

Management Discussion and Analysis

To comply with good corporate governance practices, The Stock Exchange of Thailand (SET) releases to the public its audited financial statements along with a management discussion and analysis within 60 days of the year-end. This is the same principle that listed companies follow.

This report discusses principal changes in the audited consolidated financial statements for the year ended December 31, 2010.

1. Analysis of operating results

1.1 Overall

The operating results of The Stock Exchange of Thailand and its subsidiaries for the years ended December 31, 2010 and 2009 are as follows:

(Unit: THB million)

| | For the year ended December 31 | | | | |
|----------------------------------|--------------------------------|---------|-------------|-----------|--|
| | | | Increase/(o | lecrease) | |
| | 2010 | 2009 | Amount | % | |
| Operating revenues | 4,101 | 3,209 | 892 | 27.80 | |
| Operating expenses | (2,482) | (2,599) | (117) | (4.50) | |
| Share of profit from investments | 33 | 30 | 3 | 10.00 | |
| Non-operating items | (456) | (129) | 327 | 253.49 | |
| Income tax | (68) | (54) | 14 | 25.93 | |
| Revenues over expenses | 1,128 | 457 | 671 | 146.83 | |

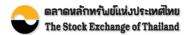
Revenues over expenses for the year ended December 31, 2010 increased by THB 671 million or 146.83% in comparison with 2009. Operating revenues increased by THB 892 million or 27.80% mainly due to the increase in trading volume and gain from disposal of parcel of land of Capital Market Center project of THB 422 million, while non-operating items increased by THB 327 million or 253.49% due to the appropriation of one-third of revenues over expenses of SET to The Stock Exchange of Thailand Foundation every year. In 2010 SET has appropriated the amount of THB 467 million to The Stock Exchange of Thailand Foundation.

1.2 Operating revenues

The significant movements were as follows:

(Unit: THB million)

| | (Cinic Tite inition) | | | | |
|---------------------------------------|----------------------|-------|-------------------|--------|--|
| | | | Increase/(decreas | | |
| | 2010 | 2009 | Amount | % | |
| Income affected by trading securities | 1,475 | 1,060 | 415 | 39.15 | |
| Stock registrar fees | 572 | 530 | 42 | 7.92 | |
| Listing fees | 241 | 235 | 6 | 2.55 | |
| Investment income, net | 867 | 876 | (9) | (1.03) | |
| Other income | 946 | 508 | 438 | 86.22 | |
| Total | 4,101 | 3,209 | 892 | 27.80 | |



1.2.1 <u>Income affected by trading securities</u>

Key market indicators

| | | | Increase/(decrease) | |
|--|----------|--------|---------------------|-------|
| | 2010 | 2009 | Amount | % |
| SET Index | 1,032.76 | 734.54 | 298.22 | 40.60 |
| Daily avg. trading value - Equity (THB million) | 29,066 | 18,226 | 10,840 | 59.48 |
| Daily avg. trading volume - Derivatives (Contracts) | 18,676 | 12,771 | 5,905 | 46.24 |
| Market capitalization (THB billion) | 8,390 | 5,912 | 2,478 | 41.91 |
| No. of listed companies (company) | 541 | 535 | 6 | 1.12 |

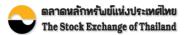
(Unit: THB million)

| | | | Increase/(decrease | |
|----------------------|-------|-------|--------------------|---------|
| | 2010 | 2009 | Amount | % |
| Trading fees | 897 | 630 | 267 | 42.38 |
| Clearing fees | 241 | 100 | 141 | 141.00 |
| Depository fees | 101 | 115 | (14) | (12.17) |
| Member services fees | 236 | 215 | 21 | 9.77 |
| Total | 1,475 | 1,060 | 415 | 39.15 |

- Trading fees increased by THB 267 million mainly due to the increase in daily average trading volume of equity and derivatives securities as a result of investment capital flowing into Asian Market and the confidence of investors based on Thai economy, trend appreciation of Thai Baht and the stable of political situation.
- Clearing fees increased by THB 141 million from the increase in service transactions, which was in line with the increase in trading fees.
- Depository fees decreased by THB 14 million mainly from account maintenance fee decreased by THB 12 million due to the reduction of rates charged.
- Member services fees increased by THB 21 million mainly due to internet trading volume as a percentage to total trading volume of derivatives and equity securities rose. Internet trading takes place through Settrade.Com Co., Ltd.

1.2.2 Stock registrar fees

Stock registrar fees increased by THB 42 million, from THB 530 million to THB 572 million, from the increase volume of register book closing and dividend payment of listed companies.



