

No. ACE-ACC-2/2023

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Subject Management Discussion and Analysis for the period ended 31 March 2023

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 2023 of the Company and the subsidiaries (“the Group”) as follow:

<b>Financial Performance of the Group</b>				
<b>Consolidated financial statements</b>	<b>Q1-2022</b>	<b>Q1-2023</b>	<b>Change</b>	
	THB Mn	THB Mn	THB Mn	%
Sales of goods and services	1,518.7	1,638.2	119.5	7.9%
Revenue from finance lease under power purchase agreement	102.3	102.4	0.1	0.1%
Cost of sales and services	(1,149.4)	(1,274.4)	125.0	10.9%
<b>Gross profit</b>	471.6	466.2	(5.4)	(1.1%)
Net loss on exchange rate	(4.6)	(17.4)	12.8	278.3%
Loss on forward contracts	(0.2)	(1.5)	1.3	650.0%
Other income	3.7	4.7	1.0	27.0%
<b>Profit before expenses</b>	470.5	452.0	(18.5)	(3.9%)
Administrative expenses	(91.1)	(121.4)	30.3	33.3%
Finance costs	(34.5)	(43.6)	9.1	26.4%
<b>Profit before income tax</b>	344.9	287.0	(57.9)	(16.8%)
Tax expenses	(22.5)	(12.1)	(10.4)	(46.2%)
<b>Net profit</b>	<b>322.4</b>	<b>274.9</b>	<b>(47.5)</b>	<b>(14.7%)</b>
<b>Loss attributable to non-controlling interests</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(66.7%)</b>
<b>Net profit attributable to the parent</b>	<b>322.7</b>	<b>275.0</b>	<b>(47.7)</b>	<b>(14.8%)</b>
<i>Add(less): Loss/gain from extraordinary items*</i>	3.9	16.9	(13.0)	
<b>Net profit from ordinary activities attributable to the parent</b>	<b>326.6</b>	<b>291.9</b>	<b>(34.7)</b>	<b>(10.6%)</b>

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

**Sales and service income for the period ended 31 March 2023 and 2022 are presented below:**

Sales and service income	Q1-2022	Q1-2023	Change	
	THB Mn	THB Mn	THB Mn	%
Sales of electricity - FiT, base tariff and Ft	806.7	851.2	44.5	5.5%
FiT Premium	19.6	14.6	(5.0)	(25.5%)
Sales of electricity to Industrial Users (IU)	6.8	9.3	2.5	36.8%
<b>Sales from Biomass Power Plants</b>	<b>833.1</b>	<b>875.1</b>	<b>42.0</b>	<b>5.0%</b>
Revenue from finance lease under a Power Purchase Agreement	102.3	102.4	0.1	0.1%
Revenue from service under a Power Purchase Agreement	563.9	630.5	66.6	11.8%
Sales of electricity to Industrial Users (IU)	1.0	0.6	(0.4)	(40.0%)
Sales of steam (IU)	1.4	0.6	(0.8)	(57.1%)
<b>Sales from Natural Gas Power Plant</b>	<b>668.6</b>	<b>734.1</b>	<b>65.5</b>	<b>9.8%</b>
Sales of electricity - FiT, base tariff and Ft	68.1	74.5	6.4	9.4%
FiT Premium	6.0	4.2	(1.8)	(30.0%)
Adder	28.1	33.9	5.8	20.6%
Other sales and service income	11.8	13.8	2.0	16.9%
<b>Sales from Municipal Solid Waste Power Plants</b>	<b>114.0</b>	<b>126.4</b>	<b>12.4</b>	<b>10.9%</b>
Sales of electricity - Base tariff and Ft	5.3	5.0	(0.3)	(5.7%)
<b>Sales from Solar Energy Power Plants</b>	<b>5.3</b>	<b>5.0</b>	<b>(0.3)</b>	<b>(5.7%)</b>
<b>Total sales and service income</b>	<b>1,621.0</b>	<b>1,740.6</b>	<b>119.6</b>	<b>7.4%</b>

