

RATCH Group Public Company Limited

Management Discussion and Analysis

For the Three-month and Nine-month Periods Ended 30 September, 2020



Abbreviation	
The Company	RATCH Group Public Company Limited
EGAT	Electricity Generating Authority of Thailand
COD	Commercial Operation Date
EBITDA	Earnings before Interest, Tax, Depreciation and Amortization
FX	Foreign Exchange Rate
IPP	Independent Power Producer
PPA	Power Purchase Agreement
SPP	Small Power Producer

Projects/Companies	
ABEIF	An Binh Energy and Infrastructure Fund
HKH	Hin Kong Power Holding Company Limited, a joint venture in proportion of 51 percent
HKP	Hin Kong Power Company Limited, an indirect joint venture wholly-owned by HKH
HPC	Hongsa Power Company Limited, an indirect joint venture in proportion of 40 percent
NRER	Nexif Ratch Energy Rayong Company Limited, an indirect joint venture wholly-owned by NERS
NRES	NEXIF RATCH ENERGY SINGAPORE PTE LTD, an indirect joint venture in proportion of 49 percent
PNPC	Xe-Pian Xe-Namnoy Power Company Limited, an indirect joint venture in proportion of 25 percent
RAC	RATCH-Australia Corporation Pty Ltd, a wholly-owned indirect subsidiary
RCO	RATCH Cogeneration Company Limited, a subsidiary in proportion of 99.97 percent
RG	Ratchaburi Electricity Generating Company Limited, a wholly-owned subsidiary
RHIS	RH International (Singapore) Corporation Pte Ltd, a wholly-owned indirect subsidiary
RIAU	PT Medco Ratch Power RIAU, an indirect joint venture in proportion of 49 percent
RL	RATCH-Lao Services Company Limited, a wholly-owned subsidiary
RWC	Ratchaburi World Cogeneration Company Limited, an indirect joint venture in proportion of 40 percent

Executive Summary

Unit : Million baht

	Quarter 3		Increase (Decrease)	%	9-Month		Increase (Decrease)	%
	2020	2019			2020	2019		
Total revenues *	3,887.50	3,669.65	217.85	5.9	12,089.91	12,071.86	18.05	0.1
Total cost and expenses *	2,302.07	2,141.33	160.74	7.5	7,988.17	6,664.32	1,323.85	19.9
EBITDA	2,307.47	2,340.30	(32.83)	(1.4)	7,104.18	8,217.65	(1,113.47)	(13.5)
Gain (Loss) on FX	136.81	(163.48)	300.29	183.7	55.50	(349.13)	404.63	115.9
Profit to owner of the Company	1,722.23	1,364.84	357.39	26.2	4,157.21	5,058.41	(901.20)	(17.8)
Profit before FX	1,585.42	1,528.32	57.10	3.7	4,101.71	5,407.54	(1,305.83)	(24.1)

* excluding fuel cost

The operating result for the 3rd quarter of 2020 showed the profit (attributable to owners of the Company) of THB 1,722.23 million, increasing from the same period of the previous year by THB 357.39 million. The gain on FX increased the profit in the amount of THB 300.29 million. Without consideration of the effect of FX of the Company and subsidiaries, the operating result for the 3rd quarter of 2020 showed the profit of THB 1,585.42 million.

The operating result for the nine-month period of 2020 showed the profit (attributable to owners of the Company) of THB 4,157.21 million, decreasing from the same period of the previous year by THB 901.20 million. The decrease is owing to the decrease in the profit of RG from the decrease in Base Availability Credit, as specified in the PPA and the decrease in the profit of HPC from planned maintenance shutdown. Without consideration of the effect of FX of the Company and subsidiaries, the operating result for the nine-month period of 2020 showed the profit of THB 4,101.71 million.



1. Significant Events of the 3rd Quarter of 2020

An Binh Energy and Infrastructure Fund (“ABEIF”) Project in Socialist Public of Vietnam

On July 15, 2020, RHIS has signed of transaction documents with respect to its partnership with Geleximco Group Joint Stock Company (“Geleximco”). RHIS and Geleximco will hold ownership interest of 49 percent and 51 percent of the charter capital of ABEIF, respectively. The ABEIF is a Vietnam focused power sector fund which has potential investment consideration in various power and infrastructure projects in the Socialist Republic of Vietnam.

