Electricity Generating Co., Ltd. to "AA" from "AA-". The upgrade reflects the company's proven record of managing its power plant operations, its stable cash flow from well-designed project structures, state-of-the-art power plants, and the operator's long experience in the power sector. The rating also takes into consideration the operation risk of the power plant and uncertainty about the planned deregulation of the power industry.

1.1 Operating Performance of the 2nd Quarter of 2005

Net profit of operating performance in the 2nd quarter of 2005 was Baht 1,855.34 million. This represented an increase of Baht 328.36 million or 21.50 percent from Baht 1,526.98 million in the 2nd quarter of 2004. Total income in the 2nd quarter of 2005 was Baht 11,901.44 million, increasing by Baht 2,033.45 million or 20.61 percent from the 2nd quarter of 2004. Costs and expenses in the 2nd quarter of 2005 was Baht 10,046.10 million, increasing Baht 1,705.09 million or 20.44 percent from the 2nd quarter of 2004.

1.1.1 Analysis of Income

Total revenues of the Company and its subsidiaries (Ratchaburi Electricity Generating Company Limited, Ratchaburi Energy Company Limited, Ratchaburi Gas Company Limited and Ratch Udom Power Company Limited) for the 2nd quarter of 2005 were Baht 11,901.44 million, Baht 2,033.45 million or 20.61 percent increase from Baht 9,867.99 million in the 2nd quarter of 2004. The main reasons of this are as follows:

1) The electricity sales of Ratchaburi Electricity Generating Company Limited for the 2nd quarter of 2005 was Baht 11,942.31 million, increasing by Baht 2,077.24 million or 21.06 percent from Baht 9,865.07 million in the 2nd quarter of 2004. This was mainly because of

- Revenue received from the availability payment for the 2nd Quarter of 2005 was Baht 3,380.44 million, increasing by Baht 492.10 million or 17.04 percent from Baht 2,888.34 million in the 2nd 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 2nd quarter of 2005 was Baht 8,561.87 million, increasing by Baht 1,585.14 million or 22.72 percent from Baht 6,976.73 million in the 2nd quarter of 2004. This mainly was due to higher power generation, resulting in higher prices and higher consumption of natural gas.

2) The Company recorded share of loss of joint ventures for the 2nd quarter of 2005 in the amount of Baht 110.93 million increasing by Baht 71.26 million from Baht 39.67 million in the 2nd Quarter of 2004 . The main reason was The Company recorded share of loss of Tri Energy Company Limited (Tri Energy) for the 2nd quarter of 2005 in the amount of Baht 90.23 million, increasing by Baht 66.09 million from Baht 24.14 million in the 2nd quarter of 2004. That was due to the unrealized loss on foreign exchange, attributing

from Tri Energy, the Company's joint venture, foreign loans recorded as at June 30, 2005 in the amount of USD 199.71 million, had unfavorably affect Tri Energy operating result.

On March 9, 2005, Ratchaburi Gas Company Limited , the Company's subsidiary, increased the shares proportion in Tri Energy from 37.5 percent to 50 percent.

1.1.2 Analysis of Costs and Expenses

Costs and expenses in the 2^{nd} quarter of 2005 was totally Baht 10,046.10 million, increasing by Baht 1,705.09 million or 20.44 percent from Baht 8,341.01 million in the 2^{nd} quarter of 2004. The main reasons for this are as follows;

1) Cost of sales in the 2^{nd} quarter of 2005 was Baht 9,630.95 million, increasing by Baht 1,712.26 million or 21.62 percent from Baht 7,918.69 million in the 2^{nd} quarter of 2004. This comprises of:

- An increase in fuel costs amounted to Baht 1,580.51 million. This mainly was due to higher power generation, resulting in higher prices and higher consumption of natural gas.

- The maintenance expenses in the 2^{nd} Quarter of 2005 which were the repairing expenses of the equipment of the Combined Cycle Power Plant Block 1 and 2, such equipments being repaired in the year 2004, was Baht 165.31 million, increasing by Baht 132.48 million or 4.03 times from Baht 32.83 million in the 2^{nd} quarter of 2004.

However, the approximately repairing expenses Baht 276.10 million of the equipments, which were under repairing, have not been recorded as expenses. Such repairing expenses will be recorded as expenses when repairing work is completed.

- Ratchaburi Electricity Generating Co.Ltd. 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 16.77 million in the 2^{nd} quarter of 2005.

