

No. PS27/2017

18 July 2017

Subject : Management Discussion and Analysis for 3 months 2017 as of March 31, 2017
 To : The President
 The Stock Exchange of Thailand

B.Grimm Power Public Company Limited would like to report Management's Discussion and Analysis of Financial Condition and Results of Operations Three Months ended March 31, 2017 as follows

1. Management's Discussion and Analysis of Results of Operations

Management's Discussion and Analysis of Results of Operations between March 31, 2016 and March 31, 2017 can be summarized as follows

Statement of Comprehensive Income

(in millions)	Three Months ended March 31,	
	2016	2017
Sales and service income.....	6,712.1	7,438.2
Construction revenue under concession agreement.....	70.4	212.7
Total revenue.....	6,782.5	7,650.9
Cost of sales and services	(5,419.8)	(5,833.1)
Construction cost under concession agreement	(58.6)	(177.2)
Total costs of sales and services	(5,478.5)	(6,010.3)
Gross profit.	1,304.0	1,640.6
Other income	21.4	10.8
Administrative expenses.....	(239.0)	(286.9)
Gain (loss) on exchange rate	133.7	(13.2)
Finance costs.....	(310.1)	(242.8)
Share of profit (loss) of associates and joint ventures	47.1	65.1
Profit (loss) before income tax	957.2	1,173.5
Income tax (expense) income.....	(17.5)	(75.6)
Profit (loss) for the period	939.7	1,097.9
Remeasurements of employment benefit obligations, net of tax.....	-	-
Currency translation difference.....	(7.2)	(101.9)
Total comprehensive income for the period	932.5	1,097.9
Owners of the parent.....	588.3	596.3
Non-controlling interests.....	344.2	399.7
Earnings (loss) per share.....	0.75	0.36

(1) Sales and service income

Sales and service income increased 10.8% from Baht 6,712.1 million for the three months ended March 31, 2016 to Baht 7,438.2 million for the three months ended March 31, 2017, primarily due to an increase in sales revenue from generation from the power plants that we developed and are in operation, namely the inclusion of BGPSK ABP5 and BPWHA1 which became commercially operational on April 27, 2016, June 1, 2016 and November 1, 2016, respectively.

	Three Months ended March 31,			
	2016		2017	
	(Baht millions)	(%)	(Baht millions)	(%)
Sales revenue from generation				
Sales to EGAT by SPPs	4,110.6	61.2	4,740.3	63.7
Sales to PEA	0.0	0.0	17.9	0.2
Sales to industrial users				
Thailand	2,183.2	32.5	2,275.3	30.6
Vietnam	269.6	4.0	277.2	3.7
Steam	147.0	2.2	125.8	1.7
Service revenue	1.8	0.0	1.7	0.0
Sales and service income	6,712.1	100.0	7,438.2	100.0

Electricity sales to EGAT

The volume of electricity sold to EGAT increased 25.6% from 1,315.6 GWh for the three months ended March 31, 2016 to 1,652.5 GWh for the three months ended March 31, 2017, primarily due to the inclusion of the power plants described above in our results for the three months ended March 31, 2017. However, electricity sales revenue from EGAT per unit of electricity sold to EGAT decreased 8.0% from Baht 3.12/kWh for the three months ended March 31, 2016 to Baht 2.87/kWh for the three months ended March 31, 2017. The energy payment component of the EGAT electricity tariff is indexed to the price of natural gas for which there was an 11.6% decrease in average effective price for our gas-fired combined cycle cogeneration power plants from Baht 263.32/MMBtu for the three months ended March 31, 2016 to Baht 232.68/MMBtu for the three months ended March 31, 2017.

Electricity sales to PEA

The volume of electricity sold to PEA was 3.2 GWh for the three months ended March 31, 2017, which was attributable to our BGPSK solar power plant which became commercially operational on April 27, 2016. Electricity sales revenue from PEA per unit of electricity sold to PEA was Baht 5.66/kWh for the three months ended March 31, 2017 which is the Feed-in-Tariff rate that we are entitled to receive from PEA under the terms of our VSPP power purchase agreements for our solar power plants. As a result of the foregoing, electricity sales to PEA by our BGPSK solar power plant was Baht 17.9 million for the three months ended March 31, 2017.

