

# Management's Discussion and Analysis

## The Group Performance for the 2<sup>nd</sup> Quarter 2022

Banpu Power Public Company Limited and Subsidiaries



## 1. Management Discussion and Analysis

Many countries around the world are currently dealing with a variety of economic risks such as rising fuel prices, high inflation, rising interest rate trends, and currency fluctuations while they try to recover from the COVID-19 crisis. Banpu Power, which has many power plants located in many countries across Asia-Pacific, continues to prioritize the reliability of each power plant to generate and distribute electricity to serve community and social demand continuously while also generating a consistent cash flow stream and strong earnings. Most of our core assets are covered by long-term PPAs, which offer a pass-through mechanism, and are minimally impacted by rising global fuel prices. The Temple I gas-fired power plant is located in Texas, United States, where a merchant market and several options of derivatives are available to protect against the risk of fluctuating electricity and fuel prices. Temple I has appropriately entered into the derivative contract to ensure that the power plant would receive a steady cash flow stream while also capturing upside potential from rising demand.

Banpu Power reported a net profit of THB 685 million in 2Q22, including a THB 340 million FX translation gain and a THB 943 million unrealized mark-to-market loss from derivatives, a 39% decrease from the same quarter last year. The company reported THB 1,443 million in EBITDA, increasing by 33% from the same quarter last year. This is primarily due to HPC power plants that run smoothly and reliably, and Temple I gas-fired power plant, which has seen increased electricity demand and rising prices as Texas, where the plant is located, entered the summer season, which is the peak season of the year.

The Company reported revenue of THB 4,377 million, an increase of THB 3,516 million from the same quarter last year. This increase was primarily attributed by Temple I gas-fired power plant, which we invested in at the end of 2021 and generated revenue of THB 2,971 million this quarter. It reported a gross profit of THB 527 million. The revenue from our three CHPs increased by THB 545 million, or 63%, to THB 1,406 million. The two main causes are an increase in steam sales due to the recovery of some industrial clients and an increase in steam price that was raised as a result of client negotiations to reflect rising coal costs. Despite the fact that our three CHPs continue to face high coal costs, we have implemented several measures to improve their performance, such as joining a power trading platform to raise power tariffs, which increased by 22% from the same quarter last year, implementing centralized coal procurement, and adjusting our operational mode to maximize efficiency.

The company reported profit sharing from joint ventures and associates of THB 791 million this quarter, primarily as a result of profit sharing from the HPC power plant, where all three units operated continuously and effectively at full capacity. Its EAF was high, coming in at 91%. In the second quarter, HPC reported a share profit of THB 1,293 million, up 16% year over year. BLCP

reported a share profit from operations of THB 282 million. After taking into account the recognition of deferred tax expenses and the impact of an unrealized loss on the translation of foreign exchange rates of THB 250 million, it reported profit sharing of THB 32 million. Nakoso IGCC reported a profit sharing of THB 76 million. Due to the impact of the continued high cost of coal, SLG power plant in China reported a share of loss of THB 213 million. To improve its performance, SLG has entered the power trading market in order to raise its power tariff and secure a long-term coal supply contract at a competitive price. For investments in the renewable energy and energy technology business through Banpu Next, it reported a share of loss of THB 396 million, primarily due to unrealized loss on financial derivatives and the impact of a depreciation of the THB currency.

Banpu Power continues to expand its portfolio in eco-friendly energy sector as part of the Greener & Smarter strategy by investing in power plants that offer high efficiency and low emission (HELE), renewable power plants, and using advanced technology and new innovation to enhance its operations to fulfill the future energy demand. The Company will invest primarily in countries with high growth in electricity demand and supportive government policy, while also adding value through synergy within the Banpu group to achieve its committed growth target of 5,300 MW by 2025 as planned.

