

(Translation)

Ratchaburi Electricity Generating Holding Public Co., Ltd.

Management Discussion and Analysis

For the 2nd Quarter Ended 30 June, 2008

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>2/2008</u>	<u>2/2007</u>	<u>(Decrease)</u>	
Revenue	10,526.29	12,389.14	(1,862.85)	(15.04)
Cost of sales and expenses	<u>9,260.58</u>	<u>10,248.67</u>	<u>(988.09)</u>	<u>(9.64)</u>
Net Profit	<u>1,265.71</u>	<u>2,140.47</u>	<u>(874.76)</u>	<u>(40.87)</u>
Earnings per share (Baht)	0.87	1.48	(0.61)	(40.87)

1.1 Analysis of Income

Total revenues of the 2nd quarter of 2008 were Baht 10,526.29 million, decreasing by Baht 1,862.85 million or 15.04 percent from Baht 12,389.14 million in the 2nd quarter of 2007. The main reasons of this matter were as follow

1) The electricity sales of Ratchaburi Power Plant for the 2nd quarter of 2008 were Baht 10,307.74 million, decreasing by Baht 1,219.54 million or 10.58 percent from Baht 11,527.28 million in the 2nd quarter of 2007. This main reasons 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 Combined Cycle Power Plant was shut down for the equipment repairing according to planned outage more than that of the previous year. The details of electricity sales were as follows:

- Revenue received from the Availability Payment (AP) for the 2nd quarter of 2008 was Baht 2,735.67 million, decreasing by Baht 301.11 million or 9.92 percent from Baht 3,036.78 million in the 2nd quarter of 2007.
- Revenue received from the Energy Payment (EP) for the 2nd quarter of 2008 was Baht 7,572.07 million, decreasing by Baht 918.43 million or 10.82.

2) Interest income for the 2nd quarter of 2008 was Baht 100.52 million, decreasing by Baht 57.46 million or 36.37 percent from Baht 157.98 million in the 2nd quarter of 2007. This mainly was due to interest rate lower than the same period of the previous year.

3) Insurance compensation from fire cause at the Flue Gas Desulfurisation unit at Thermal Power Plant Unit 1 was Baht 496.14 million received from the insurance company on June 2007.

4) Share of profit of joint ventures for the 2nd quarter of 2008 was Baht 64.59 million, decreasing by Baht 112.69 million or 63.57 percent from Baht 177.28 million in the 2nd quarter of 2007. The main reason was the Company recorded losses on foreign exchange of joint ventures for the 2nd quarter of 2008 in the amount of Baht 277.19 million, whereas, in the 2nd quarter of 2007, recorded gains on foreign exchange in the amount of Baht 37.70 million. However, the operating income of joint ventures for the 2nd quarter of 2008 before losses on foreign exchange was Baht 341.78 million, increasing by Baht 202.20 million from Baht 139.58 million in the same period of previous year. The reason was the Combined Cycle Power Plant Block 1 and 2 of Ratchaburi Power Co., Ltd., a joint venture 25 percent owned by the Company, started their commercial operation since March 1, 2008 and June 1, 2008 respectively.

1.2 Analysis of Cost of Sale and Expenses

Cost of sale and expenses of the 2nd quarter of 2008 totalled Baht 9,260.58 million, decreasing by Baht 988.09 million or 9.64 percent from Baht 10,248.67 million in the corresponding period of 2007. The underlying reasons are as follows:

1) Cost of sale for the 2nd quarter of 2008 was Baht 8,767.20 million, decreasing by Baht 981.93 million or 10.07 percent from Baht 9,749.13 million in the 2nd quarter of 2007. The main reason was the fuel costs for the 2nd quarter of 2008 was Baht 7,502.54 million, decreasing by Baht 974.43 million or 11.50 percent from Baht 8,476.97 million in the 2nd quarter of 2007 refer in the item 1.1 (1) revenue received from the Energy Payment.

2) Administration expenses for the 2nd quarter of 2008 was Baht 146.98 million, increasing by Baht 19.20 million or 15.03 from Baht 127.78 million in the 2nd quarter of 2007. This was mainly about the record of losses from foreign exchange in the amount of Baht 13.30 million.

3) Interest expenses for the 2nd quarter of 2008 was Baht 316.71 million, decreasing by Baht 13.43 million or 4.07 percent from Baht 330.14 million in the 2nd quarter of 2007. This was due to the principal has been repaid.

