

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

### The 3<sup>rd</sup> Quarter of 2020 Operating Performance

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

#### The 3<sup>rd</sup> Quarter 2020 Performance

(Unit : Million Baht)

	The 2 <sup>nd</sup> Qtr 2020	The 3 <sup>rd</sup> Qtr 2020	The 3 <sup>rd</sup> Qtr 2019	Change 3 <sup>rd</sup> Qtr 2020-3 <sup>rd</sup> Qtr 2019	
				Amount	Percentage
Construction services income	712.71	592.79	954.73	-361.94	-37.91
Cost of construction services	-711.33	-952.28	-881.22	71.06	8.06
<b>Gross profit (loss) for construction services income</b>	<b>1.38</b>	<b>-359.49</b>	<b>73.51</b>	<b>-433.00</b>	<b>-589.04</b>
Other service income	4.50	6.31	3.39	2.92	86.14
Cost of other services	-2.76	-4.56	-2.32	2.24	96.55
<b>Gross profit (loss) for other service income</b>	<b>1.74</b>	<b>1.75</b>	<b>1.07</b>	<b>0.68</b>	<b>63.55</b>
Interest and other income	13.92	15.63	19.34	-3.71	-19.18
Administrative expenses	-90.72	-65.55	-66.84	-1.29	-1.93
<b>Profit (loss) before share of profit (loss) from investments in associate and joint venture, finance cost and income tax expenses</b>	<b>-73.68</b>	<b>-407.66</b>	<b>27.08</b>	<b>-434.74</b>	<b>-1,605.39</b>
Share of profit (loss) from investment in joint venture	-1.09	0.61	-0.09	0.70	777.78
Finance cost	-4.36	-7.46	-8.57	-1.11	-12.95
Profit (loss) before income tax expenses	-79.13	-414.51	18.42	-432.93	-2,350.33
Income tax expenses	0.56	32.00	-7.11	39.11	550.07
Non-controlling interests of the subsidiaries	0.50	1.54	0.53	1.01	190.57
<b>Profit (loss) attribute to equity holders of the Company</b>	<b>-78.07</b>	<b>-380.97</b>	<b>11.84</b>	<b>-392.81</b>	<b>-3,317.65</b>
Earnings per Share (Baht)	-0.0081	-0.0397	0.0013		
Gross Profit Margin for construction services income	0.19%	-60.64%	7.70%		
Gross Profit Margin for other service income	38.67%	27.73%	31.56%		
Net Profit Margin	-10.68%	-61.97%	1.21%		
Debt to Equity (Time(s))	3.70	8.78	2.76		

## The 9-Month 2020 Performance

(Unit : Million Baht)

	The 9-Month 2020	The 9-Month 2019	Change	
			Amount	Percentage
Construction services income	2,256.83	2,397.18	-140.35	-5.85
Cost of construction services	-2,518.59	-2,273.62	244.97	10.77
<b>Gross profit (loss) for construction services income</b>	<b>-261.76</b>	<b>123.56</b>	<b>-385.32</b>	<b>-311.85</b>
Other service income	15.05	9.53	5.52	57.92
Cost of other services	-9.96	-6.64	3.32	50.00
<b>Gross profit (loss) for other service income</b>	<b>5.09</b>	<b>2.89</b>	<b>2.20</b>	<b>76.12</b>
Interest and other income	37.35	37.52	-0.17	-0.45
Administrative expenses	-237.13	-241.29	-4.16	-1.72
<b>Profit (loss) before share of profit (loss) from investments in associate and joint venture, finance cost and income tax expenses</b>	<b>-456.45</b>	<b>-77.32</b>	<b>-379.13</b>	<b>-490.34</b>
Share of profit (loss) from investment in joint venture	-2.34	2.03	-4.37	-215.27
Finance cost	-17.53	-24.79	-7.26	-29.29
Profit (loss) before income tax expenses	-476.32	-100.08	-376.24	-375.94
Income tax expenses	26.44	-10.61	37.05	349.20
Non-controlling interests of the subsidiaries	2.48	1.37	1.11	81.02
<b>Profit (loss) attribute to equity holders of the Company</b>	<b>-447.40</b>	<b>-109.32</b>	<b>-338.08</b>	<b>-309.26</b>
Earnings per Share (Baht)	-0.0467	-0.0154		
Gross Profit Margin for construction services income	-11.60%	5.15%		
Gross Profit Margin for other service income	33.82%	30.33%		
Net Profit Margin	-19.37%	-4.47%		

