

Management Analysis for the year 2021

Analysis for the profit and loss for the year ended 31 December 2021

The Operating results of Power Solution Technologies Public Company Limited and its subsidiaries (The Group of company) for the year 2020 and 2021 presented the revenue breakdown as below:

Unit: Million Baht

Revenues	Year 2020		Year 2021		Increase./.(Decrease) from previous year	
	Amount	Percentage*	Amount	Percentage*	Amount	Percentage
1. Sales income	1,048.05	44.19%	711.44	30.36%	(336.61)	-32.12%
2. Services income	195.83	8.26%	48.91	2.09%	(146.92)	-75.03%
3. Sales of electricity income	156.34	6.59%	131.28	5.60%	(25.06)	-16.03%
4. Revenue from construction service	941.85	39.71%	1,388.98	59.28%	447.13	47.47%
Total revenues and services	2,342.07	98.75%	2,280.60	97.33%	(61.46)	-2.62%
Other income	29.57	1.25%	62.55	2.67%	32.98	111.51%
Total Revenues	2,371.64	100.00%	2,343.15	100.00%	(28.49)	-1.20%

*Percentage compare with total income

Total Revenue

Total revenue comprised of sales and services income from the power and energy management business and sales of liquid petroleum, sales of electricity income and revenue from construction service of Oil and Take as well as other projects related to power business and other income. Total Revenues for the year ended 2020 and 2021 was 2,371.64 million baht and 2,343.15 million baht respectively.

During 2021, the group of company reported lower revenues by 28.49 million baht from previous year, mainly from lower sales of liquid petroleum due to the impact from Coronavirus disease 2019 pandemic. In relation to this same impact, the group of company also reported the decrease of revenue from power and energy management because the state enterprises and big private companies postponed the investment. While the biogas and biomass power plants ceased the production during this year due to big maintenance. The details of each revenue category were described below:

- Sales income

During 2021, the sales income comprised of sales of LNG, LPG and NGV gas, goods for Power and electricity business as well as products related to piping of and oil tank. Total sales income was reported 711.44 million baht, decreased from previous year by 336.61 million baht or 32.12%.

○ Sales of Liquid petroleum

The group of company reported lower of sales during the year 2021 because of lower consumption of goods due to the Coronavirus disease 2019 pandemic, mainly service and transportation industry. The increase of LNG price was due to increase of gasoline during the year and private companies postponed the construction of LNG gas station from the target plan.

○ Sales of products related to power and energy management and piping and oil tank

Decreasing in sales and services income was due to the Coronavirus disease 2019 pandemic affecting to the delay of products relevant to piping project, the installation and accessing to the project area was postponed from the original plan 2021. The state own enterprise and big private companies decided to postpone the investment during pandemic.

● Services income

The service income comprised of the projects related to energy and power saving projects, and service for transportation of liquid petroleum for this year reported 48.91 million baht, lower from previous year by 146.92 million baht or 75.03%, mainly due to lower number of projects as a result of pandemic of coronavirus 2019. However, the company has focused the service about energy and power saving having Net Zero building of Provincial Electricity Authority and the progress was 90% at ending of the year. The tendency of this service is targeted for the year 2022. For the transportation service of liquid petroleum started during 2021 after the acquisition of the subsidiaries, it contributed revenue of 16% of total revenue from service.

● Sales of electricity income from renewal energy

The sales of electricity income from renewal energy for this year reported 131.28 million baht, decreased from previous year by 25.06 million baht or 16.03%, due to the revenue of one solar power plant decreased lower electricity rate during 2021 in accordance with the sales electricity agreement amount 9 million baht. Besides, the company sold one powerplant of a subsidiary during the year, causing lower electricity income, which generated previous year sales of electricity income amounted to 14.1 million baht.

● Revenue from construction service

The revenue of construction service for this year reported 1,388.98 million baht, increased from the previous year by 447.13 million baht or 47.47%, mainly due to the value of projects this year were higher than previous year. The mega projects of this year comprised of Fire fighting for oil tank station, Piping projects and Hybrid Power plants, which will continue to contribute the revenue for 2022.

