

Sermsang Power Corporation Public Company Limited

Management Discussion and Analysis
for the second quarter of 2024



POWERING
A BETTER FUTURE
WITH RENEWABLE ENERGY IN ASIA

Company Highlights of the 2nd quarter 2024

- On March 11, 2024, the purchase of an additional 75% of shares in Winchai Company Limited was completed, with full income recognition commencing in the second quarter of 2024.

Executive Summary

The Company's overall performance in the second quarter of 2024 indicates an increase in generated revenues compared to the previous year, primarily due to the full-quarter income recognition from the Romklao Wind Farm project. However, revenue from Solar Farms in Thailand decreased due to lower solar irradiance and fuel adjustment charge (Ft), while revenues from the SPN project were affected by lower availability factor. The Company is currently preparing a repowering plan to increase plant efficiency. Biomass revenue declined due to a shutdown plan was shifted to the second quarter. Meanwhile, revenue from solar rooftop Engineering, Procurement, and Construction (EPC) increased as a result of a growing customer base.

In terms of cost of sales and financial costs, there was an increase mainly due to the full recognition of the Romklao Wind Farm project, particularly in depreciation and financial costs. For the second quarter of 2024, the Company reported a core operating EBITDA of 616.8 million baht reflecting a 1.9% increase compared to the second quarter of 2023. However, the core operating profit (COP) was 127.7 million baht, representing a 43.3% decrease compared to the same period in 2023.

As of June 30, 2024, the total assets of the Company amounted to 25,238.3 million baht, showing an increase from 21,067.1 million baht as of December 31, 2023. The total liabilities of the Company amounted to 17,285.0 million baht, indicating an increase from 12,600.3 million baht as of December 31, 2023. Total equity stood at 7,953.3 million baht, a decrease from 8,466.9 million baht as of December 31, 2023. The debt-to-equity (D/E) ratio was 2.17 times as of the second quarter of 2024.

Financial statement

(Unit: MB)

Consolidated Financial Statement	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)	6M23	6M24	YoY (%)
Revenues from sales	756.5	793.2	785.5	(1.0)	3.8	1,514.6	1,578.7	4.2
Revenues from services	5.7	29.8	30.6	2.5	441.3	8.8	60.4	587.6
Other incomes	13.8	41.8	12.5	(70.2)	(9.7)	28.2	54.3	92.8
Total revenues	775.9	864.9	828.5	(4.2)	6.8	1,551.5	1,693.4	9.1
Cost of sales and services	(315.3)	(356.4)	(409.2)	(14.8)	(29.8)	(627.4)	(765.6)	(22.0)
Gross profit	446.9	466.7	406.9	(12.8)	(9.0)	896.0	873.5	(2.5)
Administrative expenses	(65.5)	(130.5)	(84.9)	35.0	(29.6)	(162.1)	(215.4)	(32.9)
Share of profit from investments in subsidiaries and associates	18.0	22.6	-	(100.0)	(100.0)	77.7	22.6	(70.9)
Financial incomes	7.4	9.7	6.7	(31.0)	(9.6)	8.8	16.4	86.6
Financial costs	(161.2)	(167.3)	(214.6)	(28.3)	(33.2)	(320.9)	(381.9)	(19.0)
Income taxes	(31.8)	(16.7)	(22.8)	(36.1)	28.3	(50.7)	(39.5)	22.0
Net profit	227.6	226.3	103.7	(54.2)	(54.4)	477.1	330.0	(30.8)
Non-controlling interests of the subsidiaries	0.5	(22.1)	18.9	185.8	3,958.7	(9.4)	(3.1)	66.4
Net profit attributable to: Equity holders of the Company	228.1	204.2	122.7	(39.9)	(46.2)	467.7	326.9	(30.1)
EBITDA*	603.5	587.7	615.9	4.8	2.0	1,257.9	1,203.6	(4.3)
Core operating EBITDA	605.5	643.6	616.8	(4.2)	1.9	1,266.4	1,260.4	(0.5)
Core operating profit (COP)	225.4	253.3	127.7	(49.6)	(43.3)	475.3	381.1	(19.8)
Key profit margin (%)	2Q23	1Q24	2Q24			6M23	6M24	
EBITDA margin	77.0%	67.2%	73.7%			80.6%	70.4%	
Core operating EBITDA margin	79.4%	78.2%	75.6%			83.1%	76.9%	
Net profit margin	29.1%	23.3%	14.7%			30.0%	19.1%	
Core operating profit margin	29.6%	30.8%	15.7%			31.2%	23.2%	

