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9th November 2018

Subject Management Discussion and Analysis of Financial Statements
for the three-month period ended 30th September 2018
To The President of the Stock Exchange of Thailand

We, Energy Absolute Public Company Limited would like to report the result of the company and subsidiaries for 3rd quarter periods ended 30th September 2018 which has been approved by the meeting of the Board of Directors No. 4/2018 held on 9th November 2018. The details are as follows:-

Overview of operating results for the three-month and nine-month periods ended 30th September 2018

	Year 2018		Year 2017		Increase (Decrease)			
	Three-month Period	Nine-month Period	Three-month Period	Nine-month Period	Three-month Period		Nine-month Period	
	Baht Million	Baht Million	Baht Million	Baht Million	Baht Million	%	Baht Million	%
Revenue from sales and services	2,960.43	8,795.87	3,097.27	8,675.57	(136.84)	(4.42)	120.30	1.39
Other Income	2.50	26.75	1.10	42.68	1.40	127.27	(15.93)	(37.32)
Accounting gain on business combination achieved in stages, net	-	894.58	-	-	-	-	894.58	100.00
Total Revenue	2,962.93	9,717.20	3,098.37	8,718.25	(135.44)	(4.37)	998.95	11.46
Profit attributable to Owners of the parent	1,274.58	4,206.26	976.12	2,921.88	298.46	30.58	1,284.38	43.96
Basic earnings per share (Baht per share)	0.34	1.13	0.26	0.78	0.08	30.77	0.35	44.87

Note:

According to Financial Statements for the nine-month period ended 30th September 2018, there is significant circumstance from the classification of the investment in Amita from an associate company to be a subsidiary company. Therefore, the financial statements of Amita have been fully consolidated to the Group's financial statements from the date on which control is transferred to the Group. (See explanation in Condensed Notes to the Interim Financial Information no.12)



Net Profit

For the three-month period ended 30th September 2018, the Company earned the net profit of Baht 1,274.58 million, increased by Baht 298.46 million (or increased 30.58%) as compared to the same period of last year which incurred the total net profit of Baht 976.12 million. And for the nine-month period ended 30th September 2018, the Company earned the net profit of Baht 4,206.26 million, increase by Baht 1,284.38 million (or increased by 43.96%) as compared to the same period of last year which incurred the total net profit of Baht 2,921.88 million. The reasons are as follows:

Revenue

For the three-month period ended 30th September 2018, the Company earned the total revenue of Baht 2,962.93 million, decreased by Baht 135.44 million (or decreased by 4.37%) as compared to the same period of last year which incurred the total revenue of Baht 3,098.37 million. And for the nine-month period ended 30th September 2018, the Company earned total revenue of Baht 9,717.20 million, increased by Baht 998.95 million (or increased by 11.46%) as compared to the same period of last year which incurred the total revenue of Baht 8,718.25 million. The reasons are summarized as follows:

1. Manufacturing and distributing Biodiesel Products :

For the three-month and nine-month periods ended 30th September 2018, the revenues from Biodiesel (B100) decreased by Baht 307.36 million and Baht 761.88 million (or decreased by 28.26% and 23.59%). This is the result of lower of selling price by 19.46% due to oversupply of palm product in market. In addition, sales volume is also lower by 5.13%.

For pure glycerin : The revenues, for the three-month and nine-month periods ended 30th September 2018 decreased by Baht 0.14 million and increased by Baht 62.03 million (or decreased by 0.21% and increased by 35.67%). The sharply increase in revenue for nine-month period is the result from strong global demand.

Details	Three-month Period			Nine-month Period		
	Year 2018	Year 2017	% Change	Year 2018	Year 2017	% Change
Revenue from Biodiesel	780.32	1,087.68	-28.26%	2,467.80	3,229.68	-23.59%
Sale volume (Million Litres)	37.29	48.79	-23.57%	120.29	126.79	-5.13%
Explanation						
Three-month and nine-month period:						
Sale volume declined as the result of effect of the government's policy to call for cooperation from B100 producers and distributors to increase their stock holding in order to absorb the surplus of palm oil since Q4 2017 and recently this policy has been remitted in April 2018. Therefore, some B100 producers / distributor started to release their stock holding into the market.						
AVG Selling price (Baht/Litre)	20.93	22.29	-6.13%	20.52	25.47	-19.46%
Explanation						
Lower of B100 selling price resulted from lower of raw material price due to oversupply of palm product in market.						
Revenue from Glycerin	67.03	67.17	-0.21%	235.94	173.91	+35.67%
Sale volume (Million kg.)	2.86	3.05	-6.23%	8.98	8.42	+6.65%
AVG Selling price (Baht/kg.)	23.44	22.02	+6.41%	26.27	20.65	+27.21%
Explanation						
The overall selling price and Sales volume of year 2018 has increased as resulted from strong global demand compared to last year.						



