

Management Discussion and Analysis (“MD&A”)

The 1st Quarter of 2014 Operating Performance

of TRC Construction Public Company Limited and Its Subsidiaries

(Unit : Million Baht)

	the 1 st Qtr	the 1 st Qtr	Change (2014 - 2013)	
	2014	2013	Amount	Percentage
Construction service income	726.46	640.33	86.13	13.45
Interest and other income	1.79	2.06	-0.28	-13.32
Total revenues	728.25	642.40	85.85	13.36
Cost of construction service and cost of sales	-607.91	-571.62	36.29	6.35
Gross profit	118.55	68.71	49.84	72.54
Administrative expenses	-73.74	-54.48	19.26	35.36
Profit before share of loss from investment in joint venture, finance cost and income tax expenses	46.61	16.30	30.31	185.96
Share of loss from investment in joint venture	-1.77	0.00	1.77	N/A
Finance cost	-1.43	-1.31	0.13	9.57
Income tax expenses	-10.01	-8.95	1.06	11.85
Profit for the period	33.40	6.05	27.35	452.46
Non-controlling interests of the subsidiaries	1.56	3.90	-2.34	-60.05
Profit attribute to equity holders of the Company	34.95	9.94	25.01	251.57
Earnings per Share (Baht)	0.04	0.01		
Gross Profit Margin	16.32%	10.73%		
Net Profit Margin	4.80%	1.55%		
Debt to Equity (Time)	0.73	0.58		

The 1st Quarter of 2014 Operating Performance Summary

1. **Construction services income and sales** recorded at Baht 726.46 million increasing Baht 86.13 million from last year or representing a 13.45% increase. The increase of income was from subsidiaries namely Sahakarn Wisavakorn Co., Ltd. and TRC Engineering LLC (Sultanate of Oman). The highest revenue recognition was from GUT Gas Pipeline Project from Gulf JP UT Co., Ltd., Navanakorn-Rangsit Interconnecting Gas Pipeline Project and Construction the Energy Laboratory of Applied Building from PTT Public Company Limited, respectively.

2. **Gross profit** was Baht 118.55 million increasing Baht 49.84 million. Gross Profit Margin was at 16.32% increasing from the previous year which was at 10.73% due to an effective cost control according to the plan.

3. **Administrative expenses** were Baht 73.74 million increasing Baht 19.26 million or representing a 35.36% increase. Most increased expenses were from employees' expenses such as more recruitment, salary base adjustment as government's policy and expenses of the ESOP-W2.

4. **Profit attribute to equity holders of the Company** recorded at Baht 34.95 million increasing from last year Baht 25.01 million representing a 251.57% increase. The net profit margin was 4.79% increasing from last year which was at 1.55 % due to a better performance of Sahakarn Wisavakorn Co., Ltd. and TRC Engineering LLC (Sultanate of Oman).

TRC Middle East LLC (sultanate of Oman) obtained an extension contract of Construction of Flow Line Rima Satellites Small Fields Project from Petrogas Rima LLC. for another 4 months (May-August 2014), additional work value approximately of OMR 400,000 or Baht 31.60 million.

Backlog on Hand

As at 31 March 2014, 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	7	3,096.15*
Sahakarn Wisavakorn Co., Ltd.	7	424.20
TRC Middle East LLC, Sultanate of Oman	1	33.96
TRC Engineering LLC, Sultanate of Oman	1	5.94
Total	16	3,560.25

* Note: For Gas Pipeline Project, Provincial Gas Transmission Pipeline from Saraburi to Nakhon Ratchasima Project, work value mentioned here is only TRC's portion approximately of 21% of total project value or approximately of Baht 1,636 million.

Assets, Liabilities and Debt to Equity Ratio

As at 31 March 2014, the Company and its subsidiaries had total assets of Baht 2,056.72 million increasing from as at end of previous year Baht 79.23 million. Total liabilities were Baht 865.76 million increasing Baht 42.62 million from as at the end of last year. Debt to equity ratio increased from 0.58 time as at the end of 2013 to 0.73 time.

Most of increased assets were non-current assets increasing from Baht 1,977.00 million as at the end of 2013 to Baht 2,056.72 million representing a 4.03% increase. The significant increased non-current assets consisted of property,

plant and equipment increasing from Baht 325.38 million to Baht 380.79 million representing a 17.03% increase due to the investment in new head office building and vehicles.

Current liabilities increased from Baht 749.38 million to Baht 797.50 million representing a 48.12% increase. The significant increased current liabilities consisted of the followings:

- Unbilled payable increased from Baht 96.53 million to Baht 194.64 million representing a 101.64% increase. Most of the unbilled payable was from Navanakorn – Rangsit Interconnecting Gas Pipeline Project (work value of Baht 1,070 million). There was a cost of services recognition according to the completion of works from subcontractors which have not yet been due.
- Other current liabilities increased from Baht 14.46 million to Baht 30.26 million representing a 109.25% increase. Most of the increased items was selling value added tax from services income which the invoices still not be paid by the clients.

Dividend for the 2013 Performance

On 23 May 2014, The Company is going to pay cash dividend for the 2013 performance at Baht 0.05 per shares. The record date for the names of shareholders who have rights to receive dividend was on 30 April 2014. The dividend payment is in accordance with the resolution approved by the 2014 Annual General Meeting of Shareholders held on 24 April 2014.

Amendment to ESOP-W2's Exercise Price

The 2014 Annual General Meeting of Shareholders approved the amendment to ESOP-W2's exercise price from Baht 4.70 per share to Baht 3.03 per share.

The 1st exercise date will be 30 June 2014.



(Mr. Smai Leesakul)

Chief Executive Officer

14 May 2014