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	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)	6M23	6M24	YoY (%)
Solar Farm	72,449	57,815	67,995	17.6	(6.1)	131,863	125,809	(4.6)
Thailand	25,032	20,808	20,289	(2.5)	(18.9)	47,626	41,097	(13.7)
Japan	20,436	16,427	20,998	27.8	2.7	37,839	37,425	(1.1)
Vietnam	20,405	14,841	20,302	36.8	(0.5)	34,164	35,143	2.9
Mongolia	6,576	5,739	6,406	11.6	(2.6)	12,235	12,144	(0.7)
Wind Farm	28,861	72,083	43,597	(39.5)	51.1	84,818	115,680	36.4
Thailand	-	4,777	22,385	368.6	N/A	-	27,162	N/A
Vietnam	28,861	67,306	21,212	(68.5)	(26.5)	84,818	88,518	4.4
Biomass	17,373	17,382	14,927	(14.1)	(14.1)	34,335	32,309	(5.9)
Thailand	17,373	17,382	14,927	(14.1)	(14.1)	34,335	32,309	(5.9)
Solar Rooftop	10,524	11,938	11,734	(1.7)	11.5	20,950	23,672	13.0
Thailand	2,843	2,639	2,899	9.9	2.0	5,416	5,538	2.2
Indonesia	7,681	9,299	8,835	(5.0)	15.0	15,533	18,134	16.7
Total	129,207	159,218	138,253	(13.2)	7.0	271,966	297,470	9.4

In the second quarter of 2024, the Company achieved a total sales volume of 138,253 MWh, a decrease of 13.2% compared to the previous quarter but an increase of 7.0% compared to the same period in the previous year. Sales volume from **Solar Farms** reached 67,995 MWh, marking a 17.6% increase compared to the previous quarter, driven by increased solar irradiance at Solar Farms in Japan and Vietnam due to seasonal effects. However, there was a 6.1% decrease compared to the previous year, primarily due to lower availability and softer solar irradiance compared to previous year at the SPN project in Thailand. **Wind Farms** recorded a sales volume of 43,597 MWh, experiencing a decrease of 39.5% compared to the previous quarter due to lower wind speeds from seasonal effects. However, there was a 51.1% increase compared to the same period in the previous year, mainly driven by the full recognition of sales volume from the Romklao Wind Farm project. **Biomass** recorded a sales volume of 14,927 MWh, reflecting a decrease of 14.1% compared to both the previous quarter and the same period last year, primarily due to a shutdown plan was shifted from the third quarter of the previous year to the second quarter. **Solar Rooftop** sales volume recorded 11,734 MWh, representing a decrease of 1.7% compared to the previous quarter but an increase of 11.5% compared to the previous year, attributed to the growth in projects in Indonesia and Thailand.

The Company achieved a total sales volume of 297,470 MWh for the first six months of 2024, an increase of 9.4% compared to the previous year. Sales volume from **Solar Farms** totaled 125,809 MWh, representing a decrease of 4.6% due to a lower availability factor and softer solar irradiance at the SPN project. **Wind Farms** recorded a sales volume of 115,680 MWh, an increase of 36.4% due to the recognition of sales volume from the Romklao Wind Farm project. **Biomass** accumulated a sales volume of 32,309 MWh, facing a decrease of 5.9% compared to the previous year due to maintenance shutdowns. **Solar Rooftop** recorded electricity sales of 23,672 MWh, an increase of 13.0% due to the rise in the number of projects.

