

(Translation)

Management Discussion and Analysis of Financial Status and Operational Results for the Quarter Ended on June 30, 2010

Bangkok Expressway Public Company Limited and Its Subsidiary Company

Operational Results

In the second quarter of the year 2010, the Company and its Subsidiary had net profit in the amount of Baht 432 Million, representing a decrease from the same quarter of the previous year by Baht 62 Million or 12.55 percent. The toll revenue had decreased by Baht 24 Million or 1.31 percent according to the decrease in number of the vehicles to the Expressway system which caused by the political unrest and the special official holidays from the mentioned event. The expense thereby representing repair and maintenance costs of the Expressways and the improving cost of the toll collection system which had been postponed to this quarter. However, interest expense, which is the main cash expense, decreased from the principle repayment in the ordinary course and reduced the financial costs by issuing debentures. For the six-month period of the year 2010, the Company and its Subsidiary had the net profit of Baht 823 Million, representing a decrease from the same period of the previous year by Baht 58 Million or 6.58 percent.

Summary of Operational Results

Between the second quarter of the year 2010 and the year 2009

(Unit: Million Baht)

	2 nd Quarter		Changes	
	Year 2010	Year 2009	Amount	%
Toll revenues	1,804	1,828	(24)	-1.31
Total revenues	1,904	1,915	(11)	-0.57
Total expenses	1,472	1,421	51	3.59
Net profit	432	494	(62)	-12.55
Earning per share (Baht)	0.56	0.64	(0.08)	

Summary of Operational Results

Between the six-month period of the year 2010 and the year 2009

(Unit: Million Baht)

	For the six months		Changes	
	Year 2010	Year 2009	Amount	%
Toll revenues	3,742	3,710	32	0.86
Total revenues	3,868	3,793	75	1.98
Total expenses	3,045	2,912	133	4.57
Net profit	823	881	(58)	-6.58
Earning per share (Baht)	1.07	1.14	(0.07)	

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Revenues

In the second quarter of the year 2010, the Company and its Subsidiary had the total revenues in the amount of Baht 1,904 Million, representing a decrease by Baht 11 Million or 0.57 percent from the same period of the previous year, with material particulars as follows:

1. Toll revenue amounted to Baht 1,804 Million, representing a decrease by Baht 24 Million or 1.31 percent from the same quarter of the previous year due to the decrease in traffic volume effecting from the political unrest and the special official holidays from the mentioned event. Especially, the First Stage Expressway System, which is in the urban area and the Second Stage Expressway System (Sector D), which is the route from Suvarnabhumi International Airport, had toll revenue decreased by Baht 32 Million or 4.72 percent and Baht 12 Million or 4.53 percent, respectively. However, the urban area, Sector A and Sector B, and the sub-urban area, Sector C and Bang Pa-In Pak Kret Expressway System, had an increase of toll revenue. This was due to a continued increase in traffic volume which have been influenced by positive physical alteration factors such as the opening of the Extension of the Chalong Rat Expressway, the opening of The Government Complex and the avoidance of traffic congestions from Bangkok Metropolitan Administration's mending works of local flyovers and construction of Bangkok mass transportation system around Bangkok area. The details of toll revenues are classified into routes as follows:

	(Unit: Million Baht)			
	2 nd Quarter		Changes	
	Year 2010	Year 2009	Amount	%
First Stage Expressway System	646	678	(32)	-4.72
Second Stage Expressway System				
Sector A (Rama IX - Ratchadapisek)	380	378	2	0.53
Sector B (Phayathai - Bang Khlo)	181	176	5	2.84
Sector C (Ratchadapisek - Chaeng Watthana)	177	171	6	3.51
Sector D (Rama IX - Srinagarindra)	<u>253</u>	<u>265</u>	<u>(12)</u>	<u>-4.53</u>
Total Second Stage Expressway System	991	990	1	0.10
Bang Pa-In - Pak Kret Expressway System	<u>167</u>	<u>160</u>	<u>7</u>	<u>4.38</u>
Grand Total	<u>1,804</u>	<u>1,828</u>	<u>(24)</u>	<u>-1.31</u>

2. Other incomes amounting to Baht 100 Million, representing an increase by Baht 13 Million or 14.94 percent, are mainly returns from current investments and dividend income from long-term investment.

