

TSE (PCL) 002/11-2018

13 November 2018

Subject : Management Discussion and Analysis Quarter 3 Ending 30 September 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 3/2018 (Reviewed) ended 30 September 2018. The Company would like to inform Management Discussion and Analysis details as follows:

Management Discussion and Analysis for the three-month and nine-month period ended 30 September 2018

1. Revenue from Sales and Services

The company generated total revenue from sales and services for the three-month period of Q3/2018 amounting of THB 142.51 million compared to THB 60.27 million, higher than the same period last year of THB 82.24 million or 136.45%. In the same time, total revenue from sales and services for the nine-month period of Q3/2018 amounting of THB 308.51 million compared to THB 180.10 million of the same period last year, which increased by THB 128.42 million or 71.30%.

- 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 and 8.80 MW in Nakhon Si Thammarat province which start operation date since March 2018 and August 2018, respectively. The company generated total revenue from sales and services for the three-month period of Q3/2018 amounting of THB 73.23 million, and for the nine-month period amounting of THB 114.40 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 Q3/2018, which makes revenue increased from THB 20 million to THB 32 million or 60% for the three-month period of Q3/2018.

- 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 25 million for the three-month period of Q3/2018 comparing to THB 28 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 for the three-month period of Q3/2018 which was THB 340 million, 8% decreased 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 three-month period of Q3/2018 amounting of THB 109.84 million compared to THB 41.99 million of the same period last year, increased by THB 67.85 million or 161.58%. In the same time, the cost of sales and services for the nine-month period of Q3/2018 amounting of THB 241.93 million compared to THB 126.45 million of the same period last year, which increased by THB 115.48 million or 91.32%.

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

The increment for the three-month period mainly came from raw materials and operating costs amounting of THB 50.85 million compared to the same period last year. Also with the increase in depreciation amounting of THB 18.83 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 margin for the three-month period is 22.93% decreased from 30.32% of Q3/2017. While gross profit margin for the three-month period of Q3/2018 amounting of THB 32.67 million, increased from THB 18.27 million of the same period last year by THB 14.40 million or 78.82%.

In the same time, gross margin for the nine-month period of Q3/2018 is 21.58% less than Q3/2017 which shown 29.79%. While gross profit margin for the nine-month period of Q3/2018 amounting of THB 66.58 million, increased from THB 53.64 million of the same period last year by THB 12.94 million or 24.12%.

- Increase in administrative expenses partially support future sustainable growth

Total administrative expenses for the three-month period of Q3/2018 amounting of THB 60.08 million compared to THB 36.32 million of the same period last year, increased by THB 23.76 million or 65.42%. The increasing mainly came from employee expenses increased to support future projects and professional fees for future projects.

Finance cost for the three-month period of Q3/2018 was THB 38.76 million, which increased by THB 4.04 million or 11.63%, comparing to the same period last year since several projects started commercial operation date during the year 2018. While finance cost for the nine-month period of Q3/2018 was THB 90.51 million, which decreased by THB 2.55 million or 2.74%, comparing to the same period last year. The decreasing mainly came from capitalized borrowing costs to assets for developing projects.

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 three-month period			
	30 September		Increase (Decrease)	
	2018	2017	Amount	%
Revenue	340.28	368.99	(28.71)	(7.78)
Cost and expenses	(118.41)	(126.83)	8.42	6.64
Net Profit	221.87	242.16	(20.29)	(8.38)
Share of Profit from Investment in Jointly Controlled Entities (60%)	133.12	145.29	(12.17)	(8.38)

- Good and consistent performance of Joint controlled entities

Net profit of joint controlled entities for the three-month period of Q3/2018 amounting of THB 221.87 million compared to THB 242.16 million of the same period last year, decreased by THB 20.29 million or 8.38%. The amount of share of profit from jointly controlled entities amounting to THB 133.12 million comparing to THB 145.29 million of the same period last year, decreased by THB 12.17 million or 8.38%. The company has consistent strong operation performance even with gain on compensation from insurance and loss on termination agreements in 2017 which caused the decrement of revenue and expenses 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 three-month period of Q3/2018, the profit attribute to owners amounting of THB 124.43 million compared to THB 100.62 million of the same period last year, increased by THB 23.81 million or 23.66%. For the nine-month period of Q3/2018, the profit attribute to owners amounting of THB 341.37 million compared to THB 325.37 million of the same period last year, increased by THB 16 million or 4.91%.

The comprehensive loss for the three-month period of Q3/2018 amounting of THB 60.32 million compared to comprehensive income of THB 74.74 million of the same period last year, which decreased by THB 135.06 million. The decrease mainly came from loss on currency translation which negatively presented in three-month period of Q3/2018 but positively presented in Q3/2017. While the comprehensive income for the nine-month period of Q3/2018 amounting of THB 289.38 million compared to THB 283.80 million of the same period last year, which increased by THB 5.58 million.

Please be informed accordingly,

Yours faithfully,

- Signed –

(Mr. Somphop Prompanapitak)

Chief Operating Officer