

PROEN Corp Public Company Limited and Subsidiaries

Management Discussion and Analysis Yearly

Ending 31 December 2024

Business overview

PROEN Corp Public Company Limited and its subsidiaries (“the Group”) operate in the field of Information Communication and Technology (ICT), Internet Data Center (IDC), Internet Service Provider (ISP), and Cloud Services, collectively called ICT business, which constitutes the primary source of revenue. Additionally, the Group undertakes telecommunications and infrastructure project contracting services. The Group’s key strategies include:

- Collaborating with partners to expand and develop data center service areas, including the provision of clean energy to sufficiently meet the rapidly increasing demands of cloud and AI technology sectors.
- Promoting comprehensive services by developing new products and services to meet the needs of existing customers, thereby enhancing value and building customer loyalty.
- Expanding the customer base within the telecommunications infrastructure sector.
- Increasing accessibility through the PROEN Power Partner Program and the PROEN Customer Loyalty Program.

External Environment Analysis

Market Overview

The demand for data center services is growing in line with the rising volume of data usage driven by technological innovations that play an increasingly significant role in the digital era. The global data center service market is projected to expand by approximately 22% year-over-year (YOY), primarily driven by public cloud services. Similarly, Thailand’s data center market is expected to grow by around 24% YOY in 2024, with public cloud services seeing an expansion



PROEN Corp Public Company Limited

72 NT Bangrak Building 4th, 18th Fl.,
Charoen Krung Rd. Bang Rak
Bangkok 10500

☎ 0 2690 3888
☎ 0 2691 1898

📘 PROENInternet
www.proen.co.th



CERTIFIED
ISO 27001
ISO/IEC 27001:2022

ISO 9001:2015

rate of approximately 29% YOY due to increased data usage among consumers and greater adoption of technology by large enterprises, SMEs, and startups.

Colocation services, which involve server hosting where providers supply space and internet connectivity for customers to place their own equipment, are anticipated to grow by about 14% YOY. This growth is supported by numerous organizations shifting to private cloud solutions for data management and the expansion of cloud regions by international providers within Thailand.

2023 Thailand Infrastructure as a Service (IaaS) Market Share

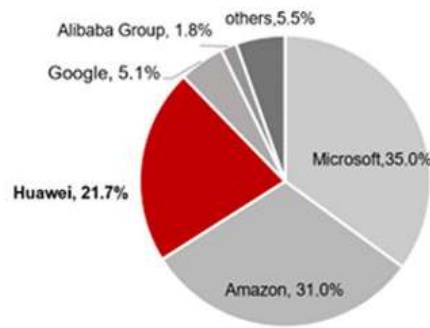


Figure 1 Market Share 2023 Thailand Cloud Infrastructure as a Service, Gartner

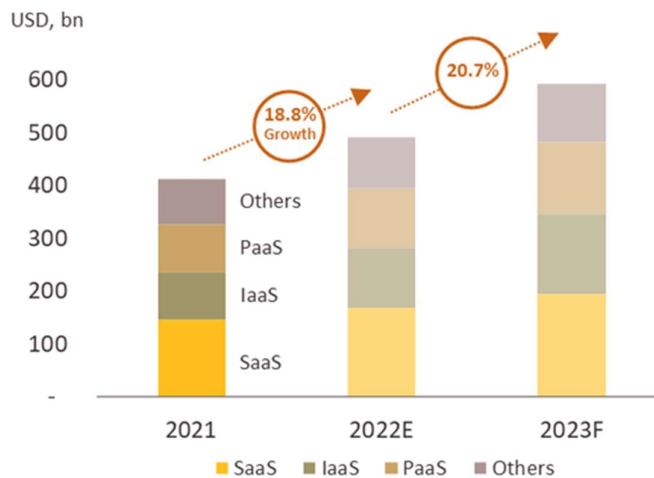


Figure 2 Global Public Service End-User spending by Cloud Type, Gartner, Krungsri Research



Currently, Singapore is considered the data center hub of ASEAN. However, government policies limiting the construction of new data centers have led to a shortage of data storage space to meet rising demand. As a result, data center providers in Singapore are starting to look at nearby countries, including Malaysia, Indonesia, and Thailand, as potential locations for new data center investments.

