

Management Discussion and Analysis (“MD&A”)

The 2013 Operating Performance

of TRC Construction Public Company Limited and Its Subsidiaries

(Unit : Million Baht)

	9-Month 2013	the 4th Qtr 2013	2013	2012	Change (2013 - 2012)	
					Amount	Percentage
Construction service income and sales	1,940.61	585.87	2,526.48	4,314.74	-1,788.26	-41.45
Interest and other income	10.56	20.98	31.54	29.41	2.13	7.24
Total revenues	1,951.17	606.85	2,558.02	4,344.15	-1,786.13	-41.12
Cost of construction service and cost of sales	-1,703.29	-445.12	-2,148.41	-3,849.49	-1,701.09	-44.19
Gross profit	237.32	140.75	378.08	465.25	-87.17	-18.74
Administrative expenses	-151.89	-78.80	-230.69	-198.30	32.39	16.34
Doubtful debt	-16.57	0.26	-16.31	0.00	16.31	100.00
Profit before share of loss from investment in joint venture, finance cost and income tax expenses	79.42	83.19	162.61	296.36	-133.75	-45.13
Share of loss from investment in joint venture	0.00	-0.02	-0.02	0.00	0.02	446.59
Finance cost	-3.10	-0.04	-3.14	-4.91	-1.77	-36.03
Income tax expenses	-30.14	-21.28	-51.42	-79.12	-27.70	-35.01
Profit for the period	46.18	61.85	108.03	212.32	-104.29	-49.12
Non-controlling interests of the subsidiaries	11.81	6.52	18.33	16.12	2.21	13.73
Profit attribute to equity holders of the Company	57.99	68.37	126.36	228.44	-102.08	-44.69
Earnings per Share (Baht)	0.07	0.08	0.15	0.28		
Gross Profit Margin	12.23%	24.02%	14.96%	10.78%		
Net Profit Margin	2.97%	11.27%	4.94%	5.26%		
Debt to Equity (Time(s))			0.71	1.53		

2013 Significant Developments

- The Company and subsidiaries were awarded for the following significant projects :
 1. TRC was awarded for PTT Plc.' s projects as follows :
 - Navanakorn Rangsit Interconnecting Gas Pipeline Project with work value of Baht 834.01 million and USD 7.55 million
 - Provincial Gas Transmission Pipeline Project to Nakhon Ratchasima under cooperation of Sinopec-TRC Joint Venture (incorporated between Sinopec International Petroleum Service Corporation , from the People's Republic of China, to carry out the captioned project with share portion approximately of 70:30, respectively) and work value of Baht 4,433.65 million and USD 103.45 million

2. Sahakarn Wisavakorn Co., Ltd. was awarded for
 - PTT Plc.' s Construction of Region VIII Pipeline Operation Center Project and Construction the Energy Laboratory of Applied Building Project with work value of Baht 206.70 million and 275 million, respectively
 - TICON Logistic Park Co., Ltd.' s Road, Bridge and Drainage System Project with work value of Baht 163.61 million
 - Alucon Public Co., Ltd.' s Construction, Architecture and Sanitation Production of the new building (Building 9, Phase II) with work value of Baht 93.48 million
 3. TRC Engineering LLC was awarded for Front End Engineering and Design (FEED) for SR-WWTP Odor Abatement Project of ORPIC Sohar Refinery Complex with work value of OMR 350,000 under cooperation with IRPC Plc.
- Sahakarn Wisavakorn Co., Ltd. established a subsidiary namely “SKK Joint Venture” under cooperation with Kuedo Kongyung Co., Ltd., the strategic partner from South Korea, with share portion of 90:10, respectively to enter into project bidding of the State Railway of Thailand.
 - The 2013 Annual General Meeting of Shareholders had passed its resolution on the registered capital and issuance of the 2nd Employee Stock Options Plan (ESOP-W2) to directors and/or employees as follows:
 - Approved change of the ordinary share par value from Baht 1 to Baht 0.05.
 - Cancelled the general mandate and decrease the registered capital reserved for the captioned mandate and ESOP-W1.
 - Approved an increase of registered capital from Baht 336,585,589 to Baht 425,514,868.50 by issuing 177,858,559 new ordinary shares at par value of Baht 0.50 to support the dividend payment, ESOP-W2 exercising and the capital increase by right offering to existing shareholders.
 - The Company issued the number of 112,146,533 stock dividends, obtained the proceeds from existing shareholders for right offering share subscription of 31,269,062 shares at the offering price of Baht 2.50 per share and issued ESOP-W2 to directors, executives and employees totally 31,600,000 units in May, June and July 2013, respectively. As ended at 31 December 2013, the Company’s registered capital was Baht 425,514,868.50 and paid-up capital of Baht 408,293,386.50.
 - In April 2013, the SET moved the Company from mai to SET Main Board and later in November 2013 the Company obtained the Top Corporate Governance Report Awards - mai of the SET Awards 2013 awarded to the company having an outstanding performance on good corporate governance report. In addition, the Company also obtained the Outstanding Company Performance Awards, company listed on mai and Mr. Smai Leesakul, Chief Executive Officer, obtained the Outstanding CEO Awards, CEO of company listed on mai, respectively.

