

-Translations-

No. TSE(PCL) 001/08-2024

13 August 2024

Subject: Management discussion and analysis quarter 2 ended 30 June 2024

To: The President

The Stock Exchange of Thailand

The Board Meeting of Thai Solar Energy Public Company Limited (“the Company”) held on 13 August 2024 resolved to approve the financial statement quarter 2 ended 30 June 2024. The Company would like to inform Management Discussion and Analysis details as follow;

Management Discussion and Analysis for the 3-month period and 6-month period ended 30 June 2024

1. Non-recurring Items in the second quarter of 2024 until Present

- On 29 April 2024, TSE announced the early redemption of 1,175 million baht, or 50 percent of the total outstanding debentures principal, with a 5.10% interest rate, ahead of the scheduled redemption date of 27 October 2024. The debentures being redeemed are the first issue of 2022, Senior Debt, Unsecured Bond, and include a debenture holder representative. The issuer has the right to redeem the debentures before the maturity date, with interest paid every 3 months. These debentures were sold to institutional investors and/or high-net-worth investors (PP II & HNW), with a total value of 2,350 million baht. This early redemption aims to build confidence in management, protect stakeholders' interests, lower the burden of interest payments, reduce costs, and increase liquidity to support future growth.
- On July 1, 2024, at the 3/2024 Board of Directors' Meeting, it was resolved to approve a Treasury Stock repurchase program, with an amount not exceeding THB 200 million and up to 160 million shares to be repurchased at a par value of THB 1 per share. The number of shares to be repurchased represents 7.56% of the Company's total issued shares, totaling 2,117,716,281 shares. This initiative is designed to optimize the Group's excess liquidity, enhance the return on equity (ROE) and earnings per share (EPS), and better reflect the Group's true value in the share price. Additionally, it aims to bolster confidence in the Group's strong financial position and profitability. The repurchase period will be from July 5, 2024, to January 3, 2025, in accordance with the regulations of the Stock Exchange of Thailand.
- On August 1, 2024, TRIS Rating Co., Ltd. (TRIS) upgraded TSE's corporate credit rating to 'BBB' from 'BBB-' with a 'Stable' outlook. The upgrade reflects the company's reduced debt burden, stable cash flow, consistent performance of its solar and biomass power plants, and readiness for future business expansion

2. Financial Performance of the second quarter of 2024

Unit: MB

TSE - Consolidated	Q2/2024	Q2/2023	Δ (%)	1H/2567	1H/2566	Δ (%)
Total revenue	352	309	14%	667	660	1%
COGS	(130)	(142)	-8%	(264)	(286)	-8%
Gross Profit	222	167	33%	402	374	8%
SG&A	(30)	(144)	-79%	(53)	(184)	-71%
Operating Profit	192	24	718%	349	190	84%
Share of profit from investment in joint venture	59	194	-69%	161	389	-59%
Depreciation & Amortization	(80)	(81)	-1%	(160)	(163)	-2%
Other gains (losses)	(12)	55	-122%	(18)	93	-120%
EBIT	159	190	-16%	332	509	-35%
Finance costs	(64)	(96)	-33%	(140)	(185)	-25%
EBT	95	94	1%	192	324	-41%
Income tax (expenses)	(9)	1	-1214%	(8)	(2)	288%
Net profit from Continuing Operation for period	86	95	-9%	184	322	-43%
Net profit from Discontinued Operation for period	-	56	-100%	-	64	-100%
Net Profit for the period	86	151	-43%	184	385	-52%
EBITDA	252	217	16%	510	579	-12%

Note: EBITDA does not include other gain (losses).

2.1 Revenue from Sales and Services

In the second quarter of 2024, TSE Group generated total sales and service revenue of THB 352 million for the 3-month period, an increase of THB 43 million, or 14%, compared to THB 309 million in the same period last year. This growth is attributed to increased income from the biomass power plant project, which resulted from efficient project management.

Meanwhile, for the 6-month period, the Group generated total sales and service revenue of THB 667 million, an increase of THB 7 million, or 1%, compared to THB 660 million in the same period of the previous year. Despite the gradual expiration of the Adder income contract for the solar power plant project in 2024, the Group realized additional revenue from compensation for power plant damages and received an amount exceeding the initially estimated sale price of an investment in a subsidiary company.

(The total revenue does not include revenue from the 80 MW solar farm, which is recognized as a share of profit from a 60% investment in a jointly controlled entity. Including this investment, the total revenue for the 6-month period would be THB 828 million.)

Although the Group is impacted by the decrease in Adder income from some solar power plant projects, the Company has initiated a project to replace new solar panels to enhance their efficiency, resulting in increased electricity output, which will compensate for the lost income. Currently, the Group has already implemented such projects for the PV1 project and the rooftop projects installed at HomePro Chumphon and Surat Thani branches and will proceed with other projects such as PV5 and PV6 in sequence. In addition, the Group is actively bidding for and procuring new projects to generate income and increase profitability, with the goal of sustainable growth and long-term added value for the Company's shareholders.