1.2.3 Other income

(Unit: THB million)

| | | | Increase/(decrease) | |
|-------------------------------|------|------|---------------------|-------|
| | 2010 | 2009 | Amount | % |
| Gain from disposal of assets | 422 | - | 422 | - |
| Information service income | 147 | 101 | 46 | 45.54 |
| Revenues from membership fees | 122 | 118 | 4 | 3.39 |
| Other income | 255 | 289 | (34) | 11.76 |
| Total | 946 | 508 | 438 | 86.22 |

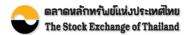
- Gain from disposal of assets is from parcel of land of Capital Market Center project of THB 422 million.
- Information service income increased by THB 46 million due to restructuring charge.
- Other income comprised of income on fund registrar fees, income on fund management, income on educational activities, and income on customisation and IT support service. The decrease of THB 34 million mainly due to income on service and advertising production decreased by THB 37 million from a change in status from a subsidiary to a jointly-controlled entity since November 2009. Hence, in 2010 revenue and expense of the jointly-controlled entity was not included in the consolidated financial statements by each type of revenue/expense, but was shown as profit sharing from investment and expenses for educational activities.

Furthermore operating revenues can be divided by type of business service lines as follows:

- Securities trading, clearing and membership fees of listed equity securities.
- Derivatives trading, clearing and membership fees of derivative securities.
- Market data information sales and service.
- Member services trading services via the internet and back office service bureau.
- Depository services securities depository services.
- Issuer services listing and registrar fees.
- Other income fund registrar fees, management fund fees, customization and IT support fee, fees for educational activities and etc.

(Unit: THB million)

| | | | Increase/(decrease) | |
|---------------------------------|-------|-------|---------------------|---------|
| | 2010 | 2009 | Amount | % |
| Securities (Equity) | 893 | 491 | 402 | 81.87 |
| Derivatives | 367 | 357 | 10 | 2.80 |
| Market data | 147 | 101 | 46 | 45.54 |
| Member services | 236 | 215 | 21 | 9.77 |
| Depository services | 101 | 115 | (14) | (12.17) |
| Issuer services | 813 | 765 | 48 | 6.27 |
| Investment income, net | 867 | 876 | (9) | (1.03) |
| Other income | 677 | 289 | 388 | 134.26 |
| Total operating revenues | 4,101 | 3,209 | 892 | 27.80 |



1.3 Operating expenses

Significant movements were as follows:

(Unit: THB million)

| | | | Increase/(d | lecrease) |
|------------------------------------|-------|-------|-------------|-----------|
| | 2010 | 2009 | Amount | % |
| Employee benefit expenses | 1,076 | 1,239 | (163) | (13.16) |
| Depreciation and amortisation | 284 | 341 | (57) | (16.71) |
| Educational activities expenses | 201 | 44 | 157 | 356.82 |
| Contributions to the office of SEC | 177 | 159 | 18 | 11.32 |
| Technology expenses | 109 | 120 | (11) | (9.17) |
| Loss from written off assets | 53 | • | 53 | • |
| Fees and compensation expenses | 50 | 114 | (64) | (56.14) |
| Other expenses | 532 | 582 | (50) | (8.59) |
| Total | 2,482 | 2,599 | (117) | (4.50) |

Employee benefit expenses decreased by THB 163 million mainly due to the cost of early retirement programs of THB 168 million in 2009.

Depreciation and amortisation decreased by THB 57 million mainly due to the revise useful life of assets, written off fire-damaged assets and disposal assets in studios unit to the jointly-controlled entity.

Educational activities expenses mainly due to the educational activities through Money Channel of Family Know-how Co., Ltd., which has changed the status from subsidiary to jointly-controlled-entities since November 2009. In 2009, the expenses were included in each type of expenses, i.e. media production cost, Money Channel's management fee, employee benefit expenses. The total expenses for educational activities in 2010 and 2009 were nearly the same.

Contributions to the office of SEC increased by THB 18 million in accordance with the increase in trading of equity securities value (Contribution criteria was at the rate of 0.002% of trading value of the previous year. The average daily trading value of 2009 and 2008 was THB 18,226 million per day and THB 16,118 million per day, respectively).

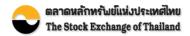
Technology expenses decreased by THB 11 million mainly due to a drop in the consulting fee for IT Master Plan project in 2009.

Fees and compensation expenses decreased by THB 64 million mainly due to in 2009 it had non-recurring consulting fee for corporate business value of THB 29 million, Money Channel's management fee of THB 12 million and marketing research expense for feasibility study of Capital Market Center project of THB 6 million.

Other expenses comprised of marketing and media production expenses, building and office expenses and etc. The decrease of THB 50 million was mainly from the decrease of media production expense of THB 53 million.

1.4 Non-operating items

The increase of THB 327 million, or 253.49%, was because in 2010 SET appropriated THB 467 million, or one-third of its revenues over expenses, to The Stock Exchange of Thailand Foundation as donations and social contributions. This was THB 332 million more than in 2009.



