

## TRANSLATION

### TTCL PUBLIC COMPANY LIMITED

### MANAGEMENT DISCUSSION AND ANALYSIS

#### 1. Operating Performance for the Year Ended 2018

The Company reported its Gross Profit at THB -102 million mainly caused by increasing in the Costs of construction of Lao's Rock Salt Processing project and Qatar's Desalination project at THB 243 million and THB 250 million respectively. On the other hand, the revenue from operating power plant was improved by THB 220 million or 29% from the last year. However, the Net loss was recorded at THB -2,009 million mainly from setting up the allowance for doubtful debt in Lao's Rock Salt Processing project which was under the Administrative expenses in which the company had already commenced the arbitration process and seek for settlement in accordance with EPC contract.

The management expects the improvement of the performance in accordance with the progress of two EPC projects i.e. MOCD2 Project and package D (LLDPE Plant) of Long Son Petrochemicals Project which will dramatically contribute financially in Year 2019 and Year 2020. In addition to EPC projects, we will provide both investment and EPC service to new IPP projects in Myanmar including, but not limited to, 388MW Alhone Expansion Power Plant utilizing LNG which expected to conclude the Power Purchase Agreement by the first half of this year.

The Foreign Exchange Difference on Translation Financial Statement was recorded at THB -50 million caused by stronger Thai baths. Therefore, the Total Comprehensive Income for the Period was THB -2,033 million. The above Net Loss, THB -2,009 million, was attributed to the Company at THB -1,980 million.

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

	For The Period Ended				
	31 Dec. 2018		31 Dec. 2017		Change
	THB Mln.	%	THB Mln.	%	%
Revenues					
Construction and service revenues (EPC)	7,353.97	88.31%	9,692.95	92.78%	(24.13%)
Revenue from operation power plant	973.91	11.69%	754.16	7.22%	29.14%
Total Revenues	8,327.89	100.00%	10,447.11	100.00%	(20.29%)
Less Cost of constructions and services (EPC)	(7,904.61)	94.92%	(9,082.54)	86.94%	(12.97%)
Less Costs of operation power plant	(524.79)	6.30%	(512.72)	4.91%	2.35%
Total Costs	(8,429.40)	101.22%	(9,595.27)	91.85%	(12.15%)
Gross profit	(101.52)	(1.22%)	851.84	8.15%	N/A
Add Other income	704.31	8.46%	464.09	4.44%	51.76%
Less Gain (Loss) on Exchange Rate, net	(66.31)	0.80%	64.38	0.62%	N/A
Less Administrative Expenses	(2,261.75)	27.16%	(953.71)	9.13%	137.15%
Add Share of Profit/(Loss) of Associate	22.57	0.27%	18.46	0.18%	22.27%
Add Share of Profit/(Loss) of joint venture	0.67	0.01%	0.73	0.01%	(8.27%)
Profit before Financial Costs & Income Tax	(1,702.01)	20.44%	445.80	4.27%	N/A
Less Financial Costs	(461.84)	5.55%	(419.42)	4.01%	10.11%
Profit before Income Tax	(2,163.85)	25.98%	26.38	0.25%	N/A
Less Income Tax	154.09	1.85%	68.65	0.66%	124.47%
Net Profit for this Period	(2,009.76)	(24.13%)	95.03	0.91%	N/A
Other comprehensive income (expense)					
Remeasurements of post-employment benefit	26.11	0.31%	5.99	0.06%	335.93%
Share of other comprehensive income of associate from equity method	0.28	0.00%	-	-	N/A
Add/(Less) FX Translation on Financial Statements and Others	(50.48)	0.61%	(455.35)	4.36%	(88.92%)
Total Comprehensive Income for the Period	(2,033.84)	(24.42%)	(354.33)	(3.39%)	473.99%

Profit Attributable to:				
Owners of the parent	(1,979.73)		52.56	N/A
Non-controlling interests	(30.03)		42.47	N/A
	(2,009.76)		95.03	N/A
Basic earnings per share (THB)	(3.41)		0.09	N/A

## 2.1 Analysis of Revenues, Costs and Expenses

### 2.1.1 Revenues

Revenues	31 Dec. 2018	31 Dec. 2017	% Change
Construction and service revenues (EPC)	7,353.97	9,692.95	(24.13%)
Revenue from operation power plant	973.91	754.76	29.14%
Total Revenues	8,327.88	10,447.11	(20.29%)

- EPC Businesses

The Revenue from EPC Construction and Services was down to THB 7,354 million or declined -24% from last year. Since most of the revenue of major construction projects awarded in year 2018 will be recognized from year 2019 onward.

