

No. ACE-ACC-4/2023

14 November 2023

Subject Management Discussion and Analysis for the period ended 30 September 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 30 September 2023 of the Company and the subsidiaries (“the Group”) as follow:

Financial Performance of the Group								
Consolidated financial statements	Q3-2022	Q2-2023	Q3-2023	Change		9M-2022	9M-2023	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Sales of goods and services	1,705.4	1,508.8	1,522.3	0.9%	(10.7%)	4,766.5	4,669.2	(2.0%)
Revenue from finance lease under power purchase agreement	109.4	104.5	105.2	0.7%	(3.8%)	307.0	312.1	1.7%
Cost of sales and services	(1,350.7)	(1,191.7)	(1,168.7)	(1.9%)	(13.5%)	(3,674.1)	(3,634.8)	(1.1%)
Gross profit	464.1	421.6	458.7	8.8%	(1.2%)	1,399.4	1,346.5	(3.8%)
Net gain (loss) on exchange rate	113.7	62.7	40.5	(35.4%)	(64.4%)	195.8	85.8	(56.2%)
Gain (loss) on forward contracts	(11.4)	0.1	-	(100.0%)	100.0%	(10.9)	(1.4)	(87.2%)
Other income	1.5	14.4	2.9	(79.9%)	93.3%	13.1	22.0	67.9%
Profit before expenses	567.9	498.8	502.1	0.7%	(11.6%)	1,597.4	1,452.9	(9.0%)
Administrative expenses	(118.0)	(106.7)	(106.9)	0.2%	(9.4%)	(305.1)	(335.0)	9.8%
Finance costs	(32.6)	(49.6)	(49.5)	(0.2%)	51.8%	(96.2)	(142.7)	48.3%
Profit before income tax	417.3	342.5	345.7	0.9%	(17.2%)	1,196.1	975.2	(18.5%)
Tax expenses	(35.9)	(26.8)	(29.0)	8.2%	(19.2%)	(108.6)	(67.8)	(37.6%)
Net profit	381.4	315.7	316.8	0.3%	(16.9%)	1,087.5	907.4	(16.6%)
Loss attributable to non-controlling interests	(0.1)	(0.1)	(0.1)	-	-	(0.4)	(0.2)	(50.0%)
Net profit attributable to the parent	381.5	315.8	316.8	0.3%	(17.0%)	1,087.9	907.6	(16.6%)
<i>Add(less): Loss/gain from extraordinary items*</i>	<i>(80.9)</i>	<i>(51.2)</i>	<i>(32.7)</i>			<i>(146.4)</i>	<i>(67.0)</i>	
Net profit from ordinary activities attributable to the parent	300.6	264.6	284.1	7.4%	(5.5%)	941.5	840.6	(10.7%)

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

Sales and service income for the period ended 30 September 2023 and 2022 are presented below:

Sales and service income	Q3-2022	Q2-2023	Q3-2023	Change		9M-2022	9M-2023	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Sales of electricity - FiT, Base tariff and Ft	774.5	793.1	895.9	13.0%	15.7%	2,402.5	2,540.2	5.7%
FiT Premium	15.0	13.9	12.9	(7.2%)	(14.0%)	53.7	41.4	(22.9%)
Sales of electricity to Industrial Users (IU)	8.3	7.4	7.0	(5.4%)	(15.7%)	21.9	23.7	8.2%
Sales from Biomass Power Plants	797.8	814.4	915.8	12.5%	14.8%	2,478.1	2,605.3	5.1%
Revenue from finance lease under a Power Purchase	109.4	104.5	105.2	0.7%	(3.8%)	307.0	312.1	1.7%
Revenue from service under a Power Purchase Agreement	772.8	559.0	464.6	(16.9%)	(39.9%)	1,897.2	1,654.1	(12.8%)
Sales of electricity to Industrial Users (IU)	0.8	0.3	0.8	166.7%	-	2.6	1.7	(34.6%)
Sales of steam (IU)	1.1	0.2	2.3	1,050.0%	109.1%	3.3	3.0	(9.1%)
Sales from Natural Gas Power Plant	884.1	664.0	572.9	(13.7%)	(35.2%)	2,210.1	1,970.9	(10.8%)
Sales of electricity - FiT, base tariff and Ft	76.7	81.0	64.3	(20.6%)	(16.2%)	218.3	219.8	0.7%
FiT Premium	6.3	6.4	4.4	(31.3%)	(30.2%)	18.3	15.0	(18.0%)
Adder	30.4	27.6	28.4	2.9%	(6.6%)	91.3	89.9	(1.5%)
Other sales and service income	14.4	14.6	15.2	4.1%	5.6%	41.8	43.6	4.3%
Sales from Municipal Solid Waste Power Plants	127.8	129.6	112.3	(13.3%)	(12.1%)	369.7	368.3	(0.4%)
Sales of electricity - Base tariff and Ft	5.1	5.3	5.0	(5.7%)	(2.0%)	15.6	15.3	(1.9%)
Sales from Solar Energy Power Plants	5.1	5.3	5.0	(5.7%)	(2.0%)	15.6	15.3	(1.9%)
Revenue from solar energy system installation service	-	-	21.5	N.A.(>100)	N.A.(>100)	-	21.5	N.A.(>100)
Total sales and service income	1,814.8	1,613.3	1,627.5	0.9%	(10.3%)	5,073.5	4,981.3	(1.8%)

