

TSE(PCL) 001/08-2018

14 August 2018

Subject : Management Discussion and Analysis Quarter 2 Ending 30 June 2018

To : The President
The Stock Exchange of Thailand

The Board Meeting of Thai Solar Energy Public Company Limited resolved to approve the Financial Statement Quarter 2/2018 (Reviewed) ended 30 June 2018. The Company would like to inform Management Discussion and Analysis details as follows:

Management Discussion and Analysis for the three-month and six-month period ended 30 June 2018

1. Revenue from Sales and Services

The company generated total revenue from sales and services for the six-month period of Q2/2018 amounting of THB 165.99 million compared to THB 119.83 million of the same period last year, which increased by THB 46.16 million or 38.52%. In the same time, total revenue from sales and services for the three-month period of Q2/2018 amounting of THB 108.16 million compared to THB 65.24 million, higher than the same period last year of THB 42.92 million or 65.79%.

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

The increment mainly came from starting of commercial operation date of the new biomass 4.60 MW in Surat Thani province which start operation date since March 2018. The company generated total revenue from sales and services for the six-month period of Q2/2018 amounting of THB 41 million, and for the three-month period of Q2/2018 amounting of THB 37 million.

Moreover, the increment also came from distribution of electricity from the 6 solar farms in Japan, in Ibaraki, Toyama and Fukui, which started commercial operation date. The distribution of electricity in Japan increased from 5.00 MW to 8.24 MW in Q2/2018, which makes revenue increased from THB 40 million to THB 43 million or 7.5% for the six-month period of Q2/2018.

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

In the same time, the revenue from Solar Rooftop projects 14 MW slightly decrease comparing to the same period last year due to operation stop for maintenance during the year. The company recognized revenue from Solar Rooftop projects THB 55 million for the six-month period of Q2/2018 comparing to THB 56 million of the same period last year.

(Anyway, the revenue from sales and services did not include the revenue from 80 MW of solar farm which was THB 758 million, 0.2% increased from the same period last year. The company recognized this project performance in the statement of income in form of 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 six-month period of Q2/2018 amounting of THB 132.08 million compared to THB 84.46 million of the same period last year, which increased by THB 47.62 million or 56.38%. In the same time, the cost of sales and services for the three-month period of Q2/2018 amounting of THB 78.80 million compared to THB 44.00 million of the same period last year, increased by THB 34.80 million or 79.09%.

- Increase in cost of sales and services of projects that started commercial operation date

The increment mainly came from raw materials and operating costs amounting of THB 38 million for the six-month period compared to the same period last year. Also with the increase in depreciation amounting of THB 10 million which from the starting of commercial operation date of the projects, this is not effect to the cashflow of the company.

- Decreased in company's gross profitability

The company's gross profit margin for the six-month period of Q2/2018 amounting of THB 33.90 million, decreased from THB 35.37 million of the same period last year by THB 1.47 million or 4.15%. Gross margin of Q2/2018 is 20.43% less than Q2/2017 which shown 29.52%. While gross profit margin for the three-month period of Q2/2018 amounting of THB 29.35 million, increased from THB 21.24 million of the same period last year by THB 8.11 million or 38.18%. Gross margin for the three-month period is 27.14% decreased from 32.56% of Q2/2017.

- Increase in administrative expenses partially support future sustainable growth

Total administrative expenses for the six-month period of Q2/2018 amounting of THB 94.97 million compared to THB 71.27 million of the same period last year, increased by THB 23.70 million or 33.25%. The increasing mainly came from employee expenses increased to support future projects and professional fees for future projects.

Finance cost for the six-month period of Q2/2018 was THB 51.74 million, which decreased by THB 6.60 million or 11.31%, comparing to the same period last year. The decreasing mainly came from capitalized borrowing costs to assets for developing projects. While finance cost for the three-month period of Q2/2018 was THB 35.55 million, which increased by THB 4 million or 12.68%, comparing to the same period last year since several projects started commercial 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	For the six-month period			
	30 June		Increase (Decrease)	
	2018	2017	Amount	%
Revenue	763.44	827.91	(64.47)	(7.79)
Cost and expenses	(240.88)	(325.74)	84.86	26.05
Net Profit	522.56	502.17	20.39	4.06
Share of Profit from Investment in Jointly Controlled Entities (60%)	313.54	301.30	12.24	4.06

- Good and consistent performance of Joint controlled entities

Net profit of joint controlled entities for the six-month period of Q2/2018 amounting of THB 552.26 million compared to THB 502.17 million of the same period last year, increased by THB 20.39 million or 4.06%. The amount of share of profit from jointly controlled entities amounting to THB 313.54 million comparing to THB 301.30 million of the same period last year, increased by THB 12.24 million or 4.06%. The company has consistent strong operation performance with the consistent net profit over THB 500 million. The decrement of revenue and expenses are partially from gain on compensation from insurance and loss on termination agreements in 2017 with the net amount of THB 3 million. 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 Q2/2018, the profit attribute to owners amounting of THB 216.94 million compared to THB 224.75 million of the same period last year, decreased by THB 7.81 million or 3.47%. [For the three-month period of Q2/2018, the profit attribute to owners amounting of THB 106.84 million compared to THB 94.52 million of the same period last year, increased by THB 12.32 million or 13.03%.](#)

The comprehensive income for the six-month period of Q2/2018 amounting of THB 349.70 million compared to THB 207.62 million of the same period last year, which increased by THB 142.08 million. [The comprehensive income for the three-month period of Q2/2018 amounting of THB 188.44 million compared to THB 78.99 million of the same period last year, which increased by THB 109.45 million. The decrease mainly came from loss on currency translation which positively presented in Q2/2018 but negatively presented in Q2/2017, increased by THB 148.82 million for the six-month period and THB 96.63 million for the three-month period.](#)

Please be informed accordingly,

Yours faithfully,

- Signed -

(Mr. Somphop Prompanapitak)

Chief Operating Officer