

(Translation)

Management Discussion and Analysis of Financial Status and Operational Results

Business Overview and Operational results

The economic climate in 2009 continuously improved in line with the growing demand in respect of consumption and investment. The fuel prices started to stay constant as opposed to adverse fluctuations last year, which is considered a positive factor for the Company's operations. The opening for service of various significant projects in the areas of the Expressway routes resulted in a continued increase in traffic volume on the Expressways. The toll adjustment of the urban network in September last year resulted in an increase in toll revenue by 9.59 percent from the previous year. In addition, the decreased interest expenses from the reduction of long-term loan interest rate of the lending banks and the reduced principal after repayment resulted in the net profit of the Company and its Subsidiary amounting to Baht 1,702 Million, representing an increase by 17.87 percent from the previous year. The significant operational results can be summarized as follows:

	2009	2008	(Unit: Million Baht)	
			Changes Amount	%
Toll revenue	7,623	6,956	667	9.59
Total revenues	7,760	7,149	611	8.55
EBITDA	5,795	5,391	404	7.49
Net income	1,702	1,444	258	17.87
Earnings per share (Baht)	2.21	1.88	0.33	

Revenues

In 2009, the Company and its Subsidiary had the total revenues in the amount of Baht 7,760 Million, representing an increase by Baht 611 Million or 8.55 percent from the previous year, with material particulars as follows:

1. Toll revenue amounted to Baht 7,623 Million, representing an increase by Baht 667 Million or 9.59 percent, as compared to the previous year. This was due to an increased traffic volume and the toll adjustment. Such significant factors accounting for the increased traffic volume on the Expressways include the toll collection of the Bang Pli – Suksawad Expressway (Southern Outer Bangkok Ring Road) from late March 2009 onwards after the toll-free service since November 2007, which caused certain motorists to return to use the Chalerm Mahanakorn Expressway and the Si Rat Expressway as before. In addition, the physical changes, such as, the opening of the new government center, the relocation of the study and teaching courses of Thammasat University and the opening of the Extension of the Chalong Rat Expressway, resulted in the increased traffic volume. The details of toll revenue in 2009 are classified into routes as follows:

(Translation)

(Unit: Million Baht)

	Year		Changes	
	2009	2008	Amount	%
First Stage Expressway System	2,807	2,569	238	9.26
Second Stage Expressway System				
Sector A (Rama IX – Ratchadapisek)	1,578	1,414	164	11.60
Sector B (Phayathai – Bang Khlo)	749	680	69	10.15
Sector C (Ratchadapisek – Chaeng Watthana)	713	679	34	5.01
Sector D (Rama IX – Srinagarindra)	1,121	1,039	82	7.89
Total Second Stage Expressway System	4,161	3,812	349	9.16
Bang Pa-In – Pak Kret Expressway System	655	575	80	13.91
Total	7,623	6,956	667	9.59

2. Other income, amounting to Baht 137 Million, contain dividend income from Thai Tap Water Supply Public Company Limited which amounted to Baht 114 Million and other amounted to Baht 23 Million.

Expenses

In 2009, the Company and its Subsidiary had the total expenses in the amount of Baht 6,058 Million, representing an increase by Baht 353 Million or 6.19 percent from the previous year, with material particulars as follows:

(Unit: Million Baht)

	2009	2008	Changes	
			Amount	%
Amortisation of rights to operate completed expressway sectors	2,303	2,073	230	11.10
Provision for compensation for site acquisition cost	652	566	86	15.19
Selling expenses	903	791	112	14.16
Administration expenses	306	300	6	2.00
Loss on investments	8	-	8	N/A
Director and management benefit expenses	68	64	4	6.25
Finance cost	1,138	1,330	(192)	-14.44
Corporate income tax	<u>680</u>	<u>581</u>	<u>99</u>	<u>17.04</u>
Total expenses	<u>6,058</u>	<u>5,705</u>	<u>353</u>	<u>6.19</u>

(Translation)

1. Amortisation of rights to operate completed expressway sectors was Baht 2,303 Million, representing an increase by Baht 230 Million or 11.10 percent due to two reasons, namely, the increased traffic volume on the Expressways and the adjustment of the projected traffic volume expected to use the Expressways throughout the concession period. In 2009, the Company has engaged a traffic engineering company to review the traffic volume projections due to changes in various significant factors, such as, economic conditions, the opening of new roads and transportation systems, including the physical changes of city, etc.
2. Provision for compensation for site acquisition cost was Baht 652 Million, representing an increase by Baht 86 Million or 15.19 percent. 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 2009, the Company has made payment of Baht 800 Million to the Expressway Authority of Thailand.
3. Selling expenses were Baht 903 Million, representing an increase by Baht 112 Million or 14.16 percent. The expenses were mainly increased from repair and maintenance costs of the Expressways, with the expenditures from toll collection and traffic management.
4. Administration expenses were Baht 306 Million, representing an increase by Baht 6 Million or 2.00 percent. The expenses were mainly from the increased expenses supporting to the operations on the Expressways.
5. Finance cost was Baht 1,138 Million, representing a decrease by Baht 192 Million or 14.44 percent due to the reduced interest expenses according to the reduced financial cost from the reduction of the long-term loan interest rate of the lending banks, as well as the reduced principal after repayment.
6. In 2009, the corporate income tax for the Company was Baht 680 Million, representing an increase by Baht 99 Million or 17.04 percent from the previous year as a result of an increase in income from operating activities.

