



**THAI AGRO ENERGY PUBLIC COMPANY LIMITED**

**MANAGEMENT DISCUSSION AND ANALYSIS**

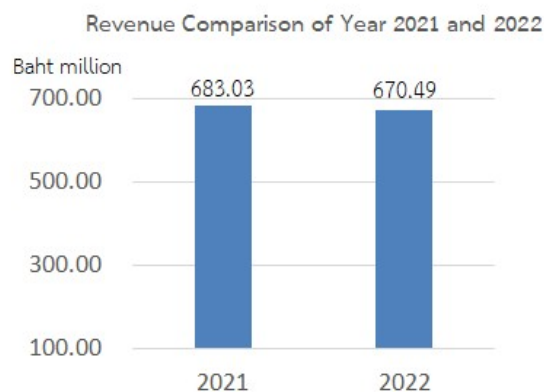
**FOR FINANCIAL STATEMENTS OF THE 1<sup>st</sup> QUARTER 2022**

## MANAGEMENT DISCUSSION AND ANALYSIS

(For the Financial Statements of the 1<sup>st</sup> Quarter 2022)

### OVERALL OPERATING RESULTS

The overall operating results of the Company in the 1<sup>st</sup> quarter 2022, the Company had total revenue of Baht 670.49 million, which decreased from the same period last year by Baht 12.54 million or 1.84 percent, resulted in a net profit amounted to Baht 5.07 million or generating a net profit at Baht 0.01 per share decreased from the same period last year by Baht 51.88 million, accounted for 91.10 percent or Baht 0.05 per share due to the cost of molasses, the main raw material for ethanol production, increased from the same period last year by 7.51 percent.



### OPERATING RESULTS ANALYSIS

#### REVENUE:

Description	1 <sup>st</sup> quarter 2022		1 <sup>st</sup> quarter 2021		Increase (Decrease)	
	Baht Million	%	Baht Million	%	Baht Million	%
Revenue	670.49	100.00	683.03	100.00	(12.54)	(1.84)

The Company's total revenue in the 1<sup>st</sup> quarter 2022 was Baht 670.49 million, decreased from the same period last year by Baht 12.54 million or 1.84 percent, due to the decrease of ethanol sales price from the same period last year by 2.76 percent.

**EXPENSES:**

Description	1 <sup>st</sup> quarter 2022		1 <sup>st</sup> quarter 2021		Increase (Decrease)	
	Baht Million	% Sale	Baht Million	% Sale	Baht Million	%
Cost of sales	633.23	94.45	589.76	86.34	43.47	7.37
Selling and administrative expense	22.21	3.31	20.83	3.05	1.38	6.63
Financial cost	10.32	1.54	8.87	1.30	1.45	16.35
(Revenue) income tax expenses	(0.34)	(0.05)	6.62	0.97	(6.96)	(105.14)
<b>Total Expenses</b>	<b>665.42</b>	<b>99.25</b>	<b>626.08</b>	<b>91.66</b>	<b>39.34</b>	<b>6.28</b>

The Company's expenses in the 1<sup>st</sup> quarter 2022 was Baht 665.42 million, increased by Baht 39.34 million or 6.28 percent from the same period last year, due to the following reasons;

- (1) Cost of ethanol sales increased by Baht 43.47 million or 7.37 percent from the same period last year. This was due to the increase in cost of finished goods, ethanol, with the increase in raw material prices.
- (2) Selling and administrative expenses increased by Baht 1.38 million or 6.63 percent from the same period last due to the ethanol freight costs increased with rising fuel prices and employee wage salaries.
- (3) Financial cost increased from the same period last year by Baht 1.45 million or 16.35 percent. This was due to an increase in long-term loan, and;
- (4) Income tax expenses decreased from the same period last year by Baht 6.96 million or 105.14 percent because there is no corporate income tax to pay.

**GROSS PROFIT:**

Description	1 <sup>st</sup> quarter 2022		1 <sup>st</sup> quarter 2021	
	Baht Million	%	Baht Million	%
Revenues from Sales	670.48	100.00	683.03	100.00
<b>Less</b> Cost of Sales	633.23	94.44	589.76	86.34
<b>Gross Profit</b>	<b>37.25</b>	<b>5.56</b>	<b>93.27</b>	<b>13.66</b>

The Company's gross profit in the 1<sup>st</sup> quarter 2022 was Baht 37.25 million or 5.56 percent of the sales revenue, which decreased from the same period last year with the gross profit of Baht 93.27 million or 13.66 percent of the sales revenue. This was due to the increase in the molasses price which is the main material of ethanol production, by 7.51 percent from the same period last year.

## NET PROFIT:

Description	Unit	1 <sup>st</sup> quarter 2022	1 <sup>st</sup> quarter 2021	Increase (Decrease)	%
NET PROFIT	Baht Million	5.07	56.95	(51.88)	(91.10)
NET PROFIT PER SHARE	Baht per Share	0.01	0.06	(0.05)	(83.33)
<b>Remark: Registered per value of Baht 1 per share</b>					

The Company's net profit in the 1<sup>st</sup> quarter 2022 was Baht 5.07 million which decreased from the same period last year by Baht 51.88 million, which accounts for net profit of Baht 0.01 per share. When compared with the same period last year, the net profit decreased by Baht 0.05 per share. The reason is as described above.

