

No. ACE-ACC-3/2021

13 August 2021

Subject Management Discussion and Analysis for the period ended 30 June 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 30 June 2021 of the Company and the subsidiaries (“the Group”) as follow:

Financial Performance of the Group								
Consolidated financial statements	Q2-2020	Q1-2021	Q2-2021	Change		6M-2020	6M-2021	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Sales of goods and services	1,139.5	1,214.9	1,284.4	5.7%	12.7%	2,255.2	2,499.3	10.8%
Revenue from finance lease under power purchase agreement	102.8	99.2	101.6	2.4%	(1.2%)	203.7	200.8	(1.4%)
Revenue from construction under a concession arrangement	398.1	-	-	-	N.A. (<-100)	529.4	-	N.A. (<-100)
Cost of sales and services	(796.3)	(874.7)	(920.4)	5.2%	15.6%	(1,585.0)	(1,795.1)	13.3%
Cost of construction under a concession arrangement	(398.1)	-	-	-	N.A. (<-100)	(529.4)	-	N.A. (<-100)
Gross profit	446.0	439.4	465.6	6.0%	4.4%	873.9	905.0	3.6%
Net gain (loss) on exchange rate	(58.6)	55.1	30.9	(43.9%)	N.A. (>100)	53.6	86.0	60.4%
Gain (loss) on forward contracts	(50.8)	11.2	4.5	(59.8%)	N.A. (>100)	(1.3)	15.7	N.A. (>100)
Other income	0.9	2.0	5.1	155.0%	466.7%	173.9	7.1	(95.9%)
Profit before expenses	337.5	507.7	506.1	(0.3%)	50.0%	1,100.1	1,013.8	(7.8%)
Administrative expenses	(77.2)	(84.7)	(82.1)	(3.1%)	6.3%	(165.2)	(166.8)	1.0%
Finance costs	(25.1)	(34.1)	(35.7)	4.7%	42.2%	(51.4)	(69.8)	35.8%
Profit before income tax	235.2	388.9	388.3	(0.2%)	65.1%	883.5	777.2	(12.0%)
Tax income (expenses)	14.6	(28.6)	(21.8)	(23.8%)	N.A. (<-100)	(40.2)	(50.4)	25.4%
Net profit	249.8	360.3	366.5	1.7%	46.7%	843.3	726.8	(13.8%)
<i>Add(less): Loss/gain from extraordinary items*</i>	<i>104.3</i>	<i>(54.7)</i>	<i>(28.4)</i>			<i>(186.1)</i>	<i>(83.1)</i>	
Net profit from ordinary activities	354.1	305.6	338.1	10.6%	(4.5%)	657.2	643.7	(2.1%)

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

Sales and service income for the period ended 30 June 2021 and 2020 are presented below:

Sales and service income	Q2-2020	Q1-2021	Q2-2021	Change		6M-2020	6M-2021	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Sales of electricity - FiT, base tariff and Ft	635.3	727.0	770.9	6.0%	21.3%	1,258.4	1,497.9	19.0%
FiT Premium	37.4	33.2	14.7	(55.7%)	(60.7%)	81.1	47.9	(40.9%)
Sales of electricity to Industrial Users (IU)	4.7	6.9	6.0	(13.0%)	27.7%	9.4	12.9	37.2%
Sales from Biomass Power Plants	677.4	767.1	791.6	3.2%	16.9%	1,348.9	1,558.7	15.6%
Revenue from finance lease under a Power Purchase Agreement	102.8	99.2	101.6	2.4%	(1.2%)	203.7	200.8	(1.4%)
Revenue from service under a Power Purchase Agreement	388.0	319.5	361.0	13.0%	(7.0%)	751.4	680.5	(9.4%)
Sales of electricity to Industrial Users (IU)	1.3	1.1	1.4	27.3%	7.7%	2.9	2.5	(13.8%)
Sales of steam (IU)	4.4	2.5	2.9	16.0%	(34.1%)	9.3	5.4	(41.9%)
Sales from Natural Gas Power Plant	496.5	422.3	466.9	10.6%	(6.0%)	967.3	889.2	(8.1%)
Sales of electricity - FiT, base tariff and Ft	25.3	70.1	72.2	3.0%	185.4%	53.1	142.3	168.0%
FiT Premium	-	6.0	6.7	11.7%	N.A. (>100)	-	12.7	N.A. (>100)
Adder	31.3	33.9	30.4	(10.3%)	(2.9%)	65.6	64.3	(2.0%)
Revenue from waste management	9.6	11.3	13.2	16.8%	37.5%	19.0	24.5	28.9%
Sales from Municipal Solid Waste Power Plants	66.2	121.3	122.5	1.0%	85.0%	137.7	243.8	77.1%
Sales of electricity - Base tariff and Ft	2.2	3.4	5.0	47.1%	127.3%	5.0	8.4	68.0%
Sales from Solar Energy Power Plants	2.2	3.4	5.0	47.1%	127.3%	5.0	8.4	68.0%
Total sales and service income	1,242.3	1,314.1	1,386.0	5.5%	11.6%	2,458.9	2,700.1	9.8%

