

No. SKE-SET-007/66

10 August 2023

Management's Discussion and Analysis
For the six-month period ended 30 June 2023

Operating result

Unit: in Million Baht

	Three-month period			% Increase (Decrease)		Six-month period		Increase	%
	Q2'2022	Q1'2023	Q2'2023	YoY	QoQ	2022	2023	(decrease)	
Revenues									
Revenue from rendering of services	31.58	40.94	36.06	14.19%	(11.92%)	62.40	77.00	14.60	23.40%
Revenue from sales of goods	91.98	100.71	111.80	21.55%	11.01%	166.89	212.51	45.62	27.34%
Revenue from leases	1.92	2.40	2.34	21.88%	(2.50%)	6.17	4.74	(1.43)	(23.18%)
Other income	13.21	0.76	0.25	(98.11%)	(67.11%)	16.17	1.01	(15.16)	(93.75%)
Total revenue	138.69	144.81	150.45	8.48%	3.89%	251.63	295.26	43.63	17.34%
Expenses									
Costs of rendering of services	18.75	20.71*	20.55	9.60%	(0.77%)	37.27	41.26	3.99	10.71%
Cost of sales of goods	62.26	93.37*	99.35	59.57%	6.40%	122.67	192.72	70.05	57.10%
Selling and Administrative expenses	33.43	41.85	43.78	30.96%	4.61%	60.07	85.63	25.56	42.55%
Finance costs	10.89	9.05	11.98	10.01%	32.38%	23.18	21.03	(2.15)	(9.28%)
Tax expense (income)	(8.32)	4.04	(0.23)	97.24%	(105.69%)	(9.15)	3.81	12.96	141.64%
Total expenses	117.01	169.02	175.43	49.93%	3.79%	234.04	344.45	110.41	47.18%
Profit (Loss) for the period	21.68	(24.21)	(24.98)	(215.22%)	(3.18%)	17.59	(49.19)	(66.78)	(379.65%)
Profit (Loss) attributable to non-controlling interests	3.34	(3.28)	(0.40)	(111.98%)	87.80%	1.67	(3.68)	(5.35)	(320.36%)
Profit (Loss) attributable to owners of the parent	18.34	(20.93)	(24.58)	(234.02%)	(17.44%)	15.92	(45.51)	(61.43)	(385.87%)

Remark *There is a reclassification in the second quarter of 2023.

Revenues

Unit: in Million Baht

	Three-month period						Six-month period			
	Q2'2022		Q1'2023		Q2'2023		2022		2023	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Revenues										
Revenue from rendering of services	31.58	22.77%	40.94	28.27%	36.06	23.97%	62.40	24.80%	77.00	26.08%
Revenue from sales of goods	91.98	66.33%	100.71	69.55%	111.80	74.30%	166.89	66.32%	212.51	71.97%
Revenue from leases	1.92	1.38%	2.40	1.66%	2.34	1.56%	6.17	2.45%	4.74	1.61%
Other income	13.21	9.52%	0.76	0.52%	0.25	0.17%	16.17	6.43%	1.01	0.34%
Total revenue	138.69	100%	144.81	100%	150.45	100%	251.63	100%	295.26	100%

Significant changes can be summarized as follows:

Revenue from rendering of services

For the three-month period ended 30 June 2023, revenue from rendering of services amounted to Baht 36.06 million was comprised of revenue from NGV natural gas compression for PTT Public Company Limited (PTT) of Baht 31.25 million, revenue from the treatment of wastes of Baht 3 million and revenue from purchase and sale of Refuse Derived Fuel (RDF) of Baht 1.81 million. And for the six-month period ended 30 June 2023, revenue from rendering of services amounted to Baht 77 million was comprised of revenue from the NGV natural gas compression for PTT of Baht 64.50 million, revenue from the treatment of wastes of Baht 6.38 million and revenue from purchase and sale of RDF of Baht 6.12 million. The Group's service revenue increased 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 and six-month periods ended 30 June 2023 increased from the same periods of last year amounted to Baht 3.89 million or 14.2% and Baht 11.94 million or 22.7%, respectively. This was due to the increase in NGV consumption in the country due to the increase in public travel from the previous year.

