

Management's Discussion and Analysis (MD&A)

**For the Financial Result of Quarter 3 Year 2017
Ended September 30, 2017**

EXECUTIVE SUMMARY



SIGNIFICANT EVENTS

New Capital Structure and Use of Proceed from IPO

Regarding our IPO, we received **net proceed from IPO in the amount of Baht 11,078 million** composing of net proceed from base offering in July and over-allotment proceed in August. This proceed would allow us to enhance our capital structure reflecting in **net-interest-bearing debt to equity ratio as of September 30, 2017 is lower to 1.5 times.**

The proceed was primarily used to repay corporate loan from financial institutions in an aggregate amount of Baht 4,600 million and loan from shareholder in the amount of Baht 1,360 million during Q3'2017. The remaining proceed will be reserved for our investment in a next few years

Development of SPP Replacement Projects

Energy Regulatory Commission (ERC) has proceeded the hearing on the Notification of SPP Replacement for SPP combined cycle cogeneration plant that PPA will be expired during 2019-2025. Tentative timeline is EGAT will notify ERC on the qualified SPP plants **by May 2018.** Key terms and conditions in the PPA are (1) Contract capacity 30 MW (2) Base capacity payment (CP_0) 497.94 baht/KW/month (3) Base energy payment (EP_0) 2.0086 baht/KWh and (4) Contracted heat rate 7,409 Btu/KWh.

Based on the current draft of Notification and proposal from our preferred EPC, we are confident that our qualified SPP projects, namely ABP1, ABP2 and BPLC1, would obtain new PPA and achieve an attractive return on investment as planned.

Upward trend of Ft rate

In 2017 ERC has announced an increase of Ft two times amounting of 21.39 satang/KWh – 12.52 satang/KWh in May and 8.87 satang/KWh in September 2017. This enables us to increase our selling price to IU from 3.13 Baht/KWh for Q2'2017 to 3.18 Baht/KWh for Q3'2017 because our price is adjusted by reference to the PEA tariff of which Ft is a major component. With situation of a stable gas price this year if Ft trends is continuous to increase, it would be favorable to our operating margin, i.e. electricity sales to IU portion.

Development of Solar Projects

ERC has announced the qualified project sponsors to enter into Power Purchase Agreement with the electricity distribution authorities (Metropolitan Electricity Authority and Provincial Electricity Authority) regarding the state agencies' and agricultural cooperatives' solar farm projects B.E. 2560 (2017) on November 3, 2017. From a total of 35 qualified projects with a total capacity of 154.52 megawatts, we have been selected as the project sponsors for **a total of 7 projects with a total capacity of 30.83 megawatts** – composing of the co-development projects with the War Veterans Organization of Thailand (the "WVO") for a total of 5 projects with a total capacity of 23.58 megawatts and the co-development projects with agricultural cooperatives for a total of 2 projects with a total capacity of 7.25 megawatts. Subsequently, B.Grimm is required to enter into the Power Purchase Agreement with the electricity distribution authorities within 120 days after the ERC Announcement or **by March 2, 2018.**

First Recognized Revenue from EDL

For Q3'2017, we first recorded revenue arising from electricity sales to EDL in the amount of Baht 59 million generated from our first hydro power projects – XXHP – achieved COD in August 1, 2017 with an installed capacity of 20 megawatts.

EXECUTIVE SUMMARY



KEY FINANCIAL HIGHLIGHT

Sales and service income, EBITDA, and NNP for 9M'2017 hit record high; EBITDA margin enhanced to 28%

	9M'2016	9M'2017	% change
	million Baht	million Baht	y-on-y
Sales and service income	20,691	23,720	14.6%
EBITDA	5,679	6,626	16.7%
Net profit	2,473	2,823	14.1%
Normalized net profit (NNP)*	1,966	2,346	19.3%
NNP - Owner of the parent	1,121	1,393	24.3%
EBITDA margin (%)	27.4%	27.9%	
NNP margin (%)	9.5%	9.9%	
% NNP - Owner of the parent	57.0%	59.4%	

Remark

* Normalized net profit = Net profit – Unrealized gain / (loss) from FX – Non-recurring income / (expense)

