

Sermsang Power Corporation Public Company Limited

Management Discussion and Analysis
for the first quarter of 2024



POWERING
A BETTER FUTURE
WITH RENEWABLE ENERGY IN ASIA

Company Highlights of the 1st quarter 2024

- On February 1, 2024, the Company's board of director approved to invest in two municipal-waste-to-energy power plant in Nakhon Ratchasima and Surat Thani with each installed capacity of 9.9 MW.
- On February 28, 2024, the Company's board of director approved to invest in a solar power plant in Taiwan with total installed capacity of 17.0 MW.
- On March 11, 2024, the purchase of an additional 75% of shares in Winchai Company Limited was completed, and income recognition commenced in March.

Executive Summary

The Company's overall performance in the first quarter of 2024 indicates an increase in generated revenues compared to the previous year. However, there were certain factors affecting revenues streams. Revenues from Solar Farms in Thailand decreased due to lower solar irradiance and fuel adjustment charge (Ft) rates, while revenues from Solar Farms in Japan declined due to the depreciation of the Japanese yen (JPY) and decreased sales volume. On the other hand, the Company experienced increased revenues from Wind farms in Vietnam, attributed to higher wind speeds. Additionally, revenues recognition from Winchai Company Limited was included in the Consolidated Financial Statements since March 11, 2024. Moreover, the Company has an increase in revenues from services resulting from the growth of the customer base of solar rooftop Engineering Procurement and Construction (EPC) projects.

In terms of cost of sales and financial costs, there was an increase related to the inclined in revenues. For the first quarter of 2024, the Company achieved a core operating profit of 253.3 million baht, representing an increase of 3.4 million baht or 1.4% compared to the first quarter of 2023, which stood at 249.9 million baht.

As of March 31, 2024, the total assets of the Company amounted to 25,922.7 million baht, showing an increase from 21,067.1 million baht as of December 31, 2023. The total liabilities of the Company amounted to 17,706.4 million baht, indicating an increase from 12,600.3 million baht as of December 31, 2023. Total equity stood at 8,216.4 million baht, a decrease from 8,466.9 million baht as of December 31, 2023. The debt-to-equity (D/E) ratio was 2.16 times as of the first quarter of 2024.

Financial statement

(Unit: MB)

Consolidated Financial Statement	1Q23	4Q23	1Q24	QoQ (%)	YoY (%)
Revenues from sales	758.1	684.7	793.2	15.9	4.6
Revenues from services	3.1	53.3	29.8	(44.1)	851.1
Other incomes	14.4	5.9	41.8	604.5	191.5
Total revenues	775.6	744.0	864.9	16.3	11.5
Cost of sales and services	(312.2)	(368.2)	(356.4)	3.2	(14.2)
Gross profit	449.1	369.8	466.7	26.2	3.9
Administrative expenses	(96.6)	(123.6)	(130.5)	(5.6)	(35.1)
Share of profit from investments in subsidiaries and associates	59.8	41.7	22.6	(45.8)	(62.2)
Financial incomes	1.4	23.0	9.7	(57.7)	603.9
Financial costs	(159.7)	(169.1)	(167.3)	1.1	(4.8)
Income taxes	(18.9)	(18.2)	(16.7)	8.1	11.4
Net profit *	249.4	129.4	226.3	74.9	(9.3)
Non-controlling interests of the subsidiaries	(9.8)	(3.5)	(22.1)	(527.7)	(125.1)
Net profit attributable to: Equity holders of the Company	239.6	125.9	204.2	62.2	(14.8)
EBITDA	654.4	560.8	587.7	4.8	(10.2)
Core operating EBITDA	661.0	586.7	643.6	9.7	(2.6)
Core operating profit	249.9	165.5	253.3	53.1	1.4

Key profit margin (%)	1Q23	4Q23	1Q24
EBITDA margin	84.2%	73.1%	67.2%
Core operating EBITDA margin	86.8%	79.5%	78.2%
Net profit margin	30.8%	16.4%	23.3%
Core operating profit margin	32.8%	22.4%	30.8%

Remark: * **Net profit** before tax expenses, financial costs, and deducted financial incomes, add back depreciation and amortization, loss (gain) from FX, gain (loss) from share of profit from investments in subsidiaries and an associate, and add back loss (gain) from one-time transactions.

