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15 August 2022

**Subject: Management Discussion and Analysis (MD&A) for the three-month and six-month periods ended June 30, 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 and six-month periods ended June 30, 2022.

### **Economic Outlook Overview**

#### **World Economy 2Q 2022**

In comparison to the first quarter of 2021, the global economy is slowly recovering. However, as the second quarter began, it decelerated due to the impact of inflationary pressures and worldwide concerns about major players’ national monetary policies. Furthermore, rising inflation tends to significantly slow down global business activities, with the risks of major economies entering recession due to the following three major causes:

1. Prolonged conflict between Russia and Ukraine
2. Chinese Zero COVID epidemic control policy
3. Volatility of global financial sectors

The World Bank has reduced its global GDP growth forecast to 2.9%. ADB has decreased Asia and the Pacific developing countries’ growth to 4.6%.

#### **Thai Economy 2022**

The SCBEIC predicts that GDP growth from service sectors, tourism and recovering agricultural sectors will be 2.9 percent, with Thai GDP expected to return to a pre-crisis level in the third quarter of 2023. The following factors contribute to the recovery:

- Tourism and recovering service industry which will be the main drivers for the rest of the year.
- Agricultural industry which is expected to have increased productivity and prices. However, some areas are still at risk of flooding.
- Private consumption which is expected to increase as Disease Control Measures are lifted, with the Pent-up demand to provide a significant boost.

#### **Nonetheless, there are other factors burdening the recovery:**

- Spread of future COVID-19 variants
- Global impact of Russia-Ukraine conflict which destabilizes and affects Thailand
- Rising inflation with an unpredictable peak and cost-push inflation
- Chinese economy shrinking beyond expectations
- Negative economic impact resulted from the COVID-19 outbreak followed by the Russia-Ukraine conflict



**Construction Industry Overview**

In continuation of an unexpectedly slow Thai economic growth from 4Q 2021, 2Q 2022 was met with rising costs affected by the conflict in Ukraine which has increased the price of oil and essential construction materials.

Following the easing of COVID-19 outbreak, the government and private sectors have decided to move forward with the investments which will positively and gradually benefit the contractors. Overall investments in construction and contractors' revenues have decreased in both value and net profit.

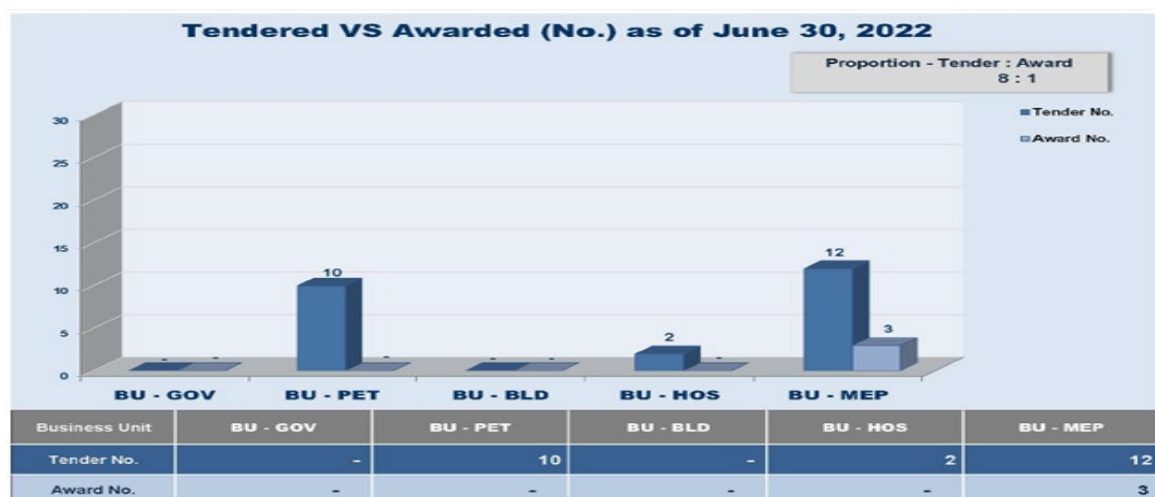
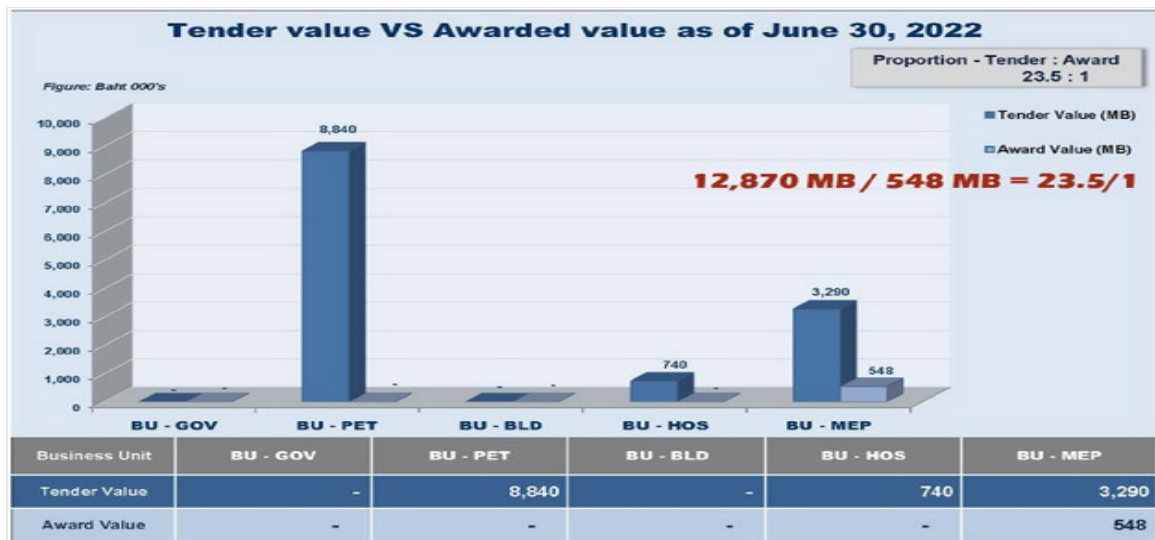
On average, overall investments in construction is 8.1 percent of the GDP, with public sector accounting for 59% and private sector accounting for 41%. The remaining tenders for 2022 are not very substantial. However, in 2023, the number of tenders will increase and become more distinct.

