

The Capital Engineering Network Public Company Limited
Management's Discussion and Analysis for Quarter 3 Year 2022

The group of companies overview

The outlook of the group of companies sector continued to recover in Q3/2022 due to the impact of rising inflation, exchange rates, and energy costs. As well as volatility in steel prices and competition in large-scale structural industries. Most investments that the companies invested in have been affected by the Russian-Ukrainian War, as many countries have banned Russian imports and exports to Ukraine for humanitarian, residential, or food purposes. This several has affected global as well as other European countries resulting in the SET's value has changed.

The group of companies overview performance

In 9M/2022, the group's net loss was THB 211.02 million, decreased by THB 642.89 million (148.86%), and gross profit from the operation was THB 10.36 million. When combined with the impairment caused by different raw material prices, the gross loss was THB 16.64 million, decreased by THB 84.27 million (124.60%), compared to 9M/2021. As a result in 2022, **Sky Tower Public Company Limited** or "**STOWER**" by Sky Towers Infra Inc., a subsidiary is **under construction of 34 telecommunications pole stations in the Philippines.** The construction is expected to be completed and available for rental during December 2022 – March 2023. **Rayong Wire Industries Public Company Limited** or "**RWI**" **had revenue from sales of steel wire products decreased from last year due to continued declines in the market price, resulting in lower selling prices, as well as lower material prices, with a sales volume close to Q3/2021, under intense market competition.** Besides, loss in fair value measurement of assets was recognized. In addition, the production machinery, and distribution of electricity and thermal energy of **Enesol Company Limited** or "**ENESOL**" were shut to stop losses from gas price fluctuations, which incurred a cost increase of more than 100%, as a result of the higher prices of LNG imports from major suppliers of Thailand. **In this quarter, the group performance results grew steadily after the group adjusted the business strategy plan.**

In Q3/2022, Capital Engineering Network Public Company Limited and its subsidiaries (called "the group") reported the group's operating loss in 3 months of THB 29.51 million, and losses from impairment of production caused by differences in raw material prices including losses of fair value adjustment in financial assets were recognized of THB 147.22 million, result to net loss amounted to THB 176.73 million, decreased by THB 239.87 million, compared to profit of THB 63.14 million in 2021, **which recognized losses of the company amounted to THB 112.18 million** and **earning per shares (EPS) of 0.15 Bath per share.** In addition, the net loss of specific business financial statements amounted to THB 55.63 million, and net EPS was 0.08 per share, as follows:

Performance Results Overview Quarter 3/2022

Consolidate Financial Statement (Audited)	3M (1.7.2022 -30.9.2022)				9M (1.1.2022 – 30.9.2022)			
	Q3-22	Q3-21	QoQ	%	Q3-22	Q3-21	QoQ	%
Revenue of Sales and Services	308.26	289.26	19.00	6.6	1,036.45	906.41	130.04	14.4
Cost of Sales and Services	(331.04)	(275.27)	(55.77)	20.3	(1,053.09)	(838.78)	(214.31)	25.5
Gross Profit	(22.78)	13.99	(36.77)	(262.8)	(16.61)	67.63	(84.27)	(124.6)
Other Income	15.26	18.39	(3.13)	(17.0)	32.12	61.81	(29.69)	(48.0)
Investment Income and Financial Assets	(120.59)	82.26	(202.85)	(246.6)	(90.62)	560.11	(650.73)	(116.2)
Administrative Expensed	(53.28)	(42.62)	(6.66)	14.3	(134.04)	(123.85)	(10.19)	8.2
Profit (Loss) from operation	(181.39)	68.02	(209.51)	308.0	(209.18)	565.70	(774.88)	136.9
Finance cost	(3.20)	(5.55)	2.35	(42.3)	(14.04)	(14.74)	0.70	(4.8)
Income Tax	8.99	0.67	8.32	(1,241.8)	12.20	(119.09)	131.29	(110.2)
Net Profit (Loss)	(175.60)	63.14	(238.74)	(378.1)	(211.02)	431.87	(642.89)	(148.9)
Profit (Loss) attributable of the company	(112.18)	88.21	(200.39)		(112.85)	392.36	(505.21)	
Profit (Loss) attributable of Non-Control	(63.42)	(25.07)	(38.35)		(98.17)	39.51	(137.68)	
Profit (Loss) per share	(0.16)	0.12			(0.15)	0.53		
Net Profit (Loss) Margin	(54.28%)	16.17%			(19.75%)	28.16%		

Performance Results Quarter 2/2022 ended on 30 September 2022

As of September 30, 2022, the performance in 3 months was **loss of THB 175.60 million**, mainly due to loss from operation of THB 55.01 million, and THB 120.59 million from fair value adjustment of financial assets, compared to last year. **In 2021, the turnover was reduced from the year before.** As the profit recognition of investment sales in associated companies and sales of financial assets amounted to THB 82.94 million.

Revenue

➤ Revenue from sales

The revenue from sales of steel wires was **higher** than the previous year, and revenue from product sales



increased by THB 8.76 million, as a result of the continuous and significant increase in steel prices with a sales volume was 333 tons less than Q3/2021. The revenue from electricity and thermal energy sales of 2 power plants, which use natural gas as fuel were affected by the war, resulting in the machine's temporary shutdown to reduce operating losses. The shutdown does not affect the duration of the electric current and thermal energy contracts, which can be extended to the end of the contract. As a result, total sales revenue decreased by THB 19.28 million from the previous year.

➤ **Revenue from Project Works and Services**

The subsidiaries' total revenue from sales and services amounted to THB 73.05 million, increased by THB 38.28 million (110%), compared to Q3/2021, mainly due to the telecommunication services provided in the Philippines, which was THB 51.70 million (70%), of revenue from sales and services. In addition, the revenue from the manufacturing of electrical substations structures (Substation) and domestic telecommunication towers amounted to THB 21.35 million, along with the revenue from selling industrial products was THB 2.22 million.