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Expenses

In the second quarter of the year 2010, the Company and its Subsidiary had the total expenses in the amount of Baht 1,472 Million, representing an increase by Baht 51 Million or 3.59 percent from the same quarter of the previous year, with material particulars as follows:

	2 nd Quarter		(Unit: Million Baht) Changes	
	Year 2010	Year 2009	Amount	%
Amortisation of rights to operate completed expressway sectors	548	552	(4)	-0.72
Provision for compensation for site acquisition cost	186	163	23	14.11
Selling expenses	242	173	69	39.88
Administration expenses	89	73	16	21.92
Directors and managements' remuneration	21	19	2	10.53
Financial cost	254	269	(15)	-5.58
Corporate income tax	<u>132</u>	<u>172</u>	<u>(40)</u>	<u>-23.26</u>
Total expenses	<u>1,472</u>	<u>1,421</u>	<u>51</u>	<u>3.59</u>

1. Amortisation of rights to operate the completed expressway sectors was Baht 548 Million representing a decreased by Baht 4 Million or 0.72 percent according to the decreased traffic volume.
2. Provision for compensation for site acquisition cost was Baht 186 Million, increased from the same period of the previous year. Such provision was recorded to deduct the cost of the present value of compensation to the Expressway Authority of Thailand. Actual payments of the first installment under the Second Stage Expressway System Agreement were made in 2004 and were committed to pay on the 1st of March and the 1st of September in each year. In 2010, the Company and its Subsidiary is committed to pay compensation for site acquisition cost of Baht 1,200 Million and has already made payment of Baht 600 Million to the Expressway Authority of Thailand in the first quarter of the year 2010.
3. Selling expenses were Baht 242 Million, representing an increase by Baht 69 Million or 39.88 percent, mainly from repair and maintenance costs of the Expressway and improving cost of the toll collection system which had been postponed to this quarter.
4. Administration expenses were Baht 89 Million, representing an increase by Baht 16 Million or 21.92 percent, mainly from office expenses that support for toll operation.
5. Financial cost was Baht 254 Million, representing a decrease by Baht 15 Million or 5.58 percent, from a lower interest expense because of the refinancing at the end of the year 2009 and at the end of the first quarter of year 2010, as well as the reduced principal from the repayment in the ordinary course.
6. Corporate income tax was Baht 132 Million, representing a decrease by Baht 40 Million or 23.26 percent from the same period of the previous year.

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The increase/decrease of revenue and expenses between the six-month period of the year 2010 and the year 2009 are summarized as follows: -

The Company and its Subsidiary had revenue for the six-month period of the year 2010 in total of Baht 3,868 Million, increasing by Baht 75 Million or 1.98 percent from the previous year. The toll revenue, which is the main revenue, was increased by Baht 32 Million or 0.86 percent. Other income increased by Baht 43 Million or 51.81 percent mainly from returns on current investments and benefits incurred from the cash management of bank deposits. Total expenses including interest expenses and corporate income tax amounted to Baht 3,045 Million, increasing by Baht 133 Million or 4.57 percent, mainly from repair and maintenance costs of the Expressway and improving cost of the toll collection system which had been postponed to this year.

Financial Status

Assets

Total Assets of the Company and its Subsidiary as at June 30, 2010 amounted to Baht 43,636 Million, representing an increase by Baht 885 Million or 2.07 percent from the end of the previous year. The details of significant increases and decreases are as follows:

	(Unit : Million Baht)			
	30 June 2010	31 December 2009	Changes	
			Amount	%
Cash, cash equivalents, and current investments	5,095	3,213	1,882	58.57
Advance payments under service contract	49	40	9	22.50
Current assets	38	32	6	18.75
Other long-term investment	3,572	3,696	(124)	-3.35
Property, plant and equipment, net	250	247	3	1.21
Construction in process	348	121	227	187.60
Right to operate completed expressway sector, net	34,224	35,343	(1,119)	-3.17
Others	<u>60</u>	<u>59</u>	<u>1</u>	<u>1.69</u>
Total assets	<u>43,636</u>	<u>42,751</u>	<u>885</u>	<u>2.07</u>

1. Cash, cash equivalents, and current investments amounted to Baht 5,095 Million, representing an increase by Baht 1,882 Million or 58.57 percent from the previous year, of which the Company and its Subsidiary had reserved for a redemption of debenture that due in August 2010. In this regard, the Company and its Subsidiary had invested in financial institutions that can generate good returns.