**Sales and service income (included revenue from finance lease under a Power Purchase Agreement) for Q1/2023 compared to Q1/2022 increase 7.4%** from Baht 1,621.0 million to Baht 1,740.6 million. The increase of Baht 119.6 million, mainly derived from sales of biomass power plants which increased by Baht 42.0 million as the biomass power plants had shutdown hours to improve the power plants machinery's efficiency in the first quarter of 2023 less than the first quarter of 2022. Sales of natural gas power plant increased by Baht 65.5 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 2023 and 2022 are presented below:

Cost of sales and service	Q1-2022	Q1-2023	Change	
	THB Mn	THB Mn	THB Mn	%
Fuel materials cost	808.1	905.5	97.4	12.1%
Depreciation and amortisation cost	165.8	173.4	7.6	4.6%
Staff cost, repair and maintenance cost and other services	134.3	142.9	8.6	6.4%
Processing fee - PEA	16.0	17.1	1.1	6.9%
Other cost	25.2	35.5	10.3	40.9%
<b>Total cost of sales and service</b>	<b>1,149.4</b>	<b>1,274.4</b>	<b>125.0</b>	<b>10.9%</b>

Cost of sales and service for Q1/2023 compared to Q1/2022 increase 10.9% from Baht 1,149.4 million to Baht 1,274.4 million. The increase by Baht 125.0 million, mainly from increase in cost of sales of biomass power plants when comparing to the first quarter of 2022 amounting to Baht 61.5 million from the increasing in cost of sales according to the increase in electricity production unit in first quarter of 2023 when comparing to the first quarter of 2022. In addition, cost of natural gas power plant increased when comparing to the first quarter of 2022 amounting to Baht 59.2 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.

## Net gain (loss) on exchange rate

	Q1-2022	Q1-2023	Change	
	THB Mn	THB Mn	THB Mn	%
Net loss on exchange rate	(4.6)	(17.4)	12.8	278.3%

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 2023, Thai Baht was appreciated compared to exchange rate at the end of the year 2022 which led to the Group has loss on exchange rate for the first quarter of 2023 for the amounting to Baht 17.4 million.

## Gross Profit and Gross Profit Margin

Gross Profit	Q1-2022	Q1-2023	Change	
	THB Mn	THB Mn	THB Mn	%
Biomass Power Plant	263.2	243.7	(19.5)	(7.4%)
Natural Gas Power Plant	140.3	146.5	6.2	4.4%
Municipal Solid Waste Power Plant	65.2	73.0	7.8	12.0%
Solar Energy Power Plant	2.9	3.0	0.1	3.4%
<b>Gross Profit by Segment</b>	<b>471.6</b>	<b>466.2</b>	<b>(5.4)</b>	<b>(1.1%)</b>

Gross Profit Margin	Q1-2022	Q1-2023	Change	
	Percent	Percent		
Biomass Power Plant	31.6	27.8	(3.8)	
Natural Gas Power Plant	21.0	20.0	(1.0)	
Municipal Solid Waste Power Plant	57.2	57.8	0.6	
Solar Energy Power Plant	54.7	60.0	5.3	
<b>Gross Profit Margin by Segment</b>	<b>29.1</b>	<b>26.8</b>	<b>(2.3)</b>	

Gross profit for Q1/2023 compared to Q1/2022 slightly decrease 1.1% from Baht 471.6 million to Baht 466.2 million, decrease by Baht 5.4 million, and gross profit margin for Q1/2023 compared to Q1/2022 decrease 2.3% from 29.1% to 26.8% mainly derived from the decreasing in gross profit and gross profit margin of biomass power plants amount of Baht 19.5 million and 3.8%, respectively. This was the result from the increasing in cost of sales and service and the decreasing in sales from FiT premium as the result of expiration of FiT Premium period of one biomass power plant in the third quarter of 2022 according to conditioned in the FiT power purchase agreement.