1. Analysis of financial results and financial status

1.1) Analysis of financial results

(1) Sale Volume and Revenues

(Unit: MWh)

Sales Volume breakdown	1Q23	4Q23	1Q24	QoQ (%)	YoY (%)
Solar Farms	59,415	53,395	58,338	9	(2)
Thailand	22,594	20,502	20,808	1	(8)
Japan	17,403	17,619	16,951	(4)	(3)
Vietnam	13,759	10,284	14,841	44	8
Mongolia	5,659	4,990	5,738	15	1
Wind Farms	55,957	51,008	75,573	48	35
Thailand	N/A	N/A	8,267	N/A	N/A
Vietnam	55,957	51,008	67,306	32	20
Biomass	16,963	16,177	17,382	7	2
Thailand	16,963	16,177	17,382	7	2
Solar Rooftop	10,425	11,959	11,938	(0)	15
Thailand	2,573	2,386	2,639	11	3
Indonesia	7,852	9,573	9,299	(3)	18
Total	142,760	132,539	163,231	23	14

In the first quarter of 2024, the Company achieved a total sales volume of 163,231 MWh. Sales volume from **Solar Farms** reached 58,338 MWh, marking a 9.3% increase compared to the previous quarter, driven by seasonal effects, but a 1.8% decrease compared to the previous year due to lower solar irradiance. **Wind Farms** recorded a sales volume of 75,573 MWh, representing a significant increase of 48.2% compared to the previous quarter and 35.1% compared to the previous year, attributed to seasonal effects, higher wind speeds, and the commencement of sales volume recognition from Winchai Company Limited. **Biomass** achieved a sales volume of 17,382 MWh, increasing by 7.4% compared to the previous quarter and 2.5% compared to the previous year, primarily from no maintenance shutdown plans in place for this quarter. **Solar Rooftop** sales volume reached 11,938 MWh, experiencing a slight decrease of 0.2% compared to the previous quarter but a notable increase of 14.5% compared to the previous year, attributed to the increase in projects Indonesia and Thailand

(Unit: MB)

Revenue Structure	1Q23	4Q23	1Q24	QoQ (%)	YoY (%)
Sale revenues from solar	473.4	411.8	431.5	4.8	(8.9)
Sale revenues from wind	182.0	173.6	255.8	47.4	40.5
Sale revenues from biomass	78.5	74.9	80.9	8.0	3.1
Sale revenues from solar rooftop	24.2	24.4	25.1	2.9	3.7
Total revenues from sales	758.1	684.7	793.3	15.9	4.6
Total revenues from services	3.2	53.3	29.8	(44.1)	832.4
Total revenues from sale and services	761.3	738.0	823.1	11.5	8.1

In the first quarter of 2024, compared to the previous quarter, the Company experienced an increase in revenues of 108.5 million baht, representing a growth of 15.9%. This increase was primarily driven by revenues increase of 82.2 million baht, or 47.3%, from Wind Farms. The growth in Wind Farms revenues can be attributed to increased revenues from Wind Farms in Vietnam, driven by seasonal effects, and the commencement of 100% revenues recognition from Winchai Company Limited since March 11, 2024. Additionally, revenues from Solar Farms increased by 19.7 million baht, or 4.8% from operation in Thailand, Vietnam, and Mongolia. Furthermore, Biomass revenues increased by 6.0 million baht, or 8.0%, due to no maintenance shutdown in place for this quarter.

In the first quarter of 2024, compared to the same period in 2023, the Company's sale revenues increased by 35.1 million baht, or 4.6%. This increase was mainly attributed to Wind Farms, which saw a rise of 73.8 million baht, or 40.6%, due to Wind Farms in Vietnam experiencing higher wind speeds and the commencement of 100% revenues recognition from Winchai Company Limited since March 11, 2024. However, Solar Farms experienced a decline in revenues of 41.9 million baht, or 8.8%, resulting from a decrease in fuel adjustment charge (Ft).

