

No. GUNKUL_LT-OUT_67-012

28th February 2024

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

To : President,
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 31st December 2023 as follows:

In 2023, the Company achieved success in developing renewable energy projects in the country and was selected under the announcement of the Energy Regulatory Commission (ERC) regarding the procurement of electricity from renewable sources in the form of Feed-in Tariff (FiT) for the period 2022 to 2030, for the group without fuel costs, fiscal year 2022, comprising of 17 projects with a total capacity of 832.4 megawatts (MW). The Company has entered into power purchase agreements for 14 projects totaling 621.4 MW. These projects require continuous development and will gradually generate revenue starting from the year 2026 onward.

▪ **Operating results for the period ended 31st December 2023 and 2022**

| Important financial information | 2023 | 2022 | Change | |
|--|-----------------|-----------------|-------------------|-----------------|
| | Million Baht | Million Baht | Million Baht | % |
| Revenue from sale | 1,827.65 | 1,829.22 | (1.57) | (0.09%) |
| Revenue from sale of electricity and adder | 2,306.76 | 3,448.85 | (1,142.09) | (33.12%) |
| Revenue from construction and rendering services | 2,483.26 | 1,776.25 | 707.00 | 39.80% |
| Revenue from sale of assets under finance lease | 987.57 | 451.37 | 536.21 | 118.80% |
| Profit from change of interest in subsidiary to joint venture | - | 1,330.72 | (1,330.72) | (100.00%) |
| Other revenue | 131.88 | 60.66 | 71.22 | 117.41% |
| Total revenue | 7,737.12 | 8,897.07 | (1,159.95) | (13.04%) |
| Cost of sales and services | 5,159.96 | 4,726.44 | 433.53 | 9.17% |
| Selling and administrative expenses | 1,154.60 | 1,026.88 | 127.71 | 12.44% |
| Loss (Profit) from net foreign exchange | 61.75 | 92.69 | (30.94) | (33.37%) |
| Loss (Profit) from change in fair value of derivatives | 39.55 | (618.03) | 657.58 | (106.40%) |
| Total expenses | 6,415.86 | 5,227.98 | 1,187.88 | 22.72% |
| Share of profits from investments in associates and joint ventures | 1,019.49 | 510.64 | 508.85 | 99.65% |
| Finance costs | 686.84 | 864.62 | (177.78) | (20.56%) |
| Expenses (income) income tax | 179.03 | 300.74 | (121.71) | (40.47%) |
| Profit for the period | 1,474.89 | 3,014.38 | (1,539.48) | (51.07%) |
| Net profit of the parent company | 1,474.47 | 3,010.52 | (1,536.05) | (51.02%) |
| Basic earnings per share (baht per share) | 0.17 | 0.34 | (0.17) | (50.00%) |
| Profit from normal operations | 1,576.19 | 1,158.31 | 417.87 | 36.08% |

▪ **Profit from the normal operations of the business**

Considering the profit from the normal operations of the business for the year 2023, amounting to 1,576.19 million Baht, compared to the profit from the normal operations of the business for the year 2022, amounting to 1,158.31 million Baht, increased by 417.87 million Baht, representing an increase of 36.08 percent. This increase is attributed to improved performance in the core business sectors, including sales, construction business, as well as significant increase in electricity production from wind energy projects. Despite holding only a 50 percent stake, the Company was still able to generate significant profit shares, leading to a substantial increase in profit from the normal operations of the business. (The aforementioned profit from normal operations does not include special profit from change of interest in subsidiary to joint venture, and does not include profit or loss from fair value changes of derivatives, nor does it include profit or loss from net foreign exchange).

▪ **Net Profit**

For the fiscal year ending 31st December 2023, the Company recorded **a net profit attributable to the Company amounting to 1,474.89 million Baht**, compared to the previous year, which showed a net profit of 3,014.38 million Baht, this represents a decrease of 1,539.48 million Baht or a decrease of 51.07 percent. The net profit for the fiscal year ending 31st December 2023, underwent changes compared to the previous year, with details as follows:

▪ **Revenue from Electricity Generation and Distribution Section**

Revenue from electricity sales and additional revenue from electricity purchase agreements, as shown in the consolidated financial statements for the year ending 31st December 2023, amounted to 2,306.76 million Baht, compared to the previous year, which amounted to 3,448.85 million Baht, this represents a decrease of 1,142.09 million Baht or a decrease of 33.12 percent. The details are as follows:

Table showing revenue breakdown by type of electricity stream

| Item | 2023 | 2022 | Change | |
|-----------------------------------|--------------|--------------|--------------|--------|
| | Million Baht | Million Baht | Million Baht | % |
| Revenue from sales of solar power | 2,307 | 2,339 | (32) | (1%) |
| - Domestic | 852 | 841 | 11 | 1% |
| - Abroad | 1,455 | 1,498 | (43) | (3%) |
| Revenue from sales of wind power | - | 1,110 | (1,110) | (100%) |
| Total | 2,307 | 3,449 | (1,142) | (33%) |

Due to change of interest in subsidiary to joint venture of wind projects on 27th July 2022, the Company adjusted its ownership stake to 50 percent in the wind project group. The Company also changed its revenue recognition method from recognition in consolidated financial statements to recognition based on proportional profit sharing at 50 percent in the GUNKUL segment and another 50 percent in the joint venture company, the Gulf Renewable Energy Co., Ltd. Consequently, revenue from wind energy sales was not recorded for the fiscal year ending 31st December 2023, and such revenue was instead recorded in the profit sharing segment of the joint venture and equity accounting.

