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13 May 2022

Subject: Management Discussion and Analysis (MD&A) for the three-month period ended March 31, 2022

**To: The President, the Stock Exchange of Thailand
The Secretary, the Office of the Securities and Exchange Commission (SEC)**

Christiani & Nielsen (Thai) Public Company Limited and its Subsidiaries ("the Company") here below submits the management discussion and analysis (MD&A) report for the three-month period ended March 31, 2022.

Economic Outlook Overview

World Economy 2022

There is a tendency to a slower recovery as compared to the previous year due to several key risk factors, including the outbreak of Omicron-type COVID-19 variant in the first quarter and the Russo-Ukrainian War. This caused commodity prices to rise significantly, and supply bottlenecks worsened. As a result, inflation accelerated faster. Growth is estimated to be 3.4%, lower than 5.8% in 2021. The impact of the COVID-19 outbreak on the economy will be less than the year before and expected to be limited to the first two quarters of the year.

Another major obstacle is the Russo-Ukrainian War which has affected the global economic slowdown and will continue to affect the economy on a wide scale. Asian economy has a tendency to slow down more than expected as it is exacerbated by the Russo-Ukrainian War, in addition to the impact of the COVID-19 outbreak. These negative factors will prolong a recovery.

The World Bank and ADB have downgraded their Asian economies' forecasts, expecting the GDP of developing countries in East Asia and the Pacific to grow only 5% in 2022, lower than 5.4 percent forecasted previously.

Thai Economy 2022

SCBEIC has downgraded its forecast for Thai economic growth in 2022 from 3.2% to 2.7% due to economic woes caused by the COVID-19 pandemic and aggravated by the impact of the war in Ukraine in multiple aspects, both from the slowdown of the European purchasing power and the higher prices of goods and commodities, especially of energy in the first quarter. The Thai Baht exchange rate will probably fluctuate and depreciate further until the tourism sector picks up.

Economic projections for both private and public consumption remain low and all private and public investments are declining while the inflation rate is much higher.

Market Situation and Competition

Various public and private projects remain slowed down or postponed mainly due to the Omicron wave and the War as explained above. This has resulted in very low demand for the Construction sector. Very few projects being tendered for bidding has led to fierce

competition in the construction business with different competitive factors especially in the construction of large-scale industrial plants. Foreign contractors operating in Thailand are awarded projects at very low prices which could be because such foreign contractors have spare capacity and high risk appetite to take on low priced business even at a loss sometimes to support their operating units in Thailand until further investments from foreign investors increases demand. Therefore, Thai contractors in the same business are being directly impacted.

Construction Business

Due to the continued slower growth of the Thai economy and the slowdown in the first quarter in both private and public investments, demand for construction is significantly less. Most of the government construction are infrastructure projects accounting for approximately 80% of the total government construction costs. In the first quarter, there were very small investments in this segment, while private residential construction accounted for approximately 54% of the total value of private construction which will also experience further slowdowns due to reduced purchasing power and rising costs which will further depress the recovery of investments in these projects.

Construction operators still face serious challenges and must wait for the impact of all the adverse factors as explained above to ease out. Economic activity has started resuming to nearly normal but it will still take a few quarters to reach complete normalcy.

The Russo-Ukrainian War is also likely to be prolonged but predicted to last no later than 2022. Once resolved, consumption would increase as well as the purchasing power, while supply problems would also decrease along with energy and commodity inflation and supply bottleneck issues. As for the ongoing construction of the projects under construction, the rising costs will put further pressure on the profitability of the business.

Major Construction Project Contracts awarded in 1Q/2022

The Company is has been awarded small industrial projects such as those of Thai Union Group who operate in the seafood business, and of Inteqc Group who operate in meat production and processing.

Overview of the Company Tender Strategy in 2022

The value of biddable projects in the next 3 quarters is forecasted at approximately 15,000 million baht. We are still setting goals to acquire another 6,000 million baht from both public and private sectors. There will be important factors affecting the forecasts such as how the COVID-19 situation plays out, including the recovery from said situation, and the prolonged Russo-Ukrainian war which has consequently affected the prices of energy, commodities, and exports, especially in the European market, including tourism and the volatile financial sector susceptible to rising inflation.

These factors and the significantly higher project costs forces a review of investments by the Private sector. Even the Public sector has cut down budgets for investments to alleviate the impact of COVID-19.

Performance Overview

For the three-month period ended March 31, 2022, the Company recorded a total revenue at THB 1,240.7 million, a THB 456.1 million or 26.9% decrease from THB 1,696.8 million with the gross profit at 4.4% and net loss after tax of THB 12.4 million.