Electricity sales to industrial users in Thailand

The volume of electricity sold to industrial users in Thailand increased 12.9% from 638.1 GWh for the three months ended March 31, 2016 to 720.1 GWh for the three months ended March 31, 2017, primarily due to the inclusion of the power plants described above in our results for the three months ended March 31, 2017. However, electricity sales revenue from industrial users in Thailand per unit of electricity sold to them decreased 7.6% from Baht 3.42/kWh for the three months ended March 31, 2016 to Baht 3.16/kWh for the three months ended March 31, 2017, primarily due to a decrease in natural gas price which resulted in a decrease of the PEA retail tariff and correspondingly, our selling price which is adjusted by reference to the PEA retail tariff. As a result of the foregoing, electricity sales to industrial users in Thailand increased 4.2% from Baht 2,183.2 million for the three months ended March 31, 2016 to Baht 2,275.3 million for the three months ended March 31, 2017.

Steam sales to industrial users in Thailand

The volume of steam sold to industrial users in Thailand decreased 4.2% from 128,598 tons for the three months ended March 31, 2016 to 123,241 tons for the three months ended March 31, 2017, primarily due to a decrease in steam dispatched by ABP1, ABPR1, BPLC1, and BPLC2 as a result of a decrease in demand load from existing industrial customers. Steam sales revenue from industrial users in Thailand per unit of steam sold to them also decreased 10.7% from Baht 1,143.02/ton for the three months ended March 31, 2016 to Baht 1,020.43/ton for the three months ended March 31, 2017, primarily due to a decrease in natural gas price as our steam price is generally adjusted to reflect changes in natural gas price. As a result of the foregoing, steam sales to industrial users in Thailand decreased 14.4% from Baht 147.0 million for the three months ended March 31, 2016 to Baht 125.8 million for the three months ended March 31, 2017.

Electricity sales to industrial users in Vietnam

The volume of electricity on-sold to industrial users in Vietnam increased 7.6% from 102.6 GWh for the three months ended March 31, 2016 to 110.4 GWh for the three months ended March 31, 2017, primarily due to an increase in demand load from existing customers and the addition of new power supply agreements. However, electricity sales revenue from industrial users in Vietnam per unit of electricity on-sold to them decreased 4.6% from Baht 2.63/kWh for the three months ended March 31, 2016 to Baht 2.51/kWh for the three months ended March 31, 2017, primarily due to a decrease in the prevailing retail tariff charged by the subsidiary of EVN which our power selling prices are set at a premium to. As a result of the foregoing, electricity sales to industrial users in Vietnam increased 2.8% from Baht 69.6 million for the three months ended March 31, 2016 to Baht 277.2 million for the three months ended March 31, 2017.

(2) Construction revenue under concession agreement

In relation to the construction of our Xenamnoy 2 and Xekatom 1 coordinated hydro power projects, which are scheduled to be commercially operational on June 30, 2017, we recorded construction revenue under concession agreement of Baht 70.4 million for the three months ended March 31, 2016 compared to Baht 212.7 million for the three months ended March 31, 2017.

(3) Cost of sales and services

Cost of sales and services increased 7.6% from Baht 5,419.8 million for the three months ended March 31, 2016 to Baht 5,833.1 million for the three months ended March 31, 2017, primarily due to increased costs incurred in connection with the inclusion of BGPSK, ABGP 5 and BPWHA1 in our results from their respective commercial operation dates on April 27, 2016, June 1, 2016 and November 1, 2016, respectively.

	Three Months ended March 31,			
	2016		2017	
	(Baht millions)	(%)	(Baht millions)	(%)
Natural gas	4,162.0	76.8	4,409.7	75.6
Cost of electricity — APB	239.1	4.4	247.1	4.2
Plant overhead	156.8	2.9	209.2	3.6
Maintenance	229.9	4.2	202.2	3.5
Depreciation and Appreciation	555.0	10.2	652.0	11.2
Others ⁽¹⁾	77.0	1.4	112.8	1.9
Cost of sales and services.	5,419.8	100.0	5,833.1	100.0

(1) Comprises operating expenses, cost of back-up power from PEA, water and chemicals as well as waste water treatment services.

Natural gas costs

Natural gas consumption increased 19.9% from 15,805,697 MMBtu for the three months ended March 31, 2016 to 18,951,582 MMBtu for the three months ended March 31, 2017, primarily due to an increase in gas consumption arising from the inclusion of the power plants described above in our results. However, the average effective price of natural gas for our gas-fired combined cycle cogeneration power plants decreased 11.6% from Baht 263.32/MMBtu for the three months ended March 31, 2016 to Baht 232.68/MMBtu in 2016 for the three months ended March 31, 2017, primarily due to a decrease in the price of natural gas that we pay to PTT which is tied to the weighted average price for the mass of natural gas from PTT's pool gas (i.e. natural gas for industrial users, SPP gas users and IPP gas users) that PTT purchased from all producers and/or suppliers, including LNG. As a result of the foregoing, natural gas costs increased 6.0% from Baht 4,162.0 million for the three months ended March 31, 2016 to Baht 4,409.7 million for the three months ended March 31, 2017.

