

9 November 2017

**Topic** Management's Discussion and Analysis of results and financial status for 3<sup>rd</sup> quarter 2017,  
as of 30 September 2017

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

Management's Discussion and Analysis of results and financial status

For 3<sup>rd</sup> quarter 2017, as of 30 September 2017

1) Executive Summary

For the 9 months period ended 30 September 2016 and 2017, consolidated electricity sale revenue is 660.0 MTHB and 666.0 MTHB respectively, increasing by 6.0 MTHB or 0.9% compared to the same period of 2016. The increase is mainly as a result of higher electricity sale volume despite lower average electricity tariff (which comprised of base tariff, Ft, and Adder), which decrease for the period of Jan-Sep 2017 compared to Jan-Sep 2016.

For the 9 months period ended 30 September 2016 and 2017, consolidated cost of sales is 127.0 MTHB and 125.5 MTHB respectively, immaterially decreasing by 1.5 MTHB or 1.2% compared to the same period of 2016.

For the 9 months period ended 30 September 2016 and 2017, consolidated gross profit is 533.0 MTHB and 540.6 MTHB respectively, increasing by 7.5 MTHB or 1.4% compared to the same period of 2016, whereas gross profit margin is 80.8% and 81.2% respectively. The increase is mainly as a result of increase in electricity sale revenue, which is driven by higher electricity sale volume, and decrease in cost of sales.

For the 9 months period ended 30 September 2016 and 2017, consolidated net profit (attributed to company's shareholders) is 385.9 MTHB and 267.0 MTHB respectively, decreasing by 118.9 MTHB or 30.8% compared to the same period of 2016.

For the 9 months period ended 30 September 2016 and 2017, consolidated adjusted operating profit is 367.9 MTHB and 359.6 MTHB respectively, decreasing by 8.3 MTHB or 2.2% compared to the same period of 2016 (more details in section 2.7). The adjustment items (from net profit to adjusted operating profit) are:

- (i) Unrealized foreign exchange gain/loss: for the 9 months period ended 30 September 2016, unrealized foreign exchange gain is 28.6 MTHB, which is recorded as other revenues. For the 9 months period ended 30 September 2017, unrealized foreign exchange loss is 48.8 MTHB, which is recorded as administrative expenses.
- (ii) Uncapitalized construction cost: for the 9 months period ended 30 September 2016 and 2017, construct cost for solar project in Japan which is not capitalized as capital expenditures, i.e. land lease for Hidaka project, is 1.8 MTHB and 10.9 MTHB respectively (excluding minority interest).
- (iii) Uncapitalized financial cost during construction: for the 9 months period ended 30 September 2016 and 2017, financial cost during construction for solar project in Japan which is not capitalized as capital expenditures is 8.8 MTHB and 25.0 MTHB respectively.
- (iv) Deferred tax expenses/revenue: for the 9 months period ended 30 September 2016, deferred tax revenue is 0.04 MTHB. For the 9 months period ended 30 September 2017, deferred tax expense is 8.0 MTHB.

## 2) Analysis of financial results and status

### 2.1) Revenue

Revenue Structure (Unit : MTHB)	Consolidate Financial Statement			
	9 months ended 30-Sep-16	9 months ended 30-Sep-17	Q3/2016	Q3/2017
Sale revenue from electricity rate (base tariff + Ft)	218.0	216.5	70.0	72.2
Sale revenue from Adder	442.0	449.5	145.4	146.0
Sale revenue from electricity sale	660.0	666.0	215.4	218.2
Other revenues <sup>1</sup>	31.7	2.1	6.2	0.5
Total sale revenues	691.8	668.2	221.7	218.7

Remark: <sup>1</sup> Other revenues included (but not limited to) import tax, interest revenue, revenue related to power development fund, and unrealized fx gain.

For the 9 months period ended 30 September 2016 and 2017, consolidated electricity sale revenue is 660.0 MTHB and 666.0 MTHB respectively, increasing by 6.0 MTHB or 0.9% compared to the same period of 2016. The increase is mainly as a result of higher electricity sale volume despite

lower average electricity tariff, which decrease for the period of Jan-Sep 2017 compared to Jan-Sep 2016. Sale revenue from electricity sale comprised of (1) sale revenue from grid tariff (Base Tariff + Ft) and (2) sale revenue from Adder.

