

RATCH Group Public Company Limited

Management Discussion and Analysis

For the 1st Quarter Ended 31 March, 2022



Abbreviation	
The Company	RATCH Group Public Company Limited
The Group	RATCH Group Public Company Limited and its subsidiaries
EGAT	Electricity Generating Authority of Thailand
COD	Commercial Operation Date
EBITDA	Earnings before Interest, Tax, Depreciation and Amortization
FX	Foreign Exchange Rate
IPP	Independent Power Producer
PPA	Power Purchase Agreement
SPP	Small Power Producer

Projects/Companies	
FRD	Fareast Renewable Development Pte. Ltd., RHIS in proportion of 90 percent
HKH	Hin Kong Power Holding Company Limited, a joint venture in proportion of 51 percent
HKP	Hin Kong Power Company Limited, an indirect joint venture wholly-owned by HKH
HPC	Hongsa Power Company Limited, an indirect joint venture in proportion of 40 percent
NRER	Nexif Ratch Energy Rayong Company Limited, an indirect joint venture wholly-owned by NRES
NRES	NEXIF RATCH ENERGY SINGAPORE PTE LTD, an indirect joint venture in proportion of 49 percent
RAC	RATCH-Australia Corporation Pty Ltd, a wholly-owned indirect subsidiary
RCO	RATCH Cogeneration Company Limited, a subsidiary in proportion of 99.97 percent
RG	Ratchaburi Electricity Generating Company Limited, a wholly-owned subsidiary
RHIS	RH International (Singapore) Corporation Pte Ltd, a wholly-owned indirect subsidiary
RIAU	PT Medco Ratch Power RIAU, an indirect joint venture in proportion of 49 percent
RL	RATCH-Lao Services Company Limited, a wholly-owned subsidiary
SCG	Sahacogen (Chonburi) Public Company Limited, a subsidiary in proportion of 51.67
SEAN	Southeast Asia Energy Limited, a joint venture in proportion of 33.33 percent

Executive Summary

Unit : Million baht

	Quarter 1		Increase (Decrease)	%
	2022	2021		
Total revenues	18,249.67	8,701.32	9,548.35	109.7
Cost of sales and rendering of services	15,494.42	6,103.17	9,391.25	153.9
Administrative expenses	501.54	345.10	156.44	45.3
EBITDA	2,994.65	2,650.04	344.61	13.0
Finance costs	808.32	411.04	397.28	96.7
Tax expense	468.57	20.42	448.15	n.a.
Profit to owner of the Company	1,579.36	2,087.86	(508.50)	(24.4)
Profit before FX	1,166.39	1,820.20	(653.81)	(35.9)

In the 1st quarter of 2022, the total revenues were THB 18,249.67 million, increasing by THB 9,548.35 million or 109.7 percent from THB 8,701.32 million in the same period of the previous year since the Energy Payment of RG increased due to higher electricity generated using natural gas, oil, and diesel than that of the same period of the previous year, corresponding to higher dispatch instruction by EGAT. Also, revenue from sales of RAC increased as Collector Power Plant has commenced COD in June 2021. In addition, the revenues of SCG and FRD have been consolidated since the acquisition in the 4th quarter of 2021. However, the cost of sales and rendering of services was THB 15,494.42 million, increasing by THB 9,391.25 million from THB 6,103.17 million in the same period of the previous year due to the increase in electricity generated and the higher fuel price in response to global energy markets. Finance cost and income tax also increased.

The operating result according to the consolidated financial statement showed the profit (attributable to owners of the Company) of THB 1,579.36 million, decreasing from THB 2,087.86 million in the same period of the previous year by THB 508.50 million or 24.4 percent. The main reasons were the one-time write-off deferred debt fees of its existing loans from debt refinancing in the amount of THB 225.73 million, and the recognition of the deferred tax expense of FRD in the amount of THB 337.70 million. Both items were the accounting transactions, which had no impact on cash flow of the Group.



1. Significant Events of the 1st Quarter of 2022

1.1 Commercial Operation of Riau Combined-Cycle Power Plant in the Republic of Indonesia

PT Medco Ratch Power Riau, an operator of Riau Combined-Cycle Power Plant Project with the installed capacity of 296.23 megawatts in the Republic of Indonesia which the Company held a 49 percent stake through RHIS, has received the official confirmation of Application for Commercial Operation Date from Indonesian State Electricity Company (PT PLN (Persero)) which approved the commercial operation on February 10, 2022.

