

No. ACE-ACC-2/2022

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Subject Management Discussion and Analysis for the period ended 31 March 2022

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 2022 of the Company and the subsidiaries (“**the Group**”) as follow:

Financial Performance of the Group				
Consolidated financial statements	Q1-2021	Q1-2022	Change	
	THB Mn	THB Mn	THB Mn	%
Sales of goods and services	1,214.9	1,518.7	303.8	25.0%
Revenue from finance lease under power purchase agreement	99.2	102.3	3.1	3.1%
Cost of sales and services	(874.7)	(1,149.4)	274.7	31.4%
Gross profit	439.4	471.6	32.2	7.3%
Net gain (loss) on exchange rate	55.1	(4.6)	(59.7)	N.A.(<-100)
Gain (loss) on forward contracts	11.2	(0.2)	(11.4)	N.A.(<-100)
Other income	2.0	3.7	1.7	85.0%
Profit before expenses	507.7	470.5	(37.2)	(7.3%)
Administrative expenses	(84.7)	(91.1)	6.4	7.6%
Finance costs	(34.1)	(34.5)	0.4	1.2%
Profit before income tax	388.9	344.9	(44.0)	(11.3%)
Tax expenses	(28.6)	(22.5)	(6.1)	(21.3%)
Net profit	360.3	322.4	(37.9)	(10.5%)
Loss attributable to non-controlling interests	-	(0.3)	0.3	N.A.(>100)
Net profit attributable to the parent	360.3	322.7	(37.6)	(10.4%)
<i>Add(less): Loss/gain from extraordinary items*</i>	<i>(54.7)</i>	<i>3.9</i>	<i>(58.6)</i>	
Net profit from ordinary activities attributable to the parent	305.6	326.6	21.0	6.9%

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

Sales and service income for the period ended 31 March 2022 and 2021 are presented below:

Sales and service income	Q1-2021	Q1-2022	Change	
	THB Mn	THB Mn	THB Mn	%
Sales of electricity - FiT, base tariff and Ft	727.0	806.7	79.7	11.0%
FiT Premium	33.2	19.6	(13.6)	(41.0%)
Sales of electricity to Industrial Users (IU)	6.9	6.8	(0.1)	(1.4%)
Sales from Biomass Power Plants	767.1	833.1	66.0	8.6%
Revenue from finance lease under a Power Purchase Agreement	99.2	102.3	3.1	3.1%
Revenue from service under a Power Purchase Agreement	319.5	563.9	244.4	76.5%
Sales of electricity to Industrial Users (IU)	1.1	1.0	(0.1)	(9.1%)
Sales of steam (IU)	2.5	1.4	(1.1)	(44.0%)
Sales from Natural Gas Power Plant	422.3	668.6	246.3	58.3%
Sales of electricity - FiT, base tariff and Ft	70.1	68.1	(2.0)	(2.9%)
FiT Premium	6.0	6.0	-	-
Adder	33.9	28.1	(5.8)	(17.1%)
Other sales and service income	11.3	11.8	0.5	4.4%
Sales from Municipal Solid Waste Power Plants	121.3	114.0	(7.3)	(6.0%)
Sales of electricity - Base tariff and Ft	3.4	5.3	1.9	55.9%
Sales from Solar Energy Power Plants	3.4	5.3	1.9	55.9%
Total sales and service income	1,314.1	1,621.0	306.9	23.4%

Sales and service income (included revenue from finance lease under a Power Purchase Agreement) for Q1/2022 compared to Q1/2021 increase 23.4% from Baht 1,314.1 million to Baht 1,621.0 million. The increase of Baht 306.9 million, mainly derived from sales of biomass power plants which increased by Baht 66.0 million as the result from revenue recognition of biomass power plant in Khlong Khlung, Kamphaeng Phet Province which started its commercial operation on 26 November 2021. Sales of natural gas power plant increased by Baht 246.3 million from increase in unit rate which is adjusted in line with the increase in average natural gas price.

Cost of sales and service

Cost of sales and service for the period ended 31 March 2022 and 2021 are presented below:

Cost of sales and service	Q1-2021	Q1-2022	Change	
	THB Mn	THB Mn	THB Mn	%
Fuel materials cost	536.5	808.1	271.6	50.6%
Depreciation and amortisation cost	152.5	165.8	13.3	8.7%
Staff cost, repair and maintenance cost and other services	144.6	134.3	(10.3)	(7.1%)
Processing fee - PEA	15.6	16.0	0.4	2.6%
Other cost	25.5	25.2	(0.3)	(1.2%)
Total cost of sales and service	874.7	1,149.4	274.7	31.4%

Cost of sales and service for Q1/2022 compared to Q1/2021 increase 31.4% from Baht 874.7 million to Baht 1,149.4 million. The increase by Baht 274.7 million, mainly from increase in cost of natural gas power plant when comparing to the first quarter of 2021 amounting to Baht 242.9 million as the continuing increasing in fuel material cost from increase in 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 commercial operation of biomass power plant in Khlong Khlung, Kamphaeng Phet Province on 26 November 2021.

