

Bangkok Expressway Public Company Limited and its subsidiary company

Management Discussion and Analysis of financial status and operational results for the fiscal period ending on September 30, 2007

1. Analysis of operational results

In the third quarter of the year 2007, the Company and its subsidiary had the total revenue at the amount of Baht 1,845 Million, representing an increase by Baht 78 Million or 4.41 percent when compared to the same period of the previous year. Toll revenue, the Company's main source of revenue, has grown at the rate of 6.30 percent. Expenses, comprising of the Amortization of Rights to Operate the Completed Expressway Sectors due to the increasing number of vehicles using the expressway, administrative, and operating expenditures of the Company and its subsidiary have been maintained similar to the same period of the previous year. This resulted in the Earnings Before Interest and Tax in the third quarter of the year 2007 to amount to Baht 889 Million, an increase of Baht 22 Million or 2.54 percent when compared to the same period of the previous year.

In August 2007, the Company has issued debentures amounting to Baht 7,500 Million to decrease financial costs and reduce the risk of interest rate fluctuations. The Company has used these proceeds to repay its long-term loans, triggering a prepayment fee of Baht 222 Million. This fee was recorded as an expense in the third quarter of the year 2007 according to Generally Accepted Accounting Principles. Therefore, net profit in the third quarter of the year 2007 for the Company and its subsidiary is Baht 227 Million, a decrease of Baht 175 Million when compared to the same period of the previous year. For the nine-month period of the year 2007, the Company and its subsidiary has the cumulative net profit of Baht 962 Million.

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Summary of the significant operational results

(Unit: Million Baht)

	3rd Quarter		%	For the nine-month		%
	year 2007	year 2006	Change	year 2007	year 2006	Change
Toll Revenue	1,840	1,731	6.30	5,417	5,112	5.97
Total Revenue	1,845	1,767	4.41	5,459	5,174	5.51
EBITDA	1,465	1,404	4.34	4,348	4,161	4.49
(before prepayment fee)						
EBITDA	1,243	1,404	-11.46	4,126	4,161	-0.84
Net Profit	227	402	-43.53	962	1,190	-19.16
EPS (Baht)	0.30	0.52	-43.53	1.25	1.55	-19.16

1.1 The increase/decrease of revenue and expenses between the third quarter of the year 2007 and the third quarter of the year 2006 are summarized below: -

1.1.1 Revenue

In the third quarter of the year 2007, the Company and its subsidiary had the total revenue of Baht 1,845 Million, representing an increase by Baht 78 Million or 4.41 percent from the same period of the previous year, with material particulars as follows:

- (1) Toll revenue was Baht 1,840 Million, representing an increase by Baht 109 Million or 6.30 percent, as compared to Baht 1,731 Million in toll revenue for the same period of the previous year. Details are divided into routes as follows:

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(Unit: Million Baht)

	3 rd Quarter		%	Nine-month		%
	year	year	Change	year	year	Change
	2007	2006		2007	2006	
FES	698	711	-1.83	2,061	2,116	-2.60
SES						
Sector A (Rama IX – Ratchadapisek)	352	329	6.99	1,043	976	6.86
Sector B (Phayathai – Bangkhlo)	170	163	4.29	498	480	3.75
Sector C (Ratchadapisek – Chaeng Watthana)	175	165	6.06	510	487	4.72
Sector D (Rama IX – Srinagarindra)	<u>290</u>	<u>222</u>	<u>30.63</u>	<u>856</u>	<u>636</u>	<u>34.59</u>
Total SES	987	879	12.29	2,907	2,579	12.72
Bang Pa-in – Pak Kret	<u>155</u>	<u>141</u>	<u>9.93</u>	<u>449</u>	<u>417</u>	<u>7.67</u>
Total	<u>1,840</u>	<u>1,731</u>	<u>6.30</u>	<u>5,417</u>	<u>5,112</u>	<u>5.97</u>

- First Stage Expressway: Toll revenue decreased at a rate of 1.83 percent when compared to the same period of the previous year. This was mainly due to an opening of the Industrial Ring Road for service since the end of September 2006.
- Second Stage Expressway: Toll revenue has exhibited a continuous growth particularly from the sub-urban areas of the expressway in which the Company is entitled to receive all revenue. Following are the details of significant increases and decreases as compared to the same period of the previous year:
 - Sector A and Sector B has the toll revenue growth at the rate of 6.99 percent and 4.29 percent respectively. These Expressways are directly connected with Sector D of the Second Stage Expressway, a section that has gained incremental traffic volume heading for Suvarnabhumi International Airport, in effect causing Sector A and Sector B to experience growth in traffic volume too.
 - Sector C has continuous growth in traffic volume because it connects the sub-urban and the urban areas, which caused toll revenue from Sector C to

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increase at a rate of 6.06 percent.

