

(Translation)

**Ratchaburi Electricity Generating Holding Public Co., Ltd.**

**Management Discussion and Analysis**

**For the 3<sup>rd</sup> Quarter Ended 30 September, 2007**

Ratchaburi Electricity Generating Holding Public Company Limited and subsidiaries (“The Group”) has decided to submit proposals for the bidding of the Independent Power Producer (“IPP”) on October 19, 2007, the Group has thoroughly studied all of the critical factors for a power plant project before entering into the bidding, i.e. distance to transmission line and gas pipeline, rules and regulations of land use in the area, environmental impact assessment, technical financial, return on investment aspects and expertise in the particular industry. As a result, The Group has submitted the proposals for two power plants approximately 800 megawatts with total installed capacity of 1,600 megawatts. The Bid Management Committee (“BMC”) nominated by Ministry of Energy (“MOE”) will evaluate first Technical Proposal of each case on pass-fail basis and will announce the short-listed bidders on November 9, 2007. After that, BMC will evaluate Financial Proposal and will announce the successful bidders on November 16, 2007.

On August 6, 2007 The Company has entered the Memorandum of Agreement for Joint Study and Development of the Xe pian – Xe Namnoy Hydroelectric Power Project (“Project”) with SK Engineering & Construction Co., Ltd (“SK”) and Government of Laos (“GOL”). The Project will have the installed capacity of 372 megawatts and call for an investment of USD 668 million. The Company shall hold and maintain the ownership of 25 percentages of shares in the project.

During the 3<sup>rd</sup> quarter of 2007 Ratchaburi Electricity Generating Company Limited, the principal subsidiary, has shutdown the Thermal Power Plant Unit 1 and the Combined Cycle Power Plant Block 2 for major overhaul, which is planned to do every 6 years which was the main reason to decreased the operating performance of the current period from the same period of the previous year.

## 1. Operation Performance according to consolidated financial statement of 3<sup>rd</sup> Quarter of 2007.

	<u>Million Baht</u>			
	<u>Quarter</u> <u>3/2007</u>	<u>Quarter</u> <u>3/2006</u>	<u>Increase</u> <u>(Decrease)</u>	<u>%</u>
Revenue	10,264.23	13,402.05	(3,137.82)	(23.41)
Cost of sales and expenses	<u>9,703.54</u>	<u>11,606.68</u>	<u>(1,903.14)</u>	<u>(16.40)</u>
Net Profit	<u>560.69</u>	<u>1,795.37</u>	<u>(1,234.68)</u>	<u>(68.77)</u>
Earnings per share (Baht)	0.39	1.24	(0.85)	(68.77)

### 1.1 Analysis of Income

Total revenues of the 3<sup>rd</sup> quarter of 2007 were Baht 10,264.23 million, Baht 3,137.82 million or 23.41 percent decreasing from the 3<sup>rd</sup> quarter of 2006. This main reasons are as follows:

1) The electricity sales of Ratchaburi Power Plant for the 3<sup>rd</sup> quarter of 2007 were Baht 9,917.35 million, decreasing by Baht 3,172.31 million or 24.24 percent from Baht 13,089.66 million in the 3<sup>rd</sup> quarter of 2006. The underlying reasons was due to the shutdown of Thermal Power Plant Unit 1 and the Combined Cycle Power Plant Block 2 during the 3<sup>rd</sup> quarter of 2007 for major overhaul, which was on plan. The operating results were as follows

- Revenue received from the Availability Payment (AP) for the 3<sup>rd</sup> quarter of 2007 was 2,500.74 million, decreasing by Baht 668.21 million or 21.09 percent from Baht 3,168.95 million in the 3<sup>rd</sup> quarter of 2006.
- Revenue received from the Energy Payment for the 3<sup>rd</sup> quarter of 2007 was Baht 7,416.61 million, decreasing by Baht 2,504.10 million or 25.24 percent from Baht 9,920.71 million in the 3<sup>rd</sup> quarter of 2006.