## STATEMENT OF FINANCIAL POSITION

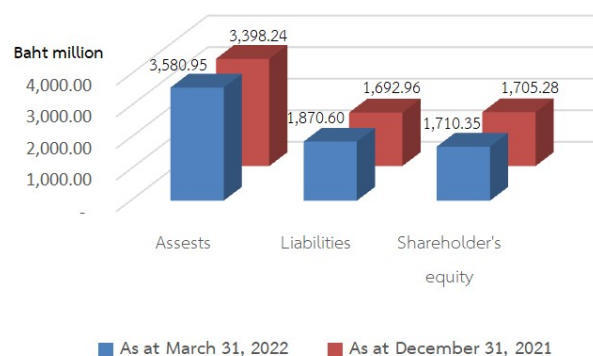
FINANCIAL POSITION	Unit	As at March 31, 2022	As at December 31, 2021	Increase (Decrease)	%
Total Assets	Baht Million	3,580.95	3,398.24	182.71	5.38
Total Liabilities	Baht Million	1,870.60	1,692.96	177.64	10.49
Total Shareholder's Equity	Baht Million	1,710.35	1,705.28	5.07	0.30
<b>Book Value</b>	Baht per Share	<b>1.71</b>	<b>1.71</b>	-	-
<b>Remark: Registered per value of Baht 1 per share</b>					

**ASSETS:** The Company's total assets as at March 31, 2022 increased from the end of year 2021 by Baht 182.71 million or 5.38 percent. The total assets consisting of:

- (1) Current Assets increased from the end of 2021 by Baht 203.42 million or 31.95 percent, due to (A) Cash and cash equivalent decreased by Baht 5.48 million or 14.92 percent; (B) Trade accounts receivable and other receivables increased by Baht 69.17 million or 34.95 percent; (C) Inventories increased by Baht 390.56 million or 373.53 percent, most of which were molasses; (D) Advances payment for purchase goods decreased by Baht 245.01 million or 85.38 percent, and (F) Another

current assets decreased by Baht 5.82 million or 55.59 percent.

STATEMENT OF FINANCIAL POSITION



(2) Non-Current Assets decreased from the end of year 2021 by Baht 20.71 million or 0.75 percent, consisting of: (A) Biological assets increased by Baht 0.92 million or 7.94 percent; (B) Land, plant and equipments decreased by Baht 20.23 million or 0.75 percent; (C) Right-of-use assets decreased by Baht 1.92 million or 7.60 percent, and (D) Another non-current assets most of which were deferred tax assets increased by Baht 0.52 million or 2.29 percent.

**LIABILITIES:** The Company's Total Liabilities as at March 31, 2022 increased from the end of year 2021 totaled 177.64 million or 10.49 percent, consisting of: (A) Short-term loan which was for raw material supply and for working capital, increased by Baht 194.04 million or 25.41 percent (B) Trade accounts payable and other accounts payable, most of which were raw material purchase, increased by Baht 39.06 million or 57.62 percent. (C) Long-term loan decreased by Baht 49.92 million or 6.12 percent, and (D) Other liabilities most of which were liabilities under lease agreement decreased by Baht 5.54 million or 12.12 percent.

**TOTAL SHAREHOLDERS' EQUITY:** The total shareholders' equity of the Company as at March 31, 2022 increased from the end of year 2021 by Baht 5.07 million or 0.30 percent, due to the net profit as described above.

#### CASH FLOWS

Cash Flows	Unit: Million Baht	
	1 <sup>st</sup> quarter 2022	1 <sup>st</sup> quarter 2021
Cash Flows from (used in)Operating Activities	(126.72)	(323.65)
Cash Flows from (used in)Investing Activities	(20.87)	(25.88)
Cash Flows from (used in)Financing Activities	142.11	344.74
Net Increase (Decrease) in Cash	(5.48)	(4.79)
Cash at the Beginning of the Period	36.74	26.50
<b>Cash at the End of the Period</b>	<b>31.26</b>	<b>21.71</b>

(1) The Company's net cash used in operating activities in the 1<sup>st</sup> quarter 2022 totaled Baht 126.72 million, consisting of: (A) Profit before corporate income tax of Baht 4.73 million; (B) Non-cash items such as depreciation; Baht 52.01 million.(C) The operating assets increased by Baht 208.21 million due to an increase in trade and other receivables and inventories and advance payments for purchase of goods and another current assets; (D) The operating liabilities increased by Baht 35.06 million due to an increase in trade accounts payable, other accounts payable and other current liabilities, and (E) Interest expense by Baht 10.31 million.

- (2) The Company's net cash used in investment activities in the 1<sup>st</sup> quarter 2022 totaled Baht 20.87 million, consisting of: (A) The cost of industrial crops planting of Baht 0.92 million and (B) Assets purchasing by Baht 19.95 million.
- (3) The Company's net cash used in financing activities in the 1<sup>st</sup> quarter 2022 totaled Baht 142.11 million consisting of: (A) Receiving of short-term loan of Baht 194.04 million, (B) Repayment of long-term loan by Baht 50 million and (C) Repayment under financial lease at Baht 1.93 million.

## **LIQUIDITY AND SUFFICIENCY OF CAPITAL**

(1) The current ratio and quick ratio of the Company as at March 31, 2022 were 0.64 times and 0.23 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 March 31, 2022 was 1.09:1 times.

(3) The cash cycle of the Company in the 1<sup>st</sup> quarter 2022 was 36.70 days, which increased from the end of year 2021 by 18.16 days. The average debt collection period was at 36.67 days, which increased from the end of year 2021 by 7.41 days. The average inventory turnover was at 11.70 days, which increased from the end of year 2021 by 9.10 days, and the average debt repayment period was at 11.67 days, decreased from the end of year 2021 by 1.65 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 March 31, 2022, 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**

Because the COVID-19 situation has improved, more control measures have been waived. As a result, demand for fuel and ethanol is likely to improve. Coupled with the global oil price rise from the 1<sup>st</sup> Quarter continued the 2<sup>nd</sup> Quarter, then the pressure on ethanol prices has decreased. It is expected that the Company can increase the price of ethanol sales.

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