

Management Discussion and Analysis (“MD&A”)

The 3rd Quarter and 9-Month of 2017 Operating Performance

of TRC Construction Public Company Limited and Its Subsidiaries

The 3rd Quarter 2017 Performance

(Unit : Million Baht)

	The 2 nd Qtr 2017	The 3 rd Qtr 2017	The 3 rd Qtr 2016	Change	
				3 rd Qtr 2017-3 rd Qtr 2016	
				Amount	Percentage
Construction services income	435.93	452.11	1,170.17	-718.06	-61.36
Cost of construction services	-267.66	-370.17	-973.80	-603.63	-61.99
Gross profit	168.27	81.94	196.37	-114.43	-58.27
Interest and other income	3.93	48.75	2.39	46.36	1,939.75
Administrative expenses	-65.39	-83.18	-87.64	-4.46	-5.09
Profit before share of loss from investment in associate, finance cost and income tax expenses	106.81	47.51	111.12	-63.61	-57.24
Share of loss from investments in associate	-7.32	-9.40	-9.70	-0.30	-3.09
Finance cost	-4.37	-4.16	-5.67	-1.51	-26.63
Income tax expenses	-24.05	-12.54	-26.18	-13.64	-52.10
Profit for the period	71.07	21.41	69.57	-48.16	-69.23
Non-controlling interests of the subsidiaries	0.49	0.35	0.67	-0.32	-47.76
Profit attribute to equity holders of the Company	71.56	21.76	70.24	-48.48	-69.02
Earnings per Share (Baht)	0.012	0.004	0.012		
Gross Profit Margin	38.60%	18.12%	16.78%		
Net Profit Margin	16.27%	4.34%	5.99%		
Debt to Equity (Time(s))	0.74	0.74	0.94		

The 9-Month 2017 Performance

(Unit : Million Baht)

	The 9-Month 2017	The 9-Month 2016	Change	
			Amount	Percentage
			Construction services income	1,840.18
Cost of construction services	-1,493.98	-2,234.00	-740.02	-33.13
Gross profit	346.20	473.76	-127.56	-26.93
Interest and other income	54.74	16.44	38.30	232.91
Administrative expenses	-275.42	-240.18	35.24	14.67
Profit before share of loss from investment in associate, finance cost and income tax expenses	125.52	250.02	-124.50	-49.80
Share of loss from investments in associate	-26.97	-23.38	3.59	15.36
Finance cost	-12.21	-12.14	0.07	0.58
Income tax expenses	-34.85	-62.34	-27.49	-44.10
Profit for the period	51.49	152.16	-100.67	-66.16
Non-controlling interests of the subsidiaries	1.40	5.28	-3.88	-73.47
Profit attribute to equity holders of the Company	52.89	157.44	-104.55	-66.41
Earnings per Share (Baht)	0.009	0.027		
Gross Profit Margin	18.81%	17.50%		
Net Profit Margin	2.79%	5.78%		

The Quarter 3/2017 Operating Performance

1. Construction services income was Baht 452.11 million, decreasing Baht 718.06 million from the same period of last year or 61.36%. The revenue decreased because some carried forward projects from previous year are nearly completed and most of new acquired projects in this year are at the beginning stage. Most revenue was recognized from carried forward projects from previous year of Sahakarn Wisavakorn Co., Ltd. such as Srinakarin to Romklao Road, Phase 1 Project from Bangkok Metropolitan Administration and other state enterprises (Metropolitan Electricity, Authority Metropolitan Waterworks Authority, etc.), Engineering Procurement and Construction for Dry Ice Expanded Tobacco Process from Thailand Tobacco Monopoly, Ministry of Finance. For TRC, major revenue was from new project in this year namely Revamp LPG Transfer Pump to Domestic BRP from PTT Plc..

2. Interest income and other income were Baht 48.75 million, increasing Baht 46.36 million from the same period of last year. Interest income and other income recorded at Baht 0.39 million and Baht 48.36 million, respectively. Most of other income was from the claim to performance security of one supplier total of Baht 39.40 million.

