

No. SKE-SET-015/65

8 November 2022

Management's Discussion and Analysis
For the nine-month period ended 30 September 2022

Operating result

Unit: in Million Baht

	Three-month period			% Increase (Decrease)		Nine-month period		Increase (decrease)	%
	Q3'2021	Q2'2022	Q3'2022	YoY	QoQ	2021	2022		
Revenues									
Revenue from rendering of services	28.08	31.58	33.32	18.66%	5.51%	102.99	95.72	(7.27)	(7.06%)
Revenue from sales of goods	77.16	91.98	84.86	9.98%	(7.74%)	247.65	251.75	4.10	1.66%
Revenue from leases	4.43	1.92	1.88	(57.56%)	(2.03%)	13.52	8.05	(5.47)	(40.46%)
Other income	2.54	13.21	0.26	(89.93%)	(98.06%)	18.05	16.43	(1.62)	(8.98%)
Total revenue	112.21	138.69	120.32	7.22%	(13.25%)	382.21	371.95	(10.26)	(2.68%)
Expenses									
Costs of rendering of services	14.91	18.75	17.81	19.45%	(5.01%)	57.29	55.07	(2.22)	(3.88%)
Cost of sales of goods	62.08	62.26	70.45	13.48%	13.15%	188.19	193.12	4.93	2.62%
Selling and Administrative expenses	26.29	33.43	30.14	14.64%	(9.84%)	93.24	90.22	(3.02)	(3.24%)
Finance costs	5.90	10.89	7.22	22.37%	(33.70%)	19.02	30.40	11.38	59.83%
Tax income	(0.28)	(8.32)	(0.27)	3.57%	96.75%	(1.66)	(9.41)	(7.75)	(466.87%)
Total expenses	108.90	117.01	125.35	15.11%	7.13%	356.08	359.40	3.32	0.93%
Profit (loss) for the period	3.31	21.68	(5.03)	(251.92%)	(123.21%)	26.13	12.55	(13.58)	(51.97%)
Gain (loss) attributable to non-controlling interests	0.21	3.34	(1.35)	(742.86%)	(140.42%)	1.97	0.31	(1.66)	(84.26%)
Former shareholders before business restructuring	-	-	-	-	-	2.63	-	(2.63)	(100.00%)
Profit attributable to owners of the parent	3.10	18.34	(3.68)	(218.69%)	(120.08%)	21.53	12.24	(9.29)	(43.15%)


Revenues

Unit: in Million Baht

	Three-month period						Nine-month period				
	Q3'2021		Q2'2022		Q3'2022		2021		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
Revenues											
Revenue from rendering of services	28.08	25.02%	31.58	22.78%	33.32	27.70%	102.99	26.95%	95.72	25.74%	
Revenue from sales of goods	77.159	68.76%	91.98	66.32%	84.86	70.53%	247.65	64.79%	251.75	67.68%	
Revenue from leases	4.43	3.95%	1.92	1.38%	1.88	1.56%	13.52	3.54%	8.05	2.16%	
Other income	2.54	2.27%	13.21	9.52%	0.26	0.21%	18.05	4.72%	16.43	4.42%	
Total revenue	112.21	100%	138.69	100%	120.32	100%	382.21	100%	371.95	100%	

Significant changes can be summarized as follows:

Revenue from rendering of services

For the three-month period ended 30 September 2022, revenue from rendering of services amounted to Baht 33.32 million was comprised of revenue from NGV natural gas compression for PTT Public Company Limited (PTT) of Baht 29.08 million, revenue from the treatment of wastes of Baht 3.97 million and revenue from purchase and sale of Refuse Derived Fuel (RDF) of Baht 0.27 million. The Group's service revenue increased compared to the same period of last year. And for the nine-month period ended 30 September 2022, revenue from rendering of services amounted to Baht 95.72 million was comprised of revenue from the NGV natural gas compression for PTT Public Company Limited (PTT) of Baht 81.64 million, revenue from the treatment of wastes of Baht 11.28 million and revenue from purchase and sale of Refuse Derived Fuel (RDF) of Baht 2.80 million. The Group's service revenue decreased compared to the same period of last year. The changes resulted from the following reasons:

Revenue from compression of NGV for PTT for the three-month period ended 30 September 2022 increased from the same period of last year amounted to Baht 9.20 million or 46.3% due to an increase in NGV consumption from maintaining NGV retail price for the taxi in Bangkok Metropolitan Area eligible under the "NGV for the same breath project" from 1 November 2021 to 15 September 2022, and for other vehicles from 16 November 2021 to 15 September 2022. Moreover, the increase of NGV volume resulted from relaxation of COVID-19 measure and the rise of other fuel prices.