On August 18, 2020, ABEIF has made its first investment in the power generation sector. ABEIF has acquired 45 percent indirect ownership of Thang Long Power Plant, one of the largest currently operating coal-fired power plants under the Build-Own-Operate (“BOO”) framework, located in the North of Vietnam with a gross capacity of 620 megawatts. The plant has a 25-year PPA with the state-owned Vietnam Electricity.

The Expansion of Power and Steam Generating Capacity of RATCH Cogeneration Company Limited (“RCO”)

On August 4, 2020, RCO had received EGAT’s consent for its expansion of power generating capacity by approximately 30 megawatts and steam generating capacity by approximately 5.46 tons per hour in order to sell the additional power and steam to users in Navanakorn Industrial Promotion Zone in Pathum Thani Province and neighboring areas. The construction is scheduled to begin in February 2021 and the project is expected to commence the COD in July 2022.

Quang Tri 1 Thermal Power Plant Project

On September 16, 2020, the Company entered into a Joint Development Agreement of Quang Tri 1 Thermal Power Plant Project in the Socialist Public of Vietnam with EGAT International Company Limited (“EGATi”) and Electricity Generating Public Company Limited (“EGCO”) with the shareholding proportion of 30, 40 and 30 percent respectively.

Quang Tri 1 Thermal Power Plant Project is a coal-fired power plant project with the installed capacity of 1,320 megawatts (2 units with the capacity of 660 megawatts each), located in Quang Tri Economic Zones, Central Vietnam. The project’s generated electricity will be sold to Vietnam Electricity (“EVN”) under the long-term PPA. Currently, the Project is under green-field development and under negotiation process with the expected COD in 2025.

Wood Pellet Production and Sale Project in Lao PDR

On September 21, 2020, RL together with BURIRAM GREEN ENERGY CO.,LTD (“BGE”) in Thailand and SIPHANDONE BOLAVEN DEVELOPMENT COMPANY LIMITED (“SPD”) in Lao PDR had registered the establishment of SIPHANDONE-RATCH LAO CO., LTD. at the proportion of 25, 65 and 10 percent respectively, to develop a wood pellet production and sale project with the production capacity of approximately 60,000 tons per year in Lao PDR. The project is negotiating relating contracts and requesting relating licenses. It is expected that the construction of wood pellet production plant will begin approximately in March 2021 and that the wood pellets can be sold according to the contract approximately in Quarter 1 of 2022.

Hin Kong Combined-Cycle Power Plant Project, Ratchaburi Province

On September 29, 2020, HKP, a company established to develop the 1,400 megawatts Hin Kong Combined-Cycle Power Project in Ratchaburi has signed the Engineering, Procurement and Construction Contract (“EPC Contract”) and Long-term Service Agreement (“LTSA”). The project has already received approval for the Environment Impact Assessment from Office of Natural Resources and Environmental Policy and Planning. The project is expected to commence the COD in 2024 and 2025 respectively.

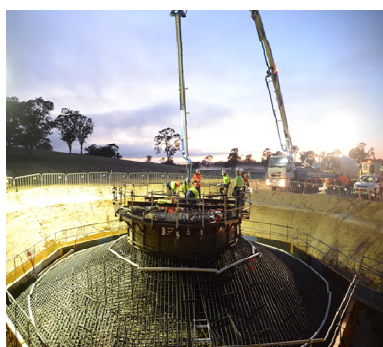
Progress of Projects under Construction (as of September 30, 2020)



Nava Nakorn Power Plant (Extension)	
Type of Power Plant	Firm-Cogeneration SPP Power Plant
Type of Fuel	Natural Gas
Install Capacity (MW)	59.98
Location	Nava Nakorn Industrial Promotion Zone, Pathumthani Province
Ownership	40%
PPA	25 Years with EGAT
COD	October 2020
Progress	97.20%



Yandin Wind-Turbine Power Plant	
Install Capacity (MW)	214.2
Location	Western Australia, Australia
Ownership	70%
PPA	15 years with Alinta
COD	December 2020
Progress	93.5%