1.2 Signing of a Shareholders Agreement to invest in PRINC Healthcare – Sakon Nakhon Company Limited

On March 28, 2022, the Company has signed a Shareholders Agreement with Principal Healthcare Company Limited (“PRINH”) and another local investor to invest in Principal Healthcare – Sakon Nakhon Company Limited and to invest in a private hospital under the name of PRINC Sakon Nakhon Hospital. In this regard, the shareholding proportions of the Company, PRINH and the local investor are at 25, 70 and 5 percent respectively. The Company’s investment is in the amount of THB 75 million.

PRINC Sakon Nakhon Hospital is located in Sakon Nakhon Province. It is a secondary private hospital with 59 beds, consisting of hospital building, examination rooms, patient rooms and modern medical equipment. It is scheduled to open for service in February 2023.

Progress of Projects under Construction (as of March 31, 2022)



MRT Pink Line Project	
Technology	Monorail
Route	Khae Rai-Min Buri
Ownership	10%
Contract Term	30 Years
COD	Year 2023
Progress	Civil Works = 88.16% Railway System = 84.92%



MRT Yellow Line Project	
Technology	Monorail
Route	Lad Prao-Sam Rong
Ownership	10%
Contract Term	30 Years
COD	Year 2022
Progress	Civil Works = 92.49% Railway System = 90.68%



Nexif Ratch Energy Rayong Power Plant (NRER)	
Type of Power Plant	Firm-Cogeneration SPP Power Plant
Type of Fuel	Natural Gas
Capacity (MW)	92
Location	Rayong Province
Ownership	49%
PPA	25 Years with EGAT
COD	April 30, 2022
Progress	97.73%



Hin Kong Power Plant (HKP)	
Type of Power Plant	IPP
Type of Fuel	Natural Gas
Install Capacity (MW)	1,540
Location	Ratchaburi Province
Ownership	51%
PPA	25 Years with EGAT
COD	Year 2024 and 2025
Progress	32.00%



Ratch Cogeneration Power Plant (RCO) - Extension	
Type of Power Plant	Firm-Cogeneration SPP Power Plant
Type of Fuel	Natural Gas
Install Capacity (MW)	Power Generating Capacity 31.2 MW Steam Generating Capacity 5.46 Tons per Hour
Location	Pathum Thani Province
Ownership	100%
Customers	Navanakorn Industrial Promotion Zone, Pathum Thani Province
COD	Year 2022
Progress	70.91%



Thanh Phong Wind-Turbine Power Plant (ECOWIN)	
Install Capacity (MW)	29.7
Location	Ben Tre Province, Vietnam
Ownership	51%
PPA	20 Years with Vietnam Electricity
COD	Year 2022
Progress	81.46%



R E N Korat Energy Power Plant (R E N)	
Type of Power Plant	Cogeneration IPS Power Plant
Type of Fuel	Natural Gas
Install Capacity (MW)	31.2
Location	Nakhon Ratchasima Province
Ownership	40%
Customers	Industrial Promotion Zone, Nakhon Ratchasima Province
COD	Year 2023
Progress	Construction started in 1 st Quarter of 2022

2. Operation performance according to consolidated financial statement

Unit : Million baht

	Quarter 1		Increase (Decrease)	%
	2022	2021		
Total revenues	18,249.67	8,701.32	9,548.35	109.7
- Revenue from sales and rendering of services	16,182.43	6,594.02	9,588.41	145.4
- Revenue from lease contracts	732.78	527.57	205.21	38.9
- Share of profit of associates and joint ventures	1,186.27	1,411.62	(225.35)	(16.0)
- Other income	148.19	168.11	(19.92)	(11.8)
Total cost and expenses	17,298.34	6,881.12	10,417.22	151.4
- Cost of sales	15,494.42	6,103.17	9,391.25	153.9
- Administrative expenses	501.54	345.10	156.44	45.3
- Gain (loss) on fair value adjustment of derivatives	25.49	1.39	24.10	n.a.
- Finance costs	808.32	411.04	397.28	96.7
- Tax expense	468.57	20.42	448.15	n.a.
Profit before FX - the Company and subsidiaries	951.33	1,820.20	(868.87)	(47.7)
Non-controlling Interests	215.06	-	215.06	-
Profit to the Company before FX - the Company and subsidiaries	1,166.39	1,820.20	(653.81)	(35.9)
Gain (loss) on FX - the Company and subsidiaries	412.97	267.66	145.31	54.3
Profit to owner of the Company	1,579.36	2,087.86	(508.50)	(24.4)

