

14. Management Discussion and Analysis

Significant events in this year

Bangkok Expressway and Metro Public Company and its subsidiaries (“the Company”), the operator of Expressway and Rail business has operated significant projects in the year 2016 as following order;

On August 6, 2016, the Company has operated the service for the MRT Purple Line project Bang Yai- Rat Burana, Bangyai-Bang Sue section (Klong Bang Pai station - Tao Poon station), which was awarded as PPP Gross Cost concession by the Mass Rapid Transit Authority of Thailand (MRTA). MRTA invests in all civil works and the Company invests in the M&E Systems and the rolling stocks, as well as provides the operation and maintenance services in accordance with the specified service standards. MRTA is entitled to all fare box revenue and commercial development revenue from the utilization of the civil infrastructure and the railway systems and MRTA shall make repayment to the Company in the form of service fee for the O&M Services and the M&E Systems. The MRT Purple Line project’s total route is 23 kilometers with 16 stations, starting from Klong Bang Pai station and ends at Tao Poon station, where the passengers can access to the central of Bangkok via the MRT Blue Line at Bang Sue station.

On August 22, 2016, the Company has operated the Si Rat-Outer Ring Road Expressway (SOE). The Company was awarded the SOE concession by the Expressway Authority of Thailand (EXAT), which the Company was responsible for investment, design, construction, operation, service and maintenance in return for the rights in toll revenue and other revenue (if any). The SOE project’s total route is 16.7 kilometers, which starts from the Bangkok Outer Ring Road (Kanjanapisek Road near Mahasawat water treatment plant) connects to the Si Rat Expressway System (SES) at the northern section of the Bus Terminal (Mo Chit 2) which can access to the central of Bangkok via at Bang Sue 2 toll plaza.

Overview Operational Results

In the year 2016, the Company had the net profit attributable to equity holders of the Company in the amount of Baht 2,606 Million, representing an increase by Baht 925 Million or 55 percent, when compared with the net profit from normal operation of the year 2015 which excluded extraordinary transaction from a gain on sales of investment in Bangkok Metro Public Company Limited before an amalgamation, net of tax, in the amount of Baht 969 Million. The Company had the revenue from main business increased by Baht 1,366 Million. The toll revenue from Expressway business increased by Baht 486 Million or 5.5 percent due to an increase in the traffic volume in all routes and a positive impact from the opening of the Si Rat-Outer Ring Road Expressway on August 22, 2016. In addition, the revenue from Rail business also increased by Baht 856 Million or 36.1 percent, resulted from the increasing of passenger volume and the revenue of O&M service of the MRT Purple Line which operated on August 6, 2016. Cost of service increased in relevant to the opening of the projects. Moreover, financial cost decreased by Baht 488 Million or 25.2 percent from debt restructuring. Nevertheless, the interest cost from construction loans, which were formerly recorded as cost of construction, were recorded as interest expense in the income statement after the opening of the SOE project.

When compared the net profit of the year 2016 amounted to Baht 2,606 Million with the net profit of the year 2015 amounted to Baht 2,650 Million which included extraordinary transaction from a gain on sales of investment, net of tax, in the amount of Baht 969 Million, the net profit decreased from the previous year by Baht 44 Million or 1.7 percent due to there is no transaction in this year.

Segmental performance**1. Expressway business**

The Company had toll revenue of Baht 9,301 Million, representing an increase from the previous year by Baht 486 Million or 5.5 percent due to an increase from the traffic volume in all routes. The traffic volume of the First Stage Expressway (FES) and the Second Stage Expressway (SES) had increased from the previous year on the average of 15,000 trips/day or 1.4 percent. The SOE had traffic volume on the average since an opening on August 22 to December 31, 2016 at 39,400 trips/day. As a result, overall toll revenue from FES and SES included SOE increased by Baht 371 Million or 4.9 percent, when compared to the previous year. For the Bang Pa-in - Pak Kret Expressway, the traffic volume increased from the previous year on the average of 7,000 trips/day or 9.4 percent from the expansion of suburban area, which resulted in toll revenue increased by Baht 115 Million or 9.5 percent, when compared to the previous year.

Cost of service for operation of Expressway business consisted of costs of toll, amortization of rights to operate completed expressway sectors and compensation for site acquisition cost, for the year 2016, amounted to Baht 4,817 Million, representing an increase from the previous year by Baht 154 Million or 3.3 percent. This was mainly from the increase in traffic volume and the opening of the SOE.