Collector Wind-Turbine Power Plant	
Install Capacity (MW)	226.8
Location	New South Wales, Australia
Ownership	100%
PPA	PPA/ Merchant
COD	1 st Quarter of 2021
Progress	82.7%



Riau Power Plant	
Type of Fuel	Natural Gas
Install Capacity (MW)	296.23
Location	Republic of Indonesia
Ownership	49%
PPA	20 years with PT PLN
COD	May 2021
Progress	88.03%



MRT Pink Line Project	
Technology	Monorail
Route	Khae Rai-Min Buri
Ownership	10%
Contract Term	30 years
COD	2022
Progress	Civil Works = 64.85% Railway System = 59.71%



MRT Yellow Line Project	
Technology	Monorail
Route	Lad Prao-Sam Rong
Ownership	10%
Contract Term	30 years
COD	2022
Progress	Civil Works = 66.31% Railway System = 61.63%



Nexif Ratch Energy Rayong Power Plant (NRER)	
Type of Power Plant	Firm-Cogeneration SPP Power Plant
Type of Fuel	Natural Gas
Install Capacity (MW)	92
Location	Rayong Province
Ownership	49%
PPA	25 Years with EGAT
COD	April 2022
Progress	13.41%

2. Operation performance according to consolidated financial statement

Unit : Million baht

	Quarter 3		Increase (Decrease)	%	9-Month		Increase (Decrease)	%
	2020	2019			2020	2019		
Total revenues (excluding fuel costs)	3,887.50	3,669.65	217.85	5.9	12,089.91	12,071.86	18.05	0.1
Total cost and expenses (excluding fuel costs)	2,302.07	2,141.33	160.74	7.5	7,988.17	6,664.32	1,323.85	19.9
	1,585.43	1,528.32	57.11	3.7	4,101.74	5,407.54	(1,305.80)	(24.1)
Non-controlling Interests	(0.01)	-	(0.01)	-	(0.03)	-	(0.03)	-
Profit before FX - the Company and subsidiaries	1,585.42	1,528.32	57.10	3.7	4,101.71	5,407.54	(1,305.83)	(24.1)
Gain (loss) on FX - the Company and subsidiaries	136.81	(163.48)	300.29	183.7	55.50	(349.13)	404.63	115.9
Profit to owner of the Company	1,722.23	1,364.84	357.39	26.2	4,157.21	5,058.41	(901.20)	(17.8)
<i>Fuel Cost</i>	<i>5,747.83</i>	<i>6,422.84</i>			<i>18,313.21</i>	<i>21,539.14</i>		

Comparing Q3'2020 vs Q3'2019

The operating result according to the consolidated financial statement showed the profit (attributable to owners of the Company) of THB 1,722.23 million or THB 1.19 per share, increasing by THB 357.39 million. The main reason was due to the appreciation of AUD currency in relative to USD currency. However, the operating result without consideration of the effect of FX gain (loss) of the Company and subsidiaries showed the profit of THB 1,585.42 million.

Comparing 9-month of 2020 vs 9-month 2019

The operating result according to the consolidated financial statement showed the profit (attributable to owners of the Company) of THB 4,157.21 million or THB 2.87 per share, decreasing by THB 901.20 million. The main reasons were due to the decrease in Base Availability Credit of RG in 2020 compared to that of 2019, as specified in the PPA and HPC's Power Plant planned maintenance shutdown (Major Overhaul) from April 28 to August 26, 2020. However, the operating result without consideration of the effect of FX gain (loss) of the Company and subsidiaries showed the profit of THB 4,101.71 million.

