



## Part 3

### Financial Position and Operating Results

#### (13) Key financial data

##### Financial Statements

##### Auditor's report in summary

The Financial statements of Thai Agro Energy Public Company Limited, audited by an auditor who is a Certified Public Accountant (CPA) from The EY Office Co., Ltd., can be summarised as follows:

##### CPA Auditor's report

The auditor has audited the financial statements of Thai Agro Energy Public Company Limited which comprise the consolidated statements of financial position as of 31 December 2016, 2017 and 2018, statement of comprehensive income, statement of changes in shareholders' equity, and cash flows for the years then ended on the same date, including a notation to summarise the significant accounting policies and notes on other matters.

##### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

##### Auditor's Responsibilities

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Comment**

Auditor's opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thai Agro Energy Public Company Limited as at 31 December 2018, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.



## Summary of financial position and results of operations Consolidated

### Statements of Financial Position Years 2016-2018

Financial position	2016		2017		2018	
	Baht million	Percent	Baht million	Percent	Baht million	Percent
<b>Assets</b>						
<i>Current assets</i>						
Cash and cash equivalent	37.05	1.15	35.31	1.25	32.19	0.85
Current investments – open fund	0.96	0.03	1.02	0.03	1.04	0.03
Trade & Other receivable	165.55	5.13	212.81	7.52	275.89	7.31
Inventories	126.11	3.91	122.90	4.34	141.61	3.76
Advance payments for Purchase of goods	543.60	16.85	38.42	1.36	545.13	14.45
Current tax assets	-	-	9.56	0.34	9.56	0.25
Other current assets	31.99	1.00	4.53	0.16	4.33	0.12
<b>Total current assets</b>	<b>905.26</b>	<b>28.07</b>	<b>424.55</b>	<b>15.00</b>	<b>1,009.75</b>	<b>26.77</b>
<i>Non-current assets</i>						
Property, plant, and equipment	2,314.39	71.76	2,398.32	84.74	2,756.06	73.06
Intangible assets	2.35	0.07	1.87	0.07	2.66	0.07
Deferred tax assets	2.48	0.08	3.46	0.12	3.03	0.08
Other non-current assets	0.70	0.02	2.09	0.07	0.77	0.02
<b>Total non-current assets</b>	<b>2,319.92</b>	<b>71.93</b>	<b>2,405.74</b>	<b>85.00</b>	<b>2,762.52</b>	<b>73.23</b>
<b>Total assets</b>	<b>3,225.18</b>	<b>100.00</b>	<b>2,830.29</b>	<b>100.00</b>	<b>3,772.27</b>	<b>100.00</b>
<b>Liabilities and shareholders' equity</b>						
<i>current liabilities</i>						
Short-term loans from financial institutions	986.64	30.59	899.07	31.77	1,174.71	31.14
Trade and other payables	182.33	5.65	159.81	5.65	145.54	3.86
Current portion of liabilities under finance lease agreements	2.80	0.09	3.25	0.11	2.09	0.06
Current portion of long-term loans	180.00	5.58	117.76	4.16	102.00	2.70
Income taxes payable	1.16	0.04	-	-	22.29	0.59
Provision for short-term employee benefits	2.55	0.08	4.09	0.14	2.29	0.06
Other current liabilities	14.91	0.46	13.55	0.48	21.24	0.56
<b>Total current liabilities</b>	<b>1,370.39</b>	<b>42.49</b>	<b>1,197.53</b>	<b>42.31</b>	<b>1,470.16</b>	<b>38.97</b>
<i>Non-current liabilities</i>						
Liabilities under finance lease agreements - net of current portion	3.96	0.12	2.58	0.09	0.71	0.02
Long-term loans - net of current portion	117.76	3.65	-	-	525.97	13.94
Provision for long-term employee benefits	1.43	0.05	2.27	0.08	3.23	0.09
<b>Total non-current liabilities</b>	<b>123.15</b>	<b>3.82</b>	<b>4.85</b>	<b>0.17</b>	<b>529.91</b>	<b>14.05</b>
<b>Total liabilities</b>	<b>1,493.54</b>	<b>46.31</b>	<b>1,202.38</b>	<b>42.48</b>	<b>2,000.07</b>	<b>53.02</b>
<b>Shareholders' equity</b>						
Share capital						
Registered	1,000.00	31.01	1,000.00	35.33	1,000.00	26.51
Issued and fully paid up	1,000.00	31.01	1,000.00	35.33	1,000.00	26.51
Share premium	188.79	5.85	188.79	6.67	188.79	5.00
Capital reserve for share-based payment transactions	0.56	0.02	0.56	0.02	0.56	0.02
Retained Earnings						
Appropriated – statutory reserve	100.00	3.10	100.00	3.53	100.00	2.65
Appropriated – general reserve	-	-	192.00	6.79	192.00	5.09
Unappropriated	442.29	13.71	146.56	5.18	290.85	7.71
<b>Total shareholders' equity</b>	<b>1,731.64</b>	<b>53.69</b>	<b>1,627.91</b>	<b>57.52</b>	<b>1,772.20</b>	<b>46.98</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,225.18</b>	<b>100.00</b>	<b>2,830.29</b>	<b>100.00</b>	<b>3,772.27</b>	<b>100.00</b>