2) Share of profit of joint ventures for the 3<sup>rd</sup> quarter of 2007 was Baht 180.90 million, increasing by Baht 30.76 million or 20.49 percent from Baht 150.14 million in the 3<sup>rd</sup> quarter of 2006. The main reason was the Company recorded share of loss in Ratchaburi Power Company Limited (RPCL) lower than that of the 3<sup>rd</sup> quarter of 2006 by the amount of Baht 53.69 million. During the 3<sup>rd</sup> quarter of 2006,

RPCL adjusted some expenses that could not be classified as construction costs in the amount of Baht 81.35 million.

## 1.2 Analysis of Cost of Sale and Expenses

Cost of sale and expenses of the 3<sup>rd</sup> quarter of 2007 totalled Baht 9,703.54 million, decreasing by Baht 1,903.14 million or 16.40 percent from Baht 11,606.68 million in the same period of 2006. The main reasons were as follow

1) Cost of sale for the 3<sup>rd</sup> quarter of 2007 was Baht 9,145.69 million, decreasing by Baht 1,938.29 million or 17.49 percent from Baht 11,083.98 million in the 3<sup>rd</sup> quarter of 2006. The underlying reasons was due to the shutdown of the Thermal Power Plant Unit 1 and the Combined Cycle Power Plant Block 2 during the 3<sup>rd</sup> quarter of 2007. The operating results were as follows

- A fuel costs of Ratchaburi Power Plant for the 3<sup>rd</sup> quarter of 2007 was Baht 7,406.06 million, decreasing by Baht 2,400.12 million from Baht 9,806.18 million.
- The maintenance expenses of Ratchaburi Power Plant for the 3<sup>rd</sup> quarter of 2007 was Baht 235.22 million, increasing by Baht 213.90 million or 10.03 times.
- Spare parts expenses for the 3<sup>rd</sup> quarter of 2007 was Baht 352.44 million, increasing by Baht 273.66 million or 3.47 times from Baht 78.78 million in the 3<sup>rd</sup> quarter of 2006.

2) The administration expenses for the 3<sup>rd</sup> quarter of 2007 was Baht 201.57 million, increasing by Baht 76.24 million or 60.83 percent from Baht 125.33 million in the 3<sup>rd</sup> quarter of 2006. The main reason was the consulting expenses and the project development expenses increasing by Baht 69.23 million from the same period of the year 2006. These were the expenses for investing in foreign projects and joining the Independent Power Producer (IPP) Bidding on October 19, 2007.

3) Interest expenses for the 3<sup>rd</sup> quarter of 2007 was Baht 340.28 million, decreasing by Baht 33.93 million or 9.07 percent from Baht 374.21 million in the 3<sup>rd</sup> quarter of 2006. This was due to the principle repayment every quarter. However, the interest expenses were compensated in the Availability Payment (AP).

**2. Operation Performance according to consolidated financial statement for the nine-month periods  
(January 1, 2007 – September 30, 2007)**

	<u>Jan-Sep07</u>	<u>Jan-Sep 06</u>	<u>Million Baht</u>	
			<u>Increase</u> <u>(Decrease)</u>	<u>%</u>
Revenue	34,522.64	39,180.70	(4,658.06)	(11.89)
Cost of sales and expenses	<u>29,772.74</u>	<u>33,992.57</u>	<u>(4,219.83)</u>	<u>(12.41)</u>
Net Profit	<u>4,749.90</u>	<u>5,188.13</u>	<u>(438.23)</u>	<u>(8.45)</u>
Earnings per share (Baht)	3.28	3.58	(0.30)	(8.45)

**2.1 Analysis of Income**

Total revenues of the nine-months period of the year 2007 was Baht 34,522.64 million, decreasing by Baht 4,658.06 million or 11.89 percent from Baht 39,180.70 million in the same period of the previous year. The main reasons of this matter are as follows:

