

TRANSLATION

TTCL PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

1. Operating Performance for the period ended September 30, 2020

For period ending 30th September 2020, the Company reported its Gross Profit at THB 671 million, dropping 40% year over year, driven by decreasing Construction and Service Revenue (EPC) and Revenue from operation power plant.

The foreign exchange difference on translation financial statement was THB 146 million caused by weaker USD during the period. Therefore, the total comprehensive income for the period was THB 386 million.

The net profit for the period was THB 241 million, which attributed to the Company at THB 238 million and the basic earnings per share was THB 0.33 per share.

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

For the nine-month period ended

(Unit: Million Baht)

	30-Sep-20		30-Sep-19		Change (%)
Construction and service revenue	4,855.33	99%	7,738.19	95%	(37%)
Revenue from operation power plant	37.11	1%	442.24	5%	(92%)
Revenue from sales of goods and services	7.63	0%			N/A
Total revenues	4,900.06	100%	8,180.43	100%	(40%)
<u>Less</u> Cost of construction and services	(4,207.64)	86%	(6,930.11)	85%	(39%)
<u>Less</u> Costs of operation power plant	(15.31)	0%	(139.48)	2%	(89%)
<u>Less</u> Cost of goods sold	(6.55)	0%			N/A
Total Costs	(4,229.50)	86%	(7,069.60)	86%	(40%)
Gross profit	670.57	14%	1,110.83	14%	(40%)
<u>Add</u> Other income	76.35	2%	122.71	2%	(38%)
<u>Add</u> Gain from disposal of an indirect subsidiary	0.00	0%	689.68	8%	(100%)
<u>Less</u> Administrative Expenses	(728.86)	15%	(1,237.58)	15%	(41%)
<u>Add/Less</u> Gain (Loss) on exchange rate, net	381.64	8%	(48.89)	1%	881%
Add Share of Profit / (Loss) of Associate	0.00	0%	16.05	0%	(100%)
Add Share of Profit / (Loss) of Joint venture	91.62	2%	52.34	1%	75%
Profit before Financial Cost and Income Tax	491.32	10%	705.15	9%	(30%)
<u>Less</u> Financial Costs	(159.16)	3%	(245.67)	3%	(35%)

Profit before Income Tax	332.16	7%	459.48	6%	(28%)
<u>Less</u> Income Tax	(91.63)	2%	(16.96)	0%	440%
Net Profit for this period	240.53	5%	442.52	5%	(46%)
Other comprehensive income (expense)					
Add/(Less) Exchange differences on translating financial statements	145.55	3%	(215.71)	3%	167%
Total comprehensive income for the period	386.08	8%	226.81	3%	70%
Profit attributable to :					
Owner of the parent	238.26		424.59		
Non-controlling interests	2.27		17.94		
Net Profit for this period	240.53		442.52		
Basic earning per share (THB)	0.33		0.64		

2.1 Analysis of Revenues, Costs and Expenses

2.1.1 Revenues

Total Revenues recorded at THB 4,900 million, decreased 40% when compare to the same period last year.

Revenues	30-Sep-20	30-Sep-19	Change
Construction and service revenues	4,855.33	7,738.19	(37%)
Revenue from operation power plant	37.11	442.24	(92%)
Revenue from sales of goods and services	7.63		N/A
Total Revenues	4,900.06	8,180.43	(40%)

- EPC Businesses

Revenue from construction and service (EPC) decreased by 37% to THB 4,855 million, this was anticipated due to the effect of Covid-19 which impacted businesses around the world including Thailand. The pandemic forced governments and private company to impose rigid lockdowns that had affected the working hour of projects. Furthermore, some major equipment were unable to ship from the countries of origin, which affected the installation schedule in some projects. Consequently, the petrochemical and power industry sector slow down their investment.

Power Plant Businesses

Revenue from operation of power plant decreased by 92% to THB 37 million, which was due to the divestment of 60% of the total shares in TTGP in May last year.

White Pellets Plant Businesses

During Q3, TTCL group acquired Ha Tien Energy Corporation (Hatien) which engage in manufacturing of white pellets. Revenue from sales of the product amount to THB 8 million.