### Statement of Comprehensive Income Year 2016-2018

Operational results	2016		2017		2018	
	Baht million	Percent	Baht million	Percent	Baht million	Percent
<b>Income</b>						
Sales	2,415.07	99.86	2,470.52	99.91	2,696.07	99.93
Other incomes	3.28	0.14	2.24	0.09	1.78	0.07
Total revenues	2,418.35	100.00	2,472.76	100.00	2,697.85	100.00
<b>Costs and expenses</b>						
Cost of sales	2,111.84	87.33	2,219.67	89.76	2,257.91	83.69
Selling expenses	9.52	0.39	7.15	0.29	17.03	0.63
Administrative expenses	68.16	2.82	91.41	3.70	58.10	2.15
Loss from flood event	-	-	73.32	2.97	2.25	0.08
Total expenses	2,189.52	90.54	2,391.55	96.72	2,335.30	86.55
Profit (loss) before financial expenses.	228.83	9.46	81.21	3.28	362.55	13.45
Financial expenses	37.79	1.56	32.85	1.33	40.79	1.51
Profit before income tax expense	191.04	7.90	48.36	1.95	321.76	11.94
Income tax expenses	(12.94)	(0.54)	0.50	0.02	(27.49)	(1.20)
Profit for the year	178.10	7.36	48.86	1.98	294.28	10.91
Earnings per share (Fully Diluted) (Baht)	0.18	-	0.05	-	0.09	-
Earnings per share (Weighted Average) (Baht)	0.18	-	0.05	-	0.29	-
Par value (Baht)	1.00	-	1.00	-	1.00	-

### Statements of Retained Earnings Year 2016-2018

(Unit: Million Baht)

Operational results	2016	2017	2018
Earnings (Deficit) unappropriated quoted	414.19	442.29	146.56
Profit for the year	178.10	48.86	294.28
Profit (loss) other comprehensive income for the year	-	(2.59)	-
Profit for allocation	592.29	488.56	440.84
<b>Less</b> dividends paid	(150.00)	(150.00)	(150.00)
Legal Reserve	-	-	-
General reserve	-	(192.00)	-
Earnings (Deficit) unappropriated forward	442.29	146.56	290.84



# **Statements of Cash Flows Year 2016-2018**

(Unit: Million Baht)

