

No. ACE-ACC-3/2020

10 August 2020

Subject Management Discussion and Analysis for the period ended 30 June 2020

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 2020 of the Company and the subsidiaries (“the Group”) as follow:

Financial Performance of the Group								
Consolidated financial statements	Q2-2019	Q1-2020	Q2-2020	Change		6M-2019	6M-2020	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Sales of goods and services	1,145.8	1,115.7	1,139.5	2.1%	(0.5%)	2,256.3	2,255.2	(0.0%)
Revenue from finance lease under power purchase agreement	103.2	100.9	102.8	1.9%	(0.4%)	205.5	203.7	(0.9%)
Revenue from construction under a concession arrangement	68.5	131.3	398.1	203.2%	481.2%	68.5	529.4	672.8%
Cost of sales and services	(828.9)	(788.7)	(796.3)	1.0%	(3.9%)	(1,687.2)	(1,585.0)	(6.1%)
Cost of construction under a concession arrangement	(68.5)	(131.3)	(398.1)	203.2%	481.2%	(68.5)	(529.4)	672.8%
Gross profit	420.1	427.9	446.0	4.2%	6.2%	774.6	873.9	12.8%
Net gain (loss) on exchange rate	(47.6)	112.2	(58.6)	N.A. (<-100)	(23.1%)	(75.9)	53.6	N.A. (>100)
Other income	11.0	173.0	0.9	(99.5%)	(91.8%)	25.1	173.9	592.8%
Profit before expenses	383.5	713.1	388.3	(45.5%)	1.3%	723.8	1,101.4	52.2%
Gain (loss) on forward contracts	-	49.5	(50.8)	N.A. (<-100)	N.A. (<-100)	-	(1.3)	N.A. (<-100)
Administrative expenses	(71.8)	(88.0)	(77.2)	(12.3%)	7.5%	(174.6)	(165.2)	(5.4%)
Finance costs	(108.8)	(26.3)	(25.1)	(4.6%)	(76.9%)	(218.6)	(51.4)	(76.5%)
Profit before income tax	202.9	648.3	235.2	(63.7%)	15.9%	330.6	883.5	167.2%
Tax income (expenses)	6.3	(54.8)	14.6	N.A. (>100)	131.7%	11.2	(40.2)	N.A. (<-100)
Net profit	209.2	593.5	249.8	(57.9%)	19.4%	341.8	843.3	146.7%
<i>Add(less): Loss/gain from extraordinary items*</i>	38.2	(290.4)	104.3			61.0	(186.1)	
Net profit from ordinary activities	247.4	303.1	354.1	16.8%	43.1%	402.8	657.2	63.2%

* 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 2020 and 2019 are presented below:

Sales and service income	Q2-2019	Q1-2020	Q2-2020	Change		6M-2019	6M-2020	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Sales of electricity - FiT	614.4	623.1	635.3	2.0%	3.4%	1,194.8	1,258.4	5.3%
FiT Premium	41.5	43.7	37.4	(14.4%)	(9.9%)	84.1	81.1	(3.6%)
Sales of electricity to Industrial Users (IU)	3.1	4.7	4.7	0.0%	51.6%	5.5	9.4	70.9%
Sales from Biomass Power Plants	659.0	671.5	677.4	0.9%	2.8%	1,284.4	1,348.9	5.0%
Revenue from finance lease under a Power Purchase Agreement	103.2	100.9	102.8	1.9%	(0.4%)	205.5	203.7	(0.9%)
Revenue from service under a Power Purchase Agreement	411.5	363.4	388.0	6.8%	(5.7%)	825.3	751.4	(9.0%)
Sales of electricity to Industrial Users (IU)	1.8	1.6	1.3	(18.8%)	(27.8%)	4.1	2.9	(29.3%)
Sales of steam (IU)	3.3	4.9	4.4	(10.2%)	33.3%	7.5	9.3	24.0%
Sales from Natural Gas Power Plant	519.8	470.8	496.5	5.5%	(4.5%)	1,042.4	967.3	(7.2%)
Sales of electricity - Base tariff and Ft	27.2	27.8	25.3	(9.0%)	(7.0%)	51.5	53.1	3.1%
Adder	33.4	34.3	31.3	(8.7%)	(6.3%)	63.7	65.6	3.0%
Revenue from waste management	8.2	9.4	9.6	2.1%	17.1%	17.2	19.0	10.5%
Sales from Municipal Solid Waste Power Plant	68.8	71.5	66.2	(7.4%)	(3.8%)	132.4	137.7	4.0%
Sales of electricity - Base tariff and Ft	1.4	2.8	2.2	(21.4%)	57.1%	2.6	5.0	92.3%
Sales from Solar Energy Power Plants	1.4	2.8	2.2	(21.4%)	57.1%	2.6	5.0	92.3%
Total sales and service income	1,249.0	1,216.6	1,242.3	2.1%	(0.5%)	2,461.8	2,458.9	(0.1%)