Project	Contracted Capacity (40 MW)	Consolidate Financial Statement			
		9 months ended 30 September 2016	9 months ended 30 September 2017	Q3/2016	Q3/2017
Sermsang Solar Project	(MTHB)	660.0	666.0	215.4	218.2
Electricity Volume	(MWh)	67,994	69,159	22,375	22,461
Average Tariff Rate	(THB/KWh)	9.707	9.631	9.627	9.713

For the 9 months period ended 30 September 2016 and 2017, consolidated other revenue is 31.7 and 2.1 MTHB respectively, decreasing 29.6 MTHB or 93.4% compared to the same period of 2016. The decrease is mainly as a result of unrealized foreign exchange gain of 28.6 MTHB booked for the 9 months period ended 30 September 2016.

For the 3 months period ended 30 September 2016 and 2017, consolidated electricity sale revenue is 215.4 MTHB and 218.2 MTHB respectively, increasing by 2.8 MTHB or 1.3% compared to the same period of 2016. The increasing is mainly as a result of higher electricity volume and average tariff. Consolidated other revenue decreases from 6.2 MTHB to 0.5 MTHB. The decreasing is mainly as a result of unrealized foreign change gain of 4.8 MTHB booked for the 3 months period ended 30 September 2016.

## 2.2) Cost of Sales

For the 9 months period ended 30 September 2016 and 2017, consolidated cost of sales is 127.0 MTHB and 125.5 MTHB respectively, immaterially decreasing by 1.5 MTHB or 1.2% compared to the same period of 2016.

For the 3 months period ended 30 September 2016 and 2017, consolidated cost of sales is 42.4 MTHB and 42.1 MTHB respectively, immaterially decreasing by 0.2 MTHB or 0.5% compared to the same period of 2016.

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, and insurance fee).



Cost of sales (Unit : MTHB)	Consolidated Financial Statement			
	9 months ended 30-Sep-2016	9 months ended 30-Sep-2017	Q3/2016	Q3/2017
Operating and maintenance cost	28.5	28.4	9.5	9.5
Depreciation and amortization	89.4	89.4	30.0	30.1
Others <sup>1</sup>	9.1	7.6	2.9	2.5
<b>Cost of sales</b>	<b>127.0</b>	<b>125.5</b>	<b>42.4</b>	<b>42.1</b>

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

### 2.3) Gross Profit

For the 9 months period ended 30 September 2016 and 2017, consolidated gross profit is 533.0 MTHB and 540.6 MTHB respectively, increasing by 7.5 MTHB or 1.4% compared to the same period of 2016, whereas gross profit margin is 80.8% and 81.2% respectively. The increase is mainly as a result of increase in electricity sale revenue, which is driven by higher electricity sale volume.

For the 3 months period ended 30 September 2016 and 2017, consolidated gross profit is 173.1 MTHB and 176.0 MTHB respectively, increasing by 3.0 MTHB or 1.7% compared to the same period of 2016.

(Unit : MTHB)	Consolidated Financial Statement			
	9 months ended 30-Sep-2016	9 months ended 30-Sep-2017	Q3/2016	Q3/2017
Sale Revenue	660.0	666.0	215.4	218.2
Cost of sales	127.0	125.5	42.4	42.1
<b>Gross Profit</b>	<b>533.0</b>	<b>540.6</b>	<b>173.1</b>	<b>176.0</b>

### 2.4) Administrative Expenses

For the 9 months period ended 30 September 2016 and 2017, consolidated administrative expenses is 65.3 and 148.9 MTHB respectively, increasing 83.5 MTHB or 127.8% compared to the same period of 2016. The increase is mainly as a result of (1) unrealized foreign exchange loss of 48.8 MTHB, (2) increase of staff expenses as a result of increase of headcount to support business expansion both locally and internationally, and (3) increase of uncapitalized construction cost of project under construction (i.e. land lease during construction of Hidaka project).

For the 3 months period ended 30 September 2016 and 2017, consolidated administrative expenses is 24.3 and 71.4 MTHB respectively, increasing 47.1 MTHB or 193.9% compared to the same period of 2016. The increase is mainly as a result of unrealized foreign change loss of 38.0 MTHB

(Unit : MTHB)	Consolidated Financial Statement			
	9 months ended 30-Sep-2016	9 months ended 30-Sep-2017	Q3/2016	Q3/2017
Unrealized FX loss	0.0	48.8	0.0	38.0
Land lease during construction	2.1	12.5	2.1	4.2
General G&A expenses	63.3	87.5	22.2	29.2
<b>Administrative expenses</b>	<b>65.3</b>	<b>148.9</b>	<b>24.3</b>	<b>71.4</b>

## 2.5) Financial Costs

For the 9 months period ended 30 September 2016 and 2017, consolidated financial cost is 111.7 MTHB and 121.2 MTHB respectively, increasing 9.5 MTHB or 8.5% compared to the same period of 2016. The increase is mainly as a result of increase in long-term borrowing for projects under construction and development which is uncapitalized as capital expenditures. Uncapitalized financial cost during construction is 8.8 MTHB and 25.0 MTHB for the 9 months ended 30 September 2016 and 2017 respectively.

