



CIVIL ENGINEERING PUBLIC COMPANY LIMITED

Management Discussion and Analysis (MD&A)

Of Consolidated Financial Statements

For the second quarter ended 30 June 2023

Executive Summary

Unit : Million Baht	3M		Increase (Decrease)	6M		Increase (Decrease)
	2022	2023		1H22	1H23	
Revenue	1,561.4	1,170.5	(25.0%)	3,210.8	2,617.5	(18.5%)
Gross Profit (%)	128.5 8.2%	88.3 7.5%	(31.3%) (0.7%)	268.6 8.4%	222.5 8.5%	(17.2%) 0.1%
Admin. Expenses (%)	88.2 5.6%	73.5 6.3%	(16.6%) 0.6%	169.9 5.3%	143.5 5.5%	(15.5%) 0.2%
Net Profit (%)	30.3 1.9%	13.2 1.1%	(56.4%) (0.8%)	70.6 2.2%	61.2 2.3%	(13.4%) 0.1%

Highlight

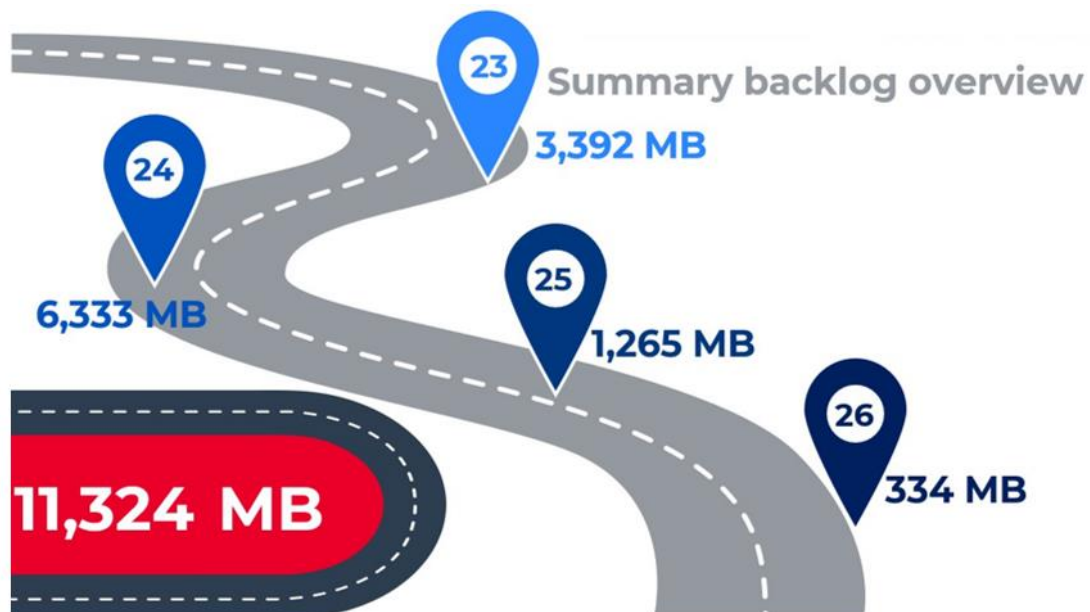
1H23 Net Profit : "Net Profit Margin Growth", Net profit margin increased despite of 1H23 Revenue decreased by 18.5%. Administrative Expenses that were mostly fixed expenses, decreased by 26.4 MB, demonstrating efficient management. Moreover, the gross profit margin has also increased from Limestone Products.

1H23 Gross Profit Margin : "Strong Gross Profit", mainly according to the increase in the proportion of revenue from the "Road work sector" and income from the "Sales of Limestone Product" which started operation since May 2022.

1H23 Revenue: Revenue decreased by 18.5%, mainly due to decreasing in construction revenue in "Railway sector" which were during the preparation for delivery the whole project for the double-track railway construction project and the Bangkok-Nong khai high-speed railway project contract 2-1 which were almost the end phase of construction work.

Key Achievements 1H23:

- Solid Backlog:** The backlog remaining had value 11,324 MB and also have awarded new construction projects that waiting for signing the contract. These made the company had "strong backlog for the next 3 years", indicating the strength of the company's revenue. The company also has growth-potential from new projects in the future.





