

(Translation)

Ratchaburi Electricity Generating Holding Public Co., Ltd.

Management Discussion and Analysis

For the 1st Quarter Ended 31 March, 2008

According to the Joint Development Agreement (JDA) dated 11 December 2007 with Banpu Power Limited (a subsidiary of Banpu Public Company Limited), the Company agreed to pay the Joint Development Right Fee on the participation in Hongsa Lignite Project. In addition, the Board of Directors has approved for the total amount for US Dollars 20 million on the participation in this project.

Hongsa Lignite Project is a coal-fired thermal power plant with 1,653 megawatts in total capacity. The Commercial Operation Date (COD) is expected to start in 2013. The Company will initially hold a 40% stake in the project so the company will have an increase in capacity at 661 megawatts. Whereas Banpu Power Co., Ltd. holds a 40% stake and the Laos Government holds another 20% stake. Currently, the joint-venture partners are under-negotiating with the Electricity Generating Authority of Thailand (EGAT) for the Power Purchase Agreement (PPA).

1. Management Discussion and Analysis Report according to consolidated financial statement

	<u>Million Baht</u>			
	<u>Quarter</u>	<u>Quarter</u>	<u>Increase</u>	<u>%</u>
	<u>1/2008</u>	<u>1/2007</u>	<u>(Decrease)</u>	
Revenue	11,589.34	11,870.83	(281.49)	(2.37)
Cost of sales and expenses	<u>9,885.49</u>	<u>9,822.09</u>	<u>63.40</u>	<u>0.65</u>
Net Profit	<u>1,703.85</u>	<u>2,048.74</u>	<u>(344.89)</u>	<u>(16.83)</u>
Earnings per share (Baht)	1.18	1.41	(0.23)	(16.83)

1.1 Analysis of Income

Total revenues of the 1st quarter of 2008 were Baht 11,589.34 million, decreasing by Baht 281.49 million or 2.37 percent from Baht 11,870.83 million in the 1st quarter of 2007. The main reasons of this matter are as follow

1) Revenue received from the Availability Payment (AP) for the 1st quarter of 2008 was Baht 2,872.84 million, decreasing by Baht 440.89 million from Baht 3,313.73 million in the 1st quarter of 2007. The main reason was due to the fact that the average of Base Availability Credit (BAC) in the year 2008 would be lower than that of the year 2007 as specified in the Power Purchase Agreement (PPA). Additionally, Ratchaburi Thermal Power Plant unit 2 was 52 days shutdown for the equipment repairing for the period resulting in a decrease in the AP by Baht 269.08 million from the same period of the previous year. However, Thermal Power Plant unit 2 has been normally operated since March 27, 2008.

2) Revenue received from Energy Payment for the 1st quarter of 2008 was Baht 8,110 million, increasing by Baht 18.70 million or 0.23 percent from Baht 8,091.30 million in the 1st quarter of 2007.

3) Share of profit of joint ventures for the 1st quarter of 2008 was Baht 450.17 million, increasing by Baht 194.68 million or 76.20 percent from Baht 255.49 million in the 1st quarter of 2007. The main reason was the Company recorded its 25 percent share of profit in Ratchaburi Power Company Limited (“Ratchaburi Power”) for the 1st quarter of 2008 increasing by Baht 175.78 million from the 1st quarter of 2007. The reason was due to the Company recorded gain on foreign exchange of Ratchaburi Power increasing by Baht 130.99 million. In addition, the Company recorded operating result of Ratchaburi Power increasing by Baht 44.79 million as a result of the Ratchaburi Power Plant unit 1 with an installed capacity of 700 megawatts has been commercially operated since March 1, 2008.

Furthermore, on March 1, 2008 Ratchaburi Power recorded advance from natural gas discount received from PTT Public Company Limited amounting to USD 30 million and recorded as deferred revenue over the period of 25 years and 3 months according to Gas Sales Agreement. In the 1st quarter of 2008 Ratchaburi Power was recorded this transaction in the amount of Baht 3.11 million.

