

7UP047/20

August 11, 2020

Subject: Management Discussion and Analysis for the second quarter 2020 of Seven Utilities and Power Public Company Limited

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 the second quarter of 2020, ended June 30, 2020 as follows:

Statement of comprehensive income

Statement of comprehensive income	Consolidated financial statements (Thousand Baht)					
	30 Jun 20	%	30 Jun 19	%	YOY	%YOY
Sales	440,979	70.35%	370,857	78.10%	70,122	18.91%
Service income	78,750	12.56%	48,880	10.29%	29,870	61.11%
Other income	107,123	17.09%	55,131	11.61%	51,992	94.31%
Total revenues	626,852	100.00%	474,868	100.00%	151,984	32.01%
Cost of sales	(377,939)	60.29%	(308,204)	64.90%	(69,735)	22.63%
Cost of services	(57,544)	9.18%	(36,212)	7.63%	(21,332)	58.91%
Selling expenses	(25,720)	4.10%	(15,590)	3.28%	(10,130)	64.98%
Administrative expenses	(125,927)	20.09%	(123,103)	25.92%	(2,824)	2.29%
Gain from bargain purchase of investment in a subsidiary	10,092	1.61%	-	0.00%	10,092	0.00%
Reversal of allowance for short-term loan and interest receivable	36,761	5.86%	-	0.00%	36,761	0.00%
Reversal of allowance for diminution in value	-	0.00%	50,000	10.53%	(50,000)	100.00%
Finance cost	(19,689)	3.14%	(8,318)	1.75%	(11,371)	136.70%
Share of profit from investment in associate	777	0.12%	433	0.09%	344	79.45%
Profit (loss) before income tax income (expenses)	67,663	10.79%	33,874	7.13%	33,789	99.75%
Income tax (expenses) income	(9,122)	1.46%	2,911	0.61%	(12,033)	413.36%
Profit (loss) for the period	58,541	9.34%	36,785	7.75%	21,756	59.14%

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

Overall business operation (6 months)

For quarter 2/2020, Seven Utilities and Power Public Company Limited and its subsidiaries recorded a net profit of Baht 58.54 million. Profit increased from quarter 2/2019 by Baht 21.76 million or 59.14% mainly due to an increasing of gross profit from business operation amounting to Baht 84.25 million. Overall, the Group's performance mostly results from operation of LPG and oil business with gross profit of Baht 59.00 million, and waste water management services of Baht 19.00 million.

Revenue (6 months)

Overall, quarter 2/2020, the Company had sales and service income of Baht 519.73 million, which increased from quarter 2/2019 by Baht 99.99 million or 23.82%. Sales and service income mostly consist of revenue from sale of LPG and oil amounting to Baht 339.94 million, revenue from rendering services and sales management amounting to Baht 29.53 million, revenue from the sale of electricity amounting to Baht 9.95 million, revenue from the sale radio and communications system and internet of thing (IoT) amounting to Baht 91.09 million, revenue from services on radio and communication system and Internet of Thing (IoT) amounting to Baht 17.30 million, and services income from waste water management services amounting to Baht 31.92 million.

Other income for quarter 2/2020 of Baht 107.12 million which increased from quarter 2/2019 by Baht 51.99 million or 94.31%

Impact from the COVID-19 pandemic

The COVID-19 pandemic has affected Thai economy an early on February 2020, which likely cause a continued changing and dispersed forecast of the GDP growth in the year of 2020 as well as how and when the economic resumption would occur. Furthermore, the partial lockdown mandated in the last week of March 2020 resulted in a more pronounced slowdown in Thai economic and business activities.

The impact of LPG and oil business from the partial lockdown mandated and work from home policy is decreasing of demand on LPG and oil. Overall, LPG and oil business still necessary for personal and business, includes business operation and transportation.

Cost of sales and services (6 months)

Cost of sales and services for quarter 2/2020 of Baht 435.48 million increased from quarter 2/2019 by Baht 91.07 million or 26.44%. The increasing mainly resulted from an incremental of cost of sales of Baht 69.74 million and cost of services of Baht 21.33 million. Mostly, the increasing of cost of sales and services came from the followings; cost of purchasing LPG and oil amounting to Baht 294.99 million, cost of sales management amounting to Baht 15.21 million, cost of electricity production amounting to Baht 8.46 million, cost of acquisition of radio and communication system and Internet of Thing (IoT) amounting to Baht 74.49 million, cost of services on radio and communication system and Internet of Thing (IoT) amounting to Baht 30.04 million, and cost from waste water management services amounting to Baht 12.29 million.

