

No. ACE-ACC-3/2023

11 August 2023

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

Financial Performance of the Group								
Consolidated financial statements	Q2-2022	Q1-2023	Q2-2023	Change		6M-2022	6M-2023	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Sales of goods and services	1,542.4	1,638.2	1,508.8	(7.9%)	(2.2%)	3,061.1	3,147.0	2.8%
Revenue from finance lease under power purchase agreement	95.3	102.4	104.5	2.1%	9.7%	197.6	206.9	4.7%
Cost of sales and services	(1,174.0)	(1,274.4)	(1,191.7)	(6.5%)	1.5%	(2,323.4)	(2,466.2)	6.1%
Gross profit	463.7	466.2	421.6	(9.6%)	(9.1%)	935.3	887.7	(5.1%)
Net gain (loss) on exchange rate	86.7	(17.4)	62.7	N.A.(>100)	(27.7%)	82.1	45.3	(44.8%)
Gain (loss) on forward contracts	0.7	(1.5)	0.1	N.A.(>100)	(85.7%)	0.5	(1.4)	N.A.(<-100)
Other income	7.9	4.7	14.4	206.4%	82.3%	11.6	19.1	64.7%
Profit before expenses	559.0	452.0	498.8	10.4%	(10.8%)	1,029.5	950.7	(7.7%)
Administrative expenses	(96.0)	(121.4)	(106.7)	(12.1%)	11.1%	(187.1)	(228.1)	21.9%
Finance costs	(29.1)	(43.6)	(49.6)	13.8%	70.4%	(63.6)	(93.1)	46.4%
Profit before income tax	433.9	287.0	342.5	19.3%	(21.1%)	778.8	629.5	(19.2%)
Tax expenses	(50.2)	(12.1)	(26.8)	121.5%	(46.6%)	(72.7)	(38.8)	(46.6%)
Net profit	383.7	274.9	315.7	14.8%	(17.7%)	706.1	590.7	(16.3%)
Loss attributable to non-controlling interests	-	(0.1)	(0.1)	-	N.A.(>100)	(0.3)	(0.1)	(66.7%)
Net profit attributable to the parent	383.7	275.0	315.8	14.8%	(17.7%)	706.4	590.8	(16.4%)
<i>Add(less): Loss/gain from extraordinary items*</i>	<i>(69.4)</i>	<i>16.9</i>	<i>(51.2)</i>			<i>(65.5)</i>	<i>(34.3)</i>	
Net profit from ordinary activities attributable to the parent	314.3	291.9	264.6	(9.4%)	(15.8%)	640.9	556.5	(13.2%)

* 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 June 2023 and 2022 are presented below:

Sales and service income	Q2-2022	Q1-2023	Q2-2023	Change		6M-2022	6M-2023	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Sales of electricity - FiT, Base tariff and Ft	821.3	851.2	793.1	(6.8%)	(3.4%)	1,628.0	1,644.3	1.0%
FiT Premium	19.1	14.6	13.9	(4.8%)	(27.2%)	38.7	28.5	(26.4%)
Sales of electricity to Industrial Users (IU)	6.8	9.3	7.4	(20.4%)	8.8%	13.6	16.7	22.8%
Sales from Biomass Power Plants	847.2	875.1	814.4	(6.9%)	(3.9%)	1,680.3	1,689.5	0.5%
Revenue from finance lease under a Power Purchase Agreement	95.3	102.4	104.5	2.1%	9.7%	197.6	206.9	4.7%
Revenue from service under a Power Purchase Agreement	560.5	630.5	559.0	(11.3%)	(0.3%)	1,124.4	1,189.5	5.8%
Sales of electricity to Industrial Users (IU)	0.8	0.6	0.3	(50.0%)	(62.5%)	1.8	0.9	(50.0%)
Sales of steam (IU)	0.8	0.6	0.2	(66.7%)	(75.0%)	2.2	0.8	(63.6%)
Sales from Natural Gas Power Plant	657.4	734.1	664.0	(9.5%)	1.0%	1,326.0	1,398.1	5.4%
Sales of electricity - FiT, base tariff and Ft	73.5	74.5	81.0	8.7%	10.2%	141.6	155.5	9.8%
FiT Premium	6.0	4.2	6.4	52.4%	6.7%	12.0	10.6	(11.7%)
Adder	32.8	33.9	27.6	(18.6%)	(15.9%)	60.9	61.5	1.0%
Other sales and service income	15.6	13.8	14.6	5.8%	(6.4%)	27.4	28.4	3.6%
Sales from Municipal Solid Waste Power Plants	127.9	126.4	129.6	2.5%	1.3%	241.9	256.0	5.8%
Sales of electricity - Base tariff and Ft	5.2	5.0	5.3	6.0%	1.9%	10.5	10.3	(1.9%)
Sales from Solar Energy Power Plants	5.2	5.0	5.3	6.0%	1.9%	10.5	10.3	(1.9%)
Total sales and service income	1,637.7	1,740.6	1,613.3	(7.3%)	(1.5%)	3,258.7	3,353.9	2.9%