Sales and Service Income

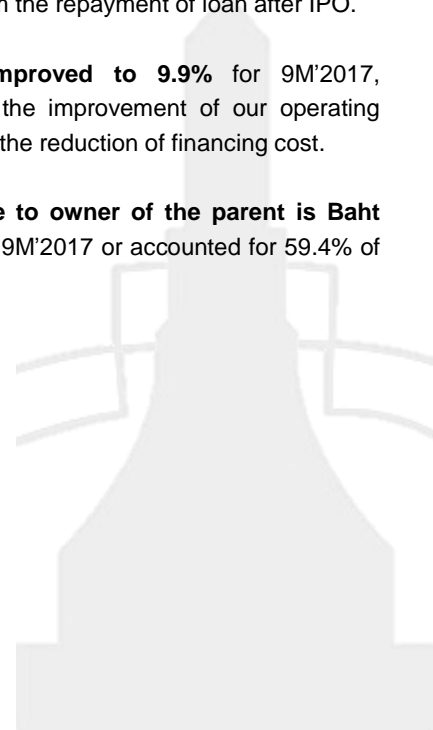
- **Sales and service income increased 14.6% year-on-year** from Baht 20,691 million for 9M'2016 to Baht 23,720 million for 9M'2017, primarily due to an increase in revenue from the power plants that were fully developed and are in operation, namely ABP5, located in Amata Nakorn Industrial Estate, which started COD on June 1, 2016 and BPWHA1, located in Hemraj Industrial Estate, that started COD on November 1, 2016

EBITDA

- **EBITDA increased 16.7% year-on-year** from Baht 5,679 million for 9M'2016 to Baht 6,626 million for 9M'2017 which is in line with an increase in revenue and improvement on EBITDA margin.
- **EBITDA margin improved to 27.9%** for 9M'2017, primarily due to high efficiency of our new power plants that became commercial operation in recent years, operational cost saving and an increase in Ft in May 2017.

Normalized Net Profit (NNP)

- **NNP increased 19.3% year-on-year** from Baht 1,966 million for 9M'2016 to Baht 2,346 million for 9M'2017, primarily due to the improvement of our operating profit margin and the reduction of financing cost resulting from the repayment of loan after IPO.
- **NNP margin improved to 9.9%** for 9M'2017, primarily due to the improvement of our operating profit margin and the reduction of financing cost.
- **NNP attributable to owner of the parent is Baht 1,393 million** for 9M'2017 or accounted for 59.4% of NNP.



FINANCIAL PERFORMANCE



REVENUE STRUCTURE

	9M'2016	9M'2017	% change
	million Baht	million Baht	y-on-y
<u>Electricity sales</u>			
Sales to EGAT	12,616	14,641	16.0%
Sales to IUs - Thailand	6,436	7,007	8.9%
Sales to IUs - Vietnam	890	889	-0.2%
Sales to PEA	26	50	90.4%
Sales to EDL	0	59	n/a
Electricity sales	19,968	22,644	13.4%
Steam sales	420	397	-5.5%
Others	303	678	123.8%
Sales and services income	20,691	23,720	14.6%

Electricity Sales to EGAT

- **Electricity sales to EGAT increased 16.0% year-on-year** from Baht 12,616 million for 9M'2016 to Baht 14,641 million for 9M'2017.
 - ▶ **The volume of electricity sold to EGAT increased 187% year-on-year** from 4,255,504 MWh for 9M'2016 to 5,052,003 MWh for 9M'2017, primarily due to the inclusion of the power plants which became commercially operational during the period, namely ABP5 and BPWHA1.
 - ▶ **Electricity price sales to EGAT decreased 2.0% year-on-year** from Baht 2.96/KWh for 9M'2016 to Baht 2.90/KWh for 9M'2017 because the energy payment – a component of the EGAT electricity tariff - is indexed to the price of natural gas for which there was a 3.8% decrease in average effective price from Baht 245.98/mmBtu for 9M'2016 to Baht 236.59/mmBtu for 9M'2017.

Electricity sales to Industrial Users (IUs) – Thailand

- **Electricity sales to industrial users in Thailand increased 8.9% year-on-year** from Baht 6,436 million for 9M'2016 to Baht 7,007 million for 9M'2017.
 - ▶ **The volume of electricity sold to industrial users in Thailand increased 12.2% year-on-year** from 1,978,419 MWh for 9M'2016 to 2,219,217 MWh for 9M'2017, primarily due to 1) the inclusion of new industrial users of ABP5, BPWHA1 and BIP2 and 2) an increase in demand load from existing customers namely Amata Nakorn, Amata City, and Laemchabang Industrial Estate
 - ▶ **Electricity price sales to IU in Thailand decreased 2.8% year-on-year** from Baht 3.25/KWh for 9M'2016 to Baht 3.16/KWh for 9M'2017, primarily due to a change in natural gas price.

