

No. GUNKUL_LT-OUT_65-107

November 10, 2022

Subject Clarification on changes in operation results in exceed of 20 percent compared with the same period last year

To Managing Directors and Directors
The Stock Exchange of Thailand

Refer to The Regulation of the Stock Exchange of Thailand in regards with the preparation and submission of the Financial Statements and reports on financial condition and results of operations of the Company Act 2001

According to the regulation of the Stock Exchange of Thailand as above mentioned, Gunkul Engineering Public Company Limited (here in after called "GUNKUL" or the "Company"), would like to clarify the operating results and financial status of the Company and its subsidiaries according to the financial statements for the period ended September 30, 2022 as follows:

Operating results for the period ended September 30, 2022 and 2021

Important Financial Information	Q3		Change		9-Month Period		Change	
	2022	2021	Million Baht	Percentage	2022	2021	Million Baht	Percentage
Revenue from sale	652.60	334.78	317.82	94.93%	1,293.12	1,092.97	200.15	18.31%
Revenue from sale of electricity and adder	750.98	1,206.65	(455.67)	(37.76%)	2,946.13	3,478.63	(532.50)	(15.31%)
Revenue from construction and rendering services	471.04	296.87	174.17	58.67%	1,240.70	1,111.77	128.93	11.60%
Revenue from sale of assets under finance lease	48.00	641.63	(593.63)	(92.52%)	451.13	926.78	(475.65)	(51.32%)
Profit from change in fair value of derivatives	72.09	179.14	(107.05)	(59.76%)	716.74	312.88	403.86	129.08%
Profit from change of interests in subsidiaries into joint ventures	1,330.72	-	1,330.72	100.00%	1,330.72	-	1,330.72	100.00%
Other revenue	9.76	14.12	(4.36)	(30.88%)	32.70	54.44	(21.74)	(39.93%)
Total revenue	3,335.19	2,673.19	662.00	24.76%	8,011.24	6,977.47	1,033.77	14.82%
Cost of sales and services	1,272.24	1,534.25	(262.01)	(17.08%)	3,659.05	3,959.87	(300.82)	(7.60%)
Selling and administrative expenses	240.46	227.40	13.06	5.74%	677.10	647.17	29.93	4.62%
Net foreign exchange loss	84.42	25.22	59.20	234.73%	140.86	(108.61)	249.47	229.69%
Loss on capital reduction of subsidiary	-	9.43	(9.43)	(100.00%)	-	130.50	(130.50)	(100.00%)
Total expenses	1,597.12	1,796.30	(199.18)	(11.09%)	4,477.01	4,628.93	(151.92)	(3.28%)
Share of profits from investments in associates and joint ventures	146.33	69.76	76.57	109.76%	257.97	260.78	(2.81)	(1.08%)
Finance costs	195.87	243.09	(47.22)	(19.42%)	690.30	724.58	(34.28)	(4.73%)
Expenses (income) income tax	148.50	105.88	42.62	40.25%	277.65	144.87	132.78	91.65%
Profit for the period	1,540.03	597.68	942.35	157.67%	2,824.25	1,739.87	1,084.38	62.33%
Net profit of the parent company	1,539.45	589.17	950.28	161.29%	2,821.13	1,721.49	1,099.64	63.88%
Basic earnings per share (baht per share)	0.17	0.07	0.10	142.86%	0.32	0.02	0.30	1,500.00%

▪ Net Profit

The Company's overall operating result for the period ended September 30, 2022 had a profit based on profit sharing (loss) attributable to the Company, showing **a net profit for the three-month period at 1,539.45 million baht and for the nine-month period at 2,821.13 million baht**, compared to the same period of previous year for the 3-month period shown at 589.17 million baht, an increase of 950.28 million baht or 161.29%, and for the 9-month period shown at 1,721.49 million baht, an increase of 1,099.64 million baht or 63.88%. The net profit incurred for the period ended September 30, 2022 had changed from the previous year according to the details as follows:

▪ Revenue

The Company's total revenues for the 3-month period ended September 30, 2022 shown in the consolidated financial statements amounted to 3,335.19 million baht, an increase of 662 million baht or 24.76%, compared to the same period of the previous year shown total revenues at 2,673.19 million baht, and **total income for the 9-month period at the amount of 8,011.24 million baht, an increase of 1,033.77 million baht or an increase of 14.82%**, compared to the same period of the previous year shown total revenues at 6,977.47 million baht, which can be summarized according to the following sections;