▪ **Revenue from Construction and Rendering Services**

Revenue from construction and rendering services, as shown in the consolidated financial statements for the fiscal year ending 31st December 2023, amounted to 2,483.26 million Baht, compared to the previous year, which amounted to 1,776.25 million Baht, this represents an increase of 707.00 million

Baht or an increase of 39.80 percent. This increase is attributed to the recognition of revenue from construction projects of solar power plants provided to private sector customers.

▪ **Revenue from Sale of Assets under Finance Lease**

Revenue from the sale of assets under finance lease, for the fiscal year ending 31st December 2023, amounted to 987.57 million Baht, compared to the previous year, which amounted to 451.37 million Baht, this represents an increase of 536.21 million Baht or an increase of 118.80 percent. This increase is attributed to the increase in revenue from the sale of rooftop solar power to the private sector under long-term contracts of 10 to 15 years. This revenue is derived from the sale of assets under finance lease, as per the adjustments made in accordance with accounting standards (TFRS 16).

▪ **Profit from Change of Interest in Subsidiary to Joint Venture**

The profit from the change of interest in subsidiary to joint venture for the fiscal year ending 31st December 2023, decreased by 100 percent, compared to the previous year when comparing the profit from the change of interest in subsidiary to joint venture in 2022, which recorded an amount of 1,330.72 million Baht. This decrease is due to the decision made by the Company's board of directors on 11th July 2022, approving Gulf Gunkul Corporation Co., Ltd. (a subsidiary of the company group and a 100 percent shareholder in Wind Energy Development Co., Ltd., Greenovation Power Co., Ltd., and Korat Wind Energy Co., Ltd.) to issue and offer ordinary shares representing 50 percent of the registered capital in those companies to Gulf Renewable Energy Co., Ltd. by completing the capital increase on 27th July 2022. This resulted in the aforementioned subsidiaries being reclassified as joint ventures of the Company. Consequently, the Company categorized its investment in Gulf Gunkul Corporation Co., Ltd., as the joint venture of the Company, using the equity method investment in the financial statements.

▪ **Other Revenue**

Other revenue for the fiscal year ending 31st December 2023, amounted to 131.88 million Baht, compared to the previous year, which amounted to 60.66 million Baht, this represents an increase of 71.22 million Baht or an increase of 117.42 percent. This increase is attributed to revenue from the sale of electricity to solar power plant projects on rooftops that have not yet been delivered to customers. However, revenue from the sale of electricity has been recognized.

▪ **Selling and Administrative Expenses**

Sales and administrative expenses for the fiscal year ending 31st December 2023, amounted to 1,154.60 million Baht, compared to the previous year, which amounted to 1,026.88 million Baht, this represents an increase of 127.71 million Baht or an increase of 12.44 percent. Part of this increase is attributed to expenses for investing in the development of new solar and wind energy projects, which are scheduled to commence commercial electricity sales and revenue recognition starting from the year 2026 onwards.

▪ **Net Foreign Exchange Loss**

The loss from net foreign exchange for the fiscal year ending 31st December 2023, amounted to 61.75 million Baht, compared to the previous year, which showed a loss of 92.69 million Baht, this represents a decrease in losses of 30.94 million Baht or a decrease of 33.37 percent. This represents unrealized losses resulting from the conversion of foreign currency values in every period, primarily due to the conversion of the financial statements of loans for solar power plant projects in Vietnam. These loans were denominated in US dollars, and the Vietnamese currency weakened against the US dollar.

▪ **Loss from Changes in the Fair Value of derivatives**

The loss from changes in the fair value of derivatives for the fiscal year ending 31st December 2023, amounted to 39.55 million Baht, compared to the previous year, which showed a profit of 618.03 million Baht, this represents an increase in losses of 657.58 million Baht or an increase of 106.40 percent. This is due to entering into cross-currency swap agreements in US dollars for wind energy projects, and interest rate swap agreements for solar and wind energy projects. These transactions were recorded in accordance with Financial Instrument Standard No. 9, effective from 1st January 2020.

However, due to the reclassification of interest in subsidiary to joint venture for wind projects on 27th July 2021, and a change in the method of revenue and expense recognition in the consolidated financial statements to proportional recognition in the profit sharing item, there were no recorded changes in the fair value of derivatives for the fiscal year ending 31st December 2023. Instead, these transactions were recorded in the profit sharing segment of the associates and joint ventures using the equity method.

▪ **Share of Profits from Investments in Associates and Joint Ventures**

The profit share from investments in associates and joint ventures for the fiscal year ending 31st December 2023, amounted to 1,019.49 million Baht (recorded profit share over a 12-month period), compared to the previous year, which showed 510.64 million Baht (recorded profit share over a 5-month period), this represents an increase of 508.85 million Baht or an increase of 99.65 percent. This increase is due to the Company's change in equity ownership proportions of all 3 subsidiary companies within the wind energy group to 50 percent and a change in accounting treatment from subsidiaries to joint ventures, effective since 27th July 2021. Consequently, there was a significant increase in recording profit shares from investments in subsidiaries within the wind energy group across all 3 projects.

▪ **Finance costs**

The financial costs for the fiscal year ending 31st December 2023, amounted to 686.84 million Baht, compared to 846.62 million Baht for the same period in the previous year, indicating a decrease of 177.78 million Baht or a decrease of 20.56 percent. The primary reason for this decrease stems from the change of interest in subsidiary to joint venture within the wind project, resulting in the non-recording of financial costs from the wind energy project for the fiscal year ending 31st December 2023. These financial costs have been recognized within the profit share of associates and joint ventures using the equity method.

Please be informed accordingly.

Sincerely yours,

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