

Management Discussion and Analysis (“MD&A”)
The 1st Quarter of 2016 Operating Performance
of TRC Construction Public Company Limited and Its Subsidiaries

(Unit : Million Baht)

| | the 1 st Qtr 2016 | the 1 st Qtr 2015 | Change (the 1st Qtr 2016 - the 1st Qtr 2015) | |
|--|---------------------------------|---------------------------------|---|---------------|
| | | | Amount | Percentage |
| Construction service income | 1104.34 | 774.06 | 330.28 | 42.67 |
| Cost of construction services | -935.34 | -602.20 | 333.14 | 55.32 |
| Gross profit | 169.00 | 171.86 | -2.86 | -1.66 |
| Interest and other income | 8.16 | 6.23 | 1.93 | 30.97 |
| Administrative expenses | -83.41 | -82.88 | 0.53 | 0.64 |
| Profit before share of loss from investment in associate, finance cost and income tax expenses | 93.75 | 95.21 | -1.46 | -1.53 |
| Share of loss from investment in associate | -4.95 | 0.00 | 4.95 | N/A |
| Finance cost | -2.52 | -0.44 | 2.08 | 473.18 |
| Income tax expenses | -23.03 | -19.44 | 3.59 | 18.45 |
| Profit for the period | 63.25 | 75.33 | -12.08 | -16.03 |
| Non-controlling interests of the subsidiaries | 2.84 | 2.38 | 0.46 | 19.21 |
| Profit attribute to equity holders of the Company | 66.09 | 77.71 | -11.62 | -14.95 |
| Earnings per Share (Baht) | 0.01 | 0.02 | | |
| Gross Profit Margin | 15.30% | 22.20% | | |
| Net Profit Margin | 5.94% | 9.96% | | |
| Debt to Equity (Time) | 1.03 | 0.78 | | |

The 1st Quarter of 2016 Operating Performance Summary

1. Construction services income recorded at Baht 1,104.34 million increasing Baht 330.28 million from the same period of last year or representing a 42.67% increase. Most revenue was recognized from carried forward backlog on hand from the previous year such as 1st Transmission Pipeline Life Extension Project 28” Recoating Section from PTT Plc., New Incinerator Project from Trans Thai - Malaysia (Thailand) Limited, 450 TPD Biodiesel Plant from Bangchak Biofuel Company Limited, Projects which Sahakarn Wisavakorn Co., Ltd. acquired during the 2nd – 3rd quarter 2015 consisting of the Construction, Improvement and Expansion of Waterworks, Koh Samui Branch, Surat Thani Province from Provincial Waterworks Authority and Srinakarin to Romkloa Road, Phase 1 Project from Bangkok Metropolitan Administration and other State Enterprises (Metropolitan Electricity, Authority Metropolitan Waterworks Authority etc.). In the same period of last year, construction services income was recognized from projects nearly completed.

2. Gross profit was Baht 169.00 million decreasing Baht 2.86 million. Gross Profit Margin was at 15.30% decreasing from the same period of last year which was at 22.20%. A high gross margin of last year was due to additional works of pipeline construction projects. However, gross profit margin in this quarter was normal level of the Company.

3. Administrative expenses and finance cost was Baht 85.93 million increasing slightly from the same period of last year Baht 2.61 million or representing a 3.12% increase due to the issuance of debentures of TRC in July 2015 and March 2016.

4. Share of loss from investments in associate was Baht 4.95 million due to the loss recognition by equity method from operating loss of ASEAN Potash Chaiphum Public Company Limited (“APOT”). At present, APOT is during processing of its Potash mining construction in Chaiphum Province.

5. Profit attribute to equity holders of the Company was Baht 66.09 million decreasing from the same period of last year Baht 11.62 million. The net profit margin was 5.94%. In the same period of last year, net profit margin was 9.96% due to additional works of pipeline construction.

Backlog on Hand

As at 31 March 2016, 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 | 5 | 3,045.51 |
| Sahakarn Wisavakorn Co., Ltd. | 4 | <u>2,423.26</u> |
| Total | 9 | 5,468.77 |

Note: Excluded Turnkey Delivery of APOT Project Package 2. Surface Processing and Facilities from APOT with work value approximately of Baht 33,864 million because the EPC Contract is still not signed.

