

No. ACE-ACC-2/2020

15 May 2020

Subject Management Discussion and Analysis for the period ended 31 March 2020

To President
The Stock Exchange of Thailand

Absolute Clean Energy Public Company Limited (“the Company”), are pleased to provide you our management discussion and analysis for the period ended 31 March 2020 of the Company and the subsidiaries (“the Group”) as follow:

Financial Performance of the Group				
Consolidated financial statements	Q1-2020	Q1-2019	Change	
	THB Mn	THB Mn	THB Mn	%
Sales of goods and services	1,115.7	1,110.5	5.2	0.5
Revenue from finance lease under power purchase agreement	100.9	102.3	(1.4)	(1.4)
Revenue from construction under a concession arrangement	131.3	-	131.3	N.A. (>100)
Cost of sales and services	(788.7)	(858.3)	(69.6)	(8.1)
Cost of construction under a concession arrangement	(131.3)	-	131.3	N.A. (>100)
Gross profit	427.9	354.5	73.4	20.7
Net gain (loss) on exchange rate	112.2	(28.3)	140.5	N.A. (>100)
Gain on forward contracts	49.5	-	49.5	N.A. (>100)
Other income	173.0	14.1	158.9	1,127.0
Profit before expenses	762.6	340.3	422.3	124.1
Administrative expenses	(88.0)	(102.8)	(14.8)	(14.4)
Finance costs	(26.3)	(109.8)	(83.5)	(76.0)
Profit before income tax	648.3	127.7	520.6	407.7
Tax income (expense)	(54.8)	4.9	(59.7)	N.A. (<-100)
Profit for the period	593.5	132.6	460.9	347.6
Other comprehensive income:	-	-	-	-
Total comprehensive income for the period	593.5	132.6	460.9	347.6

Sales and service income for the period ended 31 March 2020 and 2019 are presented below:

Sales of goods and services	Financial information for three-month period ended			
	Q1-2020	Q1-2019	Change	
	2020	2019	THB Mn	%
Sales of electricity - FiT	623.1	580.4	42.7	7.4
FiT Premium	43.7	42.6	1.1	2.6
Sales of electricity to Industrial Users (IU)	4.7	2.4	2.3	95.8
Total sales from Biomass Power Plants	671.5	625.4	46.1	7.4
Revenue from finance lease under a Power Purchase Agreement	100.9	102.3	(1.4)	(1.4)
Revenue from service under a Power Purchase Agreement	363.4	413.9	(50.5)	(12.2)
Sales of electricity to Industrial Users (IU)	1.6	2.3	(0.7)	(30.4)
Sales of steam (IU)	4.9	4.1	0.8	19.5
Total sales from Natural Gas Power Plant	470.8	522.6	(51.8)	(9.9)
Sales of electricity - Base tariff and Ft	27.8	24.3	3.5	14.4
Adder	34.3	30.3	4.0	13.2
Revenue from waste management	9.4	9.0	0.4	4.4
Total sales from Municipal Solid Waste Power Plant	71.5	63.6	7.9	12.4
Sales of electricity - Base tariff and Ft	2.8	1.2	1.6	133.3
Total sales from Solar Energy Power Plants	2.8	1.2	1.6	133.3
Total sales of goods and services	1,216.6	1,212.8	3.8	0.3

From the table above, the Group has sales and services income (included revenue from finance lease under a Power Purchase Agreement) for the first quarter of 2020 and 2019 amounting to Baht 1,216.6 million and Baht 1,212.8 million, respectively. The increase of Baht 3.8 million mainly came from sales of Biomass Power Plants which increased by Baht 46.1 million or 7.4 percent. The reason of increase is because of lower planned-shutdown of Biomass Power Plants for the first quarter of 2020 compared to the same period of last year, resulting in higher of electricity unit sold than the same period of last year. However, sales of Natural Gas Power Plant decreased from the same period of last year amounting to Baht 51.8 million or 9.9 percent. The decrease mainly came from lower of electricity unit sold due to planned-shutdown and lower rate of unit price which is adjusted in line with Natural Gas price. Sales of electricity of Solar Energy Power Plants increase by Baht 1.6 million or 133.3 percent. The reason of increase is from COD of new solar

power plant, 1 MW installed capacity, in September 2019. As a result, sales of Solar Energy Power Plants for the first quarter of 2020 is higher than 2019.

