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27 February 2019

Subject Management Discussion and Analysis for the year ended 31 December 2018

To The president
The Stock Exchange of Thailand

The Board Meeting of Thai Solar Energy Public Company Limited resolved to approve the Interim Consolidated and Separate financial statements for the year ended 31 December 2018. The Company would like to inform Management Discussion and Analysis details as follow;

Management Discussion and Analysis for the year ended 31 December 2018

1. Revenue from Sales and Services

In 2018, the company has revenue increased amounting of THB 309.81 million from projects distribution of electricity of new Biomass 4.60 MW in Surat Thani province and 17.60 MW in Nakhon Sri Thammarat province which start operation date since March 2018, August 2018 and October 2018, respectively. Revenue also increased from projects distribution of electricity in Japan amounting of THB 18.36 million which distribution of electricity in Japan increased from 6.99 MW to 8.24 MW, also with the new acquired 2 MW solar farm in Angthong province, caused the increment in total revenue compare to last year. The company generated total revenue from sales and services for year 2018 amounting of THB 561.37 million, which increased by THB 332.37 million or 145.14% compared to THB 229 million last year. (The revenue from sales and services did not include the revenue from 80 MW of solar farm which was recognized the contribution through share of profit from investments of 60% in jointly controlled entities).

2. Cost of Sales and Expenses

Total cost of sales and services for the year 2018 amounting of THB 435.17 million, which increased by THB 257.93 million or 145.53% compared to THB 177.24 million last year. The increment mainly came from cost of production of Biomass projects and depreciation from the projects which has started commercial operation date. The Company's gross profit margin for 2018 was 22.48% which decreased from 22.60% in 2017.

Total administrative expenses for the year 2018 amounting of THB 206.69 million, which increased by THB 58 million or 39% compared to THB 148.69 million last year due to the increased in employee expenses and professional fee to support future projects.

In 2018, the Company recognized impairment loss of Thermal project assets amounting of THB 296 million since the project cannot generate revenue effectively. The impairment is considered as non-cash transaction and does not affect the Company's cash management. Although the transaction caused the significantly decrease in net profit but it will also cause the decrease in future depreciation and expenses by approximately THB 40 million each year.

Total finance costs for the year 2018 amounting of THB 123.24 million, which increased by THB 10.74 million or 9.55% compared to THB 112.50 million. The increment mainly came from interest expenses of the projects that start operation date during the year 2018.

3. Share of Profit from Investment in Jointly Controlled Entities

According to Thai Accounting Standards with regards to an investment in joint controlled entities, the company recognizes an investment in joint controlled entities based on equity method. This concept was applied for the 80-MW solar PV farm. The details are as followed;

Financial Performance of joint controlled entities based on equity method

Unit : THB million

Items	31 December		Increase (Decrease)	
	2018	2017	Amount	%
Revenue	1,487.76	1,555.59	(67.83)	(4.36)
Cost and expenses	(470.78)	(577.33)	106.55	18.46
Net Profit	1,016.98	978.26	38.72	3.96
Share of Profit from Investment in Jointly Controlled Entities (60%)	610.19	586.95	23.24	3.96

Net profit of joint controlled entities for the year 2018 amounting of THB 1,016.98 million, increased by THB 38.72 million or 3.96% compared to THB 978.26 million last year. The company has consistent strong operation performance with the consistent net profit. Net profit from jointly controlled entities would be categorized by the equity method in terms of share of profit from jointly controlled entities. In 2018, the amount of share of profit from jointly controlled entities amounting to THB 610.19 million, increased by THB 23.24 million or 3.96%, comparing to THB 586.95 million last year.

4. Profit attributable to Owners of the parent

According to the consolidated financial statement for the year 2018, the profit attribute to owners amounting of THB 173.95 million, decreased by THB 241.81 million or 58.16% compared to THB 415.76 million last year. Main decrease came from non-cash transactions which are impairment loss of Thermal project amounting of THB 296 million and written-off Deferred tax assets amounting of THB 76 million.

Please be informed accordingly.

Your sincerely,

- signed -

(Mr. Somphop Prompanapitak)
Chief Operating Officer

For more information, please contact Support Office Department

Tel. 02-258 4530 - 3 # 2401, 2405