Sales and service income (included revenue from finance lease under a Power Purchase Agreement) increase 0.9% QoQ from Baht 1,613.3 million to Baht 1,627.5 million. The increase of Baht 14.2 million, mainly derived from sales of biomass power plants which increased by Baht 101.4 million as the biomass power plants had shutdown hours to improve the power plants machinery's efficiency in the third quarter of 2023 lower than the second quarter of 2023. In addition, the Group had revenue from solar energy system installation service in the third quarter of 2023 amounting to Baht 21.5 million from installation service of solar energy system for industrial customers. However, sales of natural gas power plant decreased by Baht 91.1 million from decrease in unit rate which is adjusted in line with the decrease in average natural gas price, thus sales also decrease in line with the fuel material cost of natural gas.

Sales and service income (included revenue from finance lease under a Power Purchase Agreement) decrease 10.3% YoY from Baht 1,814.8 million to Baht 1,627.5 million, decreased by Baht 187.3 million **and decrease 1.8% 9M YoY** from Baht 5,073.5 million to Baht 4,981.3 million, decreased by Baht 92.2 million, mainly derived from decrease in sales of natural gas power plant from decreasing in unit rate which is adjusted in line with the decrease in average natural gas price, thus sales also decrease in line with the fuel material cost of natural gas. However, sales of biomass power plants increased since in the third quarter of 2023 the biomass power plants had shutdown hours to improve the power plants machinery's efficiency lower than the same period of 2022.

Cost of sales and service

Cost of sales and service for the period ended 30 September 2023 and 2022 are presented below:

Cost of sales and service	Q3-2022	Q2-2023	Q3-2023	Change		9M-2022	9M-2023	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Fuel materials cost	987.0	808.3	777.3	(3.8%)	(21.2%)	2,606.5	2,491.1	(4.4%)
Depreciation and amortisation cost	169.3	177.9	180.0	1.2%	6.3%	504.2	531.4	5.4%
Staff cost, repair and maintenance cost and other services	152.1	162.1	145.2	(10.4%)	(4.5%)	439.8	450.1	2.3%
Processing fee - PEA	15.4	16.0	17.6	10.0%	14.3%	47.6	50.6	6.3%
Cost of solar energy system installation service	-	-	15.8	N.A. (>100)	N.A. (>100)	-	15.8	N.A. (>100)
Other cost	26.9	27.4	32.8	19.7%	21.9%	76.0	95.8	26.1%
Total cost of sales and service	1,350.7	1,191.7	1,168.7	(1.9%)	(13.5%)	3,674.1	3,634.8	(1.1%)

Cost of sales and service decrease 1.9% QoQ from Baht 1,191.7 million to Baht 1,168.7 million. The decreasing of Baht 23.0 million mainly derived from decrease in cost of natural gas power plant which decreased by Baht 86.4 million as the continuing decreasing in fuel material cost from decrease in average natural gas price. However, cost of sales of biomass power plants increased by Baht 46.1 million compared to the second quarter of 2023, according to the increase in electricity production unit as the shutdown hours to improve the power plants machinery's efficiency are lower than the second quarter of 2023. In addition, cost of solar energy system installation service increased by Baht 15.8 million from solar energy system installation service for industrial customers.