Key factors that may limit growth are:

- High cost of consumer goods and all essential materials
- Surplus supply of housing
- Labor shortage due to COVID-19
- Foreign investment decisions in Thailand

**Company Business Overview**

Tenders and awards in the first half of 2022



The Company participated in the bidding of 24 projects worth THB 12,870 million and was awarded three projects worth THB 548 million. In the first quarter, the project quantity ratio is 8:1 and bidding value ratio is 23.5:1.

Additional explanation as follows:

Almost every tender and project in 2Q of 2022 has been delayed by public and private investors, not to mention that some projects have had their tenders postponed until further notice. The awards are not yet announced but the Company has entered numerous biddings and plans to continue doing so until the awards are announced in 2023. The projects in which we have been involved are projects from the Department of Highways, the Expressway Authority of Thailand, factories, hospital, Bangkok Metropolitan Administration Staff Housing etc.

### **Market Situation and Competition**

Projects in both public and private sectors are still being stalled or postponed. Investments are lessened due to economic factors while demand remains very low, and also budget allocation which prioritizes only the most important projects first. As a result, there will be far fewer projects that result in actual construction works. All contractors are holding on to their backlogs.

### **Overview of Remaining Tenders in 2022**

We will be bidding on multiple tenders in the next two quarters and the awards will soon be announced. The total of ongoing tenders and additional tenders are THB 10,000 million. Our goal is to be awarded THB 3,000 million.

### **Energy Solutions Business (CNES, a Subsidiary Company)**

During the 1st half of 2022 operation, CNES has predominantly focused on closing all the projects which were in the advanced stage of construction by the end of 2021. Four of the projects (8MWp) invested by CNES are now supplying electricity to our clients as part of the TEST-COMMISSIONING RUN process. During this period, we have also initiated a project with Battery Support and have signed a few new contracts in Solar PV. Going forward, CNES will be acquiring new opportunities (currently being finalized) in Solar PV Projects, together with new sustainable technologies such as Waste Recycling Management, Integration of Solar PV with agriculture. CNES's core focus for the 2nd half of 2022 will be the success of its ZERO CARBON Sustainable Park in Lopburi Province (under construction) the new solar project opportunity in the Philippines.

### **Management Discussion and Analysis (MD&A)**

#### **Performance Overview**

The results, reviewed by EY Office Ltd., presented the Company performance in the six-month period ended June 30, 2022, where the Company recorded a total revenue at THB 2,529 million, a THB 909 million or 26.4% decrease from THB 3,437 million from the same period of the previous year, with the gross profit at 3.3% and net loss after tax of THB 19 million.



As of 30 June 2022, the Company had total assets of THB 6,064 million, total liabilities of THB 4,191 million, and total equity of THB 1,873 million.