(2) Share of profit from investment in subsidiaries and an associate

(Unit: MB)

Share of profit	1Q23	4Q23	1Q24	QoQ (%)	YoY (%)
Share of profit from investments in subsidiaries and an associate	59.8	41.7	22.6	(45.8)	(62.2)

The Company recognized gain from share of profit from investments in subsidiaries and an associate from Winchai Company Limited, particularly from Winchai Company Limited. Initially investing 25.0% in March 2022, the Company purchased of an additional 75% of shares since March 11, 2024. As a result, in the first quarter of 2024, the Company recognized a share of profit from investments in subsidiaries and an associate totaling 22.6 million baht. This amount decreased by 45.8% compared to the previous quarter and decreased by 62.2% from the same period last year. The decrease can be attributed to the partial quarter revenues recognition and lower performance output due to lower wind speeds.

(3) Selling and Administrative Expenses

(Unit: MB)

Selling and Administrative Expenses	1Q23	4Q23	1Q24	QoQ (%)	YoY (%)
Unrealized loss	14.0	28.7	0.0	(100.0)	(100.0)
SG&A expenses	82.6	95.0	130.5	37.5	57.9
SG&A expenses per revenue from sales and services	10.9%	12.9%	15.9%		

In the first quarter of 2024, selling, general, and administrative expenses (SG&A) reported at 130.5 million baht, an increase of 37.5 % compared to the previous quarter, representing a 57.9% increase compared to the same period last year. This increase was primarily due to transaction expenses related to the purchase of an additional shares of Winchai Company Limited. As a result, SG&A expenses per revenues from sales rose to 15.9%, up from 12.9% in the previous quarter and 10.9% in the same period last year.

(4) Financial costs and Tax expenses

(Unit: MB)

Financial costs and Tax expenses	1Q23	4Q23	1Q24	QoQ (%)	YoY (%)
Financial costs	159.7	169.1	167.3	(1.1)	4.8
Tax expenses	18.9	18.2	16.7	(8.1)	(11.4)

In the first quarter of 2024, financial costs amounted to 167.3 million baht, which represented a decrease of 1.1% from the previous quarter but an increase of 4.8% from the same period last year. This increase was primarily due to financial expenses incurred for investments in new projects. Tax expenses amounted to 16.7 million baht, reflecting a decrease of 8.1% compared to the previous quarter and 11.4% compared to the same period last year.

(5) One-time items

One-time transactions are items that management considers to be non-recurring. To provide a more accurate comparison of financial performance data, the Company adjusts these one-time items in core operating profit and core operating EBITDA.

In the first quarter of 2024, the Company incurred a special items from an advisory fee for the purchase of additional 75% of shares in Winchai Company Limited, amounting to 45.7 million baht. Additionally, other expenses amounted to 14.4 million baht.

(6) Net Profit (attributed to company's shareholder) and Core Operating Profit

(Unit: MB)

Net profit distribution to SSP's shareholders	1Q23	4Q23	1Q24	QoQ (%)	YoY (%)
Net profit distribution to SSP's shareholders	239.6	125.9	204.2	62.2	(14.8)
Adjust unrealized FX	3.7	13.7	(11.0)		
Adjust others	6.6	25.9	60.1		
Core Operating Profit	249.9	165.5	253.3	53.1	1.3

In the first quarter of 2024, the Company achieved a net profit (attributable to SSP's shareholders) of 204.2 million baht, representing an increase of 62.2% from the previous quarter and a decrease of 14.8% compared to the same period last year, primarily due to

expenses related to the advisory fee for the purchase of an additional share of Winchai Company Limited and an increase in financial costs.

Core operating profit serves as a key performance indicator for management and the board of directors to evaluate the Company's financial performance and to determine dividend policy. For the first quarter of 2024, the Company made adjustments for unrealized foreign exchange gain from interest expenses of loans from subsidiaries, totaling 11.0 million baht, and special items, totaling 60.1 million baht.

1.2) Financial status

(Unit: MB)

Financial Status	31-Dec-23	31-Mar-24	Change (%)
Total Assets	21,067.1	25,922.7	23.0
Total Liabilities	12,600.3	17,706.4	40.5
Total Equity	8,466.9	8,216.4	(3.0)
Total Equity (To SSP's shareholders)	8,033.8	7,742.9	(3.6)
Debt to Equity Ratio (Consolidated)	1.49	2.16	

As of March 31, 2024, total assets amounted to 25,922.7 million baht, representing an increase of 4,855.6 million baht, from 21,067.1 million baht or a 23.0% increase from December 31, 2023. The majority of total assets consisted of property, plant, and equipment of power plants, accounting for 60.3% of the total assets.

