

No. ACE-ACC-2/2021

10 May 2021

Subject Management Discussion and Analysis for the period ended 31 March 2021

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 2021 of the Company and the subsidiaries (“the Group”) as follow:

| Financial Performance of the Group | | | | |
|---|---------------|----------------|----------------|---------------|
| Consolidated financial statements | Q1-2021 | Q1-2020 | Change | |
| | THB Mn | THB Mn | THB Mn | % |
| Sales of goods and services | 1,214.9 | 1,115.7 | 99.2 | 8.9 |
| Revenue from finance lease under power purchase agreement | 99.2 | 100.9 | (1.7) | (1.7) |
| Revenue from construction under a concession arrangement | - | 131.3 | (131.3) | N.A. (<-100) |
| Cost of sales and services | (874.7) | (788.7) | 86.0 | 10.9 |
| Cost of construction under a concession arrangement | - | (131.3) | (131.3) | N.A. (<-100) |
| Gross profit | 439.4 | 427.9 | 11.5 | 2.7 |
| Net gain on exchange rate | 55.1 | 112.2 | (57.1) | (50.9) |
| Gain on forward contracts | 11.2 | 49.5 | (38.3) | (77.4) |
| Other income | 2.0 | 173.0 | (171.0) | (98.8) |
| Profit before expenses | 507.7 | 762.6 | (254.9) | (33.4) |
| Administrative expenses | (84.7) | (88.0) | (3.3) | (3.8) |
| Finance costs | (34.1) | (26.3) | 7.8 | 29.7 |
| Profit before income tax | 388.9 | 648.3 | (259.4) | (40.0) |
| Tax income (expense) | (28.6) | (54.8) | (26.2) | (47.8) |
| Profit for the period | 360.3 | 593.5 | (233.2) | (39.3) |
| Add(less): Loss/(gain) from extraordinary items* | (54.7) | (290.4) | (235.7) | (81.2) |
| Net Profit from normal activities | 305.6 | 303.1 | 2.5 | 0.8 |

*Extraordinary items from non-operating, consists of unrealized gain (loss) on exchange rate of receivable under finance lease, gain (loss) on forward contracts and insurance claim income.

Sales and service income for the period ended 31 March 2021 and 2020 are presented below:

| Sales and service income | Q1-2021 | | Q1-2020 | | Change |
|---|----------------|----------------|---------------|-------------|---------------|
| | THB Mn | THB Mn | THB Mn | THB Mn | % |
| Sales of electricity - FiT, Base tariff and Ft | 727.0 | 623.1 | 103.9 | | 16.7 |
| FiT Premium | 33.2 | 43.7 | (10.5) | | (24.0) |
| Sales of electricity to Industrial Users (IU) | 6.9 | 4.7 | 2.2 | | 46.8 |
| Sales from Biomass Power Plants | 767.1 | 671.5 | 95.6 | | 14.2 |
| Revenue from finance lease under a Power Purchase | 99.2 | 100.9 | (1.7) | | (1.7) |
| Revenue from service under a Power Purchase Agreement | 319.5 | 363.4 | (43.9) | | (12.1) |
| Sales of electricity to Industrial Users (IU) | 1.1 | 1.6 | (0.5) | | (31.3) |
| Sales of steam (IU) | 2.5 | 4.9 | (2.4) | | (49.0) |
| Sales from Natural Gas Power Plant | 422.3 | 470.8 | (48.5) | | (10.3) |
| Sales of electricity - FiT, Base tariff and Ft | 70.1 | 27.8 | 42.3 | | 152.2 |
| FiT Premium | 6.0 | - | 6.0 | N.A. (>100) | |
| Adder | 33.9 | 34.3 | (0.4) | | (1.2) |
| Revenue from waste management | 11.3 | 9.4 | 1.9 | | 20.2 |
| Sales from Municipal Solid Waste Power Plants | 121.3 | 71.5 | 49.8 | | 69.7 |
| Sales of electricity - Base tariff and Ft | 3.4 | 2.8 | 0.6 | | 21.4 |
| Sales from Solar Energy Power Plants | 3.4 | 2.8 | 0.6 | | 21.4 |
| Total sales and service income | 1,314.1 | 1,216.6 | 97.5 | | 8.0 |