Sales and service income (included revenue from finance lease under a Power Purchase Agreement) increase 5.5% QoQ from Baht 1,314.1 million to Baht 1,386.0 million. The increase of Baht 71.9 million, mainly derived from sales of biomass power plant which increased by Baht 24.5 million as the result from the enhancement of the machinery's efficiency of the new biomass power plants which the Group acquired in the third quarter of 2020. This was led to the higher electricity unit sold. Furthermore, one of the new power plants acquired was completed the process of revising the power purchase agreement to FiT in the second quarter of 2021. In addition, the other biomass power plants, excluded the new plants, had planned-shutdown hours in the second quarter of 2021 lower than first quarter of 2021 which result in the increasing in overall revenue of biomass power plants. Moreover, sales of natural gas power plant also increased by Baht 44.6 million from increase in unit rate which is adjusted in line with the increase in average natural gas price from the first quarter of 2021.

Sales and service income (included revenue from finance lease under a Power Purchase Agreement) increase 11.6% YoY from Baht 1,242.3 million to Baht 1,386.0 million, increasing of Baht 143.7 million and **increase 9.8% 6M YoY** from Baht 2,458.9 million to Baht 2,700.1 million, increasing of Baht 241.2 million. The increasing derived from sales of biomass power plant which 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 from revenue recognition of municipal solid waste power plant in Krabi which started its commercial operation on 28 December 2020. On the other hand, sales of natural gas power plant decreasing 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.

	Q2-2020	Q1-2021	Q2-2021	Change		6M-2020	6M-2021	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Revenue from construction under a concession arrangement	398.1	-	-	-	N.A. (<-100)	529.4	-	N.A. (<-100)

The group has revenue from construction under a concession arrangement for the second quarter of 2020 amounting to Baht 398.1 million and for the six-month ended 30 June 2020 amounting to Baht 529.4 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 in the same amount. 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 any further revenue from construction under a concession arrangement recognized.

Cost of sales and service

Cost of sales and service for the period ended 30 June 2021 and 2020 are presented below:

Cost of sales and service	Q2-2020	Q1-2021	Q2-2021	Change		6M-2020	6M-2021	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Fuel materials cost	530.9	536.5	583.3	8.7%	9.9%	1,047.8	1,119.8	6.9%
Depreciation and amortisation cost	123.2	152.5	155.4	1.9%	26.1%	248.1	307.9	24.1%
Staff cost and other benefits	39.0	36.7	37.2	1.4%	(4.6%)	76.2	73.9	(3.0%)
Repair and maintenance cost	40.3	59.4	54.8	(7.7%)	36.0%	84.6	114.2	35.0%
Engineering and other services	29.4	40.9	40.8	(0.2%)	38.8%	60.0	81.7	36.2%
Processing fee - PEA	13.9	13.3	18.1	36.1%	30.2%	27.8	31.4	12.9%
Other cost	19.6	35.4	30.8	(13.0%)	57.1%	40.5	66.2	63.5%
Total cost of sales and service	796.3	874.7	920.4	5.2%	15.6%	1,585.0	1,795.1	13.3%

Cost of sales and service increase 5.2% QoQ from Baht 874.7 million to Baht 920.4 million. The increase by Baht 45.7 million, mainly from increase in cost of natural gas power plant from first quarter of 2021 amounting to Baht 41.9 million as the increasing in fuel material cost from increase in average natural gas price, thus sales in the portion of natural gas power plant electric power formula also increase in line with the fuel material cost of natural gas. In addition, cost of sales of biomass power plants also increased from the enhancement of the machinery's efficiency, when compare to prior quarter, of the new biomass power plants which the Group acquired in the third quarter of 2020. This was result in the increase in electricity unit production and sales, thus cost of sales of biomass power plants increased in line with the production capacity.

