

Date: 10 November 2020

Subject Management Discussion and Analysis of the Third Quarter of 2020 ended 30 September, 2020

To: Director and Manager
 The Stock Exchange of Thailand

Right Tunneling Public Company Limited (“the Company”) would like to clarify the consolidated operating results for the 9-month period ended 30 September, 2020. The details are as follows:

Income Statement Unit: Million Baht	For the 9 months ended		Changes	
	September 30, 2020	September 30, 2019	Amount	Percentage
Revenue from construction	2,083.74	1,639.83	443.91	27.07
Revenue from sales of construction materials	18.26	20.82	(2.56)	(12.30)
Cost of construction	1,615.14	1,381.19	233.95	16.94
Cost of sales of construction materials	16.88	16.43	0.45	2.74
Gross profit	468.60	258.63	209.97	81.19
Other income	11.86	14.14	(2.28)	(16.12)
Profit (loss) from foreign exchange	0.87	12.69	(11.82)	(93.14)
Administrative expenses	171.69	157.09	14.60	9.29
Financial cost	(53.93)	(52.67)	(1.26)	2.39
Benefits (Expense) Income tax	(52.52)	(13.07)	(39.45)	301.84
Profit for the period	204.57	67.02	137.55	205.24

Revenue from construction

For the first nine months of 2020, the company had construction income of 2,083.74 million baht, which increased in the amount of 443.91 million baht or 27.07 percent when compared to the same period of 2019. By considering the increase in income from domestic construction when compared to the first nine months of 2019 due to the Company recognized an increase in revenue from the Saraburi-Nakhon Ratchasima Twin Tunnel Project, which is currently a major project of the Company, manhole and underground conduit project, and the increase in electric train projects, which recognized in the amount of 781.27 million baht, the Mae Taeng Mae Ngad water tunnel project in the amount of 363.82 million baht, the road expansion from 2 lanes to 4 lanes,

in the amount of 226 million baht, and manhole and conduit project for the Yellow Line electric train in the amount of 224.25 million Baht. For foreign construction contractors, it was found that it increased when compared with the first nine months of 2019 as a result of the company having 3 additional new construction projects in Laos in the year 2020 which result in the company to have additional income in the first 9 months of 2020, results in more income from contractors in foreign countries, which can be divided into service income, details as follows

- Revenue from construction of tunnels and underground structures increased by 281.56 million baht, or an increase in 28.02 percent from the revenue recognition of the Saraburi-Nakhon Ratchasima Twin Tunnel Project, with the first nine months of Year 2020 is equal to 875.10 million baht, together with the company has construction of water diversion tunnel and Dam Development Project in Cambodia, which commenced operations at the end of 2019 that led to the Company's increasing revenues for the construction of tunnels and underground structures.
- The company has no income for dam construction. When compared with the first nine months of 2019 due to the construction of the Company's 2 dams, which are the construction of the dam at Nam Kong, Laos and the construction of soil dam at the head of the Mae Salum Reservoir. The company has completed the operation in 2019.
- Revenue from hydroelectric power plant construction contracted 58.41 million baht or decrease in the percentage of 76.81 due to hydroelectric power plant project in Uttaradit province at the end of the project and pending installation of control panels, which faced problems in ordering equipment from India due to the Covid-2019 epidemic, which causing work to be done late than the schedule. As a result, the company could not yet recognize the revenue because the work has not yet been completed. The company is in the process of reserving the right to comply with government assistance measures for companies affected by the Covid-2019 epidemic.
- Revenue from underpass construction, pipe pushing method and pipe extraction method increased by 39.87 million baht or 20.62 percent, which an increase comes from the revenue recognition of the MRT Yellow Line project around Lad Phrao Road – Samrong.
- Income from other construction contractors increases in the amount of 189.93 million baht or 53.25 percent from both domestic and foreign works. The income increased from road works on Highways Floodgate Construction Project and other foreign construction works such as the Pagoda Stability and Geophysical Drilling Work in Myanmar, the Xekong 4 Dam in Lao PDR, and fix the leakage of the Outlet Conduit, Nam Luok Dam and Nam Ken Dam in Lao PDR, Duantri Dam Development Project in Cambodia, and Geological Exploratory Drilling in Luang Prabang in Lao PDR.

Construction Costs and Gross Margins

In the first nine months of 2020, construction costs increased by 233.95 million baht or 16.94 percent compared to the first nine months of 2019, which in line with revenue from construction services. For the proportion of construction costs compared with revenue from construction services, it was found that the proportion decreased from 84.23 percent to 77.51 percent. In the first nine months of 2020, the Company has a cost-to-income ratio of various projects which improved due to new projects that have the high gross profit margin in the first nine months of 2020 compared to the same period of the previous year such as the construction of a double track railway Map Kabao - Thanon Chira Junction that has high gross margin because it is a job that the company has high work experience from tunnel construction with effective machinery management. As a result, the company can operate more efficiently and continued to receive such high gross margin until the third quarter of 2020.

