

TRANSLATION
TTCL PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

1. The operating performance for the period ended Quarter 2 Year 2016

The Company reported its Gross Profit and Net Profit at THB 733 million and THB 226 million, increase 8% and 3% respectively when compared to the same period in 2015. The decline in Revenue from Operation Power Plant, THB -33 million, the contraction in Gain on Exchange Rate, THB -106 million and the increase in Financial Costs, THB -53 million, all of which are major causes for slow growth in the Net Profit for the period.

The Foreign Exchange Difference on Translation Financial Statement was recorded with a negative figure at THB -186 million caused by Baht appreciation during the period affecting the Company's equity investment in foreign subsidiaries, mainly TTPHD Group in Singapore, THB -80 million, and foreign currency deposit received from the construction project in Qatar, THB -73 million. Therefore, the Comprehensive Income for the Period was recorded at THB 40 million. However, the Profit Attributable to Owners of the Parent increased 26% to THB 235 million and the Basic Earnings per share were calculated at THB 0.42 per share.

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

	For six-month Period Ended				Change
	30 Jun. 2016		30 Jun. 2015		
	THB Min.	%	THB Min.	%	%
Revenues					
Construction and service revenues (EPC)	10,548.4	98.22%	9,660.1	96.91%	9.20%
Construction revenues from service concession arrangement		0.00%	83.2	0.83%	- nil -
Revenue from operation power plant	191.3	1.78%	224.6	2.25%	(14.82%)
Total Revenues	10,739.7	100.00%	9,967.9	100.00%	7.74%
Less Cost of constructions and services (EPC)	(9,889.5)	92.08%	(9,138.7)	91.68%	8.22%
Less Construction costs from service concession arrangement		0.00%	(78.2)	0.78%	- nil -
Less Costs of operation power plant	(116.9)	1.09%	(73.3)	0.74%	59.49%
Total Costs	(10,006.4)	93.17%	(9,290.2)	93.20%	7.71%
Gross profit	733.3	6.83%	677.7	6.80%	8.20%
Add Other income	102.3	0.95%	92.9	0.93%	10.06%
Less Gain (Loss) on Exchange Rate, net	40.5	0.38%	146.0	1.46%	(72.24%)
Less Administrative Expenses	(382.0)	(3.56%)	(399.5)	(4.01%)	(4.37%)
Add Share of Profit/(Loss) of Associate	9.2	0.09%	14.4	0.14%	(36.55%)
Add Share of Profit/(Loss) of joint venture	0.6	0.01%	(71.5)	(0.72%)	100.83%
Profit before Financial Costs & Income Tax	503.8	4.69%	460.1	4.62%	9.50%
Less Financial Costs	(214.4)	2.00%	(160.9)	(1.61%)	33.26%
Profit before Income Tax	289.4	2.69%	299.2	3.00%	(3.28%)
Less Income Tax	(63.3)	0.59%	(80.3)	0.81%	(21.16%)
Net Profit for this Period	226.1	2.11%	218.9	2.20%	3.28%
Add/(Less) FX Translation on Financial Statements and Others	(185.7)	(1.73%)	111.8	(1.12%)	(266.11%)
Total Comprehensive Income for the Period	40.4	0.38%	330.7	3.32%	(87.78%)
Profit Attributable to:					
Owners of the parent	235.4		187.0		25.86%
Non-controlling interests	(9.3)		31.9		(129.20%)
	226.1		218.9		3.26%
Basic earnings per share (THB)	0.42		0.33		25.86%

2.1 Analysis of Revenues, Costs and Expenses

2.1.1 Revenues

Total Revenues increased 8% and recorded at THB 10.7 billion.

Revenues	30 Jun. 2016	30 Jun. 2015	% Change
Construction and service revenues (EPC)	10,548.4	9,660.1	9.20%
Construction revenues from service concession arrangement		83.2	- nil -
Revenue from operation power plant	191.3	224.6	(14.82%)
Total Revenues	10,739.7	9,967.9	7.74%

• EPC Businesses

The Revenue from EPC Construction and Services grew 9% to THB 10.5 billion and the Top-5 projects representing more than 75% of the total include:

#	Project	Amount Million THB	% of EPC Revenues	Approx. % of Contract Completion
1	Qatar's Desalination Phase 2 Project	2,464.83	23.37%	90%
2	Malaysia's Utility for SCC in RAPID Project	2,093.73	19.85%	40%
3	IRPC's Combined Heat and Power Plant Project	1,368.04	12.97%	95%
4	Laos's Rock Salt Exploitation and Processing Plant Project	1,235.37	11.71%	35%
5	PTTGC's LLDPE Expansion and Hexene-1 Project	1,048.82	9.94%	35%
	Subtotal	8,210.79	77.84%	
6	Others	2,337.59	22.16%	
	GRAND TOTAL	10,548.38	100.00%	

• Power Plant Businesses

Revenue from Operation of Power Plant declined -15% to THB 191 million as the Ahlone Power Plant was partially shutdown of its operation due to damaged machine in early 2016. The problem was fixed in late June 2016 and the plant is expected to resume its normal operation in the 2nd half of the year. Claims against repairing costs and loss of revenues from the incident were negotiating with the insurance company and expected to be finalized during the rest of the year 2016.

