

7UP009/20

2 March 2020

Subject: Management Discussion and Analysis for the year ended 2019

To: The President

The Stock Exchange of Thailand

Seven Utilities and Power Public Company Limited (“the Company”) would like to report the operating results of the Company and its subsidiaries for of the year 2019, ended 31 December 2019 as follows:

Statement of comprehensive income

Statement of comprehensive income	Consolidated financial statements (Thousand Bath)					
	31 Dec 19	%	31 Dec 18	%	YOY	%YOY
Sales	885,900	77.73%	586,527	77.13%	299,373	51.04%
Service income	139,812	12.27%	96,749	12.72%	43,063	44.51%
Other income	114,017	10.00%	77,158	10.15%	36,859	47.77%
<b>Total revenues</b>	<b>1,139,729</b>	<b>100.00%</b>	<b>760,434</b>	<b>100.00%</b>	<b>379,295</b>	<b>49.88%</b>
Cost of sales	(748,650)	65.69%	(434,886)	57.19%	(313,764)	72.15%
Cost of services	(87,901)	7.71%	(61,422)	8.08%	(26,479)	43.11%
Selling expenses	(32,336)	2.84%	(30,791)	4.05%	(1,545)	5.02%
Administrative expenses	(356,481)	31.28%	(316,722)	41.65%	(39,759)	12.55%
Other expenses	-	0.00%	(12,702)	1.67%	12,702	100.00%
Gain from bargain purchase of investment in subsidiary	2,342	0.21%	30,771	4.05%	(28,429)	92.39%
Gain on disposal of investment in associate	3,100	0.27%	-	0.00%	3,100	100.00%
Gain on disposal of investment in subsidiary	137,396	12.06%	-	0.00%	137,396	100.00%
Reversal of allowance for diminution in value	50,000	4.39%	-	0.00%	50,000	100.00%
Share of profit (loss) from investment in associate	4,106	0.36%	-	0.00%	4,106	100.00%
Share of profit (loss) from investment in joint venture	-	0.00%	355	0.05%	(355)	100.00%
Finance cost	(15,208)	1.33%	(15,240)	2.00%	32	0.21%
<b>Profit (Loss) before income tax income (expenses)</b>	<b>96,097</b>	<b>8.43%</b>	<b>(80,203)</b>	<b>10.55%</b>	<b>176,300</b>	<b>219.82%</b>
Income tax income (expenses)	(8,592)	0.75%	(832)	0.11%	(7,760)	932.69%
<b>Profit (loss) for the period</b>	<b>87,505</b>	<b>7.68%</b>	<b>(81,035)</b>	<b>10.66%</b>	<b>168,540</b>	<b>207.98%</b>

Remark: Financial ratio is based on common-size analysis to total revenue

### **Overall business operation (12 months)**

For the year 2019, Seven Utilities and Power Public Company Limited and its subsidiaries recorded a net profit of Baht 87.51 million. Profit increased from the year ended 2018 by Baht 168.54 million mainly due to an increasing of gross profit from business operation amount Baht 189.16 million. Overall of the Group's performance mostly result from operation of LPG and oil business with gross profit of Baht 139.69 million, waste water management services of Baht 18.85 million, sales and network service of Baht 15.14 million, sales of radio and communications system Baht 12.82 million.

A subsidiary has gain from adjustment of finance lease agreement under the scope of TFRIC4, which would impact the financial statements as the assets was previously recognized at cost less accumulated depreciation would be restated as accounts receivable, i.e. financial assets, and valued at amortized cost. As a result, profit increased by Baht 8.66 million from adjustment of accumulated depreciation. In contrast, the Company recognized loss on goodwill impairment amount Baht 21.23 million.

### **Revenue (12 months)**

For the year 2019, the company had sales and service income of amount Baht 1,025.71 million, which increased from the year ended 2018 in the amount of Baht 342.44 million or 50.12 percent. Includes revenue from the sale of LPG and oil of about Baht 755.63 million, revenue from rendering services and sales management amount Baht 73.32 million, revenue from sales and network services about Baht 97.14 million and revenue from the sale of radio and communications system estimated at Baht 35.04 million, revenue from the sale of electricity to about Baht 23.30 million, services income from water quality improvement of Baht 28.38 million, service income from sales of energy saving technology Baht 10.21 million and revenue from other sales of Baht 2.69 million.

Other income for the year 2019, Baht 114.02 million mostly consist of income from rental and utilities Baht 16.23 million, income from sales of assets Baht 31.55 million, government subsidies amount of Baht 12.96 million, revenue from sales of electricity plant design amount Baht 7.48 million, income from fair value adjustment of investment property at year-ended amount of Baht 1.48 million.

