



Subject: Management Discussion and Analysis (MD&A) for the three-month and nine-month periods ended September 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 submit the management discussion and analysis (MD&A) report for the three-month and nine-month periods ended September 30, 2022.

Economic Outlook Overview

World Economy Q3 2022

The global economy has clearly signaled that it will continue to slow down towards the end of 2022 and into 2023, while the overall economy has not yet entered a recession, except for the United Kingdom, Europe, and the United States which are all entering a mild recession. The third quarter has demonstrated the following positive and negative economic factors:

Positive factors include:

1. Global inflation which is expected to peak in the third quarter of this year.
2. Improved financial position of private sector.
3. Several recovering and expanding industries.
4. Well-recovering labor market.

Negative factors include:

1. Expected restrictive monetary policy as a result of global inflation which is expected to fall but remain relatively high.
2. Energy crises experienced in the Eurozone.
3. Geopolitics and war concerns which remain severe.
4. Worsening natural disaster crises.

The IMF forecasted growth at 3.2% in 2022 and 2.7% in 2023, with global inflation at 8.8% in 2022 although is likely to fall to 6.5% in 2023.

Thai Economy 2022

According to the SCBEIC, GDP growth will be at 3% in 2022 and increasing to 3.7% in 2023 with private sector and tourism fueled by pent-up demand as the driving force. Thai economy is expected to recover to a pre-pandemic level by the third quarter of 2023.

However, there are some factors that put a strain on recovery including:

- risks of global economy dampening exports and investments.
- Chinese economy which remains sluggish than expected.
- high inflation; and
- economic wounds which have impacted financial strength.

Construction Industry Overview

Due to Thai economy not growing since the fourth quarter of 2021 until the third quarter of 2022 as expected, despite the fact that general market conditions began to shift more than the second quarter of this year, both public and private investments have dropped significantly.

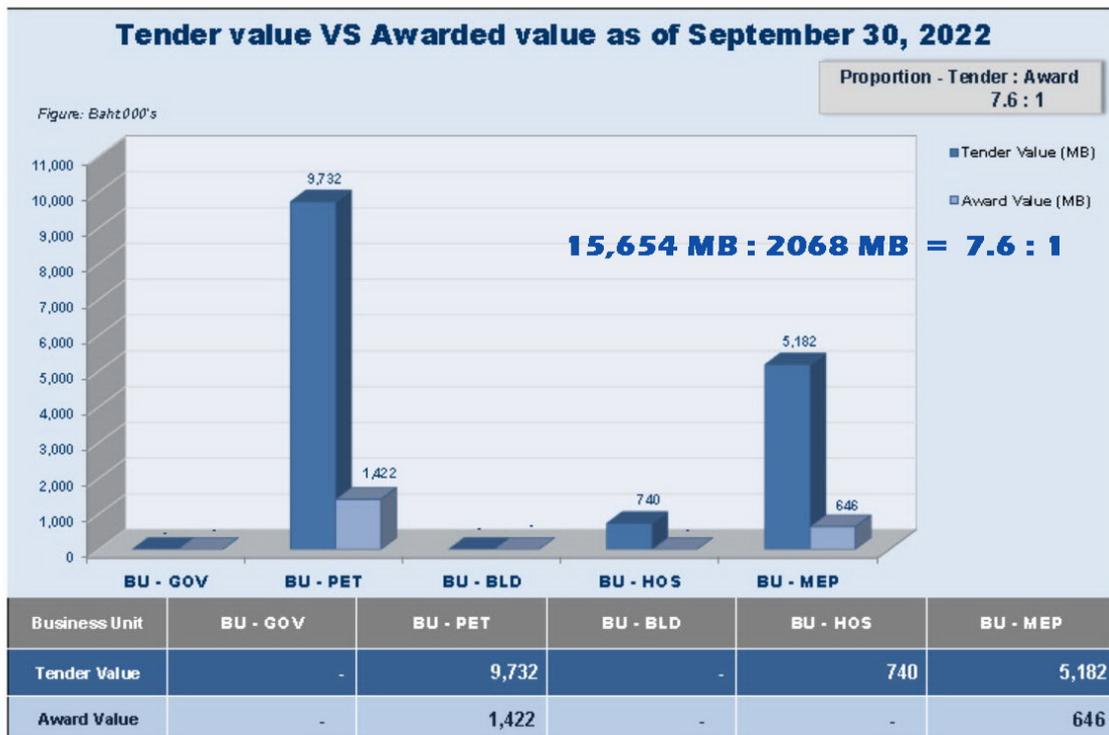
In terms of government construction spending, the budget has been limited to 10-30 billion out of the 500 billion Loan Act, where private construction is expected to grow in value by only 3% but will continue to recover in 2023. In addition to the decrease in construction investment value, contractors must also contend with the rising costs as a result of weaker Baht and high energy prices, all of which affect the cost of building materials and increasing labor costs. The construction labor market has yet to fully recover and the construction industry is almost entirely reliant on Thai workers. However, taking into account the government budget framework, investments will increase in 2023 and we will start hearing more from private sector about specific investments.