- Other income

The other income for this year reported 62.55 million baht, increased from the previous year by 32.98 million baht or 111.51% owing to the increase of gain from sales of assets and investment in subsidiaries. The other income comprised of management fee for other nonrelated entities and compensation from insurance company.

Cost of Sales and Service

Unit: Million Baht

Cost of sales and services	Year 2020		Year 2021		Increase./(Decrease) from previous year	
	Amount	Percentage per its group's revenue	Amount	Percentage per its group's revenue	Amount	Percentage change
1. Cost of sales	989.08	94.37%	666.23	93.65%	(322.84)	-32.64%
2. Cost of services	147.27	75.21%	32.95	67.38%	(114.32)	-77.62%
3. Cost of electricity sold	64.72	41.39%	45.73	34.84%	(18.98)	-29.33%
4. Cost of construction service	816.28	86.67%	1,302.25	93.76%	485.96	59.53%
Total cost of sales and services	2,017.35	86.14%	2,047.17	89.76%	29.82	1.48%

- Cost of sales

The cost of sales for this year was reported 666.23 million baht, decreased from previous year by 322.84 million baht or 32.64%. It comprised of cost of liquid petroleum, products of power and energy saving as well as products related to oil tank and piping projects. The cost of sales this year was lower in relation to the decrease of revenue mainly from the impact of pandemic of coronavirus 2019, the cost proportion of sales was 93.65%, in line with the previous year and the percent change of cost was in line with the percent change of revenue, mainly due to lower cost of liquid petroleum.

- Cost of services

The cost of services this year was 32.95 million baht, decreased from previous year by 114.32 million baht, or 77.62%. The main cost of service was the power and energy saving projects for state-own entity and big private company and the rest was cost of transportation service. The decrease of service cost this year was mainly response to the lower of revenue due to the impact of pandemic of coronavirus 2019 as described under revenue of service. During 2021, the company implemented one big energy saving of PEA and could manage the cost of service effectively.

- **Cost of electricity sold**

The cost of electricity sold this year was 45.73 million baht, decreased from previous year by 18.98 million baht or 29.33%, mainly due to decreased cost of one subsidiary after disposed during this year.

- **Cost of construction service**

The cost of construction service this year was 1,302.25 million baht, increased from previous year by 485.96 million baht or 59.53%. This was due to the value of construction projects as oil tank project , pipe work project and powerplant project, and there were more projects this year compared to previous year. Besides, there was higher cost of imported goods this year causing the percentage of cost higher than previous year.

Selling and distribution Expenses

The selling and distribution expense this year was 10.98 million baht, decreased from previous year by 5.62 million or 33.86%. These expenses comprised of salary and expenses relevant to salesperson, commission, and aftersales service cost. The decrease of selling and distribution expenses was mainly due to lower salespersons related after restructure of manpower this year. Besides, the big construction projects this year was achieved by the direct engagement of the company, causing lower sales commission compared to previous year.

Administrative Expenses

The administrative expenses this year was 169.23 million baht, in line with the previous year. The administrative expenses comprised of salary and expense related to staffs, utility, consultant fee, and other office related expenses.

Impairment of assets and goodwill

The company recorded the impairment of NGV Gas station 144.33 million baht and impairment of goodwill of investment in subsidiary which is the same NGV gas station amounted to 11.17 million baht this year. This transaction was complied with the accounting standard indicating that the company should identify the fair value of assets and investment every year. This impairment of NGV station happened due to lower of forecast consumption of NGV compared to the previous year, causing lower revenue of this assets and its goodwill. The accounting standard required the company to devalue this NGV station and its goodwill. Firstly, the company had to dispose its goodwill full amount , then recorded the impairment of this asset accordingly.

