



WELL GRADED ENGINEERING PLC.

No. WGE-FN 2023/001

February 16, 2023

Subject: The Management Discussion and Analysis for the year ended December 31, 2022

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 year ended December 31, 2022 as follows:

**Revenue from construction and services.**

For the year ended December 31, 2022, the Company's construction and service income was 1,654.54 million baht, an increase from the same period of 2021 by 469.07 million baht, or an increasing rate of 39.57 per cent. The increase in such income is a result of backlog accumulated continuously from the previous year and 4 new projects with a total value of 1,221.88 million baht that the Company won the auction from a private sector clients in 2022. Anyhow, approximately 54.07 per cent of total revenue from construction and services in 2022 came from a private sector clients and approximately 45.93 per cent came from the public sector clients.

**Construction and service costs and Gross profit**

For the year ended December 31, 2022, the Company's cost of construction and services was 1,716.29 million baht, an increase from the same period of 2021 by 639.35 million baht, or an increase of 59.37 per cent. The gross profit of the Company for the year ended December 31, 2022 was (61.75) million baht, a decrease from the same period of 2021, amounting to 170.28 million baht or equivalent to a decrease of 156.90 per cent. The gross profit margin of 2022 was (3.73) per cent. A decrease from the previous year, which had a gross profit margin of 9.15 per cent, was mainly caused by a revision of the construction costs of the public sector clients due to a significant increase in material prices, contract wages and the extension of the construction period. In addition, the gross profit margin from the public sector clients is lower than that of the private sector clients, which from the proportion of backlog of public sector



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was greater than the private sector in 2022, resulting in a decrease in gross profit margin from the previous year.

**Selling and administrative expenses**

For the year ended December 31, 2022, the Company had selling and administrative expenses of 89.70 million baht which accounted for 5.39 per cent of the total revenue, a decrease of 0.07 million baht from the same period of 2021, which accounted for 7.54 per cent of the total revenue of 2021, or a 0.07 per cent decrease.

**Financial Cost**

For the year ended December 31, 2022, the Company had financial expenses in the amount of 5.13 million baht, an increase of 1.79 million baht from 2021, or an increase of 53.59 per cent from promissory note drawdowns, which were short-term loans from financial institutions for normal operation. In this regard, the Company has no obligation to maintain any financial ratios.

**Net profit**

For the year ended December 31, 2022, the Company had a net loss of 112.35 million baht, a decrease of 136.38 million baht from the same period of 2021, or a 972.08 per cent decrease. The decrease was mainly due to revision of construction cost estimates to reflect total construction costs until completion.

**Financial Position**

**1. Asset**

As of December 31, 2022, the Company had total assets of 1,512.55 million baht, a decrease when compared to December 31, 2021 amounting to 80.68 million baht or 5.06 per cent. This was mainly due to a decrease in cash and cash equivalents, amounted to 218.53 million baht, used to purchase machinery, construction of factory for manufacture of materials and equipment for construction work, including, a decrease in trade receivables and other current receivables of 99.78 million baht, respectively.



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## 2. Liabilities

As of December 31, 2022, the Company had total liabilities of 995.47 million baht, an increased compared to December 31, 2021 amounting to 71.88 million baht, or an increase of 7.78 per cent, mainly due to an increase in (1) bank overdrafts and short-term loans from financial institutions from the uses of credit products for promissory notes (PN) and avals amounting to 35.17 million baht (2) long-term loans from financial institutions for the asphalt plant construction project with the drawdown of the land cost of 57.63 million baht and (3) the Company has a provision for the construction project of 69.49 million baht.

## 3. Equity

As of December 31, 2022, the Company had total shareholders' equity of 517.08 million baht. The decrease in comparison with shareholders' equity as of December 31, 2021, amounted to 152.35 million baht, is due to dividend payout to shareholders of 30.00 million baht and operating loss of 122.35 million baht.

Please be informed accordingly,

Best regards,

– Mr. Kraingsak Buanoom –

(Mr. Kraingsak Buanoom)

Managing Director

Well Graded Engineering Public Company Limited