

TRANSLATION

TOYO-THAI CORPORATION PUBLIC COMPANY LIMITED

Management Discussion and Analysis

1. The operating performance for the year ended 2014

The Company reported its Gross Profit and Net Profit for the year 2014 at THB 1.2 billion and THB 438 million declined -22% and -50% compared to the year 2013 at THB 1.6 billion and THB 880 million respectively. The weakened result was mainly caused by increased costs in EPC Construction businesses and the expenses incurred from investment in power plant businesses during the period.

The Exchange Difference on Translation Financial Statement was recorded at THB 1.2 million from exchange rate movement on Baht for the period and slightly increased the Total Comprehensive Income for the period to THB 439 million. The Profit Attributable to the Owners of the parent was recorded at THB 460 million. Then, the Basic Earnings per Share was calculated at THB 0.82, plunged -50% from last year.

2. Management Discussion and Analysis Report according to consolidated financial statements

	For Year Ended Period - Consolidated Statement				
	2014		2013 - Restated		Change
	THB Mln.	%	THB Mln.	%	%
Revenues					
Construction and service revenues (EPC)	17,554.7	89.68%	15,335.5	85.84%	14.47%
Construction revenues from service concession arrangement	1,781.8	9.10%	2,456.8	13.75%	(27.48%)
Revenue from operation power plant	238.8	1.22%	72.8	0.41%	228.02%
Total Revenues	19,575.3	100.00%	17,865.1	100.00%	9.57%
Less Cost of constructions and services (EPC)	(16,709.8)	85.36%	(13,869.9)	77.64%	20.48%
Less Construction costs from service concession arrangement	(1,543.4)	7.88%	(2,332.8)	13.06%	(33.84%)
Less Costs of operation power plant	(78.5)	0.40%	(59.2)	0.33%	32.56%
Total Costs	(18,331.7)	93.65%	(16,261.9)	91.03%	12.73%
Gross profit	1,243.6	6.35%	1,603.2	8.97%	(22.43%)
Add Other income	218.8	1.12%	84.5	0.47%	159.03%
Less Gain (Loss) on Exchange Rate, net	(36.1)	(0.18%)	94.2	0.53%	(138.36%)
Less Administrative Expenses	(827.6)	4.23%	(638.8)	3.58%	29.56%
Add Share of Profit/(Loss) of Associate	26.2		6.5		304.95%
Add Share of Profit/(Loss) of Associate	(22.2)	(0.11%)	(0.2)	0.00%	11015.00%
Profit before Financial Costs & Income Tax	602.6	3.08%	1,149.3	6.43%	(47.56%)
Less Financial Costs	(106.0)	0.54%	(27.4)	(0.15%)	287.25%
Profit before Income Tax	496.6	2.54%	1,121.9	6.28%	(55.74%)
Less Income Tax	(58.9)	0.30%	(242.0)	1.35%	(75.66%)
Net Profit for this Period	437.7	2.24%	879.9	4.93%	(50.26%)
Add/(Less) FX Dif. On Translation Fin. Statement	1.2	0.01%	107.2	(0.60%)	(98.88%)
Total Comprehensive Income for the Period	438.9	2.47%	987.1	6.41%	(55.54%)
Profit Attributable to:					
Owners of the parent	460.4		869.6		(47.06%)
Non-controlling interests	(22.8)		10.3		(321.69%)
	437.6		879.9		(50.26%)
Basic earnings per share (THB)	0.82		1.63		(49.56%)

2.1 Analysis of Revenues, Costs and Expenses

2.1.1 Revenues

Total Revenue grew nearly THB 20 billion or 10% increase when compared to 2013.