FINANCIAL PERFORMANCE



REVENUE STRUCTURE

Electricity Sales to Industrial Users (IUs) – Vietnam

- **Electricity sales to industrial users in Vietnam remained unchanged year-on-year** at Baht 889 million for 9M'2017.
 - ▶ **The volume of electricity sold to industrial users in Vietnam increased 5.0% year-on-year** from 341,255 MWh for 9M'2016 to 358,290 MWh for 9M'2017, primarily due to an increase in demand load from existing customers.
 - ▶ **Electricity price sales to IU in Vietnam decreased 5.0% year-on-year** from Baht 2.61/KWh for 9M'2016 to Baht 2.48/KWh for 9M'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.

Steam Sales to Industrial Users (IUs)

- **Steam sales to industrial users in Thailand decreased 5.5% year-on-year** from Baht 420 million for 9M'2016 to Baht 397 million for 9M'2017.
 - ▶ **The volume of steam sold to industrial users in Thailand decreased 1.8% year-on-year** from 390,326 tons for 9M'2016 to 383,415 tons for 9M'2017, primarily due to a decrease in steam dispatched from existing customers in Laem Chabang Industrial Estate, despite an increase in demand in Amata Nakorn Industrial Estate.
 - ▶ **Steam price sales to IU in Thailand decreased 3.8% year-on-year** from Baht 1,076.28/ton for 9M'2016 to Baht 1,035.43/ton for 9M'2017, primarily due to a decrease in natural gas price, as the steam price is generally adjusted to reflect the changes in natural gas price.

Electricity Sales to EDL

- **Electricity sales to EDL in Laos was recorded at Baht 59 million** for Q3'2017 because B.Grimm first hydro power project – XXHP – achieved COD on August 1, 2017.

Other Sales and Service income

- **Other sales and service income increased 123.8% year-on-year** from Baht 303 million for 9M'2016 to Baht 678 million for 9M'2017, primarily due to a record of construction revenue which is recognized based on the percentage of completion of our hydro power projects in Lao PDR, namely XXHP and Nam Che.



FINANCIAL PERFORMANCE



REVENUE STRUCTURE

Table 1) Revenue Drivers: Sales volume

	9M'2016 MWh	9M'2017 MWh	% change y-on-y
Electricity sales to EGAT	4,255,504	5,052,003	18.7%
<u>Electricity sales to IU - Thailand</u>			
Amata Nakorn Industrial Estate	1,149,712	1,168,159	1.6%
Amata City Industrial Estate	244,921	258,873	5.7%
Laemchabang Industrial Estate	500,855	516,277	3.1%
Hemraj Industrial Estate	0	165,395	n/a
Bangkadi Industrial Park	82,930	110,514	33.3%
Electricity sales to IU - Thailand	1,978,419	2,219,217	12.2%
Electricity sales to IU - Vietnam	341,255	358,290	5.0%

	9M'2016 ton	9M'2017 ton	% change y-on-y
<u>Steam sales to IU - Thailand</u>			
Amata Nakorn Industrial Estate	94,418	98,956	4.8%
Amata City Industrial Estate	121,476	122,704	1.0%
Laemchabang Industrial Estate	174,432	161,754	-7.3%
Steam sales to IU - Thailand	390,326	383,415	-1.8%

Table 2) Revenue Drivers: Price per Unit

		9M'2016	9M'2017	% change y-on-y
Electricity to EGAT	Baht/KWh	2.96	2.90	-2.0%
Electricity to IU - Thailand	Baht/KWh	3.25	3.16	-2.8%
Electricity to IU - Vietnam	Baht/KWh	2.61	2.48	-5.0%
Steam to IU - Thailand	Baht/Ton	1,076.28	1,035.43	-3.8%
Effective gas cost	Baht/mmBtu	245.98	236.59	-3.8%

