

14. Management Discussion and Analysis

Significant events

1. Bangkok Expressway and Metro Public Company Limited entered into the MRT Blue Line Concession Agreement with the Mass Rapid Transit Authority of Thailand (the “MRTA”) on March 31, 2017 for the concession period of 33 years.

The MRT Blue Line Project consisted of the Chaloen Ratchamongkhon Project (Hua Lamphong Station - Bang Sue Station), currently operated and the MRT Blue Line Extension Project (Hua Lamphong Station - Lak Song Station and Bang Sue Station - Tha Phra Station) which will be connected and operated as a Through Operation.

The MRT Blue Line Extension Project, which has a total distance of 27 kilometers with 20 stations, connects with the MRT Chaloen Ratchamongkhon at Bang Sue Station and Hua Lamphong Station. The project is targeted to complete and be operated within 36 months from the date the MRTA provided the Company a written Notice to Proceed, as detailed below: -

Section 1 Bang Sue Station - Tao Poon Station: within August 15, 2017. With a total distance of 1 kilometer, the Company has operated this section since August 11, 2017, that makes passengers the convenience of travelling between the MRT Purple Line Project and the MRT Blue Line Extension Project.

Section 2 Hua Lamphong Station - Lak Song Station: within 30 months or within September 2019. With a total distance of 14 kilometers, the route starts from Hua Lamphong Station with the underground distance of 5 kilometers including 4 stations along Rama IV Road to Charoen Krung Road, passes Wat Mangkon Kamalawat and Wang Burapa. The route then enters to Sanam Chai Road, crosses under the Chao Phraya River at Pak Khlong Talat, and runs along Issarapab Road. Then, the line elevates, heads to Tha Phra intersection that has a joint station with the MRT Blue Line Extension Project Bang Sue Station - Tha Phra Station Section, runs along Phetkasem Road, passes Bang Pai, Bang Wa, Phasi Charoen, and Bang Kae, and ends at Kanchanapisek Road, totaling 9 kilometers of elevated structure with 7 stations.

Section 3 Tao Poon Station - Tha Pra Station: within 36 months or within March 2020. With a total distance of 12 kilometers, the elevated structure has 8 stations, starts from Tao Poon intersection, that has an interchange station with the MRT Purple Line Project. The route then enters into Pracharat Sai 2 Road, passes Bang Pho intersection, crosses the Chao Phraya River, runs along Charansanitwong Road, passes Bang Phlat intersection, Borommaratchonnani intersection, Fai Chai intersection, and ends at Tha Phra intersection, that has a joint station with the MRT Blue Line Extension Project Hua Lamphong Station - Lak Song Station Section.

2. Bangkok Expressway and Metro Public Company Limited entered into an extension of the concession agreement with the Expressway Authority of Thailand (EXAT) on July 19, 2017 for the construction of the Connection between the Si Rat-Outer Ring Road Expressway and the Northbound Si Rat Expressway (heading to Chaeng Watthana) for the period of approximately 18 months.
3. Bangkok Expressway and Metro Public Company Limited issued 5-year and 7-year debentures totaling amount to Baht 5,000 Million on September 7, 2017 which is reserved for investment and working capital.
4. Bangkok Expressway and Metro Public Company Limited entered into the Novation and Debt Repayment Agreement for the MRT Purple Line Project on September 29, 2017 by novating M&E accounts payable to long term loan from financial institutions totaling of Baht 13,619 Million which is the same amount that the Company has the obligation. This novation has no effect to the required Debt to Equity ratio due to the MRTA is fully responsible for the loan repayment according to the concession agreement.

Overview Operational Results

In the year 2017, the Company had the net profit attributable to equity holders of the Company in the amount of Baht 3,123 Million representing an increase from the previous year by Baht 517 Million or 19.8 percent. The Company had total revenue of Baht 15,393 Million, representing an increase from the previous year by Baht 2,160 Million or 16.3 percent. The revenue increased from all 3 businesses but mainly from the Si Rat-Outer Ring Road Expressway (SOE) and the O&M service of the MRT Purple Line, both operated in August 2016 which the Company realized those revenues only for 5 months, while fully realized in the year 2017. In addition, interest income amounted to Baht 118 Million was received from the MRTA under the concession agreement of the MRT Chalong Ratchadham Line Project where the income is equal to the interest expense from the long term loan for investing in the MRT Chalong Ratchadham Line Project which the MRTA is fully responsible for both loan repayment and interest expense in accordance to the concession agreement.