Cost of sales and service decrease 13.5% YoY from Baht 1,350.7 million to Baht 1,168.7 million, decreased by Baht 182.0 million **and decrease 1.1% 9M YoY** from Baht 3,674.1 million to Baht 3,634.8 million, decreased by Baht 39.3 million, mainly derived from decrease in cost of natural gas power plant as the continuing decreasing in fuel material cost from decrease in average natural gas price. However, cost of sales of biomass power plants increased according to the increase in electricity production unit as the lower shutdown hours to improve the power plants machinery's efficiency.

Net gain (loss) on exchange rate

	Q3-2022	Q2-2023	Q3-2023	Change		9M-2022	9M-2023	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Net gain (loss) on exchange rate	113.7	62.7	40.5	(35.4%)	(64.4%)	195.8	85.8	(56.2%)

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 on exchange from payment for machine and spare parts for the under-developed projects to foreign suppliers. During the third quarter of 2023, Thai Baht was depreciated compared to exchange rate of the second quarter of 2023, then the Group has gain on exchange rate for the third quarter of 2023 in the amounting to Baht 40.5 million.

Gross Profit and Gross Profit Margin

Gross Profit	Q3-2022	Q2-2023	Q3-2023	Change		9M-2022	9M-2023	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Biomass Power Plant	231.7	206.9	259.1	25.2%	11.8%	752.2	709.6	(5.7%)
Natural Gas Power Plant	158.9	140.5	135.6	(3.5%)	(14.7%)	427.5	422.7	(1.1%)
Municipal Solid Waste Power Plant	70.8	71.0	55.3	(22.1%)	(21.9%)	211.2	199.3	(5.6%)
Solar Energy Power Plant	2.7	3.2	3.0	(6.3%)	11.1%	8.5	9.2	8.2%
Solar energy system installation service	-	-	5.7	N.A.(>100)	N.A.(>100)	-	5.7	N.A.(>100)
Gross Profit by Segment	464.1	421.6	458.7	8.8%	(1.2%)	1,399.4	1,346.5	(3.8%)

Gross Profit Margin	Q3-2022	Q2-2023	Q3-2023	Change		9M-2022	9M-2023	Change
	Percent	Percent	Percent	QoQ	YoY	Percent	Percent	YoY
Biomass Power Plant	29.0	25.4	28.3	2.9	(0.7)	30.4	27.2	(3.2)
Natural Gas Power Plant	18.0	21.2	23.7	2.5	5.7	19.3	21.4	2.1
Municipal Solid Waste Power Plant	55.4	54.8	49.2	(5.6)	(6.2)	57.1	54.1	(3.0)
Solar Energy Power Plant	52.9	60.4	60.0	(0.4)	7.1	54.5	60.1	5.6
Solar energy system installation service	-	-	26.5	26.5	26.5	-	26.5	26.5
Gross Profit Margin by Segment	25.6	26.1	28.2	2.1	2.6	27.6	27.0	(0.6)

Gross profit increase 8.8% QoQ from Baht 421.6 million to Baht 458.7 million, increased by Baht 37.1 million. **Gross profit margin increase 2.1% QoQ** from 26.1% to 28.2%, mainly derived from the increase in gross profit and gross profit margin of biomass power plants as the biomass power plants had shutdown hours to improve the power plants machinery's efficiency in the third quarter of 2023 lower than the second quarter of 2023. In addition, in the third quarter of 2023, the Group had gross profit from solar energy system installation service to industrial customers.

Gross profit decrease 3.8% 9M YoY from Baht 1,399.4 million to Baht 1,346.5 million, decreased by Baht 52.9 million. **Gross profit margin decrease 0.6% 9M YoY** from 27.6% to 27.0%, mainly derived from the increase in cost of sales and service and decreasing in sales of FiT premium as the result of expiration of FiT Premium period of two biomass power plants during the third quarter of 2022 to the third quarter of 2023 according to conditioned in the FiT power purchase agreement, so gross profit and gross profit margin of biomass power plants decreased.

