



บริษัท พลังงานบริสุทธิ์ จำกัด (มหาชน)
Energy Absolute Public Company Limited

89อาคารเอไอเอ แคปปิตอล เซ็นเตอร์ ชั้น16ถนนรัชดาภิเษก แขวงดินแดงเขตดินแดงกรุงเทพฯ 10400
โทรศัพท์ 02 248 2488-92,02 002 3667-9 แฟกซ์ 02 248 2493 ทะเบียนเลขที่ 0107551000061

Ref : EA 6108/008

10th August 2018

Subject Management Discussion and Analysis of Financial Statements
for the three-month period ended 30th June 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 (all together as the “Company”) for the three-month period ended 30th June 2018 which has been approved by the meeting of the Board of Directors No. 3/2018 held on 10th August 2018. The details are as follows:-

Overview of operating results for the three-month and six-month periods ended 30th June 2018

	Year 2018		Year 2017		Increase (Decrease)			
	Three-month Period	Six-month Period	Three-month Period	Six-month Period	Three-month Period		Six-month Period	
	Baht Million	Baht Million	Baht Million	Baht Million	Baht Million	%	Baht Million	%
Revenue from sales and services	2,906.28	5,835.44	2,932.68	5,578.29	(26.40)	(0.90)	257.15	4.61
Other Income	19.31	24.25	11.68	41.58	7.63	65.33	(17.33)	(41.68)
Accounting gain on business combination achieved in stages, net	-	894.58	-	-	-	-	894.58	100.00
Total Revenue	2,925.59	6,754.27	2,944.36	5,619.87	(18.77)	(0.64)	1,134.40	20.19
Profit attributable to Owners of the parent	984.93	2,931.68	966.29	1,945.76	18.64	1.93	985.92	50.67
Basic earnings per share (Baht per share)	0.26	0.79	0.26	0.52	-	-	0.27	51.92

Note:

According to Financial Statements for the six-month period ended 30th June 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.



Net Profit

For the three-month period ended 30th June 2018, the Company earned the net profit of Baht 984.93 million, increased by Baht 18.64 million (or increased 1.93%) as compared to the same period of last year which incurred the total net profit of Baht 966.29 million. And for the six-month period ended 30th June 2018, the Company earned the net profit of Baht 2,931.68 million, increase by Baht 985.92 million (or increased by 50.67%) as compared to the same period of last year which incurred the total net profit of Baht 1,945.76 million. The reasons are as follows:

Revenue

For the three-month period ended 30th June 2018, the Company earned the total revenue of Baht 2,925.59 million, decreased by Baht 18.77 million (or decreased by 0.64%) as compared to the same period of last year which incurred the total revenue of Baht 2,944.36 million. And for the six-month period ended 30th June 2018, the Company earned total revenue of Baht 6,754.27 million, increased by Baht 1,134.39 million (or increased by 20.19%) as compared to the same period of last year which incurred the total revenue of Baht 5,619.88 million. The reasons are summarized as follows:

1. Manufacturing and distributing Biodiesel Products :

For the three-month and six-month periods ended 30th June 2018, the revenues from B100 decreased by Baht 331.21 million and Baht 454.67 million (or decreased by 29.12% and 21.22%). This is the result of lower of selling price by 25.92% whereas the sales volume is higher by 6.31%
For pure glycerin : The revenues, for the three-month and six-month periods ended 30th June 2018 increased by Baht 17.26 million and Baht 62.17 million (or increased by 29.25% and 58.24%). This is the result from strong global demand.