Net gain (loss) on exchange rate

	Q1-2021	Q1-2022	Change	
	THB Mn	THB Mn	THB Mn	%
Net gain (loss) on exchange rate	55.1	(4.6)	(59.7)	N.A.(<-100)

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 period first quarter of 2022, Thai Baht was slightly appreciated compared to exchange rate at the end of the year 2021 which led to the Group has loss on exchange rate for the first quarter of 2022 for the amounting to Baht 4.6 million.

Gross Profit and Gross Profit Margin

Gross Profit	Q1-2021	Q1-2022	Change	
	THB Mn	THB Mn	THB Mn	%
Biomass Power Plant	239.0	263.2	24.2	10.1%
Natural Gas Power Plant	136.8	140.3	3.5	2.6%
Municipal Solid Waste Power Plant	61.7	65.2	3.5	5.7%
Solar Energy Power Plant	1.9	2.9	1.0	52.6%
Gross Profit by Segment	439.4	471.6	32.2	7.3%

Gross Profit Margin	Q1-2021	Q1-2022	Change
	Percent	Percent	
Biomass Power Plant	31.2	31.6	0.4
Natural Gas Power Plant	32.4	21.0	(11.4)
Municipal Solid Waste Power Plant	50.9	57.2	6.3
Solar Energy Power Plant	55.9	54.7	(1.2)
Gross Profit Margin by Segment	33.4	29.1	(4.3)

Gross profit for Q1/2022 compared to Q1/2021 increase 7.3% from Baht 439.4 million to Baht 471.6 million. The increase by Baht 32.2 million, mainly derived from the increasing of gross profit of biomass power plants amount of Baht 24.2 million as the result from the commercial operation of biomass power plant in Khlong Khlung, Kamphaeng Phet Province on 26 November 2021.

Gross profit margin for Q1/2022 compared to Q1/2021 decrease 4.3% from 33.4% to 29.1% mainly derived from the decreasing of gross profit margin of natural gas power plant by 11.4% due to the increasing in average natural gas price which led to the increasing in fuel material cost of natural gas. Thus, sales in the portion of natural gas power plant electric power formula also increase in line with the increasing in fuel material cost of natural gas. This is the mechanism of the price formula which had the intention to give natural gas power plant keep the level of gross profit by mitigating the risk of natural gas price fluctuation. As the result, sales of natural gas power plant for the first quarter of 2022 significantly increased by 58.3% when comparing to the first quarter of 2021 while gross margin of natural gas power plant for the first quarter of 2022 slightly increase by 2.6% when comparing to the first quarter of 2021 and according to the formula of gross profit margin which calculated by taking gross margin divided by sales, so sales increase in the higher portion than gross margin increase will lead to gross profit margin decrease.

Administrative expenses

	Q1-2021	Q1-2022	Change	
	THB Mn	THB Mn	THB Mn	%
Administrative expenses	84.7	91.1	6.4	7.6%

Administrative expenses comprised of employee benefit expenses, consulting fee, depreciation, public relation expenses and others.

Administrative expenses for Q1/2022 compared to Q1/2021 increase 7.6% from Baht 84.7 million to Baht 91.1 million. The increasing Baht 6.4 million derived from employee benefit expenses and pre-operation expenses as the result from the Group continuing expansion and new project development.

Finance costs

	Q1-2021	Q1-2022	Change	
	THB Mn	THB Mn	THB Mn	%
Finance costs	34.1	34.5	0.4	1.2%

Finance costs for Q1/2022 compared to Q1/2021 increase 1.2% from Baht 34.1 million to Baht 34.5 million which increasing Baht 0.4 million. The Group's finance cost came from loan addition for the new investment projects.

Tax income (expense)

	Q1-2021	Q1-2022	Change	
	THB Mn	THB Mn	THB Mn	%
Tax expense	(28.6)	(22.5)	(6.1)	(21.3%)

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 attributable to the parent

The Group had net profit for the period of the first quarter of 2022 amounting to Baht 322.4 million which was the net profit attributable to the parent for the amounting to Baht 322.7 million. The detail of net profit for ordinary activities and extraordinary items can be described as following.

(Unit: THB Mn)

	Q1-2021			Q1-2022		
	Ordinary	Extraordinary	Total	Ordinary	Extraordinary	Total
	activities	items		activities	items	
Profit before tax	320.5	68.4	388.9	349.8	(4.9)	344.9
Tax income(expense)	(14.9)	(13.7)	(28.6)	(23.5)	1.0	(22.5)
Net profit	305.6	54.7	360.3	326.3	(3.9)	322.4
Loss attributable to non-controlling interests	-	-	-	(0.3)	-	(0.3)
Net profit from ordinary activities attributable to the parent	305.6	54.7	360.3	326.6	(3.9)	322.7

