

TRANSLATION

TTCL PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

1. Operating Performance for the period ended December 31, 2019

For 12 months ended 31th December 2019, the Company reported its Gross Profit at THB 1,333 million, increasing when compared with the previous year mainly caused by improvement in Construction and service revenue (EPC) from domestic and overseas projects and increasing in engineering design services which yield better profit margin.

The foreign exchange difference on translation financial statement was recorded at THB -271 million caused by stronger Thai baths, while Re-measurements of employee benefits obligation was recorded at THB -17 million. Therefore, the total comprehensive income for the period was THB -477 million. The above net profit, THB -188 million, was attributed to the Company at THB -206 million and the basic earnings per share were calculated at THB -0.41 per share.

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

For the twelve-month period ended

(Unit: Million Baht)

	31-Dec-19		31-Dec-18		Change
Construction and service revenue (EPC)	10,043.46	96%	7,353.97	88%	37%
Revenue from operation power plant	453.50	4%	973.91	12%	(53%)
Total revenues	10,496.96	100%	8,327.89	100%	26%
<u>Less</u> Cost of construction and services (EPC)	(9,018.06)	86%	(7,904.61)	95%	14%
<u>Less</u> Costs of operation power plant	(145.72)	1%	(524.79)	6%	(72%)
Total Costs	(9,163.79)	87%	(8,429.40)	101%	9%
Gross profit	1,333.17	13%	(101.52)	(1.22%)	1,413%
<u>Add</u> Other income	1,056.67	10%	704.31	8%	50%
<u>Less</u> Gain (Loss) on exchange rate, net	(2.38)	0%	(66.31)	1%	(96%)
<u>Less</u> Administrative Expenses	(2,320.87)	22%	(2,261.75)	27%	3%
<u>Add</u> Share of Profit / (Loss) of Associate	17.51	0%	22.57	0%	(22%)
<u>Add</u> Share of Profit / (Loss) of Joint venture	82.66	1%	0.67	0%	12,168%
Profit before Financial Cost and Income Tax	166.77	2%	(1,702.01)	(20%)	110%
<u>Less</u> Financial Costs	(304.39)	3%	(461.84)	6%	(34%)
Profit before Income Tax	(137.62)	1%	(2,163.85)	26%	94%
<u>Less</u> Income Tax	(51.15)	0%	154.09	2%	(133%)
Net Profit for this period	(188.77)	(1.80%)	(2,009.76)	(24%)	91%

Other comprehensive income (expense)					
- Remeasurements of employee benefits obligation	(17.38)	0%	26.11	0%	(167%)
- Share of other comprehensive income of associate from equity method	0.00	0%	0.28	0%	(100%)
Add/(Less) Exchange differences on translating - financial statements	(271.13)	3%	(50.48)	1%	437%
Total comprehensive income for the period	(477.28)	5%	(2,033.84)	24%	77%
Profit attributable to:					
Owners of the parent	(206.31)		(1,979.73)		90%
Non-controlling interests	17.54		(30.03)		158%
Basic earnings per share (THB)	(0.41)		(3.41)		88%

2.1 Analysis of Revenues, Costs and Expenses

2.1.1 Revenues

Total Revenues recorded at THB 10,497 million, increase 26% when compare to the same period last year.

Revenues	31-Dec-19	31-Dec-18	Change
Construction and service revenues (EPC)	10,043.46	7,353.97	37%
Revenue from operation power plant	453.50	973.91	(53%)
Total Revenues	10,496.96	8,327.89	26%

- EPC Businesses

Revenue from construction and service (EPC) increased 37% to THB 10,043 million which was improved from last year due to the large projects have progress in the construction for both domestic and overseas projects.

- Power Plant Businesses

Revenue from operation of power plant decreased -53% to THB 454 million which was due to the divestment of 60% of the total shares in TTCL Gas Power Pte. Ltd. (TTGP) in the beginning of June 2019.

