

**Bangkok Expressway Public Company Limited and its subsidiary company**

**Management Discussion and Analysis of financial status and operational results for the year 2007**

**1. Analysis of operational results**

The Company and its subsidiary had total revenue at the amount of Baht 7,289 Million in the year 2007, representing an increase by Baht 276 Million or 3.94 percent when compared to the previous year. Toll revenue has experienced the full effect of the opening of the Suvarnabhumi International Airport causing toll revenue to increase, but the opening of the Industrial Ring Road and the opening of the Southern Outer Bangkok Ring Road (SOBRR) without tolls has caused toll revenue for the First Stage Expressway System to decrease. Nevertheless, toll revenue has increased by Baht 294 Million or 4.23 percent when compared to the previous year. Expenses, excluding prepayment fee, interest expenses and corporate income tax, amounting to Baht 3,699 Million represents an increase by Baht 146 Million or 4.11 percent. This resulted in the Earnings Before Interest and Tax in the year 2007 to increase by Baht 130 Million or 3.76 percent when compared to the previous year.

In the year 2007, the Company's cost of debt has the fixed interest rate at 5 percent per annum which was changed from 4 percent per annum since October 2006 under the Credit Facilities Agreement. This resulted in an increase in the interest expense for the year 2007 by Baht 115 Million. However, under the mentioned Credit Facilities Agreement, this interest rate will be changed to MLR-2% in the fourth quarter of the year 2008. Thus, the Company has issued debentures amounting to Baht 7,500 Million with a fixed interest rate in August 2007 and used it as a loan prepayment to reduce the risk of interest rate fluctuations and decrease interest costs. This triggered a prepayment fee of Baht 222 Million which was recorded as an expense in the year 2007 while the resulting interest savings shall be obtained as debentures mature. Therefore, net profit in the year 2007 for the Company and its subsidiary is Baht 1,407 Million, a decrease of Baht 136 Million or 8.81 percent when compared to the previous year.

(Translation)

## Summary of the significant operational results

(Unit: Million Baht)

	Year		Changes	
	2007	2006	Amount	%
Toll Revenue	7,238	6,944	294	4.23
Total Revenue	7,289	7,013	276	3.94
EBITDA				
(before prepayment fee)	5,805	5,621	184	3.27
EBITDA	5,583	5,621	(38)	-0.68
Net Profit	1,407	1,543	(136)	-8.81
EPS (Baht)	1.83	2.00	(0.17)	-8.81

### 1.1 Revenue

In the year 2007, the Company and its subsidiary had the total revenue of Baht 7,289 Million, representing an increase by Baht 276 Million or 3.94 percent from the previous year, with material particulars as follows:

- (1) Toll revenue, despite political instability, economic slow down, and increases in oil price this year, has slightly affected the toll revenue of the Company and its subsidiary. Toll revenue in this year was Baht 7,238 Million, representing an increase by Baht 294 Million or 4.23 percent, as compared to Baht 6,944 Million in toll revenue of the previous year. Details are divided into routes as follows:

(Unit: Million Baht)

	Year		Changes	
	2007	2006	Amount	%
<b>Chalerm Mahanakorn Expressway (First Stage Expressway System)</b>	<b>2,735</b>	<b>2,800</b>	<b>(65)</b>	<b>-2.32</b>
<b>Si Rat Expressway (Second Stage Expressway System)</b>				
Sector A (Rama IX – Ratchadapisek)	1,398	1,336	62	4.64
Sector B (Phayathai – Bangkhlo)	670	650	20	3.08
Sector C (Ratchadapisek – Chaeng Watthana)	687	660	27	4.09
Sector D (Rama IX – Srinagarindra)	<u>1,142</u>	<u>929</u>	<u>213</u>	<u>22.93</u>
<b>Total Si Rat Expressway</b>	<b>3,897</b>	<b>3,575</b>	<b>322</b>	<b>9.01</b>
<b>Udon Ratthaya Expressway (Bang Pa-in – Pak Kret Expressway System)</b>	<b><u>606</u></b>	<b><u>569</u></b>	<b><u>37</u></b>	<b><u>6.50</u></b>
<b>Total</b>	<b><u>7,238</u></b>	<b><u>6,944</u></b>	<b><u>294</u></b>	<b><u>4.23</u></b>

