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Topic Management's Discussion and Analysis of financial results and financial status for the 3rd quarter 2019, ended 30th September 2019

Attention President
The Stock Exchange of Thailand

Management Discussion & Analysis of Business Operation
For the the Financial Result of 9 months ended 30th September, 2019

1) Executive Summary

For Q3'2019, the significant development of the group of companies consisted of the achievement of commercial operation of Khunsight Kundi solar power project in Mongolia and the full period revenue recognition of Binh Nguyen solar power project in Vietnam which started operation in late of Q2'2019.



Khunsight Kundi solar power project in Mongolia



Binh Nguyen solar power project in Vietnam

The performance of Q3'2019 has continuously increased compared with the same period last year. Summary of the financial result of Q3'2019 and for the period of 9 months ended September 30, 2019 is shown below:

Consolidated Financial Statement (Unit: MTHB)	Q3/18	Q3/19	Change	9M/18	9M/19	Change
Total Revenue	292.8	398.5	36.1%	816.7	1,115.5	36.6%
EBITDA ¹	221.4	312.5	41.2%	642.7	875.8	36.3%
Net Profit (to SSP's Shareholders)	118.5	144.0	21.5%	377.8	428.5	13.4%
Core Operating Profit	124.3	155.3	25.0%	389.7	478.4	22.8%
EBITDA Margin (%)	75.6%	78.4%		78.7%	78.5%	
Net Profit Margin (%)	40.5%	36.1%		46.3%	38.4%	
Core Operating Profit Margin (%)	42.4%	39.0%		47.7%	42.9%	

Remark: ¹ EBITDA excluded unrealized FX gain/loss

For 3Q'2019, total revenues were recorded at 398.5 million Baht, 36.1% increase from the same period last year. Net profit and core operating profit were 144 million Baht and 155.3 million Baht, increased by 21.5% and 25% respectively. EBITDA was 312.5 million Baht, 41.2% increase from the same period last year.

For the period of 9 months ended 30th September 2019, total revenues were 1,115.5 million Baht, increased by 36.6% from the same period last year. Net profit and EBITDA were 428.5 million Baht and 875.8 million Baht, reporting 38.4% net profit margin and 78.5% EBITDA margin respectively. Core Operating Profit increased by 22.8% to 478.4 million Baht which is accounted for 43% of total revenues.

2) Analysis of financial results and financial status

2.1) Analysis of financial results

(1) Revenue

Consolidated Financial Statement Revenue Structure (Unit: MTHB)	Q3/18	Q3/19	Change	9M/18	9M/19	Change
Sale revenue from electricity rate (Base tariff + Ft)	70.5	98.4		211.3	224.0	
Sale revenue from Adder	141.1	139.0		426.1	441.2	
Sale revenue from Feed-in tariff (FIT) - Solar WVO	-	7.2		-	23.1	
Sale revenue from Solar rooftop projects	4.2	4.3		5.8	13.2	
Total Sale revenue from electricity sale in Thailand	215.8	249.0		643.3	701.5	
Sale revenue from electricity sale in Japan	75.7	89.9		168.5	284.3	
Sale revenue from electricity sale in Vietnam	-	57.6		-	82.7	
Sale revenue from electricity sale in Mongolia	-	27.9		-	27.9	
Total Sale revenue from electricity sale	291.4	396.5	36.1%	811.8	1,096.3	35.0%
EPC Construction revenue and service income on Solar rooftop projects	-	0.2		-	12.5	
Other revenues ¹	1.4	1.9		4.8	6.7	
Total revenues	292.8	398.5	36.1%	816.7	1,115.5	36.6%

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

The main source of company's revenue was from electricity sale. The consolidated electricity sale in Q3'2019 was 396.5 million Baht and in 9M'2019 was 1,096.3 million Baht, increased from the same period last year by 36.1% and 35% respectively. The increase of revenue was contributed by this year new commercial operation projects ie. Binh Nguyen solar power (Vietnam) and Khunsight Kundi solar power (Mongolia), full period contribution from 2018 commercial operation projects ie. Hidaka and Zouen (Japan) and WVO solar and DoHome solar rooftop (Thailand) as well as the increase of electricity production volume and average tariff of SPN solar. In addition, the company has recorded income from construction of solar rooftop in Thailand.

(2) Cost of Sales

Consolidated Financial Statement Cost of Sales (Unit: MTHB)	Q3/18	Q3/19	Change	9M/18	9M/19	Change
Operating and maintenance costs	15.6	37.8		42.1	54.9	
Depreciation and amortization	57.3	94.3		149.0	225.4	
Cost of EPC construction on Solar rooftop projects	-	-		-	10.1	
Others ¹	15.0	0.4		30.7	48.0	
Total cost of sales	88.0	132.6	50.8%	221.8	338.4	52.6%

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

The consolidated cost of sales increased in line with the revenue increase and mainly due to the increase of depreciation and amortization which arose from the above mentioned new commercial operation projects.