Revenue from the treatment of wastes for the three-month and six-month periods ended 30 June 2023 decreased from the same periods of last year amounted to Baht 0.47 million or 13.5% and Baht 0.92 million or 12.6%, respectively. This was in line with the decrease of the amount of waste in industrial estate.

Revenue from purchase and sale of RDF for the three-month and six-month periods ended 30 June 2023 increased from the same periods of last year amounted to Baht 1.06 million or 141.3% and Baht 3.58 million or 140.9%, respectively. This varied according to the demand for RDF of customers in each period.



Revenue from sale of goods

For the three-month period ended 30 June 2023, revenue from sales of goods of Baht 111.80 million was comprised of revenue from generating and distribution of electricity of Baht 76.54 million, revenue from sales of RDF of Baht 35.26 million. And for the six-month period ended 30 June 2023, revenue from sales of goods of Baht 212.51 million was comprised of revenue from generating and distribution of electricity of Baht 137.92 million, revenue from sales of RDF of Baht 74.59 million. The Group's revenue from sales of goods increased compared to 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 and six-month periods ended 30 June 2023 decreased from the same periods of last year amounted to Baht 0.18 million or 0.2% and Baht 2.93 million or 2.1%, respectively. This was as a result of the increase in shutdown hours for repair and maintenance compared to the previous year.

Revenue from sales of RDF for the three-month and six-month periods ended 30 June 2023 increased from the same periods of last year amounted to Baht 24.20 million or 218.8% and Baht 52.75 million or 241.5%, respectively. This was due to an increase in the volume of RDF compared to the previous year and the commencement of sale of RDF from a new plant in Saraburi Province.

Revenue from sales of Source Code (Code Program) for the three-month and six-month periods ended 30 June 2023 decreased from the same periods of last year amounted to Baht 4.20 million. Due to the last year, there was a customer who demanded to purchase a code program.

Revenue from leases

For the three-month period ended 30 June 2023, the Group recognized revenue from leases of Baht 2.34 million or 1.6% of total revenue, increased from the same period of last year due to RDF production and distribution business has revenue from machinery leases. For the six-month period ended 30 June 2023, the Group recognized revenue from leases of Baht 4.74 million or 1.6% of total revenue, 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, and 3) revenue from solar rooftop equipment rental.

For the three-month period ended 30 June 2023, other income was Baht 0.25 million, a decrease by Baht 12.96 million or 98.1% compared from the same period of last year and for the six-month period ended 30 June 2023, other income was Baht 1.01 million, a decrease by Baht 15.16 million or 93.8% compared from the same period of last year. Other income in the second quarter of 2022 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						Six-month period				
	Q2'2022		Q1'2023		Q2'2023		2022		2023		
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
Expenses											
Costs of rendering of services	18.75	16.02%	20.71*	12.25%	20.55	11.71%	37.27	15.92%	41.26	11.98%	
Cost of sales of goods	62.26	53.21%	93.37*	55.25%	99.35	56.63%	122.67	52.42%	192.72	55.94%	
Selling and Administrative expenses	33.43	28.57%	41.85	24.76%	43.78	24.96%	60.07	25.67%	85.63	24.86%	
Finance costs	10.89	9.31%	9.05	5.35%	11.98	6.83%	23.18	9.90%	21.03	6.11%	
Tax expense (income)	(8.32)	(7.11%)	4.04	2.39%	(0.23)	(0.13%)	(9.15)	(3.91%)	3.81	1.11%	
Total expenses	117.01	100%	169.02	100%	175.43	100%	234.04	100%	344.45	100%	

Remark *There is a reclassification in the second quarter of 2023.