(Translation)

- The First Stage Expressway System: Toll revenue decreased by 2.32 percent when compared to the previous year. This was mainly due to the opening of the Industrial Ring Road for service since the end of September 2006, the construction of the SkyTrain between Sukhumvit 77 and Sukhumvit 107, and the opening of the Southern Outer Bangkok Ring Road (SOBRR) without tolls. This resulted in a decrease in traffic volume at Dao Khanong Toll Plaza, Suksawasd Toll Plaza, Bangna Toll Plaza and Bangjak Toll Plaza.
- The Second Stage Expressway System : Toll revenue has exhibited 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 previous year:
  - Sector A of the Second Stage Expressway System, as part of the urban network, has the toll revenue growth at the rate of 4.64 percent. This section of the Expressway is directly connected with Sector D of the Second Stage Expressway System which has gained incremental traffic volume heading for Suvarnabhumi International Airport.
  - Sector B of the Second Stage Expressway System as part of the urban network has the toll revenue growth at the rate of 3.08 percent.
  - Sector C of the Second Stage Expressway System has toll revenue growth at the rate of 4.09 percent as compared to the previous year. The main reason for this increase is because the Company took the initiative to construct a fly-over bridge above Prachachuen Road; a supplemental structure that has handled the traffic volume on Sector C and has served motorists' demands and provides more convenience in travelling since it could be used as a shortcut to the Rajavipha Intersection on Viphavadi-Rangsit Road.
  - Sector D of the Second Stage Expressway System has toll revenue growth at the rate of 22.93 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.

(Translation)

- Bang Pa In- Pak Kret Expressway System: Toll revenue has shown a continuous growth at the rate of 6.50 percent as compared to the previous year. This is a result of an increase in traffic volume due to the expansion of the communities in Northern Bangkok and a tendency of motorists to avoid traffic congestion along the roads underneath.
- (2) Other revenues, amounting to Baht 51 Million, was mainly dividend income from Thai Tap Water Supply Public Company Limited (TTW) which amounted to Baht 20 Million. The remainder were interest income and benefits incurred from the cash management of toll revenue.

## **1.2 Expenses**

In the year 2007, the Company and its subsidiary had expenses of Baht 3,921 Million, representing an increase by Baht 368 Million or 10.36 percent from the previous year with material particulars as follows:

- (1) Amortization of Rights to Operate the Completed Expressway Sectors was Baht 2,183 Million representing an increase by Baht 67 Million or 3.17 percent. During the year 2007, the Company has appointed an independent Traffic Engineering Consultant to study and review the projected traffic volumes in order to become better suited with current conditions. Then, the Company applied the projected traffic volumes from the study to calculate the amortization expenses in the year 2007.
- (2) Provision for Compensation for Site Acquisition Cost was Baht 490 Million, representing an increase by Baht 69 Million or 16.39 percent. Such Provision was recorded to deduct the cost of the present value of the compensation to the Expressway Authority of Thailand (EXAT). Actual payments of the first installment under the Second Stage Expressway System Agreement was made 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 EXAT.
- (3) The operating and administrative expenses were Baht 1,026 Million, representing an increase by Baht 23 Million or 2.39 percent. The expenses were mainly from repair and maintenance costs of the Expressways.

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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 in August 2007 and using it as early repayment, in which the prepayment fee was recorded in total this year.

