

Management Discussion and Analysis (“MD&A”)

The 1st Quarter of 2019 Operating Performance

of TRC Construction Public Company Limited and Its Subsidiaries

(Unit : Million Baht)

	the 1 st Qtr 2019	the 1 st Qtr 2018	Change (the 1 st Qtr 2019 - the 1 st Qtr 2018)	
			Amount	Percentage
Construction services income	789.53	464.73	324.80	69.89
Cost of construction services	-755.05	-347.87	407.18	117.05
Gross profit(loss) for construction services income	34.48	116.86	-82.38	-70.49
Sales	2.87	0.21	2.66	1,266.67
Cost of sales	-2.14	-0.25	1.89	756.00
Gross loss for sales	0.73	-0.04	0.77	1,925.00
Interest and other income	9.33	6.52	2.81	43.10
Administrative expenses	-82.08	-86.64	-4.56	-5.26
Profit (loss) before share of loss from investments in associate and joint venture, finance cost and income tax expenses	-37.54	36.70	74.24	202.29
Share of loss from investments in associate	0.00	-12.44	12.44	100.00
Share of loss from investment in joint venture	1.08	-0.06	1.14	1,900.00
Finance cost	-8.75	-3.85	4.90	127.27
Profit (loss) before income tax expenses	-45.21	20.35	65.56	322.16
Income tax expenses	-3.03	-11.76	-8.73	-74.23
Profit (loss) for the period	-48.24	8.59	56.83	661.58
Non-controlling interests of the subsidiaries	0.43	0.45	-0.02	-4.44
Profit (loss) attribute to equity holders of the Company	-47.81	9.04	56.85	628.87
Earnings (loss) per Share (Baht)	-0.0078	0.0015		
Gross Profit Margin for construction services income	4.37%	25.15%		
Gross Profit Margin for sales	25.44%	-19.05%		
Net Profit Margin	-5.96%	1.92%		
Debt to Equity (Time(s))	3.95	0.63		

The 1st Quarter of 2019 Operating Performance Summary

1. **Construction services income** recorded at Baht 789.53 million, increasing Baht 324.80 million or representing 69.89% from the same period of last year. Since most projects on hand were in the middle phase so the construction progress was more than the same period of last year which most projects were nearly closing phase. Most revenue was recognized from carried forward backlog on hand from the previous year for civil works by Sahakarn Wisavakorn Co., Ltd. (a subsidiary)

such as the Improvement of Pracharuamjai Road – Mitmaitri Road Project from Bangkok Metropolitan Administration and other State Enterprises (Metropolitan Electricity Authority, Metropolitan Waterworks Authority, etc.), the Construction of Highway Route No. 4 A. Takua Pa – A. Thai Mueang Project from The Department of Highways etc. For piping and engineering works such as 1st Transmission Pipeline Life Extension Project 28” Recoating Section from PTT Public Company Limited and RDCC Catalyst Cooler Project Part 2 Back Pressure Steam Turbine and Utilities System from IRPC Public Company Limited.

2. Sales recorded at Baht 2.87 million, increasing Baht 2.66 million from the same period of last year which was revenue from water selling to industry and community in Pluak Daeng District, Rayong Province of TRC Utility Co., Ltd (“TRCUT”), a subsidiary which commercial operation has been since March 2018.

3. Gross profit for construction services income was Baht 34.48 million, decreasing Baht 82.38 million or representing -4.37% gross profit margin, decreasing from the 1st quarter of last year at 2 5.15% because most projects was civil works which gross profit margin is not high. In addition, there was an adjustment of cost budget of one project which is nearly closing phase to be in line with the actual cost, caused the gross profit margin significantly decreased.

4. Administrative expenses and finance cost were Baht 82.08 million and Baht 8.75 million, respectively. Administrative expenses slightly decreased at Baht 4.56 million or equivalent to 5.26%. Finance cost slightly increased from at Baht 4.90 million. Most of finance cost was interest expenses from short-term loans and debentures. At the end of 1st quarter of 2019, the outstanding balance of debentures was Baht 30 million. (details as in “1/2018 Early Redemption of Debentures of Baht 150 million”)

5. Loss attribute to equity holders of the Company was Baht 47.81 million, representing 5.96% net loss margin whereas the same period of last year, the net profit was at 9.04 million, representing 1.92% net profit margin.

Backlog on Hand

As at 31 March 2019, 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	1,245.55
Sahakarn Wisavakorn Co., Ltd.	11	6,177.31
Total	<u>19</u>	<u>7,422.86</u>

Significant Events during the 1st Quarter of 2019 - Present

- **1/2018 Early Redemption of Debentures of Baht 150 million**

On 15 March 2018, the Company issued No. 1/2018 unsubordinated and unsecured debentures without a debenture holders' representative in the name-registered certificate to be offered by way of private placement of Baht 180 million with 2-year maturity at interest rate of 4.80% per annum with quarterly interest payment. From impact for bad debt, allowance for doubtful debts and impairment on investment in associate in APOT at the 2018 yearend, the Company could not maintain EBITDA to interest ratio at the rate prescribed in the agreement. Therefore, the Company has offered to redeem the Baht 180 million debentures which will be matured in 2020 from all debentures' holders. Eight of debentures holders agreed to the

early redemption of debentures amounted at Baht 150 million. One debentures holder who holds debentures worth Baht 30 million prefer to hold on to the debentures until the original 17 March 2020 maturity date and agreed to leniency with regards to maintaining of acceptable financial ratios figures for the debentures until the redemption of the debentures. On 29 March 2019, the Company repaid the principal amount Baht 150 million with interest to debentures' holders. At the end of 1st quarter of 2019, the outstanding balance of debentures was Baht 30 million.

● **During the 1st Quarter of 2019, TRC Group obtained 4 projects, total work value of Baht 3,194.36 million**

TRC: The Design, Supply, Construction and Commissioning of Refined Glycerin Plant Project from Bangchak Biofuel Company Limited, the project's work value of approximately Baht 389.75 million with 480 days construction period.

Sahakarn Wisavakorn Co., Ltd. (SKW): 3 projects, total of Baht 2,804.61 million, the significant projects consisting of:

- The Conversion of overhead line to Underground System Project (Ratchadaphisek-Asoke Route) from Metropolitan Electricity Authority, the project's work value of Baht 2,205.42 million with 1,260 days construction period.
- The Highway Route No. 3304, connecting between Highway Route No. 315 (Don Si Non) – Highway Route No. 331 (Plaeng Yao) Section 2 from the Department of Highways, the project's work value of Baht 558.88 million with 690 days construction period.



(Mr. Pasit Leesakul)

Director and Chief Executive Officer

14 May 2019