Cost of service amounted to Baht 9,206 Million representing an increase from the previous year by Baht 1,212 Million or 15.2 percent according to the opening of the projects.

Financial cost amounted to Baht 1,611 Million representing an increase from the previous year by Baht 185 Million or 13 percent. The main increase in finance cost amounted to Baht 118 Million was from interest expense from long term loan for investing in the MRT Chalong Ratchadham Line Project which the MRTA is fully responsible according to the concession agreement (same amount of interest income as described above). The other increase in finance cost amounted to Baht 67 Million was from the increase in interest cost from SOE construction loans, which were all recorded as interest expenses in the income statement once operated but were partially recorded as cost of construction in the year 2016 according to accounting standard. Also, in the year 2016 the Company had the prepayment fee from re-financing which recognized as a one-off expense of Baht 212 Million but there was no such transaction in this year.

Segmental performance

1. Expressway business

The Company had revenue from Expressway business of Baht 9,957 Million, representing an increase from the previous year by Baht 656 Million or 7.1 percent. The increase in toll revenue amounted to Baht 612 Million was from SOE operated in August 2016 which the Company has the right to receive toll revenue. SOE average traffic volume in the year 2017 was at 50,000 trips/day representing an increase by 62.6 percent when compared to the first month of its operation. For the First Stage Expressway (FES) and the Second Stage Expressway (SES), toll revenue was similar to the previous year. For the Bang Pa-in - Pak Kret Expressway, toll revenue increased from the previous year by Baht 60 Million or 4.5 percent due to the expansion of suburban area resulting to the traffic volume increased.

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 2017, the cost was at Baht 5,430 Million, representing an increase from the previous year by Baht 447 Million or 9 percent. This was mainly from the operation of the SOE.

2. Rail business

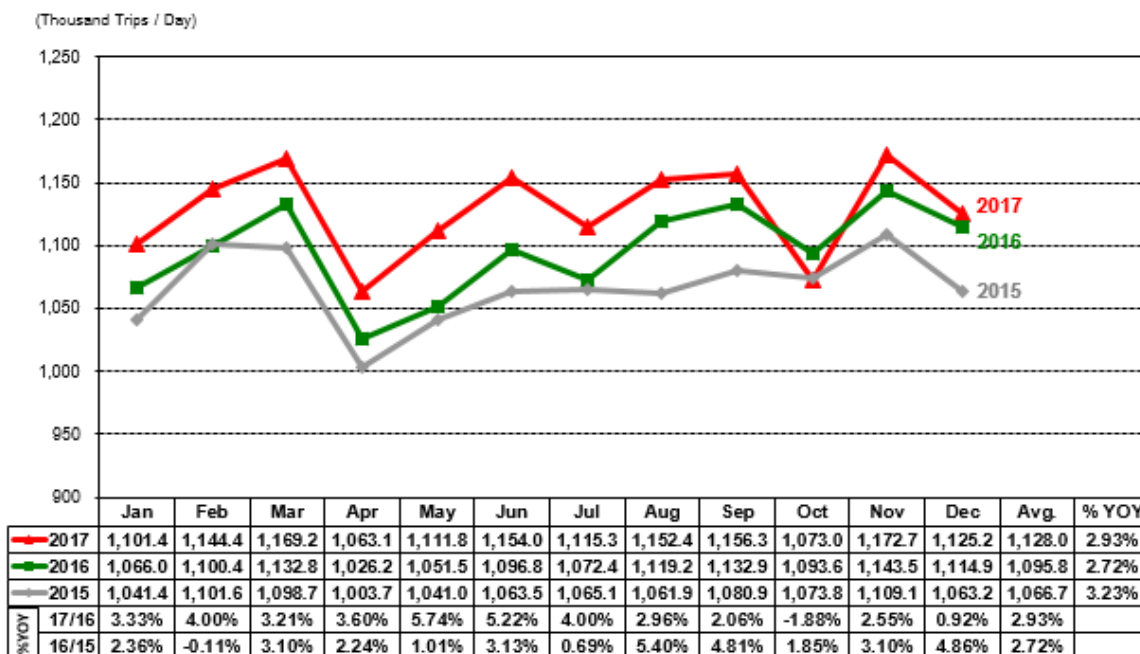
The Company had revenue from Rail business of Baht 4,521 Million, representing an increase from the previous year by Baht 1,291 Million or 40 percent. The increase in revenue amounted to Baht 1,095 Million was from the service revenue of the MRT Purple Line (O&M contract) which operated in August 2016. Farebox revenue of the MRT Blue Line increased from the previous year by Baht 196 Million or 7.9 percent from the connection between the MRT Purple Line Project and the MRT Blue Line Project in August 2017 which makes convenience and time saving for passengers resulting to the increase in ridership of both projects. The average ridership of the MRT Blue Line Project in September 2017 (1 month after the connection) was at 319,800 trips/day representing an increase by 13.4 percent when compared to the average ridership in July 2017 (1 month before the connection).