## 2. Group Performance Analysis

The analysis and explanation performance for the quartered ended 30 June 2022 and 2021:

Consolidated Statement of Income for the 2<sup>nd</sup> quarter ended 30 June 2022 and 2021:

Consolidated financial performance (Unit: Million Baht)	2Q2022	2Q2021	Change	
			Amount	%
Sales	4,377	861	3,516	408%
Cost of sales	(3,899)	(964)	(2,935)	305%
<b>Gross profit</b>	<b>478</b>	<b>(103)</b>	<b>581</b>	<b>-565%</b>
Selling & Administrative expenses	(336)	(228)	(108)	47%
Share of profit from an associate and joint ventures	791	1,175	(384)	-33%
Other Income (Expense)	(409)	290	(699)	-241%
Other financial costs	(196)	(41)	(155)	373%
<b>Profit before income taxes</b>	<b>328</b>	<b>1,093</b>	<b>(765)</b>	<b>-70%</b>
Income taxes	33	19	14	76%
<b>Profit for the period</b>	<b>361</b>	<b>1,112</b>	<b>(751)</b>	<b>-68%</b>
<b>Owners of the company</b>	<b>685</b>	<b>1,126</b>	<b>(441)</b>	<b>-39%</b>
Non-controlling interests	(324)	(14)	(310)	2231%
Basic earnings per share (unit : Baht)	0.225	0.370	(0.145)	-39%

The group reported net profit for 2Q22 at THB 685 million, decreased by THB 441 million or 39% compared to 2Q21. This was mainly from unrealized loss on financial derivatives – electricity call option from Temple I Gas-fired power plant. The Group recognized an increase in profit sharing from HPC and Nakoso power plant, however, profit sharing recognition in overall was decrease compared to 2Q21. This was due to a recognition of loss sharing from SLG power plant that encountered high coal cost situation in China, a decrease in profit sharing from an associate that impacted from a depreciation of foreign currency exchange rate, and from unrealized loss on financial derivatives. Also, the group had higher finance cost from loan additions for new power plants investment during 2021.

Details of the group operating performance for 2Q22 were described as followings:

### **Sales, Cost of sales and Gross profit**

Sales reported at THB 4,377 million, increased by THB 3,516 million or 408% compared to 2Q21. This was mainly from higher power sales and steam sales from CHP power plants in China of THB 545 million and from electricity sales from Temple I gas-fired power plant in USA of THB 2,971 million. Details were described as followings:

<p><b>Combined Heat and Power (CHP) plants in China: increase THB 545 million</b></p>	<p>An increase of sales from CHP plants compared to 2Q21 was derived from:</p> <ol style="list-style-type: none"> <li>1. An increase of THB 445 million from steam sales and others. This was a result of an increase of steam sales of 0.18 million tonne, and an increase of average price of steam sales per tonne by RMB 57.80. An average price of steam per tonne was RMB 167.34 (2Q21: RMB 109.54).</li> <li>2. An increase of THB 33 million from higher power tariff. An average power tariff was RMB 0.45 per kWh (2Q21: RMB 0.37 per kWh).</li> <li>3. The effects of foreign exchange rate translation of THB 67 million due to a depreciation of THB currency against RMB currency compared to 2Q21. This caused higher revenue in THB currency when converting from revenue in RMB currency. Average exchange rate of RMB/THB in 2Q22 was THB 5.2001 (2Q21: THB 4.8637).</li> </ol>
<p><b>Temple I Gas-Fired Power Plant in USA THB 2,971 million</b></p>	<p>Sales from Temple I gas-fired power plant business was THB 2,971 million from sale volume 1,109.05 GWh. This was due to favor weather conditions and starting of summer time that electricity demand is generally at its highest of the year. The group invested in this power plant since 4Q2021</p>
<p><b>Cost of sales: Increase 305 %</b></p>	<p>Cost of sales was THB 3,899 million, increased by THB 2,935 million compared to 2Q21 from:</p>

1. CHP Power Plant in China that cost of sales increased by THB 490 million from:

- An increase in coal cost THB 457 million was from a higher average coal cost of RMB 465 per ton. Average coal cost was RMB 1,198 per ton (2Q21: RMB 733 per ton) or increased by 63 % compared to 2Q21.
- The effects from a depreciation of THB currency to foreign exchange rate translation of THB 33 million. This affected to higher cost of sales in THB currency when converting from cost of sales in RMB currency. Average exchange rate of RMB/THB in 2Q22 was THB 5.2001 (2Q21: THB 4.8637).