2. **Safety is the heart of operations:** The Company seriously consider safety as top priority. Therefore, the company provides safety training, prevention plans and support plans when an accident occurs.
3. **Competitive Cost (Cost Management):** Comparing to others in the same industry group, the company has still well management and agility during in turbulent time such as material costs are highly volatile. By relying on the company's strengths in project management and team with expertise in construction work. Moreover, using the technologies applied in management and control. These make to approach the problems and deal with them in a timely manner.
4. **Strong Cash Flow:** Company manages project liquidity in all dimensions. Including, contractor. The company pays attention to the contractor's liquidity to ensure that they can deliver the work as planned, by screening and grading the contractor before providing financial support to them as appropriate.
5. **Continuous Improvement of work capabilities:** Implement new system tools for working to improve efficiency. 2H2023 implementing new tools as follows.
 - The Robotic Process System (RPA): to increase the efficiency in the project budget process.
 - HR TECH system: to increase the efficiency of Human Resource Management. Especially the project labor management.
 - Business Intelligence (BI) : to provide quicker access and tracking of project progress and faster resolution.

Industry Outlook

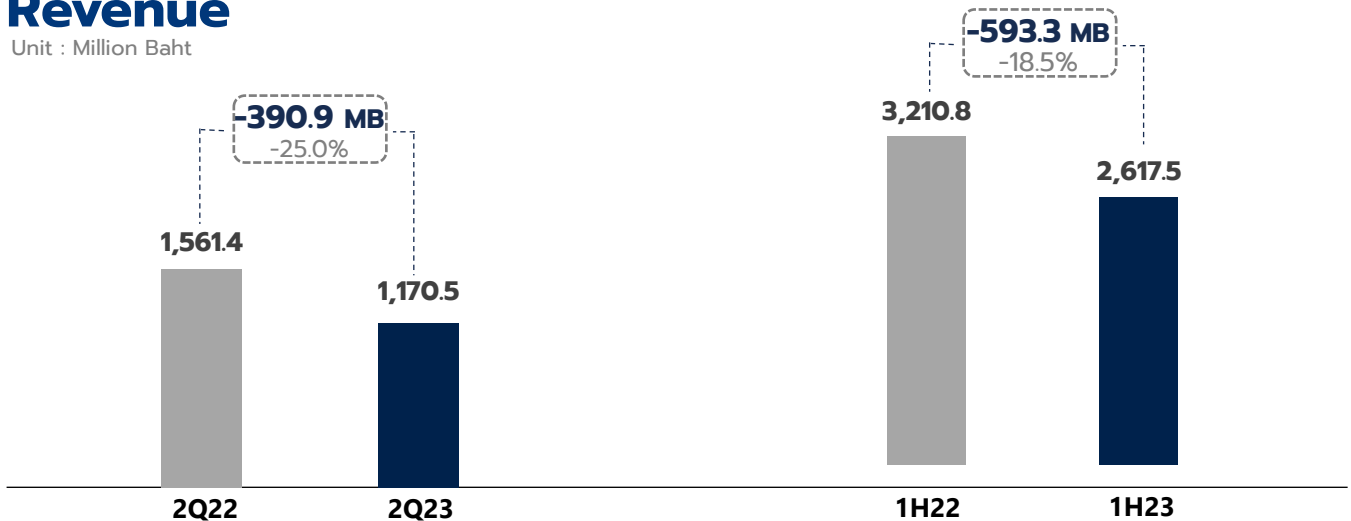
Current economic and political situation, there are some potential factors that affect the construction industry as follows:

1. **Uncertainty of Politics/Government Establishment:** The delay of government establishment affects government investment budget approval and expected that the investment project bidding plan may be delayed at least 6 months, negatively affecting businesses that rely on the government budget.
2. **Fluctuating Economic Conditions:** the rising interest rates and volatility of raw material price such as steel and fuel. However, the volatility begins to gradually be declined.
3. **Labor Market Situation:** whereas construction projects are accelerating their operations at the same time causing labor shortages. But this current situation has caused unemployment, however this is an opportunity for the company that has backlog on hand to be able to select more qualified contractors or labors.

From this situation, the business owner still needs to be more careful. and ensure efficient cost & expense management as well as looking forward to announcing the timeframe for government investment budget approval Year 2024.