Administrative expenses

	Q3-2022	Q2-2023	Q3-2023	Change		9M-2022	9M-2023	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Administrative expenses	118.0	106.7	106.9	0.2%	(9.4%)	305.1	335.0	9.8%

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

Administrative expenses QoQ maintained at same level by increasing 0.2% from Baht 106.7 million to Baht 106.9 million, increased by Baht 0.2 million **and increase 9.8% 9M YoY** the increase in administrative expenses of 9M YoY mainly 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. In first quarter of 2023, 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

	Q3-2022	Q2-2023	Q3-2023	Change		9M-2022	9M-2023	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Finance costs	32.6	49.6	49.5	(0.2%)	51.8%	96.2	142.7	48.3%

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

Finance costs QoQ maintained at same level by decreasing 0.2% from Baht 49.6 million to Baht 49.5 million, decreased by Baht 0.1 million **but increase 51.8% YoY** from Baht 32.6 million to Baht 49.5 million, increased by Baht 16.9 million. **Increase 48.3% 9M YoY** from Baht 96.2 million to Baht 142.7 million, increased by Baht 46.5 million, mainly derived from continually increasing in MLR of the commercial bank during the first quarter of 2022 to the third quarter of 2023 causing a higher interest rate in the third quarter of 2023 which lead to the increasing in finance costs.

Tax income (expense)

	Q3-2022	Q2-2023	Q3-2023	Change		9M-2022	9M-2023	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Current tax on profit for the period	(7.1)	(10.2)	(12.7)	24.5%	78.9%	(25.6)	(33.6)	31.3%
Deferred income tax	(28.8)	(16.6)	(16.3)	(1.8%)	(43.4%)	(83.0)	(34.2)	(58.8%)
Tax expense	(35.9)	(26.8)	(29.0)	8.2%	(19.2%)	(108.6)	(67.8)	(37.6%)

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 three-month period of the third quarter of 2023 amounting to Baht 316.8 million and for the nine-month period ended 30 September 2023 amounting to Baht 907.4 million which was the net profit attributable to the parent for the amounting to Baht 316.8 million and Baht 907.6 million, respectively. The detail of net profit for ordinary activities and extraordinary items can be described as following.

(Unit: THB Mn)

	Q3-2022			Q2-2023			Q3-2023		
	Ordinary	Extra	Total	Ordinary	Extra	Total	Ordinary	Extra	Total
	activities	ordinary		activities	ordinary		activities	ordinary	
Profit before tax	316.2	101.1	417.3	278.5	64.0	342.5	304.8	40.9	345.7
Tax expense	(15.7)	(20.2)	(35.9)	(14.0)	(12.8)	(26.8)	(20.8)	(8.2)	(29.0)
Net profit	300.5	80.9	381.4	264.5	51.2	315.7	284.0	32.7	316.8
Loss attributable to non-controlling interests	(0.1)	-	(0.1)	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Net profit attributable to the parent	300.6	80.9	381.5	264.6	51.2	315.8	284.1	32.7	316.8

	9M-2022			9M-2023		
	Ordinary	Extra	Total	Ordinary	Extra	Total
	activities	ordinary		activities	ordinary	
Profit before tax	1,013.2	182.9	1,196.1	891.4	83.8	975.2
Tax expense	(72.1)	(36.5)	(108.6)	(51.0)	(16.8)	(67.8)
Net profit	941.1	146.4	1,087.5	840.4	67.0	907.4
Loss attributable to non-controlling interests	(0.4)	-	(0.4)	(0.2)	-	(0.2)
Net profit attributable to the parent	941.5	146.4	1,087.9	840.6	67.0	907.6

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.

	Q3-2022	Q2-2023	Q3-2023	Change		9M-2022	9M-2023	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	THB Mn
Net profit attributable to the parent	381.5	315.8	316.8	0.3%	(17.0%)	1,087.9	907.6	(16.6%)
<i>Add(Less): Loss/gain from extraordinary items</i>	<i>(80.9)</i>	<i>(51.2)</i>	<i>(32.7)</i>			<i>(146.4)</i>	<i>(67.0)</i>	
Net profit from ordinary activities attributable to the parent	300.6	264.6	284.1	7.4%	(5.5%)	941.5	840.6	(10.7%)

	Q3-2022	Q2-2023	Q3-2023	Change		9M-2022	9M-2023	Change
	Percent	Percent	Percent	QoQ	YoY	Percent	Percent	YoY
Net profit margin attributable to the parent	21.0	19.6	19.5	(0.1)	(1.5)	21.4	18.2	(3.2)
Net profit margin from ordinary activities attributable to the parent	16.6	16.4	17.5	1.1	0.9	18.6	16.9	(1.7)

Net profit from ordinary activities attributable to the parent increase 7.4% QoQ from Baht 264.6 million to Baht 284.1 million. The increase of Baht 19.5 million mainly derived from increased in gross profit of the Group in the third quarter of 2023, which increase 8.8% QoQ from Baht 421.6 million to Baht 458.7 million, increased by Baht 37.1 million.