- EPC Businesses

The Revenue from EPC Construction and Services remained its major source of revenues accounting for almost 90% of the total. The Top 4 projects representing more than 70% of the total revenue were Qatar's Desalination Plant Project and Thailand's PPTC/SSUT 3 power plants project at THB 3.5 billion each. The other 2 domestic power plant construction projects, IRPC, accounted for THB 3.0 billion and USA's Skyonic – Skymine Plant – THB 2.0 billion. The Qatar and USA projects completed for more than 95% at the year ended 2014 while the remaining contract value of 5 domestic SPP power plants construction for PPTS/SSUT's and IRPC were more than 50%. Therefore, it could be expected that the PPTC/SSUT and IRPC construction projects, together with Malaysia's RAPID's SCC project awarded in late 2014, will be the Company's the major sources of revenues in 2015.

- Power Plant Businesses

The Construction Revenue from Service Concession Arrangement dropped to THB 1.8 billion or declined -27% from the previous year as the construction progress for the Company's investment in 120MW CCGT Power Plant in Yangon, Myanmar (Ahlone Project) was entering into the final stage of construction. As at the year ended 2014, the project has been completed for more than 95% and the remaining works will be finished in the beginning of 2015.

Revenue from operation power plant was tripled and recorded at THB 239 million as the Ahlone Project has operated its first full year of operation in 2014. It should also be noted that the Ahlone Project's operation in 2014 was still under Simple Cycle stage with the electricity output at 80MW. The Combined Cycle stage was scheduled by the 1st Half of 2015 in which the plant's total capacity will be increased up to 120MW. On top of EPC businesses, contribution from the Ahlone Project will play a crucial role for the Company in terms of margin in 2015.

2.1.2 Costs & Gross Profit

Gross Profit Margin Comparison Year 2014 – 2013

2014	Revenue	Cost	Gross Profit	Margin %
EPC	17,554.7	(16,709.8)	844.94	4.8%
Service Concession	1,781.8	(1,543.4)	238.40	13.4%
Operation of Power Plant	238.8	(78.5)	160.30	67.1%
Total	19,575.3	(18,331.7)	1,243.64	6.4%

2013 – Restated	Revenue	Cost	Gross Profit	Margin %
EPC	15,335.5	(13,869.9)	1,465.61	9.6%
Service Concession	2,456.8	(2,332.8)	123.97	5.0%
Operation of Power Plant	72.8	(59.2)	13.58	18.7%
Total	17,865.1	(16,261.9)	1,603.16	9.0%

Total Costs increased 13% and recorded at THB 18.3 billion in 2014. As illustrated by the above table, the Gross Profit was deteriorated by the increased costs in EPC businesses. The increased construction costs from Qatar's desalination plant construction and lean margin of machinery supply for domestic power plants construction were recognized in 2014 and were the main laggards causing the Company's profitability underperformed. The Gross Profit generated from Power Plant businesses was improved but in a less extent and impact than the EPC's. Therefore, the Company's Gross Profit margin was down to 6.4% at THB 1.2 billion, declined -22% from the year 2013.

2.1.3 Other income

The Other Income was substantially increased more than 1.5 times and recorded at THB 219 million which was mainly derived from overseas subsidiaries, TTPMC (THB 156 million) and GNE-J (THB 44 million). Adopting in 2014 the Company's new accounting standard under TFRIC 12 – Services Concession Arrangement, TTPMC's revenues from electricity generated to Yangon's grid were partially recorded as interest income, roughly around 30% of total electricity output generated. GNE-J booked gains THB 44 million from divestment of one of its developing solar farm projects in Japan. The remaining 2 projects with total capacity over 40MWdc were still on process of filing applications with the local authorities.

2.1.4 Gain (Loss) on Exchange Rate, net

Baht depreciation against USD in 2014 caused higher construction costs in Baht term. During the period, the Realized Gain on Exchange Rate was booked at THB 97 million while Unrealized Loss on Exchange Rate showed negative figures of THB -133 million. As a result, the Company presented its "Loss on Exchange Rate, net" at THB -36 million for the period.