<b>Operational results</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b><u>Cash flow from operating activities</u></b>			
Profit before tax	191.04	48.36	321.76
Adjustments to reconcile profit before tax to net cash provided			
By (paid from) operating activities			
Depreciation and amortization	125.47	146.58	159.41
Reduction of inventory to net realizable value	-	0.55	(0.55)
Gain on sales of property, plant and equipment	(0.52)	-	-
Gain on sales of current investments	(0.19)	(0.06)	(0.01)
Loss on write-off machinery, equipments and intangible assets	0.58	0.23	-
Provision for long-term employee benefits	1.28	0.39	2.28
Allowance for impairment in advance payments for cassava chips	6.87	-	-
Interest income	(0.16)	(0.17)	(0.13)
Interest expense	37.62	32.64	40.22
Profit from operations activities before changes in operating assets and liabilities	361.99	228.52	522.98
Operating assets (increase) decrease			
Trade and other receivables	36.17	(47.27)	(63.07)
Inventories	11.50	2.65	(18.15)
Advance payment for purchase for goods	27.65	505.18	(506.71)
Other current assets	(11.35)	27.47	0.19
Other non- current assets	0.02	(1.38)	1.31
Operating liabilities increase (decrease)			
Trade and other payables	87.14	(29.00)	(39.83)
Other current liabilities	(1.36)	(0.54)	4.66
Provision for long-term employee benefits	(1.13)	(1.25)	(3.11)
Cash from operating activities	510.63	684.38	(101.73)
Cash received from interest income	0.15	0.17	0.13
Cash paid for interest payments	(36.10)	(33.04)	(36.89)
Cash paid for income tax	(13.94)	(10.55)	(4.77)
<b>Net cash from operating activities</b>	<b>460.74</b>	<b>640.96</b>	<b>(143.26)</b>
<b><u>Cash flow from investing activities</u></b>			
Acquisitions of property, plant and equipment	(122.10)	(221.63)	(491.01)
Acquisitions of current investments	(565.00)	(150.00)	-
Acquisitions of intangible assets	(0.18)	(0.16)	(1.37)
Proceeds from sales of current investments	565.00	150.00	-
Proceeds from sales of property, plant and equipment	0.52	-	-
<b>Net cash provided by (used in) investing activities</b>	<b>(121.76)</b>	<b>(221.79)</b>	<b>(492.38)</b>
<b><u>Cash flows from financing activities</u></b>			
Increase in short-term loans from financial institution (Decrease)	21.70	(87.57)	275.64
Increase in long-term loans from financial institution	-	-	627.97
Repayment of long-term loans	(180.00)	(180.00)	(117.76)
Cash paid for liabilities under finance lease agreements	(2.73)	(3.34)	(3.34)
Cash paid for dividend	(150.00)	(150.00)	(149.99)
<b>Net cash used in financing activities</b>	<b>(311.03)</b>	<b>(420.91)</b>	<b>632.52</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>27.95</b>	<b>(1.74)</b>	<b>(3.12)</b>
Cash and cash equivalents at beginning of year	9.10	37.05	35.31
<b>Cash and cash equivalents at end of year</b>	<b>37.05</b>	<b>35.31</b>	<b>32.19</b>



Summary of key financial ratios Year 2016-2018				
Ratio	Measurement	2016	2017	2018
<b><u>Current ratio</u></b>				
Current ratio	Times	0.66	0.35	0.69
Quick ratio	Times	0.15	0.21	0.21
Cash flow ratio	Times	0.35	0.50	(0.11)
Accounts receivable turnover ratio	Times	13.26	13.32	12.10
The average collection period	Days	27.14	27.02	29.75
Turnover of goods	Times	171.38	173.94	112.39
The average sale period finished products	Days	2.10	2.07	3.20
Payable turnover ratio	Times	20.73	17.47	26.32
Repayment period	Days	17.37	20.61	13.68
Cash Cycle	Days	11.87	8.48	19.27
<b><u>Ratio of ability to make profits</u></b>				
Gross margin	%	12.56	10.15	16.25
Operating margin	%	9.34	3.20	13.38
Other profit margins	%	0.14	0.09	0.07
Net profits margin	%	7.36	1.98	10.91
Return on equity	%	10.37	2.91	17.31
<b><u>Ratio of operating performance</u></b>				
Ratio of return on assets	%	5.51	1.61	8.91
Return on fixed assets*	%	13.20	8.29	17.60
Turnover of Assets	Times	0.75	0.82	0.82
<b><u>Financial policy ratio</u></b>				
Ratio of debt to equity	Times	0.86	0.74	1.13
Interest coverage ratio*	Times	13.53	20.50	(1.84)
Obligations coverage ratio -Cash basis.	Times	1.13	1.24	(0.13)
Dividend payout	%	84.22	307.02	84.95

**(14) Management's Discussion and Analysis****Overall performance**

The Company's revenue and earnings efficiency of the year 2018 recorded a good level and continuous growth with the highest revenue and net profit since the Company was founded which were considered very satisfying.

Year	Total Revenue (Million Baht)	Net Profit (Loss) (Million Baht)	Proportion of Profit (Loss) to total revenue (%)
2005	485.61	47.68	9.82
2006	934.78	292.67	31.31
2007	644.32	147.47	22.89
2008	964.90	290.39	30.10
2009	678.07	207.88	30.66
2010	760.44	(94.52)	(12.43)
2011	1,098.81	(42.90)	(3.90)
2012	1,350.87	164.07	12.15
2013	1,659.75	117.68	7.09
2014	2,500.43	219.31	8.77
2015	2,602.57	244.27	9.39
2016	2,418.35	178.10	7.36
2017	2,472.76	48.86	1.97
2018	2,697.85	294.28	10.91

**REVENUE:**

The Company's total revenue in year 2018 was Baht 2,697.85 million, increased from the same period last year by Baht 225.09 million or 9.10 percent, due to the following reasons.