Sales and service income increase 2.1% QoQ from Baht 1,216.6 million to Baht 1,242.3 million. The increase of Baht 25.7 million, mainly derived from sales of Natural Gas Power Plants which increased by Baht 25.7 million or 5.5%. The reason of increase is as a result from the first quarter of 2020, there was planned-shutdown of Natural Gas Power Plant, which resulted in lower electricity unit sold compared to the second quarter.

Sales and service income decrease 0.5% YoY from Baht 1,249.0 million to Baht 1,242.3 million. The decrease of Baht 6.7 million mainly derived from sales of Natural Gas Power Plant which decrease by Baht 23.3 million or 4.5% mainly from the decrease in unit rate which is adjusted in line with the decline in average Natural Gas price. On the other hands, sales of Biomass Power Plants increased by Baht 18.4 million or 2.8% as a result from fewer days of planned-shutdown then the electricity unit sold is higher, compared to the same period of last year. Sales from Municipal Solid Waste Power Plant decreased because there was planned-shutdown in the second quarter of 2020, while no planned-shutdown in the second quarter of 2019, since the maintenance was performed in the first quarter of 2019.

Sales and service income 6M YoY decrease 0.1% mainly in line with YoY as above, sales of Natural Gas Power Plant decreased from the decrease in unit rate which is adjusted in line with the decline in average Natural Gas price, comprised of planned-shutdown of Natural Gas Power Plant in the first quarter of 2020 as above mentioned. On the other hands, sales of Biomass Power Plant increased because of the aforementioned reasons of YoY. In addition, sales from Municipal Solid Waste Power Plant 6M YoY increased because of lessor days of planned-shutdown.

	Q2-2019	Q1-2020	Q2-2020	Change		6M-2019	6M-2020	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Revenue from construction under a concession arrangement	68.5	131.3	398.1	203.2%	481.2%	68.5	529.4	672.8%

Revenue from construction under a concession arrangement increase 203.2% QoQ and increase 481.2% YoY

Revenue from construction under a concession arrangement 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.

Cost of sales and service

Cost of sales and service for the period ended 30 June 2020 and 2019 are presented below:

Cost of sales and service	Q2-2019	Q1-2020	Q2-2020	Change		6M-2019	6M-2020	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Fuel materials cost	553.5	516.9	530.9	2.7%	(4.1%)	1,115.3	1,047.8	(6.1%)
Depreciation and amortisation cost	122.1	124.9	123.2	(1.4%)	0.9%	246.0	248.1	0.9%
Staff cost and other benefits	42.3	37.2	39.0	4.8%	(7.8%)	82.3	76.3	(7.3%)
Repair and maintenance cost	37.9	44.3	40.3	(9.0%)	6.3%	95.9	84.6	(11.8%)
Engineering and other services	40.2	30.6	29.4	(3.9%)	(26.9%)	82.5	60.0	(27.3%)
Processing fee - PEA	12.6	13.9	13.9	0.0%	10.3%	25.5	27.8	9.0%
Other cost	20.3	20.9	19.6	(6.2%)	(3.4%)	39.7	40.4	1.8%
Total cost of sales and service	828.9	788.7	796.3	1.0%	(3.9%)	1,687.2	1,585.0	(6.1%)

Cost of sales and service increase 1.0% QoQ from Baht 788.7 million to Baht 796.3 million. The increase by Baht 7.6 million, mainly from cost of Natural Gas Power Plant which increased by Baht 19.9 million or 6.0% from fuel material cost, caused by higher of gas consumption. On the other hands, cost of sales and services of Biomass Power Plants decreased by Baht 14.0 million or 3.3% significantly from decrease 30.3% in repair and maintenance cost from effectively cost controlled and efficient maintenance plan.