For the nine-month period ended 30 September 2022, revenue from compression of NGV decreased from the same period of last year amounted to Baht 2.89 million or 3.4% due to in February 2021, PTT informed the Company of the zero demand of NGV from the Company's Ban Na-Kaeng Khoi Private Mother Station in Saraburi, effective from 1 March 2021 onwards. However, the Company still has a duty to be ready to compress gas for PTT and PTT continues





to pay the available payment (AP) to the Company on monthly basis at the rate stipulated in the contract. Subsequently, on 25 March 2022, the Company entered into an agreement to voluntarily terminate the natural gas compression contract by private mother station prior to the expiration date with PTT in which, the parties agreed such natural gas compression contract to be effective until 31 March 2022 and ended on 1 April 2022.

Revenue from the treatment of wastes for the three-month and nine-month periods ended 30 September 2022 decreased from the same periods of last year amounted to Baht 1.47 million or 27.0% and Baht 1.49 million or 11.7%, respectively, which were in line with the decrease of amount of waste in industrial estate.

Revenue from purchase and sale of RDF for the three-month and nine-month periods ended 30 September 2022 decreased from the same periods of last year amounted to Baht 2.49 million or 90.3% and Baht 2.89 million or 50.7%, respectively, which were in line with demand for RDF of customers in each period.

Revenue from sale of goods

For the three-month period ended 30 September 2022, revenue from sales of goods of Baht 84.86 million which was comprised of revenue from generating and distribution of electricity of Baht 71.12 million and revenue from sales of RDF of Baht 13.74 million and for the nine-month period ended 30 September 2022, revenue from sales of goods of Baht 251.75 million which was comprised of revenue from generating and distribution of electricity of Baht 211.97 million, revenue from sales of RDF of Baht 35.58 million and revenue from sales of Source Code (Code Program) of Baht 4.20 million, increased from the same period of last year. The changes resulted from the following reasons:

Revenue from generating and distribution of electricity sale to the Provincial Electricity Authority (PEA) for the three-month period ended 30 September 2022 increased from the same period of last year amounted to Baht 4.18 million or 6.3% mainly resulted from a decrease in shutdown for repair and maintenance compared to last year and for the nine-month period ended 30 September 2022 the revenue increased from the same period of last year amounted to Baht 0.18 million or 0.1%.

Revenue from sales of RDF for the three-month and nine-month periods ended 30 September 2022 increased from the same periods of last year amounted to Baht 3.52 million or 34.4% and Baht 0.72 million or 2.1%, respectively, as the type of RDF required by customers was different from last year.

Revenue from production and distribution of compressed bio-methane gas for the nine-month period ended 30 September 2022 decreased from the same period of last year amounted to Baht 1 million because the Company sold its production and distribution of compressed bio-methane gas business in April 2021.



Revenue from sales of Source Code (Code Program) for the nine-month period ended 30 September 2022 increased from the same period of last year amounted to Baht 4.20 million because of revenue came from the development of securities trading software business which the Company acquired in April 2022.

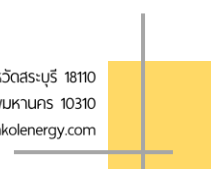
Revenue from leases

For the three-month period ended 30 September 2022, the Company recognized revenue from leases of Baht 1.88 million or 1.6% of total revenue and for the nine-month period ended 30 September 2022, the Company recognized revenue from leases of Baht 8.05 million or 2.2% of total revenue which decrease from the same period of last year due to the Company entered into an agreement to terminate of the natural gas compression contract by private mother station (Ban Na-Kaeng Khoi) in Saraburi Province which ended on 1 April 2022.

Other income

Other income was comprised of 1) revenue from rendering utility services to lessees, 2) interest income, 3) gain on sale of mutual fund, an investment in debt instruments which is low-risk and high liquidity, 4) revenue from solar rooftop equipment rental, 5) gain on disposal of assets, and 6) gain from sales of investment.

For the three-month period ended 30 September 2022, other income was Baht 0.26 million, a decrease by Baht 2.29 million or 89.9% compared from the same period of last year and for the nine-month period ended 30 September 2022, other income was Baht 16.43 million, a decrease by Baht 1.62 million or 9.0% compared from the same period of last year. In the second quarter of 2021, other income was mainly due to the recognition of gain from the sale of investment in the production and distribution of compressed bio-methane gas business of Baht 13.36 million, whereas in the second quarter of 2022, this was mainly due to the recognition gain from the termination of the natural gas compression contract by private mother station (Ban Na-Kaeng Khoi) in Saraburi Province of Baht 13.91 million and gain on disposal of assets of Baht 1 million.