2. Operation Performance according to consolidated financial statement for the six-month periods (January 1, 2008 – June 30, 2008)

	<u>Million Baht</u>			
	<u>Jan-Jun 08</u>	<u>Jan-Jun 07</u>	<u>Increase</u> <u>(Decrease)</u>	<u>%</u>
Revenue	22,109.57	24,259.97	(2,150.40)	(8.86)
Cost of sales and expenses	<u>19,140.01</u>	<u>20,070.76</u>	<u>(930.75)</u>	<u>(4.64)</u>
Net Profit	<u>2,969.56</u>	<u>4,189.21</u>	<u>(1,219.65)</u>	<u>(29.11)</u>
Earnings per share (Baht)	2.05	2.89	(0.84)	(29.11)

2.1 Analysis of Income

Total revenues for six-months period of the year 2008 was Baht 22,109.57 million, decreasing by Baht 2,150.40 million or 8.86 percent from Baht 24,259.97 million in the same period of the previous year. The main reasons were as follows:

1) In the six-months period of the year 2008 Ratchaburi Combined Cycle Block 3 was shutdown due to Major Overhaul and Ratchaburi Thermal Power Plant Unit 2 was 52 days shutdown for the equipment repairing. These cause the electricity sales of Ratchaburi Power Plant for the six-months period of the year 2008 in the amount of Baht 21,286.46 million decreased by Baht 1,645.85 million or 7.18 percent from Baht 22,932.31 million in the same period of the previous year. The details of electricity sales were as follows:

- Revenue received from the Availability Payment (AP) for the six-months period of the year 2008 was Baht 5,608.50 million, decreasing by Baht 742.02 million or 11.68 percent from Baht 6,350.52 million in the six-months period of 2007.
- Revenue received from the Energy Payment (EP) for the six-months period of the year 2008 was Baht 15,677.96 million, decreasing by Baht 903.83 million or 5.45 percent from Baht 16,581.79 million for the six-months period of the year 2007.

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

3) Interest income for the six-months period of the year 2008 was Baht 212.03 million, decreasing by Baht 114.27 million or 35.02 percent from Baht 326.30 million in the same period of the previous year. This mainly was due to interest rate lower than the same period of the previous year.

4) Share of profit of joint ventures for the six-months period of the year 2008 was Baht 514.76 million, increasing by Baht 81.99 million or 18.95 percent from Baht 432.77 million for the six-months period of the year 2007. The main reason was the Company recorded gain on foreign exchange of joint ventures for the six-months period of the year 2008 in the amount of Baht 15.08 million which decreased from the same period of the previous year in the amount of Baht 64.92 million. However, the operating income of joint ventures for the six-months period of the year 2008 before gain on foreign exchange was Baht 499.68 million, increasing by Baht 146.91 million from Baht 352.77 million in the same period of previous year. The reason was the Combined Cycle Power Plant Block 1 and 2 of Ratchaburi Power Co., Ltd., a joint venture 25 percent owned by the Company, started their commercial operation since March 1, 2008 and June 1, 2008 respectively.

2.2 Analysis of Cost of Sale and Expenses

Cost of sale and expenses of the six-months period of the year 2008 totalled Baht 19,140.01 million, decreasing by Baht 930.75 million or 4.64 percent from the corresponding period of 2007. The main reason was cost of sale for the six-months period of the year 2008 was Baht 18,165.20 million, decreasing by Baht 848.69 million or 4.46 percent from Baht 19,013.89 million in the same period of the previous year. The main reason were due to Ratchaburi Combined Cycle Block 3 was shutdown due

to Major Overhaul and Ratchaburi Thermal Power Plant Unit 2 was shutdown for the equipment repairing.

These effected the cost of sale for six-months period in the year 2008 as follow:

- A decrease in fuel costs was Baht 923.86 million.
- An increase in operating & maintenance and spare parts expenses for the six-months period of the year 2008 was Baht 58.54 million.

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 JUN 08</u>	<u>31 DEC 07</u>	<u>(Decrease)</u>	
Current Assets	18,778.69	21,070.98	(2,292.29)	(10.88)
Non Current Assets	49,957.66	49,229.95	727.71	1.48
Total Assets	<u>68,736.34</u>	<u>70,300.93</u>	<u>(1,564.59)</u>	<u>(2.23)</u>

- 1) The total assets decreased by Baht 1,564.59 million. The main reasons are as follows:
 - A decrease in current assets by Baht 2,292.29 million due to cash and cash equivalents short-term investments was decreased by Baht 2,280.76 million, this was mainly about the decreased in trade payable from the fuel cost payment by Baht 3,100.98 million referred in item 3.2 (1) analysis of current liabilities.
 - Net property, plant and equipment decreased by Baht 1,322.72 million due to the depreciation of the period in the amount of Baht 1,366.06 million.
 - Interests in joint ventures increased by Baht 1,182.92 million. The main reason was due to share of profit in Tri Energy Co., Ltd. increasing by the amount of Baht 171.34 million and the adjustment of goodwill comply with TAS (Thai Accounting Standard) was Baht 191.84 million. Furthermore, the additional in shares and share of profit in Ratchaburi Power in the total amount of Baht 645.92 million, the additional in share for

Nam-Ngum 2 Power Project and share of profit in SouthEast Asia Energy Limited in the net amount of Baht 156.81 million.

- Other non-current assets increased by Baht 848.84 million due to the recorded of deferred joint development fee of Hongsa Lignite project by the amount of USD 20 million (Baht 665.51 million).