Cost of sales and service decrease 3.9% YoY from Baht 828.9 million to Baht 796.3 million. The decrease by Baht 32.6 million mainly from cost of Natural Gas Power Plant. The decrease by Baht 25.8 million or 6.8% derived from fuel material cost of Baht 16.8 million from the decline in average natural gas price. In addition, cost of repair and maintenance of Natural Gas Power Plant also decrease because they perform management and maintenance the plant by using in-house service instead of hiring management and maintenance services from outside. Resulting to the reduction in cost of engineering and other services by Baht 9.8 million.

Net gain (loss) on exchange rate

	Q2-2019	Q1-2020	Q2-2020	Change		6M-2019	6M-2020	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Net gain (loss) on exchange rate	(47.6)	112.2	(58.6)	N.A. (<-100)	(23.1%)	(75.9)	53.6	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. At the end of the first quarter, Thai Baht is depreciated compared to exchange rate as of end of 2019, the Group has gain on exchange rate Baht 112.2 million. But Thai Baht as of end of the second quarter is appreciated, the Group then has loss on exchange. However, for the 6-month period of 2020, Thai Baht still depreciated compared to end of 2019, the Group has yet gain from exchange Baht 53.6 million. In addition, the Group also has realized gain on exchange from payment for machine and spareparts for the under-developed projects to foreign suppliers.

Gain (loss) on forward contracts

	Q2-2019	Q1-2020	Q2-2020	Change		6M-2019	6M-2020	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Gain (loss) on forward contracts	-	49.5	(50.8)	N.A. (<-100)	N.A. (<-100)	-	(1.3)	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

	Q2-2019	Q1-2020	Q2-2020	Change		6M-2019	6M-2020	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Other income	11.0	173.0	0.9	(99.5%)	(91.8%)	25.1	173.9	592.8%

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 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	Q2-2019	Q1-2020	Q2-2020	Change		6M-2019	6M-2020	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Biomass Power Plant	243.3	243.7	263.6	8.2%	8.3%	429.0	507.3	18.3%
Natural Gas Power Plant	142.4	139.1	144.9	4.2%	1.8%	283.9	284.0	0.0%
Municipal Solid Waste Power Plant	34.6	43.7	36.7	(16.0%)	6.1%	62.4	80.4	28.8%
Solar Energy Power Plant	(0.2)	1.4	0.9	(35.7%)	N.A.(>100)	(0.7)	2.3	N.A.(>100)
Gross Profit by Segment	420.1	427.9	446.1	4.3%	6.2%	774.6	874.0	12.8%

Gross Profit Margin	Q2-2019	Q1-2020	Q2-2020	Change		6M-2019	6M-2020	Change
	Percent	Percent	Percent	QoQ	YoY	Percent	Percent	YoY
Biomass Power Plant	36.9	36.3	38.9	2.6	2.0	33.4	37.6	4.2
Natural Gas Power Plant	27.4	29.5	29.2	(0.3)	1.8	27.2	29.4	2.2
Municipal Solid Waste Power Plant	50.2	61.1	55.4	(5.7)	5.2	47.1	58.3	11.2
Solar Energy Power Plant	(15.0)	50.0	38.7	(11.3)	53.7	(28.8)	45.0	73.8
Gross Profit by Segment	33.6	35.3	35.9	0.6	2.3	31.5	35.5	4.0



Gross Profit increase 4.3% QoQ from Baht 427.9 million to Baht 446.1 million and **Gross Profit Margin increase from 35.3% to 35.9%** from Gross Profit of Biomass Power Plant which increased by Baht 19.9 million or increase in Gross Profit Margin 36.3% to 38.9% from efficient fuel management both in procurement process and production process, including effectively controlled in maintenance cost.

Gross Profit increase 6.2% YoY from Baht 420.1 million to Baht 446.1 million and Gross Profit Margin increase from 33.6% to 35.9% **Gross Profit 6M increase 12.8% YoY** from Baht 774.6 million to Baht 874.0 million and Gross Profit Margin increase from 31.5% to 35.5% mainly from Gross Profit of Biomass Power Plants from the aforementioned reason of QoQ as above. In addition, Gross Profit of Municipal Solid Waste Power Plant also increase from lower amortization cost for rights to service under concession arrangement from extend of amortisation period from 16 years to 18 years. Gross Profit of Solar Energy Power Plants increased from the same period of last year, since Solar Energy Power Plant segment is in the started-up phase in year 2019, therefore the segment has loss on operations.

