

TRANSLATION  
TTCL PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

1. The operating performance for the period ended Quarter 3 Year 2016

The Company's Gross Profit grew 5% and booked at THB 1.13 billion mainly from the improvement in construction businesses. Its Net Profit, however, also declined at the same rate at -5% and recorded at THB 372 million as a result of a sharp drop in Gain on Exchange Rate when compare to the same period in 2015. The Revenues from Operation of Power Plant which was recovered in the Quarter also played crucial roles for the improvement of the Company's financial performance during the period both in terms of Revenues and the Other Income levels.

The Foreign Exchange Difference on Translation Financial Statement was further dropped to THB -256 million caused by Baht appreciation during the period affecting the Company's equity investment in foreign subsidiaries, mainly TTPHD Group in Singapore, THB -125 million, and foreign currency deposit received from the construction project in Qatar, THB -102 million. Therefore, the Comprehensive Income for the Period was deteriorated to THB 117 million. However, the Profit Attributable to Owners of the Parent increased 16% to THB 352 million and the Basic Earnings per share were calculated at THB 0.63 per share.

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

	For nine-month Period Ended				Change
	30 Sept. 2016		30 Sept. 2015		
	THB Min.	%	THB Min.	%	%
<b>Revenues</b>					
Construction and service revenues (EPC)	15,048.9	97.31%	15,042.6	96.75%	0.04%
Construction revenues from service concession arrangement		0.00%	83.2	0.54%	- nil -
Revenue from operation power plant	415.3	2.69%	421.7	2.71%	(1.52%)
<b>Total Revenues</b>	<b>15,464.2</b>	<b>100.00%</b>	<b>15,547.5</b>	<b>100.00%</b>	<b>(0.54%)</b>
<b>Less</b> Cost of constructions and services (EPC)	<b>(14,164.6)</b>	<b>91.60%</b>	<b>(14,283.1)</b>	<b>91.87%</b>	<b>(0.83%)</b>
<b>Less</b> Construction costs from service concession arrangement		0.00%	(78.2)	0.50%	- nil -
<b>Less</b> Costs of operation power plant	<b>(172.0)</b>	<b>1.11%</b>	<b>(111.0)</b>	<b>0.71%</b>	<b>54.98%</b>
<b>Total Costs</b>	<b>(14,336.7)</b>	<b>92.71%</b>	<b>(14,472.3)</b>	<b>93.08%</b>	<b>(0.94%)</b>
<b>Gross profit</b>	<b>1,127.5</b>	<b>7.29%</b>	<b>1,075.2</b>	<b>6.92%</b>	<b>4.87%</b>
<b>Add</b> Other income	<b>197.1</b>	<b>1.27%</b>	<b>137.7</b>	<b>0.89%</b>	<b>43.11%</b>
<b>Less</b> Gain (Loss) on Exchange Rate, net	<b>31.7</b>	<b>0.20%</b>	<b>280.0</b>	<b>1.80%</b>	<b>(88.68%)</b>
<b>Less</b> Administrative Expenses	<b>(602.8)</b>	<b>(3.90%)</b>	<b>(638.0)</b>	<b>(4.10%)</b>	<b>(5.52%)</b>
<b>Add</b> Share of Profit/(Loss) of Associate	<b>12.5</b>	<b>0.08%</b>	<b>21.3</b>	<b>0.14%</b>	<b>(41.32%)</b>
<b>Add</b> Share of Profit/(Loss) of joint venture	<b>0.7</b>	<b>0.00%</b>	<b>(113.1)</b>	<b>(0.73%)</b>	<b>100.59%</b>
<b>Profit before Financial Costs &amp; Income Tax</b>	<b>766.7</b>	<b>4.96%</b>	<b>763.1</b>	<b>4.91%</b>	<b>0.48%</b>
<b>Less</b> Financial Costs	<b>(322.3)</b>	<b>2.08%</b>	<b>(254.4)</b>	<b>(1.64%)</b>	<b>26.72%</b>
<b>Profit before Income Tax</b>	<b>444.4</b>	<b>2.87%</b>	<b>508.7</b>	<b>3.27%</b>	<b>(12.65%)</b>
<b>Less</b> Income Tax	<b>(72.5)</b>	<b>0.47%</b>	<b>(119.1)</b>	<b>0.77%</b>	<b>(39.14%)</b>
<b>Net Profit for this Period</b>	<b>371.9</b>	<b>2.40%</b>	<b>389.6</b>	<b>2.51%</b>	<b>(4.55%)</b>
<b>Add/(Less)</b> FX Translation on Financial Statements and Others	<b>(255.5)</b>	<b>(1.65%)</b>	<b>422.3</b>	<b>(2.72%)</b>	<b>(160.49%)</b>
<b>Total Comprehensive Income for the Period</b>	<b>116.5</b>	<b>0.75%</b>	<b>811.9</b>	<b>5.22%</b>	<b>(85.66%)</b>
<b>Profit Attributable to:</b>					
Owners of the parent	352.1		302.6		16.36%
Non-controlling interests	19.8		87.7		(77.41%)
	371.9		390.3		(4.71%)
<b>Basic earnings per share (THB)</b>	<b>0.63</b>		<b>0.54</b>		<b>16.36%</b>