Cost of sales and service increase 15.6% YoY from Baht 796.3 million to Baht 920.4 million, increasing of Baht 124.1 million and **increase 13.3% 6M YoY** from Baht 1,585.0 million to Baht 1,795.1 million, increasing of Baht 210.1 million, mainly from the increase in total of power plants from the three new biomass power plants which the Group acquired in the third quarter of 2020 and one municipal solid waste power plant in Krabi which started its commercial operation since late December 2020.

Net gain (loss) on exchange rate

	Q2-2020	Q1-2021	Q2-2021	Change		6M-2020	6M-2021	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Net gain (loss) on exchange rate	(58.6)	55.1	30.9	(43.9%)	N.A. (>100)	53.6	86.0	60.4%

Net gain (loss) 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. During the first quarter and second quarter of 2021, Thai Baht was continuing depreciated compared to exchange rate as of 31 December 2020 which lead to the Group has gain on exchange rate.

Gain (loss) on forward contracts

	Q2-2020	Q1-2021	Q2-2021	Change		6M-2020	6M-2021	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Gain (loss) on forward contracts	(50.8)	11.2	4.5	(59.8%)	N.A. (>100)	(1.3)	15.7	N.A. (>100)

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

Other income

	Q2-2020	Q1-2021	Q2-2021	Change		6M-2020	6M-2021	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Other income	0.9	2.0	5.1	155.0%	466.7%	173.9	7.1	(95.9%)

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 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

Gross Profit	Q2-2020	Q1-2021	Q2-2021	Change		6M-2020	6M-2021	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Biomass Power Plant	263.5	239.0	259.3	8.5%	(1.6%)	507.3	498.3	(1.8%)
Natural Gas Power Plant	144.9	136.8	139.6	2.0%	(3.7%)	284.0	276.4	(2.7%)
Municipal Solid Waste Power Plant	36.7	61.7	63.8	3.4%	73.8%	80.4	125.5	56.1%
Solar Energy Power Plant	0.9	1.9	2.9	52.6%	222.2%	2.2	4.8	118.2%
Gross Profit by Segment	446.0	439.4	465.6	6.0%	4.4%	873.9	905.0	3.6%

Gross Profit Margin	Q2-2020	Q1-2021	Q2-2021	Change		6M-2020	6M-2021	Change
	Percent	Percent	Percent	QoQ	YoY	Percent	Percent	YoY
Biomass Power Plant	38.9	31.2	32.8	1.6	(6.1)	37.6	32.0	(5.6)
Natural Gas Power Plant	29.2	32.4	29.9	(2.5)	0.7	29.4	31.1	1.7
Municipal Solid Waste Power Plant	55.4	50.9	52.1	1.2	(3.3)	58.3	51.5	(6.8)
Solar Energy Power Plant	38.7	55.9	58.0	2.1	19.3	45.0	57.1	12.1
Gross Profit by Segment	35.9	33.4	33.6	0.2	(2.3)	35.5	33.5	(2.0)

Gross profit increase 6.0% QoQ from Baht 439.4 million to Baht 465.6 million, increasing of Baht 26.2 million, and **gross profit margin increase from 33.4% to 33.6%** mainly derived from the increasing of gross profit of biomass power plant as the result from the Group enhanced the machinery of the new biomass power plants which the Group acquired in the third quarter of 2020. This was led to the increasing in machinery's performance efficiency and electricity unit sold. Furthermore, one of the new power plants acquired was completed the process of revising the power purchase agreement to FiT in the second quarter of 2021. In addition, the other biomass power plants, excluded the new plants, had planned-shutdown hours in the second quarter of 2021 lower than first quarter of 2021 which result in the increasing in overall electricity production and sales when compare to first quarter of 2021.