Cost of electricity – APB

Cost of electricity purchased from subsidiaries of EVN increased 3.3% from Baht 239.1 million for the three months ended March 31, 2016 to Baht 247.1 million for the three months ended March 31, 2017, primarily due to a 7.6% increase in the volume of electricity on-sold to industrial users in Vietnam from 102.6 GWh for the three months ended March 31, 2016 to 110.4 GWh for the three months ended March 31, 2017, offset by a decrease in the price at which we purchase electricity from the subsidiary of EVN for the three months ended March 31, 2017.

Plant overhead

Plant overhead increased 33.4% from Baht 156.8 million for the three months ended March 31, 2016 to Baht 209.2 million for the three months ended March 31, 2017, primarily due to an increase in staff costs and plant insurance arising from the inclusion of the power plants described above in our results.

Maintenance

Maintenance expenses decreased 12.0% from Baht 229.9 million for the three months ended March 31, 2016 to Baht 202.2 million for the three months ended March 31, 2017, primarily due to the fact that during the three months ended March 31, 2016, we undertook a major overhaul of a gas turbine at ABP1 and recorded the major overhaul costs in the same period whereas during the three months ended March 31, 2017, we undertook a major overhaul ABPR1 but recorded the major overhaul costs annually as specified under the terms of our long-term service agreement with Siemens Limited.

Depreciation and amortization

Depreciation and amortization increased 17.5% from Baht 555.0 million for the three months ended March 31, 2016 to Baht 652.0 million for the three months ended March 31, 2017 as a result of (i) an increase in depreciation expense due to additions in power plants, including substations, transmission systems and equipment as well as spare parts and (ii) increased amortization of intangible assets such as rights to use assets, deferred power plant costs and land use rights, primarily due to the inclusion of the power plants described above in our results for the three months ended March 31, 2017.

(4) Construction cost under concession agreement

In relation to the construction of our Xenamnoy 2 and Xekatom 1 coordinated hydro power projects, which are scheduled to be commercially operational on June 30, 2017, we recorded construction cost under concession agreement of Baht 58.6 million for the three months ended March 31, 2016 compared to Baht 177.2 million for the three months ended March 31, 2017.

The construction cost of our Xenamnoy 2 and Xekatom 1 coordinated hydro power projects was steeper for the three months ended March 31, 2017 as construction cost ramped up nearer the scheduled commercial operational date of the project.

(5) Gross profit

As a result of the foregoing, gross profit increased 25.8% from Baht 1,304.0 million for the three months ended March 31, 2016 to Baht 1,640.6 million for the three months ended March 31, 2017, and our gross profit margin increased from 19.2% for the three months ended March 31, 2016 to 21.4% for the three months ended March 31, 2017.

(6) Other income

Other income decreased 49.5% from Baht 21.4 million for the three months ended March 31, 2016 to Baht 10.8 million for the three months ended March 31, 2017, primarily due to a 29.7% decrease

in interest income from Baht 12.8 million for the three months ended March 31, 2016 to Baht 9.0 million for the three months ended March 31, 2017.

(7) Administrative expenses

Administrative expenses increased 20.0% from Baht 239.0 million for the three months ended March 31, 2016 to Baht 286.9 million for the three months ended March 31, 2017. The increase was primarily attributable to an increase in staff to support our business expansion and the inclusion of administrative expenses of BGPSK, ABP5 and BPWHA1 in our results from their respective commercial operation dates on April 27, 2016, June 1, 2016 and November 1, 2016, respectively, which resulted in:

- (i) A 31.3% increase in general and administrative expenses from Baht 81.8 million for the three months ended March 31, 2016 to Baht 107.4 million for the three months ended March 31, 2017; and
- (ii) A 40.7% increase in staff costs from Baht 74.7 million for the three months ended March 31, 2016 to Baht 105.1 million for the three months ended March 31, 2017.

As a percentage of total revenue, administrative expenses increased from 3.5% for the three months ended March 31, 2016 to 3.7% for the three months ended March 31, 2017.