FINANCIAL PERFORMANCE



COST STRUCTURE

	9M'2016 million Baht	9M'2017 million Baht	% change y-on-y
<u>Cost of sales and services</u>			
Natural gas	12,324	13,723	11.3%
Cost of electricity- Vietnam	792	793	0.1%
O&M	1,145	1,247	9.0%
Others	445	911	104.9%
Cost of sales and services	14,706	16,674	13.4%
SG&A	587	709	20.8%
Depreciation	1,827	2,100	15.0%
Total expenses	17,119	19,483	13.8%

Natural Gas

- **Natural gas costs increased 11.3% year-on-year** from Baht 12,324 million for 9M'2016 to Baht 13,723 million for 9M'2017, primarily due to an increase in gas consumption arising from the inclusion of new power plants. Nevertheless, it is partly offset by a decrease in the average effective price of natural gas which is tied to the weighted average price for the mass of natural gas from PTT's pool gas.

Cost of Electricity- Vietnam

- **Cost of electricity purchased from subsidiaries of EVN remained unchanged year-on-year** at Baht 793 million for 9M'2017 in line with change in electricity sales to industrial users in Vietnam.

O&M

- **Operation and maintenance costs increased 9.0% year-on-year** from Baht 1,145 million for 9M'2016 to Baht 1,247 million for 9M'2017, primarily due to an increase in operation and maintenance costs arising from the inclusion of the new power plants described above.

Other Cost of Sales and Service

- **Other cost of sales and service income increased 104.9% year-on-year** from Baht 445 million for 9M'2016 to Baht 911 million for 9M'2017, primarily due to a record of construction cost which is recognized based on our actual incurred construction costs of our hydro power projects in Laos, namely XXHP and Nam Che hydro power projects.

Selling, General & Administrative Expense

- **Selling, general & administrative expense increased 20.8% year-on-year** from Baht 587 million for 9M'2016 to Baht 709 million for 9M'2017, primarily attributable to an increase in staff to support our business expansion and the inclusion of administrative expenses of the new power plants as well as an expense related to the remuneration scheme to encourage employees to commit the long-term service with the company and other expenses related to IPO.

FINANCIAL PERFORMANCE



NON-OPERATING ITEMS

	9M'2016	9M'2017	% change
	million Baht	million Baht	y-on-y
Other revenues	127	75	-41.2%
Share of profit (loss) of associates	153	173	13.3%
Gain (Loss) on exchange rate	135	(28)	-120.4%

Other Revenues

- **Other revenues decreased 41.2% year-on-year** from Baht 127 million for 9M'2016 to Baht 75 million for 9M'2017, primarily attributable to revenue from insurance claim that recorded in the second quarter of the year 2016.

Share of Profit (Loss) of Associates and Joint Ventures

- **Share of profit from associates increased 13.3% year-on-year** from Baht 153 million for 9M'2016 to Baht 173 million for 9M'2017, primarily attributable to profits at our associate and our joint ventures, namely ABPIF, BGYSP and BGSENA.

Gain (Loss) on Exchange Rate

- **We recorded a loss on exchange rate of Baht 28 million** for 9M'2017



FINANCIAL PERFORMANCE



FINANCE COST AND TAX

	9M*2016	9M*2017	% change
	million Baht	million Baht	y-on-y
<u>Finance cost</u>			
Interest expense from borrowing	1,535	1,767	15.2%
Interest expense from ABPIF	286	263	-7.9%
Unrealized loss/(gain) from FX	(500)	(898)	79.6%
Other financing costs	48	299	526.4%
Finance cost	1,368	1,431	4.6%
<u>Tax expense (income)</u>			
Tax on profits for the period	193	213	10.2%
Deferred tax expense (income)	(47)	(9)	-81.4%
Tax expense (income)	146	204	39.5%

Finance Cost

- **Finance costs increased 4.6% year-on-year** from Baht 1,368 million for 9M'2016 to Baht 1,431 million for 9M'2017. The increase was primarily attributable to:
 - ▶ **a 15.2% increase in interest expenses from borrowings** from Baht 1,535 million for 9M'2016 to Baht 1,767 million for 9M'2017, primarily due to an increase in the interest incurred on the indebtedness used to fund the construction of BGPSK, ABP5 and BPWHA1 after their commencement of commercial operation in 2016, partly offset by a decrease from interest expense caused by repayment of corporate loan of B.Grimm Power in the amount of Baht 5,960 million during Q3'2017 and a lower interest rate from bond issuance of project ABP3, ABPR1 and ABPR2 in the amount of Baht 11,482 million in April 2017; and
 - ▶ **a 526.4% increase in other finance costs** from Baht 48 million for 9M'2016 to Baht 299 million for 9M'2017, primarily due to a bond issuance of ABP3, ABPR1 and ABPR2 to refinance its project financing facilities resulting in a write-off of deferred financing fee and a payment of prepayment fee of project financing facilities.