Expenses

Unit: in Million Baht

	Three-month period						Nine-month period				
	Q3'2021		Q2'2022		Q3'2022		2021		2022		
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
Expenses											
Costs of rendering of services	14.91	13.69%	18.75	16.02%	17.81	14.21%	57.29	16.09%	55.07	15.32%	
Cost of sales of goods	62.08	57.01%	62.26	53.21%	70.45	56.21%	188.19	52.85%	193.12	53.74%	
Selling and Administrative expenses	26.29	24.14%	33.43	28.57%	30.14	24.04%	93.24	26.19%	90.22	25.10%	
Finance costs	5.90	5.42%	10.89	9.31%	7.22	5.76%	19.02	5.34%	30.40	8.46%	
Tax income	(0.28)	(0.26%)	(8.32)	(7.11%)	(0.27)	(0.22%)	(1.66)	(0.47%)	(9.41)	(2.62%)	
Total expenses	108.90	100%	117.01	100%	125.35	100%	356.08	100%	359.40	100%	

Significant changes can be summarized as follows:

Costs of rendering of services

For the three-month period ended 30 September 2022, cost of rendering of services amounted to Baht 17.81 million, which was comprised of cost of compression of NGV for PTT of Baht 16.37 million, cost of the treatment of wastes of Baht 1.21 million and cost of securities trading of Baht 0.23 million, increased from the same period of last year. And for the nine-month period ended 30 September 2022, cost of rendering of services amounted to Baht 55.07 million, which was comprised of cost of compression of NGV for PTT of Baht 46.84 million, cost of the treatment of wastes of Baht 7.69 million and cost of securities trading of Baht 0.54 million, decreased from the same period of last year. The changes resulted from the following reasons:

Cost of compression of NGV for PTT for the three-month period ended 30 September 2022 increased from the same period of last year amounted to Baht 4.26 million or 35.2% and for the nine-month period ended 30 September 2022, the cost decreased from the same period of last year amounted to Baht 2.97 million or 6.0% which was in line with the revenue from rendering of services.

Cost of the treatment of wastes for the three-month period ended 30 September 2022 decreased from the same period of last year amounted to Baht 1.59 million or 56.9%. And for the nine-month period ended 30 September 2022, the cost increased from the same period of last year amounted to Baht 0.21 million or 2.8%, mainly due to electricity, transportation, and fuel costs.

Cost of securities trading for the three-month and nine-month periods ended 30 September 2022 increased from the same period of last year amounted to Baht 0.23 million or 100% and Baht 0.54 million or 100%, respectively, due to costs of software for securities trading development.



Costs of sales of goods

For the three-month period ended 30 September 2022, cost of sales of goods amounted to Baht 70.45 million, which was comprised of cost of generating and distribution of electricity of Baht 60.17 million and cost of production and distribution of RDF of Baht 10.28 million and for the nine-month period ended 30 September 2022, cost of sales of goods amounted to Baht 193.12 million, which was comprised of cost of generating and distribution of electricity of Baht 169.37 million and cost of production and distribution of RDF of Baht 23.75 million, increased from the same period of last year. The changes resulted from the following reasons:

Cost of generating and distribution of electricity trading for the three-month and nine-month periods ended 30 September 2022 increased from the same period of last year amounted to Baht 5.83 million or 10.7% and Baht 5.89 million or 3.6%, respectively. A proportion of increase in costs was greater than an increase in revenue from generating and distribution of electricity, mainly due to higher consumption of raw materials.

Cost of production and distribution of RDF for the three-month and nine-month periods ended 30 September 2022 increased from the same periods of last year amounted to Baht 2.54 million or 32.9% and Baht 0.36 million or 1.6%, respectively in line with the revenue from the sales of RDF.

Cost of production and distribution of bio-methane gas for the nine-month period ended 30 September 2022 decreased from the same period of last year amounted to Baht 1.32 million because the Company sold its production and distribution of the compressed bio-methane gas business in April 2021.

Selling and administrative expenses

For the three-month period ended 30 September 2022, the Group incurred selling and administrative expenses amounted to Baht 30.14 million, an increase from the same period of last year of Baht 3.85 million or 14.6% due to employee expenses and consulting fee. And for the nine-month period ended 30 September 2022, the Group incurred selling and administrative expenses amounted to Baht 90.22 million, a decrease from the same period of last year of Baht 3.02 million or 3.2%. The decrease in expenses was mainly due to reversal of impairment loss of other receivables, selling and administrative expenses from production and distribution of compressed bio-methane gas business since the Company sold the business in April 2021, and expenses relating to the investment in ordinary shares of N15 Technology Co., Ltd. and the increase in capital in June 2021. Although, depreciation increased from the recognition of plants and equipment related to the termination of the natural gas compression by private mother station (Ban Na-Kaeng Khoi) in Saraburi Province contract and an increase in employee expenses and consulting fee.