2.1 Analysis of Revenues

Unit : Million baht

	Quarter 3		Increase (Decrease)	%	9-Month		Increase (Decrease)	%
	2020	2019			2020	2019		
Revenue from sales and rendering of services (excluding fuel costs)	1,977.41	1,650.88	326.53	19.8	6,328.09	5,844.86	483.23	8.3
RG	763.30	870.32	(107.02)	(12.3)	2,690.11	3,465.49	(775.38)	(22.4)
RAC	692.91	767.32	(74.41)	(9.7)	2,014.56	2,339.82	(325.26)	(13.9)
RCO	504.62	-	504.62	-	1,577.44	-	1,577.44	-
RL	16.58	13.24	3.34	25.2	45.98	39.55	6.43	16.3
Revenue from finance leases contracts	589.60	721.06	(131.46)	(18.2)	1,995.09	2,210.62	(215.53)	(9.7)
Share of profit of associates and joint ventures	1,139.24	1,154.33	(15.09)	(1.3)	3,272.62	3,517.29	(244.67)	(7.0)
IPPs	728.71	872.94	(144.23)	(16.5)	2,325.57	2,688.38	(362.81)	(13.5)
SPPs	121.44	88.50	32.94	37.2	339.44	168.57	170.87	101.4
Hydro Power Plants	144.35	44.71	99.64	222.9	134.35	114.94	19.41	16.9
Renewable Power Plants	106.63	92.88	13.75	14.8	336.99	280.77	56.22	20.0
Others	38.11	55.30	(17.19)	(31.1)	136.27	264.63	(128.36)	(48.5)
Management service income	44.74	62.52	(17.78)	(28.4)	197.17	183.47	13.70	7.5
Interest income	51.60	54.78	(3.18)	(5.8)	110.00	163.54	(53.54)	(32.7)
Dividend income	-	-	-	-	61.18	100.88	(39.70)	(39.4)
Other income	84.91	26.08	58.83	225.6	125.76	51.20	74.56	145.6
Total revenues	3,887.50	3,669.65	217.85	5.9	12,089.91	12,071.86	18.05	0.1
<i>Fuel Cost</i>	<i>5,747.83</i>	<i>6,422.84</i>			<i>18,313.21</i>	<i>21,539.14</i>		

2.1.1 Revenue from sales and rendering of services (excluding fuel costs)

Comparing Q3'2020 vs Q3'2019 and 9-month of 2020 vs 9-month 2019

- (1) Revenue from sales of RG decreased due to the decrease in Base Availability Credit in 2020 compared to that of 2019, as specified in the Power Purchase Agreement.
- (2) Revenue from sales of RAC decreased as Mount Emerald Wind Farm Project generated less electricity than that in the same period of the previous year. In addition, in the 9-month of 2020, AUD/USD currency depreciation, compared to the same period of the previous year.
- (3) Revenue from sales of RCO increased due to the acquisition on October 1, 2019.

2.1.2 Share of profit of associates and joint ventures

IPPs - Comparing Q3'2020 vs Q3'2019 and 9-month of 2020 vs 9-month 2019

The share profit of HPC decreased as HPC generated less electricity than that in the same period of the previous year. The main reason due to the Power Plant unit 3 had planned maintenance shutdown (Major Overhaul) from April 28 to August 26, 2020.

SPPs - Comparing Q3'2020 vs Q3'2019 and 9-month of 2020 vs 9-month 2019

The share profit of RWC increased mainly due to principal repayment and the decrease in interest rate.

Hydro Power Plants - Comparing Q3'2020 vs Q3'2019 and 9-month of 2020 vs 9-month 2019

The share profit of PNPC increased due to Xepian Xe-Namnoy Hydro Power Plant has commenced COD on December 6, 2019.

2.2 Analysis of Cost and Expenses

Unit : Million baht

	Quarter 3		Increase (Decrease)	%	9-Month		Increase (Decrease)	%
	2020	2019			2020	2019		
Cost and expenses (excluding fuel costs)	1,656.76	1,328.41	328.35	24.7	5,303.92	3,812.76	1,491.16	39.1
<i>RG</i>	739.79	868.66	(128.87)	(14.8)	2,558.94	2,445.94	113.00	4.6
<i>RAC</i>	475.61	451.45	24.16	5.4	1,343.20	1,337.81	5.39	0.4
<i>RCO</i>	431.04	-	431.04	-	1,370.72	-	1,370.72	-
<i>RL</i>	10.32	8.30	2.02	24.3	31.06	29.01	2.05	7.1
Administrative expenses	387.40	368.90	18.50	5.0	1,263.12	1,159.94	103.18	8.9
(Gain) Loss on fair value adjustment of derivatives	3.10	(114.99)	118.09	102.7	36.39	(117.31)	153.70	131.0
Finance costs	365.49	336.35	29.14	8.7	1,155.14	1,070.62	84.52	7.9
Tax expense	(110.68)	222.66	(333.34)	(149.7)	229.60	738.31	(508.71)	(68.9)
Total Cost and expenses	2,302.07	2,141.33	160.74	7.5	7,988.17	6,664.32	1,323.85	19.9
<i>Fuel Cost</i>	<i>5,747.83</i>	<i>6,422.84</i>			<i>18,313.21</i>	<i>21,539.14</i>		

2.2.1 Cost of sales and rendering of services (excluding fuel costs)

Comparing Q3'2020 vs Q3'2019

(1) Cost of sales of RG decreased since there was less planned maintenance shutdown, compared to the same period of the previous year.