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

	Q1-2021	Q1-2022	Change	
	THB Mn	THB Mn	THB Mn	%
Net profit attributable to the parent	360.3	322.7	(37.6)	(10.4%)
<i>Add(Less): Loss/gain from extraordinary items</i>	<i>(54.7)</i>	<i>3.9</i>	<i>(58.6)</i>	
Net profit from ordinary activities attributable to the parent	305.6	326.6	21.0	6.9%

	Q1-2021	Q1-2022	Change
	Percent	Percent	
Net profit margin attributable to the parent	27.4	19.9	(7.5)
Net profit margin from ordinary activities attributable to the parent	23.3	20.1	(3.2)

Net profit attributable to the parent for Q1/2022 compared to Q1/2021 decrease 10.4% from Baht 360.3 million to Baht 322.7 million. The decreasing Baht 37.6 million derived from, in the first quarter of 2021, the Group had gain from extraordinary items which were unrealized gain on exchange rate of receivable under finance lease agreement and gain on forward contracts for the amount of Baht 54.7 million while, in the first quarter of 2022, the Group had loss from extraordinary items for amount of Baht 3.9 million.

Net profit from ordinary activities attributable to the parent for Q1/2022 compared to Q1/2021 increase 6.9% from Baht 305.6 million to Baht 326.6 million. The increasing Baht 21.0 million derived from the increase in gross profit of biomass power plants according to the increase in number of biomass power plants.

Analysis of Financial Position

Statement of Financial Position	31 March	31 December	Change	
	2022	2021	THB Mn	%
	THB Mn	THB Mn	THB Mn	%
Cash and cash equivalents	563.9	890.7	(326.8)	(36.7)
Trade and other receivables	1,183.6	1,069.0	114.6	10.7
Receivables under finance lease	3,370.1	3,385.2	(15.1)	(0.4)
Inventories	632.5	531.6	100.9	19.0
Restricted deposits at financial institutions	426.7	435.6	(8.9)	(2.0)
Investment property (net)	193.4	210.7	(17.3)	(8.2)
Property, plant and equipment (net)	10,473.2	10,261.3	211.9	2.1
Advance payments for constructions and purchases of fixed assets	149.3	95.2	54.1	56.8
Rights to service under concession arrangements (net)	1,534.2	1,555.2	(21.0)	(1.4)
Right-of-use assets (net)	75.8	36.6	39.2	107.1
Deferred tax assets (net)	65.5	69.6	(4.1)	(5.9)
Derivative assets	0.2	0.1	0.1	100.0
Other assets	186.6	199.4	(12.8)	(6.4)
Total assets	18,855.0	18,740.2	114.8	0.6
Short-term loans from financial institutions	99.5	214.5	(115.0)	(53.6)
Long-term loans from financial institutions	4,340.1	4,539.1	(199.0)	(4.4)
Trade and other payables	435.8	327.8	108.0	32.9
Leases liabilities (net)	31.1	26.6	4.5	16.9
Deferred tax liabilities (net)	177.3	168.2	9.1	5.4
Derivative liabilities	0.3	-	0.3	N.A. (>100)
Other liabilities	76.3	95.5	(19.2)	(20.1)
Total liabilities	5,160.4	5,371.7	(211.3)	(3.9)
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	45.2	45.2	-	-
Retained earnings - Unappropriated	4,631.7	4,309.0	322.7	7.5
Deficit from business combination	(22.9)	(22.9)	-	-
Non-controlling interests	56.6	53.2	3.4	6.4
Total equity	13,694.6	13,368.5	326.1	2.4

Assets

Total assets as at 31 March 2022 and 31 December 2021 were Baht 18,855.0 million and Baht 18,740.2 million, respectively. Increase by Baht 114.8 million or 0.6% due to cash and cash equivalents decreased by Baht 326.8 million, trade and other receivables increased by Baht 114.6 million and receivables under finance lease decreased by Baht 15.1 million from cash received during the period. Inventories increased by Baht 100.9 million. Restricted deposits at financial institutions decreased by Baht 8.9 million. Investment properties decreased by Baht 17.3 million. Property, plant and equipment increased by Baht 211.9 million from purchase of land of future power plant projects and the new investment projects. Rights to service under concession arrangements decreased by Baht 21.0 million from amortization during the period. Right-of-use assets increased by Baht 39.2 million from land lease for power plant project.

Liabilities

Total liabilities as at 31 March 2022 and 31 December 2021 were Baht 5,160.4 million and Baht 5,371.7 million, respectively. Decreased by Baht 211.3 million or 3.9%, mainly due to short-term loans from financial institutions and long-term loans from financial institutions decreased by Baht 115.0 million and Baht 199.0 million, respectively, from repayment during the period. Trade and other payables increased by Baht 108.0 million from the increasing in fuel material account payables.

As at 31 March 2022, the debt to equity ratio was 0.38 times, the net debt to equity ratio was 0.30 times, the interest-bearing debt to equity ratio was 0.33 times, and the net interest-bearing debt to equity ratio was 0.25 times.

Equity

Shareholders' equity as at 31 March 2022 and 31 December 2021 were Baht 13,694.6 million and Baht 13,368.5 million. Increased by Baht 326.1 million or 2.4% 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