2.2 Cost of Sales and Expenses

In the second quarter of 2024, the Group's total cost of sales and services for the 3-month period amounted to THB 130 million, a decrease of THB 12 million, or 8%, compared to THB 142 million in the same period last year. The Group's total cost of sales and services for the 6-month period amounted to THB 264 million, a decrease of THB 22 million, or 8%, compared to THB 286 million in the same period last year. This decrease is attributed to the Group's continuous and efficient management of the biomass power plant operations, which has led to a consistent reduction in total costs of sales and expenses since 2022.

As a result, the Group achieved a gross profit margin 63% for the 3-month period, an increase of 9% from 54% in the second quarter of 2023. For the 6-month period, the gross profit margin was 60%, an increase of 4% from 57% in the same period of the previous year.

The Group's administrative expenses for the 3-month period amounted to THB 30 million, a decrease of THB 114 million, or 79%, compared to THB 144 million in the same period last year. For the 6-month period, administrative expenses totaled THB 53 million, a decrease of THB 131 million, or 71%, compared to THB 184 million in the same period last year. The higher expenses in the previous year included a project consultant fee, which was a one-time special expense. Excluding this special item, the Group's administrative expenses for the six-month period of 2023 would have been THB 69 million.

Furthermore, the Group's total finance costs for the 3-month period were THB 64 million, a decrease of THB 32 million, or 33%, compared to THB 96 million in the same period last year. For the 6-month period, total finance costs were THB 140 million, a decrease of THB 45 million, or 25%, from THB 185 million in the same period last year. This reduction is due to the early redemption of some debentures before maturity and the repayment of long-term loans from financial institutions, resulting in lower finance costs for the Group.

2.3 Share of Profit from Investment in Joint Ventures (TSR)

According to the Thai Financial Reporting Standards (TFRS) regarding investments in joint ventures, the company recognizes investments in joint ventures using the equity method. This approach was applied to the 80-MW solar PV farm. Details are as follows:

Financial Performance of Joint Ventures Based on the Equity Method

unit: MB

Financial Performance of joint ventures for 3-month period	30 June		Increase (Decrease)	
	Y2024	Y2023	amount	%
Revenue	209	452	(243)	-54%
COGS	(110)	(129)	(19)	-15%
Net Profit	99	323	(224)	-69%
Share of profit from investment in JV (60%)	59	194	(135)	-69%

unit: MB

Financial Performance of joint ventures for 6-month period	30 June		Increase (Decrease)	
	Y2024	Y2023	amount	%
Revenue	497	914	(417)	-46%
COGS	(229)	(266)	(38)	-14%
Net Profit	268	648	(380)	-59%
Share of profit from investment in JV (60%)	161	389	(228)	-59%

In the second quarter of 2024, net profit from joint ventures for the 3-month period amounted to THB 99 million, a decrease of THB 224 million, or 69%, compared to THB 323 million in the same period last year. Net profit from joint ventures is categorized under the equity method as a share of profit. As a result, the Group's share of profit from joint ventures was THB 59 million, a decrease of THB 135 million, or 69%, compared to THB 194 million in the same period last year.

Meanwhile, for the 6-month period, net profit from joint ventures amounted to THB 268 million, a decrease of THB 380 million, or 59%, compared to THB 648 million in the same period last year. Consequently, the Group's share of profit from joint ventures was THB 161 million, a decrease of THB 228 million, or 59%, compared to THB 389 million in the same period last year. This decline is due to the gradual expiration of the Adder income contract for the electricity purchase price since 2023, and the adjustment of the variable electricity price (Ft) announced by the Energy Regulatory Commission (ERC).

2.4 Profit attributable to Owners of the parent

Currently, the Group operates 41 power plant projects with a total offered production capacity of 241.86 megawatts. This includes 34 projects that have already commenced commercial operation (COD) and 7 projects that have yet to commence commercial operation. The Group maintains a strong and consistent number of production units and operational performance, with a focus on enhancing stability and improving the efficiency of its power plants to ensure continuous and optimal energy delivery.

The Group's consolidated financial statements for the second quarter of 2024 show a profit from continuing operations attributable to the parent company of THB 86 million for the 3-month period. This represents a decrease of THB 9 million, or 9%, compared to THB 95 million in the same period last year. Additionally, there was a profit from discontinued operations of THB 56 million in the second quarter of 2023.

