

28 February 2019

Topic Management's Discussion and Analysis of results and financial status for the year ended
December 31, 2018

Attention The President
The Stock Exchange of Thailand

Management's Discussion and Analysis of results and financial status

For the year ended December 31, 2018

1) Executive Summary

For the 12 months period ended 31 December 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, Zouen projects in Japan and SNNP1, SNNP2, DoHome Solar rooftop projects and Solar WVO projects in Thailand .
- 4) Leo (Ashita 1) project has entered into Loan Agreement with Japanese financial institution for the projects and has already been started construction.
- 5) SNNP3 and SNNP4 Solar rooftop have been started construction.

For the 12 months period ended 31 December 2017 and 2018, consolidated electricity sale revenue is 871.7 MTHB and 1,096.3 MTHB respectively, increasing by 224.6 MTHB or 25.8% 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), 3 solar rooftop projects (SNNP1, SNNP2 and DoHome) and Solar WVO project in Thailand in 2018, despite lower electricity sale volume of SPN project, However, there were the EPC construction revenues of 32.7 MTHB from Solar rooftop in Thailand booked in 2018.

For the 12 months period ended 31 December 2017 and 2018, consolidated cost of sales is 167.6 MTHB and 341.9 MTHB respectively, increasing by 174.3 MTHB or 104.0% 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 12 months period ended 31 December 2017 and 2018, consolidated gross profit is 704.1 MTHB and 787.3 MTHB respectively, increasing by 83.2 MTHB or 11.8% compared to the same period of 2017, gross profit margin is 80.8% and 69.7% respectively. The increase is mainly as a result of increase in electricity sale volume from the new projects.

For the 12 months period ended 31 December 2017 and 2018, consolidated net profit (attributed to company's shareholders) is 339.8 MTHB and 482.0 MTHB respectively, increasing by 142.2 MTHB or 41.8% compared to the same period of 2017.

For the 12 months period ended 31 December 2017 and 2018, Core Operating Profit¹ is 472.1 MTHB and 498.7 MTHB respectively, increasing by 26.6 MTHB or 5.6% 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 12 months period ended 31 December 2017, unrealized foreign exchange loss is 72.8 MTHB (recorded as administrative expenses). For the period ended 31 December 2018, unrealized foreign exchange loss is 0.6 MTHB (recorded as administrative expenses).
- ii. Uncapitalized construction cost and financial cost during construction for solar project in Japan which are not capitalized as part of asset value, i.e. land lease during construction (excluding minority interest): for the 12 months period ended 31 December 2017, construct and financial cost is 51.5 MTHB. For the 12 months period ended 31 December 2018 is 0 MTHB, which has been capitalized as part of asset value.
- iii. Deferred tax expenses(revenue): for the 12 months period ended 31 December 2017 and 2018, deferred tax expense is 8.0 MTHB and deferred tax revenue is 0.2 MTHB.
- iv. Uncapitalized development cost which are not capitalized as part of asset value: for the 12 months period ended 31 December 2017 and 2018, Uncapitalized development cost is 0 MTHB and 3.2 MTHB respectively.
- v. Unrealized impairment provision: for the 12 months period ended 31 December 2017 and 2018, Unrealized impairment provision is 0 MTHB and 13.2 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 12 months period.

(1) Revenue

Revenue Structure (Unit : MTHB)	Consolidate Financial Statement	
	12 months ended 31-Dec-17	12 months ended 31-Dec-18
Sale revenue from electricity rate (base tariff + Ft) ¹	283.8	292.5
Sale revenue from Adder	587.9	568.7
<u>Sale revenue from electricity sale in Thailand</u>	871.7	861.2
<u>Sale revenue from electricity sale in Japan</u>	0.0	235.1
<u>Total sale revenue from electricity sale</u>	<u>871.7</u>	<u>1,096.3</u>
EPC Construction revenue on Solar rooftop and Service income	0.0	32.9
Other revenue ²	5.4	8.2
<u>Total revenues</u>	<u>877.1</u>	<u>1,137.4</u>

Remark: ¹ included revenue from solar rooftop and Solar WVO projects in Thailand (from 2018 onward)

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

For the 12 months period ended 31 December 2017 and 2018, consolidated electricity sale revenue is 877.1 MTHB and 1,137.4 MTHB respectively, increasing by 260.3 MTHB or 29.7% compared to the same period of 2017. The increase is mainly from new projects started commercial operation, which are 2 projects in Japand being Hidaka and Zouen, and 3 rooftop & 1 solar farm projects in Thailand, being SNNP1, SNNP2, DoHome and Solar WVO in 2018, as well as increase in aveage tariff of SPN project by 0.8%, despite lower electricity sale volume of SPN project by 3.3%.

(2) Cost of Sales

For the 12 months period ended 31 December 2017 and 2018, consolidated cost of sales is 167.6 MTHB and 341.9 MTHB respectively, increasing by 174.3 MTHB or 104.0% compared to the same period of 2017. The increasing is mainly as a result of depreciation and amortization from new projects started commercial operation 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, land lease and costs of EPC construction on Solar rooftop).