## Financial Performance

### STATEMENTS OF INCOME FOR THE THREE MONTH AND SIX MONTH PERIOD ENDED 30 JUNE 2022

	FOR THE THREE - MONTH PERIOD ENDED 30 JUNE				FOR THE SIX - MONTH PERIOD ENDED 30 JUNE			
	(unit : Million Baht)				(unit : Million Baht)			
	Consolidated financial statements				Consolidated financial statements			
	2022	2021	Var.		2022	2021	Var.	
			Inc. / (Dec.)	% Inc. (Dec.)			Inc. / (Dec.)	% Inc. (Dec.)
<b>Revenues</b>								
Construction income	1,281.4	1,675.1	(393.7)	(23.5%)	2,500.7	3,326.2	(825.5)	(24.8%)
Revenue from sales and services	3.8	61.8	(58.0)	(93.9%)	23.4	104.5	(81.1)	(77.6%)
Total Construction income & revenue from sales and services	1,285.2	1,736.9	(451.7)	(26.0%)	2,524.1	3,430.7	(906.6)	(26.4%)
% of total revenues	99.77%	99.78%			99.81%	99.81%		
Other income	3.0	3.8	(0.8)	(21.1%)	4.8	6.7	(1.9)	(28.4%)
<b>Total revenues</b>	<b>1,288.2</b>	<b>1,740.7</b>	<b>(452.5)</b>	<b>(26.0%)</b>	<b>2,528.9</b>	<b>3,437.4</b>	<b>(908.5)</b>	<b>(26.4%)</b>
Costs of construction	1,247.3	1,616.7	(369.4)	(22.8%)	2,416.0	3,209.8	(793.8)	(24.7%)
Cost of sales and services	7.8	52.5	(44.7)	(85.1%)	24.0	89.2	(65.2)	(73.1%)
Total costs of construction & cost of sales and services	1,255.1	1,669.2	(414.1)	(24.8%)	2,440.0	3,299.0	(859.0)	(26.0%)
<b>Gross Margin</b>	<b>30.1</b>	<b>67.7</b>	<b>(37.6)</b>	<b>(55.5%)</b>	<b>84.1</b>	<b>131.7</b>	<b>(47.6)</b>	<b>(36.1%)</b>
% Gross Margin	2.34%	3.90%			3.33%	3.84%		
Bad debts	-	-	-	-	-	3.0	(3.0)	(100.0%)
Administrative expenses	61.1	66.9	(5.8)	(8.7%)	121.1	128.7	(7.6)	(5.9%)
% Administrative expenses / Total revenues	4.74%	3.84%			4.79%	3.74%		
<b>Profit (Loss) from operating activities</b>	<b>(28.0)</b>	<b>4.6</b>	<b>(32.6)</b>	<b>(708.7%)</b>	<b>(32.2)</b>	<b>6.7</b>	<b>(38.9)</b>	<b>(580.6%)</b>
Finance income	21.2	1.7	19.5	1167.7%	22.5	4.4	18.1	411.4%
Finance cost	(1.3)	(3.0)	(1.7)	(56.5%)	(2.7)	(5.8)	(3.1)	53.4%
<b>Profit (Loss) before income tax expenses</b>	<b>(8.1)</b>	<b>3.3</b>	<b>(11.4)</b>	<b>(345.6%)</b>	<b>(12.4)</b>	<b>5.3</b>	<b>(17.7)</b>	<b>(334.0%)</b>
Corporate income tax	1.4	0.2	1.2	516.7%	(6.6)	(2.2)	(4.4)	204.6%
<b>Net Profit (Loss) for the period</b>	<b>(6.7)</b>	<b>3.5</b>	<b>(10.2)</b>	<b>(290.0%)</b>	<b>(19.0)</b>	<b>3.1</b>	<b>(22.1)</b>	<b>(712.9%)</b>
% Net Profit (Loss) / Total revenues	(0.5%)	0.2%			(0.8%)	0.1%		
<b>Earnings per share</b>								
Basic earnings per share								
Profit (Loss) attributable to equity holders of the Company (Baht)	(0.01)	0.00	(0.01)	(269.2%)	(0.02)	0.00	(0.02)	(500.0%)

## Net Profit

The consolidated financial statements show a net loss of THB 6.7 million for the 2nd quarter of 2022, which is THB 10.2 million increase in net loss in comparison to the net profit of THB 3.5 million in the same quarter of the previous year, due primarily to THB 393.7 million decrease in construction revenues or 23.5% of THB 1,675.1 million from the 2nd quarter of 2021 as almost every tender, public and private investment and project has been halted in the second quarter of 2022, and some projects with their tenders postponed until further notice. In this quarter, the gross margin percentage dropped from 3.9% in the same quarter of 2021 to 2.3%, mainly due to surging material costs caused by a sharp increase in the price of steel, resulting in the Company's gross profit decreasing by THB 37.6 million. However, the Company's administrative expenses decreased by THB 5.8 million due to better management and cost reduction measures, as well THB 1.7 million decrease in financial cost.