## Administrative expenses

Administrative expenses	Q1-2022	Q1-2023	Change	
	THB Mn	THB Mn	THB Mn	%
Administrative expenses	91.1	121.4	30.3	33.3%

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

Administrative expenses for Q1/2023 compared to Q1/2022 increase 33.3% from Baht 91.1 million to Baht 121.4 million. The increasing Baht 30.3 million derived from employee benefit expenses, which increased according to the increasing in number of employees to support the business expansion, pre-operation expenses as the result from the Group continuing expansion and new project development and expenses related to the bidding of the projects for procuring

electricity from renewable sources of the government sector. The Group were selected to participate in the projects for procuring electricity from renewable sources, specifically ground-mounted solar energy, for a total of 18 projects, with the total power purchase agreement capacity of 112.73 MW.

#### Finance costs

	Q1-2022	Q1-2023	Change	
	THB Mn	THB Mn	THB Mn	%
Finance costs	34.5	43.6	9.1	26.4%

Finance costs comprise of interest expense from loans for the new investment projects, amortisation of prepaid transaction cost of borrowings and interest expense from lease liabilities.

**Finance costs for Q1/2023 compared to Q1/2022 increase 26.4%** from Baht 34.5 million to Baht 43.6 million which increasing Baht 9.1 million, mainly derived from continually increasing in MLR of the commercial bank during the second quarter of 2022 to the first quarter of 2023. The interest rate in the first quarter of 2023 higher than the first quarter of 2022 which lead to the increasing in finance costs.

#### Tax income (expense)

	Q1-2022	Q1-2023	Change	
	THB Mn	THB Mn	THB Mn	%
Current tax on profit for the period	(9.4)	(10.8)	1.4	14.9%
Deferred income tax	(13.1)	(1.3)	(11.8)	(90.1%)
<b>Tax expense</b>	<b>(22.5)</b>	<b>(12.1)</b>	<b>(10.4)</b>	<b>(46.2%)</b>

**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 2023 amounting to Baht 274.9 million which was the net profit attributable to the parent for the amounting to Baht 275.0 million. The detail of net profit for ordinary activities and extraordinary items can be described as following.

(Unit: THB Mn)

	Q1-2022			Q1-2023		
	Ordinary	Extraordinary	Total	Ordinary	Extraordinary	Total
	activities	items		activities	items	
Profit (loss) before tax	349.8	(4.9)	344.9	308.1	(21.1)	287.0
Tax income (expense)	(23.5)	1.0	(22.5)	(16.3)	4.2	(12.1)
<b>Net profit (loss)</b>	<b>326.3</b>	<b>(3.9)</b>	<b>322.4</b>	<b>291.8</b>	<b>(16.9)</b>	<b>274.9</b>
Loss attributable to non-controlling interests	(0.3)	-	(0.3)	(0.1)	-	(0.1)
<b>Net profit (loss) from ordinary activities attributable to the parent</b>	<b>326.6</b>	<b>(3.9)</b>	<b>322.7</b>	<b>291.9</b>	<b>(16.9)</b>	<b>275.0</b>

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.

	Q1-2022	Q1-2023	Change	
	THB Mn	THB Mn	THB Mn	%
Net profit attributable to the parent	322.7	275.0	(47.7)	(14.8%)
<i>Add(Less): Loss/gain from extraordinary items</i>	3.9	16.9	13.0	
<b>Net profit from ordinary activities attributable to the parent</b>	<b>326.6</b>	<b>291.9</b>	<b>(34.7)</b>	<b>(10.6%)</b>

	Q1-2022	Q1-2023	Change	
	Percent	Percent		
Net profit margin attributable to the parent	19.9	15.8	(4.1)	
Net profit margin from ordinary activities attributable to the parent	20.1	16.8	(3.3)	

**Net profit from ordinary activities attributable to the parent for Q1/2023 compared to Q1/2022 decrease 10.6%** from Baht 326.6 million to Baht 291.9 million. The decreasing Baht 34.7 million mainly derived from expenses related to the bidding of the projects for procuring electricity from renewable sources of the government sector. The Group were selected to participate in the projects for procuring electricity from renewable sources, specifically ground-mounted solar energy, for a total of 18 projects, with the total power purchase agreement capacity of 112.73 MW.