- Power Plant Businesses

Revenue from Operation of Power Plant increased 29% to THB 974 million which was considerably improved from last year because the Power Plant has fully operated without having any interruption.

### 2.1.2 Costs & Gross Profit

#### Gross Profit Margin Comparison

31 Dec. 2018	Revenue	Cost	Gross Profit	Margin %
EPC Construction	7,353.97	(7,904.61)	(550.64)	(7.49%)
Operation of Power Plant	973.91	(524.79)	449.12	46.12%
Total	8,327.88	(8,429.40)	(101.52)	(1.22%)

  

31 Dec. 2017	Revenue	Cost	Gross Profit	Margin %
EPC Construction	9,692.95	(9,082.54)	610.41	6.30%
Operation of Power Plant	754.16	(512.72)	241.44	32.01%
Total	10,447.11	(9,595.26)	851.85	8.15%

Gross Profit Margin was dropped from 8.2% to -1.2% which was explained as above. However, the Margin of operation of power plant was improved from 32.0% to 46.1% due to stable operation of Power Plant during the period.

### 2.1.3 Other income and Gain (Loss) on Exchange Rate

The Other Income increased 52% to THB 704 million mainly came from the interest income of TTPMC and the Gain from disposal of investment in GNE-Togo at THB 265 million and THB 361 million respectively.

The Company also recorded Loss on Exchange Rate at THB -66 million as a result of stronger Thai Bath during the period.

### 2.1.4 Administrative expenses

The Administration Expenses increased to THB 2,262 million mainly caused by setting up the allowance for doubtful debt in Lao's Rock Salt Processing project as above explained.

### 2.1.5 Share of Profit of Associate and Joint Venture

Share of Profit of Associate and Joint Venture were slightly changed which came from investment in Siam Solar Power Co., Ltd. (SSP), the owner of 8MW Solar Farm Power Plant in Ang Thong, at THB 23 million.

### 2.1.6 Finance Cost and Income Tax

The financial cost for the period was increased to THB 462 million and Income Tax became positive at THB 154 million when the consolidated statement took into account of the Deferred tax asset from TTCL's statement.

## 3. Analysis of Financial Status

### 3.1 Analysis of Assets

Figures in THB Million	31-Dec-18	31-Dec-17	Increase/(Decrease)	% Change
Current assets	12,095.58	16,037.37	(3,941.79)	(-24.58%)
Non-current assets	7,264.75	7,827.58	(562.83)	(-7.19%)
<b>Total assets</b>	<b>19,360.33</b>	<b>23,864.96</b>	<b>(4,504.62)</b>	<b>(-18.88%)</b>

As of 31 December 2018, Total Assets decreased -19% from the end of last year to THB 19,360 million.

Total Current Assets were THB 12,096 million, decreasing -25% mainly from the following items:

- Cash and cash equivalent decreased of THB -1,249 million due to the company has repaid the debenture and short-term loans to financial institutions during the period.
- Unbilled contract revenue decreased of THB -1,248 million due to the company has already issued invoice to the project owner of Rapid Project in Malaysia and set up the allowance for doubtful debt in Lao's Rock Salt Processing project.
- Construction in progress – Third Parties decreased of THB -785 million mainly from Lao's Rock Salt Processing project and Qatar's Desalination project.

Total Non-current Assets were THB 7,265 million, decreasing -7% mainly from Plant and Equipment of Togo Mega Solar Project in Japan which was disposed of investment in December 2018.

