

10 August 2018

Topic Management's Discussion and Analysis of results and financial status for 2nd quarter 2018,

as of 30 June 2018

Attention The President

The Stock Exchange of Thailand

Management's Discussion and Analysis of results and financial status

For 2nd quarter 2018, as of 30 June 2018

1) Executive Summary

For the 6 months period ended 30 June 2018, the company has key development affecting the company's results as follow:

- 1) The company has started the commercial operation of Hidaka and 2 solar rooftop projects (SNNP1 and SNNP2) since March 2018.
- 2) The intercompany loan within the group was restructured to be longer term in order to reflect the company's objective to use intercompany loan as part of capital injection for investment. As a result, the unrealized FX gain/loss of the intercompany loan will not be recorded through the income statement from 2018 onward.
- 3) Land lease during construction is capitalized as part of asset value from 2018 onward.

For the 6 months period ended 30 June 2017 and 2018, consolidated electricity sale revenue is 447.9 MTHB and 520.4 MTHB respectively, increasing by 72.5 MTHB or 16.2% compared to the same period of 2017. The increase is mainly as a result of the 4 months commercial operation contribution from the new projects (Hidaka and 2 rooftop projects) despite lower electricity sale volume of SPN project.

For the 6 months period ended 30 June 2017 and 2018, consolidated cost of sales is 83.3 MTHB and 133.9 MTHB respectively, increasing by 50.5 MTHB or 60.6% compared to the same period of 2017. The increasing is mainly as a result of increase in depreciation from 4 months commercial operation in 2018 of Hidaka and 2 rooftop projects result of the increase in depreciation and other cost of sales.

For the 6 months period ended 30 June 2017 and 2018, consolidated gross profit is 364.5 MTHB and 386.5 MTHB respectively, increasing by 22 MTHB or 6.0% compared to the same period of 2017, whereas gross profit margin is 81.4% and 74.3% respectively. The increase is mainly as a result of increase in electricity sale volume of Hidaka and 2 rooftop projects despite increase in cost of sale of the projects.

For the 6 months period ended 30 June 2017 and 2018, consolidated net profit (attributed to company's shareholders) is 212.9 MTHB and 259.3 MTHB respectively, increasing by 46.4 MTHB or 21.8% compared to the same period of 2017.

For the 6 months period ended 30 June 2017 and 2018, Core Operating Profit ¹ is 250.5 MTHB and 265.5 MTHB respectively, increasing by 15.1 MTHB or 6.0% compared to the same period of 2017. The adjustment items (from net profit to Core Operating Profit) are:

- i. Unrealized foreign exchange gain/loss: for the 6 months period ended 30 June 2017, unrealized foreign exchange loss is 10.8 MTHB (recorded as administrative expenses). For the 6 months period ended 30 June 2018, unrealized foreign exchange loss is 6.3 MTHB (recorded as administrative expenses).
- ii. Uncapitalized construction cost: for the 6 months period ended 30 June 2017, construct cost for solar project in Japan which is not capitalized as part of asset value, i.e. land lease during construction, 7.3 MTHB (excluding minority interest). For the 6 months period ended 30 June 2018, land lease during construction has been capitalized as part of asset value.
- iii. Uncapitalized financial cost during construction: for the 6 months period ended 30 June 2017 and 2018, financial cost during construction for solar project in Japan which is not capitalized as part of asset value is 19.5 MTHB and 0.0 MTHB respectively.
- iv. Deferred tax expenses/revenue: for the 6 months period ended 30 June 2017 and 2018, deferred tax revenue is 0.07 MTHB and 0.09 MTHB respectively.

Note: ¹ formerly called as Adjusted Operating Profit, and change to Core Operating Profit from 2018 onward.

2) Analysis of financial results and financial status

2.1) Analysis of financial results and financial status 6 months period.

(1) Revenue

Revenue Structure (Unit : MTHB)	Consolidate Financial Statement	
	6 months ended 30-Jun-17	6 months ended 30-Jun-18
Sale revenue from electricity rate (base tariff + Ft)	144.3	235.4
Sale revenue from Adder	303.5	285.0
Sale revenue from electricity sale	447.9	520.4
Other revenue	1.6	3.5
Total sale revenues	449.5	523.8

Remark: ¹ Other revenue included (but not limited to) import tax, interest revenue, and revenue related to power development fund.

For the 6 months period ended 30 June 2017 and 2018, consolidated electricity sale revenue is 447.9 MTHB and 520.4 MTHB respectively, increasing by 72.5 MTHB or 16.2% compared to the same period of 2017. The increase is mainly from 4 months commercial operation in 2018 of Hidaka and 2 rooftop projects and higher SPN project's average electricity tariff increasing by 1.3% despite lower electricity sale volume decreasing by 6.1%.

(2) Cost of Sales

For the 6 months period ended 30 June 2017 and 2018, consolidated cost of sales is 83.3 MTHB and 133.9 MTHB respectively, increasing by 50.5 MTHB or 60.6% compared to the same period of 2017. The increasing is mainly as a results of depreciation and amortization new projects (Hidaka and 2 solar rooftop projects) since March 2018.