2.1.2 Costs & Gross Profit

Gross Profit Margin Comparison

30 Jun. 2016	Revenue	Cost	Gross Profit	Margin %
EPC Construction	10,548.4	(9,889.5)	658.85	6.2%
Service Concession Construction	0.0	0.0	-	-
Operation of Power Plant	191.3	(116.9)	74.45	38.9%
Total	10,739.7	(10,006.4)	733.30	6.8%

30 Jun. 2015	Revenue	Cost	Gross Profit	Margin %
EPC Construction	9,660.1	(9,138.7)	521.40	5.4%
Service Concession Construction	83.2	(78.2)	4.99	6.0%
Operation of Power Plant	224.6	(73.3)	151.32	67.4%
Total	9,967.9	(9,290.2)	677.71	6.8%

Gross Profit Margin remained unchanged and recorded at 6.8% of Total Revenues. EPC Construction margin was improved from 5.4% to 6.2% 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 significantly dropped 67% to 39% as a result of declined revenue from operation which reflected the fixed costs that didn't fluctuate with production volume. They include direct costs, plant insurance, maintenance, etc..

2.1.3 Other income and Gain (Loss) on Exchange Rate

The Other Income increased 10% and recorded at THB 102 million. The major component of the Other Income was interest income and came from TTPMC, at THB 84 million and was calculated over the Financial Assets throughout its concession period.

Gain (Loss) on exchange rate dropped sharply -85% and recorded at THB 40 million due to the Baht appreciation during the period.

2.1.4 Administrative expenses

The Administration Expenses slightly dropped 4% to THB 382 million and maintained at 4% of revenues.

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., the owner of 8MW Solar Farm Power Plant in Ang Thong, at THB 9 million dropped 36% from last year.

Share of Profit of Joint Venture was booked at THB 0.6 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 loss from Vietnam joint venture (OBF).

2.1.6 Finance Cost and Income Tax

The financial cost for the period surged 33% to THB -214 million reflecting fund raising activities to support the Company's investment and working capital in Power Plant and EPC businesses. Together with THB -63 million for Income Tax Expenses for the period, the Company recorded the Net Profit for the period at THB 226 million or 3% increase from last year.

3. Analysis of Financial Status

3.1 Analysis of Assets

Figures in THB Million	30 Jun. 2016	31 Dec. 2015	Increase/(Decrease)	% Change
Current assets	16,088.20	18,120.66	(2,032.46)	(11.22%)
Non-current assets	9,298.68	7,776.63	1,522.05	19.57%
Total assets	25,386.88	25,897.29	(510.41)	(1.97%)

For the period ended Q2 2016, Total Assets slightly decreased by -2% and recorded at THB 25.4 billion.

Total Current Assets declined THB -2 billion to THB 16 billion, mainly due to the changes in following items:

- Cash & Cash Equivalent increased THB 1.0 billion mainly from Malaysia's Utility for SCC in RAPID Project and Laos's Rock Salt Exploitation and Processing Plant Project approximately THB 500 million each.
- Trade Accounts Receivable – Third Parties was down by THB -800 million from collections in PPTC/SSUT's Power Plants Construction Project in Thailand, THB -500 million, and Qatar's Desalination Phase 2 Project, THB -378 million, both of which were entering into final stage of the projects' construction.
- Unbilled Contract Revenue – Third Parties declined THB -382 million and was fluctuated by the construction progresses in Laos's Rock Salt Exploitation and Processing Plant Project, THB 955 million, and several domestic power plants and petrochemical projects, THB -770 million. In addition, TTUS's assets were reclassified into Loan to Related Parties, THB -449 million.
- Construction in Progress – Third Parties dropped THB -1.9 billion due to the progresses of works in Qatar's Desalination Project, THB -720 million, and reclassification of TTUS's assets into Loan to Related Parties, THB -1.2 billion.

