



THAI AGRO ENERGY PUBLIC COMPANY LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

FOR FINANCIAL STATEMENTS OF YEAR 2021

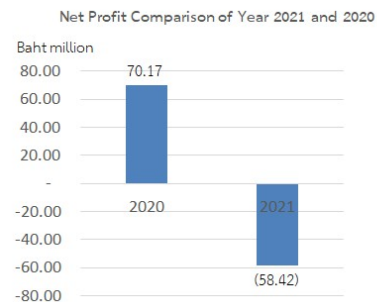
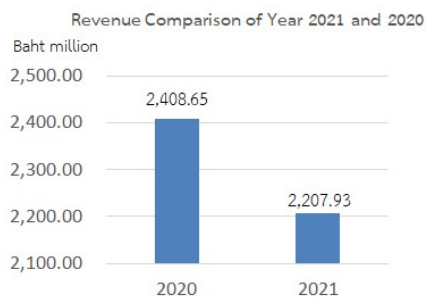


MANAGEMENT DISCUSSION AND ANALYSIS

(For the Financial Statements of Year 2021)

OVERALL OPERATING RESULTS

Due to the coronavirus disease outbreak ("COVID-19") has led to a decrease in fuel demand, resulting in a decrease in the ethanol sales volume from the previous year by 18.23 percent. In addition, the drought affected the price of molasses, the main raw material of ethanol production, to increase from the same period last year by 28.05 percent. The Company had total revenue in year 2021 of Baht 2,207.93 million, which decreased from the previous year by Baht 200.72 million or 8.33 percent, resulted in a net loss amounted to Baht 58.42 million or generating a net loss at Baht 0.06 per share decreased from the previous year by Baht 128.59 million, accounted for 183.25 percent or Baht 0.13 per share.



OPERATING RESULTS ANALYSIS

REVENUE:

Description	Year 2021		Year 2020		Increase (Decrease)	
	Baht Million	%	Baht Million	%	Baht Million	%
Sales Revenue	2,207.30	99.97	2,405.99	99.89	(198.69)	(8.26)
Other Revenue	0.63	0.03	2.66	0.11	(2.03)	(76.32)
Total Revenue	2,207.93	100.00	2,408.65	100.00	(200.72)	(8.33)

The Company's revenue in year 2021 totaled Baht 2,207.93 million, which decreased from the previous year by Baht 200.72 million or 8.33 percent, due to the following reasons.

(1) Revenue from ethanol sales decreased from the previous year due by Baht 198.69 million or 8.26 percent due to the Covid-19 pandemic, affected the decrease of fuel demand, then the sales volume decreased by 18.23 percent.

(2) Other revenue decreased by Baht 2.03 million or 76.32 percent from the previous year. This was due to the decrease in fusel oil sales. Moreover, there were the income from the sales of



assets and receive compensation from accidental damage insurance in 2020 but there was no such income in year 2021.

EXPENSES:

Description	Year 2021		Year 2020		Increase (Decrease)	
	Baht Million	% Sales	Baht Million	% Sales	Baht Million	%
Cost of sales	2,142.49	97.06	2,206.71	91.72	(64.22)	(2.91)
Selling and administrative expenses	102.05	4.62	85.64	3.56	16.41	19.16
Financial cost	36.78	1.67	40.06	1.67	(3.28)	(8.19)
(Revenue) income tax expenses	(14.97)	(0.67)	6.07	0.24	(21.04)	(346.62)
Total Expenses	2,266.35	102.68	2,338.48	97.19	(72.13)	(3.08)

The Company's expenses in year 2021 totaled Baht 2,266.35 million, which decreased from the previous year by Baht 72.13 million or 3.08 percent, due to the following reasons;

(1) Cost of ethanol sales decreased from the previous year by Baht 64.22 million or 2.91 percent. This was due to decreases in ethanol sales volume as described above.

(2) Selling and administrative expenses increased from the previous year by Baht 16.41 million or 19.16 percent. Due to the coronavirus disease pandemic ("COVID-19") has led to a decrease in fuel demand, resulting in a decrease in the amount of ethanol sales. Therefore, the Company has temporarily suspended production of ethanol production line 1, resulting in the cost of producing the ethanol production line 1 transferred to such increased sales and administrative expenses.