3. Gross profit was Baht 81.94 million, decreasing Baht 114.43 million from the same period of last year. Gross Profit Margin was at 18.12%, increasing from the same period of last year which was at 16.78% but decreasing from the previous quarter which was at 38.60%. The increase of gross profit from the 2/2016 quarter was due to an effective project management. The actual cost was lower than the budget.

4. Administrative expenses and finance cost were Baht 83.18 million and Baht 4.16 million, respectively. Administrative expenses decreased slightly from the same period of last year Baht 4.46 million or 5.09%. Finance cost decreased Baht 1.51 million from the same period of last year. Most finance cost was interest expenses from debentures. As at 30 September 2017, the balance of debentures was Baht 300 million consisting of debentures Baht 200 million issued in March 2016 with 2-year maturity and debentures Baht 100 million issued in July 2017 with 1-year maturity for using as working capital.

5. Share of loss from investments in associate was Baht 9.40 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.

6. Profit attribute to equity holders of the Company was Baht 21.76 million, decreasing Baht 48.48 million from the same period of last year or 69.02%. Net profit margin was 4.34%.

The 9-Month of 2017 Operating Performance

The 9-Month of 2017, TRC and its subsidiaries recorded the services income of Baht 1,840.18 million, decreasing Baht 867.58 million or 32.04%. Services income of TRC was Baht 1,000.15 million, decreasing by 41.05% compared to the same period of last year.

Gross profit margin was 18.81%, increasing from the same period of last year which was at 17.50%. The reason was the same as the increase of the 3/2017 quarter gross profit margin aforementioned.

Net profit attribute to equity holders of the Company was Baht 52.89 million, representing 2.79% net profit margin and Baht 0.009 earnings per share. While the net profit for the same period of last year was Baht 157.44 million representing 5.78% net profit margin and Baht 0.027 earnings per share. Net profit for the 9-month of 2017 decreasing by 66.41% due to the same reason as the decrease of the 3/2017 quarter construction services income aforementioned.

Backlog on Hand

As at 30 September 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*	9	4,849.31
Sahakarn Wisavakorn Co., Ltd.	10	2,373.92
Total	19	7,223.23

* Backlog on hand included Early Works I and II (total work value of Baht 3,022.08 million and uncompleted work value as at the end of quarter 3/2017 of Baht 2,594.20 million) from Turnkey Delivery of APOT Project Package 2. Surface Processing and Facilities. However, it excluded the remaining project work value approximately of Baht 30,998.22 million because the EPCC Contract is still not signed. (TRC obtained a Letter of Award from APOT in February 2016.)

In the 3/2017 quarter of 2017, TRC Group obtained 7 projects, Baht 1,805.94 million

TRC: 4 projects, Baht 751.88 million

1. BV4.19 PIG Launcher and Receiver Installation Project from PTT Plc.: The project's work value is approximately Baht 229.28 million with 16-month construction period.
2. EPC for RDCC Catalyst Cooler Project Part 2 Back Pressure Steam and Utilities System from IRPC Plc.: The project's work value is approximately Baht 492.00 million with 21-month construction period.
3. Water Supply Concession Project of SAO Tasit from TRC Utility Co., Ltd.: The project's work value is approximately Baht 2.45 million with 3-month construction period.
4. RGC # Sales Gas GSP6 Mixing Header from PTT Plc.: The project's work value is approximately Baht 28.15 million with 8-month construction period.

Sahakarn Wisavakorn: 3 Projects, Baht 1,054.06 million

1. 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 Baht 47.80 million with 8-month construction period.

2. Laying of raw water distribution Pipeline in Quality Coffee Products Ltd. from Eastern Water Resources Development and Management Plc.: The project's work value is approximately Baht 15.42 million with 5-month construction period.
3. Improvement of Pracharumjai Road – Mitmaitri Road from The Bangkok Metropolitan Administration, Metropolitan Electricity Authority, Metropolitan Waterworks Authority and TOT Plc.: The project's work value is approximately Baht 990.84 million with 30-month construction period.



(Mr. Pasit Leesakul)

Director and Chief Executive Officer

8 November 2017