Gross profit increase 4.4% YoY from Baht 446.0 million to Baht 465.6 million, increasing of Baht 19.6 million, and **increase 3.6% 6M YoY** from Baht 873.9 million to Baht 905.0 million, increasing of Baht 31.1 million. The increasing mainly derived from municipal solid waste power plant in Krabi which started its commercial operation in late December 2020.

Gross profit margin decrease 2.3% YoY from 35.9% to 33.6% and **decrease 2.0% 6M YoY** from 35.5% to 33.5% mainly derived from the 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, other biomass power plants, excluded the new plants, have planned-shutdown hours in the first half of 2021 higher than the first half of 2020. Moreover, sales from FiT Premium of the year 2021 decrease from the year 2020 as conditioned in the FiT power purchase agreements. In addition, gross profit margin of municipal solid waste power plant for the year 2021 also decrease from the year 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 30 June 2021 and 2020

	Q2-2020	Q1-2021	Q2-2021	Change		6M-2020	6M-2021	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Administrative expenses	77.2	84.7	82.1	(3.1%)	6.3%	165.2	166.8	1.0%

Administrative expenses comprised of employee benefit expenses, consulting fee, depreciation, public relation expenses and others. For the first quarter and second quarter of 2021, the Group has administrative expenses in the amount of Baht 84.7 million and Baht 82.1 million, which represent 7.0% and 6.4% to sales and service income, respectively.

Finance costs

	Q2-2020	Q1-2021	Q2-2021	Change		6M-2020	6M-2021	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Finance costs	25.1	34.1	35.7	4.7%	42.2%	51.4	69.8	35.8%

Finance costs increase 42.2% YoY from Baht 25.1 million to Baht 35.7 million and **increase 35.8% 6M YoY** from Baht 51.4 million to Baht 69.8 million due to loan addition for the new investment projects.

Tax income (expense)

	Q2-2020	Q1-2021	Q2-2021	Change		6M-2020	6M-2021	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Tax income (expense)	14.6	(28.6)	(21.8)	(23.8%)	N.A. (<-100)	(40.2)	(50.4)	25.4%

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)

	Q2-2020			Q1-2021			Q2-2021		
	Ordinary activities	Extraordinary items	Total	Ordinary activities	Extraordinary items	Total	Ordinary activities	Extraordinary items	Total
Profit before tax	365.6	(130.4)	235.2	320.5	68.4	388.9	352.8	35.5	388.3
Tax income(expense)	(11.5)	26.1	14.6	(14.9)	(13.7)	(28.6)	(14.7)	(7.1)	(21.8)
Net profit	354.1	(104.3)	249.8	305.6	54.7	360.3	338.1	28.4	366.5

	6M-2020			6M-2021		
	Ordinary activities	Extraordinary items	Total	Ordinary activities	Extraordinary items	Total
Profit before tax	680.2	203.3	883.5	673.3	103.9	777.2
Tax income(expense)	(23.0)	(17.2)	(40.2)	(29.6)	(20.8)	(50.4)
Net profit	657.2	186.1	843.3	643.7	83.1	726.8

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

	Q2-2020	Q1-2021	Q2-2021	Change		6M-2020	6M-2021	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Net profit	249.8	360.3	366.5	1.7%	46.7%	843.3	726.8	(13.8%)
<i>Add(Less): Loss/gain from extraordinary items</i>	<i>104.3</i>	<i>(54.7)</i>	<i>(28.4)</i>			<i>(186.1)</i>	<i>(83.1)</i>	
Net profit from ordinary activities	354.1	305.6	338.1	10.6%	(4.5%)	657.2	643.7	(2.1%)

	Q2-2020	Q1-2021	Q2-2021	Change		6M-2020	6M-2021	Change
	Percent	Percent	Percent	QoQ	YoY	Percent	Percent	YoY
Net profit margin	20.1	27.4	26.4	(1.0)	6.3	34.3	26.9	(7.4)
Net profit margin from ordinary activities	28.5	23.3	24.4	1.1	(4.1)	26.7	23.8	(2.9)

Net profit from ordinary activities increase 10.6% QoQ from Baht 305.6 million to Baht 338.1 million and **net profit margin from ordinary activities increase from 23.3% to 24.4%** mainly derived from the increasing in gross profit of all power plant segments.