Sales and service income (included revenue from finance lease under a Power Purchase Agreement) decrease 7.3% QoQ from Baht 1,740.6 million to Baht 1,613.3 million. The decrease of Baht 127.3 million, mainly derived from sales of biomass power plants which decreased by Baht 60.7 million as the biomass power plants had shutdown hours to improve the power plants machinery's efficiency in the second quarter of 2023 higher than the first quarter of 2023. In addition, Sales of natural gas power plant decreased by Baht 70.1 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 1.5% YoY from Baht 1,637.7 million to Baht 1,613.3 million. The decrease of Baht 24.4 million, mainly derived from sales of biomass power plants which decreased by Baht 32.8 million as the biomass power plants had shutdown hours to improve the power plants machinery's efficiency in the second quarter of 2023 higher than the same period of 2022. However, Sales and service income **increase 2.9% 6M YoY** of which sales of biomass power plants slightly increased as the biomass power plants had shutdown hours to improve the power plants machinery's efficiency lower than the same period of 2022. In addition, sales of natural gas power plant increased from higher electricity unit sold and increasing 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 30 June 2023 and 2022 are presented below:

Cost of sales and service	Q2-2022	Q1-2023	Q2-2023	Change		6M-2022	6M-2023	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Fuel materials cost	811.4	905.5	808.3	(10.7%)	(0.4%)	1,619.5	1,713.8	5.8%
Depreciation and amortisation cost	169.1	173.4	177.9	2.6%	5.2%	334.9	351.4	4.9%
Staff cost, repair and maintenance cost and other services	153.4	142.9	162.1	13.4%	5.7%	287.7	304.9	6.0%
Processing fee - PEA	16.2	17.1	16.0	(6.4%)	(1.2%)	32.2	33.1	2.8%
Other cost	23.9	35.5	27.4	(22.8%)	14.6%	49.1	63.0	28.3%
Total cost of sales and service	1,174.0	1,274.4	1,191.7	(6.5%)	1.5%	2,323.4	2,466.2	6.1%

Cost of sales and service decrease 6.5% QoQ from Baht 1,274.4 million to Baht 1,191.7 million. The decreasing of Baht 82.7 million mainly derived from decrease in cost of natural gas power plant when comparing to the first quarter of 2023 amounting to Baht 64.1 million as the continuing decreasing in fuel material cost from decrease in average natural gas price. In addition, cost of sales of biomass power plants also decreased by Baht 23.9 million when comparing to the first quarter of 2023, according to the decrease in electricity production unit as the shutdown hours to improve the power plants machinery's efficiency are higher than the first quarter of 2023.

Cost of sales and service increase 1.5% YoY from Baht 1,174.0 million to Baht 1,191.7 million, increased by Baht 17.7 million, mainly derived from staff cost, repair and maintenance cost and other services as the biomass power plants had shutdown hours to improve the power plants machinery's efficiency in the second quarter of 2023 higher than the same period of 2022.

Cost of sales and service increase 6.1% 6M YoY from Baht 2,323.4 million to Baht 2,466.2 million, increased by Baht 142.8 million, mainly derived from costs of biomass power plants which increase Baht 79.1 million from fuel materials cost, staff cost, repair and maintenance cost and other services. In addition, cost of natural gas power plant increased by Baht 53.6 million when comparing to the same period of the prior year 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.