## 2.1 Analysis of Revenues, Costs and Expenses

### 2.1.1 Revenues

Total Revenues was slightly changed at -0.5% and recorded at THB 15.46 billion.

Revenues	30 Sept. 2016	30 Sept. 2015	% Change
Construction and service revenues (EPC)	15,048.9	15,042.6	0.04%
Construction revenues from service concession arrangement		83.2	- nil -
Revenue from operation power plant	415.3	421.7	(1.52%)
Total Revenues	15,464.2	15,547.5	(0.54%)

#### - EPC Businesses

The Revenue from EPC Construction and Services was stable and booked at THB 15.0 billion and the Top-5 projects representing more than 75% of the total include:

#	Project	Amount Million THB	% of EPC Revenues	% Progress of Contract
1	Malaysia's Utility for SCC in RAPID Project	3,843.74	25.54%	51%
2	Qatar's Desalination Phase 2 Project	3,033.19	20.16%	98%
3	PTTGC's LLDPE Expansion and Hexene-1 Project	1,895.54	12.60%	46%
4	IRPC's Combined Heat and Power Plant Project	1,472.94	9.79%	97%
5	Laos's Rock Salt Exploitation and Hexene-1 Project	1,295.56	8.61%	38%
	Subtotal	11,540.97	76.69%	
6	Others	3,507.90	23.31%	
	Grand Total	15,048.87	100.00%	

The overall construction progresses were preceded as planned excepting for the Lao's Rock Salt Project. The slowdown for the project construction was caused by the changes in the Critical Process Unit design and the logistic plan for material transportation to the site. Since the construction was started in early 2016, the project was rescheduled (Extension of Time) during the period and expected to be expedited in a later stage to meet its schedule in 2018.

#### - Power Plant Businesses

Revenue from Operation of Power Plant slightly declined -1.5% to THB 415 million with significant improvement from the previous quarter. After partially shutting down of its operation in the 1<sup>st</sup> Half 2016, the Ahlone Power Plant resumed its normal operation in the quarter and continued in accordance with the generating plan for the rest of the year. Claims against repairing costs and loss of revenues from the machines breakdown with the insurance company was still on going and some was realized during the quarter and booked under the Other Income.

## 2.1.2 Costs & Gross Profit

### Gross Profit Margin Comparison

30 Sept. 2016	Revenue	Cost	Gross Profit	Margin %
EPC Construction	15,048.9	(14,164.6)	884.24	5.9%
Service Concession Construction	0.0	0.0	-	
Operation of Power Plant	415.3	(172.0)	243.27	58.6%
Total	15,464.2	(14,336.7)	1,127.51	7.3%

30 Sept. 2015	Revenue	Cost	Gross Profit	Margin %
EPC Construction	15,042.6	(14,283.1)	759.44	5.0%
Service Concession Construction	83.2	(78.2)	4.99	6.0%
Operation of Power Plant	421.7	(111.0)	310.73	73.7%
Total	15,547.5	(14,472.3)	1,075.16	6.9%

Gross Profit Margin was improved from 6.9% to 7.3% mainly contributed by EPC businesses. EPC Construction margin was improved from 5.0% to almost 6.0% resulting from higher margin projects won in 2015, for example, Laos's Rock Salt Exploitation and Processing Plant Project, Qatar's Desalination Phase 2 Project and PTTGC's LLDPE Expansion and Hexene-1 Project.

The Operation of Power Plant margin, in the other hand, was dropped from 74% to 59% as a result of declined revenue from operation during the 1<sup>st</sup> half of 2016. Its margin was improved in the 3<sup>rd</sup> Quarter (73%) and expected to be recovered by the end of the year from the resuming of operation during the period.