In the 1st quarter of 2022, the total revenues were THB 18,249.67 million, increasing by THB 9,548.35 million or 109.7 percent since the Energy Payment of RG increased due to higher electricity generated using natural gas, oil, and diesel than that of the same period of the previous year, corresponding to higher dispatch instruction by EGAT. Also, revenue from sales of RAC increased as Collector Power Plant has commenced COD in June 2021. In addition, the revenues of SCG and FRD have been consolidated since the acquisition in the 4th quarter of 2021, approximately 9.04 percent of total revenues. Revenue from SCG increased due to increase in fuel price and revenue from FRD increased due to electricity generated more than that of the same period of the previous year.

In contrast, the total cost and expenses were THB 17,298.34 million, increasing by THB 10,417.22 million due to the increase in cost of sales of RG since the power plants generated higher electricity, corresponding to higher dispatch instruction by EGAT. Cost of sales of SCG and RCO increased due to the rising of fuel price in response to global energy markets. In addition, finance cost of FRD increased due to the one-time write-off deferred debt fees of its existing loans from debt refinancing, which resulted in the interest saving and loan repayment extension. Income tax increased due to the deferred

tax adjustment from tax rate change of its subsidiary in Indonesia. Both items were the accounting transactions, which had no impact on cash flow of the Group.

In the 1st quarter of 2022, net cash flow from the operating of the Company were THB 1,787.63 million, increasing by THB 82.89 million from THB 1,704.74 million in the same period of the previous year. RG redeemed the debenture in March 2022 in the amount of THB 2,000 million, while the dividend received was THB 985.99 million, increasing by THB 361.45 million from THB 624.54 million in the same period of the previous year.

Unit : Million baht

	Quarter 1		Increase (Decrease)	%
	2022	2021		
Net cash from operating activities	1,787.63	1,704.74	82.89	4.9
Net cash from (used in) investing activities	1,839.87	(2,361.04)	4,200.91	177.9
Net cash from (used in) financing activities	(1,475.76)	715.75	(2,191.51)	(306.2)

2.1 Analysis of Revenues

Unit : Million baht

	Quarter 1		Increase (Decrease)	%
	2022	2021		
Revenue from sales and rendering of services	16,182.43	6,594.02	9,588.41	145.4
<i>RG</i>	13,045.60	5,416.38	7,629.22	140.9
<i>RAC</i>	1,000.15	702.42	297.73	42.4
<i>RCO</i>	778.05	458.38	319.67	69.7
<i>SCG</i>	1,304.07	-	1,304.07	-
<i>FRD</i>	34.63	-	34.63	-
<i>RL</i>	19.93	16.84	3.09	18.3
Revenue from leases contracts	732.78	527.57	205.21	38.9
Share of profit of associates and joint ventures	1,186.27	1,411.62	(225.35)	(16.0)
<i>IPPs</i>	792.16	946.88	(154.72)	(16.3)
<i>SPPs</i>	191.73	139.76	51.97	37.2
<i>Hydro Power Plants</i>	43.31	188.05	(144.74)	(77.0)
<i>Renewable Power Plants</i>	109.95	110.64	(0.69)	(0.6)
<i>Infrastructure and Others</i>	49.12	26.29	22.83	86.8
Other incomes	148.19	168.11	(19.92)	(11.8)
<i>Management service income</i>	67.89	53.50	14.39	26.9
<i>Interest income</i>	47.10	52.27	(5.17)	(9.9)
<i>Other income</i>	33.20	62.34	(29.14)	(46.7)
Total revenues	18,249.67	8,701.32	9,548.35	109.7

2.1.1 Revenue from sales and rendering of services

(1) Revenue from sales of RG increased. The main reason was the increase in Energy Payment due to higher electricity generated using natural gas, oil, and diesel than that of the same period of the previous year, corresponding to higher dispatch instruction by EGAT.

(2) Revenue from sales of SCG and FRD has been consolidated since the acquisition in the 4th quarter of 2021. Revenue from SCG increased due to increase in fuel price. In addition, revenue from FRD increased since Asahan-1 hydro power plant generated more electricity than that of the same period of the previous year.