Sales and service income (included revenue from finance lease under a Power Purchase Agreement) for Q1/2021 compared to Q1/2020 increase by 8.0% from Baht 1,216.6 million to Baht 1,314.1 million. The increase of Baht 97.5 million, mainly derived from sales of Biomass Power Plant which increased by Baht 95.6 million or 14.2% from increase in revenue from the new biomass power plants which the Group acquired in the third quarter of 2020. In addition, sales of Municipal Solid Waste Power Plant increased by Baht 49.8 million or 69.7% from revenue recognition of Municipal Solid Waste Power Plant in Krabi which started its commercial operation on 28 December 2020. However, sales of Natural Gas Power Plant decreased by Baht 48.5 million or 10.3% from decrease in unit rate, which is adjusted in line with the decline in average natural gas price, thus sales also decrease in line with the fuel material cost of natural gas.

| | Q1-2021 | Q1-2020 | 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. The construction was completed and COD on 28 December 2020. As a consequence, there is no revenue from construction under a concession arrangement recorded from the first quarter of 2021.

Cost of sales and service

Cost of sales and service for the period ended 31 March 2021 and 2020 are presented below:

| Cost of sales and service | Q1-2021 | Q1-2020 | Change | |
|--|--------------|--------------|-------------|-------------|
| | THB Mn | THB Mn | THB Mn | % |
| Fuel materials cost | 536.5 | 516.9 | 19.6 | 3.8 |
| Depreciation and amortisation cost | 152.5 | 124.9 | 27.6 | 22.1 |
| Staff cost and other benefits | 36.7 | 37.2 | (0.5) | (1.3) |
| Repair and maintenance cost | 59.4 | 44.3 | 15.1 | 34.1 |
| Engineering and other services | 40.9 | 30.6 | 10.3 | 33.7 |
| Processing fee - PEA | 13.3 | 13.9 | (0.6) | (4.3) |
| Other cost | 35.4 | 20.9 | 14.5 | 69.4 |
| Total cost of sales and service | 874.7 | 788.7 | 86.0 | 10.9 |

Cost of sales and service for Q1/2021 compared to Q1/2020 increase by 10.9% from Baht 788.7 million to Baht 874.7 million. The increase of Baht 86.0 million, mainly came from the increase in cost of biomass power plants which the Group acquired in the third quarter of 2020 and cost of Municipal Solid Waste in Krabi which started its commercial operation in late December 2020.

Net gain on exchange rate

| | Q1-2021 THB Mn | Q1-2020 THB Mn | Change | |
|---------------------------|-------------------|-------------------|--------|--------|
| | | | THB Mn | % |
| Net gain on exchange rate | 55.1 | 112.2 | (57.1) | (50.9) |

Net gain on exchange rate mainly came from unrealized exchange rate of receivable under finance lease of Natural Gas Power Plant and partially from realized gain on exchange from payment for machine and spare parts for the under-developed projects to foreign suppliers. As of 31 March 2021, Thai Baht was depreciated compared to exchange rate as of 31 December 2020 which the Group gained on exchange rate.

Gain on forward contracts

| | Q1-2021 THB Mn | Q1-2020 THB Mn | Change | |
|---------------------------|-------------------|-------------------|--------|--------|
| | | | THB Mn | % |
| Gain on forward contracts | 11.2 | 49.5 | (38.3) | (77.4) |

The Group has adopted financial reporting standards related to financial instruments (TFRS9) since 1 January 2020 and recognized gain (loss) on forward contracts from the changes in fair value of the derivatives.