The company recorded the loss after tax expense of terminated business unit of these Biogas and Biomass power plants in the other line item in profit and loss statement, separately from the impairment expenses. This reclassification of expense to different line was in accordance with the accounting standard reclassification (please refer the loss from the terminated business unit for further information)

Finance cost

The group company reported the financial cost this year 62.56 million baht, decreased from previous year by 29.59 million baht or 32.11%. Financial cost comprised of interest expense from bond, short term loan from financial institution, long term loan, leasing and hire purchase liabilities. This year the financial cost expense was lower, mainly due to repayment of bond amounted to 100 million baht and settlement of long-term loan during the year 2021.

Revenue (Expense) of corporate income tax

The group company reported the revenue from corporate tax 15.05 million baht whereas the previous year presented the tax expense amounted 18.5 million baht. Tax revenue this year was recognized as the net of tax expense for the corporate tax filing and the tax revenue considered the return of tax from impairment of assets causing lower tax expense compared to the previous year.

Profit (Loss) before income tax

The group company reported the loss before income tax 108.07 million baht, decreased 129.93 million baht from the previous year. The main reason was the impairment of assets amounted to 144.33 million baht and impairment of goodwill amounted to 11.17 million baht.

Loss after tax for the termination of business unit

The group company reported loss after tax for the termination of business unit 578.16 million baht for this year and 1,020.55 million baht for the previous year. The terminated business units included the loss of fair value of biogas and biomass power plants. The company entered into the sales and purchase agreement of biomass power plant on 24 December 2021, and the execution dated was 6 January 2022. The sales of whole share of biomass powerplant increased the cashflow from operations of the group company. Moreover, the company considered to sell 4 biogas power plants. The fair value of both biomass and biogas powerplants was lower than the book value, therefore the company recognized the loss after tax for the termination of business unit in accordance with the accounting standard.

Net profit (loss) for the year

The group company reported net loss for this year 671.14 million baht, decreased from the previous year which reported net loss 1,017.15 million baht. This was due to previous year the company had higher loss of impairment of assets and investment than this year.

Analysis of financial position of the group company

Assets

The group company reported its total assets as of 31 December 2021 and 2020 in an amount of 7,666.34 million baht and 8,199.74 million baht respectively. The decrease of assets was described as below:

Current assets

The major of current assets comprised of cash and cash equivalent, trade and other receivables, contract assets and cost of contract and assets hold for sales. There was the increase of current assets mainly due to the reclassification of biogas and biomass to assets hold for sales 518.24 million baht.

- **Cash and cash equivalents**

The cash and cash equivalents for this year was 80.78 million baht, decreased from the previous year, mainly due to investment in new PSTC office building and land. Besides, there were several construction projects using the cash flow from operation spending for construction cost.

- **Trade and other receivables**

The trade and other receivables for this year was 315.73 million baht, decreasing from the previous year because the company received cash from customer for construction projects faster than previous year. Moreover, the company could collect the significant balance from previous year's project after completion of job during this year. The long outstanding receivables comprised of government customers for energy saving projects under billing process amounted to 25 million baht and private customer for construction project amounted 15 million baht.

Other receivables comprised of interest receivable, unearned revenue.



- **Contract assets**

The contract assets for this year were 272.23 million baht. This is the accumulated revenue less the cash collected from the customers, mainly from the contraction projects of oil tank and piping of subsidiary. This was higher than the previous year because higher project value.

- **Inventories**

The inventories for this year were 95.13 million baht. The main ending inventories was the construction supplies, Battery, which for government and big private companies and liquid petroleum. The higher inventories were the construction suppliers for Oil tank projects of one subsidiary.

- **Cost to fulfill customer contract**

Cost to fulfill customer contract for this year was 134.27 million baht, higher than previous year. This was because there were many big projects as oil tank, piping and hybrid power plants which were under progress of billing and collection causing the ending balance was higher than previous year.

- **Assets held for sales**

The assets held for sales for this year 518.24 million baht. This was the reclassification of biogas and biomass powerplants. The company entered the sales and purchase agreement of biomass during December 2021 and executed the transfer to assets on 6 Jan 2022. While the sales of biogas were under the negotiation at year ended 31 December 2021.

Noncurrent assets

Major of noncurrent assets are the investment in joint venture and property plant and equipment.