Although Thailand is an attractive location for investment, leading to a significant increase in foreign investments in data centers, additional government incentives and policies are still needed. These include extending tax benefits, providing additional incentives for data centers located in special economic zones, establishing an ecosystem that aligns with international standards, and enhancing workforce skills. Such measures would help attract more foreign investment and increase Thailand's competitiveness, positioning the country as a leading data center hub in ASEAN.

The growth of data centers has also led to an increase in electricity consumption and greenhouse gas emissions, making sustainability a critical issue for providers to address. Data centers are among the industries with high electricity usage and greenhouse gas emissions, posing significant challenges in managing energy consumption while maintaining electrical stability during peak traffic periods. Achieving sustainability goals involves enhancing energy efficiency, reducing cooling system energy usage, and increasing the proportion of clean energy sources. However, promoting efficient energy use among data center providers requires government policies, such as tax incentives, partnerships with data center providers, and the establishment of energy standards. These measures will help move Thailand's data centers closer to sustainability.

The growth trajectory of data centers, driven by global trends and increasingly evident in Thailand, has seen the global data center service market expanding rapidly, with projections indicating around 22% YOY growth in 2024. This expansion is fueled by both public cloud services and colocation services, in line with growing data usage across consumers, organizations, and businesses. In the digital age, technological innovations have generated massive amounts of data,



most of which is stored and processed in large data centers with extensive storage capacities and high connectivity, ensuring data is accessible at any time. International Data Corporation (IDC), a leading global market research and consulting firm specializing in telecommunications, forecasts that global data storage across networked devices such as mobile phones, computers, and data centers will increase from 10.1 zettabytes (ZB) in 2023 to 21.0 ZB by 2027, representing a compound annual growth rate (CAGR) of approximately 18.5%, with expectations of further increases in the coming years.

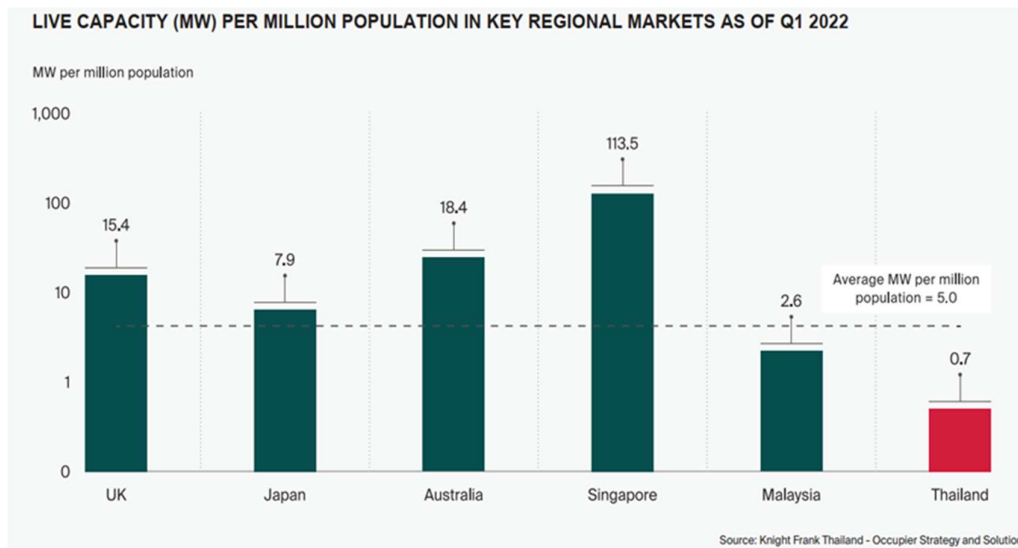


Figure 3 Live Capacity (MW) per Million Population Q1 2022, Knight Frank Thailand

The global public cloud service market is projected to grow by approximately 23% YOY, driven by increased data usage across both consumer and business sectors, especially due to the surge in AI applications. Consumer data usage, including personal data storage such as photos and documents, as well as social media, video/music streaming, and applications, is expected to grow at an estimated 21% CAGR from 2024 to 2029, according to Ericsson’s report on global mobile data usage. Business and enterprise sectors are also increasing their adoption of technology, including the Internet of Things (IoT), robotics, smart devices, and artificial intelligence (AI) technologies, particularly Generative AI, which became a widely discussed trend in 2023 and is anticipated to see further growth.



