

14 August 2019

**Topic** Management's Discussion and Analysis of results and financial status for 2<sup>nd</sup> quarter 2019,  
as of 30<sup>th</sup> June 2019

**Attention** The President  
The Stock Exchange of Thailand

**Management's Discussion and Analysis of results and financial status**

**For the 2<sup>nd</sup> quarter 2019, as of 30<sup>th</sup> June 2019**

**1) Executive Summary**

For the 6 months period ended 30 June 2019, the company has key developments affecting the company's results which is the company has started the commercial operation of Binh Nguyen Solar in Vietnam and SNNP3 Solar rooftop project during the second quarter of 2019.

For the 6 months period ended 30 June 2018 and 2019, consolidated electricity sales revenue is 520.4 MTHB and 699.8 MTHB respectively, increasing by 179.5 MTHB or 34.5% compared to the same period of 2018. The increase is mainly as a result of full quarter contribution from Hidaka project, as well as the new projects started commercial operation, which are Zouen, Solar WVO, Binh Nguyen Solar in Vietnam, and DoHome Solar rooftop project. Furthermore, there were the higher electricity sales volume and average tariff of SPN and the EPC construction revenues of 11.9 MTHB from Solar rooftop in Thailand compared to the same period of 2018 (none revenue of EPC construction on Solar rooftop in the 6 months period of 2018).

For the 6 months period ended 30 June 2018 and 2019, consolidated cost of sales is 133.9 MTHB and 205.8 MTHB respectively, increasing by 71.9 MTHB or 53.7% compared to the same period of 2018. The increasing is mainly as a result of contribution from the new projects above mentioned and costs of EPC construction of 10.1 MTHB on Solar rooftop (none costs of EPC construction on Solar rooftop in the 6 months period of 2018).

For the 6 months period ended 30 June 2018 and 2019, consolidated gross profit is 386.5 MTHB and 506.3 MTHB respectively, increasing by 119.8 MTHB or 31.0% compared to the same period of 2018, gross profit margin is 74.3% and 71.1% respectively. The increase is mainly as a result of the projects started commercial operation above mentioned, despite higher cost of sales.

For the 6 months period ended 30 June 2018 and 2019, consolidated net profit (attributed to company's shareholders) is 259.3 MTHB and 284.5 MTHB respectively, increasing by 25.1 MTHB or 9.7% compared to the same period of 2018.

For the 6 months period ended 30 June 2018 and 2019, Core Operating Profit<sup>1</sup> is 265.5 MTHB and 331.8 MTHB respectively, increasing by 57.6 MTHB or 21.9% 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 6 months period ended 30 June 2018 and 2019, unrealized foreign exchange loss is 6.3 MTHB and 38.7 MTHB respectively (recorded as administrative expenses).
- ii. Deferred tax expenses(revenue): for the 6 months period ended 30 June 2018 and 2019, deferred tax revenue is 0.09 and 0.12 MTHB respectively (recorded as tax revenues).

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 6 months period.

#### (1) Revenue

Revenue Structure (Unit: MTHB)	Consolidated Financial Statement	
	6 months ended 30-Jun-18	6 months ended 30-Jun-19
Sales revenue from electricity rate (Base tariff + Ft)	140.8	153.5
Sales revenue from Adder	285.0	302.2
Sales revenue from Feed-in tariff (FIT) - Solar WVO	-	15.8
Sales revenue from Solar rooftop projects	1.6	8.9
<u>Total sales revenue from electricity sale in Thailand</u>	<u>427.5</u>	<u>480.4</u>
<u>Sales revenue from electricity sale in Japan</u>	<u>92.9</u>	<u>194.3</u>
<u>Sales revenue from Solar farm (Vietnam)</u>	<u>-</u>	<u>25.1</u>
<u>Total sales revenue from electricity sale</u>	<u>520.4</u>	<u>699.8</u>
EPC Construction revenue and Service income on Solar rooftop project	-	12.3
Other revenue <sup>1</sup>	3.5	4.8
<u>Total revenues</u>	<u>523.8</u>	<u>716.9</u>

