

Management Discussion and Analysis (“MD&A”)

The 2nd Quarter of 2018 Operating Performance

of TRC Construction Public Company Limited and its Subsidiaries

The 2nd Quarter of 2018

(Unit : Million Baht)

	The 1st Qtr 2018	The 2nd Qtr 2018	The 2nd Qtr 2017	Change (2 nd Qtr 2018 - 2 nd Qtr 2017)	
				Amount	Percentage
				Construction service income	464.73
Cost of construction services	-347.87	-431.88	-267.66	164.22	61.35
Sales	0.21	1.88		1.88	N/A
Cost of sales	-0.25	-1.97		1.97	N/A
Gross profit	116.82	45.33	168.27	-122.94	-73.06
Interest and other income	6.52	3.04	3.93	-0.89	-22.65
Administrative expenses	-86.64	-80.29	-65.39	14.90	22.79
Profit (loss) before share of loss from investment in associate, finance cost and income tax expenses	36.70	-31.92	106.81	-138.73	-129.88
Share of loss from investment in associate	-12.44	-12.53	-7.32	5.21	71.17
Share of profit from investment in joint venture	-0.06	0.18		0.18	N/A
Finance cost	-3.85	-4.58	-4.37	0.21	4.81
Income tax expenses	-11.76	2.86	-24.05	-26.91	-111.89
Profit (Loss) for the period	8.59	-45.99	71.07	-117.06	-164.71
Non-controlling interests of the subsidiaries	0.45	0.45	0.49	-0.04	-8.16
Profit (Loss) attribute to equity holders of the Company	9.04	-45.54	71.56	-117.10	-163.64
Earnings per Share (Baht)	0.0015	-0.007	0.012		
Gross Profit Margin	25.13%	9.46%	38.60%		
Net Profit (loss) Margin	1.92%	-9.44%	16.27%		
Debt to Equity (Time(s))	0.63	0.72	0.74		

The 6-Month of 2018

(Unit : Million Baht)

	The 6-Month	The 6-Month	Change	
	2018	2017	Amount	Percentage
Construction services income	942.03	1,388.07	-446.04	-32.13
Cost of construction services	-779.75	-1,123.81	-344.06	-30.62
Sales	2.09		2.09	N/A
Cost of sales	-2.22		2.22	N/A
Gross profit	162.15	264.26	-102.11	-38.64
Interest and other income	9.56	5.98	3.58	59.87
Administrative expenses	-166.93	-192.24	-25.31	-13.17
Profit (loss) before share of loss from investment in associate, finance cost and income tax expenses	4.78	78.00	-73.22	-93.87
Share of loss from investments in associate	-24.97	-17.57	7.40	42.12
Share of profit from investment in joint venture	0.12		0.12	N/A
Finance cost	-8.43	-8.05	0.38	4.72
Income tax expenses	-8.90	-22.31	-13.41	-60.11
Profit for the period	-37.40	30.07	-67.47	-224.38
Non-controlling interests of the subsidiaries	0.90	1.05	-0.15	-14.29
Profit attribute to equity holders of the Company	-36.50	31.12	67.62	217.29
Earnings per Share (Baht)	-0.006	0.005		
Gross Profit Margin	17.17%	19.04%		
Net Profit (loss) Margin	-3.83%	2.23%		

The 2nd Quarter of 2018 Operating Performance Summary

1. Construction services income and sales

- **Construction services income** recorded at Baht 477.30 million increasing Baht 41.37 million from the same period of last year representing 9.49% increase. Most of construction services income was from the carried forward projects such as the 1st Transmission Pipeline Life Extension Project 28" Recoating Section from PTT Public Company Limited and Improvement of Pracharumjai Road – Mitmaitri Road Project from Bangkok Metropolitan Administration and other State Enterprises (Metropolitan Electricity, Authority Metropolitan Waterworks Authority, etc.) by Sahakarn Wisavakorn Co., Ltd.

- **Sales** recorded at Baht 1.88 million from TRC Utility Co., Ltd ("TRCUT"), a subsidiary. TRCUT has started water selling to industry and community in Pluak Daeng District, Rayong Province since March 2018.

2. **Gross profit** was Baht 45.33 million. Gross profit margin was 9.46%, decreasing from the same period of last year and from the previous quarter which were at 38.60% and 25.13% respectively. The gross margin in the same period of last year was quite high at 38.60% due to the large project cost budget adjustment to be in line with the actual cost. Most of the new projects received during the previous year have low gross margin. As a result, gross margin declined in the second quarter.