4) Interest income for the 1st quarter of 2008 was Baht 111.52 million, decreasing by Baht 56.80 million or 33.75 percent from Baht 168.32 million in the 1st quarter of 2007. This mainly was due to cash and investment decrease from the same period of the previous year.

1.2 Analysis of Cost of Sale and Expenses

Cost of sale and expenses of the 1st quarter of 2008 totalled Baht 9,885.49 million, increasing by Baht 63.40 million or 0.65 percent from Baht 9,822.09 million in the corresponding period of 2007. The underlying reasons are as follows:

1) Cost of sale (excluding fuel cost) for the 1st quarter of 2008 was Baht 1,280.84 million, increasing by Baht 81.90 million or 6.83 percent from Baht 1,198.94 million in the 1st quarter of 2007. The main reason was in the 1st quarter of 2008 the Company recorded the equipment repairing expenses of Combined Cycle Power Plant Block 3 in the amount of Baht 69.34 million.

2) Fuel costs for the 1st quarter of 2008 was Baht 8,117.16 million, increasing by Baht 51.33 million or 0.64 percent from Baht 8,065.83 million in the 1st quarter of 2007.

3) Interest expenses for the 1st quarter of 2008 was Baht 323.95 million, decreasing by Baht 34.43 million or 9.61 percent from Baht 358.38 million in the 1st quarter of 2007. This was due to the principal has been repaid.

2. Analysis of Financial Status

2.1 Analysis of Assets

	<u>As at</u>	<u>As at</u>	<u>Million Baht</u>	
	<u>31 MAR 08</u>	<u>31 DEC 07</u>	<u>Increase</u>	<u>%</u>
			<u>(Decrease)</u>	
Current Assets	21,297.29	21,070.98	226.31	1.07
Non Current Assets	<u>50,205.12</u>	<u>49,229.95</u>	<u>975.17</u>	<u>1.98</u>
Total Assets	<u>71,502.41</u>	<u>70,300.93</u>	<u>1,201.48</u>	<u>1.71</u>

- 1) The total assets increased by Baht 1,201.48 million. The main reasons are as follows:
- An increase in current assets by Baht 226.31 million due to account receivables was increased by Baht 599.18 million, which was result from the power plant shutdown period for maintenance was less than the end of previous year.
 - Net property, plant and equipment decreased by Baht 668.98 million due to the depreciation of the period in the amount of Baht 683.94 million.
 - Interests in joint ventures increased by Baht 926.11 million. The main reason was due to the additional in shares and share of profit in Ratchaburi Power in the total amount of Baht 408.61 million, the additional in share for Nam-Ngum 2 Power Project and share of loss in SouthEast Asia Energy Limited in the net amount of Baht 40.59 million and share of profit in Tri Energy Co., Ltd increasing by the amount of Baht 274.92 million. Furthermore the adjustment of negative goodwill of Ratchaburi Gas Co., Ltd. from additional share capital in Tri Energy in the year 2005 comply with TAS 43 (Revised in 2007) was Baht 191.84 million.
 - Other assets increased by Baht 718.04 million due to deferred joint development fee of Hongsa Lignite project by the amount of Baht 632.46 million (20 M.USD)

2.2 Analysis of Liabilities and Shareholders' Equity

	<u>Million Baht</u>			
	<u>As at</u>	<u>As at</u>	<u>Increase</u>	<u>%</u>
	<u>31 MAR 08</u>	<u>31 DEC 07</u>	<u>(Decrease)</u>	
Current Liabilities	10,155.94	10,006.71	149.23	1.49
Non Current Liabilities	<u>21,970.98</u>	<u>22,814.42</u>	<u>(843.44)</u>	<u>(3.70)</u>
Total Liabilities	32,126.92	32,821.13	(694.21)	(2.12)
Shareholders' Equity	<u>39,375.49</u>	<u>37,479.80</u>	<u>1,895.69</u>	<u>5.06</u>
Total Liabilities and Shareholders' Equity	<u>71,502.41</u>	<u>70,300.93</u>	<u>1,201.48</u>	<u>1.71</u>

1) Current liabilities increased by Baht 149.23 million. The main reasons were

- On March 31, 2008, Ratchaburi Electricity Generating Co., Ltd., the principal subsidiary, borrowed short-term loan from financial institution in the amount of Baht 2,130.00 million and the referred loan had been repaid on April 2, 2008.
- Trade payable decreased by Baht 2,444.19 million due to trade payable as at 31 March 2008 was the fuel cost on March 2008 only, whereas trade payable as at 31 December 2007 was the fuel cost on November and December 2007.

