

TRANSLATION  
TTCL PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

1. The Operating Performance for the Year Ended 2016

The Company's Gross Profit dropped -7.86% and booked at THB 1.48 billion mainly caused by the decline in both EPC and Operation of Power Plant Revenues. The delay of construction plan, especially for overseas project in Lao's Rock Salt Processing, and the partially shutdown of Ahlone's power plant in Myanmar during the 1<sup>st</sup> half of 2016 were the main causes of such decline. The Net Profit was further deteriorated to THB 445.5 million, -21% down from last year as Gain from Exchange Rate was less and Financial Costs was more at -84% and 21% respectively than last year.

The Foreign Exchange Difference on Translation Financial Statement was recorded at THB -127 million caused by Baht appreciation during the period affecting the Company's foreign currency deposit received from the construction project in Qatar, THB -56 million and equity investment in foreign subsidiaries, mainly TTPHD Group in Singapore, THB -50 million. Therefore, the Comprehensive Income for the Period was further down to THB 332 million. Also, the above Net Profit, THB 445.5 million was attributed to the Company at THB 400 million and the Basic Earnings per share were calculated at THB 0.71 per share.

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

	For the Year Ended				
	31 Dec. 2016		31 Dec. 2015		Change
	THB Min.	%	THB Min.	%	%
<b>Revenues</b>					
Construction and service revenues (EPC)	19,389.0	96.83%	20,765.5	96.48%	(6.63%)
Construction revenues from service concession arrangement		0.00%	83.2	0.39%	- nil -
Revenue from operation power plant	635.5	3.17%	675.0	3.14%	(5.86%)
<b>Total Revenues</b>	<b>20,024.5</b>	<b>100.00%</b>	<b>21,523.7</b>	<b>100.00%</b>	<b>(6.97%)</b>
<u>Less</u> Cost of constructions and services (EPC)	(18,310.0)	91.44%	(19,684.1)	91.45%	(6.98%)
<u>Less</u> Construction costs from service concession arrangement		0.00%	(78.2)	0.36%	- nil -
<u>Less</u> Costs of operation power plant	(233.5)	1.17%	(154.1)	0.72%	51.47%
<b>Total Costs</b>	<b>(18,543.5)</b>	<b>92.60%</b>	<b>(19,916.4)</b>	<b>92.53%</b>	<b>(6.89%)</b>
<b>Gross profit</b>	<b>1,481.0</b>	<b>7.40%</b>	<b>1,607.3</b>	<b>7.47%</b>	<b>(7.86%)</b>
<u>Add</u> Other income	273.0	1.36%	184.7	0.86%	47.79%
<u>Less</u> Gain (Loss) on Exchange Rate, net	44.6	0.22%	286.0	1.33%	(84.39%)
<u>Less</u> Administrative Expenses	(847.4)	(4.23%)	(869.5)	(4.04%)	(2.54%)
<u>Add</u> Share of Profit/(Loss) of Associate	15.3	0.08%	25.4	0.12%	(40.06%)
<u>Add</u> Share of Profit/(Loss) of joint venture	0.8	0.00%	(155.3)	(0.72%)	100.52%
Profit before Financial Costs & Income Tax	967.2	4.83%	1,078.6	5.01%	(10.33%)
<u>Less</u> Financial Costs	(427.5)	2.13%	(354.5)	(1.65%)	20.60%
Profit before Income Tax	539.7	2.69%	724.1	3.36%	(25.47%)
<u>Less</u> Income Tax	(94.1)	0.47%	(157.9)	0.73%	(40.39%)
<b>Net Profit for this Period</b>	<b>445.5</b>	<b>2.22%</b>	<b>566.2</b>	<b>2.63%</b>	<b>(21.31%)</b>
<u>Add/(Less)</u> FX Translation on Financial Statements and Others	(113.5)	(0.57%)	375.2	(1.74%)	(130.26%)
<b>Total Comprehensive Income for the Period</b>	<b>332.0</b>	<b>1.66%</b>	<b>941.4</b>	<b>4.37%</b>	<b>(64.73%)</b>
Profit Attributable to:					
Owners of the parent	400.1		422.5		(5.30%)
Non-controlling interests	45.4		143.6		(68.36%)
	445.5		566.1		(21.30%)
<b>Basic earnings per share (THB)</b>	<b>0.71</b>		<b>0.75</b>		<b>(5.30%)</b>

## 2.1 Analysis of Revenues, Costs and Expenses

### 2.1.1 Revenues

Total Revenues was dropped -7.0% and recorded at THB 20.0 billion.

