

No. SKE-SET-003/67

29 February 2024

Management's Discussion and Analysis

For the year ended 31 December 2023

**Overall Performance**

- In 2023, the Company and its subsidiaries reported EBITDA in the amount of Baht 24.19 million, decrease by Baht 83.27 million or 77.5% from the year 2022 at Baht 107.46 million and net loss of the Company and its subsidiaries in 2023 was Baht 129.63 million with a decrease in profit of Baht 131.32 million from the year 2022 at Baht 1.69 million. This is mainly due to the performance of waste treatment service and the Refuse Derived Fuel (RDF) production business. In 2022, N15 Technology Company Limited, a subsidiary of the Company, constructed and installed machinery and equipment for a new plant for the RDF production project in Saraburi Province. The project started commissioning the machine in December 2022, and was operational in the beginning of the second quarter of 2023. In addition, the performance of electricity generation and distribution business decreased due to a decrease in the number of electricity units sold into the Provincial Electricity Authority system resulted from Mae Krating Power Company Limited, a subsidiary of the Company, stop production for maintenance and major overhaul from mid-August to early September 2023.
- In October 2023, Mae Krating Power Company Limited entered into an operation management of electricity generation and maintenance of biomass power plant agreement with a local company to oversee operations, maintenance, and others for 1 year period. The agreement shall remain in effect for a period of four years if the performance is in accordance with the conditions of the agreement.



Operating result

Unit: in Million Baht

	For the year		Increase (decrease)	%
	2023	2022		
<b>Revenues</b>				
Revenue from rendering of services	127.24	129.37	(2.13)	(1.65%)
Revenue from sales of goods	408.81	340.43	68.38	20.09%
Revenue from leases	9.74	10.51	(0.77)	(7.33%)
Other income	1.64	17.11	(15.47)	(90.41%)
<b>Total revenue</b>	<b>547.43</b>	<b>497.42</b>	<b>50.01</b>	<b>10.05%</b>
<b>Expenses</b>				
Costs of rendering of services	68.49	69.45*	(0.96)	(1.38%)
Cost of sales of goods	400.81	271.80*	129.01	47.47%
Selling and Administrative expenses	158.60	125.67	32.93	26.20%
Finance costs	46.01	38.35	7.66	19.97%
Tax expense (income)	3.15	(9.54)	12.69	133.02%
<b>Total expenses</b>	<b>677.06</b>	<b>495.73</b>	<b>181.33</b>	<b>36.58%</b>
<b>Profit (loss) for the year</b>	<b>(129.63)</b>	<b>1.69</b>	<b>(131.32)</b>	<b>(7770.41%)</b>
Loss attributable to non-controlling interests	(12.94)	(0.60)	(12.34)	(2056.67%)
<b>Profit (loss) attributable to owners of the parent</b>	<b>(116.69)</b>	<b>2.29</b>	<b>(118.98)</b>	<b>(5195.63%)</b>

Remark \*There is a reclassification in the year 2022.

Revenues

Unit: in Million Baht

	For the year			
	2023		2022	
	Amount	%	Amount	%
<b>Revenues</b>				
Revenue from rendering of services	127.24	23.24%	129.37	26.01%
Revenue from sales of goods	408.81	74.68%	340.43	68.44%
Revenue from leases	9.74	1.78%	10.51	2.11%
Other income	1.64	0.30%	17.11	3.44%
<b>Total revenue</b>	<b>547.43</b>	<b>100%</b>	<b>497.42</b>	<b>100%</b>

Significant changes can be summarized as follows:

Revenue from rendering of services

For the year ended 31 December 2023, revenue from rendering of services amounted to Baht 127.24 million was comprised of revenue from the NGV natural gas compression to PTT of Baht 113.44 million, revenue from the treatment of wastes of Baht 12.15 million and revenue from purchase and sale of RDF of Baht 1.65 million. The Group's service revenue for the year decreased compared to last year. The changes resulted from the following reasons:

Revenue from compression of NGV to PTT for the year ended 31 December 2023 increased from last year amounted to Baht 2.41 million or 2.2% due to an increase in the energy payment rate charged for 2023.

Revenue from the treatment of wastes for the year ended 31 December 2023 decreased from last year amounted to Baht 3.02 million or 19.9%. This was in line with the decrease of the amount of waste in industrial estate.

