



19 February 2024

Subject: Management discussion and analysis for the year ended December 31, 2022

To: Director and Managers
Stock Exchange of Thailand

NL Development Public Company Limited and subsidiaries (the "Company") would like to inform the Company's performance for the year ended December 31, 2022, as the following details:

Statement of comprehensive income

Financial statement	For the year ended December 31			
	2021		2022	
	THB Million	Percent	THB Million	Percent
Revenues from construction works	1,384.79	100.00	1,218.79	100.00
Cost of construction works	1,151.02	83.12	980.81	80.47
Gross profit	233.77	16.88	237.98	19.53
Other income	20.71	1.50	20.40	1.67
Administrative expenses	173.88	12.56	184.38	15.13
Profit before income tax expense	80.60	5.82	74.00	6.07
Income tax expense	23.27	1.68	16.38	1.34
Net profit	57.33	4.14	57.56	4.72

Revenues from construction works

The Company had a decrease in revenue from construction work for the year ended December 31, 2022, over the same period of last year in the amount of THB 166.09 million, which was mainly caused by the COVID-19 pandemic situation, and even in the early part of 2022, construction material prices remained uncertain. However, the Company had revenue recognized from (1) the Cancer Center Chaloem Phrakiat Building project, Faculty of Medicine, Navamindradhiraj University, (2) the Office Court of Justice project, (3) Renovating the Navamintharakit Building and Kakanang Building, Chulalongkorn Hospital, Thai Red Cross Society, and (4) the King Mongkut Chaokhun Thahan Hospital (KMC Hospital) project.

The Company can be categorized as revenues from construction works in two formats: revenues from construction works categorized by project types and revenues from construction works categorized by client types.



(1) Revenues from construction works categorized by building types

Revenues from construction works categorized by building types	For the year ended December 31			
	2021		2022	
	THB Million	Percent	THB Million	Percent
1. Hospital	797.91	57.62	861.66	70.70
<i>Growth rate (Percent)</i>	<i>(31.17)</i>		<i>7.99</i>	
2. Office	304.72	22.00	343.98	28.22
<i>Growth rate (Percent)</i>	<i>59.44</i>		<i>12.88</i>	
3. Residential	282.16	20.38	13.07	1.07
<i>Growth rate (Percent)</i>	<i>(15.52)</i>		<i>(95.37)</i>	
4. Special building	-	-	-	-
<i>Growth rate (Percent)</i>	<i>-</i>		<i>-</i>	
5. Other construction	-	-	0.08	0.01
<i>Growth rate (Percent)</i>	<i>-</i>		<i>N/A</i>	
Total revenues from construction works	1,384.79	100.00	1,218.79	100.00
<i>Growth rate (Percent)</i>	<i>(18.10)</i>		<i>(11.99)</i>	

(2) Revenues from construction works categorized by client types

Revenues from construction works categorized by client types	For the year ended December 31			
	2021		2022	
	THB Million	Percent	THB Million	Percent
1. Government	1,302.96	94.09	1,024.51	84.06
<i>Growth rate (Percent)</i>	<i>21.50</i>		<i>(21.37)</i>	
2. State enterprises	73.21	5.29	185.92	15.25
<i>Growth rate (Percent)</i>	<i>(86.30)</i>		<i>153.95</i>	
3. Private	8.62	0.62	8.36	0.69
<i>Growth rate (Percent)</i>	<i>(89.70)</i>		<i>(3.13)</i>	
Total revenues from construction works	1,384.79	100.00	1,218.79	100.00
<i>Growth rate (Percent)</i>	<i>(18.10)</i>		<i>(11.99)</i>	

Gross profit and cost of construction works

Financial statement	For the year ended December 31			
	2021		2022	
	THB Million	Percent	THB Million	Percent
Revenues from construction works	1,384.79	100.00	1,218.79	100.00
Cost of construction works	1,151.02	83.12	980.81	80.47
Gross profit	233.77	16.88	237.98	19.53



For the year ended December 31, 2022, the Company had a cost of construction works of THB 980.81 million, which decreased by THB 170.21 million because the Company's revenues from construction works decreased. However, the Company's revenues from construction works decreased, but the Company's gross profit increased from THB 233.77 million in the year 2021 to THB 237.98 million in the year 2022. The gross profit margin increased from 16.88 percent in the year 2021 to 19.53 percent in 2022. The main reason was the Company's revenue recognition of 'K factor,' which is a condition for compensation due to changes in construction material prices during 2022.

Administrative expenses

The administrative expenses consist of: (1) staff expenses such as salaries and welfare; (2) specialized consultant fees such as auditor, internal auditor, and financial advisor; (3) office and project expenses such as utilities expenses, office expenses, maintenance expenses, travel expenses, insurance premiums, the cost of preparing documents for auction or bidding, photocopier rental fees and other fees; (4) depreciation and amortization; and (5) other expenses such as marketing costs and donations.

