

## Management Discussion and Analysis (“MD&A”)

### The 2<sup>nd</sup> Quarter and 6-Month of 2016 Operating Performance

#### of TRC Construction Public Company Limited and Its Subsidiaries

(Unit : Million Baht)

	The 1st Qtr 2016	The 2nd Qtr 2016	The 2nd Qtr 2015	Change (2 <sup>nd</sup> Qtr 2016 - 2 <sup>nd</sup> Qtr 2015)	
				Amount	Percentage
				Construction service income	1,104.34
Cost of construction services	-935.34	-324.86	-804.41	-479.55	-59.62
Gross profit	169.00	108.39	122.88	-14.49	-11.79
Interest and other income	8.16	5.90	27.48	-21.58	-78.53
Administrative expenses	-83.41	-69.14	-72.17	-3.03	-4.20
Profit before share of loss from investment in associate, finance cost and income tax expenses	93.75	45.15	78.19	-33.04	-42.26
Share of loss from investment in joint venture	-4.95	-8.72	0.00	-8.72	N/A
Finance cost	-2.52	-3.95	-1.05	2.91	277.99
Income tax expenses	-23.03	-13.13	-11.14	1.99	17.82
Profit for the period	63.25	19.35	66.00	-46.65	-70.68
Non-controlling interests of the subsidiaries	2.84	1.76	0.30	1.46	486.67
<b>Profit attribute to equity holders of the Company</b>	<b>66.09</b>	<b>21.11</b>	<b>66.30</b>	<b>-45.19</b>	<b>-68.16</b>
Earnings per Share (Baht)	0.01	0.01	0.01		
Gross Profit Margin	15.30%	25.02%	13.25%		
Net Profit Margin	5.94%	4.81%	6.94%		
Debt to Equity (Time(s))	1.03	0.95	0.86		

(Unit : Million Baht)

	The 6-Month 2016	The 6-Month 2015	Change	
			Amount	Percentage
Construction services income	1,537.59	1,701.35	-163.76	-9.63
Cost of construction services	-1,260.20	-1,406.61	-146.41	-10.41
Gross profit	277.39	294.74	-17.35	-5.89
Interest and other income	14.06	33.71	-19.65	-58.29
Administrative expenses	-152.55	-155.05	-2.50	-1.61
Profit before share of loss from investment in associate, finance cost and income tax expenses	138.90	173.40	-34.50	-19.90
Share of loss from investments in associate	-13.67	0.00	13.67	N/A
Finance cost	-6.47	-1.49	4.99	335.69
Income tax expenses	-36.16	-30.58	5.58	18.23
Profit for the period	82.60	141.33	-58.73	-41.55
Non-controlling interests of the subsidiaries	4.59	2.68	1.91	71.33
<b>Profit attribute to equity holders of the Company</b>	<b>87.19</b>	<b>144.01</b>	<b>-56.82</b>	<b>-39.45</b>
Earnings per Share (Baht)	0.02	0.03		
Gross Profit Margin	18.04%	17.32%		
Net Profit Margin	5.62%	8.30%		

## The 2<sup>nd</sup> Quarter of 2016 Operating Performance

1. **Construction services income** was Baht 433.25 million, decreasing by Baht 494.04 million or 53.28% compared to the same period of last year. Most revenue was recognized from backlog projects carried forward from last year and some are in the final stage to be delivered to project owner.

2. **Gross profit** was Baht 108.39 million, decreasing by Baht 14.49 million. Gross Profit Margin was at 25.02% increasing from the same period of last year and from the previous quarter which were at 13.25% and 15.30%, respectively. The increase of gross profit due to an effective project management, the actual cost was lower than the budget cost.

3. **Administrative expenses and finance cost** were Baht 69.14 million and Baht 3.95 million, respectively. Administrative expenses decreased slightly from the same period of last year Baht 3.03 million or representing a 4.20% decrease. Finance cost increased from the same period of last year Baht 2.91 million due to interest expenses of debentures. TRC issued debentures total of Baht 300 million in July 2015 and March 2016 for using as working capital.

4. **Share of loss from investments in associate** was Baht 8.72 million due to the loss recognition by equity method from operating loss of ASEAN Potash Chaiyaphum Public Company Limited (“APOT”). At present, APOT is during processing of its Potash mining construction in Chaiyaphum Province.

5. **Profit attribute to equity holders of the Company** was Baht 21.11 million decreasing by Baht 45.19 million from the same period of last year or 68.16%. Net profit margin was 4.81%.

## The 6-Month of 2016 Operating Performance

The first half of 2016, TRC and its subsidiaries recorded the services income of Baht 1,537.59 million, decreasing by Baht 163.76 million or 9.63%. Services income of TRC was Baht 1,105.06 million, decreasing by 31.56% from the first half of last year.

Gross margin was 18.04%, increasing from same period of last year which was at 17.32%. The reason was the same as the increase of the 2<sup>nd</sup> quarter of 2016 gross profit margin abovementioned.

Net profit attribute to equity holders of the Company was Baht 87.19 million, representing 5.62% net profit margin and Baht 0.02 earnings per share. While the net profit for the 1<sup>st</sup> half of last year was Baht 144.01 million representing 8.30% net profit margin and Baht 0.03 earnings per share. Net profit for the 6-month of 2016 decreased by 39.45%.