Revenue from purchase and sale of RDF for year ended 31 December 2023 decreased from last year amounted to Baht 1.52 million or 48%. This varied according to the demand for RDF of customers in each period.



### Revenue from sale of goods

For the year period ended 31 December 2023, revenue from sales of goods of Baht 408.81 million was comprised of revenue from generating and distribution of electricity of Baht 269.61 million and revenue from sales of RDF of Baht 139.20 million. The Group's revenue from sales of goods for the year increased compared to 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 year ended 31 December 2023 decreased from last year amounted to Baht 13.64 million or 4.8%. This was due to production discontinuation hours in the current year increased from last year for maintenance and major overhaul. As a result, the number of electricity units sold into the Provincial Electricity Authority system has declined.

Revenue from sales of RDF for the year ended 31 December 2023 increased from last year amounted to Baht 86.22 million or 162.7%. This was due to an increase in the sales volume of RDF from last year and the commencement of RDF sales from a new plant in Saraburi Province.

Revenue from sales of Source Code (Code Program) for the year ended 31 December 2023 decreased from last year amounted to Baht 4.20 million since the subsidiary sold the code program in the second quarter of 2022.

### Revenue from leases

For the year ended 31 December 2023, the Group recognized revenue from leases of Baht 9.74 million or 1.8% of total revenue, decrease from last year since the Company entered into an agreement to terminate the natural gas compression contract by private mother station (Ban Na-Kaeng Khoi) in Saraburi Province on 1 April 2022.

### Other income

The Group's other income is primarily comprised of 1) revenue from rendering utility services to lessees, 2) interest income, 3) revenue from solar rooftop equipment rental, and 4) gain on disposal of assets.

For the year ended 31 December 2023, other income was Baht 1.64 million, a decrease of Baht 15.47 million or 90.4% from last year. Other income in 2022 was mainly due to the recognition of 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 0.94 million.



Expenses

Unit: in Million Baht

	For the year			
	2023		2022	
	Amount	%	Amount	%
<u>Expenses</u>				
Costs of rendering of services	68.49	10.12%	69.45*	14.01%
Cost of sales of goods	400.81	59.20%	271.80*	54.83%
Selling and Administrative expenses	158.60	23.41%	125.67	25.35%
Finance costs	46.01	6.80%	38.35	7.74%
Tax expense (income)	3.15	0.47%	(9.54)	(1.92%)
<b>Total expenses</b>	<b>677.06</b>	<b>100%</b>	<b>495.73</b>	<b>100%</b>

Remark \*There is a reclassification in the year 2022.

Significant changes can be summarized as follows:

Costs of rendering of services

For the year ended 31 December 2023, cost of rendering of services amounted to Baht 68.49 million, was comprised of cost of compression of NGV to PTT of Baht 64.49 million, cost of the treatment of wastes of Baht 3.31 million and cost of securities trading of Baht 0.69 million. The Group's cost of rendering of services for the year was similar to last year. The changes resulted from the following reasons:

Cost of compression of NGV to PTT for the year ended 31 December 2023 increased from last year by Baht 0.05 million or 0.1%. The costs were proportional to the revenue from rendering of services although the cost of NGV compression increased due to higher electricity tariffs.

Cost of the treatment of wastes for the year ended 31 December 2023 decreased from last year amounted to Baht 0.70 million or 17.5% from the decrease in revenue from the treatment of wastes.

Cost of securities trading for the year ended 31 December 2023 decreased from last year amounted to Baht 0.31 million or 31.1%.





### Costs of sales of goods

For the year ended 31 December 2023, cost of sales of goods amounted to Baht 400.81 million, was comprised of cost of generating and distribution of electricity of Baht 239.30 million and cost of production and distribution of RDF of Baht 161.51 million. The Group's cost of sales of goods increased compared to last year. The changes resulted from the following reasons:

Cost of generating and distribution of electricity for the year ended 31 December 2023 increased from last year amounted to Baht 5.25 million or 2.2%. This was mainly due to the cost of maintenance and major overhaul.