2. Temple I gas-fired power plant in USA that cost of sales increased by THB 2,445 million, mainly from natural gas cost THB 2,060 million.

**Gross profit:  
Increase 565%**

Gross profit was THB 478 million, or increased by THB 581 million compared to 2Q21 was from:

1. An increase in operating performance due to a decrease in loss from CHP Plant in China THB 54 million from increasing in steam and electricity price aligned with higher coal cost, main fuel of power plant, and the with market price.
2. An increase from Temple I gas-fired power plant in USA THB 527 million.

**Selling and Administrative expenses: increase 47%**

Administrative expenses of THB 336 million, increased by THB 108 million compared to 2Q21 was mainly from administrative expense from Temple I gas-fired power plant in USA.

Items (Unit: Million Baht)	Profit (loss) sharing		Increase/(Decrease)	
	2Q2022	2Q2021	Amount	%
BLCP	32	78	(46)	-60%
HPC & PFMC	1,293	1,112	181	16%
SLG	(213)	(42)	(171)	412%
Holding Company for Nakoso power plant	76	47	29	61%
Banpu Next	(396)	(20)	(376)	N/A
<b>Total</b>	<b>791</b>	<b>1,175</b>	<b>(384)</b>	<b>-33%</b>

**Share of profit from joint and ventures associates: decrease 33 %** Profit sharing from joint ventures and an associate was decreased by THB 384 million compared to 2Q21 was a net result of:

1. A decrease in profit sharing from BLCP of THB 46 million. This was a result of a deferred tax expense recognition and impact from unrealized loss on foreign exchange rate translation of THB 141 million, net with an increase in operating profit of THB 95 million.
2. An increase in profit sharing from HPC and PFMC total of THB 181 million, was from an increase in operating profit of THB 39 million and from gain on exchange rate of THB 142 million.
3. An increase in loss sharing recognition from SLG power plant of THB 171 million caused by an impact from higher coal cost situation.
4. A recognition of profit sharing from Nakoso power plant in Japan of THB 29 million.
5. An increase in loss sharing recognition from investment in renewable power and energy technology business of THB 376 million, which mainly from unrealized mark to market loss on financial derivatives from solar power plant business in Australia that aimed to mitigate risk from power tariff variation and from an impact on a depreciation of THB currency.

**Other expense**

Other expense of THB 409 million was comprised of:

1. Net loss on financial derivatives of THB 942 million that was unrealized loss on fair value from electricity call option of Temple I gas-fired power plant that aimed to generate stability cash inflows and mitigate risk from power tariff variation.
2. Interest income of THB 82 million.
3. Management fee income of THB 44 million, mainly was management fees charged to related companies and joint ventures.
4. Pipeline connecting fee income charged to new steam customers of CHP plants in China of THB 33 million.
5. Net gain on exchange rate of THB 340 million was mostly from unrealized gain on exchange rate from USD currency loans at the end of the period caused by a depreciation of THB currency against USD currency compared to 2021. Average exchange rate of USD/THB for 2Q22 was THB 34.3970 (31 Dec 2021: USD/THB 33.4199).
6. Other income of THB 34 million consisted of ash & slag sales from CHP plants of THB 10 million, and others of THB 24 million.

**Interest expenses and finance cost: Increase 373%**

Interest expenses and finance cost of THB 196 million, increased by THB 155 million compared to 2Q21, primarily from loan additions for new investment in power plants during 2021.

