



**Subject: Management Discussion and Analysis (MD&A) for the three-month period ended March 31, 2023**

**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 (“the Company”) and its subsidiaries here below submits the management discussion and analysis (MD&A) report for the three-month period ended March 31, 2023.

### **Economic Outlook Overview**

#### **World Economy Q1 2023**

The global economy has rebounded and expanded more than expected from the estimated figures at the end of 2022, with a projected growth of 1.8%, currently adjusted to 2.3%. This increase suggests a lower risk of entering a recession, particularly in the United States and Europe. However, some banks are still facing financial and liquidity problems.

The high and rapid inflation rate that occurred in 2022 has shown a trend of slowing down. Although still at a high level of 7.0%, the inflation rate for 2023 is expected to decrease to around 4.5%.

The reopening of China has had a positive impact on the global economy. For example, global trade volumes have benefitted from China's economic recovery, and there is an increasing trend of Chinese travelers and investors expanding their activities at an accelerated rate.

In general, it can be said that the world's industrial activities have bottomed out and are showing signs of recovery.

#### **Thai Economy 2023**

In the first quarter, the Thai economy's expansion was estimated to increase from that of Year 2022. However, in April 2023, the Fiscal Policy Office (FPO) reduced Thailand's growth rate to 3.6% from the previous estimate of 3.8%, due to a contraction of 0.5% in export value, compared to the previous expectation of 0.4% expansion.

Overall, the Thai economy has improved compared to 2022 when the growth rate was 2.6%. The average inflation rate has significantly decreased from 6.1% in 2022 to 2.6% in 2023.

The current factors that could impact the Thai economy and need to be monitored include:

- The tourism sector, which has shown a rapid recovery in 2023.
- A higher-than-expected inflation rate.
- The uncertainty of the global economy and fluctuations in financial markets.
- The recent elections and formation of a new government, which could delay government spending, private sector investment, and lead to political instability.

## Construction Industry Overview

The gloomy state of the construction industry has continued since 2021 and both public and private investment has significantly decreased.

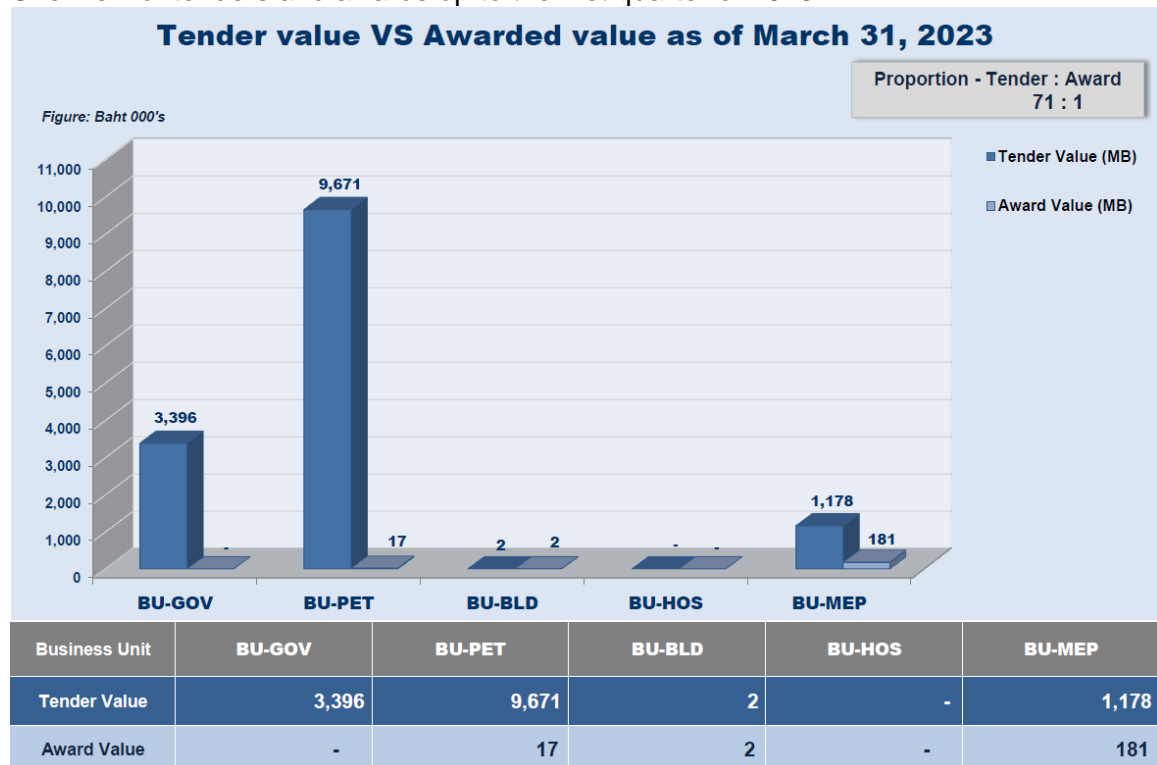
The government sector has paused and delayed the development of large-scale infrastructure projects that are directly funded by the government until a new government is formed.