(8) Gain (loss) on exchange rate

We recorded a gain on exchange rate of Baht 133.7 million for the three months ended March 31, 2016 compared to a loss on exchange rate of Baht 13.2 million for the three months ended March 31, 2017. This change was primarily attributable to a 75.8% decrease in realized foreign exchange gains from Baht 156.8 million for the three months ended March 31, 2016 arising from payment of consideration to the EPC contractor with respect to BIP Limited to Baht 37.9 million for the three months ended March 31, 2017 arising from the payment of consideration to the EPC contractor with respect to BPWHA1 after they became commercially operational due to the appreciation of the Baht against the U.S. dollar when actual payment was made.

(9) Finance costs

Finance costs decreased 21.7% from Baht 310.1 million for the three months ended March 31, 2016 to Baht 242.8 million for the three months ended March 31, 2017. The decrease was primarily attributable to:

- (i) A 24.1% increase in interest expenses from borrowings from Baht 481.2 million for the three months ended March 31, 2016 to Baht 597.4 million for the three months ended March 31, 2017 primarily due to an increase in the amount of our corporate loans at BGP and interest incurred on the indebtedness used to fund our BGPSK, ABP5 and BPWHA1, which was recorded as interest expense in our consolidated statement of comprehensive income after the power plants became commercially operational during the three months ended March 31, 2017.
- (ii) A gain on exchange rate from financing activities relating to our U.S. dollar-denominated borrowings from a gain of Baht 288.8 million for the three months ended March 31, 2016

- to a gain of Baht 484.5 million for the three months ended March 31, 2017 due to an unrealized gain on exchange rate attributable to the appreciation of the Baht against the U.S. dollar at the relevant drawdown date or interest expense date or beginning of each financial statement period, as applicable;
- (iii) An 8.3% increase in interest expense from ABPIF of Baht 102.4 million for the three months ended March 31, 2016 compared to Baht 110.9 million for the three months ended March 31, 2017 based on the benefits transferred from the business operation of ABP1 and ABP2; and
 - (iv) A 14.3% increase in other finance costs from Baht 16.1 million for the three months ended March 31, 2016 to Baht 18.4 million for the three months ended March 31, 2017.

In addition to finance costs presented in our statement of comprehensive income, borrowing costs in the amount of Baht 44.3 million for the three months ended March 31, 2017 arising from financing entered into to construct new power plants were capitalized as part of the cost of assets during the construction period and recorded as assets in our statement of financial position.

(10) Share of profit (loss) of associates and joint ventures

Share of profit from associates and joint ventures increased 38.2% from Baht 47.1 million for the three months ended March 31, 2016 to Baht 65.1 million for the three months ended March 31, 2017. The increase was primarily attributable to profits at our associate, namely ABPIF, and our joint ventures, namely BGYP and BGSENA, which becoming commercially operational from December 2015.

(11) Income tax (expense) income

Income tax expense increased 332.0% from Baht 17.5 million for the three months ended March 31, 2016 to Baht 75.6 million for the three months ended March 31, 2017. The increase was attributable to: (i) an 85.5% increase in current tax on profits for the period from Baht 34.5 million for the three months ended March 31, 2016 to Baht 64.0 million for the three months ended March 31, 2017 due to an increase in taxable profit; and (ii) a deferred income tax of Baht 17.0 million for the three months ended March 31, 2016 compared to a deferred tax expense of Baht 11.6 million for the three months ended March 31, 2017.

(12) Profit (loss) for the period

Profit for the period increased 16.8% from Baht 939.7 million for the three months ended March 31, 2016 to Baht 1,097.9 million for the three months ended March 31, 2017. Our net profit margin increased from 13.9% for the three months ended March 31, 2016 to 14.4% for the three months ended March 31, 2017.

(13) Profit (loss) attributable to owners of the parent

Profit attributable to owners of the parent increased 14.0% from Baht 595.5 million for the three months ended March 31, 2016 to Baht 679.0 million for the three months ended March 31, 2017 as a result of an increase in profit for the power plants for the three months ended March 31, 2017.

(14) Total comprehensive income (expense) for the period

As a result of the foregoing and currency translation difference, total comprehensive income for the period increased 6.8% from Baht 932.5 million for the three months ended March 31, 2016 to Baht 996.0 million for the three months ended March 31, 2017 and the total comprehensive income attributable to owners of the parent increased 1.4% from Baht 588.3 million for the three months ended March 31, 2016 to Baht 596.3 million for the three months ended March 31, 2017.