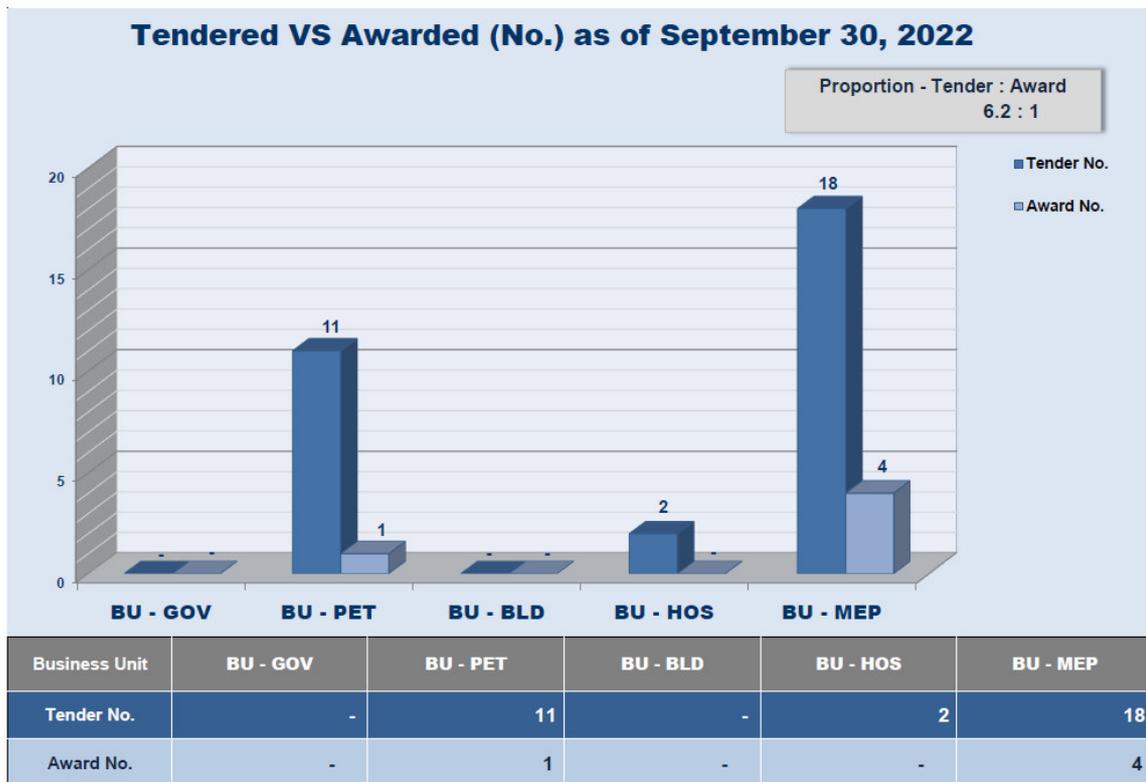
Key elements that may restrict growth include:

- political unpredictability that could undermine investors' confidence.
- populist policies that may affect budgets in construction project investment.
- high costs of commodity and all main materials.
- high housing stock.
- labor shortage due to COVID-19.
- foreign investors' consideration of investment in Thailand.

Company Business Overview

Overview of tenders and awards up to the third quarter of 2022.





Up until the third quarter of 2022, the Company participated in tenders of 31 projects worth THB 15,654 million. The Company was awarded 5 projects worth THB 2,068 million, with a project-quantity ratio of 6.2:1 and a bidding-value ratio of 7.6:1 – this could be further explained that many projects tendered by both public and private sectors were postponed or paused while some other tenders are still ongoing, expecting more results in the fourth quarter of 2022.

Furthermore, the Company is preparing for a number of large projects that will be tendered in 2023 such as those in the petrochemical and energy industries, as well as data centers.

Market Situation and Competition

Public and private projects are slowing down, particularly the government projects of which the budgets were cut and limited and some projects have been pushed back. In terms of private projects, housing development has not changed and there is some progress being made in the manufacturing industry in the development of industrial estates. Overall, the number of projects that could be developed into construction projects is still small. As a result, contractors must continue to work on backlogs.