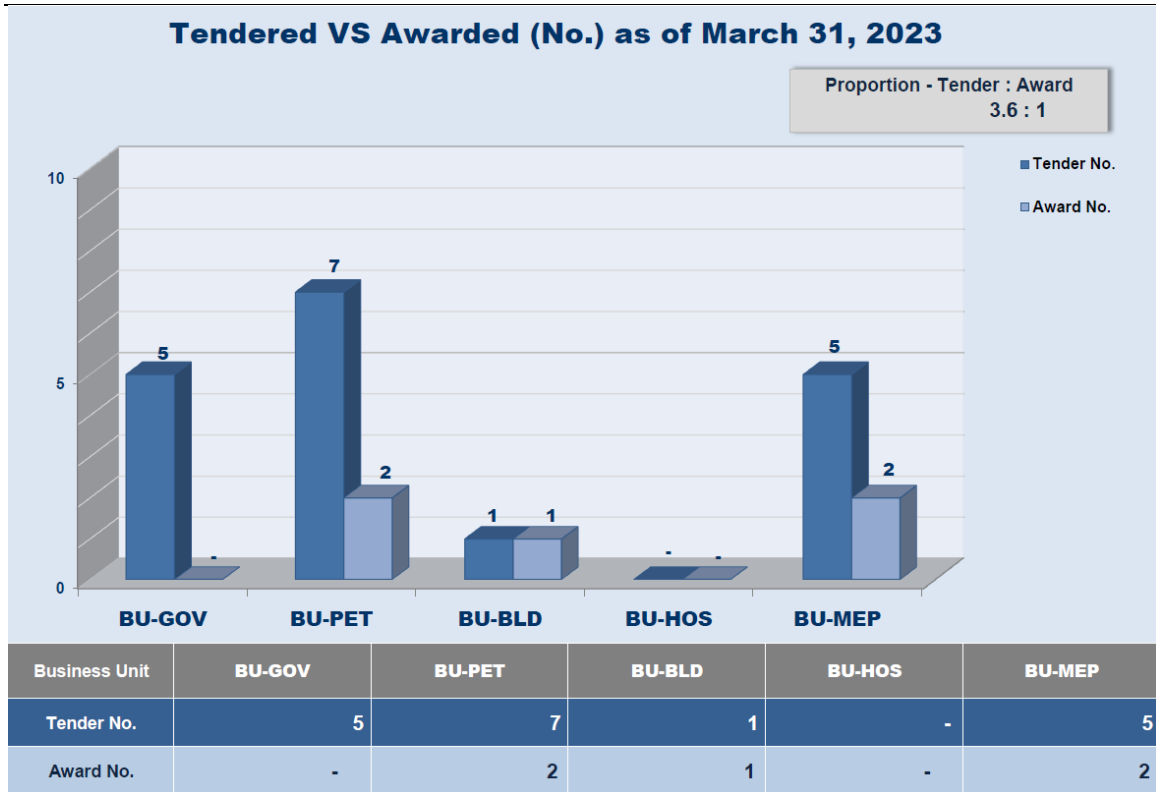
The private sector's investment remains substantially low amid the unclear economic situation, primarily due to the limited advancement of projects from conception to construction phases. This has resulted in fierce competition for the few available projects. In order to maintain control over their business and to have a chance at obtaining new projects with very low profit margins, each contractor typically is now relying on the existing backlog of projects.

The private sector investment in the mega trend sectors continues, which addresses the recovery of consumption, such as the EV automotive business, the petrochemical business, the clean energy business, and the data center business. Overall, while 2023 is still uncertain, it is expected that the second half of the year will be better than the previous year.

## Company Business Overview

Overview of tenders and awards up to the first quarter of 2023.





In the first quarter of 2023, the Company participated in the bidding for 18 projects, with a total value of THB 14,247 million and was awarded 5 projects, worth THB 201 million with a ratio of the number of projects of 3.6:1 and the ratio in terms of bidding value of 71:1.

The Company has participated in various tenders, and among the projects awarded, several of them are still in progress and their outcomes will become evident in the latter half of 2023 or the early part of 2024.