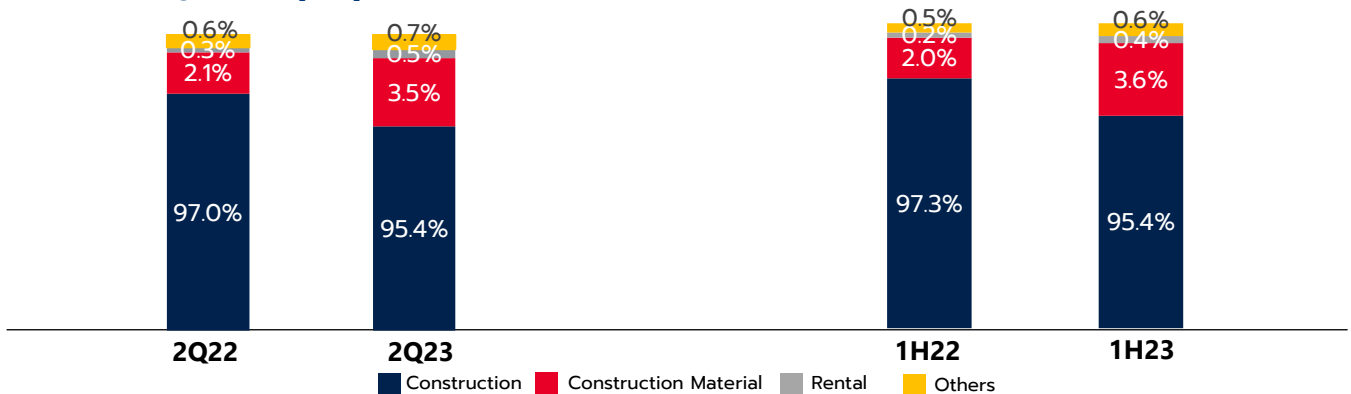
Revenue

Unit : Million Baht



3M	1H
<p>2Q23 Revenue was 1,170.5 MB or decreased 25% YoY mainly due to decreasing in revenue from construction services in the "Railway sector" and "Road work sector" because of the resulting in the limitation of working hours due to more strictly security measures regards the accident on Rama2 road from other projects.</p>	<p>1H23 Revenue was 2,617.5 MB or decreased 18.5% YoY mainly due to decreasing in revenue from "Railway sector" but increased in "Road work sector". However, the Company has strong backlog to cover future revenue for next 3 years.</p>

Revenue by sales proportion



3M	1H
<p>Revenue from construction service (95.4% of Total revenue)</p> <p>2Q23 Revenue from construction service was 1,116 MB, decreasing 398.6 MB or -26.3% YoY, mainly came from "Railway sector" due to "the Bangkok - Nong khai high-speed railway project contract 2-1" and "the double-track railway construction project" have already recognized most of the revenue. Currently, these projects are in the end of phase for delivery the whole project. "Road work sector", revenue decreased due to many projects have already been delivered in 1Q23, while new</p>	<p>Revenue from construction service (95.4% of Total revenue)</p> <p>1H23 Revenue from construction service was 2,498.2 MB, decreasing 625.3 MB or -20.0% YoY, mainly due to "Railway sector" while "Road work sector" revenue increased from the progress of "Rama 2 Expressway Project."</p>

projects are expected recognize revenue in 2H23.

■ Revenue from construction materials

(3.5% of Total revenue)

2Q23 Revenue from construction materials is 40.5 MB, increasing 7.6 MB or +23.1% YoY, mainly according to "Sales of Limestone Product" which started operations at the end of the second quarter of last year.

■ Revenue from rental

(0.5% of Total revenue)

2Q23 Revenue from rental is 5.4 MB increasing 1.5 MB or +38.9% YoY, according to the contract renewal with an increasing rental rate. Also, revenue from renting machinery to third parties has a higher profit margin than real estate rental.

■ Revenue from others

(0.7% of Total revenue)

2Q23 Revenue from other income is 8.5 MB, decreasing 1.4 MB or -14.5% YoY.

■ Revenue from construction materials

(3.6% of Total revenue)

1H23 Revenue from construction materials is 93.4 MB, increasing 29.1 MB or +45.3%YoY, mainly according to "Sales of Limestone Product" that continuously recognizes the revenue.

■ Revenue from rental

(0.4% of Total revenue)

1H23 Revenue from rental is 9.4 MB, increasing 1.4MB or +16.9% YoY, mainly according to revenue from real estate rental and equipment rental.