- (1) The revenue from ethanol sales was Baht 2,696.07 million or 99.93 percent of total revenue, increased by Baht 225.55 million or 9.13 percent from last year due to the increase of ethanol sales volume by 18.09 percent but the selling price decreased from last year by 7.58 percent.
- (2) The other revenue was Baht 1.78 million or 0.07 percent of total revenue, slightly decreased by Baht 0.46 million or 20.54 percent from last year. This was due to a decrease of income from the sales of Fusel Oil.



Revenue	Year 2018		Year 2017		Increase (Decrease)	
	Baht Million	%	Baht Million	%	Baht Million	%
Revenue from Ethanol Business	2,696.07	99.93	2,470.52	99.91	225.55	9.13
Other Revenue	1.78	0.07	2.24	0.09	(0.46)	(20.54)
<b>Total Revenue</b>	<b>2,697.85</b>	<b>100.00</b>	<b>2,472.76</b>	<b>100.00</b>	<b>225.09</b>	<b>9.10</b>

#### EXPENSES:

The Company's expenses in year 2018 was Baht 2,403.57 million, decreased by Baht 20.33 million or 0.84 percent from the previous year, due to the following reasons;

- (1) Cost of ethanol sales in year 2018 increased by Baht 38.24 million or 1.72 percent from the previous year. This was due to increases in ethanol sales volume of 18.09 percent as mentioned above.
- (2) Selling and administrative expenses in year 2018 decreased by Baht 23.43 million or 23.77 percent from the previous year. This was due to the flood event in 2017 that caused the temporary operation shut down and the production costs during production disruption were transferred to selling and administrative expenses.
- (3) Loss from flood event in previous year decreased by Baht 71.07 million or 96.93 percent. This was due to the Company paid compensation for damage to people who were affected by the treated vinasse leakage in year 2017 in the amount of Baht 73.32 million and paid in year 2018 for Baht 2.25 million.
- (4) Financial expenses increased by Baht 7.94 million or 24.17 percent from the previous year. This was due to an increase of loan from financial institution.
- (5) Corporate income tax increased by Baht 27.99 million from last year due to the increase of profit.

Expenses	Year 2018		Year 2017		Increase (Decrease)	
	Baht Million	% Sale	Baht Million	% Sale	Baht Million	% Sale
Cost of sale	2,257.91	83.75	2,219.67	89.85	38.24	1.72
Selling and administrative expense	75.13	2.79	98.56	3.99	(23.43)	(23.77)
Damage from flood	2.25	0.08	73.32	2.97	(71.07)	(96.93)
Financial cost	40.79	1.51	32.85	1.33	7.94	24.17
Income tax expense	27.49	1.02	(0.50)	(0.02)	27.99	N/A
<b>Total Expenses</b>	<b>2,403.57</b>	<b>89.15</b>	<b>2,423.90</b>	<b>98.12</b>	<b>(20.33)</b>	<b>(0.84)</b>



**GROSS PROFIT:**

The Company's gross profit in year 2018 was Baht 438.16 million or 16.25 percent of the sales revenue, as compared with the gross profit of Baht 250.85 million or 10.15 percent of the sales revenue in the previous year. This was due to the increase of ethanol sales volume by 18.09 percent from last year and the decrease in the molasses price by approximately 17.97 percent from the previous year.

Gross Profit	Year 2018		Year 2017	
	Baht Million	%	Baht Million	%
Revenue from sales	2,696.07	100.00	2,470.52	100.00
Less cost of sales	2,257.91	83.75	2,219.67	89.85
<b>Gross Profit</b>	<b>438.16</b>	<b>16.25</b>	<b>250.85</b>	<b>10.15</b>

**NET PROFIT:**

The Company's net profit in year 2018 was Baht 294.28 million which increased from the previous year by Baht 245.42 million or 502.29 Percent, which accounts for net profit of Baht 0.29 per share. When compared with last year, the net profit increased by Baht 0.24 per share or 480 percent of the total revenues due to the payment of compensation for damage to people who were affected by the treated vinasse leakage in year 2017 as described above.