For the 3 months period ended 30 September 2016 and 2017, consolidated financial cost is 37.4 MTHB and 43.8 MTHB respectively, increasing 6.4 MTHB or 17.2% compared to the same period of 2016. The increase is mainly as a result of increase in long-term borrowing for projects under construction and development which is uncapitalized as capital expenditures. Uncapitalized financial cost during construction is 8.8 MTHB and 10.5 MTHB for the 3 months ended 30 September 2016 and 2017 respectively.

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

For the 9 months period ended 30 September 2016 and 2017, consolidated net profit attributed to company's shareholders is 385.9 MTHB and 267.0 MTHB respectively, decreasing by 118.9 MTHB or 30.8% compared to the same period of 2016. The decrease is mainly as a result of (1) unrealized foreign exchange loss booked in profit and loss statement, (2) increase of general

administration expenses, and (3) increase of uncanceled construction costs of project under construction (i.e. Hidaka project).

The net profit attributed to company's shareholders for the 3 months period ended 30 September 2016 and 2017 is 115.4 MTHB and 54.1 MTHB respectively, decreasing by 61.7 MTHB or 53.3% compared to the same period of 2016.

## 2.7) Adjusted Operating Profit

Adjusted 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.

Adjusted Operating Profit is adjusted from net profit attribute to company's shareholder by the items as follows.

Adjusted Operating Profit (Unit : MTHB)	Consolidate Financial Statement			
	9 months ended 30-Sep-16	9 months ended 30-Sep-17	Q3/2016	Q3/2017
Net profit distribution to SSP's shareholders	385.9	267.0	115.8	54.1
Unrealized FX (gain)/loss	-28.6	48.8	-4.8	38.0
Uncanceled construction cost during construction (excluding minority interest)	1.8	10.9	1.8	3.6
Uncanceled financial cost during construction	8.8	25.0	8.8	10.5
Deferred tax (revenue)/expenses	-0.04	8.0	-0.03	8.0
Adjusted Operating Profit (to SSP's shareholders)	367.9	359.6	121.6	114.2

For the 9 months period ended 30 September 2016 and 2017, adjusted operating profit is 367.9 MTHB and 359.6 MTHB respectively, decreasing by 8.3 MTHB or 2.2% compared to the same period of 2016. The decrease is mainly as a result of increase in general administrative expenses.

For the 3 months period ended 30 September 2016 and 2017, adjusted operating profit is 121.6 MTHB and 114.2 MTHB respectively, decreasing by 7.5 MTHB or 6.1% compared to the same period of 2016. The decrease is mainly as a result of increase in general administrative expenses.

## 2.8) Financial Status

As of 31 December 2016, and 30 September 2017, consolidated total assets is 4,962.6 MTHB and 7,698.5 MTHB respectively, increasing by 2,735.9 MTHB or 55.1% compared to the same period of 2016. The increase reflects increase in assets in the projects under construction and under development, and increase in cash and cash equivalent from the results of initial public offering (IPO).

As of 31 December 2016, and 30 September 2017, consolidated total liabilities is 3,665.8 MTHB and 4,386.9 MTHB respectively, increasing by 721.1 MTHB or 19.7% compared to the same period of 2016. The increase is mainly a result of higher long-term borrowing from Japanese financial institution for the investment in projects under construction/development, despite the repayment of long-term loan at SSP's level (using of fund obtained from initial public offering (IPO)).

As of 31 December 2016, and 30 September 2017, consolidated total liabilities is 3,665.8 MTHB and 4,386.9 MTHB respectively, whereas total equity is 1,296.8 MTHB and 3,311.6 MTHB respectively. The increase of equity is mainly as a result of proceeds from IPO booked in 3<sup>rd</sup> quarter 2017. The Debt to Equity ratio as of 31 December 2016 and 30 September 2017 is 2.8 times and 1.3 times respectively.

As of 31 December 2016, and 30 September 2017, 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