

- Translation -

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14 August 2019

Subject Management Discussion and Analysis Quarter 2 Ended 30 June 2019

To The president  
The Stock Exchange of Thailand

The Board Meeting of Thai Solar Energy Public Company Limited ("the Company") held on 14 August 2019 resolved to approve the Financial Statement Quarter 2/2019 (Reviewed) ended 30 June 2019. The Company would like to inform Management Discussion and Analysis details as follow;

**Management Discussion and Analysis for the three-month and six-month period ended 30 June 2019**

**1. Revenue from Sales and Services**

The group has total revenue from sales and services for the three-month period of Q2/2019 amounting of THB 372.18 million compared to THB 108.16 million, higher than the same period last year of THB 264.02 million or 244.10%. In the same time, total revenue from sales and services for the six-month period of Q2/2019 amounting of THB 672.03 million compared to THB 165.99 million of the same period last year, which increased by THB 506.04 million or 304.86%.

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

The group has revenue increased from fully recognized revenue of Biomass 4.60 MW in Surat Thani province which start operation date since March 2018 and revenue from projects distribution of electricity of new Biomass 17.60 MW in Nakhon Sri Thammarat province which start operation date since August 2018 and October 2018, total increase amounting of THB 171.42 million for the three-month period of Q2/2019 compared to THB 37.59 million of the same period last year, which increased by 456.03%. Total increase of revenue amounting of THB 364.95 million for the six-month period compared to THB 41.17 million of the same period last year, which increased by 886.45%.

Moreover, the increment also came from distribution of electricity from the 7 solar farms in Japan, which started commercial operation date. The distribution of electricity in Japan increased from 8.24 MW to 21.74 MW in Q2/2019, total revenue increased amounting of THB 75.93 million for the three-month period of Q2/2019 compared to THB 27.90 million of the same period last year, which increased by 272.15%. Total increase of revenue amounting of THB 116.73 million for the six-month period compared to THB 42.78 million of the same period last year, which increased by 272.86%.

- Increase in revenue from sales and services from new acquired projects

The group has revenue from new acquired projects in October 2018 and March 2019, 2 MW solar farm in Angthong province and 5 MW in Ayudthaya province, respectively. The group has revenue increased by THB 15.43 million for the three-month period of Q2/2019 and increased by THB 23.72 million for the six-month period.

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

In the same time, the revenue from Solar Rooftop projects 14 MW consistent comparing to the same period last year. The group recognized revenue from Solar Rooftop projects total of THB 28.67 million for the three-month period of Q2/2019 and THB 54.34 million for the six-month period.

(The revenue from sales and services did not include the revenue from 80 MW of solar farm which was THB 780 million, 3% 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 joint ventures).

## 2. Cost of Sales and Expenses

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

Total cost of sales and services for the three-month period of Q2/2019 amounting of THB 221.22 million compared to THB 78.80 million of the same period last year, increased by THB 142.42 million or 180.74%. In the same time, the cost of sales and services for the six-month period of Q2/2019 amounting of THB 419.65 million compared to THB 132.08 million of the same period last year, which increased by THB 287.57 million or 217.72% due to operation costs of Biomass projects and depreciation from the starting of commercial operation date of the projects.

- Increase in company's gross profitability

The group's gross profit margin for the three-month period of Q2/2019 amounting of THB 150.96 million, compared to THB 29.35 million of the same period last year, increased by THB 121.61 million or 414.34%. Gross margin for the three-month period is 40.56% increased from 27.14% of Q2/2018. While gross profit margin for the six-month period of Q2/2019 amounting of THB 252.38 million, compared to THB 33.90 million of the same period last year, increased by THB 218.48 million or 644.48%. Gross margin of Q2/2019 is 37.55% higher than Q2/2018 which shown 20.43%.

- Increase in administrative expenses partially support future sustainable growth

Total administrative expenses for the six-month period of Q2/2019 amounting of THB 115.52 million compared to THB 94.97 million of the same period last year, increased by THB 20.55 million or 21.64%. The increasing mainly came from administrative expenses and amortization of Power purchase agreement which from the starting of commercial operation date of the projects, this is not effect to the cashflow of the company.

- Increase in finance costs of projects that started commercial operation date

Finance costs for the three-month period of Q2/2019 was THB 67.92 million, which increased by THB 32.37 million or 91.05%, comparing to the same period last year. In the same time, finance costs for the six-month period of Q2/2019 was THB 113.89 million, which increased by THB 62.15 million or 120.12%, comparing to the same period last year. The increasing mainly came from projects that started commercial operation date during the year.

## 3. Share of Profit from Investment in Joint Ventures

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

*Financial Performance of joint ventures based on equity method*

Unit : THB million

Items	30 June		Increase (Decrease)	
	2019	2018	Amount	%
<b>For the three-month period</b>				
Revenue	400.90	387.69	13.21	3.41
Cost and expenses	(111.47)	(119.77)	8.30	6.93
Net Profit	289.43	267.92	21.51	8.03
Share of Profit from Joint Ventures (60%)	173.66	160.75	12.91	8.03

Items	30 June		Increase (Decrease)	
	2019	2018	Amount	%
<b>For the six-month period</b>				
Revenue	781.36	763.44	17.92	2.35
Cost and expenses	(225.09)	(240.88)	15.79	6.55
Net Profit	556.27	522.56	33.71	6.45
Share of Profit from Joint Ventures (60%)	333.76	313.54	20.22	6.45

- Good and consistent performance of Joint ventures

Net profit of joint ventures for the three-month period of Q2/2019 amounting of THB 289.43 million compared to THB 267.92 million, increased by THB 21.51 million or 8.03%. The amount of share of profit from joint ventures amounting to THB 173.66 million comparing to THB 160.75 million of the same period last year, increased by THB 12.91 million or 8.03%.

For the six-month period of Q2/2019, net profit of joint ventures amounting of THB 556.27 million compared to THB 552.26 million of the same period last year, increased by THB 33.71 million or 6.45%. The amount of share of profit from joint ventures amounting to THB 333.76 million comparing to THB 313.54 million of the same period last year, increased by THB 20.22 million or 6.45%. The company has consistent strong operation performance with the consistent net profit over THB 500 million. Net profit from joint ventures would be categorized by the equity method in terms of share of profit from joint ventures.

#### 4. Profit attributable to Owners of the parent

According to the consolidated financial statement for the three-month period of Q2/2019, the profit attribute to owners amounting of THB 208.39 million compared to THB 106.84 million of the same period last year, increased by THB 101.55 million or 95.05%. For the six-month period of Q2/2019, the profit attribute to owners amounting of THB 355.12 million compared to THB 216.94 million of the same period last year, increased by THB 138.18 million or 63.69%.

The comprehensive income for the three-month period of Q2/2019 amounting of THB 177.47 million compared to THB 188.31 million of the same period last year, which decreased by THB 10.84 million. The comprehensive income for the six-month period of Q2/2019 amounting of THB 210.39 million compared to THB 349.70 million of the same period last year, which decreased by THB 139.31 million. The decrease mainly came from loss on currency translation which positively presented in 2018 but negatively presented in 2019, decreased by THB 112.38 million for the three-month period and THB 277.51 million for the six-month period.

Please be informed accordingly.

Your sincerely,

- signed -

(Mr. Somphop Prompanapitak)

Chief Operating Officer

For more information, please contact Support Office Department

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