

**12. Financial Status and Operational Results**

Summary of the Report of the Audit Committee

The Audit Committee is of the view that the financial statements of Bangkok Expressway Public Company Limited were prepared in accordance with generally accepted accounting principles. The disclosure of information in the financial report is accurate and reliable. The Company's internal control system was adequate and proper to the nature of its business without substantial fault.

Summary of the Report on Responsibilities of the Board of Directors towards the Financial Report

The Board of Directors of Bangkok Expressway Public Company is of the opinion that the financial statements for the year 2004 of the Company and the Subsidiary, which have been reviewed by the Audit Committee in conjunction with the management, and audited by the Company's auditor, reflect accurate financial status and operational results as appropriate in material aspects in accordance with generally accepted accounting standards.

Summary of the Report of the Auditor

Ernst & Young Office Limited, as the auditor for the Company and the Subsidiary, has audited the consolidated balance sheets of Bangkok Expressway Public Company Limited and the Subsidiary as at December 31, 2004 and 2003, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year then ended, and the separate financial statements of Bangkok Expressway Public Company Limited for the same years, and is of the opinion that the financial statements and the consolidated financial statements as referred to above present fairly, in all material aspects, the financial position of Bangkok Expressway Public Company Limited and the Subsidiary, and of Bangkok Expressway Public Company Limited, as at December 31, 2004 and 2003, the results of their operations and cash flows for the years then ended in accordance with generally accepted accounting principles.



12.1 Financial Statement of Bangkok Expressway Public Company Limited and the Subsidiary

Bangkok Expressway Public Company Limited and the Subsidiary

Balance Sheets

As at 31 December 2004, 2003 and 2002

(Unit: Baht)

	2004		2003		2002	
	Amount	Percent	Amount	Percent	Amount	Percent
Assets						
Current assets						
Cash and cash equivalents	165,212,982	0.34	88,113,101	0.18	309,527,858	0.60
Short-term investments	652,857,032	1.35	387,393,392	0.78	247,245,928	0.48
Other current assets						
Advance payments under service contract	12,111,453	0.03	7,006,836	0.01	-	-
Prepaid expenses	2,708,685	0.01	1,591,450	0.00	3,278,487	0.01
Withholding tax deducted at sources	1,013	0.00	24,809,363	0.05	31,051	0.00
Others	5,817,837	0.01	13,655,475	0.03	2,375,947	0.00
Total current assets	838,709,002	1.73	522,569,617	1.05	562,459,271	1.10
Non-current assets						
Long-term investments	1,295,121,315	2.68	1,021,000,000	2.06	683,500,000	1.33
Property, plant and equipment (net)	274,612,907	0.57	266,920,997	0.54	269,252,949	0.53
Construction in progress	22,109,138	0.05	-	-	-	-
Right to operate the complete Expressway sectors - net	48,908,191,098	94.94	47,830,981,967	96.28	49,660,763,662	96.67
Intangible assets - net	1,269,716	0.00	-	-	-	-
Other non-current assets						
Deposits	16,071,918	0.03	15,867,798	0.03	16,620,720	0.03
Withholding tax deducted at sources	-	0.00	21,052,367	0.04	21,021,315	0.04
Others	496,653	0.00	732,893	0.00	763,115	0.00
Total non-current assets	47,517,872,745	98.27	49,156,556,022	98.95	50,651,921,761	98.90
Total assets	48,356,581,747	100.00	49,679,125,639	100.00	51,214,381,032	100.00

Bangkok Expressway Public Company Limited and the Subsidiary
Balance Sheets (Continued)

As at 31 December 2004, 2003 and 2002

(Unit: Baht)