Remark: <sup>1</sup> 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 2018 and 2019, consolidated electricity sales revenue is 520.4 MTHB and 699.8 MTHB respectively, increasing by 179.5 MTHB or 34.5% compared to the same period of 2018. The increase is mainly due to a full quarter contribution from Hidaka, as well as the new projects started commercial operation, which are Zouen and DoHome Solar rooftop project (from the 3<sup>rd</sup> quarter of 2018), Solar WVO (from the 4<sup>th</sup> quarter of 2018) and Binh Nguyen Solar from Vietnam (from the 2<sup>nd</sup> quarter of 2019), increase in electricity sales volume and average tariff of SPN project by 6.0% and 0.9% respectively and EPC construction revenues and Service income of 12.3 MTHB from Solar rooftop project in Thailand.

#### (2) Cost of Sales

For the 6 months period ended 30 June 2018 and 2019, consolidated cost of sales is 133.9 MTHB and 205.8 MTHB respectively, increasing by 71.9 MTHB or 53.7% compared to the same period of 2018. The

increasing is mainly as a result of depreciation and amortization from new 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 and costs of EPC construction on Solar rooftop).

Cost of sales (Unit: MTHB)	Consolidated Financial Statement	
	6 months ended 30-Jun-18	6 months ended 30-Jun-19
Operating and maintenance cost	26.5	33.3
Depreciation and amortization	91.7	131.1
Cost of EPC construction on Solar rooftop projects	-	10.1
Others <sup>1</sup>	15.7	31.3
<u>Cost of sales</u>	<u>133.9</u>	<u>205.8</u>

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

### (3) Gross Profit

For the 6 months period ended 30 June 2018 and 2019, consolidated gross profit is 386.5 MTHB and 506.3 MTHB respectively, increasing by 119.8 MTHB or 31.0% compared to the same period of 2018, gross profit margin is 74.3% and 71.1% respectively. The increase is mainly as a result of increase in electricity sales volume from full quarter operation of Hidaka and the new project started commercial operation during the past period. In addition, there was increase in electricity sales volume and average tariff from SPN, in spite of higher cost of sales.

Gross Profit (Unit: MTHB)	Consolidated Financial Statement	
	6 months ended 30-Jun-18	6 months ended 30-Jun-19
Sales revenue from electricity sale and EPC construction	520.4	712.1
Cost of sales	133.9	205.8
<u>Gross profit</u>	<u>386.5</u>	<u>506.3</u>

#### (4) Administrative Expenses

For the 6 months period ended 30 June 2018 and 2019, consolidated administrative expenses is 66.6 and 117.7 MTHB respectively, increasing 51.1 MTHB or 76.7% compared to the same period of 2018. The increase is mainly as a result of increase in unrealized foreign exchange loss and general & administrative expense by 32.5 MTHB and 18.6 MTHB respectively due to the new projects started commercial operation and additional project development during the past period.

Administrative expenses (Unit: MTHB)	Consolidated Financial Statement	
	6 months ended 30-Jun-18	6 months ended 30-Jun-19
Unrealized FX (gain)/loss	6.3	38.7
General & Administrative expenses	60.3	79.0
<u>Administrative expenses</u>	<u>66.6</u>	<u>117.7</u>

#### (5) Financial Costs

For the 6 months period ended 30 June 2018 and 2019, consolidated financial cost is 62.3 MTHB and 94.8 MTHB respectively, increasing 32.5 MTHB or 52.1% compared to the same period of 2018. The increase is mainly as a result of long-term loan drawdown from Thailand financial institution for project investment, as well as the accounting practice that the financial expense is not capitalize as capital expenditures after started commercial operation of Japan projects (Hidaka & Zouen).