Cost of Rail business consisted of costs of farebox, O&M cost and amortization of intangible asset under the MRT Blue Line Project. For the year 2017, the cost was at Baht 3,560 Million, representing an increase from the previous year by Baht 792 Million or 28.6 percent due to the O&M cost of the MRT Purple Line and the cost of farebox related to the riderships which is in line with revenue growth.

3. Commercial Development Business

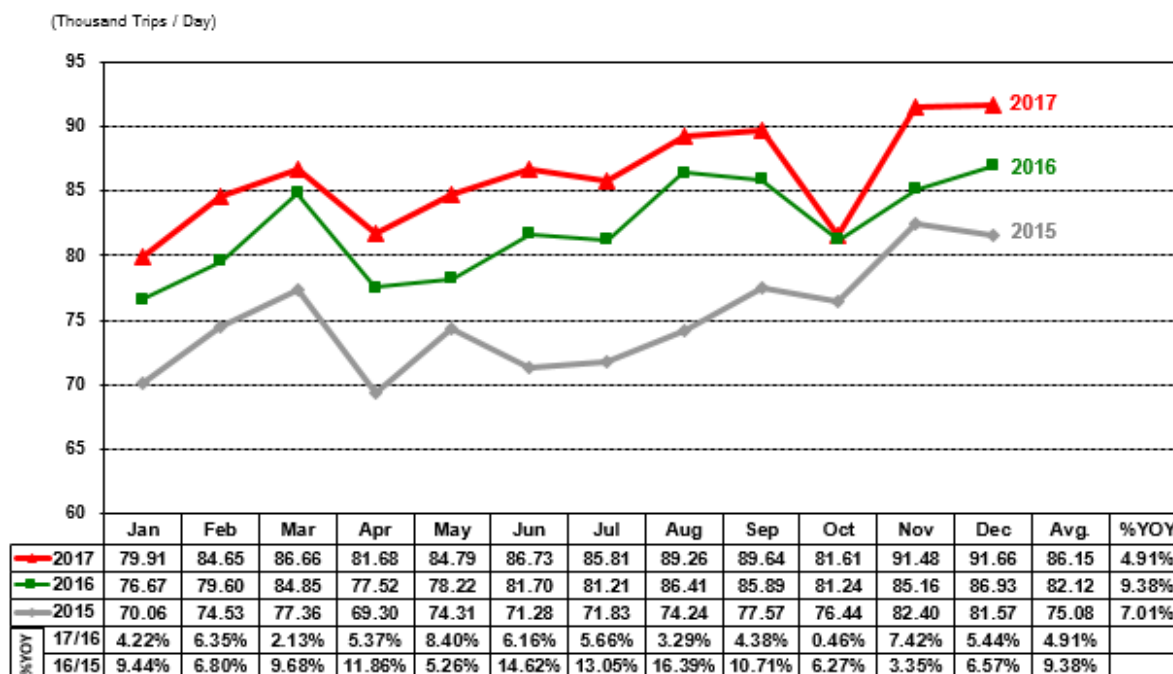
In the year 2017, total commercial development revenue was Baht 675 Million, representing an increase from the previous year by Baht 102 Million or 17.8 percent, mainly from the commercial development revenue related to rail business especially from the advertising and retails which the subsidiary has improved the advertising media and retail shops in order to meet with the new customer target and lifestyle of the new generation.