Other income

| | Q1-2021 THB Mn | Q1-2020 THB Mn | Change | |
|--------------|-------------------|-------------------|---------|--------|
| | | | THB Mn | % |
| Other income | 2.0 | 173.0 | (171.0) | (98.8) |

Other income comprised of income from insurance claims, interest income, rental income and others. In the first quarter of 2020, an indirect subsidiary received insurance claims from an insurance company Baht 171.9 million. The claim was compensated from the event of damaged machinery during the test run, before COD. Note that the Plant was COD in 2016.

Gross Profit and Gross Profit Margin

| | Q1-2021 | Q1-2020 | Change | |
|------------------------------------|--------------|--------------|-------------|------------|
| | THB Mn | THB Mn | THB Mn | % |
| Gross Profit | | | | |
| Biomass Power Plants | 239.0 | 243.7 | (4.7) | (1.9) |
| Natural Gas Power Plant | 136.8 | 139.1 | (2.3) | (1.7) |
| Municipal Solid Waste Power Plants | 61.7 | 43.7 | 18.0 | 41.2 |
| Solar Energy Power Plants | 1.9 | 1.4 | 0.5 | 35.7 |
| Gross Profit by Segment | 439.4 | 427.9 | 11.5 | 2.7 |

| | Q1-2021 | Q1-2020 | Change | |
|------------------------------------|-------------|-------------|--------------|--|
| | % | % | | |
| % Gross Profit | | | | |
| Biomass Power Plants | 31.2 | 36.3 | (5.1) | |
| Natural Gas Power Plant | 32.4 | 29.5 | 2.9 | |
| Municipal Solid Waste Power Plants | 50.9 | 61.1 | (10.2) | |
| Solar Energy Power Plants | 55.9 | 50.0 | 5.9 | |
| %Gross Profit by Segment | 33.4 | 35.3 | (1.9) | |

Gross Profit for Q1/2021 compared to Q1/2020 increased by 2.7% from Baht 427.9 million to Baht 439.4 million. The increase of Baht 11.5 million, due to Municipal Solid Waste Power Plant in Krabi which started its commercial operation in late December 2020.

Gross Profit Margin for Q1/2021 compared to Q1/2020 decreased by 1.9% from 35.3% to 33.4%, mainly from the decrease in gross profit margin of Biomass Power Plants. The decrease is resulted from the new biomass power plants, which the Group acquired in the third quarter of 2020, was not operate in their full capacity. Since the Group are in the process of improving the machinery's efficiency to reduce further cost of production. In addition, one of the new power plants acquired is in the process of test run for revising the power purchase agreement to FiT, which is expected to complete in the second quarter of 2021. In addition, other biomass power plants, excluded the new plants, have planned-shutdown hours in the first quarter of 2021 higher than the first quarter of 2020. Moreover, sales from FiT Premium for the first quarter of 2021 decreased by Baht 10.5 million from the first quarter of 2020 as conditioned in the FiT power purchase agreements. In addition, gross profit margin of Municipal Solid Waste Power Plant for the first quarter of 2021 also decreases compared to the first quarter of 2020, due to the power purchase agreement of Municipal Solid Waste Power Plant in Krabi, which started its commercial operation since late December 2020, is FiT. While the power purchase agreement of Municipal Solid Waste Power Plant in Khon kaen is Adder.

Administrative expenses

Administrative expenses for the period ended 31 March 2021 and 2020

| | Q1-2021 | Q1-2020 | Change | |
|-------------------------|---------|---------|--------|-------|
| | THB Mn | THB Mn | THB Mn | % |
| Administrative expenses | 84.7 | 88.0 | (3.3) | (3.8) |

Administrative expenses for Q1/2021 compared to Q1/2020 decrease by 3.8% from Baht 88.0 million to Baht 84.7 million or decreased by Baht 3.3 million.