	2004		2003		2004	
	Amount	Percent	Amount	Percent	Amount	Percent
Liabilities and shareholders' equity						
Current liabilities						
Bank overdrafts	3,943,421	0.01	1,575,216	0.00	7,823,249	0.02
Trade accounts payable	26,942,753	0.06	20,829,653	1.04	15,309,373	0.03
Long-term loans due in one year	2,193,000,000	4.54	2,004,000,000	4.03	711,600,000	1.39
Value added tax payable	36,439,496	0.08	38,124,649	0.08	29,426,626	0.06
Other account payable	10,655,982	0.02	45,042,174	0.09	8,233,989	0.02
Other current liabilities						
Corporate income tax payable	86,626,020	0.18	-	-	240,386,941	0.47
Retentions	15,466,436	0.03	8,193,604	0.02	3,314,413	0.01
Others	37,784,066	0.08	26,701,788	0.05	20,490,909	0.04
Total current liabilities	2,410,838,174	4.99	2,144,467,084	4.32	1,036,585,500	0.02
Provision for compensation for site acquisition cost	1,401,070,000	2.90	1,195,130,000	2.41	935,320,000	1.83
Long-term loans	29,963,017,600	61.96	31,731,017,600	63.87	35,114,844,824	68.56
Total non-current liabilities	31,364,087,600	64.86	32,926,147,600	66.28	36,050,164,824	70.39
Total liabilities	33,774,925,774	69.85	35,070,614,684	70.59	37,086,750,324	72.41



**Bangkok Expressway Public Company Limited and the Subsidiary
Balance Sheets (Continued)**

As at 31 December 2004, 2003 and 2002

(Unit: Baht)

	2004		2003		2002	
	Amount	Percent	Amount	Percent	Amount	Percent
Shareholders' equity						
Share capital						
Registered 800,000,000 ordinary shares of Baht 10 each	8,000,000,000	16.54	8,000,000,000	16.10	8,000,000,000	15.62
Issued and paid up 770,000,000 ordinary shares of Baht 10 each	7,700,000,000	15.92	7,700,000,000	15.50	7,700,000,000	15.03
Premium on common stock	4,848,492,969	10.03	4,848,492,969	9.76	4,848,492,969	9.47
Retained earnings						
Appropriated - statutory reserve	321,512,234	0.66	255,717,990	0.45	164,060,970	0.32
Unappropriated	1,711,650,770	3.54	1,816,560,128	3.66	1,415,076,769	2.76
Equity attributable to the Company's shareholders	14,581,655,973	30.15	14,590,771,087	29.37	14,127,630,708	27.59
Minority interest - equity attributable to minority shareholders of a subsidiary company	-	-	17,739,868	0.04	-	-
Total shareholders' equity	14,581,655,973	30.15	14,608,510,955	29.41	14,127,630,708	27.59
Total liabilities and shareholders' equity	48,356,581,747	100.00	49,679,125,639	100.00	51,214,381,032	100.00



**Bangkok Expressway Public Company Limited and the Subsidiary
Income Statements
For the years ending 31 December 2004, 2003 and 2002**

(Unit: Baht)

	2004		2003		2002	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenues						
Toll revenue	6,549,954,762	99.23	6,183,919,217	99.45	6,351,661,811	99.65
Interest income	9,699,633	0.15	9,930,373	0.16	10,210,748	0.16
Other income						
Gain on sale of investment in a subsidiary company	27,144,000	0.41	14,800,000	0.24	-	-
Others	13,828,209	0.21	9,638,515	0.16	11,955,190	0.19
Total revenues	6,600,626,604	100.00	6,218,288,105	100.00	6,373,827,749	100.00
Expenses						
Amortization of rights to operate completed Expressway sectors	1,987,577,871	30.11	1,849,679,223	29.75	1,671,181,315	26.22
Provision for compensation for site acquisition cost	305,940,000	4.64	259,810,000	4.18	221,210,000	3.47
Operating and administration expenses	907,078,088	13.74	789,314,066	12.69	645,573,893	10.13
Prepayment fee	-	-	-	-	206,291,900	3.24
Directors' remuneration	19,178,263	0.29	17,733,585	0.29	16,428,478	0.26
Total expenses	3,219,774,222	48.78	2,916,536,874	46.90	2,760,649,586	43.31
Earnings before interest expenses and income tax	3,380,852,382	51.22	3,301,751,231	53.10	3,613,178,163	56.69
Interest expenses	1,325,593,781	20.08	1,852,566,423	29.79	2,389,033,599	37.48
Corporate income tax	207,913,583	3.15	223,504,586	3.59	346,099,077	5.43
Earnings before minority interest	1,847,345,018	27.99	1,225,680,222	19.71	878,045,487	13.78
Minority interest in loss of a subsidiary company	68,539,868	1.04	7,460,157	0.12	-	-
Net earnings for the year	1,915,884,886	29.03	1,223,140,379	19.83	878,045,487	13.78