Administrative expenses

Administrative expenses for the period ended 30 June 2020 and 2019

	Q2-2019	Q1-2020	Q2-2020	Change		6M-2019	6M-2020	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Administrative expenses	71.8	88.0	77.2	(12.3%)	7.5%	174.6	165.2	(5.4%)

Administrative expenses comprised of employee benefit expenses, consulting fee, depreciation, public relation expenses and others. For the first quarter and second quarter of 2020, the Group has administrative expenses in the amount of Baht 88.0 million and Baht 77.2 million, which represent 7.2% and 6.2% to sales and service income, respectively.

Finance costs

	Q2-2019	Q1-2020	Q2-2020	Change		6M-2019	6M-2020	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Finance costs	108.8	26.3	25.1	(4.6%)	(76.9%)	218.6	51.4	(76.5%)

Finance costs significantly decrease 76.9% YoY from Baht 108.8 million to Baht 25.1 million. **Finance costs for 6-month period decrease 76.5% YoY** from Baht 218.6 million to Baht 51.4 million as a result of repayments of loan and debentures, comprised decrease of interest rates of loans from bank since the fourth quarter of 2019. Additionally, bank also cut MLR rate in the first and the second quarters of 2020.

Tax income (expense)

	Q2-2019	Q1-2020	Q2-2020	Change		6M-2019	6M-2020	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Tax income (expense)	6.3	(54.8)	14.6	N.A. (>100)	131.7%	11.2	(40.2)	N.A. (<-100)

Tax income (expense) comprised of current tax and deferred tax. Deferred income tax for the first quarter and the second quarter of 2020 mainly form temporary difference from derivatives and receivable from finance lease.

Net profit and Net profit margin

(Unit: THB Mn)

	Q2-2019			Q1-2020			Q2-2020		
	Ordinary activities	Extraordinary items	Total	Ordinary activities	Extraordinary items	Total	Ordinary activities	Extraordinary items	Total
Profit before tax	250.6	(47.7)	202.9	314.6	333.7	648.3	365.6	(130.4)	235.2
Tax income(expense)	(3.2)	9.5	6.3	(11.5)	(43.3)	(54.8)	(11.5)	26.1	14.6
Net profit	247.4	(38.2)	209.2	303.1	290.4	593.5	354.1	(104.3)	249.8

	6M-2019			6M-2020		
	Ordinary activities	Extraordinary items	Total	Ordinary activities	Extraordinary items	Total
Profit before tax	406.8	(76.2)	330.6	680.2	203.3	883.5
Tax income(expense)	(4.0)	15.2	11.2	(23.0)	(17.2)	(40.2)
Net profit	402.8	(61.0)	341.8	657.2	186.1	843.3

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.

	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Net profit	209.2	593.5	249.8	(57.9%)	19.4%	341.8	843.3	146.7%
<i>Add(Less): Loss/gain from extraordinary items</i>	38.2	(290.4)	104.3			61.0	(186.1)	
<i>Net profit from ordinary activities</i>	247.4	303.1	354.1	16.8%	43.1%	402.8	657.2	63.2%

	Q2-2019	Q1-2020	Q2-2020	Change		6M-2019	6M-2020	Change
	Percent	Percent	Percent	QoQ	YoY	Percent	Percent	YoY
Net profit margin	16.7	48.8	20.1	(28.7)	3.4	13.9	34.3	20.4
Net profit margin from ordinary activities	19.8	24.9	28.5	3.6	8.7	16.4	26.7	10.3

Net Profit from ordinary activities increase 16.8% QoQ from Baht 303.1 million to Baht 354.1 million and **Net profit margin from ordinary activities increase 24.9% to 28.5%**. The increase is caused from increase in sales and service income and gross profit from efficient fuel management both in procurement process and production process, including effectively controlled in maintenance cost. Including the cash management from capital increase from IPO by temporarily prepaying loan, resulting in decrease in financial cost of the Group.