2.1.5 Administrative expenses & Share of Profit of Associate & Joint Venture

The Administration Expenses was recorded at THB 828 million, increased 30% from last year. The majority of the increasing was a result of the higher administrative expenses from subsidiaries at THB 95 million and the Premium Share based payment expenses at THB 23 million as the Company offered investment opportunity to its management and employees during Q1 2014. Both were related to investment in overseas and rose as the Company and its subsidiaries have increasingly engaged more in power plant businesses in 2014.

Share of Profit of Associate jumped to THB 26 million in 2014 and from the outperformance of 8MW Solar Farm Power Plant in Ang Thong, Thailand. The Company also realized Share of Loss of Joint Venture from one of its subsidiaries, TTNE, who has acquired 49% shares in a joint venture named "Orient Bio-Fuels Company Limited (OBF)" in Vietnam. The equity method was proportionately applied to reflect OBF's weak performance during 2014 for consolidation at THB -22 million.

2.1.6 Finance Cost and Income Tax

The Company recorded Profit before Financial Costs and Income Tax at THB 603 million or -48% down from 2013 due to the increased in construction costs and expenses as described above. The financial cost for the period surged to THB 106 million incurred by debt financing during the 2nd half of 2014 for funding the Company's operation and investment. Income tax was THB 59 million and declined -75% from last year due to the deferred tax application in accordance with the accounting standard TAS12 and the tax privilege exemption from the investment in Ahlone Project in Myanmar. As a result, the Net Profit for the period was THB 438 million or -50% down from last year.

3. Analysis of Financial Status

3.1 Analysis of Assets

	(in THB' million)			
	31 DEC 2014	31 DEC 2013	Increase/(Decrease)	% Change
Current assets	15,677.35	10,049.92	5,627.43	55.99%
Non-current assets	6,958.15	4,928.86	2,029.29	41.17%
Total assets	22,635.50	14,978.78	7,656.72	51.12%

For the Year ended 2014, the Company's Total Assets grew 51% and increased THB 7.7 billion from December 2013 reflecting its business operations expansion and investment activities during the period.

Current Assets grew 56% and were recorded at THB 15.7 billion. Major items included Unbilled Contract Revenue – Third Parties (THB 5.4 billion), Construction in progress – Third Parties (THB 3.5 billion), and Advance payment to subcontractors (THB 2.1 billion). These increased current assets grew along with the major construction of five power plants namely PPTC/SSUT and IRPC projects in Thailand. The main reason for the huge increase in the current assets stems from the late award of the mentioned projects in 2013, which constitutes a tremendous progress in 2014. Moving forward, it is foreseen that the five power plant projects together with the huge scale Malaysia's RAPID's SCC project (awarded in late 2014) will keep the Unbilled Contract Revenue – Third Parties and Construction in progress – Third Parties at the current level.

For Non-current Assets, the increase in Financial Assets due Over 1 Year at THB 1.8 billion reflected the additional construction progress and investment in Ahlone Project during the period and was the major cause of change in the Non-current Assets. The Financial Assets will be amortized throughout the concession period of the project's life.

3.2 Analysis of Liabilities and Shareholders' Equity

Figures in THB Million	31 DEC 2014	31 DEC 2013	Increase/(Decrease)	% Change
Current liabilities	11,632.64	8,686.03	2,946.61	33.92%
Non-current liabilities	4,604.06	355.66	4,248.40	1,194.51%
Total liabilities	16,236.70	9,041.69	7,195.01	79.58%
Total Shareholders' equity	6,398.80	5,937.08	461.72	7.78%
Total liabilities and shareholders' equity	22,635.50	14,978.77	7,656.73	51.12%

Significant changes in Liabilities and Shareholders' equity were as followed:-

Total Liabilities increased by THB 7.2 billion and caused by rises in both Current and Non-Current Liabilities.

Historically, TTCL has operated with a low level of balance sheet gearing. However, as the Company entering into a larger scale of project construction and investment in power plant businesses, the Company inevitably confronted with new business environment whereby owners and supply chain are more conscious of the need to their own working capital. As a result, available financing alternatives were considered and funded in order to meet its businesses requirements.