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

For the 6 months period ended 30 June 2018 and 2019, consolidated net profit (attributed to company's shareholders) is 259.3 MTHB and 284.5 MTHB respectively, increasing by 25.1 MTHB or 9.7% compared to the same period of 2018. The increase is mainly as a result of increase in electricity sales volume of SPN, full quarter revenue recognition of Hidaka and the contribution from the new projects started commercial operation, despite expansion of cost of sales, general & administrative expense and financial expense.

#### (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)	Consolidated Financial Statement	
	6 months ended 30-Jun-18	6 months ended 30-Jun-19
Net profit distribution to SSP's shareholders	259.3	284.5
Unrealized FX (gain)/loss	6.3	38.7
Deferred tax (revenue)/expenses	(0.09)	(0.12)
<u>Core Operating Profit</u>	<u>265.5</u>	<u>323.1</u>

For the 6 months period ended 30 June 2018 and 2019, core operating profit is 265.5 MTHB and 323.1 MTHB respectively, increasing by 57.6 MTHB or 21.7% compared to the same period of 2018.

## 2.2) Analysis of financial results and financial status for the 2<sup>nd</sup> quarter.

### (1) Revenue

Revenue Structure (Unit: MTHB)	Consolidate Financial Statement	
	Q2/2018	Q2/2019
Sales revenue from electricity rate (Base tariff + Ft)	73.2	81.5
Sales revenue from Adder	150.1	160.8
Sales revenue from Feed-in tariff (FIT) - Solar WVO	-	7.9
Sales revenue from Solar rooftop projects	1.3	4.8
<u>Total sales revenue from electricity sale in Thailand</u>	<u>224.5</u>	<u>255.0</u>
<u>Sales revenue from electricity sale in Japan</u>	<u>74.3</u>	<u>118.7</u>
<u>Sales revenue from electricity sale in Vietnam</u>	<u>-</u>	<u>25.1</u>
<u>Total sales revenue from electricity sale</u>	<u>298.8</u>	<u>398.8</u>
EPC Construction revenue and service income on Solar rooftop projects	-	0.5
Other revenue <sup>1</sup>	2.6	3.7
<u>Total revenues</u>	<u>301.4</u>	<u>403.0</u>

Remark: <sup>1</sup> 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 2018 and 2019, consolidated electricity sales revenue is 298.8 MTHB and 398.8 MTHB respectively, increasing by 100.0 MTHB or 33.5% compared to the same period of 2018. The increase is mainly from started commercial operation of new projects, which are Zouen, Solar WVO, and Binh Nguyen Solar in Vietnam, as well as the higher electricity sales volume of SPN and Hidaka increased by 7.1% and 22.7% respectively compared to the same period of 2018.

## (2) Cost of Sales

Cost of sales (Unit: MTHB)	Consolidated Financial Statement	
	Q2/2018	Q2/2019
Operating and maintenance costs	16.7	17.0
Depreciation and amortization	54.3	68.9
Cost of EPC construction on Solar rooftop projects	-	0.2
Others <sup>1</sup>	10.2	15.5
<u>Cost of sales</u>	<u>81.3</u>	<u>101.7</u>

Remarks: <sup>1</sup> Others included (but not limited to) electricity, salary and bones, insurance fee, rental of JP projects and costs of EPC construction on Solar rooftop.

For the 3 months period ended 30 June 2018 and 2019, consolidated cost of sales is 81.3 MTHB and 101.7 MTHB respectively, increasing by 20.4 MTHB or 71.9% compared to the same period of 2018. The increasing is mainly as a result of depreciation and amortization new projects started commercial operation above mentioned during the year.