### **1.3 Interest Expenses**

In the year 2007, the Company and its subsidiary incurred interest expenses at the amount of Baht 1,359 Million, representing an increase by Baht 115 Million or 9.24 percent from the previous year. 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 has issued bills of exchange commencing from August 2007 at the amount not exceeding Baht 1,000 Million between the interest rates of 3.45 percent and 4.05 percent per annum to facilitate its working capital. However, the Company decided to issue debentures in the amount of Baht 7,500 Million with an average fixed interest rate of 4.60 percent per annum and using it as an early repayment of long-term loans to decrease financial costs and reduce the risk of interest rate fluctuations subject to the market in the future.

### **1.4 Corporate Income Tax**

In the year 2007, Corporate Income Tax for the Company was Baht 602 Million, representing a decrease by Baht 71 Million or 10.55 percent due to the cost of issuing debentures and the prepayment fee, all of which were considered as expenses when calculating the Corporate Income Tax in the year 2007.

## **2. Financial Status**

### **2.1 Assets**

The total assets of the Company and its subsidiary as at December 31, 2007 were at the amount of Baht 44,305 Million. 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 amounted to Baht 1,128 Million, representing an increase by Baht 580 Million or 105.83 percent in which the Company has used those as reserve and to facilitate liquidity. The Company also used the said cash to invest in short-term investments with a good rate of return.

(Translation)

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), the company that was granted concession from the Mass Rapid Transit Authority of Thailand, as at December 31, 2007 amounted to Baht 1,482 Million representing a decrease by Baht 128 Million as a result of the adjustment in the value of investment according to its market price. As at December 31, 2007, the Company held shares representing 11.93 percent of BMCL's registered capital.
- Investment in SouthEast Asia Energy Limited (SEAN), which is the company obtaining concession from the Lao PDR Government for construction and operation of the Nam Ngum 2 Hydroelectric Power Plant, as at December 31, 2007 amounted to Baht 446 Million. During the year 2007, SEAN called up for its additional capital which were unpaid by Baht 133 Million. SEAN has also increased its share capital from Baht 4,000 Million to Baht 8,809 Million and then called up for 25 percent of its initial value of the new shares whereby the Company exercised its right to subscribe the shares in order to maintain its shareholding proportion of 12.50 percent at the amount of Baht 150 Million. In total, The Company invested in SEAN at the amount of Baht 283 Million in the year 2007.
- Investment in Thai Tap Water Supply Public Company Limited (TTW), which is the company operating the business of production and distribution of tap water to the Provincial Waterworks Authority, as at December 31, 2007 amounted to Baht 1,253 Million. In addition, TTW has allotted 40 million new ordinary shares to its directors, management and employees in this year. As a result, on December 31, 2007, the Company's held shares representing 12.35 percent of its paid-up capital.

2.1.3 Rights to operate the completed expressway sectors decreased by Baht 2,180 Million as a result of amortization expenses from the volume of vehicles using the expressway at Baht 2,183 Million and the recording of the additional cost of construction on the expressway by Baht 3 Million, which was used to improve the existing toll booths and constructing additional toll booths.

(Translation)

## 2.2 Liabilities

The total liabilities of the Company and its subsidiary as at December 31, 2007 amounted to Baht 28,269 Million, representing a decrease by Baht 1,943 Million or 6.43 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 880 Million due to an issuance of the bills of exchange.
- 2.2.2 Accrued interest expenses increased by Baht 144 Million during the period of August 2, 2007 to December 31, 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.
- 2.2.3 Provision for Compensation for Site Acquisition Cost has a net decrease of Baht 210 Million. This is due to a decrease in the Provision for Compensation from Actual Payments to the Expressway Authority of Thailand (EXAT) in the amount of Baht 700 Million and an increase of additional Provision during the year in the amount of Baht 490 Million.
- 2.2.4 Long-term loans have been decreased by Baht 10,163 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 2,663 Million and an early repayment in the amount of Baht 7,500 Million from the issuance of debentures in August 2007.
- 2.2.5 The Company issued debentures amounting to Baht 7,500 Million in August 2007, consisting of:
  - 3-year debenture amounting to Baht 3,905 Million with a fixed rate of 4.20 percent per annum
  - 5-year debenture amounting to Baht 1,895 Million with a fixed rate of 4.88 percent per annum
  - 7-year debenture amounting to Baht 1,700 Million with a fixed rate of 5.20 percent per annum

to decrease financial costs and reduce the risk of interest rate fluctuations subject to the market.