2.1.2 Costs & Gross Profit

Gross Profit Comparison

31-Dec-19	Revenue	Cost	Gross profit
EPC construction	10,043.46	(9,018.06)	1,025.39
Operation of Power Plan	453.50	(145.72)	307.78
Total	10,496.96	(9,163.79)	1,333.17

2.1.3 Other income & Gain from disposal/ Gain (Loss) on Exchange Rate

- Other Income & Gain from disposal was increased 50% to THB 1,057 million mainly due to the Capital Gain from divestment of TTGP, NNE, and SSPC. While last year the other income of THB 704 million mainly came from interest income of TTPMC and the Gain from disposal of investment in GNE-Togo.
- The Company also recorded Loss on Exchange Rate at THB -2.38 million as a result of stronger Thai Bath during the period.

2.1.4 Administrative expenses

The Administration Expenses increased 3% to THB 2,320 million due to increase in Provision Expense, Employee Benefit Obligation Expenses, Proposal Expenses and Cost Associated to TTGP Divestment.

2.1.5 Share of Profit of Associate and Joint Venture

Share of Profit of Associate and Joint Venture increased significantly to THB 83 million, which came from share of profit from Joint Venture in TTGP.

2.1.6 Finance Cost and Income Tax

The financial cost for the period was decreased 34% to THB 304 million due to loan repayment and discharged in loan obligation with Exim bank when the company divested TTGP and Income Tax increased to THB 51 million.

3. Analysis of Financial Status

3.1 Analysis of Assets

Figures in THB Million	31-Dec-19	31-Dec-18	Increase/(Decrease)	% Change
Current assets	13,572.70	12,095.58	1,477.12	12.21%
Non-current assets	2,695.11	7,264.75	(4,569.64)	(62.90%)
Total assets	16,267.81	19,360.33	(3,092.52)	(15.97%)

As of 31 December 2019, Total Assets were recorded at THB 16,268 million, dropped by 16% from the end of last year.

Total Current Assets were recorded at THB 13,573 million or increased by 12%, major movement as the following items:

- Cash and cash equivalent increased by THB 3,972 million, primarily due to the receiving fund from TTGP NNE and SSPC divestments.
- Accounts receivable from operation power plant and Financial assets under concession arrangement due within one year decreased by THB 216 million and THB 163 million respectively, primarily due to TTGP divestment.
- Contract assets – third parties increased by THB 2,107 million and Construction in progress -Third parties decreased by THB 4,042 million, primarily due to the Company has adopted the new Thai Financial Reporting Standards (TFRS) no.15 Revenue from contracts with customers which affects the accounting treatment on revenue recognition of construction.

Total Non-current Assets were recorded at THB 2,695 million or dropped by 63%, major movement as the following items:

- Loan to third parties increased by 186 million due to re-classify the period of loan from the current portion to the non-current portion.
- Financial assets under concession arrangement due over one year decreased by THB 4,733 million due to TTGP divestment.
- Investment in an associate decreased by 244 million due to SSPC divestment.
- Investment in joint venture increased by THB 1,411 million due to re-classify of the remaining shareholding of 40% in TTGP

3.2 Analysis of Liabilities and Shareholders' Equity

Figures in THB Million	31-Dec-19	31-Dec-18	Increase/(Decrease)	% Change
Current Liabilities	11,430.51	9,534.27	1,896.24	19.89%
Non-Current Liabilities	2,509.74	6,829.22	(4,319.48)	(63.25%)
Total Liabilities	13,940.25	16,363.49	(2,423.24)	(14.81%)
Shareholders' equity	2,327.56	2,996.85	(669.29)	(22.33%)
Total Liabilities and shareholders' equity	16,267.81	19,360.33	(3,092.52)	(15.97%)

As of 31 December 2019, Total Liabilities were recorded at THB 13,940 million, dropped by 15% from the end of last year.

Total Current Liabilities were recorded at THB 11,431 million or increased by 20%, major movement as the following items:

- Short-term loans from financial institutions decreased by THB 449 million from loan repayment.