Finance costs

| | Q1-2021 | Q1-2020 | Change | |
|---------------|---------|---------|--------|------|
| | THB Mn | THB Mn | THB Mn | % |
| Finance costs | 34.1 | 26.3 | 7.8 | 29.7 |

Finance costs for Q1/2021 compared to Q1/2020 increase by 29.7% from Baht 26.3 million to Baht 34.1 million due to loan addition for the new investment projects.

Tax income (expense)

| | Q1-2021 | Q1-2020 | Change | |
|----------------------|---------|---------|--------|--------|
| | THB Mn | THB Mn | THB Mn | % |
| Tax income (expense) | (28.6) | (54.8) | (26.2) | (47.8) |

Tax income (expense) comprised of current tax and deferred tax. Deferred income tax mainly from temporary difference of receivable from finance lease and Derivative assets.

Net profit and Net profit margin

(Unit: THB Mn)

| | Q1-2021 | | | Q1-2020 | | |
|---------------------|--------------|---------------|--------------|--------------|---------------|--------------|
| | Ordinary | Extraordinary | Total | Ordinary | Extraordinary | Total |
| | activities | items | | activities | items | |
| Profit before tax | 320.5 | 68.4 | 388.9 | 314.6 | 333.7 | 648.3 |
| Tax income(expense) | (14.9) | (13.7) | (28.6) | (11.5) | (43.3) | (54.8) |
| Net profit | 305.6 | 54.7 | 360.3 | 303.1 | 290.4 | 593.5 |

Extraordinary items from non-operating, consists of unrealized gain(loss) on exchange rate of receivable under finance lease agreement, gain(loss) on forward contracts, income from insurance claim and gain from business acquisition.

| | Q1-2021 | Q1-2020 | Change | |
|--|--------------|--------------|------------|------------|
| | THB Mn | THB Mn | THB Mn | % |
| Net profit | 360.3 | 593.5 | (233.2) | (39.3) |
| Add(Less): Extraordinary items | (54.7) | (290.4) | (235.7) | (81.2) |
| Net profit from ordinary activities | 305.6 | 303.1 | 2.5 | 0.8 |

| | Q1-2021 | Q1-2020 | Change |
|--|---------|---------|--------|
| | % | % | |
| Net profit margin | 27.4 | 48.8 | (21.4) |
| Net profit margin from ordinary activities | 23.3 | 24.9 | (1.6) |

Net profit for Q1/2021 compared to Q1/2020 decreased by 39.3% from Baht 593.5 million to Baht 360.3 million. The decrease of Baht 233.2 million mainly came from extraordinary item in the first quarter of 2020 which is income from insurance claim amounting to Baht 171.9 million, while no income from insurance claim in the first quarter of 2021. However, net profit for the first quarter of 2021 increased by Baht 106.2 million or 41.8% compared to the fourth quarter of 2020, which has a net profit amounting to Baht 254.1 million.

Net Profit from ordinary activities for Q1/2021 compared to Q1/2020 increased by 0.8% from Baht 303.1 million to Baht 305.6 million, due to the increase in sales of goods and services from the new biomass power plants, which the Group acquired in the third quarter of 2020 and Municipal Solid Waste Power Plant in Krabi, which started its commercial operation since late December 2020.

