

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

### The 2<sup>nd</sup> Quarter and 6-Month of 2017 Operating Performance

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

##### The 2nd Quarter of 2017

(Unit : Million Baht)

	The 1st Qtr 2017	The 2nd Qtr 2017	The 2nd Qtr 2016	Change (2 <sup>nd</sup> Qtr 2017 - 2 <sup>nd</sup> Qtr 2016)	
				Amount	Percentage
				Construction service income	952.14
Cost of construction services	-856.15	-267.66	-324.86	-57.20	-17.61
Gross profit	95.99	168.27	108.39	59.88	55.24
Interest and other income	2.05	3.93	5.90	-1.97	-33.39
Administrative expenses	-126.85	-65.39	-69.14	-3.75	-5.42
Profit (loss) before share of loss from investment in associate, finance cost and income tax expenses	-28.81	106.81	45.15	61.66	136.57
Share of loss from investment in associate	-10.25	-7.32	-8.72	1.40	16.06
Finance cost	-3.68	-4.37	-3.95	0.42	10.63
Income tax expenses	1.74	-24.05	-13.13	10.92	83.17
Profit for the period	-41.00	71.07	19.35	51.72	267.29
Non-controlling interests of the subsidiaries	0.56	0.49	1.76	-1.27	-72.16
<b>Profit attribute to equity holders of the Company</b>	<b>-40.44</b>	<b>71.56</b>	<b>21.11</b>	<b>50.45</b>	<b>238.99</b>
Earnings per Share (Baht)	-0.007	0.012	0.004		
Gross Profit Margin	10.08%	38.60%	25.02%		
Net Profit Margin	-4.24%	16.27%	4.81%		
Debt to Equity (Time(s))	0.86	0.74	0.95		

##### The 6-Month of 2017

(Unit : Million Baht)

	The 6-Month 2017	The 6-Month 2016	Change	
			Amount	Percentage
			Construction services income	1,388.07
Cost of construction services	-1,123.81	-1,260.20	-136.39	-10.82
Gross profit	264.26	277.39	-13.13	-4.73
Interest and other income	5.98	14.06	-8.08	-57.47
Administrative expenses	-192.24	-152.55	39.69	26.02
Profit (loss) before share of loss from investment in associate, finance cost and income tax expenses	78.00	138.90	-60.90	-43.84
Share of loss from investments in associate	-17.57	-13.67	3.90	28.53
Finance cost	-8.05	-6.47	1.58	24.42
Income tax expenses	-22.31	-36.16	-13.85	-38.30
Profit for the period	30.07	82.60	-52.53	-63.60
Non-controlling interests of the subsidiaries	1.05	4.59	-3.54	-77.12
<b>Profit attribute to equity holders of the Company</b>	<b>31.12</b>	<b>87.19</b>	<b>-56.07</b>	<b>-64.31</b>
Earnings per Share (Baht)	0.005	0.015		
Gross Profit Margin	19.04%	18.04%		
Net Profit Margin	2.23%	5.62%		

## The 2<sup>nd</sup> Quarter of 2017 Operating Performance

**1. Construction services income** was Baht 435.93 million, increasing Baht 2.68 million from the same period of last year or representing a 0.62% increase. Most revenue was recognized from carried forward project on hand of TRC from on hand previous year such as the 1<sup>st</sup> Transmission Pipeline Life Extension Project 28” Recoating Section from PTT Plc. and projects of Sahakarn Wisavakorn Co., Ltd. consisting of Engineering Procurement and Construction for Dry Ice Expanded Tobacco Process from Thailand Tobacco Monopoly Ministry of Finance, the Construction, Improvement and Expansion of Waterworks, Koh Samui Branch, Surat Thani Province from Provincial Waterworks Authority and Srinakarin to Romklao Road, Phase 1 Project from Bangkok Metropolitan Administration and other State Enterprises (Metropolitan Electricity, Authority Metropolitan Waterworks Authority, etc.).

**2. Gross profit** was Baht 168.27 million, increasing Baht 59.88 million from the same period of last year. Gross Profit Margin was at 38.06% increasing from the same period of last year and from the previous quarter which were at 25.02% and 10.08%, respectively. The increase of gross profit due to an effective project management, the actual cost was lower than the budget.

**3. Administrative expenses and finance cost** were Baht 65.39 million and Baht 4.37 million, respectively. Administrative expenses decreased slightly from the same period of last year Baht 3.75 million or representing a 5.42% decrease. Finance cost increased from the same period of last year Baht 0.42 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 7.32 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 71.56 million increasing by Baht 50.45 million from the same period of last year or 238.99%. Net profit margin was 16.27%.

## The 6-Month of 2017 Operating Performance

The first half of 2017, TRC and its subsidiaries recorded the services income of Baht 1.388.07 million, decreasing Baht 149.52 million or 9.72%. Services income of TRC was Baht 812.45 million, decreasing by 26.48% from the first half of last year.