Cost of production and distribution of RDF for the year ended 31 December 2023 increased from last year amounted to Baht 123.76 million or 327.9%, a greater proportion than the increase in revenue from sales of RDF. This was mainly due to an increase in the cost of wastes from waste purchases from last year because of a decrease in the amount of wasted received from the waste treatment service, the amount of wastes used in the new RDF plant in Saraburi Province to test the operation of the machine during the first quarter of 2023. In addition, transportation, electricity costs, employee expenses and depreciation increased from last year.

### Selling and administrative expenses

For the year ended 31 December 2023, the Group incurred selling and administrative expenses amounted to Baht 158.60 million, an increase from last year of Baht 32.93 million or 26.2%. This was mainly due to loss on disposal of assets and depreciation from recognition of plant and equipment related to the termination of the contract for natural gas compression by private mother station (Ban Na-Kaeng Khoi) in Saraburi Province, employee expenses including selling and administrative expenses, transportation expenses and loss on sale and leaseback of machinery for the new RDF plant in Saraburi Province.

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 year ended 31 December 2023, the Group incurred finance costs of Baht 46.01 million, an increase from last year of Baht 7.66 million or 20%. This was mainly due to finance costs of debentures of the Company and long-term loans from a financial institution of subsidiary.





### Tax expense (income)

For the year ended 31 December 2023, the Group incurred tax expense of Baht 3.15 million, due to deferred tax on current tax loss that is not recognized as deferred tax assets. Meanwhile last year, the Group had tax income of Baht 9.54 million, from the termination of the natural gas compression contract by private mother station (Ban Na-Kaeng Khoi) in Saraburi Province.

### Gross profit and net profit (loss) for the year

#### 1. Gross profit\*

For the year ended 31 December 2023, gross profit of the Group was Baht 66.75 million, a decrease by Baht 61.80 million or 48.1% compared to last year. Gross profit margin for the year ended 31 December 2023 and 2022 were 12.5% and 27.4%, respectively. The decrease in gross profit mainly resulted from higher production and repair and maintenance costs of the generating and distribution of electricity of Mae Krating biomass power plant business, and the cost of RDF production and distribution.

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 year

For the year ended 31 December 2023, the Group had a loss for the year of Baht 129.63 million. Profit decreased from last year by Baht 131.32 million. This was primarily due to the loss of the RDF production and distribution business at the new RDF plant in Saraburi Province which was under the construction and installation of machinery, and commissioned the operation of the machinery in December 2022, and commenced in early second quarter of 2023, and the cessation of electricity generation and distribution to the Provincial Electricity Authority for maintenance and major overhaul of the generating and distribution of electricity of Mae Krating biomass power plant business in the third quarter 2023. In addition, in 2022, the Group had tax income from the termination of the natural gas compression contract by private mother station (Ban Na-Kaeng Khoi) in Saraburi Province.


**Financial Position**

Unit: in Million Baht

	As at 31 December 2023	As at 31 December 2022	Increase (decrease)	%
Total assets	1,893.85	1,904.56	(10.71)	(0.56%)
Total liabilities	913.71	792.71	121.00	15.26%
Total equity	980.14	1,111.85	(131.71)	(11.85%)

**Total assets**

Total assets of the Group mainly consist of cash and cash equivalents, trade accounts receivable, property, plant and equipment, investment properties, and intangible assets. As of 31 December 2023 and 2022, total assets of the Group amounted to Baht 1,893.85 million and 1,904.56 million, respectively. Total assets decreased by Baht 10.71 million or 0.6%. The group's assets decreased mainly due to depreciation and amortization during the year. However, the Group has invested in plant and equipment of the new RDF plant in Saraburi Province and the increase in cash and cash equivalents.

**Total liabilities**

Total liabilities of the Group are mainly comprised of loans from financial institutions and leasing companies, debentures, and lease liabilities. As of 31 December 2023 and 2022, total liabilities of the Group amounted to Baht 913.71 million and 792.71 million, respectively. Total liabilities increased by Baht 121 million or 15.3% were mainly due to long-term loans from financial institutions and lease liabilities for machinery of the new RDF production plant in Saraburi Province. However, liabilities of the Group decreased due to repayments of loans from financial institutions and leasing companies in installments due.

**Equity**

As of 31 December 2023 and 2022, equity of the Group were Baht 980.14 million and 1,111.85 million, respectively. Equity decreased by Baht 131.71 million or 11.9% which was mainly due to a net loss for the year ended 31 December 2023.