- **Restricted bank deposits**

The restricted bank deposits for this year were 83.28 million baht, decreased from the previous year because the company settled one bank loan of solar power plant and reclassification of biogas and biomass restricted bank to assets held for sales amounted 9 million baht.

- **Investment in Joint Venture and Associated companies**

The investment in joint venture was the investment in Thai Pipeline Network Co. Ltd. , amounted to 3,709.81 million baht, higher than the previous year because of higher the accumulated gain of joint venture which was the adjustment of foreign exchange rate hedging (effectiveness).

- **Property Plant and Equipment**

Total Property Plants and Equipment decreased from the previous year by 758.92 million baht, the major reasons were described as follows:

The decrease of assets was mainly due to the reclassification of biogas and biomass power plants from “Property Plant and Equipment” to “Assets held for sales” amounted to 518.24 million baht. Besides, there was the recognition of the impairment of Biogas and Biomass amounted to 578.16 million baht as well as impairment of NGV station amounted 144.33 million baht, causing devaluation of assets.

The increased of assets was mainly due to investment in new land and PSTC office building amounted 424.23 million baht to increase the efficiency of the operations. There were also various investments in 9 solar rooftop projects under sales of electricity contract with private companies and the construction of LNG Power plants for one big manufacturing firm, valued 108.54 million baht. Besides there were investment in LNG stations of several clients, vehicles for liquid petroleum transportation and other equipment.

- **Investments in property**

Investments in property for this year was 31.97 million baht. This was the reclassification of PSTC building to Investments in property because the company entered the rental agreement with other company. This new PSTC building was acquired during 2021, therefore there was no investment in property last year.

- **Goodwill**

Goodwill was decreased from the previous year by net amount of 1.47 million baht after the impairment of goodwill for NGV station of one subsidiary as per narrative under the profit and loss statement topic “impairment of assets and goodwill”

- **Other non-current assets**

The Company and its subsidiaries had other non-current assets at the end of 2021 amounting to 75.31 million baht, decreased from the previous year in respect of the Revenue Department receivables. This year, the Company and its subsidiaries were able to reduce the input tax on sales tax higher than the previous year.

Liabilities

The group of company liabilities mainly included the overdraft and short-term loan, trade and nontrade payable, bond, contract liabilities and long-term loan.

- **Bank overdrafts and short-term loans from banks**

Bank overdrafts and short-term loans from banks was 721.33 million baht, higher than previous year because the end of year 2021, the company spending for oversea purchase using the short-term loan from financial institutions and the amount of purchase value was higher because of higher value of projects and more numbers of project. However, these project finances were planned since starting the projects to implement according to the plan.

- **Trade and other payables**

Trade and other payables were 485.84 million baht, lower than the previous year due to lower trade payable for purchase of goods and service for construction projects which the outstanding balance.

- **Current portion of long-term liabilities**

- **Debentures:** The company had none of the current portion long term liabilities this year while the company had presented the ending balance of 497.11 million baht previous year. The discrepancy was due to the reclassification. The new bond was renewal to settle the old bond during Oct 2021. It was considered to record as long-term liabilities because of its one-year and 6 months term bonds. While the previous year's bond had the remaining term less than 1 year. The classification of long term was changed accordingly. However, the bond status as of this year ended was lower than previous year because the company settled 100 million baht during 2021.
- **Long term loans:** The current portion of Long-term liabilities this year was 77.2 million baht, decreased from previous year due to the reclassification to the liabilities directly related to the assets held for sales still shown the lower amount compared to the previous year.
- **Lease liabilities:** The company had the current portion long term liabilities this year while the company had presented the ending balance of 62.54 million baht, increased 9.43 million baht from previous year due to purchasing vehicles for delivery goods of subsidiaries.

- **Contract Liabilities**

Contract liabilities for this year was 35.86 million baht, decreased from the previous year due to the remaining amount this year was lower. This comprised of the amount for contraction of oil tank project.