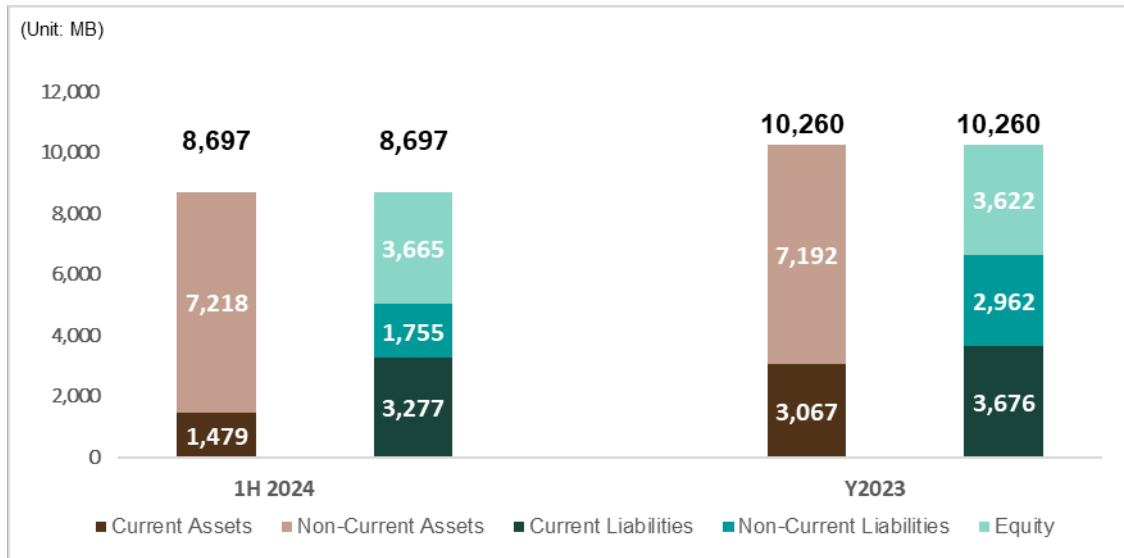
For the 6-month period, the Group reported a profit from continuing operations attributable to the parent company of THB 184 million, a decrease of THB 138 million, or 43%, compared to THB 322 million in the same period last year. Additionally, there was a profit from discontinued operations of THB 64 million in the second quarter of 2023. This decrease is primarily due to the share of profit from the investment in a joint venture, which experienced a reduction in income from the additional subsidy for purchasing electricity (Adder), which began phasing out in 2023. Despite this, the production efficiency of the power plants has continued to operate consistently and effectively.

However, the Group has effectively managed the primary costs of the biomass power plant operations, including controlling and reducing administrative expenses. Additionally, finance costs have been lowered through the repayment of long-term loans and the early redemption of some debentures.

EBITDA for Q2/2024 for the 3-month period was THB 252 million, an increase of THB 35 million, or 16%, from THB 217 million in the same period last year. For the 6-month period of Q2/2024, EBITDA was THB 510 million, a decrease of THB 69 million, or 12%, compared to THB 579 million in the same period last year.

The Group is committed to advancing its potential in renewable energy operations by enhancing profitability, reducing costs, and optimizing efficiency and profit margins. We focus on building investor and financial institution confidence through a strong financial foundation and readiness for future opportunities. Our goal is sustainable growth and the creation of long-term value for our shareholders.

3. Financial position as of June 30, 2024



3.1 Assets

As of June 30, 2024, the Group's total assets were THB 8,697 million, a decrease of THB 1,563 million, or 15%, compared to THB 10,260 million as of December 31, 2023. This decline was primarily attributable to a reduction in cash and cash equivalents resulting from the utilization of cash for the repayment of debentures and long-term loans. However, the Company maintained liquidity at the end of the quarter, with THB 1,122 million in cash. This reflects the Group's strong financial position and readiness to invest in creating sustainable growth for shareholders over the long term.

3.2 Liabilities

The Group's total liabilities as of June 30, 2024, amounted to THB 5,032 million, a decrease of THB 1,606 million, or 24%, from THB 6,638 million as of December 31, 2023. The primary reason was the repayment of THB 1,175 million in debentures before maturity and the full repayment of long-term loans from related financial institutions. These actions have consistently fostered confidence among investors and financial institutions.

3.3 Equity

As of June 30, 2024, the Group's equity increased to THB 3,665 million, marking a growth of THB 43 million, or 1.2%, from THB 3,622 million as of December 31, 2023. This positive growth highlights the Group's strong operating performance.

The Group's debt-to-equity (D/E) ratio as of June 30, 2024, was 1.37 times, a decrease of 0.46 times from 1.83 times as of December 31, 2023. This enhancement is attributed to the successful early redemption of debentures and long-term loans from financial institutions. With this improved financial position, the Group is well-positioned to secure funding from financial institutions, supporting future investments and the development of new projects.

Please be informed accordingly.

Your sincerely,

– signed –

(Miss Cathleen Maleenont)
Chief Executive Officer

For more information, please contact Supporting Office Department
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