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

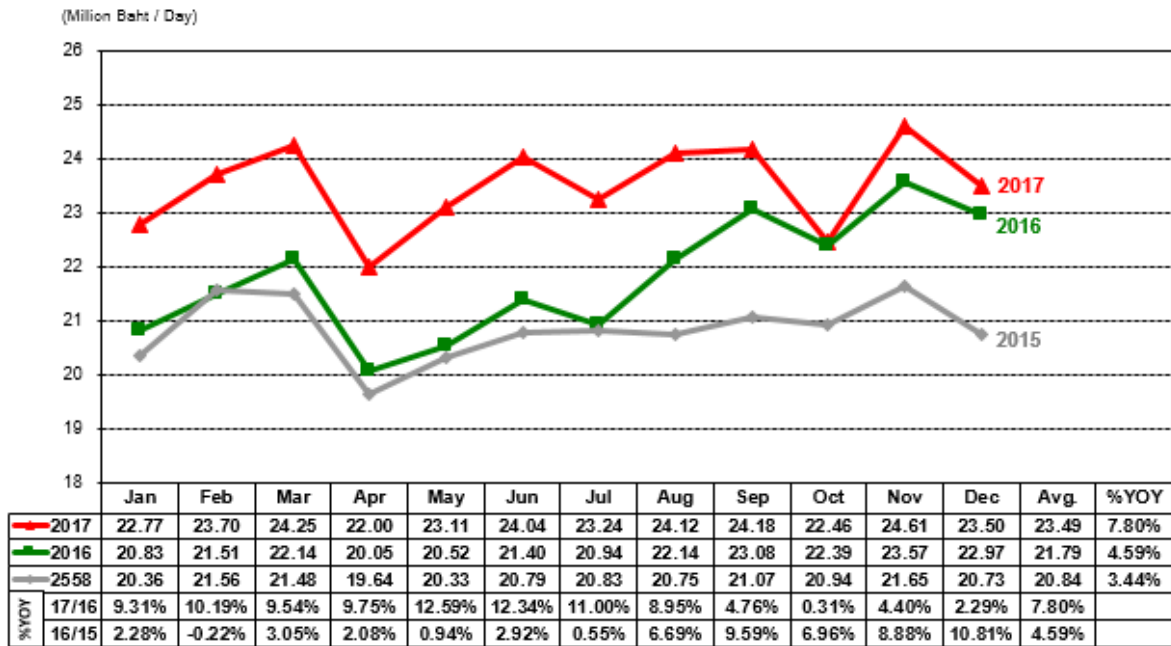


Note : The Si Rat-Outer Ring Road Expressway was opened on August 22, 2016

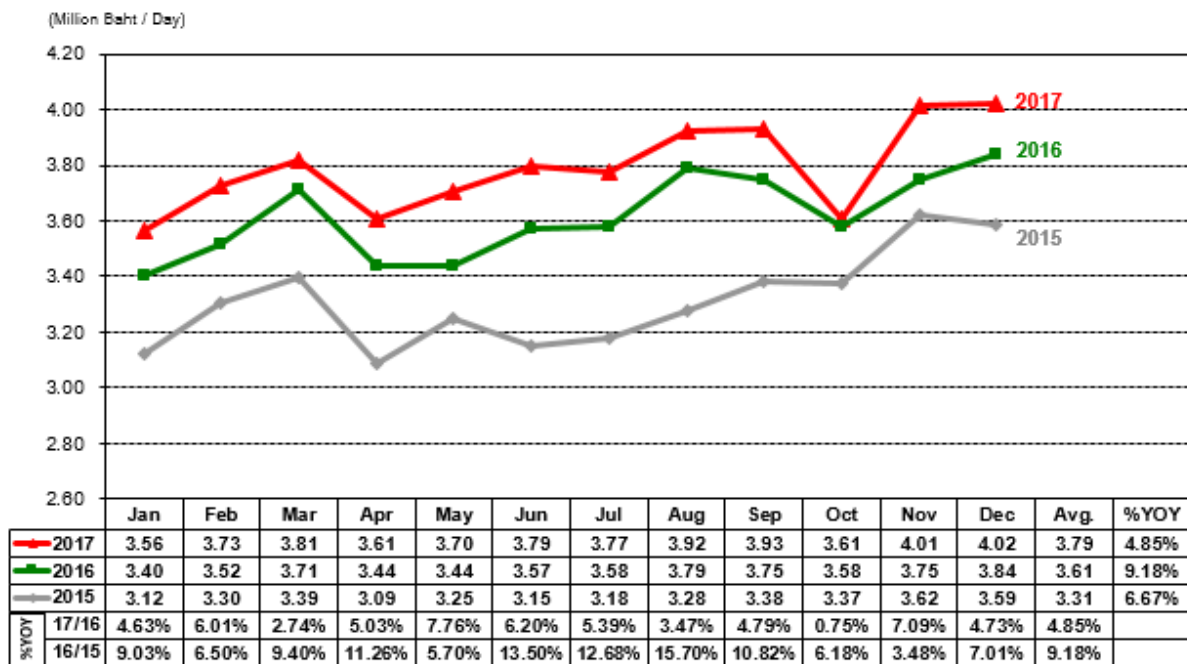
Average Daily Traffic Volume for the Bang Pa-in - Pak Kret Expressway