As of 31 March 2022, the Company had total assets of THB 5,599.4 million, total liabilities of THB 3,686.1 million, and total equity of THB 1,913.3 million.

Financial Performance

For the three-month period ended 31 March 2022

(unit : Million Baht)				
Consolidated financial statements				
	<u>2022</u>	<u>2021</u>	<u>Inc. / (Dec.)</u>	<u>% Inc. (Dec.)</u>
Revenues				
Construction income	1,219.3	1,651.2	(431.9)	(26.2%)
Revenue from sales and services	19.6	42.7	(23.1)	(54.1%)
Total operating income	1,238.9	1,693.9	(455.0)	(26.9%)
<i>% of total revenues</i>	99.85%	99.83%		
Others income	1.8	2.9	(1.1)	(37.9%)
Total revenues	1,240.7	1,696.8	(456.1)	(26.9%)
Costs of construction	1,168.7	1,593.1	(424.4)	(26.6%)
Costs of sales and services	16.2	36.7	(20.5)	(55.9%)
Total operating costs	1,184.9	1,629.8	(444.9)	(27.3%)
Gross Margin	54.0	64.1	(10.1)	(15.8%)
<i>% Gross Margin</i>	4.36%	3.78%		
Expected credit losses	-	3.0	(3.0)	(100.0%)
Administrative expenses	60.0	61.8	(1.8)	(2.9%)
<i>% Administrative expenses / Total revenues</i>	4.84%	3.64%		
Operating profit (loss)	(4.2)	2.2	(6.4)	(290.9%)
Finance income	1.2	2.7	(1.5)	(55.6%)
Finance cost	(1.4)	(2.8)	1.4	50.0%
Profit (loss) before income tax	(4.4)	2.1	(6.5)	(309.5%)
Income tax	(8.0)	(2.4)	(5.6)	233.3%
Profit (loss) for the period	(12.4)	(0.3)	(12.1)	4,033.3%
<i>% Net Profit / Total revenues</i>	(1.0%)	(0.0%)		
Earnings (loss) per share				
Basic earnings (loss) per share				
Profit (loss) attributable to equity holders of the Company (Baht)	(0.01)	-	(0.01)	(100.0%)

For the three-month period ended March 31, 2022, the Company recorded the total revenue at THB 1,240.7 million, a decrease of THB 456.1 million or 26.9% from THB 1,696.8 million in the same period of the previous year, due primarily to a drop of THB 431.9 million in construction revenue. This was due partially to completion of some previous projects, as well as the number of new projects acquired during the three-month



2022 which was less than the same period of the previous year. Moreover, the Company had the total construction cost of THB 1,168.7 million, a decrease of THB 424.4 million or 26.6% in line with the decrease of the total revenue. Consequently, the gross profit decreased by THB 10.1 million. However, the gross profit margin of the Company increased from 3.8% to 4.4%, compared to the same quarter in 2021, due to better and efficient management of the projects by the Company.

Administrative expenses decreased by THB 1.8 million due to improved cost management. There was no expected credit loss in this period, while there was a credit loss of THB 3 million in the previous year. The Company had net loss before income tax in the amount of THB 4.4 million and deferred tax expenses increased by THB 5.6 million, resulting in a net loss of THB 12.4 million for the Company.

The sales and service segment by a subsidiary operating in Thailand to provide energy solutions in solar, wind and other renewable energy sectors had revenue from sales and service for the three-month period 2022 of THB 19.6 million, with net loss before tax of THB 2.9 million.

Statements of Financial Position Analysis

(unit : Million Baht)

	Consolidated financial statements			
	31 Mar. 22	31 Dec. 21	Inc. (Dec.)	% Inc. (Dec.)
Assets				
Cash and cash equivalents	151.5	303.6	(152.1)	(50.1%)
Trade and other receivables	1,305.0	664.1	640.9	96.5%
Contract assets	1,463.1	1,888.7	(425.6)	(22.5%)
Inventories	93.9	64.4	29.5	45.8%
Advance payments to subcontractors	238.1	308.6	(70.5)	(22.8%)
Withholding tax deducted at source	284.8	262.5	22.3	8.5%
Other current assets	9.2	10.3	(1.1)	(10.7%)
Total current assets	3,545.6	3,502.2	43.4	1.2%
Investment properties	287.5	287.5	-	0.0%
Property, plant and equipment	1,501.0	1,498.0	3.0	0.2%
Right-of-use assets	136.6	140.3	(3.7)	(2.6%)
Other non-current assets	128.7	123.5	5.2	4.2%
Total non-current assets	2,053.8	2,049.3	4.5	0.2%
Total assets	5,599.4	5,551.5	47.9	0.9%
Liabilities				
Bank overdraft and short-term loans from financial institutic	147.2	116.3	30.9	26.6%
Trade and other payables	1,938.3	1,942.4	(4.1)	(0.2%)
Short-term loans from related party	8.0	6.0	2.0	33.3%
Contract liabilities	966.3	932.8	33.5	3.6%
Short term provision	191.6	235.3	(43.7)	(18.6%)
Liabilities under lease agreements	75.5	84.9	(9.4)	(11.1%)
Other liabilities	359.2	308.0	51.2	16.6%
Total liabilities	3,686.1	3,625.7	60.4	1.7%
Shareholders' equity				
Equity attributable to Owners of the Company	1,893.4	1,905.5	(12.1)	(0.6%)
Non-controlling interests of the subsidiary	19.9	20.3	(0.4)	(2.0%)
Total shareholders' equity	1,913.3	1,925.8	(12.5)	(0.6%)
Total liabilities and shareholders' equity	5,599.4	5,551.5	47.9	0.9%