1) The electricity sales of Ratchaburi Power Plant for the nine-months period of the year 2007 were Baht 32,849.65 million, decreasing by Baht 5,220.62 million or 13.71 percent from Baht 38,070.27 million in the same period of the previous year. This main reasons are as follows:

- Revenue received from the Availability Payment (AP) for the nine-months period of the year 2007 was Baht 8,851.25 million, decreasing by Baht 209.26 million or 2.31 percent from Baht 9,060.51 million in the same period of the previous year. The main reason was due to the fact that the average of Base Availability Credit (BAC) in the year 2007 would be lower than that of the year 2006, as specified in the Power Purchase Agreement (PPA).
- Revenue received from Energy Payment for the nine-months period of the year 2007 was Baht 23,998.40 million, decreasing by Baht 5,011.36 million or 17.27 percent from Baht 29,009.76 million in the same period of the previous

year. This mainly was due to decrease in energy generation and resulting in lower consumption of natural gas in the same period of the previous year.

2) Insurance claimable from fire cause at the Flue Gas Desulfurisation unit at thermal Power Plant Unit 1 on October 13, 2005 was Baht 496.14 million received from the insurance company in June 2007.

3) The management service income for the nine-months period of the year 2007 was Baht 35.60 million, decreasing by Baht 93.61 million or 72.45 percent from Baht 129.21 million in the same period of the previous year. The main reason was on March 2006, the Company received development fee from Ratchaburi Power Company Limited in the amount of Baht 101.33 million.

4) Interest income for the nine-months period of the year 2007 was Baht 465.11 million, increasing by Baht 75.37 million or 19.34 percent from Baht 389.74 million in the same period of the previous year. This mainly was due to an increase in cash and cash equivalents.

## **2.2 Analysis of Cost of Sale and Expenses**

Cost of sale and expenses of the nine-months period of the year 2007 totalled Baht 29,772.74 million, decreasing by Baht 4,219.83 million or 12.41 percent from the corresponding period of 2006. The underlying reasons are as follows:

1) Cost of sale for the nine-months period of the year 2007 was Baht 28,159.59 million, decreasing by Baht 4,313.07 million or 13.28 percent from Baht 32,472.66 million in the same period of the previous year. The main reason were

- A decrease in fuel costs from the nine-months period of the year 2007 was Baht 4,864.57 million, due to the reason refers in item 2.1 (1) the Energy Payment.
- The maintenance expenses and spare parts expenses for the nine-months period of the year 2007 was Baht 851.46 million, increasing by Baht 531.26 million or 1.66 times from Baht 320.20 million in the same period of the previous year due to the Power Plant was shut down in this period more than that in 2006.

2) The administration expenses for the nine-months period of the year 2007 was Baht 482.36 million increasing by the amount of Baht 101.60 million or 26.68 percent from the amount of Baht 380.76 million in the same period of the previous year. The main reason was the project development expenses for the investing in foreign power plant projects and the consulting expenses and for joining the Independent Power Producer (IPP) Bidding increasing by the amount of Baht 79.25 million.

3) Income Tax for the nine-months period of the year 2007 was Baht 81.70 million increasing by the amount of Baht 34.66 million or 73.68 percent from the amount of Baht 47.04 million in the same period of the previous year. The main reason was interest income in nine-months period the year 2007 was higher than that of the year 2006 and the result from the deficit on income tax of the year 2006.

