

Management Discussion and Analysis (“MD&A”)

The 3rd Quarter of 2018 Operating Performance

of TRC Construction Public Company Limited and its Subsidiaries

The 3rd Quarter 2018 Performance

(Unit : Million Baht)

	The 2 nd Qtr	The 3 rd Qtr	The 3 rd Qtr	Change	
	2018	2018	2017	3 rd Qtr 2018-3 rd Qtr 2017	3 rd Qtr 2018-3 rd Qtr 2017
				Amount	Percentage
Construction services income	477.30	644.14	452.11	192.03	42.47
Cost of construction services	-431.88	-509.47	-370.17	139.30	37.63
Gross profit for construction services income	45.42	134.67	81.94	52.73	64.35
Sales	1.88	1.71		1.71	N/A
Cost of sales	-1.97	-2.05		2.05	N/A
Gross loss for sales	-0.09	-0.34	0.00	0.34	N/A
Administrative expenses	-80.29	-80.53	-83.18	-2.65	-3.19
Operating profit (loss)	-34.96	53.80	-1.24	55.04	4,438.71
Interest and other income	3.04	24.71	48.75	-24.04	-49.31
Share of loss from investments in associate	-12.53	-11.67	-9.40	2.27	24.15
Share of profit from investment in joint venture	0.18	0.54		0.54	N/A
Finance cost	-4.58	-5.82	-4.16	1.66	39.90
Profit (loss) before income tax expenses	-48.85	61.56	33.95	27.61	81.33
Income tax expenses	2.86	-18.91	-12.54	6.37	50.80
Non-controlling interests of the subsidiaries	0.45	0.48	0.35	0.13	37.14
Profit (loss) attribute to equity holders of the Company	-45.54	43.13	21.76	21.37	98.21
Earnings per Share (Baht)	-0.007	0.007	0.004		
Gross Profit Margin for construction services income	9.52%	20.91%	18.12%		
Gross Profit Margin for sales	-4.79%	-19.88%	N/A		
Net Profit (loss) Margin	-9.44%	6.43%	4.34%		
Debt to Equity (Time(s))	0.72	0.68	0.74		

The 9-Month 2018 Performance

(Unit : Million Baht)

	The 9-Month	The 9-Month	Change	
	2018	2017	Amount	Percentage
Construction services income	1,586.16	1,840.18	-254.02	-13.80
Cost of construction services	-1,289.23	-1,493.98	-204.75	-13.71
Gross profit for construction services income	296.93	346.20	-49.27	-14.23
Sales	3.81		3.81	N/A
Cost of sales	-4.28		4.28	N/A
Gross loss for sales	-0.47		0.47	N/A
Administrative expenses	-247.46	-275.42	-27.96	-10.15
Operating profit (loss)	49.00	70.78	-21.78	-30.77
Interest and other income	34.28	54.74	-20.46	-37.38
Share of loss from investments in associate	-36.64	-26.97	9.67	35.85
Share of profit from investment in joint venture	0.67		0.67	N/A
Finance cost	-14.25	-12.21	2.04	16.71
Profit (loss) before income tax expenses	33.06	86.34	-53.28	-61.71
Income tax expenses	-27.81	-34.85	-7.04	-20.20
Non-controlling interests of the subsidiaries	1.38	1.40	-0.02	-1.43
Profit (loss) attribute to equity holders of the Company	6.63	52.89	-46.26	-87.46
Earnings per Share (Baht)	0.001	0.009		
Gross Profit Margin for construction services income	18.72%	18.81%		
Gross Profit Margin for sales	-12.34%	N/A		
Net Profit (loss) Margin	0.41%	2.79%		

The 3rd Quarter of 2018 Operating Performance Summary: Net Profit 43.1 MB increased 98%

1. Construction services income and sales

- **Construction services income** recorded at Baht 644.14 million which increased at Baht 192.03 million from the same period of last year representing 42.47%. Most of construction services income was from the carried forward projects such as the 1st Transmission Pipeline Life Extension Project 28" Recoating Section , BV4.19 PIG Launcher and Receiver Installation 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. Increasing of construction services income mainly came from the pipeline system which the Company has engaged expertise to manage and deliver the works according to the plan.

- **Sales** recorded at Baht 1.71 million from TRC Utility Co., Ltd ("TRCUT"), our subsidiary. TRCUT has started water selling to industry and community in Pluak Daeng District, Rayong Province since March 2018.