### **Cost of goods sold and services (12 months)**

Cost of goods and services for the year 2019 in the amount of Baht 836.55 million which increased from the year ended 2018 in the amount of Baht 340.24 million or 68.66 percent, consisting of incremental cost of sales of Baht 313.76 million and cost of services of Baht 26.48 million. Mainly comes from the cost of purchasing LPG and oil for Baht 636.52 million and cost of sales management amount Baht 52.74 million, cost of sale and network services amount Baht 82 million, cost of acquisition of radio and communication system Baht 22.22 million and the cost of electricity production is about Baht 22.66 million. Cost from water

quality improvement Baht 9.53 million. Cost from service and sales of energy saving technology Baht 9 million and cost from other sales of Baht 1.88 million.

**Gross Profit Margin (12 months)**

Gross profit for the year 2019 and 2018 is Baht 189.16 million and Baht 186.97 million, accordingly. Gross profit slightly increased by Baht 2.19 million or 1.17 percent.

**Selling and Administrative Expense (12 months)**

Selling and administrative expenses for the year 2019 is Baht 388.82 million. Compared to the year 2018, selling and administrative expenses increased by Baht 40.99 million, representing 11.80 percent. Mainly from the selling expenses Baht 32.34 million, which is the selling expenses of LPG and oil business and administrative expenses of Baht 356.48 million, mainly due to management fees, staff expenses, utilities and audit fees.

**Financial Cost (12 months)**

For the year 2019 The Company financial cost is Baht 15.21 million, which are in line with the previous year. Mostly caused by borrowing, affiliated companies and financial institution.

**Net Profit (Loss) for the Period (12 months)**

Results of operations for the year 2019, the company had a net profit of Baht 87.51 million, while in 2018, the company had a net loss of Baht 81.03 million. In a better direction and collectible, amount of Baht 342.44 million which is along with the increment of revenue.

**Statement of financial Position**

Thousand Baht	Consolidated as of		Changes %
	31 Dec 2019	31 Dec 2018	
<b>Total Assets</b>	<b>2,265,288</b>	<b>1,965,799</b>	<b>15.23%</b>
<b>Total Liabilities</b>	<b>671,111</b>	<b>572,286</b>	<b>17.27%</b>
Equity Attributable to Owners of the company	1,442,302	1,326,279	8.75%
Non-Controlling Interests	151,875	67,234	125.89%
<b>Total Shareholders' Equity</b>	<b>1,594,177</b>	<b>1,393,513</b>	<b>14.40%</b>

As of December 31, 2019, the total assets of the company were Baht 2,265.29 million and as of December 31, 2018, equally Baht 1,965.80 million, an increase of Baht 299.49 million or 15.23 percent. Total assets mostly consist of property, plant, and equipment Baht 693.80 million, trade and other current receivables of Baht 353.54 million, intangible assets of Baht 251.59 million, goodwill of Baht 222.21 million, current portion of finance lease receivable due within 1 year of Baht 129.63 million, investment in associate of Baht 139.11 million, and cash and cash equivalents of Baht 111.64 million.

An increasing of assets mostly came from trade and other receivable increased by Baht 189.37 million, investment in associates increased by Baht 139.11 million, other non-current assets increased by Baht 47.71 million, goodwill increased by Baht 35.51 million, leasehold rights increased by Baht 14.31 million. While, deposits for business due diligence decreased by Baht 95 million, Short-term loans to related parties decreased by Baht 49.41 million, property, plant and equipment decreased by Baht 45.94 million, cash and cash equivalents decreased by Baht 38.70 million, intangible assets decreased by Baht 21.28 million, inventories decreased by Baht 11.16 million, and long-term loans to other decreased by Baht 11 million.

The total liabilities of the company as of December 31, 2019 were Baht 671.11 million and as of 31 December 2018, equal to Baht 572.29 million, an increase of Baht 98.82 million or 17.27 percent. The increasing of total liabilities mostly came from trade and other payables increased by Baht 65.69 million, short-term borrowing increased by Baht 47.29 million.

Shareholders' equity as at 31 December 2019 amounted to Baht 1,594.18 million, while as at 31 December 2018, the amount was Baht 1,393.51 million, an increase of Baht 200.66 million or 14.40 percent.

Please be informed accordingly.

Yours Sincerely,

(Ms.Poonchaya Patkotchakorn)

Chief Financial Officer