### 3.2 Analysis of Liabilities and Shareholders' Equity

Figures in THB Million	31-Dec-18	31-Dec-17	Increase/(Decrease)	% Change
Current Liabilities	9,534.27	12,528.92	(2,994.65)	(-23.90%)
Non-Current Liabilities	6,829.22	7,241.14	(411.92)	(-5.69%)
<b>Total Liabilities</b>	<b>16,363.49</b>	<b>19,770.06</b>	<b>(3,406.57)</b>	<b>(-17.23%)</b>

Shareholders' equity	2,996.85	4,094.90	(1,098.05)	(-26.82%)
<b>Total Liabilities and shareholders' equity</b>	<b>19,360.33</b>	<b>23,864.96</b>	<b>(4,504.62)</b>	<b>(-18.88%)</b>

Significant changes in Liabilities and Shareholder's equity were as follows:

Total Liabilities decreased -17% from the end of last year to THB 16,363 million.

Total Current Liabilities were THB 9,534 million, decreasing -24% mainly from the following items:

- Short-term loans from financial institutions decreased of THB 1,780 million from loan repayment.
- Debentures due within one year of THB 1,424 million have been repaid since Q1 2018.

Total Non-current Liabilities were THB 6,829 million, decreasing -6% came from the repayment in Long-Term Loan from Financial Institution in accordance with the Loan Agreement for Ahlone's Project Financing.

Shareholder's equity were THB 2,997 million, decreasing -27%. The Shareholders' Equity Opening Balance as at the beginning of the year was THB 4,095 million. Changing in equity of the year consist of, increasing in ordinary shares of THB 436 million, total Comprehensive income for the period THB -2,033 million and issuance of subordinated perpetual debentures of THB 500 million. Therefore, the Closing Balance of Shareholders' Equity as of 31 December 2018 was THB 2,997 million.

#### 4. Leverage Ratios

<b>Leverage Ratios</b>	<b>31-Dec-18</b>	<b>31-Dec-17</b>	<b>Favorable/Unfavorable</b>
Current ratio	1.27	1.28	Neutral
Debt/ Equity ratio	5.46	4.83	Unfavorable
Interest-Bearing Debt/ Equity ratio	2.85	2.98	Favorable

#### 5. Analysis of Cash Flows

<b>Figures in THB Million</b>	<b>31-Dec-18</b>	<b>31-Dec-17</b>	<b>Increase/(Decrease)</b>
Net cash generated from (used in) operating activities	(180.07)	(2,199.93)	2,019.86
Net cash generated from (used in) investing activities	765.18	403.36	361.83
Net cash generated from (payments for) financing activities	(1,831.45)	1,835.43	(3,666.87)
Net increase (decrease) in cash and cash equivalents	(1,246.34)	38.85	(1,285.19)
Beginning balance	2,235.90	2,208.35	27.55
Exchange rate gain/(loss) on cash and cash equivalents	(2.35)	(11.30)	8.95
Ending Balance	987.21	2,235.90	(1,248.69)

As of 31 December 2018, the ending balance of cash and cash equivalents was THB 987 million, decreased THB 1,249 million compare the last year. Such change was caused by a combination of the Net cash generated used in operating activities THB 180 million and the Net cash generated from investing activities THB 765 million and the Net cash used in financing activities THB 1,831 million. All of which were detailed in the following.

**5.1 Net cash used in operating activities, THB 180 million.** The significant changes were:

- Cash flows before changes in operating and liabilities THB 810 million
- Interest paid THB 444 million
- Deferred construction revenue THB 315 million
- + Construction in progress THB 742 million
- + Advance received from customers under construction contracts THB 601 million

**5.2 Net cash receipts from investing activities, THB 765 million.** The significant changes were:

- + Cash receipt from disposals of subsidiary THB 902 million

**5.3 Net cash payments for financing activities, THB 1,831 million.** The significant changes were:

- + Cash receipts from short-term loan from financial institutions THB 8,003 million
- Cash payment for short-term loan from financial institutions THB 9,784 million

**5.4 Exchange rate loss on cash and cash equivalents THB 2.35 million.**