



WELL GRADED ENGINEERING PLC.

No. WGE-FN /2023/003

August 10, 2023

Subject: The Management Discussion and Analysis the first half of 2023

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 first half of 2023 as follows:

Revenue from construction and services

For the first six-month of 2023, the Company's construction and service income was 962.85 million baht, an increase of 64.98 million baht from the same period of year 2022, or 7.24 per cent. The increase in revenue was a result of an increase in private sector jobs in the second quarter of 2 projects with a total value of 968.36 million baht. The Company recognized revenue from public sector in the proportion of approximately 54.53 per cent of the revenue from construction and services and from the private sector in the proportion of approximately 45.47 per cent.

Construction and service costs and Gross profit

For the first six-month of 2023, the Company has construction and service costs of 998.36 million baht, an increase of 76.27 million baht from the same period in 2022, or an increase of 8.27 per cent. While the Company's gross profit for the first six-month of 2023 amounted to (35.51) million baht, a decrease from the same period in 2022 in the amount of 11.29 million baht, or a decrease of 46.60 per cent. This was mainly due to the revision of the construction cost estimates of the public sector, which was factored by a significant increase in material prices, contract wages and other expenses from the extension of the construction period. In addition, the gross profit margin in the public sector was lower than that of the private sector, as the proportion of backlog of public sector was greater than that of the private sector, resulting in a decrease in gross profit from the previous period.

บริษัท เวล เกรด เอ็นจิเนียริ่ง จำกัด (มหาชน)

50/1203 หมู่ 9 ตำบลบางพูด อำเภอปากเกร็ด จังหวัดนนทบุรี 11120 โทร. 02-9817992-4 แฟกซ์ 02-9817995



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Selling and administrative expenses

For the first six-month of 2023, administrative expenses of the Company were 58.58 million baht, an increased from the same period in 2022 in the amount of 11.93 million baht, or representing an increase of 25.56 per cent, in which the first six-month of 2022 and 2023, the administrative expenses rate was 5.18 per cent and 6.05 per cent of the total revenue for the period, respectively.

Net profit

For the first six-month of 2023, the Company had a net loss of 87.12 million baht, an increase from the same period of 2022 by 24.92 million baht or equivalent to an increase of 40.07 per cent. The increase in such increase is due to the fact that the Company has an increase in construction costs from the adjustment of construction cost estimates to complete the project, with a total amount of provision for loss from construction costs of 79.97 million baht.

Asset

As of June 30, 2023, the Company had total assets of 1,719.23 million baht, an increase compared to December 31, 2022 of 206.68 million baht, or an increase of 13.66 per cent. This was mainly due to the unbilled revenue increase in construction work in progress increased from the public sector, namely, Phuket Airport Staff Housing Construction Project and the Office of the Energy Regulatory Commission.

Liabilities

As of June 30, 2023, the Company had total liabilities of 1,287.29 million baht, an increase of 291.82 million baht compared to December 31, 2022, or an increase of 29.32 per cent. The major cause was from (1) trade payables arising from transactions related to the Company's normal business operations that were not due for an increase in the amount of 197.96 million baht (2) bank overdrafts and short-term loans from financial institutions due to the Company's use of bank credit products in terms of promissory notes (PN) and avals increased in the amount of 78.49 million baht (3) provisions from construction projects increased in the amount of 10.48 million baht.



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Equity

As of June 30, 2023, the Company had total shareholders' equity of 431.94 million baht, a decrease of 85.14 million baht compared with shareholders' equity at the end of December 31, 2022, which was mainly due to the Company's operating loss.

Please be informed accordingly,

Best regards,

– Mr. Kraingsak Buanoom –

(Mr. Kraingsak Buanoom)

Managing Director

Well Graded Engineering Public Company Limited