- ▶ **Offset by a 79.6% increase in unrealized gain on exchange rate from financing activities** relating to our U.S. dollar-denominated borrowings from an unrealized gain of Baht 500 million for 9M'2016 to Baht 898 million for 9M'2017 due to the appreciation of the Baht against the U.S. dollar at the ending of each financial statement period

Tax Expense

- **Tax expense increased 39.5% year-on-year** from Baht 146 million for 9M'2016 to Baht 204 million for 9M'2017. The increase was primarily attributable to an increase in tax on profits arising from an increase in taxable profit.

FINANCIAL PERFORMANCE



NORMALIZED NET PROFIT (NNP)

	9M'2016	9M'2017	% change
	million Baht	million Baht	y-on-y
Net profit for the year	2,473	2,823	14.1%
<u>Add</u> Unrealized (gain) on FX	(507)	(826)	63.0%
<u>Add</u> Non-recurring expenses	0	350	n/a
Normalized net profit	1,966	2,346	19.3%
<u>Less</u> Minority interest	(846)	(953)	12.7%
NNP - Owner of the parent	1,121	1,393	24.3%
<i>NNP per share</i>		0.2*	n/a
<i>No. of shares in calculation**</i>		2,607	

Remark:

*NNP to calculate NNP per share is NNP – Owner of the parent only for 3 months in Q3'2017 amounting of Baht 519 million which is the period after IPO

**Total number of shares as of Q3'2017 = 2,607 million shares (pre-IPO 1,890mm + IPO 717mm shares)

- **NNP increased 19.3% year-on-year** from Baht 1,966 million for 9M'2016 to Baht 2,346 million for 9M'2017. The adjustment on NNP for 9M'2017 was primarily attributable to:
 - ▶ **an unrealized gain on exchange rate of Baht 826 million** due to the appreciation of the Baht against the U.S. dollar at the ending of each financial statement period; and
 - ▶ **non-recurring expenses of Baht 350 million**, primarily due to a related cost of bond issuance of ABP3, ABPR1 and ABPR2 in the amount of Baht 235 million, a provision of inventory in the amount of Baht 40 million, an expense related to the remuneration scheme to encourage employees to commit the long-term service with the company in the amount of Baht 49 million and other expenses related to IPO in the amount of Baht 26 million.



FINANCIAL POSITION



STATEMENT OF FINANCIAL POSITION

	31-Dec-2016	30-Sep-2017	% change
	million Baht	million Baht	
Cash	8,322	14,272	71.5%
Total assets	76,047	87,834	15.5%
Total interest-bearing debts	55,205	53,259	-3.5%
Total liabilities	64,513	62,429	-3.2%
Total equities	11,534	25,405	120.3%
Total equities attributable to Owner	5,900	18,240	209.1%
Net-int debt to equity (times)	4.1x	1.5x	

Change in Capital Structure

- **Total assets increased 15.5%** from Baht 76,047 million as of December 31, 2016 to Baht 87,834 million as of September 30, 2017, primarily due to an increase in cash and cash equivalents, property, plant and equipment, and intangible assets.
- **Total interest-bearing debts decreased 3.5%** from Baht 55,205 million as of December 31, 2016 to Baht 53,259 million as of September 30, 2017 primarily due to the repayment of corporate loan of B.Grimm Power in the amount of Baht 5,960 million during Q3'2017.
- **Total equities increased 120.3%** from Baht 11,534 million as of December 31, 2016 to Baht 25,405 million as of September 30, 2017 primarily due to an increase in paid up equity arising from net proceed from IPO and retained earnings during the period.
- **As a result of the foregoing, net interest-bearing debt to equity ratio significantly improved** from 4.1 times as of December 31, 2016 to 1.5 times as of September 30, 2017.