Assets, Liabilities and Debt to Equity Ratio

As at 31 March 2016, the Company and its subsidiaries had total assets of Baht 5,062.26 million increasing from as at the end of previous year Baht 490.39 million. Total liabilities were Baht 2,563.29 million increasing Baht 412.07 million. The significant increased assets were investments in associate which increasing to Baht 1,159.29 million. During the 1st quarter of 2016, there was an additional payment for APOT’s shares totaling of Baht 710 million. As a result, TRC Group’s shareholding in APOT increased to 22.87%. This investment was reclassified from other long-term investment to investment in an associate and then, equity method is applied for investment recording.

The significant increased liabilities were advances received from customers under construction contracts increasing from Baht 320.99 million to Baht 449.44 million representing an increase of 40.02%. Main result was from the advances from Engineering Procurement and Construction for Dry Ice Expanded Tobacco Process projects from Tobacco, Ministry of Finance which Sahakarn Wisavakorn Co., Ltd. signed the EPC Contract in January 2016. In addition, TRC issued additional debentures of Baht 200 million for using as working capital in March 2016. Debentures increased from Baht 100 million as at the end of 2015 to Baht 300 million.

Debt to equity ratio increased from 0.78 time as at the end of 2015 to 1.03 times as at 31 March 2016.

Significant Events during the 1st Quarter of 2016 - Present

- **TRC Investment Limited's Investment in ASEAN Potash Chaiyaphum Public Company Limited**

In January 2016, TRC Investment Limited increased its investment in ASEAN Potash Chaiyaphum Public Company Limited's shares by purchasing additional 3.55 million APOT's shares at Baht 200 per share, totaling Baht 710 million. As a result, TRC Group's shareholding in APOT increased to 22.87%, consisting of 20.05% shareholding by TRC Investment Limited and 2.82% shareholding by TRC International Limited, with current paid-up capital as of 31 March 2016 of Baht 2,657 million.

- **New Awarded Projects during the 1st Quarter of 2016**

1. Preparation and Refurbishment of Existing Decline from ASEAN Potash Chaiyaphum Public Company Limited, the project's work value is Baht 143.69 million with 11-month construction period
2. Srinakarin to Romkiao Road, Phase 1 - Construction of Manholes and Cable Underground Duct Banks and riser pipe from CAT Telecom Public Company Limited, the project's work value is Baht 1.14 million with 24-month construction period

- **Letter of Award Turnkey Delivery of APOT Project Package 2, Surface Processing and Facilities**

On 10 February 2016, TRC obtained a Letter of Award from APOT informing that TRC has been selected as the successful bidder for the construction of Turnkey Delivery of APOT Project Package 2. Surface Processing and Facilities. The project's work value is USD 142,027,205, EUR 416,000,784 and Baht 12,433,389,522 or approximately total of Baht 33,864 million (using Fx rate at Baht 35.0709/USD and Baht 39.5412/EUR), with 3-year construction period. The Company expects to sign EPC construction contract within the 3rd-4th quarter of 2016. If including this project to the backlog as at 31 March 2016, the value of uncompleted works will significantly increase to Baht 39,333 million.

- **Issuance of Debentures**

On 10 March 2016, the Company issued No. 1/2016 unsubordinated and unsecured debentures without a debentureholders' representative in the name-registered certificate to be offered by way of private placement of Baht 200 million consisting of 200,000 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 4.40% per annum and quarterly interest payment on 10 March, 10 June, 10 September and 10 December, starting from 10 June 2016.

- **Registered Capital Decrease/Increase**

According to the resolutions regarding the decrease/increase of registered capital approved by the 2016 Annual General Meeting of Shareholders, the Company registered the following changes with the Ministry of Commerce.

On 10 May 2016, the registered capital decreased from Baht 655,358,932.25 to Baht 570,665,282.625 by cancelling 677,549,197 ordinary shares with a par value of Baht 0.125 per share which had not yet been issued and were excessing to requirements for the exercise of the ESOP-W2.