Total liabilities stood at 17,706.4 million baht, reflecting an increase of 5,106.1 million baht from December 31, 2023, representing a 40.5% increase. The increase in total liabilities was mainly attributed to an increase in interest bearing debt of 4,541.5 million baht.

Total equity recorded 8,216.4 million baht as of March 31, 2024, decreased from 8,466.9 million baht as of December 31, 2023, or 3.0% decrease. Total Equity to SSP's shareholders decreased from 8,033.8 million baht to 7,742.9 million baht at the end of the first quarter of 2024, representing a decrease of 3.6%.

1.3) Financial Ratios

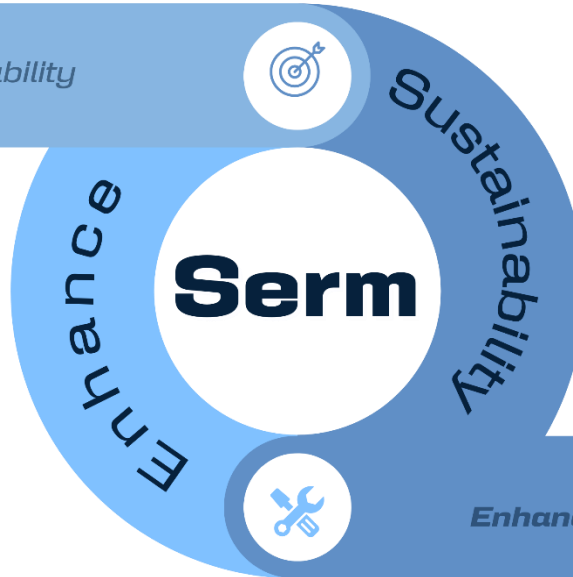
The debt-to-equity ratio (Consolidated) increased from 1.49 times as of December 31, 2023, to 2.16 times at the end of the first quarter of 2024. The debt-to-equity ratio (Separate Company) was 0.64 times as of March 31, 2024.

2. ESG (Environmental, Social, Governance) Strategy

Enhance economic stability

Target

- Reduce the use of water and electricity resources by 10% by 2027
- Expand business in at least one new country by 2030
- Strive to achieve NET ZERO by 2050.



Guidelines

- Expand business both domestically and internationally
- Create innovation to improve work efficiency
- Increase the green area around the power plant every year

Enhance environmental sustainability

Create opportunity to access energy

Target

- Increase clean energy electricity production capacity over 30% by 2030



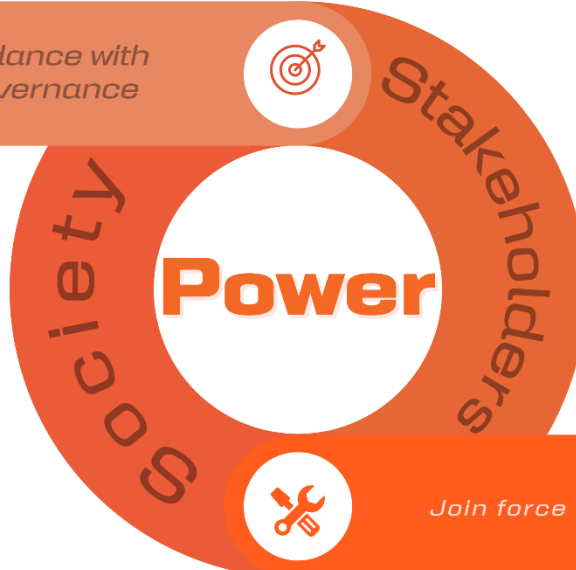
Guidelines

- Build a power plant that produces clean energy
- Comply with rules, regulations and operational standards in both social and environmental aspects
- Support and promote innovation in the organization

Promote operations in accordance with the principles of corporate governance

Target

- Complaints regarding human rights violations, violations of the code of ethics = 0 every year
- Fraud and corruption complaints = 0 every year
- Number of accidents occurring in the organization = 0 every year
- Evaluate 100% of Critical Tier 1 suppliers by 2024
- Employee satisfaction not less than 80%
- Customer satisfaction not less than 90% by 2027.



Guidelines

- Promote business ethics together with stakeholders
- Create a working system in compliance with safety standards
- Support human rights
- Strengthen communication to create perception, awareness, and understanding of the importance of clean energy

Join force with stakeholders to grow sustainably