**Bangkok Expressway Public Company Limited and the Subsidiary
Statements of Cash Flows
For the years ending 31 December 2004, 2003 and 2002**

(Unit: Baht)

	2004	2003	2002
Cash flows provided from (used in) operating activities:-			
Net earnings for the year	1,915,884,886	1,233,140,379	878,045,487
Adjustments to reconcile net earnings to net cash provided by (paid from) operating activities:-			
Minority interest in loss of a subsidiary company	(68,539,868)	(7,460,157)	-
Gain on sale of investment in a subsidiary company	(27,144,000)	(14,800,000)	-
Depreciation and amortization	2,015,183,066	1,886,151,826	1,714,068,116
Provision for withholding tax	21,052,859	-	-
Provision for refundable value added tax	-	-	12,243,644
Gain from sale of assets	(2,028,125)	(2,869,330)	(5,204,321)
Provision for compensation for site acquisition	305,940,000	259,810,000	221,210,000
	4,160,348,818	3,353,972,718	2,820,362,926
Operating assets (increase) decrease			
Refundable value added tax	-	44,172	10,289,867
Other current assets	26,424,136	(41,408,690)	9,729,266
Other non-current assets	31,628	738,994	(2,303,009)
Operating liabilities increase (decrease)			
Trade accounts payable	6,113,100	5,520,280	696,835
Value added tax payable	(1,685,153)	8,698,023	395,465
Other account payable	(34,386,192)	36,808,185	(19,483,463)
Other current liabilities	104,961,131	(229,296,871)	236,032,165
Payment for compensation for site acquisition	(100,000,000)	-	-
Net cash provided from operating activities	4,161,807,468	3,135,076,811	3,055,720,052

Bangkok Expressway Public Company Limited and the Subsidiary
Statements of Cash Flows (Continued)
For the years ending 31 December 2004, 2003 and 2002

(Unit: Baht)

	2004	2003	2002
Cash flows provided from (used in) operating activities:-			
Increase in short-term investments	(264,463,640)	(140,147,464)	(244,915,070)
Cash received from sale of investment in a subsidiary company	36,000,000	40,000,000	-
Increase in other long-term investments	(275,121,315)	(337,500,000)	(608,500,000)
Purchase of property, plant and equipment	(37,744,534)	(36,368,658)	(31,915,103)
Cash received from sale of equipment	4,513,338	5,097,339	5,565,340
Construction in progress	(22,109,138)	-	-
Additional construction of the Second Stage Expressway and Bang Pa-in - Pak Kret Expressway	(22,843,003)	(19,897,528)	(115,407,160)
Increase in intangible assets	(1,307,500)	-	-
Net cash used in investing activities	(583,075,792)	(488,816,311)	(995,171,993)
Cash flows provided from (used in) financing activities:-			
Increase (decrease) in bank overdraft	2,368,205	(6,248,033)	3,893,296
Cash payment for long-term loans	(2,579,000,000)	(7,089,054,118)	(38,843,749,303)
Cash proceed from long-term loans	1,000,000,000	4,997,626,894	37,031,504,608
Dividend payment	(1,925,000,000)	(770,000,000)	(577,500,000)
Net cash provided from (used in) financing activities	(3,501,631,795)	(2,867,675,257)	(2,385,851,399)
Net decrease in cash and cash equivalents	77,099,881	(221,414,757)	(325,303,340)
Cash and cash equivalents at beginning of year	88,113,101	309,527,858	634,831,198
Cash and cash equivalents at end of year	165,212,982	88,113,101	309,527,858