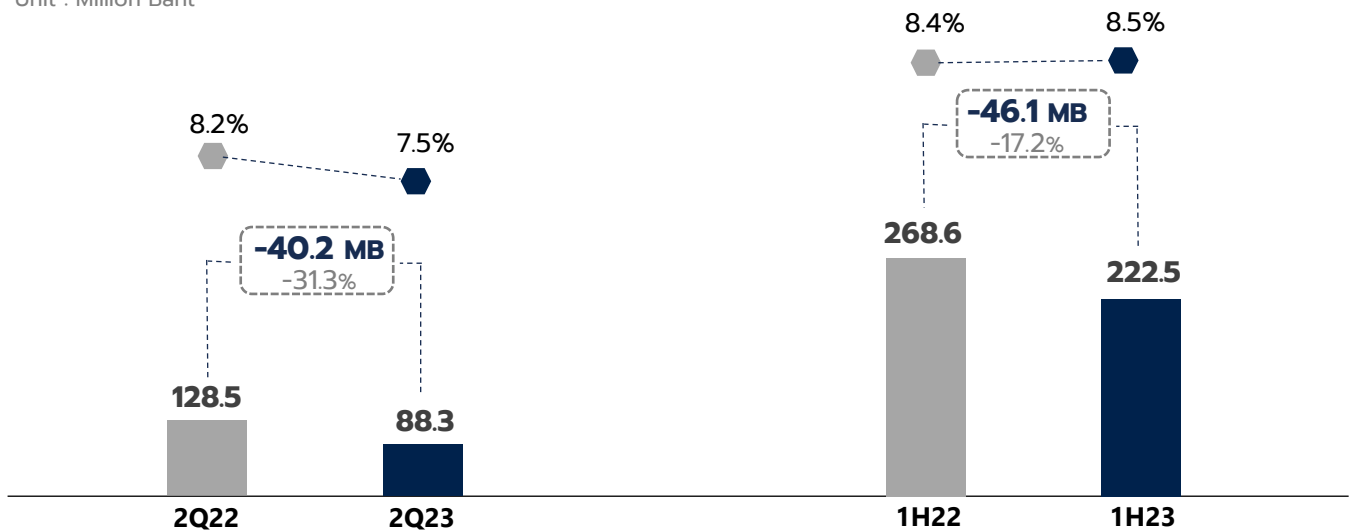
■ Revenue from others

(0.6% of Total revenue)

1H23 Revenue from others is 16.6 MB , decreasing 1.5 MB or +10.1% YoY, due to the sale of unused assets and scrap sales.

Gross Profit

Unit : Million Baht



3M

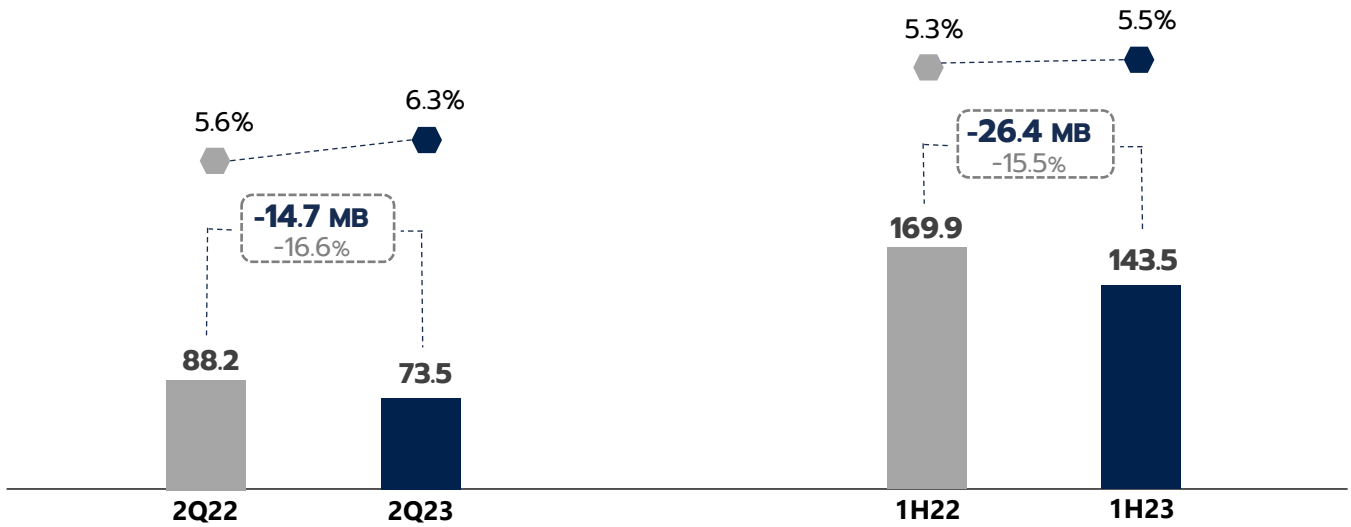
2Q23 Gross profit was 88.3 MB, decreased 40.2MB or -31.3% YoY decreased in revenue which related to revenue proportion in construction services from "Railway Sector" and "Road work sector". Meanwhile, the revenue from construction materials increased from "Sales of Limestone Product"

1H

1H23 Gross profit was 222.5 MB, decreased 46.1MB or -17.2% YoY due to decrease in revenue from construction services while revenue from sales of construction materials increased from "Sales of Limestone Product." However, Gross profit margin increased from 8.4% to 8.5% according to "Sales of Limestone Product" that increased both revenue and gross profit margin.