3. Administrative expenses and finance cost was Baht 80.29 million and Baht 4.58 million respectively. Administrative expenses increased from the same period of last year at Baht 14.90 million or 22.79% because in the same period of last year, the subsidiary company adjusted the unrealized loss of exchange foreign currency. There were additional administrative expenses from TRCUT which start its operation in the period. Finance cost increased from the same period of last year of Baht 0.21 million. Most of finance cost was interest expenses from debentures. The Company has issued debentures with 1-year maturity in July 2017 and 2-year maturity in March 2016 and March 2018. As at 30 June 2018, the outstanding balance of debentures was Baht 280 million.

4. Share of loss from investments in associate was Baht 12.53 million due to the loss recognition by equity method from operating loss of APOT, increasing from the same period of last year at Baht 5.21 million or 71.17%. At present, APOT is in process of its mining construction in Chaiyaphum Province.

5. Loss attribute to equity holders of the Company was Baht 45.54 million, representing 9.44% net loss margin. While the same period of last year, there was profit of 71.56 million, representing 16.27% net profit margin.

The 6-Month of 2018 Operating Performance

The first half of 2018, TRC and its subsidiaries recorded the services income of Baht 942.03 million, decreasing from the same period of last year at Baht 446.04 million or 32.13%. In last year, several projects were almost completed such as Engineering Procurement and Construction for Dry Ice Expanded Tobacco Process project and Srinakarin to Romkloa Road, Phase 1 Project. Moreover, new projects received at the end of previous year (such as Improvement of Pracharuamjai Road – Mitmaitri Road Project, Baht 990.84 million) and new project as subcontractor of the 5th Transmission Pipeline Project, phase I (Baht 755.28 million) received early of this year are still in an initial stage, not much revenue recognition. As a result, construction services income for the first half decreased.

Gross margin was 17.17%, decreasing from same period of last year which was 19.04%. The reason was the same as the decrease of the 2nd quarter of 2018 gross profit margin abovementioned.

Loss profit attribute to equity holders of the Company was Baht 36.50 million, representing 3.83% net loss margin and Baht 0.006 loss per share. While the net profit for the first half of last year was Baht 31.12 million representing 2.23% net profit margin and Baht 0.005 earnings per share. Net profit for the 6-month of 2018 decreased due to lower gross margin and the loss recognition by equity method from APOT (associate).

Backlog on Hand

As at 30 June 2018, the Company and its subsidiaries had projects on hand with the remaining uncompleted works as follows:

	Number of the Projects	Uncompleted Work Value (Million Baht)
TRC Construction Public Company Limited	9	2,063.87
Sahakarn Wisavakorn Co., Ltd.	7	2,106.21
Total	16	4,170.08

During the 2nd quarter of 2018, the Company adjusted the work value of 2 projects as follows:

1. Surface Processing Plants and Facilities Project from APOT

The company cut off Early Works II project, work value of Baht 2,311 million and Preparation and Refurbishment of Existing Decline project work value of Baht 62.13 million from backlog due to the delay in the development of APOT's projects. The Company has not yet been able to sign the construction contract with APOT. Therefore, the remaining work value of APOT project of Baht 226 million is included in the backlog.

2. The 1st Transmission Pipeline Life Extension Project (PLLEP): 28" Recoating Section Project (RC-400) from PTT

In June 2018, the company received amendment to Letter of Intent for the reduction of RC 400 Project's work value from Baht 3,725 million to Baht 3,237 million, decreasing Baht 487.24 million

Significant Events during the 2nd Quarter of 2018 - Present

- **Registered capital decrease/increase**

According to the resolutions regarding the decrease/increase of registered capital approved by the 2018 Annual General Meeting of Shareholders, the Company registered the following changes with the Ministry of Commerce.

On 23 May 2018, the registered capital decreased from Baht 733,712,251.25 to Baht 733,711,662 by cancelling 4,714 ordinary shares with a par value of Baht 0.125 per share which were the remaining unissued ordinary shares reserved for stock dividend payment in 2017. On 24 May 2018, the registered capital increased from Baht 733,711,662 to Baht 770,397,245 reserved for stock dividend payment in May 2018.

- **Stock dividend from operation of 2017**

On 30 May 2018, the Company registered the increase of the paid-up capital from Baht 733,711,662 to Baht 770,395,728.12 due to the stock dividend payment.

- **TRC was chosen as one of sSET index of 2017 and continue to second half of 2018**

TRC was elected for sSET index constituents calculating for 2017 and first half of 2018. And in June 2018, TRC Securities was continually elected for sSET index for the second half of 2018. sSET Index represents the price movement of common stocks apart from constituents in the SET50 Index and SET100 Index, that have constant liquidity and comply with requirements regarding the distribution of shares to minor shareholders.



(Mr. Pasit Leesakul)

Director and Chief Executive Officer

8 August 2018