Revenues	31 Dec. 2016	31 Dec. 2015	% Change
Construction and service revenues (EPC)	19,389.0	20,765.5	(6.63%)
Construction revenues from service concession arrangement		83.2	- nil -
Revenue from operation power plant	635.5	675.0	(5.86%)
Total Revenues	20,024.5	21,523.7	(6.97%)

#### - EPC Businesses

The Revenue from EPC Construction and Services was down to THB 19.4 billion or declined -6.6% from last year. The Top-5 projects account for more than 75% of the total including:

#	Project	Amount Million THB	% of EPC Revenues	% Progress of Contract
1	Malaysia's Utility for SCC in RAPID Project	5,722.50	29.51%	64%
2	Qatar's Desalination Phase 2 Project	3,151.26	16.25%	100%
3	PTTGC's LLDPE Expansion and Hexene-1 Project	2,969.05	15.31%	65%
4	Laos's Rock Salt Exploitation & Processing Plant Project	2,022.47	10.43%	44%
5	IRPC's Combined Heat and Power Plant Project	1,506.15	7.77%	99%
	Subtotal	15,371.43	79.28%	
6	Others	4,017.57	20.72%	
	Grand Total	19,389.00	100.00%	

The overall construction progresses were preceded as planned excepting for #4 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 declined -6% to THB 635 million due to partially shutting down of its operation in the 1<sup>st</sup> Half 2016 and was then normalized from the 3<sup>rd</sup> Quarter 2016 onward. Claiming against repairing costs and loss of revenues from the machines breakdown with the insurance company process was still ongoing and some was realized during the 2<sup>nd</sup> half of 2016 as part of the Other Income.

### 2.1.2 Costs & Gross Profit

#### Gross Profit Margin Comparison

31 Dec. 2016	Revenue	Cost	Gross Profit	Margin %
EPC Construction	19,389.0	(18,310.0)	1,078.96	5.56%
Service Concession Construction	0.0	0.0	-	
Operation of Power Plant	635.5	(233.5)	401.99	63.26%
Total	20,024.5	(18,543.5)	1,480.95	7.40%

  

31 Dec. 2015	Revenue	Cost	Gross Profit	Margin %
EPC Construction	20,765.5	(19,684.1)	1,081.40	5.21%
Service Concession Construction	83.2	(78.2)	4.99	6.00%
Operation of Power Plant	675.0	(154.1)	520.86	77.17%
Total	21,523.7	(19,916.4)	1,607.25	7.47%

Gross Profit was slightly dropped from 7.47% to 7.40% mainly caused by the Operation of Power Plant businesses. EPC Construction margin was slightly improved from 5.2% to almost 5.6% contributed by 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 was dropped to 63% as a result of declined revenue from operation during the 1<sup>st</sup> half of 2016. The plant's operation was recovered in the 3<sup>rd</sup> Quarter and normalized until the year end.

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

The Other Income significantly rose almost 50% and recorded at THB 273 million. The major component of the Other Income was interest income and came from TTPMC, at THB 133 million plus insurance claimed, THB 88 million, compensated by insurance company during the period.

Gain (Loss) on exchange rate dropped sharply -84% and recorded at THB 45 million due to the Baht appreciation during the period.

### 2.1.4 Administrative expenses

The Administration Expenses dropped -2.5% to THB 847 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 15 million dropped 40% 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 0.8 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 year surged 20% to THB -428 million reflecting fund raising activities to support the Company's investment and working capital in both Power Plant and EPC businesses. Together with THB -94 million for Income Tax Expenses for the period, the Company recorded the Net Profit for the period at THB 445.5 million or -21% decreased from last year.

### 3. Analysis of Financial Status

#### 3.1 Analysis of Assets

Figures in THB Million	31 Dec. 2016	31 Dec. 2015	Increase/(Decrease)	% Change
Current assets	17,298.00	18,120.66	(822.66)	(4.54%)
Non-current assets	8,514.10	7,776.63	737.47	9.48%
Total assets	25,812.10	25,897.28	(85.18)	(0.33%)

For the year ended 2016, Total Assets slightly decreased by -0.3% and recorded at THB 25.8 billion.

Total Current Assets declined THB -823 million, mainly due to the changes in following items:

- Cash & Cash Equivalent, Trade Accounts Receivable – Third Parties and Advance Payments to Sub-Contractors - Third Parties increased amount THB 636 million, 1.3 billion and 327 million respectively mainly from progress of Malaysia's Utility for SCC in RAPID Project.
- Unbilled Contract Revenue – Third Parties declined THB -2.1 billion which was presented by Qatar's Desalination Phase 2 Project, THB -800 million, and several domestic power plants and petrochemical projects, THB -1.2 billion mainly from PPTC Power Plan Project, IRPC's CPH II Project and PTTGC's LLDPE Expansion and Hexene-1 Project.
- Construction in Progress - Third Parties dropped THB -1.1 billion due to the reclassification of TTUS's assets into Loan to Related Parties.

