



28 February 2023

Subject: Management Discussion and Analysis (MD&A) for 2022

Attn: President
The Stock Exchange of Thailand

Power Solution Technologies Public Company Limited would like to clarify the operating results of the Company and its subsidiaries ("the Group") for the year 2022 as follows:

Statement of comprehensive income	Consolidated financial statements					
	2022	%	2021	%	Change	% Change
Revenue	1,827.1	100.0%	2,280.6	100.0%	(453.5)	-19.9%
Cost	(1,684.6)	-92.2%	(2,047.2)	-89.8%	(362.6)	-17.7%
Gross profit	142.5	7.8%	233.4	10.2%	(90.9)	-38.9%
Other income	65.2	3.6%	62.5	2.7%	2.6	4.2%
Selling general and administrative expense	(172.8)	-9.5%	(183.1)	-8.0%	(10.3)	-5.6%
Loss from assets written off/ impairment of assets	-	0.0%	(155.5)	-6.8%	(155.5)	-100.0%
Profit (Loss) after tax from operating activities	34.9	1.9%	(42.6)	-1.9%	77.5	182.0%
Share of loss from investment in joint venture	(59.3)	-3.2%	(3.5)	-0.2%	55.8	1617%
Finance revenue	0.7	0.0%	0.6	0.0%	0.2	28.3%
Finance cost	(70.4)	-3.9%	(62.6)	-2.7%	7.9	12.5%
Loss before income tax	(94.0)	-5.1%	(108.0)	-4.7%	14.0	13.0%
income tax revenue (expense)	(8.7)	-0.5%	15.1	0.7%	(23.8)	-158.0%
Loss from continuing operations	(102.8)	-5.6%	(93.0)	-4.1%	(9.8)	-10.5%
Loss after tax from discontinued operations	(6.4)	-0.3%	(578.2)	-25.4%	(571.8)	-98.9%
Loss for the year	(109.1)	-6.0%	(671.1)	-29.4%	562.0	83.7%

Analysis of the Group's performance

For 2022, the Group reported net loss of 109.1 million baht. The net loss decreased by 562.0 million baht from the previous year. The primary reason was the decreasing in loss on impairment of assets relating to biogas and biomass power plants (classified as assets held for sales in the consolidated financial statements) and loss on impairment of assets relating to the distribution of natural gas for vehicle (NGV) business unit. The Group set up such loss on impairment totaling 697.0 million baht in 2021 but no additional set up in 2022. Furthermore, gross profit of the Group decreased by 90.9 million baht, significantly derived from construction business unit, and share of loss from joint venture also increased by 55.8 million baht.



Revenue structure and gross profit margin

Revenue structure	Consolidated financial statements					
	2022	%	2021	%	Change	% Change
Sales income	1,276.8	69.9%	711.4	31.2%	565.3	79.5%
Services income	10.5	0.6%	48.9	2.1%	(38.4)	-78.6%
Sales of electricity income	117.1	6.4%	131.3	5.8%	(14.2)	-10.8%
Revenue from construction service	422.8	23.1%	1,389.0	60.9%	(966.2)	-69.6%
Total revenue	1,827.1	100.0%	2,280.6	100.0%	(453.5)	-19.9%

Gross profit margin	2022	2021	Change
Gross profit margin from sales	4.7%	6.4%	-1.6%
Gross profit margin from services	36.1%	32.6%	3.5%
Gross profit margin from electricity sales	61.6%	65.2%	-3.5%
Gross profit margin from construction	1.5%	6.2%	-4.8%
Gross profit margin	7.8%	10.2%	-2.4%

Revenue structure and gross profit margin by business unit of the Group illustrated in the above tables and the analysis of changes in revenue and gross profit margin by business unit is described below.

● Sales income

Sales income of the Group comprises sales of the LPG LNG and NGV products and sales of project equipment. Sales income of 2022 increased by 565.3 million baht or 79.5%, compared to the previous year because of the following major reasons:

- (1) There were sales of project equipment of 278.6 million baht in 2022.
- (2) Sales income of LPG LNG NGV products increased, especially LNG product. LNG sales volumes rose by 54.6% and average LNG prices rose by 56.6% in line with the higher of LNG costs.

Gross profit margin from sales declined by 1.6%, from 6.4% in 2021 to 4.7% in 2022 because of the rise in product costs especially LNG product. The selling price was not adjusted in the same proportion as costs which was in line with the industrial practice.