2.1.2 Costs & Gross Profit

Gross Profit Comparison

30-Sep-20	Revenue	Cost	Gross profit
EPC construction	4,855.33	(4,207.64)	647.69
Operation of Power Plant	37.11	(15.31)	21.80
Sales of goods and service	7.63	(6.55)	1.08
Total	4,900.06	(4,229.50)	670.57

Gross Profit consists of THB 648 million from construction and service (EPC), THB 22 million from operation of power plant and THB 1 million from sales of goods (White Pellet). The Gross Profit margin for the period is 14%

2.1.3 Other income / Gain (Loss) on Exchange Rate

- Other Income decreased by 38% to THB 76 million as interest income decreased due to TTGP divestment.
- Gain on Exchange Rate was THB 382 million as a result of a weaker Thai Baht during the period.

2.1.4 Administrative expenses

The Administration Expenses decreased by 41% to THB 729 million. For the nine-month period of 2020, the Company recorded the Provision Expense of THB 207 million (per adoption of TFRS No. 9). When the Provision Expense were excluded from both years, the administration expenses still dropped by 39% to THB 552 million. The decrease in administration expense mainly driven by reduction in Salary and fringe benefit, long term employee obligation and expense associate with divestment of TTGP.

2.1.5 Share of Profit of Associate and Joint Venture

There is no longer a Share of Profit of Associate due to divestment of Siam Solar Power in the last year. Share of Joint Venture increased significantly to THB 92 million, which came from profit from Joint Venture in TTGP.

2.1.6 Finance Cost and Income Tax

The Financial cost for the period decreased by 35% to THB 159 million due to discharged in loan obligation with Exim bank when the company divested TTGP. The repayment of debenture of THB 2,400 million in May 2020 also contributed in lowering the Company's financial cost. Income tax for the period increased by THB 75 million to THB 91 million.

3. Analysis of Financial Status

3.1 Analysis of Assets

Figures in THB Million	30-Sep-20	31-Dec-19	Increase/(Decrease)	% Change
Current assets	10,386.48	13,572.70	(3,186.22)	(23.48%)
Non-current assets	3,794.94	2,695.11	1,099.83	40.81%
Total assets	14,181.42	16,267.81	(2,086.39)	(12.83%)

As of 30 September 2020, Total Assets were THB 14,181 million, decreasing by 13% compared with the end of last year.

Total Current Assets decreased by THB 3,186 million or 23%; major movement as the following items:

- Cash and cash equivalents decreased by THB 3,313 million due to repayment of the debentures of THB 2,400 million in May 2020 and used in operating activities.
- Trade accounts receivable – general customers decreased by THB 114 million due to collection bills from domestic projects.
- Contract assets – general customer increased by THB 425 million driven by progress in large project constructions.
- Withholding income tax decreased by THB 103 million due to receiving a tax refunds from the Revenue department.

Total Non-current Assets increased by THB 1,100 million or 41%; major movement as the following items:

- Trade account receivable – general customers and loan to third party increased by THB 127 million and THB 136 million, respectively, due to re-classify the period of transactions from the current portion to non-current portion.
- Property, plant and equipment increased by THB 331 million due to acquisition of Hatieco in Vietnam in August 2020.
- Right of use assets increased by THB 339 million according to the adoption of Thai Financial Reporting Standard (TFRS) no. 16 – Leases in 2020.

3.2 Analysis of Liabilities and Shareholders' Equity

Figures in THB Million	30-Sep-20	31-Dec-19	Increase/(Decrease)	% Change
Current Liabilities	9,531.81	11,430.51	(1,898.70)	(16.61%)
Non-Current Liabilities	1,863.96	2,509.74	(645.78)	(25.73%)
Total Liabilities	11,395.77	13,940.25	(2,544.48)	(18.25%)
Shareholders' equity	2,785.65	2,327.56	458.09	19.68%
Total Liabilities and shareholders' equity	14,181.42	16,267.81	(2,086.39)	(12.83%)

As of 30 September 2020, Total Liabilities were THB 11,396 million, decreasing by 18% compared with the end of last year.

Total Current Liabilities decreased by THB 1,899 million or 17%; major movement as the following items:

- Trade account payable – general suppliers increased THB 298 million due to the invoices are not yet due.
- Accrued construction cost decreased by THB 934 million due to billing from suppliers which mainly from domestic projects.
- Advance received from customers under construction contracts – general suppliers decreased by THB 223 million driven by progress in large project constructions.
- Debenture due within one year decreased by THB 1,325 million due to repayment of the debentures of THB 2,400 million in May and re-classify the period of debenture due within one year of THB 1,075 million which was issued since 2016 will be due in Jan 2021.