- Sector D has toll revenue growth at the rate of 30.63 percent, resulting from the increased volume of vehicles heading for Suvarnabhumi International Airport since its opening in September 2006 and to the communities expanding near the new airport.
 - Bang Pa In-Pak Kret Expressway: Toll revenue has exhibited a continuous growth at the rate of 9.93 percent resulting from an increase in traffic volume due to the expansion of the communities near Bang Phun and a tendency of motorists to avoid traffic congestion along the road underneath.
- (2) Other revenues, amounting to Baht 5 Million, were mainly from the interest income and benefits incurred from the cash management of toll revenue.

1.1.2 Expenses

In the third quarter of the year 2007, the Company and its subsidiary had expenses of Baht 1,178 Million, increasing by Baht 278 Million or 30.89 percent from the same quarter of the previous year, with material particulars as follows:

- (1) Amortization of Rights to Operate the Completed Expressway Sectors was Baht 568 Million, increasing by Baht 39 Million or 7.37 percent, in accordance with the increase in the volume of vehicles using the expressways.
- (2) Provision for Compensation for Site Acquisition Cost was Baht 122 Million, representing an increase by Baht 17 Million or 16.19 percent. Such Provision was recorded to deduct the cost of the present value of the compensation to the Expressway and Rapid Transit Authority of Thailand (ETA). Actual payments of the first installment under the Second Stage Expressway System Agreement was paid in the year 2004 and committed to pay on 1 March and 1 September of each year. In this year, the Company has already made cumulative payments of Baht 700 Million to ETA.
- (3) The operating and administrative expenses were Baht 266 Million, closely resembling with the same quarter of the previous year. Main expenses comprise of repair and maintenance costs of the Expressways, as well as toll collection and traffic management expenditures.

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- (4) The prepayment fee of Baht 222 Million was a fee paid to the lending financial institution for issuing debentures of Baht 7,500 Million and using it as early repayment.

1.1.3 Interest Expenses

In the third quarter of the year 2007, the Company and its subsidiary incurred interest expenses at the amount of Baht 337 Million, representing an increase by Baht 38 Million. This is due to an interest change under the Credit Facilities Agreement from the fixed interest rate at 4 percent per annum to the fixed interest rate at 5 percent per annum, commencing on October 2006. Due to this situation, the Company decided to issue debentures in the amount of Baht 7,500 Million with an average interest rate of 4.60 percent per annum to decrease financial costs and reduce the risk of interest rate fluctuations subject to the market. Additionally, the Company has also issued Bill of Exchanges.

1.1.4 Corporate Income Tax

In the third quarter of the year 2007, Corporate Income Tax of the Company was Baht 103 Million, representing a decrease by Baht 63 Million or 37.95 percent.

1.2 The increase/decrease of revenue and expenses between the nine-month period of the year 2007 and the year 2006 are summarized as follows: -

The Company and its subsidiary had revenue for the nine-month period of the year 2007 totaling Baht 5,459 Million, an increase by Baht 285 Million or 5.51 percent. Main income from toll revenue increased by Baht 305 Million or 5.97 percent. Total expenses including interest expenses and corporate income tax for the nine-month period of the year 2007 amounted to Baht 4,497 Million, an increase by Baht 513 Million or 12.87 percent. This is due to an increase in prepayment fee by Baht 222 Million, an increase in interest expenses by Baht 149 Million due to a change in interest rates for long-term loans from the fixed interest rate at 4 percent per annum to the fixed interest rate at 5 percent per annum since October 2006 onwards, an increase in Amortization of Rights to Operate the Completed Expressway Sectors and an increase in Provision for Compensation for Site Acquisition Cost, both of which being non-cash expenses, by Baht 163 Million.

2. Financial Status

2.1 Assets

The total assets of the Company and its subsidiary at September 30, 2007 were at the amount of Baht 44,041 Million, representing a decrease by Baht 1,698 Million or 3.71 percent from the end of the previous year. Following are the details of significant increases and decreases, as compared to those at the previous year's end:

2.1.1 Cash, cash equivalents, and current investments decreased by Baht 202 Million or 36.86 percent.

2.1.2 Other long-term investments amounted to Baht 3,181 Million, representing an increase by Baht 155 Million or 5.12 percent, comprising:

- Investment in Bangkok Metro Public Company Limited (BMCL), amounting to Baht 1,482 Million, has been decreased by Baht 128 Million as a result of the adjustment in the value of investment according to market price. On September 30, 2007, the Company held shares representing 11.93 percent of BMCL's registered capital.
- Investment in SouthEast Asia Energy Limited (SEAN) amounted to Baht 446 Million, representing an increase by Baht 283 Million resulting from its additional paid-up capital and a subscription of new shares in order to maintain its portion. On September

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30, 2007, the Company held shares representing 12.50 percent of the registered capital in SEAN.

- Investment in Thai Tap Water Supply Public Company Limited (TTW) amounted to Baht 1,253 Million. The Company's shareholding ratio in TTW represents 12.50 percent of its registered and paid-up capital.