2. Rail business

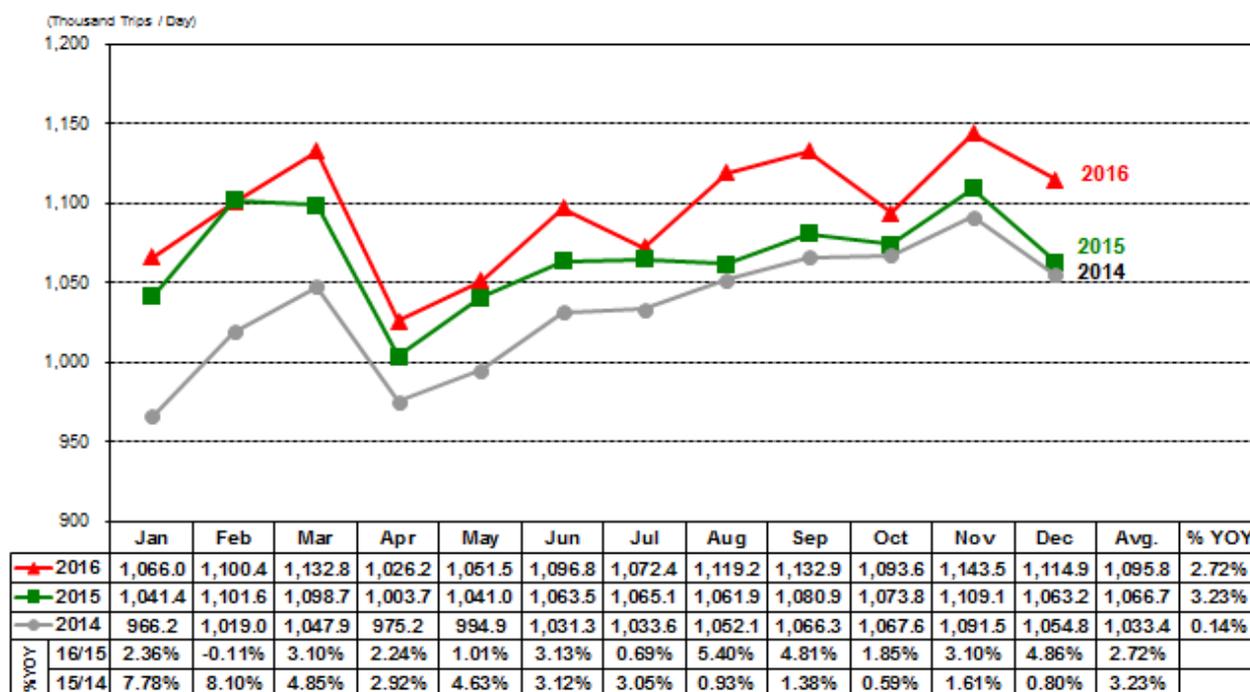
The Company had farebox revenue of Baht 3,230 Million, representing an increase from the previous year by Baht 856 Million or 36.1 percent. Farebox revenue had increased from the rising of the average ridership from the MRT Blue Line are at 13,400 trips/day or 5.1 percent and from the increasing of service revenue from the MRT Purple Line (O&M contract) which operated on August 6, 2016.

Cost of Rail business consisted of costs of farebox, cost for supplying O&M services, amortization of intangible asset under the MRT Blue Line Project, operation and remuneration to the grantor which for the year 2016, amounted to Baht 2,769 Million, representing an increase by Baht 576 Million or 26.3 percent from the previous year. This is caused by the increase in ridership and the initial cost of O&M services by the MRT Purple Line which is in line with revenue growth.