2. Analysis of financial status

(Unit: THB million)

| | | | Increase/(decrease) | |
|-------------------|--------------|--------------|---------------------|-------|
| | Dec 31, 2010 | Dec 31, 2009 | Amount | % |
| Total assets | 23,418 | 20,692 | 2,726 | 13.17 |
| Total liabilities | 6,299 | 4,928 | 1,371 | 27.82 |
| Fund balances | 17,119 | 15,764 | 1,355 | 8.60 |

The significant movements in assets, liabilities and funds of the SET and its subsidiaries as at December 31, 2010 when compared with the balance as at December 31, 2009 were as follows:

2.1 Analysis of assets

2.1.1 Investments

Details of investments of THB 13,987 million classified by category can be summarised as follows:

(Unit: THB million)

| | | | Increase/(| decrease) |
|-----------------------------|--------------|--------------|------------|-----------|
| Investment portfolio | Dec 31, 2010 | Dec 31, 2009 | Amount | % |
| Trading | 2,246 | 2,187 | 59 | 2.70 |
| Available-for-sale | 4,459 | 3,815 | 644 | 16.88 |
| Hold-to-maturity | 1,370 | 1,253 | 117 | 9.34 |
| Treasury bills | 685 | 1,182 | (497) | (42.05) |
| General investments | 5,227 | 3,000 | 2,227 | 74.23 |
| Total | 13,987 | 11,437 | 2,550 | 22.30 |

Investments increased by THB 2,550 million, or 22.30%, mainly due to cash received from disposal parcel of land of Capital Market Center project and revaluation of securities at fair market value.

2.1.2 Assets for margin deposits and benefits

Assets for margin deposits and benefits of THB 3,612 million increase by THB 777 million or 27.41%, represents margin deposits and benefits of the Thailand Clearing House Co., Ltd. Part of this rise was from the increase of futures derivatives transactions.

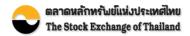
2.1.3 Property, plant and equipment, net

Property, plant and equipment, net THB 2,432 million was a decrease of THB 1,217 million or 33.35% mainly from disposal parcel of land of Capital Market Center project.

2.2 Analysis of liabilities

2.2.1 Margin deposits and benefits payables

As margin deposits and benefits were presented as cash at banks and liabilities of the same amount, the significant increase of margin deposits and benefits payables are as mentioned in the section on assets for margin deposits and benefits.



2.2.2 Accounts payable and accrued expenses

Accounts payable and accrued expenses of THB 754 million increased by THB 281 million or 59.41%, mainly because donations to The Stock Exchange of Thailand Foundation increased by THB 332 million.

2.2.3 Contributions and benefits to the Securities Investor Protection Fund

The contribution amounted of THB 225 million and was a rise of THB 35 million or 18.42%. This contribution was from members' portions, which complying with trading volume of equity securities.

2.3 Analysis of funds

Funds reached THB 17,119 million, up by THB 1,355 million or 8.60%. Significant movements were:

- o Revenues over expenses for 2010 of THB 1,128 million.
- An increase of THB 226 million in unrealised gains in the value of available-forsale securities, due to higher stock prices.

3. Analysis of liquidity

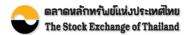
Cash flows of SET and its subsidiaries for the year ended December 31, 2010 and 2009 are summarised as:

(Unit: THB million)

| | | | Increase/(decrease | |
|--------------------------------------|------|------|--------------------|----------|
| | 2010 | 2009 | Amount | % |
| Cash flows from operating activities | 276 | (49) | 325 | 663.27 |
| Cash flows from investing activities | (55) | 99 | (154) | (155.56) |
| Cash and cash equivalents at | 503 | 282 | 221 | 78.37 |
| the end of year | | | | |

Cash and cash equivalents at end of year increased by THB 221 million, or 78.37%, mainly due to the increase of revenue over expenses and received from sales of parcel of land during the year. Significant movements in cash flow from operating activities and operating assets and liabilities are as mentioned in the analysis of operating results and financial status above.

Cash flows from investing activities decreased by THB 154 million, or 155.56%, mainly due to investment in fixed deposits has a net increase of THB 352 million and the investment in equipment and intangible assets has an increase of THB 50 million, while investment in an associate company decreased of THB 250 million.



4. Analysis of working capital

Net working capital is the amount of total current assets less total current liabilities. As at December 31, 2010 the balance of THB 5,306 million (December 31, 2009: THB 4,883 million) increased of THB 423 million, or 8.66%.

The increase in net working capital was mainly due to revenues over expenses for the year 2010 of THB 1,128 million. This rise offset by the increase in donation to the Stock Exchange of Thailand Foundation of THB 332 million and the increase in withholding tax payable of THB 65 million.

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