(15) Normalized Net Profit Attributable to the Parent

Normalized net profit attributable to the parent (excluding unrealized current translation loss (gain) and inventory write-off) for three months period ended March 31, 2016 and March 31, 2017 are Baht 378.9 million and Baht 421.1 million, respectively. The increase was mainly attributable to the increase in net profit from generation from the power plants that we developed and are in operation

The table below indicates the information on normalized net profit for the period under TFRS

(in millions)	Three Months ended March 31,	
	2016	2017
Profit (loss) for the period.....	939.7	1,097.9
Add:		
Unrealized currency translation loss (gain).....	(265.7)	(433.3)
Inventory write-off ⁽¹⁾	0.0	13.3
Normalized Net Profit ⁽²⁾	674.0	678.0
Attributable to:		
Owners of the parent ⁽²⁾	378.9	421.1
Non-controlling interests ⁽²⁾	295.1	256.9

(1) Inventory write-off consists of the write-off of obsolete inventory relating to ABP1 and ABP2 commencing from the three months ended March 31, 2017 as these power plants approach the expiry of their respective power purchase agreements with EGAT. The inventory write-off in respect of these power plants was Baht 13.3 million for the three months ended March 31, 2017

(2) Normalized Net Profit represents profit (loss) for the period before unrealized currency translation loss (gain). Normalized Net Profit is not a measure of financial performance under TFRS and should not be considered as an alternative to cash flow from operations as a measure of liquidity, an alternative to profit (loss) as an indicator of our operating performance or to any other measure of performance derived in accordance with TFRS. Because there are various Normalized Net Profit calculation methods, our presentation of Normalized Net Profit may not be comparable to similarly titled measures used by other companies.

2. Company's Financial Position

Management's Discussion and Analysis of Financial Position between years ended December 31, 2016 and three months ended March 31, 2017 can be summarized as follows

Statement of Financial Position

(in millions)	As at December 31,	As at March 31,
	2016	(Unaudited) 2017
Total assets.....	76,046.6	77,262.1
Total liabilities.....	64,512.5	64,328.4
Total shareholders' equity.....	11,534.1	12,933.8
Liabilities to equity ratio (times).....	5.6	5.0
Debt to equity ratio (Interest Bearing Debt) ⁽¹⁾ (times).....	4.8	4.3
Net debt to equity ratio ⁽²⁾ (times).....	4.0	3.4
Return on assets (%).....	3.0	5.7
Return on equity (%).....	23.4	41.8

(1) Debt to equity ratio (interest bearing debt) is calculated from interest bearing debt divided by total equity. Interest bearing debt as of March 31, 2017 includes (i) short term borrowings from financial institutions, (ii) short-term borrowings from a related party, (iii) short-term borrowings from a third party, (iv) long-term borrowings from financial institutions, net and (v) debentures

(2) Net debt to equity ratio is calculated from Net debt divided by total equity. Net debt is interest bearing debt less cash, cash equivalents and short term investments.

(1) Assets

Our total assets increased 1.6% from Baht 76,046.6 million as of December 31, 2016 to Baht 77,262.1 million as of March 31, 2017, due to (i) Net property, plant and equipment increased 1.2% from Baht 46,993.8 million as of December 31, 2016 to Baht 47,558.6 million as of March 31, 2017 primarily due to an increase in power plant, substation, transmission system and equipment as a result of the construction of our power plants. (ii) Net intangible assets increased 0.8% from Baht 6,601.1 million as of December 31, 2016 to Baht 6,653.7 million as of March 31, 2017 primarily due to an increase in deferred power plant costs and rights from service concession arrangements as a result of investment in the Xenamnoy 2 and Xekatom 1 coordinated hydro power projects. (iii) Deposit of land purchase was Baht 2,614.4 million as of March 31, 2017, primarily due to the execution of 33 land purchase agreements comprising a total land value of Baht 8,277.3 million by our subsidiary on May 18, 2016 for the establishment of our potential future solar power plant projects. (iv) An increase in cash and cash equivalents item

(2) Liabilities

Liabilities mainly consist of borrowings from financial institutions, trade and other payables. Our total liabilities as of December 31, 2016 and as of March 31, 2017 were Baht 64,512.5 million and Baht 64,328.4 million, respectively. Changes of total liabilities were primarily attributable to an increase in borrowings from financial institutions.

(3) Shareholders' Equity

Shareholders' equity increased 12.1% from Baht 11,534.1 million as of December 31, 2016 to Baht 12,933.8 million as of March 31, 2017 primarily due to (i) an increase in retained earnings from improved business turnover for the three months ended March 31, 2017 of Baht 679.0 million and (ii) an increase in non-controlling interests of Baht 803.4 million, offset against a decrease in other factors of the owner's equity because of currency translation difference denoting an increase in a loss of Baht 82.7 million.

Please be informed accordingly.

Yours sincerely,



Ms. Preeyanart Soontornwata

President