Gross Profit Margin (6 months)

Gross profit for quarter 2/2020 is Baht 84.25 million, while quarter 2/2019 gross profit is at Baht 75.32 million. By comparing the two period, gross profit increased by Baht 8.93 million or 11.86%.

Selling and Administrative Expense (6 months)

Selling and administrative expenses of quarter 2/2020 is equal to Baht 151.65 million. Compared to quarter 2/2019, selling and administrative expenses increased by Baht 12.95 million, or 9.34%. Selling and administrative expenses of quarter 2/2020 mainly consists of selling expenses amounting to Baht 25.72 million, which is selling expenses from LPG and oil business, and administrative expenses amounting to Baht 125.93 million, mainly due to management expense, employee expenses, utilities and audit fees.

Financial Cost (6 months)

For quarter 2/2020, the Company's finance cost is Baht 19.69 million dramatically increased from quarter 2/2019 by Baht 11.37 million, which mostly resulted from the revision of Thai Financial Reporting Standards No. 16 which effective since January 1, 2020.

Net Profit (Loss) for the Period (6 months)

Results of operations for quarter 2/2020, the Company has a net profit of Baht 58.54 million, while quarter 2/2019, the Company had a net profit of Baht 36.79 million. The increasing of net profit by Baht 21.75 million reflect that the Company's performance is improving, which conforms with the revenue incremental.

Statement of Financial Position

Thousand Baht	Consolidated Financial Statement as of		Changes %
	30 Jun 2020	31 Dec 2019	
Total Assets	2,939,259	2,436,895	20.61%
Total Liabilities	1,111,861	725,259	53.31%
Equity Attributable to Owners of the Company	1,489,662	1,452,254	2.58%
Non-Controlling Interests	337,736	259,382	30.21%
Total Shareholders' Equity	1,827,398	1,711,636	6.76%

As at June 30, 2020, the total assets of the Company were Baht 2,939.26 million and as at December 31, 2019 were Baht 2,436.90 million, increasing by Baht 502.36 million or 20.61%. Total assets mostly consist of property, plant, and equipment amounting to Baht 809.84 million, intangible assets amounting to Baht 476.48 million, trade and other current receivables amounting to Baht 361.27 million, right-of-use assets amounting to Baht 225.93 million, goodwill amounting to Baht 170.43 million, finance lease receivable amounting to Baht 145.99 million, investment in associate amounting to Baht 151.26 million, Restricted bank deposits amounting to Baht 141.04 million, Inventory amounting to Baht 90.13 million, and cash and cash equivalents amounting to Baht 55.06 million.

An increasing of total assets mostly came from right-of-use assets of Baht 225.93 million due to the revision of Thai Financial Reporting Standards No. 16 which effective since January 1, 2020. In addition, property, plant, and equipment increased by Baht 149.67 million, inventories increased by Baht 73.50 million, restricted bank deposits increased by Baht 64.83 million, Short-term loans to related parties increased by Baht 43.32 million, other non-current financial assets increased from fair value measurement according to the revision of Thai Financial Reporting Standards No. 9 by Baht 31.74 million, trade and other current receivables increased by Baht 7.72 million, finance lease receivable increased by Baht 2.77 million. However, cash and cash equivalents decreased by Baht 56.58 million, intangible assets decreased by Baht 32.13 million, and other assets decreased by 8.41 million.

The total liabilities of the Company as at June 30, 2020 were Baht 1,111.86 million and as at December 31, 2019, were Baht 725.26 million, increase by Baht 386.60 million or 53.31%. The increasing of total liabilities mostly came from liabilities under lease agreements increased by Baht 231.59 million due to the revision of Thai Financial Reporting Standards No. 16 which effective since January 1, 2020. Moreover, trade and other payables increased by Baht 91.26 million, bank overdraft and short-term borrowings from financial institutions increased by Baht 60.98 million, short-term borrowings increased by Baht 43.55 million. On the contrary, long-term borrowings from financial institutions decreased by Baht 26.77 million, deferred tax liabilities decreased by Baht 13.99 million, and other liabilities decreased by 0.02 million.

Shareholders' equity as at June 30, 2020 amounting to Baht 1,827.40 million, while as at December 31, 2019, the amount was Baht 1,711.64 million, increased by Baht 115.76 million or 6.76%.

Please be informed accordingly.

Yours Sincerely,

(Ms.Poonchaya Patkotchakorn)

Chief Financial Officer