### 3. Analysis of Financial Status

#### 3.1 Analysis of Assets

	<u>Million Baht</u>			
	<u>As at</u>	<u>As at</u>	<u>Increase</u>	<u>%</u>
	<u>30 SEP 07</u>	<u>31 DEC 06</u>	<u>(Decrease)</u>	
Current Assets	20,493.38	21,922.88	(1,429.50)	(6.52)
Non Current Assets	<u>49,552.87</u>	<u>50,182.17</u>	<u>(629.30)</u>	<u>(1.25)</u>
Total Assets	<u>70,046.25</u>	<u>72,105.05</u>	<u>(2,058.80)</u>	<u>(2.86)</u>

1) The total assets decreased by Baht 2,058.80 million. The main reasons are as follows:

- Account receivable decreased in the amount of Baht 1,797.15 million. This was due to the electricity sale decreased which was resulted from the maintenance power plant on plan.
- Net property, plant and equipment decreased by Baht 1,671.67 million due to the depreciation of the period by the amount of Baht 2,051.65 million and the increased in net asset in the amount of Baht 379.98 million.

- Interests in joint ventures increased by Baht 1,452.92 million. The main reasons were share of profit in Tri Energy Co., Ltd increasing by the amount of Baht 474.70 million and the additional in shares of SouthEast Asia Energy Limited and Ratchaburi Power Co., Ltd. in this period in the amount of Baht 554.93 million and Baht 404.06 million respectively.

### 3.2 Analysis of Liabilities and Shareholders' Equity

	<u>Million Baht</u>			
	<u>As at</u>	<u>As at</u>	<u>Increase</u>	<u>%</u>
	<u>30 SEP 07</u>	<u>31 DEC 06</u>	<u>(Decrease)</u>	
Current Liabilities	9,917.74	11,009.62	(1,091.88)	(9.92)
Non Current Liabilities	<u>23,728.21</u>	<u>26,400.03</u>	<u>(2,671.82)</u>	<u>(10.12)</u>
<b>Total Liabilities</b>	<b>33,645.95</b>	<b>37,409.65</b>	<b>(3,763.70)</b>	<b>(10.06)</b>
Shareholders' Equity	<u>36,400.30</u>	<u>34,695.40</u>	<u>1,704.90</u>	<u>4.91</u>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>70,046.25</u></b>	<b><u>72,105.05</u></b>	<b><u>(2,058.80)</u></b>	<b><u>(2.86)</u></b>

1) Current liabilities were decreasing by Baht 1,091.88 million. This was due to the fact that trade payable decreased in the amount of Baht 1,226.02 million due to the decreased in fuel consumption which was resulted from the maintenance power plant on plan.

2) Non-current liabilities decreased by Baht 2,671.82 million. The underlying factors were the repayment in the nine-months period of the year 2007 of debenture and long-term loans amounting to Baht 1,749.93 million and Baht 550.75 million, respectively.

3) Shareholders' Equity increased by Baht 1,704.90 million. The main reasons were

- The Company and its subsidiaries operating profit in the nine-months period of the year 2007 amounting to Baht 4,749.90 million.
- The Company's shareholders approved the allotment of the Company's profit for the dividend payment for the operating results in the second half year of 2006 in

the amount of Baht 1,595.00 million, in accordance with the Annual General Meeting of Shareholders on April 20,2007, which was paid on May 16, 2007.

- The Board of Directors of the Company held on August 20, 2007, passed the resolutions to approve the interim dividend payment for the operating results for the first six month period of 2007 in the amount of Baht 1,450 million (Baht 1 per share), which was paid on September 17,2007.

The total shareholders' equity in the amount of Baht 36,400.30 million comprises of authorized share capital (issued and paid-up share capital) Baht 14,500 million, premium on share capital Baht 1,531.78 million, legal reserve Baht 1,450 million and unappropriated retained earnings Baht 18,918.52 million.