The significant growth of revenue from sales and services was attributed to the business restructuring and expansion of investment in telecommunications services and revenue from investment is recognized through QROI Network Service Inc. ("QNSI"), Philippines, a subsidiary. Meanwhile, the domestic electrical and telecommunications infrastructure business continued to post stable revenue. The revenue is expected to recover next year. After the postponement of mega-high-voltage transmission towers project by the Electricity Generating Authority of Thailand (EGAT), the bidding will be resumed again.

➤ **Profit(Loss) of Financial Assets Fair Value Measurement**

The unrealized profit(Loss) and loss from an adjustment of fair value of securities in the market demand for trading at a certain time.

➤ **Other Income**

As part of other income was from raw material scrap sales, interest receivable, and other income.

Expenses

The total expenses from the group were THB 503.66 million, increased by THB 175.54 million (53.50%), compared to THB 328.12 million, in Q3/2021.

➤ **Cost of Sales and Project Works**

The cost of product sales and services was THB 331.04 million, increased by THB 55.77 million (20.26%), compared to THB 275.27 million in Q3/2021, as a result of increased natural gas prices from the power plant



business group last year, and the significant increase in global raw material prices from steel wires business group. In addition, the company recorded a loss on the selling price of goods below the capital price of THB 27 million. Therefore, the company focuses on management, appropriately controlling and concisely raw materials in order not to overstock and to reduce the

risk from raw materials price fluctuations. In addition, the telecommunication business group has improved cost management well. In Q3/2022, distributions cost increased by only 27.78%, which is from the gradual domestic and international telecommunication delivery. The company has also managed to control logistic costs well, as evident between revenue from sales, project works including services, and distribution costs.

➤ Administrative Expenses

The administrative expenses were THB 53.28 million, **increased** by THB 6.66 million (**14.29%**), compared to THB 46.62 million in Q3/2021. In addition, this is the first year that the subsidiary has consolidated expenses of foreign companies investing this year. Furthermore, the company has reduced unnecessary expenses and focused on management as the previous year.

➤ Financial Cost

Mostly the financial costs were interest expenses from credit facilities and improved debt management, resulting in a 42% reduction in financial costs compares with Q3/2021.

Financial Position

Statement of Financial Position	30 Sep 2022	%	31 Dec 2021	%	Increased (Decreased)	%
Current Assets	2,226.61	59%	2,587.80	65%	(361.19)	(14%)
Non-Current Assets	1,561.23	41%	1,416.93	35%	144.30	10%
Total Assets	3,787.84	100%	4,004.73	100%	(216.89)	(5%)
Current Liabilities	278.92	7%	422.17	11%	(143.25)	(34%)
Non-Current Liabilities	388.55	10%	414.23	10%	(25.68)	(6%)
Total Liabilities	667.47	18%	836.40	21%	(168.93)	(20%)
<i>Shareholders' Equity of Company</i>	<i>1,854.76</i>	<i>49%</i>	<i>2,123.13</i>	<i>53%</i>	<i>(268.37)</i>	<i>(13%)</i>
Shareholder's Equity of NC	1,265.61	33%	1,045.20	26%	220.14	21%
Total Shareholders' Equity	3,120.84	82%	3,168.33	79%	(47.96)	(2%)
Total Liabilities and Shareholders' Equity	3,787.84	100%	4,004.73	100%	(216.89)	(5%)

➤ Asset

As of 30 September 2022, the group total assets amounted to **THB 3,787.84 million, decreased by THB 216.89 million (5%)**, compared with 2021. The total assets as a result of debt repayment with financial institutions and increased contractual assets from the telecommunications service businesses in which the subsidiary invested more in overseas expansion and **recognized the goodwill of the investment value** of THB 99.32 million.

➤ Liabilities

As of 30 September 2022, the group total liabilities amounted to **THB 667.47 million, decreased by 20%**, due to the subsidiaries reduced its borrowings from financial institutions and paid corporate tax last year, when compared to the decrease in total assets, indicating that the group was able to manage its assets well.

➤ Shareholders' Equity

As of 30 September 2022, the Shareholders' equity of the company was **THB 3,120.37 million, decreased by THB 216.89 million (5%)**, compared to THB 3,168.33 million on 31 December 2021, due to the revaluation surplus of proportions in the subsidiaries, which the company had share repurchase program (Treasury Stock) of 21,277,600 shares or THB 68.81 million in this quarter.

Financial Ratio

Financial Ratio Highlights	Q3-2022	Y2021	Q3-2021
Current Ratio	7.98	6.13	5.72
Debt to Equity Ratio (D/E Ratio)	0.21	0.26	0.33
Return on Assets (ROA)	(2.98%)	8.70%	2.29%
Return on Equity (ROE)	(6.09%)	16.41%	4.00%
Book Value Per Share	2.56	2.85	2.96

As of 30 September 2022, the group's current ratio of 7.98x, increased by 2.26x, compared to Q3/2021.

The D/E total ratio was 0.21x, decreased by 0.12x, compared to Q3/2021, and down 0.05x from 2021, which showed liabilities well managed by the group.

The ROA was 2.98% and ROE was (6.09%), decreased when compared to 2021, as a result of the group recognized loss of fair value assessment, resulting in a different utilization of assets and shareholders' equity from the previous year.

The book value per share of the company was THB 2.56 per share, compared to 31 December 2021, which showed that the company was affected by the global economic and war conditions.

-Chirdsak Kukiattinun-
(Mr.Chirdsak Kukiattinun)
Chief Executive Officer