The overall tenders and awards in the fourth quarter of 2022

The Company will learn about additional awards from ongoing tenders as well as new tenders to be added. Tender values are estimated to be THB 5,000 million and targeted to be awarded THB 1,500 million.

Alternate Energy Solutions Business (CNES, a Subsidiary Company)



During the 3rd quarter of 2022 (Q3-2022), in addition to the ongoing works, CNES has initiated site execution for several new Solar Projects in different parts of Thailand. 2 Solar Farm projects from previous backlog, however, got delayed as excessive rain made the sites not feasible to work in, though the work is expected to move forward in Q4-2022. During the previous quarter, CNES has also signed its first EPC Contract for a Waste to Energy Project (Waste Sorting & Recycling Factory Design & Construction) as an extension to go further towards complete sustainability, in addition to the 10MWp Solar PV Projects which are in the final negotiation of the bidding phase with high chance of winning as the demand for sustainable energy increases together with the electricity price. CNES is very optimistic for the business to maintain a consistent growth, particularly in the development of its Solar Power Assets through the PPA (Power Purchase Agreements) route.

Management Discussion and Analysis (MD&A)

Performance Overview

The results as reviewed by EY Office Ltd. present the Company performance in the nine-month period ended September 30th, 2022, wherein the Company recorded a total revenue at THB 4,003 million, a THB 793 million or 16.5% decrease from THB 4,796.5 million from the same period of the previous year, with the gross profit at 3.47% and net loss after tax of THB 14 million.

As of 30 September 2022, the Company had total assets of THB 6,124 million, total liabilities of THB 4,244.8 million, and total equity of THB 1,879.2 million.

Financial Performance



STATEMENTS OF INCOME FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022									
	FOR THE THREE - MONTH PERIOD ENDED 30 SEPTEMBER				FOR THE NINE - MONTH PERIOD ENDED 30 SEPTEMBER				
	(unit : Million Baht)								
	Consolidated financial statements				Consolidated financial statements				
	2022	2021	Var.		2022	2021	Var.		
			Inc. / (Dec.)	% Inc. (Dec.)			Inc. / (Dec.)	% Inc. (Dec.)	
Revenues									
Construction income	1,436.3	1,309.6	126.7	9.7%	3,937.0	4,635.8	(698.8)	(15.1%)	
Revenue from sales and services	33.0	44.1	(11.1)	(25.2%)	56.4	148.6	(92.2)	(62.0%)	
Total Construction income & revenue from sales and services	1,469.3	1,353.7	115.6	8.5%	3,993.4	4,784.4	(791.0)	(16.5%)	
% of total revenues	99.66%	99.61%			99.76%	99.75%			
Other income	5.0	5.3	(0.3)	(5.3%)	9.8	12.0	(2.2)	(18.7%)	
Total revenues	1,474.3	1,359.0	115.3	8.5%	4,003.2	4,796.4	(793.2)	(16.5%)	
Costs of construction	1,386.6	1,310.5	76.1	5.8%	3,802.6	4,520.2	(717.6)	(15.9%)	
Cost of sales and services	28.3	37.7	(9.4)	(25.0%)	52.3	127.0	(74.7)	(58.8%)	
Total costs of construction & cost of sales and services	1,414.9	1,348.2	66.7	4.9%	3,854.9	4,647.2	(792.3)	(17.0%)	
Gross Margin	54.4	5.5	48.9	888.7%	138.5	137.2	1.3	1.0%	
% Gross Margin	3.70%	0.41%			3.47%	2.87%			
Bad debts	-	-	-	-	-	3.0	(3.0)	(100.0%)	
Administrative expenses	67.7	61.2	6.5	10.6%	188.8	189.9	(1.1)	(0.6%)	
% Administrative expenses / Total revenues	4.59%	4.51%			4.72%	3.96%			
Profit (Loss) from operating activities	(8.3)	(50.4)	42.1	(83.6%)	(40.5)	(43.7)	3.2	(7.3%)	
Finance income	8.6	1.2	7.4	625.7%	31.1	5.6	25.5	454.6%	
Finance cost	(1.2)	(2.9)	(1.7)	(59.4%)	(3.9)	(8.7)	(4.8)	55.0%	
Profit (Loss) before income tax expenses	(0.9)	(52.1)	51.2	(98.3%)	(13.3)	(46.8)	33.5	(71.5%)	
Corporate income tax	6.0	7.9	(1.9)	(24.9%)	(0.7)	5.8	(6.5)	(111.3%)	
Net Profit (Loss) for the period	5.1	(44.2)	49.3	(111.5%)	(14.0)	(41.0)	27.0	(65.9%)	
% Net Profit (Loss) / Total revenues	0.3%	(3.3%)			(0.3%)	(0.9%)			
Earnings per share									
Basic earnings per share									
Profit (Loss) attributable to equity holders of the Company (Baht)	0.01	(0.04)	0.05	(113.6%)	(0.01)	(0.04)	0.03	(71.8%)	