A McKinsey survey conducted from February 22 to March 5, 2024, of over 1,360 executives from leading companies worldwide, highlighted that AI usage in organizations has risen to 72%, compared to 55% the previous year. Use of Generative AI nearly doubled, increasing from 33% to 65%. Additionally, software developers are increasingly building applications on cloud platforms, as cloud providers continuously introduce new tools that assist with code review and testing, supporting seamless application development on the platform.

มูลค่าตลาด Data Center และ Cloud ของไทย

หน่วย : พันล้านบาท

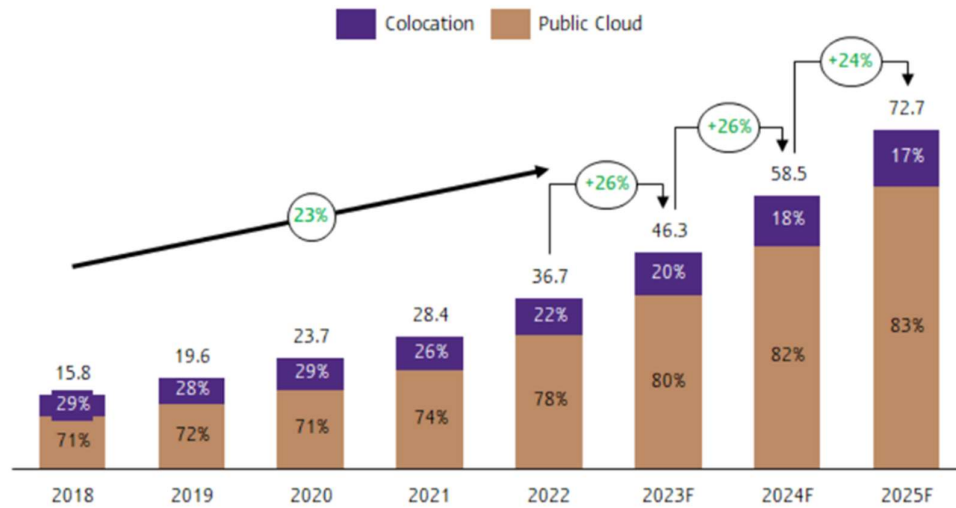


Figure 4 Market Value of Data Center and Cloud. Source: SCB EIC, Gartner, JP Morgan, Grand View Research and Business research

Amid the wave of data center investments positioning Thailand as a regional hub, the Thai data center service market is expected to experience significant growth, aligning with the expanding demand across the ASEAN market. According to Kasikorn Research Center, the Thai data center service market is projected to grow at an average annual rate of over 31.2%, while Malaysia's growth rate is estimated at around 36.8% over the next four years. The data center service market encompasses data storage and maintenance services, network system services, and data processing services.



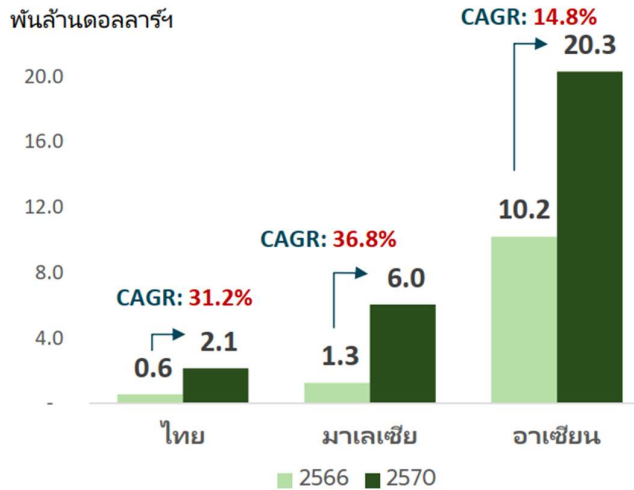


Figure 5: Market Value Trends of Data Center Services in Thailand Compared to Malaysia
 (Source: EMIS, Mordor Intelligence, Kasikorn Research Center)

The growth rate of domestic cloud service usage in Thailand is expected to be around 37%. The main user groups are divided into two categories: Digital Natives and Enterprises. Digital Natives include Social Networking, E-Commerce, Fintech, Gaming, Digital Entertainment, and Travel/Hospitality (OTAs), while Enterprises consist of sectors like Communications and Media, FSI (Financial Services Industry), Retail, Manufacturing, and Natural Resources, which are the primary industries adopting cloud technology for business operations.