	Q1-2020	Q1-2019	Change	
	THB Mn	THB Mn	THB Mn	%
Revenue from construction under a concession arrangement	131.3	-	131.3	N.A. (>100)

The group has revenue from construction under a concession arrangement for the first quarter of 2020 amounting to Baht 131.3 million which is the revenue from construction of Municipality Solid Waste Power Plant, an indirect subsidiary entered into contract with Krabi Municipality to provide waste management services (converting solid waste into electrical energy for 25-year period started from the date of contract). As specified in the contract, the subsidiary shall transfer building, machine and equipment to Krabi Municipality without any charges when the contract ends. The Group's management assessed the agreement in accordance with TFRIC 12 'Service Concession Arrangements'. As a result, the Group's management recognized revenue from construction under a concession arrangement in accordance with percentage of completion of the fair value of assets. The Group's management also recognized cost of construction under a concession arrangement at actual cost amounting to Baht 131.3 million. No gain and loss from recognized sales and cost of construction under a concession arrangement transaction.

Cost of sales and service

Cost of sales and service for the period ended 31 March 2020 and 2019 are presented below:

Cost of sales and services	Q1-2020	Q1-2019	Change	
	THB Mn	THB Mn	THB Mn	%
Fuel materials cost	210.0	215.9	(5.9)	(2.7)
Depreciation and amortisation cost	111.3	107.1	4.2	3.9
Staff cost and other benefits	27.7	30.2	(2.5)	(8.3)
Repair and maintenance cost	27.1	40.0	(12.9)	(32.3)
Engineering and other services	21.5	19.4	2.1	10.8
Processing fee - PEA	13.3	12.4	0.9	7.3
Other cost	16.9	14.7	2.2	15.0
Total cost of Biomass Power Plants	427.8	439.7	(11.9)	(2.7)
Fuel materials cost	306.9	346.0	(39.1)	(11.3)
Depreciation and amortisation cost	1.2	0.6	0.6	100.0
Staff cost and other benefits	5.3	4.3	1.0	23.3
Repair and maintenance cost	13.7	14.9	(1.2)	(8.1)
Engineering and other services	3.5	14.7	(11.2)	(76.2)
Other cost	1.1	0.7	0.4	57.1
Total cost of Natural Gas Power Plant	331.7	381.2	(49.5)	(13.0)
Depreciation and amortisation cost	11.5	15.7	(4.2)	(26.8)
Staff cost and other benefits	3.8	4.4	(0.6)	(13.6)
Repair and maintenance cost	3.5	3.1	0.4	12.9
Engineering and other services	5.4	8.2	(2.8)	(34.1)
Processing fee - PEA	0.6	0.5	0.1	20.0
Other cost	3.0	3.9	(0.9)	(23.1)
Total cost of Municipal Solid Waste Power Plant	27.8	35.8	(8.0)	(22.3)
Depreciation and amortisation cost	1.0	0.5	0.5	100.0
Staff cost and other benefits	0.4	1.1	(0.7)	(63.6)
Total cost of Solar Energy Power Plants	1.4	1.6	(0.2)	(12.5)
Total cost of sales and service	788.7	858.3	(69.6)	(8.1)

From the table above, cost of sales and service for the first quarter of 2020 is Baht 788.7 million, decreased by Baht 69.6 million or 8.1 percent compared to the first quarter of 2019. The decrease of cost of sales mainly comes from Natural Gas Power Plant, which decreased by Baht 49.5 million or 13.0 percent mostly from decreased in fuel material cost amounting to Baht 39.1 million. Cost of repair and maintenance of Natural Gas Power Plant also decrease because they perform management and maintenance the plant on their own instead of hiring management and maintenance services from outside. Resulting to the decrease in cost of engineering and other services, but slightly higher in staff cost. However, overall maintenance cost of Natural Gas Power Plant decreases by totaling Baht 10.2 million. In addition, cost of sales and service for Biomass Power Plants decreased by Baht 11.9 million or 2.7 percent, mainly due to the improvement of machine and production processes, including effectively controlled in maintenance cost.

Net gain (loss) on exchange rate

	Q1-2020	Q1-2019	Change	
	THB Mn	THB Mn	THB Mn	%
Net gain (loss) on exchange rate	112.2	(28.3)	140.5	N.A. (>100)

From the table above, net gain (loss) on exchange rate increased by Baht 140.5 million compared to the same period of last year. The increase mainly came from unrealized gain on exchange rate of receivable under finance lease amounting to Bath 112.2 million from depreciate of Thai Baht compared to exchange rate as of end of 2019.