The consolidated financial statements of the Company and its subsidiaries show a net loss before tax of THB 12.4 million for the 1st half of 2022, a THB 17.7 million decrease from THB 5.3 million net profit before tax in the same period of the previous year.



The Company recorded the total revenue at THB 2,528.9 million, a decrease of THB 908.5 million or 26.4% from THB 3,437.4 million in the same period of the previous year, due primarily to a decrease of THB 906.6 million or 26.4% from THB 3,430.7 million in construction, sale, and service revenues, and partially to the completion of some previous projects, as well as new projects acquired during the first half of 2022 which were less than the same period of the previous year. Moreover, the Company had the total cost of construction, sales, and services of THB 2,440 million, a THB 859 million or 26% decrease in line with the total revenue from construction, sales, and services. Consequently, the gross profit decreased by THB 47.6 million in connection with the decrease in the Company's gross profit margin from 3.8% to 3.3%, in comparison to the same period in 2021, due to soaring costs of raw materials mentioned above, even with a better and more efficient management of anticipated expenses by the Company.

Administrative expenses decreased by THB 7.6 million due to an improved cost management. There was no bad debts in this period, while there was a bad debts of THB 3 million in the previous year. In addition, the Company has high financial liquidity due to advance received from large projects, resulting in net financial income from financial cost increasing by THB 15 million. Therefore, the Company had a net loss before income tax amounting to THB 12.4 million, deferred tax payable increased from the previous period by THB 4.4 million, resulting in a THB 19 million net loss for the Company.

The sales and service segments operated by a subsidiary in Thailand to provide solar, wind and other renewable energy solutions resulted in THB 23.4 million revenues from sales and service for the 1HY/2022, with a net loss before tax of THB 12.9 million.

## Statements of Financial Position Analysis

### STATEMENTS OF FINANCIAL POSITION

(unit : Million Baht)

	Consolidated financial statements			
	30 Jun. 22	31 Dec. 21	Inc. (Dec.)	% Inc. (Dec.)
<b>Assets</b>				
Cash and cash equivalents	707.1	303.6	403.5	132.9%
Trade and other receivables	1,105.1	664.1	441.0	66.4%
Contract assets	1,661.3	1,888.7	(227.4)	(12.0%)
Inventories	135.9	64.4	71.5	111.0%
Advance payments to subcontractors	219.3	308.6	(89.3)	(28.9%)
Withholding tax deducted at source	203.2	262.4	(59.2)	(22.6%)
Other current assets	14.1	10.4	3.7	35.6%
<b>Total current assets</b>	<b>4,046.0</b>	<b>3,502.2</b>	<b>543.8</b>	<b>15.5%</b>
Other non-current financial assets	52.4	98.4	(46.0)	(46.7%)
Investment properties	264.2	287.5	(23.3)	(8.1%)
Property, plant and equipment	1,545.5	1,498.0	47.5	3.2%
Right-of-use assets	125.7	140.3	(14.6)	(10.4%)
Other non-current assets	30.2	25.1	5.1	20.3%
<b>Total non-current assets</b>	<b>2,018.0</b>	<b>2,049.3</b>	<b>(31.3)</b>	<b>(1.5%)</b>
<b>Total assets</b>	<b>6,064.0</b>	<b>5,551.5</b>	<b>512.5</b>	<b>9.2%</b>
<b>Liabilities</b>				
Bank overdraft and short-term loans from financial institutions	158.6	116.3	42.3	36.4%
Trade and other payables	2,081.4	1,942.4	139.0	7.2%
Contract liabilities	1,350.7	932.8	417.9	44.8%
Short term provision	187.8	235.3	(47.5)	(20.2%)
Liabilities under lease agreements	58.9	84.9	(26.0)	(30.6%)
Provision for long-term employee benefits	186.6	184.9	1.7	0.9%
Other liabilities	166.6	129.1	37.5	29.0%
<b>Total liabilities</b>	<b>4,190.6</b>	<b>3,625.7</b>	<b>564.9</b>	<b>15.6%</b>
<b>Shareholders' equity</b>				
Equity attributable to Owners of the Company	1,855.0	1,905.5	(50.5)	(2.7%)
Non-controlling interests of the subsidiary	18.4	20.3	(1.9)	(9.4%)
<b>Total shareholders' equity</b>	<b>1,873.4</b>	<b>1,925.8</b>	<b>(52.4)</b>	<b>(2.7%)</b>
<b>Total liabilities and shareholders' equity</b>	<b>6,064.0</b>	<b>5,551.5</b>	<b>512.5</b>	<b>9.2%</b>