As of 31 March 2022, the Company had total assets of THB 5,599.4 million, total liabilities of THB 3,686.1 million, and total shareholder's equity of THB 1,913.3 million.

Assets

As of 31 March 2022, the Company had total assets of THB 5,599.4 million, an increase of THB 47.9 million or 0.9% compared to 31 December 2021. The main reasons were the current assets and other non-current assets which increased by THB 43.4 million and THB 4.5 million, respectively.

Current assets increased by THB 43.4 million mainly from the increase in trade and other receivables of THB 640.9 million mostly due to construction works done by the Company as scheduled and planned. Moreover, the outstanding account receivables increased by THB 225.5 million, and other receivables increased by THB 10.4 million. Consequently, the cash and cash equivalent decreased by THB 152.1 million. In addition, the Company had a decrease in contract assets of THB 425.6 million, mainly due to a decrease in unbilled receivables and retention receivables of THB 395.4 million and THB 30.2 million, respectively. Advance payment to subcontractors decreased by THB 70.5 million, as a result of decrease in construction income in the year 2022 as mentioned above. However, inventories increased by THB 29.5 million and withholding corporate income tax increased by THB 22.3 million.

Non-current assets increased by THB 4.5 million since the net depreciation of property, plant and equipment during period rose by THB 3 million, attributed primarily to investments in powerplant projects by a subsidiary in amount of THB 23.1 million and investments in machinery and equipment of THB 2.9 million and net depreciation during the period of THB 22.7 million. The right-of-use assets decreased by THB 3.7 million from the depreciation during the period, and other non-current assets increased by THB 5.2 million.

Liabilities

As of 31 March 2022, the Company had total liabilities of THB 3,686.1 million, an increase of THB 60.4 million or 1.7% compared to 31 December 2021. During the three-month period 2022, a subsidiary company increased loans from financial institutions for its working capital by THB 30.9 million. Contract liabilities (construction revenue received in advance and advance payments received from customers) increased by THB 33.5 million due to the increase of deferred income of THB 127.9 million and the decrease of advance payments of THB 94.4 million. In addition, short-term provisions for the estimated expenses in construction projects of the Company decreased by THB 43.7 million and other liabilities increased by THB 51.2 million.

Shareholders' equity

As of 31 March 2022, shareholders' equity of the Company was THB 1,913.3 million, a decrease of THB 12.5 million compared to 31 December 2021, equivalent to 0.6%, due to the Company having a reported net loss for the three-month period of 2022 of THB 12.4 million, as well as an exchange difference on conversion of financial statements to foreign currency of THB 0.1 million.

Financial Ratios (Liquidity)

As of 31 March 2022, there was no adverse impact on liquidity since the Company had sufficient cash reserves. The financial liquidity or current ratio of the Company per the consolidated financial statements was 1.04, which has slightly decreased compared to the end of year 2021, Debt to Equity ratio was 1.93 which has slightly increased from 1.88 in year 2021 since the subsidiary increased loans from financial institutions and other liabilities as mentioned above.

		31 Mar. 22	31 Dec. 21
Current Ratio	Times	1.04	1.05
Debt to Equity Ratio	Times	1.93	1.88

The upcoming SET Opportunity Day (quarterly investor presentation) will be held from 13.15 - 14.00 hours on 24 May 2022 via the SET live web-casts. We hope that many shareholders, investors and analysts will attend this online event at which the Company will get a chance to thoroughly discuss the results for the three-month period 2022.

Please be informed accordingly.

Yours faithfully,
Christiani & Nielsen (Thai) Public Company Limited

– Signature –
(Surasak Osathanugraha)
Director and Company Secretary