Net profit from ordinary activities for the six-month period of 2021 equal to Baht 643.7 million which slightly decrease from the six-month period of 2020 which equal Baht 657.2 million. Net profit margin from ordinary activities for the six-month period of 2021 equal to 23.8% which also slightly decrease from the six-month period of 2020 which equal to 26.7%. The decreasing derived from the increasing in finance costs for the six-month period of 2021 due to loans addition for investment in new projects which in the process of development and construction.

Analysis of Financial Position

Statement of Financial Position	30 June	31 December	Change	
	2021	2020	THB Mn	%
Cash and cash equivalents	618.9	482.9	136.0	28.2
Trade and other receivables	1,038.9	829.0	209.9	25.3
Receivables under finance lease	3,337.7	3,256.3	81.4	2.5
Inventories	536.8	402.1	134.7	33.5
Restricted deposits at financial institutions	479.6	277.6	202.0	72.8
Investment property (net)	193.4	144.9	48.5	33.5
Property, plant and equipment (net)	9,764.4	9,095.3	669.1	7.4
Advance payments for constructions and purchases of fixed assets	40.0	53.5	(13.5)	(25.2)
Rights to service under concession arrangements (net)	1,597.4	1,639.5	(42.1)	(2.6)
Right-of-use assets (net)	38.2	37.4	0.8	2.1
Deferred tax assets (net)	74.8	85.9	(11.1)	(12.9)
Derivative assets	3.6	-	3.6	N.A. (>100)
Other assets	149.2	125.3	23.9	19.1
Total assets	17,872.9	16,429.7	1,443.2	8.8
Short-term loans from financial institutions	325.4	265.3	60.1	22.7
Long-term loans from financial institutions	4,440.0	3,657.2	782.8	21.4
Trade and other payables	288.7	269.0	19.7	7.3
Leases liabilities (net)	27.4	25.8	1.6	6.2
Deferred tax liabilities (net)	140.0	109.9	30.1	27.4
Derivative liabilities	-	12.1	(12.1)	N.A. (<-100)
Other liabilities	87.5	97.6	(10.1)	(10.3)
Total liabilities	5,309.0	4,436.9	872.1	19.7
Issued and paid-up share capital	5,088.0	5,088.0	-	-
Share Premium	3,896.0	3,896.0	-	-
Retained earnings - Appropriated - Legal reserve	26.0	26.0	-	-
Retained earnings - Unappropriated	3,549.3	3,005.7	543.6	18.1
Deficit from business combination	(22.9)	(22.9)	-	-
Non-controlling interests	27.5	-	27.5	N.A. (>100)
Total equity	12,563.9	11,992.8	571.1	4.8

Assets

Total assets as at 30 June 2021 and 31 December 2020 were Baht 17,872.9 million and Baht 16,429.7 million, respectively. Increase by Baht 1,443.2 million or 8.8% due to an increase of Baht 136.0 million in cash and cash equivalents, trade and other receivables increased by Baht 209.9 million and receivables under finance lease increased by Baht 81.4 million from the adjustment of exchange rates. Inventories increased by Baht 134.7 million. Restricted deposits at financial institutions increased by Baht 202.0 million. Investment properties increased by Baht 48.5 million from purchase of land of future power plant projects. Property, plant and equipment increased by Baht 669.1 million from the new investment projects. Rights to service under concession arrangements decreased by Baht 42.1 million from amortization during the period.

Liabilities

Total liabilities as at 30 June 2021 and 31 December 2020 were Baht 5,309.0 million and Baht 4,436.9 million, respectively. Increased by Baht 872.1 million or 19.7%, mainly due to short-term loans from financial institutions increased by Baht 60.1 million from addition during the period. Long-term loans from financial institutions increased by Baht 782.8 million. Deferred tax liabilities increased by Baht 30.1 million.

As at 30 June 2021, the debt to equity ratio was 0.42 times, the net debt to equity ratio was 0.34 times, the interest-bearing debt to equity ratio was 0.38 times, and the net interest-bearing debt to equity ratio was 0.29 times.

Equity

Shareholders' equity as at 30 June 2021 and 31 December 2020 were Baht 12,563.9 million and Baht 11,992.8 million. Increased by Baht 571.1 million or 4.8% 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