1. Power Generation and Distribution Section

Revenue from sale of electricity and adder in the purchase price of electricity shown in the consolidated financial statements for the 3-month period ended September 30, 2022, showing the amount of 750.98 million baht, compared to the same period of the previous year shown at 1,206.65 million baht, **a decrease of 455.67 million baht**, representing a decrease of 37.76% and **for the 9-month period showing the amount of 2,946.13 million baht, compared to the same period of the previous year shown at 3,478.63 million baht, a decrease of 532.50 million baht or a decrease of 15.31%**, with details as follows:

Table showing income by type of electricity from energy

Item	Q3		Change		9-Month Period		Change	
	2022	2021	Million Baht	Percentage	2022	2021	Million Baht	Percentage
Revenue from sales of solar power	589.26	612.67	(23.41)	(3.82%)	1,835.99	1,891.24	(55.25)	(2.92%)
- Domestic	197.44	201.68	(4.24)	(11.61%)	650.19	662.12	(11.93)	(1.80%)
- Abroad	391.82	410.99	(19.17)	(5.70%)	1,185.80	1,229.12	(43.32)	(3.52%)
Revenue from sales of wind power	161.70	593.99	(432.29)	(3.94%)	1,110.09	1,587.28	(477.19)	(30.06%)

Revenue from sales of wind power for the 3-month period ended September 30, 2022 showing the amount of 161.70 million baht, compared to the same period of the previous year shown at 593.99 million baht, **a decrease of 432.29 million baht** or a 3.94% decrease, and for the 9-month period showing the amount of 1,110.09 million baht, compared to the same period of the previous year shown at 1,587.28 million baht, a decrease of 477.19 million baht or a 30.06% decrease. This is due to the change of interest in the subsidiary to a joint venture of the wind Project on November 27, 2022, which the Company has divided its shareholding proportion in the proportion of 50% in the Wind project group, and change the method of recognizing revenue from electricity sales to the method of Proportional recognition method for 50% of the profit share in GUNKUL and another 50% in joint ventures to the GULF group.

2. Revenue from Sales of Assets under Finance Lease Agreements

Revenue from sales of assets under finance lease agreements for the 3-month period ended September 30, 2022 showing the amount of 48 million baht, compared to the compared to the same period of the previous year shown at 641.63 million baht, a decrease of 593.63 million baht, representing a 92.52% decrease, **and for the 9-month period, showing the amount of 451.13 million baht, compared to the same period of the previous year, shown at 926.78 million baht, a decrease of 475.65 million baht or a decrease of 51.32%.** The revenue for the period ended September 30, 2021 came from the revenue from the land and building lease contracts for the projects contracted with the Lotus Project. As for the part of the revenue from the sale of electricity on the roof to the private sector, which is a long-term contract of 10-15 years. This revenue came from the sale of assets under a capital lease from the adjustment of accounting standards (TFRS 16).

3. Profit from change in fair value of derivatives

Profit (loss) from changes in fair value of derivatives for the 3-month period ended September 30, 2022 showing a profit of 72.09 million baht, compared to the same period of the previous year shown a profit at the amount of 179.14 million baht, a decrease of 107.05 million baht or a 59.76% decrease, and for the 9-month period showing a profit of 716.74 million baht compared to the same period of the previous year shown at 312.88 million baht, an increase of 403.86 million baht or 129.08%, which originated from US dollar swap contracts from the past wind power projects, also an interest rate swap contracts from solar and wind power projects, which began to be recorded in accordance with TAS 9 Financial Instruments, effective from January 1, 2020 onwards.

4. Profit from change of interests in subsidiaries into joint ventures

Profit from change of interests in subsidiaries into joint ventures for the 3-month period ended September 30, 2022 and for the 9-month period showing the amount of 1,330.72 million, an increase of 100% from the previous year. Due to on July 11, 2022, the Board of Directors resolved to approve for Gulf Gunkul Corporation Co., Ltd. (which is a subsidiary of the Group and is also a 100% shareholder in Wind Energy Development Co., Ltd., Greenovation Power Co., Ltd. and Korat Wind Energy Co., Ltd.) to issue and offer common shares totaling 5,000 million baht, representing 50% of the registered capital of the said company to Gulf Renewable Energy Co., Ltd.

The capital increase was completed on July 27, 2022, resulting in the said subsidiary changing its status to a joint venture. The Company reclassified its investment in Gulf Gunkul Corporation Co., Ltd. as a joint venture of the Company in the separate financial statements according to the cost method at the amount of 1,117 million baht.