The structure of Thailand's digital service and software industry comprises three main segments:

1. Digital Service: This includes online transactions or services provided through digital platforms, such as information services, trading, and consulting. These platforms may be developed by the service provider or hosted on a central platform with a complete digital management system, such as marketplaces or social media. Key areas include Online Media, e-Retail (e-Commerce), e-Logistics, e-Tourism, e-Advertising, Fintech, HealthTech, and EdTech.
2. Software and Software Services: This involves the production, sales, services, and rental of software. Software is divided into on-premise solutions, where revenue is generated through licensing fees, and cloud-based software (Software as a Service: SaaS),



accessible via the web. Software services include system integration, customization, development, and consulting. Software businesses are categorized as:

- On-premise software for installation within the office or organization's network, without internet connectivity, generating revenue from selling or leasing software licenses.
 - Cloud-based software hosted on the developer's infrastructure (SaaS), allowing users to access applications over the internet, such as Microsoft Office 365 and Google Drive, with subscription-based pricing. Key players in this segment include System Integration (SI), Software Developers, and Consult/Training services.
3. Digital Content: This involves the production of digital content, information, or creative media in digital formats. It is divided into three main categories:
- Game Providers
 - Animation (including animated feature films, animated TV series, animation on VCD/DVD, mobile content, and visual effects)
 - Character businesses, which develop or design merchandise based on characters from animations.

The total market value of Thailand's digital service and software industry is approximately 440 billion Baht per year.

Operating result

The Group's performance for the year ended December 31, 2024, recorded total revenue of 707.80 million Baht, a decrease of 55.51 million Baht, representing a 7.27% decline. This decline was due to a decrease in sales revenue by 78.66 million Baht and a decrease in service revenue by 39.80 million Baht, leading to a total decrease in sales and service revenue of 118.46 million Baht. The decline was attributed to delays in project bidding and customer project investments, along with the continued economic slowdown in Thailand. However, revenue from information technology services for Internet Data Center (IDC) remained stable, while revenue from



infrastructure projects increased by 62.95 million Baht. The Group's gross profit decreased by 28.43 million Baht, representing a 17.73% decline. The company plans to closely monitor and adjust its operational plans to align with the current situation. The Group recorded a net profit of 27.48 million Baht, which included a recognized gain of 38.59 million Baht from the disposal of data center project assets and a recognized gain of 38.09 million Baht from the fair value measurement of derivative contracts. However, administrative expenses increased during the year due to financial advisory fees related to capital raising and the provision for expected credit losses. The Company continues to closely monitor the debt collection process for the relevant receivables.

Business Operation Analysis

The comparative cumulative performance for the years ended December 31, 2024, and 2023, can be summarized as follows:

Operating Result (Unit : million Baht)	Year 2024 (Jan - Dec)		Year 2023 (Jan - Dec)		Change YoY	
	MB.	%	MB.	%	Increase (Decrease)	%
Total revenues	707.80	100.00%	763.31	100.00%	(55.51)	(7.27%)
Total costs	575.92	81.37%	603.00	79.00%	(27.08)	(4.49%)
Gross profit	131.88	18.63%	160.31	21.00%	(28.43)	(17.73%)
Other income	8.58	1.21%	4.25	0.56%	4.33	101.88%
Other gains (losses) - net	73.20	10.34%	9.19	0.01	64.01	100.00%
Selling expenses and distribution costs	24.26	3.43%	24.12	3.16%	0.14	0.58%
Administrative expenses	144.43	20.41%	93.93	12.31%	50.50	53.76%
Share of loss of associate	-	-	9.70	1.27%	(9.70)	(100.00%)
Profit before interest and income tax expense	44.97	6.35%	46.00	6.03%	(1.03)	(2.24%)
Finance costs	8.46	1.20%	25.51	3.34%	(17.05)	(66.84%)
Profit before income tax expense	36.51	5.16%	20.49	2.68%	16.02	78.18%
Income tax expense	9.02	1.27%	4.16	0.54%	4.86	116.83%
Profit for the year	27.49	3.88%	16.33	2.14%	11.16	68.34%



The comparative performance for the Quarter 4 ended December 31, 2024, and 2023 can be summarized as follows:

Operating Result (Unit: million Baht)	Quarter 4/2024 (3 months)		Quarter 4/2023 (3 months)		Change YoY	
	MB.	%	MB.	%	Increase (Decrease)	%
Total revenues	298.34	100.00%	200.67	100.00%	97.67	48.67%
Total costs	250.43	83.94%	161.58	80.52%	88.85	54.99%
Gross profit	47.91	16.06%	39.09	19.48%	8.82	22.56%
Other income	3.99	1.34%	1.62	0.81%	2.37	146.30%
Other gains (losses) - net	76.68	25.70%	9.19	4.58%	67.49	734.39%
Selling expenses	8.53	2.86%	5.59	2.79%	2.94	52.59%
Administrative expenses	31.29	10.49%	24.44	12.18%	6.85	28.03%
Share of loss of associate	-	0.00%	6.86	3.42%	(6.86)	(100.00%)
Profit before interest and income tax expense	88.76	29.75%	13.01	6.48%	75.75	582.24%
Finance costs	2.79	0.94%	4.78	2.38%	(1.99)	(41.63%)
Profit before income tax expense	85.97	28.82%	8.23	4.10%	77.74	944.59%
Income tax (income) expense	18.97	6.36%	0.92	0.46%	18.05	1,961.96%
Profit for the period	67.00	22.46%	7.31	3.64%	59.69	816.55%

Revenue, Cost, and Gross Profit

Operating Result (Unit: million Baht)	Revenue				Cost				Gross Profit			
	Year 2024	Year 2023	Increase (Decrease)	%	Year 2024	Year 2023	Increase (Decrease)	%	Year 2024	Year 2023	Increase (Decrease)	%
ICT Business:												
Revenue from sale	71.22	149.88	(78.66)	(52.48%)	63.06	132.18	(69.12)	(52.29%)	8.16	17.70	(9.54)	(53.90%)
Revenue from service	353.13	392.93	(39.80)	(10.13%)	246.46	271.76	(25.30)	(9.31%)	106.67	121.17	(14.50)	(11.97%)
Total revenue from ICT business	424.35	542.81	(118.46)	(21.82%)	309.52	403.94	(94.42)	(23.37%)	114.83	138.87	(24.04)	(17.31%)
Infrastructure construction business:												
Revenue from construction contracts	283.45	220.50	62.95	28.55%	266.40	199.06	67.34	33.83%	17.05	21.44	(4.39)	(20.48%)
Total revenue from main business	707.80	763.31	(55.51)	(7.27%)	575.92	603.00	(27.08)	(4.49%)	131.88	160.31	(28.43)	(17.73%)

Operating Result (Unit: million Baht)	Revenue				Cost				Gross Profit			
	Quarter 4/2024 (3 months)	Quarter 4/2023 (3 months)	Increase (Decrease)	%	Quarter 4/2024 (3 months)	Quarter 4/2023 (3 months)	Increase (Decrease)	%	Quarter 4/2024 (3 months)	Quarter 4/2023 (3 months)	Increase (Decrease)	%
ICT Business:												
Revenue from sale	26.94	5.96	20.98	352.01%	23.10	5.35	17.75	331.78%	3.84	0.61	3.23	529.51%
Revenue from service	132.82	102.48	30.34	29.61%	97.80	76.33	21.47	28.13%	35.02	26.15	8.87	33.92%
Total revenue from ICT business	159.76	108.44	51.32	47.33%	120.90	81.68	39.22	48.02%	38.86	26.76	12.10	45.22%
Infrastructure construction business:												
Revenue from construction contracts	138.58	92.23	46.35	50.25%	129.53	79.90	49.63	62.12%	9.05	12.33	(3.28)	(26.60%)
Total revenue from main business	298.34	200.67	97.67	48.67%	250.43	161.58	88.85	54.99%	47.91	39.09	8.82	22.56%



Revenue

In 2024, the Group reported primary business revenue of 707.80 million Baht, which had decreased by 55.51 million Baht, representing a 7.27% decline from the previous year. This decline was primarily due to a decrease in sales and service revenue by 118.46 million Baht, representing a 21.82% decline, resulting from a decline in customer demand for IT equipment sales, software, and project services. However, revenue from infrastructure and utility projects rose increased by 62.95 million Baht, representing a 28.55% increase. This was because, in early 2024, the Group was still able to recognize revenue based on the progress milestones of projects from 2023. Additionally, in late 2024, the Group recognized additional revenue from new projects. Looking ahead to 2025, the Group will continue to secure new projects consistently.