(3) Financial cost decreased from the previous year by Baht 3.28 million or 8.19 percent. This was due to the repayment of long-term loan, and;

(4) Income tax expenses decreased from the previous year by Baht 21.04 million or 346.62 percent due to the increase of deferred tax assets.

GROSS PROFIT:

Description	Year 2021		Year 2020	
	Baht Million	%	Baht Million	%
Revenues from sales	2,207.30	100.00	2,405.99	100.00
Less cost of sales	2,142.49	97.06	2,206.71	91.72
Gross Profit	64.81	2.94	199.28	8.28

The Company's gross profit of year 2021 was Baht 64.81 million, or 2.94 percent of the revenue from sales, decreased from the previous year which the gross profit was 199.28 million or



8.28 percent of the revenue from sales. This was due to the price of molasses, the main raw material for ethanol production, increased from the same period last year by 28.05 percent.

NET PROFIT:

Description	Unit	Year 2021	Year 2020	Increase/ (Decrease)	%
NET (LOSS) PROFIT	Baht Million	(58.42)	70.17	(128.59)	(183.25)
NET (LOSS) PROFIT PER SHARE	Baht per Share	(0.06)	0.07	(0.13)	(185.71)
Remark Registered par value of Baht 1 per share					

The Company's net loss of year 2021 was Baht 58.42 million decreased from the previous year by Baht 128.59 million, generating a net loss at Baht 0.06 per share which decreased from the previous year by Baht 0.13 per share due to the reasons as described above.

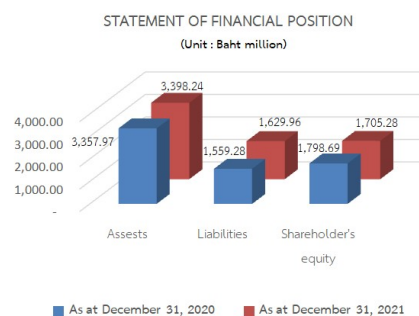
STATEMENT OF FINANCIAL POSITION

Description	Unit	As at December 31, 2021	As at December 31, 2020	Increase (Decrease)	%
Total Assets	Baht Million	3,398.24	3,357.97	40.27	1.20
Total Liabilities	Baht Million	1,692.96	1,559.28	133.68	8.57
Total Shareholder's Equity	Baht Million	1,705.28	1,798.69	(93.41)	(5.19)
Book Value	Baht per Share	1.71	1.80	(0.09)	(5.00)
Remark: Registered per value of Baht 1 per share					

ASSETS: The Company's total assets as at December 31, 2021 increased from the end of year 2020 by Baht 40.27 million or 1.20 percent. The total assets consisting of:

(1) Current Assets increased from the end of 2020 by Baht 109.64 million or 20.80 percent, consisting of: (A) Cash and cash equivalent increased by Baht 10.24 million or 38.64 percent; (B) Trade accounts receivable and other receivables increased by Baht 18.83 million or 10.51 percent; (C) Inventories, most of which were molasses, decreased by Baht 20 million or 16.06 percent; (D) Advances payment for purchase goods increased by Baht 105.79

million or 58.39 percent, and (E) Another current assets decreased by Baht 5.22 million or 33.27 percent.





(2) Non-Current Assets decreased from the end of year 2020 by Baht 69.37 million or 2.45 percent, consisting of: (A) Biological assets increased by Baht 5.12 million or 79.26 percent; (B) Land, plant and equipment decreased by Baht 82.45 million or 2.96 percent; (C) Right-of-use assets decreased by Baht 8.03 million or 24.11 percent, and (D) Another non-current assets most of which were deferred tax assets increased by Baht 15.99 million or 236.89 percent.

LIABILITIES: The Company's total liabilities as at December 31, 2021 increased from the end of year 2020 by Baht 133.68 million or 8.57 percent, due to (A) Short-term loan which was for raw material supply and for working capital, decreased by Baht 151.72 million or 16.58 percent (B) Trade accounts payable and other accounts payable, most of which were raw material purchase, decreased by Baht 57.07 million or 45.71 percent, (C) Long-term loan increased by Baht 355.58 million or 77.25 percent, and (D) Other liabilities most of which were liabilities under lease agreement decreased by Baht 13.11 million or 22.29 percent.