In April 2023, the Company was awarded another project, which is the construction of section 2 of Highway 41 (Asian Highway) from Chaiya District to Ban Nadoem District, valued at THB 513.24 million (excluding VAT).

### Market Situation and Competition

Despite some projects by both public and private sectors being delayed, others have been reviewed and further developed. These projects include large hospital projects, petrochemical projects, clean energy group projects, EV automotive business projects, data center projects, warehousing projects, and food processing industry projects. The Company has participated in the tendering process for some of these projects and has demonstrated a high potential to be selected to compete.

While actively participating in the tendering process and waiting for award results, the Company still has a backlog of approximately THB 10,000 million worth of works.



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

During the first quarter of 2023, in addition to the ongoing works and the ones newly acquired, CNES has got significant progress in the two Solar Farm projects from previous backlog, which were delayed due to limiting conditions created by excessive rain earlier in the year 2022. Both the Projects got the installation completed during the first quarter of 2023 and are going to be turned on in the second quarter of 2023 to boost the long-term revenue generation for the CNES via its wholly owned subsidiary, CNESD1 Co., Ltd.

During the first quarter of 2023, CNES also got awarded several new Projects from prestigious clients such as BDMS Group, Resonac (Thailand), Mitutoyo (Thailand) etc. Both Resonac (Thailand), Mitutoyo (Thailand) are reputed Japanese Brands making CNES one of the very few Thai companies to sign direct contracts with Japanese Companies.

As the demand for sustainable energy and the electricity prices are increased, 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. During the second quarter of 2023 CNES is gearing up for new initiatives with assisting ESG Score Enhancement for Organizations as well as for the new set of utility scale Solar Projects, expected to be released by the Government during the second half of 2023.

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

### **Performance Overview**

The results as reviewed by EY Office Ltd. present the Company performance in the three-month period ended March 31, 2023, wherein the Company recorded a total revenue at THB 1,758.1 million, a THB 517.4 million or 41.7% increase from THB 1,240.7 million from the same period of the previous year, with the gross profit at 4.1%, net profit before tax of THB 12.1 million and net loss after tax of THB 2 million.

As of 31 March 2023, the Company had total assets of THB 6,662 million, total liabilities of THB 5,015 million, and total shareholders' equity of THB 1,647 million.

### **Financial Performance**



**CHRISTIANI & NIELSEN (THAI) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES**

**STATEMENTS OF INCOME FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023**

FOR THE THREE MONTH PERIOD ENDED 31 MARCH				
(unit : Million Baht)				
Consolidated financial statements				
	<u>2023</u>	<u>2022</u>	<u>Var.</u>	
			<u>Inc. / (Dec.)</u>	<u>% Inc. (Dec.)</u>
<b>Revenues</b>				
Construction income	1,738.8	1,219.4	519.4	42.6%
Rental income	2.7	-	2.7	100.0%
Revenue from sales and services	15.5	19.8	(4.1)	(20.9%)
<b>Total operating revenues</b>	<u>1,757.0</u>	<u>1,239.0</u>	<u>518.0</u>	<u>41.8%</u>
% of total revenues	99.9%	99.9%		
Other income	1.1	1.7	(0.6)	(35.3%)
<b>Total revenues</b>	<u>1,758.1</u>	<u>1,240.7</u>	<u>517.4</u>	<u>41.7%</u>
Costs of construction	1,672.1	1,168.7	503.4	43.1%
Cost of rental	1.2	-	1.2	100.0%
Cost of sales and services	11.1	16.2	(5.1)	(31.5%)
<b>Total operating costs</b>	<u>1,684.4</u>	<u>1,184.9</u>	<u>499.5</u>	<u>42.2%</u>
<i>Gross Margin</i>	<b>72.6</b>	<b>54.1</b>	<b>18.5</b>	<b>34.2%</b>
% Gross Margin	4.1%	4.4%	(0.3%)	
Administrative expenses	67.1	60.0	7.1	11.8%
<b>% Administrative expenses / Total revenues</b>	<b>3.8%</b>	<b>4.8%</b>		
Profit (Loss) from operating activities	<b>6.6</b>	<b>(4.2)</b>	<b>10.8</b>	<b>(257.1%)</b>
Finance income	8.4	1.2	7.2	600.0%
<b>Finance cost</b>	<u>(2.9)</u>	<u>(1.4)</u>	<u>1.5</u>	<u>(107.1%)</u>
Profit (Loss) before income tax expenses	<b>12.1</b>	<b>(4.4)</b>	<b>16.5</b>	<b>(375.0%)</b>
<b>Corporate income tax</b>	<u>(14.1)</u>	<u>(8.0)</u>	<u>(6.1)</u>	<u>76.3%</u>
<b>Net Profit (Loss) for the period</b>	<u><b>(2.0)</b></u>	<u><b>(12.4)</b></u>	<u><b>10.4</b></u>	<u><b>(83.9%)</b></u>
% Net Profit (Loss) / Total revenues	(0.1%)	(1.0%)		
<b>Earnings per share</b>				
Basic earnings per share				
Profit (Loss) attributable to equity holders				
of the Company (Baht)	(0.00)	(0.01)	0.01	(95.9%)