Cost of sales (Unit : MTHB)	Consolidate Financial Statement	
	12 months ended 31-Dec-17	12 months ended 31-Dec-18
Operating and maintenance cost	38.2	58.3
Depreciation and amortization	119.5	213.5
Others ¹	9.8	70.1
<u>Cost of sales</u>	<u>167.6</u>	<u>341.9</u>

Remarks: ¹ Others included (but not limited to) electricity, salary and bones, insurance fee, land lease and costs of EPC construction on Solar rooftop.

(3) Gross Profit

For the 12 months period ended 31 December 2017 and 2018, consolidated gross profit is 704.1 MTHB and 787.3 MTHB respectively, increasing by 83.2 MTHB or 11.8 % compared to the same period of 2017, gross profit margin is 80.8 % and 69.7 % respectively. The increase is mainly as a result of increase in electricity sale volume from the new projects started commercial operation in 2018.

(Unit : MTHB)	Consolidate Financial Statement	
	12 months ended 31-Dec-17	12 months ended 31-Dec-18
Sale revenue from electricity sale	871.7	1,129.2
Cost of sales	167.6	341.9
<u>Gross profit</u>	<u>704.1</u>	<u>787.3</u>

(4) Administrative Expenses

For the 12 months period ended 31 December 2017 and 2018, consolidated administrative expenses is 219.9 and 166.8 MTHB respectively, decreasing 53.1 MTHB or 24.1% 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 onwards and decrease of unrealized foreign exchange loss of 72.2 MTHB, although, general administrative expenses increased by 50.7 MTHB from new projects started operating and additional development projects in 2018.

Administrative expenses (Unit : MTHB)	Consolidate Financial Statement	
	12 months ended	12 months ended
	31-Dec-17	31-Dec-18
Unrealized FX (gain)/loss	72.8	0.6
Land lease during construction	31.5	0.0
General G&A expenses ¹	115.6	166.3
<u>Administrative expenses</u>	<u>219.9</u>	<u>166.8</u>

Remarks: ¹ General G&A expenses included unrealized impairment provision of 13.2 MTHB in 2018

(5) Financial Costs

For the 12 months period ended 31 December 2017 and 2018, consolidated financial cost is 146.9 MTHB and 148.2 MTHB respectively, increasing 1.3 MTHB or 0.9% compared to the same period of 2017. The slightly increase is mainly as a result of long term loan drawdown from both Thailand and Japanese financial institution for project investment in 2018.

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

For the 12 months period ended 31 December 2017 and 2018, consolidated net profit (attributed to company's shareholders) is 339.8 MTHB and 482.0 MTHB respectively, increasing by 142.2 MTHB or 41.8% compared to the same period of 2017. The increase is mainly as a result of the contribution from the new projects started commercial poperation during 2018 and decrease of general administrative 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 Proffit is adjusted from net profit attribute to company's shareholder by the items as follows.

Core Operating Profit (Unit : MTHB)	Consolidate Financial Statement	
	12 months ended	12 months ended
	31-Dec-17	31-Dec-18
Net profit distribution to SSP's shareholders	339.8	482.0
Unrealized FX (gain)/loss	72.8	0.6
Uncapitalized land lease during construction and interest for SSP's equity loan (excluded minority interest)	51.5	0.0
Deferred tax (revenue)/expenses	8.0	(0.19)
Uncapitalized development cost	0.0	3.2
Unrealized impairment provision	0.0	13.2
Core Operating Profit (to SSP's shareholders)	472.1	498.7

For the 12 months period ended 31 December 2017 and 2018, core operating profit is 472.1 MTHB and 498.7 MTHB respectively, increasing by 26.6 MTHB or 5.6% compared to the same period of 2017.

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

(1) Revenue

Revenue Structure (Unit: MTHB)	Consolidate Financial Statement	
	Q4/2017	Q4/2018
Sale revenue from electricity rate (base tariff + Ft) ¹	67.3	75.4
Sale revenue from Adder	138.4	142.5
<u>Sale revenue from electricity sale in Thailand</u>	205.7	217.9
<u>Sale revenue from electricity sale in Japan</u>	-	66.6
<u>Total sale revenue from electricity sale</u>	<u>205.7</u>	<u>284.5</u>
EPC Construction revenue on Solar rooftop and Service income	0.0	32.9
Other revenue ²	3.3	3.4
<u>Total revenues</u>	<u>209.0</u>	<u>320.7</u>

Remark: ¹ included revenue from solar rooftop and Solar WVO projects in Thailand (from 2018 onward)

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

For the 3 months period ended 31 December 2017 and 2018, consolidated electricity sale revenue is 205.7 MTHB and 284.5 MTHB respectively, increasing by 78.8 MTHB or 38.3% compared to the same period of 2017. The increase is mainly from commercial operation of new projects and higher electricity sale volume of SPN increased by 3.0% in 2018 compared to the same period of 2017.

(2) Cost of Sales

Cost of sales (Unit: MTHB)	Consolidate Financial Statement	
	Q4/2017	Q4/2018
Operating and maintenance costs	9.8	16.2
Depreciation and amortization	30.1	64.5
Others ¹	2.2	39.3
<u>Cost of sales</u>	<u>42.1</u>	<u>120.1</u>

Remarks: ¹ Others included (but not limited to) electricity, salary and bones, insurance fee, land lease and costs of EPC construction on Solar rooftop.