Total Non-current Assets increased 20% and closed at THB 9.3 billion. The main reason for rise in Non-current Assets came from Loan to Related Parties, TTUS, at THB 1.4 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 Jun. 2016	31 Dec. 2015	Increase/(Decrease)	% Change
Current Liabilities	12,938.09	13,131.91	(193.82)	(1.48%)
Non-Current Liabilities	6,287.53	6,476.52	(188.99)	(2.92%)
Total Liabilities	19,225.62	19,608.43	(382.81)	(1.95%)
Shareholders' equity	6,161.27	6,288.86	(127.59)	(2.03%)
Total Liabilities and shareholders' equity	25,386.89	25,897.29	(510.40)	(1.97%)

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

Total Liabilities decreased by THB -383 million, or -2%, which was caused from a combination of decrement in Current Liabilities and Non-Current Liabilities, amounting THB -194 million and THB -189 million respectively.

The major movement of Current Liabilities including the repayment of Short-Term Loan from Financial Institution amount THB -1,456 million. The Debenture Due Within 1 – year amounted THB 999 million was 3-Year Debenture TTCL175A issued in 2014 and the mature date would be on 02 May 2017. And rise in the Deferred Construction Revenue – Related Parties at THB 558 million was Advance Payment received from Laos's Rock Salt Exploitation and Processing Plant Project.

Non – Current Liabilities decreased by THB – 189 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 2%. The Shareholders' Equity Opening Balance as at the beginning of the year was THB 6,288 million. Dividend was paid to shareholders during the period at THB -167 million. Combining the Total Comprehensive Income during the period at THB 40 million, the Shareholder's Equity closing balance as of 30 June 2016 became THB 6,161 million.

4. Major Financial Ratios

4.1. Profitability Ratios	30 Jun. 2016	30 Jun. 2015	Favorable/Unfavorable
4.1.1. Gross profit margin	6.83%	6.80%	Neutral
4.1.2. Net profit margin	2.11%	2.20%	Unfavorable
4.1.3. Times Interest Earned ratio	2.35	2.86	Unfavorable
4.1.4. Earnings per share	0.42	0.33	Favorable

4.2. Leverage Ratios	30 Jun. 2016	31 Dec. 2015	Favorable/Unfavorable
4.2.1. Current ratio	1.24	1.38	Unfavorable
4.2.2. Debt/ Equity ratio	3.12	3.12	Neutral

4.3. Shareholders Value Ratios	30 Jun. 2016	31 Dec. 2015	Favorable/Unfavorable
4.3.1. Net Book Value	11.00	11.23	Unfavorable
4.3.2. Return on total assets	0.89%	0.85%	Neutral
4.3.3. Return on equity	3.67%	3.48%	Favorable

5. Analysis of Cash Flows

Figures in THB Million	30 Jun. 2016	30 Jun. 2015
Net cash (used in) generated from operating activities	1,881.67	(788.07)
Net cash generated from (used in) investing activities	(46.87)	(48.03)
Net cash generated from (used in) financing activities	(743.47)	1,128.23
Net increase (decrease) in cash and cash equivalents	1,091.33	292.13
Beginning balance	1,571.59	1,611.31
Exchange rate gains/(loss) on cash and cash equivalents	(32.25)	26.30
Ending Balance	2,630.67	1,929.74

For the period ended Q2 2016, the ending balance of cash and cash equivalents was THB 2,631 million increased THB 700 million from last year. Such change was caused by a combination of the Net cash generated from operating activities, THB 1,882 million and the Net cash used in investing activities, THB -47 million and Net cash used in financing activities, THB -743 million, all of which are detailed in the following explanations.

5.1 Net cash generated from operating activities, THB 1,882 million. The significant changes came from:-

- + Earning before Income Tax THB 289 million
- + Change in Trade accounts receivable THB 533 million
- + Change in Construction in progress THB 545 million
- + Change in Accrued construction costs THB 449 million
- + Change in Deferred construction revenue THB 558 million
- Change in Trade accounts payable THB -503 million

5.2 Net cash used in investing activities, THB -47 million. The significant changes came from:-

- + Cash receipts from interest income THB 116 million
- Loan to associates THB -120 million
- Cash payment for purchase shares in associate THB -20 million

5.3 Net cash generated from financing activities, THB -743 million. The significant changes came from:-

- + Cash receipts from short-term loan from financial institution THB 1,731 million
- + Cash receipts from issuing debentures THB 1,075 million
- Cash payment to short-term loan to financial institutions THB -3,177 million
- Cash payment to long-term loan to financial institutions THB -200 million
- Cash payment for Dividend to Shareholders THB -168 million

5.4 Exchange rate loss on cash and cash equivalents THB -32 million