2) Interest expenses for the 2^{nd} quarter of 2005 was Baht 283.76 million, decreasing by Baht 23.66 million or 7.70 percent from Baht 307.42 million in the 2^{nd} 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 in the 2nd quarter of 2005 amounted to Baht 17.73 million, increasing by Baht 9.14 million from Baht 8.59 million in the same period of the previous year. The main reasons was the income tax adjustment of warranty claim revenue from EGAT.

1.2 Operating Performance of the First Six-Month Period (January 1, 2005 – June 30,2005)

For the first six–month of 2005, the Company and its subsidiaries accounted for net profit at Baht 4,004.48 million or at Baht 2.76 per share, rising from net profit of the first six-month of 2004, which was Baht 3,061.96 million, by Baht 942.52 million or 30.78 percent.

1.2.1 Analysis of Income

Total revenues of the first half of 2005 were Baht 22,834.19 million, Baht 3,257.72 million or 16.64 percent increase from the same period of the previous year. The main reasons of this were as follows:

1) The electricity sales of Ratchaburi Electricity Generating Company Limited for the first six-months of 2005 was Baht 22,601.96 million, increasing by Baht 3,157.96 million or 16.24 percent from Baht 19,444.00 million of the first six-month of 2004. This was mainly because of revenue received from availability payment and energy payment from Ratchaburi Power Plant increasing more than the first six-month of 2004 as clarified in item 1.1.1(1)

2) Other income for the first half of 2005 was Baht 108.93 million, increasing by Baht 105.29 million from Baht 3.64 million of the first six-month of 2004. The main reason was in January 2005 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) Interest income was Baht 118.04 million increasing by Baht 51.25 million from Baht 66.80 million in the same period of the previous year

4) The Company recorded share of loss of joint ventures for the first six-month of 2005 in the amount of Baht 6.73 million decreasing by Baht 60.26 million from share of profit of joint ventures in the amount of Baht 53.53 million in the same period of previous year. The main reason was The Company recorded share of loss of Tri Energy Company Limited (Tri Energy) in the amount of Baht 25.06 million, decreasing by Baht 45.93 million from the same period of previous year. That was due to the unrealized loss on foreign exchange, attributing from Tri Energy, the Company's joint venture, foreign loans recorded as at June 30, 2005 in the amount of USD 199.71 million, had unfavorably affect Tri Energy operating result.

1.2.2 Analysis of Costs and Expenses

Costs and expenses of the first six-month period of 2005 totaled to Baht 18,829.72 million, rising by Baht 2,315.20 million or 14.02 percent from the corresponding period of 2004. The underlying reasons were as follow:

1) Costs of sales amounted to Baht 17,965.41 million, increasing by Baht 2,321.66 million or 14.84 percent from the same period of the previous year, This comprises of:

- An increase in fuel costs for the first six-month period of 2005 was Baht 2,175.27 million. This mainly was due to higher power generation, resulting in higher consumption of natural gas.

- The maintenance expenses in the first six-month of 2005 which were the repairing expenses of the equipment of the Combined Cycle Power Plant, such equipments being repaired in the year 2004, was Baht 208.67 million, increasing by Baht 95.08 million or 83.70 percent from Baht 208.67 million in the first six-month of 2004.

2) Interest expenses for the first six-month period of 2005 was Baht 570.30 million, decreasing by Baht 50.33 million or 8.11 percent from Baht 620.63 million in the same period of the previous year. The main reason was the principal has been repaid according to its schedule at the end of each quarter.

3) Income tax amounted to Baht 60.70 million, increasing by Baht 43.43 million or 2.51 times from the same period of the previous year. The main reason was that the revenue from the compensation of combustion system improvement for Ratchaburi Power Plant in the amount of Baht 106 million and increasing in interest income in the amount of Baht 72.03 million were subject to 30 percent income tax rate.

2. Analysis of Financial Status

2.1 Analysis of Assets

As at June 30, 2005, the Company and its subsidiaries had total assets of Baht 68,704.69 million, Baht 789.50 million or 1.14 percent increase from Baht 69,494.19 million in the end of the previous year. A classification is provided below:

1) The current assets as at June 30, 2005 totaled of Baht 16,455.49 million with a decrease of Baht 139.99 million from Baht 16,595.48 million on December 31, 2004. The main reasons were as follows:

- An increase in cash and cash equivalents in the amount of Baht 134.30 million.

- Short-term investments in promissory notes and short-term investments pledged as collaterals (according to conditions of loan agreement) decreasing by Baht 2,396.38 million from the end of previous year.
- An increase in trade receivable in the amount of Baht 1,943.98 million since the amount of trade receivable on December 31, 2004 was the amount of accrued sales revenue for November and December, 2004 and during that period Combined Cycle Power Plant Block 2 was shutdown for Minor Inspection.
- Inventory and other current increase of Baht 175.97 million from the end of previous year.