In addition, the Group has eliminated all assets, liabilities, and goodwill of the said subsidiary in the consolidated financial statements, and measure the initial investment in the joint venture at the fair value of the 50% interest in Gulf Gunkul Corporation Co., Ltd, also recorded the profit from the change of interests in the subsidiary as a joint venture at the amount of 1,330.72 million baht in the consolidated statement of comprehensive income for the 3-month and 9-month periods ended 30 September 2022.

▪ Other Revenue

Other revenue for the 3-month period ended September 30, 2022 showing the amount of 9.76 million baht, compared to the same period of the previous year, shown at 14.12 million baht, a decrease of 4.36 million baht, representing a decrease of 30.88%, and for the 9-month period showing the amount of 32.70 million baht, compared to the same period of the previous year shown at 54.44 million baht, a decrease of 21.74 million baht or a decrease of 39.93%. The reason for the decline was because in 2021 there is a reversal of the estimated construction cost that is higher than the actual construction cost, but in 2022 there is no such item.

▪ Net foreign exchange loss

Net foreign exchange loss for the 3-month period ended September 30, 2022, showing a loss of 84.42 million baht, compared to the same period of the previous year shown a loss of 25.22 million baht, an increase of 59.20 million baht, representing an increase of 234.73%, and for the 9-month period, showing a loss of 140.86 million baht, compared to the same period of the previous year shown a profit of 108.61 million baht, an increase of 249.47 million baht or a decrease of 229.69%. This is an unrealized gain as a result of the foreign currency conversion at every end of the period, mainly due to the Currency Conversion of Financial Statements of Loan Liabilities for Solar Power Plant Projects in Vietnam, in which there is a US dollar loan contract that has the value of the Vietnamese Dong depreciating against the US dollar.

▪ Financial position as at September 30, 2022 and December 31, 2021

Important Financial Information	2022	2021	Change	
	Million Baht	Million Baht	Million Baht	%
Current assets	7,580.47	7,566.82	13.65	0.18%
Non-Current assets	26,004.89	34,918.54	(8,913.65)	(25.53%)
Total assets	33,585.35	42,485.35	(8,900.00)	(20.95%)
Total current liabilities	4,924.78	9,053.60	(4,128.82)	(45.60%)
Non-current liabilities	13,965.22	20,148.54	(6,183.32)	(30.69%)
Total liabilities	18,890.00	29,202.13	(10,312.13)	(35.31%)
Shareholders' equity	14,695.36	13,283.22	1,412.14	10.63%

▪ Total assets

The Company and its subsidiaries' total assets as of September 30, 2022, showing the amount of 33,585.35 million baht, compared to total assets as of December 31, 2021, which showed the amount of 42,485.35 million baht, a decrease of 8,900 million baht or a decrease of 20.95%.

▪ Total liabilities

The Company and its subsidiaries' total liabilities as of September 30, 2022, showing the amount of 18,890 million baht, compared to the total liabilities as of December 31, 2021, which showed a total of 29,202.13 million baht, a decrease of 10,312.13 million baht or a decrease of 35.31%.

The decrease in assets and liabilities was due to the adjustment of the investment in 3 wind power plants from the investment in subsidiaries to a joint venture company. As a result, the Company did not record assets in such businesses in the financial statements due to the use of Equity based accounting policy, resulting in the Company's net interest-bearing debt to equity ratio significantly decreased from 1.78 times to 0.94 times. This result can support the growth and investment of more

than 40 billion baht within 3 years, also can support the participation in applying for a license to sell electricity in the solar and wind power plants project that will be auctioned in 2022 onwards.

▪ **Shareholders' equity**

The Company and its subsidiaries' shareholders' equity as of September 30, 2022 amounting to 14,695.36 million baht, compared to shareholders' equity as of December 31, 2021 shown at 13,283.22 million baht, an increase of 1,412.14 million baht, representing an increase of 10.63%. Please be informed accordingly.

The Company's goal is to grow in renewable energy business, electrical equipment manufacturing and distribution businesses and comprehensive construction service businesses. The Company has maintained its growth target in 2022, not less than 15%, which is a continuous growth for more than 12 years of the Company (since listed in the Stock Exchange of Thailand).

Please be informed accordingly.

Sincerely yours,

(Mr. Somboon Aueatchasai, Ph.D.)
Chief Executive Officer