Net gain (loss) on exchange rate

	Q2-2022	Q1-2023	Q2-2023	Change		6M-2022	6M-2023	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Net gain (loss) on exchange rate	86.7	(17.4)	62.7	N.A.(>100)	(27.7%)	82.1	45.3	(44.8%)

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 second quarter of 2023, Thai Baht was depreciated compared to exchange rate of the first quarter of 2023, then the Group has gain on exchange rate for the second quarter of 2023 in the amounting to Baht 62.7 million.

Gross Profit and Gross Profit Margin

Gross Profit	Q2-2022	Q1-2023	Q2-2023	Change		6M-2022	6M-2023	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Biomass Power Plant	257.3	243.7	206.9	(15.1%)	(19.6%)	520.5	450.5	(13.4%)
Natural Gas Power Plant	128.3	146.5	140.5	(4.1%)	9.5%	268.6	287.0	6.9%
Municipal Solid Waste Power Plant	75.2	73.0	71.0	(2.7%)	(5.6%)	140.4	144.0	2.6%
Solar Energy Power Plant	2.9	3.0	3.1	6.7%	10.3%	5.8	6.2	6.9%
Gross Profit by Segment	463.7	466.2	421.6	(9.6%)	(9.1%)	935.3	887.7	(5.1%)

Gross Profit Margin	Q2-2022	Q1-2023	Q2-2023	Change		6M-2022	6M-2023	Change
	Percent	Percent	Percent	QoQ	YoY	Percent	Percent	YoY
Biomass Power Plant	30.4	27.8	25.4	(2.4)	(5.0)	31.0	26.7	(4.3)
Natural Gas Power Plant	19.5	20.0	21.2	1.2	1.7	20.3	20.5	0.2
Municipal Solid Waste Power Plant	58.8	57.8	54.8	(3.0)	(4.0)	58.0	56.3	(1.7)
Solar Energy Power Plant	55.8	60.0	60.4	0.4	4.6	55.2	60.2	5.0
Gross Profit Margin by Segment	28.3	26.8	26.1	(0.7)	(2.2)	28.7	26.5	(2.2)

Gross profit decrease 9.6% QoQ from Baht 466.2 million to Baht 421.6 million, decreased by Baht 44.6 million. **Gross profit margin decrease 0.7% QoQ** from 26.8% to 26.1%, mainly derived from the decrease in gross profit of biomass power plants as the shutdown hours to improve the power plants machinery's efficiency are higher than the first quarter of 2023

Gross profit decrease 9.1% YoY from Baht 463.7 million to Baht 421.6 million, decreased by Baht 42.1 million. **Gross profit margin decrease 2.2% YoY** from 28.3% to 26.1%, mainly derived from the decrease in gross profit of biomass power plants as the shutdown hours to improve the power plants machinery's efficiency are high, including the increase in cost of sales and service. In addition, the decrease in gross profit margin also results from the decreasing in sales of 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. However, gross profit of natural gas power plant is increasing as the natural gas power plant had maintenance shutdown hours in the second quarter of 2023 lower than the same period of 2022.

Gross profit decrease 5.1% 6M YoY from Baht 935.3 million to Baht 887.7 million, decreased by Baht 47.6 million. **Gross profit margin decrease 2.2% 6M YoY** from 28.7% to 26.5%, mainly derived from the increase in cost of sales and service and the decrease in sales of FiT premium as described above. However, gross profit of natural gas power plant increased because of lower maintenance shutdown hours than the same period of 2022.

Administrative expenses

	Q2-2022	Q1-2023	Q2-2023	Change		6M-2022	6M-2023	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Administrative expenses	96.0	121.4	106.7	(12.1%)	11.1%	187.1	228.1	21.9%

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

Administrative expenses decrease 12.1% QoQ from Baht 121.4 million to Baht 106.7 million. The decreasing of Baht 14.7 million derived from high expenses of the Group related to the bidding of the projects for procuring electricity from renewable sources of the government sector in the first quarter of 2023.

