

(Translation)

Ratchaburi Electricity Generating Holding Public Company Limited

Management Discussion and Analysis

For the 1st Quarter Ended 31 March, 2006

1. Operating Performances

Net profit in the 1st quarter of 2006 was Baht 1,933.79 million. This represents a decrease of Baht 215.35 million or 10.02 percent from Baht 2,149.14 million in the 1st quarter of 2005. Total income in the 1st quarter of 2006 was Baht 12,817.16 million, increasing by Baht 1,883.49 million or 17.23 percent from the 1st quarter of 2005. Cost of sales and expenses in the 1st quarter of 2006 were Baht 10,883.37 million, increasing Baht 2,098.84 million or 23.89 percent from the 1st quarter of 2005.

1.1 Analysis of Income

Total revenues of the Company and its subsidiaries for the 1st quarter of 2006 were Baht 12,817.16 million, increasing by Baht 1,883.49 million or 17.23 percent from Baht 10,933.67 million in the 1st quarter of 2005. The main reasons are as follows:

1) The electricity sales of Ratchaburi Electricity Generating Company Limited for the 1st quarter of 2006 were Baht 12,388.59 million, increasing by Baht 1,728.93 million or 16.22 percent from Baht 10,659.66 million in the 1st quarter of 2005. This main reasons are as follows:

- Revenue received from the availability payment for the 1st quarter of 2006 was Baht 3,089.57 million, decreasing by Baht 259.66 million or 7.75 percent from Baht 3,349.23 million in the 1st quarter of 2005. The main reason was due to the fact that the availability payment rate in the 1st quarter of 2006 was lower than that of the 1st quarter in 2005 as specified in the Power Purchase Agreement (PPA).
- Revenue received from the energy payment for the 1st quarter of 2006 was Baht 9,299.02 million, increasing by Baht 1,988.59 million or 27.20 percent from Baht 7,310.43 million in the 1st quarter of 2005. This mainly was due to increase in energy generation and resulting in higher consumption of natural gas and oil in the 1st quarter of 2006.

2) Other income for the 1st quarter of 2006 was Baht 237.64 million, increasing by Baht 67.83 million from Baht 169.81 million in the 1st quarter of 2005. The main reasons are as follows.

- The management service fee for 1st quarter of 2006 was Baht 110.63 million, increasing by Baht 104.40 million or 16.76 times from Baht 6.23 million in the 1st quarter of 2005. The main reason was the Company received development fee from Ratchaburi Power in the amount of Baht 101.33 million as specified in the Service Agreement dated 27 February 2004 for services rendered in connection with the development of the project.
- Interest income for the 1st quarter of 2006 was Baht 109.41 million, increasing by Baht 54.06 million or 97.67 percent from Baht 55.35 million in the 1st quarter of 2005. This mainly was due to increase in interest rate during the year 2006.
- There was no income from compensation of combustion system improvement in 1st quarter of 2006, whereas in the 1st quarter of 2005 the Principal Subsidiary received compensation of combustion system improvement for Ratchaburi Power Plant in the amount of Baht 106 million.

3) Share of profit of joint ventures for the 1st quarter of 2006 was Baht 190.93 million, increasing by Baht 86.73 million from Baht 104.20 million in the 1st quarter of 2005. The main reasons are as follows.

- The Company recorded share of profit of Tri Energy for the 1st quarter of 2006 in the amount of Baht 223.82 million, increasing by Baht 108.53 million or 94.14 percent from Baht 115.29 million in the 1st quarter of 2005. The main reason was that share of profit of Tri Energy in the 1st quarter of 2006 recorded gain on foreign exchange in the amount of Baht 195.67 million whereas in the 1st quarter of 2005 recorded loss on foreign exchange in the amount of Baht 20.86 million.

However, the operating income of Tri Energy for the 1st quarter of 2006 before gain on foreign exchange was lower than the 1st quarter of 2005. The reason was that the power plant was shutdown for maintenance during February – March 2006.

- The Company recorded share of loss of Ratchaburi Power for the 1st quarter of 2006 in the amount of Baht 30.60 million, decreasing by Baht 19.71 million or 1.81 times from Baht 10.89 million the same period of the previous year.

Ratchaburi Power is currently in the construction process of combined cycle power plant comprising of 2 blocks with capacity of 700 megawatts each. Total capacity is 1,400 megawatts. It is scheduled to commence its commercial operation in March and June 2008.

1.2 Analysis of Cost of Sales and Expenses

Cost of sales and expenses in the 1st quarter of 2006 were Baht 10,883.37 million, increasing by Baht 2,098.84 million or 23.89 percent from that of in the 1st quarter of 2005. The main reasons are as follows;

1) Cost of sales in the 1st quarter of 2006 was Baht 10,404.04 million, increasing by Baht 2,069.58 million or 24.83 percent from Baht 8,334.46 million in the 1st quarter of 2005. This was resulting from

- An increase in fuel costs amounted to Baht 1,946.50 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 2006.
- The maintenance expenses for the 1st quarter of 2006 were Baht 173.74 million, increasing by Baht 130.38 million or 3 times from Baht 43.36 million in the 1st quarter of 2005. The main reason was Ratchaburi Electricity Generating Company Limited (“the Principal Subsidiary”) entered into a Contractual Service Agreement (CSA) for the Combined Cycle Generating of Ratchaburi Power Plant with the Consortium of General Electric International Operations Co.,Inc and GE Energy Parts, Inc. The agreement shall be effective from the agreement date on 29 December 2005 until the expiration of the operation of gas turbine stated in the Power Purchase Agreement (for a total period of 22 years) with a total contract price of US Dollar 451 million. In the 1st quarter of 2006, The Company recorded the maintenance expenses according to CSA in the amount of Baht 161 million (US Dollar 4.14 million).