(2) Cost of sales of RCO increased due to the acquisition on October 1, 2019.

Comparing 9-month of 2020 vs 9-month 2019

(1) Cost of sales of RG increased due to, in the 9-month period of 2020, the recognition of losses on revaluation of heavy oil and diesel oil prices in the total amount of THB 143.99 million since the market price decreased; while, in the 9-month period of 2019, there was the decrease of losses on revaluation of diesel oil price in the amount of THB 25.56 million.

(2) Cost of sales of RCO increased due to the acquisition on October 1, 2019.

2.2.2 The effect of fair value adjustment of derivatives

Comparing Q3'2020 vs Q3'2019 and 9-month of 2020 vs 9-month 2019

The Company recorded the effect on fair value adjustment of derivatives according to the adopted accounting policies for derivatives and hedge accounting. The main reason was the change in fair value adjustment of cross currency swap contract between JPY and AUD currencies to manage exposure of fluctuations in foreign exchange risk on borrowings.

2.2.3 Income Tax

Comparing Q3'2020 vs Q3'2019 and 9-month of 2020 vs 9-month 2019

Income tax decreased since RG received tax benefit from the sale of Tri Energy Power Plant which its PPA was expired in June 2020.

2.3 The effect of exchange rate of the Company and its subsidiaries

Comparing Q3'2020 vs Q3'2019 and 9-month of 2020 vs 9-month 2019

In the 3rd quarter and 9-month period of 2020, the Company recorded gain on FX. The main reason was from loan to related parties in AUD currency. As AUD currency appreciated in relative to USD currency, the asset value in AUD currency increased. In contrast, the Company recorded loss on FX of in the 3rd quarter and 9-month period of 2019 due to the depreciation of AUD currency in relative to USD currency, resulting in the decrease of asset value in AUD currency.

3. Analysis of statement of financial position

3.1 Analysis of assets

As at September 30, 2020, the total assets were THB 110,910.11 million, increasing by THB 10,680.68 million or 10.7 percent from THB 100,229.43 million as at December 31, 2019. The details were as follows:

	(Million Baht)			
	Sep 30, 2020	Dec 31, 2019	Increase (Decrease)	%
Current assets	18,283.68	20,479.77	(2,196.09)	(10.7)
Non-current assets	92,626.43	79,749.66	12,876.77	16.1
Total Assets	110,910.11	100,229.43	10,680.68	10.7

3.1.1 Cash and cash equivalents decreased in the amount of THB 1,290.77 million (the details are described in no.4)

3.1.2 Trade accounts receivable from related parties of RG increased in the amount of THB 1,071.43 million, as the electricity sales in August and September 2020 were higher than the electricity sales in November and December 2019.

3.1.3 Investments in joint ventures and associates increased in the amount of THB 7,330.90 million. The main reasons were from additional investments in the amount of THB 5,176.46 million, the share of profit contributed during the period in the total amount of THB 3,272.62 million, and exchange rate adjustment in the amount of THB 1,118.69 million. On the other hand, the Company recorded dividend income in the amount of THB 1,733.74 million.

3.1.4 Long-term loan to other company in the amount of USD 80 million.

3.1.5 Property, plant and equipment increased in the amount of THB 4,815.53 million. The main reason was assets under construction of RAC increased in the amount of AUD 188.58 million mainly due to the construction of Collector Wind Farm Project.