The consolidated financial statements show net profit before tax for the three-month period ended March 31, 2023, of THB 12.1 million, representing a THB 16.5 million increase in net profit before tax in comparison to the net loss of THB 4.4 million in the same quarter of the previous year, due primarily to THB 519.4 million increase in construction revenues or 42.6% of THB 1,219.4 million from the 1<sup>st</sup> quarter of 2022, resulting in the Company's gross margin increasing by THB 18.5 million with the slight change in gross margin percentage from 4.4% to 4.1%, mainly due to the recovering construction market and gradual recognition income from large scale works in the 1<sup>st</sup> quarter of 2023 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 interest income from the extension of contractual credit period for a customer, as per Construction Contract. However, the Company has administrative expenses related to the newly established subsidiaries company in 1<sup>st</sup> quarter of 2023 of about THB 5 million and an increase in



corporate income tax of THB 6.1 million. The consolidated financial statements of the Company and its subsidiaries for the 1<sup>st</sup> quarter of 2023 show a net loss of THB 2 million, a THB 10.4 million decrease from THB 12.4 million net loss after tax in the same period of the previous year.

In the 1<sup>st</sup> quarter of 2023, the Company recorded a total revenue at THB 1,758.1 million, an increase of THB 517.4 million or 41.7% from THB 1,240.7 million in the same period of the previous year. This is because the Company has more backlog to recognize revenue in 1<sup>st</sup> quarter of 2023 than the same period in previous year. Moreover, the Company had the total cost of construction, sales, and services of THB 1,684.4 million, a THB 499.5 million or 42.2% increase in line with the rising total revenue from construction, sales, and services and from Rental of unused Office space in the Company's Office Building. Gross profit dropped slightly from 4.4% in 1<sup>st</sup> quarter of 2022 to 4.1% in 1<sup>st</sup> quarter of 2023.

Administrative expenses increased by THB 7.1 million, of which THB 5 billion was attributed to the newly established subsidiary in 1<sup>st</sup> quarter of 2023 plus an increase in employee related expenses of about THB 1.8 million. The Company had interest income from a customer of a large project as per Construction Contract under which the Company can charge the interest for credit period longer than the normal credit term since mid-year of 2022. This resulted in an increase in net financial income by THB 5.7 million. Therefore, the Company had a net profit before income tax amounting to THB 12.1 million, deferred tax payable for this period of THB 14.1 million, resulting in a THB 2 million net loss.

The sales and service segments operated by a subsidiary in Thailand, providing solar, wind and other renewable energy solutions, generated THB 15 million in revenues from sales and service in 1<sup>st</sup> quarter of 2023, and incurred a net loss of THB 3.3 million. However, taking into consideration the backdrop of the objective of the Company to develop PPA Assets, the Company expects to generate long term returns.



**Statements of Financial Position Analysis**  
**STATEMENTS OF FINANCIAL POSITION**

(unit : Million Baht)