Administrative Expenses

Unit : Million Baht

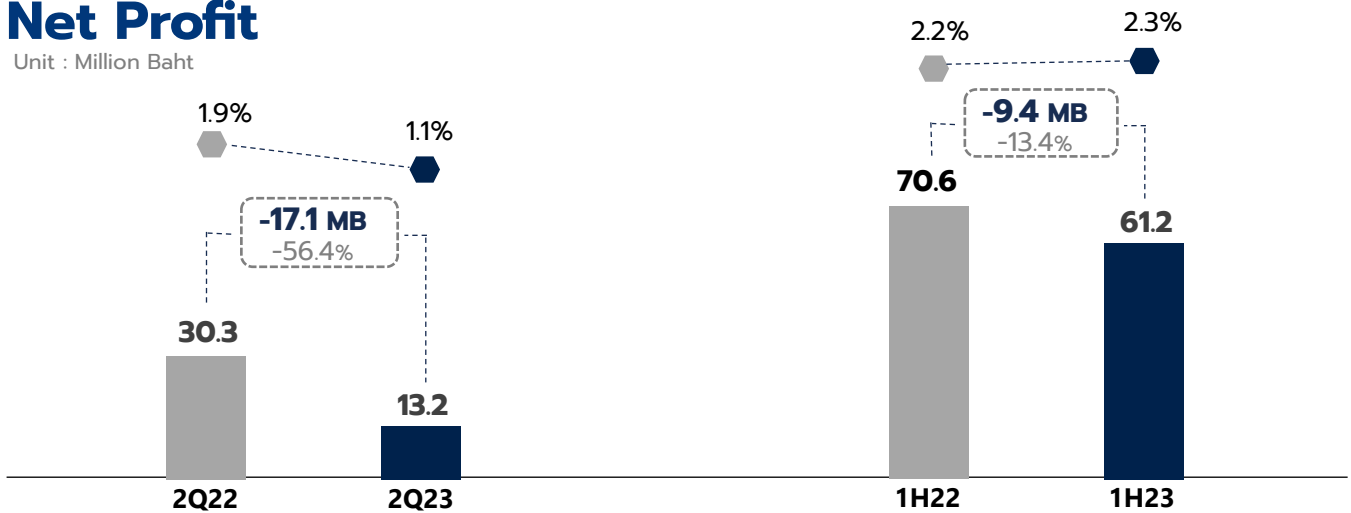


3M
2Q23 Administrative expenses was 73.5 MB decreasing 14.7 MB or -16.6% YoY according to efficient asset management. However, the administrative expenses rate compared to total revenue, increased from 5.6% to 6.3% due to decreasing in total revenue in 2Q23.

1H
1H23 Administrative expenses was 143.5 MB, decreasing 26.4 MB or -15.5% YoY, according to efficient asset management. Even though the total revenue has decreased but the company could maintain its administrative expenses margin close to the previous year.