(Translation)

Financial Status

Assets

Total assets of the Company and its Subsidiary as at 31 December 2009 amounted to Baht 42,751 Million, representing a decrease by Baht 564 Million or 1.30 percent from the end of the previous year. The details of significant increases and decreases are as follows:

	(Unit: Million Baht)			
	31	31	Changes	
	December	December	Amount	%
	2009	2008		
Cash, cash equivalents, and current investments	3,213	2,529	684	27.05
Advance payments under service contract	40	19	21	110.53
Current assets	32	29	3	10.34
Other long-term investments, net	3,696	2,799	897	32.05
Property, plant and equipment, net	247	228	19	8.33
Construction in process	121	13	108	830.77
Right to operate completed expressway sector, net	35,343	37,646	(2,303)	-6.12
Others	<u>59</u>	<u>52</u>	<u>7</u>	<u>13.46</u>
Total assets	<u>42,751</u>	<u>43,315</u>	<u>(564)</u>	<u>-1.30</u>

1. Cash, cash equivalents, and current investments amounted to Baht 3,213 Million, representing an increase by Baht 684 Million or 27.05 percent, of which the Company has reserved for redemption of debentures due in 2010, as well as the reserve for working capital. In this regard, the Company has invested in short-term funds that can generate good returns.
2. Advance payments under service contract amounted to Baht 40 Million, representing an increase by Baht 21 Million or 110.53 percent from the previous year, mainly due to the advance payments under the Electronic Toll Collection system installation contract in the ordinary course of business.
3. Other long-term investments amounted to Baht 3,696 Million, representing an increase by Baht 897 Million or 32.05 percent from the previous year, due to the adjustment of investment value according to the market prices of securities in Bangkok Metro Public Company Limited (BMCL) and in Thai Tap Water Supply Public Company Limited (TTW), and additional payment for shares in SouthEast Asia Energy Limited (SEAN) in 2009, with the details as at the end of 2009 as follows:

(Translation)

(Unit: Million Baht)

	Proportion of Shareholding	Cost	Fair Value		Difference	
			31 Dec 2009	31 Dec 2008	Amount	%
BMCL	11.88%	1,764	1,107	569	538	94.55
TTW	9.24%	1,137	1,637	1,541	96	6.23
SEAN	16.67%	<u>952</u>	<u>952</u>	<u>689</u>	<u>263</u>	<u>38.17</u>
Total		<u>3,853</u>	<u>3,696</u>	<u>2,799</u>	<u>897</u>	<u>32.05</u>

- Construction in process amounted to Baht 121 Million, representing an increase by Baht 108 Million or 830.77 percent from the previous year. Such construction in process was the project for installation of the Electronic Toll Collection system which is expected to be completed by 2010.
- Right to operate completed expressway sectors amounted to Baht 35,343 Million, representing a decrease by Baht 2,303 Million or 6.12 percent because of the recording of amortisation expenses in the income statement based on the volume of vehicles using the Expressways.

Liabilities

Total liabilities of the Company and its Subsidiary as at 31 December 2009 amounted to Baht 25,169 Million, representing a decrease by Baht 2,019 Million or 7.43 percent from the end of the previous year. The details of significant increases and decreases are as follows:

(Unit: Million Baht)

	31	31	Changes	
	December 2009	December 2008	Amount	%
Short-term loans from financial institutions	-	692	(692)	-100.00
Trade accounts payable and other current liabilities	694	575	119	20.70
Provision for compensation for site acquisition cost	890	1,038	(148)	-14.26
Long-term loans	8,085	13,383	(5,298)	-39.59
Debentures	<u>15,500</u>	<u>11,500</u>	<u>4,000</u>	<u>34.78</u>
Total liabilities	<u>25,169</u>	<u>27,188</u>	<u>(2,019)</u>	<u>-7.43</u>

(Translation)