3. Commercial Development Business

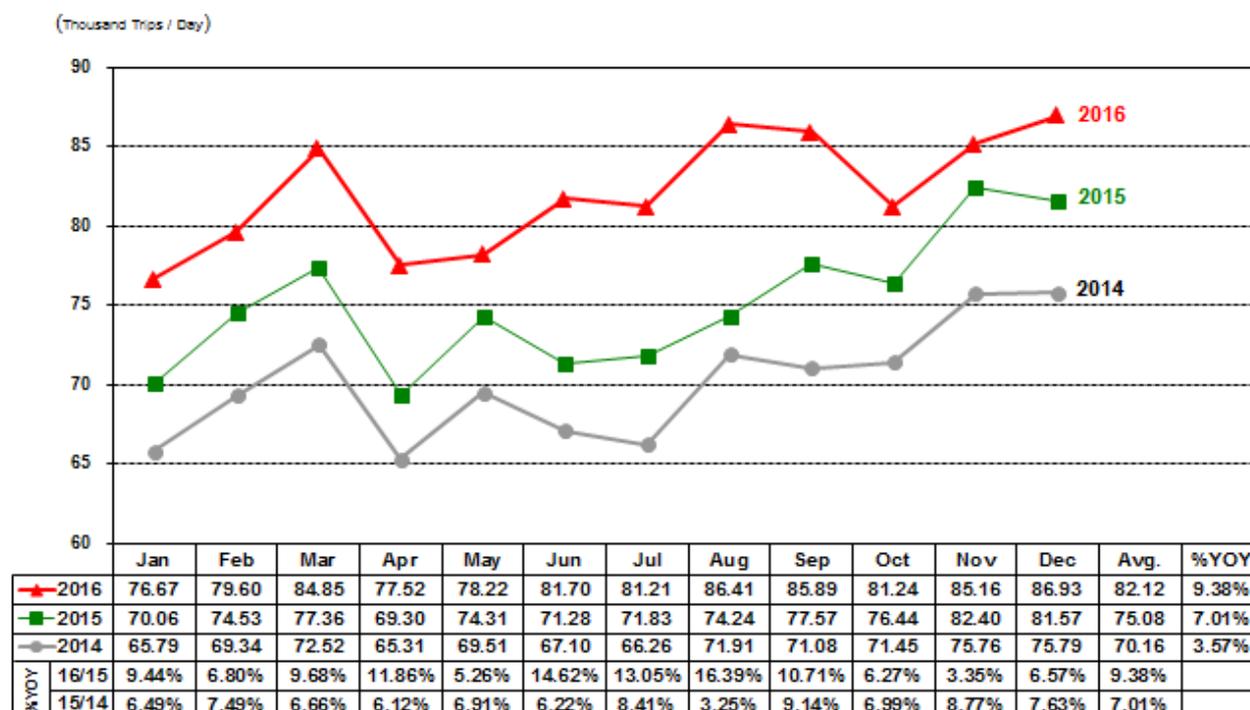
In the year 2016, total commercial development revenue was Baht 573 Million, representing an increase from the previous year by Baht 24 Million or 4.4 percent, which was mainly from the commercial development revenue related to rail business.

Average Daily Traffic Volume for the First Stage Expressway, the Second Stage Expressway and the Si Rat-Outer Ring Road Expressway