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2. Other long-term investments amounted to Baht 3,572 Million, representing a net decrease by Baht 124 Million or 3.35 percent from the previous year, as a result of the adjustment of investment value according to the market prices of securities in Bangkok Metro Public Company Limited (BMCL), and additional payment for shares in SouthEast Asia Energy Limited (SEAN), with the details as at June 30, 2010 as follows:

	Proportion of shareholding	Investment Value at Cost	Market Value		Difference	
			30 June 2010	31 December 2009	Amount	%
BMCL	11.79%	1,751	916	1,107	(191)	-17.25
TTW	9.24%	1,137	1,637	1,637	-	-
SEAN	16.67%	<u>1,019</u>	<u>1,019</u>	<u>952</u>	<u>67</u>	<u>7.04</u>
Total investment		<u>3,907</u>	<u>3,572</u>	<u>3,696</u>	<u>(124)</u>	<u>-3.35</u>

3. Construction in process amounted to Baht 348 Million, representing an increase by Baht 227 Million or 187.60 percent from the previous year. Such construction in process was the project for installation of the Electronic Toll Collection System which was completed and has opened for public use since July 25, 2010.
4. Rights to operate completed expressway sectors amounted to Baht 34,224 Million, representing a decrease by Baht 1,119 Million or 3.17 percent because of the recording of amortisation expenses in the income statement amounted Baht 1,131 Million, base on the volume of vehicles using the Expressway, and the additional recording of its right to operate completed expressway sectors amounting to Baht 12 Million from toll plaza installment and improvement.

Liabilities

Total liabilities of the Company and its Subsidiary as at June 30, 2010 amounted to Baht 25,949 Million, representing an increase by Baht 780 Million or 3.10 percent from the end of the previous year. The details of significant increases and decreases are as follows:

	30 June 2010	31 December 2009	Changes	
			Amount	%
Trade accounts payable and other current liabilities	503	396	107	27.02
Corporate income tax payable	229	298	(69)	-23.15
Provision for compensation for site acquisition cost	662	890	(228)	-25.62
Long-term loans	5,555	8,085	(2,530)	-31.29
Debentures	<u>19,000</u>	<u>15,500</u>	<u>3,500</u>	<u>22.58</u>
Total liabilities	<u>25,949</u>	<u>25,169</u>	<u>780</u>	<u>3.10</u>

(Unit : Million Baht)

(Translation)

1. Trade accounts payable and other current liabilities amounted to Baht 503 Million, representing an increase by Baht 107 Million or 27.02 percent, mainly due to an increase in trade accounts payable in relation to the installation of the Electronic Toll Collection System.
2. Corporate income tax payable amounted to Baht 229 Million had a net decrease by Baht 69 Million or 23.15 percent from the recording of accrued corporate income tax during the first six-month of this year amounting to Baht 229 Million, meanwhile the corporate income tax during the last six-month of the previous year was paid in May 2010 at the amount of Baht 298 Million.
3. Provision for compensation for site acquisition cost amounted to Baht 662 Million, representing a decrease by Baht 228 Million or 25.62 percent on account of the decrease in the provision for compensation in the amount of Baht 600 Million from actual payment to the Expressway Authority of Thailand and an increase of additional provision for the period in the amount of Baht 372 Million.
4. Long-term loans amounted to Baht 5,555 Million, representing a decrease by Baht 2,530 Million or 31.29 percent from the repayment of loans in the ordinary course under the Credit Facilities Agreement made at the end of each month amounting to Baht 530 Million and a prepayment in the amount of Baht 2,000 Million from refinancing.
5. Debentures amounted to Baht 19,000 Million, representing an increase by Baht 3,500 Million or 22.58 percent, and the debentures additionally issued in this year are as follows:

<u>No.</u>	<u>Maturity</u>	<u>Amount (MB)</u>	<u>Interest Rate</u>
1/2010	3 years and 3 months	1,000	6m FDR ⁽¹⁾ + 1.33% p.a.
2/2010	3 years and 2 months	1,000	6m FDR ⁽¹⁾ + 1.33% p.a.
3/2010	7 years	<u>1,500</u>	6m FDR ⁽¹⁾ + 1.65% p.a.
		<u>3,500</u>	

⁽¹⁾ Average deposit interest rates for fixed 6 months of Krung Thai Bank, Bangkok Bank, Siam Commercial Bank and Kasikorn Bank as at June 30, 2010 is equal to 0.675 percent per annum.