Gain on forward contracts

	Q1-2020	Q1-2019	Change	
	THB Mn	THB Mn	THB Mn	%
Gain on forward contracts	49.5	-	49.5	N.A. (>100)

The Group has adopted financial reporting standards related to financial instruments (TFRS9) from 1 January 2020 and recognized gain on forward contracts for the first quarter of 2020 amounting to Baht 49.5 million from the changes in fair value of the derivatives.

Other income

	Q1-2020	Q1-2019	Change	
	THB Mn	THB Mn	THB Mn	%
Other income	173.0	14.1	158.9	1,127.0

From the table above, other income for the first quarter of 2020 increases by Baht 158.9 million compared to the same period of last year. The increase mainly comes from insurance claims which an indirect subsidiary received from an insurance company amounting to Baht 171.9 million. The claim was compensation from the event of damaged machinery during the test run, before COD, and the Plant is COD in 2016.

Gross Profit and Gross Profit Margin

	Q1-2020	Q1-2019	Change	
	THB Mn	THB Mn	THB Mn	%
Gross Profit				
Biomass Power Plants	243.7	185.7	58.0	31.2
Natural Gas Power Plant	139.1	141.5	(2.4)	(1.7)
Municipal Solid Waste Power Plant	43.7	27.8	15.9	57.2
Solar Energy Power Plants	1.4	(0.5)	1.9	N.A. (>100)
Gross Profit by Segment	427.9	354.5	73.4	20.7

	Q1-2020	Q1-2019	Change
% Gross Profit	%	%	%
Biomass Power Plants	36.3	29.7	6.6
Natural Gas Power Plant	29.5	27.1	2.4
Municipal Solid Waste Power Plant	61.1	43.7	17.4
Solar Energy Power Plants	50.0	(45.5)	95.5
%Gross Profit by Segment	35.3	29.2	6.1

From the table above, the Group has gross profit for the first quarter of 2020 and 2019 amounting to Baht 427.9 million and Baht 354.5 million, respectively. Increased by Baht 73.4 million or 20.7 percent mainly from increase in gross profit of Biomass Power Plants amounting to Baht 58.0 million or 31.2 percent from efficient fuel management both in procurement process and production process, including effectively controlled in maintenance cost. In addition, gross profit and gross profit margin of Municipal Solid Waste

Power Plant for the first quarter of 2020 increased from the same period of 2019 because of operation management and maintenance is performed effectively in accordance with maintenance plan, together with lower amortisation cost for rights to service under concession arrangement from extend of amortisation period from 16 years to 18 years. Gross Profit of Solar Energy Power Plants increased from the same period of last year, since Solar Energy Power Plant segment is in the started-up phase in year 2019, therefore the segment has loss on operations.

Administrative expenses

Administrative expenses for the period ended 31 March 2020 and 2019

	Q1-2020	Q1-2019	Change	
	THB Mn	THB Mn	THB Mn	%
Administrative expenses	88.0	102.8	(14.8)	(14.4)

For the first quarter of 2020 and 2019, the Group has administrative expenses in the amount of Baht 88.0 million and Baht 102.8 million, respectively. Administrative expenses of the first quarter of 2020 and 2019 are 7.9 percent and 9.3 percent to sales and service income, respectively. Administrative expenses for the first quarter of 2020 decreased from the same period of last year amounting to Baht 14.8 million or 14.4 percent mainly because of loss on damages from fire in the first quarter of 2019 amounting to Baht 12.1 million.

Finance costs

For the first quarter of 2020 and 2019, the Group has finance costs in the amount of Baht 26.3 million and Baht 109.8 million, respectively, decreased by Baht 83.5 million or 76.0 percent. The decrease in finance cost comes from repayments of loan and debentures, comprised decrease of interest rates of loans from bank since the fourth quarter of 2019.

Tax income (expense)

For the first quarter of 2020 and 2019, the Group has tax expense in the amount of Baht 54.8 million and tax income in the amount of Baht 4.9 million, respectively. Tax expense increased by Baht 59.7 million from recording temporary difference tax liabilities form derivatives.