2. Generating and distributing Electricity : For the three-month and nine-month periods ended 30th September 2018, the revenues increased by Baht 127.82 million and Baht 584.57 million (or increased by 6.62% and 11.12%) respectively. This is due to the 126-MW, wind power plant of subsidiary companies at Songkla and Nakorn Si-Thammarat Province was commenced operation on 3rd March, 10th June and 23rd June 2017 respectively resulting to revenue recognition through nine-month period of this year.

Details	Three-month Period			Nine-month Period		
	Year 2018	Year 2017	% Change	Year 2018	Year 2017	% Change
Revenue from Solar power plants	1,333.61	1,430.61	-6.78%	4,399.72	4,610.46	-4.57%
Sales volume (GWh)	136.35	146.86	-7.16%	451.13	478.05	-5.63%
Avg. Selling Price (Baht/kWh)	9.78	9.74	+0.41%	9.75	9.64	+1.14%
Explanation						
The decrease of sales volume resulted from weakens of irradiation from heavy rain. However, average selling price per kWh increase 1.14% due to the increase of ft.						
Revenue from Wind power plants	726.10	501.28	+44.85%	1,442.53	647.21	+122.89%
Sales volume (GWh)	115.15	80.96	+42.24%	230.31	104.32	+120.78%
Avg. Selling Price (Baht/kWh)	6.31	6.19	+1.84%	6.26	6.20	+0.96%
Explanation						
Hadkanghan 1, 2, 3 wind power plant for total of 126 MW started COD on 3 rd March, 10 th June and 23 rd June 2017 respectively. As a result, revenue was recorded through nine-month period of year 2018. In addition, high wind season in July and August in southern of Thailand resulted to high power production.						

3. Other revenue from ESM from leasing Crane of Baht 60.00 million and consultation service of Baht 5.59 million (EA shares holding 99.99%) and revenue recognition from AMITA TECHNOLOGIES INC. amounting Baht 178.14 million (EA shares holding 69.19%) as F/S of Amita fully consolidated to the Group's F/S from the date on which control is transferred to the Group since 1st quarter of this year.
4. Accounting gain on business combination achieved in stages (AMITA), net of Baht 894.58 million in accordance with Thai Financial Reporting Standard 3 (revised 2017) Business Combination.
This is resulted from increasing in controlling power in board level and management level of AMITA since 1st quarter of this year. Therefore, the company has to record and present the investment in AMITA as a subsidiary company, changing from associate company. Moreover, the company has to consider and compare fair value of investment in AMITA with net investment cost and appeared that, the fair value of investment in AMITA is higher than the net investment cost, so the company recognized gain on business combination.



To be considered, revenue from normal business operation (excluding accounting gain) for nine-month periods ended 30th September 2018 was Baht 8,822.62 million, increased by Baht 104.37 million (or increased by 1.19%) as compared to the same period of last year as reasons aforementioned above. And also Net profit from normal business operation (excluding accounting gain and unrealized gain on currency exchange), was Baht 3,181.64 million, increased by Baht 259.76 million (or increased by 8.89%) as compared to the same period of last year.

Cost of sales and services

For the three-month and nine-month periods ended 30th September 2018, cost of sales were Baht 1,366.13 million and Baht 4,200.46 million, decreased by Baht 256.09 million and Baht 310.99 million (or decreased by 15.78% and 6.89%) respectively, as compared to the same period of last year which incurred the total cost of sales of Baht 1,622.22 million and Baht 4,511.45 million respectively. The reasons are summarized as follows:

1. Manufacturing and distributing Biodiesel Products and pure glycerin: For the three-month and nine-month periods ended 30th September 2018, the cost of sales reduced by Baht 292.11 million and Baht 718.28 million (or decreased by 26.56% and 22.07%) respectively as compared to the same period of last year due to the lower of raw material price effecting from oversupply of palm product in market.
2. Generating and distributing Electricity: For the three-month and nine-month periods ended 30th September 2018, cost of sales increased by Baht 4.22 million and Baht 227.58 million (or increased by 0.91% and 19.63%), respectively. The increasing of sales cost compared to the same periods of last year resulted from commencement commercial operation of wind power plant (with an aggregate capacity of 126-MW) of the subsidiary on 3rd March, 10th June and 23rd June 2017. Sales cost of wind power plants consisted of depreciation, administrative, maintenance expenses and others.