- **Advances received from customers**

Advances received from customers this year was 129.17 million baht, increased from the previous year because the value of construction projects was higher than previous year. This comprised of the Hybrid power plant and pipeline construction project.

- **Net of current portion of long term liabilities**

The main reason of lower long term liabilities was due to the settlement of loan during the year.

- **Debentures:** The group company reported the debentures amounted 394.91 million baht, higher than previous year because the amount reclassified debentures as the net of current portion of long term liabilities.
- **Long term loans:** The group company reported the remaining amount 135.67 million baht, lower than previous year. This was because the reclassification loan of biogas and biomass to the liabilities directly related to the assets held for sale amounted to 140.55 million baht. Whereas the company also increased the long term loan amounted 150 million baht for the purchase of new PSTC land and building. Hence, the total long term loans presented the lower amount compared to previous year.
- **Lease liabilities:** The remaining amount this year was 171.52 million baht, lower than previous year because the company settled the liabilities during the year.

- **Non-current liabilities**

Non-current liabilities for this year were 11.71 million baht below than previous year because this mainly comprised of unearned revenue from the investment during 2021 .

Shareholders' equity

As of 31 December 2021, and 2020, the shareholder equity was 5,099.85 million baht and 5,751.37 million baht respectively. This was decreasing from the previous year mainly due to the lower of retained earnings of the year 2021



Cashflow

(Unit: Million baht)

	Year 2020	Year 2021	Increased/ (decreased)
Cash flow			
Net cash flow from (used in) operating activities	(145.41)	201.66	347.07
Net cash flow from (used in) investing activities	1,099.72	(445.93)	(1,545.65)
Net cash flow from (used in) financing activities	(951.30)	186.95	1,138.25
Cash and cash equivalents classified as assets held for sales	-	(10.46)	(10.46)
Net increased (decreased) in cash and cash equivalents	3.01	(67.78)	(70.79)
Cash and cash equivalents at beginning of year	145.56	148.56	3.00
Cash and cash equivalents at end of year	148.57	80.78	(67.79)

The Group's net cash flow provided (used in) from operating activities in 2021 was 201.66 million baht, better than the previous year due to better receiving payments from debtors.

As for net cash flows from (used in) investing activities in 2021, equal to (445.93) million baht, which was investments in new buildings, LNG stations and solar energy investment projects in power sales contracts between the private sectors.

As for net cash flows from (used) in financing activities in 2021, equal to 186.95 million baht, resulting from the use of short-term working capital for construction projects.

Analysis of key financial ratios

Liquidity ratio

• Liquidity ratio and Quick ratio

The Group's liquidity ratio and quick ratio in 2021 was 0.82 times and 0.22 times, compared with 0.66 times and 0.46 times in 2020, indicating that the liquidity ratio is higher from the repayment of short-term debentures. The quick liquidity ratio decreased from the previous year. This was mainly due to an increase in overdrafts and short-term borrowings for large-scale construction projects, with a higher proportion of short-term credit line facility than the previous year.

Profitability Ratio

• Gross profit margin, Operating profit margin, Net profit margin and the return on equity

o Gross profit margin for 2021 was 10.24%, down from 13.86% in 2020, due to the higher cost of construction from exchange rates in Thai baht depreciated during the year and affected by the epidemic situation of the coronavirus 19 causing the Company having higher construction costs than the previous year.

o Profit/(loss) from operations activities was at (1.82) % due to the Company had losses from impairment of assets and goodwill in the amount of 155.50 million baht.

o Net profit/(loss) margin was at (28.64)% due to the Company had loss from impairment of assets and goodwill of 155.50 million baht and net loss from discontinued operation of 578.16 million baht.

o The return on equity was at (12.38)% due to the Company had a loss from impairment of assets and goodwill of 155.50 million baht and a net loss from discontinued operations of 578.16 million baht.

Financial Policy Analysis Ratio

- Debt to Equity Ratio

As of December 31, 2021, the Group's the debt to equity ratio was 0.50 times, increased from the end of 2020, which had the debt to equity ratio of 0.43 times. An increase in overdrafts and short-term loans from banks and advances received from customers.