

TSE(PCL) 010/08-2017

11 August 2017

Subject Management Discussion and Analysis for the three-month and six-month period
ended 30 June 2017

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 3 months and 6 months ended 30 June 2017. The Company would like to inform Management Discussion and Analysis details as follow;

1. Revenue from Sales and Services

The company generated total revenue from sales and services for the six-month period of Q2/2017 amounting of THB 119.83 million, which increased by 20% compared to THB 99.04 million of the same period last year. In the same time, total revenue from sales and services for the three-month period of Q2/2017 amounting of THB 65.24 million, higher than the same period last year 10.37%.

- Increase in revenue from sales and services from COD of new projects

The increment mainly came from starting of commercial operation date of 4 projects in Japan and one project in Thailand.

- Consistency in revenue from sales and services from existing operating projects

(Anyway, the revenue from sales and services did not include the revenue from 80 MW of solar farm which was THB 757 million. The company recognized this project performance in the statement of income in form of the contribution through share of profit from investments in jointly controlled entities).

2. Cost of Sales and Expenses

Total cost of sales and services for the six-month period of Q2/2017 amounting of THB 84.46 million, which increased by 16.88% compared to THB 72.26 million of the same period last year. The cost of sales and services for the three-month period of Q2/2017 amounting of THB 44 million, increased by 5.85% compared to THB 41.57 million.

- Increase in cost of sales and services from depreciation THB 15.94 million
- Improved of company's gross profitability

The company's gross profit margin for the six-month period of Q2/2017 amounting of THB 35.37 million, increased from THB 26.78 million of the same period last year by 32.08%. Gross margin of Q2/2017 is 29.52% better than Q2/2016 which shown 27.04%. The same direction as gross profit margin for the three-month period of Q2/2017 amounting of THB 21.24 million, increased from THB 17.54 million of the same period last year by 21.09%. Gross margin for the three-month period is 32.56% increased from 29.67% of Q2/2016.

- Increase in administrative expenses partially support future sustainable growth

Total administrative expenses for the six-month period of Q2/2017 amounting of THB 71.27 million, increased by 16.74% compared to THB 61.05 million of the same period last year. The increasing mainly came from loss on exchange rate and employee expenses increased to support future projects.

Finance cost for the six-month period of Q2/2017 was THB 58.34 million, which increased by 197.35%, comparing to the same period last year. The increasing mainly came from interest expenses from issuance of bond to support sustainable growth and future projects. According to the project plan, the first biomass projects will be commercial operation date in Q1/2018.

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	For the six-month period			
	30 June		Increase (Decrease)	
	2017	2016	Amount	%
Revenue	827.91	781.15	46.76	5.99
Cost and expenses	(325.74)	(275.80)	49.94	18.10
Net Profit	502.17	505.35	(3.18)	(0.63)
Share of Profit from Investment in Jointly Controlled Entities (60%)	301.30	303.21	(1.91)	(0.63)

- Consistent performance of Joint controlled entities

Net profit of joint controlled entities for the six-month period of Q2/2017 amounting of THB 502.17 million, comparing to THB 505.35 million of the same period last year. The amount of share of profit from jointly controlled entities amounting to THB 301.30 million, comparing to THB 303.21 million of the same period last year. Net profit from jointly controlled entities would be categorized by the equity method in terms of share of profit from jointly controlled entities.

4. Profit attributable to Owners of the parent

According to the consolidated financial statement for the six-month period of Q2/2017, the profit attribute to owners of Q2/2017 amounting of THB 224.75 million, decreased by 22.48% compared to THB 289.92 million of the same period last year. The comprehensive income of Q2/2017 amounting of THB 207.62 million, compared to THB 380.65 million of the same period last year.

The decrease mainly came from loss on currency translation, depreciation, and interest expenses to support sustainable growth and future projects

Sincerely yours,

-Somphop Prompanapitak-
(Mr. Somphop Prompanapitak)
Chief Operating Officer