

No. TSE(PCL) 003/08-2020

13 August 2020

Subject: Management discussion and analysis quarter 2 ending 30 June 2020

To: The President
The Stock Exchange of Thailand

The Board Meeting of Thai Solar Energy Public Company Limited ("the Company") held on 13 August 2020 resolved to approve the financial statement Q2/2020 (Reviewed) ended 30 June 2020. The Company would like to inform Management Discussion and Analysis details as follow;

Management Discussion and Analysis for the 3 month and 6 month period ended 30 June 2020

1. Revenue from Sales and Services

The group has total revenue from sales and services for the three-month period of Q2/2020 amounting of THB 419.38 million compared to THB 372.18 million, higher than the same period last year by THB 47.20 million or 12.68%. In the same time, total revenue from sales and services for the six-month period of Q2/2020 amounting of THB 790.44 million compared to THB 672.03 million of the same period last year, which increased by THB 118.41 million or 17.62%.

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

The group has revenue increased from fully recognized revenue from projects acquired during 2019 total of 18 MW in Ayudthaya, Udonrthani and Angthong province, caused the increase in revenue of THB 48.36 million for the three-month period of Q2/2020 and THB 103.54 million for the six-month period.

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

The group has revenue increased from 3 Biomass projects total of 22.2 MW, 7 solar farms in Japan total of 21.74 MW and solar rooftop projects 14 MW. Total revenue increased amounting of THB 15.78 million for the six-month period of Q2/2020 compared to THB 619.97 million of the same period last year, increased by 2.55%.

(The revenue from sales and services did not include the revenue from 80 MW of solar farm which was THB 781.37 million, 0.01% 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 joint ventures).

2. Cost of Sales and Expenses

- Increase in cost of sales and services from new acquired projects

Total cost of sales and services for the three-month period of Q2/2020 amounting of THB 258.54 million compared to THB 221.22 million of the same period last year, increased by THB 37.32 million or 16.87%. In the same time, the cost of sales and services for the six-month period amounting of THB 500.00 million compared to THB 419.65 million of the same period last year, which increased by THB 80.35 million or 19.15% due to fully recognized operation costs of new acquired projects and costs of Biomass projects that increase in relation to revenue.

- Increase in company's gross profitability

The group's gross profit margin for the three-month period of Q2/2020 amounting of THB 160.84 million, compared to THB 150.96 million of the same period last year, increased by THB 9.88 million or 6.54%. Gross margin for the three-month period is 38.35% decreased from 40.56% of Q2/2019. While gross profit margin for the six-month period of

Q2/2020 amounting of THB 290.44 million, compared to THB 252.38 million of the same period last year, increased by THB 38.06 million or 15.08%. Gross margin of Q2/2020 is 36.74% lower than Q2/2019 which shown 37.55%.

- Increase in administrative expenses partially support future sustainable growth

Total administrative expenses for the three-month period of Q2/2020 amounting of THB 94.08 million compared to THB 46.34 million of the same period last year, increased by THB 47.74 million or 103.02%. Total administrative expenses for the six-month period of Q2/2020 amounting of THB 159.81 million compared to THB 111.15 million of the same period last year, increased by THB 48.66 million or 43.78%. The increasing mainly came from professional fee expenses for future projects and impairment of assets which no effect to cashflow.

- Increase in finance costs from new acquired projects

Finance costs for the three-month period of Q2/2020 was THB 93.11 million, which increased by THB 25.19 million or 37.09%, comparing to the same period last year.

In the same time, finance costs for the six-month period of Q2/2020 was THB 155.65 million, which increased by THB 41.76 million or 36.67%, comparing to the same period last year. The increasing mainly came from finance costs of new acquired projects and finance costs of leases according to first time adoption of TFRS 16 in 2020.

3. Share of Profit from Investment in Jointly Controlled Entities

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

Items	30 June		Increase (Decrease)	
	2020	2019	Amount	%
For the 3 month period				
Revenue	392.27	400.90	(8.63)	(2.15)
Cost and expenses	(108.95)	(111.47)	2.52	2.26
Net Profit	283.32	289.43	(6.11)	(2.11)
Share of Profit from Joint Ventures (60%)	169.99	173.66	(3.67)	(2.11)
For the 6 month period				
Revenue	781.37	781.36	0.01	0.01
Cost and expenses	(217.07)	(225.09)	8.02	3.56
Net Profit	564.30	556.27	8.03	1.44
Share of Profit from Joint Ventures (60%)	338.58	333.76	4.82	1.44

- Good and consistent performance of Joint ventures

Net profit of joint ventures for the three-month period of Q2/2020 amounting of THB 283.32 million compared to THB 289.43 million, decreased by THB 6.11 million or 2.11%. The amount of share of profit from joint ventures amounting to THB 169.99 million comparing to THB 173.66 million of the same period last year, decreased by THB 3.67 million or 2.11%.

For the six-month period of Q2/2020, net profit of joint ventures amounting of THB 564.30 million compared to THB 556.27 million of the same period last year, increased by THB 8.03 million or 1.44%. The amount of share of profit from joint ventures amounting to THB 338.58 million comparing to THB 333.76 million of the same period last year, increased by THB 4.82 million or 1.44%. 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 Q2/2020, the profit attribute to owners amounting of THB 242.38 million compared to THB 208.39 million of the same period last year, increased by THB 33.99 million or 16.31%. For the six-month period of Q2/2020, the profit attribute to owners amounting of THB 248.91 million compared to THB 355.12 million of the same period last year, decreased by THB 106.21 million or 29.91%.

The comprehensive income attribute to owners for the three-month period of Q2/2020 amounting of THB 43.39 million compared to THB 177.47 million of the same period last year, which decreased by THB 220.86 million. The comprehensive income for the six-month period of Q2/2020 amounting of THB 470.21 million compared to THB 210.39 million of the same period last year, which increased by THB 259.82 million. Main changes came from exchange rate translation.

Please be informed accordingly.
Your sincerely,

- signed -

(Mr. Somphop Prompanapitak)
Chief Operating Officer