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Topic Management's Discussion and Analysis of results and financial status for 3<sup>rd</sup> quarter 2018,  
as of 30 September 2018

Attention The President  
The Stock Exchange of Thailand

Management's Discussion and Analysis of results and financial status

For 3<sup>rd</sup> quarter 2018, as of 30 September 2018

1) Executive Summary

For the 9 months period ended 30 September 2018, the company has key developments affecting the company's results as follow:

- 1) 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.
- 2) Land lease during construction is capitalized as part of asset value from 2018 onward.
- 3) The company has started the commercial operation of Hidaka project in Japan on 1 March 2018.
- 4) The company has started the commercial operation of Zouen project in Japan on 1 August 2018 and DoHome solar rooftop projects in July 2018.
- 5) The Company has entered into share purchase agreement of TTQN , which engaging in the Solar Power Plant Project in Vietnam with 49.61 MW installed capacity (Binh Nguyen Solar Power Plant Project) as well as construction contract (Engineering, Procurment and Construction contract) and Power Purchase Agreement with Vietnam Electricity (EVN) and the work has already been started. Registration of Shareholders transfer was completed on 26 September 2018.

For the 9 months period ended 30 September 2017 and 2018, consolidated electricity sale revenue is 660.0 MTHB and 811.8 MTHB respectively, increasing by 145.8 MTHB or 21.9% compared to the same period of 2017. The increase is mainly as a result of contribution from the new projects started commercial operation, which are 2 Japan projects (Hidaka and Zouen) and 3 solar rooftop projects (SNNP1, SNNP2 and DoHome) despite lower electricity sale volume of SPN project.

For the 9 months period ended 30 September 2017 and 2018, consolidated cost of sales is 125.5 MTHB and 221.8 MTHB respectively, increasing by 96.4 MTHB or 76.8% compared to the same period of 2017. The

increasing is mainly as a result of contribution from the new projects commercial operation in 2018 above mentioned .

For the 9 months period ended 30 September 2017 and 2018, consolidated gross profit is 540.6 MTHB and 590.0 MTHB respectively, increasing by 49.4 MTHB or 9.1% compared to the same period of 2017, whereas gross profit margin is 81.2% and 72.7% respectively. The increase is mainly as a result of increase in electricity sale volume from the new projects despite increase in cost of sale of the projects.

For the 9 months period ended 30 September 2017 and 2018, consolidated net profit (attributed to company's shareholders) is 267.0 MTHB and 377.8 MTHB respectively, increasing by 110.8 MTHB or 41.5% compared to the same period of 2017.

For the 9 months period ended 30 September 2017 and 2018, Core Operating Profit <sup>1</sup> is 359.6 MTHB and 389.7 MTHB respectively, increasing by 30.1 MTHB or 8.4% 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 9 months period ended 30 September 2017, unrealized foreign exchange loss is 48.8 MTHB (recorded as administrative expenses). For the period ended 30 September 2018, unrealized foreign exchange loss is 12.1 MTHB (recorded as administrative expenses).
- ii. Uncapitalized construction cost: for the 9 months period ended 30 September 2017, construct cost for solar project in Japan which is not capitalized as part of asset value, i.e. land lease during construction, 10.9 MTHB (excluding minority interest). For the 9 months period ended 30 September 2018, land lease during construction has been capitalized as part of asset value.
- iii. Uncapitalized financial cost during construction: for the 9 months period ended 30 September 2017 and 2018, financial cost during construction for solar project in Japan which is not capitalized as part of asset value is 25.0 MTHB and 0.0 MTHB respectively.
- iv. Deferred tax expenses/revenue: for the 9 months period ended 30 September 2017 and 2018, deferred tax revenue is 8.0 MTHB and deferred tax expense is 0.01 MTHB.

Note: <sup>1</sup> 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 9 months period.

#### (1) Revenue

Revenue Structure (Unit : MTHB)	Consolidate Financial Statement	
	9 months ended	9 months ended
	30-Sep-17	30-Sep-18
Sale revenue from electricity rate (base tariff + Ft) <sup>1</sup>	216.5	217.1
Sale revenue from Adder	449.5	426.1
<u>Sale revenue from electricity sale in Thailand</u>	666.0	643.3
<u>Sale revenue from electricity sale in Japan</u>	0.0	168.5
<u>Total sale revenue from electricity sale</u>	<u>666.0</u>	<u>811.8</u>
Other revenue <sup>2</sup>	2.1	4.8
<u>Total revenues</u>	<u>668.2</u>	<u>816.7</u>

Remark: <sup>1</sup> included revenue from solar rooftop project in Thailand (from 2018 onward)

<sup>2</sup> other revenue included (but not limited to) import tax, interest revenue, and revenue related to power development fund.