Details	Three-month Period			Six-month Period		
	Year 2018	Year 2017	% Change	Year 2018	Year 2017	% Change
Revenue from Biodiesel	806.06	1,137.27	-29.12%	1,687.47	2,142.14	-21.22%
Sale volume (Million Litres)	39.31	44.47	-11.60%	82.67	77.76	+6.31%
Explanation						
<u>Three-month period:</u> Selling 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.						
<u>Six-month period:</u> Government Policy remains B100 proportion in high-speed diesel to be 7% compared to 5% at the same period of last year in order to control Palm Oil supply in the market.						
AVG Selling price (Baht/Litre)	20.51	25.57	-19.79%	20.41	27.55	-25.92%
Explanation Lower of B100 selling price resulted from lower of raw material price						
Revenue from Glycerin	76.26	59.00	+29.25%	168.91	106.74	+58.24%
Sale volume (Million kg.)	2.82	2.79	+1.08%	6.12	5.37	+13.97%
AVG Selling price (Baht/kg.)	27.08	22.28	+21.54%	27.60	19.88	+38.83%
Explanation Increase in selling price and sales volume resulted from strong global demand 11-13%						



2. Generating and distributing Electricity :

For the three-month and six-month periods ended 30th June 2018, the revenues increased by Baht 139.93 million and Baht 456.75 million (or increased by 8.06% and 13.73%) 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 both the 1st and 2nd full quarter-revenue was recorded this year.

Details	Three-month Period			Six-month Period		
	Year 2018	Year 2017	% Change	Year 2018	Year 2017	% Change
Revenue from Solar power plants	1,573.98	1,610.62	-2.27%	3,066.10	3,179.85	-3.58%
Sales volume (GWh)	162.26	168.43	-3.65%	314.78	331.19	-4.95%
Avg. Selling Price (Baht/kWh)	9.70	9.56	+1.46%	9.74	9.60	+1.46%
Explanation						
The decrease of sales volume resulted from weakens of irradiation from heavy rain. However, average selling price per kWh increase 1.46% due to the increase of ft.						
Revenue from Wind power plants	301.75	125.18	+141.05%	716.43	145.93	+390.94%
Sales volume (GWh)	47.91	20.06	+138.83%	115.16	23.36	+392.98%
Avg. Selling Price (Baht/kWh)	6.30	6.24	+0.96%	6.22	6.25	-0.48%
Explanation						
Hadanghan 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, 1 st and 2 nd full quarter-revenue were recorded in 2018. However, low wind season in April and May in southern of Thailand resulted to low power production, and became higher since end of June onwards.						

- Other revenue from ESM for leasing Crane of Baht 60.00 million (EA shares holding 99.99%) and revenue recognition from AMITA amounting Baht 124.90 million (EA shares holding 69.99%) as F/S of Amita fully consolidated to the Group's F/S from the date on which control is transferred to the Group.
- 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 the first quarter. 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 for six-month periods ended 30th June 2018 was Baht 5,835.44 million, increased by Baht 275.15 million (or increased by 4.61%) 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 other income), was Baht 2,012.85 million, increased by Baht 108.67 million (or increased by 5.7%) as compared to the same period of last year.



Cost of sales and services

For the three-month and six-month periods ended 30th June 2018, cost of sales were Baht 1,379.34 million and Baht 2,834.34 million, decreased by Baht 183.25 million and Baht 54.89 million (or decreased by 11.73% and 1.90%) respectively, as compared to the same period of last year which incurred the total cost of sales of Baht 1,562.59 million and Baht 2,889.23 million respectively. The reasons are summarized as follows:

1. **Manufacturing and distributing Biodiesel Products and pure glycerin:** For the three-month and six-month periods ended 30th June 2018, the cost of sales reduced by Baht 427.79 million and Baht 322.84 million (or decreased by 19.98% and 28.19%) respectively as compared to the same period of last year, due to the lower of raw material price according to current market conditions although the Company was able to increase the sales volume.
2. **Generating and distributing Electricity:** For the three-month and six-month periods ended 30th June 2018, cost of sales increased by Baht 67.43 million and Baht 223.36 million (or increased by 16.90% and 32.02%), respectively. This is due a wind power plant (with an aggregate capacity of 126-MW) of the subsidiary were commenced commercial operation on 3rd March, 10th June and 23rd June 2017, resulting cost of sales (i.e., depreciation, administrative and maintenance expenses) increased as compared to the same periods last year. The increasing of sales cost of this wind power plants were Baht 84.58 million.