12.2 Financial Ratios of Consolidated Financial Statements
**Bangkok Expressway Public Company Limited and the Subsidiary
Significant Financial Ratios**

	Unit	2004	2003	2002
LIQUIDITY RATIO				
1. Liquidity Ratio	Times	0.35	0.24	0.54
2. Quick Ratio	Times	0.34	0.22	0.54
3. Cash Flow Ratio	Times	1.83	1.97	4.94
4. Accounts Payable Turnover	Times	N.A.	N.A.	N.A.
5. Average Debt Servicing Period	Day	N.A.	N.A.	N.A.
PROFITABILITY RATIO				
6. Gross Margin Ratio	%	69.66	70.09	73.69
7. Cash to Profitability Ratio	%	217.23	254.24	348.65
8. Net Profit Ratio	%	29.03	19.83	13.79
9. Return on Equity	%	13.13	8.58	6.28
EFFICIENCY RATIO				
10. Return on Assets	%	3.91	2.44	1.70
11. Return on Fixed Assets	%	8.50	6.45	5.13
12. Assets Turnover	Times	0.13	0.12	0.12
FINANCIAL POLICY RATIO				
13. Equity to Liabilities Ratio	Times	2.32	2.40	2.63
14. Interest Serviceability Ratio	Times	4.30	2.81	2.43
15. Obligation Serviceability Ratio	Times	1.08	0.96	0.97
Per Share DATA				
16. Book Value per Share	Baht	18.94	18.97	18.35
17. Net Value per Share	Baht	2.49	1.60	1.14
18. Dividend per Share	Baht	2.00	1.50	1.00

Remark:

- 1) Items 1 – 3: In the year 2004, the liquidity ratio decreased due to the recording of debts due to be repaid within one year. Toll revenue is received daily in cash while the loan would be repaid on a monthly basis out of the net cash receipts, therefore, the liquidity ratio would not affect the Company's debt serviceability.
- 2) Items 4 – 5: Most of accounts payable of the Company and the Subsidiary were incurred by the costs of repair and maintenance and the operation costs while the costs of goods sold represented the amortization of the right to operate the complete Expressway sectors. Therefore, it is not possible to calculate the accounts payable turnover and the average debt repayment period which contain analytical connotation. Therefore, it is not possible to calculate the accounts payable turnover and the average debt repayment period which contain analytical connotation.
- 3) Payment of dividends in the year 2004 is at the discretion of the Ordinary General Meeting of Shareholders in April 2005. However, the Company made payment of interim dividends at the rate of Baht 1.00 per share in September 2004.

12.3 Description and Analysis of Financial Status and Operational Results

Business Overview

Bangkok Expressway Public Company Limited and the Subsidiary derived the net profit of Baht 1,916 Million in the year 2004, representing an increase by Baht 683 Million or 55.39 percent, as compared to the net profit of Baht 1,233 Million in the previous year. This was due to an increase in toll revenue and the lower interest expenses as the interest rate decreased as a result of reduction of financing costs on September 30, 2003. This affected the financial statements for the entire year 2004, thereby rendering the net profit margin in the year equaled 29 percent, representing an increase by 9 percent, and resulting in the earnings per share at the rate of Baht 2.49 per share, representing an increase by 55 percent as compared to that of the year 2003.