(3) Revenue from sales of RCO increased since the power plant generated higher electricity than that of the same period of the previous year. In addition, the fuel price was higher than that of the same period of the previous year.

(4) Revenue from sales of RAC increased as Collector Power Plant has commenced COD in June 2021. In addition, Kemerton and Townsville power plants generated more electricity than that of the same period of the previous year.

2.1.2 Share of profit of associates and joint ventures

(1) The share profit of 6-project IPPs showed the profit of THB 792.16 million, decreasing by THB 154.72 million from THB 946.88 million in the same period of the previous year. The main reason was HPC had less availability and electricity generating than those of the same period of the previous year due to the planned maintenance of the thermal power plant unit 2 during January 14 – February 26, 2022. However, RIAU has commenced COD on February 10, 2022.

(2) The share profit of 2-project Hydro Power Plants showed the profit of THB 43.31 million, decreasing by THB 144.74 million from 188.05 million in the same period of the previous year. The main reason was SEAN generated electricity less than that of the period of the previous year due to the lower water level.

2.2 Analysis of Cost and Expenses

Unit : Million baht

	Quarter 1		Increase (Decrease)	%
	2022	2021		
Cost of sales and rendering of services	15,494.42	6,103.17	9,391.25	153.9
<i>RG</i>	12,878.25	5,223.25	7,655.00	146.6
<i>RAC</i>	584.55	448.28	136.27	30.4
<i>RCO</i>	730.47	419.83	310.64	74.0
<i>SCG</i>	1,289.09	-	1,289.09	-
<i>RL</i>	12.06	11.81	0.25	2.1
Administrative expenses	501.54	345.10	156.44	45.3
(Gain) Loss on fair value adjustment of derivatives	25.49	1.39	24.10	n.a.
Finance costs	808.32	411.04	397.28	96.7
Tax expense	468.57	20.42	448.15	n.a.
Total Cost and expenses	17,298.34	6,881.12	10,417.22	151.4

2.2.1 Cost of sales and rendering of services

(1) Cost of sales of RG increased since the power plants generated electricity higher than that of the same period of the previous year, corresponding to higher dispatch instruction by EGAT. In addition, the fuel price was higher than that of the same period of the previous year.

(2) Cost of sales of SCG has been consolidated after the acquisition in the 4th quarter of 2021 and also increased in fuel price.

(3) Cost of sales of RCO increased since the fuel price was higher than that of the same period of the previous year.

(4) Cost of sales of RAC increased since Collector Power Plant has commenced COD in June 2021.

2.2.2 Finance Costs

Finance costs increased due to the increase in loans from financial institutions. In addition, the finance costs of SCG and FRD have been consolidated after the acquisition in the 4th quarter of 2021. Also, FRD recorded the one-time write-off deferred debt fees of its existing loans from debt refinancing, which resulted in the interest saving and loan repayment extension. This item was one-time accounting transaction, which had no impact on cash flow of the Group.

2.2.3 Income Tax

Income tax increased since, in 2021, RG received tax benefit from loss carried forward occurred in 2020. In addition, FRD recorded the deferred tax expense due to tax rate change of its subsidiary in Indonesia. This item was the accounting transaction, which had no impact on cash flow of the Group.

2.3 The effect of exchange rate of the Company and its subsidiaries

In the 1st quarter of 2022, the Company recorded gain on FX. The main reason was loan to related parties in AUD. As AUD appreciated in relative to USD, the asset value in AUD increased. For JPY Bond, as JPY depreciated in relative to USD, the liability value in JPY decreased. Likewise, the Company recorded gain on FX of in the 1st quarter of 2021. The main reason was from JPY depreciated in relative to USD.

3. Analysis of statement of financial position

3.1 Analysis of assets

As at March 31, 2022, the total assets were THB 155,216.69 million, increasing by THB 361.38 million or 0.2 percent from THB 154,855.31 million as at December 31, 2021. The details were as follows:

	(Million Baht)			
	Mar 31, 2022	Dec 31, 2021	Increase (Decrease)	%
Current assets	24,692.01	25,315.77	(623.76)	(2.5)
Non-current assets	130,524.68	129,539.54	985.14	0.8
Total Assets	155,216.69	154,855.31	361.38	0.2

3.1.1 Investments in joint ventures and associates increased in the amount of THB 1,407.53 million. The main reasons were from the share of profit contributed during the period in the total amount of THB 1,186.27 million and additional investments in joint ventures in the amount of THB 483.63 million.