(Unit: MB)

Revenue Structure	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)	6M23	6M24	YoY (%)
Sale revenues from solar	5516	4315	476.5	10.4	(13.6)	1,025.0	908.1	(11.4)
Sale revenues from wind	99.4	255.8	214.3	(16.2)	115.7	281.4	470.1	67.1
Sale revenues from biomass	80.7	80.9	69.5	(14.1)	(13.9)	159.3	150.4	(5.6)
Sale revenues from solar rooftop	24.8	25.0	25.1	0.4	1.4	49.0	50.2	2.4
Total revenues from sales	756.5	793.2	785.5	(1.0)	3.8	1,514.6	1,578.7	4.2
Total revenues from services	5.7	29.8	30.6	2.5	441.3	8.8	60.4	587.6
Total revenues from sales and servic	762.1	823.1	816.1	(0.8)	7.1	1,523.4	1,639.2	7.6

In the second quarter of 2024, the Company recorded revenues from sales and services of 816.1 million baht, a decrease of 0.8% compared to the previous quarter but an increase of 7.1% compared to the same period last year. The Company faced a drop in revenue from sales of 7.7 million baht, or 1.0%, compared to the previous quarter, mainly due to a decrease in sales revenue from the wind farm in Vietnam caused by seasonal effects and a planned shutdown of the biomass project during this quarter. However, the solar farms recorded an increase in sales revenue compared to the previous quarter, driven by the increase in solar irradiance at the solar farms in Japan and Vietnam. Compared to the second quarter of 2023, the Company's sales revenue increased by 29.0 million baht, or 3.8%, mainly due to the revenue recognition from the Romklao Wind Farm project. For the revenues from services increased by 0.8 million baht, or 2.5%, compared to the previous quarter, and increased by 24.9 million baht, or 441.3%, compared to the previous year, driven by growth in revenues from services of solar rooftop Engineering, Procurement, and Construction (EPC) and the flexible packaging business, in which the Company acquired shares in July 2023.

The Company's sales revenue for the first six months of 2024 increased by 64.1 million baht, or 4.2%, compared to the previous year, mainly due to the revenue recognition from the Romklao Wind Farm project. As a result, revenue from wind farms increased by 188.7 million baht, or 67.1%, despite a decrease in revenue from solar farms by 116.9 million baht, or 11.4%, due to reduced sales volume, a significant drop in the Fuel Adjustment Charge (Ft) and the depreciation of the Japanese yen compared to the previous year. For the revenues from services increased by 51.6 million baht, or 587.6%, driven by growth in revenues from services of solar rooftop Engineering, Procurement, and Construction (EPC) and the flexible packaging business, in which the Company acquired shares in July 2023.

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

(Unit: MB)

Share of profit	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)	6M23	6M24	YoY (%)
Share of profit from investments in subsidiaries and an associate	18.0	22.6	0.0	(100.0)	(100.0)	77.7	22.6	(70.9)

The Company did not recognize any share of profit from investments in subsidiaries and an associate in this quarter due to the change in the revenue recognition method, as it has held a 100% stake in Winchai company Limited since March 11, 2024.

(3) Selling and Administrative Expenses

(Unit: MB)

Selling and Administrative Expenses	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)	6M23	6M24	YoY (%)
Unrealized loss from FX	(14.0)	0.0	0.0	0.0	(100.0)	0.0	0.0	0.0
SG&A expenses	79.4	130.5	84.9	(35.0)	6.9	162.1	215.4	32.9
SG&A expenses per revenue from sales and services	10.4%	15.9%	10.4%			10.6%	13.1%	23.5

In the second quarter of 2024, selling and administrative expenses (SG&A expenses) amounted to 84.9 million baht, a decrease of 35.0% from the previous quarter. This reduction was primarily due to the recognition of expenses related to the acquisition of shares in Winchai Company Limited in the first quarter of 2024. However, SG&A expenses increased by 6.9% compared to the previous year, driven by expenses related to ongoing development projects and SG&A expenses for the Romklao Wind Farm project. As a result, the ratio of SG&A expenses per revenue from sales and services decreased to 10.4%, a drop from 15.9% in the previous quarter, and remained stable at 10.4% compared to the previous year.