**Corporate income tax:** Corporate income tax of THB 33 million, increased by THB 14 million  
**Increase 76%** compared to 2Q21. This comprised of:

1. A decrease in corporate income tax of THB 36 million, mainly from a decrease in operating profit from CHP power plant business in China.
2. An increase in deferred income tax asset of THB 50 million from unrealized loss on financial derivatives from Temple I gas-fired power plant in USA.

Net profit for the 2<sup>nd</sup> quarter ended 30 June 2022 reported at THB 685 million, decreased by THB 441 million compared to 2Q21.

Basic Earnings per Share reported at THB 0.225 (2Q21: THB 0.370)

### 3. Statement of Consolidated Financial Position

Statement of Consolidated Financial Position as of 30 June 2022 in comparison with Statements of Consolidated Financial Position as of 31 December 2021

Items (Unit: Million Baht)	Financial Position		Increase/(Decrease)	
	30-Jun-22	31-Dec-21	Amount	%
<b>Assets</b>	81,670	74,866	6,804	9%
<b>Liabilities</b>	29,624	25,287	4,337	17%
<b>Equity</b>	52,046	49,579	2,467	5%



3.1 Total assets of THB 81,670 million, an increase of THB 6,804 million or 9% compared to the 31 December 2021 was mainly described as follows:

Financial Position (Unit: Million Baht)	Assets		Increase/(Decrease)	
	30-Jun-22	31-Dec-21	Amount	%
Cash and cash equivalents	7,367	2,635	4,732	180%
Investment in debt instruments	344	530	(186)	-35%
Trade accounts receivable, net	1,551	1,311	240	18%
Fuel and Spare parts & supplies, net	998	1,186	(188)	-16%
Current portion of dividend receivables from related parties	50	125	(75)	-60%
Other current assets	3,693	4,095	(402)	-10%
<b>Total current assets</b>	<b>14,003</b>	<b>9,882</b>	<b>4,121</b>	<b>42%</b>
Dividend receivables from related parties	164	239	(75)	-31%
Investments in an associate and joint ventures	37,599	33,766	3,833	11%
Property, plant and equipment, net	24,076	23,811	265	1%
Right of use assets, net	617	631	(14)	-2%
Other non current assets	5,212	6,537	(1,325)	-20%
<b>Total non current assets</b>	<b>67,667</b>	<b>64,984</b>	<b>2,683</b>	<b>4%</b>
<b>Total assets</b>	<b>81,670</b>	<b>74,866</b>	<b>6,804</b>	<b>9%</b>

- Cash and cash equivalents of THB 7,367 million, increased by THB 4,732 million or 180% (Explanation in no. 4 Statement of Consolidated Cash Flows).
- Investment in debt instrument of THB 344 million, decreased by THB 186 million or 35% was from an additional of THB 1,230 million; net with redemption of THB 1,416 million.
- Account receivable of THB 1,551 million, increased by THB 240 million or 18%. This was from Temple I gas-fired power plant of THB 373 million, net with a decrease from CHP power plant of THB 124 million, and an effect from foreign exchange conversion of THB 9 million.
- Fuel and Spare parts, net of THB 998 million, decreased by THB 188 million or 16%. This was from CHP power plant in China of THB 226 million, effect from foreign exchange conversion of THB 7 million, and Temple I gas-fired power plant in USA increase of THB 45 million.
- Other current assets of THB 3,693 million, decreased by THB 402 million or 10% was mainly from a decrease in accrued interest income from related parties of THB 179 million. This was a net result of a recognition of interest income during the period of THB 154 million, cash receives of THB 338 million, gain on foreign exchange rate translation of THB 5 million, a decrease in prepaid expense of THB 156 million, and others of THB 67 million



- Current and non-current portions of dividend receivables from related parties totaling of THB 214 million, decrease by 150 million, from dividend receivables from a domestic joint venture.