Cost of sales comprised of (1) depreciation and amortization, (2) operating and maintenance cost of solar plant, and (3) other costs (i.e. electricity cost, salary and bonus, insurance fee and land lease).

Cost of sales (Unit : MTHB)	Consolidate Financial Statement	
	6 months ended 30-Jun-17	6 months ended 30-Jun-18
Operating and maintenance cost	18.9	26.5
Depreciation and amortization	59.3	91.7
Others	5.1	15.7
Cost of sales	83.3	133.9

Remarks: ¹ Others included (but not limited to) electricity, salary and bones, insurance fee and land lease

(3) Gross Profit

For the 6 months period ended 30 June 2017 and 2018, consolidated gross profit is 364.5 MTHB and 386.5 MTHB respectively, decreasing by 22.0 MTHB or 6.0% compared to the same period of 2017, whereas gross profit margin is 81.4% and 74.3% respectively. The increase is mainly as a result of increase electricity sale volume of new projects (Hidaka and 2 solar rooftop projects) despite increase in cost of sales of the projects.

(Unit : MTHB)	Consolidate Financial Statement	
	6 months ended 30-Jun-17	6 months ended 30-Jun-18
Sale revenue from electricity sale	447.9	520.4
Cost of sales	83.3	133.9
Gross profit	364.5	386.5

(4) Administrative Expenses

For the 6 months period ended 30 June 2017 and 2018, consolidated administrative expenses is 77.5 and 66.6 MTHB respectively, immaterially decreasing 10.9 MTHB or 14.1% compared to the same period of 2017. The decrease is mainly as a result of decrease of unrealized foreign exchange loss of 4.5 MTHB, although land lease during construction has been capitalized as capital expenditures, whereas general administrative expenses increased by 2.1 MTHB.

Administrative expenses (Unit : MTHB)	Consolidate Financial Statement	
	6 months ended 30-Jun-17	6 months ended 30-Jun-18
Unrealized FX loss	10.8	6.3
Land lease during construction	8.4	0.0
General G&A expenses	58.3	60.3
Administrative expenses	77.5	66.6

(5) Financial Costs

For the 6 months period ended 30 June 2017 and 2018, consolidated financial cost is 77.4 MTHB and 62.3 MTHB respectively, decreasing 15.0 MTHB or 19.4% compared to the same period of 2017. The decrease is mainly as a result of repayment of long-term borrowing from IPO proceeds in the third quarter of 2017 (715 MTHB).

(6) Net Profit (attributed to company's shareholders)

For the 6 months period ended 30 June 2017 and 2018, consolidated net profit attributed to company's shareholders is 212.9 MTHB and 259.3 MTHB respectively, increasing by 46.4 MTHB or 21.8% compared to the same period of 2017. The increase is mainly as a result of (1) the contribution from the new projects (Hidaka and 2 solar rooftop projects), and (2) decrease of general administrative expenses and financial expenses.

(7) Core Operating Profit

Core Operating Profit is the key performance indicator of management and board of directors for evaluating company's financial results, and be used for considering dividend payment decision, along with the dividend policy of the company.

Core Operating Profit is adjusted from net profit attribute to company's shareholder by the items as follows.

Core Operating Profit (Unit : MTHB)	Consolidate Financial Statement	
	6 months ended 30-Jun-17	6 months ended 30-Jun-18
Net profit distribution to SSP's shareholders	212.9	259.3
Unrealized FX (gain)/loss	10.8	6.3
Uncapitalized land lease during construction	7.3	0.0
Uncapitalized interest for SSP's equity loan	19.5	0.0
Deferred tax (revenue)/expenses	(0.07)	(0.09)
Core Operating Profit (to SSP's shareholders)	250.5	265.5

For the 6 months period ended 30 June 2017 and 2018, adjusted operating profit is 250.5 MTHB and 265.5 MTHB respectively, increasing by 15.1 MTHB or 6.0% compared to the same period of 2017.

2.2) Analysis of financial results and status for the second quarter

(1) Revenue

Revenue Structure (Unit : MTHB)	Consolidate Financial Statement	
	Q2/2017	Q2/2018
Sale revenue from electricity rate (base tariff + Ft)	73.6	148.8
Sale revenue from Adder	156.1	150.1
Sale revenue from electricity sale	229.8	298.8
Other revenue	1.3	2.6
Total sale revenues	231.1	301.4

Remark: ¹ Other revenue included (but not limited to) import tax, interest revenue, and revenue related to power development fund.

For the 3 months period ended 30 June 2017 and 2018, consolidated electricity sale revenue is 229.8 MTHB and 298.8 MTHB respectively, increasing by 69.1 MTHB or 30.1% compared to the same period of 2017. The increase is mainly from full commercial operation in 2018 of Hidaka and 2 rooftop projects despite lower electricity sale volume of SPN decreased by 3.9%.

