

Management Discussion and Analysis (“MD&A”)

The 3rd Quarter and 9-Month of 2016 Operating Performance

of TRC Construction Public Company Limited and Its Subsidiaries

The 3rd Quarter 2016 Performance

(Unit : Million Baht)

	The 2 nd Qtr	The 3 rd Qtr	The 3 rd Qtr	Change	
	2016	2016	2015	3 rd Qtr 2016-3 rd Qtr 2015	
				Amount	Percentage
Construction services income	433.25	1,170.17	870.89	299.28	34.36
Cost of construction services	-324.86	-973.80	-720.70	253.10	35.12
Gross profit	108.39	196.37	150.19	46.18	30.75
Interest and other income	5.90	2.39	34.37	-31.98	-93.05
Administrative expenses	-69.14	-87.64	-102.89	-15.25	-14.82
Profit before share of loss from investment in associate, finance cost and income tax expenses	45.15	111.12	81.67	29.45	36.06
Share of loss from investments in associate	-8.72	-9.70	-	9.70	N/A
Finance cost	-3.95	-5.67	-1.58	4.09	258.86
Income tax expenses	-13.13	-26.18	-18.72	7.46	39.85
Profit for the period	19.35	69.57	61.37	8.20	13.36
Non-controlling interests of the subsidiaries	1.76	0.67	1.56	-0.89	-57.05
Profit attribute to equity holders of the Company	21.11	70.24	62.93	7.31	11.62
Earnings per Share (Baht)	0.004	0.014	0.013		
Gross Profit Margin	25.02%	16.78%	17.25%		
Net Profit Margin	4.81%	5.99%	6.95%		
Debt to Equity (Time(s))	0.96	0.94	0.80		

The 9-Month 2016 Performance

(Unit : Million Baht)

	The 9-Month	The 9-Month	Change	
	2016	2015	Amount	Percentage
Construction services income	2,707.76	2,572.24	135.52	5.27
Cost of construction services	-2,234.00	-2,127.31	106.69	5.02
Gross profit	473.76	444.93	28.83	6.48
Interest and other income	16.44	68.08	-51.64	-75.85
Administrative expenses	-240.18	-257.94	-17.76	-6.89
Profit before share of loss from investment in associate, finance cost and income tax expenses	250.02	255.07	-5.05	-1.98
Share of loss from investments in associate	-23.38	-	-23.38	N/A
Finance cost	-12.14	-3.06	9.08	296.73
Income tax expenses	-62.34	-49.31	13.03	26.42
Profit for the period	152.16	202.70	-50.54	-24.93
Non-controlling interests of the subsidiaries	5.28	4.24	1.04	24.46
Profit attribute to equity holders of the Company	157.44	206.94	-49.50	-23.92
Earnings per Share (Baht)	0.031	0.043		
Gross Profit Margin	17.50%	17.30%		
Net Profit Margin	5.78%	7.84%		

The 3rd Quarter of 2016 Operating Performance

1. Construction services income was Baht 1,170.17 million, increasing by Baht 299.28 million or 34.36% compared to the same period of last year. Most of increased revenue recognition was due to projects acquired in this year such as added work order of Provincial Gas Transmission Pipeline from Saraburi to Nakhon Ratchasima Project by Sinopec-TRC Joint Venture, Preparation and Refurbishment of Existing Decline and Early Works of Turnkey Delivery of APOT Project Package 2. Surface Processing and Facilities from ASEAN Potash Chaiyaphum Public Company Limited (“APOT”). Sahakarn Wisavakorn Co., Ltd. also commenced services income recognition from Engineering Procurement and Construction for Dry Ice Expanded Tobacco Process, DIET Process (M-01/2) from Tobacco, Ministry of Finance.

2. Gross profit was Baht 196.37 million increasing by Baht 46.18 million. Gross Profit Margin was at 16.78% decreasing from the same period of last year and from the previous quarter which were at 17.25% and 25.02%, respectively. However, gross profit margin in this quarter was at normal level of the Company.

3. Administrative expenses and finance cost were Baht 87.64 million and Baht 5.67 million, respectively. Administrative expenses decreased from the same period of last year Baht 15.25 million or representing a 14.82% decrease. Most decreased administrative expenses were from TRC Engineering LLC and TRC Middle East LLC, subsidiaries in the Sultanate of Oman, which during a dissolution process. Finance cost increased from the same period of last year Baht 4.09 million due to interest expenses of debentures. TRC issued debentures with 2-year term for using as working capital in July 2015 and March 2016 in the amount of Baht 100 million and 200 Baht, respectively. .

4. Share of loss from investments in associate was Baht 9.70 million due to the loss recognition by equity method from operating loss of 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 70.24 million increasing by Baht 7.31 million from the same period of last year or 11.62% and increasing from the previous quarter by Baht 49.13 million or 232.73%. Net profit margin was 5.99%.

The 9-Month of 2016 Operating Performance

The 9-Month of 2016, TRC and its subsidiaries recorded the services income of Baht 2,707.76 million, increasing by Baht 135.52 million or 5.27%. Gross margin for the 9-month of 2016 was Baht 473.76 million increasing by Baht 28.83 million or 6.48% compared to the same period of last year. Gross margin was 17.50%, similar to the previous year which was at 17.32%.

Net profit attribute to equity holders of the Company was Baht 157.44 million, representing 5.78% net profit margin and Baht 0.031 earnings per share. While the net profit for the same period of last year was Baht 206.94 million representing 7.84% net profit margin and Baht 0.043 earnings per share. Net profit for the 9-month of 2016 decreased by 23.92%.

Backlog on Hand

As at 30 September 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	3,053.70*
Sahakarn Wisavakorn Co., Ltd.	4	<u>1,618.31</u>
Total	10	<u>4,672.01</u>

*Note: Including Early Works (work value of Baht 711 million and uncompleted work value as at end of the 3rd quarter of 2016 of Baht 594 million) from Turnkey Delivery of APOT Project Package 2. Surface Processing and Facilities from APOT. However, excluding the remaining project work value approximately of Baht 32,664 million because the EPCC Contract is still not signed. TRC obtained a Letter of Award from APOT in February 2016.

Assets, Liabilities and Debt to Equity Ratio

As at 30 September 2016, total assets of TRC and its subsidiaries were Baht 4,930.54 million, increasing by Baht 358.67 million compared with at the end of 2015. Total liabilities were Baht 2,384.36 million, increasing by Baht 233.14 million. The significant increased asset was investment in associate which increasing Baht 1,337.90 million. During the first half of 2016, there was an additional payment of Baht 905 million for APOT's share acquisition. (As at 31 December 2016, investment in APOT was classified as other long-term investment of Baht 355.225 million.) 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. Then, equity method has been applied for this investment recording.

The significant increased liabilities were short-term loans and short-term loans from financial institutions which increasing by Baht 100 million and Baht 82.11 million, respectively. And in March 2016 TRC also issued additional debentures of Baht 200 million for using as its working capital. Debentures increased from Baht 100 million as at the end of 2015 to Baht 300 million.

Debt to equity ratio decreased from 0.96 time as at the end of the 2nd quarter of 2016 to 0.94 time as at 30 September 2016.



(Mr. Pasit Leesakul)

Director and Chief Executive Officer

9 November 2016