

TSE(PCL) 003/11-2017

14 November 2017

Subject Management Discussion and Analysis for Q3/2017 ended 30 September 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 9 months ended 30 September 2017. The Company would like to inform Management Discussion and Analysis details as follow;

Management Discussion and Analysis for the three-month and nine-month period ended 30 September 2017

1. Revenue from Sales and Services

The company generated total revenue from sales and services for the nine-month period of Q3/2017 amounting of THB 180.09 million, which increased by THB 28.96 million or 19% compared to THB 151.13 million of the same period last year. In the same time, total revenue from sales and services for the three-month period of Q3/2017 amounting of THB 60.27 million, higher than the same period last year THB 52.08 million or 16% compared to THB 52.08 million.

- 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. The distribution of electricity in Japan increased to 5.00 MW from the commercial operation date of the project at the end of Q3/2016, which makes revenue increased from THB 32 million to THB 60 million or 87.5% in the first nine-month period of Q3/2017. Moreover, the company also realized the strong performance of the new 1 MW solar farm in Prachuap Khiri Khan province which start commercial operation date since January 2017.

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

The revenue from sales and services did not include the revenue from 80 MW of solar farm amounting to THB 1,124 million, which has slightly increase 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.

In the same time, the revenue from Solar Rooftop projects 14 MW slightly decrease comparing to the same period last year due to the heavy rain in January and early rainy season in this year. The company recognized revenue from Solar Rooftop projects THB 83.67 million in the nine-month period of Q3/2017 comparing to THB 86.82 million of the same period last year.

2. Cost of Sales and Expenses

Total cost of sales and services for the nine-month period of Q3/2017 amounting of THB 126.45 million, which increased by THB 19.21 million or 18% compared to THB 107.24 million of the same period last year. The cost of sales and services for the three-month period of Q3/2017 amounting of THB 41.99 million, increased by THB 7.02 million or 20% compared to THB 34.98 million.

- Depreciation increase in accordance with new COD units

The increment mainly came from depreciation from THB 43.32 million for the nine-month period of Q3/2016 compared to THB 61.57 million of Q3/2017 which from the starting of commercial operation date of the projects, this is not affect to the cashflow of the company.

- Increase in company's gross profit

The company's gross profit margin for the nine-month period of Q3/2017 amounting of THB 53.64 million, increased from THB 43.89 million of the same period last year by THB 9.75 million or 22.21%. Gross margin for the nine-month period of Q3/2017 is 29.79% slightly higher than Q3/2016 which shown 29.04%. The same direction as gross profit margin for the three-month period of Q3/2017 amounting of THB 18.27 million, increased from THB 17.11 million of the same period last year by THB 1.16 million or 6.78%. Gross margin for the three-month period is 30.32% decreased from 32.85% of Q3/2016.

- Increase in administrative expenses partially support future sustainable growth

Total administrative expenses for the nine-month period of Q3/2017 amounting of THB 107.59 million, increased by THB 16.29 million or 18% compared to THB 91.30 million of the same period last year. The increasing mainly came from loss on exchange rate THB 18.58 million while the company has gain on exchange rate THB 32.67 million for the nine-month period of Q3/2016 and also with employee expenses increased to support future projects. In the same time, the company has THB 14.74 million decreased in professional expenses and fees from the starting phase projects since 2016.

Finance cost for the nine-month period of Q3/2017 was THB 93.06 million, which increased by THB 61.62 million or 196%, comparing to the same period last year. The increasing mainly came from interest expenses from issuance of bond of THB 3,000 million to support sustainable growth and future projects. According to the project plan, the first biomass projects will be commercial operation date in Q2/2018.

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 nine-month period			
	30 September		Increase (Decrease)	
	2017	2016	Amount	%
Revenue	1,196.90	1,133.57	63.33	5.58%
Cost and expenses	(452.57)	(415.86)	36.71	8.83%
Net Profit	744.33	717.71	26.62	3.71%
Share of Profit from Investment in Jointly Controlled Entities (60%)	446.60	430.63	15.97	3.71%

- Consistent performance of Joint controlled entities

Net profit of joint controlled entities for the nine-month period of Q3/2017 amounting of THB 744.33 million, increased by THB 26.62 million or 3.71% compared to THB 717.71 million of the same period last year. The amount of share of profit from jointly controlled entities amounting to THB 446.60 million, increased by THB 15.97 million or 3.71%, comparing to THB 430.63 million of the same period last year. The company has consistent strong operation performance with the consistent net profit.

4. Profit attributable to Owners of the parent

According to the consolidated financial statement for the nine-month period of Q3/2017, the profit attribute to owners of Q3/2017 amounting of THB 325.37 million, decreased by THB 68.06 million or 17% compared to THB 393.43 million of the same period last year. The comprehensive income of Q3/2017 amounting of THB 281.88 million, which decreased by THB 206.79 million compared to THB 488.67 million of the same period last year.

- The decrease mainly came from loss on currency translation which positively presented in Q3/2016 for the nine-month period of THB 95.71 million but negatively presented in Q3/2017 of THB 42.50 million, decreased by THB 138.21 million. The decrease also from the increased of interest expenses from bond THB 61.62 million and increased in depreciation expenses THB 18.95 million.

According to the consolidated financial statement for the three-month period of Q3/2017, the profit attribute to owners of Q3/2017 amounting of THB 100.62 million, decreased by THB 2.90 million or 2.88% compared to THB 103.52 million of the same period last year. The comprehensive income of Q3/2017 amounting of THB 74.26 million, which decreased by THB 33.76 million compared to THB 108.02 million of the same period last year.

- The decrease mainly came from loss on currency translation which positively presented in Q3/2016 for the three-month period of THB 4.97 million but negatively presented in Q3/2017 of THB 26.48 million, decreased by THB 31.45 million. The decrease also from the increased of interest expenses from bond THB 22.90 million and increased in depreciation expenses THB 3.89 million.

Sincerely yours,

-Signed-

(Mr. Somphop Prompanapitak)
Chief Operating Officer