Net profit and Net profit margin

For the first quarter of 2020 and 2019, the Group has net profit in the amount of Baht 593.5 million and Baht 132.6 million, respectively. And net profit margin are 42.7 percent and 10.8 percent, respectively. The increase in net profit for the first quarter of 2020 of Baht 460.9 million or 347.6 percent from the same period of last year is caused from increase in sales and service income and gross profit. Including the cash management from capital increase from IPO by temporarily prepaying loan, resulting in decrease in financial cost of the Group. Comprised other income from insurance claims amounting to Baht 171.9 million. The Group also has gain from exchange rate and gain on forward contract totalling Baht 161.7 million.

Analysis of Financial Position

Statement of Financial Position	31 March	31 December	Change	
	2020	2019	THB Mn	%
Cash and cash equivalents	152.4	71.9	80.5	112.0
Trade and other receivables	828.9	820.0	8.9	1.1
Receivables under finance lease	3,398.9	3,293.3	105.6	3.2
Inventories	257.2	185.2	72.0	38.9
Restricted deposits at financial institutions	309.8	498.7	(188.9)	(37.9)
Investment property (net)	124.2	124.2	-	-
Property, plant and equipment (net)	8,123.3	8,059.4	63.9	0.8
Advance payments for constructions and purchases				
of fixed assets	98.8	153.2	(54.4)	(35.5)
Rights to service under concession arrangements (net)	932.4	811.7	120.7	14.9
Right-of-use assets (net)	29.9	-	29.9	N.A. (>100)
Derivative assets	49.5	-	49.5	N.A. (>100)
Other assets	149.8	127.5	22.3	17.5
Total assets	14,455.1	14,145.1	310.0	2.2
Short-term loans from financial institutions	148.6	227.4	(78.8)	(34.7)
Long-term loans from financial institutions	2,464.6	2,767.5	(302.9)	(10.9)
Trade and other payables	295.2	249.4	45.8	18.4
Leases liabilities (net)	19.4	0.6	18.8	3,133.3
Other liabilities	140.7	107.2	33.5	31.3
Total liabilities	3,068.5	3,352.1	(283.6)	(8.5)
Issued and paid-up share capital	5,088.0	5,088.0	-	-
Share Premium	3,896.0	3,896.0	-	-
Retained earnings - Unappropriated	2,425.5	1,831.9	593.6	32.4
Deficit from business combination				
under common control	(22.9)	(22.9)	-	-
Total equity	11,386.6	10,793.0	593.6	5.5

Assets

Total assets as at 31 March 2020 and 31 December 2019 were Baht 14,455.1 million and Baht 14,145.1 million, respectively. Increase by Baht 310.0 million or 2.2 percent due to an increase of Baht 80.5 million in cash and cash equivalents, receivables under finance lease increased by Baht 105.6 million from the adjustment of exchange rates. Inventories increased by Baht 72.0 million due to the change of fuel storage plan in order to be sufficient for production in a longer period. Restricted deposits at financial institutions decreased by Baht 188.9 million, which are deposits with financial institutions as collateral as specified in the loan agreements in order to receive payment under the Power Purchase Agreements, to reserve for adequately principal repayment and interest and to reserve for repair and maintenance projects and as collateral for letter of guarantee for compliance with Power Purchase Agreements. Property plant and equipment increased by Baht 63.9 million from acquisition of office building. Advance payments for constructions and purchase of fixed assets decreased by Baht 54.4 million from Krabi Solid Waste Power Plant which some progress was done during the period. Rights to service under concession arrangements increased by Baht 120.7 million from concession rights of Krabi Solid Waste Power Plant and amortisation during the period. Right-of-use assets of Baht 29.9 million from the adoption of TFRS16 leases standard for land and buildings for rent which the Group previously classified as operating lease. Derivative assets of Baht 49.5 million from recognized of forward contract from the adoption of TFRS9 financial instruments.

Liabilities

Total liabilities as at 31 March 2020 and 31 December 2019 were Baht 3,068.5 million and Baht 3,352.1 million, respectively. Decrease by Baht 283.6 million or 8.5 percent, mainly due to long-term loans from financial institutions decreased by Baht 302.9 million from prepayments of loan and temporarily repayment of loan. Finance lease liabilities of Baht 18.8 million from the adoption of TFRS16 leases standard.



Equity

Shareholders' equity as at 31 March 2020 and 31 December 2019 were Baht 11,386.6 million and Baht 10,793.0 million. Increased by Baht 593.6 million or 5.5 percent from increase in net profit resulting to increase in unappropriated retained earnings.

Please be informed accordingly,

Yours sincerely,

(Mr.Tanavijit Ankapipatchai)

Director and Chief Financial Officer