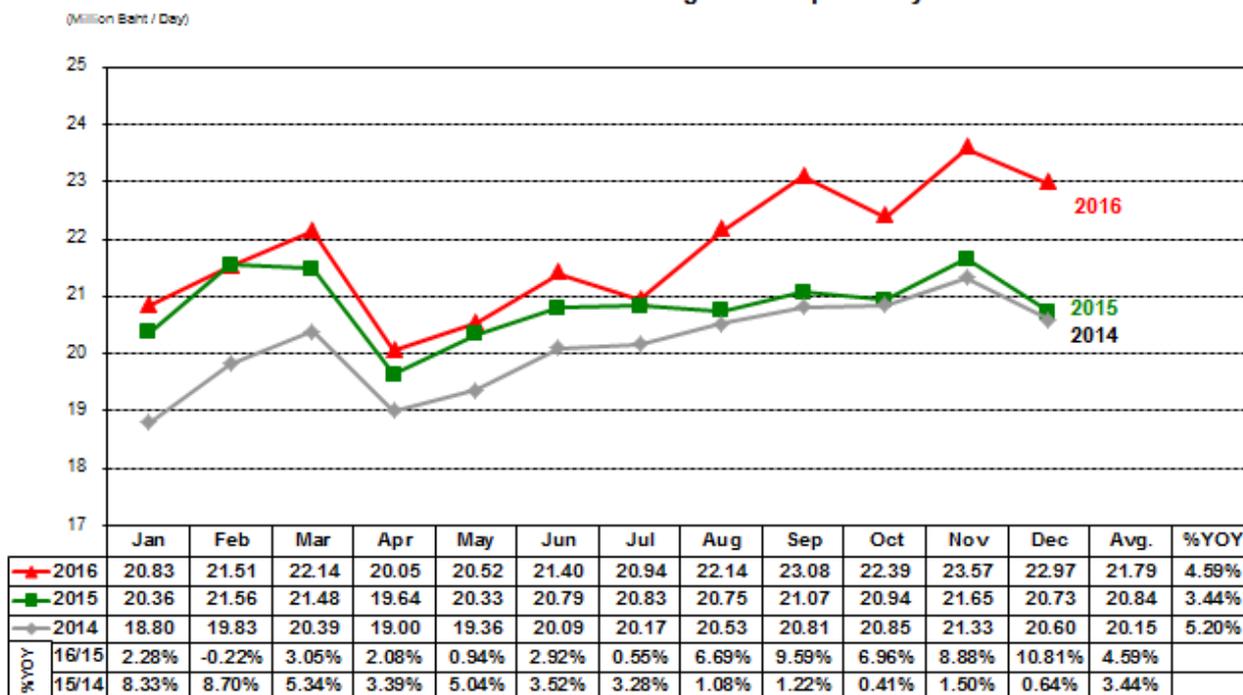


Note : The Si Rat Outer Ring Road Expressway was opened on August 22, 2016

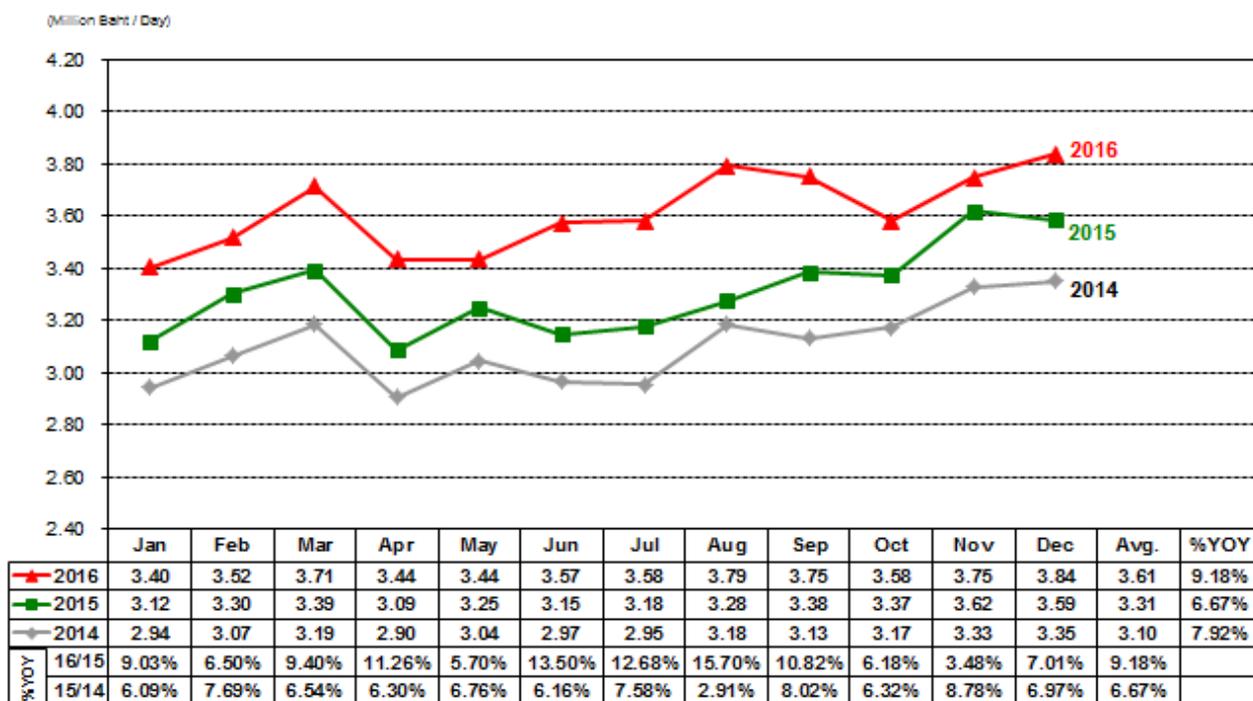
Average Daily Traffic Volume for the Bang Pa-in - Pak Kret Expressway



Average Daily Toll Revenue for the First Stage Expressway, the Second Stage Expressway and the Si Rat-Outer Ring Road Expressway