Dividend receivables from related parties (Unit: Million Baht)	Financial Position		Increase/(Decrease)	
	30-Jun-22	31-Dec-21	Amount	%
Current portion of dividend receivables from related parties	50	125	(75)	-60%
Dividend receivables from related parties	164	239	(75)	-31%
<b>Total</b>	<b>214</b>	<b>364</b>	<b>(150)</b>	<b>-41%</b>

- Investment in joint ventures and associates of THB 37,599 million, increased by THB 3,833 million or 11%. This was from a recognition of profit sharing from joint ventures THB 4,023 million, a recognition of shares of other comprehensive income from joint ventures and associates of THB 927 million. Net with loss on foreign exchange rate translation at the end of period of THB 463 million, including dividend declaration during the period of THB 654 million.
- Net property plant and equipment of THB 24,076 million, increased by THB 265 million or 1%. This was from additions of machinery and equipment of CHP plants THB 35 million, net with disposals THB 40 million and depreciation charges THB 590 million and gain on foreign exchange rate translation at the end of period of THB 860 million.
- Right-of-used assets of THB 617 million, decreased by THB 14 million or 2%, was a result from amortization of THB 17 million, and gain on foreign exchange rate translation at the end of period of 3 million.
- Other non-current assets of THB 5,212 million, decreased by THB 1,325 million or 20% was mainly from:
  1. A decrease in loan to related parties of THB 1,552 million from cash receives from loan to related parties' settlement of THB 1,554 million and gain on foreign exchange rate translation at the end of period of THB 2 million.
  2. An increase in deferred tax assets of THB 211 million, caused by unrealized loss on derivatives from Temple I gas-fired power plant in USA.
  3. An increase in other assets of THB 16 million.

3.2 Total liabilities of THB 29,624 million, increased by THB 4,337 million or 17% compared to total liabilities as of 31 December 2021 with details mainly described as follows:

Financial Position (Unit: Million Baht)	Liabilities		Increase/(Decrease)	
	30-Jun-22	31-Dec-21	Amount	%
Short-term loans from financial institutions	2,877	6,551	(3,674)	-56%
Trade accounts payable	198	331	(133)	-40%
Current portion of long-term loans from financial institutions	1,125	1,439	(314)	-22%
Current portion of lease liabilities	15	13	2	18%
Other current liabilities	3,906	2,634	1,272	48%
<b>Total current liabilities</b>	<b>8,121</b>	<b>10,968</b>	<b>(2,847)</b>	<b>-26%</b>
Long-term loans from financial institutions, net	10,646	9,253	1,393	15%
Debenture, net	5,492	-	5,492	100%
Lease liabilities	11	18	(7)	-38%
Other non current liabilities	5,355	5,048	307	6%
<b>Total non-current liabilities</b>	<b>21,503</b>	<b>14,319</b>	<b>7,184</b>	<b>50%</b>
<b>Total liabilities</b>	<b>29,624</b>	<b>25,287</b>	<b>4,337</b>	<b>17%</b>

- Short-term loans from financial institutions of THB 2,877 million, decreased by THB 3,674 million or 56 % was from a net result of additional loans THB 6,272 million and repayment THB 9,945 million. Also, there was the effects of loss on foreign exchange rate translation at the end of year THB 1 million on loan in RMB and USD currency due to a depreciation of THB currency against RMB currency. Average exchange rate of RMB/THB as of 30 June 2022 was THB 5.2724 (31 Dec 2021: THB 5.2507). Average exchange rate of USD/THB as of 30 June 2022 was THB 35.2970 (31 Dec 2021: THB 33.4199).
- Current portion of long-term loans from financial institutions of THB 1,125 million, decreased by THB 314 million or 22%. This was a net result of reclassification from non-current portion THB 270 million (including net front end fee), repayment THB 589 million and from the effects of loss on foreign exchange rate translation at the end of period was THB 5 million.
- Other current liabilities of THB 3,906 million, increase by THB 1,272 million or 48% was mainly from:
  1. An increase in derivative liabilities - electricity call option of THB 1,908 million.
  2. An increase in accrued interest expense from related parties of THB 16 million.
  3. A decrease in advance received from steam residential customers of CHP plants in China of THB 304 million.
  4. A decrease in other payable from purchase of asset of CHP plant of 72 million.
  5. A decrease in amount due to related party of THB 148 million.
  6. A decrease in accrued expense of THB 128 million from payment during the period.