## Analysis of Financial Position

Statement of Financial Position	31 March	31 December	Change	
	2023	2022	THB Mn	%
	THB Mn	THB Mn	THB Mn	%
Cash and cash equivalents	283.3	429.1	(145.8)	(34.0)
Trade and other receivables	1,286.1	1,432.4	(146.3)	(10.2)
Receivables under finance lease	3,331.6	3,400.9	(69.3)	(2.0)
Inventories	1,069.7	957.4	112.3	11.7
Restricted deposits at financial institutions	458.4	397.6	60.8	15.3
Investment property (net)	123.8	123.8	-	-
Property, plant and equipment (net)	11,577.1	11,226.8	350.3	3.1
Advance payments for constructions and purchases of fixed assets	299.2	276.2	23.0	8.3
Rights to service under concession arrangements (net)	1,449.9	1,471.0	(21.1)	(1.4)
Right-of-use assets (net)	64.4	68.5	(4.1)	(6.0)
Deferred tax assets (net)	56.9	55.7	1.2	2.2
Derivative assets	-	1.7	(1.7)	(100.0)
Other assets	240.0	230.0	10.0	4.3
<b>Total assets</b>	<b>20,240.4</b>	<b>20,071.1</b>	<b>169.3</b>	<b>0.8</b>
Short-term loans from financial institutions	514.8	396.2	118.6	29.9
Long-term loans from financial institutions	4,438.3	4,645.2	(206.9)	(4.5)
Trade and other payables	495.6	508.7	(13.1)	(2.6)
Leases liabilities (net)	32.4	33.5	(1.1)	(3.3)
Deferred tax liabilities (net)	211.2	208.7	2.5	1.2
Derivative liabilities	0.1	0.2	(0.1)	(50.0)
Other liabilities	88.3	93.9	(5.6)	(6.0)
<b>Total liabilities</b>	<b>5,780.7</b>	<b>5,886.4</b>	<b>(105.7)</b>	<b>(1.8)</b>
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	141.8	141.8	-	-
- Treasury shares reserve	268.0	268.0	-	-
Retained earnings - Unappropriated	5,297.2	5,022.2	275.0	5.5
Treasury shares	(268.0)	(268.0)	-	-
Deficit from business combination	(22.9)	(22.9)	-	-
Non-controlling interests	59.6	59.6	-	-
<b>Total equity</b>	<b>14,459.7</b>	<b>14,184.7</b>	<b>275.0</b>	<b>1.9</b>

### **Assets**

Total assets as at 31 March 2023 and 31 December 2022 were Baht 20,240.4 million and Baht 20,071.1 million, respectively. Increase by Baht 169.3 million or 0.8%. The main reason for changing in assets due to cash and cash equivalents decreased by Baht 145.8 million, trade and other receivables decreased by Baht 146.3 million and receivables under finance lease decreased by Baht 69.3 million from cash received during the period. Inventories increased by Baht 112.3 million. Restricted deposits at financial institutions increased by Baht 60.8 million. Property, plant and equipment increased by Baht 350.3 million from purchase of land of future power plant projects and the new investment projects. Rights to service under concession arrangements decreased by Baht 21.1 million from amortization during the period.

### **Liabilities**

Total liabilities as at 31 March 2023 and 31 December 2022 were Baht 5,780.7 million and Baht 5,886.4 million, respectively. Decreased by Baht 105.7 million or 1.8%. The main reason for changing in liabilities due to short-term loans from financial institutions increased by Baht 118.6 million from addition during the period for investment in power plant projects. Long-term loans from financial institutions decreased by Baht 206.9 million from repayment during the period. Trade and other payables decreased by Baht 13.1 million.

As at 31 March 2023, the debt to equity ratio was 0.40 times, the net debt to equity ratio was 0.35 times, the interest-bearing debt to equity ratio was 0.34 times, and the net interest-bearing debt to equity ratio was 0.29 times.

### **Equity**

Shareholders' equity as at 31 March 2023 and 31 December 2022 were Baht 14,459.7 million and Baht 14,184.7 million. Increased by Baht 275.0 million or 1.9% 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