(1) Analysis of Operational Results

(1.1) Toll Revenue and Other Revenue

In the year 2004, the Company and the Subsidiary had revenue in the amount of Baht 6,601 Million, representing an increase by 382 Million or 6.14 percent from that of the previous year, with material particulars as follows:

1. Toll revenue amounted to Baht 6,550 Million, representing an increase by Baht 366 Million or 5.92 percent from that of the previous year, as follows:

For the suburban network, the Company and the Subsidiary are entitled to receive all toll revenue:

- An increase by 5.90 percent for Sector C of the Second Stage Expressway;
- An increase by 37.87 percent for Sector D of the Second Stage Expressway;
- An increase by 26.72 percent for the Bang Pa-in - Pak Kret Expressway;

For the urban network, the Company and the Expressway and Rapid Transit Authority of Thailand shall share toll revenue under the Agreement:

- A decrease by 0.80 percent for the First Stage Expressway;
- An increase by 3.74 percent for Sector A of the Second Stage Expressway;
- A decrease by 0.94 percent for Sector B of the Second Stage Expressway.

2. Other revenue amounted to Baht 51 Million, representing an increase by baht 16 Million or 45.71 percent from that of the previous year, mainly due to the profits on accounting records from disposal of investments in the Subsidiary.

(1.2) Expenses

In the year 2004, the Company and the Subsidiary incurred expenses in the amount of Baht 3,220 Million, representing an increase by Baht 303 Million or 10.39 percent from that of the previous year, with material particulars as follows:

1. The amortization of rights to operate the completed Expressway sectors amounted to Baht 1,988 Million, representing an increase by Baht 138 Million or 7.46 percent from that of the previous year, due to the increase in the volume of vehicles using the Expressways.
2. The provision for compensation for site acquisition cost amounted to Baht 306 Million, representing an increase by Baht 46 Million or 17.69 percent from that of the previous year. Such provision was recorded to cut the cost of the present value of the compensation to be paid to the Expressway and Rapid Transit Authority of Thailand.
3. The operating and administrative expenses amounted to Baht 926 Million, representing an increase by Baht 119 Million or 14.75 percent from that of the previous year, due to the increase in expenses for toll collection and traffic management as well as costs of repair and maintenance of the Expressways.

(1.3) Interest Expenses

In the year 2004, the Company and the Subsidiary incurred interest expenses equal to Baht 1,326 Million, representing a decrease by Baht 527 Million or 28.44 percent from that of the previous year, as a result of the reduced rate of interest on loans. Such decrease was due to the fact that the Company reduced the financing costs on September 30, 2003, which affected the financial statements for the entire year 2004, together with the reduction of the principal from the relevant repayment of loans.

(1.4) Corporate Income Tax

In the year 2004, the corporate income tax of the Company and the Subsidiary amounted to Baht 208 Million, representing a decrease by Baht 15 Million or 6.73 percent from that of the previous year.

(2) Analysis of Financial Statements

(2.1) Analysis of Assets

The total assets of the Company and the Subsidiary as at December 31, 2004 amounted to Baht 48,357 Million, representing a reduction by Baht 1,322 Million or 2.66 percent, as compared to that of the previous year, with the details of significant increases and decreases as follows:

1. Cash and cash equivalents as well as short-term investments increased by Baht 343 Million or 72.21 percent.
2. In the year 2004, the Company increased investments in Bangkok Metro Public Company Limited, in the amount of Baht 275 Million, and as at December 31, 2004, the shareholding ratio represented 15.55 of the paid-up capital.
3. Construction in progress increased by Baht 22 Million, due to the project for construction of the flyover crossing Prachachuen Road to alleviate the traffic flow from the Expressway exit at Prachachuen 2 Road, which commenced in October 2004, and was expected to be completed by the third quarter of the year 2005.
4. Rights to operate completed Expressway sectors decreased by Baht 1,923 Million, due to amortization as expenses for the year 2004 based on the volume of vehicles using the Expressway.