Total Non-current Liabilities decreased by THB 646 million or 26%; major movement as the followings items:

- Long term loan from financial institution increased by THB 78 million due to Hatieco has granted the long term loan from Agribank in the total amount THB 90 million for investing in Wood processing factory and solid bio-material production.
- Lease liabilities increased by THB 306 million according to the adoption of Thai Financial Reporting Standard (TFRS) no. 16 – Leases in 2020.
- Debenture decreased by THB 1,075 million, which moved to Debenture due within one year.
- Dividend of preferred share increased by THB 30 million due to TTPHD issued preferred shares of 4.7 million shares at the value of USD 1 per share with 7.5% dividend yield. Adopting TAS 32: Financial Instrument Presentation for recording this transaction.

Shareholder's equity were THB 2,786 million or increased by 20%. The Shareholders' Equity Opening balance as of the beginning of the year was THB 2,328 million, Impact of first-time adoption of new accounting standards THB -13 million, hence Opening balance as restated was THB 2,314 million. Changing in equity of the period consist of 1) subsidiary issued preferred shares of THB 118 million, 2) interest paid for the period of subordinated perpetual debentures of THB 32 million, 3) profit for the period of THB 238 million, 4) other comprehensive profit for the period of THB 148 million and. Therefore, the Closing Balance of Shareholders' Equity as of 30 September 2020 were THB 2,786 million.

4. Major Financial Measures

4.1. Profitability Ratios	30-Sep-20	30-Sep-19	Favorable/Unfavorable
4.1.1. Gross profit margin	13.68%	13.58%	Favorable
4.1.2. Net profit margin	4.91%	5.41%	Unfavorable
4.1.3. Times Interest Earned ratio	3.09	2.87	Favorable
4.1.4. Earnings per share	0.33	0.64	Unfavorable

4.2. Leverage Ratios	30-Sep-20	31-Dec-19	Favorable/Unfavorable
4.2.1. Current ratio	1.09	1.19	Unfavorable
4.2.2. Debt/ Equity ratio	4.09	5.99	Favorable
4.2.3. Interest-Bearing Debt/ Equity ratio	1.23	2.51	Favorable

4.3. Shareholders Value Ratios	30-Sep-20	31-Dec-19	Favorable/Unfavorable
4.3.1. Net Book Value	4.52	3.78	Favorable
4.3.2. Return on total assets	1.70%	(1.16%)	Favorable
4.3.3. Return on equity	8.63%	(8.11%)	Favorable

5. Analysis of Cash Flows

Figures in THB Million	30-Sep-20	30-Sep-19	Increase/(Decrease)
Net cash provided from (used in) operating activities	(841.75)	897.71	(1,739.46)
Net cash provided from (used in) investing activities	(118.93)	2,049.86	(2,168.79)
Net cash provided from (used in) financing activities	(2,375.66)	(558.27)	(1,817.39)
Net increase (decrease) in cash and cash equivalents	(3,336.34)	2,389.31	(5,725.65)
Beginning balance	4,959.66	987.21	3,972.45
Exchange rate gain/(loss) on cash and cash equivalents	23.83	(101.00)	124.83
Ending Balance	1,647.15	3,275.52	(1,628.37)

As of 30 September 2020, the ending balance of cash and cash equivalents was THB 1,647 million, decreased THB 1,628 million compare to the same period last year. Such change was caused by a combination of the Net cash used in operating activities THB 842 million and the Net cash used in investing activities THB 119 million and the Net cash used in financing activities THB 2,376 million. All of which are detailed in the following.

5.1 Net cash used in operating activities, THB 842 million. The significant changes were:

- Trade accounts receivable THB 178 million
- Contract assets THB 547 million

5.2 Net cash used in investing activities, THB 119 million. The significant changes were:

- Purchase of equipment THB 155 million

5.3 Net cash used in financing activities THB 2,376 million. The significant changes were:

- Cash payment for debentures THB 2,400 million

- + Cash receipts from increase preferred shares THB 149 million

5.4 Exchange rate gain on cash and cash equivalents THB 24 million.