For the gross profit of the company for the first nine months of 2020, it increases in the amount of 209.97 million baht or 81.18 percent compared to the first nine months of 2019 due to the increase in the Company's gross profit because proportion of the costs, salaries and wages , proportion of agency cost, and the reduction in depreciation cost proportion because some machines have been fully depreciated but are still in use in the project which result to the decrease in cost-to-income ratio. In the first nine months of 2020, the company has a better cost-to-income ratio of projects due to new projects that has high gross profit margin in the first nine months of 2020 compared to the same period of the previous year, especially for the construction of a double track railway, the construction of a double track railway Map Kabao Section - Thanon Chira Junction that has high gross margin. The company was able to manage project costs more efficiently, resulting in better cost management as there were some machines that had been fully depreciated but still in use in the project and from the additional work of projects with high gross margins, which makes better gross profit of the project. As a result, the overall gross margin of the company has improved compared to the same period of 2019.

Administrative Expenses

For the first nine months of 2020, the administrative expenses have increased by 14.59 million baht or 9.29 percent, The reason for the increase in administrative expenses is result from the cost of supporting the production that cannot allocate the cost of construction increase in the amount of 20.55 million baht or 127.51 percent due to the increased costs of the Company's central maintenance center and office salaries including an increase in remuneration of directors and management in the amount of 2.10 million baht or 37.53 percent , and an increase in employee pay bonuses in the amount of 1.73 million baht, or 157.37 percent. in which employee bonuses increased due to the increase in salary rates and bonus pay rates.

Net Profit

For the first nine months ended September 30, 2020, the company had a net profit of 204.57 million baht, representing 9.67 percent compared to the same period of 2019 as a result of projects in the first nine months of 2020 that still had gross profit in many big projects in both overseas projects and domestic projects. When comparing the proportion of administrative expenses to income, it was found that the administrative expenses had decreased, indicating that the Company had better management of expenses due to the fact that some machines were depreciated but still in use in the project and the reduction in the proportion of office salaries to income decreased. It shows that the company has a better revenue-generating performance. The decrease in the proportion of financial expenses resulted in the increase in the Company's net profit margin.

Financial Position of the Company

Financial Statement Unit: Million Baht	As of		Changes	
	September 30, 2020	December 31, 2019	Amount	Percentage
Total Asset	3,768.63	3,730.54	38.09	1.02
Total Liability	2,976.94	3,143.20	(166.26)	(5.29)
Total Shareholders' Equity	791.70	587.34	204.36	34.79
Debt to equity ratio (D/E Ratio) : Times	3.76	5.35	(1.59)	(29.72)

Total Assets

As of September 30, 2020, the Company had total assets of 3,768.63 million baht, which increased from the end of 2019 by 38.09 million baht with the increase in assets as an increase in trade receivables of 103.61 million baht or 18.84 percent due to an increase in trade accounts receivable from unrelated parties from the cost of the completed construction company that has not been paid from the customer. This was mainly due to an increase in trade accounts receivable of the Royal Irrigation Department and the Metropolitan Electricity Authority and assets arising from the contract-unbilled income in which the unbilled income item of the company would recognize the revenue according to the ratio of completed work less the value of the construction that has been charged. The company had unbilled income equal to 1,284.58 million baht which increase from year 2019 by 43.19 million baht or 3.48 percent. Unbilled income of the project is mainly due to the tunnel project and the building of the tunnel in the amount of 791.29 million baht, the unbilled income from the road expansion project from 2 lanes to 4 lanes, Udon Thani province in the amount 189.89 million baht, the Saraburi - Nakhon Ratchasima dual track tunnel project in the amount of 146.74 million baht and the construction of the flood gate in Loei Province in the amount of 101.58 million baht.

Total Liabilities

As of September 30, 2020, the Company had total liabilities of 2,976.94 million baht, which decreased from the end of 2019 in the amount of 166.26 million baht, or 5.29 percent due to the decrease in advance received from employer by 166.50 million baht or 20.52 percent due to the delivery of work, the installment payment is deducted and the advance received from the employer under the contract and a decrease in overdraft and short-term loans from financial institutions by 73.50 million baht, a decrease in long-term loans from financial institutions that due within one year, and finance lease liabilities decreased in amount of 69.53 and 23.08 million baht, respectively due to payment by installments.

Total Shareholder' Equity

As of September 30, 2020, the Company has shareholders' equity in the amount of 791.70 million baht, which increase from the end of 2019 in the amount of 204.36 million baht or 34.79 percent. Such increase is due to the increase in the Company's operating results from the operating profit for the first nine months of 2020 with a net profit of 204.57 million baht.

Debt to equity ratio

As of September 30, 2020, the company has a debt to equity ratio of 3.76 times, in which company has a lower debt to equity ratio compared to 2019 due to a greater increase in equity than the increase of total liabilities. The increase in shareholders' equity was an increase from unappropriated retained earnings due to the increase in the Company's operating results from the net operating profit for the first nine months of the 2020 that has the net profit of 204.57 million baht.

Please be informed accordingly.

Best regards,

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Deputy Managing Director (Management and Finance)

Right Tunnelling Public Company Limited