For the first six months of 2024, SG&A expenses totaled 215.4 million baht, an increase of 32.9%, primarily due to expenses related to the acquisition of shares in Winchai Company Limited and expenses related in the new power plant projects. As a result, the ratio of SG&A expenses per revenue from sales and services increased to 13.1% from 10.6% compared to the previous year.

(4) Financial costs and Tax expenses

(Unit: MB)

Financial costs and Tax expenses	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)	6M23	6M24	YoY (%)
Financial costs	161.2	167.3	214.6	28.3	33.2	320.9	381.9	19.0
Tax expenses	31.8	16.7	22.8	36.1	(28.3)	50.7	39.5	(22.0)

In the second quarter of 2024, financial costs amounted to 214.6 million baht, reflecting an increase of 28.3% from the previous quarter and 33.2% from the same period last year. This increase was primarily due to the full-quarter recognition of financial costs of the Romklao Wind Farm project. Tax expenses totaled 22.8 million baht, marking a 36.1% increase compared to the previous quarter due to tax recording for foreign projects, but a 28.3% decrease compared to the previous year due to a decline in earnings before taxes.

For the first six months of 2024, financial expenses totaled 381.9 million baht, an increase of 19.0% compared to the previous year, mainly due to financial costs related to the Romklao Wind Farm project. Tax expenses amounted to 39.5 million baht, a decrease of 22.0%, also due to a decline in the earnings before taxes.

(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 second quarter of 2024, the Company incurred one-time items, including maintenance expenses for the SPN solar farm project amounting to 2.3 million baht, and other special income of 1.3 million baht.

For the first six months of 2024, one-time items totaled 61.0 million baht, primarily due to financial advisory fees related to the acquisition of a 75% stake in Winchai Company Limited.

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

(Unit: MB)

Net profit distribution to SSP's shareholders	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)	6M23	6M24	YoY (%)
Net profit distribution to SSP's shareholders	228.1	204.2	122.7	(39.9)	(46.2)	467.7	326.9	(30.1)
Adjust unrealized FX	(4.7)	(11.0)	4.1			(1.0)	(6.9)	
Adjust others	2.0	60.1	1.0			8.5	61.0	
Core Operating Profit (COP)	225.4	253.3	127.7	(49.6)	(43.3)	475.3	381.1	(19.8)

In the second quarter of 2024, the Company reported a net profit (attributable to shareholders) of 122.7 million baht, a decrease of 39.9% and 46.2% from the previous quarter and the same period last year, respectively.

Core operating profit (COP) 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 second quarter of 2024, the Company made adjustments included adding unrealized foreign exchange losses from interest expenses on loans from subsidiaries, amounting to 4.1 million baht and reversing special item losses of 1.0 million baht. As a result, Core Operating Profit for the second quarter of 2024 was 127.7 million baht, a decrease of 49.6% and 43.3% compared to the previous quarter and the same period last year, respectively.

For the first six months of 2024, the Company reported a net profit (attributable to shareholders) of 326.9 million baht, a decrease of 30.1%. Adjustments to the net profit to derive Core Operating Profit included deducting unrealized foreign exchange gains from interest expenses on loans from subsidiaries, of 6.9 million baht and adding back special item losses of 61.0 million baht. The Company's Core Operating Profit for the first six months of 2024 totaled 381.1 million baht, a decrease of 19.8%.