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

The Other Income rose 40% and recorded at THB 197 million. The major component of the Other Income was interest income and came from TTPMC, at THB 126 million plus claims, THB 35 million, compensated by insurance company during the period.

Gain (Loss) on exchange rate dropped sharply -89% and recorded at THB 31 million due to the Baht appreciation during the period.

### 2.1.4 Administrative expenses

The Administration Expenses dropped 5.5% to THB 603 million or 4% of revenues mainly caused by the reduction in BNE's costs of impairment when compared to last year at THB 55 million.

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

The Company realized Share of Profit of Associate from investment in Siam Solar Power Co., Ltd. (SSP), the owner of 8MW Solar Farm Power Plant in Ang Thong, at THB 13 million dropped 41% from last year. The reason for a weakened result came from the incurring of higher administrative expenses since SSP was under the plan for IPO process in the capital market in 2017.

Share of Profit of Joint Venture was booked at THB 0.7 million which came from Siam GNE Solar Energy Co., Ltd., the owner of 0.7MW Solar Roof-Top in Rayong significantly improved from last year which incurred huge lost from Vietnam joint venture (OBF).

## 2.1.6 Finance Cost and Income Tax

The financial cost for the period surged 26% to THB -322 million reflecting fund raising activities to support the Company's investment and working capital in Power Plant and EPC businesses. Together with THB -73 million for Income Tax Expenses for the period, the Company recorded the Net Profit for the period at THB 372 million or -4.5% decrease from last year.

## 3. Analysis of Financial Status

### 3.1 Analysis of Assets

Figures in THB Million	30 Sept. 2016	31 Dec. 2015	Increase/(Decrease)	% Change
Current assets	16,671.05	18,120.66	(1,449.61)	(8.00%)
Non-current assets	8,584.46	7,776.63	807.83	10.39%
<b>Total assets</b>	<b>25,255.51</b>	<b>25,897.29</b>	<b>(641.78)</b>	<b>(2.48%)</b>

For the period ended Q3 2016, Total Assets slightly decreased by -2.5% and recorded at THB 25.3 billion. Total Current Assets declined THB -1.4 billion to THB 16.7 billion, mainly due to the changes in following items:

- Cash & Cash Equivalent increased THB 900 million from Malaysia's Utility for SCC in RAPID Project.
- Unbilled Contract Revenue – Third Parties declined THB -917 million mainly from Qatar's Desalination Project amount THB -405 million, Laos's Rock Exploitation and Processing Plant Project amount THB 385 million and Domestic Power Plant Project amount THB -393 million. Besides, TTUS's assets were reclassified into Loan to Related Parties amount THB -449 million.
- Construction in Progress – Third Parties dropped THB -1.8 billion due to the progresses of works in Qatar's Desalination Plant Project amount THB -694 million, and reclassification of TTUS's assets into Loan to Related Parties, THB -1.2 billion.
- Advance Payments to Sub-Contractor – Third Parties increased THB 335.0 million mainly due to the progresses of works for Qatar's Desalination Plant Project.

Total Non-current Assets increased 10% and closed at THB 8.6 billion. The main reason for rise in Non-current Assets came from Loan to Related Parties, TTUS, at THB 1.2 billion. TTUS decided to increase capital during the period to support their future business expansion. The increasing has caused TTCL's holding portion in TTUS diluted from 80% to 4% and TTUS was no longer classified as TTCL's subsidiary. As a result, previous transactions in the Unbilled Contract Revenue – Third Parties and the Construction in Progress – Third Parties which were switched and presented under Loan to Related Parties account.

## 3.2 Analysis of Liabilities and Shareholders' Equity

Figures in THB Million	30-Sep-16	31-Dec-15	Increase/(Decrease)	% Change
Current Liabilities	12,954.87	13,131.90	(177.04)	(-1.35%)
Non-Current Liabilities	6,178.05	6,476.52	(298.47)	(-4.61%)
Total Liabilities	19,132.92	19,608.42	(475.50)	(-2.42%)
Shareholders' equity	6,122.59	6,288.86	(166.27)	(-2.64%)
<b>Total Liabilities and shareholders' equity</b>	<b>25,255.51</b>	<b>25,897.28</b>	<b>(641.77)</b>	<b>(-2.48%)</b>

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

Total Liabilities decreased by THB -476 million, or -2%, which was caused from a combination of decrement in Current Liabilities and Non-Current Liabilities, amounting THB -177 million and THB -299 million, respectively.