### 3.3 Major Financial Ratios of the the 3<sup>rd</sup> quarter of 2007 and 2006.

		<u>Quarter</u>	<u>Quarter</u>
		<u>3/2007</u>	<u>3/2006</u>
1)	Current Ratio (Times)	2.07	1.99
2)	Ratio of Net Profit (%)	5.46	13.40
3)	Rate of Return on Equity (%)	1.52	5.34
4)	Rate of Return on Assets (%)	0.78	2.56
5)	EBITDA (Million Baht)	1,643.43	2,894.54
6)	Ratio of EBITDA to Assets (%)	2.30	4.13
7)	Debt to Equity Ratio (Times)	0.92	1.12
8)	Debt Service Coverage Ratio (Times)	1.39	2.79
9)	Book Value per Share (Baht)	25.10	23.29
10)	Earning per Share (Baht)	0.39	1.24

#### 4. Analysis of Cash Flows

	<u>Million Baht</u>			
	<u>Quarter</u>	<u>Quarter</u>	<u>Increase</u>	<u>%</u>
	<u>3/2007</u>	<u>3/2006</u>	<u>(Decrease)</u>	
Cash flows from operating activities	6,155.84	4,980.23	1,175.61	23.61
Cash flows from investing activities	(718.32)	(2,798.98)	(2,080.66)	(74.34)
Cash flows from financing activities	<u>(5,342.79)</u>	<u>(5,079.30)</u>	<u>263.49</u>	<u>5.19</u>
Net increase in cash and cash equivalents	94.73	(2,898.05)	2,992.78	103.27
Beginning balance	<u>3,124.49</u>	<u>4,388.09</u>	<u>(1,263.60)</u>	<u>(28.80)</u>
<b>Ending balance</b>	<b><u>3,219.22</u></b>	<b><u>1,490.04</u></b>	<b><u>1,729.18</u></b>	<b><u>116.05</u></b>

The ending balance of cash and cash equivalents of the Company and its subsidiaries as at Sep 30, 2007 was Baht 3,219.22 million with an increase of Baht 1,729.18 million or 1.16 times, from Baht 1,490.04 million on Sep 30, 2006. The details are summarized below:

1) Net cash provided by operating activities increased in the amount of Baht 1,175.61 million. This was due to the change in assets and liabilities increased the cash flow by Baht 1,595.13 million. Whereas the decreased in operating performance from the same period of the previous year lower the cash flow by Baht 419.52 million.

2) Net cash payments from investing activities decreased in the amount of Baht 2,080.66 million. The main reasons were an decrease in deposits at financial institutions in the amount of Baht 3,638.45 million, and an increase in payment of additional shares in SouthEast Asia Energy Limited and Ratchaburi Power Company Limited in the amount of Baht 566.06 million and Baht 440.00 million respectively.

3) Net cash payment in financing activities increased in the amount of Baht 263.49 million. The main reasons were in the nine-months period of the year 2007 the company paid dividend to shareholders, that was increasing by Baht 147.03 million from the same period of the previous year, and the Company paid repayment amount of long-term loans had diminished by Baht 116.46 million.

The Company has changed its accounting policy regarding investment in subsidiaries and interests in joint ventures so that the separate financial statement, which formerly reported investment by the equity method, now reports by the cost method since the 1<sup>st</sup> quarter of 2007. This is to comply with TAS 44 and TAS 45. This adjustment caused a variance in net income between the separate financial statement and the consolidated financial statement. After the change in accounting method, the restating net income for the nine month periods ended September 30, 2007 and that of 2006 increased by Baht 1,524.46 million and Baht 134.73 million, respectively. This was the result of the separate financial statement has realized announced dividend payment from Ratchaburi Electricity Generating Company Limited, the Principal Subsidiary, whereas the consolidated financial statement has realized gains (losses) from investment in subsidiaries and joint ventures by shareholders' proportion.

	Million Baht	
Net Profit	<u>Jan-Sep 07</u>	<u>Jan-Sep 06</u>
- Consolidated financial statement (Equity Method)	4,749.90	5,188.13
- Separate financial statement (Cost Method)	6,274.36	5,322.86
Increase (Decrease) - Million Baht	1,524.46	134.73
- Baht per share	1.05	0.09

However, the change of accounting policy effects only on the separate financial statement. It does not have any effect on the consolidated financial statements or business fundamentals.