



บริษัท พลังงานบริสุทธิ์ จำกัด (มหาชน)
Energy Absolute Public Company Limited

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27th February 2019

Subject Management Discussion and Analysis of Financial Statements for the three-month and twelve-month period ended 31st December 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 and twelve-month period ended 31st December 2018 which has been approved by the meeting of the Board of Directors No 1/2019 held on 27th February 2019. The details are as follows:-

Overview of operating results for the three-month and twelve-month periods ended 31th December 2018

	Year 2018		Year 2017		Increase (Decrease)			
	Three-month Period	Twelve-month Period	Three-month Period	Twelve-month Period	Three-month Period		Twelve-month Period	
	Baht Million	Baht Million	Baht Million	Baht Million	Baht Million	%	Baht Million	%
Revenue from sales and services	2,756.08	11,551.95	2,903.96	11579.52	(147.88)	(5.09)	(27.57)	(0.24)
Other Income	16.94	43.69	51.30	93.98	(34.36)	(66.98)	(50.29)	(53.51)
Accounting gain on business combination achieved without the transfer of consideration, net	-	894.58	-	-	-	-	894.58	100.00
Total Revenue	2,773.02	12,490.22	2,955.26	11,673.50	(182.24)	(6.17)	816.72	7.00
Profit attributable to Owners of the parent	768.95	4,975.21	895.57	3,817.45	(126.62)	(14.14)	1,157.76	30.33
Basic earnings per share (Baht per share)	0.21	1.33	0.24	1.02	(0.03)	(12.50)	0.31	30.39

Note:

According to Financial Statements for the twelve-month period ended 31st December 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 31st December 2018, the Company earned the net profit of Baht 768.95 million, decreased by Baht 126.62 million (or decreased 14.14%) as compared to the same period of last year which incurred the total net profit of Baht 895.57 million. And for the twelve-month period ended 31st December 2018, the Company earned the net profit of Baht 4,975.21 million, increase by Baht 1,157.76 million (or increased by 30.33%) as compared to the same period of last year which incurred the total net profit of Baht 3,817.45 million. The reasons are as follows:

Revenue

For the three-month period ended 31st December 2018, the Company earned the total revenue of Baht 2,773.02 million, decreased by Baht 182.24 million (or decreased by 6.17%) as compared to the same period of last year which incurred the total revenue of Baht 2,955.26 million. And for the twelve-month period ended 31st December 2018, the Company earned total revenue of Baht 12,490.22 million, increased by Baht 816.72 million (or increased by 7.00%) as compared to the same period of last year which incurred the total revenue of Baht 11,673.50 million. The reasons are summarized as follows:

1. Manufacturing and distributing Biodiesel Products and pure glycerin:

For the three-month and twelve-month periods ended 31st December 2018, the revenues from B100 decreased by Baht 249.09 million and Baht 1,010.97 million (or decreased by 25.53% and 24.04%). This is the result of lower of selling price by 15.18% and 16.57% respectively due to oversupply of palm product in market. In addition, sales volume is also lower by 12.20% and 8.96% respectively.

For pure glycerin : The revenues, for the three-month and twelve-month periods ended 31st December 2018 decreased by Baht 32.94 million and increased by Baht 29.09 million (or decreased by 35.36% and increased by 10.89%). The sharply increase in revenue for twelve-month period is the result of increasing of average selling price by 12.46% as strong global demand.

Details	Three-month Period			Twelve-month Period		
	Year 2018	Year 2017	% Change	Year 2018	Year 2017	% Change
Revenue from Biodiesel	726.43	975.52	-25.53%	3,194.13	4,205.20	-24.04%
Sale volume (Million Litres)	41.61	47.39	-12.20%	158.36	173.94	-8.96%
Explanation						
Three-month and twelve-month period: Sale volume declined as the result of oversupply of palm product in market and 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)	17.46	20.58	-15.18%	20.17	24.18	-16.57%
Explanation						
Lower of B100 selling price resulted from lower of raw material price due to oversupply of palm product in market.						



Details	Three-month Period			Twelve-month Period		
	Year 2018	Year 2017	% Change	Year 2018	Year 2017	% Change
Revenue from Glycerin	60.22	93.16	-35.36%	296.16	267.07	+10.89%
Sale volume (Million kg.)	2.87	3.73	-23.06%	11.85	12.02	-1.41%
AVG Selling price (Baht/kg.)	20.98	24.98	-16.00%	24.99	22.23	+12.46%
Explanation For three-month period, sale volume declined in line with decreasing of biodiesel production. In addition, one of major customer delayed the purchase because of stopping its operation for repair maintenance during Q4 2018. For twelve-month period, Sale volume remained stable while average selling price increased due to strong global demand.						

2. Generating and distributing Electricity :

For the three-month and twelve-month periods ended 31st December 2018, the revenues increased by Baht 3.16 million and Baht 587.75 million (or increased by 0.17% and 8.29%) 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 full year of revenue recognition for this year.