- Long-term loan from financial institution – current portion decreased by THB 363 million due to TTGP divestment.
- Debenture due within one year increased by THB 2,399 million due to the debentures issued since 2015 and 2017 will be due in May 2020.
- Accrued construction cost increased by THB 1,250 million and Advance received from customers under construction contracts decreased by THB 864 million, primarily due to the large projects have progress in the construction.

Total Non-current Liabilities were recorded at THB 2,510 million or dropped by 63%, major movement as the followings items;

- Long-term loan from financial institution decreased by THB 1,882 million, due to TTGP divestment.
- Debenture decreased by THB 2,396 million which was moved to Debenture due within one year.

Shareholder's equity were THB 2,328 million or decreased by 22%. The Shareholders' Equity Opening balance as at the beginning of the year was THB 2,997 million, effect from change in accounting policy of THB -37 million, hence Opening balance as restated was THB 2,960 million. Changing in equity of the year consist of total Comprehensive expense for the period of THB -477 million, dividends paid of THB -111 million and interest paid for the period of subordinated perpetual debentures of THB -44 million and. Therefore, the Closing Balance of Shareholders' Equity as of 31 December 2019 were THB 2,328 million.

4. Major Financial Measures

4.1. Profitability Measures	31-Dec-19	31-Dec-18	Favorable/Unfavorable
4.1.1. Gross profit margin	12.70%	(1.22%)	Favorable
4.1.2. Net profit margin	(1.80%)	(24.13%)	Favorable
4.1.3. Times Interest Earned ratio	0.55	(3.69)	Favorable
4.1.4. Earnings per share	(0.41)	(3.41)	Favorable

4.2. Leverage Measures	31-Dec-19	31-Dec-18	Favorable/Unfavorable
4.2.1. Current ratio	1.19	1.27	Unfavorable
4.2.2. Debt/ Equity ratio	5.99	5.46	Unfavorable
4.2.3. Interest-Bearing Debt/ Equity ratio	2.51	2.85	Favorable

4.3. Shareholders Value Measures	31-Dec-19	31-Dec-18	Favorable/Unfavorable
4.3.1. Net Book Value/ Share	3.78	4.87	Unfavorable

4.3.2. Return on total assets	(1.16%)	(10.38%)	Favorable
4.3.3. Return on equity	(8.11%)	(67.06%)	Favorable

5. Analysis of Cash Flows

Figures in THB Million	31-Dec-19	31-Dec-18	Increase/(Decrease)
Net cash generated from (used in) operating activities	987.22	(180.07)	1,167.29
Net cash receipts from (used in) investing activities	3,794.68	765.18	3,029.50
Net cash payment for financing activities	(780.06)	(1,831.45)	1,051.39
Net increase (decrease) in cash and cash equivalents	4,001.85	(1,246.34)	5,248.18
Beginning balance	987.21	2,235.90	(1,248.69)
Exchange rate gain/(loss) on cash and cash equivalents	(29.40)	(2.35)	(27.04)
Ending Balance	4,959.66	987.21	3,972.45

As of 31 December 2019, the ending balance of cash and cash equivalents was THB 4,960 million, increased THB 3,972 million compare to the same period last year. Such change was caused by a combination of the Net cash generated from operating activities THB 987 million and the Net cash receipts from investing activities THB 3,795 million and the Net cash payment for financing activities THB 780 million. All of which were detailed in the following.

5.1 Net cash generated from operating activities, THB 987 million. The significant changes were:

- + Cash flows before changes in operating assets and liabilities THB 283 million
- + Accrued construction costs THB 1,638 million
- Advance received from customers under construction contracts THB 863 million

5.2 Net cash receipts from investing activities, THB 3,795 million. The significant changes were:

- + Cash receipt from disposals of an indirect subsidiary THB 2,604 million
- + Cash receipt from disposals of associate THB 233 million
- + Cash receipt from disposals of general investment THB 838 million

5.3 Net cash payment for financing activities, THB 780 million. The significant changes were:

- Cash payment for long-term loan from financial institution THB 179 million
- Cash payment for short-term loan from financial institutions THB 446 million
- Dividend payment THB 111 million

5.4 Exchange rate losses on cash and cash equivalents THB 29 million.