For the 9 months period ended 30 September 2017 and 2018, consolidated electricity sale revenue is 666.0 MTHB and 811.8 MTHB respectively, increasing by 145.8 MTHB or 21.9% compared to the same period of 2017. The increase is mainly from new projects started commercial operation, which are 2 projects in Japan being Hidaka and Zouen (started COD on 1 August 2018) and 3 rooftop projects, being SNNP1, SNNP2, and DoHome, and increase in average tariff of SPN project by 1.0%, despite lower electricity sale volume of SPN project by 5.2%.

#### (2) Cost of Sales

For the 9 months period ended 30 September 2017 and 2018, consolidated cost of sales is 125.5 MTHB and 221.8 MTHB respectively, increasing by 96.4 MTHB or 76.8% compared to the same period of 2017. The increasing is mainly as a results of depreciation and amortization new projects in 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	
	9 months ended	9 months ended
	30-Sep-17	30-Sep-18
Operating and maintenance cost	28.4	42.1
Depreciation and amortization	89.4	149.0
Others <sup>1</sup>	7.6	30.7
<b><u>Cost of sales</u></b>	<b><u>125.5</u></b>	<b><u>221.8</u></b>

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

### (3) Gross Profit

For the 9 months period ended 30 September 2017 and 2018, consolidated gross profit is 540.6 MTHB and 590.0 MTHB respectively, increasing by 49.4 MTHB or 9.1% compared to the same period of 2017, whereas gross profit margin is 81.2% and 72.7% respectively. The increase is mainly as a result of increase in electricity sale volume from the new projects in 2018 despite increase in cost of sale of the projects.

(Unit : MTHB)	Consolidate Financial Statement	
	9 months ended	9 months ended
	30-Sep-17	30-Sep-18
Sale revenue from electricity sale	666.0	811.8
Cost of sales	125.5	221.8
<b><u>Gross profit</u></b>	<b><u>540.6</u></b>	<b><u>590.0</u></b>

### (4) Administrative Expenses

For the 9 months period ended 30 September 2017 and 2018, consolidated administrative expenses is 148.9 and 113.2 MTHB respectively, decreasing 35.6 MTHB or 23.9% 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 from 2018 onward and decrease of unrealized foreign exchange loss of 36.7 MTHB, although, general administrative expenses increased by 15.4 MTHB from new projects started operating in 2018.

Administrative expenses (Unit : MTHB)	Consolidate Financial Statement	
	9 months ended 30-Sep-17	9 months ended 30-Sep-18
Unrealized FX loss	48.8	12.1
Land lease during construction	14.2	0.0
General G&A expenses	85.8	101.2
<u>Administrative expenses</u>	<u>148.9</u>	<u>113.2</u>

#### (5) Financial Costs

For the 9 months period ended 30 September 2017 and 2018, consolidated financial cost is 121.2 MTHB and 103.8 MTHB respectively, decreasing 17.4 MTHB or 14.4% 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) despite long term loan drawdown from Japanese financial institution for project investment in 2018.

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

For the 9 months period ended 30 September 2017 and 2018, consolidated net profit attributed to company's shareholders is 267.0 MTHB and 377.8 MTHB respectively, increasing by 110.8 MTHB or 41.5% compared to the same period of 2017. The increase is mainly as a result of the contribution from the new projects during 2018 and decrease of general administrative expenses and financial expenses, despite increase in cost of sale.

#### (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	
	9 months ended	9 months ended
	30-Sep-17	30-Sep-18
Net profit distribution to SSP's shareholders	267.0	377.8
Unrealized FX (gain)/loss	48.8	12.1
Uncapitalized land lease during construction	10.9	0.0
Uncapitalized interest for SSP's equity loan	25.0	0.0
Deferred tax (revenue)/expenses	8.0	(0.14)
<b>Core Operating Profit (to SSP's shareholders)</b>	<b>359.6</b>	<b>389.7</b>

For the 9 months period ended 30 September 2017 and 2018, adjusted operating profit is 359.6 MTHB and 389.7 MTHB respectively, increasing by 30.1 MTHB or 8.4% compared to the same period of 2017.

## 2.2) Analysis of financial results and financial status for the third quarter.

### (1) Revenue

For the 3 months period ended 30 September 2017 and 2018, consolidated electricity sale revenue is 218.2 MTHB and 291.4 MTHB respectively, increasing by 73.3 MTHB or 33.6% compared to the same period of 2017. The increase is mainly from commercial operation of new projects in 2018 despite lower electricity sale volume of SPN decreased by 3.4%.