The proceeds from the issuance of such debentures no.1/2010 and 2/2010 in the amount of Baht 2,000 Million were paid for prepayment of loans to reduce the financing cost from at the rate of MLR - 2 percent per annum, where the average MLR as at June 30, 2010 is equal to 5.9625 percent. In additions, debenture no.3/2010 amounted to Baht 1,500 Million are reserved for a redemption of debenture due in August 2010 no.1/2007 that due in August 2010 with fix interest rate of 4.20 percent per annum.

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Shareholders' Equity

Total shareholders' equity of the Company and its Subsidiary as at June 30, 2010 is equal to Baht 17,687 Million, representing an increase by Baht 105 Million or 0.60 percent from the end of the previous year. The details of significant increase and decrease are as follows:

	30 June 2010	31 December 2009	(Unit : Million Baht) Changes	
			Amount	%
Issued and paid-up share capital	7,700	7,700	-	-
Premium on ordinary shares	4,848	4,848	-	-
Unrealized loss on changes in value of investments	(335)	(156)	(179)	-114.74
Retained earnings	5,474	5,190	284	5.47
Total shareholders' equity	<u>17,687</u>	<u>17,582</u>	<u>105</u>	<u>0.60</u>

1. Unrealised loss on changes in value of investments is an adjustment of investment value in accordance with market price. In the first six-month of the year 2010, the investment in BMCL decrease in the amount of Baht 184 Million. Moreover, the Company had realised loss amounted to Baht 5 Million from sales of investment.
2. Retained earnings increased from the net profit from the operations for the first six-month period of the year 2010 amounted to Baht 823 Million. However, it decreased from dividend payment amounted to Baht 539 Million or Baht 0.70 per share for the operational results for the last six-month of the year 2009 on 14 May 2010 in accordance with the resolution passed by the Annual Ordinary General Meeting of Shareholders on 22 April 2010.

Cash Flow

For the first six-month period of the year 2010, the Company and its Subsidiary generated cash flow from operating amounting to Baht 2,136 Million, whereby the company had utilised cash in investing activities amounting to Baht 2,095 Million. There are in the form of current investments in the amount of Baht 1,853 Million, long-term investment in SEAN in the amount of Baht 67 Million, construction of Electronic Toll Collection System and additional bridge at Ngam-Wongwan in the amount of Baht 238 Million, and net investment in other fixed assets in the amount of Baht 5 Million. However, in this quarter, the Company received dividend income from TTW amounted to Baht 63 Million and interest income from the cash management of bank deposits amounted to Baht 5 Million. In respect to financing activities, the Company and its Subsidiaries had utilised cash of Baht 61 Million from cash received from the issuance of debentures in the amount of Baht 3,500 Million, long-term loan repayment, comprising of the prepayment in the amount of Baht 2,000 Million and the ordinary repayment in the amount of Baht 530 Million, payment of interest on debentures and interest on long-term loan in the amount of Baht 492 Million, and a dividend payment in the amount of Baht 539 Million. The Company and its Subsidiary has a net cash decreased at the amount of Baht 20 Million for the first six-month period of the year 2010, and when combined with cash brought forward from the beginning of the year in the amount of Baht 99 Million, the cash balance as at June 30, 2010 is equal to Baht 79 Million.

(Translation)

Financial Ratios

	2nd Quarter 2010	2nd Quarter 2009
Net Profit Margin	23.97%	27.03%
Return on Equity *	9.51%	10.03%
Return on Total Assets *	3.85%	3.95%
Interest Coverage (times)	5.49	5.62
Debt to Equity (times)	1.47	1.47

* Annualized