2) Interest expenses for the 1st quarter of 2006 were Baht 327.66 million, increasing by Baht 41.12 million or 14.35 percent from Baht 286.54 million in the 1st quarter of 2005 according to the average interest rates for long term loans and debentures of the 1st quarter of 2006 were 4.23% and 3.67%, higher than 3.25% of the 1st quarter of 2005.

3) Income tax expense for the 1st quarter of 2006 were Baht 15.66 million, decreasing by Baht 27.31 million or 63.56 percent from that of Baht 42.97 million in the 1st quarter of 2005. This was mainly due to the compensation of combustion system improvement for Ratchaburi Power Plant in the amount of Baht 106 million received by the Principal Subsidiary the 1st quarter of 2005, which was subject to income tax.

2. Analysis of Financial Status

2.1 Analysis of Assets

As at March 31, 2006, the Company and its subsidiaries had total assets of Baht 69,413.75 million, Baht 526.79 million or 0.75 percent increase from Baht 69,940.54 million on December 31, 2005. The classifications were provided below:

1) The current assets as at March 31, 2006 totalled Baht 18,954.73 million with an increase of Baht 654.51 million from Baht 18,300.22 million on December 31, 2005. The main reasons are as follows:

- Short-term investments and long-term investments due within one year decrease by Baht 925.59 million from the previous year.
- Trade receivable decrease of Baht 1,526.89 million from the end of the previous year since trade receivable on March 31, 2006 was the amount of the one-month accrued sales revenue (March 2006) but trade receivable on December 31, 2005 was the amount of two-month accrued sales revenue (November and December, 2005)

2) The non current assets totalled Baht 50,459.02 million decreasing by Baht 1,181.30 million from Baht 51,640.32 million in the end of previous year. The main reasons are as follows:

- Long-term loans to related parties totalled to Baht 649.56 million decreasing from the end of the previous year. The main reason was RPCL had repaid total loan to the Company on March 1,2006.
- Interests in joint ventures increasing by Baht 220.52 million as the result of profit sharing from of Tri Energy Co.,Ltd in the amount of Baht 223.82 million which included gain on foreign exchange in the amount of Baht 195.67 million.
- Net property, plant and equipment decreased by Baht 652.31 million from previous year. The main reason was the depreciation of plant and equipment during the period in the amount of Baht 656.95 million.

2.2 Analysis of Liabilities

As at 31 March, 2006, the Company and its subsidiaries had total liabilities of Baht 35,990.59 million, which were Baht 2,460.58 million or 6.40 percent decreased from Baht 38,451.17 million on December 31, 2005. The main reasons are as follows:

1) Current liabilities were decreasing by Baht 1,756.39 million. This was due to the fact that trade payable decreased by Baht 1,266.95 million since trade payable on March 31, 2006 was the amount of one-month accrued fuel costs (March 2006) but trade payable on December 31, 2005 was the amount of two-month accrued fuel costs (November and December, 2005).

2) Non-current liabilities were decreasing by Baht 704.19 million. The underlying factor was the repayment of long-term loans in the amount of Baht 779.83 million.

2.3 Analysis of Shareholders' Equity

As at March 31, 2006, the Company and its subsidiaries had total shareholders' equity of Baht 33,423.16 million, which was Baht 1,933.79 million or 6.14 percent increased from Baht 31,489.37 million on December 31, 2005. This was due to the Company and its subsidiaries's operating profit for the 1st quarter of 2006.

The total shareholders' equity in the amount of Baht 33,423.16 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 1,395.46 million, and unappropriated retained earnings Baht 15,955.92 million.

2.4 Major Financial Ratios of 1st quarter of 2006 and 2005.

	<u>Q1/2006</u>	<u>Q1/2005</u>
1) Current Ratio (Times)	2.64	2.35
2) Ratio of Net Profit (%)	15.09	19.66
3) Rate of Return on Equity (%)	5.96	7.27
4) Rate of Return on Assets (%)	2.78	3.11
5) EBITDA (Million Baht)	2,956	3,150
6) Ratio of EBITDA to Assets (%)	4.24	4.56
7) Debt to Equity Ratio (Times)	1.08	1.24
8) Debt Service Coverage Ratio (Times)	2.65	3.04
9) Book Value per Share (Baht)	23.05	21.12
10) Earning per Share (Baht)	1.33	1.48

3. Analysis of Cash Flows

The ending balance of cash and cash equivalents of the Company and its subsidiaries as at March 31, 2006 was Baht 5,304.89 million with an increase of Baht 5,050.76 million or 19.87 percent, from Baht 254.13 million on March 31, 2005. The details were summarized below:

1) Net cash provided by operating activities decreased in the amount of Baht 1,070.24 million.

The main reasons were

- The cash flows before changes in operating assets and liabilities were decreased by Baht 299.06 million.
- Net cash receipts from operating activities increased in the amount of Baht 1,210.54 million because of a decrease in trade receivable as clarified in 2.1 (1) and net cash receipts from operating activities decreased in the amount of Baht 915.88 million because of a decrease in trade payable as clarified in 2.2 (1).

2) Net cash payments from investing activities decreased in the amount of Baht 2,346.66 million. The main reasons were

- A decrease in deposits at financial institution, short-term and long-term investments in the total amount of Baht 1,162.52 million.
- Net cash for acquisition of interests in joint ventures decreased in the amount of Baht 525.29 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.
- RPCL had repaid total loan in the amount of Baht 649.56 million to the Company.

3) Net cash payment in financing activities increased in the amount of Baht 42.64 million. The main reason was the repayment of long-term loan increasing in the amount of 43.56 million from the same period of previous year.