- Long-term loans from financial institutions of THB 10,646 million, increase by THB 1,393 million or 15%, was from additional loan THB 1,554 million (including net front end fee), net with reclassification to current portion THB 270 million and the effect of loss on foreign exchange rate translation at the end of period THB 109 million on RMB loan and USD loan from a depreciation of THB currency against RMB currency and USD currency.
- Debentures, net of THB 5,492 million was from an issuance of unsubordinated and unsecured debentures during the year.

3.3 Shareholders' equity of THB 52,046 million, an increase of THB 2,467 million or 5% compared to shareholders' equity as of 31 December 2021 was due to:

Financial Position (Unit: Million Baht)	Equity		+ / (-)	
	30-Jun-22	31-Dec-21	Amount	%
Owners of the parent	48,743	45,635	3,108	7%
Non-controlling interests	3,303	3,944	(641)	-16%
<b>Total equity</b>	<b>52,046</b>	<b>49,579</b>	<b>2,467</b>	<b>5%</b>

- An increase of THB 3,603 million from net profits for 6 months period.
- An increase of THB 823 million from cashflows hedge reserves of associates and joint venture.
- An increase of THB 112 million from the change in fair value of hedged financial instruments.
- A decrease of THB 1,066 from dividend paid
- A decrease of THB 364 million from foreign exchange translation of subsidiaries and joint ventures' financial statements.
- A decrease of THB 641 million from non-controlling interests.

Net debt to equity ratio as of 30 June 2022 from consolidated financial positions was 0.24 times (31 December 2021: 0.28 time)

## 4. Statements of Consolidated Cash Flows

Statement of consolidated cash flows for the 2<sup>nd</sup> quarter ended 30 June 2022 reported an increase of net cash flows from 31 December 2021 total of THB 4,732 million (included the effect from exchange rate translation loss of THB 71 million). The consolidated cash flows were as follows:

Cash flow (Unit : Million Baht)	Consolidated
Net cash used in operating activities	117
Net cash receipts from investing activities	2,836
Net cash used in financing activities	1,708
<b>Net increase in cash and cash equivalents</b>	<b>4,661</b>
Exchange differences on cash and cash equivalents	71
Cash and cash equivalents at beginning of the period	2,635
<b>Cash and cash equivalents at end of the period</b>	<b>7,367</b>

4.1 Net cash inflows from operating activities of THB 117 million comprised of:

- Collection from sales of power and steam THB 4,279 million.
- Payment to suppliers and contractors THB 3,803 million.
- Payment of interest expense THB 331 million.
- Payment of corporate income tax THB 28 million.

4.2 Net cash inflows from investing activities of THB 2,836 million comprised of:

- Receipts of dividends from joint ventures THB 804 million.
- Receipts from interest income THB 346 million.
- Receipts from investment in debt instruments THB 1,416 million.
- Receipts from long term loan to related party THB 1,606 million.
- Payments for machine, equipment, and project in progress THB 106 million.
- Payments for investment in debt instruments THB 1,230 million.

4.3 Net cash inflows from financing activities of THB 1,708 million comprised of:

- Receipts from short-term and long- term loans from financial institutions THB 7,809 million.
- Receipts from debentures of THB 5,500 million.
- Repayments of short-term and long-term loans from financial institutions THB 10,535 million.
- Payment for dividend of THB 1,066 million.