3.1.6 Financial lease receivables from related party decreased in the amount of THB 2,459.37 million.

3.2 Analysis of liabilities and equity

As at September 30, 2020, the total liabilities and equity were THB 110,910.11 million, increasing by THB 10,680.68 million or 10.7 percent from THB 100,229.43 million as at December 31, 2019. The details were as follows:

	(Million Baht)			
	Sep 30, 2020	Dec 31, 2019	Increase (Decrease)	%
Liabilities	50,925.97	40,815.50	10,110.47	24.8
Equity	59,984.14	59,413.93	570.21	1.0
Total Liabilities and Equity	110,910.11	100,229.43	10,680.68	10.7

3.2.1 Liabilities increased in the amount of THB 10,110.47 million, the main reasons were as follows:

(1) Short-term loan from financial institutions increased in the amount of THB 6,391.47 million. The main reason was the Company and RHIS received short-term loans from financial institutions during the period in the amount of THB 5,380 million and USD 31 million respectively.

(2) Trade accounts payable of RG increased in the amount of Baht 546.71 million as the power plants generated more electricity in August and September 2020 than that in November and December 2019, resulting in the increase in fuel consumption.

(3) Long-term loan from financial institutions increased in the amount of THB 1,950.44 million. The main reason was RAC received long-term loans from financial institutions during the period in the amount of AUD 44.63 million. In addition, AUD currency appreciated in relative to USD currency.

(4) Debentures increased in the total amount of THB 802.42 million due to the appreciation of USD currency in relative to THB currency.

3.2.2 Equity increased in the amount of THB 570.21 million. The main reasons were as follows:

(1) The profit of the 9-month period of 2020 in the amount of THB 4,157.21 million

(2) The dividend payment during the nine-month period of the year 2020 decreased retained earnings in the amount of THB 3,480 million.

4. Analysis of cash flows

Cash and cash equivalents of the Company and its subsidiaries as at September 30, 2020 were THB 3,626.39 million, decreasing by THB 1,290.77 million from THB 4,917.16 million on December 31, 2019. The details were summarized below:

	(Million Baht)
	9-Month
Net cash from operating activities	5,008.34
Net cash used in investing activities	(9,299.38)
Net cash from in financing activities	2,864.24
Effect of exchange rate changes on cash and cash equivalents	136.03
Net cash decrease during the period	(1,290.77)

4.1 Net cash from operating activities increased cash flow in the amount of THB 5,008.34 million. The reason was the operating result of the nine-month period of 2020 improved cash position by THB 3,677.75 million, adjusting by the change in operating assets and liabilities in the amount of THB 1,330.59 million.

4.2 Net cash used in investing activities decreased cash flow in the amount of THB 9,299.38 million. The main reasons were as follows:

4.2.1 RAC paid for the construction of Collector Wind Farm Project in Australia in the amount of AUD 188.58 million.

4.2.2 The Company paid for additional investment in joint ventures and associates in the amount of THB 5,176.46 million.

4.2.3 The Company received cash from other financial assets in the amount of THB 1,417.64 million.

4.2.4 The Company received dividends from joint ventures and associates in the total amount of THB 1,660.17 million.

4.3 Net cash from financing activities increased cash flow in the amount of THB 2,864.24 million.

The main reasons were as follows:

4.3.1 The Company and RHIS received short-term loans from financial institutions during the period in the amount of THB 5,380 million and USD 31 million, respectively.

4.3.2 RAC received long-term loans from financial institutions during the period in the amount of AUD 44.63 million.

4.3.3 The Company paid dividend to owners in the amount of THB 3,477.01 million.

4.3.4 The Company paid for interest expenses in the amount of Baht 1,223.06 million.

5. Significant financial ratios (excluded the effect of foreign exchange rate of the Company and its subsidiaries)

Ratios		Quarter 3	
		2020	2019
1) Current Ratio	(Times)	1.26	2.84
2) Profit to Total Revenue (excluded fuel costs)	(%)	40.78	41.65
3) Return on Equity **	(%)	8.08	10.21
4) Return on Assets **	(%)	6.57	8.33
5) EBITDA *	(Million THB)	2,307	2,340
6) EBITDA to Total Assets	(%)	2.13	2.39
7) Debt to Equity Ratio	(Times)	0.85	0.65
8) Debt Service Coverage Ratio	(Times)	2.24	3.90
9) Book Value per Share	(THB)	41.37	40.40
* Not included the change in lease receivable (Million THB)		837.76	237.44

** Data for 12-month period