Revenue Structure (Unit : MTHB)	Consolidate Financial Statement	
	Q3/2017	Q3/2018
Sale revenue from electricity rate (base tariff + Ft) <sup>1</sup>	72.2	74.7
Sale revenue from Adder	146.0	141.1
<u>Sale revenue from electricity sale in Thailand</u>	218.2	215.8
<u>Sale revenue from electricity sale in Japan</u>	-	75.7
<u>Total sale revenue from electricity sale</u>	<u>218.2</u>	<u>291.4</u>
Other revenue <sup>2</sup>	0.5	1.4
<u>Total revenues</u>	<u>218.7</u>	<u>292.8</u>

Remark: <sup>1</sup> included revenue from solar rooftop project in Thailand (from 2018 onward)

<sup>2</sup> other revenue included (but not limited to) import tax, interest revenue, and revenue related to power development fund.

### (2) Cost of Sales

For the 3 months period ended 30 September 2017 and 2018, consolidated cost of sales is 42.1 MTHB and 88.0 MTHB respectively, increasing by 45.8 MTHB or 108.8% compared to the same period of 2017. The increasing is mainly as a results of depreciation and amortization new projects in 2018.

Cost of sales (Unit : MTHB)	Consolidate Financial Statement	
	Q3/2017	Q3/2018
Operating and maintenance cost	9.5	22.5
Depreciation and amortization	30.1	57.3
Others	2.5	8.2
<b><u>Cost of sales</u></b>	<b><u>42.1</u></b>	<b><u>88.0</u></b>

Remarks: <sup>1</sup> 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 September 2017 and 2018, consolidated gross profit is 176.0 MTHB and 203.5 MTHB respectively, increasing by 27.4 MTHB or 15.6% compared to the same period of 2017, whereas gross profit margin is 80.7% and 69.8% respectively. The increase is mainly as a result of increase electricity sale volume of new despite increase in cost of sales of the projects.

(Unit : MTHB)	Consolidate Financial Statement	
	Q3/2017	Q3/2018
Sale revenue from electricity sale	218.2	291.4
Cost of sales	42.1	88.0
<b><u>Gross profit</u></b>	<b><u>176.0</u></b>	<b><u>203.5</u></b>

### (4) Administrative Expenses

For the 3 months period ended 30 September 2017 and 2018, consolidated administrative expenses is 71.4 and 46.6 MTHB respectively, decreasing 24.7 MTHB or 34.7% 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 and unrealized foreign exchange loss 32.2 MTHB, whereas general administrative expenses increased by 11.6 MTHB.

Administrative expenses (Unit : MTHB)	Consolidate Financial Statement	
	Q3/2017	Q3/2018
Unrealized FX loss	38.0	5.8
Land lease during construction	4.1	0.0
General G&A expenses	29.2	40.8
<b><u>Administrative expenses</u></b>	<b><u>71.4</u></b>	<b><u>46.6</u></b>

#### (5) Financial Costs

For the 3 months period ended 30 September 2017 and 2018, consolidated financial cost is 43.8 MTHB and 41.4 MTHB respectively, decreasing 2.4 MTHB or 5.5%.

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

For the 3 months period ended 30 September 2017 and 2018, consolidated net profit attributed to company's shareholders is 54.1 MTHB and 118.5 MTHB respectively, increasing by 64.4 MTHB or 119.0% compared to the same period of 2017. The increase is mainly as a result of the contribution from the new projects and decrease of general administrative expenses despite increase in cost of sales of the projects.

#### (7) Core Operating Profit

Core Operating Profit (Unit : MTHB)	Consolidate Financial Statement	
	Q3/2017	Q3/2018
Net profit distribution to SSP's shareholders	54.1	118.5
Unrealized FX (gain)/loss	38.0	5.8
Uncapitalized land lease during construction	3.6	0.0
Uncapitalized interest for SSP's equity loan	10.5	0.0
Deferred tax (revenue)/expenses	8.0	(0.05)
<b><u>Core Operating Profit (to SSP's shareholders)</u></b>	<b><u>114.2</u></b>	<b><u>124.3</u></b>



For the 3 months period ended 30 September 2017 and 2018, adjusted operating profit is 114.2 MTHB and 124.3 MTHB respectively, increasing by 10.1 MTHB or 8.8% compared to the same period of 2017.

### 3) Financial Status

As of 31 December 2017, and 30 September 2018, consolidated total assets is 8,269.8 MTHB and 11,182.4 MTHB respectively, increasing by 2,912.6 MTHB or 35.2%. The increase reflects investment in assets in both projects started operating in 2018 and the under construction/development.

As of 31 December 2017, and 30 September 2018, consolidated total liabilities is 4,848.2 MTHB and 7,455.1 MTHB respectively, increasing by 2,607.0 MTHB or 53.8%. 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 September 2018, consolidated total liabilities is 4,848.2 MTHB and 7,455.1 MTHB respectively, whereas total equity is 3,421.7 MTHB and 3,727.3 MTHB respectively. The Debt to Equity ratio as of 31 December 2017 and 30 September 2018 is 1.4 times and 2.0 times respectively.

As of 31 December 2017, and 31 December 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