Net Profit

The consolidated financial statements show a net profit of the quarter ended September 30th, 2022, of THB 5.1 million, which is a THB 49.3 million increase in net profit in comparison to the net loss of THB 44.2 million in the same quarter of the previous year, due primarily to THB 126.7 million increase in construction revenues or 9.7% of THB 1,309.6 million from the 3rd quarter of 2021, resulting in the Company's gross margin increasing by THB 48.9 million with the gross margin percentage rising from 0.4% to 3.7% which is close to an average of 2.5 – 3.8% in regular operations, mainly due to the recovering construction market and gradual recognition of works in the 3rd quarter of 2022 previously hindered by the COVID situation during which the Company could not recognize the construction income. In addition, the Company's net financial income from financial cost in this quarter increased by THB 5.7 million as a result of an interest income arising from the extension of contractual credit period for a customer, as per the Contract.. However, the Company's administrative expenses increased by THB 6.5 million due to an increase in employee welfare-related expenses and a decrease in corporate income tax of THB 1.9 million.

The consolidated financial statements of the Company and its subsidiaries for the nine-month period of 2022 show a net loss after tax of THB 14 million, a THB 27 million decrease from THB 41 million net loss after tax in the same period of the previous year.

The Company recorded the total revenue at THB 4,003.2 million, a decrease of THB 793.2 million or 16.5% from THB 4,796.4 million in the same period of the previous year – this is because the Company has been awarded less projects in this year, compared to



the same period in 2021, most of which are at the beginning stages. Therefore, construction revenue came mostly from backlogs from the previous period, resulting in a decrease in revenue in this period. Moreover, the Company had the total cost of construction, sales, and services of THB 3,854.9 million, a THB 792.3 million or 17% decrease in line with the total revenue from construction, sales, and services. However, the gross profit increased by THB 1.3 million also with gross margin percentage for the nine-month period that rose from 2.87% to 3.47% compared with the same period last year. This is because lower or negative margin projects were mostly recognized already in the previous period.

Administrative expenses decreased by THB 1.1 million due to improved cost management. In addition, the Company has high financial liquidity due to advances received from large projects and interest income received from a customer as mentioned above, resulting in net financial income from financial cost increasing by THB 20 million. Therefore, the Company had a net loss before income tax amounting to THB 13.3 million, deferred tax payable for this period of THB 0.7 million, resulting in a THB 14 million net loss for the Company.

The sales and service segments operated by a subsidiary in Thailand providing solar, wind and other renewable energy solutions resulted in THB 56.4 million revenues from sales and service in Q3/2022, with a net loss before tax of THB 18.5 million. However, this should be considered in the backdrop of the objective of the Company to develop PPA Assets which are expected to generate long term returns.

Statements of Financial Position Analysis

STATEMENTS OF FINANCIAL POSITION

(unit : Million Baht)

	Consolidated financial statements			
	30 Sep. 22	31 Dec. 21	Inc. (Dec.)	% Inc. (Dec.)
Assets				
Cash and cash equivalents	457.1	303.6	153.5	50.6%
Trade and other receivables	1,274.0	664.1	609.9	91.8%
Contract assets	1,625.1	1,888.7	(263.6)	(14.0%)
Inventories	106.6	64.4	42.2	65.6%
Advance payments to subcontractors	378.4	308.6	69.9	22.6%
Withholding tax deducted at source	225.8	262.4	(36.6)	(14.0%)
Other current assets	10.4	10.3	0.1	0.2%
Total current assets	4,077.4	3,502.1	575.3	16.4%
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	1,592.0	1,498.0	94.0	6.3%
Right-of-use assets	106.8	140.3	(33.5)	(23.9%)
Other non-current assets	31.2	25.1	6.1	24.4%
Total non-current assets	2,046.6	2,049.3	(2.7)	(0.1%)
Total assets	6,124.0	5,551.4	572.6	10.3%
Liabilities				
Bank overdraft and short-term loans from financial institutions	143.9	116.3	27.6	23.7%
Trade and other payables	2,286.8	1,942.4	344.4	17.7%
Contract liabilities	1,195.7	932.8	262.9	28.2%
Short term provision	204.7	235.3	(30.6)	(13.0%)
Liabilities under lease agreements	47.7	84.9	(37.2)	(43.8%)
Provision for long-term employee benefits	191.1	184.9	6.3	3.4%
Other liabilities	174.9	129.0	45.9	35.6%
Total liabilities	4,244.8	3,625.6	619.2	17.1%
Shareholders' equity				
Equity attributable to Owners of the Company	1,861.7	1,905.5	(43.8)	(2.3%)
Non-controlling interests of the subsidiary	17.5	20.3	(2.8)	(13.6%)
Total shareholders' equity	1,879.2	1,925.8	(46.6)	(2.4%)
Total liabilities and shareholders' equity	6,124.0	5,551.4	572.6	10.3%