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 JUN 08</u>	<u>31 DEC 07</u>	<u>(Decrease)</u>	
Current Liabilities	8,552.88	10,006.71	(1,453.83)	(14.53)
Non Current Liabilities	<u>21,137.26</u>	<u>22,814.42</u>	<u>(1,677.16)</u>	<u>(7.35)</u>
Total Liabilities	29,690.14	32,821.13	(3,130.99)	(9.54)
Shareholders' Equity	<u>39,046.20</u>	<u>37,479.80</u>	<u>1,566.40</u>	<u>4.18</u>
Total Liabilities and Shareholders' Equity	<u>68,736.34</u>	<u>70,300.93</u>	<u>(1,564.59)</u>	<u>(2.23)</u>

1) Current liabilities decreased by Baht 1,453.83 million. The main reasons were

- Trade payable decreased by Baht 3,100.98 million due to trade payable as at 30 June 2008 was the fuel cost on June 2008 only, whereas trade payable as at 31 December 2007 was the fuel cost on November and December 2007. However, for the payment of fuel cost is subject to Gas Sales Agreement between Rathchaburi Electricity Co., Ltd. Limited and PTT Public Company Limited.
- On June 30, 2008, Ratchaburi Electricity Generating Co., Ltd. borrowed short-term loan from financial institution in the amount of Baht 1,580.00 million in order to the payment of natural gas for PTT Public Company Limited and the referred loan had been repaid on July 2, 2008.

2) Non-current liabilities decreased by Baht 1,677.16 million. The underlying factor was the repayment of debenture amounting to Baht 1,166.90 million and long-term loan amounting to Baht 606.55 million.

3) Shareholders' Equity increased by Baht 1,566.40 million. The main reason was due to the Company and its subsidiaries' operating profit for the six-month period of 2008 in the amount of Baht 2,969.56 million, the adjustment of goodwill comply with TAS was Baht 191.84 million and the dividend payment to shareholders on April 30, 2008 in the amount of Baht 1.10 per share, totaling Baht 1,595.00 million.

The total shareholders' equity in the amount of Baht 39,046.20 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 21,564.42 million.

3.3 Major Financial Ratios of the the 2nd quarter of 2008 and 2007.

		<u>Quarter</u>	<u>Quarter</u>
		<u>2/2008</u>	<u>2/2007</u>
1)	Current Ratio (Times)	2.20	2.11
2)	Ratio of Net Profit (%)	12.02	17.28
3)	Rate of Return on Equity (%)	3.23	5.78
4)	Rate of Return on Assets (%)	1.81	2.94
5)	EBITDA (Million Baht)	2,312.15	3,225.64
6)	Ratio of EBITDA to Assets (%)	3.30	4.42
7)	Debt to Equity Ratio (Times)	0.76	0.96
8)	Debt Service Coverage Ratio (Times)	1.91	3.26
9)	Book Value per Share (Baht)	26.93	25.72
10)	Earning per Share (Baht)	0.87	1.48

4. Analysis of Cash Flows

	<u>Million Baht</u>			
	<u>Quarter</u>	<u>Quarter</u>	<u>Increase</u>	<u>%</u>
	<u>1-2/2008</u>	<u>1-2/2007</u>	<u>(Decrease)</u>	
Cash flows from operating activities	(150.70)	3,887.85	(4,038.55)	(103.88)
Cash flows from investing activities	1,655.05	(1,070.22)	2,725.27	254.65
Cash flows from financing activities	<u>(1,787.97)</u>	<u>(3,057.57)</u>	<u>1,269.60</u>	<u>41.52</u>
Net increase in cash and cash equivalents	(283.62)	(239.94)	(43.68)	(18.20)
Beginning balance	<u>1,744.65</u>	<u>3,124.49</u>	<u>(1,379.84)</u>	<u>(44.16)</u>
Ending balance	<u>1,461.03</u>	<u>2,884.55</u>	<u>(1,423.52)</u>	<u>(49.35)</u>

The ending balance of cash and cash equivalents of the Company and its subsidiaries as at June 30, 2008 was Baht 1,461.03 million with a decrease of Baht 2,884.55 million or 49.35 percent, from Baht 1,423.52 million on June 30, 2007. The details are summarized below:

1) Net cash provided by operating activities decreased in the amount of Baht 4,038.55 million. This was due to lower in operating performance from the same period of the previous year decreased cash flow by Baht 1,245.90 million, in additions the change in current assets and current liabilities also decreased the cash flow by Baht 2,862.26 million according to the change in trade payable decreased in the amount of Baht 3,100.98 million as referred in item 3.2 (1) analysis of current liabilities.

2) Net cash payments from investing activities increased in the amount of Baht 2,725.27 million. The main reason was a maturity of investment in financial product for the six-months period of the year 2008 in the amount of Baht 2,010 million.

3) Net cash payment in financing activities increased in the amount of Baht 1,269.59 million. The main reason was on June 30, 2008 Ratchaburi Electricity Generating Co., Ltd. borrowed short-term loan from financial institution in the amount of Baht 1,580.00 million as referred in item 3.2 (1).