



WELL GRADED ENGINEERING PLC.

No. WGE ELCID 2563/002

November 13, 2020

Subject: The Management Discussion and Analysis for the third quarter ended September 30, 2020

To: President

The Stock Exchange of Thailand

Well Graded Engineering Public Company Limited (“the Company”) would like to submit the Management Discussion and Analysis for the third quarter ended September 30, 2020 as follows:

Construction and service revenue

For the first nine-month period ended 30th September 2020, the company had construction and service revenue of 722.76 THB mn, a decrease from the same period of year 2019 by 464.13 THB mn or equivalent to a decrease of 39.10 percent from the previous year, mainly come from 1) Customers delay some of the project construction plan, thus it is not possible for making construction and revenue recognition 2) The economics slowdown due to the COVID-19 epidemic, thus major company’s customer especially in real estate sector delay in launching new projects. The recognition of construction and services for the first nine months of 2020 mostly come from the large construction that continued from the previous year such as the PFP factory building, The Excel Ratchada 18, Atmoz Ladprao 15, Supalai Loft Prajadhikok-Wongwian Yai, etc. These customers are private sector customers. While other construction revenue comes from customers in the public sector such as the Somdech Phra Pinklao Hospital Building Nava Medical Department, Energy Regulatory Commission building and interior construction for the Fine Arts Department building.

Construction and service costs and Gross profit

For the first nine-month of 2019 and the first nine-month of 2020, the company’s group had construction and service costs of 1,019.15 and 594.37 THB mn or equivalent to 85.87 and 82.24 percent of the construction and services revenue, respectively. While the gross profit was 167.73 and 128.39 THB mn or equivalent to 14.13 percent and 17.76 percent, respectively. The gross profit for the first nine-month of 2020 increased from the same period of the previous year. This is because the company’s group has experiences in construction planning and





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construction drawings, especially existing customers in the real estate development business. Therefore, they can make a construction plan and allocate construction workers with less time and more efficiently.

Administrative expenses

For the first nine months of 2020, the administrative expenses were 64.61, an increase of 8.63 THB mn compared to the same period of the previous year or 15.41 percent. This is mainly due to increasing in employee salary expenses to support job expansion, employee bonus, audit fee, internal audit fee, meeting allowance and other compensation for directors. These are expenses related to the preparation for listing on the Stock Exchange.

Net Profit

For the first nine-month of 2020, the company had a net profit of 50.24 THB mn, a decrease of 42.53 THB mn from the same period of year 2019 or 45.84 percent decrease. The main reason is the lower revenue from the slowing down of construction plans of some customers. Thus, making the construction and revenue recognition not possible. The economics also slowdown due to the COVID-19 epidemic. Therefore, the main customers, especially in the real estate sector, delay launching their new projects.

Financial Position

As of 30th September 2020, the company's group has total assets of 846.08 THB mn, an increase of 164.66 THB mn compared to 31st December 2019. The major cause of such increase is unbilled construction in progress and accounts receivable amounting to 89.09 and 94.15 THB mn, respectively.

As of 30th September 2020, the company's group has total liabilities of 542.28 THB mn, an increase of 153.40 THB mn compared to 31st December 2019 was caused by an increase in short-term and long-term borrowings from financial institutions and the prepayment of construction contracts. The above liabilities are creditors or accrued expenses arising from the normal business operations of the company's group that are not yet due. Which increased in number and value of the construction work of the company's group.

As of 30th September 2020, the company's group has total shareholders' equity of 303.80 THB mn, an increase of 11.26 THB mn compared to 31st December 2019, which was mainly due to





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1. The 2020 Annual General Meeting on 26th March 2020 approved a dividend payment at the rate of 18.1818 THB per share from 2.20 million shares, amounting to 40.00 THB mn
2. The company's group has a net profit of 50.24 THB mn

Please be informed accordingly

Yours Sincerely,

- Mr. Kriangsak Buanoom -

(Mr. Kriangsak Buanoom)

Managing Director

Well Graded Engineering Public Company Limited