2. Cost of construction services and sales

- **Cost of construction services** recorded at Baht 509.47 million which increased at Baht 192.03 million from the same period of last year representing 37.63%, in line with the increase of construction services income.

- **Cost of sales** recorded at Baht 2.05 million. Most of the cost was from depreciation of tools and equipment used for production and supply of water.

3. Administrative expenses and finance cost were Baht 80.53 million and Baht 5.82 million respectively. Administrative expenses decreased from the same period of last year at Baht 2.65 million or 3.19%. Finance cost increased from the same period of last year at Baht 1.66 million. Most of finance cost was interest expenses from debentures. As at 30 September 2018, the outstanding balance of debentures was from 2-year maturity debentures issued in March 2018 total of Baht 180 million.

4. Share of loss from investments in associate was Baht 11.67 million due to the loss recognition by equity from operating loss of APOT, increasing from the same period of last year at Baht 2.27 million or 24.15%. At present, APOT is in process of its mining construction in Chaiyaphum Province.

5. Profit attribute to equity holders of the Company was Baht 43.13 million, representing 6.43% net profit margin. While the same period of last year, there was net profit of 21.76 million, representing 4.34% net profit margin.

The 9-Month of 2018 Operating Performance: Net Profit 6.6 MB

For 9-Month of 2018 Operating Performance, TRC and its subsidiaries recorded the services income at Baht 1,586.16 million, decreased from the same period of last year at Baht 254.02 million or 13.80%. During this year, there was a delivery of completed projects carried forward from last year such as Engineering Procurement and Construction for Dry Ice Expanded Tobacco Process project and Srinakarin to Romklao Road, Phase 1 Project. Moreover, new projects granted at the end of previous year (such as Improvement of Pracharumjai 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) granted early of this year were not much revenue recognized. As a result, the 9-month construction services income decreased.

The first half of 2018, despite there was a net loss of Baht 36.50 million, the net profit for the third quarter was Baht 43.13 million. That resulting in a 9-month net profit attribute to equity holders of the Company at Baht 6.63 million, representing 0.41% net loss margin and Baht 0.001 profit per share. While the net profit from the same period of last year was Baht 52.89 million representing 2.79% net profit margin and Baht 0.009 earnings per share.

Auditor's opinion on Independent Auditor's Report on Review of Interim Financial Information with qualified conclusion for limitation imposed by circumstance for the three-month and nine-month periods ended 30 September 2018

Paragraph mentioned for qualified conclusion in Auditor's Report on review of interim financial information a) and b), the Company has invested in an associate, ASEAN Potash Chaiyaphum Public Company Limited or APOT, and its shareholding is held through subsidiaries which is presented under long-term loans to related parties in the separate statement of financial position at Baht 1,307 million. The investment is presented in the consolidated statement of financial position at an amount of Baht 1,222 million. An outstanding balance related to construction services provided to this associate is totaling of Baht 696 million. Furthermore, APOT is unable to pay the first installment for the special state benefits to related government. These circumstances raise substantial doubt to APOT's ability .

This circumstances of APOT may significantly affect the value of investment in associate, the value of long-term loans to related parties, and the balance related to the construction services provided to APOT described above. As a result, auditor's opinion on qualified conclusion for limitation imposed by circumstance of the associated company.

Backlog on Hand

As at 30 September 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	8	1,706.66
Sahakarn Wisavakorn Co., Ltd.	<u>10</u>	<u>3,274.43</u>
Total	18	4,981.09

Significant Events during the 3rd Quarter of 2018 - Present

- **During the 3rd Quarter of 2018, Sahakarn Wisavakorn Co., Ltd. (TRC's subsidiary) obtained 3 projects, work value of Baht 1,464 million. The significant projects consisting of:**

1. The construction of overpass bridge, Na Ranong Intersection from Bangkok Metropolitan Administration.: The project's work value is Baht 1,257 million with 900 days construction period
2. Improvement of Samwa Road from Bangkok Metropolitan Administration.: The project's work value is Baht 172 million with 360 days construction period.

- **During October – present, TRC Group obtained 3 projects, work value of Baht 633 million. The significant projects consisting of:**

Sahakarn Wisavakorn Co., Ltd. (TRC's subsidiary) obtained Engineering, Procurement, Construction & System Installation for Lubricants Distribution Center Project from PTT Oil and Retail Business Public Company Limited.: The project's work value is Baht 600 million with 450 days construction period.



(Mr. Pasit Leesakul)

Director and Chief Executive Officer

12 November 2018