For Quarter 4 (Oct – Dec 2024), the Group reported primary business revenue of 298.34 million Baht, an increase of 97.67 million Baht, representing an increase of 48.67% compared to the same period of the previous year. This growth was primarily driven by an increase in sales and service revenue of 51.32 million Baht, representing an increase of 47.33%, resulting from the expansion of the customer base in Quarter 4. Additionally, revenue from infrastructure and utility projects rose increased by 46.35 million Baht, representing an increase of 50.25%, due to the recognition of revenue from the majority of new project milestones towards the end of the year.

Cost of sales and Gross Profit

In 2024, the cost of sales decreased in proportion to the decline in revenue, resulting in a total gross profit of 131.88 million Baht, a decrease of 28.43 million Baht, representing a 17.73% decrease.

For Quarter 4 (Oct – Dec 2024), the cost of sales increased in proportion to the rise in revenue, resulting in a total gross profit of 47.91 million Baht, an increase of 8.82 million Baht, representing a 22.56% increase.



Other Income

In 2024, other income totaled 8.58 million Baht, an increase of 4.33 million Baht, representing a 101.88% increase, primarily from interest income on loans to related parties.

For Quarter 4 (Oct – Dec 2024), other income amounted to 3.99 million Baht, an increase of 2.37 million Baht, representing a 146.30% increase.

Other Gains (Losses) – Net

In 2024, the Group recorded net other gains (losses) of 73.20 million Baht, primarily due to a 38.59 million Baht gain from the sale of data center project assets and a 38.09 million Baht gain from the fair value measurement of derivative contracts. However, the Group also recognized a 3.48 million Baht loss due to changes in cash flows resulting from amendments to the debenture contract, which included extending the debenture redemption maturity by 2 years and increasing the interest rate from 6.50% per annum to 7.00% per annum.

For Quarter 4 (Oct – Dec 2024), the Group recorded net other gains (losses) of 76.68 million Baht, primarily due to a 38.59 million Baht gain from the sale of data center project assets and a 38.09 million Baht gain from the fair value measurement of derivative contracts.

Selling and Administrative Expenses

In 2024, selling expenses totaled 24.26 million Baht, an increase of 0.14 million Baht, representing a 0.58% increase. Administrative expenses amounted to 144.43 million Baht, an increase of 50.50 million Baht, representing a 53.76% increase from the previous year. The main contributors to this increase were financial advisory fees related to capital raising, consulting fees for the investment in Seashore Data Center and Cloud Services Co., Ltd., and the provision for expected credit losses, which the Group continues to monitor closely to ensure debt collection from the relevant debtors.



For Quarter 4 (Oct – Dec 2024), selling expenses were 8.53 million Baht, an increase of 2.94 million Baht, representing a 52.59% increase. Administrative expenses totaled 31.29 million Baht, an increase of 6.85 million Baht, representing a 28.03% increase compared to the same period of the previous year. The increase was primarily due to financial advisory fees related to capital raising and consulting fees for the investment in Seashore Data Center and Cloud Services Co., Ltd.

Finance costs

In 2024, finance costs amounted to 8.46 million Baht, a decrease of 17.05 million Baht, representing a 66.84% decline from the previous year. The finance costs were primarily associated with the issuance of 500 million Baht in debentures, which were used for the construction of a new data center project and for working capital. The portion of interest expenses related to the construction project was capitalized as part of the Internet Data Center (IDC) under construction, thereby reducing interest expenses recorded in the profit and loss statement as payments were allocated to the project.

For Quarter 4 (Oct – Dec 2024), finance costs totaled 2.79 million Baht, a decrease of 1.99 million Baht, representing a 41.46% decline.

Income Tax Expenses

In 2024, income tax expenses amounted to 9.02 million Baht, an increase of 4.86 million Baht, representing a 116.83% increase, primarily due to gains from the sale of data center project assets.

For Quarter 4 (Oct – Dec 2024), income tax expenses totaled 18.97 million Baht, an increase of 18.05 million Baht, representing a 1,961.96% increase, also driven by gains from the sale of data center project assets.