Selling expense

Selling expenses, for the three-month period and nine-month periods ended 30th September 2018, were Baht 13.54 million and Baht 50.30 million, decreased by Baht 2.46 million (or decreased by 15.38%) and increased by Baht 8.19 million (or increased by 19.42%) respectively, as compared to the same periods of last year which incurred the selling expenses of Baht 16.00 million and Baht 42.12 million. Major selling expense is delivery expense from selling of biodiesel. Moreover, there is a recognition of selling expense from Amita amounting Bath 6.12 million for nine-month period as F/S of Amita is fully consolidated to the Group's F/S from the date on which control is transferred to the Group.



Administrative expenses

Administrative expenses, for the three-month and nine-month periods ended 30th September 2018, were Baht 173.20 million and Baht 605.90 million, increased by Baht 20.30 million and Baht 191.59 million (or increased by 13.27% and 46.24%) respectively, as compared to the same periods of last year which incurred the administrative expenses of Baht 152.90 million and Baht 414.31 million. The main reasons of increasing are given below.

- Personnel expense increased Baht 80.67 million in accordance with new hiring of employee and executive following to the business expansion plan
- Administrative expense from Battery business in amount of Baht 79.23 million from fully consolidation of Amita to the Group's F/S. The portion of 49.00% of this item is R&D expense which is normal for battery business. The rest of the item is general administrative expenses.
- PR, advertising and activities expenses including R&D expenses from subsidiaries increased Baht 31.88 million. This is due to several programs to promote new businesses, EV charging station and Electrical Vehicle, following to EA's strategic plan.

Finance cost

Finance costs, for the three-month and nine-month periods ended 30th September 2018, were Baht 293.76 million and Baht 870.10 million, decreased by Baht 36.90 million (or decreased by 11.16%) and increased by Baht 6.60 million (or increased by 0.76%) respectively, as compared to the same periods of last year which incurred the finance costs of Baht 330.66 million and Baht 863.50 million. The decreasing of finance cost for three-month period is a result of negotiation on loan condition with financial institution since end of last year. Major amendment in loan agreement is an interest rate which lender agreed to adjust term of interest rate from floating rate of MLR-1.75% to fixed rate during 3.3%-4.37% per annum.

Financial Status

Total Asset

EA and its subsidiaries' total asset as of 30th September 2018, were Baht 56,035.89 million, increased by Baht 11,505.47 million (or increased by 25.84%). This was mainly from the following determinants:

Inventory

Inventory balance as of 30th September 2018 and 31st December 2017 were Baht 274.82 million and Baht 127.94 million respectively, increased by Baht 146.88 million or increased by 114.80%. This is mainly due to inventory from Amita amounting as of 30th September 2018 Baht 146.90 million is recognized as F/S of Amita fully consolidated to the Group's F/S from the date on which control is transferred to the Group.

Investment in associate

Investment in associate as of 30th September 2018, was nil because of the classification of the investment in Amita from an associate to a subsidiary. The financial statements of Amita have been fully consolidated to the Group's financial statements from the date on which control is transferred to the Group.



Property, plant and equipment

Property, plant, and equipment Property, plant, and equipment, as of 30th September 2018 and 31st December 2017, were Baht 45,123.14 million and Baht 35,219.56 million respectively, increased by Baht 9,903.58 million or increased by 28.12%. Mainly, due to the investment of wind power plants projects.

Goodwill

Goodwill as of as of 30th September 2018, were Baht 962.55 million, is recognised in accordance with the preparation of consolidated financial statements. The amount of goodwill is measured from fair value of Amita's net assets as the result of the change in classification of the investment of Amita from an associate to a subsidiary.

Intangible assets

Intangible assets as of 30th September 2018 and 31st December 2017 were Baht 1,971.88 million and Baht 977.16 million, respectively which increase of Baht 994.72 million or 101.80%. The significant increase is from the recognition of patents and brand which are result of fully consolidation of Amita's financial statement to the Group's financial statements from the date on which control is transferred to the Group. Value of patents and brand as of 30th September 2018 were Baht 760.34 million and Baht 262.20 million respectively.

Total Liabilities

EA and its subsidiaries' total liabilities as of 30th September 2018, were Baht 37,521.19 million, increased by Baht 7,734.99 million from 31st December 2017 (or increased by 25.97%). The increase was mainly in Short Term loan from Bill of Exchange amounting Baht 1,294.55 million with interest rate at 1.89% - 2.30% per annum and remaining were construction payables and payable for purchase of assets which increased by Baht 6,666.24 million comparing to balance as of 31st December 2017 which major part are construction in progress of wind power plants projects.

Total Equity

EA and its subsidiaries' total shareholder' equity as of 30th September 2018, were Baht 18,514.10 million, which increased by Baht 3,770.48 million (or increased by 25.57%) from 31st December 2017. This resulted from total net profit for 9M/18, deducted by dividends paid and discount from changes in shareholding interest in subsidiaries.