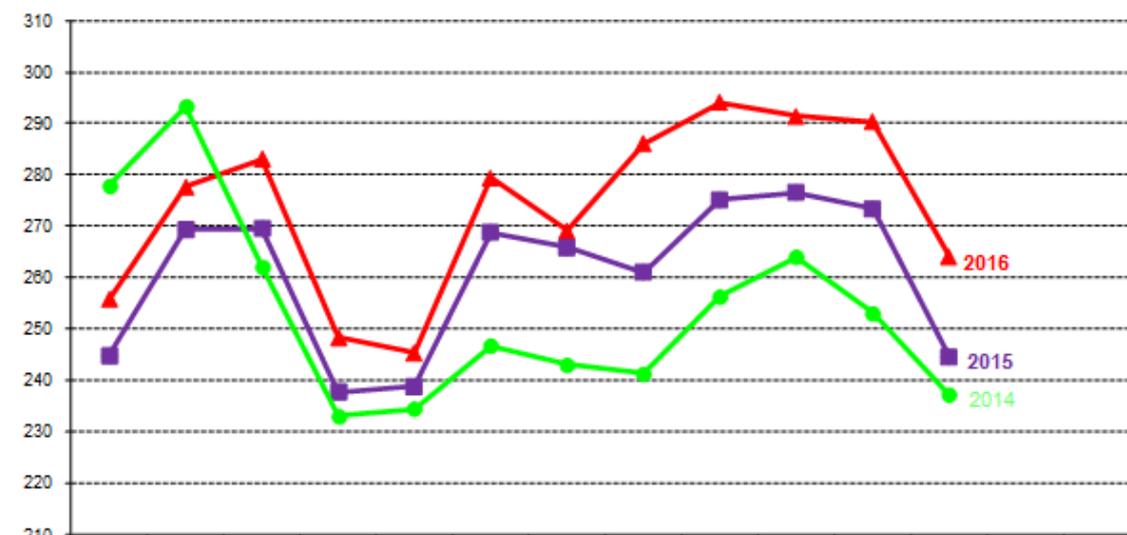


Average Daily Toll Revenue for the Bang Pa-in - Pak Kret Expressway



Average Daily Ridership for Chaloeam Ratchamongkhon Line

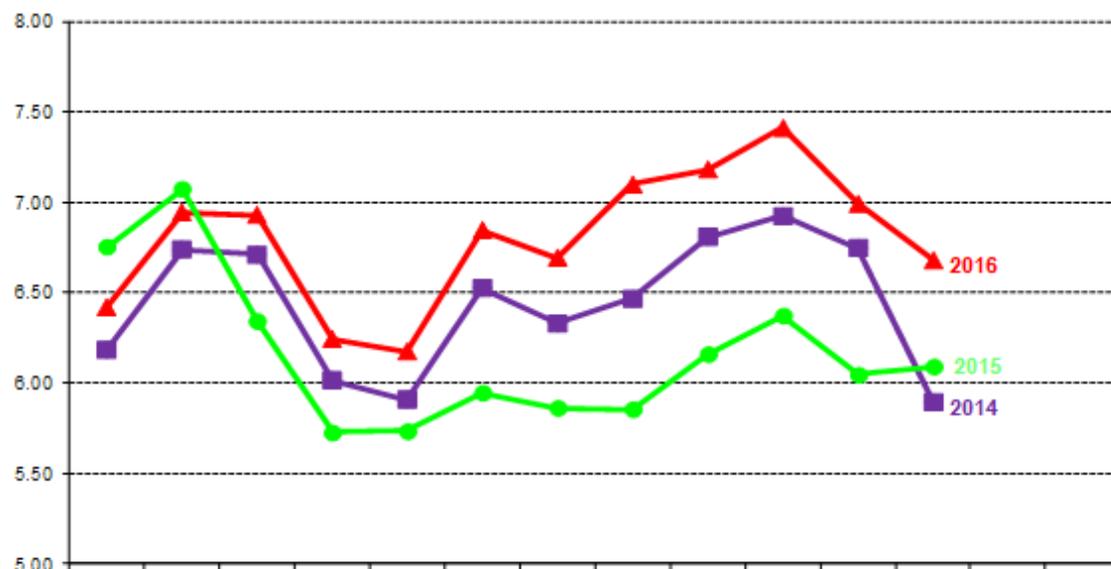
(Thousand Trips / Day)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg.	% YOY	
2016	255.6	277.7	283.1	248.3	245.3	279.4	269.2	286.1	294.1	291.4	290.4	264.1	273.6	5.11%	
2015	244.8	269.4	269.4	237.6	238.8	268.7	265.9	260.9	275.2	276.6	273.4	244.6	260.3	2.79%	
2014	277.9	293.3	262.0	233.0	234.4	246.6	243.1	241.3	256.3	264.0	253.1	237.1	253.3	6.94%	
%YOY	16/15	4.44%	3.08%	5.06%	4.50%	2.75%	3.98%	1.25%	9.64%	6.88%	5.39%	6.21%	7.96%	5.11%	
	15/14	-11.91%	-8.16%	2.82%	1.97%	1.88%	8.97%	9.36%	8.12%	7.37%	4.76%	8.00%	3.15%	2.79%	