Statement of financial position

Statement of Financial Position (Unit: million Baht)	31 Dec 24	31 Dec 23	Increase (decrease)	%Increase (decrease)
Assets				
Current assets	868.31	1,024.21	(155.90)	(15.22%)
Non-current assets	602.11	776.92	(174.81)	(22.50%)
Total assets	1,470.42	1,801.13	(330.71)	(18.36%)
Liabilities and Equity				
Current liabilities	546.20	1,036.47	(490.27)	(47.30%)
Non-current liabilities	344.40	205.36	139.04	67.71%
Total liabilities	890.60	1,241.83	(351.23)	(28.28%)
Equity	579.82	559.30	20.52	3.67%
Total liabilities and equity	1,470.42	1,801.13	(330.71)	(18.36%)

As of December 31, 2024, the Group reported total assets of 1,470.42 million Baht, a decrease of 330.71 million Baht, representing a 18.36% decline from the previous year. This decrease was primarily due to a 520.51 million Baht reduction in land, buildings, and equipment, following the sale of data center project assets, as well as a 69.86 million Baht decline in financial assets, resulting from the fair value assessment of equity investments, which was recognized as a loss through other comprehensive income. However, the Group invested 252.84 million Baht in Seashore Data Center and Cloud Services Co., Ltd. and recognized 38.09 million Baht in derivative contracts from fair value measurement. At the same time, total liabilities decreased by 351.23 million Baht, representing a 28.28% decline, mainly due to the repayment of 100 million Baht in debentures and 220.10 million Baht in long-term borrowings from financial institutions.



Statement of Cash Flow

Statement of Cash Flows (Unit : million Baht)	Year 2024	Year 2023	Increase (decrease)	%Increase (decrease)
Net cash generated from (used in) operating activities	32.96	(60.88)	93.84	(154.14%)
Net cash generated from (used in) investing activities	198.72	(510.52)	709.24	(138.93%)
Net cash (used in) generated from financing activities	(277.61)	243.37	(520.98)	(214.07%)
Net increase in cash and cash equivalents	(45.93)	(328.03)	282.10	(86.00%)
Opening balance of cash and cash equivalents	222.53	550.57	(328.04)	(59.58%)
Closing balance of cash and cash equivalents	176.60	222.54	(45.94)	(20.64%)

As of December 31, 2024, the Group had cash and cash equivalents of 176.60 million Baht. Net cash provided by operating activities amounted to 32.96 million Baht, primarily due to an increase in trade receivable collections. Net cash provided by investing activities totaled 198.72 million Baht, mainly from the sale of data center project assets, which generated 555.12 million Baht (net of initial construction investment at the beginning of the year). However, the Group invested 252.84 million Baht for a 30% stake in Seashore Data Center and Cloud Services Co., Ltd. and placed 105.46 million Baht in restricted deposits as collateral for credit facilities. Net cash used in financing activities was 277.61 million Baht, primarily due to debenture repayments and related transaction costs of 102.86 million Baht and loan repayments to financial institutions of 202.70 million Baht. However, the Group received 46.25 million Baht from issuing additional stocks shares.

Sustainability Development

The Company has a policy to operate its business with the belief that long-term success requires ethical management and adherence to good corporate governance principles, as well as a focus on sustainable growth. This involves balancing economic, social, and environmental considerations. Social responsibility is a key focus for the Group, which is firmly committed to collaborating with stakeholders while considering potential impacts on shareholders, employees, customers, partners, and surrounding communities. The Company also fosters and encourages employees to be socially responsible by participating in activities that benefit society, continuously caring for and preserving the environment sustainably. This approach aligns with the principles



set forth by the Stock Exchange of Thailand, driven by a commitment to sustainable business practices.

Strategy	Tactic
Develop products, innovations, and advanced technologies to meet the diverse needs of customers.	Elevate customer collaboration to a partnership level to deliver valuable products and services to the market.
	Design and gather insights information to analyze and accurately meet customer needs.
Enhance the potential of people to align with the business's sustainability direction.	Encourage the development of individual skills for employees to design innovative products that appropriately meet the diverse needs of customers.
	Promote behaviors and enhance employee knowledge to improve work processes that align with eco-efficiency goals.
Manage energy use within the organization to achieve eco-efficiency.	Encourage the use of alternative energy within the organization.
	Promote the use of environmentally friendly materials.