As of 30 June 2022, the Company had total assets of THB 6,064 million, total liabilities of THB 4,190.6 million, and total shareholder's equity of THB 1,873.4 million, details as follows:

### **Assets**

As of 30 June 2022, the Company had total assets of THB 6,064 million, an increase of THB 512.5 million or 9.2% compared to 31 December 2021. The main reasons were the current assets which increased by THB 543.8 million and non-current assets which decreased by THB 31.3 million for the following reasons:

Current assets increased by THB 543.8 million mainly from a THB 403.5 million increase in cash and cash equivalent due to the Company having received advance payment for a large project because of the works done by the Company accordingly as scheduled and planned, including outstanding trade and other receivables amounting to THB 441 million. In addition, inventory and other current assets increased by THB 71.5 million and THB 3.7 million respectively. However, the Company had a decrease in contract assets of THB 227.4 million, mainly due to a decrease in unbilled receivables and retention receivables of THB 180.9 million and THB 46.5 million respectively. Advance payment to subcontractors decreased by THB 89.3 million as a result of the decrease in construction income in the 2022 as mentioned above. Withholding corporate income tax decreased by THB 59.2 million.

Non-current assets decreased by THB 31.3 million since other non-current financial assets have decreased due to changes in value of equity investments designated at fair value of THB 46 million. Investment properties decreased by THB 23.3 million due to the Company having transferred some plots of land for the future economic use to a group account of properties, plant, and equipment. The right-of-use assets decreased by THB 14.6 million from the depreciation of the period, the net depreciation of property, plant and equipment of the period rose by THB 47.5 million (attributed primarily to the transfer from investment properties of THB 23.3 million, an increase by revaluation of building of THB 2.6 million, investments in powerplant projects by a subsidiary of THB 63.2 million, and investments in machinery and equipment of THB 8.7 million with a net depreciation of the period of THB 50.3 million.) Furthermore, other non-current assets increased by THB 5.1 million.

### **Liabilities**

As of 30 June 2022, the Company had total liabilities of THB 4,190.6 million, an increase of THB 564.9 million or 15.6% compared to 31 December 2021. During the six-month period of 2022, a subsidiary company borrowed THB 42.3 million from a financial institution for its working capital. The Company and the subsidiary company increased trade and other payables by THB 139 million, contract liabilities (construction revenue received in advance and advance payments received from customers) increased by THB 417.9 million (due to the increase of deferred income of THB 16.5 million and the increase of advance payments of THB 401.4 million as per the reason as mentioned above.) Long-term provision for employee benefits and other liabilities increased by THB 1.7 million and THB 37.5 million respectively. In addition, short-term provisions for estimated expenses in construction projects of the Company decreased by THB 47.5 million, and liabilities under lease agreements decreased by THB 26 million due to related repayments.



**Shareholders' equity**

As of 30 June 2022, shareholders' equity of the Company was THB 1,873.4 million, a decrease of THB 52.4 million equivalent to 2.7% compared to 31 December 2021, due to the Company having a THB 19 million reported net loss for the six-month period of 2022, loss from changes in value of equity investments designated at fair value through other comprehensive income of THB 36.8 million, and revaluation surplus on assets increased by THB 2.8 million, as well as an exchange difference in conversion of financial statements to foreign currency which increased by THB 0.6 million.

**Financial Ratios (Liquidity)**

As of 30 June 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 1.03 which has slightly decreased compared to the end of year 2021, debt-to-equity ratio was 2.24 which has slightly increased from 1.88 in year 2021 since the subsidiary borrowed more short-term loans from the financial institutions and the Company has received advance from customers as mentioned above.

Financial Ratio (Consolidated)

		30 Jun. 22	31 Dec. 21
Current Ratio	Times	1.03	1.05
Debt to Equity Ratio	Times	2.24	1.88

The upcoming SET Opportunity Day (quarterly investor presentation) will be held from 13.15 - 14.00 hours on 23 August 2022 via the SET live webcasts. 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 1HY/2022.

Please be informed accordingly.

Yours faithfully,

**Christiani & Nielsen (Thai) Public Company Limited**

– Signature –

(Surasak Osathanugraha)

Director and Company Secretary