	<b>Consolidated financial statements</b>			
	31 Mar. 23	31 Dec. 22	Inc. (Dec.)	% Inc. (Dec.)
<b>Assets</b>				
Cash and cash equivalents	287.6	212.0	75.6	35.7%
Trade and other receivables	1,679.1	1,499.7	179.4	12.0%
Contract assets	1,589.6	1,566.7	22.9	1.5%
Inventories	91.0	101.7	(10.7)	(10.5%)
Advance payments to subcontractors	506.6	452.6	54.0	11.9%
Withholding tax deducted at source	289.7	251.9	37.8	15.0%
Other current assets	19.1	22.5	(3.4)	(15.1%)
<b>Total current assets</b>	<b>4,462.7</b>	<b>4,107.1</b>	<b>355.6</b>	<b>8.7%</b>
Other non-current financial assets	17.4	17.4	-	0.0%
Investment properties	324.5	264.2	60.3	22.8%
Property, plant and equipment	1,766.0	1,690.0	76.0	4.5%
Right-of-use assets	62.3	93.5	(31.2)	(33.4%)
Other non-current assets	29.0	30.0	(1.0)	(3.3%)
<b>Total non-current assets</b>	<b>2,199.2</b>	<b>2,095.1</b>	<b>104.1</b>	<b>5.0%</b>
<b>Total assets</b>	<b>6,661.9</b>	<b>6,202.2</b>	<b>459.7</b>	<b>7.4%</b>
<b>Liabilities</b>				
Bank overdraft and short-term loans from financial institutions	693.6	370.8	322.8	87.1%
Trade and other payables	2,452.0	2,271.7	180.3	7.9%
Contract liabilities	1,181.8	1,213.3	(31.5)	(2.6%)
Short term provision	241.3	275.1	(33.8)	(12.3%)
Liabilities under lease agreements	63.2	68.8	(5.6)	(8.1%)
Provision for long-term employee benefits	192.9	188.4	4.5	2.4%
Other liabilities	189.8	164.7	25.1	15.2%
<b>Total liabilities</b>	<b>5,014.6</b>	<b>4,552.8</b>	<b>461.8</b>	<b>10.1%</b>
<b>Shareholders' equity</b>				
Equity attributable to Owners of the Company	1,633.7	1,634.3	(0.6)	(0.0%)
Non-controlling interests of the subsidiary	13.6	15.1	(1.5)	(9.9%)
<b>Total shareholders' equity</b>	<b>1,647.3</b>	<b>1,649.4</b>	<b>(2.1)</b>	<b>(0.1%)</b>
<b>Total liabilities and shareholders' equity</b>	<b>6,661.9</b>	<b>6,202.2</b>	<b>459.7</b>	<b>7.4%</b>

As of 31 March 2023, the Company had total assets of THB 6,662 million, total liabilities of THB 5,015 million, and total shareholders' equity of THB 1,647 million, as outlined below:

**Assets**

As of 31 March 2023, the total assets THB 6,662 million increased by THB 460 million or 7.4% compared to 31 December 2022 as a result of the increase of THB 356 million in the current assets and THB 104 million in the non-current assets for the following reasons:

Current assets increased by THB 356 million mainly from a THB 76 million increase in cash and cash equivalent as the Company received loan from financial institutions to increase liquidity. Trade and other receivables increased by THB 179 million due to longer credit period from a large project as per the construction contract. Advance payment also increased by THB 54 million from an advance payment to a subcontractor for a large



project which continued from 4<sup>th</sup> quarter of 2022. Withholding corporate income tax grew by THB 37.8 million due to the higher construction income.

Non-current assets increased by THB 104 million mainly from THB 60 million increase in investment properties mainly because of acquisition of property, plant and equipment (PPE) for future use and the reclassification of the unused Office Space that has been leased out as Investment Property... Right-of-use assets decreased by THB 31.2 million. PPE increased by THB 76 million from the construction works in progress of solar power plants of the subsidiary companies worth THB 102 million.

### **Liabilities**

As of 31 March 2023, the Company's total liabilities were posted at THB 5,015 million, an increase of THB 462 million or 10.1% compared to 31 December 2022. During the three-month period of 2023, the Company and its subsidiaries had borrowings and overdraft of THB 322.8 million from a financial institution from December 2022 for use as working capital for large construction projects with a longer than usual repayment period according to the contract mentioned above. Trade and other payables of the Company and its subsidiaries increased by THB 180.3 million.

### **Shareholders' equity**

As of 31 March 2023, the shareholders' equity accounted for THB 1,647 million, a decrease of THB 2 million or 0.1% compared to 31 December 2022, due to the net loss of THB 2 million for the three-month period of 2023.

### **Financial Ratios (Liquidity)**

As of 31 March 2023, there was no adverse impact on liquidity since the Company had sufficient credit facilities. The financial liquidity or current ratio of the Company per the consolidated financial statements slightly decreased to 0.95 times from the end of 2022, the debt-to-equity ratio slightly increased from 2.76 times in 2022 to 3.04 times. This is because more loans were taken from financial institution in the 1<sup>st</sup> quarter of 2023 for working capital in the large construction project which had a longer credit period as per the construction contract. In addition this loans are also used to support working capital requirements for the company's subsidiaries.

#### Financial Ratio (Consolidated)

		31 Mar. 23	31 Dec. 22
Current Ratio	Times	0.95	0.96
Debt to Equity Ratio	Times	3.04	2.76





The upcoming SET Opportunity Day (quarterly investor presentation) will be held from 13.15 - 14.00 hours on 30 May 2023 via the SET live webcasts. We hope that you, as shareholders, investors, and analysts, will attend this online event at which the Company will get a chance to thoroughly discuss the results of 1<sup>st</sup> quarter of 2023.

Please be informed accordingly.

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

– Signature –  
(Surasak Osathanugraha)  
Director and Company Secretary