Costs of rendering of services

For the three-month period ended 30 June 2023, cost of rendering of services amounted to Baht 20.55 million, was comprised of cost of compression of NGV for PTT of Baht 18.03 million, cost of the treatment of wastes of Baht 2.46 million and cost of securities trading of Baht 0.06 million. And for the six-month period ended 30 June 2023, cost of rendering of services amounted to Baht 41.26 million, was comprised of cost of compression of NGV for PTT of Baht 36.61 million, cost of the treatment of wastes of Baht 4.43 million and cost of securities trading of Baht 0.22 million. The Group's cost of rendering of services increased compared to the same period of last year. The changes resulted from the following reasons:

Cost of compression of NGV for PTT for the three-month and six-month periods ended 30 June 2023 increased from the same period of last year amounted to Baht 2.69 million or 17.5% and Baht 6.13 million or 20.1%, respectively, which was in line with the increase of the amount of the revenue from rendering of services.



Cost of the treatment of wastes for the three-month and six-month periods ended 30 June 2023 decreased from the same periods of last year amounted to Baht 0.64 million or 20.6% and Baht 2.05 million or 31.6, respectively, which was in line with the decrease of the amount of the revenue from the treatment of waste.

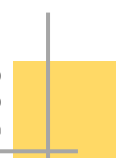
Cost of securities trading for the three-month and six-month period ended 30 June 2023 decreased from the same period of last year amounted to Baht 0.25 million or 80.6% and Baht 0.09 million or 29%, respectively. This was mainly due to software amortization.

Costs of sales of goods

For the three-month period ended 30 June 2023, cost of sales of goods amounted to Baht 99.35 million, was comprised of cost of generating and distribution of electricity of Baht 56.74 million and cost of production and distribution of RDF of Baht 42.61 million. And for the six-month period ended 30 June 2023, cost of sales of goods amounted to Baht 192.72 million, was comprised of cost of generating and distribution of electricity of Baht 110.71 million and cost of production and distribution of RDF of Baht 82.01 million. The Group's cost of sales of goods increased compared to the same period of last year. The changes resulted from the following reasons:

Cost of generating and distribution of electricity for the three-month and six-month periods ended 30 June 2023 increased from the same period of last year amounted to Baht 0.91 million or 1.6% and Baht 1.51 million or 1.4%, respectively. This was mainly due to fuel and electricity costs.

Cost of production and distribution of RDF for the three-month and six-month periods ended 30 June 2023 increased from the same periods of last year amounted to Baht 36.18 million or 562.7% and Baht 68.54 million or 508.8%, respectively, a greater increase than the increase in revenue from sales of RDF. This was mainly due to the increase in the costs of wastes from purchasing wastes from the previous year because of a decrease in the amount of wasted received from the waste treatment service, and the amount of wastes used in the new RDF plant in Saraburi Province that was under the process of machine commissioning in the first quarter of 2023. In addition, transportation and electricity costs have risen from the previous year.





Selling and administrative expenses

For the three-month period ended 30 June 2023, the Group incurred selling and administrative expenses amounted to Baht 43.78 million, an increase from the same period of last year of Baht 10.35 million or 31%. And for the six-month period ended 30 June 2023, the Group incurred selling and administrative expenses amounted to Baht 85.63 million, an increase from the same period of last year of Baht 25.56 million or 42.6%. This was mainly due to depreciation from the recognition of plants and equipment from the termination of the natural gas compression by private mother station (Ban Na-Kaeng Khoi) in Saraburi Province contract, employee expenses, transportation, loss on sale and leaseback of machinery, and loss on disposal of assets.

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 June 2023, the Group incurred finance costs of Baht 11.98 million, an increase from the same period of last year of Baht 1.09 million or 10%. However, for the six-month period ended 30 June 2023, the Group incurred finance costs of Baht 21.03 million, a decrease from the same period of last year of Baht 2.15 million or 9.3%, because in the first and second quarters of 2022, the Company incurred financial fees for early termination of loans agreements from financial institutions and finance fees for refinancing a long-term loan from a financial institution of a subsidiary.