Details	Three-month Period			Twelve-month Period		
	Year 2018	Year 2017	% Change	Year 2018	Year 2017	% Change
Revenue from Solar power plants	1,465.98	1,367.31	7.22%	5,865.70	5,977.76	-1.87%
Sales volume (GWh)	150.62	141.15	+6.71%	601.75	619.19	-2.82%
Avg. Selling Price (Baht/kWh)	9.73	9.69	+0.48%	9.75	9.65	+0.97%
Explanation The change of sales volume resulted from the intensity of irradiation that depending on rainfall. For Q4 this year, rainfall was lower compared to the same period in previous year. However, there was more rain in this year compared to previous year. In addition, average selling price per kWh increased due to the increase of ft.						
Revenue from Wind power plants	372.58	468.09	-20.40%	1,815.11	1,115.30	+62.75%
Sales volume (GWh)	59.00	74.61	-20.92%	289.32	178.93	+61.69%
Avg. Selling Price (Baht/kWh)	6.31	6.27	+0.65%	6.27	6.23	+0.65%
Explanation Hadjkanghan 1, 2, 3 wind power plant for total of 126 MW started COD since 3 rd March, 10 th June and 23 rd June 2017 respectively. As a result, revenue was recorded through twelve-month period of year 2018. For Q4 this year, wind speed was lower comparing to the same period in previous year due to delaying of monsoon that normally occurs at the end of year (Dec) to the beginning of year (Jan). As a result, causing decrease in sale volume. In addition, average selling price per kWh increased due to the increase of ft.						



3. Other revenue from ESM from leasing Crane and consultation service of Baht 109.48 million (EA shares holding 99.99%) and revenue recognition from AMITA TECHNOLOGIES INC. amounting Baht 247.97 million (EA shares holding 77.21%) 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 without the transfer of consideration (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 and other income) for twelve-month periods ended 31st December 2018 was Baht 11,551.95 million, decreased by Baht 27.59 million (or decreased by 0.24%) as compared to the same period of last year as aforementioned reasons. And also Net profit from normal business operation (excluding accounting gain and unrealized gain on currency exchange and other income), was Baht 3,904.36 million, increased by Baht 203.76 million (or increased by 5.51%) as compared to the same period of last year.

Cost of sales and services

For the three-month and twelve-month periods ended 31st December 2018, cost of sales were Baht 1,467.83 million and Baht 5,668.29 million, decreased by Baht 66.29 million and Baht 377.27 million (or decreased by 4.32% and 6.24%) respectively, as compared to the same period of last year which incurred the total cost of sales of Baht 1,534.12 million and Baht 6,045.56 million respectively. The reasons are summarized as follows:

1. Manufacturing and distributing Biodiesel products and pure glycerin: For the three-month and twelve-month periods ended 31st December 2018, the cost of sales reduced by Baht 256.04 million and Baht 974.32 million (or decreased by 25.12% and 22.80%) 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 twelve-month periods ended 31st December 2018, cost of sales decreased by Baht 51.55 million and increased Baht 23.19 million (or decreased by 9.47% and increased by 1.31%), 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 has increased as a result of full year operation for this year.



Selling expense

Selling expenses, for the three-month period and twelve-month periods ended 31st December 2018, were Baht 18.89 million and Baht 69.19 million, increased by Baht 2.40 million (or increased by 14.55%) and increased by Baht 10.58 million (or increased by 18.06%) respectively, as compared to the same periods of last year which incurred the selling expenses of Baht 16.49 million and Baht 58.61 million. Major selling expense is delivery expense from selling of biodiesel. Moreover, there is recognition of selling expense from Amita amounting Bath 8.60 million for twelve-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 twelve-month periods ended 31st December 2018, were Baht 129.45 million and Baht 735.34 million, decreased by Baht 64.67 million and increased by Baht 126.93 million (or decreased by 33.31% and increased by 20.86%) respectively, as compared to the same periods of last year which incurred the administrative expenses of Baht 194.11 million and Baht 608.42 million. The main reasons of increasing are given below.

- Personnel expense increased Baht 109.59 million as compared to the same periods of last year in accordance with new hiring of employee and executive following to the business expansion plan
- PR, advertising and activities expenses including R&D expenses from subsidiaries increased Baht 117.51 million. This is due to several programs to promote new businesses, Battery, EV charging station and Electrical Vehicle, following to EA's strategic plan. (consisting of EA and subsidiaries 47.02 and AMITA 70.49 million)
- In addition, in 2018 there was a decrease in some item of administrative expense compared to last year. This is due to the subsidiaries have made an agreement with long-term loan lenders to amend the terms and conditions, therefore, most of related expense was recognized in 2017 but none of such agreement occurred in 2018.

Finance cost

Finance costs, for the three-month and twelve-month periods ended 31st December 2018, were Baht 291.99 million and Baht 1,086.43 million, decreased by Baht 28.84 million (or decreased by 11.16%) and decreased by Baht 97.89 million (or decreased by 8.27%) respectively, as compared to the same periods of last year which incurred the finance costs of Baht 320.83 million and Baht 1,184.32 million. The decreasing of finance cost 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% which average rate were around 3.78-4.23% to fixed rate during 3.3%-4.37% per annum.