Administrative expenses	For the year ended December 31			
	2021		2022	
	THB Million	Percent	THB Million	Percent
Staff expense	124.75	71.74	124.95	67.77
Specialized consultant fees	12.24	7.04	16.26	8.82
Office and project expenses	7.94	4.57	15.05	8.16
Depreciation and amortization costs	11.30	6.50	12.83	6.96
Other expense	17.65	10.15	15.29	8.29
Total administrative expenses	173.88	100.00	184.38	100.00

For the year ended December 31, 2022, the Company's administrative expenses increased by THB 10.50 million, or 6.04 percent, from administrative expenses in 2021, which caused office and project expenses to increase by THB 8.95 million due to the easing of the COVID-19 pandemic situation. Various organizations have resumed project bidding for construction. The Company is therefore preparing to be ready to handle such situations. By the way, the Company had specialized consultant fees of THB 5.30 million in 2022. In 2022, the Company had plans to be listed on the Stock Exchange of Thailand (SET), which resulted in increased consultancy fees related to securities market registration and fees for software program usage services. However, the Company's other expenses decreased in 2022 because the Company didn't have a service fee for condominium agents. The Company received condominium units as assets from construction services payments in 2016 and appointed a condominium agent for the condominium units, totaling 11 units. As of December 31, 2022, 10 units have been sold, and 1 unit is still awaiting sale. At present, the Company does not have a policy of receiving payment for construction services as an asset.



Net profit

For the year ended December 31, 2022, the Company's net profit increased by THB 0.24 million; the net profit margin increased by 0.58 percent compared to the previous period, causing the Company's gross profit margin to increase from the K factor by THB 27.83 million from 11 construction projects. However, the Company had administrative expenses increase from office and project expenses by THB 8.95 million and specialized consultant fees by THB 5.30 million in 2022. In 2022, the Company's plan to be listed on the stock exchange of Thailand (SET) resulted in increased consulting fees in various areas.

Financial statements

Balance sheet	December 31, 2021		December 31, 2022	
	THB Million	Percent	THB Million	Percent
Total asset	1,417.59	100.00	1,334.55	100.00
Total liabilities	797.92	56.29	774.45	58.03
Total shareholders' equity	619.67	43.71	560.10	41.97

Asset

As of December 31, 2022, the Company had total assets of THB 1,334.55 million.

1. Cash and cash equivalents of THB 61.66 million, or 4.62 percent of total assets.
2. Trade and other current receivables of THB 341.66 million, or 25.62 percent of total assets.
3. Current contract assets – current of THB 408.74 million, or 30.63 percent of total assets.
4. Inventories of THB 77.47 million, or 5.80 percent of total assets.
5. Other current financial assets of THB 158.05 million, or 11.84 percent of total assets.
6. Property, plant, and equipment of THB 173.72 million, or 13.02 percent of total assets.

Liabilities

As of December 31, 2022, the Company had total liabilities of THB 774.45 million.

1. Trade and other current payables of THB 553.37 million, or 41.46 percent of total liabilities.
2. Current contract liabilities – current of THB 135.31 million, or 10.14 percent of total liabilities.
3. Retention payable of THB 49.27 million, or 3.73 percent of total liabilities.

Shareholders' equity

As of December 31, 2022, the Company had total shareholders' equity of THB 560.10 million.

1. Issued and paid-up share capital of THB 370.00 million, or 27.72 percent of total equity.
2. Appropriated retained earnings of THB 37.00 million, or 2.77 percent of total equity.
3. Unappropriated retained earnings of THB 133.68 million, or 10.02 percent of total equity.

**Key financial ratio**

Key financial ratio	Unit	December 31, 2021	December 31, 2022
Debt-to-equity ratio (D/E)	Times	1.29	1.38
Return on assets (ROA)	Percent	4.27	4.18
Return on equity (ROE)	Percent	27.61	0.90
Cash cycle	Days	25.27	51.01

Debt-to-equity ratio (D/E)

As of December 31, 2022, the Company's debt-to-equity ratio (D/E) increased because the Company's shareholder's equity decreased from the interim dividend from retained earnings of THB 111.00 million.

Return on assets (ROA)

As of December 31, 2022, the Company's return on assets (ROA) decreased by 0.09 percent because, in 2022, the Company's net profit was THB 57.56 million. Even, in 2022 the Company's total asset decreased from THB 1,417.58 million as of December 31, 2021, to THB 1,334.55 million as of December 31, 2022. However, as of December 31, 2022, the Company's average total asset was THB 1,376.07 million, resulting in a slight decrease in the return on asset.

Return on equity (ROE)

As of December 31, 2022, the Company's return on equity (ROE) increased because the Company's shareholder's equity decreased from the interim dividend from retained earnings of THB 111.00 million. However, for the year ended December 31, 2022, the Company's net profit increased by THB 0.23 million from the year ended December 31, 2021.

Cash cycle

Cash cycle	Unit	For the year ended December 31	
		2021	2022
Average accounts receivable period	Days	148.29	223.00
Average accounts payable period	Days	123.02	171.98
Cash cycle	Days	25.27	51.02

As of December 31, 2022, the Company's cash cycle increased from as of December 31, 2021, because the Company's average accounts receivable period is over the average accounts payable period derived from (1) the Office Court of Justice project, and (2) the Cancer Center Chaloe Phrakiat Building project, Faculty of Medicine, Navamindradhiraj University.



Yours sincerely

A handwritten signature in blue ink, consisting of a large, stylized 'S' followed by a series of loops and a final horizontal stroke.

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(Mr. Sarun Rojlertjanya)

President

NL Development Public Company Limited