3.1.2 Trade accounts receivable from related parties of RG decreased in the amount of THB 1,252.31 million since, as at March 31, 2022, the receivable consisted of the electricity sale in March 2022; whereas, as at December 31, 2021, the receivable consisted of the electricity sale in November and December 2021.

3.2 Analysis of liabilities and equity

As at March 31, 2022, the total liabilities and equity were THB 155,216.69 million, increasing by THB 361.38 million or 0.2 percent from THB 154,855.31 million as at December 31, 2021. The details were as follows:

	(Million Baht)			
	Mar 31, 2022	Dec 31, 2021	Increase (Decrease)	%
Liabilities	74,431.37	77,045.77	(2,614.40)	(3.4)
Equity	80,785.32	77,809.54	2,975.78	3.8
Total Liabilities and Equity	155,216.69	154,855.31	361.38	0.2

3.2.1 Liabilities decreased in the amount of THB 2,614.40 million, the main reasons were as follows:

(1) RG redeemed the debenture in March 2022 in the amount of THB 2,000 million.

(2) Trade accounts payable of RG decreased in the amount of THB 1,048.69 million since, as at March 31, 2022, the account payable consisted of the fuel payable in March 2022; whereas, as at December 31, 2021, the account payable consisted of the fuel payable in November and December 2021.

(3) Loan from financial institutions net increased in the amount of THB 1,879.23 million since the Company, FRD, RHIS and SCG received loans from financial institutions during the period.

3.2.2 Equity increased in the amount of THB 2,975.78 million. The main reasons were as follows:

(1) The profit of the 1st quarter of 2022 in the amount of THB 1,579.36 million

(2) Other components of equity increased in the amount of THB 1,470.37 million. The main reasons were due to share of other comprehensive income (expense) of associates and joint ventures in the amount of THB 825.77 million and hedging reserve in the amount of THB 580.49 million.

4. Analysis of cash flows

Cash and cash equivalents of the Company and its subsidiaries as at March 31, 2022 were THB 8,911.12 million, increasing by THB 1,949.63 million from THB 6,961.49 million on December 31, 2021. The details were summarized below:

	(Million Baht)
	3-Month
Net cash from operating activities	1,787.63
Net cash from investing activities	1,839.87
Net cash used in financing activities	(1,475.76)
Effect of exchange rate changes on cash and cash equivalents	(202.11)
Net cash increase during the period	1,949.63

4.1 Net cash from operating activities increased cash flow in the amount of THB 1,787.63 million. The reason was the operating result of the three-month period of 2022 improved cash position by THB 1,775.90 million, adjusted by the change in operating assets and liabilities in the amount of THB 11.73 million.

4.2 Net cash from investing activities increased cash flow in the amount of THB 1,839.87 million. The main reasons were as follows:

4.2.1 The Company received net cash from financial assets in the amount of THB 1,939.94 million.

4.2.2 The Company received dividends in the total amount of THB 985.99 million.

4.2.3 The Company paid for plant and equipment in the amount of THB 554.49 million.

4.2.4 The Company paid for additional investment in joint ventures in the amount of THB 483.63 million.

4.3 Net cash used in financing activities decreased cash flow in the amount of THB 1,475.76 million. The main reasons were as follows:

4.3.1 RG redeemed the debenture in March 2022 in the amount of THB 2,000 million.

4.3.2 The Company paid for interest expenses during the period in the amount of THB 701.63 million.

4.3.3 The Company, FRD, RHIS and SCG received loans from financial institutions during the period.

5. Significant financial ratios (excluded the effect of foreign exchange rate of the Company and its subsidiaries)

Ratios		Quarter 1	
		2022	2021
Current Ratio	(Times)	1.61	1.99
Profit to Total Revenue (excluded fuel costs)	(%)	15.53	43.79
Return on Equity **	(%)	10.00	11.88
Return on Assets **	(%)	6.96	7.10
EBITDA *	(Million THB)	2,995	2,650
Debt to Equity Ratio	(Times)	0.92	0.80
Debt Service Coverage Ratio	(Times)	0.81	4.00
Book Value per Share	(THB)	50.57	44.80
* Not included the change in lease receivable		(Million THB)	711.97
			664.45

** Data for 12-month period