2.1.3 Rights to operate the completed expressway sectors decreased by Baht 1,668 Million as a result of Amortization expenses from the volume of vehicles using the expressway.

2.2 Liabilities

The total liabilities of the Company and its subsidiary at September 30, 2007 amounted to Baht 28,450 Million, representing a decrease by Baht 1,762 Million or 5.83 percent from the end of the previous year. Following are the details of significant increases and decreases, as compared to those at the previous year's end:

- 2.2.1 Short-term loans from financial institutions increased by Baht 645 Million due to an issuance of the bill of exchanges.
- 2.2.2 The payable Corporate Income Tax had a net decrease of Baht 216 Million resulting from the half-year tax payment.
- 2.2.3 Accrued interest expenses increased by Baht 59 Million during the period of August 2, 2007 to September 30, 2007, of which are in the form of interest expenses from debentures of Baht 7,500 Million, which shall be paid every 6 months in February and in August.
- 2.2.4 Provision for Compensation for Site Acquisition Cost has a net decrease of Baht 333 Million. This is due to a decrease in the Provision for Compensation from Actual Payments to the Expressway and Rapid Transit Authority of Thailand (ETA) in the amount of Baht 700 Million and an increase of additional Provision during this period in the amount of Baht 367 Million.
- 2.2.5 Long-term loans have been decreased by Baht 9,493 Million. This is due to the repayment of loans in the ordinary course under the Credit Facilities Agreement made at the end of each month amounting to Baht 1,993 Million and an early payment in the amount of Baht 7,500 Million from the issuance of debentures starting in August 2007.
- 2.2.6 The Company issued debenture amounting to Baht 7,500

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Million in August 2007 , to decrease financial costs and reduce the risk of interest rate fluctuations subject to the market.

2.3 Shareholders' Equity

The total shareholders' equity of the Company and its subsidiary at September 30, 2007 is equal to Baht 15,591 Million, representing an increase by Baht 64 Million or 0.41 percent from the end of the previous year. Details of significant increases and decreases as compared to those at the previous year's end follows:

2.3.1 Increase in the net profit during the nine-month period amounted to Baht 962 Million.

2.3.2 Decrease from dividend payments in the amount of Baht 770 Million or Baht 1.00 per share comprises of the dividend payment of Baht 385 Million or Baht 0.50 per share for the operational results of the last six-month of 2006 on May 4, 2007, in accordance with the resolution passed by the Annual Ordinary General Meeting of Shareholders of the year 2007. Additionally, the dividend payment of Baht 385 Million or Baht 0.50 per share for the operational results of the first half-year 2007 on September 26, 2007 was also paid in accordance to the resolution passed by the Board of Director No.3/2007.

2.3.3 Decrease from an adjustment on the value of investment in BMCL according to market price in the amount of Baht 128 Million.

The Company's registered capital is equal to Baht 8,000 Million, with the authorized and paid-up capital at Baht 7,700 Million. Premium on ordinary shares amounted to Baht 4,848 Million, and the unrealized loss on changes in value of investment is at Baht 289 Million. The appropriated retained earnings are equal to Baht 517 Million and the unappropriated retained earnings amounted to Baht 2,815 Million.

3. Cash Flows

For the nine-month period of the year 2007, the Company and its subsidiary generated cash flows from operating activities amounting to Baht 2,210 Million, whereby the Company utilized such cash in net investing activities amounting Baht 225 Million, mainly from an investment in SouthEast Asia Energy Limited at the amount of Baht 283 Million, from investments in

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fixed assets in the amount of Baht 8 Million, from loans to SEAN at the amount of Baht 2 Million, and from selling the Company's current investments in the amount of Baht 68 Million. In respect to financing activities, the Company utilized cash amounting to Baht 2,120 Million, resulting from long-term loans repayment at the amount of Baht 9,493 Million, from dividend payment in the amount of Baht 770 Million, from cash received from debentures issuance at the amount of Baht 7,500 Million, and from short-term loans from financial institutions in the amount of Baht 643 Million. During this period, the company and its subsidiary had its net cash and cash equivalents decreased by Baht 135 Million. Since the Company has cash and cash equivalents from the beginning of the period amounting to Baht 236 Million, cumulative cash and cash equivalents at September 30, 2007 is equal to Baht 101 Million.

The Company and its subsidiary had its net cash and cash equivalents decreased by Baht 135 Million. The Company also has cash and cash equivalents from the beginning of the period amounting to Baht 236 Million. Therefore, cumulative cash and cash equivalents at September 30, 2007 is equal to Baht 101 Million.

4. Financial Ratios

	3rd Quarter 2007	3rd Quarter 2006
Net Profit Margin on Sales	12.35%	23.25%
Return on Equity *	8.48%	10.43%
Return on Total Assets *	2.91%	3.35%
Interest Coverage (times)	3.69	4.70
Debt to Equity (times)	1.82	2.01

* Annualized