2) Non-current liabilities decreased by Baht 843.44 million. The underlying factor was the repayment of debenture amounting to Baht 583.31 million and long-term loan amounting to Baht 305.70 million.

3) Shareholders' Equity increased by Baht 1,895.69 million. The main reason was due to the Company and its subsidiaries' operating profit for the 1st quarter of 2008 in the amount of Baht 1,703.85 million and the adjustment of negative goodwill of Ratchaburi Gas Company Limited from additional share capital in Tri Energy in the year 2005 comply with TAS 43 (revised 2007) was Baht 191.84 million.

The total shareholders' equity in the amount of Baht 39,375.49 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 21,893.71 million.

2.3 Major Financial Ratios of the the 1st quarter of 2008 and 2007.

		<u>Quarter</u>	<u>Quarter</u>
		<u>1/2008</u>	<u>1/2007</u>
1)	Current Ratio (Times)	2.10	2.16
2)	Ratio of Net Profit (%)	14.70	17.26
3)	Rate of Return on Equity (%)	4.43	5.74
4)	Rate of Return on Assets (%)	2.40	2.83
5)	EBITDA (Million Baht)	2,767.65	3,152.57
6)	Ratio of EBITDA to Assets (%)	3.90	4.35
7)	Debt to Equity Ratio (Times)	0.82	0.89
8)	Debt Service Coverage Ratio (Times)	2.26	2.91
9)	Book Value per Share (Baht)	27.16	25.34
10)	Earning per Share (Baht)	1.18	1.41

3. Analysis of Cash Flows

	<u>Million Baht</u>			
	<u>Quarter</u>	<u>Quarter</u>	<u>Increase</u>	<u>%</u>
	<u>1/2008</u>	<u>1/2007</u>	<u>(Decrease)</u>	
Cash flows from operating activities	(1,618.85)	1,894.27	(3,513.12)	(185.46)
Cash flows from investing activities	(874.78)	(1,427.15)	552.37	38.70
Cash flows from financing activities	<u>1,240.66</u>	<u>(712.87)</u>	<u>1,953.53</u>	<u>274.04</u>
Net increase in cash and cash equivalents	(1,252.97)	(245.75)	(1,007.22)	(409.86)
Beginning balance	<u>1,744.65</u>	<u>3,124.49</u>	<u>(1,379.84)</u>	<u>(44.16)</u>
Ending balance	<u>491.68</u>	<u>2,878.74</u>	<u>(2,387.06)</u>	<u>(82.92)</u>

The ending balance of cash and cash equivalents of the Company and its subsidiaries as at March 31, 2008 was Baht 491.68 million with a decrease of Baht 2,387.06 million or 82.92 percent, from Baht 2,878.74 million on March 31, 2007. The details are summarized below:

1) Net cash provided by operating activities decreased in the amount of Baht 3,153.12 million. This was due to lower in operating performance from the same period of the previous year decreased cash flow by Baht 522.02 million, in additions the change in current assets and current liabilities also decreased the cash flow by Baht 3,025.52 million according to the change in trade receivable and trade payable decreased in the amount of Baht 1,094.17 million and Baht 1,888.67 million respectively.

2) Net cash payments from investing activities decreased in the amount of Baht 552.37 million. The main reason was a decreased in investment in financial product in the amount of Baht 727.56 million whereas the payment for additional share capital in joint venture increased in the amount of Baht 135.61 million.

3) Net cash payment in financing activities increased in the amount of Baht 1,953.53 million. The main reason was on 31 March 2008 Ratchaburi Electricity Generating Co., Ltd. borrowed short-term loan from financial institution in the amount of Baht 2,130.00 million as referred in 2.2 (1).