

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

### The 1<sup>st</sup> Quarter of 2018 Operating Performance

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

(Unit : Million Baht)

	the 1 <sup>st</sup> Qtr 2018	the 1 <sup>st</sup> Qtr 2017	Change	
			(the 1 <sup>st</sup> Qtr 2018 - the 1 <sup>st</sup> Qtr 2017)	
			Amount	Percentage
Construction services income	464.73	952.14	-487.41	-51.19
Cost of construction services	-347.87	-856.15	-508.28	-59.37
Other services income	0.21		0.21	N/A
Cost of other services	-0.25		0.25	N/A
Gross profit	116.82	95.99	20.83	21.70
Interest and other income	6.52	2.05	4.47	218.05
Administrative expenses	-86.64	-126.85	-40.21	-31.70
Profit (loss) before share of loss from investments in associate and joint venture, finance cost and income tax expenses	36.70	-28.81	65.51	227.39
Share of loss from investments in associate	-12.44	-10.25	2.19	21.37
Share of loss from investment in joint venture	-0.06		0.06	N/A
Finance cost	-3.85	-3.68	0.17	4.62
Income tax income (expenses)	-11.76	1.74	13.50	775.86
Profit (loss) for the period	8.59	-41.00	49.59	120.95
Non-controlling interests of the subsidiaries	0.45	0.56	-0.11	-19.64
<b>Profit (loss) attribute to equity holders of the Company</b>	<b>9.04</b>	<b>-40.44</b>	<b>49.48</b>	<b>122.35</b>
Earnings per Share (Baht)	0.0015	-0.0066		
Gross Profit Margin	25.13%	10.08%		
Net Profit (loss) Margin	1.92%	-4.24%		
Debt to Equity (Time)	0.63	0.86		

### The 1<sup>st</sup> Quarter of 2018 Operating Performance Summary

1. **Construction services income** recorded at Baht 464.73 million decreasing Baht 487.41 million from the same period of last year representing a 51.19% decrease. Most of construction services income was from the carried forward projects. Construction services income can be classified by following type of business unit:

- Pipeline system derived from the 1<sup>st</sup> Transmission Pipeline Life Extension Project 28” Recoating Section from PTT Public Company Limited and Construction and Improvement and Expansion of Waterworks, Koh Samui Branch, Surat Thani Province from Provincial Waterworks Authority.
- Engineering system installation and factory construction for energy and petrochemical derived from RDCC Catalyst Cooler Project Part 2 Back Pressure Steam Turbine and Utilities System Project from IRPC Public Company Limited.
- Civil works derived from The Kanlapaphruek Road Extension from Department of Highways.

**2. Gross profit** was Baht 116.82 million, increasing by Baht 20.83 million. Gross profit margin was 25.13%, increasing from last year which was 10.08% because projects on hand carried forward from previous year are nearly completed then there was an adjustment of cost budget to be in line with the actual cost.

**3. Administrative expenses and finance cost** was Baht 86.64 million and Baht 3.85 million, respectively. Administrative expenses decreased Baht 40.21 million or 31.70% because in the same period of last year, the Company recorded loss of exchange foreign currency rate from the adjustment of assets. Finance cost increased slightly from the same period of last year Baht 0.17 million. Most of finance cost was interest expenses from short-term loans and debentures. As at 31 March 2018, the balance of debentures was Baht 280 million consisting of Baht 100 million debentures issued in July 2017 with 1-year maturity and Baht 180 million debentures issued in March 2018 with 2-year maturity.

**4. Share of loss from investments in associate** was Baht 12.44 million due to the loss recognition by equity method from operating loss of APOT.

**5. Profit attribute to equity holders of the Company** was Baht 9.04 million, representing 1.92% net profit margin. While the same period of last year, there was loss 40.44 million, representing 4.24% net loss margin.

### Backlog on Hand

As at 31 March 2018, 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*	10	5,229.84
Sahakarn Wisavakorn Co., Ltd.	8	2,272.17
<b>Total</b>	<b>18</b>	<b>7,502.01</b>

\* 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 the 1<sup>st</sup> quarter 2018 of Baht 2,541.13 million) from Turnkey Delivery of APOT Project Package 2. Surface Processing and Facilities. However, it excluded the remaining project work value approximately of Baht 30,476.34 million because the EPCC Contract is not yet signed.

### Significant Events during the 1<sup>st</sup> Quarter of 2018 - Present

- **Issuance of Baht 180 Million Debentures**

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 consisting of 1,800,000 units of debentures at par value of Baht 1,000 per unit at offering value of Baht 1,000 per unit with 2-year maturity at interest rate of 4.80% per annum with quarterly interest payment.

- TRC Utility Co., Ltd. (subsidiary)

On 17 March 2018, TRC Utility Company Limited has started water selling to industry and community in Pluak Daeng District, Rayong Province. The revenue from water selling of Baht 0.21 million was recognized as other services income in the 1<sup>st</sup> Quarter of 2018.

- **TRC-SINOHYDRO Joint Venture Agreement Signing**

On 28 March 2018, the Company and SINOHYDRO (Thailand) Co., Ltd. had mutually signed TRC-SINOHYDRO Joint Venture Agreement for the EPCC contractor for Surface Processing Plant & Facilities of ASEAN Potash Mining Project in Bamnet Narong District, Chaiyaphum Province, Thailand owned by ASEAN Potash Chaiyaphum Public Company Limited (APOT). SINOHYDRO (Thailand) Co., Ltd. is the subsidiary of SINOHYDRO Corporation Limited from China, an internationally renowned and management-oriented contractor with diversified operations in over 100 countries. Its businesses cover almost all areas of the construction sector including energy, transport, water works, civil engineering and building. The establishment of joint venture will be undertaken as soon as APOT's financial close completion.

- **Project Awarded during the 1<sup>st</sup> Quarter of 2018**

**TRC**

1. Engineering, Procurement, Construction, Commissioning and Start-up of the 14 block valve & facility stations under the Fifth Transmission Pipeline Project Phase 1 which owned by PTT Public Company Limited from Sinopec International Petroleum Service Corporation (project Contractor): The project's work value is Baht 755.23 million with 33-month construction period
2. BCM Naphtha and Pygas Pipeline from SCG Chemicals Company Limited: The project's work value is approximately Baht 154.50 million with 9-month construction period.

**Sahakarn Wisavakorn Co., Ltd.** (TRC's subsidiary)

The Construction of Highway Route No. 4 A. Takua Pa – A. Thai Mueang between Km.803+000.00 to Km.813+300.00 from Bureau of road construction 1 (The Department of Highways): The project's work value is Baht 347.38 million with 600-day construction period.

**Cash / Stock Dividend for the 2017 Performance**

The Company is going to pay dividend for the 2017 performance on 25 May 2018. The date to determine the names of shareholders who have rights to receive dividend (Record Date) was on 7 May 2018.

1. Stock dividend: up to new 293,484,664 ordinary shares with a par value of Baht 0.125 per share at the ratio of 20 existing shares per 1 new share or equivalent to the dividend at the rate of Baht 0.00625 per share.
2. Cash dividend: at the rate of Baht 0.002 per share or up to Baht 11.74 million.



(Mr. Pasit Leesakul)

Director and Chief Executive Officer

14 May 2018