Analysis of Financial Position

Statement of Financial Position	30 June	31 December	Change	
	2020	2019	THB Mn	%
Cash and cash equivalents	276.7	71.9	204.8	284.8
Trade and other receivables	831.0	820.0	11.0	1.3
Receivables under finance lease	3,314.1	3,293.3	20.8	0.6
Inventories	319.8	185.2	134.6	72.7
Restricted deposits at financial institutions	258.7	498.7	(240.0)	(48.1)
Investment property (net)	144.9	124.2	20.7	16.7
Property, plant and equipment (net)	8,075.1	8,059.4	15.7	0.2
Advance payments for constructions and purchases of fixed assets	117.0	153.2	(36.2)	(23.6)
Rights to service under concession arrangements (net)	1,319.9	811.7	508.2	62.6
Right-of-use assets (net)	29.4	-	29.4	N.A. (>100)
Derivative assets	4.2	-	4.2	N.A. (>100)
Other assets	148.2	127.5	20.7	16.2
Total assets	14,839.0	14,145.1	693.9	4.9
Short-term loans from financial institutions	196.2	227.4	(31.2)	(13.7)
Long-term loans from financial institutions	2,861.9	2,767.5	94.4	3.4
Trade and other payables	256.5	249.4	7.1	2.8
Leases liabilities (net)	18.3	0.6	17.7	2,950.0
Deferred tax liabilities (net)	60.3	38.5	21.8	56.6
Derivative liabilities	5.5	-	5.5	N.A. (>100)
Other liabilities	109.2	68.7	40.5	59.0
Total liabilities	3,507.9	3,352.1	155.8	4.6
Issued and paid-up share capital	5,088.0	5,088.0	-	-
Share Premium	3,896.0	3,896.0	-	-
Retained earnings - Unappropriated	2,370.0	1,831.9	538.1	29.4
Deficit from business combination	(22.9)	(22.9)	-	-
Total equity	11,331.1	10,793.0	538.1	5.0

Assets

Total assets as at 30 June 2020 and 31 December 2019 were Baht 14,839.0 million and Baht 14,145.1 million, respectively. Increase by Baht 693.9 million or 4.9% due to an increase of Baht 204.8 million in cash and cash equivalents, receivables under finance lease increased by Baht 20.8 million from the adjustment of exchange rates. Inventories increased by Baht 134.6 million due to the change of fuel storage plan in order to be sufficient for production in a longer period. Restricted deposits at financial institutions decreased by Baht 240.0 million, which are deposits with financial institutions as collateral as specified in the loan agreements in order to receive payment under the Power Purchase Agreements, to reserve for adequately principal repayment and interest and to reserve for repair and maintenance projects and as collateral for letter of guarantee for compliance with Power Purchase Agreements. Investment properties increased by Baht 20.7 million from purchase of land of future power plant project. Property plant and equipment increased by Baht 15.7 million from acquisition of office buildings and depreciation charge during the period. Advance payments for constructions and purchase of fixed assets decreased by Baht 36.2 million from Krabi Solid Waste Power Plant, which partially progress is done during the period. Rights to service under concession arrangements increased by Baht 508.2 million from concession rights of Krabi Solid Waste Power Plant and amortisation during the period. Right-of-use assets increased by Baht 29.4 million from the adoption of TFRS16 leases standard for land and buildings for rent which the Group previously classified as operating lease. Derivative assets increased by Baht 4.2 million from recognized of difference in fair value of derivative from the adoption of TFRS9 financial instruments.

Liabilities

Total liabilities as at 30 June 2020 and 31 December 2019 were Baht 3,507.9 million and Baht 3,352.1 million, respectively. Increased by Baht 155.8 million or 4.6%, mainly due to short-term loans from financial institutions decreased by Baht 31.2 million from repayment during the period. Long-term loans from financial institutions increased by Baht 94.4 million. Finance lease liabilities increased by Baht 17.7 million from the adoption of TFRS16 leases standard. Derivative liabilities increased by Baht 5.5 million from recognized of difference in fair value of derivative from the adoption of TFRS9 financial instruments. Other liabilities increased by Baht 40.5 million, mainly from withholding tax for dividend payment and increased in accrued income tax.



Equity

Shareholders' equity as at 30 June 2020 and 31 December 2019 were Baht 11,331.1 million and Baht 10,793.0 million. Increased by Baht 538.1 million or 5.0% 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