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

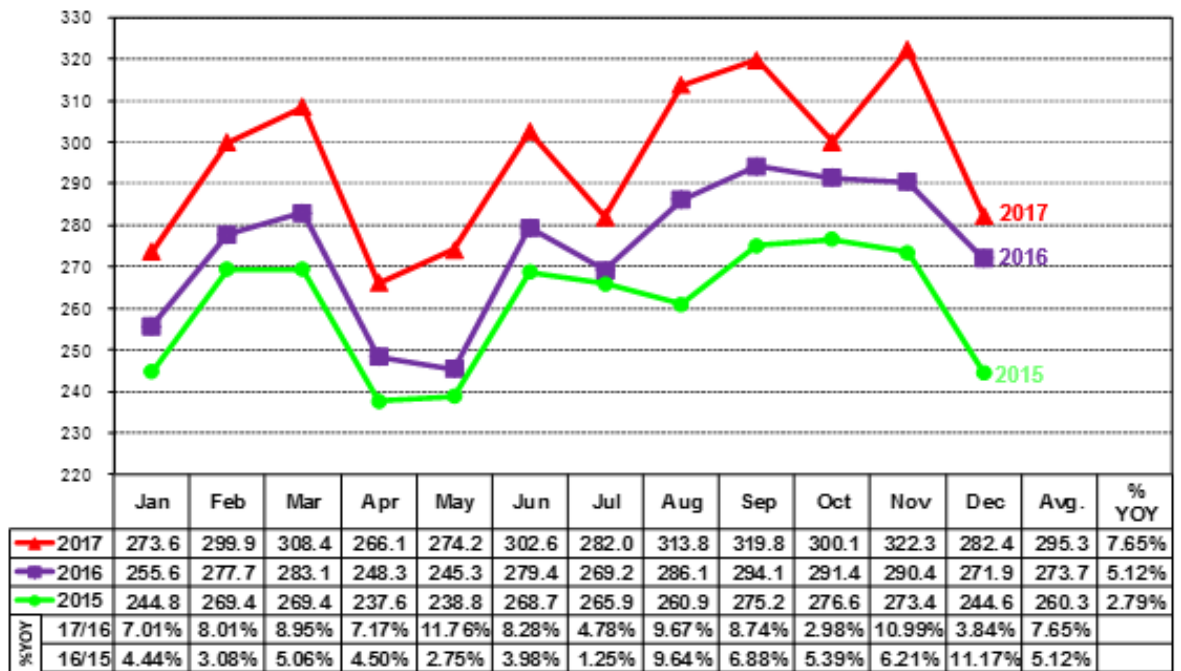


Average Daily Toll Revenue for the Bang Pa-in - Pak Kret Expressway



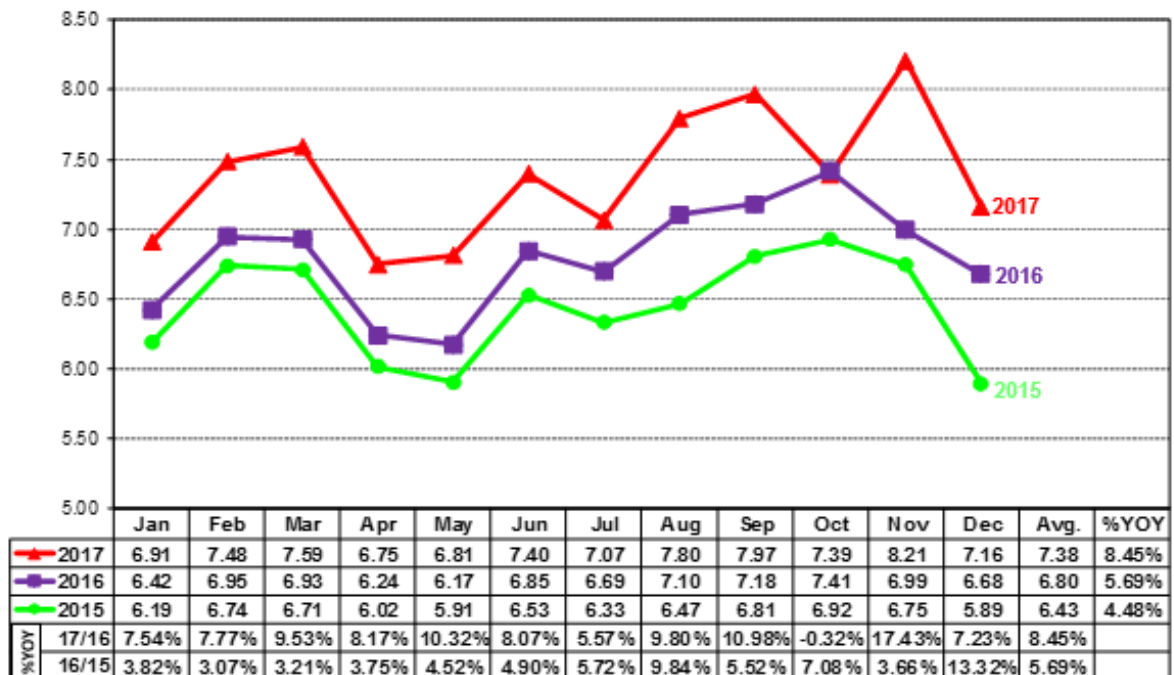
Average Daily Ridership for Blue Line

(Thousand Trips / Day)



Average Daily Farebox Revenue for Blue Line

(Million Baht / Day)



Financial Position

As at December 31, 2017, the Company and its subsidiaries had total assets amounted to Baht 98,919 Million, representing an increase by Baht 16,133 Million or 19.5 percent when compared with total assets as at December 31, 2016. Total liabilities amounted to Baht 67,740 Million, representing an increase by Baht 14,737 Million or 27.8 percent. Total shareholders' equity amounted to Baht 31,179 Million, representing an increase by Baht 1,396 Million or 4.7 percent when compared to the end of the year 2016.

Cash Flows

For the year 2017, the Company and its subsidiaries generated cash flows from operating activities amounting to Baht 7,150 Million. Cash used in investing activities amounting to Baht 2,799 Million detailed as follow; (1) paid for the M&E equipment of the MRT Blue Line Project and invested in the MRT Purple Line Project in the net amount of Baht 8,020 Million, (2) investment in other investment in the amount of Baht 417 Million, (3) investment in the Si Rat-Outer Ring Road Expressway Project in the amount of Baht 130 Million, (4) acquisition of fixed assets and other assets in the