## Backlog on Hand

As at 30 June 2016, 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	6	3,616.95
Sahakarn Wisavakorn Co., Ltd.	<u>4</u>	<u>2,090.79</u>
<b>Total</b>	<b><u>10</u></b>	<b><u>5,707.75</u></b>

Note: Excluded Turnkey Delivery of APOT Project Package 2. Surface Processing and Facilities from ASEAN Potash chaiyaphum Plc. with work value approximately of Baht 33,864 million because the EPC Contract is still not signed.

### **Assets, Liabilities and Debt to Equity Ratio**

As at 30 June 2016, total assets of TRC and its subsidiaries were Baht 4,852.04 million, increasing by Baht 280.17 million compared with at the end of 2015. Total liabilities were Baht 2,375.82 million, increasing by Baht 224.61 million. The significant increased assets were investments in associate which increasing Baht 1,347.60 million. During the first half of 2016, there was an additional payment of Baht 905 million for APOT's share acquisition. As a result, TRC Group's shareholding in APOT increased to 26.22%. Therefore, this investment was reclassified from other long-term investment to investment in an associate and then, equity method is applied for investment recording.

The significant increased liabilities were short-term loans from financial institutions, increasing by Baht 153.54 million. And TRC also issued additional debentures of Baht 200 million for using as its working capital in March 2016. Debentures increased from Baht 100 million as at the end of 2015 to Baht 300 million.

Debt to equity ratio decreased from 1.03 times as at the end of the 1<sup>st</sup> quarter of 2016 to 0.95 time as at 30 June 2016.

### **Significant Events during the 2<sup>nd</sup> Quarter of 2016**

- **TRC Investment Limited's investment in ASEAN Potash Chaiyaphum Public Company Limited**

In June 2016, TRC Investment Limited increased its investment in ASEAN Potash Chaiyaphum Public Company Limited's shares by purchasing additional 0.98 million shares of APOT at Baht 200 per share, totaling Baht 195 million. As a result, TRC Group's shareholding in APOT increased to 26.62% consisting of 23.43% shareholding by TRC Investment Limited and 2.79% shareholding by TRC International Limited with APOT's paid-up capital as of 30 June 2016 at Baht 2,688 million.

- **TRC was chosen as one of the 100 listed companies in SET 100 index constituents**

In June 2016, TRC was chosen by the Stock Exchange of Thailand ("SET") for SET 100 index constituents calculating for the period 1 July to 31 December 2016. (SET50 Index and SET100 Index are indices to be used as underlying index by selecting the top 50 and 100 listed companies' securities respectively, in terms of large market capitalization and high liquidity.)

● **Results of the 9<sup>th</sup> Exercise of ESOP Warrants 2 (“TRC- W2”) – Final Exercise Period**

**Newly issued shares from ESOP-W2:**

*Newly issued shares before Par Split (Par value 0.50 Baht)*

Newly issued shares from the 1<sup>st</sup>- 4<sup>th</sup> exercise (exercise ratio 1 unit: 1 share) 13,950,833 shares

*Newly issued shares after Par Split (Par value 0.125 Baht)* 69,754,165 shares

Newly issued shares from the 5<sup>th</sup> – 8<sup>th</sup> exercise (exercise ratio 1 unit: 5 share) 80,814,860 shares

Newly issued shares from the 9<sup>th</sup> exercise on 30 June 2016 (exercise ratio 1 unit: 5.625 share) 2,046,797 shares

Accumulated newly issued shares from ESOP-W2 152,615,822 shares

**Proceeds from the exercise of the ESOP-W2:**

*Before Par Split (Par value 0.50 Baht)*

Capital increase proceeds from the 1<sup>st</sup> – 4<sup>th</sup> exercise (exercise Price 3.03 Baht/share) 42,271,023.99 Baht

*After Par Split (Par value 0.125 Baht)*

Capital increase proceeds from the 5<sup>th</sup> – 8<sup>th</sup> exercise (exercise Price 0.606 Baht/share) 48,973,805.16 Baht

Capital increase proceeds from the 9<sup>th</sup> exercise (exercise Price 0.5387 Baht/share) 1,102,609.54 Baht

Accumulated capital increase proceeds 92,347,438.69 Baht

**Issued and paid-up share capital:**

Issued and paid-up capital before the exercise of ESOP-W2 408,293,386.50 Baht

Share capital increased from the 1<sup>st</sup> - 4<sup>th</sup> exercise 6,975,416.50 Baht

*Share capital increased from stock dividend (4 existing shares per 1 new share)* 103,817,200.25 Baht

Issued and paid-up capital before the 5<sup>th</sup> exercise of ESOP-W2 519,086,003.25 Baht

Share capital increased from the 5<sup>th</sup> exercise 2,563,876.25 Baht

Share capital increased from share offering through private placement in August 2015 41,250,000.00 Baht

Share capital increased from the 6<sup>th</sup> - 8<sup>th</sup> exercise 7,537,981.25 Baht

*Share capital increased from stock dividend (8 existing shares per 1 new share)* 71,304,509.63 Baht

Share capital increased from the 9<sup>th</sup> exercise 255,849.62 Baht

Issued and paid-up capital at present 641,998,220.00 Baht



(Mr. Pasit Leesakul)

Director and Chief Executive Officer

11 August 2016