Analysis of Financial Position

| Statement of Financial Position | 31 March | 31 December | Change | |
|---|-----------------|-----------------|----------------|-------------|
| | 2021 | 2020 | | |
| | THB Mn | THB Mn | THB Mn | % |
| Cash and cash equivalents | 741.9 | 482.9 | 259.0 | 53.6 |
| Trade and other receivables | 827.8 | 829.0 | (1.2) | (0.1) |
| Receivables under finance lease | 3,277.6 | 3,256.3 | 21.3 | 0.7 |
| Inventories | 564.0 | 402.1 | 161.9 | 40.3 |
| Restricted deposits at financial institutions | 510.2 | 277.6 | 232.6 | 83.8 |
| Investment property (net) | 193.4 | 144.9 | 48.5 | 33.5 |
| Property, plant and equipment (net) | 9,463.6 | 9,095.3 | 368.3 | 4.0 |
| Advance payments for constructions and purchases of fixed assets | 40.4 | 53.5 | (13.1) | (24.5) |
| Rights to service under concession arrangements (net) | 1,618.5 | 1,639.5 | (21.0) | (1.3) |
| Right-of-use assets (net) | 38.9 | 37.4 | 1.5 | 4.0 |
| Deferred tax assets (net) | 79.9 | 85.9 | (6.0) | (7.0) |
| Other assets | 119.0 | 125.3 | (6.3) | (5.0) |
| Total assets | 17,475.2 | 16,429.7 | 1,045.5 | 6.4 |
| Short-term loans from financial institutions | 167.0 | 265.3 | (98.3) | (37.1) |
| Long-term loans from financial institutions | 4,359.0 | 3,657.2 | 701.8 | 19.2 |
| Trade and other payables | 344.0 | 269.0 | 75.0 | 27.9 |
| Leases liabilities (net) | 27.5 | 25.8 | 1.7 | 6.6 |
| Deferred tax liabilities (net) | 127.3 | 109.9 | 17.4 | 15.8 |
| Derivative liabilities | 1.2 | 12.1 | (10.9) | (90.1) |
| Other liabilities | 96.1 | 97.6 | (1.5) | (1.5) |
| Total liabilities | 5,122.1 | 4,436.9 | 685.2 | 15.4 |
| Issued and paid-up share capital | 5,088.0 | 5,088.0 | - | - |
| Share Premium | 3,896.0 | 3,896.0 | - | - |
| Retained earnings - Legal Reserved | 26.0 | 26.0 | - | - |
| Retained earnings - Unappropriated | 3,366.0 | 3,005.7 | 360.3 | 12.0 |
| Deficit from business combination | (22.9) | (22.9) | - | - |
| Total equity | 12,353.1 | 11,992.8 | 360.3 | 3.0 |

Assets

Total assets as at 31 March 2021 and 31 December 2020 were Baht 17,475.2 million and Baht 16,429.7 million, respectively. Increase by Baht 1,045.5 million or 6.4% due to an increase of Baht 259.0 million in cash and cash equivalents, receivables under finance lease increased by Baht 21.3 million from the adjustment of exchange rates. Inventories increased by Baht 161.9 million. Restricted deposits at financial institutions increased by Baht 232.6 million. Investment properties increased by Baht 48.5 million from purchase of land of future power plant project. Property plant and equipment increased by Baht 368.3 million from the new investment projects. Advance payments for constructions and purchase of fixed assets decreased by Baht 13.1 million. Rights to service under concession arrangements decreased by Baht 21.0 million from amortisation during the period. Right-of-use assets increased by Baht 1.5 million. Derivative assets decreased by Baht 6.0 million.

Liabilities

Total liabilities as at 31 March 2021 and 31 December 2020 were Baht 5,122.1 million and Baht 4,436.9 million, respectively. Increased by Baht 685.2 million or 15.4%, mainly due to short-term loans from financial institutions decreased by Baht 98.3 million. Long-term loans from financial institutions increased by Baht 701.8 million. Trade and other payables increased by Baht 75.0 million. Deferred tax liabilities increase by Baht 17.4 million. Derivative liabilities decreased by Baht 10.9 million from recognized of difference in fair value of derivative from the adoption of TFRS9 financial instruments.

As at 31 March 2021, The debt to equity ratio was 0.41 times, the net debt to equity ratio was 0.31 times, the interest-bearing debt to equity ratio was 0.37 times, and the net interest-bearing debt to equity ratio was 0.27 times.

Equity

Shareholders' equity as at 31 March 2021 and 31 December 2020 were Baht 12,353.1 million and Baht 11,992.8 million. Increased by Baht 360.3 million or 3.0% 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