On 11 May 2016, the registered capital increased from Baht 570,665,282.625 to Baht 726,373,442.875 reserved for (1) stock dividend payment (2) the issuance of warrants to specific investors who subscribed debentures and (3) the ESOP-W2's right adjustment.

- **The Change of ESOP-W2's Exercise Ratio & Exercise Price**

The 2016 Annual General Meeting of Shareholders passed a resolution to pay a stock dividend at the ratio of 8 existing shares per 1 new share. As a result, the exercise price of ESOP-W2 had to be adjusted in accordance with its conditions as below:

| | The 1st - 4th Exercise (June 2014 - March 2015) | The 5th - 8th Exercise (June 2015 - March 2016) | The 9th Exercise (June 2016) |
|----------------|--|--|--|
| Par Value | Baht 0.50/Share | Baht 0.125/Share | Baht 0.125/Share |
| Exercise Ratio | 1 Unit : 1 Share | 1 Unit : 5 Shares | 1 Unit : 5.625 Shares |
| Exercise Price | Baht 3.03/Share | Baht 0.606/Share | Baht 0.5387/Share |

- **Results of the 8th Exercise of ESOP Warrants 2 ("TRC- W2")**

Newly issued shares from ESOP-W2:

Newly issued shares before Par Split (Par value 0.50 Baht)

Newly issued shares from the 1st - 4th exercise (exercise ratio 1 unit: 1 share) 13,950,833 shares

Newly issued shares after Par Split (Par value 0.125 Baht) 69,754,165 shares

Newly issued shares from the 5th - 7th exercise (exercise ratio 1 unit: 5 share) 52,141,645 shares

Newly issued shares from the 8th exercise on 30 March 2016 (exercise ratio 1 unit: 5 share) 28,673,215 shares

Accumulated newly issued shares from ESOP-W2 150,569,025 shares

Proceeds from the exercise of the ESOP-W2:

Before Par Split (Par value 0.50 Baht)

Capital increase proceeds from the 1st - 4th exercise (exercise Price 3.03 Baht/share) 42,271,023.99 Baht

After Par Split (Par value 0.125 Baht)

Exercise Price 0.606 Baht/share

Capital increase proceeds from the 5th - 7th exercise 31,597,836.87 Baht

Capital increase proceeds from the 8th exercise on 30 March 2016 17,375,968.29 Baht

Accumulated capital increase proceeds 91,244,829.15 Baht

Issued and paid-up share capital:

| | | |
|--|-----------------------|------|
| Issued and paid-up capital before the exercise of ESOP-W2 | 408,293,386.50 | Baht |
| Share capital increased from the 1 st - 4 th exercise | 6,975,416.50 | Baht |
| <i>Share capital increased from stock dividend (4 existing shares per 1 new share)</i> | <u>103,817,200.25</u> | Baht |
| Issued and paid-up capital before the 5 th exercise of ESOP-W2 | 519,086,003.25 | Baht |
| Share capital increased from the 5 th exercise | 2,563,876.25 | Baht |
| Share capital increased from share offering through private placement in August 2015 | 41,250,000.00 | Baht |
| Share capital increased from the 6 th - 7 th exercise | 3,953,829.38 | Baht |
| Share capital increased from the 8 th exercise | <u>3,584,151.87</u> | Baht |
| Issued and paid-up capital at present | <u>570,437,860.75</u> | Baht |

Cash / Stock Dividend for the 2015 Performance

The Company is going to pay dividend for the 2015 performance on 26 May 2016. The date to determine the names of shareholders who have rights to receive dividend was on 10 May 2016.

1. Stock dividend: up to new 570,437,860 ordinary shares with a par value of Baht 0.125 per share at the ratio of 8 existing shares per 1 new share or equivalent to the dividend at the rate of Baht 0.015625 per share.
2. Cash dividend: at the rate of Baht 0.010000 per share or up to Baht 45.64 million.



(Mr. Pasit Leesakul)

Director and Chief Executive Officer

12 May 2016