2013 Operating Performance ended 31 December 2013: the 4th Quarter 2013 Performance higher than the 9-Month 2013

1. Construction services and sales was recorded at Baht 2,526.48 million, decreasing Baht 1,788.26 million from last year or representing a 41.45% decrease. That resulted from the completion of huge projects such as Ubon-Ethanol Project (work value Baht 2,134 million) and Gas Pipeline Construction Work for Gulf JP's IPP Project (work value of Baht 1,695.38 million). In addition, new bidding projects were delayed from the plan bringing about the acquisition of new projects in the second half of 2013 such as Navanakorn-Rangsit Gas Pipeline Project, Provincial Gas Transmission Pipeline from Saraburi to Nakhon Ratchasima Project. Main services incomes was from Gut Gas Pipeline Project, Gas Pipeline Construction Work for Gulf JP's IPP Project (Nongsang) and Navanakorn-Rangsit Gas Pipeline, respectively.

2. Gross profit was at Baht 378.09 million decreasing Baht 87.17 million. Gross Profit Margin was at 14.96% increasing from the previous year which was at 10.78% due to an effective cost control according to the plan.

3. Administrative expenses were at Baht 230.69 million increasing Baht 32.39 million or representing 16.34% increase. Most increased expenses were from employees' expenses such as more recruitment, salary base adjustment as government's policy, seminar for human resource development and expenses of the ESOP-W2.

4. Allowance for doubtful accounts was set up for over 1-year past due accounts receivable of TRC and TRC Engineering LLC ("TRCE") total of Baht 16.57 million. In addition, there was a provision for loan provided to TRCE total of Baht 71.37 million. However, such provision had no effect to the consolidated financial statement.

5. Profit attribute to equity holders of the Company recorded at Baht 126.36 million decreasing from last year Baht 102.08 million representing a 44.69% decrease. The net profit margin was 4.94% decreasing from last year which was at 5.26% due to the operating loss of TRCE of Baht 85.51 million. (70% of net loss was recognized to consolidated financial statement or Baht 59.86 million.)

Backlog on Hand

At the end of 31 December 2013, 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 Plc.	8	4,058.57*
Sahakarn Wisavakorn Co., Ltd.	13	559.34
TRC Middle East LLC, Sultanate of Oman	1	25.26
TRC Engineering LLC, Sultanate of Oman	<u>1</u>	<u>27.94</u>
Total	<u>21</u>	<u>4,711.11</u>

* 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 30% of total value or approximately of Baht 2,353 million.

Assets, Liabilities and Debt to Equity Ratio

As at 31 December 2013, the Company and its subsidiaries had total assets of Baht 1,976.99 million decreasing from previous year Baht 525.85 million. Total liabilities were Baht 823.14 million decreasing Baht 690.15 million. The paid up capital increased from Baht 336.59 million to Baht 408.29 million. Debt to equity ratio decreased from 1.53 times in 2013 to 0.71 time.

Most of decreased assets were current assets which decreasing from Baht 2,065.48 million as at the end of 2012 to Baht 1,498.34 million representing a 27.46% decrease. The significant decreased current assets consisting of:

- Advances paid to subcontractors under construction contracts decreased from Baht 108.22 million to Baht 9.61 million representing a 91.12% decrease. That because there were a gradual deduction of advance paid to subcontractors according to the work completion.
- Accounts receivable-retention under construction contracts decreased from Baht 275.86 million to Baht 105.82 million representing a 61.64% decrease. Significant reason was from Sahakarn Wisavakorn Co., Ltd. 's receiving of Baht 213.41 million retention from Ubon-Ethanol Project when project completion.
- Withholding tax deducted at source decreased from Baht 89.61 million to 42.26 million representing a 52.84% decrease. That because the Company and Sahakarn Wisavakorn Co., Ltd. obtained accrued withholding tax.
- Trade and other receivables decreased from Baht 501.29 million to Baht 252.96 million and accounts receivable-retention under construction contracts decreased from 275.86 million to 205.82 million consistent to the decrease of services income and the ability of collection from accounts receivable within credit term. In

addition, there was an allowance for doubtful debts of Baht 16.57 million for Customers expected to be lack of an ability to pay debt.

Current liabilities decreased from Baht 1,469.75 million to Baht 749.38 million representing a 49.01% decrease. The significant decreased current liabilities consisting of:

- Accounts payable-retention under construction contracts decreased from 131.97 million to Baht 15.87 million representing a 87.98% decrease due to a payment of retention to subcontractors when project completion.
- Unbilled payable decreased from Baht 275.80 million to Baht 96.53 million representing a 65.00% decrease. In 2012, most of the unbilled payable was from Gas Pipeline Construction Work for Gulf JP's IPP Project (Nongsang) and Ubon Bio Ethanol Project. There was a cost of services recognition according to the completion of works from subcontractors which have not yet been due. Then, such accrued costs were completely paid in 2013.
- Advances received from customers under construction contracts decreased from Baht 466.31 million to Baht 193.92 million because most of new awarded projects had no advance received while the advances received from existing projects are gradually deducted according to the progress of works.
- Unearned construction revenue decreased from Baht 62.92 million to Baht 33.49 million representing a 46.77% decrease. In 2012, Sahakarn Wisavakorn Co., Ltd. collected work proceeds from Ubon-Ethanol Project more than revenue recognition on the basis of percentage of completion bringing about a high unearned construction revenue. Then in 2013, such unearned construction revenue was gradually turned to services income.
- Trade and other payables decreased from Baht 441.93 million to Baht 321.38 million representing a 27.28% decrease due to a lower of subcontractors and raw material & equipment procurement than last year.

Dividend payment for 2013 Operating Performance and Schedule for the 2014 Annual General Meeting of Shareholders ("2014 AGM")

The Board of Director's Meeting will be held on 12 March 2014 to consider the proposed agenda for the 2014 AGM including the dividend payment for the 2013 operating performance. The 2014 AGM is scheduled to be arranged on 24 April 2014.



(Mr. Smai Leesakul)

Chief Executive Officer

27 February 2014