Gross margin was 19.04%, increasing from same period of last year which was at 18.04%. The reason was the same as the increase of the 2<sup>nd</sup> quarter of 2017 gross profit margin abovementioned.

Net profit attribute to equity holders of the Company was Baht 31.12 million, representing 2.23% net profit margin and Baht 0.005 earnings per share. While the net profit for the first half of last year was Baht 87.19 million representing 5.62% net profit margin and Baht 0.015 earnings per share. Net profit for the 6-month of 2017 decreased by 64.31% mainly due to the loss of the 1<sup>st</sup> quarter of Baht 40.44 million.

## Backlog on Hand

As at 30 June 2017, 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*	5	4,244.85
Sahakarn Wisavakorn Co., Ltd.	7	1,583.77
<b>Total</b>	<b><u>12</u></b>	<b><u>5,828.62</u></b>

\* Backlog on hand included Early Works I and II (total work value: Baht 3,022.08 million and uncompleted work value as at end of the 2<sup>nd</sup> quarter 2017: Baht 2,652.67 million) from Turnkey Delivery of APOT Project Package 2. Surface Processing and Facilities from APOT. However, it excluded the remaining project work value approximately of Baht 31,067.46 million because the EPCC Contract is still not signed. (TRC obtained a Letter of Award from APOT in February 2016.)

## Significant Events during the 2<sup>nd</sup> Quarter of 2017

- **Investment in**

The 4/2017 Board of Directors' Meeting held on 11 May 2017 approved to set up a new subsidiary namely TRC Utility Company Limited for the investment in the Water Supply Concession Project of SAO Tasit in Pluak Daeng District, Rayong Province. Initial registered capital was Baht 1 million with 99.99% TRC's Shareholding. On 20 June 2017, this company registered its establishment with 25% of its share capital paid up, amounting to Baht 0.25 million.

- **Registered Capital Decrease/Increase**

According to the resolutions regarding the decrease/increase of registered capital approved by the 2017 Annual General Meeting of Shareholders, the Company registered the following changes with the Ministry of Commerce.

On 22 May 2017, the registered capital decreased from Baht 726,373,442.88 to Baht 641,998,220 by cancelling 675,001,783 ordinary shares with a par value of Baht 0.125 per share which had not yet been issued ordinary shares reservation for the issuance of warrants to specific investors who subscribed debentures and the remaining unissued ordinary shares reserved for stock dividend payment in 2016. On 23 May 2017, the registered capital increased from Baht 641,998,220 to Baht 733,712,251.25 reserved for stock dividend payment.

- **Stock dividends from operation of 2016**

On 26 May 2017, the Company registered the increase of the paid-up capital from Baht 641,998,220 to Baht 733,711,662 due to the stock dividend payment.

- **The Issuance of Debentures No. 1/2017 (100 MB)**

On 12 July 2017, the Company issued No. 1/2017 unsubordinated and unsecured debentures without a debentureholders' representative in the name-registered certificate to be offered by way of private placement of Baht 100

million consisting of 100,000 units of debentures at par value of Baht 1,000 per unit at offering value of Baht 1,000 per unit with 1-year maturity at interest rate of 4.50% per annum with quarterly interest payment.

- **New Projects**

**Awarded Projects in the 2<sup>nd</sup> Quarter of 2017**

**TRC**

Revamp LPG Transfer Pump to Domestic BRP from PTT Public Company Limited: The project's work value is approximately of Baht 208.50 million with 17-month construction period.

**Sahakarn Wisavakorn:**

1. The Improvement Nature Trail into National Park Office Hat-Khanom-Mu-Ko-Thale-Tai phase Ao Thong Yang - Ao Thong Yee from Nakhonsithammarat Province: The project's work value is approximately of Baht 98.12 million with 8-month construction period.
2. Construction of a bridge over the Moei River in Mae Sot between km.13+200 - km.14+500 from Lampang Road Construction Center Department of Highway: The project's work value is approximately of Baht 0.71 million with 45-day construction period.

**Awarded Projects after the 2<sup>nd</sup> Quarter of 2017**

**Sahakarn Wisavakorn:**

1. On 3 July 2017, Sahakarn Wisavakorn obtained a Letter of Intent for Construction Thong Nian Water Supply Station and Laying of water supply pipes from Provincial Waterworks Authority Khanom Branch, Nakhonsithammarat Province. The project's work value is approximately of Baht 47.80 million with 8-month construction period.
2. On 17 July 2017, Sahakarn Wisavakorn obtained a Letter of Intent informing for Laying of raw water distribution Pipeline in Quality Coffee Products Ltd. from Eastern Water Resources Development and Management Public Company Limited. The project's work value is approximately of Baht 15.42 million with 5-month construction period.



(Mr. Pasit Leesakul)

Director and Chief Executive Officer

7 August 2017