Financial Status

Total Asset

The Company total asset as of 31st December 2018, were Baht 59,207.59 million, increased by Baht 14,677.18 million (or increased by 32.96%). This was mainly from the following determinants:

Inventory

Inventory balance as of 31st December 2018 were Baht 329.96 million, increased by Baht 202.02 million or increased by 157.90%. This is mainly due to inventory from Amita amounting as of 31st December 2018 Bath 185.51 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 31st December 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 31st December 2018 and 31st December 2017, were Baht 47,587.21 million and Baht 35,219.56 million respectively, increased by Baht 12,367.65 million or increased by 35.12%. Mainly, due to the investment of wind power plants projects.

Goodwill

Goodwill as of as of 31st December 2018, were Baht 936.52 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 31st December 2018 and 31st December 2017 were Baht 1,941.13 million and Baht 977.16 million, respectively which increase of Baht 963.96 million or 98.65%. 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 31st December 2018 were Baht 745.12 million and Baht 257.54 million respectively.

Total Liabilities

The Company total liabilities as of 31st December 2018, were Baht 39,689.97 million, increased by Baht 9,903.17 million from year end (or increased by 33.25%). The increase was mainly in Short Term loan from Bill of Exchange amounting Baht 935.01 million with interest rate at 1.89% - 2.35% per annum and remaining were construction payables and payable for purchase of assets which increased by Baht 8,608.69 million comparing to balance as of 31st December 2017 which major part are construction in progress of wind power plants projects.

Total Equity

The Company total shareholder' equity as of 31st December 2018, were Baht 19,517.63 million, which increased by Baht 4,774.01 million (or increased by 32.38%) from year 2017. This resulted from total net profit of year 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. The construction has been achieved in accordance with the master plan. On 25th January 2019, Hanuman 1 and 8 started commercial operation (COD) with a total capacity of 90 MW and the other 3 projects are expected to start COD and recognize revenue within the first quarter of 2019.

2. Lithium Ion Battery Project

The company has an investment project in building a Lithium Ion Battery factory with the total production capacity of 50 GWh. The investment plan comprises of two phases. The phase I for the production capacity at 1 GWh 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 for the production capacity at 49 GWh will be started after completion and achievement of phase I. The company will inform progress to this investment project consequently.

In addition, on 15th January 2019, the company has entered in signing memorandum of understanding (MOU) to collaborate in human resource development expertise in technology in relation to advance automotive and energy storage systems with National Science Technology and Innovation Policy Office and other government agencies, private companies, universities and schools. The objective of MOU is to intimate intention from all parties for human resource development by issuing pilot education and training program to create expertise in technology in relation to advance automotive and energy storage systems. This is to prepare manpower, including engineer and technician, for our battery project and partners in supply chain

3. EV Charging Station Project

The company is co-investing with partners to install EV charging equipment on partners' property with high technology by using chargers from the joint venture companies in the group to develop technology and control costs efficiently that can be reserved and start the electricity to the engine via **EAAnywhere** Application. There are 2 type of chargers, both normal charge and quick charge, The EV charging service is planned to serve all type of EV including MINE Mobility, EV designed and developed by the company's team.

As of 8th February 2019, 219 stations with all 584 chargers have been completed installation, 2 stations are under construction and 21 stations are about to start construction. However, the company keeps steering its project together with several partners to prepare infrastructure for EV users by installing 1,000 stations. The project progress will be informed accordingly.

4. Electric Vehicle (EV) : MINE Mobility

Since 2017, the company has started designing and production of prototype the first Thai EV and introduced under brand “**MINE Mobility**”. There are 3 segments including City car, MPV car and Super car. The company plans to outsource production of auto parts and assembly and will control the design, controlling system technology and production of Lithium Ion battery, which is the key technology. No Emission, safety and high performance was featured in this innovation. Currently, MINE is under developing in detail design before showing to the public in the upcoming Motor Show in the first half of 2019 then prepare and start commercial production by the end of 2019.



On 14th December 2018, EA has signed MOU with the Lao PDR alliances, named Star Universal Network Public Company Limited (STAR), and Petrotrade Puma Energy Distribution Company for collaborative investment in transportation and others development projects consisting of trucks, electric vehicle (cars and commercial vehicles). In addition, partners in the Lao PDR will order electric vehicle (EV) from the company, which is expected to start delivering from the end of 2019 onwards. The company has also signed an MOU with Petrotrade Trading LAO Public Company, to joint invest in electric power, transmission line systems, mining, batteries and others.

5. Green Diesel and PCM

The chemical research and development including 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 Bio Phase Change Material (or Bio-PCM) as part of construction material, fabric fibers and medical transfer boxes in order to absorb heat and control temperature. Therefore, the company has been doing research and development of GD and Bio-PCM under biodiesel business, using crude palm oil as the major raw material. The success of R&D leads to new investment in Pilot Plant with production capacity of GD and Bio-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 Bio-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 forth quarter could be summarized as follow.

1. Started land clearance and prepare for piling and construction, which is expected to start by the first quarter of 2019.
2. Hired construction contractors and put purchase order of long lead equipment, which is expected to be finished in the first quarter of 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