(2) Cost of Sales

For the 3 months period ended 30 June 2017 and 2018, consolidated cost of sales is 41.9 MTHB and 81.3 MTHB respectively, increasing by 39.4 MTHB or 94.0% compared to the same period of 2017. The increasing is mainly as a results of depreciation and amortization new projects (Hidaka and 2 solar rooftop projects).

Cost of sales comprised of (1) depreciation and amortization, (2) operating and maintenance cost of solar plant, and (3) other costs (i.e. electricity cost, salary and bonus, insurance fee and land lease).

Cost of sales (Unit : MTHB)	Consolidate Financial Statement	
	Q2/2017	Q2/2018
Operating and maintenance cost	9.5	16.7
Depreciation and amortization	29.7	54.3
Others	2.7	10.2
Cost of sales	41.9	81.3

Remarks: ¹ Others included (but not limited to) electricity, salary and bones, insurance fee and land lease

(3) Gross Profit

For the 3 months period ended 30 June 2017 and 2018, consolidated gross profit is 187.9 MTHB and 217.6 MTHB respectively, increasing by 29.7 MTHB or 15.8% compared to the same period of 2017, whereas gross profit margin is 81.8% and 72.8% respectively. The increase is mainly as a result of increase electricity sale volume of new projects (Hidaka and 2 solar rooftop projects) despite increase in cost of sales of the projects.

(Unit : MTHB)	Consolidate Financial Statement	
	Q2/2017	Q2/2018
Sale revenue from electricity sale	229.8	298.8
Cost of sales	41.88	81.27
Gross profit	187.9	217.6

(4) Administrative Expenses

For the 3 months period ended 30 June 2017 and 2018, consolidated administrative expenses is 40.3 and 29.3 MTHB respectively, immaterially decreasing 11.0 MTHB or 27.3% compared to the same period of 2017. The decrease is mainly as a result of land lease during construction has been capitalized as capital expenditures, whereas general administrative expenses increased by 2.7 MTHB.

Administrative expenses (Unit : MTHB)	Consolidate Financial Statement	
	Q2/2017	Q2/2018
Unrealized FX loss	7.9	(1.6)
Land lease during construction	4.2	0.0
General G&A expenses	28.2	30.9
Administrative expenses	40.3	29.3

(5) Financial Costs

For the 3 months period ended 30 June 2017 and 2018, consolidated financial cost is 39.2 MTHB and 35.9 MTHB respectively, decreasing 3.4 MTHB or 8.6%.

(6) Net Profit (attributed to company's shareholders)

For the 3 months period ended 30 June 2017 and 2018, consolidated net profit attributed to company's shareholders is 110.5 MTHB and 152.8 MTHB respectively, increasing by 42.2 MTHB or 38.2% compared to the same period of 2017. The increase is mainly as a result of (1) the contribution from the new projects (Hidaka and 2 solar rooftop projects), and (2) decrease of general administrative expenses.

(7) Core Operating Profit

Core Operating Profit is the key performance indicator of management and board of directors for evaluating company's financial results, and be used for considering dividend payment decision, along with the dividend policy of the company.

Core Operating Profit is adjusted from net profit attribute to company's shareholder by the items as follows.

Core Operating Profit (Unit : MTHB)	Consolidate Financial Statement	
	Q2/2017	Q2/2018
Net profit distribution to SSP's shareholders	110.5	152.8
Unrealized FX (gain)/loss	7.9	(1.6)
Uncapitalized land lease during construction	3.7	0.0
Uncapitalized interest for SSP's equity loan	11.6	0.0
Deferred tax (revenue)/expenses	(0.03)	(0.05)
Core Operating Profit (to SSP's shareholders)	133.7	151.1

For the 3 months period ended 30 June 2017 and 2018, adjusted operating profit is 133.7 MTHB and 151.1 MTHB respectively, increasing by 17.4 MTHB or 13.0% compared to the same period of 2017.

3) Financial Status

As of 31 December 2017, and 30 June 2018, consolidated total assets is 8,269.8 MTHB and 9,786.8 MTHB respectively, increasing by 1,517.0 MTHB or 18.3%. The increase reflects increase in assets in the projects under construction and under development.

As of 31 December 2017, and 30 June 2018, consolidated total liabilities is 4,848.2 MTHB and 6,215.5 MTHB respectively, increasing by 1,367.3 MTHB or 28.2%. The increase is mainly a result of higher long-term borrowing from Japanese financial institution for the investment in projects under construction/development.

As of 31 December 2017, and 30 June 2018, consolidated total liabilities is 4,848.2 MTHB and 6,215.5 MTHB respectively, whereas total equity is 3,421.7 MTHB and 3,571.3 MTHB respectively. The Debt to Equity ratio as of 31 December 2017 and 30 June 2018 is 1.4 times and 1.7 times respectively.

As of 31 December 2017, and 30 June 2018, the companies in the group (where applicable) maintain compliance with financial covenant and conditions of loan from financial institutions.

Please be informed accordingly.

Yours sincerely,

Mr. Natthapatt Tanboon-ek

Chief Financial Officer