The major movement of Current Liabilities, mainly due to the changes in following items:

- The repayment of Short-Term Loan from Financial Institution, amounting THB -1,405 million.
- The decline in Trade Account Payable – Third Parties around THB -1,049 million from Malaysia's Utility for SCC in RAPID Project and Qatar's Desalination Phase 2 Project.
- The Debenture due within 1 – year amounted THB 999 million which was 3-Year Debenture TTCL175A issued in 2014 and the mature date would be on 02 May 2017.
- Increasing of accrued construction cost amounting THB 812 million, which was mainly from Malaysia's Utility for SCC in RAPID Project and Laos's Rock Salt Exploitation and Processing Plant Project.
- Rise in the Deferred Construction Revenue – Related Parties at THB 684 million was Advance Payment received from Malaysia's Utility for SCC in RAPID Project.

Total Non-current Liabilities decreased by THB -300 million mainly from the repayment in the Long-Term Loan from Financial Institution in accordance with the Loan Agreement for Ahlone's Project Financing.

Shareholder's equity decreased by -3%. The Shareholders' Equity Opening Balance as at the beginning of the year was THB 6.28 billion. During the period, dividend was paid to shareholders at THB -280 million and the increase in the Total Comprehensive income for the period at THB 116 million. Therefore, the Closing Balance of Shareholders' Equity as of 30 September 2016 became THB 6.12 billion.

## 4. Major Financial Ratios

4.1. Profitability Ratios	30-Sep-16	30-Sep-15	Favorable/Unfavorable
4.1.1. Gross profit margin	7.29%	6.92%	Favorable
4.1.2. Net profit margin	2.40%	2.51%	Unfavorable
4.1.3. Times Interest Earned ratio	2.38	3.00	Unfavorable
4.1.4. Earnings per share	0.63	0.54	Favorable

4.2. Leverage Ratios	30-Sep-16	31-Dec-15	Favorable/Unfavorable
4.2.1. Current ratio	1.28	1.38	Unfavorable
4.2.2. Debt/ Equity ratio	3.12	3.12	Neutral

4.3. Shareholders Value Ratios	30-Sep-16	31-Dec-15	Favorable/Unfavorable
4.3.1. Net Book Value	10.93	11.23	Unfavorable
4.3.2. Return on total assets	1.47%	1.50%	Unfavorable
4.3.3. Return on equity	6.07%	6.20%	Unfavorable

## 5. Analysis of Cash Flows

Figures in THB Million	30 Sept. 2016	30 Sept. 2015
Net cash (used in) generated from operating activities	2,007.08	(1,256.19)
Net cash generated from (used in) investing activities	(218.50)	(105.44)
Net cash generated from (used in) financing activities	(828.24)	829.65
Net increase (decrease) in cash and cash equivalents	960.34	(531.98)
Beginning balance	1,571.59	1,611.31
Exchange rate gains/(loss) on cash and cash equivalents	(60.90)	65.89
Ending Balance	2,471.03	1,145.22

For the period ended Q3 2016, the ending balance of cash and cash equivalents was THB 2,471 million increased THB 1.3 billion from last year. Such change was caused by a combination of the Net cash generated from operating activities, THB 2.0 billion and the Net cash used in investing activities, THB -219 million and Net cash used in financing activities, THB -828 million, all of which are detailed in the following explanations.

5.1 Net cash generated from operating activities, THB 2.0 billion. The significant changes came from:-

- + Earning before Income Tax THB 444 million
- + Change in Unbilled Contract revenue THB 561 million
- + Change in Construction in progress THB 812 million
- + Change in Accrued construction costs THB 812 million
- + Change in Deferred construction revenue THB 689 million
- Change in Trade accounts payable THB -1,000 million

5.2 Net cash used in investing activities, THB -219 million. The significant changes came from:-

- + Cash receipts from interest income THB 146 million
- Loan to associates THB -120 million
- Advance payment for share subscription THB -149 million

5.3 Net cash used in financing activities, THB -828 million. The significant changes came from:-

- + Cash receipts from issuing debentures THB 1,075 million
- Cash payment for short-term loans from financial institutions THB -1,396 million
- Cash payment for long-term loan from financial institutions THB -299 million
- Cash payment for Dividend to Shareholders THB -280 million

5.4 Exchange rate loss on cash and cash equivalents THB -61 million