PROGRESS OF PROJECTS UNDER CONSTRUCTION



AS OF 31 OCTOBER 2017



Amata B.Grimm Power (Rayong) 3	
Type of Fuel	Combined Cycle Cogeneration
Installed Capacity	Electricity 133 MW / Steam 30 t/h
Economic Ownership	55.5%
SCOD	1 Feb 2018
EGAT PPA	90 MW / 25 years
% Progress (as of 31 October 2017)	97.5%



Amata B.Grimm Power (Rayong) 4	
Type of Fuel	Combined Cycle Cogeneration
Installed Capacity	Electricity 133 MW / Steam 30 t/h
Economic Ownership	55.5%
SCOD	1 Jun 2018
EGAT PPA	90 MW / 25 years
% Progress (as of 31 October 2017)	88.4%



Amata B.Grimm Power (Rayong) 5	
Type of Fuel	Combined Cycle Cogeneration
Installed Capacity	Electricity 133 MW / Steam 30 t/h
Economic Ownership	55.5%
SCOD	1 Oct 2018
EGAT PPA	90 MW / 25 years
% Progress (as of 31 October 2017)	73.5%



Nam Che 1 Hydro Power Project	
Type of Fuel	Hydro (Run of the river)
Installed Capacity	15 MW
Economic Ownership	72.0%
SCOD	Q4'2018
EDL PPA	15.0 MW / 25 years
% Progress (as of 31 October 2017)	36.8%

ABBREVIATION & OUR PROJECTS



ABBREVIATION

ADB	Asian Development Bank	KWh	Kilowatt-hour
COD	Commercial Operation Date	MWh	Megawatt-hour
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization	mmBtu	Million Btu (unit of gas consumption)
EDL	Electricite Du Laos	NNP	Normalized net profit
EGAT	Electricity Generating Authority of Thailand	O&M	Operations and maintenance
ERC	Energy Regulatory Commission	P.A.	Per annum
EPC	Engineering, Procurement and Construction	PEA	Provincial Electricity Authority (Thailand)
EVN	Electricity of Vietnam	PPA	Power purchase agreement
FX	Foreign exchange	PTT	PTT public Company Limited
IPO	Initial public offering	SG&A	Selling, general & administrative expense
IU	Industrial user	Y-o-Y	Year on year
JV	Joint venture		

OUR PROJECTS

ABPIF	Amata B.Grimm Power Plant Infrastructure Fund	BGPSK	B.Grimm Solar Power (Sakaeo) 1
ABP1	Amata B.Grimm Power 1	BGSENA	B.Grimm Sena Solar Power Limited
ABP2	Amata B.Grimm Power 2	BGYSP	B.Grimm Yanhee Solar Power
ABP3	Amata B.Grimm Power 3	BIP1	B.Grimm BIP Power 1
ABP4	Amata B.Grimm Power 4	BIP2	B.Grimm BIP Power 2
ABP5	Amata B.Grimm Power 5	BPLC1	B.Grimm Power (Laem Chabang) 1
ABPR1	Amata B.Grimm Power (Rayong) 1	BPLC2	B.Grimm Power (Laem Chabang) 2
ABPR2	Amata B.Grimm Power (Rayong) 2	BPWHA1	B.Grimm Power (WHA) 1
ABPR3	Amata B.Grimm Power (Rayong) 3	Nam Che	Nam Che 1 Hydro Power Project
ABPR4	Amata B.Grimm Power (Rayong) 4	XXHP	Xenamnoy 2 and Xekatom 1 Hydro Power Project
ABPR5	Amata B.Grimm Power (Rayong) 5		



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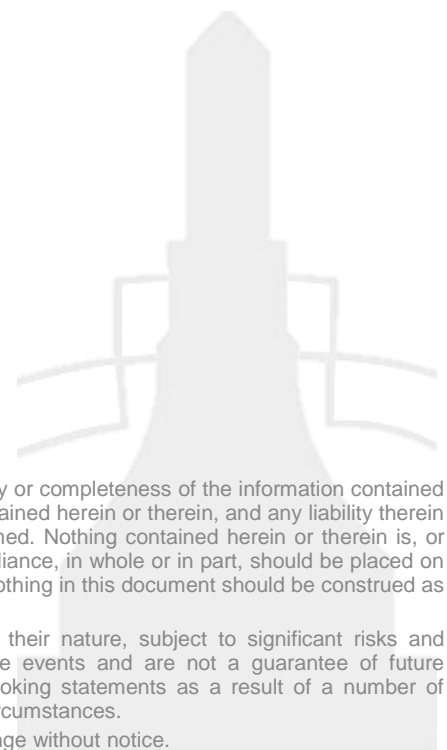
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