Net profit from ordinary activities attributable to the parent decrease 5.5% YoY and decrease 10.7% 9M YoY mainly derived from the increasing in finance costs as continually increasing in MLR of the commercial bank during the first quarter of 2022 to the third quarter of 2023. The decreasing in sales of FiT premium as the result of expiration of FiT Premium period of two biomass power plants during the third quarter of 2022 to the third quarter of 2023 according to conditioned in the FiT power purchase agreement. In addition, the Group had higher administrative 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	30 September	31 December	Change	
	2023	2022	THB Mn	%
	THB Mn	THB Mn		
Cash and cash equivalents	195.0	429.1	(234.1)	(54.6%)
Trade and other receivables	1,236.8	1,432.4	(195.6)	(13.7%)
Receivables under finance lease	3,456.5	3,400.9	55.6	1.6%
Inventories	1,030.7	957.4	73.3	7.7%
Restricted deposits at financial institutions	487.8	397.6	90.2	22.7%
Investment property (net)	123.8	123.8	-	-
Property, plant and equipment (net)	12,279.2	11,226.8	1,052.4	9.4%
Advance payments for constructions and purchases of fixed assets	150.5	276.2	(125.7)	(45.5%)
Rights to service under concession arrangements (net)	1,407.7	1,471.0	(63.3)	(4.3%)
Right-of-use assets (net)	56.1	68.5	(12.4)	(18.1%)
Deferred tax assets (net)	59.5	55.7	3.8	6.8%
Derivative assets	-	1.7	(1.7)	(100.0%)
Other assets	283.4	230.0	53.4	23.2%
Total assets	20,767.0	20,071.1	695.9	3.5%
Short-term loans from financial institutions	174.0	396.2	(222.2)	(56.1%)
Long-term loans from financial institutions	4,623.2	4,645.2	(22.0)	(0.5%)
Trade and other payables	498.0	508.7	(10.7)	(2.1%)
Leases liabilities (net)	30.5	33.5	(3.0)	(9.0%)
Deferred tax liabilities (net)	246.8	208.7	38.1	18.3%
Derivative liabilities	-	0.2	(0.2)	(100.0%)
Other liabilities	100.1	93.9	6.2	6.6%
Total liabilities	5,672.6	5,886.4	(213.8)	(3.6%)
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	5,929.8	5,022.2	907.6	18.1%
Treasury shares	(268.0)	(268.0)	-	-
Deficit from business combination	(22.9)	(22.9)	-	-
Non-controlling interests	61.7	59.6	2.1	3.5%
Total equity	15,094.4	14,184.7	909.7	6.4%

Assets

Total assets as at 30 September 2023 and 31 December 2022 were Baht 20,767.0 million and Baht 20,071.1 million, respectively. Increase by Baht 695.9 million or 3.5%. The main reason for changing in assets due to cash and cash equivalents decreased by Baht 234.1 million, trade and other receivables decreased by Baht 195.6 million and receivables under finance lease increased by Baht 55.6 million from changing in exchange rate. Inventories increased by Baht 73.3 million. Restricted deposits at financial institutions increased by Baht 90.2 million. Property, plant and equipment increased by Baht 1,052.4 million from purchase of land of future power plant projects and the new investment projects. Rights to service under concession arrangements decreased by Baht 63.3 million from amortization during the period.

Liabilities

Total liabilities as at 30 September 2023 and 31 December 2022 were Baht 5,672.6 million and Baht 5,886.4 million, respectively. Decreased by Baht 213.8 million or 3.6%. The main reason for changing in liabilities due to short-term loans from financial institutions decreased by Baht 222.2 million, long-term loans from financial institutions decreased by Baht 22.0 million from repayment during the period. Trade and other payables decreased by Baht 10.7 million.

As at 30 September 2023, the debt to equity ratio was 0.38 times, the net debt to equity ratio was 0.33 times, the interest-bearing debt to equity ratio was 0.32 times, and the net interest-bearing debt to equity ratio was 0.27 times.

Equity

Shareholders' equity as at 30 September 2023 and 31 December 2022 were Baht 15,094.4 million and Baht 14,184.7 million. Increased by Baht 909.7 million or 6.4% 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