The Group's selling and administrative expenses are primarily comprised of employee expenses, depreciation and amortization, transportation, other service fees, and other administrative expenses.



Finance costs

For the three-month period ended 30 September 2022, the Group incurred finance costs of Baht 7.22 million, an increase from the same period of last year of Baht 1.32 million or 22.4% and for the nine-month period ended 30 September 2022, the Group incurred finance costs of Baht 30.40 million, an increase from the same period of last year of Baht 11.38 million or 59.8%, mainly due to the finance cost of debentures, financial fees for early termination of loans from financial institutions agreements, and the refinancing of a long-term loan from a financial institution of a subsidiary.

Tax income

For the three-month period ended 30 September 2022, the Group incurred tax income of Baht 0.27 million, an increase from the same period of last year of Baht 0.01 million or 3.6% and for the nine-month period ended 30 September 2022, the Group incurred tax income of Baht 9.41 million, an increase from the same period of last year of Baht 7.75 million or 466.9% because of the effect from the termination of the natural gas compression by private mother station (Ban Na-Kaeng Khoi) in Saraburi Province contract.

Gross profit and net profit for the period

1. Gross profit*

For the three-month period ended 30 September 2022, gross profit of the Group was Baht 29.92 million, an increase by Baht 1.67 million or 5.9% compared to the same period of last year. Gross margin for the three-month period ended 30 September 2022 and 2021 were 25.3% and 26.8%, respectively.

For the nine-month period ended 30 September 2022, gross profit of the Group was Baht 99.28 million, a decrease by Baht 5.88 million or 5.6% compared to the same period of last year. Gross margin for the nine-month period ended 30 September 2022 and 2021 were 28.6% and 30.0%, respectively. A slightly decrease in gross margin resulted from higher production costs of the generating and distribution of electricity of Mae Krating biomass power plant business.

Remark: Gross profit * = (Revenue from rendering of services + Revenue from sale of goods) – (Cost of rendering of services + Cost of sales of goods)

Gross profit margin = Gross profit / (Revenue from rendering of services + Revenue from sale of goods)

2) Net profit for the period

For the three-month period ended 30 September 2022, Group had a loss for the period of Baht 5.03 million, a decrease by Baht 8.35 million or 251.9% compared to the same period of last year. This was mainly due to the reduction in revenue from leases from the termination of the natural gas compression contract by private mother station (Ban Na-Kaeng Khoi) in Saraburi Province which ended on 1 April 2022 and increased administrative expenses.





For the nine-month period ended 30 September 2022, Group had profit for the period of Baht 12.55 million, a decrease by Baht 13.58 million or 52.0% compared to the same period of last year. This was primarily due to a decrease in profit of the generating and distribution of electricity of Mae Krating biomass power plant business and production and distribution of RDF business, and an increase in financial costs from financial fees for the early termination of loans from financial institutions agreements and the refinancing of long-term loans from a financial institution and debentures. However, the Group has tax income for the period of 2022 increased from 2021.

Financial Position

Unit: in Million Baht

	As at 30 September 2022	As at 31 December 2021	Increase (Decrease)	%
Total assets	1,833.10	1,586.96	246.14	15.51%
Total liabilities	711.19	501.86	209.33	41.71%
Total equity	1,121.91	1,085.10	36.81	3.39%

Total assets

Total assets of the Group mainly consist of trade accounts receivables, lease receivables, property, plant and equipment, investment properties, and intangible assets. As of 30 September 2022 and 31 December 2021, total assets of the Group amounted to Baht 1,833.10 million and Baht 1,586.96 million, respectively. Total assets increased by Baht 246.14 million or 15.5% mainly due to the expansion of investment in buildings and equipment of the RDF production business.

Total liabilities

Total liabilities of the Group are mainly comprised of loans from financial institutions and debentures. As of 30 September 2022 and 31 December 2021, total liabilities of the Group amounted to Baht 711.19 million and Baht 501.86 million, respectively, increased by Baht 209.33 million or 41.7%. This was mainly due to the Company issued Baht 300 million of debentures which the Company used cash received from some of the debentures to repay long-term loans from financial institutions early and repayment of long-term loans from financial institutions of a subsidiary.

Equity

As of 30 September 2022 and 31 December 2021, equity of the Group were Baht 1,121.91 million and Baht 1,085.10 million, respectively. Equity increased by Baht 36.81 million or 3.4%, as a result of net profit for the nine-month period ended 30 September 2022 and non-controlling interests from the acquisition of subsidiaries.