For the 3 months period ended 31 December 2017 and 2018, consolidated cost of sales is 42.1 MTHB and 120.1 MTHB respectively, increasing by 77.9 MTHB or 184.8% compared to the same period of 2017. The increasing is mainly as a result of depreciation and amortization new projects started commercial operation during the year, and including costs of EPC construction on Solar rooftop in 2018.

(3) Gross Profit

(Unit : MTHB)	Consolidate Financial Statement	
	Q4/2017	Q4/2018
Sale revenue from electricity sale	205.7	317.4
Cost of sales	42.1	120.1
<u>Gross profit</u>	<u>163.5</u>	<u>197.3</u>

For the 3 months period ended 31 December 2017 and 2018, consolidated gross profit is 163.5 MTHB and 197.3 MTHB respectively, increasing by 33.8 MTHB or 20.7% compared to the same period of 2017, gross profit margin is 79.5% and 62.2% respectively. The increase is mainly as a result of increase electricity sale volume of new project, despite increase in cost of sales.

(4) Administrative Expenses

Administrative expenses (Unit : MTHB)	Consolidate Financial Statement	
	Q4/2017	Q4/2018
Unrealized FX (gain)/loss	24.0	(11.5)
Land lease during construction	17.3	0.0
General G&A expenses ¹	29.8	65.1
<u>Administrative expenses</u>	<u>71.0</u>	<u>53.6</u>

Remarks: ¹ General G&A expenses included unrealized impairment provision of 13.2 MTHB in 2018

For the 3 months period ended 31 December 2017 and 2018, consolidated administrative expenses is 71.0 and 53.6 MTHB respectively, decreasing 17.4 MTHB or 24.6% 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 in 2018 onwards and unrealized foreign exchange gain 11.5 MTHB, whereas general administrative expenses increased by 35.3 MTHB.

(5) Financial Costs

For the 3 months period ended 31 December 2017 and 2018, consolidated financial cost is 25.7 MTHB and 44.4 MTHB respectively, increasing 18.7 MTHB or 72.9% compared to the same period of 2017 due to long term loan drawdown from both Thailand and Japanese financial institution for project investment in 2018, and a result of financial cost of 2 projects in Japan started commercial operation, and hence has not been capitalized as capital expenditures.

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

For the 3 months period ended 31 December 2017 and 2018, consolidated net profit (attributed to company's shareholders) is 72.8 MTHB and 104.2 MTHB respectively, increasing by 31.4 MTHB or 43.1% 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 and financial costs.

(7) Core Operating Profit

Core Operating Profit (Unit : MTHB)	Consolidate Financial Statement	
	Q4/2017	Q4/2018
Net profit distribution to SSP's shareholders	72.8	104.2
Unrealized FX (gain)/loss	24.0	(11.5)
Uncapitalized land lease during construction and interest for SSP's equity loan (excluded minority interest)	15.7	0.0
Deferred tax (revenue)/expenses	0.0	(0.05)
Uncapitalized development cost	0.0	3.2
Unrealized impairment provision	0.0	13.2
Core Operating Profit (to SSP's shareholders)	<u>112.5</u>	<u>109.0</u>

For the 3 months period ended 31 December 2017 and 2018, core operating profit is 112.5 MTHB and 109.0 MTHB respectively, decreasing by 3.5 MTHB or 3.1% compared to the same period of 2017.

3) Financial Status

As of 31 December 2017, and 31 December 2018, consolidated total assets is 8,269.8 MTHB and 11,892.7 MTHB respectively, increasing by 3,622.9 MTHB or 43.8%. The increase reflects investment in assets in both projects started operating in 2018 and the under construction/development above mentioned.

As of 31 December 2017, and 31 December 2018, consolidated total liabilities is 4,848.2 MTHB and 8,034.6 MTHB respectively, increasing by 3,186.4 MTHB or 65.7%. The increase is mainly a result of higher long-term borrowing from both Thailand and Japanese financial institution for the investment in projects under construction/development.

As of 31 December 2017, and 31 December 2018, consolidated total liabilities is 4,848.2 MTHB and 8,034.6 MTHB respectively, whereas total equity is 3,421.7 MTHB and 3,858.1 MTHB respectively, or the consolidated Debt to Equity ratio as of 31 December 2017 and 31 December 2018 is 1.4 times and 2.1 times respectively, and the Separate Debt to Equity ratio as of 31 December 2017 and 31 December 2018 is 0.14 times and 0.33 times respectively.

As of 31 December 2017, and 31 December 2018, the companies in the group (where applicable) maintain financial covenants with the conditions of loan agreements. The Company's loan agreement considers financial covenant based on the separate financial statement (i.e. Debt to Equity ratio is not exceed 2.0 times). The company maintain financial covenants with the conditions of loan agreement.

Please be informed accordingly.

Yours sincerely,



Mr. Natthapatt Tanboon-ek

Chief Financial Officer