NET PROFIT & NET PROFIT MARGIN	Unit	Year 2018	Year 2017	Increase (Decrease)	%
NET PROFIT	Million Baht	294.28	48.86	245.42	502.29
NET PROFIT PER SHARE	Baht per Share	0.29	0.05	0.24	480.00
<b>Remark: Registered per value of Baht 1 per share</b>					

**EARNINGS EFFICIENCY**

(1) EBITDA (Earnings before financial expenses, corporate income tax, depreciation and amortization) of the Company in year 2018 was Baht 521.97 million, which increased from the previous year by Baht 294.18 million or 129.15 percent and EBITDA margin was at 19.35 percent, which increased from the previous year by 10.14 percent due to the payment of compensation for damage to people who were affected by the treated vinasse leakage in year 2017 as mentioned above.



(2) Net profit margin of the Company in year 2018 was at 10.91 percent, which increased from the previous year by 8.93 percent due to the payment of compensation for damage to people who were affected by the treated vinasse leakage in year 2017 as mentioned above.

(3) Return on equity of the Company in year 2018 was at 17.31 percent, which increased from the previous year by 14.40 percent.

(4) Return on total assets of the Company in year 2018 was at 8.91 percent, which increased from the previous year by 7.30 percent. The return on fixed assets in year 2018 was at 17.60 percent, which increased from the previous year by 9.31 percent.

#### STATEMENT OF FINANCIAL POSITION:

FINANCIAL POSITION	Unit	As at December 31, 2018	As at December 31, 2017	Increase (Decrease)	%
Total Assets	Million Baht	3,772.27	2,830.29	941.98	33.28
Total Liabilities	Million Baht	2,000.07	1,202.38	797.69	66.34
Total Shareholder's Equity	Million Baht	1,772.20	1,627.91	144.29	8.86
<b>Book Value</b>	Baht per Share	<b>1.77</b>	<b>1.63</b>	<b>0.14</b>	<b>8.59</b>
<b>Remark: Registered per value of Baht 1 per share</b>					

**ASSETS:** The Company's total assets as at December 31, 2018 increased from the end of year 2017 by Baht 941.98 million or an increase of 33.28 percent. The total assets consisting of:

(1) Current assets increased from the end of 2017 by Baht 585.20 million or a increase of 137.84 percent, due to (A) cash and cash equivalent decreased from the year end 2017 by Baht 3.12 million or 8.84 percent; (B) trade accounts receivable and other receivables increased from the year end 2017 by Baht 63.08 million or an increase of 29.64 percent; (C) inventories increased from the end of 2017 by Baht 18.71 million or an decrease of 15.22 percent, most of which were molasses, (D) advances payment for purchase goods, most of which were molasses, increased by Baht 506.71 million or an increase of 1,318.87 percent, and (E) other current assets decreased by Baht 0.18 million or an decrease of 1.19 percent.

(2) Non-current assets increased from the year end 2017 by Baht 356.78 million or an increase of 14.83 percent, due to (A) land, plant, and equipment increased from the year end 2017 by 357.74 million or 14.92 percent, (B) Other non-current assets decreased by Baht 0.96 million or a decrease of 12.94 percent.

**LIABILITIES:** The Company's total liabilities as at December 31, 2018 increased from the year end 2017 by Baht 797.69 million or a increase of 66.34 percent, consisting of: (A) Trade accounts payable and other accounts payable decreased by Baht 14.27 million or a decrease of 8.93 percent, most of which were molasses cost. (B) Short term and long term loans which for raw



material supply and the construction of the Wastewater Evaporation Plant, increased by Baht 785.85 million or an increase of 77.28, and (C) Other liabilities which most were remaining corporate income tax increased by Baht 26.11 million or 101.44 percent.

**TOTAL SHAREHOLDERS' EQUITY:** The total shareholders' equity of the Company as at December 31, 2018 increased from the year end 2017 by Baht 144.29 million or 8.86 percent, the share's book value increased from Baht 1.63 per share to Baht 1.77 per share, due to the increase of company net profit.

