

14 May 2019

Topic Management's Discussion and Analysis of results and financial status for the first quarter ended March 31, 2019

Attention The President
The Stock Exchange of Thailand

Management's Discussion and Analysis of results and financial status

For the first quarter ended March 31, 2019

1) Executive Summary

For the 3 months period ended 31 March 2018 and 2019, consolidated electricity sale revenue is 221.6 MTHB and 301.0 MTHB respectively, increasing by 79.5 MTHB or 35.9% compared to the same period of 2018. The increase is mainly as a result of full quarter contribution from the new projects started commercial operation, which are Hidaka, Zouen and Solar WVO project, and higher electricity sale volume and average tariff of SPN compared to the same period of 2018. However, there were the EPC construction revenues of 11.6 MTHB from Solar rooftop in Thailand (none for the first quarter of 2018).

For the 3 months period ended 31 March 2018 and 2019, consolidated cost of sales is 52.6 MTHB and 104.1 MTHB respectively, increasing by 51.5 MTHB or 97.9% compared to the same period of 2018. The increase is mainly as a result of contribution from the new projects above mentioned and costs of EPC construction of 9.9 MTHB on Solar rooftop (none for the first quarter of 2018).

For the 3 months period ended 31 March 2018 and 2019, consolidated gross profit is 169.0 MTHB and 208.8 MTHB respectively, increasing by 39.8 MTHB or 23.6% compared to the same period of 2018, gross profit margin is 76.3% and 66.7% respectively. The increase is mainly as a result of increase in electricity sale volume from the projects and gross profit from EPC construction on Solar rooftop in Thailand.

For the 3 months period ended 31 March 2018 and 2019, consolidated net profit (attributed to company's shareholders) is 106.6 MTHB and 124.0 MTHB respectively, increasing by 17.5 MTHB or 16.4% compared to the same period of 2018.

For the 3 months period ended 31 March 2018 and 2019, Core Operating Profit¹ is 116.0 MTHB and 129.7 MTHB respectively, increasing by 13.7 MTHB or 11.8% compared to the same period of 2018. The adjustment items (from net profit to Core Operating Profit) are:

- i. Unrealized foreign exchange gain/loss: for the 3 months period ended 31 March 2018 and 2019, unrealized foreign exchange losses are 9.5 MTHB and 5.7 MTHB respectively (recorded as administrative expenses).
- ii. Deferred tax expenses(revenue): for the 3 months period ended 31 March 2018 and 2019, deferred tax revenue is 0.05 MTHB and 0.06 MTHB respectively.

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

2) Analysis of financial results and financial status

(1) Revenue

Revenue Structure (Unit: MTHB)	Consolidate Financial Statement	
	3 months ended 31-Mar-18	3 months ended 31-Mar-19
Sale revenue from electricity rate (base tariff + Ft)	67.7	72.0
Sale revenue from Adder	135.0	141.4
Sale revenue from Feed-in tariff (FIT) – Soalr WVO	0.0	8.0
Sale revenue from Solar rooftop projects	0.4	4.0
<u>Total sale revenue from electricity sale in Thailand</u>	203.0	225.4
<u>Sale revenue from electricity sale in Japan</u>	18.6	75.6
<u>Total sale revenue from electricity sale</u>	<u>221.6</u>	<u>301.0</u>
EPC Construction revenue and service income on solar rooftop projects	0.0	11.8
Other revenue ¹	0.8	1.1
<u>Total revenues</u>	<u>222.4</u>	<u>313.9</u>

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 31 March 2018 and 2019, consolidated electricity sale revenue is 221.6 MTHB and 301.0 MTHB respectively, increasing by 79.5 MTHB or 39.5% compared to the same period of 2018. The increase is mainly due to full quarter from new projects started commercial operation (which are Hidaka (from the first quarter of 2018) Zouen (from the third quarter of 2018), and Solar WVO (from the fourth

quarter of 2018)), increase in electricity sale volume and average tariff of SPN project by 4.8% and 0.5% respectively, and EPC construction revenues of 11.6 MTHB from Solar rooftop project in Thailand.

(2) Cost of Sales

For the 3 months period ended 31 March 2018 and 2019, consolidated cost of sales is 52.6 MTHB and 104.1 MTHB respectively, increasing by 51.5 MTHB or 97.9% compared to the same period of 2018. The increase is mainly as a result of depreciation and amortization from additional projects started commercial operation above mentioned.

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 of JP projects and costs of EPC construction on Solar rooftop).