As at December 31, 2004, the Company and the Subsidiary had a total rate of return on use of assets at the rate of 3.91 percent, representing an increase by 1.47 percent from that of the previous year.

(2.2) Analysis of Liabilities

The total liabilities of the Company and the Subsidiary as at December 31, 2004 amounted to Baht 33,775 Million, representing a decrease by Baht 1,295 Million or 3.69 percent from that of the previous year, mainly due to the repayment of loans, which caused the debt to equity ratio to reduce, and the debt service coverage ratio to increase.

(2.3) Analysis of Shareholders' Equity

The total shareholders' equity of the Company and the Subsidiary as at December 31, 2004 amounted to Baht 14,582 Million, as compared to that on the same date in the previous year, representing a decrease by Baht 27 Million or 0.18 percent, with the details of significant increases and decreases as follows:

1. Net profit from operations for the year 2004 amounted to Baht 1,916 Million, representing an increase by Baht 683 Million or 55.39 percent from that of the previous year, rendering the return on equity to equal 13.14 percent, which is 4.69 percent higher than that of the previous year, namely from 8.45 percent.
2. The Company made dividend payment of Baht 1,155 Million or Baht 1.50 per share for the operational results of the year 2003 in April 2004 in accordance with the resolution passed by the Ordinary General Meeting of Shareholders on April 8, 2004 and made the interim dividend payment in September 2004 in the amount of Baht 770 Million or Baht 1.00 per share for the operational results of first six months of the year 2004 in accordance with the resolution passed by the Company's Board of Directors Meeting No. 3/2004.

The Company's registered capital amounts to Baht 8,000 Million, with the authorized and paid-up capital of Baht 7,700 Million, the appropriated retained earnings of Baht 322 Million, and unappropriated retained earnings of Baht 1,712 Million.

(3) Analysis of Cash Flow

In the year 2004, the Company and the Subsidiary earned cash flow from operations in the amount of baht 4,162 Million. The Company utilized the majority of cash to repay loans and make dividend payment, resulting in net reduction of loans by Baht 1,579 Million and dividend payment amounting to Baht 1,925 Million. Furthermore, the Company utilized cash for investment in Bangkok Metro Public Company Limited, improvement of the Expressway off-ramps at Mahanakorn Road and Rama IX Road, and construction of the flyover crossing Prachachuen Road. The remaining cash was utilized in short-term investments with good rate of return.

Conclusion of Opinion of the Management

The financial statements for the year 2004 reflected continued growth of the volume of vehicles using the Expressways, particularly the growth rate of the volume of vehicles using the Expressway in the suburban network, to which the Company and the Subsidiary are entitled to receive all toll revenue, is rather high, resulting in continued improvement of the operational results.

The decrease in interest rate of long-term loans due to the reduction of financing costs by amending the Credit Facility Agreement in September 2003 with the existing creditors, which affected the financial statements for the entire year 2004, along with the reduction of the principal resulting from repayment of loans, gave rise to significant reduction of interest expenses, as primary expenses of the Company.

As a result of the above achievements in operations and management, in the year 2004, the Company was able to make prepayment of loans in the amount of Baht 500 Million, in addition to the normal repayment in the amount of Baht 2,079 Million, and make dividend payment for the operational results for the year 2003 to shareholders at the rate of Baht 1.50 per share, including the first interim dividend payment in the year 2004.

**12.4 Remuneration of Auditor**

In the year 2004, the Company engaged Ernst & Young Office Limited as the Company's auditor in accordance with the resolution of the 2004 Annual Ordinary General Meeting of Shareholders, which was held on 8 April 2004. The remuneration to be received by the auditor from the Company and the Subsidiary are as follows:

(1) Auditing remuneration

Bangkok Expressway Public Company Limited	Baht 700,000
Northern Bangkok Expressway Company Limited	Baht <u>229,000</u>
Total	Baht <u>929,000</u>

(2) Other service fees

None