net amount of Baht 108 Million, (5) cash receipt from sales of current investments and interest income in the amount of Baht 5,325 Million and (6) dividend receipt in the amount of Baht 551 Million. The Company and its subsidiaries utilized cash of Baht 2,501 Million from financing activities due to (1) repayment of short term and long term loans in the amount of Baht 4,624 Million, (2) payment of interest and finance cost in the amount of Baht 1,543 Million, (3) dividend payment in the amount of Baht 1,834 Million, (4) receipt from issuance of debentures in the amount of Baht 5,000 Million and (5) draw down of long term loans in the amount of Baht 500 Million.

As at December 31, 2017, the Company and its subsidiaries had cash and cash equivalents amounting to Baht 2,627 Million, representing an increase from the end of the previous year by Baht 1,850 Million.

Significant Financial Ratios*

For the year 2017, the Company had Net Profit Margin ratio at 20.45 percent, Return on Equity ratio at 10.31 percent, Return on Total Assets ratio at 3.75 percent, Debt to Equity ratio at 1.75 times and Interest Bearing Debt to Equity ratio at 1.38 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.

Not include transaction related to the novation of the M&E systems under the concession agreement of the MRT Chalong Ratchadham Line Project which the MRTA is fully responsible for both loan repayment and interest expense in accordance to the concession agreement.