(3) Gross Profit

Consolidated Financial Statement Gross Profit (Unit: MTHB)	Q3/18	Q3/19	Change	9M/18	9M/19	Change
Total Sale revenue from electricity sale and EPC construction	291.4	396.7		811.8	1,108.8	
Total cost of sales	88.0	132.6		221.8	338.4	
Gross profit	203.5	264.1	29.8%	590.0	770.4	30.6%

Consolidated gross profit was 264.1 million Baht in 3Q'2019 and 770.4 million Baht in 9M'2019, up by 29.8% and 30.6% from the same period last year, and consistent with the growth of revenue.

(4) Administrative Expenses

Consolidated Financial Statement Administrative Expenses (Unit: MTHB)	Q3/18	Q3/19	Change	9M/18	9M/19	Change
Unrealized FX loss(gain)	5.8	11.4		12.1	50.1	
General G&A expenses	40.8	47.8		101.2	126.7	
Total administrative expenses	46.6	59.2	26.9%	113.2	176.9	56.2%

In 3Q'2019, the consolidated administrative expenses increased to 59.2 million Baht, compared with 46.6 million Baht in 3Q'2018 and 9M'2019 consolidated administrative expenses was 176.9 million Baht, compared with 113.2 million Baht of 9M'2019. The higher expenses consisted of general and administrative expenses of new projects and unrealized foreign exchange loss caused by the effect of Baht appreciation on intercompany loan denominated in foreign currency.

(5) Financial Costs

Consolidated Financial Statement Financial Cost (Unit: MTHB)	Q3/18	Q3/19	Change	9M/18	9M/19	Change
Financial Cost	41.4	52.7	36.0%	103.8	147.5	42.4%

Consolidated financial costs increased in both 3Q'2019 and 9M'2019 period. The reasons came from the increase of long-term debt for investment in new projects and the record of interest expenses after commercial operation started for projects in Japan.

(6) Net Profit (attributed to company's shareholders) and Core Operating Profit

Consolidated Financial Statement Core Operating Profit (Unit: MTHB)	Q3/18	Q3/19	Change	9M/18	9M/19	Change
Net profit distribution to SSP's shareholders	118.5	144.0	21.5%	377.8	428.5	13.4%
Unrealized FX (gain)/loss	5.8	11.4		12.1	50.1	
Deferred tax (revenue)/expenses	(0.05)	(0.06)		(0.14)	(0.18)	
Core Operating Profit (to SSP's shareholders)	124.3	155.3	25.0%	389.7	478.4	22.8%

Consolidated net profit increased in both 3Q'2019 and 9M'2019 period which was in line with the increase of revenue. For 3Q'2019 and 9M'2019, consolidated net profit was 144.0 million Baht and 428.5 million Baht, increased from the same period last year by 21.5% and 13.4% respectively.

Core Operating Profit also increased in both 3Q'2019 and 9M'2019 period. For 3Q'2019 and 9M'2019, Core Operating Profit was 155.3 million Baht and 478.4 million Baht, increased from the same period last year by 25.0% and 22.8% respectively.

Core Operation Profit is the key performance indicator of management and board of directors to evaluate the company's financial results, and consider, together with dividend policy, for the payment of dividend. The adjustment items (from net profit to core operating profit) for 3Q'2019 and 9M'2019 are:

- i. Unrealized foreign exchange loss of 11.4 million Baht (3Q'2019) and 50.1 million Baht (9M'2019) (recorded as administrative expenses)
- ii. Deferred tax revenue of 0.06 million Baht (3Q'2019) and 0.18 million Baht (9M'2019) (recorded as tax revenues)

2.2 Financial Status

Consolidated Financial Statement Financial Status (Unit: MTHB)	31 Dec 2018	30 Sep 2019	Change
Total Assets	11,892.7	12,884.5	8.3%
Total Liabilities	8,034.6	8,869.1	10.4%
Total Equity	3,858.1	4,015.4	4.1%
Total Equity (To SSP's shareholders)	3,533.5	3,683.0	4.2%
Debt to Equity Ratio (Consolidated)	2.08	2.21	
Debt to Equity Ratio (Company)	0.33	0.55	

As at 30th September 2019, consolidated total assets were 12,884.5 million Baht, increased from 11,892.7 million Baht as at 31st December 2018 or 8.3% increase. Most of total assets were property, plant and equipment of power plant which accounted for 73% of total assets.

Consolidated total liabilities were 8,869.1 million Baht, increased from 8,034.6 million Baht as at 31st December 2018 or 10.4% increase. Most of liabilities were long-term loans from financial institutions in Thailand and Japan for the purpose of investment in new projects. Consolidated total equity were 4,015.4 million Baht, increased from 3,858.1 million Baht as at 31st December 2018, or 4% increase.

Consolidated Debt to Equity ratio slightly increased to 2.21 times (consolidated) and 0.55 times (company only)

Please be informed accordingly

Your sincerely,

(Ms.Sukunya Phokhakul)

Chief Financial Officer