## CASH FLOWS

Cash Flows	Unit: Million Baht	
	Year 2018	Year 2017
Cash Flows from (used in) Operating Activities	(143.29)	640.96
Cash Flows from (used in) Investing Activities	(492.38)	(221.79)
Cash Flows from (used in) Financing Activities	632.52	(420.91)
Net Increase (Decrease) in Cash	(3.12)	(1.74)
Cash at the Beginning of the Period	35.31	37.05
<b>Cash at the End of the Period</b>	<b>32.19</b>	<b>35.31</b>

- (1) The Company's net cash used in operating activities in year 2018 was Baht 143.26 million, consisting of: (A) income before corporate income tax at Baht 321.76 million; (B) Non cash items such as the depreciation amounted to Baht 201.22 million; (C) an increase in operating assets of Baht 586.43 million due to an increase in trade and other receivables and inventories while advance payments for purchase of goods, other current assets and other non-current assets increased; (D) a decrease in operating liabilities at Baht 38.28 million due to decreased in account and other payable, provision for long-term employees benefits. (E) Interest income increased by Baht 0.13 million; (F) interest expense and corporate income tax increased by Baht 41.66 million.
- (2) The Company's net cash used in investment activities in year 2018 was Baht 492.38 million, consists of (A) Land purchasing at Baht 16.39 million (B) The cost of construction of the Wastewater Evaporation Plant at Baht 327.97 million, and (C) the cost of wastewater management system and other expenses at Baht 148.02 million.
- (3) The Company's net cash used in financing activities in year 2018 was Baht 632.52 million which included (A) short-term loan increased by Baht 275.64 million, (B) long-term loan increased by Baht 510.21 million (C) financial leases repayment at Baht 3.34 million, and (D) dividend payment at Baht 149.99 million.

**LIQUIDITY AND SUFFICIENCY OF CAPITAL**

(1) The total debt to equity ratio of the Company as at end of year 2018 was as low as 1.13:1 with appropriate capital structure but the Company has been provided with good support from financial institution. Therefore, the Company should not have any problem.

(2) The current ratio and quick ratio of the Company as at end of year 2018 were 0.69 times and 0.21 times, respectively. In addition, the Company has cash generation and adequate credit line for working in the future.

(3) The cash cycle of the Company in year 2018 was only 19.27 days, which increased from the previous year by 10.80 days. The average debt collection period was at 29.75 days, which increased from the previous year by 2.73 days. The average inventory turnover was at 3.20 days, which increased from the previous year by 1.13 days, but the average debt repayment period was at 13.68 days, decreased from the previous year by 6.93 days.

**DEBT OBLIGATION**

The Company has obligation according to the terms and conditions of the loan agreement with a local commercial bank as follows.

- (1) The Company must maintain its debt to equity ratio (D/E ratio) not to exceed 2 times and debt service coverage ratio (DSCR) of no less than 1.25 time in next years until the end of loan agreement. The company was able to maintain the D/E ratio and DSCR as required by the contractual obligation of the loan.
- (2) The lending bank has determined that Lanna Resources Public Co., Ltd. (Lanna) must maintain its shareholding proportion in TAE of no less than 50 percent of the total number of shares during the whole duration of the loan agreement. Accordingly, Lanna has no plan to decrease its shareholding proportion in TAE to below 50 percent of the total number of shares.
- (3) The lending bank has stipulated that the Company cannot pay dividend to its shareholders, including Lanna, if the Company cannot comply with the conditions as stipulated within the loan agreement, such as the maintaining of D/E ratio, DSCR, and maintaining of shareholding proportion of Lanna in the company, etc. Accordingly, the company has never breached the conditions of loan agreements and has been provided with good financial support from lending banks.

**UPCOMING INVESTMENT PROJECT**

The Company is now proceed with the construction of the EVAPORATOR SYSTEM FOR BIO METHANATED SPENT WASH 3,000 M3/DAY which was expected to complete in the first quarter of 2019. The investment in this project is an efficient long-term solution for treating wastewater, with all inherent positive environmental impact which complies with the Company's policy. Combined, the Evaporator condensate is a source of re-use water. Condensate recovery can reduce more than 90 percent of process water used in Ethanol production and excess electricity generated from the evaporation plant will be used in Ethanol production to save energy cost. Additionally, the Company will gain extra income



from selling Potassium Humate fertilizer, a by-product from evaporation process around 50,000 metric tons per year.

### **IMPACT TO FUTURE OPERATIONS**

The price of molasses, which is used as raw material of ethanol production, is projected to low in 2019 as per the trend of world sugar prices due to the oversupply of sugar. At the same time, the forecast amount of sugarcane that will supply to the mills for crushing is expected in high level close to 2018. Consequently, the operating results of the Company in 2019 will be recorded a good level as the operating results in 2018. The Company will keep focus on maintain product quality and efficiently manage on production cost to have an excellent growth in operating results in the following year.

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