Administrative expense increase 11.1% YoY and increase 21.9% 6M YoY the increase in administrative expenses 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

	Q2-2022	Q1-2023	Q2-2023	Change		6M-2022	6M-2023	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Finance costs	29.1	43.6	49.6	13.8%	70.4%	63.6	93.1	46.4%

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 increase 70.4% YoY from Baht 29.1 million to Baht 49.6 million, increased by Baht 20.5 million. **Finance costs increase 46.4% 6M YoY** from Baht 63.6 million to Baht 93.1 million, increased by Baht 29.5 million. The increase mainly derived from continually increasing in MLR of the commercial bank during the second quarter of 2022 to the second quarter of 2023 causing a higher interest rate in the second quarter of 2023 which lead to the increasing in finance costs.

Tax income (expense)

	Q2-2022	Q1-2023	Q2-2023	Change		6M-2022	6M-2023	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	%YoY
Current tax on profit for the period	(9.1)	(10.8)	(10.2)	(5.6%)	12.1%	(18.5)	(20.9)	13.0%
Deferred income tax	(41.1)	(1.3)	(16.6)	1,176.9%	(59.6%)	(54.2)	(17.9)	(67.0%)
Tax expense	(50.2)	(12.1)	(26.8)	121.5%	(46.6%)	(72.7)	(38.8)	(46.6%)

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 second quarter of 2023 amounting to Baht 315.7 million and for the six-month period ended 30 June 2023 amounting to Baht 590.7 million which was the net profit attributable to the parent for the amounting to Baht 315.8 million and Baht 590.8 million, respectively. The detail of net profit for ordinary activities and extraordinary items can be described as following.

(Unit: THB Mn)

	Q2-2022			Q1-2023			Q2-2023		
	Ordinary	Extra		Ordinary	Extra		Ordinary	Extra	
	activities	ordinary	Total	activities	ordinary	Total	activities	ordinary	Total
Profit (loss) before tax	347.2	86.7	433.9	308.1	(21.1)	287.0	278.5	64.0	342.5
Tax income (expense)	(32.9)	(17.3)	(50.2)	(16.3)	4.2	(12.1)	(14.0)	(12.8)	(26.8)
Net profit (loss)	314.3	69.4	383.7	291.8	(16.9)	274.9	264.5	51.2	315.7
Loss attributable to non-controlling interests	-	-	-	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Net profit (loss) from ordinary activities	314.3	69.4	383.7	291.9	(16.9)	275.0	264.6	51.2	315.8

	6M-2022			6M-2023		
	Ordinary	Extra		Ordinary	Extra	
	activities	ordinary	Total	activities	ordinary	Total
Profit before tax	697.0	81.8	778.8	586.6	42.9	629.5
Tax income (expense)	(56.4)	(16.3)	(72.7)	(30.2)	(8.6)	(38.8)
Net profit	640.6	65.5	706.1	556.4	34.3	590.7
Loss attributable to non-controlling interests	(0.3)	-	(0.3)	(0.1)	-	(0.1)
Net profit from ordinary activities attributable	640.9	65.5	706.4	556.5	34.3	590.8

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.

	Q2-2022	Q1-2023	Q2-2023	Change		6M-2022	6M-2023	Change
	THB Mn	THB Mn	THB Mn	%QoQ	%YoY	THB Mn	THB Mn	THB Mn
Net profit attributable to the parent	383.7	275.0	315.8	14.8%	(17.7%)	706.4	590.8	(16.4%)
<i>Add(Less): Loss/gain from extraordinary items</i>	<i>(69.4)</i>	<i>16.9</i>	<i>(51.2)</i>			<i>(65.5)</i>	<i>(34.3)</i>	
Net profit from ordinary activities attributable to the parent	314.3	291.9	264.6	(9.4%)	(15.8%)	640.9	556.5	(13.2%)

	Q2-2022	Q1-2023	Q2-2023	Change		6M-2022	6M-2023	Change
	Percent	Percent	Percent	QoQ	YoY	Percent	Percent	YoY
Net profit margin attributable to the parent	23.4	15.8	19.6	3.8	(3.8)	21.7	17.6	(4.1)
Net profit margin from ordinary activities attributable to the parent	19.2	16.8	16.4	(0.4)	(2.8)	19.7	16.6	(3.1)

Net profit attributable to the parent increase 14.8% QoQ from Baht 275.0 million to Baht 315.8 million. The increase of Baht 40.8 million mainly derived from, in the second quarter of 2023, the Group still had net profit attributable to the parent in the same level of the first quarter of 2023, and the Group also had increasing in gain from extraordinary items, while the Group had loss from extraordinary items in the first quarter of 2023. Gain from extraordinary items in the second quarter of 2023 were unrealized gain on exchange rate of receivable under finance lease agreement and gain on forward contracts for totaling Baht 51.2 million.