TOTAL SHAREHOLDERS' EQUITY: The total shareholders' equity of the Company as at December 31, 2021 decreased from the end of year 2020 by Baht 93.41 million or 5.19 percent, resulting in a decrease of the share's book value from Baht 1.80 per share to Baht 1.71 per share due to the decrease of net profit as described above.

CASH FLOWS

Description	(Unit : Baht million)	
	Year 2021	Year 2020
Cash Flows from (used in) Operating Activities	(63.04)	991.33
Cash Flows used in Investing Activities	(88.12)	(159.27)
Cash Flows from (used in) Financing Activities	161.40	(831.00)
Net Increase in Cash	10.24	1.06
Cash at the Beginning of the Period	26.50	25.44
Cash at the End of the Period	36.74	26.50

(1) The Company's net cash used in operating activities in year 2021 was Baht 63.04 million, consisting of: (A) Loss before corporate income tax of Baht 73.38 million; (B) Non-cash items such as depreciation of Baht 209.46 million; (C) The operating assets increased by Baht 105.25 million due to the increase in trade and other receivables and inventories and advance payments for purchase of goods; (D) The operating liabilities decreased by Baht 62.91 million due to the decrease in trade accounts payable, other accounts payable and other current liabilities; (E) An interest received of Baht 0.04 million; (F) An interest expense of Baht 36.15 million; and (G) Corporate income tax refund by Baht 5.15 million.



(2) The Company's net cash used in investment activities in year 2021 was Baht 88.12 million, consisting of: (A) The cost of industrial crops planting of Baht 5.12 million; and (B) Assets purchasing by Baht 83 million.

(3) The Company's net cash used in financing activities in year 2021 was Baht 161.40 million consisting of: (A) Repayment of short-term loan by Baht 151.72 million; (B) Long-term loans from financial institution by Baht 499.37 million, (C) Repayment of long-term loan by Baht 144 million, (D) Repayment under financial lease of Baht 7.67 million, and (D) Dividend payment of Baht 34.58 million.

LIQUIDITY AND SUFFICIENCY OF CAPITAL

(1) The current ratio and quick ratio of the Company as at December 31, 2021 were 0.58 times and 0.22 times, respectively, which is low but the Company have remaining inventories that can be easily exchanged to cash and the trade accounts receivable is the major fuel company that have stable financial situation. In addition, the Company has cash generation and adequate credit line for working in the future project with good support from financial institution.

(2) The total debt to equity ratio of the Company as at December 31, 2021 was 0.99:1 times.

(3) The cash cycle of the Company in year 2021 was 18.54 days, which increased from the end of year 2020 by 4.71 days. The average debt collection period was 29.26 days, which increased from the end of year 2020 by 2.24 days. The average inventory turnover was 2.60 days, which decreased from the end of year 2020 by 2.95 days, and the average debt repayment period was 13.32 days, which decreased from the end of year 2020 by 5.42 days.

DEBT OBLIGATION

The Company has debt obligation in accordance with 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 2.50 times and debt service coverage ratio (DSCR) of no less than 1.10 times throughout the duration of loan agreement. As of September 30, 2021, the Company is unable to maintain the DSCR ratio in accordance with the obligations in the loan agreement made. However, the lending bank has already written a letter of easing of conditions for maintaining a financial ratio on October 27, 2021.

(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. So far, Lanna has no policy 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 stipulated in the loan agreement, such as maintaining of D/E and DSCR ratio, and maintaining shareholding proportion of Lanna in the Company, etc. So far, the Company has not breached the conditions of loan agreements and has been provided with good financial support from the lending banks.

FUTURE TREND

The amount of sugarcane entering the mills for the 2021/22 production season is expected to be 28.64 percent higher than the 2020/21 production season, which will result in more volume of molasses, a byproduct. Meanwhile, cassava productivity trend according to a survey by the Thai Tapioca Trade Association is expected to increase from the 2020/21 production season by 4.20 percent. The price of cassava, especially cassava chips continue to fluctuate from foreign purchase demand, as well as the demand for use in the tapioca starch industry. The trend of ethanol demand in 2022 is expected to increase as the economy begins to recover.