1. Short-term loans from financial institutions decreased in full from the redemptions of bill of exchange that are due.
2. Trade accounts payable and other current liabilities amounted to Baht 694 Million, representing an increase by Baht 119 Million, mainly due to an increase in trade accounts payable in relation to the installation of the Electronic Toll Collection system and the recording of accrued interest expenses on debentures due early next year.
3. Provision for compensation for site acquisition cost amounted to Baht 890 Million, representing a decrease by Baht 148 Million. This is due to a decrease in the provision for compensation in the amount of Baht 800 Million from actual payments to the Expressway Authority of Thailand and an increase of additional provision during the year in the amount of Baht 652 Million.
4. Long-term loans amounted to Baht 8,085 Million, representing a decrease by Baht 5,298 Million from the repayment of loans in the ordinary course under the Credit Facilities Agreement made at the end of each month amounting to Baht 3,197 Million and a prepayment in the amount of Baht 2,101 Million from the issuance of debentures in the amount of Baht 2,000 Million and from dividend received from Thai Tap Water Supply Public Company Limited in the amount of Baht 101 Million.

The Company has fully complied with various financial conditions under the said Credit Facilities Agreement, such as, the maintenance of the serviceability ratio, debt to equity ratio, dividend payment and conditions on prepayment under the Agreement.

5. Debentures amounted to Baht 15,500 Million, representing an increase by Baht 4,000 Million, and the debentures additionally issued in this year are as follows:

<u>No.</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
1/2009	3.5 years	Baht 1,000 Million	Fixed rate at 4.10 percent per annum
2/2009	4.0 years	Baht 1,000 Million	Fixed rate at 4.25 percent per annum
3/2009	5.5 years	Baht 2,000 Million	MLR - 3 percent per annum

The proceeds from the issuance of such debentures in the amount of Baht 2,000 Million are reserved for redemption of debentures due in August 2010, and another Baht 2,000 Million for prepayment of loans to reduce the finance cost.

The Company has fully complied with the requirement, including certain restrictions in its capacity of debenture issuer, such as, the maintenance of the serviceability ratio, debt to equity ratio, dividend payment, lending or guarantee under certain conditions, etc.

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Shareholders' Equity

Total shareholders' equity of the Company and its Subsidiary as at 31 December 2009 is equal to Baht 17,582 Million, representing an increase by Baht 1,455 Million or 9.02 percent from the end of the previous year. The details of significant increases and decreases are as follows:

(Unit: Million Baht)

	31 December 2009	31 December 2008	Changes	
			Amount	%
Issued and paid-up capital	7,700	7,700	-	-
Premium on ordinary shares	4,848	4,848	-	-
Unrealised loss on changes in value of investments	(156)	(795)	639	80.38
Retained earnings	<u>5,190</u>	<u>4,374</u>	<u>816</u>	<u>18.66</u>
Total shareholders' equity	<u>17,582</u>	<u>16,127</u>	<u>1,455</u>	<u>9.02</u>

1. Unrealized loss on changes in value of investments is an adjustment of investment value in accordance with market price. In 2009, the investments in BMCL and TTW increased in the amount of Baht 542 Million and Baht 96 Million, respectively.
2. Retained earnings increased from the net profit from operations for 2009 amounted to Baht 1,702 Million, but it decreased from dividend payment in the amount of Baht 886 Million or Baht 1.15 per share that consists of dividend payment for the operational results of the second half of 2008 amounting to Baht 0.60 per share and dividend payment for the operational results of the first half of 2009 amounting to Baht 0.55 per share.

(Translation)

Cash Flow

In 2009, the Company and its Subsidiary generated cash flow from operating activities amounting to Baht 4,906 Million, whereby the Company has utilized cash in investing activities amounting to Baht 1,005 Million. These are in the form of short-term investments in the amount of Baht 714 Million, long-term investment in SEAN in the amount of Baht 263 Million, construction of the Electronic Toll Collection system and additional toll booths in the amount of Baht 108 Million, and net investment in other fixed assets in the amount of Baht 36 Million, and in 2009, dividend received and interest received from investments amounted to Baht 116 Million. In respect to financing activities, the Company and its Subsidiary used a net cash of Baht 3,933 Million for long-term loan repayment, comprising the ordinary repayment in the amount of Baht 3,197 Million, and prepayment in the amount of Baht 2,101 Million, short-term loans repayment to financial institutions in the amount of Baht 700 Million, and payment of interest on debentures and interest on long-term loans in the amount of Baht 1,049 Million, dividend payment in the amount of Baht 886 Million, and cash received from the issuance of debentures in the amount of Baht 4,000 Million. In 2009, the Company and its Subsidiary has a net cash payment in the amount of Baht 32 Million, and when combined with cash brought forward from the beginning of the year in the amount of Baht 131 Million, the cash balance at the end of 2009 is equal to Baht 99 Million.

Financial Ratios

	2009	2008
Net Profit Margin	21.94%	20.20%
Return on Equity	10.10%	8.98%
Return on Total Assets	3.96%	3.30%
Interest Coverage (times)	5.35	4.26
Debt to Equity (times)	1.43	1.69