Average Daily Farebox Revenue for Chaloeam Ratchamongkhon Line

(Million Baht / Day)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg.	% YOY	
2016	6.42	6.95	6.93	6.24	6.17	6.85	6.69	7.10	7.18	7.41	6.99	6.68	6.80	5.59%	
2015	6.19	6.74	6.71	6.02	5.91	6.53	6.33	6.47	6.81	6.92	6.75	5.89	6.44	4.55%	
2014	6.75	7.07	6.34	5.73	5.74	5.95	5.86	5.85	6.16	6.37	6.05	6.09	6.16	6.74%	
%YOY	16/15	3.82%	3.07%	3.21%	3.75%	4.52%	4.91%	5.72%	9.84%	5.52%	7.08%	3.66%	13.32%	5.59%	
	15/14	-8.39%	-4.74%	5.81%	4.99%	2.96%	9.75%	7.99%	10.46%	10.54%	8.65%	11.55%	-3.20%	4.55%	

Note : Not include farebox revenue adjustment in June 2015

Financial Position

As at December 31, 2016, the Company and its subsidiaries had total assets amounted to Baht 82,786 Million, representing an increase by Baht 4,691 million, when compared with total assets as at December 31, 2015, mainly from the increase in the project cost of the Si Rat-Outer Ring Road Expressway which was opened on August 2016. Total liabilities amounted to Baht 53,003 Million, representing an increase by Baht 4,038 Million which is consistent to the increase in asset. Total shareholders' equity amounted to Baht 29,793 Million, representing an increase by Baht 653 Million from the net profit and dividend payment of Baht 1,834 Million.

Cash Flows

For the year 2016, the Company and its subsidiaries generated cash flows from operating activities amounting to Baht 3,845 Million. Cash utilized of Baht 11,663 Million from investing activities as follows (1) investment in the Si Rat-Outer Ring Road Expressway Project in the amount of Baht 6,035 Million, (2) investment in current investments and other investment in the amount of Baht 5,744 Million, (3) paid for the M&E equipment of the MRT Blue Line Project and investment in the MRT Purple Line Project in the net amount of Baht 766 Million, (4) acquisition of fixed assets and other assets in the net amount of Baht 277 Million, and (5) cash receipt from sales of investments and dividend from TTW and CKP in the amount of Baht 1,159 Million.

The Company and its subsidiaries had net cash of Baht 4,112 Million from financing activities due to (1) receipt from issuance of debentures in the net amount of Baht 23,200 Million, (2) draw down of long-term loans in the net amount of Baht 1,585 Million, (3) repayment of short-term loans in the net amount of Baht 17,690 Million, (4) dividend payment in the amount of Baht 1,834 Million, and (5) payment of interest and finance cost in the amount of Baht 1,149 Million.

As at December 31 2016, the Company and its subsidiaries had cash and cash equivalents amounting to Baht 777 Million, representing a decrease from the end of the previous year by Baht 3,706 Million.

Significant Financial Ratios*

For the year 2016, the Company had Net Profit Margin ratio at 19.69 percent, Return on Equity ratio at 8.87 percent, Return on Total Assets ratio at 3.25 percent, Debt to Equity ratio at 1.78 times and Interest Bearing Debt to Equity ratio at 1.33 times.

* The operational results were calculated based on the consolidated financial statements which consist of the Expressway Business, Rail Business, Commercial Development Business, the manufacture and distribution of treated water business and electricity production business. Therefore, there was no similar type of business in the industry that can be used as a benchmark for comparison.