1.2) Financial status

(Unit: MB)

Financial Status	31-Dec-23	30-Jun-24	Change (%)
Total Assets	21,067.1	25,238.3	19.8
Total Liabilities	12,600.3	17,285.0	37.2
Total Equity	8,466.9	7,953.3	(6.1)
Total Equity (To SSP's shareholders)	8,033.8	7,510.0	(6.5)
Debt to Equity Ratio (Consolidated) (times)	1.49	2.17	

As of June 30, 2024, total assets amounted to 25,238.3 million baht, representing an increase of 4,171.2 million baht, from 21,067.1 million baht or a 19.8% increase from December 31, 2023. The majority of total assets consisted of property, plant, and equipment of power plants, accounting for 62.2% of the total assets.

Total liabilities amounted to 17,285.0 million baht, an increase of 4,684.8 million baht from 12,600.3 million baht as of December 31, 2023, representing a 37.2% increase. This rise was primarily due to increased interest-bearing debt of 4,183.1 million baht, which included an increase in short-term borrowings of 150.9 million baht and an increase in long-term borrowings from financial institutions of 4,417.0 million baht. Additionally, bonds decreased by 597.6 million baht due to the repayment of 600.0 million baht in bonds in January 2024, and lease liabilities increased by 212.8 million baht.

Total equity recorded 7,953.3 million baht, decreased from 8,466.9 million baht as of December 31, 2023, or 6.1% decrease. Total Equity to SSP's shareholders decreased from 8,033.8 million baht to 7,510.0 million baht at the end of the first quarter of 2024, representing a decrease of 6.5%.

1.3) Financial Ratios

The debt-to-equity ratio (Consolidated) increased from 1.49 times as of December 31, 2023, to 2.17 times at the end of the second quarter of 2024. The debt-to-equity ratio (Separate Company) was 0.58 times as of June 30, 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

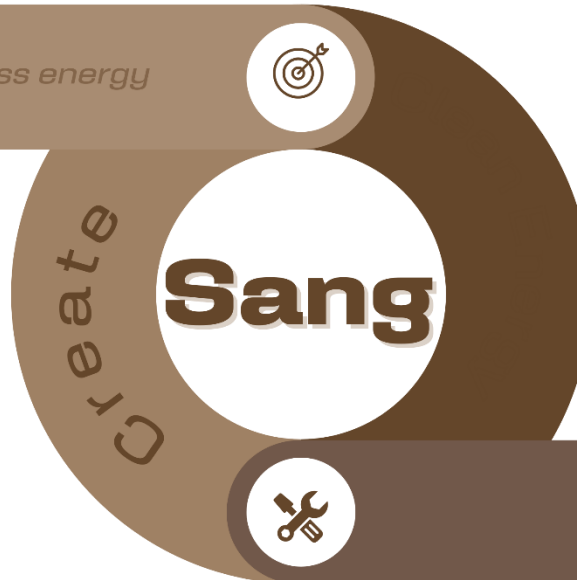
- Expand business both domestically and internationally
- Create innovation to improve work efficiency
- Increase the green area around the power plant every year

Enhance environmental sustainability

Create opportunity to access energy

Target

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



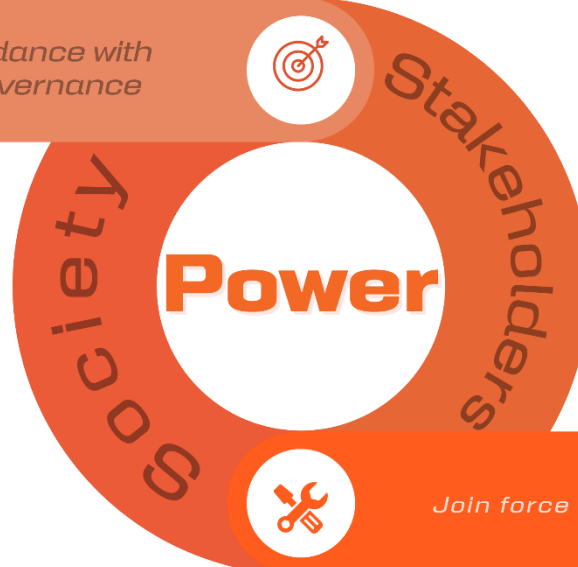
Guidelines

- 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