## The 3<sup>rd</sup> Quarter of 2020 Operating Performance Summary

1. **Construction services income** was recorded at Baht 592.79 million, decreasing by Baht 361.94 million or representing 37.91% from the same period of last year and also decreasing from the 2<sup>nd</sup> quarter of 2020 due to several reasons such as the discontinuity of operation work for few big projects because the owners cannot deliver construction area as the plan including to the delay of some construction permits that affected to the recognition of construction service income which is inconsistent with the revenue forecast. The revenue of this period was recognized from civil work at Baht 497.54 million, piping work at Baht 82.35 million and engineering work at Baht 30.90 million that came from the significant projects such as the conversion of overhead line to underground system Ratchadaphisek-Aasoke route, the construction of overpass bridge Na Ranong intersection with underground electrical cable system project and the ditch improvement Vibhavadi Rangsit road section 1.

2. **Other service income** was recorded at Baht 6.31 million, increasing by Baht 2.92 million or representing 86.14% from the same period of last year which was income from water selling to industry and community in Pluak Daeng District, Rayong Province of TRC Utility Company Limited (a subsidiary) and data analysis service and platform management through IoT system of Olive Technology Company Limited (a subsidiary) which registered on 9 March 2020 and started to operate in the 3<sup>rd</sup> quarter 2020.

**3. Gross loss for construction services income** was at Baht 359.49 million, representing at -60.64% gross profit margin. The gross profit margin from construction services decreased from the 3<sup>rd</sup> quarter 2019 and 2<sup>nd</sup> quarter of 2020 which was at 7.70% and 0.19%, respectively. Gross loss for the 3<sup>rd</sup> quarter 2020 significantly increased because the increase of budgeted cost of the smart warehouse project of PTT Oil and Retail Business Public Company Limited. The main cost increased because we found many huge rocks more than 700 tons during the soil boring test which did not show on bidding document. After found the problem, the Company executed the operation according the engineering and legal procedure and hired specialist in foundation and structural work to solve the problem. Besides many huge rocks, also found soft soils beneath construction area that obstructed the operation is slow and need more careful because it is the construction of 40 meter height smart warehouse. The solution of construction impacted on labor cost, material cost and other related cost as well as other consequential works because the construction is more complicated. The Company requested to extend the project period and caused expenses significantly increased. The management team continuously had meeting and negotiated with the owner and expected the conclusion in the 2<sup>nd</sup> quarter of 2021

**4. Administrative expenses and finance cost** were at Baht 65.55 million and Baht 7.46 million, respectively. Administrative expenses slightly decreased by Baht 1.29 million or representing 1.93% from the same period of last year. Finance cost slightly decreased by Baht 1.11 million or representing 12.95% from the same period of last year.

**5. Loss attribute to equity holders of the Company** was at Baht 380.97 million, representing -61.97% net profit margin whereas the same period of last year, the net profit was at 11.84 million, representing 1.21% net profit margin.

### The 9-Month of 2020 Operating Performance

For 9-Month of 2020, TRC and its subsidiaries recorded the services income of Baht 2,256.83 million, decreasing by Baht 140.35 million or representing 5.85% from the same period of last year. The reason was the same as the decrease of the 3<sup>rd</sup> quarter of 2020 construction services income abovementioned.

Gross loss from construction service income was at Baht 261.76 million, representing -11.60% gross profit margin whereas the same period of last year, the gross profit was at Baht 123.56 million, representing 5.15% gross profit margin.

Loss profit attribute to equity holders of the Company was at Baht 447.40 million, representing -19.37% net profit margin and Baht 0.0467 loss per share. While the net loss for the same period of last year was at Baht 109.32 million, representing -4.47% net profit margin and Baht 0.0154 loss per share.

### Backlog on Hand

As at 30 September 2020, the Company and its subsidiaries had projects on hand with the remaining uncompleted works as follows.

	Number of the Projects	Uncompleted Work Value (MB.)
TRC Construction Public Company Limited (TRC)	8	2,541.50
Sahakarn Wisavakorn Company Limited (SKW)	15	7,033.72
<b>Total</b>	<b><u>23</u></b>	<b><u>9,575.22</u></b>

### **Significant Events during the 3<sup>rd</sup> Quarter of 2020 - Present**

- **During the 3<sup>rd</sup> Quarter of 2020, TRC Group obtained 3 projects, total of Baht 1,565.54 million**

TRC has obtained 1 project and SKW 2 project, total of Baht 254 million and Baht 1,311.54 million, respectively. The significant projects is the restoration of highway network connecting region, highway route No. 41 Ban Mai Siap-Phattahalung from the Department of Highways. The project's work value is Baht 831.18 million with 1,080 days construction period.



(Mr. Pasit Leesakul)

Director and Chief Executive Officer

13 November 2020