For the above reason, the Current Liabilities increased THB 3.0 billion which was mainly caused by the rise in Short-term loans from financial institutions at THB 2.2 billion and Advances received from customers under construction contracts – third parties at THB 2.0 billion. Both were considered as main sources of fund in order to meet the Company's working capital requirement during the period.

The Non-Current Liabilities also increased THB 4.2 billion as the Company obtained THB 3.2 billion 10-year term loan from EXIM Bank of Thailand and THB 1.0 billion 3-year debenture issuance in mid-2014. The proceeds from both transactions were mainly spent in long term financing in power plant business as planned.

Shareholders' equity increased by THB 461 million or 8% growth by 3 factors, i) Total comprehensive income for the period was THB 438.89 million, ii) Increase share capital of subsidiary, TTPHD, at THB 392 million together with Premium from Share-base Payment at THB 23.19 million, and iii) Dividend payment THB -392 million. As a result, the closing balance as of 31 December 2014 became THB 6.4 billion.

4. Major Financial Ratios

Ratio	31 DEC 2014	31 DEC 2013	Favorable/Unfavorable
4.1. Gross profit margin	6.35%	8.97%	Unfavorable
4.2. Net profit margin	2.24%	4.93%	Unfavorable
4.3. Current ratio	1.35	1.16	Favorable
4.4. Debt/ Equity ratio	2.54	1.52	Unfavorable
4.5. Interest-Bearing Debt/ Equity ratio	1.16	0.16	Unfavorable
4.6. Times Interest Earned ratio	5.68	41.98	Unfavorable
4.7. Net Book Value	11.43	12.37	Unfavorable
4.8. Return on total assets	1.93%	5.87%	Unfavorable
4.9. Return on equity	6.84%	14.82%	Unfavorable
4.10. Earnings per share	0.82	1.63	Unfavorable

5. Analysis of Cash Flows

Figures in THB Million	Dec 2014	Dec 2013
Net cash (used in) generated from operating activities	(6,973.97)	(2,608.97)
Net cash (used in) investing activities	(164.21)	(212.04)
Net cash receipts from (used in) financing activities	6,416.13	3,117.01
Net increase (decrease) in cash and cash equivalents	(722.05)	296.00
Beginning balance	2,387.66	2,056.81
Exchange rate gains/(losses) on cash and cash equivalents	(54.30)	34.85
Ending Balance	1,611.31	2,387.66

At the end of 31 December 2014, the ending balance of Cash and cash equivalents was THB 1.6 billion, decreased THB -800 million from the end of 31 December 2013. Such change was caused by a combination of the Net cash used in operating activities, THB -7.0 billion and the Net cash used in investing activities, THB -164 million, and Net cash receipts from financing activities, THB 6.4 billion.

5.1 Net cash used in operating activities, THB -7.0 billion. The significant changes came from:-

- + Cash flows before changes in operating assets and liabilities THB 636 million
- + Change in Advance received from Customers THB 2,285 million
- Change in Unbilled Contract Revenue THB -2,584 million
- Construction in Progress THB -2,398 million
- Change in Financial Assets THB -1,834 million
- Change in Advance payments to sub-contractors THB -1,803 million
- Change in Accrued Construction Costs THB -1,459 million

5.2 Net cash used in investing activities, THB -164 million. The significant changes came from:-

- + Cash Receipts from interest income THB 118 million
- Cash Reserved for Debt Service THB -132 million

- Purchase of plant and equipment THB -56 million
- Loans to joint venture and other party THB -47 million
- Purchase of shares in associate THB -43 million

5.3 Net cash receipts from financing activities, THB 6.4 billion. The significant changes came from:-

- + Cash receipts from issuing debentures THB 1,000 million
- + Cash receipt from long-term loan from financial institutions THB 3,251 million
- + Cash receipt from short-term loan from financial institutions THB 2,198 million
- Dividend paid to shareholders THB -392 million

5.4 Exchange rate losses on cash and cash equivalents THB -54 million