Net profit attributable to the parent decrease 17.7% YoY and decrease 16.4% 6M YoY mainly derived from the decreasing in gross profit margin as described in part of Gross Profit. In addition, the Group had 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 June	31 December	Change	
	2023	2022	THB Mn	%
	THB Mn	THB Mn		
Cash and cash equivalents	287.7	429.1	(141.4)	(33.0%)
Trade and other receivables	1,225.4	1,432.4	(207.0)	(14.5%)
Receivables under finance lease	3,424.3	3,400.9	23.4	0.7%
Inventories	1,033.1	957.4	75.7	7.9%
Restricted deposits at financial institutions	476.7	397.6	79.1	19.9%
Investment property (net)	123.8	123.8	-	-
Property, plant and equipment (net)	11,984.7	11,226.8	757.9	6.8%
Advance payments for constructions and purchases of fixed assets	255.6	276.2	(20.6)	(7.5%)
Rights to service under concession arrangements (net)	1,428.8	1,471.0	(42.2)	(2.9%)
Right-of-use assets (net)	60.3	68.5	(8.2)	(12.0%)
Deferred tax assets (net)	60.6	55.7	4.9	8.8%
Derivative assets	-	1.7	(1.7)	(100.0%)
Other assets	260.1	230.0	30.1	13.1%
Total assets	20,621.1	20,071.1	550.0	2.7%
Short-term loans from financial institutions	171.0	396.2	(225.2)	(56.8%)
Long-term loans from financial institutions	4,922.3	4,645.2	277.1	6.0%
Trade and other payables	389.3	508.7	(119.4)	(23.5%)
Leases liabilities (net)	31.9	33.5	(1.6)	(4.8%)
Deferred tax liabilities (net)	231.5	208.7	22.8	10.9%
Derivative liabilities	-	0.2	(0.2)	(100.0%)
Other liabilities	97.7	93.9	3.8	4.0%
Total liabilities	5,843.7	5,886.4	(42.7)	(0.7%)
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	141.8	141.8	-	-
- Treasury shares reserve	268.0	268.0	-	-
Retained earnings - Unappropriated	5,613.0	5,022.2	590.8	11.8%
Treasury shares	(268.0)	(268.0)	-	-
Deficit from business combination	(22.9)	(22.9)	-	-
Non-controlling interests	61.5	59.6	1.9	3.2%
Total equity	14,777.4	14,184.7	592.7	4.2%

Assets

Total assets as at 30 June 2023 and 31 December 2022 were Baht 20,621.1 million and Baht 20,071.1 million, respectively. Increase by Baht 550.0 million or 2.7%. The main reason for changing in assets due to cash and cash equivalents decreased by Baht 141.4 million, trade and other receivables decreased by Baht 207.0 million and receivables under finance lease increased by Baht 23.4 million from changing in exchange rate. Inventories increased by Baht 75.7 million. Restricted deposits at financial institutions increased by Baht 79.1 million. Property, plant and equipment increased by Baht 757.9 million from purchase of land of future power plant projects and the new investment projects. Rights to service under concession arrangements decreased by Baht 42.2 million from amortization during the period.

Liabilities

Total liabilities as at 30 June 2023 and 31 December 2022 were Baht 5,843.7 million and Baht 5,886.4 million, respectively. Decreased by Baht 42.7 million or 0.7%. The main reason for changing in liabilities due to short-term loans from financial institutions decreased by Baht 225.2 million from repayment during the period. Long-term loans from financial institutions increased by Baht 277.1 million from addition during the period for investment in power plant projects. Trade and other payables decreased by Baht 119.4 million.

As at 30 June 2023, the debt to equity ratio was 0.40 times, the net debt to equity ratio was 0.34 times, the interest-bearing debt to equity ratio was 0.35 times, and the net interest-bearing debt to equity ratio was 0.30 times.

Equity

Shareholders' equity as at 30 June 2023 and 31 December 2022 were Baht 14,777.4 million and Baht 14,184.7 million. Increased by Baht 592.7 million or 4.2% 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