2) The non current assets totaled of Baht 52,249.20 million decreased by Baht 649.51 million or 1.23 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 527.53 million as the result of profit sharing from of Tri Energy Co.,Ltd increased in the amount of Baht 550.35 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 25.06 million in the first six-month of 2005.
- Net property, plant and equipment decreased in the amount of Baht 875.11 million from previous year. The main reasons were the depreciation of net property, plant and equipment during the first six-month of 2005 in the amount of Baht 1,306.08 million and recording the fuel oil handing system in the amount of Baht 400 million which its operation commencing on January 1, 2005.
- Advance to a related party decreased in the amount of Baht 400 million. The main reasons was a fuel oil handing system transfer to fixed assets.

2.2 Analysis of Liabilities

As at June 30, 2005, the Company and its subsidiaries had total liabilities of Baht 37,827.21 million, which was Baht 3,198.97 million or 7.80 percent decreasing from Baht 41,026.18 million at the end of the previous year. The main reasons were as follow:

1) Current liabilities was decreasing by Baht 1,700.10 million. Due to trade payable was decreased in the amount of Baht 1,634.74 million since trade payable on June 30,2005 was the amount of accrued fuel costs for only one month (June 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 1,498.88 million. The underlying factor was the repayment of long-term loans in the amount of Baht 1,502.45 million.

2.3 Analysis of Shareholders' Equity

As at June 30, 2005, the Company and its subsidiaries had total shareholders' equity of Baht 30,877.49 million, Baht 2,409.48 million or 8.46 percent increasing in comparison with the previous year. The supported factors were as follow:

1) The Company and its subsidiaries's operating profit for the six months of 2005 amounted to Baht 4,004.48 million.

2) Accordance to the shareholders'annual meeting on April 20, 2005, the Company's shareholders approved the appropriation of the Company's profit for the dividend payment for the operating results in the 2nd half year of 2004 in the amount of Baht 1,595 million (Baht 1.10 per share), which was paid on May 16, 2005.

The total shareholders' equity in the amount of Baht 30,877.49 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 1,195.67 million, and unappropriated retained earnings Baht 13,650.04 million.

2.4 Major Financial Ratios of 2nd quarter of 2005 and 2004.

		Q2/2005	Q2/2004
1)	Current Ratio (times)	2.28	1.71
2)	Ratio of Net Profit (%)	15.59	15.47
3)	Rate of Return on Equity (%)	6.03	5.80
4)	Rate of Return on Assets (%)	2.70	2.24
5)	EBITDA (Million Baht)	2,848	2,498
6)	Ratio of EBITDA to Assets (%)	4.15	3.67
7)	Debt to Equity Ratio (times)	1.23	1.60
8)	Debt Service Coverage Ratio (times)	2.71	2.43
9)	Book Value per Share (Baht)	21.29	18.17
10)	Earning per Share (Baht)	1.28	1.05

3. Analysis of Cash Flows

The ending balance of cash and cash equivalents of the Company and its subsidiaries as at June 30, 2005 was Baht 705.41 million with an increase of Baht 458.21 million or 1.85 percent, from Baht 247.20 million on June 30, 2004. The details were summarized below:

1) Net cash provided by operating activities increased in the amount of Baht 517.91 million. The main reasons were the cash flows before changes in operating assets and liabilities were increased by Baht 1,065.89 million as a result of an increase in net profit in the amount of Baht 942.52 million from the same period of previous year. In addition, the changing in account receivables increased the cash flow in the amount of Baht 2,161.17 million and changing in account payable decreased the cash flow in the amount of baht 2,691.79 million.

2) Net cash payments from investing activities increased in the amount of Baht 285.84 million. Because of

- Short-term and Long-term investments at financial institutions was decreased in the amount of Baht 222.91.
- The Company lent RPCL was decreased in the amount of Baht 274.11 million.
- Net cash for acquisition of interests in joint ventures increased in the amount of Baht 109.04 million. The main reason was that on March 9, 2005 Ratchaburi Gas acquired additional 12.5 percent of total shares of Tri Energy, at the price of Baht 525.29 million. In the same period of previous year The Company acquired 25% of the share capital of RPCL in the amount of Baht 416.25 million.

3) Net cash provided by financing activities increased in the amount of Baht 227.08 million. The main reason was the repayment of long-term loan in the six months of 2005 was higher than the same period of the previous year of 2004 in the amount of Baht 80.43 million. In addition, the dividend payment increased from the same period of the previous year of 2004 in the amount of Baht 146.87 million.