- **Service income**

In 2022, service income declined by 38.4 million baht or 78.6%, compared to the previous year resulted mainly from the drop in revenue from transportation of fuel products. The contract period of one of the key customers was expired. In addition, the number of project for other services also dropped compared to the previous year.

No significant change in gross profit margin from revenue from services.

- **Sales of electricity income**

In 2022, sales of electricity income declined by 14.2 million baht or 10.8% compared to the previous year. The decline was primarily from the adder of two solar power plants has not been granted since August 2021 according to the condition in the agreement. Gross profit margin from sales of electricity also dropped by 3.5%, from 65.2% in 2021 to 61.6% in 2022, because of the same reason.

- **Revenue from construction service**

In 2022, revenue from construction service declined by 966.2 million baht or 69.6% compared to the previous year because of the lower of percentage of completion recognized in 2022 than that in 2021 as all construction projects were almost completed. In addition, there was no new construction project during 2022 because of the delay of investments of government and private sectors due to the covid-19 pandemic.

Gross profit margin from construction service declined by 4.8% from 6.2% in 2021 to 1.5% in 2022. Such decline resulted significantly from the revision to increase the estimated construction costs in 2022. The Group realized almost all amount of such increase in the construction cost in 2022 because the construction project has reached almost 100% completion. However, the Group still had an overall profit from construction projects recognized since the commencement of the project.

Selling general and administrative expense

Selling expenses mainly comprised commission expense, warranty expense and entertainment expense. Administrative expenses mainly comprised salary and employee benefit, depreciation, utility expenses, professional fee and office expenses.

During 2022, The Group reported selling, general and administrative expenses amounted to 172.8 million baht, decreasing by 10.3 million baht or 5.6 % compared to the previous year due to the Group's expense control policy.



Share of loss from investment in joint venture

Share of loss from investment in joint venture is share of loss from Thai Pipeline Network Co., Ltd. (TPN). During 2022, the share of loss from investment in joint ventures amounted to 59.3 million baht, increasing by 55.8 million baht compared to the previous year, because TPN has not started the commercial operation. In addition, there were exchange loss and tax penalties during 2022.

Analysis of the Group's Financial Position

Statement of financial position	Consolidated financial statements					
	31 Dec 22	%	31 Dec 21	%	Change	% Change
Current assets	1,102.8	15.1%	1,504.9	19.6%	(402.1)	-26.7%
Non-current assets	6,220.5	84.9%	6,161.5	80.4%	59.0	1.0%
Total assets	7,323.3	100.0%	7,666.3	100.0%	(343.0)	-4.5%
Current liabilities	1,550.0	21.2%	1,841.2	24.0%	(291.3)	-15.8%
Non-current liabilities	406.1	5.5%	725.3	9.5%	(319.2)	-44.0%
Total liabilities	1,956.1	26.7%	2,566.5	33.5%	(610.4)	-23.8%
Shareholders' equity	5,367.2	73.3%	5,099.8	66.5%	267.4	5.2%
Total liabilities and shareholders' equity	7,323.3	100.0%	7,666.3	100.0%	(343.0)	-4.5%

Total assets

As of 31 December 2022, the Group had total assets of 7,323.3 million baht, decreasing by 343.0 million baht or 4.5% compared to that as of 31 December 2021, because of the following reasons:

- The decrease in contract assets by 103.3 million baht resulted from the billing during the year.
- The decrease in costs to fulfill customer contract by 109.1 million baht resulted from cost recognition during the year.
- The decrease in assets held for sale by 206.8 million baht resulted from the selling of such assets during the year.
- The increase in investment in a joint venture by 75.6 million baht. The joint venture recognized gain from change in fair value of hedging instrument (cross currency interest rate swap) in other comprehensive income.



Total liabilities

As of 31 December 2022, the Group had total liabilities of 1,956.1 million baht, decreasing by 610.4 million baht or 23.8% compared to that as of 31 December 2021, because of the following reasons:

- The decrease in bank overdrafts and short-term loans from banks by 261.4 million baht resulting from repayment during the year.
- The decrease in advance received from customers by 127.1 million baht resulting from revenue recognition during the year.
- The decrease in liabilities related to assets held-for-sale by 186.1 million baht resulting from the selling of such assets during the first quarter of 2022.