## (3) Gross Profit

Gross Profit (Unit: MTHB)	Consolidated Financial Statement	
	Q2/2018	Q2/2019
Sales revenue from electricity sale	298.8	399.3
Cost of sales	81.3	101.7
<u>Gross profit</u>	<u>217.6</u>	<u>297.6</u>

For the 3 months period ended 30 June 2018 and 2019, consolidated gross profit is 217.6 MTHB and 297.6 MTHB respectively, increasing by 80.0 MTHB or 36.8% compared to the same period of 2018, gross profit margin is 72.8% and 74.5% respectively. The increase is mainly as a result of the projects started commercial operation above mentioned, as well as increasing electricity sales volume of SPN and Hidaka, and average tariff from SPN despite increase in cost of sales.

## (4) Administrative Expenses

Administrative expenses (Unit: MTHB)	Consolidate Financial Statement	
	Q2/2018	Q2/2019
Unrealized FX (gain)/loss	(1.6)	33.0
General G&A expenses	30.9	43.6
<u>Administrative expenses</u>	<u>29.3</u>	<u>76.6</u>



For the 3 months period ended 30 June 2018 and 2019, consolidated administrative expenses is 29.3 and 76.6 MTHB respectively, increasing 47.3 MTHB or 161.1% compared to the same period of 2018. The increase is mainly as a result of unrealized foreign exchange loss of 33.0 MTHB, as well as increase in general administrative expenses by 12.6 MTHB because of the new projects started commercial operation and additional project development during the past period.

#### (5) Financial Costs

For the 3 months period ended 30 June 2018 and 2019, consolidated financial cost is 35.8 MTHB and 48.7 MTHB respectively, increasing 12.9 MTHB or 36.0% compared to the same period of 2018 due to long term loan drawdown from both Thailand and Japanese financial institution for project investment, and a result of financial cost of Zouen project started commercial operation in the 3<sup>rd</sup> quarter 2018, and hence has not been capitalized as capital expenditures.

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

For the 3 months period ended 30 June 2018 and 2019, consolidated net profit (attributed to company's shareholders) is 152.8 MTHB and 160.5 MTHB respectively, increasing by 7.7 MTHB or 5.0% compared to the same period of 2018. The increase is mainly as a result of the contribution from increase in electricity sales volume of SPN and Hidaka, as well as new projects started commercial operation, although project cost of sales, general administrative expense and financial costs are higher.

#### (7) Core Operating Profit

Core Operating Profit (Unit: MTHB)	Consolidate Financial Statement	
	Q2/2018	Q2/2019
Net profit distribution (to SSP's shareholders)	152.8	160.5
Unrealized FX (gain)/loss	(1.6)	33.0
Deferred tax (revenue)/expenses	(0.05)	(0.06)
<u>Core Operating Profit</u>	<u>151.1</u>	<u>193.4</u>

For the 3 months period ended 30 June 2018 and 2019, core operating profit is 151.1 MTHB and 193.4 MTHB respectively, increasing by 42.3 MTHB or 28.0% compared to the same period of 2018.

### 3) Financial Status

As of 31 December 2018, and 30 June 2019, consolidated total assets is 11,892.7 MTHB and 12,696.2 MTHB respectively, increasing by 803.4 MTHB or 6.8%. The increase reflects investment in assets in both projects started operating and the under construction/ development above mentioned.

As of 31 December 2018, and 30 June 2019, consolidated total liabilities is 8,034.6 MTHB and 8,824.3 MTHB respectively, increasing by 789.7 MTHB or 9.8%. 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 2018, and 30 June 2019, consolidated total liabilities is 8,034.6 MTHB and 8,824.3 MTHB respectively, whereas total equity is 3,858.1 MTHB and 3,871.9 MTHB respectively, or the consolidated Debt to Equity ratio as of 31 December 2018 and 30 June 2019 is 2.08 times and 2.28 times respectively, and the Separate Debt to Equity ratio as of 31 December 2018 and 30 June 2019 is 0.33 times and 0.47 times respectively.

As of 31 December 2018, and 30 June 2019, 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,

(Ms.Thantaporn Kraipisitkul)

Chief Financial Officer (Acting)