Progress in Major Investment Projects

1. 260 MW Wind Power Plant in Chaiyaphum province or "Hanuman Project"

The project comprises of 5 sub-projects which started construction in 2nd quarter of 2017. As of 9th November 2018, construction progress has been going well in accordance with the master plan and is in process of preparation of transmission system. The project is expected to be completed and started COD by end of 2018.

2. Li-ion Battery Project

The company has an investment project in building a Li-ion Battery factory with the total production capacity of 50 GWh per year. The investment plan comprises of two phases. The phase I worth THB 4 billion is for the production capacity at 1 GWh per year (including preparing infrastructure of the whole project). The construction has already started along with preparation of group structure. The new production base will be completed and start commercial operation by the end of 2019. Further investment in phase II will be started after completion and achievement of phase I. The company will inform progress to this investment project consequently.



In addition, the Government of Taiwan invited EA to attend a major event chaired by President Tsai Ing-wen, "2018 Taiwan Business Alliance Conference" on 8th October 2018. In the conference, there is signing ceremony in Letter of Intent (or LOI) between EA and the Ministry of Economic Affairs (or MOEA), Taiwan. In regard to EA's intended activities to invest in Energy Storage Industry in Taiwan through investing in Amita Technologies Inc., MOEA confirms its intention to provide information/solution/assistance for EA's intended activities; refer companies/investment opportunities to EA ; and facilitate the technical and/or economic cooperation/coordination/liason between EA and other Taiwanese companies. Under the LOI, MOEA express the objective concerning the importance of EA's technology/services in enhancing Taiwan's global competitiveness, desires to encourage EA to foster its long-term cooperation with Taiwanese companies.

3. EV Charging Station Project

The company is co-investing with partners to install EV charging equipment on partners' property through the country using both normal charge and quick charge, the most modern technology. The EV charging service is planned to serve all type of EV including MINE Mobility, EV designed by the company's team, which is under developing for commercial in the next few year. The company plans to invest 1,000 stations within this year, using charging equipment produced by its joint venture company in order to control technology and investment cost.

On 6th November 2018, Energy Mahanakorn Co., Ltd. (or EMN), EA's subsidiary company, entered into a business agreement with Southeast Advisory Co., Ltd., a company under TCC Group. The two parties agree to cooperate and offer EV charging service covering suitable area of TCC Group including Southeast group, retail business, property business, food and beverage business etc.

As of 6th November 2018, 155 stations has been completed installation, 10 stations are under construction and 22 stations are about to start construction. Even though electric vehicle is well recognized more and more, but the EV price is quite high. Therefore, it needs more effort for the company to build up acceptance and confident in using EV. However, the company keeps steering its project together with several partners to prepare infrastructure for EV user. The project progress will be informed accordingly.

4. Electric Vehicle (EV) : MINE Mobility

Since 2017, the company has started designing and production of prototype EV and introduced under brand "MINE Mobility", being the first Thai EV. The business model is planned to be outsourcing production of auto parts from suppliers and also outsourcing of assembly. The company will control the design, controlling system technology and production of Li-ion battery, which is the key part. Therefore, the Company does not have to spend heavy investment in the business. Currently, MINE is under developing technology and detail design before showing to the public in the upcoming Motor Show in 2019 then start commercial production in the future.

5. Green Diesel and PCM

The domestic demand of Green Diesel (or GD) to be blended to diesel oil is increasing in order to improve efficiency and decrease carbon. Some countries are introducing the use of Phase Change Material (or PCM) to be a component part of construction material in order to absorb heat and control temperature. Therefore, the company has been doing research and development of GD and PCM under biodiesel business, using crude palm oil as the major material. The success of R&D leads to new investment in Pilot Plant in 2nd quarter and 3rd quarter, with production capacity of GD at 1 liter per hour and PCM at 1 ton per day. The pilot plant is set to test product quality and to develop production efficiency before further investing in the new commercial production.



The project is planned to have total feed capacity at 130 tons per day, located in Rayong province. The total investment is approximately THB 1.1 billion. This project is divided into two phases.

Phase I Production capacity of GD and PCM is going to be 65 tons (feed) per day. The construction will be completed within December 2019 and will start commercial operation in the first quarter of 2020.

Phase II Production capacity is going to be ramped up to be 130 tons (feed) per day. The construction is planned to be completed within December 2020 and will start commercial operation in the first quarter of 2021.

Progress of the project as of this third quarter could be summarized as follow.

1. Started land clearance and prepare for piling and construction, which is expected to start by the end of 2018.
2. Hired construction contractors and put purchase order of long lead equipment, which is expected to be finished within January 2019.
3. Completed project design and is in the process of engineering design, which is expected to be finished within April 2019.

Kindly be informed accordingly.

Yours faithfully,

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(Mr. Amorn Saphaweekul)
Deputy CEO