Tax expense (income)

For the three-month period ended 30 June 2023, the Group incurred tax income of Baht 0.23 million, a decrease from the same period of last year of Baht 8.09 million, mainly due to the termination of the natural gas compression by private mother station (Ban Na-Kaeng Khoi) in Saraburi Province contract in the second quarter of 2022. For the six-month period ended 30 June 2023, the Group incurred tax expense of Baht 3.81 million, mainly due to deferred tax on machinery lease agreement of a subsidiary and recognition of borrowing costs as cost of assets. Meanwhile in the same period of last year, the Group had tax income of Baht 9.15 million.



Gross profit and net profit (loss) for the period

1. Gross profit *

For the three-month period ended 30 June 2023, gross profit of the Group was Baht 27.96 million, a decrease by Baht 14.59 million or 34.3% compared to the same period of last year. Gross margin for the three-month period ended 30 June 2023 and 2022 were 18.9% and 34.4%, respectively. A decrease in gross profit resulted from higher production costs of RDF production and distribution business.

For the six-month period ended 30 June 2023, gross profit of the Group was Baht 55.53 million, a decrease by Baht 13.82 million or 19.9% compared to the same period of last year. Gross margin for the six-month period ended 30 June 2023 and 2022 were 19.2% and 30.3%, respectively. A decrease in gross profit resulted from higher production costs of the generating and distribution of electricity of Mae Krating biomass power plant business and RDF production and distribution 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 (loss) for the period

For the three-month period ended 30 June 2023, the Group had a loss for the period of Baht 24.98 million, a decrease by Baht 46.66 million or 215.3% compared to the same period of last year. And for the six-month period ended 30 June 2023, the Group had a loss for the period of Baht 49.20 million, a decrease by Baht 66.79 million or 379.7% compared to the same period of last year. This was primarily due to loss in the RDF production and distribution business at the new RDF plant in Saraburi Province which was under the process of commissioning of the machine in the first quarter of 2023. In addition, in the second quarter of 2022, the Group had tax income.


Financial Position

Unit: in Million Baht

	As at 30 June 2023	As at 31 December 2022	Increase (Decrease)	%
Total assets	1,998.47	1,904.56	93.91	4.93%
Total liabilities	935.81	792.71	143.10	18.05%
Total equity	1,062.66	1,111.85	(49.19)	(4.42%)

Total assets

Total assets of the Group mainly consist of trade accounts receivable, lease receivables, property, plant and equipment, investment properties, and intangible assets. As of 30 June 2023 and 31 December 2022, total assets of the Group amounted to Baht 1,998.47 million and Baht 1,904.56 million, respectively. Total assets increased by Baht 93.91 million or 4.9% was mainly due to the investment in plants and equipment of the new RDF plant in Saraburi Province and an increase in cash and cash equivalents. However, the assets of the Group decreased from depreciation and amortization during the period.

Total liabilities

Total liabilities of the Group are mainly comprised of loans from financial institutions, debentures, and lease liabilities. As of 30 June 2023 and 31 December 2022, total liabilities of the Group amounted to Baht 935.81 million and Baht 792.71 million, respectively. Total liabilities increased by Baht 143.10 million or 18.1% was mainly due to long-term loans from a financial institution and lease liabilities for machinery of a subsidiary. However, liabilities of the Group decreased due to repayment of short-term loans from financial institutions of the Company and payment for machinery of the new RDF plant in Saraburi Province.

Equity

As of 30 June 2023 and 31 December 2022, equity of the Group were Baht 1,062.66 million and Baht 1,111.85 million, respectively. Equity decreased by Baht 49.19 million or 4.4% which was as a result of a net loss for the six-month period ended 30 June 2023.