Net Profit

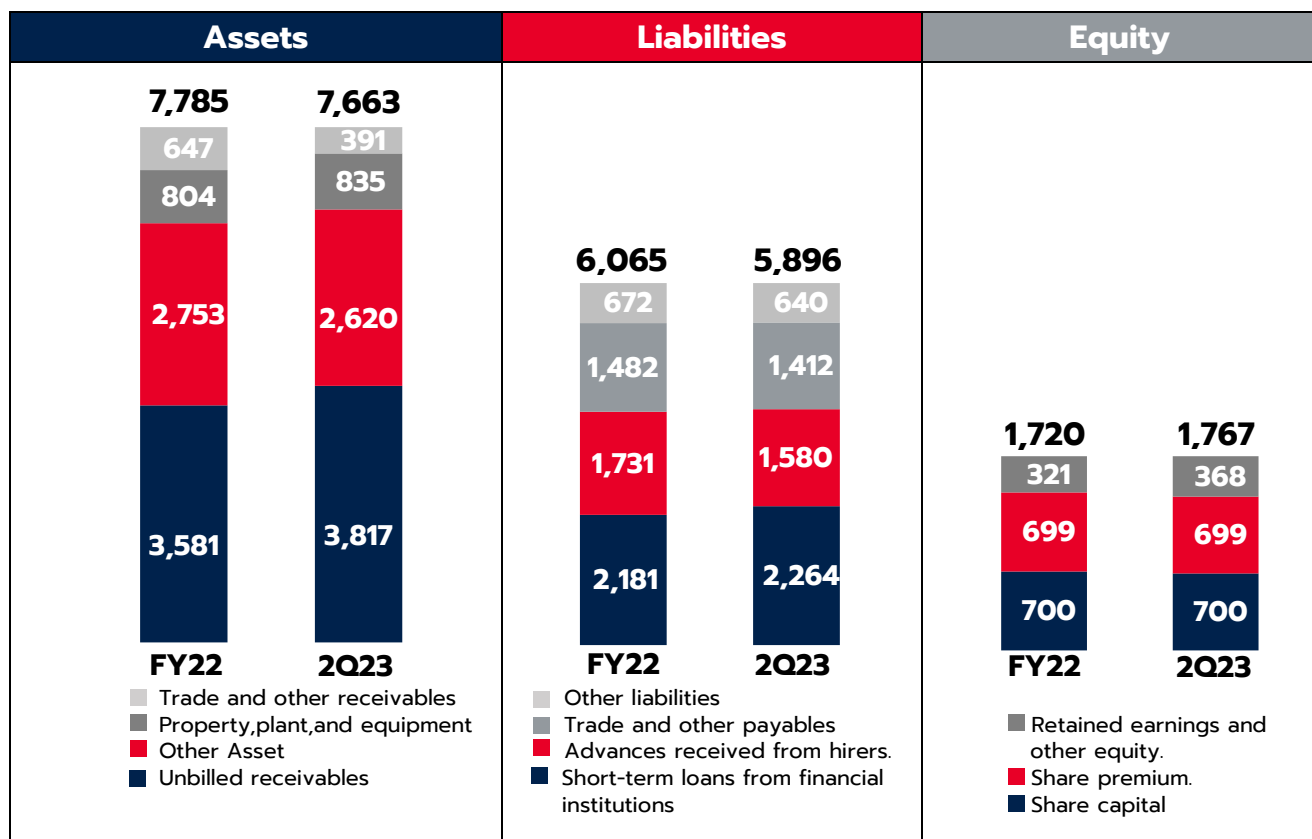
Unit : Million Baht



3M
2Q23 Net profit is 13.2 MB, decreasing 17.1 MB or -56.4% YoY, mainly due to decreasing in revenue from construction services. While Administrative expenses was reduced by efficient management. As a result, Net profit margin decreased from 1.9% to 1.1%.

1H
1H23 Net profit is 61.2 MB, decreasing 9.4 MB or -13.4% YoY mainly due to decreasing in revenue especially from construction services. However, Gross profit margin has increased from 8.4% to 8.5% and administrative expenses decreased according to efficient management. As a result, the net profit margin increased from 2.2% to 2.3%.

Statement of Financial Position



Financial Information

Assets

The Company have total assets of 7,663 MB, decreasing of 122 MB or -1.6% from the end of the previous year. This decrease were from trade and other receivables from collection of 256 MB and financial assets (mutual fixed income fund) worth 251 MB used for machine investment and other fixed assets and working capital in business operations. From an increase in unbilled receivables of 237 MB from high-speed railway projects contract 4-7 and the Rama 3 Expressway, and an increase from retention receivables of 133 MB.

Liabilities

The Company have liabilities of 5,896 MB, a decrease of 169 MB or -2.8% from the end of the previous year. The decrease was from the advance payment received by hirers that was gradually deducted upon the collection.

Equity

The Company have shareholders' equity of 1,767 MB, an increase of 47 MB or +2.7% from the end of the previous year, from operating results that had net profit for the 1H2023 of 61 MB and net of dividends paid to shareholders of 14 MB.

Cash Flow

The Company have net cashflow decreased by 61 MB due to the increase in work progress that has not yet been paid (unbilled receivables). Although the company was able to more collection payments from hirers. However, when netting from retention payments and advances received from hirers that were deducted upon collection, it was still net cash used from operations of 254 MB. However, the company had source of working capital that were from short-term loan from financial institutions to support the construction projects and the proceeds from the IPO fund raising, resulting in the Company had net cashflow from financing activities and from investing activities of 172 MB and 21 MB, respectively.

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