Cost of sales (Unit: MTHB)	Consolidate Financial Statement	
	3 months ended 31-Mar-18	3 months ended 31-Mar-19
Operating and maintenance cost	9.8	16.3
Depreciation and amortization	37.4	62.6
Cost of EPC construction on Solar rooftop projects	0.0	9.9
Others ¹	5.4	15.8
<u>Cost of sales</u>	<u>52.6</u>	<u>104.1</u>

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

(3) Gross Profit

For the 3 months period ended 31 Mar 2018 and 2019, consolidated gross profit is 169.0 MTHB and 208.8 MTHB respectively, increasing by 39.8 MTHB or 23.6% compared to the same period of 2018, gross profit margin is 76.3% and 66.7% respectively. The increase is mainly as a result of a fully commercial operation of the additional projects in the first quarter of 2019 and higher electricity sale volume and average tariff of SPN, whereas increase in cost of sale.

(Unit: MTHB)	Consolidate Financial Statement	
	3 months ended	3 months ended
	31-Mar-18	31-Mar-19
Sale revenue from electricity sale and EPC revenue	221.6	312.9
Cost of sales	52.6	104.1
<u>Gross profit</u>	<u>169.0</u>	<u>208.8</u>

(4) Administrative Expenses

For the 3 months period ended 31 March 2018 and 2019, consolidated administrative expenses is 37.3 and 41.1 MTHB respectively, increasing by 3.8 MTHB or 10.2 % compared to the same period of 2018. The increase is mainly as a result of general administration expenses of 35.4 MTHB, although unrealized foreign exchange loss of 5.7 MTHB.

Administrative expenses (Unit: MTHB)	Consolidate Financial Statement	
	3 months ended	3 months ended
	31-Mar-18	31-Mar-19
Unrealized FX (gain)/loss	9.5	5.7
General G&A expenses	27.8	35.4
<u>Administrative expenses</u>	<u>37.3</u>	<u>41.1</u>

(5) Financial Costs

For the 3 months period ended 31 March 2018 and 2019, consolidated financial cost is 26.5 MTHB and 46.1 MTHB respectively, increasing by 19.6 MTHB or 74.0% compared to the same period of 2018. The increase is mainly as a result of additional long-term loan drawdown from both Thailand and Japanese financial institutions for project investment, as well as the accounting practice that the interest stop capitalization after start of commercial operation of constructed projects.

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

For the 3 months period ended 31 March 2018 and 2019, consolidated net profit (attributed to company's shareholders) is 106.6 MTHB and 124.0 MTHB respectively, increasing by 17.5 MTHB or 16.4% compared to the same period of 2018. The increase is mainly as a result of the contribution from the new projects started commercial operation and higher electricity sale volume of SPN, despite increase in cost of sale of the projects and financial cost.

(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	
	3 months ended 31-Mar-18	3 months ended 31-Mar-19
Net profit distribution to SSP's shareholders	106.6	124.0
Unrealized FX (gain)/loss	9.5	5.7
Uncapitalized land lease during construction and interest for SSP's equity loan (excluded minority interest)	0.0	0.0
Deferred tax (revenue)/expenses	(0.05)	(0.06)
Uncapitalized development cost	0.0	0.0
Unrealized impairment provision	0.0	0.0
Core Operating Profit (to SSP's shareholders)	116.0	129.7

For the 3 months period ended 31 March 2018 and 2019, core operating profit is 116.0 MTHB and 129.7 MTHB respectively, increasing by 13.7 MTHB or 11.8% compared to the same period of 2018.

3) Financial Status

As of 31 March 2018, and 31 March 2019, consolidated total assets is 11,892.7 MTHB and 12,240.2 MTHB respectively, increasing by 347.4 MTHB or 2.9%. The increase reflects investment in assets in both projects started operating and the under construction/ development above mentioned.

As of 31 March 2018, and 31 March 2019, consolidated total liabilities is 8,034.6 MTHB and 8,298.4 MTHB respectively, increasing by 263.8 MTHB or 3.3%. 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 March 2018, and 31 March 2019, consolidated total liabilities is 8,034.6 MTHB and 8,298.4 MTHB respectively, whereas total equity is 3,858.1 MTHB and 3,941.8 MTHB respectively, or the consolidated Debt to Equity ratio as of 31 December 2018 and 31 March 2019 is 2.08 times and 2.11 times respectively, and the Separate Debt to Equity ratio as of 31 December 2018 and 31 March 2019 is 0.33 times and 0.32 times respectively.

As of 31 December 2018, and 31 March 2019, the companies in the group (where applicable) can maintain financial covenants as per the conditions of loan agreements.

Please be informed accordingly.

Yours sincerely,



Mr. Natthapatt Tanboon-ek

Chief Financial Officer