As of 30 September 2022, the Company had total assets of THB 6,124 million, total liabilities of THB 4,244.8 million, and total shareholders' equity of THB 1,879.2 million, per details as follows:

Assets

As of 30 September 2022, the Company had total assets of THB 6,124 million, an increase of THB 572.6 million or 10.3% compared to 31 December 2021. The main reasons were the current assets which increased by THB 575.3 million and non-current assets which decreased by THB 2.7 million for the following reasons:

Current assets increased by THB 575.3 million mainly from a THB 153.5 million increase in cash and cash equivalent as the Company received advance payment for a large project for the works done accordingly by the Company as scheduled and planned, including outstanding trade and other receivables amounting to THB 609.9 million. In addition, inventory increased by THB 42.2 million. However, the Company had a decrease in contract assets of THB 263.6 million, mainly due to a decrease in unbilled



receivables and retention receivables of THB 230 million and THB 33.6 million respectively. Advance payment to subcontractors increased by THB 69.9 million subsequent to the receipt of advance payment from customers in 2022 as mentioned above. Withholding corporate income tax decreased by THB 36.6 million due to a decrease in construction income.

Non-current assets decreased by THB 2.7 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 33.5 million from periodic depreciation where the net depreciation of property, plant and equipment of the period rose by THB 94.0 million (attributed primarily to the THB 23.3 million transfer from investment properties, a THB 2.6 million increase by building revaluation, THB 115 million investments in powerplant projects (Solar PPA Assets) by a subsidiary, and THB 15 million investments in machinery, with a net depreciation of the period of THB 73.3 million. Furthermore, other non-current assets increased by THB 6.1 million.

Liabilities

As of 30 September 2022, the Company had total liabilities of THB 4,244.8 million, an increase of THB 619.2 million or 17.1% compared to 31 December 2021. During the nine-month period of 2022, a subsidiary company borrowed THB 27.6 million from a financial institution for its working capital. The Company and the subsidiary company increased trade and other payables by THB 344.4 million, contract liabilities (construction revenue received in advance and advance payments received from customers) increased by THB 262.9 million (due to the THB 8 million increase in deferred income and the THB 254.9 million increase in advance payments for the reason above.) Long-term provision for employee benefits and other liabilities increased by THB 6.3 million and THB 45.9 million respectively. In addition, short-term provisions for estimated expenses in construction projects of the Company decreased by THB 30.6 million, and liabilities under lease agreements decreased by THB 37.2 million due to related repayments.

Shareholders' equity

As of 30 September 2022, shareholders' equity of the Company was THB 1,879.2 million, a decrease of THB 46.6 million equivalent to 2.4% compared to 31 December 2021, due to the Company having reported a THB 14 million net loss for the nine-month period of 2022, loss from changes in value of equity investments designated at a fair value through other comprehensive income of THB 36.8 million, and THB 2.9 million increase in revaluation surplus on assets, as well as exchange differences from foreign currency conversion of the financial statements which increased by THB 1.4 million.

Financial Ratios (Liquidity)

As of 30 September 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 2021, debt-to-equity ratio was 2.26 which has slightly increased from 1.88 in 2021 since the subsidiary borrowed more short-term loans from financial institutions and the Company received advances from customers as mentioned above.

Financial Ratio (Consolidated)

		30 Sep. 22	31 Dec. 21
Current Ratio	Times	1.03	1.05
Debt to Equity Ratio	Times	2.26	1.88

The upcoming SET Opportunity Day (quarterly investor presentation) will be held from 13.15 - 14.00 hours on 29 November 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 of Q3/2022.

Please be informed accordingly.

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

– Signature –
(Surasak Osathanugraha)
Director and Company Secretary