Analysis of the Group's Cash Flow

Unit: Milion Baht	Consolidated financial statements			
	Cash flow statements	2022	2021	Change
Cash flow from (used in) operating activities	(20.2)	201.7	(221.9)	-110%
Cash flow from (used in) investing activities	382.3	(429.7)	812.0	189%
Cash flow from (used in) financing activities	(310.1)	170.7	(480.8)	-282%
Cash and cash equivalents classified as assets held for sale	(0.8)	(10.5)	9.7	93%
Effect of exchange fluctuation on cash and cash equivalent	0.0	-	0.0	100%
Net increase (decrease) in cash and cash equivalents	51.2	(67.8)	119.0	176%

As of 31 December 2022, cash and cash equivalents of the Group was 142.5 million Baht, increasing by 51.2 million baht. The Group received net cash from investing activities of 382.3 million baht, derived mainly from the sales of one of the biomass power plant of 400.5 million baht. However, the Group also had net cash used in financing activities of 310.1 million baht resulting mainly from repayment of loans from financial institutions.



Analysis of the Group's financial ratios

Financial ratio	2022	2021
Liquidity ratio		
Current ratio (times)	0.71	0.82
Quick ratio (times)	0.28	0.21
Cash flow liquidity ratio (times)	(0.01)	0.11
Average collection period (day)	58.68	79.48
Account payable day (day)	98.64	100.86
Profitability ratio		
Gross profit margin (%)	7.80%	10.24%
Operating profit margin (%)	1.91%	-1.87%
Net profit margin (%)	-5.77%	-28.64%
Return on equity (%)	-2.08%	-12.37%
Efficiency ratio		
Return on assets (%) ⁽¹⁾	-1.37%	-1.17%
Return on fixed assets (%) ⁽¹⁾	-5.14%	-4.16%
Financial ratio		
Debt to Equity ratio (times)	0.36	0.50
Interest coverage ratio (times) ⁽¹⁾	0.62	0.64
Debt service coverage ratio (times) ⁽¹⁾	0.04	0.05

⁽¹⁾ The calculation of such ratios exclude loss from discontinued operations

Liquidity ratio

● Current ratio and Quick ratio

Current ratio and quick ratio of the Group was less than 1. As of 31 December 2022, bond of the Company, which will be due in April 2023, was classified as current liabilities totaling 398.9 million baht. However, the Company issued the new bond in January 2023 to repay the existing bond.



- **Cash flow liquidity ratio**

The Group had negative cash flow liquidity ratio in 2022 because the Group had net cash used in operating activities resulted mainly from cash paid to trade and other payables. However, the Group had the cash flow planning to receive cash from other sources e.g. sales of assets held for sales. This will increase the Group's liquidity to repay current liabilities.

Profitability ratio

- **Gross profit margin**

Analysis of gross profit margin by business unit is shown in section Revenue structure and gross profit margin.

- **Operating profit margin**

Operating profit margin in 2022 is higher than in 2021 because impairment loss from assets was recorded in 2021 but no additional impairment loss was set up during 2022.

- **Net profit margin and return on equity**

The Group had negative net profit margin and return on equity of both in 2021 and 2022; however the negative ratio of 2022 was lower than that of 2021. This resulted primarily because joint venture (TPN) has not commercially operated; thus there were no share gain from joint venture to the Group, while financial cost is relatively high. However, net loss in 2022 was significantly lower than that in 2021 because the Group recorded impairment loss from assets in 2021; while no additional impairment loss was set up during 2022.

Efficiency ratio

- **Return on assets and Return on fixed assets**

The Group had negative return on assets and return on fixed assets because the Group reported net loss for the year as described above.

Financial ratio

- **Debt to equity ratio**

Debt to Equity ratio of the Group in 2022 was lower than that in 2021 because of the Group repayment the loan during the year.

- **Interest coverage ratio**

The Group had interest coverage ratio lower than 1 because of the Group had earning before interest, tax, depreciation and amortization (EBITDA) lower than interest expenses. However, the Group had the cash flow planning to receive cash from other sources e.g. sales of assets held for sales. This will increase the Group's liquidity to service interest.



- **Debt service coverage ratio**

The Group had commitment coverage ratio lower than 1 because of the Group had interest bearing debt, both short-term loan and current portion of long-term loan, lower than EBITDA. However, the Group had the cash flow planning to receive cash from other sources e.g. sales of assets held for sales. This will increase the Group's liquidity to service the debt.

Please be informed accordingly,

Sincerely yours,

Ms. Yuwaporn Pumprasert

Chief Finance Officer