Selling expense

Selling expenses, for the three-month period and six-month periods ended 30th June 2018, were Baht 20.10 million and Baht 36.76 million, increase by Baht 5.33 million and Baht 10.65 million (or increased by 36.10% and 40.77%) respectively, as compared to the same periods of last year which incurred the selling expenses of Baht 14.77 million and Baht 26.11 million. This is due to the increment of selling expense which is a major cost of delivery expense; the increasing is in line with the increase of sales volume of biodiesel. Moreover, there is a recognition of selling expense from Amita amounting Bath 6.25 million (Three-month period) and Bath 7.98 million (Six-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 six-month periods ended 30th June 2018, were Baht 262.16 million and Baht 432.69 million, increased by Baht 132.00 million and Baht 171.28 million (or increased by 101.42% and 65.52%) respectively, as compared to the same periods of last year which incurred the administrative expenses of Baht 130.16 million and Baht 261.41 million. The main reasons of the incremental in Q2 are given below.

- Personnel expense increased Baht 56 million in accordance with new hiring of employee and executive following to the business expansion plan
- Administrative expense from Battery business increased Baht 25 million from fully consolidation of Amita to the Group's F/S. The portion of 61% 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 28 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 six-month periods ended 30th June 2018, were Baht 287.64 million and Baht 576.35 million, increased by Baht 3.83 million and Baht 43.51 million (or increased by 1.35% and 8.17%) respectively, as compared to the same periods of last year which incurred the finance costs of Baht 283.81 million and Baht 532.84 million. This is due to 126-MW wind power plants were completed construction and started commercial operation. Consequently, the finance cost incurred thereafter shall be recorded and included in the expense instead of asset as previously.

Financial Status

Total Asset

EA and its subsidiaries' total asset as of 30th June 2018, were Baht 48,749.07 million, increased from ended year 2017 by Baht 4,218.65 million (or increased by 9.47%). This was mainly from the following determinants:

Inventory

Inventory was Baht 300.19 million, increased by Baht 172.25 million from 31st December 2017 (or increased by 134.63%). This is mainly due to inventory from Amita amounting Bath 120.92 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 June 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.

Goodwill

Goodwill as of as of 30th June 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 June 2018 and 31st December 2017 were Baht 2,018.97 million and Baht 977.16 million, respectively which increase of Baht 1,041.81 million or 106.62%. The significant increase is from the recognition of patents of Baht 805.78 million and brand of Baht 277.87 million as the result of fair value.

Property, plant and equipment

Property, plant, and equipment Property, plant, and equipment, as of 30th June 2018 and 31st December 2017, were Baht 38,059.61 million and Baht 35,219.56 million respectively, increased by Baht 2,840.05 million or increased by 8.06%. Mainly, due to the investment of wind power plants projects

Total Liabilities

EA and its subsidiaries' total liabilities as of 30th June 2018, were Baht 31,479.71 million, increased by Baht 1,692.91 million from 31st December 2017 (or increased by 5.68%). The increase was mainly in Short Term loan from Promissory note amounting Baht 1,225.58 million with interest rate at 1.89% - 2.35% per annual and remaining were construction payables and payable for purchase of assets of wind power plants projects



Total Equity

EA and its subsidiaries' total shareholder' equity as of 30th June 2018, were Baht 17,269.36 million, which increased by Baht 2,525.74 million (or increased by 17.13%) from 31st December 2017. This resulted from total net profit for 6M/2018, 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 31st July 2018, construction progress has been going well in accordance with the master plan and is in process of erection wind tower for the total of 103 turbines. The construction of the project is expected to be completed and started COD around 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). Mainly, source of fund is from long-term financing and internal cash from operation of the company and its subsidiary companies. The new production base will be completed and start commercial operation by the end of 2019. Presently, the company is setting its group structure along with preconstruction preparing.

Further investment in phase II will be started after completion and achievement of phase I. Therefore, the company has enough time to consider the investment scheme and source of fund.

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.

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 do not have to spend heavy investment in the business. Currently, MINE is under developing technology and detail design before starting commercial production in the future.



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Kindly be informed accordingly.

Yours faithfully,

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(Mr. Amorn Saphaweekul)
Deputy CEO