(Translation)

## 2.3 Shareholders' Equity

The total shareholders' equity of the Company and its subsidiary as at December 31, 2007 is equal to Baht 16,036 Million, representing an increase by Baht 509 Million or 3.28 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 year amounted to Baht 1,407 Million.
- 2.3.2 Decrease from dividend payments in the amount of Baht 770 Million or Baht 1.00 per share comprising 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 Meeting of 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 the value of investment in BMCL is at Baht 289 Million cumulatively. The appropriated retained earnings are equal to Baht 544 Million and the unappropriated retained earnings amounted to Baht 3,233 Million.

(Translation)

### 3. Cash Flows

In the year 2007, the Company and its subsidiary generated cash flows from operating activities amounting to Baht 3,439 Million, whereby the Company utilized cash in investing activities amounting Baht 1,019 Million. These are in the form of short-term investments in the amount of Baht 716 Million, an investment in SouthEast Asia Energy Limited (SEAN) at the amount of Baht 283 Million, loans to SEAN at the amount of Baht 9 Million used for surveying and developing purposes and net investing in fixed assets in the amount of Baht 11 Million. In respect to net financing activities, the Company utilized cash amounting to Baht 2,556 Million, resulting from long-term loans repayment of Baht 10,163 Million in total, comprising of the ordinary repayment at the amount of Baht 2,663 Million which used the cash received from operation and from long-term loans prepayment at the amount of Baht 7,500 Million which used the cash received from debentures issuance in the year 2007. The Company also has dividend payment in the amount of Baht 770 Million, and has net issued short-term loans from financial institutions in the amount of Baht 877 Million. The Company and its subsidiary has a net cash paid at the amount of Baht 136 Million in the year 2007, has cash and cash equivalents from the beginning of the year amounting to Baht 236 Million. Therefore, cash and cash equivalents at the end of year 2007 is equal to Baht 100 Million.

### 4. Financial Ratios

	Year 2007	Year 2006
Net Profit Margin on Sales	19.30%	22.01%
Return on Equity	8.91%	10.14%
Return on Total Assets	3.12%	3.34%
Interest Coverage (times)	3.97	4.44
Debt to Equity (times)	1.76	1.95

Financial ratios for the year 2007 has been decreased from the previous year due to the prepayment fee of Baht 222 Million, which was recorded as an expense in total this year.

(Translation)

## **5. The Effect of Change in Accounting Policy of Investment in Subsidiary Company**

In compliance with Accounting Standard No. 44 (Revised 2007) regarding “Consolidated Financial Statements and Separate Financial Statement”, the Company has changed its accounting policy for recording investments in subsidiary company in the separate financial statements from the equity method to the cost method and restated the previous year's separate financial statements. Such a change caused the net profit in the separate financial statements to be different from those reported in the consolidated financial statement as follows:

### The separate income statements

Net profit of the separate income statement for the year 2007 amounted to Baht 1,348 Million, representing a decrease by Baht 59 Million or Baht 0.09 per share, as compared with the net profit from that consolidated financial statement in the amount of Baht 1,407 Million.

Net profit of the separate income statement for the year 2006 amounted to Baht 1,689 Million, representing an increase by Baht 146 Million or Baht 0.19 per share, as compared with the net profit from that consolidated financial statement in the amount of Baht 1,543 Million.

Such change in accounting policy affects only the accounts related to investment in subsidiary, in the Company's separate financial statements, with no effect to the consolidated financial statements.