Total Non-current Assets increased 9.5% or THB 737 million. The main reason for rise in Non-current Assets came from Loan to Related Parties, TTUS, at THB 1.1 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. In the other hand, the decline in Financial Assets Under Concession Agreement at -262 million was amortized over Ahlone Power Plant Project in Myanmar in accordance with its concession life.

#### 3.2 Analysis of Liabilities and Shareholders' Equity

Figures in THB Million	31 Dec. 2016	31 Dec. 2015	Increase/(Decrease)	% Change
Current Liabilities	13,190.27	13,131.90	58.37	0.44%
Non-Current Liabilities	6,280.96	6,476.52	(195.56)	(3.02%)
Total Liabilities	19,471.23	19,608.42	(137.19)	(0.70%)
Shareholders' equity	6,340.87	6,288.86	52.01	0.83%
Total Liabilities and shareholders' equity	25,812.10	25,897.28	(85.18)	(0.33%)

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

Total Liabilities slightly decreased by THB -137 million, or -0.7%, which was caused from a combination of decrement in Current Liabilities and Non-Current Liabilities, amounting THB 58 million and THB -196 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 -1,808 million.
- Trade Account Payable – Third Parties decreased THB -497 million from Qatar's Desalination Phase 2 Project which was entering into final state of the project's construction.
- 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.
- Accrued Construction Cost and Deferred Construction Revenue – Related Parties increased amount THB 1.1 billion and THB 665 million respectively came from Malaysia's Utility for SCC in RAPID Project.
- Advance Received from Customer decreased THB -522 million which was mainly from Malaysia's Utility for SCC in RAPID Project and PTTGC's LLDPE Expansion and Hexene-1 Project.

Total Non-current Liabilities decreased by THB -196 million mainly from the repayment in the Long-Term Loan from Financial Institution in accordance with the Loan Agreement for Ahlone's Project Financing at THB -305 million.

Shareholder's equity increased by 1%. 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 year at THB 332 million. Therefore, the Closing Balance of Shareholders' Equity as of 31 December 2016 became THB 6.34 billion.

#### 4. Major Financial Ratios

4.1. Profitability Ratios	31 Dec. 2016	31 Dec. 2015	Favorable/Unfavorable
4.1.1. Gross profit margin	7.40%	7.47%	Neutral
4.1.2. Net profit margin	2.22%	2.63%	Unfavorable
4.1.3. Times Interest Earned ratio	2.26	3.04	Unfavorable
4.1.4. Earnings per share	0.71	0.75	Neutral

4.2. Leverage Ratios	31 Dec. 2016	31 Dec. 2015	Favorable/Unfavorable
4.2.1. Current ratio	1.31	1.38	Neutral
4.2.2. Debt/ Equity ratio	3.07	3.12	Neutral

4.3. Shareholders Value Ratios	31 Dec. 2016	31 Dec. 2015	Favorable/Unfavorable
4.3.1. Net Book Value	11.32	11.23	Favorable
4.3.2. Return on total assets	1.73%	2.19%	Unfavorable
4.3.3. Return on equity	7.03%	9.00%	Unfavorable

## 5. Analysis of Cash Flows

Figures in THB Million	31 Dec. 2016	31 Dec. 2015
Net cash (used in)/generated from operating activities	2,079.68	(953.79)
Net cash (used in)/generated from investing activities	(196.50)	(841.60)
Net cash (used in)/receipts from financing activities	(1,231.30)	1,680.41
Net (decrease)/increase in cash and cash equivalents	651.88	(114.98)
Beginning balance	1,571.59	1,611.31
Exchange rate gains (loss) on cash and cash equivalent	(15.12)	75.26
Ending balance	2,208.35	1,571.59

For the year ended 2016, the ending balance of cash and cash equivalents was THB 2.2 billion increased THB 637 million from last year. Such change was caused by a combination of the Net cash generated from operating activities, THB 2.1 billion and the Net cash used in investing activities, THB -197 million and Net cash used in financing activities, THB -1.2 billion, all of which are detailed in the following explanations.

5.1 Net cash generated from operating activities, THB 2.1 billion. The significant changes came from:

- + Earning before Income Tax THB 540 million
- + Change in Unbilled Contract Revenue THB 1,823 million
- + Change in Accrued Construction Costs THB 1,090 million
- + Change in Deferred Construction Revenue THB 665 million
- Change in Trade Accounts Receivable THB -1,315 million
- Change in Trade Account Payable THB -449 million
- Change in Advance Received from Customer under Construction Contract THB -522 million

5.2 Net cash used in investing activities, THB -197 million. The significant changes came from:

- + Cash receipts from interest income THB 173 million
- Advance payment for share subscription THB -150 million
- Payment for Loan to Related Party THB -120 million

5.3 Net cash used in financing activities, THB -1.2 billion. The significant changes came from:

- + Cash receipts from issuing debentures THB 1,075 million
- Cash payment for short-term loans from financial institutions THB -1.8 billion
- 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 -15 million.